The Marketer's Guide To Programmatic Reselling

A practical guide for navigating the complexities of the programmatic supply chain

JOUNCE MEDIA

About this research

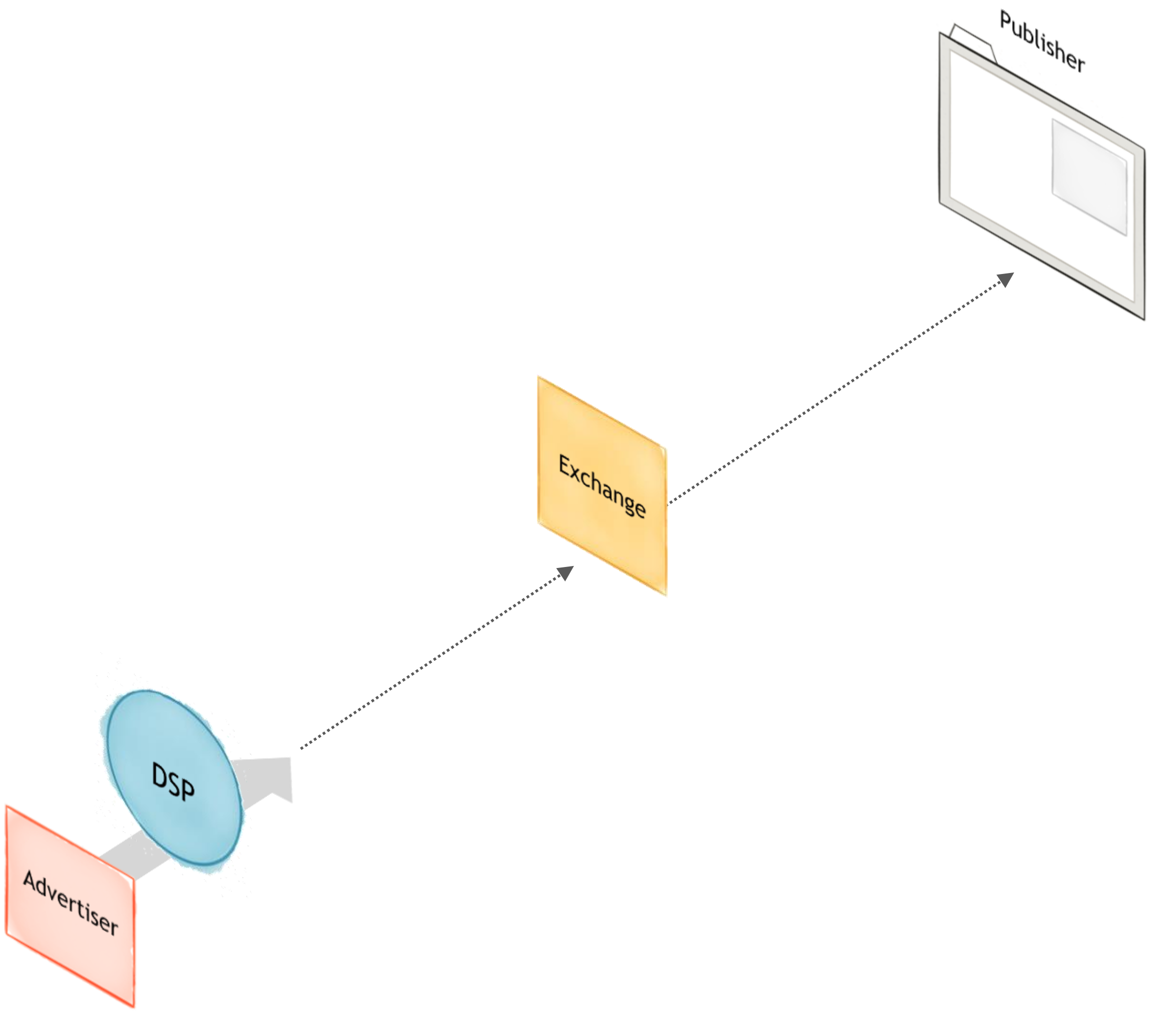
Reselling isn't good, and reselling isn't bad. Like publisher-direct supply, indirectly-sourced supply can advance a marketer's goals, or it can waste a marketer's money.

