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RTB's Image Problem

by [Carla Rover](#) on Thursday, November 3, 2011

There's little doubt that real-time bidding is growing quickly. Last month, 20 billion ads were bought through RTB, per the [IAB](#). There's also little doubt about the benefits for the buy side in the form of fewer wasted impressions and better targeting. But for publishers, well, the jury is still out.

There's the continued feeling that real-time bidding -- and machine-based buying in general -- isn't necessarily in the best interests of many publishers. After all, for all the talk of RTB, it represents a tiny portion of publisher revenues. At least 80 percent, for most publishers, still comes from buys via their direct sales teams. Sure, RTB can improve yield a bit, but it's hardly anything moving the needle at most publishers.

Brian Fitzgerald, president of publisher network Evolve Media, isn't convinced RTB is worth it. Evolve is sitting out programmatic buying for now.

"We have played with opening up inventory to the exchanges and have not found that premium content is rewarded with higher CPMs," said Fitzgerald. "The challenge with the exchange and RTB model is that it is the great equalizer. It treats all inventory the same and only ascribes value to it based on the client's performance-focused KPI."

And sometimes RTB's staunchest proponents don't have a clear answer to that. Sure, they typically say, a rising tide lifts all boats, one man's trash is another treasure, etc., but publishers rightly point to CPMs -- and the associated risk with programmatic buying cannibalizing the lion's share of their business, i.e., direct buying.

Ramsey McGrory, formerly of Right Media Exchange, [wrote](#) in an op-ed piece at the beginning of the year that "In its current state, RTB is lopsided and problematic for publishers" because of "potential data leakage, sales channel conflict and general upending of the publisher sales model."

The response from RTB enthusiasts is hardly one that will reassure most publishers.

"Cost is an arbitrary number," said Brian O'Kelley, AppNexus' CEO, at today's IAB UK Engage Summit. "No one knows what the price of an ad is -- there's only a negotiated price."

Another popular argument is that publishers are stuck in the past if they just view their inventory in a binary manner: Direct sales have high prices and high touch and indirect sales have low prices and

are data driven. Instead, they should move to "active selling," in the words of PubMatic president Kirk Johnson, as opposed to passive selling.

"If they don't maintain their margin on that inventory and improve its performance -- improve the value that they're delivering -- they're going to continue to be put under a lot of CPM pressure," said Jonathan Shaevitz, CEO of media optimization company Maxify.

There is also the question of control. Publishers are wary of giving it up to a super-secret algorithm, particularly one that they feel is biased in favor of the advertiser, which could lead to all inventory looking pretty much alike.

"Exchanges do not allow a marketer to control ad placement, on-site creative frequency, or deliver larger, non-IAB, rich-media units," said Fitzgerald. "Exchanges, and specifically, RTB, erodes premium-publishing CPMs, moving marketers towards less creative solutions, less one-to-one communication and puts all inventory and its performance into a spreadsheet."

Despite the overall uncertainty in the space, the percentage of publishers using RTB is estimated to have grown to 49 percent in the U.S., in a few years, according to a [joint study](#) by Econsultancy and The Rubicon Project. That means that, despite publishers' concerns, they may be closing their eyes and taking the leap out of necessity. One reason for that growth might be that RTB might not have totally wrecked the publishing sales model, at least not for some of the major players.

"Our biggest concern we had in the months since we created Q-Exchange was the potential implications and negative impact on direct sales," said Mario Diez, who helms QuadrantOne. "This is still a very real concern, but over the last year we have had little, if any conflict." Diez also states that RTB enables a kind of transparency that allows publishers to troubleshoot. "In one case, we found an ad network buying at one rate, arbitraging the inventory and making it RTB enabled in their own exchange," said Diez. "RTB gives us the ability to control that for our publishers and also gives us the transparency to find out who is doing this immediately."

For his part, O'Kelley acknowledges the industry-wide uncertainty but believes that the space can right itself. "There's a huge opportunity for marketers to use ad tech well, but exchanges still have a long way to go," he said. "But the right ad served to the right person at the right time is 100 times more effective than a random ad."