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Introduction

Programmatic. What is it? Isn’t it just for digital ads? What does it mean to me as a radio professional? Where do we start? How does it work? These are questions we receive from RAB members every day and it is the #1 topic being discussed and implemented among marketers and agencies – nationally and locally. Here’s what I’ve learned....

- The promise of programmatic radio is to make us smarter and better strategic partners for advertising clients and it drives increased revenue to your stations across all platforms.

- Programmatic media buying is more important than ever to advertisers and agencies in that it provides them the opportunity to target the right audience with richer stories on the media they most enjoy.

- Programmatic provides our advertising partners with the analytics and data they need to better help them target and follow their consumers throughout their days.

In keeping with our mission to focus on enhancing Radio’s perception in the advertising marketplace and educating and elevating radio’s sellers to ensure Radio’s growth, the RAB pro-actively commissioned Prohaska Consulting to prepare this white paper designed to educate all constituents on the programmatic landscape, its opportunities, challenges, and implications. Programmatic radio is at a tipping point and will quickly begin to impact our industry. We hope that the information and insights within this white paper will enable you, our members, to understand, learn and help you prepare in your decision of how and when to incorporate programmatic as part of your company’s business strategy.

Erica Farber
President & CEO
Radio Advertising Bureau
Executive Summary

Overall Findings:

• As consumers embrace new technologies and digital platforms like mobile streaming to access audio content, Radio is well positioned to grow in ways it has not traditionally. But this will require the Radio business to continue to evolve.

• Streaming radio and radio podcasts expand ownership of the consumer listening space beyond the automobile. This in turn, attracts new audience targeting approaches and location based ads that are increasingly being deployed programmatically, especially with the rise of mobile. As one buyer put it, “Radio as a medium has the potential to own ‘a near-real time local buying experience’ by adopting a more efficient technological approach.”

• Programmatic capabilities are key to enabling the broadcast radio industry and medium to grow its share of the overall media pie. The media landscape is expanding from traditional age- & gender- targeting to include new addressable targeting methods, driven by buy-side demand. It is very important that industry leaders recognize this shift and act accordingly to seize the opportunity or risk being left behind.

• Programmatic trading levels the playing field and lowers barriers to entry for both buyers and sellers of media. As Broadcast Radio and Streaming Audio align into a unified marketplace, Local Stations are finding themselves competing with national radio and digital audio for a share of “audio” ad budgets. This is both a threat and opportunity and represents the coming collision of “Broadcast Radio” and “Audio” as interchangeable terms. Large buyers of traditional radio and new buyers coming from digital are driving this shift. Radio should “follow the money”.

• Programmatic in the Broadcast Radio industry is happening on two fronts: the automation of the buying process (workflow) and the marketplace implications of buying and selling inventory through more granular, sophisticated audience targeting. The first will continue to happen; it’s win-win for all players. The latter (audience targeting) presents opportunity (expanded advertiser demand) and challenges (the need to shift to and invest in new resources to automate and deliver tightly defined audience metrics).

• Based on a combination of interviews and industry intelligence, we forecast that 10-15% of local and national Broadcast Radio inventory (excluding Local Direct) will be sold programmatically by Q3, 2016. We also project that five years from now, at least 40% of Broadcast Radio inventory will be traded programmatically. We see Local Direct trending on a flat trajectory year over year through 2020. Both large market and small market sellers will move toward these levels over time, though likely at different rates of growth.

• The majority of Broadcast Radio programmatic business will be conducted through Private Marketplace (PMP) transactions over the next 12-18 months. The eventual shift to more non-guaranteed transactions will enable a more liquid marketplace to develop for premium inventory, especially inventory currently going unsold.

• No advertising platform is gaining faster global acceptance than programmatic trading platforms, with growth unseen since the advent of digital advertising in the mid-1990s. The major difference then and now is that ad-spending increases are a direct result of better ROI for advertisers.
Advertiser/Agency Perspective

- For agencies, programmatic drives efficiency by streamlining the workflow and reducing buying and post-buy costs and by enabling better audience targeting and shortening lead-times. Some agencies are already rethinking the current “siloing” of audio/radio buyers and digital buyers. Addressability, data targeting and data management are quickly becoming the new kind of “clout” that agencies leverage on behalf of clients, rather than just the size of investments each agency controls.

- On the client side, procurement management at companies will push hard for the cost-savings that programmatic buying promises, even going so far as to set up in-house programmatic trading desks in lieu of subcontracting those duties to agencies.

Seller Perspective

- On the sell side, an industry assumption is that the streaming audio pure plays are participating in audio programmatic activities. That is not the case in 2015, as the majority of programmatic activity is still centered around banners and video on desktop, with some traction in mobile. Programmatic audio is still very nascent in mid-2015.

- Broadcast Radio groups and stations can draft off of the lessons learned and experiences of digital and traditional media who have already transitioned to programmatic selling. Setting up tests, particularly in companies with digital selling experience, is easier than it might seem.

- Broadcast Radio station groups, stations, networks and rep firms that take proper steps over the next nine to eighteen months to create and evolve their programmatic practice will gain an early advantage over their competitors (old and new). The end prize is to not just protect existing revenue but to develop new streams and greater profits by selling more inventory at higher rates and lower overall costs.

- Large market stations, national networks and smaller market stations will benefit from new dollars purchased programmatically, as national dollars pursue audiences regardless of geography. The growth rate will vary by market, as connections to “pipes” are made at different speeds. Network types of buying will only remain for non-programmatic sales, and current National Spot buying will be replaced by the efficiencies of programmatic.

