The state of dynamic advertising

Evolving roles, workflows, opportunities and the convergence of DCO and ad serving

DIGIDAY | **clinch**

OPTIMIZATION

PERSONALIZATION

DYNAMIC CREATIVE

Dynamic advertising is foundational for managing and serving personalized and relevant creative to the right audiences, even as it blurs the lines between ad serving and dynamic creative optimization.

In 2023, agencies are increasingly leveraging DCO to serve omnichannel audiences with relevant, personalized ads rapidly and at scale. While dynamic advertising and creative optimization rely on real-time data, developing these ads has traditionally been a siloed process in which agency teams rely on manual processes in somewhat or mostly compartmentalized workflows.

In this new State of the Industry report, Digiday and Clinch polled more than 120 agency respondents to learn how teams bring efficiency and precision to their DCO efforts, particularly across trafficking, planning and execution workflows.

We learned that teams are innovating when building and delivering ads within DCO programs and optimizing against outcomes in 2023 and 2024. DCO is used for numerous campaign applications, including personalization and A/B testing. The role of DCO is also poised to change as agencies increasingly rely on first-party data amid the deprecation of the third-party cookie.

Our survey also told us that agencies have yet to reach the full potential of DCO as they adapt their workflows to become better integrated — adding efficiency throughout the campaign lifecycle. Most agencies are dealing with disjointed processes, reminiscent of the siloed systems that have long existed between ad-serving and creative teams within larger organizations.

"Historically, there was a clear separation between what we call standard ad serving and dynamic creative optimization," said Oz Etzioni, co-founder and CEO of Clinch. "Now, even basic campaigns include multiple audiences, multiple channels, different creatives with different types of conditions that need to run. What teams are realizing is that they can leverage a platform that was built for the most complex campaigns and setups to facilitate and create efficiency and performance."

What's in this report?

- How agencies are leveraging DCO to serve relevant, personalized ads

- Ways agencies are managing their DCO processes — and how it's changing

- How agencies are measuring DCO success in 2023

- The scope of strong external partnerships for DCO teams

Who's in this report?

Oz Etzioni, co-founder and CEO, Clinch
Angela Zepeda, Chief Marketing Officer, Hyundai Motor America*
Amanda Glaser, U.K. retail marketing manager, Shell*
Don Sklenka, senior vice president, DCO solutions, Dentsu
Jess Hondolero, vice president, creative solutions, Clinch
Jeffrey Grant, head of client consulting and revenue, Useful Research, Inc.*
Patricia McDonald, Chief Strategy Officer, Dentsu Creative^
Roger Vasquez, vice president, technology solutions, Clinch
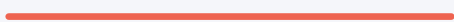Serge Matta, president, LG Ads Solutions

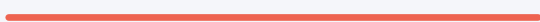*via Digiday reporting
^via Dentsu reporting

As campaigns grow in complexity, agencies are increasingly leveraging DCO to serve personalized, real-time ads at scale

Our survey showed that dynamic creative optimization is firmly established in agencies' toolkits.

In Digiday and Clinch's survey of 123 agencies, 99% of respondents said DCO is a significant factor in their work, including 45% that reported that DCO is "very significant."

Q. **How significant is dynamic creative optimization to successful campaigns?**

Very significant: 45%

Somewhat significant: 54%

Not very significant: 1%

"Think of DCO as the glue between creative and media," said Etzioni. "Now it's more achievable with current technology to really match creative and media, serve and optimize campaigns, but also eventually measure and understand what works on which audience and why it's working."

Agencies are leveraging DCO for various campaign applications; most frequently, that means real-time adaptability (80%) and personalization at scale (76%). Compared to non-DCO campaigns, dynamic creative optimization also offers agencies improved relevance in ad serving (60%), A/B testing and iteration (58%) and enhanced engagement (51%).
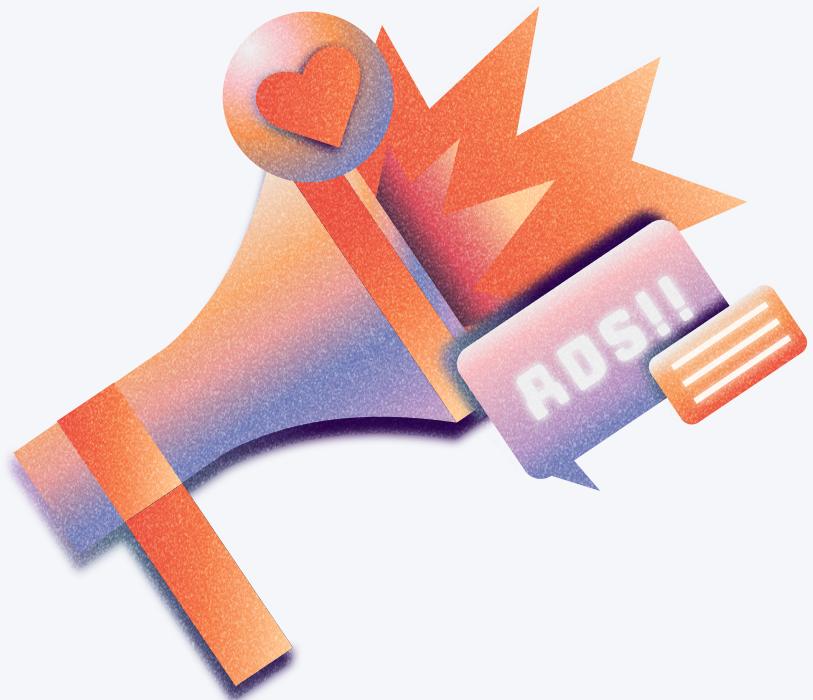
Q. What opportunities does DCO offer that non-DCO campaigns do not? Select all that apply.

