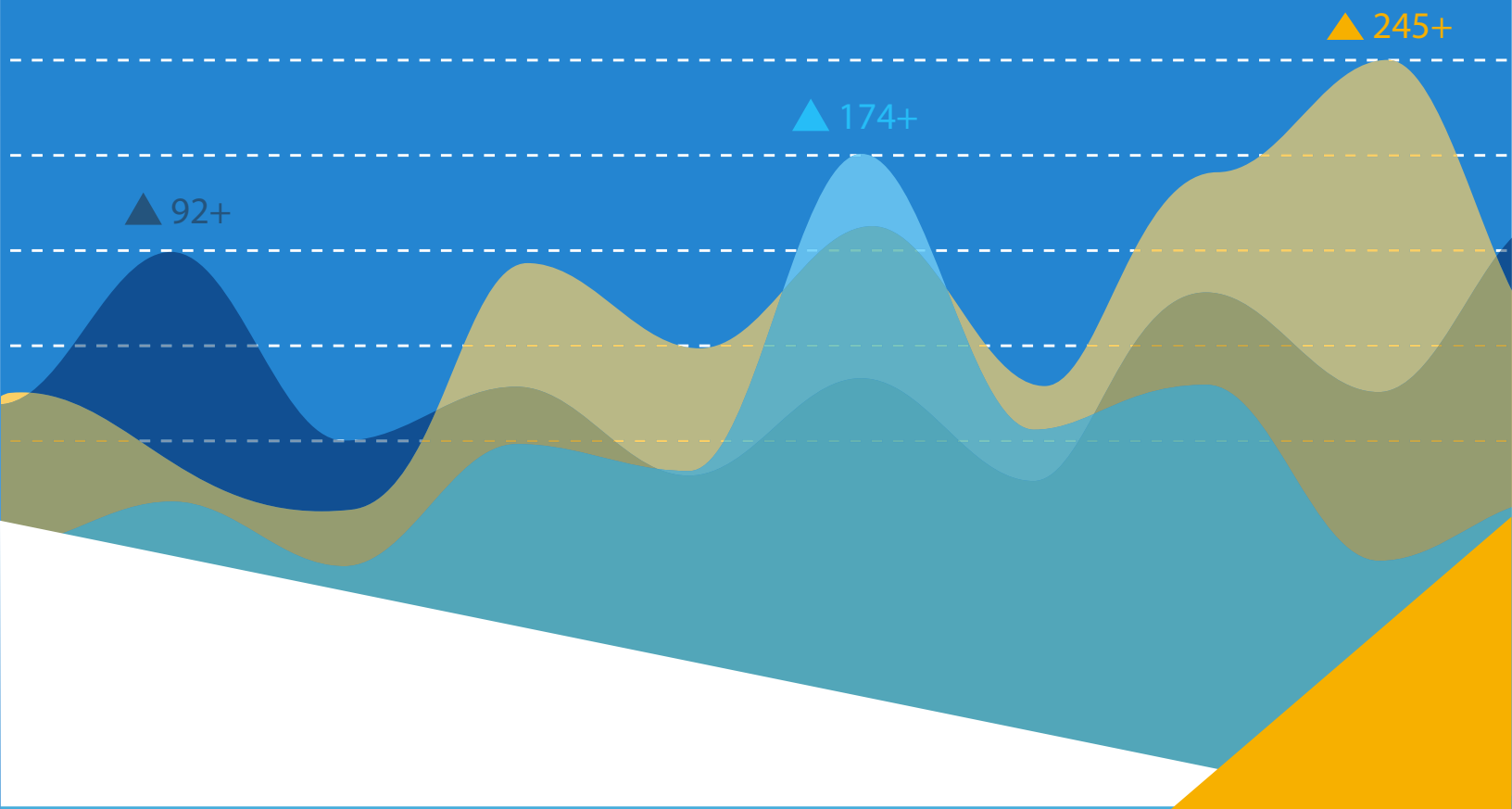# Programmatic
101
for Retailers

What You Need to
Know—Simplified

▲ 245+

▲ 174+

▲ 92+

Online retailers spend billions of dollars on programmatic advertising every year, but how much do e-tailers really understand programmatic buying?

