The Marketer's Guide To Programmatic Reselling

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

JOUNCE MEDIA

About this research

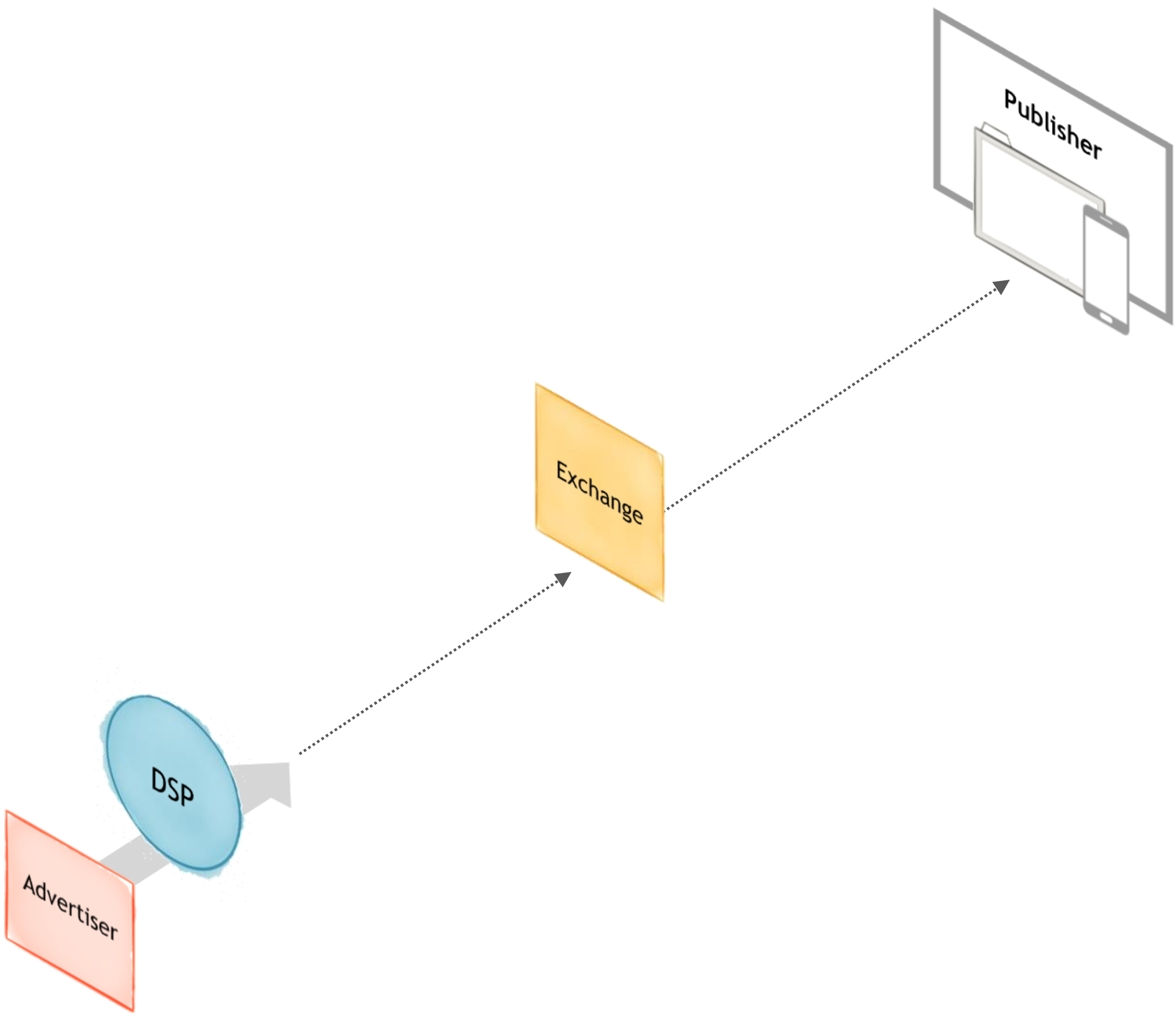
We published the first version of this whitepaper in May 2020.

