

THE STATE OF PROGRAMMATIC IN 2021

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The state of programmatic in 2021

New opportunities follow a year of transformation

In 2021, as the world faces a new, less daunting normal, programmatic advertisers are operating in an industry defined by new consumer shopping behaviors and shaped by streaming TV and video consumption trends — in many ways the result of yearlong stay-at-home orders.

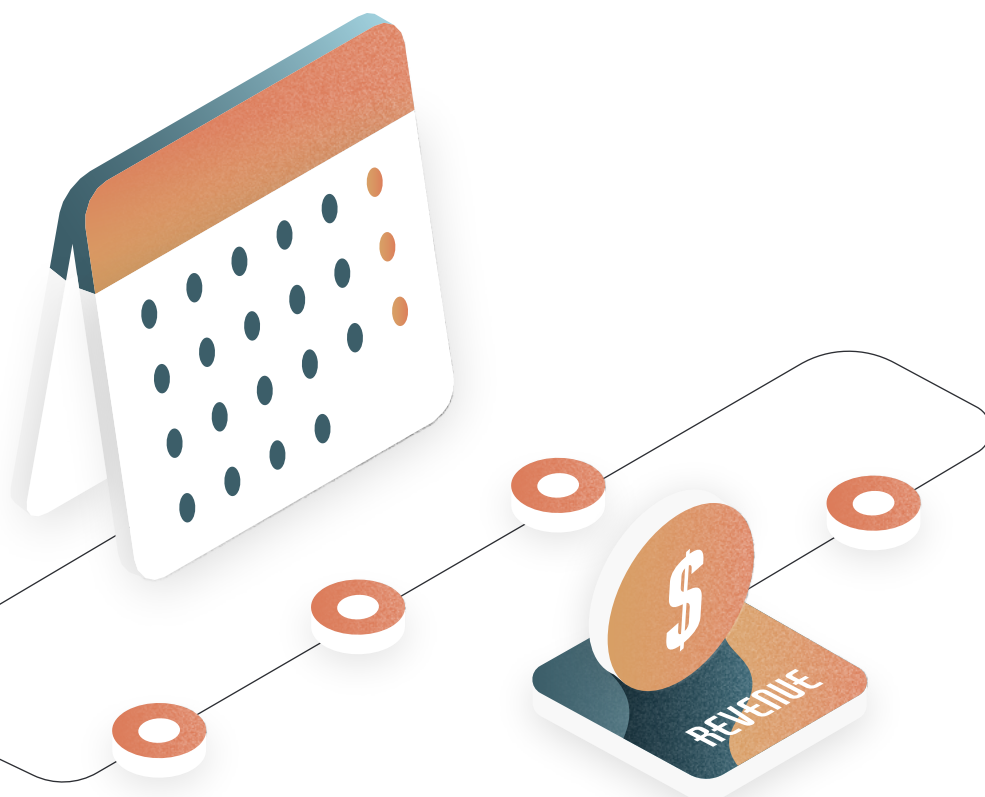
The pandemic accelerated the shift in viewership from linear TV to CTV and OTT, giving programmatic marketers a new, burgeoning medium to reach consumers. The e-commerce boom

sparked by the pandemic is not slowing down — [eMarketer reports](#) that retail e-commerce sales in the U.S. will increase by 13.7% to \$908.73 billion this year, surpassing pre-pandemic estimates of 12.8%.

The rest of 2021 is shaping up to be a time of progress and challenge-solving for the programmatic space, with marketing teams forming strategies to adapt to new opportunities and challenges brought about by the eventual loss of third-party cookies and

generally heightened regulatory focus on user privacy.

AdTheorent and Digiday surveyed more than 100 brand (55%) and agency (48%) executives to better understand how programmatic marketers were impacted by the pandemic and where the industry stands in its programmatic efforts today. This report uncovers how programmatic teams are approaching strategies, budget, technology, partnerships and as data deprecation looms, how they're future-proofing their approaches.