› This may sound familiar…

Not too long ago, search engine marketing was an "experimental" marketing channel that online companies didn't know much about. Only a handful of companies were willing to test it out with their spare marketing dollars.

Somewhere around 2007, search became a primary source of revenue for most online businesses. In the e-Commerce world, the introduction of Product Listing Ads moved search marketing to the forefront of their online marketing strategy. Today, you'd never meet an e-Commerce company who isn't deeply invested in their search strategy.

› What does this have to do with programmatic?

In the same way that search marketing skyrocketed to the top of every online marketer's priority list, we are now on the cusp of a programmatic revolution. However, many retail brands remain at arms length from their programmatic ad strategy, with only a partial understanding of the data powering their campaigns.

As we enter a major turning point in the world of digital marketing, this eBook will help e-Commerce brands understand exactly what they need to know about programmatic—and what they don't.
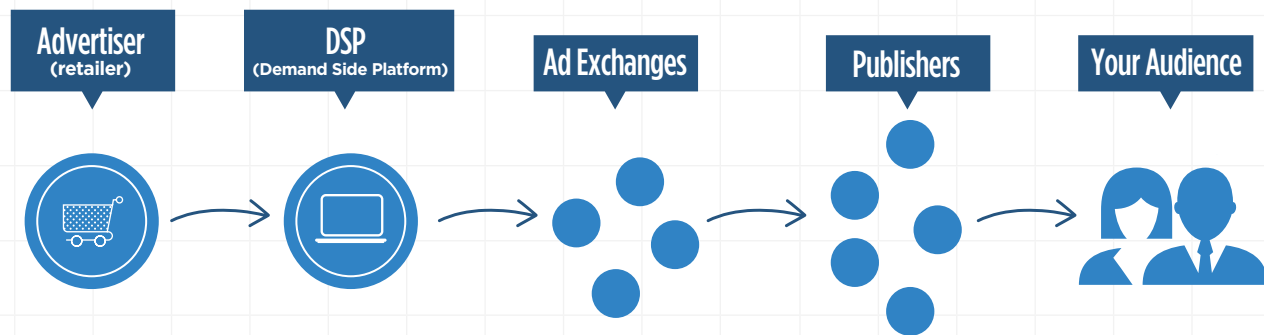
Why is "programmatic" so confusing?

Programmatic advertising is simply the automated process of buying and serving of targeted ads, using data-driven systems.

The concept may sound straightforward, but the execution of it isn't. The programmatic industry is constantly growing and evolving, with it has emerged a slew of confusing ad tech jargon. "Programmatic advertising" has become a catch-all phrase for a few different concepts:

- ✓ Real-time bidding: An auction-based system whereby data-driven software systems bid on advertisements in real-time.

- ✓ Retargeting: Using a pixel or cookie to "follow" someone who visited your site with ads to bring them back (commonly used in e-Commerce).

- ✓ Programmatic direct: When a buyer negotiates an ad buy upfront, usually for a set price, but executes the deal with programmatic technology. It can also be called "programmatic guaranteed" or "programmatic premium."

The programmatic space also involves a wide variety of platforms, exchanges and desks that facilitate the buying and selling of media and data. The ultimate goal of all these intermediaries is for the advertiser (you) to reach the perfect shopper (your audience), at the perfect place, at the perfect time and with the perfect message.