Since then, the programmatic supply chain and the industry standards that govern it have rapidly evolved. Most notably, in April 2022, the IAB Tech Lab released new guidance for how publishers can signal supply chain directness to buyers and how buyers can use those new signals (see here).

In this updated whitepaper, we re-introduce a framework that programmatic buyers can use to identify value-adding direct and indirect supply chains, and we recommend practical steps marketers can take to exclusively transact with trusted counterparties.

Who Does The Exchange Pay?

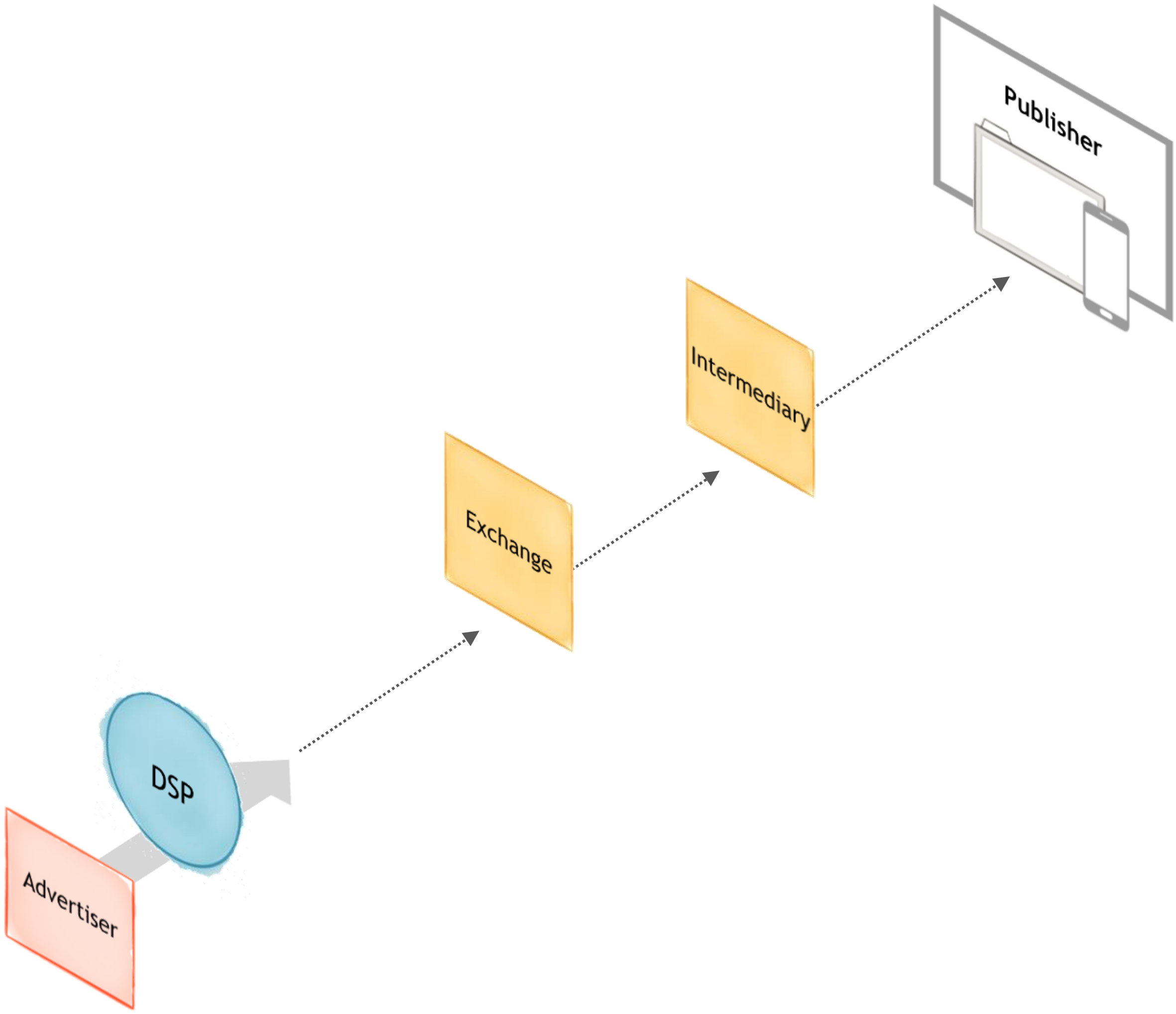
A simplistic understanding of the programmatic supply chain is that ad exchanges establish connections between DSP demand and publisher supply. In this model, the DSP pays the exchange, and the exchange then pays a publisher.