Our industry is now ready to take a more nuanced approach to reselling. We have publicly available data that provides transparency into resold supply. And we have new DSP bidding tools that give buyers control over how their bids are submitted to programmatic resellers.

In this whitepaper, we introduce a framework that marketers can use to make informed choices about which reselling adds value to their media buys, and we also provide an overview of emerging DSP capabilities that enable marketers to turn supply path insights into a trading advantage.

Who Does The Exchange Pay?

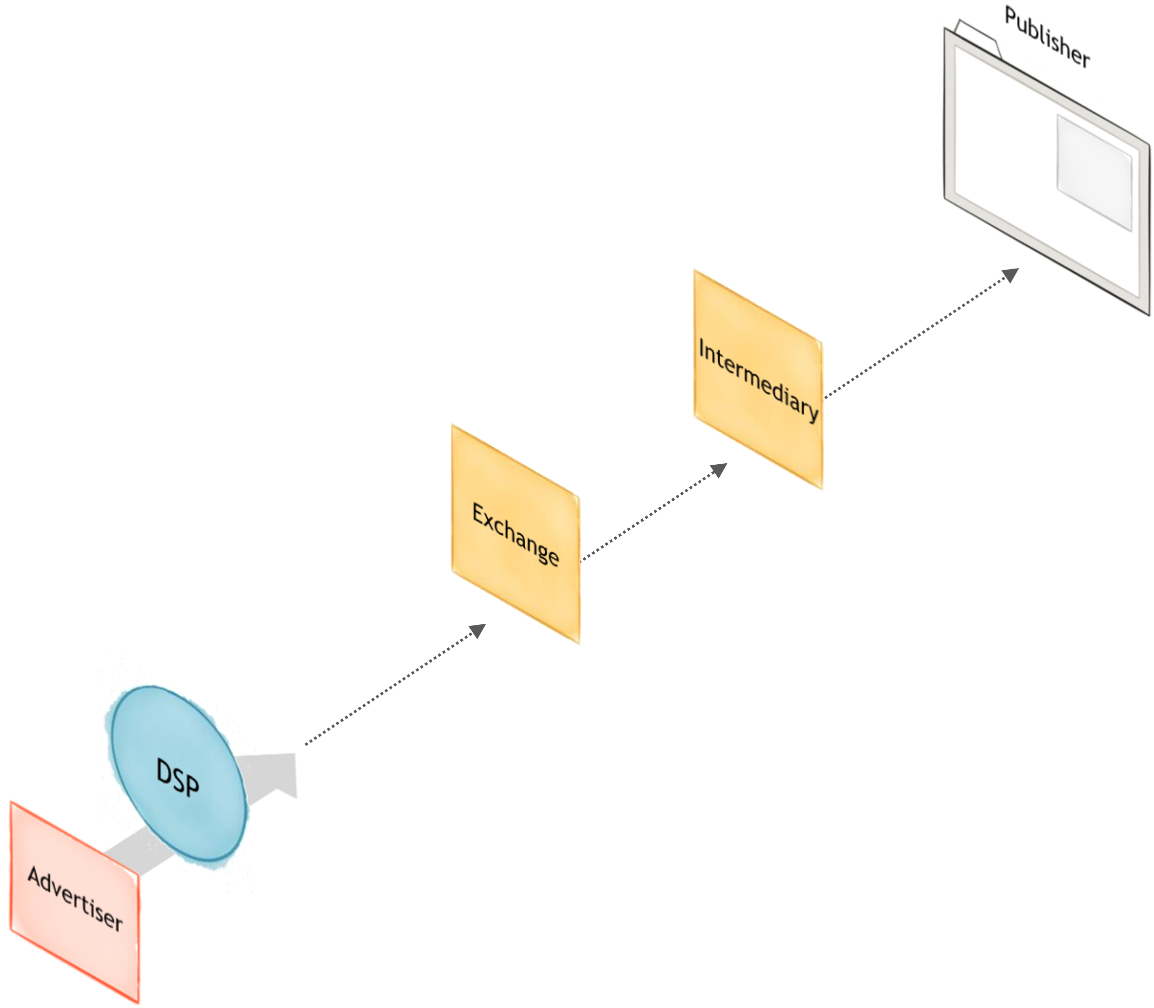
A simplistic understanding of the programmatic supply chain is that ad exchanges establish connections between DSP demand and publisher supply. In this model, the DSP pays the exchange, and the exchange then pays a publisher.