Ad Tech Companies Insights

There are several Ad Tech companies in the Traditional and Digital Radio/Audio space that are investing in the infrastructure that will be available to all sellers and buyers of Radio - among these Adswizz, Jelli, Marketron, Triton and WideOrbit. Initially, this may create confusion for Ad Sellers and perhaps buyers, who will need to select the appropriate platforms and dashboard depending where their strategic goals fall on the following spectra:

- Simplicity/complexity
- Requires less/more staffing
- Lower/higher technology investment
- Defensive/offensive approach to the future
- Self-sufficiency/hi-touch support from ad tech partners as well as chemistry.
Purpose and Methodology

Programmatic advertising can be a dense subject and one that is very difficult to grasp when simply reading or hearing about it from the sidelines. If you think real-time bidding (RTB) sums up the entire genre, please read on. The practice has now become much more than that single form of auction-based selling.

There are several programmatic sales options available to Broadcast Radio Sellers and Buyers and we will highlight those options. We will talk about the benefits of programmatic and the challenges to implementation. We will also discuss both the threats and opportunities to the Broadcast Radio business around industry adoption of programmatic selling. Then, we offer a guide to strategic planning and the steps required to implement a programmatic practice.

In addition to the overview of programmatic advertising contained in this report, we also conducted 21 interviews across the Broadcast Radio space, including three senior media agency execs (across Local, Regional and National Broadcast Radio buying), along with five leading ad tech firms who are building programmatic solutions for the Broadcast Radio business. This feedback was invaluable and demonstrated a wide range of views and expertise on the subject. There is no direct attribution of comments to specific persons or companies from these conversations. We thank the following for their contributions:

Alpha Media ........................................MDC Media Partners
CBS Radio .........................................Nielsen
Cox Media Group ..............................OMD
Gen Media Partners .............................Univision Radio
Hubbard Broadcasting ......................Westwood One
iHeartMedia .....................................WideOrbit
Horizon Media .................................Xaxis
Marketron
Key Observations from Industry Interviews

- Programmatic selling and buying are inevitable for the Broadcast Radio business. 2015 has been about enabling infrastructure across the ecosystem. 2016 will represent the beginning of the tipping point for programmatic engagement among buyers and sellers. We see the emergence of programmatic as a binary experience for the industry. Those that keep pace and/or lead will reap the benefits of revenue shifts. Those that don’t will likely experience revenue impact by not having their solution(s) in place.

- Broadcast Radio is still a highly manual buying and selling process, especially at the local level. Broadcast Radio is still playing by scarcity rules and the game has become ubiquitous. Radio buyers are struggling with concept of ubiquity in their planning and buying. The liquidity of the market is not here yet. Supply is slow to come on line. Demand is not there yet, primarily because technical connections are not online yet. After our interviews, we feel the tipping point is at least 2 years away.

- The majority of Broadcast Radio programmatic business will be conducted through Private Marketplace (PMP) transactions over the next 12-18 months. The eventual shift to more non-guaranteed transactions will enable a more liquid marketplace to develop for premium inventory, especially inventory currently going unsold.

- Many Sellers would prefer an evolution, yet Buyers are ready to move now.
  - Ad Tech comment, “An exchange is most efficient when you have a transactable, matchable unit, and there are no opinions, so selling is done by easy to understand inventory units and pricing. Once settled, all that’s left is to air the spot. If friction of buying can be reduced and consistent methodology be established for selling/buying, the Radio sector can move forward.”
  - Seller comment: “Inertia is our biggest risk. We need to evolve to an addressable transaction. Provide insights into how Radio is bought and sold. This opens up the possibility for other budgets to find Radio - because of the effectiveness of Radio - as the last point of attribution.”
  - Buyer comment: “Radio buying wants to go to addressable. By market. By station. Change creative on the fly. If Creative is not working, I want to optimize it now.”

- Radio would generate more business if process friction were reduced. Automation, targeting, geotargeting, real time monitoring and reporting, improved accuracy and less friction in buying process is needed to catch up to digital.
Programmatic Overview

What is Programmatic Buying?

Even after all the press and debate around programmatic, there is still confusion about what it is and is not. For clarity, we support the IAB (Interactive Advertising Bureau) definition, adapted for relevance to the radio industry:

“Programmatic buying is the process of executing media buys in an automated fashion through digital platforms such as exchanges, trading desks, and demand-side platforms (DSPs). This is an alternative to the traditional use of manual RFPs, negotiations and insertion orders to purchase digital and other platforms.”

It is important to understand that programmatic buying is not synonymous with RTB (Real Time Buying or Bidding), which is done through open auction marketplaces. RTB is one of several methods to buy and sell programmatically, and not likely to be the way ad sales are conducted for Radio in the near term. Both the buy side and sell side prefer Private Marketplace (PMP) styles of approach at this early stage. More detail is found under “Programmatic buying transaction types.”

Success of Programmatic Buying for Digital

Programmatic buying has been the most hotly debated topic in the traditional media ecosystem this year. Until eighteen months ago it was mostly restricted to the digital display business. A recent AOL buying landscape report conducted in June 2014 provides an indicator for how rapid the buy-side adoption is progressing across each media channel.

With Radio running at least a year behind programmatic TV adoption, it was not included in the AOL study. It is time for Radio to be a significant player in the programmatic conversation, for the benefit of buyers and sellers alike. This will be expanded upon in the “reasons for RAB members to participate”.