Option	Percentage
Real-time adaptability	80%
Personalization at scale	76%
Improved relevance	60%
A/B testing and iteration	58%
Enhanced engagement	51%
Message sequencing	33%
Adapting to user behavior	33%
Locationalization and geo-targeting	23%
Data-driven creativity	19%
Reduced ad fatigue	18%
Creative flexibility	15%
Optimized ad spend	14%
Enhanced performance analytics	11%

While agencies place a high value on real-time adaptability and personalization at scale, 82% of respondents are still leaning on the manual creation of unique ads in their current approaches to building dynamic creative for different campaigns.

However, more than three-quarters (77%) also use templates with dynamic elements. Additionally, 40% are taking advantage of data-driven content variations for their dynamic creative, while less than a quarter of respondents (20%) are incorporating AI-powered tools into their workflows.

Q. How does your agency currently approach building dynamic creatives for different campaigns? Select all that apply.
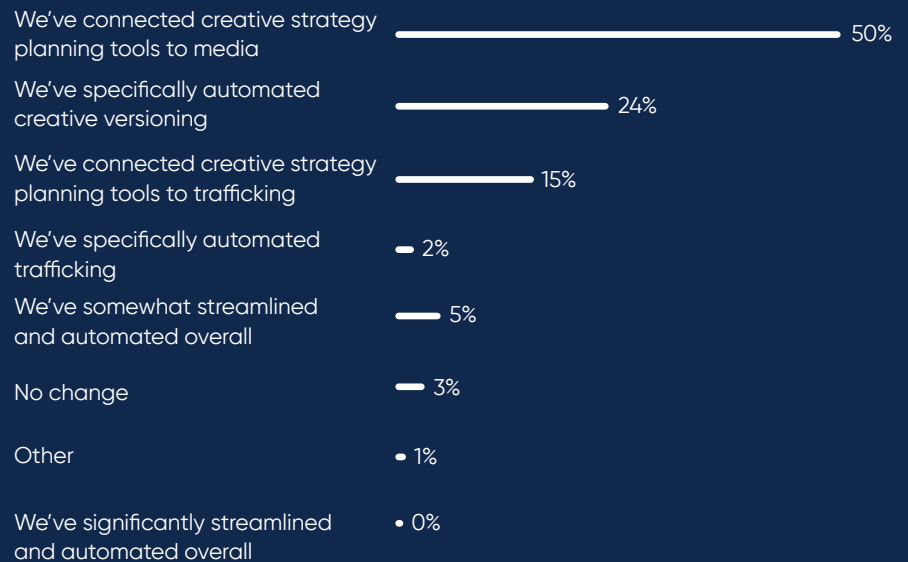
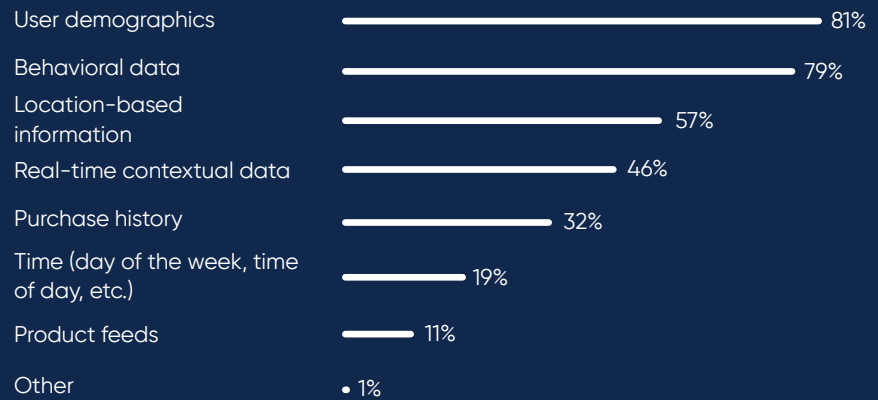|	
Manual creation of unique ads	82%
Utilizing templates with dynamic elements	77%
Leveraging data-driven content variations	40%
Integrating AI-powered tools	20%
Other	• 1%
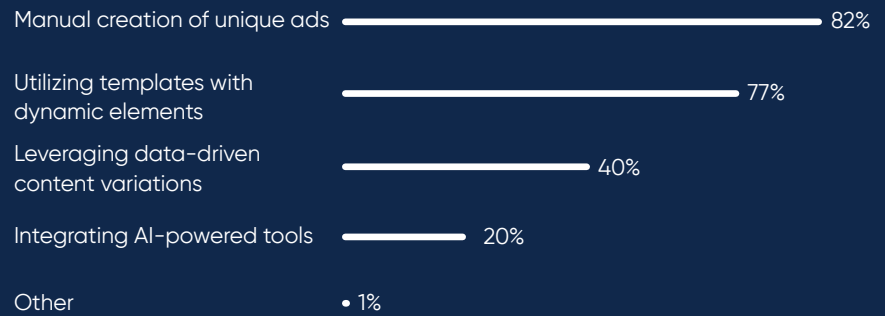
To help activate dynamic creative rapidly, half of the respondents have connected creative strategy planning tools to media. Another 24% have automated creative versioning, and 15% have connected creative strategy planning tools for trafficking.

