

Local Programmatic Creates A World Of Opportunity

When Digital Advertisers And
Publishers Alike Overcome Barriers

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Executive Summary

Using targeting technologies that facilitate the delivery of advertising to likely prospects and current customers is a strategy that is widely deployed at the national level by advertisers and publishers alike to offer relevance to consumers, return on investment (ROI) to advertisers, and higher cost per thousand impressions (CPMs) to publishers. On the local level, however, advertisers with faith in their knowledge of the habits and preferences of their customers prefer to use targeting technology on a more selective basis. Publishers, who strive to be equipped technologically and staffed with adept sales and support teams, find the appetite for their know-how to be limited. A chasm that is wide and deep separates local publishers from their advertisers, and may be limiting growth for both. The only bridge is education that will fortify the position of publishers by allaying the reservations of advertisers about the benefits of local programmatic processes. The likely result of crossing that bridge will be happier consumers receiving relevant messaging, more successful marketers with enhanced ROIs, and better-compensated publishers.

In December 2013, Simpli.fi commissioned Forrester Consulting to explore the level of knowledge about and deployment of programmatic advertising and publishing tools at the local market level. To further explore this situation, Forrester developed a hypothesis that tested the assertion that local market publishers and their advertising clients are not taking full advantage of the technologies that are part of everyday business at the national level.

“In my experience, local market publishers are not so sophisticated about targeting beyond geo or time of day.”

— Former programmatic ad director, national newspaper

In conducting in-depth surveys of 100 digital publishing executives in 26 metropolitan and suburban designated market areas (DMAs), supplemented by interviews with four digital executives with expertise in local market publishing and advertising sales, Forrester found that neither local publishers nor local advertisers have a deep appreciation of the power of targeting to deliver the appropriate customer

audiences. Further, neither camp is aware of the benefits of using unstructured intent data to zero in on active, relevant in-market consumers. After only the briefest of descriptions, both publishers and advertisers expressed an appreciation of the potential that unstructured intent data held to drive business. And the overwhelming reaction is that further education is the key to the adoption of targeting technologies that reveal how to identify and message in-market consumers.

KEY FINDINGS

Forrester’s study yielded four key findings:

- › **The opportunity for advanced advertising is there.** Local market publishers are aware of and equipped to offer even the most sophisticated advertising opportunities to their advertisers. They have direct sales teams, partner with data management platforms in order to mine and deploy their first-party data, are aware of national trends, and offer a full slate of options to their customers.
- › **Local advertisers understand their markets and are not unduly influenced by the practices of their national brethren.** They approach their marketing efforts with a clear territorial point of view and are profoundly focused on acting on the basis of measurable results. ROI rules everything.
- › **Benefits of unstructured intent data are largely unknown.** Neither local market publishers nor their advertisers are familiar with unstructured intent data or how it might be used to improve targeting accuracy and performance. Once it was described, both parties immediately saw the benefits inherent in this data. How to deploy it remained a question.
- › **There is a need to educate the market.** To span the gap between what local market publishers are knowledgeable about and equipped to offer and what their advertisers are interested in using requires a great deal of education. While the impulse to remain competitive drives both constituencies, ad tech partners are likely to be the source of that education for the near term.

Local Market Publishers Are Equipped With The Necessary Weapons

Forrester's survey revealed that local market publishers are equipped with the appropriate technologies, armed with direct sales staffs, and prepared to offer their advertisers, who are primarily restaurants, retailers, professional services, automotive, and financial services marketers, a full slate of targeting options across platforms. They are likely taking their cues from national publishers that are embracing innovation to better serve the needs of their advertisers, or they should be.

“If I’m local TV, radio, or print with a digital property, then I would be looking over my shoulder at what the national guys are doing.”

— Former programmatic ad director, national newspaper

Specifically, 92% of those publishers surveyed reported that they have direct sales teams servicing their local market advertisers, which make up the bulk of their ad sales. Eighty-seven percent reported that they offer advertising on desktop, followed by tablets at 80%, mobile at 76%, video at 74%, and even print at 61%. All of these components roll up into full cross-platform ad packages for over half of the publishers surveyed (see Figure 1).