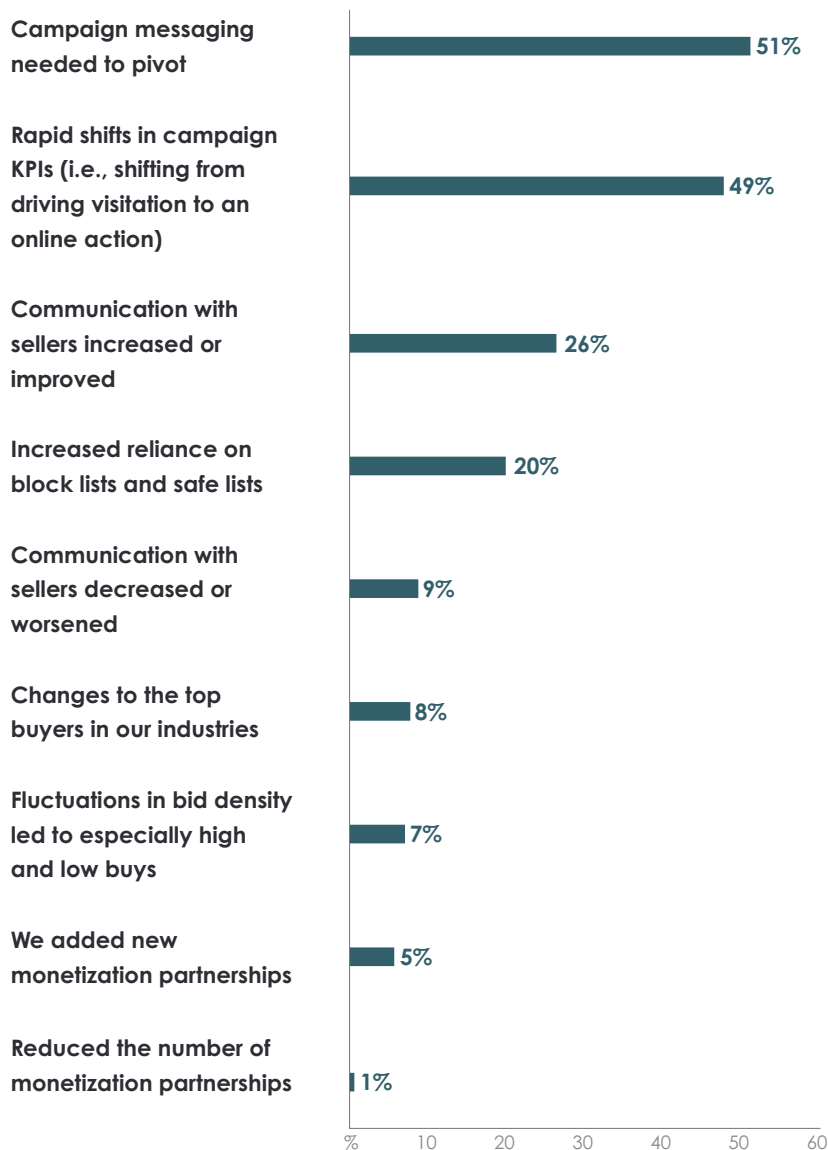


2020 transformed programmatic budget and strategies

According to survey respondents — programmatic marketers working in industries including retail and e-commerce, CPG, travel, consumer tech and B2B — the pandemic and new restrictions prompted quick pivots in terms of campaign messaging and KPIs.

The pandemic's impact on programmatic

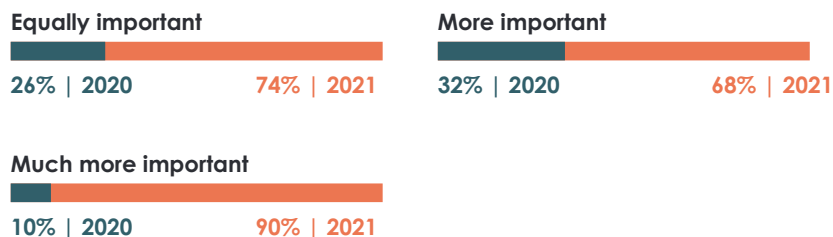
Q. In what ways did the changes of 2020 impact your programmatic marketing? Select all that apply.



A majority of brand and agency executives also viewed programmatic as “equally,” “more” or “much more” important to their marketing strategy compared to direct-sold inventory, with importance greatly increasing in 2021.

The changing significance of programmatic in marketing strategy

Q. Compared to direct-sold inventory, across 2020 and 2021 how important is programmatic to your marketing strategy?



Bill Todd, Chief Revenue Officer at AdTheorent, explained that when the pandemic began it was imperative for brands to remain visible as invisibility could have lasting effects on brand loyalty and favorability. Brands saw success pivoting to the appropriate message tailored to consumer needs at the time, particularly through e-commerce and digital approaches.

For example, quick service restaurants shifted messaging from encouraging people to visit dining locations to using online ordering platforms. One result of that change, in 2021, is brands that pivoted are now prepared to get in front of a new, larger customer base.

"The world was forced to become digital-first over the past year and

consumers of all ages are more digitally-focused than ever before," Todd said.

"This presents a huge opportunity for programmatic marketers to deliver personalized and relevant ad experiences throughout the funnel," he added.

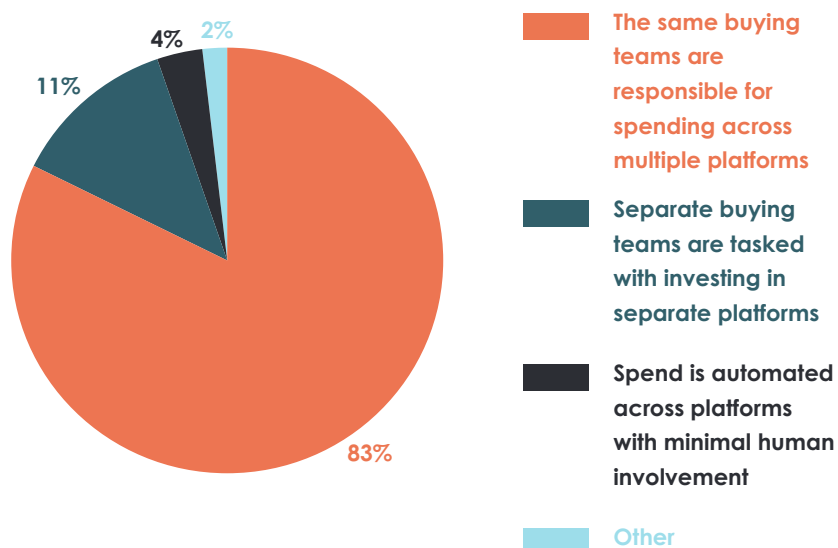
How brands and agencies are navigating programmatic buying

Working remotely has prompted programmatic teams to navigate the same platforms and their complexities in new ways. On an operational level, a vast majority of organizations have buying teams responsible for spending across multiple platforms versus separate buying teams tasked with investing in specific platforms or automated buying with minimal human involvement.

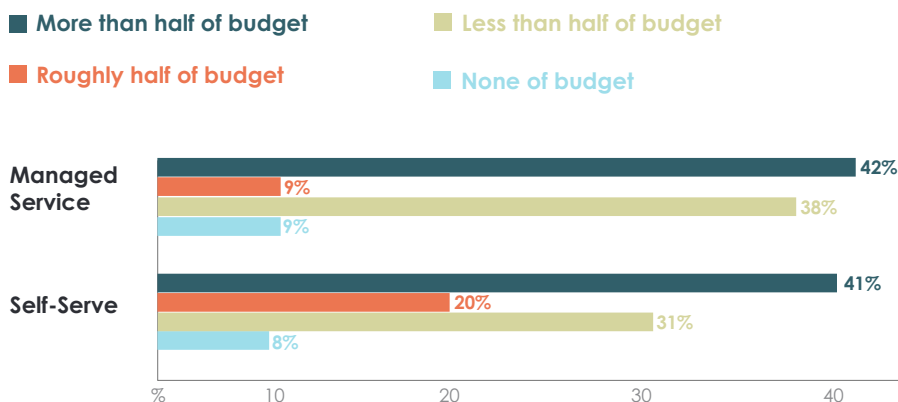
While most advertisers have buying teams responsible for spend across multiple platforms, there is a close-to-even split between managed programmatic and self-serve programmatic buys in terms of top spend; 42% of advertisers allocate more than half their budget to managed while 41% allocate more than half their budget to self-serve.