Advertiser (retailer) → DSP (Demand Side Platform) → Ad Exchanges → Publishers → Your Audience

Beyond grasping this basic process, most retailers don't really need to understand the elaborate details of how ad exchanges, demand side platforms or trade desks do their job. However, you should care deeply about maximizing your ad performance, and this involves understanding the data that's driving your campaigns.
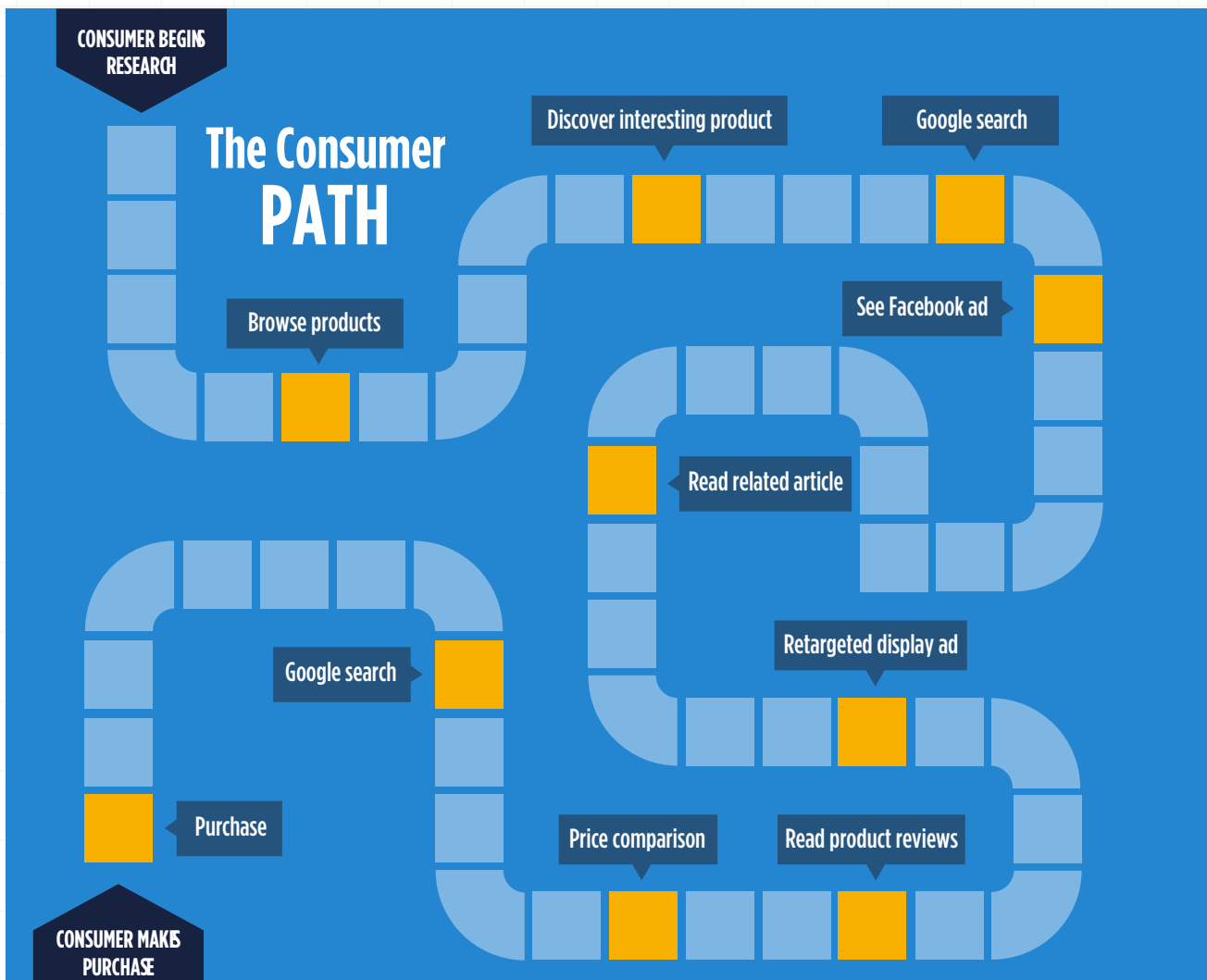
› The new path to purchase

In the retail world, the path to purchase is becoming increasingly complex—as is the process of measuring it. Rather than seeing the purchase funnel as a linear decision-making process, modern e-commerce marketers acknowledge there are many touch points in a consumer's path to purchase, and each have their own effect on their decision to buy.