Local market publishers are also aware of the power of their first-party data and are partnering with data management platforms (DMPs) to harness and mine the data for the nuggets of gold that can inform their own marketing efforts, product design, and advertising packages.

“We collect the data and find segments and build them ourselves. One of the biggest things is to gather and append additional information.”

— VP of advertising strategy and performance, local newspaper

Seventy-four percent of those publishers surveyed reported that these data initiatives are driven by their own marketing department imperatives and are delivering new insights, enabling faster reporting and improved collaboration among business users.

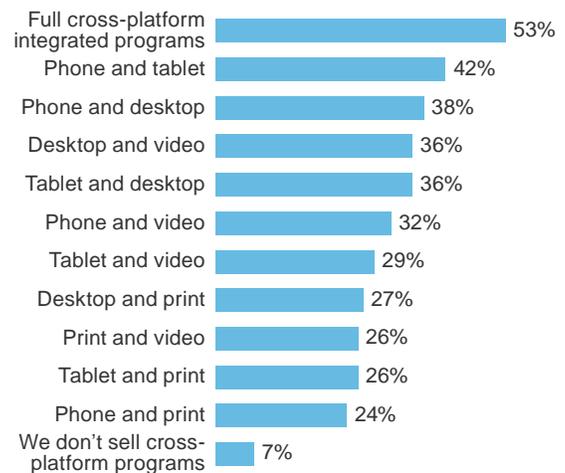
More than two-thirds of those surveyed reported that they are accessing their first-party data to maximize the value of their inventory and to create compelling advertising packages that have data at their core. Programs that are built atop a base of first-party data, such as audience extension, facilitate the modeling and acquisition of lookalike consumers, and are widely deployed by national publishers to deliver scale for their advertisers when their own endemic audience falls short.

According to this survey, 68% of local market publishers are also equipped to offer audience extension to their advertisers. Sixty-eight percent of those surveyed offer reach extension programs, and, of those, 23% reported that this capability is a factor in 20% to 29% of display ads sold (see Figure 2).

FIGURE 1

Over Half Of Publishers Sell Fully Integrated Cross-Platform Programs

“Which of the following cross-platform advertising packages do you sell?”
(Select all that apply)



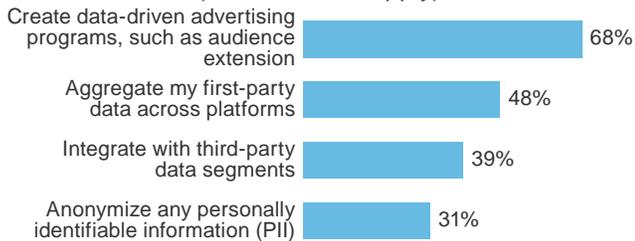
Base: 100 US manager+ professionals responsible for digital advertising sales/partnerships

Source: A commissioned study conducted by Forrester Consulting on behalf of Simpli.fi, April 2014

FIGURE 2

Two-Thirds Of Publishers Use Their DMP To Create Data-Driven Advertising Programs

“For what purpose do you use a DMP?”
(Select all that apply)



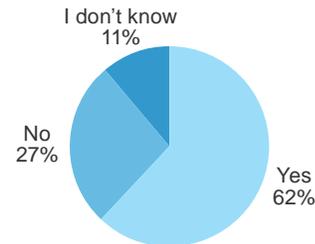
Base: 88 US manager+ professionals who use a DMP

Source: A commissioned study conducted by Forrester Consulting on behalf of Simpli.fi, April 2014

FIGURE 3

The Majority Of Publishers Offer Inventory For Sale Programmatically

“Do you offer inventory for sale programmatically?”