There are three important themes driving this adoption. First, the media in channels referenced above want to make it as easy as possible for agencies and clients to buy their ad inventory. Second, the digital streaming suppliers have been pushing agencies to plan their spend as a subset of traditional buys, whereby client monies are allocated from a single budget line, based on audience targeting data - medium aside. Third, larger agencies are clearly looking to replace their traditional buying clout, with the expertise and ability to add value through mastering the art and science of audience targeting. Large agency holding companies are forming or aligning with “Big Data” Digital Media Platforms (DMPs) to capture, integrate and activate data across all media types. Big Data and Analytics teams have become great differentiators for Media Agencies in this time of dynamic change.
Growth Trends in Programmatic

Tremendous annual growth is happening in Digital, and while Traditional Media still hold a larger share of the current pie, revenues are flattening. This shift of ad dollars to digital are due to: 1) the streamlining of ad placement processes from manual to automated systems, 2) the ability to track when an ad is delivered and viewed (ad fraud and bot issues notwithstanding and 3) the ability for advertisers to target and retarget through audience data tracking methods.

In order to grow at higher rates, traditional media like Radio must expand their selling methods to include digital, and specifically programmatic buying and selling.

No advertising platform is gaining faster global acceptance than programmatic trading platforms, with growth unseen since the advent of digital advertising in the mid-1990s. The major difference then and now is that ad spending increases are the direct result of better ROI for advertisers.
As previously stated, many people first think of programmatic as simply Real Time Bidding (RTB) (understandable since all Programmatic was from 2007-2013 was RTB transactions); however we do not see RTB growing as a long term significant part of Local Broadcast radio sales over the next 5 years as has been the case with digital display. However, we do see Broadcast Radio receiving some of the growth in programmatic buying if sellers and buyers can respond and invest in the transformation of the business model from Direct Sales to a combination of Direct + Programmatic Sales.

Digital Programmatic – Many Moving Parts

The other element of programmatic that challenges Traditional Media companies is the complexity of the process and terminology in digital programmatic. Because some of the terminology may not be familiar to everyone, below is a guide that defines some of the key terms (refer to appendix for a deeper set of terms and definitions).

**Ad Exchange** - Where the buying and selling takes place

**SSP** - Supply Side Platform - Software that feeds a Station’s inventory onto the Exchange

**DSP** - Demand Side Platform - Software that feeds a buyer’s media specifications onto the Exchange

**Trading Desk** - The team executing the buys using a DSP

**DMP** - Data Management Platform - Software that collects and organizes either a buyer’s or seller’s 1st-party audience data from its website or station feed to better segment how ads are targeted and allow for adding 3rd-party data sources

Below is a chart from the IAB Europe showing the process flow for programmatic transactions.

*NOTE: For more detail on types of programmatic buying, and a Glossary of definitions, please see the Appendix.*
While this would appear to be a complicated buy/sell process, all of these components interact and communicate instantaneously and seamlessly, thus the end result is a more efficient and informed buying process. Also, not all of these elements are required to execute programmatic Broadcast Radio/audio buys. The “plumbing and pipes” necessary to enable programmatic transactions will be addressed later in “Best Practices: what is needed to get involved today.” See the table below for some examples of the basic players in the emerging audio programmatic landscape:
Illustrative Example of Programmatic Audio Offerings

<table>
<thead>
<tr>
<th>Agency Trading Desks</th>
<th>DSP</th>
<th>Ad Exchange</th>
<th>SSP</th>
<th>Ad Servers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aegis - AMNET</td>
<td>AdsWizz</td>
<td>AdsWizz</td>
<td>AdsWizz</td>
<td>AdsWizz</td>
</tr>
<tr>
<td>Havas - Affiperf</td>
<td>AudioMatic</td>
<td>AdWave</td>
<td>Audio Max</td>
<td>Google</td>
</tr>
<tr>
<td>IPG - Magna</td>
<td>Jelli Radio</td>
<td>Expressway from</td>
<td>appnexus</td>
<td>DoubleClick</td>
</tr>
<tr>
<td>Omnicom - Accuen</td>
<td>SpotPlan</td>
<td>Katz</td>
<td>iHeartMedia</td>
<td>Jelli Radio</td>
</tr>
<tr>
<td>Publicis - Vivaki*</td>
<td>Marketron</td>
<td>Triton A2X</td>
<td>Marketron</td>
<td>RadioSpot</td>
</tr>
<tr>
<td>WPP - Mindshare, Xaxis</td>
<td>Marketron</td>
<td>WO Programmatic</td>
<td>Marketron</td>
<td>Triton</td>
</tr>
<tr>
<td>Client Side (e.g. P&amp;G Hawkeye)</td>
<td>WO Programmatic</td>
<td></td>
<td>Triton TAP</td>
<td>WO Streaming</td>
</tr>
</tbody>
</table>

How to use the above chart: The programmatic landscape is complex, with players sometimes moving across the headings and labels, partnering and pivoting as the ecosystem evolves. The best way to use this is as a “menu” of players that may or may not be right for the specific programmatic strategy of each individual business. We recommend that radio stations and station groups familiarize themselves with those in the space, and set up meetings to review the various offerings, strengths and shortcomings of each. That and “reality check” conversations with non-competing colleagues and referenced partners for these ad tech companies will provide guidance to the right partner or partners. This chart does not endorse nor prioritize the value of any company, as that is best determined for each unique business plan. Hyperlinks are included for access to how each company positions itself.
Reasons for RAB Members to Participate

Competitive Threats: Radio Needs to Become Part of Programmatic Conversation

- A long-term threat to the traditional Broadcast Radio distributor is falling out of the planning and budget flow. A recent eMarketer report quotes that very reality, “we are looking at all Broadcast Radio-type advertising as audio,” said Ed Gold, advertising director at State Farm. “When I look at my overall budget—that which used to be called the Broadcast Radio budget but is now called the audio budget—we are going where the consumer is, so if more consumers are going to digital Broadcast Radio, we are following them.”
- Ad Tech - “Radio has no set top box with which to become more addressable”.
- Buyer - “There is a plethora of trackable national and local options that compete with Radio.”