Q. How has your organization's workflow for DCO evolved in the past two years?

We've connected creative strategy planning tools to media	50%
We've specifically automated creative versioning	24%
We've connected creative strategy planning tools to trafficking	15%
We've specifically automated trafficking	2%
We've somewhat streamlined and automated overall	5%
No change	3%
Other	• 1%
We've significantly streamlined and automated overall	• 0%

To support these dynamic elements, agencies primarily rely on user demographics (81%) and behavioral data (79%). Teams also leverage location-based information (57%) and real-time contextual data (46%) to inform dynamic creative.

Q. Which data sources do you primarily use to support dynamic elements of your creatives? Select all that apply.

User demographics	81%
Behavioral data	79%
Location-based information	57%
Real-time contextual data	46%
Purchase history	32%
Time (day of the week, time of day, etc.)	19%
Product feeds	11%
Other	1%

While some of these elements may be used more sparingly, they can prove effective for agencies and their advertiser clients.

For instance, as reported by Digiday, automaker Hyundai uses contextual information to serve audiences shopping for competitor car brands with Hyundai video ads.

"If a customer is shopping for a Honda or Toyota, we can serve them a video of a Hyundai ad that shows them our competitive product, and what the product that they're looking at doesn't have," Angela Zepeda, CMO at Hyundai Motor America, told Digiday. "This [dynamic creative optimization] DCO video, where we can customize it for the personalization of who the customer is, is really fantastic."

Similarly, when Shell tested the automated creation of online ads in the U.K., the retailer customized variants based on audience segments, location, time of day and more. For example, someone living next to a Shell forecourt selling Costa Coffee saw ads for that brand available at certain times of day, whereas someone living next to one with a Waitrose store saw respective promotions.

"This gives us the ability to target the message by site and offering," Amanda Glaser, Shell retail marketing manager in the U.K., told Digiday. "It means we're not wasting any of our investment because we're making sure we're able to deliver the right message to the right customer at the right part of their journey."

This level of customization is helping agencies further optimize their campaigns and better use their resources.

"Through DCO, you start to fully understand what brand messages and what brand experiences resonate best with specific audiences, how you should communicate, how you should differentiate your audiences, what platforms to use to distribute the media," Etzioni said. "It gives agencies a much better holistic understanding and view of those audiences. That translates to a huge saving of cost and time from production, activation, and eventually analytics and insights."

While DCO is essential for campaign activation and optimization, agencies continue refining their processes

Although DCO has become a standard and significant tool for agencies, they continue fine-tuning how to manage and structure DCO teams and functions effectively.

Overall, 71% of agencies report that their creative and ad-serving process workflows are at least "somewhat well-integrated and efficient," including 15% that describe the two process workflows as "very well integrated and efficient." However, 28% find their creative and ad-serving workflows are at least "somewhat poorly integrated and efficient."

Q. **Regarding DCO, how well are your creative and ad-serving process workflows performing in 2023:**

|	
Very well integrated and efficient	15%
Somewhat well integrated and efficient	56%
Somewhat poorly integrated and inefficient	26%
Very poorly integrated and inefficient	2%
Other	1%
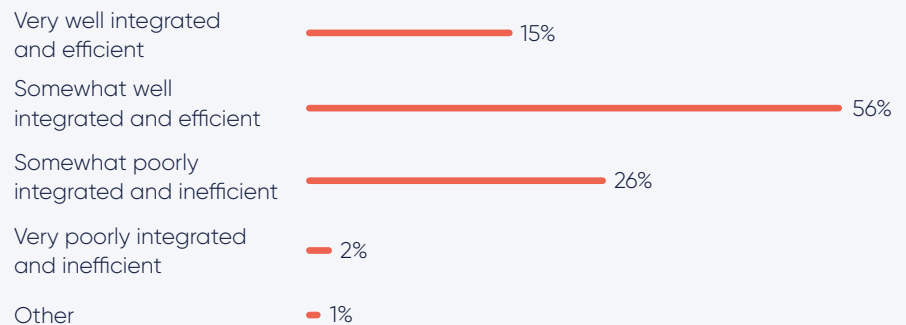
These fragmented workflows put agency teams at risk of increased human error.

