

# Research indicates agency trading desks facing competition

The World Federation of Advertisers (WFA) has released its research on how clients are evolving their programmatic partners, with its key finding that advertisers are demanding greater control and transparency. It also notes that agency trading desks (ATDs) are facing tough competition from independents and in-house or hybrid models, which are growing rapidly.



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ATDs continue to be the dominant model for programmatic ad buying, used as the principal approach for nearly 40% of the world's biggest brands. However, advertisers are demanding a new kind of relationship that provides significantly improved control and transparency, with nearly 90% reviewing and resetting contracts and business models to deliver on these objectives.

The results are based on a survey of 59 WFA member companies representing 18 industry sectors with a total global ad spend in excess of \$ 70 billion. All are spending increasing amounts of money through this channel, with an average of 16% of digital ad spend now programmatic, compared to 10% in 2014.

Programmatic is most developed in North America where it represents 23% of respondents' digital spend, followed by Europe at 17%. Investment in China is lower, with programmatic responsible for just 12% of digital spend, although this is expected to grow, principally via private exchanges.

## Alternatives to ATDs growing

Combining shares of respondents who use ATDs, as their principal model, with those who use them in select markets, is more than 70%. However, the report reveals that these approaches are not mutually exclusive and Independent Trading Desks (ITDs) represent an equivalent total of almost half of respondents (46%).

The most striking finding from this research is that alternatives to ATDs are growing rapidly. ITDs have seen usage increase by 12% compared to the previous wave of WFA's programmatic research. In-house or 'hybrid' models, while less likely to the principal global model, are used by more than a fifth of respondents in total. These models were being conducted just at the fringes of WFA's membership two years ago.

Underpinning the evolution of digital ad trading models has been a drive to secure additional transparency. The second-generation of programmatic models has seen some improvement in transparency, with 29% of respondents now satisfied with the level of transparency provided by their ATDs, up from 21% in 2014. Transparency at ITDs now satisfies nearly half of users, up from 36% in 2014.

The last two years have also seen the ATDs pushed down from holding company level, with 42% of respondents now working with agency level trading desks, although 51% still work with the legacy holding company operation such as Xaxis, Accuen and Cadreon. The shift has been driven by client demand to ensure closer working relationships between their day-to-day agency team and the programmatic buying team, to ensure consistency and simpler reporting.

## **Advertisers rejecting principal trading**

Advertisers also broadly reject the idea that agencies and holding companies should act as principal in the media buy – able to mark up inventory they have acquired in direct deals with media owners before selling it on to brands. Sixty-two percent of respondents disagree with the statement “we have ‘opted-in’ to principal trading and are comfortable with the potential conflicts of interest” and 9% agreed.

However, this is not a simple area. While 53% claimed to have a “disclosed or transparent” programmatic relationship, 33% admitted their trading desk model was “non-disclosed/non-transparent.” A similar number – 34% – also agreed that nothing in current contracts precluded arbitrage or principal trading. Many are seeking to clarify their positions in these contracts.

## **Other key trends**

- Display formats take the largest share of programmatic budgets. Desktop display takes an average of 38% of programmatic investment, although 45% of respondents planned to decrease this area of spend in the next 12 months. By contrast mobile – both display and video – currently at 25% was expected to increase for 98% of respondents, with 61% saying this will increase significantly.
- Private marketplaces are on the up. The market is evolving towards closed or private environments where inventory quality can be better guaranteed. A quarter of respondents are pulling money out of open auctions and exchanges, while 67% said they were putting more money into private exchanges holding invite-only auctions and 52% said they were boosting spend on private exchanges with fixed pricing options.
- So called ‘premium’ inventory is in increasing demand but more than half of respondents said that currently 50% or less of the inventory they bought could be defined as premium. Nine per cent of respondents said all inventory was premium.

“Programmatic has expanded rapidly and it is no surprise that the market and mechanisms that big brands use to spend through this channel are evolving. The rise of in-house, hybrid models and independent trading desks demonstrates that the original trading model left much to be desired,” said Matt Green, global media & digital marketing lead at the WFA.

“The second generation of trading models is now being built and, while agency trading desks still take the greatest share of digital spend, there are now real alternatives being developed that give brands more control over data and technology alongside the wider push to ensure greater transparency. Ultimately, there are advantages and disadvantages for each approach and brands should identify the strategic principles which matter to their businesses, as these will govern partner choices.”

For more information, go to [www.wfanet.org](http://www.wfanet.org).

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