1. The Linear Path *(an oversimplified view)*

Pre - Shop
Browsing, Interest, Awareness

Shopping & Research
Research, Consideration, Comparison

Purchase
Decision, Purchase

2. The Winding Path *(more complex but accurate)*

Programmatic advertising has a crucial part to play in multiple phases of this new, intricate, meandering path to purchase. Programmatic can help expand the purchase funnel, increase brand awareness, and enable retailers to find highly relevant audiences for their products (via prospecting). It can also help shoppers with an intent to buy make their final decision (via user or search retargeting).

› Where retailers are failing

As shoppers browse the web and online stores, they leave hundreds of valuable clues about their interests and needs. However, many advertisers still struggle to piece these clues together.

The reality is that identifying quality data, measuring programmatic success and optimizing campaigns effectively, is *incredibly* challenging and requires advanced technology. This is why most major retailers work with agencies to manage their programmatic advertising; rather than developing programmatic talent and technology in-house, retail brands can hire third parties with the right software, data and experience to provide results without the overhead. Makes sense.

That being said, it's still crucial that e-Commerce brands understand the data that is powering their programmatic campaigns. Consider the parallel to search marketing; while many retailers outsource search marketing to agencies, they also have highly developed search strategies, and keep Digital Acquisition and Search experts in-house. Search marketing has become part of their marketing DNA.

However, many retailers are comparatively lagging when it comes to weaving programmatic into their marketing strategy, and their lack of ownership leads to lost opportunities. Most retailers struggle with similar issues and roadblocks:

1. They don't fully understand the audiences driving their campaigns
2. They aren't taking full advantage of their own first-party data
3. They don't have the right tools or knowledge necessary to accurately evaluate their agency's performance

› What kind of data should retailers care about?

1. First-Party Data

Many retail brands recognize the importance of their first party data, but they fail to make the most of it. Your most powerful data is often your own—and best of all, its free.

