# What is Programmatic Advertising?

For lack of a better description, **Programmatic Advertising** is basically a large network of public auctions that take place all over the internet, 24 hours a day, 7 days a week, 365 days a year.

Publishers of more than 400,000 websites sell their available ad space through **Ad Exchanges** that auction them off. These transactions occur through public online networks called **SSP** (Supply Side Platforms) and **DSP** (Demand Side Platforms) that basically act as computerized **Auction Houses** and preform millions of ad auctions simultaneously, day in and day out.

When a user goes to a website like CNN, Yahoo, or even Coin Collector's Weekly, there's a good chance that one (or multiple) **Banner** or **Video** auctions are taking place behind the scenes in real-time. To be part of an Ad Exchange, a website must have a required level of user traffic.
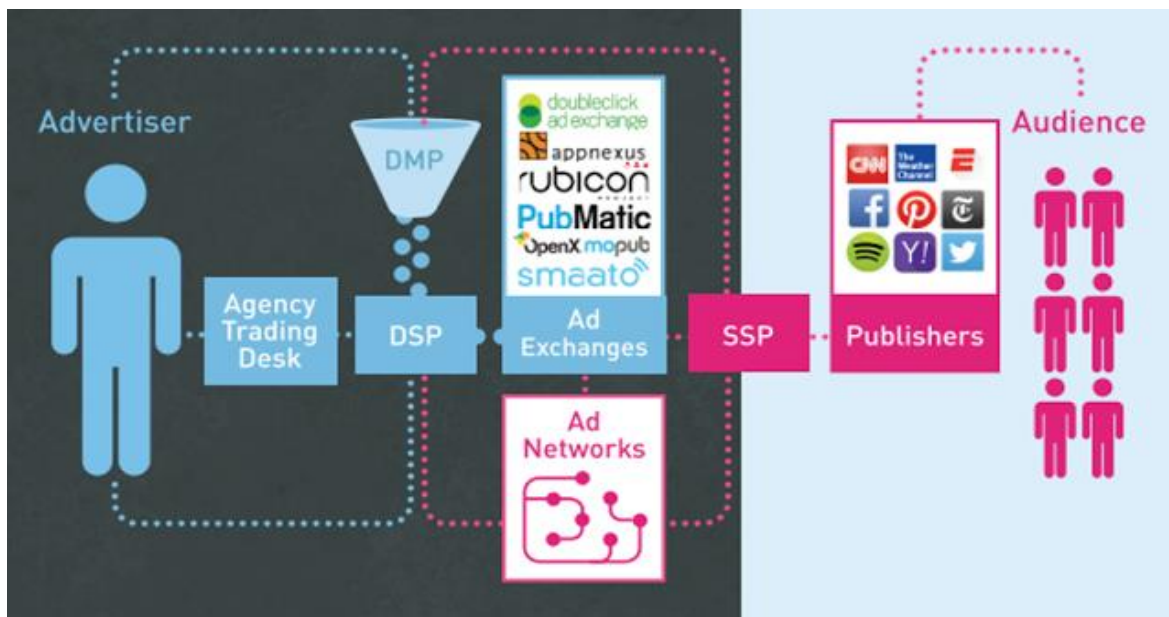
Each time a user goes to a webpage, an auction begins, and the bidding starts. This all takes place in a matter of milliseconds using Programmatic software technology. If you notice a short delay before a banner or video pops up on a webpage, this is the auction taking place in real-time. You can see this for yourself by clicking on one of the website links below.

Ads generally appear at the top and right side of the web pages. Video ads are not always on every website or page.

www.weatherchannel.com   www.yahoo.com

Note: Many companies often sell their own ad space <u>directly</u> to customers. Site publishers often use Ad Exchanges to fill vacancies when they can't sell their own ad space. It is difficult to identify ads sold through the Exchanges vs. the site publishers. An ad coming from the Exchange generally relates to something the viewer recently searched for from their web browser on that device. This is how Programmatic Advertising technology works its magic. Ads purchased directly from site publishers will generally cost more money for the convenience and for the ability to lock in a specific advertiser and ad space inventory which many larger businesses tend to look for.