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

Who Does The Exchange Pay?

But a common variation of the programmatic supply chain 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 supply landscape, and the default view of programmatic buyers is to cut out the middleman by blocking all resold auctions.

Variations Of Reselling

In our view, though, this broad brush approach to reselling is misguided. Our research surfaces many variations of reselling – some wasteful and some valuable. Value-extracting intermediaries continue to soak up irrational demand, and programmatic buyers need to actively block these resold auctions. But programmatic buyers also need to identify and proactively transact with value-adding intermediaries that unlock unique access to high quality supply.

We maintain crawlers that retrieve all publicly disclosed data about authorized programmatic supply paths – ads.txt files, app-ads.txt files, sellers.json files, and app store metadata. We also partner with programmatic buyers that contribute their campaign data to inform our research. The resulting data set contains detailed supply and demand profiles for over 1.5 million websites, mobile apps, and CTV apps.

Having studied hundreds of supply-side advertising technology companies that power auctions for these websites and apps, we think marketers can organize their supply path optimization strategies around four major categories of indirect supply chains:

1 Outsourced Yield Management	The delegation of sales rights from the publisher to a monetization partner for a minority of user sessions.
2 Content Syndication	Partnerships in which a content owner distributes its content via a third party website or app in return for advertising sales rights.
3 Proprietary Placements	Ad placements, typically with non-standard creative executions, that are exclusively monetized by a company other than the publisher.
4 Rebroadcasting	Auctions for which the seller does not control the final ad serving decision.

Publisher-Controlled Supply

As a point of reference, let's first clarify what the industry currently considers "direct" supply. One example of direct supply is Index Exchange's integration with Good Housekeeping. Good Housekeeping's ads.txt file (here) provides two important pieces of information:

```
ownerdomain=hearst.com
```
(This tells us Hearst is the owner of goodhousekeeping.com)

```
indexexchange.com, 187614, DIRECT
```
(This tells us Index account 187614 is authorized to sell Good Housekeeping's inventory)

We can then cross-reference this information with Index's sellers.json file (here). In that file, we find the following information:

```
{
  "seller_id": "187614",
  "name": "Hearst Magazines, Inc.",
  "domain": "hearst.com",
  "seller_type": "Publisher"
}
```

We can now verify that Index seller ID 187614 is indeed a direct supply chain:

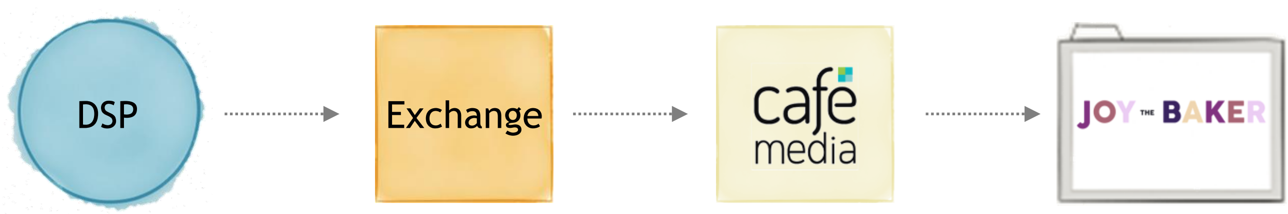
The combination of Good Housekeeping's ads.txt file and Index's sellers.json file validates that Hearst (the owner or of Good Housekeeping) has a direct financial relationship with Index and authorizes Index to conduct RTB auctions for ads on Good Housekeeping. DSPs pay Index, and Index then pays the publisher.