Retailers should be proactive about aligning their marketing teams around data and programmatic initiatives. Consider creating a Data Task Force responsible for locating and consolidating your data stores—such as CRM data, browsing data, email segments, app downloads, conversion data, rewards members etc.—into a DMP so that your agencies and partners are able to utilize data in real-time.
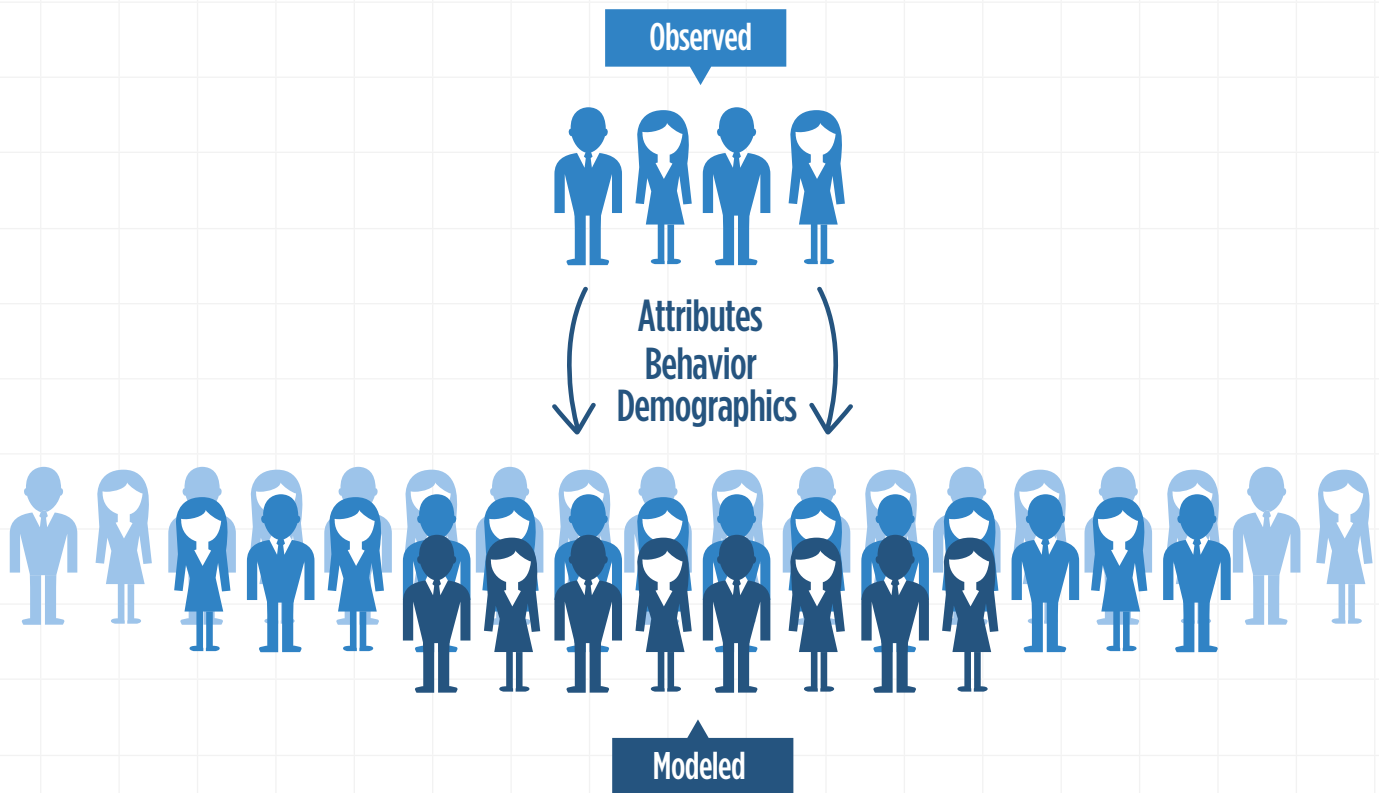
The more your agency knows about your own shoppers and buyers, the more effectively they can retarget them and model new audiences off your most engaged customers. Work closely with your agency to determine what first-party data is most useful to them.

