



# Header Bidding



**H**header Bidding is one of the most discussed topics in the programmatic industry. Now it is being implemented and tested by leading publishers in the Dutch market.

For IAB Netherlands this is a perfect moment to have a chat with industry specialists and understand their point of view about Header Bidding. There are many questions and assumptions around and with this white paper IAB Netherlands is hoping to provide more information, knowledge and understanding of the subject.

I'm really curious to see how Header Bidding develops in the coming months. What does this really mean for advertisers? What does it mean for publishers? Are agencies and advertisers going to implement their tags directly on the publishers' websites?

IAB Netherlands will keep you updated with insights from leading industry specialists who are working with Header Bidding.

Kind regards,

**Jeremy Noya**

Manager Digital Trading, Voetbal International

IAB Nederland,

project owner: Header Bidding for the Programmatic Task Force

# Industry specialists:



**Jourdain Casale, VP Strategy at Index Exchange**

Jourdain has held positions in many areas of the business; always with a focus on Engineering and Product Development. He currently oversees the future of the Header Tag product group, spending much of his time on Header Tag for Video and working with large, premium publishers in North American and Europe..

**Pim van Boekhold, Head of Programmatic Buying at Greenhouse Group (part of GroupM Connect)**

Started in programmatic buying in 2008 and managed programmatic budgets for the largest brands in The Netherlands. Currently responsible for Programmatic Strategy and Innovation at the Greenhouse Group. In 2015 Greenhouse Group has been acquired by GroupM and is representing all GroupM Connect activities in The Netherlands.



**Claretta Brancatelli, Advertising Operations Manager at Spil Games**

Claretta has an 4 years of international experience working in online advertising on the publishing side. She joined Spil Games in 2015 and is currently coordinating the implementation of a Header Bidding solution across all of Spil Games' global inventory.

**Tom Hoencamp, Manager Yield and Ad Operations at Spil Games**

Tom has over 6 years of professional experience in online advertising where he worked for different Dutch news publishers before joining Spil Games. Tom is working on ad technology, data analysis and business strategies.



**Lennart Schulze, Ad Ops Specialist EMEA at VICE Europe**

Lennart works for more than 6 years on the publisher side. For VICE Germany he managed the Programmatic setup, conception and strategy of. Since then he moved over to the VICE Amsterdam office for a European focused AdOps role.



**Traditional - Adserver** (prio 1)

Route 1

**"Early Programmatic" - Adserver** (prio 1) / **SSP** (prio 2)

Route 2

**Headerbidding** (no more prios)

Route 3

Adserver - direct sold campaign

Value

5,-

SSP 1 - highest bid

1,-

SSP 2 - highest bid

4,-

SSP 3 - highest bid

8,-

**The most common used technologies:**

- AppNexus
- Index Exchange
- OpenX
- Pubmatic
- Pulsepoint
- Rubicon
- Sonobi

# Why is everybody talking about Header Bidding?



The answer is simple. Header Bidding produces a huge increase in yield for publishers. Results speak louder than marketing or sales spin.



Header Bidding takes away one of the main concerns in the auction environment of programmatic today, which is the inability to equally compete with manual direct sold campaigns in order to increase scale and get access to higher quality (and priority) ad spots. Header Bidding is the answer to this polluted publisher waterfall setup by 'flattening the waterfall' and creating a truly equal auction.



Finally publishers have an option to create a fair competition, as the traditional publisher waterfall setup is far from ideal. Header Bidding is a first step forward to a fullstack monetization that enables competition between different SSP's, Adservers and Ad Exchanges.



Because Header Bidding clearly gives the opportunity to make more revenue out of inventory. For us, it is the most efficient way to optimise our yield management. We increased our programmatic performance by more than 40% after the change.

# When should Publishers start considering Header Bidding?



Publishers should consider Header Bidding in a situation where a waterfall system is causing high discrepancies and where all the connections are prioritized on average prices.



If you think you don't make the most out of your inventory you should consider Header Bidding. If you want to sell every single impression for the best price, use Header Bidding.

**Header Bidding has been particularly advantageous for publishers using DFP and Smart Ad server, as an innovative solution to improve monetization across desktop and mobile.**



In addition, Header Bidding makes sense for a publisher that have a big part of the revenue coming from open RTB and in markets where there are many vendors with their own demand.

# Header Bidding is not suitable for the small Dutch market.



The API's are well documented and the barriers to entry have never been lower. Now is the time to drive adoption of the technology.



It is suitable for the Dutch industry. It doesn't matter how big or small a market or single company is. If you want to make the most out of your inventory use Header Bidding.



It is not suitable for every publisher. If you as a publisher fully rely on direct orders/deals then Header Bidding doesn't bring a lot of additional value. Furthermore Header Bidding require a significant amount of resources in terms of setup and maintenance. In terms of operations, Header Bidding has many phases:

- 1 Negotiations and contract signing
- 2 Setup the inventory in all SSP's
- 3 Setup the SSP's in the adserver (hundreds of line items and price buckets)
- 4 Implementation of the Header Bidding scripts
- 5 Maintenance of all the SSP's

# Is every tech vendor (SSP or DSP) supporting this Header Bidding trend?



The struggle Publishers may face is that some vendors do not want to participate in proprietary solutions. Furthermore other SSP's do not accept external demand other than theirs. Is every tech provider building their walled garden?



No, not every SSP offers Header Bidding but I can see that most SSP's are adjusting and either trying to work out a Header Bidding function or dynamic allocation.

# What does Header Bidding means for buyers/tradingdesks/advertisers?

**H**header Bidding does not change the basics of how we transact in programmatic as a buyer. Advertisers continue to work with one or more DSP's and bid for available impressions on existing supply partners using the targeting and optimization tactics they have always done. Looking at it from that perspective, there is not a direct impact on buyers. Business as usual.