Base: 100 US manager+ professionals responsible for digital advertising sales/partnerships

Source: A commissioned study conducted by Forrester Consulting on behalf of Simpli.fi, April 2014

Programmatic Is Part Of Local Publishers' Arsenals

The ability to offer inventory for sale programmatically is another weapon that a significant majority, or 62%, of local market publishers surveyed can deploy (see Figure 3). Of those, 70% offer display programmatically, 68% offer video, and 56% offer mobile. And, in keeping with the consumer trend of opting to spend time with mobile devices over desktop, mobile represents the lion's share of overall inventory. Execution falls to a variety of suppliers, including exchanges and supply-side platforms (SSPs) (see Figure 4).

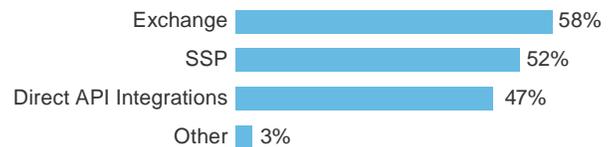
Responsibility for the sale of inventory through programmatic channels falls to the direct sales team, according to 84% of local market publishers. Sixty-one percent of publishers reported that it is their internal marketing team that creates programmatic campaigns for their advertisers, and 89% reported that it is their internal staff that optimizes all such campaigns.

It may be these sophisticated capabilities, offering advanced targeting capabilities and significant efficiencies, that entice advertisers to buy programmatically. According to the publishers surveyed, 78% of their advertisers buy at least 20% to 29% of their digital media programmatically today, a proportion that 67% of the surveyed publishers believe will increase over the next 18 months, with display, mobile, and video being the platforms of choice.

FIGURE 4

Publishers Offer A Variety Of Programmatic Targeting Options

“How do you make this inventory available for programmatic sale?”
(Select all that apply)



Base: 62 US manager+ professionals who offer inventory for sale programmatically

Source: A commissioned study conducted by Forrester Consulting on behalf of Simpli.fi, April 2014

While Publishers' Targeting Capabilities Expand, Advertisers' Expectations Remain Focused

As part of their programmatic offerings, publishers are expanding their variety of targeting options to include social media targeting, site retargeting, behavioral targeting, and search retargeting. Of those publishers that offer mobile inventory for sale programmatically, 78% reported that they can target by time of day, 72% by app content and device type, and 62% by geography.

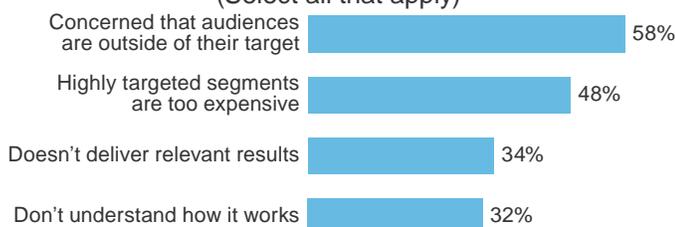
"There's definitely been a shift in the last two to three years. Advertisers are demanding higher quality targeting."

— Director of digital revenue and sales for a local market newspaper

While local market advertisers may be expecting to be provided with a broader and more sophisticated array of targeting options, it is the publishers' perception that their advertisers prefer to maintain a tight control over their budgets and remain firmly focused on achieving an appropriate return on their marketing investment. When it comes to reach extension, for example, 58% of publishers surveyed reported that their advertisers are concerned that such an extended audience would fall outside of their target geography, and 48% think highly targeted segments are too expensive (see Figure 5).

FIGURE 5 Publishers Believe Advertisers Have Reservations About Reach Extension

"Which of the following concerns do your local advertisers have regarding reach extension?"
(Select all that apply)



Base: 62 US manager+ professionals who offer reach extension
Source: A commissioned study conducted by Forrester Consulting on behalf of Simpli.fi, April 2014

Consistent with the notion that local market advertisers have a keen perception of their customers and prospects, behavioral and search are the targeting options of choice, according to surveyed publishers. Geofencing, with ZIP code as the dominant parameter, is the preferred tactic for 27% (see Figure 6).