2. New or Third Party Data

Most likely, the agency or partner that manages your programmatic media is modeling or purchasing audience data to power their advertising efforts.
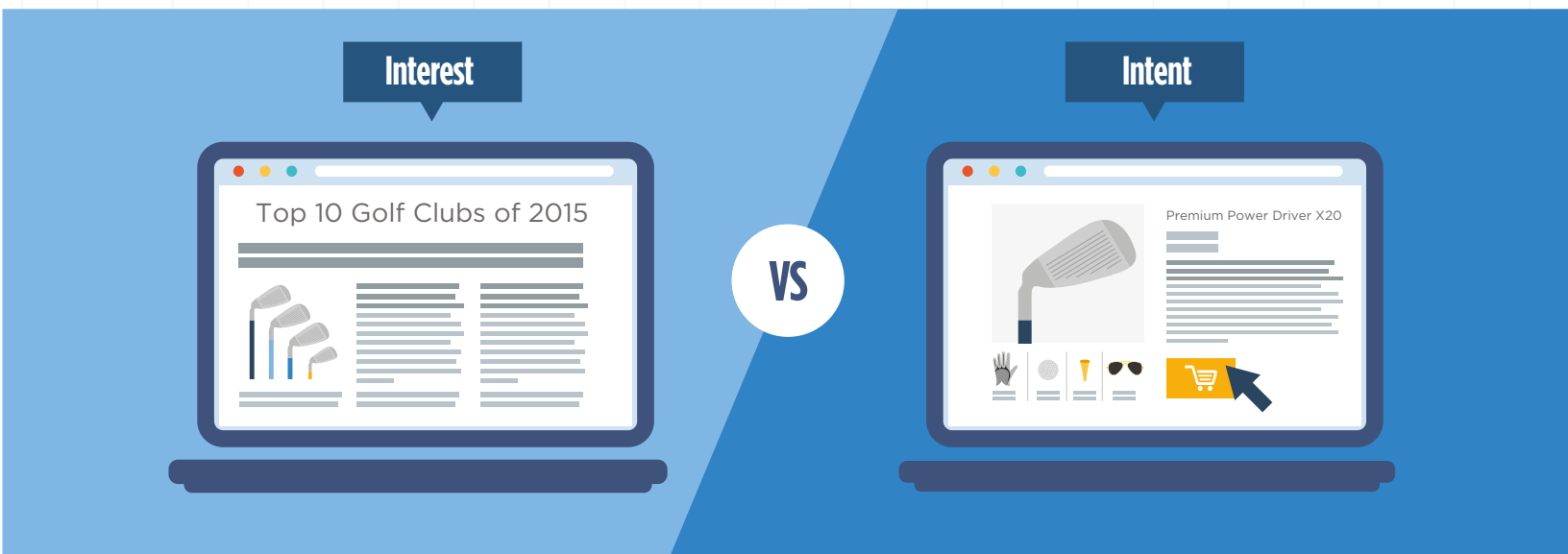
If they have a limited amount of data and need to broaden the reach of your campaign, they may "model" an audience from your known buyers (your first-party data). This means that they will find other shoppers with similar attributes or behaviors to people who have purchased from you before.

Modeled audiences are great for targeting shoppers who have not considered you before, but are (hopefully) likely to do so. However, if your goal is to hit shoppers who have known interest in purchasing a product, then you may want to focus on observed audiences, who consists of people who have actually engaged with a product page or purchased a specific item before.

Observed

**Attributes
Behavior
Demographics**

Modeled

✓ Observed audience: Customers who specifically purchased or viewed a product.
✓ Modeled audience: A new, expanded audience of people with similar attributes, behaviors and demographics to those who have purchased before. Hopefully this audience is likelier to be interested in the products in question.

Another way to think about this data is by looking at shopper interest vs. intent. Interest data may reveal that John read an article about "The Best Golf Clubs of 2015," but intent data would show that John was shopping for Irons and Drivers this morning.

✓ **Interest data:** Audiences who have read content or visited websites with relevant subject matter (or in an applicable industry category) to the product.

✓ **Intent data:** Audiences who were recently shopping for and comparing a specific product or product type.

These distinctions may not be immediately obvious on the platforms where data is bought and sold; it's important that you ask your agency to elaborate what kind of data they are using, and ensure that it's aligned with your online marketing goals.

5 Key Things Retailers Should Know About The Data Powering Their Campaigns

Here are 5 simple questions to ask your agency (or the parties responsible for executing your programmatic ad campaigns):

1. **Source**: Where is this data from?
2. **Recency**: How often are the data sources updated? Monthly? Weekly? In real-time?
3. **Uniqueness**: How much of this data overlaps with other data sets available?
4. **Modeled vs. Observed:** How much of this audience is modeled, and how much is based on observed shopping intent?
5. **Interest vs. Intent**: Is this data based on consumer interest (i.e. reading relevant content) or purchase intent (i.e. browsing specific products).

Knowing these five things will allow you to better evaluate the data that is powering your campaigns, and better determine whether it aligns with your marketing priorities.

Want More From Your Retail Data?

With over 100 million shopping profiles, we help e-Commerce brands find and target high-intent shoppers who are ready to buy.

LEARN HOW