Opportunities: Targeting Strengths Need to be Amplified through Automation

- Radio/audio content may well fill the consumer experience gap between in-home television and tiny, short form mobile banner and video advertising. A national programmatic distribution of local and nationally produced content will be necessary to fully seize the opportunity, as advertisers target audiences throughout their daily movement patterns, rather than just DMA locations.
- A parallel opportunity is the expanding use of audience data from buying agencies and advertisers to refine and improve targeting of ad buys. The buy side of the business has been heavily investing in technology, as programmatic platforms are ideal for serving, reporting, managing delivery and populating via Demand Side Platforms (DSPs) and Data Management Platforms (DMPs). It will be important for the sell side to meet them and reap the benefits of more spending and higher yields.
- As one buyer put it, “Radio as a medium has the potential to own “a near-real time local buying experience” by adopting a more efficient technological approach to buying and selling.”

Shift from Broadcast Radio to Online Audio Enables Addressable Access

- Digital streaming is teaching new ways to use Radio and new targeting by device, time of day, IP addresses, zip codes, etc. and soon behavioral. Mobile is the next big data source to add value. Unfortunately, streaming audiences are small now and scale is necessary to build a meaningful business to meet the addressable delivery demands of programmatic buyers.
**Programmatic Buying Transaction Types**

The chart below shows the four different types of programmatic buying: three (3) executed within what is called a “Private Exchange” and one (1) executed in what is called an “Open Exchange”. It is important to note that only the Open Exchange or Open Auction reflects what is known as RTB buying.

The chart also explains why there is so much confusion around terminology and jargon. With hundreds of tech companies and thousands of sellers and buyers, the language of programmatic has not yet settled into single-term, universal use. But knowing what different descriptors apply to which kinds of buying is useful until universally accepted terminology falls into place.

The four transaction types can be separated and determined by answering three questions:
1. Is the pricing fixed, or determined by an auction?
2. Is the inventory reserved (Guaranteed) or unreserved (Non-Guaranteed)?
3. Is the transaction “1-seller-to-1-buyer” or “1-seller-to-many-buyers”?

<table>
<thead>
<tr>
<th>Type of Inventory</th>
<th>Pricing</th>
<th>Who?</th>
<th>Other Terms Used in Market</th>
<th>Other Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated Guaranteed</td>
<td>Reserved</td>
<td>Fixed</td>
<td>One-One</td>
<td>Programmatic guaranteed&lt;br&gt;Programmatic premium&lt;br&gt;Programmatic direct&lt;br&gt;Programmatic reserved</td>
</tr>
<tr>
<td>Unreserved Fixed Rate</td>
<td>Unreserved</td>
<td>Fixed</td>
<td>One-One</td>
<td>Preferred deals&lt;br&gt;Private access&lt;br&gt;First right of refusal</td>
</tr>
<tr>
<td>Invitation-Only Auction</td>
<td>Unreserved</td>
<td>Auction</td>
<td>One-Few</td>
<td>Private marketplace&lt;br&gt;Private auction&lt;br&gt;Closed auction&lt;br&gt;Private access</td>
</tr>
<tr>
<td>Open Auction</td>
<td>Unreserved</td>
<td>Auction</td>
<td>One-All</td>
<td>Real-time bidding (RTB)&lt;br&gt;Open exchange&lt;br&gt;Open marketplace</td>
</tr>
</tbody>
</table>


NOTE: For more detail on types of programmatic buying, please see the Appendix.

**Currency Basis for Programmatic - Going from CPP to CPM**

Future programmatic Broadcast Radio inventory will be sold based on digital currency definitions (impressions) rather than the traditional over the air Broadcast Radio basis of program rating points. For many years advertisers, agencies and Broadcast Radio sellers used the best possible surrogate for audience exposures (actually opportunities for exposure) by using the average program ratings for the program within which an ad ran against a certain broad demographic (usually age/gender/genre).

In digital audio, buyers have been assured the delivery of a message (with streaming audio, sometimes guaranteed ad-initiation as for pre-roll, sometimes ad-start with audio measurement per the IAB DAAST (Digital Audio Ad Serving Template) standards. This sets the bar high for traditional Broadcast Radio to deliver ad impressions for the time slot that the actual ad ran within (most likely at the half minute level) rather than the rating of the host program over a course of ¼ hour segments. And a Radio spot is a one-to-many messaging format, while digital radio/podcasts/streaming audio is still delivered on a one-to-one basis, as video and display are. Radio does not stand alone, since TV and OOH video also must correlate buying from a one-to-
many to a one-to-one delivery basis. Nielsen OCR (Online Campaign Ratings) and multi-screen studies, Comscore MMX and other measurement companies are trying to solve the challenge of cross-platform measurement.

