

COLUMNS

## Why real-time bidding matters for mobile advertising

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By AN AMERICAN MARKETER COLUMNIST

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Real-time bidding is the hottest topic in digital display advertising. It is the subject of countless articles, panels and press releases.

Google recently predicted that by 2015, 50 percent of all targeted display ads will be bought using it.

Make no mistake, the programmatic buying of audiences is a game-changer. But amidst the buzz, I do not think the industry is spending enough time explaining what RTB is, why it came about, and why it is so relevant for mobile. Let us start by taking a look back.

### The buy side

Advertisers have always bought by audience, but they did so mostly by using content as a proxy.

For example, to reach educated, affluent individuals, an advertiser may buy space on a high-end financial Web site.

In the past 18 months, however, advances in data processing and cloud computing have enabled advertisers to make automated buying decisions based not only on the site, but the specific user requesting an ad.

Through RTB, an advertiser can use the data it has collected on its site determine whether a user matches their target profile, and then bid at auction for the right to serve that user an ad. The whole process takes about 120 milliseconds.

In order to manage their campaigns and intelligently allocate budgets to RTB, advertisers leverage agency trading desks, which are tech-savvy divisions of the major ad agency holding companies.

Trading desks such as Interpublic Group's Cadreon, Publicis Groupe's Vivaki and Omnicom Group's OMG process billions of impressions per month.

To execute bids, the trading desks leverage sophisticated targeting engines called demand-side platforms (DSP).

DSPs are true to their name. They represent the demand aka buy side by leveraging predictive algorithms, retargeting and data to find audiences at scale and maximize advertiser ROI.

DSPs typically are more transparent than ad networks in revealing the source and rates of the inventory they buy.

Today, there are more than 25 DSPs including [X+ 1], MediaMath and Turn.

### The sell side

So where do the DSPs get access to supply at such large scales? The answer is you guessed it a group of companies

called supply-side platforms (SSPs).

SSPs such as AdMeld, Pubmatic and The Rubicon Project focus on helping the publishers maximize their revenues by connecting them to the demand side and helping them control how they sell each impression.

Although SSPs and DSPs sometimes do business through traditional insertion orders, the main way they interact is through real-time, server-side auctions.

As you might imagine, making RTB work requires significant infrastructure on both sides of the transaction, and those needs are likely to increase as the technology moves from the Web to other platforms.

RTB and mobile

Over the next few months RTB will begin to go mobile.

At first it will be a trickle, but as DSPs and SSPs ramp up their mobile capabilities, it is reasonable to estimate that RTB will be responsible for 30 percent of mobile demand by fourth-quarter 2011.

However, like anything else, mobile RTB brings unique challenges and opportunities.

For instance, because RTB auctions often require the use of a cookie something that is difficult to pull off in mobile without the help of UDID or wireless networks mobile players will have to supply other targeting criteria.

Demographic information is certainly an option, but the biggest opportunity is in location.

RTB and location-based advertising are the Han Solo and Princess Leia of advertising: always meant to be together, but as of now, unaware of their destiny.

When they finally hook up in 2011, publishers will be able to expose their location-enabled inventory to DSPs, and advertisers will be able to draw a geofence around retail locations to deliver targeted coupons to various consumer segments and demographics.

In this scenario, whenever a desirable user walks into a designated area while browsing her phone, an auction will take place matching that user to a specific profile and offer.

It is a big step towards the Holy Grail of ad relevance, and one of the many ways RTB will change mobile, just as it is changing the Web already.

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