The exchange sources supply directly from the publisher and sources demand directly from the DSP.

Who Does The Exchange Pay?

But a common variation on this model is the case where an exchange sources supply indirectly from an intermediary. In this model, the DSP pays the exchange, but the exchange then pays the intermediary instead of the publisher. This intermediary might pay the publisher, or it might pay yet another intermediary.



These multi-hop supply chains have an understandably negative reputation in the ad tech landscape, and the default view of ad buyers is to cut out the middleman.

Variations Of Reselling

In our view, though, this broad brush approach to reselling is misguided. Our research indicates that there are many variations of reselling. Some reselling is indeed wasteful, and the industry needs to continue to put pressure on value-extracting intermediaries. But other reselling creates valuable connections between buyers and sellers, unlocking new inventory access for marketers and unlocking new demand for publishers.

We maintain a crawler that retrieves all publicly disclosed data about authorized programmatic supply paths. The resulting database contains information about the programmatic selling configurations for over 150,000 websites and apps.

Having studied over 200 supply-side advertising technology companies that power auctions for these publishers, we think marketers can organize their supply path optimization strategies around four major categories of reselling:

1 Outsourced Yield Management	The delegation of an entire website or app's programmatic monetization to a third party yield management specialist.
2 Content Syndication	Agreements in which a content owner agrees to distribute its content on a third party website or app in return for advertising sales rights.
3 Proprietary Placements	Dedicated ad units, typically with non-standard creative executions, that are exclusively monetized by a company other than the publisher.
4 Rebroadcasting	Reselling of an auction that does not have control of the final ad serving decision.

Outsourced Yield Management

As a point of reference, let's first clarify what the industry currently considers "direct" supply. One example of direct supply is Rubicon Project's integration with Allrecipes. Based on the Allrecipes ads.txt file and Rubicon Project's sellers.json file, we know that Meredith (the parent company of Allrecipes) has a direct financial relationship with Rubicon Project and authorizes Rubicon Project to conduct auctions for ads on Allrecipes.com. To a programmatic buyer, the resulting supply chain looks like this:

The DSP pays Rubicon Project, and Rubicon Project pays Meredith.

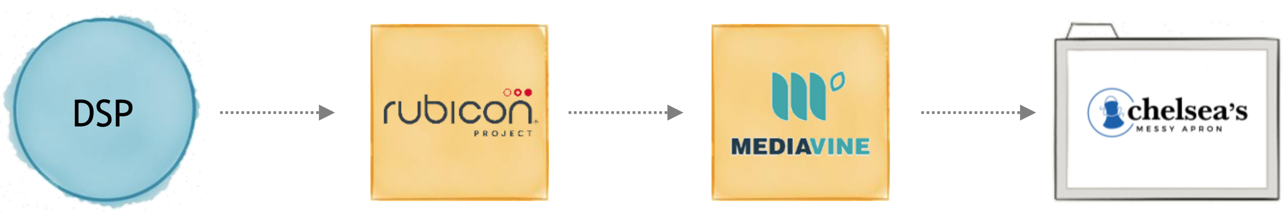
This process is made possible by a sophisticated ad operations team at Meredith who can manage the technical complexity of implementing and operating a header bidding integration with Rubicon Project. It is also made possible by Meredith's scale, which gives them the ability to negotiate market-competitive take rates with ad exchanges.

What Is Publisher-Direct Supply?

Directly-sourced supply represents cases where the exchange issues payment to the owner of the website or app that is selling ads. For publisher-direct supply, the chain of payment is DSP to exchange to publisher.