Nielsen (formerly Arbitron) is launching digital measurement for audio, starting with over-the-air and streaming simulcasts, also known as Total Line Reporting. Combined reporting has challenges in meeting crediting and reporting rules, which is being addressed via a council of agencies and broadcasters.

Portable People Meters (PPMs) may evolve into smart phone apps which passively “listen” to and identify media-produced sound in the environment et al Shazam and other song-identification apps. Nielsen Audio and others (iHeart, Tune-in, Jacobs Media and others) are investing in passive measurement R&D (research and development) to develop advanced PPMs. Today, Nielsen’s use of Portable People Meters in 49 markets is working well, but paper diaries are used in other markets until a cost effective solution emerges.

In the near term, advertisers will start to demand more and more accuracy around the audience data for each unit run. Fortunately, audience measurement can and will need to be translated into impressions guaranteed against the price the buyer is paying, while the seller of Broadcast Radio also tracks CPP against traditional deals.

While this may sound daunting to sellers who are used to the traditional ways of selling, in reality every Broadcast Radio station is already doing this with their website(s) and digital inventory. When packaging digital with over the air and mobile, what will be needed is a clear understanding of key customers’ needs as well as nationally developed standards for delivery of media impressions which in turn will lead to the natural evolution of the pricing model from Cost-Per-Point (CPP) to Cost-Per-Thousand (CPM) impressions. The industry needs to work closely with measurement services to insure that audience measurement is broad enough to entice digital as well as traditional buyers to grow the audio ad pie.

From one leading buyer: “there really is no difference between a GRP and the impressions it represents so showing results both ways simultaneously is how I standardize audience delivery today”.

One final aspect of radio sales today that will be affected by programmatic buying is off-air activity, such as signage, concessions, sponsorships, merchandising and print activities. Since these are included in many direct deals, there will still be opportunities for advertisers and stations to negotiate these within the 60% of the transactions that we will predict will not be purchased through programmatic channels 5 years from now.
Best Practices: What is Needed to Get Involved Today?

Two Things:
1. Technical Deployment (Tech Stack)
2. Personnel Development (Talent Stack)

What is a “Tech Stack”?
A series of technologies (internal/external) that allow you to transact media in programmatic manner. There are five key components needed for a publisher/station group to take full advantage of programmatic selling: Ad Server, Ad Exchange, Yield Management, DMP, and a Publisher Trading Desk.

Tech stacks are often referred to as “plumbing” describing software analogous to pipes that connect with each other to pass along data for transactions. And while we believe many of these technologies will ultimately consolidate into larger companies that provide most or all of these services, the move into programmatic for Broadcast Radio requires each piece now. (A definition of each can be found in the Appendix.)

Though many stations, station groups and rep firms are already testing or planning to test Programmatic Broadcast Radio/audio selling, there are already many of the technology elements in place on both sides of the transaction. This is a key part of eliminating the tremendous inefficiencies in the current selling/buying process for both parties, and there are clear organizational benefits:

- Sales & Operations working together more than ever.
- Sales no longer simply “throwing the insertion order over” for traffic to get creative and instructions at the last minute.
- Operations can take control over campaign activations.
- Sales to re-focus on new strategies, clients and opportunities.

But there are still major challenges to having a fully operational tech stack for selling local Broadcast Radio. Major efforts are taking place between traditional Broadcast Radio companies, that have provided parts of this stack to stations for decades, and new digitally native companies that are building entirely new technology to ideally replace these legacy systems and relationships as cited in the earlier table outlining the emerging players in the audio programmatic landscape.
Programmatic Broadcast Radio Practice – Considerations Checklist

Where Do I Start with Technology Today?
First, take inventory of your existing systems, comparing your legacy operations for Broadcast Radio ad serving and trafficking with your digital ad serving and targeting. A 4-stage topline Programmatic Broadcast Radio Practice – Development Considerations Checklist is provided below. (See Appendix for more granularity.)

Stage 1 - Analysis and Education
- Create an internal task force with representatives across all key departments.
- Source expertise that might exist within your digital teams.
- Begin educating and training personnel on programmatic selling and roles.

Stage 2 – Budgeting and Planning a Programmatic Strategy
- Build a budget around a 3-year plan.
- Include the impact of programmatic on both cost savings and revenue growth.
- Sign-off and plan approval.

Stage 3 – Implementation
- Formalize agreements for best Tech Stack company partners/suppliers.
- Integrate tech partners for audience data collection and inventory allocations.
- Take organizational development actions for approved sales and operations.

Stage 4 - Evaluation and Adjustments
- Use reports and metrics to fine tune and see what is working and what is not.
- Tap internal and external experts to understand the ever-changing buy-side.
- Measure productivity to determine improvement.
- Manage cultural evolution and inspire teams to become invested.

NOTE: A “Detailed Checklist” of actions to go programmatic is included in the Appendix.
Conclusions

Adoption of programmatic buying will grow more aggressively in the National Broadcast Radio sector in the next 12-18 months: we predict 10-15% of local and national inventory (excluding Local Direct) will be sold through programmatic by the end of Q3 2016 and at least 40% by the end of Q4 2020. The majority of Broadcast Radio programmatic business will be conducted through Private Marketplace (PMP) transactions. The eventual shift to more non-guaranteed transactions will enable a more liquid marketplace to develop for premium inventory, especially inventory currently going unsold.