Of course we are simplifying this explanation, but we hope you get the point.

How Does Programmatic Pricing Work

Ad Exchanges are public platforms, so pricing is truly based on supply and demand. No two markets or ad campaigns are ever the same and there are no price lists to compare. The very best anyone can do is estimate the cost based on "**Ad Impressions**" (banner, video, or audio). Running a test/starter campaign in a specific marketplace is the most accurate way to start.

Once a small or mid-size business decides to launch a Programmatic ad campaign, you should first choose where you want your ads to appear on the internet based on a geographic area. Narrow your focus, because size and density of the market has the greatest impact on pricing. The larger the area, generally the lower the price. The reason again, is supply and demand.

Here's why

Below are some example rates based on geographic areas. As you can see, the larger the area, the cheaper the rate. The reason for this is, ads are easier to buy at the **National Level** than it is at the **City Level** because there are more ad spaces available throughout the US compared to a small town like Yuma, Arizona where there's simply less people, less computer devices, and less ad auctions taking place to win. With less ad space available, the demand and price go way up.

RAI Media's Programmatic packages are designed to start at the **City**/**Zip** level. We start by targeting at a **3-5 mile** radius around the clients address and expand outward during the test campaign depending on the software's ability to deliver the required number of impressions in a set timeframe according to the terms of the sales agreement. If the software can't deliver enough ad impressions, the targeting radius is increased until we can meet the daily average requirement so we can determine an average price for the client's targeted area. This gives us an accurate baseline to help build a reliable marketing strategy and budget moving forward.

SAMPLE CPM Rates[*]
Based on Targeting Paramaters (per 1,000 imperssions)

Targeting Level	Video Ad Rate (<30 sec duration)	Display Ad Rate
National Level	$36.00	$9.00
State Level	$44.00	$11.00
DMA Level	$52.00	$13.00
City Level	$56.00	$14.00
Zip Code Level	$77.00	$20.00
Geo – Fence – (Address)	$98.00	$28.00

*Sample CPM rates are not actual rates and are only provided to give prospetive on relative cost. Actual rates will vary.

Programmatic Pricing

Banner, **Video, and Audio** ads are sold by the **Impression**. They are sold in lots of 1,000 impressions and are referred to as **CPM Rates** (or Cost per 1,000). When an auction is completed and an ad populates on a webpage, this counts as 1 impression. CPM rates are higher for Video because most websites have less (or no) spaces for video content, so there is a premium charged for video. Videos can also use up much more time and resources, while banners ads can be re-sold and auctioned off again after 15 seconds, again and again.

A few important <u>tips</u> about Programmatic Advertising campaigns & Pricing

Setting a monthly budget is a necessary part of any Programmatic campaign. Programmatic Advertising is a process that takes a little bit of time to get ramped up and it doesn't happen overnight especially if you are new to this format. It takes to setup targeting strategies and your creative ad. It also takes time for the Programmatic software to learn your marketplace and become efficient at identifying where your customers are located on the internet.

Also, once your ad campaign begins, you don't want to stop the process. It is better to slow it down and lower your monthly budget then to turn off the "machine". Simply put, it's not a good use of your marketing dollars to start/stop a Programmatic campaign unless you are highly experienced in this digital format. The greatest benefit to Programmatic Advertising is all the valuable tracking data and analytics that is collected and learned when a viewer clicks on your ad. This data will be <u>lost</u> when you stop the Programmatic ad campaign and retargeting is gone.

RAI does not have access or control of this targeting data. It is a public exchange that we do not control. Therefore, it is important to keep the connection actively going even if you need to reduce your monthly budget during slow periods and increase during peak months.

The good news is, it doesn't require a large monthly budget to get started or to stay in the marketplace. For less than $1,000 a month, **RAI Media** can setup a monthly Programmatic strategy for any size business. Monthly ad buys can be increased or decreased at any time of the year. You have full flexibility and all we require is a 2-month commitment to get started.