Advertiser approaches to programmatic buying

Q. On an operational level, what best describes your team's approach to programmatic buying?



Q. How much of your programmatic budget is allocated to managed partnerships/platforms and how much is allocated to self-serve partnerships/platforms?

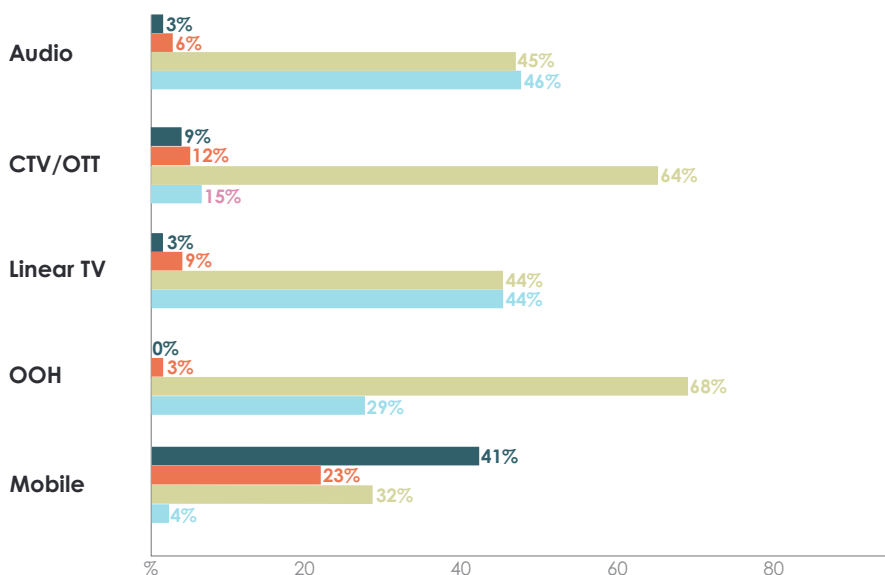


Currently, mobile is the channel where programmatic teams are allocating the most budget and this remains true a year from now with 64% of respondents allocating between roughly half, or more than half, of their budgets to mobile. While 21% of marketers allocated roughly half or more than half of their monthly programmatic budget to CTV in the past year, 28% of marketers will allocate that range in the next year.



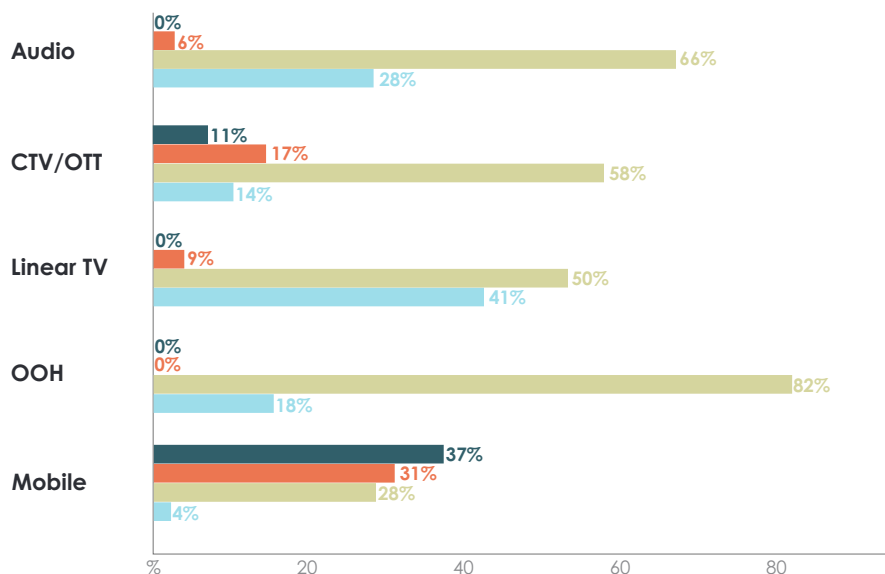
Q. When it comes to the following channels, please describe how much of your monthly programmatic budget you allocate to each.

■ More than half of budget ■ Less than half of budget
■ Roughly half of budget ■ None of budget



Q. One year from now, when it comes to the following channels, please describe how much of your monthly programmatic budget you expect to allocate to each.

■ More than half of budget ■ Less than half of budget
■ Roughly half of budget ■ None of budget



With the pandemic forcing people to quarantine and leading to increased screen time, marketing teams saw a need to increase programmatic budgets — especially if they offered essentials that consumers needed at home. This has moved beyond the pandemic as consumer buying habits continue to remain largely digital.

For example, Staples had in-demand products such as cleaning supplies and personal protective equipment, as well as office supplies for millions of people who found themselves working from home for the first time in a sustained way. The company also offered free shipping and same-day delivery options that provided convenience and safety for shoppers.

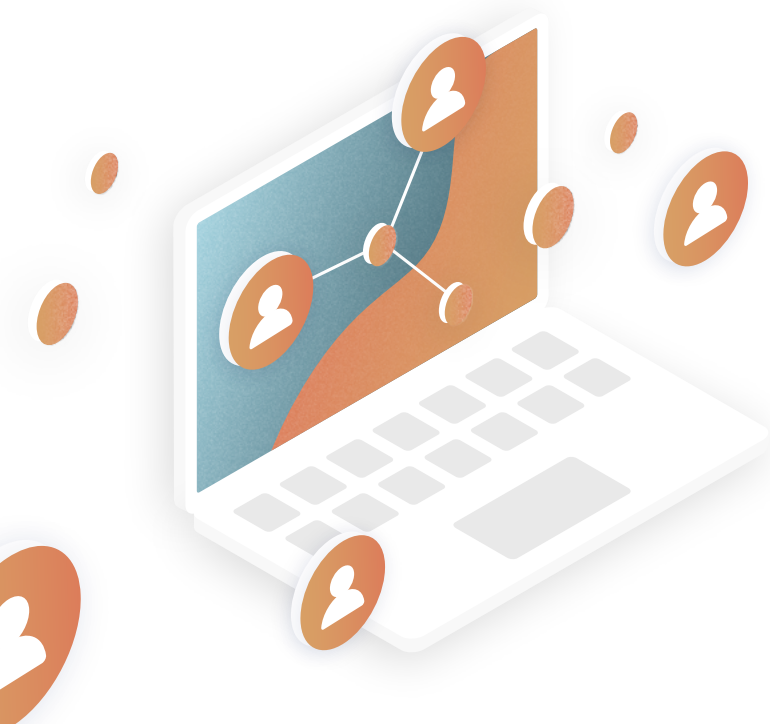
Brian Costello, senior director of integrated media at Staples, said increasing budgets enabled the brand to expand its programmatic partner base. The retailer boosted its advanced testing tactics to improve reach and awareness among target audiences.