Outsourced Yield Management

Not every publisher is like Meredith. As a counterpoint, consider a website called Chelea's Messy Apron. Chelsea's Messy Apron is a one woman operation. The website's owner describes herself as the "recipe developer, photographer, writer, and taste tester behind Chelsea's Messy Apron." She is not an ad ops professional, so she outsources all yield management to a company called Mediavine. We know this because chelseasmessyapron.com/ads.txt lists many authorized supply paths that pay Mediavine. One of these authorized supply paths looks like this:



This supply chain contains an extra payment hop. The DSP pays Rubicon Project. Rubicon Project then pays Mediavine. And then Mediavine pays Chelsea's Messy Apron.

Are these two supply paths really any different? Is Meredith's yield management service for Allrecipes different from Mediavine's yield management service for Chelsea's Messy Apron? On a technicality they are different, but in the eyes of a marketer, we think these paths are equivalent. And it turns out there are thousands of websites like Chelsea's Messy Apron that are only available through reselling supply chains. In our view, marketers do themselves a disservice by disabling bidding into these outsourced yield management intermediaries.

What Is Outsourced Yield Management?

Publishers who do not have the resources to operate a complex ad serving stack commonly delegate these responsibilities to a third party that acts as the publisher's agent. These outsourced yield management arrangements are common for long tail websites as well as international operations of major publishers.

Content Syndication

Content syndication is another variety of value-added reselling. Content owners commonly partner with websites and apps to reach new audiences. These arrangements exist across desktop and mobile properties, but they are most notably present in the emerging programmatic television landscape.

> **Reselling isn't just a web phenomenon.**

In the connected TV arena, marketers need to navigate a complex set of media rights agreements that exist between programmers (the company that owns the content) and distributors (the company that owns the connected TV app). These business agreements have existed in broadcast TV for decades, and they are now being extended to programmatically-traded television.

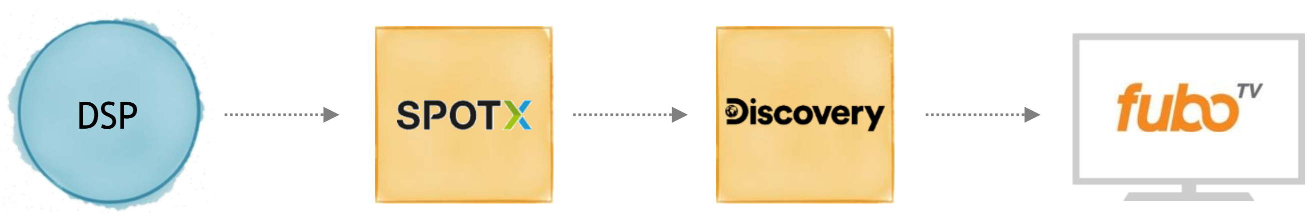
As an example, imagine a consumer who opens the Fubo TV app on her connected TV and watches an episode of an HGTV show. Fubo is a vMVPD (virtual multichannel video programming distributor) — basically a cable company that doesn't have its own wires in the ground. Like a cable company, Fubo negotiates carriage agreements with programmers like Discovery (the parent of HGTV). These carriage agreements can take many forms, and the details are not publicly disclosed, but they commonly include terms that give the distributor rights to sell some ad inventory and the programmer rights to sell other ad inventory.

For the inventory that is controlled by Fubo (the distributor), one authorized programmatic supply chain looks like this:

The DSP pays SpotX, and SpotX then pays the publisher.

Content Syndication

But most HGTV inventory on Fubo is not sold this way. It is more common for the programmer to control the sales process, and in this more common case, the supply chain looks like this:



By the industry's current definition, this second supply chain is reselling. SpotX pays a company that is not the publisher, and the publisher (Fubo) cannot directly control the mechanisms by which the intermediary (Discovery) operates its auction. But any reasonable marketer would recognize that these two supply paths are functionally equivalent. In both cases, SpotX pays the company that controls exclusive right of sale for the inventory. These types of inventory splits between distributor and programmer do not conform to the industry's direct vs. reseller framework, leaving one to be somewhat arbitrarily demoted to reseller status.