FIGURE 6 Behavioral And Search Are The Most Requested Targeting Tactics

"Which of the following programmatic advertising tactics do your local advertisers request?"
(Select all that apply)



Base: 100 US manager+ professionals responsible for digital advertising sales/partnerships

Source: A commissioned study conducted by Forrester Consulting on behalf of Simpli.fi, April 2014

Transparency is key to advertiser satisfaction, according to the publishers surveyed. Sixty-five percent reported that their advertisers expect transparency in the data used to determine the targeting parameters, 52% expect impression-level transparency, and 40% expect financial transparency.

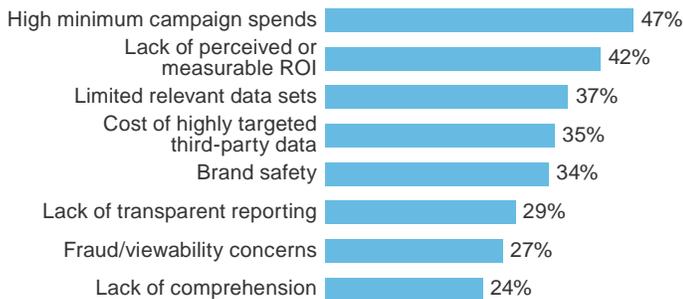
Barriers To Programmatic Adoption For Local Market Advertisers

Local publishers view their advertising customers as the most pragmatic of people. They run businesses many have built from the ground up. They live and are engaged in the communities they serve. And they employ other local citizens. Success is still measured by the standard click through rate, according to 62% of publishers surveyed, followed by cost per action, and foot traffic or sales.

When it comes to committing a greater proportion of their advertising dollars to programmatic channels, 47% of publishers believe that their advertisers will find high minimum campaign spends to be a significant barrier, followed by 42% who think that the lack of a perceived or measurable ROI will halt the progression. More than a quarter of publishers reported that concerns about viewability, doubts that plague advertisers at every level of the ecosystem, present a significant barrier. Close to a full quarter of publishers believe that there is a basic lack of comprehension among advertisers about the benefits of programmatic buying (Figure 7).

FIGURE 7
High Minimum Spend Is Biggest Barrier To Programmatic Adoption

“Which of the following issues do your sales team or ad ops teams perceive as barriers to programmatic adoption by your local advertisers?”
 (Select all that apply)



Base: 62 US manager+ professionals who offer inventory for sale programmatically

Source: A commissioned study conducted by Forrester Consulting on behalf of Simpli.fi, April 2014

UNTAPPED POWER OF UNSTRUCTURED DATA

Perhaps even less well understood than programmatic buying is the potential value to advertisers in unstructured data, which is data collected from a host of different digital signals, including email, browsing behavior, tweets, and more. Unstructured data can identify consumers who are in-market, consumers who can then be targeted with timely and relevant marketing messaging. One publishing executive said, “Ninety percent of local advertisers have no idea what unstructured data means.” Another added, “Local

market publishers could reap the benefits by making the market aware of it.”

“I’ve heard about unstructured data, but I wouldn’t be able to explain it . . . We have a whole bunch of search activity on our site and we’d probably do a better job at targeting if we used unstructured data.”

— VP of advertising strategy and performance, local newspaper

Education of both publishers and advertisers alike on the power inherent in unstructured data could be a game-changer, as several publishing executives pointed out. One offered, “If local advertisers understood the benefits of intent data, they might possibly increase the size of their campaign with us.”

“We need to educate our legacy salespeople. And educate advertisers that aren’t aware of this capability. Those are our two biggest challenges. If they understood the benefits, [unstructured data] would increase our overall revenue.”

— Director of digital revenue and sales, local newspaper

Education Is The Missing Link

If there is one theme running through discussions of the benefits of transacting through programmatic channels, and, more specifically, on the value of unstructured data, it is the need for education. Publisher salespeople and advertiser planners and buyers all need to keep abreast of a rapidly evolving marketplace and the emerging resources available to maximize the benefits of those processes.