Sales House-Controlled Supply

But not every publisher has Hearst's scale and sophistication. Consider Joy The Baker. Joy Wilson leads a five person team that publishes joythebaker.com. Joy describes herself as a "baker, photographer, cookbook author and teacher." She and her team are not ad ops professionals, so they partner with a company called Cafe Media. We know this because joythebaker.com/ads.txt declares the following:

```
managerdomain=cafemedia.com
```

There is no supply chain on joythebaker.com for which an exchange pays the publisher. All payments flow through Cafe Media:



There are thousands of small media companies like Joy The Baker that are exclusively represented by monetization specialists like Cafe Media. In our view, there is no functional difference between the monetization service that Hearst's in-house team provides to Good Housekeeping's editorial team and the monetization service that Cafe Media provides to Joy The Baker's editorial team.

We handle this with a notion of a "primary seller." There is exactly one company (either the publisher or an exclusive sales house) that controls programmatic monetization for each website, mobile app, and CTV app. If the chain of payment is DSP > Exchange > Primary Seller, the supply chain is direct. Any other chain of payment is reselling.

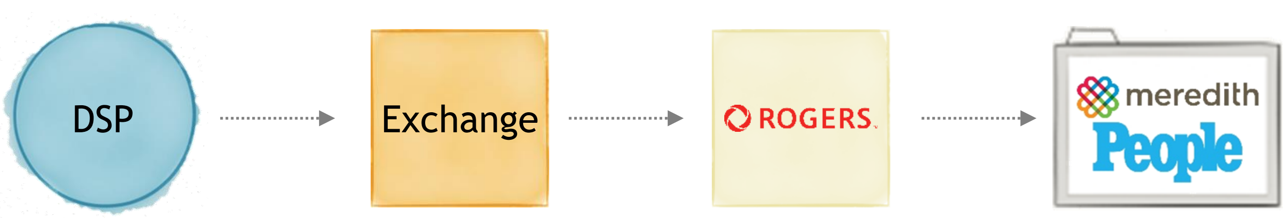
What Is A Direct Supply Chain?

Directly-sourced supply represents cases where the exchange issues payment to the "primary seller" – either the publisher or an exclusive representative of the publisher.

Outsourced Yield Management

By this definition, many supply chains are almost – but not quite – direct. Consider Meredith's inventory (for which Meredith is the primary seller). When a consumer in the US visits people.com (a Meredith property), direct supply chains look like this:

But Meredith outsources monetization of its Canadian traffic to Rogers Media, which has a scaled sales presence in Canada. When a consumer in Canada visits that same people.com article, the most direct available supply chain looks like this:

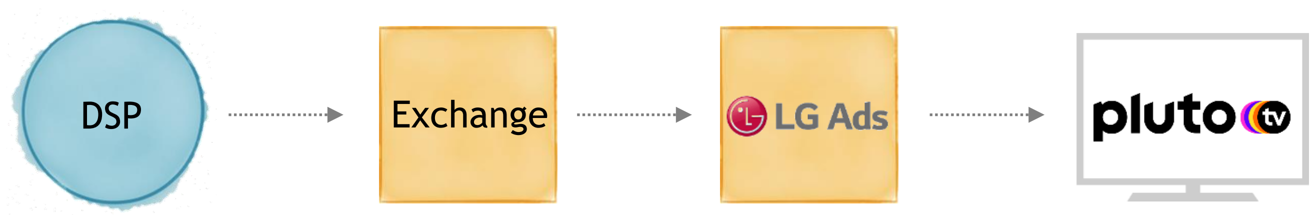


This second supply chain contains an extra payment hop. The DSP pays the exchange. The exchange pays Rogers. And Rogers handles final payment to Meredith. That's not a direct supply chain, but it's the most direct available path for Canadian user sessions.

Similar outsourcing arrangements are also common in the emerging connected TV supply landscape. Consider Pluto TV. Direct supply chains to Pluto TV look like this:

Outsourced Yield Management

But distributing the Pluto app across every internet-connected TV requires Pluto to partner with nine different CTV app stores (Roku, Amazon Fire, LG, etc.) In return for carrying and promoting Pluto TV, app store operators often negotiate exclusive sales rights for a portion of ad pods, creating supply chains that look like this:



Buyers who want full access to Pluto's CTV inventory must transact with supply chain intermediaries like LG that have negotiated exclusive sales rights.