What Is Content Syndication?

Publishers often source content from third parties. This is especially common for premium video content. In these syndication agreements, the publisher and content owner typically share rights to sell ad inventory.

Again, buyers do themselves a disservice to disable participating in this type of reselling.

Proprietary Placements

Proprietary placements are fundamentally different from outsourced yield management and content syndication in that they introduce an extra technical hop to the supply chain.

> **Across web and app inventory, it is common for technology vendors to require exclusive right of sale for certain ad units.**

Those third parties might then fill available inventory with hand-sold demand, with demand sourced from a direct DSP integration, or with demand sourced indirectly through reselling arrangements. The key, by our definition, is that the publisher does not control the ad serving decisions for a proprietary placement.

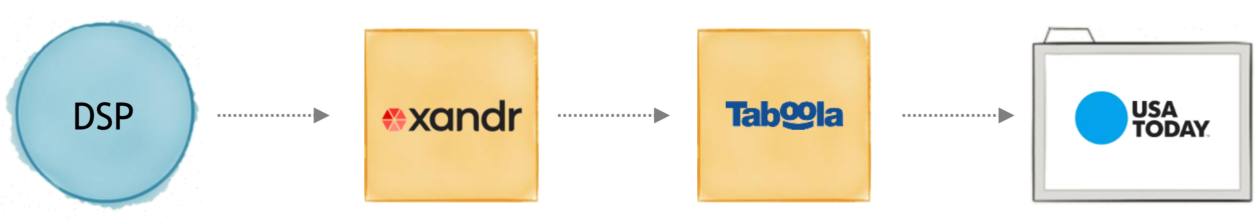
Take as an example placements that are powered by Taboola. Readers of this report will likely recognize Taboola's feed-based native units that are deployed across tens of thousands of websites. On USA Today, for example, Taboola owns a content feed at the bottom of most article pages, and Taboola exposes these ad opportunities to DSP buyers. In some cases, especially for Taboola's native formats, DSP buyers can bid directly into the Taboola auction. But in other cases, especially for Taboola's video formats, DSP buyers must use a reselling supply path to participate in the Taboola auction.

What Are Proprietary Placements?

Proprietary placements are typically special formats like video interstitials, full page skins, native content, or sticky ad units. For either technical or financial reasons, the vendors that power these special formats commonly require exclusive right of sale and full control over the ad decisioning process.

Proprietary Placements

One authorized supply chain looks like this:



The DSP bids into the Xandr auction. If the DSP wins the Xandr auction, Xandr then forwards the bid to the Taboola auction.

In this example, bidding directly into the Taboola auction is simply not an option for most DSP buyers. Taboola owns exclusive sales rights for a massive pool of video inventory, and accessing this inventory requires reselling. In our view, this is value added reselling that unlocks new inventory access for programmatic buyers.

Proprietary placements are massively deployed on the web. Companies like Taboola, Outbrain, Undertone, Connatix, Consumable, Infolinks, Just Premium, Primis, 33Across, GumGum, and others have exclusive right of sale for select placements on tens of thousands of publishers.

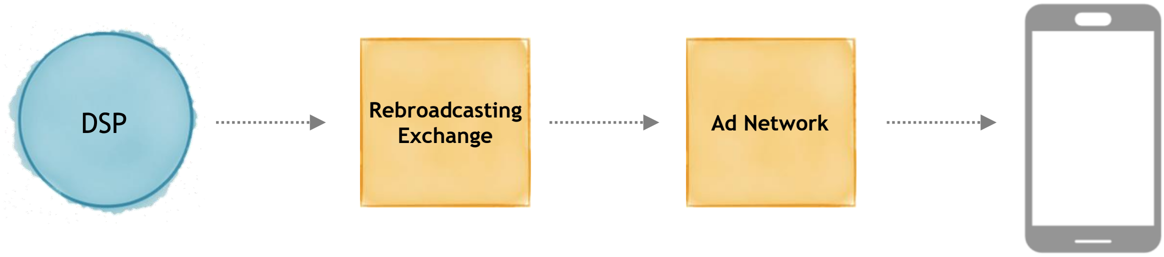
> **66% of the Alexa top 2,000 global websites have at least one proprietary placement that is transacted through authorized resellers.**

Buyers who want maximum access to premium publisher inventory must develop a strategy for using value-added resellers of proprietary placements.