"The more humans that touch a campaign, the higher the likelihood of something getting lost in translation," said Don Sklenka, senior vice president of DCO solutions at Dentsu. "The reduction of those friction points should reduce trafficking time, should reduce errors, should reduce time to market, should reduce creative nuances."
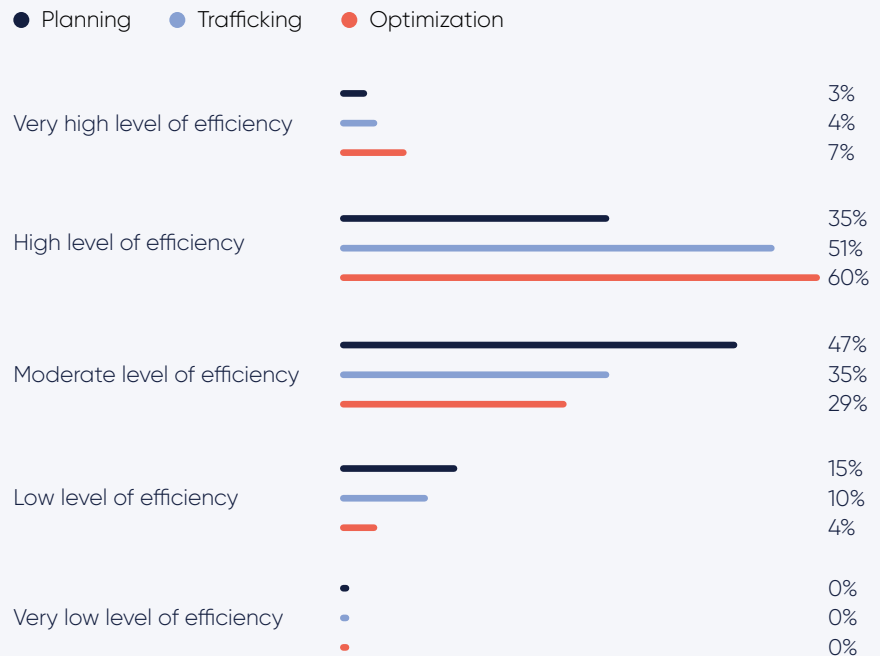
Indeed, at agencies, the most essential areas for DCO workflow efficiency are creative authoring (71%), planning (62%) and trafficking (45%).

Q. **In which areas of your DCO workflow is efficiency most important to your teams? Select all that apply.**

Creative authoring	71%
Planning	63%
Trafficking	45%
Optimization	27%
Reporting	9%
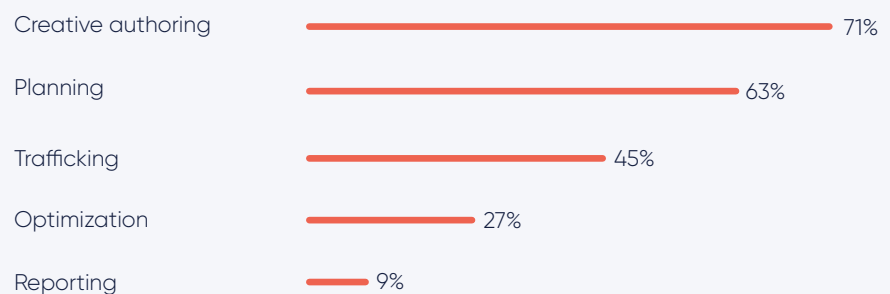
However, only 35% of teams achieve a "high level of efficiency" regarding planning in their DCO workflows and outcomes. The same is true for about half of teams (51%) achieving a "high level of efficiency" regarding trafficking. Less than 10% of agencies report a "very high level of efficiency" across planning, trafficking or optimization.

Q. **To what extent are your teams achieving efficiency in your DCO workflow and outcomes?**

● Planning   ● Trafficking   ● Optimization

|	Planning	Trafficking	Optimization
Very high level of efficiency	3%	4%	7%
High level of efficiency	35%	51%	60%
Moderate level of efficiency	47%	35%	29%
Low level of efficiency	15%	10%	4%
Very low level of efficiency	0%	0%	0%

These inefficiencies may result from agencies' creative, data and media teams and processes and teams needing better integration.

"What will sometimes happen is the creative team might have an idea in their mind of data-driven creative, compared to how a media team might want to approach it," said Jess Hondolero, vice president of creative solutions at Clinch. "Sometimes those thoughts don't necessarily come together. Those conversations aren't happening between both teams to really understand what they want to accomplish."

Regarding the teams, the findings echo respondents' perception of workflow efficiency. Two-thirds of respondents (67%) report at least "some degree of collaboration and integration" among people working on creative, data analytics and ad serving, with 12% reporting a "high degree of collaboration and integration." Nearly a third (30%) say a "limited degree of collaboration and integration."

Q. **How closely do people working on creative, data analytics and ad serving collaborate in shaping dynamic creative campaigns?**

High degree of collaboration and integration — 12%

Some degree of collaboration and integration — 55%

Limited degree of collaboration and integration — 30%

Minimal degree of collaboration and integration — 2%

No collaboration — 1%
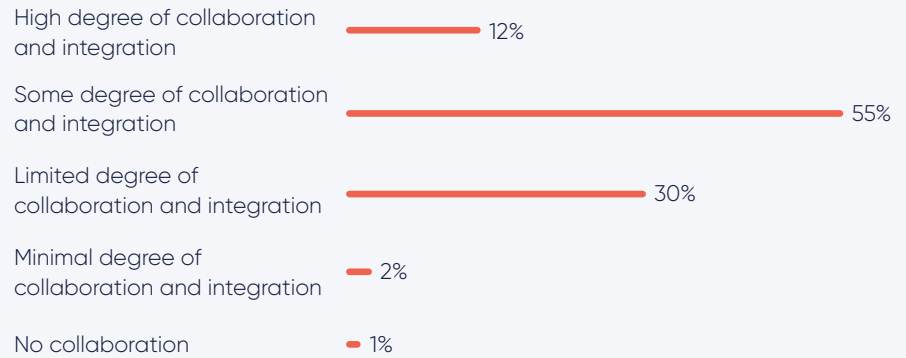
Recognizing that internal silos hamper omnichannel strategy and performance, agencies are anticipating a shift in how DCO functions are structured and managed.