What Is Outsourced Yield Management?

Publishers who outsource some, but not all, of their pageviews to a third party operate a special kind of reselling that we called Outsourced Yield Management.

Rogers is not the primary seller of people.com, and LG is not the primary seller of Pluto TV, but both companies have exclusive sales rights for some user sessions. Unlike Cafe Media, these companies do not *replace* the publisher. They *supplement* the publisher, unlocking unique inventory that can only be transacted via indirect supply chains. The exchange pays a company that is not the primary seller, but that seller has exclusive right of sale for a particular user session. We call these scenarios "Outsourced Yield Management" and recommend buyers evaluate these indirect supply chains with the same KPIs that they would evaluate direct supply chains. Buyers may or may not want to transact with Rogers or LG or other similar intermediaries. But these companies should not be disqualified from a media plan on the basis of directness.

Content Syndication

Content syndication is another variety of not-quite-direct supply chains. Content owners commonly distribute their content across third party websites and apps to reach new audiences. These arrangements exist across all programmatic channels, but they are most notably present in the connected TV supply landscape.

> **Most CTV supply is not controlled by the app developer.**

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 TV.

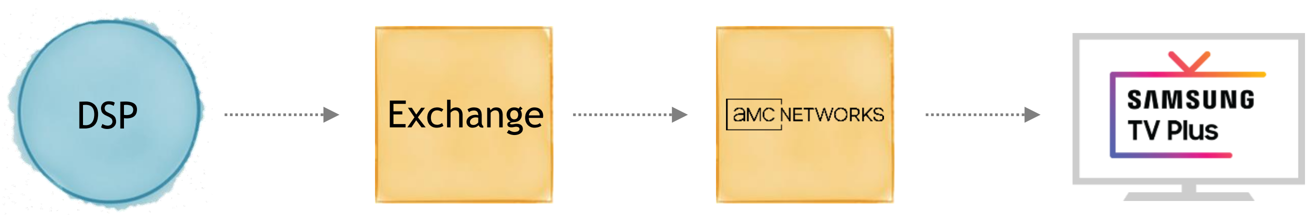
As an example, imagine a consumer who opens the pre-installed Samsung TV Plus app on her Samsung Smart TV and watches an episode of The Walking Dead. Samsung TV Plus carries content from many content owners, similar to a traditional cable operator. And like a cable operator, Samsung negotiates carriage agreements with programmers like AMC (the owner of The Walking Dead). 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.

Direct supply chains for the Samsung TV Plus app look like this:

The DSP pays the exchange, and the exchange pays the publisher.

Content Syndication

But most AMC content on Samsung TV Plus 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:



Samsung's app-ads.txt file provides a useful signal about this carriage agreement:

`inventorypartnerdomain=amc.com`
(This tells us AMC has sales rights in the Samsung TV Plus app)

AMC is *a* publisher, but they are not *the* publisher in this context. Samsung is. Samsung develops the app, owns the customer relationship, and has full control of all ad serving decisions. In our language, Samsung is the primary seller, and AMC is a supply chain intermediary.

What Is Content Syndication?

Content owners that monetize their content in third party websites and apps operate a value-added form of reselling called Content Syndication.

But AMC is an unquestionably value-adding supply chain intermediary that has contractual rights to sell the majority of ad breaks against its syndicated content. Along with their peers, programmers like AMC control sales rights for the majority of inventory in multi-channel CTV apps like Samsung TV Plus. Any reasonable marketer would recognize that transacting with AMC is equivalently direct to transacting with Samsung. More generally, transacting with a content owner is equivalently direct to transacting with the app developer.

Proprietary Placements

The last variation of value-added reselling is Proprietary Placements, in which the publisher delegates control of select ad placements to a third party monetization specialist.

> **Across all channels, but especially the web, it is common for specialized ad tech vendors to secure exclusive right of sale for certain ad units.**

Proprietary placements operators might fill their exclusive ad units with hand-sold demand, with demand sourced from a direct DSP integration, or with demand sourced indirectly through reselling exchanges. The key, by our definition, is that the publisher does not control the ad serving decision for a proprietary placement.