Rebroadcasting

Like proprietary placements, rebroadcasting represents the addition of a technical hop into the programmatic supply chain. But unlike proprietary placements, rebroadcasting leads to an auction that does not have sales exclusivity.

We commonly observe rebroadcasting for in-app inventory, for which the primary source of publisher demand is specialized ad networks. These ad networks sell managed service campaigns to advertisers, but they supplement their hand-sold demand with indirectly-sourced programmatic demand. From the perspective of a DSP buyer, the resulting supply chain can look like this:



The resulting supply chain is both financially long (there are three payment hops) and technically long (there are two sequential auctions).

Like reselling for proprietary placements, a marketer might reasonably want to cut out the middleman and bid directly into the ad network. But also like reselling for proprietary placements, this is simply not an option for many DSP buyers. Perhaps there is a future state of the industry where DSPs can bid directly into ad networks or directly into app mediation layers, but today's supply chain requires the marketer to participate in these rebroadcasting supply chains.

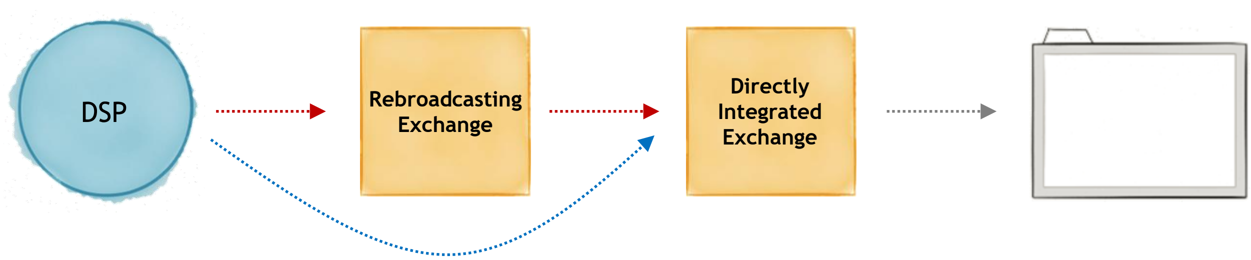
What Is Rebroadcasting?

In all of our prior examples, the reseller submits the marketer's bid to a company that controls the final ad serving decision. Rebroadcasting represents cases where the DSP is more than one "hop" away from the final ad serving decision.

Value-Extracting Reselling

While some rebroadcasting is a valuable mechanism for marketers, there is also wasteful rebroadcasting. Across many DSPs, it is common for a marketer to submit bids into unnecessarily long supply chains. We see this happening in two ways.

First, DSPs are commonly solicited for bids by exchanges who rebroadcast auctions that are operated by one of the DSP's directly integrated exchanges. Without proper DSP-level controls, marketers are left bidding into two redundant supply paths that look like this:



A bid that travels through the red path is exposed to added supply chain fees. It is also exposed to added latency — the handoff from the rebroadcasting exchange to the directly integrated exchange increases the risk that the marketer's bid arrives late and is not considered in the final auction.

> **It is unclear to us whether publishers benefit from resoliciting DSP buyers through rebroadcasting, but it is clear that these long supply chains introduce value-extracting fees that do not benefit the marketer.**

Some DSPs are well-organized on disabling these redundant paths, but in our experience, many DSPs are not. Marketers continue to send bids through unnecessarily long supply chains.

Value-Extracting Reselling

A second variation of wasteful rebroadcasting is multi-hop rebroadcasting, which looks like this:

In our experience, we have never encountered a supply chain for which the marketer should rationally bid into a 2-hop rebroadcaster auction. Every buyer in every DSP should be able to find at most a 1-hop supply path that leads to any intermediary.