Programmatic advertising is all about creating efficiency and efficacy (targeting, data, etc.). Most digital publishers historically feared that efficiency could only mean lower CPMs for buyers, since the only way to sell programmatically for the first six years was through Real-Time-Bidding in Open Exchanges. But with the expansion of Private Exchanges, and a gradual evolution of Automated Guaranteed selling with one seller and one buyer, the true efficiency of programmatic is starting to be realized for both buyers and sellers equally from the speed of the transaction process and the targeting of audiences. Prochaska Consulting works with publisher/seller clients today that are now seeing higher CPMs for some programmatic buys, because of these two valuable areas of efficiency.

This is a process and ecosystem that is in its extremely nascent state for local Broadcast Radio, but starting to become more impacted on a national level. Technology companies are competing to have either their existing systems adapt to this new process or create new customers by building unique systems to serve Broadcast Radio spots more dynamically. Most of these companies that have had success in digital advertising have had short-term challenges gaining traction in Broadcast Radio and building trust because some of the process, terminology, and relationships have limited translation into Broadcast Radio. We expect active M&A combined with Darwinian survival and thriving over the next three years in this medium, just as we see today in “digital” ad tech.

Addressability, tech stack development, audience data integration, and team training are all critical for a fully efficient marketplace and the seeds are just beginning to be planted in each of those areas. But stations that take the necessary steps to create and evolve their programmatic practice by building tech stacks and training sales and operations teams will gain an early advantage over their many competitors (old and new). Ultimately greater profits will be realized by selling more inventory at higher rates and lower overall costs. Those stations that sit on the sidelines and do not take a proactive approach will see lower sell-through rates, fewer buyers, higher costs/sale and revenue continuing to recede.

Programmatic selling and buying are inevitable for the Broadcast Radio business. 2015 has been about enabling infrastructure across the ecosystem. 2016 will represent the beginning of the tipping point for programmatic engagement. We see the emergence of programmatic as a binary experience for the industry. Those that keep pace and/or lead will reap the benefits of revenue shifts. Those that do not keep pace will likely experience revenue impact by not having their solution(s) in place.

This is a very exciting time to be in Radio and to be part of this global media buying and selling evolution, where we humans continue to do what we do well and better, with creativity, strategy, and proactive problem-solving, while technology continues to improve doing what it does best around automation, speed, data analysis, and process efficiency. Like so many other industries that have gone through or are going through disruption - travel, finance, and education - media buying and selling is already incrementally better, and will be much better long-term, because of programmatic best practices.
Appendix

Glossary of Programmatic Terms

Programmatic buying is the process of executing media buys in an automated fashion through digital platforms such as exchanges, trading desks, and demand-side platforms (DSPs). This is an alternative to the traditional use of manual RFPs, negotiations and insertion orders to purchase digital and other platforms. (Source: IAB, adapted for relevance for radio industry.)

There are various programmatic models; here are four of the most common:

**Preferred deal**: A non-auction model with a fixed CPM and non-guaranteed inventory.

**Programmatic guaranteed/direct**: A non-auction model with a fixed CPM and guaranteed inventory.

**Private marketplace/exchange**: An auction model that uses real-time bidding and price floors. It is open to an invitation-only group of buyers.

**Open exchange buy**: An auction model based on real-time bidding and variable CPM. It is open to any buyer.

Here are more common marketing terms and acronyms you'll come across working with programmatic ad tech:

**Ad exchanges**: Ad exchanges are auction-based, often highly automated, digital marketplaces that enable multiple parties including advertisers, publishers, ad networks, demand-side platforms, and sell-side platforms to buy and sell display, video and mobile inventory.

**Ad impressions**: An ad impression is a digital ad being called from its source and counted once.

**Ad inventory**: Ad inventory is the ad space that a publisher can make available for advertising. Ad inventory can be categorized as premium, remnant or long tail.

**Ad network**: Ad networks are aggregators of advertising inventory that package it together to sell at an increased margin.

**Ad server**: An ad server is a platform that stores and delivers digital ads to web browsers or mobile apps. It also provides reports on the performance of those ads, measuring all activity by the same methodology for the purpose of fair comparison.

**Ad tag**: An ad tag is a snippet of code on a website that communicates with ad servers to make the correct digital ad appear on a webpage or in an app.

**Blacklist**: A blacklist is a list of IP addresses that are suspected to be sources of spam, or are suspected to be fraudulent and have been placed on an anti-spam database. Public blacklists are databases that are openly available, but companies often also have their own private blacklists. Its opposite number is a white list.

**Bot traffic (or non-human traffic)**: Bot traffic consists of ad impressions made by bots rather than humans. Bots, or web robots, are software applications that perform simple tasks on the Internet. While they have some constructive uses, they are most often associated with fraudulent activities, such as mimicking a human's view of an ad.

**Brand safety**: Brand safety technology ensures ads do not appear in any context that might damage the brand image or reputation. The automation of programmatic advertising means brands do not always know where their ads will appear, so brand safety practices should limit exposure to inappropriate content on a publisher's site.

**Cookie sync or match**: Cookie synching is the process of linking the user identifier (the cookie ID) from one
technology to another. It helps advertisers to make better bidding choices and target users more effectively.

**Cost per action (CPA):** Cost per action is the average cost of a single conversion (which can be defined as any desired action a user may take, such as requesting a brochure) during a marketing campaign.