In the past, Staples worked with a single programmatic partner. When Costello joined the company, he made the decision to expand DSP partners so the retailer could evaluate a wider variety of capabilities and perform more A/B tests and creative testing against audiences.

In another example of changes that came with the last year, in response to the pandemic, marketing and technology agency Digitas returned to the drawing board with clients

to determine new methods of approaching digital formats while still being sensitive to the state of the world.

“We took a step back and educated our B2B and B2C clients on how to make a positive impact with programmatic. We tested new formats with clients that we may not have previously explored,” said Emma Jensen, director of programmatic at Digitas. “In 2021, we’re building on that with our clients, with developments in programmatic ranging from personalized dynamic creative, audio and video, measurement studies and custom bidding solutions — and we’re making sure our media works smarter and harder than it did the year before.”



Programmatic marketers are reimagining TV strategies

Of all the changes happening in the programmatic space, the massive shift in viewership from linear to connected TV stood out. According to the IAB, 60% of U.S. advertisers planned to shift ad dollars from linear TV to CTV or OTT in 2021.

"Not surprisingly, the role of CTV in the programmatic mix is rising greatly. The proliferation of streaming companies has finally caught up with the demand," said Todd at AdTheorent. "The cord-cutting world has created an opportunity to consume wonderful content, and the rise in consumer adoption of streaming services has led to a dramatic increase in inventory

supply. This creates a huge opportunity for programmatic advertisers."

For example, Visit California and Mering deployed AdTheorent's machine learning modeling and predictive targeting to reach premium, in-market travelers. The campaign used a full-funnel approach via CTV placements and display ads to foster affinity for California as a premier travel destination while also boosting travel consideration.

"CTV has been an effective channel to achieve these objectives – VCR and engagement rates have seen consistent above-benchmark

performance," said Lynn Carpenter, vice president of global marketing at Visit California.

Overall, the survey results show that respondents have steadily increased their CTV and OTT programmatic budgets from 2019 to 2021. Notably, in the chart on the lower left, proportions of spend accounting for roughly half of budget or more increased each year.

One advertising category that continued advertising and took advantage of this unique opportunity to reach consumers in a new way was state governments and health departments.

Ellyn Davidson, CEO of media agency Brogan & Partners, partnered with AdTheorent to help the Michigan Department of Health and Human Services (MDHHS) reach people who were interested in becoming foster parents in the state of Michigan via CTV.

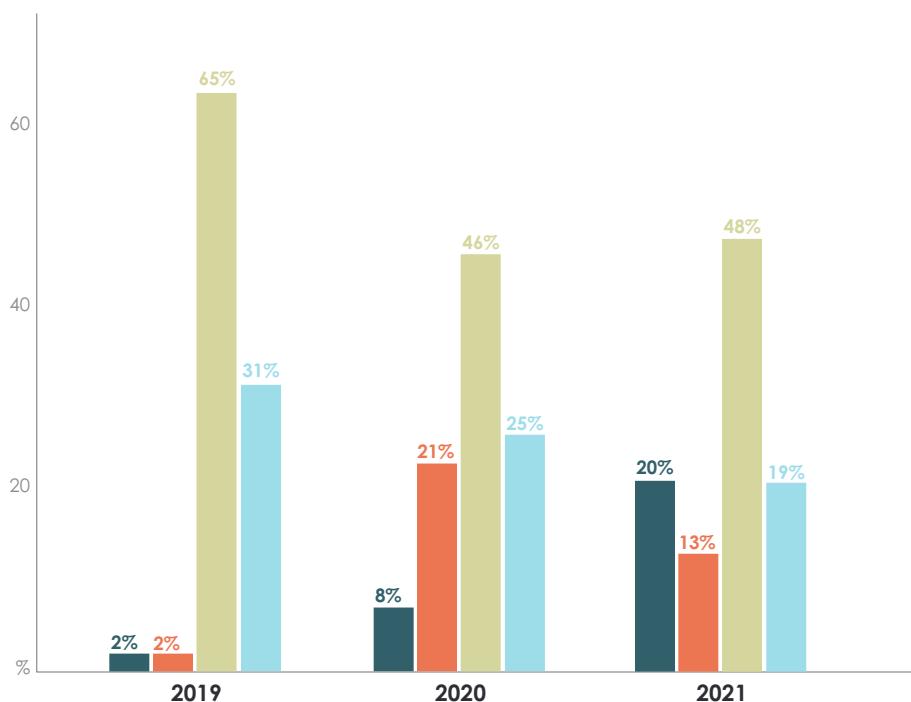
"During a time where it felt like everyone in the world was looking for ways to help each other, this was a unique opportunity to engage our target audience in a new way," said Davidson.

The CTV campaign creative incorporated a QR code and leveraged machine learning models and predictive targeting to reach consumers with the highest likelihood of converting. Additionally, data science tactics including sequential targeting and frequency optimizations encouraged multiple engagements. The MDHHS Foster Care 2021 campaign drew more than 11 million impressions with a 97.6% video completion rate.

The shift in programmatic CTV spend

Q. What proportion of your programmatic spend went to CTV and OTT in 2019, 2020 and 2021 (expected)?

■ More than half of budget ■ Less than half of budget
■ Roughly half of budget ■ None of budget



Staples was another example of the shift. The brand made a significant jump from linear to CTV buys for the first time during the 2020 back-to-school season.

"We switched to CTV because it's much more audience targeted, which led to better results," Costello said. "For some brands, linear TV still plays a purpose. But when it comes to choosing the most efficient way to spend our budget, CTV is where we see a greater opportunity. We're continuing to invest more this year in that side of the business."