"Breaking down silos is the big thing, even if that's easier said than done," said Jeffrey Grant, head of client consulting and revenue at Useful Research, Inc., in a Digiday article. "The customer journey of today is a hybrid of offline and online, and that means eliminating barriers not just between media buying teams, but also between media, like digital, audio, OOH, in-store and creative, and among different tech vendors."

In 2023, 54% of agencies report that creative and ad serving are related but independent processes. However, in 2024, only 37% of agencies expect to approach creative and ad serving as related but independent processes. Instead, 41% of agencies expect their ad-serving team to handle DCO entirely in 2024, up from 29% in 2023. Only 6% of agencies will have creative teams solely managing DCO in 2024, up from 5% in 2023.
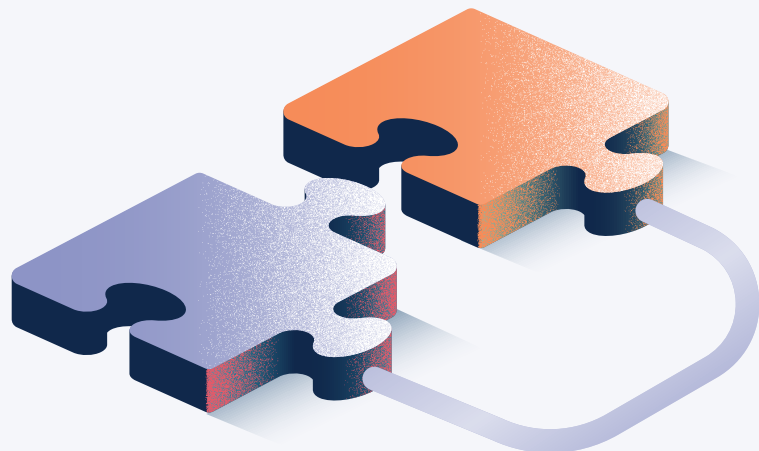
Q. **Which team or function handles the execution of DCO campaigns at your organization in 2023? What do you anticipate it will be in 2024?**

● 2023   ● 2024

The creative team
handles DCO entirely 5%
.... 6%

The ad-serving team
handles DCO entirely 29%
.... 41%

Creative/ad serving are
related but independent 54%
.... 37%

Creative/ad serving increasingly
intertwined re DCO 10%
.... 13%

Creative/ad serving deeply
intertwined re DCO 2%
.... 3%
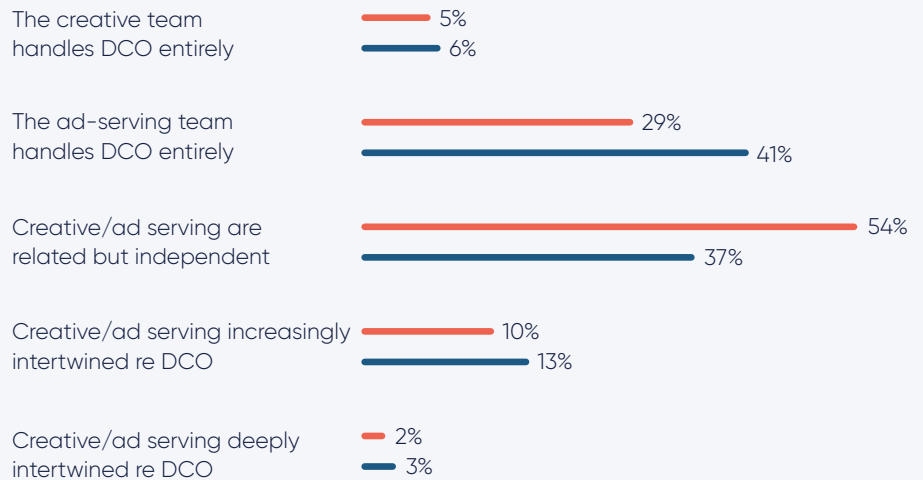
Notably, 16% of agencies are increasingly intertwining creative and ad-serving teams for handling DCO in 2024, up from 12% in 2023. This is the approach recommended by Clinch's Etzioni and other experts.

"Agencies have legacy processes in-house, and tech is running forward and changing the way that workflows and processes have to be executed," Etzioni said. "It's really important for agencies to break silos and to allow teams to collaborate and communicate, managing campaigns on as few platforms as possible."

Streamlining workflows and fostering collaboration internally also allows agencies to serve their clients better.