> **Unfortunately our industry is littered with value-extracting multi-hop supply paths.**

It is this sort of value-extracting sales technique that gives reselling a negative reputation. And for all the value-added reselling we discussed in earlier pages of this report, marketers need to be aware that there is also a high volume of value-extracting reselling.

Optimizing Indirect Supply

In all of the examples above, marketers are purchasing indirect supply — impressions that are sold by a company other than the publisher. Some of those indirect supply paths are highly valuable. Others are highly wasteful.

To date, the industry discussion about reselling has been framed as a binary choice for marketers — either enable reselling or disable reselling. But this framing is too simplistic and is inconsistent with the ways programmatic marketers have been optimizing supply for the past decade.

> **Marketers would never buy every publisher that lives behind an exchange, so why would they buy every intermediary?**

What we need is the equivalent of a site list for indirect supply. For a decade, marketers have been able to pull site-level reporting from their DSPs and use these reports to develop publisher whitelists and blacklists. This is programmatic trading 101.

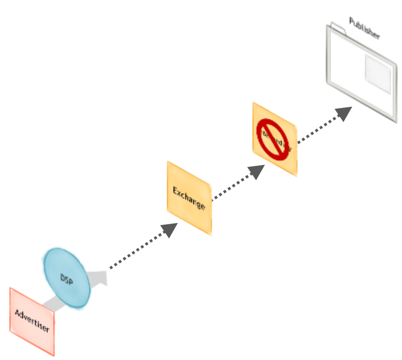
When buying indirectly-sourced supply, marketers need to reorient their optimization lens. The publisher of course still matters, but marketers need to primarily optimize its participation in each intermediary's auctions. Reporting for indirect supply needs to be organized around the intermediary (not the publisher), and targeting for indirect supply also needs to be organized around the intermediary (not the publisher).

DSPs, exchanges, and industry bodies like the IAB Tech Lab are recognizing the need to optimize indirect supply. Over the last year, we have seen widespread adoption of industry transparency initiatives like sellers.json and the RTB SupplyChain object. We have also seen DSPs focus product resources on helping marketers take control of the programmatic supply chain. This has all now coalesced into an emerging technique for optimizing direct supply.

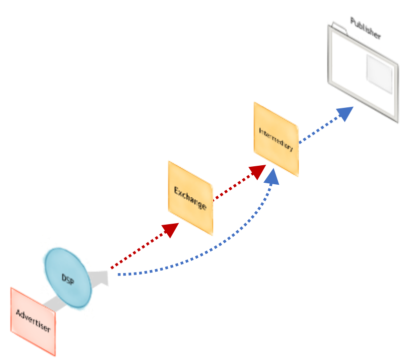
Optimizing Indirect Supply

With new reporting tools, marketers can now identify all of the intermediaries that they buy. The marketer can then evaluate the performance of each intermediary and make data-driven decisions about which indirect supply achieves their campaign objectives. The marketer can also identify all of the pathways that lead to each intermediary to make informed choices about whether to enable or disable 1-hop and multi-hop paths. The output of this analytical exercise is an identification of three types of reselling supply paths:

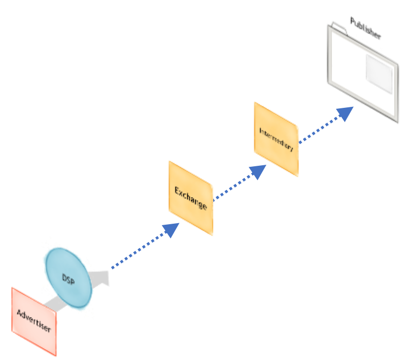
Bad Inventory



Bad Paths To Good Inventory



Good Paths To Good Inventory



Then, using new DSP path-level bidding tools, the marketer can turn these reselling insights into a bidding strategy, leaving on just “good paths to good inventory.”

Find an intermediary that exhibits chronically low video viewability? Blacklist every reselling supply path that leads to that intermediary.

Find an intermediary that achieves especially cost efficient access to your retargeting pool? Establish a private marketplace with that intermediary that is facilitated by its most widely-deployed reseller.

Like publisher-direct supply, the optimal supply strategy will vary from marketer to marketer and from campaign to campaign. There is no one best site list, and there similarly is no one best reselling strategy.