Similarly, the pandemic pushed Digitas to fold CTV into its programmatic strategy last year. Jensen described the channel as a "hero" for some

of the agency's recent campaigns, opening doors to measurement and brand-lift studies that will inform how clients approach future campaigns.

Digitas worked with client Under Armour to run a brand-measurement study that allowed the programmatic team to measure the incrementality that CTV delivered on top of linear TV. The study demonstrated to the client CTV's overall effectiveness and how the channel could drive incrementality.

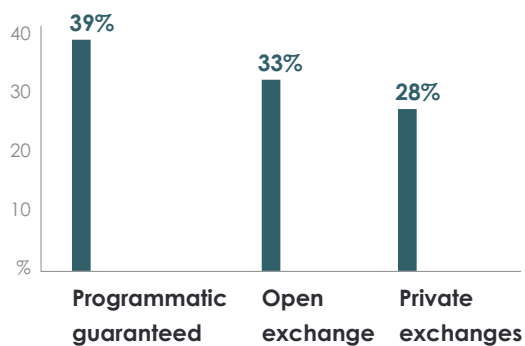
Specifically, a CTV campaign for Under Armour's workout products, which drew 1.4 million impressions, reached 104,000 incremental in-target households; 32% of total users reached were digital-only viewers, unreachable across linear TV.

The way programmatic marketers split their video inventory purchases varies. Survey results showed that programmatic guaranteed deals (inventory is purchased directly from the publisher) and open exchanges (buyers bid to purchase ad impressions from inventory of multiple publishers) were the top two ways that marketers purchase inventory.

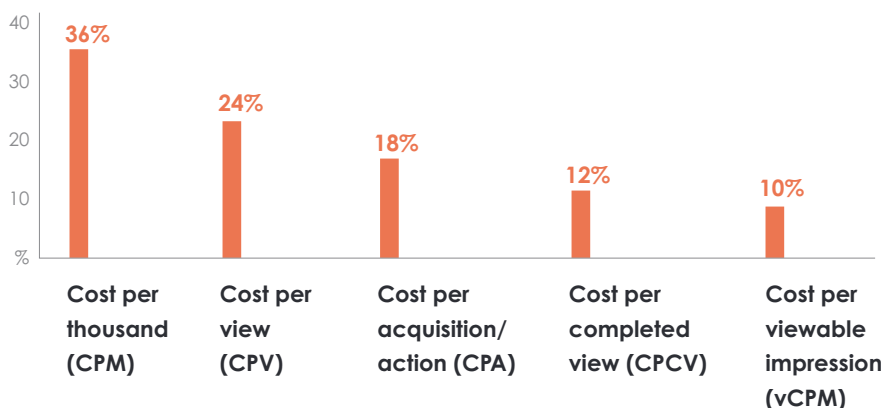
Buying from private exchanges was the least common approach. Among respondents, cost per thousand (CPM) was the most popular pricing model when buying programmatic video inventory.

Approaches to buying video inventory

Q. How do you split your programmatic video inventory purchases?



Q. What is your preferred pricing model when buying programmatic video inventory?



For programmatic teams, one roadblock to success in CTV involves quality inventory — or lack thereof.

At Staples, Costello said there's very limited quality inventory for programmatic buys in CTV. A solution to this issue, he said, would be more ad-supported high-quality inventory

on more premium streaming platforms, such as Hulu or Amazon Prime Video. Jensen at Digitas noted that inventory quality and availability depends on a programmatic team's buying strategy.

"We work very closely and manage direct deals with publishers or SSPs because it gives us control and

transparency of overall inventory and pricing," Jensen said. "For our clients, we don't have an issue with there not being enough quality inventory because we've been really careful to curate everything we run across. But your work is definitely cut out for you to make sure that you can deliver across the appropriate channels."

Finding the right audiences while navigating third-party cookie deprecation

In choosing a programmatic partner, a majority of respondents are looking for tech vendors with efficient targeting capabilities — solutions that are privacy compliant, affordable and use advanced KPIs. When it comes to targeting, nearly half of the survey respondents said that audience segmentation was the most effective tool for their programmatic campaigns, followed by retargeting and machine learning.

According to Costello at Staples, over the past few months, his team has conducted its own audience targeting, breaking the broader customer base into multiple segments. The brand's ultimate goal is to use programmatic as an opportunity to find new cohorts.

"Why do we want to continuously talk to our own customers that are already consistently shopping with us? We can use email and other channels for that," Costello said. "I see programmatic as the opportunity to bring a message to

people in the consideration set that aren't as familiar with our offerings." Relatedly, Staples views programmatic as an online awareness strategy to increase market share in the most competitive categories.

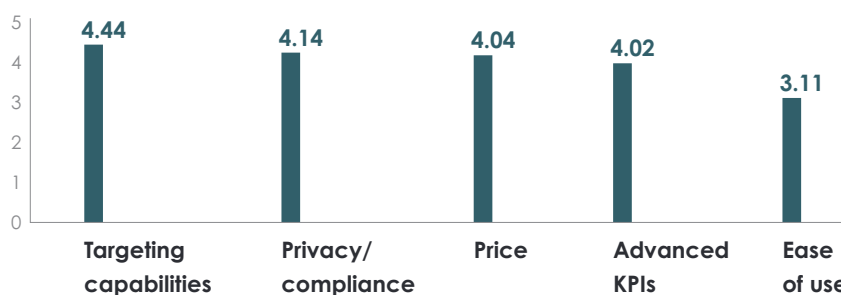
"If somebody is going to Amazon and searching for printer paper, ink and toner, they are less likely to search for those products elsewhere. They typically make that decision before they get a chance to discover other retailers," Costello explained. "Programmatic provides us with the

opportunity to interrupt those types of purchase behaviors and ensure Staples is top-of-mind before they are ready to buy."

The impending deprecation of third-party cookies is prompting programmatic teams to reimagine addressability tactics as well. More than half of the survey respondents are looking to first-party data tactics to create addressable audiences, while nearly half are seeking contextual data solutions.