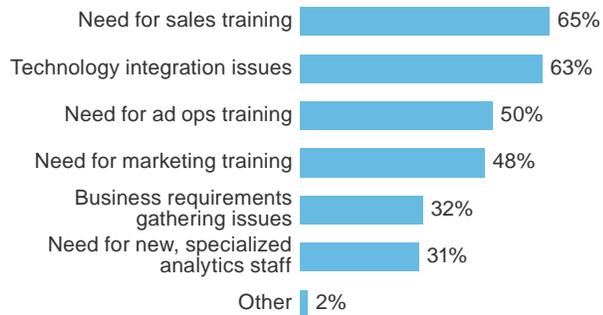
Staying current is, however, not easy. Close to two-thirds of publishers reported that their very own direct selling teams need training, as do their ad ops and marketing teams. Close to a third of publishers polled believe that they need something altogether new: a specialized analytics staff to keep up with the rapidly evolving capabilities that publishers want and are expected to offer (see Figure 8).

Something altogether new is the hallmark of this era. Publishers alike are working in a fast-paced and everchanging landscape that regularly reveals new possibilities for more effectively and efficiently messaging customers and prospects in order to drive business. Publishers must be equipped for continuous learning, for constant educating of their teams, and for passing along what they know to their advertisers.

FIGURE 8

Sales Training And Technology Integration Are Publishers' Biggest Challenges

“During the implementation process, which, if any, programmatic platform adoption challenges did you encounter?”
(Select all that apply)



Base: 62 US manager+ professionals who offer inventory for sale programmatically

Source: A commissioned study conducted by Forrester Consulting on behalf of Simpli.fi, April 2014

Key Recommendations

The future is here and it is programmatic. Publishers and marketers alike will thrive if they embrace programmatic armed with all the tools necessary to make it work. Foremost among those tools is data. It informs media buying and drives efficiencies. First-party data, when properly harnessed and mined, offers depth of insight into consumer behavior, preferences, and intent that can and will inform both publisher and marketer strategies and lead to higher revenue and better performance, respectively. Harnessing first-party data, however, is likely to be a long, complex, and expensive process.

Of immediate value and readily available to inform programmatic transactions is unstructured data, a wealth of information that, among other things, can reveal consumers who are in-market. This data, which is based on a variety of online consumer activity, including email, search, browsing behavior, tweets, and more, is an excellent tool for marketers because it delivers the best of two worlds: extended reach built on a foundation of the sort of market intelligence and targeting favored by local advertisers. They are informed and equipped to deliver relevant and, therefore, valuable messaging that can bind marketers and consumers closer together on a broader scale.

Perhaps most important of all, in this rapidly evolving, highly competitive marketing environment, time is of the essence. Take advantage of all the available tools and go through the following steps:

- › **Organize your data assets.** Get your internal stakeholders on board. Identify your first-party data assets, and begin the request for proposal process (RFP) to select the DMP that will help you collect, organize, and deploy your data.
- › **Select your platform partner(s).** In order to deploy your data to its maximum effectiveness, selling on an audience basis in programmatic channels, you need to work with either a demand-side platform (DSP) or an SSP. Take a look at the landscape of offerings in each group and opt for partnership(s) with those entities that offer you the broadest array of options for packaging and pricing your inventory.
- › **Require transparency from all your partners.** There should be no black boxes. Every action taken on your behalf by your vendor partners should be completely transparent. Many will offer you unexpected insights that help you work smarter. Settle for nothing less.
- › **Explore the benefits of unstructured data.** Marketers and publishers alike stand to benefit from this relatively untapped resource that complements more widely used data options. The possibility of identifying an audience of in-market consumers is so delightfully intriguing, who could resist? Keep current, and press your vendors for help. Many vendors are at the cutting edge of innovation, fully informed of where the industry and their competitors are heading. Make it clear that you expect them to share that knowledge proactively. In fact, as you assess potential vendors for future partnerships, keep in mind their willingness and ability to keep you and your team completely up to speed. Make that capability a key differentiator.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 100 publishing and advertising organizations in the US to evaluate their knowledge about and deployment of state-of-the-art digital advertising and publishing tools at the local market level. Survey participants included decision-makers in marketing and sales. Questions provided to the participants asked about their experience with selling programmatically. Respondents were offered incentives as a thank you for time spent on the survey. The study began in February 2014 and was completed in April 2014.