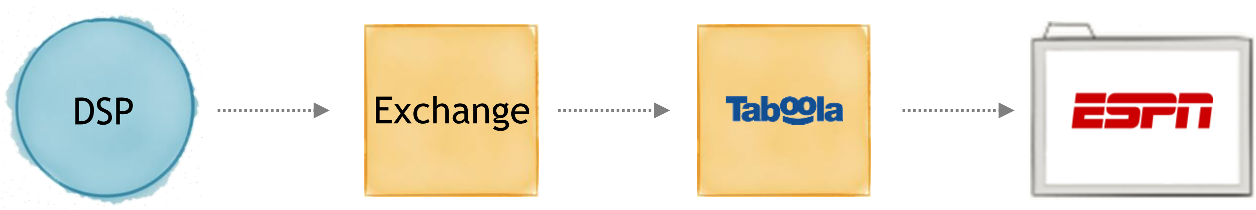
Take as an example placements that are powered by Taboola. Readers of this report will likely recognize Taboola's feed-based native units that are deployed across tens of thousands of websites. On ESPN, for example, Taboola owns a content feed at the bottom of most article pages, and Taboola exposes 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 adhesion 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. And these companies often source DSP demand through reselling exchanges.

Proprietary Placements

Those reselling supply chains look like this:



The DSP bids into an exchange. If the DSP wins the exchange's auction, the exchange then forwards the bid to the Taboola auction where Taboola makes a final ad serving decision.

In this example, bidding directly into the Taboola auction is simply not an option for many DSP buyers. Taboola owns exclusive sales rights for a scaled 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 widely adopted by most web publishers. Companies like 33Across, Connatix, Consumable, Duration Media, EX.CO, GumGum, Infolinks, Insticator, Kargo, Minute Media, OpenWeb, Outbain, Primis, Taboola, Vidazoo and others have exclusive right of sale for select placements on tens of thousands of websites.

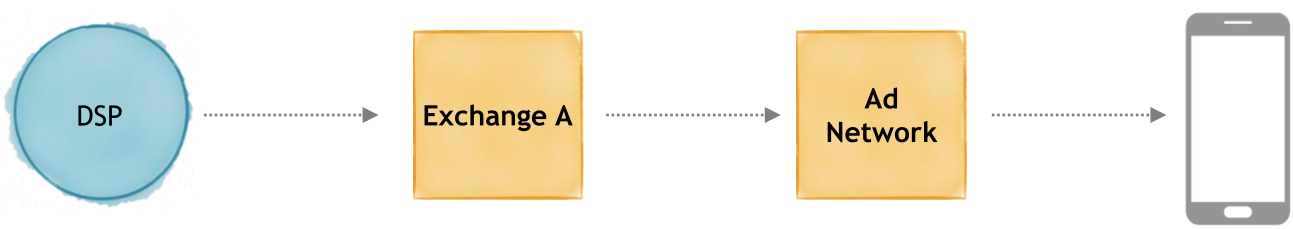
> **58% of the top 1,000 programmatically-traded websites have at least one proprietary placement that is transacted through authorized resellers.**

Programmatic buyers whose DSP does not have direct integrations with these ad tech companies must use indirect supply chains to access this inventory.

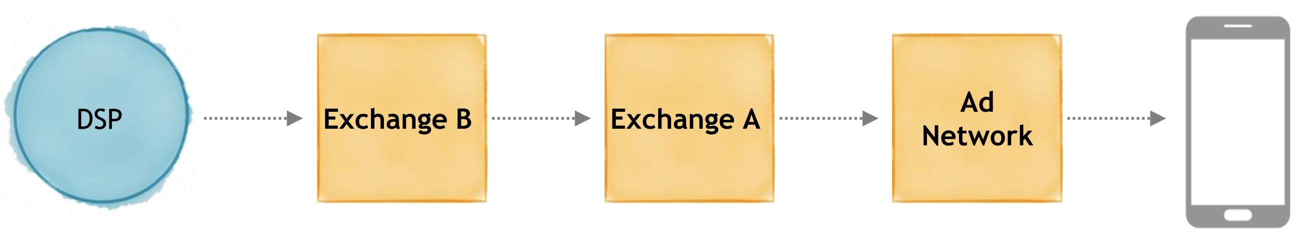
Rebroadcasting

The final variation of reselling is rebroadcasting. Unlike outsourced yield management, content syndication, and proprietary placements, rebroadcasting leads to an auction that does not have sales exclusivity.