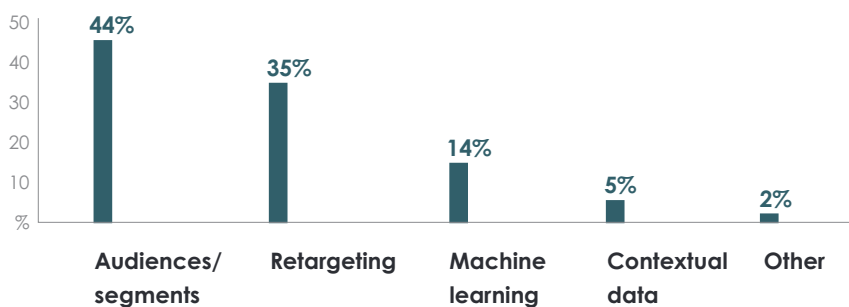
What companies look for in programmatic vendors

Q. What are the most important factors taken into account when choosing a programmatic partner? (Weighted rank, high [5] to low [1].)



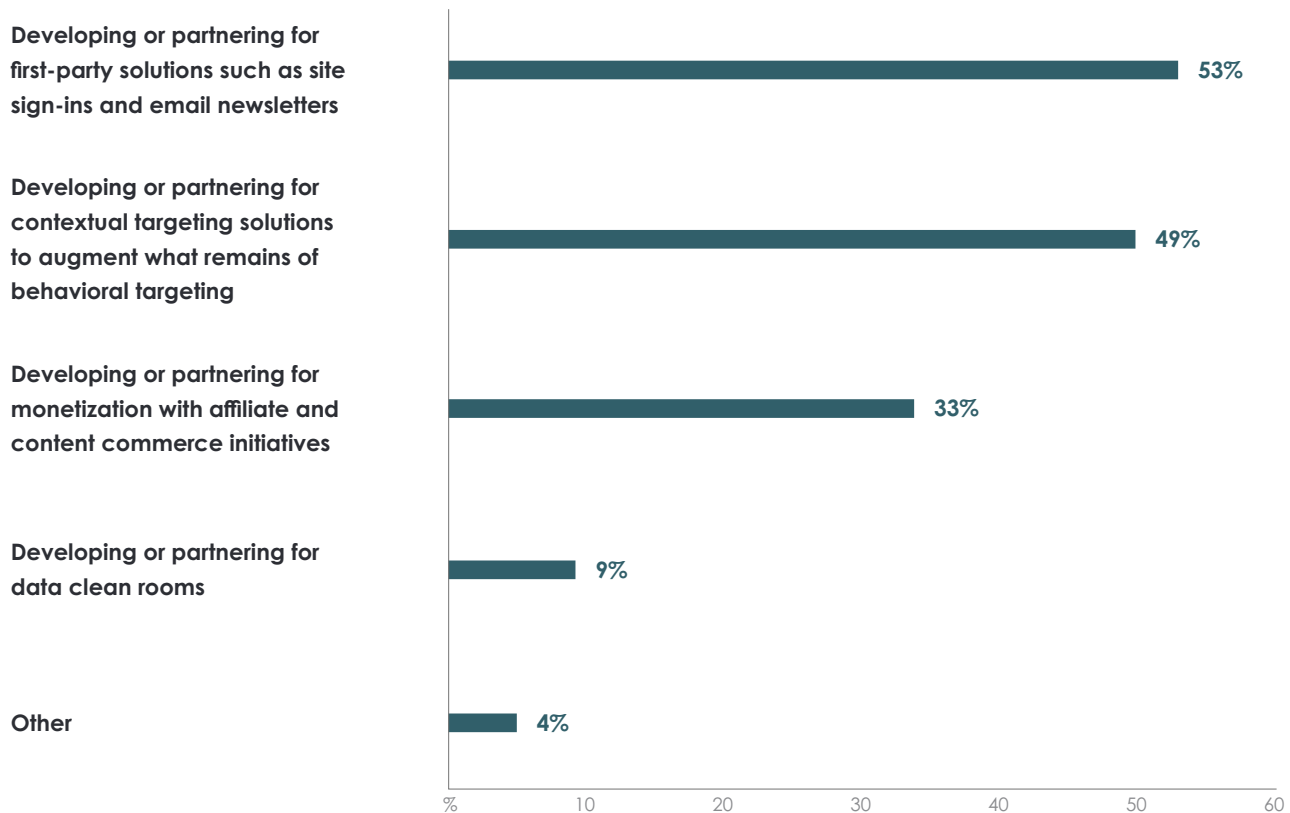
Targeting approaches that lead to campaign success

Q. What targeting approaches or tools have been most effective in your programmatic campaigns? Select all that apply.



Preparing for the post-cookies web

Q. What additional steps are you taking to adapt your programmatic efforts to the post-cookies future? Select all that apply.



As the chart to the right shows, privacy laws such as GDPR and CCPA, browser operating system restrictions and a consumer's ability to opt-out of mobile tracking are all contributing to uncertainties in data capabilities. However, most marketers (59%) feel somewhat prepared for changes to come.

"The good news is there are platforms available currently that are set up to be successful in the future and not as impacted by the deprecation of cookies," said Todd at AdTheorent.

"More marketers should consider those platforms as partners moving forward. There are ways to operate in a privacy-forward manner through machine learning, as well as targeting approaches like predictive targeting and customized data science models

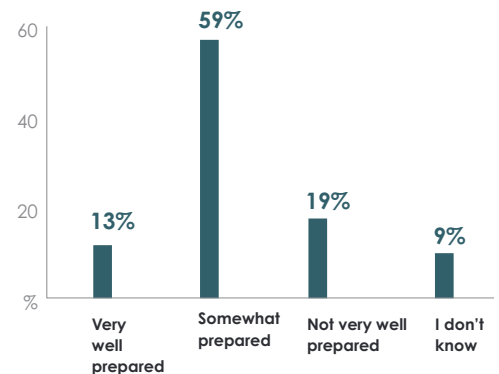
that are not reliant on third-party cookies," he added.

At Staples, the brand has the advantage of leveraging first-party data across all owned properties, such as Quill Corporation and Staples Advantage. Now, the priority is to work with its privacy teams and tech partners to test out as many alternative addressability solutions as possible ahead of Google phasing out third-party cookies.

"We're testing with our partners now as if third-party cookies didn't exist," Costello said. "There's not going to be a unified solution right away. I think, ultimately, the large players including big DSPs will coalesce around something; it's important to be ready to be engaged with all of them."

