

An Essence report

# ISBA/PwC Programmatic Supply Chain Study

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[Link to public report](#)

## Executive Summary

This month, ISBA & PwC released the findings of a comprehensive and forensic study of the programmatic supply chain for 15 advertisers and 12 Publishers in the UK. Seven of the 15 advertisers included in the study were GroupM agencies and Essence participated through our client, BT. The intention was to provide a more transparent view of the UK programmatic supply chain, for the benefit of all participants and the industry as a whole.

The key findings are that 51% of advertiser spend reaches the end publisher, 15% of the spend is unaccounted for (labelled the 'unknown delta') and that there is a great need for improvements in access to and standardisation of data across ad tech vendors.

We believe this is an incredibly important report that will bring some collective focus across the industry on further improving the transparency and effectiveness of programmatic. For advertisers to achieve the best value from their investments and for publishers to get a fair deal, it is vital that we understand the composition of the 'unknown delta', assess its value and reinvest any wasted spend effectively.

Over the coming weeks and months, we plan to work on these priorities in collaboration with industry wide workstreams and our own individual investigations with various tech partners and clients.

# Background & overview of the study

Over the past 15 months, PricewaterhouseCoopers (PwC) have been undertaking a granular ('log level') programmatic supply chain analysis to better understand where advertiser budgets are distributed throughout the ecosystem and how much of their spend reaches publishers. The intention was to provide a more transparent view of the UK programmatic supply chain, for the benefit of all participants and the industry as a whole.

Commissioned by the Incorporated Society of British Advertisers (ISBA), and with the participation of the Association for Online Publishing (AOP), data was collected on 15 UK advertisers and 12 UK publishers. 12 agencies (including Essence on behalf of BT), five DSPs and six SSPs also participated by providing data and expertise.

All agencies/advertisers were using a disclosed programmatic model.

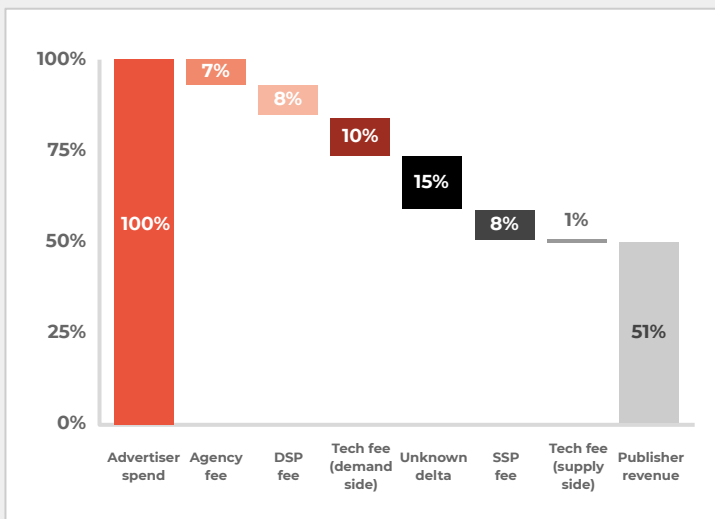
'Log level' means that the data was matched and analysed at an individual impression level. This allows for forensic analysis of individual impressions and supply paths. It is the first major study that has combined this granularity of data from both buy and sell sides to build the truest picture of the market.

Data collection ran from 1 January 2020 to 20 March 2020. From 267 million impressions served from study advertisers to study publishers, 31 million (12%) were successfully matched. The rest could not be mapped due to low data quality, which reinforces the critical conclusions from this study.

# Key findings & recommendations

These are the key findings from the publicly available report:

- ▶ On average, **publishers receive 51% of advertiser spend**
- ▶ On average, **15% of advertiser spend is unaccounted for** in the results of this study.
  - This element has been labelled the 'unknown delta' and exists between the DSP and SSP platforms
- ▶ **Collecting granular data**, particularly from publisher ad tech partners, **was extremely challenging**, taking more than a year to obtain all required data.
  - Permissioning, access delays, data formatting, complexity and inflexible data retrieval are listed as key challenges
  - Our own conversations with PwC/ISBA suggest that the SSP data presented the greatest challenge due to increased levels of permissioning needed. Agencies were able to provide DSP data with greater ease.*
- ▶ On average, the **agency fees are 7% of advertiser spend**, the 2nd lowest element of the supply chain.
- ▶ There are **variances between the contracted and actual fees charged by DSPs** (to Advertisers/Agencies) and **SSPs** (to Publishers).