**Cost per thousand (CPM):** Cost per thousand is the price an advertiser pays for 1,000 ad impressions.

**Data management platform (DMP):** A data management platform is a centralized platform used by agencies, publishers and marketers to manage and merge data such as cookie IDs. A variety of data sources can be combined within the platform to generate audience segments for improved targeting.

**Dynamic creative optimization (DCO):** Dynamic creative optimization allows marketers to create multiple versions of the same ad from a single ad tag, driving sophisticated targeting and optimization. Ad creative is broken down into individual elements and these are pieced together in real time to deliver the most relevant ad to individual users.

**Deal ID:** A deal ID is a unique number assigned to an automated ad buy that allows the buyer and seller to identify one another.

**Demand-side platform (DSP):** A demand-side platform enables advertisers and agencies to automate the purchase of display, video, mobile and search ads. A DSP assesses the attributes of every single ad impression and can assign a bid based on those attributes. By removing rate negotiation and manual ad insertion orders, the purchase of targeted advertising across a wide variety of publishers and platforms becomes quicker and more efficient.

**First-party data:** First-party data is information collected by digital publishers about their visitors' behavior. First-party data often includes CRM, subscription and social media data. This type of owned data is often seen as more valuable than external data sources as it typically has a higher degree of accuracy.

**Long-tail ad inventory:** Long-tail ad inventory is aggregated inventory from less popular or well-known publisher sources. Programmatic enables advertisers to combine disparate sources of long-tail inventory to reach highly targeted niche audiences.

**Programmatic A/B testing:** Programmatic A/B testing is the automated testing of different versions of an advertisement to determine the highest performing ads and remove ineffective versions.

**Price floor:** The lowest price a seller will accept for impressions.

**Real-time bidding (RTB):** Real-time bidding enables the buying and selling of digital advertising through auctions which take place in a timeframe of milliseconds – the time it takes for a webpage to load. Auctions take place via media marketplaces such as ad exchanges that connect buyers and sellers, and the price paid for impressions is based on immediate demand.

**Remnant inventory:** Remnant inventory is a publisher’s non-premium inventory, which is usually sold at a discounted rate by a third party via non-guaranteed programmatic buys.

**Second-party data:** Second-party data is first-party data that is owned by someone else, shared by mutual agreement or traded.

**Second price auction:** Second price auctions means the winner of an ad impression pays just one cent more than the next highest bidder. This limits the risk of overpaying for impressions and maintains efficiency in programmatic.

**Supply-side platform (SSP):** A supply-side platform is a software platform that enables publishers to automatically sell display, video, and mobile ad impressions, maximizing the price they can charge for these. A SSP allows publishers to access a large pool of potential buyers including ad exchanges, networks and DSPs in real time, and to set a minimum price known as a price floor.

**Targeting:** Targeting allows relevant advertising to be served based on various criteria. Behavioral targeting
analyses a user’s past activity to determine the advertising they are most likely to respond to, while contextual targeting serves relevant ads based on the content of a web page. Advertising can also be targeted according to demographic data such as age or gender, and by geography, where a user’s IP address is used to determine their location.

**Third-party data**: Third-party data is information that is aggregated from platforms and websites owned by third parties. It comes from a wide variety of sources including surveys and panels, cookie-based tracking, opt-in digital tracking, public records, registration data, and offline transaction information such as loyalty schemes.

**Trading desk**: Trading desks perform digital media trading as a managed service, and are seen as experts in the use of data and technology. Those not owned by large agency holding groups are known as independent trading desks. Even some clients like Kellogg’s and P&G/Hawkeye have established in-house trading desks.

**Viewability**: Viewability is an advertising metric that tracks whether users can actually see impressions. For example, some impressions may be on a part of a webpage that the user did not scroll to.

**White list**: A white list is a database of approved websites where an advertiser is happy for its ads to appear. Its opposite number is a black list.

**Win rate**: Win rate is a ratio that is used to measure the effectiveness of bid strategy. It is calculated by dividing the total number of impressions won by the total number of bids submitted.

*Source: Brand Republic, Programmatic advertising: Key terms and acronyms explained, Ben Walmsley, Sizmek, August 17, 2015.*
Open vs. Private Exchanges

If we think of an exchange as a retail store, where buying and selling has taken place in the physical world for decades, we can visualize the differences between open and private exchanges.

Here is what it is like inside an open exchange for digital, imagining each ad impression as a piece of clothing for sale. Notice that there is no name on the front of the store facing the street. Many publishers do not share with advertisers what Web site the impression is coming from. This is sometimes intentional. Some publishers that are concerned, usually incorrectly, about cannibalizing their direct sales team’s ability to close deals through insertion orders, hide their name in the open exchange.

Open Exchange

Take note that none of the clothing is folded, or organized, or labeled — similar to how inventory is simply thrown onto the open exchange. Think of the open as a mad scramble for bargains where impressions can be bought on the cheap, with many top publishers selling digital display inventory at under $1 CPM. There is no salesperson in the store, but there are still quite a few buyers around looking for bargains.
Now let’s examine a private exchange today, using the same retail store analogy:

In a private transaction, a publisher sets a specific floor or fixed price, either with one advertiser or with one buying entity representing many advertisers. The publisher knows exactly who the buyer is and vice versa. In this store, the publisher’s name is highlighted at the front so that all passers-by know what is inside. There is a salesperson offering to help customers. And there are signs that showcase the value of the product.

This difference shows why we feel Local Broadcast Radio programmatic advertising will be done mostly through Private Exchanges and skipping past Open Exchanges and RTB buying where digital advertising began.