Are marketers ready for privacy changes?

Q. How prepared is your organization when it comes to new privacy regulations that impact programmatic advertising?



Measurement obstacles and opportunities

The backbone of success in the programmatic advertising space is metrics — and while there's always a place for clicks and impressions, most marketers are viewing conversions as the most important KPI.

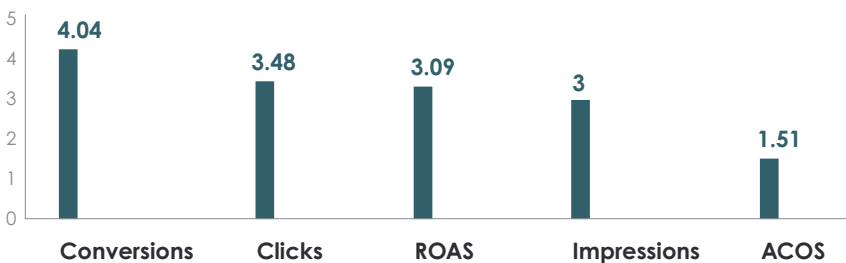
At AdTheorent, Todd said there are two shifts happening in the programmatic landscape when it comes to measurement. The first is that more advertisers are putting a significant focus on real-world outcomes that result in ROI, such as in-store purchases and travel bookings, rather than vanity metrics. The second area involves more focus on data science modeling and its importance when it comes to measuring performance.

"While there are many different types of data science and data science modeling, purpose-built or custom models are paramount in driving performance and achieving advanced KPIs that deliver actual business outcomes," Todd said.

More than half of marketers surveyed cited inefficient or redundant targeting as the most significant negative outcome created by data silos. This suggests that programmatic teams will need to develop new solutions to eliminate data silos and conflicting metrics.

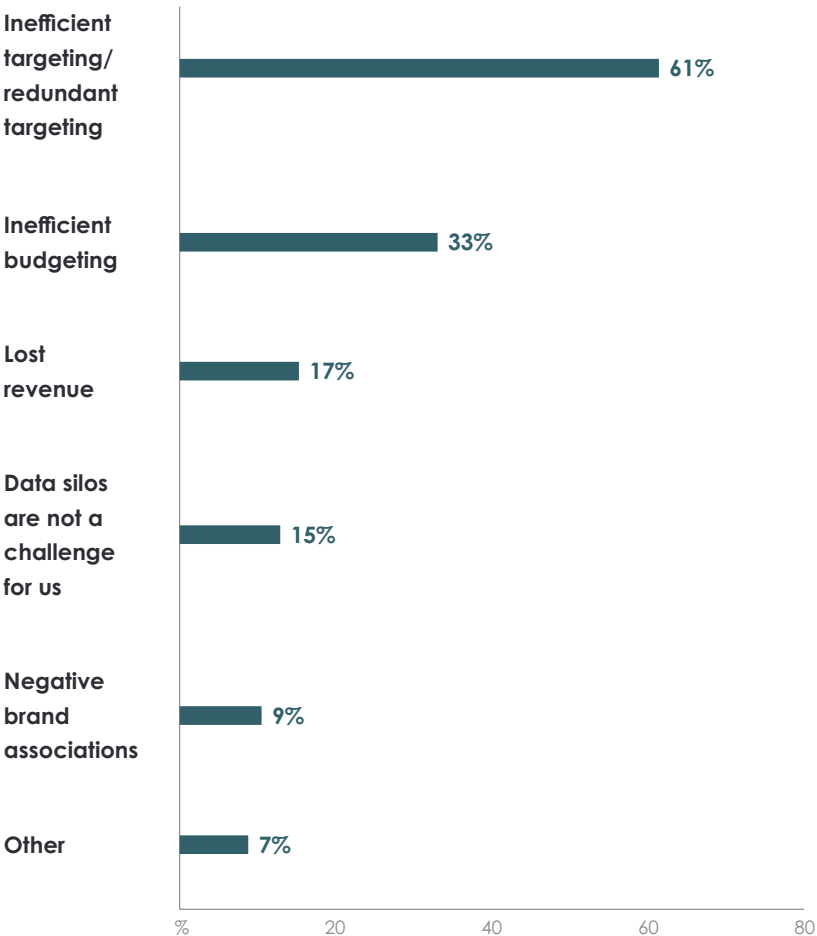
How programmatic marketers are measuring success

Q. What are your metrics for success with programmatic marketing? (Weighted rank, high [5] to low [1].)



The impact of data silos

Q. What are the most significant negative outcomes that data silos create for your programmatic team? Select all that apply.



At Staples, Costello said a primary pain point, when it comes to measurement, is accurately measuring KPIs for channels that aren't click-based. The most important KPIs for Staples right now are incremental revenue, margin and new customer acquisition.

To tackle this challenge, the brand is building out and deploying data science techniques such as marketing mix modeling and multi-touch attribution tools to analyze the incrementality of particular advertising channels.

"We're building out a massive amount of incrementality testing to show the value of digital channels and what's really driving success," Costello said. "This can be especially challenging for legacy brands like Staples, with a foundation that was built around more traditional channels. As we continue to see success with measuring those advanced KPIs, we are able to prove out those models consistently."

At Digitas, Jensen said analyzing attribution and cross-channel measurement has always been a primary focus for the agency's

programmatic team. The agency constantly explores how it can strengthen its omnichannel strategies and merge online and offline data to inform future programmatic decisions.

"How we address these areas is by working with our data, analytics and science teams; we also have CRM teams and specific media teams," Jensen said. "We collaborate quite closely together and it provides us that leaning edge into areas of media that are really crucial for us."