"The key to leading, not lagging behind, will be our ability to break down silos and put the customer at the center," said Patricia McDonald, Chief Strategy Officer at Dentsu Creative, in a recent Dentsu report. "Our clients are asking for agency partners with the ability to deliver ideas big enough to live anywhere, bold enough to chart new executional territory and rich enough to spark personal connections with millions around the world. That requires a new and progressive set of capabilities that combines rigorous strategic and brand foundations with the ability to execute anywhere we can spark those connections: gaming to entertainment platforms, culture to commerce."
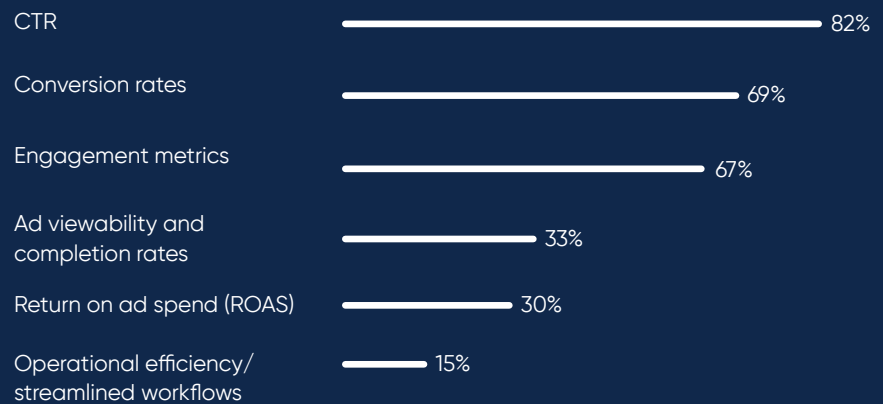
DCO teams are leaning on traditional metrics to measure campaign success

Despite the emphasis on workflows, only 15% of agencies are measuring the success of their DCO efforts through operational efficiency.

Instead, the focus is on click-through rates (82%), conversion rates (69%) and engagement metrics such as time-on-site (67%). This echoes the metrics that agencies are finding perform best in their DCO efforts: CTR (78%), conversion rates (68%) and engagement metrics (63%).

Q. How do you currently measure the success of your DCO efforts? Select all that apply.

Metric	Percentage
CTR	82%
Conversion rates	69%
Engagement metrics	67%
Ad viewability and completion rates	33%
Return on ad spend (ROAS)	30%
Operational efficiency/ streamlined workflows	15%

Q. Which metrics are currently the best performing in your DCO efforts? Select all that apply.

Metric	Percentage
CTR	78%
Conversion rates	68%
Engagement metrics	63%
Ad viewability and completion rates	37%
ROAS	25%
Operational efficiency	9%
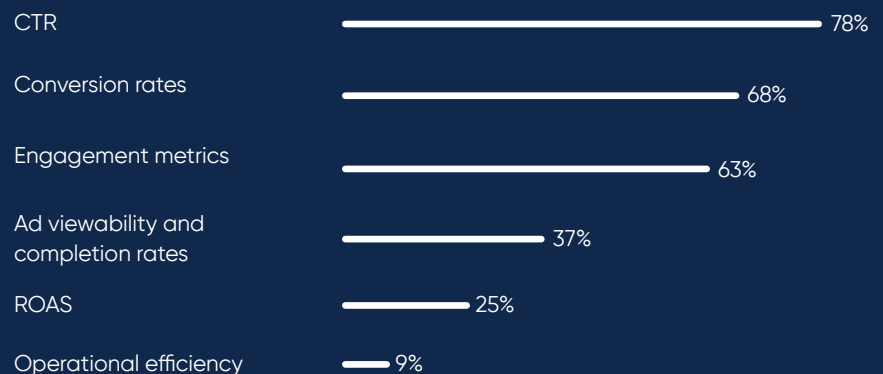
However, at least 65% of agencies also admit that CTR, conversion rates and engagement metrics are challenges in the overall campaign process. Return on ad spend was also cited as a challenge by 46% of agencies. Less than a third pointed to ad viewability, speed to market, trafficking, quality assurance and multichannel creative as challenges in their overall campaign processes.