Reselling Checklist

Ingredients for optimizing resellers

So let's get nuts and bolts. What does a marketer need to do to optimize resold inventory? In our experience, a successful resold supply strategy requires three ingredients: seller reporting, exchange metadata, and path-level bidding.

Ingredient #1: Seller Reporting

Seller reporting gives marketers detailed performance data about each reseller.

What Is It?	Each customer of an ad exchange is assigned a seller ID, and this seller ID is presented to DSPs in bid requests through the publisher.id field. Seller ID reporting gives buyers insight into the number of ads they are purchasing from each exchange customer, the cost of that inventory, and the associated campaign performance metrics.
Why Does It Matter?	Every DSP provides site-level reporting to its customers. But that reporting framework is turning out to be insufficient. The performance of video advertising on xyz.com can be a blend of many different ad units — often a mixture of publisher-direct supply paths, content syndication, and resold proprietary placements. Seller ID reporting de-averages the performance of each website or app, giving marketers the granularly required to optimize resold inventory.
How Do You Get It?	Some DSPs have user interface tools to report delivery and performance by seller. Most DSPs don't. But in our experience, nearly every DSP can produce seller reporting for customers who ask.

Ingredient #2: Exchange Metadata

Exchange metadata turns seller reporting into reselling insights.

What Is It?	The output of DSP seller reporting can be cryptic. What does it mean when an advertiser purchases a video impression through Exchange A seller 123 or Exchange B seller 456? Exchange metadata provides context about the owner of each account, enabling marketers to turn DSP reporting into business insights.
Why Does It Matter?	Intermediaries commonly sell through multiple authorized resellers. To understand the performance of a particular intermediary, the marketer needs to know, for example, that Exchange A seller 123, Exchange B seller 456, and Exchange C seller 789 all represent the same indirectly-sourced supply. Exchange metadata allows marketers to harmonize DSP-provided seller reporting and aggregate performance data by seller.
How Do You Get It?	Nearly every exchange hosts a publicly available sellers.json file that provides basic disclosure about each of its customers (mapped to seller ID values). We crawl every sellers.json file and expose the data in a free daily-updating database. We also manage this mapping process as an always-on service for our clients.

Reselling Checklist

Ingredients for optimizing resellers

Ingredient #3: Path-Level Bidding

Path-level bidding turns reselling insights into a trading advantage.

What Is It?	Some DSPs now provide tools that allow marketers to enable and disable individual supply paths. These path-level bidding tools are effectively more precise site lists. When a certain website or app sells through 30 supply paths, a sophisticated marketer might want to only bid into 10 of those paths. This is now possible with DSP path-level bidding tools.
Why Does It Matter?	The combination of seller reporting (#1 above) and exchange metadata (#2 above) gives marketers a detailed understanding of their current campaign bidding patterns and allows marketers to identify value-added resellers and value-extracting resellers. And in our experience, nearly every DSP supports this type of supply path auditing. But turning those insight into a trading advantage requires a DSP that also support path-level bidding controls.
How Do You Get It?	It depends on your DSP. Some DSPs support path-level bidding today. The most sophisticated among these DSPs can enable A/B split tests that allow marketers to measure the cost savings benefits and ad quality benefits of path-level bidding vs. standard bidding. Many other DSPs are actively exploring path-level bidding tools, but have not yet exposed these capabilities to their clients. Ask your DSP for clarity on both their current path-level bidding capabilities and their roadmap for enabling marketers to manage resold supply paths.

Mostly, we recommend that marketers start asking questions about resold inventory. Ask your DSPs what they buy. Ask your exchange partners what they sell. And talk to the intermediaries.

Reselling isn't good, and reselling isn't bad. Savvy marketers can now take a data-driven approach to optimizing resellers.

About Jounce Media

If this all sounds complicated, that's because it is. At Jounce Media, we turn supply path complexity into a trading advantage for our clients. We work with the world's largest brand advertisers to activate a transparent and efficient programmatic supply chain.

To learn more about our supply path optimization services, reach out to us at contact@jouncemedia.com.

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