**The report gave two critical conclusions for advertisers, publishers and the industry as a whole:**

- 01 Standardisation is urgently required across a range of contractual and technology areas, to facilitate data sharing and drive transparency; and
- 02 All industry participants should collaborate to further investigate the unattributable costs and agree industry-wide actions to reduce them.

# Our thoughts & next steps

This report is hugely important for the digital and programmatic ecosystem and we are extremely proud to have participated in it with one of our clients, BT and other sister agencies at GroupM. We have supported this independent study from the beginning and had the opportunity to discuss the early plans with PwC to share our own supply chain research.

The study was extremely thorough and highlights some vitally important findings and recommendations that we can all learn from and use to improve the transparency and effectiveness of future programmatic investments.

## Value of agencies

The findings show that the **programmatic space is still incredibly complex and requires the right level of quality resource working hard to get the best value out of it** for all advertisers. PwC have reflected this in commentary to advertisers and ISBA.

Each advertiser has a different balance of in-house and agency expertise in their programmatic operations, but it is important to continue to invest in programmatic talent at agencies that are equipped to dig deeper and have more flexibility to bring in different specialists when needed.

## Data standardisation

The biggest priority as an industry should be a collective focus on improving the standardisation and access to granular data across all participating technology vendors. This is going to require work on education, contracts, and technical additions / improvements to the data itself.

In order for us to track every element of the supply chain we need greater levels of impressions to match together. Ideally, we should expect a 'transaction ID' or similar identifier to be stored and made available, by both SSPs and DSPs for all supply chains.

These are large changes needed of global platforms. Single agencies or advertisers are not going to be effective in making changes here alone

Ultimately this study is a first step. We expect to see several industry bodies combine on a unified task force later this spring to address this issue and push for changes. Essence will be aiming to contribute and participate towards all suitable workstreams.

## 'Unknown Delta'

It is not acceptable that we are unable to accurately say where this 15% of spend is going. PwC have provided some possibilities in the report and we expect it is a combination of several of them, adding up to a significant percentage.

## Currency Conversions

It is accepted that a portion of the discrepancy is due to currency conversion changes. Most programmatic auctions globally are in USD and a study in the UK means there are two sets of currency conversions(DSP and SSP) for each impression. Vendors are not unified in how often they update their exchange rates, or how much buffer they may add for currency fluctuations.

## Reseller fees

The lack of transaction IDs limited PwC from being able to match resold impressions between exchanges. While the premium publishers in this study have a lower reliance on resellers, we know that they are still of greater importance to niche and lesser known publishers. It is important that publishers, and advertisers, can track and evaluate these specific supply paths and reseller costs.

We need more partners to adopt progressive industry features, such as the sellers.json program from the IAB Tech Lab and include more information, including commonly passed IDs in the log files. This should be made available to buyers and sellers for greater transparency into the 'unknown delta'.

At Essence, we plan to undertake more experiments with our clients this year in support of finding a sustainable solution for the industry. We have log level DSP data for all clients already and are engaging with SSPs to explore ways to bridge the 'unknown delta' gap in controlled tests.

## Budget % reaching publishers

Continuing to support a vibrant, diverse and profitable market of publishers is non-negotiable for all of us - both for advertising opportunities and for the valuable contributions they provide to everyone in the UK and globally. This is especially true for news publishers, many of whom participated in this study.

Essence is built on a culture of evaluation and invention, so it is important to evaluate the need, the value creation and the cost of

any services or technology that we deploy for our advertisers as this ultimately has an impact on the share of advertiser spend that reaches end publishers. The conversation should be larger than the % of each impression and driving towards sustainable and increasing topline value for all.

It is the role of agencies to help our clients make smarter choices when investing their media budgets.

For programmatic specifically, you should develop a strategy for technology, data and inventory that is tailored to each client's needs and is tested to ensure it actually creates value. We explore many different opportunities for clients at Essence, including SSP consolidation, more direct supply paths and advanced bidding algorithms, but it is imperative that you validate if each one is right for you and your partners.

Finally, it is worth considering that this study only covers auction based programmatic buying (open exchange and PMPs) and buying this way is always a choice.

Programmatic Guaranteed mechanisms, which often bypass SSPs completely, result in a much higher share of spend reaching the publisher. In cases where less advertiser controlled addressability is needed or where guaranteed impact and delivery across premium publishers is the priority, this is a smarter way to buy media.

Measurement is key. Use technology, data or services where it adds and not where it doesn't.

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