

Programmatic or problematic advertising for SA's online publishers?



By [Dries Badenhorst](#)

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Programmatic advertising is not a newbie when it comes to the buying behaviour of online banner advertising. For those not in the know, programmatic ad buying typically refers to the use of software to purchase digital advertising...

This is as opposed to the traditional process that involves RFPs (requests for proposals), human negotiations and manual insertion orders. It's using machines to buy ads, basically.

Forrester believes that programmatic buying will ultimately capture the bulk of all digital advertising spend.

Publishers in South Africa are bracing themselves for the impact that programmatic advertising will have on their bottom line. In fact, one might suggest there's a state of panic among South African online publishers.

Although beautifully packaged with so many 'benefits', it's a system that'll cripple many local online publishers. The benefits are stacked in favour of the clients and the booking agencies, but there seem to be very little benefit when it comes to the publishers.

Loads of inventory means large publishers will love it

With all the benefits for clients and booking agencies well documented, the only advantage it holds for the publisher is the selling of unused inventory. It's claimed that it will "get rid" of the second layer of inventory.

This advantage can hold water when it comes to any large publishers with loads of inventory. In particular, for those with platforms that mostly have user-generated content. In this case, it is the best way to monetise a subset of inventory that isn't sold directly.

But how many large publishers are there in South Africa? What are the overheads of these large publishers? Do they have enough inventory to sell via the programmatic model to ensure survival, let alone profitability? I think not.

But it's the real time bidding (RTB) of programmatic advertising that is the biggest threat for publishers.



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Inventory sold via RTB is much cheaper

The result is that publishers will earn much less revenue than what they would from direct sales. Even if you consider the potential "absence of overhead", their income will decrease dramatically.

Yes, there is the possibility that premium inventory will always earn premium rates. This is, however, not necessarily the truth anymore. Exchanges are loading more and more premium inventory as automated buying accelerates.

It is also said that publishers will use exchanges to control their pricing. But will this be enough to sustain the overheads required to produce original quality content? Premium sites, after all, receive higher traffic because of the quality of their content.

With a much smaller online audience than America, South African publishers rely on a CPM (cost per thousand) revenue model to enable them to provide this required quality content. This model has been under threat for some time now, as advertisers have moved to buying pay per click advertising.

True impact on the bottom line

Most publishers are and have been reluctant to adapt this model, as it would negatively influence the bottom line. In essence, the growth of ad exchanges are radically 'forcing' publishers into transforming their online businesses.

I am not naïve in thinking that programmatic advertising will just go away. It is here to stay. The benefits for marketers and media-buying agencies are just too overwhelming to ignore. In fact, exchanges will bring bigger budgets into the digital sphere because no other media out there can precisely measure ROI. As a marketer, I would also shift a much bigger slice of my budget to an ad exchange.

I am just not sure that this model, which is volume driven, will benefit South African publishers. Not even if adopted as just another avenue of earning revenue.

So - do you fight it?

You can't. It is here and it is here to stay. The budgets that will be shifted to programmatic advertising will increase with more than 35% per year. In 2013, \$12 billion's worth of budgets were booked via exchanges and it is estimated that by 2017, this number will grow to \$32 billion - in America alone.

It is all about bottom line. It is all about gaining a bigger ROI on an ever-decreasing marketing budget. It's all about cutting cost. It's all about numbers. It's all about results. Emotion and client relationships is slowly eroding as an ingredient to

revenue.

Innovation required

It is unfortunate, but the publisher will have to streamline operational costs to survive under an exchange that is driven by supply and demand. It will serve no purpose to stick your head in the sand and hope that it will not have an impact on your business, because it will do so.

It is more imperative than ever that publishers expand their revenue models. Native advertising and sponsorships seems to be the immediate attempt to open additional revenue channels. Creativity and innovation have never been more important than right now.

What publishers do have, however, is the ownership of their audience. I believe that the secret to the future for publishers is to evolve into businesses that are more dependent on revenue creation from their audience, rather than being solely dependent on traditional advertising.

In closing, I suspect everything will not immediately be to the extreme that is anticipated. It will initially be a slow strangle that will increase in intensity for as long as publishers take to respond to this new reality.

It is time for publishers to put their thinking caps on, to understand their audience and be what they need to be to add commercial value to that audience.

So, programmatic or problematic? You decide...

ABOUT DRIES BADENHORST

Keller Williams Realty, Inc. is an international real estate franchise company with real estate agents across the United States, Canada, Indonesia, Vietnam and South Africa. On its 30th anniversary, Keller Williams Realty celebrated becoming the no. 1 Real Estate Company by agent count in the United States.

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