Q. What are your current challenges in the overall campaign process? Select all that apply.

Challenge	Percentage
CTR	75%
Conversion rates	66%
Engagement metrics	65%
ROAS	46%
Ad viewability and completion rates	32%
Speed to market	24%
Trafficking	19%
Quality assurance	18%
Multichannel creative	10%
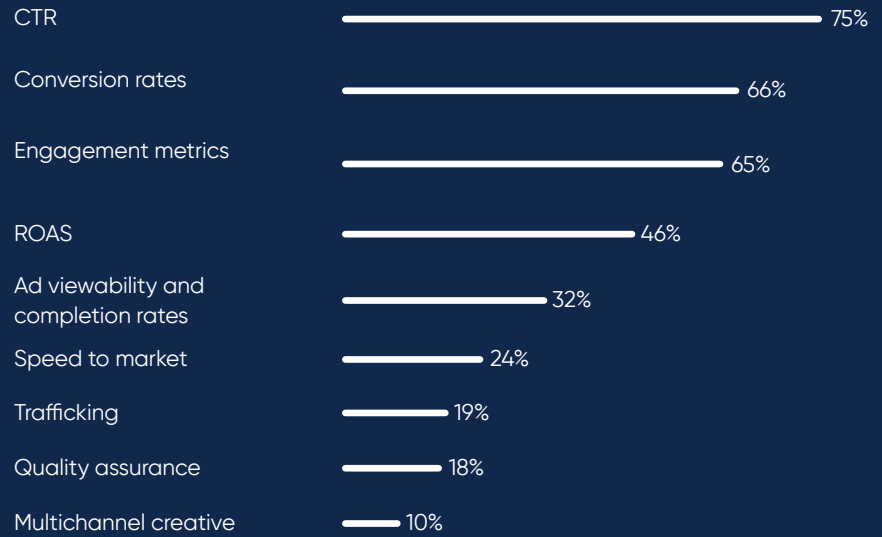
To address these challenges, agencies are turning to dynamic creative templates/automated creative generation (68%), predictive analytics (67%) and real-time optimization (65%). Other strategies to drive better engagement and conversion rates include dynamic data feeds (50%) and dynamic video content (48%).

Q. What changes or solutions have you implemented or will implement in the next year to address challenges in your DCO efforts? Select all that apply.

Dynamic creative templates/ automated creative generation	68%
Predictive analytics	67%
Real-time optimization	65%
Dynamic data feeds	50%
Dynamic video content	48%
Segment-specific strategies	30%
Multichannel/cross-channel integration	28%
Data-driven decision-making/ creative performance dashboards	18%
Iterative testing frameworks	16%
Unified creative management/ creative version control	15%
API integrations	15%
Additional technology partnerships/solutions	5%
No changes	1%
Other	1%

For instance, as reported by Digiday, as Shell sought to become an always-on advertiser, the retailer began experimenting with automated creative generation. More than 8,000 possible versions of ads were possible, with variants customized based on audience segments, location, time of day and more.

During the DCO test, campaign data was used to determine which creative performed best to continue pushing the ads that drove the best results. In Shell's DCO testing, people who saw the dynamic ads were 3.6 times more likely to visit a Shell store than those who didn't. These visitors were also more likely to make a purchase.

"We've always been able to optimize within campaigns for media for our historical campaigns, but we haven't been able to do the same for creative because it takes so much longer using the traditional production process," Shell's Glaser told Digiday. "We can see that some copy works harder than others at driving engagement or click-throughs and are able to go in and make the necessary changes quickly. Now, we can optimize them creatively as well as the media."

Fitting DCO into agencies' cookieless advertising strategies in 2024 and beyond

The impending deprecation of third-party cookies will reverberate across the digital advertising industry, including DCO.

Without third-party cookies, the creative decisions at the heart of DCO will be fueled by signals such as first-party data, privacy sandbox and contextual advertising.

"Even in the most desolate cookie-less, identity-less desert, personalization and dynamic ad servers will always have a place," said Roger Vasquez, vice president of technology solutions at Clinch. "Contextual cues like site context, media audience cues like affinities, and API connected sources like weather and sports have always and will continue to provide robust opportunities for personalization."
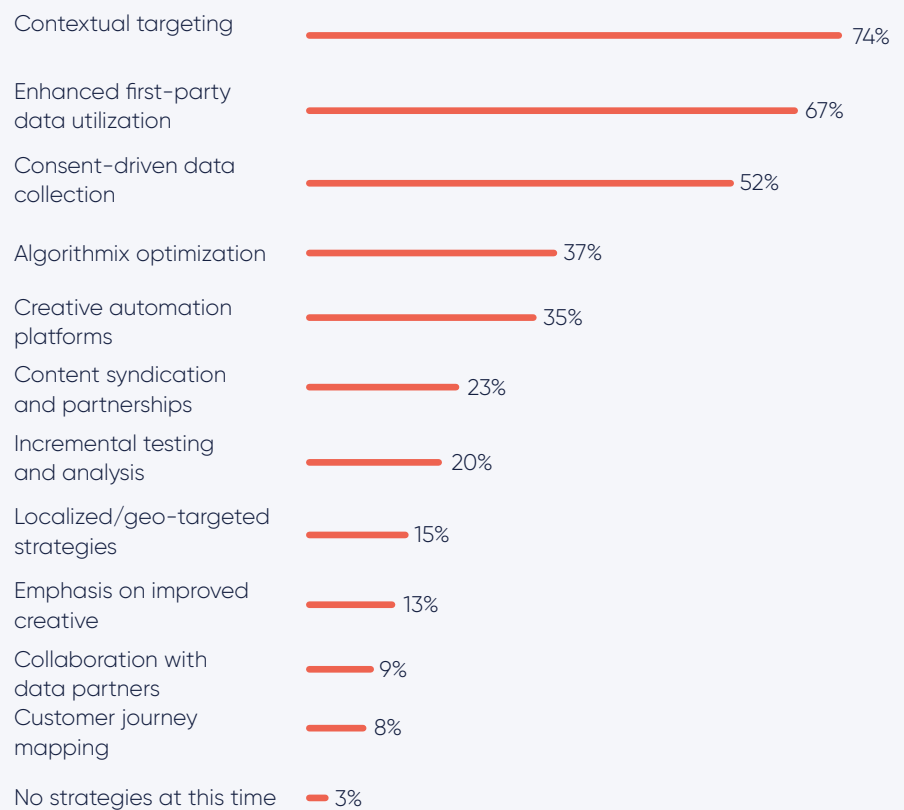
While complete deprecation of third-party cookies is still on the horizon, 78% of agencies expect to increase their reliance on first-party data. Other focus areas include shifting toward privacy-centric practices (67%) and increasing contextual targeting (59%).