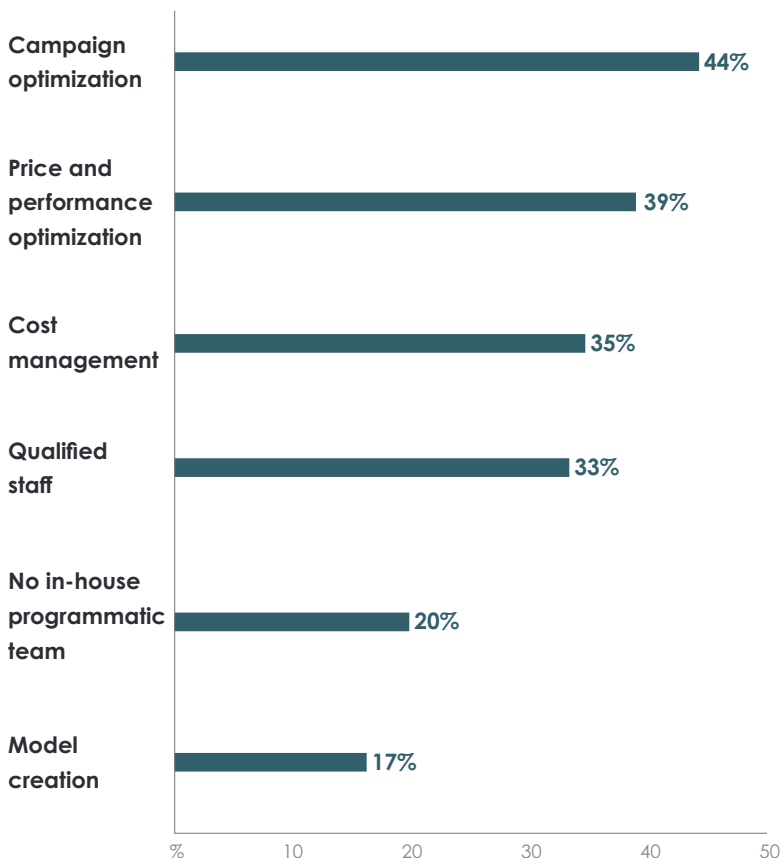
Future-proofing programmatic strategies

As we explored earlier in this report, programmatic teams are looking at significant opportunities in 2021 and beyond, especially when it comes to e-commerce and CTV approaches. But there are also challenges to consider, particularly around accurately measuring campaign performance and creating addressable audiences once third-party cookies are phased out.

Additionally, main challenges for respondents' in-house programmatic teams include optimizing campaigns, price and performance, cost management and lack of qualified staff.

Obstacles for in-house programmatic teams

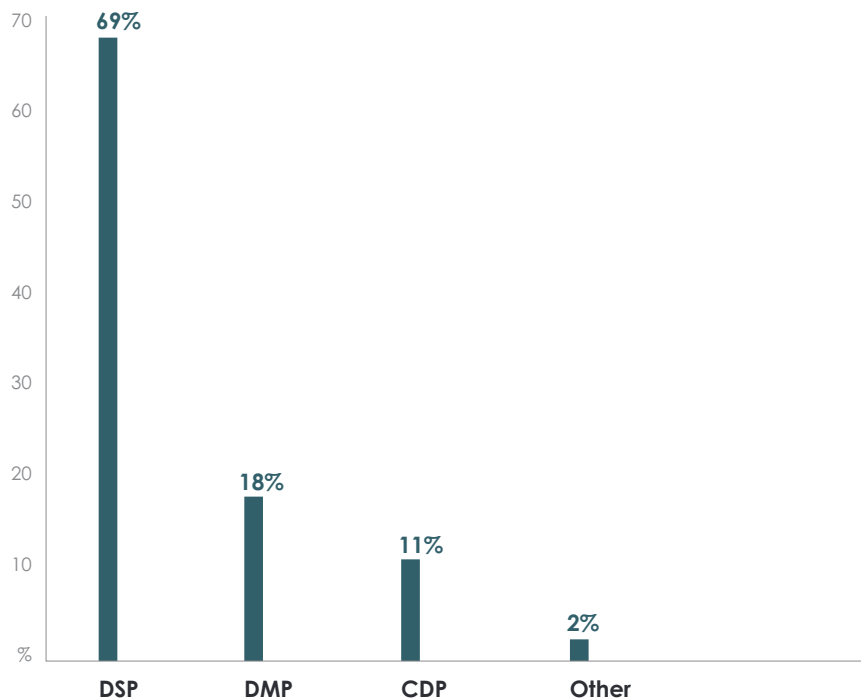
Q. What are the biggest challenges facing your in-house programmatic marketing team? Select all that apply.



To tackle challenges within the programmatic space, a majority of marketers are developing strategies and solutions with DSPs, in line with how Staples is approaching programmatic.

Programmatic teams are relying on these platforms

Q. Which platforms are driving your programmatic efforts?



Beyond the platforms they prioritize, to effectively and efficiently deploy programmatic campaigns in 2021 and beyond, teams will need to look for tech partners with the following qualities:



A privacy-forward approach to addressability. To thrive in a cookieless web, platforms will need to have knowledge and experience in testing alternative solutions to help teams reach their target audiences.



Purpose-built, custom data science modeling capabilities, which are key to driving advanced KPI performance.



Machine learning solutions that can improve dynamic creative strategy and output.



Support and expertise for any need within the programmatic space, be it needing to drive sales or getting a campaign live.

Programmatic teams that choose these types of partners will be able to better adapt their strategies to new consumer behaviors, and become more agile within a space that is constantly evolving.

As we learned from the survey respondents and experts, during the

past year programmatic teams have adapted their e-commerce strategies to new customer behaviors, shifted budgets to CTV to reach consumers more effectively and worked with tech partners to improve measurement and audience addressability. Moving forward, with data science and machine learning solutions for digital

advertising, and new testing strategies in place, the world of programmatic is set to be one in which brands and agencies will thrive in 2021 and beyond.



About AdTheorent

AdTheorent uses advanced machine learning technology and solutions to deliver impactful advertising campaigns for marketers.

AdTheorent's industry-leading machine learning platform powers its predictive targeting, geo-intelligence, audience extension solutions and in-house creative capability, Studio A\T.

Leveraging only non-sensitive data and focused on the predictive value of machine learning models, AdTheorent's product suite allows advertisers to identify the most qualified individuals coupled with the optimal creative experience to deliver superior results, measured by each advertiser's real-world business goals.

AdTheorent's award-winning platform and capabilities are also available through a first-of-its-kind Direct Access offering. Direct Access gives brands and agencies user access to the AdTheorent platform to self-optimize KPI performance, delivery and costs, supplemented by a level of service not typically provided by self-service solutions.

For more information, visit adtheorent.com