We most commonly observe rebroadcasting for mobile app inventory, where the dominant source of publisher demand is specialized ad networks – companies like InMobi, ironSource, and Smaato. These ad networks sell managed service campaigns to advertisers but also 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:



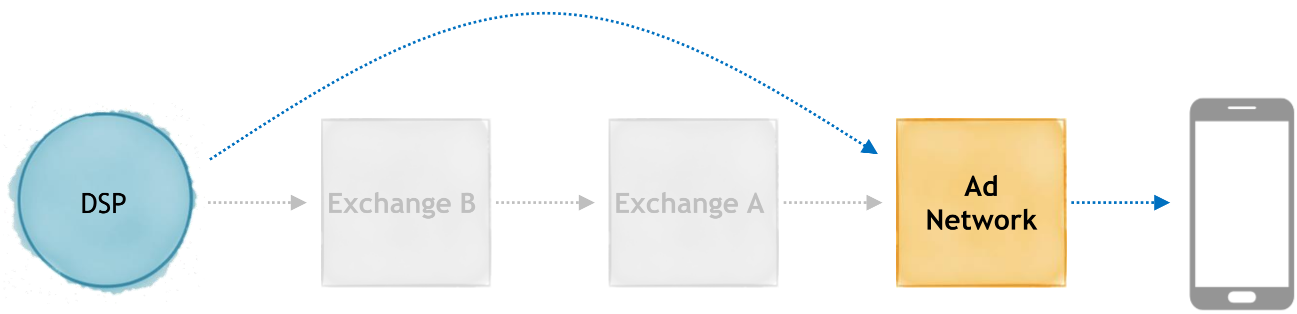
This supply chain is both financially indirect (the exchange and the network both take a fee) and technically indirect (there are two sequential auctions). There are also longer multi-hop rebroadcasting supply chains:



Selling through multi-hop supply chains is a proven monetization strategy. By creating duplicate bid requests, rebroadcasting inflates the apparent size of a publisher, causing DSPs to submit more bids. Even after accounting for compounded supply chain fees, publishers benefit from the added bid volume and resulting auction pressure.

Rebroadcasting

But rebroadcasting is highly unattractive to DSPs who are primarily burdened with the infrastructure cost of processing duplicate auctions for the same impression and secondarily burdened with the media cost of funding supply chain intermediaries. The largest and best resourced DSPs solve this problem by integrating directly with mobile ad networks and other sell-side vendors that initiate rebroadcasting auctions:



While rebroadcasting has been entirely eliminated by some DSPs, most bidding systems continue to actively participate in inefficient multi-hop supply chains.

In today's supply landscape, especially for buyers who partner with scaled DSPs that have robust sell-side integrations, there is no value in rebroadcasting. Rebroadcasting's only role is to inflate publisher yield by capturing irrational demand. Marketers should be working closely with their agency and DSP partners to identify and block rebroadcasting supply chains.

What Is Rebroadcasting?

In all of our prior examples, the exchange 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.