Q. **How do you anticipate the deprecation of third-party cookies will impact your organization's approach to dynamic creative optimization and ad serving? Select all that apply.**

We will increase our reliance on first-party data	78%
We will shift toward privacy-centric practices	67%
We will increase our emphasis on contextual targeting	59%
We will join data collaboration initiatives and consortia	50%
We will conduct a more in-depth customer journey analysis	33%
We will adopt new identity solutions	32%
We will invest in AI and machine learning	29%
We will amplify our regulatory compliance	15%
We will increase the volume of our incremental testing/experimentation	14%
We will increase our collaborations with ad tech providers	11%
We will reevaluate and adapt our attribution models	8%
We don't know	2%
No impact anticipated	1%

To prepare for these changes, agencies have already adopted strategies including contextual targeting (74%), enhanced first-party data utilization (67%), consent-driven data collection (52%) and unified identity solutions (51%).

Q. What strategies has your organization adopted to maintain effective DCO after the third-party cookie deprecation? Select all that apply.

Strategy	%
Contextual targeting	74%
Enhanced first-party data utilization	67%
Consent-driven data collection	52%
Algorithmix optimization	37%
Creative automation platforms	35%
Content syndication and partnerships	23%
Incremental testing and analysis	20%
Localized/geo-targeted strategies	15%
Emphasis on improved creative	13%
Collaboration with data partners	9%
Customer journey mapping	8%
No strategies at this time	3%

"We anticipate the expansion of channels," Etzioni said. "CTV, digital out-of-home and audio will see an increase in 2024, especially in light of what's happening with cookies."

Advertisers are turning to DCO for more effective CTV campaigns

One channel that is expected to see increased investment post-cookies and is well-suited for DCO is CTV.

As previously noted, nearly half of agencies (48%) have implemented or plan to implement dynamic video content in their DCO efforts. Dynamic video creative and data can turn ad creative into thousands of interactions for all screens, including different messages and overlays or adding dynamic elements such as maps and QR codes.

DCO also helps CTV advertisers manage ad frequency, creating variations that can keep ads fresh to avoid ad fatigue for viewers. This saves teams time and money while allowing them to reach more households with relevant and engaging ad experiences.

Personalizing CTV ads benefits agencies and advertisers across industries, not just restaurants or retailers promoting offers at specific locations.

"There's a lot of personalization that can happen in every single category," Serge Matta, president at LG Ads Solutions, previously told Digiday. And the beautiful thing about personalization is that it can be applied to both managed services and programmatic. The fact that we can do both and leverage the DCO technology on top of it is really valuable."

In 2024, agencies will seek out expertise in DCO from internal teams to strategic partners

While agencies continue leaning on DCO to deliver relevant and personalized ads in their quests for more revenue, there is a growing demand for expertise in this area.

Nearly all agencies (93%) say investing in upskilling or hiring professionals with creative and ad-serving expertise is at least "somewhat a focus" for 2024, including 33% that say it is a "significant focus" for the coming year.

Q. Are you adding to your DCO skill set by investing in upskilling or hiring professionals with creative and ad-serving expertise?

Yes, it is a significant focus for 2024	32%
Yes, it is somewhat of a focus for 2024	61%
No, it is not a focus for 2024	6%
Other	1%
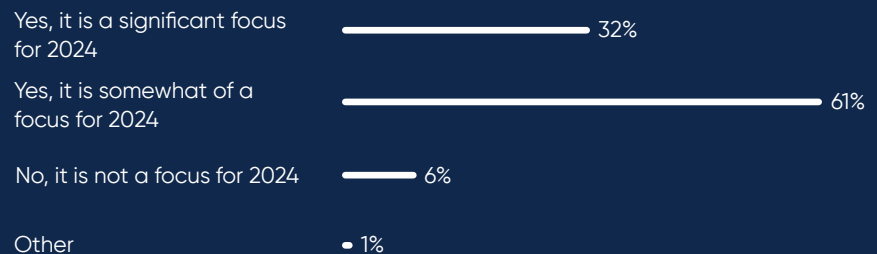
Partnerships are also critical for agencies to unlock the full potential of DCO, especially as advertisers look to reach increasingly fragmented audiences across complex digital landscapes.

"Across multiple, siloed teams in agencies, you may not necessarily have the specific knowledge or experience to execute sophisticated campaigns," Etzioni said. "That's something that agencies need to educate internally, but also rely on their partners to help in that education phase and provide the knowledge."

Unified platforms allow agencies to own the DCO process, including training and scaling dynamic ads across client portfolios.

"The old-fashioned way of doing everything manually through DSP and social media is not scalable, and it's error-prone," Etzioni said. "With where we are headed and the speed we're going, manual processes are out of the question."