A Deal ID is an important component to the Private Exchange process where media providers control the pricing through pre-agreed standards identified by the Deal ID - a unique string of characters used as an identifier for buyers and sellers. Depending on what platform you are using this could include things like priority, transparency, floor/fixed pricing, or data. Think of the Deal ID as the private key a seller gives to a buyer to enter its store on the Exchange. We believe Private Exchanges will be the highly preferred first step for TV station implementation of Programmatic TV buying and selling. In interviews we heard virtually no sellers, and even buyers in the space, promoting a direct jump into RTB.
Detailed Checklist for Building a Programmatic Practice for Radio

Stage 1 - Analysis and Education (Beginning Today for 90 - 180 days)

1. Create an internal task force with representatives across all key departments, including finance, sales, traffic and billing.
2. Source expertise that might exist within your digital teams.
3. Begin educating and training personnel on programmatic selling and what their expected roles will be in the process.
4. Interview the key tech companies who might be potential partners for you.
5. Begin conversations with the media buying community. Seek out testing partners:
   a. Who have some level of experience from which you can learn?
   b. Who are willing to test and devote the time, effort, and resources to do this?
   c. Your most important clients who have expressed an interest in setting up a programmatic buy/sell relationship
6. Develop a walk, crawl, run approach with each agency. It is recommended that you start with the creation of private marketplaces between you and agency.
7. Determine what data and research should be built to interface with your systems.
   a. Data that can parse audiences and unlock value from under-valued.
   b. Data that is of value to your customers.
8. Develop programmatic version of “Rules of the Road” for best practices with Media Buyers.
   a. Conversion to CPM vs. CPP buying
   b. Guaranteed vs. non-guaranteed inventory
   c. Makegoods
   d. Schedule performance

Stage 2 - Budgeting and Planning a Programmatic Strategy

1. Build a budget around a 3-year plan.
   a. Allocate incremental investment dollars needed for Programmatic technology and personnel training.
2. Include the impact of programmatic on both cost savings and revenue growth.
   a. Reduction in sales operations and related costs
   b. Quantify the effect of reallocation of some sales personnel to more client direct selling, cross platform selling and other areas under-resourced sales opportunities
   c. Determine what new hires are needed to complement existing staffing and to achieve strategic goals, including research or sales planning personnel if unable to assume audience targeting development capabilities
   d. Identify potential incremental value provided by programmatic in conjunction with inventory yield management.
3. Sign-off and plan approval.
Stage 3 - Implementation

1. Formalize agreements for best Tech Stack company partners/suppliers (see tech stack section)
2. Integrate tech stack partners to allow for audience data collection and inventory allocations
3. Take organizational development actions for approved sales and operations team plan, including compensation adjustments/inclusion (see talent stack section)
4. Announce Formally: *Doors are open for programmatic buying.*
5. Prospect, Pitch, Propose, Close and Launch new campaigns from client/agency collaborations (*A great relationship-building opportunity*)

Stage 4 - Evaluation and Adjustments

- Use reports and metrics to fine tune and see what is working and what is not. Make necessary adjustments instantly. Learn agile management and decision making by establishing regular rhythm of analysis and action around overall and campaign-specific yield optimization.
- Tap internal and external experts to understand the ever-changing buy-side marketplace, and quickly incorporate improvements, streamline processes and eliminate non-productive elements of strategic and tactical plans.
- Measure productivity to determine improvement in either securing similar revenue in less time or more revenue in the same time.
- Manage cultural evolution and inspire teams to become invested in this major change in the media industry, by becoming more valuable to the organization and clients.
About the Authors from Prohaska Consulting

Prohaska Consulting: Founded in 2011, Prohaska Consulting empowers publishers, agencies, brands, ad tech firms, industry groups, and investors with roadmaps to programmatic and overall digital success. Top media organizations and industry groups like Univision, Under Armour, Toyota, eBay and IAB rely on Prohaska Consulting for strategic guidance, project leadership, and/or operating street teams, all to drive more revenue and/or spend marketing budgets more efficiently. Prohaska Consulting is led by 23-year media veteran Matt Prohaska with a leadership team of 7 and a full team of more than 60 senior executives in 16 cities across the globe.

Matt Prohaska: Matt is a 22-year media veteran and consultant to leading digital media and advertising technology firms and executives. After selling and buying national TV participating in five upfront seasons, he became a contributor to the growth of online advertising since its commercial inception in the early 1990s, first by creating the online media practice at BBDO (now part of Omnicom) in 1994 and later opening CNET’s New York sales office as its first Regional Sales Manager in 1996. Over the years, Matt has managed six different regional and national sales teams at AOL, The New York Times, and elsewhere, consulted for more than eighty companies and founded four others.

Tobin Trevarthen: Steve is founder and president of Spatial Shift a business development company and partner to Prohaska Consulting. Previously Tobin worked in a variety of executive-level management positions across Harman, AOL, Time Warner, Meredith and Gannett corporations, as well as four Silicon Valley start-ups. Tobin’s core competencies include media sales, business development, go to market strategy, ideation and new product development. Tobin was most recently involved in the development of the connected car space at Aha Broadcast Radio, a division of Harman International.

John Osborn: John is a 35-year media veteran and has led business development for emerging ad-supported media and technology companies including Teads.tv and Ultramercial. Formerly at BBDO and OMD he headed up media services for Visa, Bayer, Eli Lilly, DuPont, FedEx, GE, Charles Schwab, and many other blue chip agency clients.