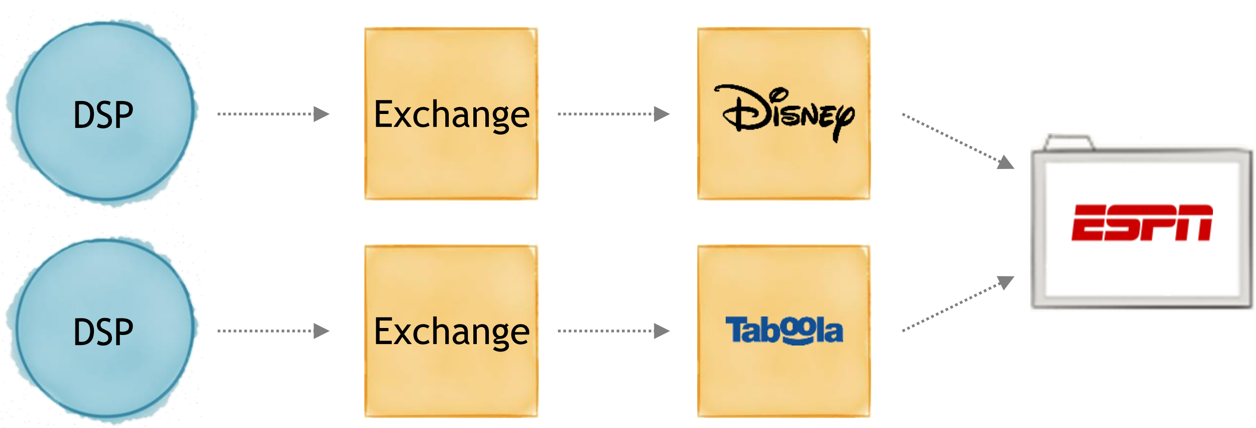
Optimizing Indirect Supply

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 valuable. Others are wasteful.

To date, the industry's 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?**

Marketers need to reframe their supply strategies from a property-oriented lens to a seller-oriented lens. Property-oriented media planning makes a buy/no-buy decision for a website like ESPN.com. Seller-oriented media planning recognizes that there are two very different supply chains on ESPN.com:



ESPN inventory sold by Disney is a fundamentally different ad product from ESPN inventory sold by Taboola. Buyers should primarily make decisions about whether to transact with Disney and Taboola, and should then secondarily make decisions about which websites and apps to purchase from each seller.

Optimizing Indirect Supply

An added benefit to seller-oriented media planning is a radical reduction in the complexity of supply management. There are over 1.5 million websites, mobile apps, and CTV apps in the bidstream. But there are only 1,000 sellers. And 100 of those sellers capture more than 80% of the average marketer's budget.

> **The average programmatic buyer spends more than 80% of its budget with fewer than 100 sellers.**

Through seller-oriented media planning, buyers think less about maximizing directness and think more about trading with trusted counterparties. The most successful media buyers now exclusively transact with 50-100 trusted publishers and intermediaries, unlocking three marketing benefits:

1. Superior Business Outcomes
   Trusted sellers – both publishers and intermediaries – provide maximally direct access to ad products that change consumer behavior.

2. Quality Control
   Marketers who buy from vetted sellers can build familiarity with each seller's ad experiences and apply human oversight to automated quality control systems

3. Negotiating Leverage
   Sellers reward buying power. The largest buyers get privileged inventory access and preferred pricing. It's better to be a large buyer with a few sellers than to be a small buyers with every seller.

Marketers who adopt a seller-oriented media plan should buy both direct and indirect supply chains with confidence. Directness matters much less when marketers know and trust their counterparty for every programmatic trade.

Optimizing Indirect Supply

Activating a seller-oriented media plan is ideally a DSP capability:

Buy-Side Activation

Media buyers should ask their DSP partners about seller reporting and seller targeting. The most sophisticated DSPs now enable marketers to assess campaign KPIs by seller (Disney, Taboola, etc.) Those DSPs additionally allow marketers to make lists of sellers to include and exclude from each campaign. Marketers will quickly discover that their spend is already highly concentrated to a short list of sellers and that pricing and performance vary widely across those publishers and intermediaries.

But not every DSP supports seller-oriented media planning. Marketers whose DSP partners do not yet have seller-based targeting and reporting capabilities should instead collaborate with ad exchanges to curate inventory:

Sell-Side Activation

Every exchange is built to support seller reporting and targeting – sellers are the exchange's customer, and so of course exchanges can report and target by seller. Through multi-seller deal IDs, buyers in any DSP can target a short list of trusted publishers and intermediaries. Buyers can continue to utilize DSP capabilities for audience targeting, contextual targeting, frequency capping, and bid price optimization. But the exchange puts guardrails on which sellers are eligible to transact with the marketer.

Whether through buy-side or sell-side activation, responsible media buyers should reorient their supply strategies around trusted sellers. Those sellers might operate direct auctions, resold auctions, or even a combination of both. But marketers can bid with confidence knowing they exclusively transact with trusted counterparties.

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