**T**hanks to Header Bidding agencies can get the best traffic if the bid is high enough.

**H**header Bidding makes the whole publishers' inventory –including premium placements–available not only through one single preferred channel, but across multiple SSP's. This will increase the transparency. The buyer side will be able to allocate budgets for the spend more efficiently (i.e. avoiding hidden fees), and to forecast with more accuracy.



# What does Header Bidding means for the publisher salesteam or saleshouse?



**A** means to utilize advanced programmatic buying algorithms in a direct sales capacity so they can go beyond fixed insertion order and remove all paper along with bringing new fulfilment mechanism.

**I**t is easier to sell programmatic campaigns since the publisher can offer exactly the same traffic as they do on normal campaigns.



**T**he publisher sales team can benefit from Header Bidding since it enables higher bidding rates from the open market. This means that the direct buyers who want to reach the guaranteed inventory will need to adjust their buying rates according the increased CPMs. These will push the auction pressure from the bottom up, providing more leverage to the publisher salesteam. In the end, this will give also publishers more options to work with different partners.



**If poorly implemented, Header Bidding can add latency and cause delays to site load times. Sophisticated Header Bidding solutions minimize latency and facilitate a smoother implementation.**

# Impact for buyers (by Pim van Boekhold, Head of Programmatic Buying at Greenhouse Group)



**H**eader Bidding will have implications for buyers around the accessibility and pricing of inventory by changing market dynamics. These implications can be summarized in four key points:

## **More (and better?) inventory**

Since every publisher impression is programmatically exposed with Header Bidding, programmatic buyers now get access to more of a publisher's inventory compared to the significantly smaller amount that used to be available to SSP's in the waterfall. Being at higher priority levels in the waterfall could also mean that inventory is likely to perform better. Where certain premium spots and first views in a user session used to be reserved for direct sold buys only, programmatic buyers now get to access to these ad slots as well.

## **Higher clearing prices?**

Header Bidding gives publishers a tool on a per-impression basis to select and optimize demand that is delivering the highest yield across all of their inventory. For advertisers the ability to programmatically enable all impressions means that there is a larger pool to cherry pick high value impressions (i.e. maximizing volume for certain audience / retargeting buys). Both combined will most likely increase CPM's being paid because of these changing auction dynamics. On the other hand campaign effectiveness could also rise because of better inventory access, which could make up for the increase in CPM's.

## **Direct sold buys under pressure**

Since buyers can now access every impression programmatically, budgets are likely to move away from bulk-purchased direct-sold buys since these will become less valuable. This makes it harder for publishers to justify that direct-sold buys are the only way to reach their premium ad slots. The pace at which this would happen depends on the bottom-line eCPM for the publisher after deducting all the necessary technology costs. Even if programmatic channels deliver a higher eCPM for a publisher, the high technical costs for making the transaction happen could still diminish the difference in revenue.

## **Harder to prioritize buys**

With direct buys being under pressure because of improved yield tactics on the publisher side, this will disrupt the preferential access and direct deal methods many advertisers are used to. In the past the benefits of this preferential access has been fixed rates and guaranteed volumes.

Header Bidding decides at a per impression basis which bid from what demand source offers the highest yield (eCPM), independent if it originates from a Private Marketplace (PMP), an Open Auction or a Direct Sold buy. It does not take into account the higher prioritization of advertisers that make long-term investments with publishers and as a result would like to benefit from adjusted priority levels, negotiated fixed rates or certain volume guarantees.

In a non-Header Bidding setup this could be incorporated by setting up PMP's with certain priority advantages higher in the waterfall or by agreeing on direct sold buys with fixed rates and guaranteed volumes. In a Header Bidding setup this preferential treatment by publishers is replaced by one business logic only - who is willing to pay the most for that particular impression. How is Header Bidding going to offer ways for advertisers demanding certain preferential access? Are advertisers going to lose this lever completely? Will we see new creative ways arise of how to step away from the siloed per impression view, i.e. by leveraging historical data and by doing long term financial forecasting?

I cannot verify (yet) with hard numbers what the exact impact of the above four points will be, but it will definitely shake up the way we are currently accessing inventory when we see more publishers in the Netherlands embracing Header Bidding.

# Header Bidding adds a lot of latency to the page



**A**ll on page activity ads load but if done correctly any negative impact to the user experience can be eliminated. Reference articles we prepared on the subject: <https://wiki.headertag.com/2016/05/31/how-header-bidding-can-actually-improve-page-load-performance-for-publishers/>

**I**ndeed, it can in the beginning. However, with the right resources and the right SSP you can optimise the latency pretty easily (i.e. asynchronous tags; prebid.js).



**E**ach publisher has different technologies and implementation of their products/web sites. Each publisher needs to investigate whether it does add latency or not. The waterfall setup brings a lot of latency as well, in some cases one would argue that this adds more latency than Header Bidding. The key is to find the right balance of bidders participating in the auction and the monetization value that they add.



# Header Bidding only works on desktop (not for mobile and video)



**T**he main focus is right now on desktop, but tech vendors are already working on mobile and video solutions to bring the competition on impression level on these devices as well.

**The concepts behind Header Bidding can be broadly applied to all channels- desktop, mobile and video. Some vendors are already doing this; as an example, AppNexus offers a Header Bidding solution for mobile apps called PriceCheck.**



**M**ost technologies are getting rolled out on desktop first but nowadays Header Bidding works on all platforms.

**W**e deploy on mobile and desktop 95% of the time. We deploy on video 10% of the time.





# What is the biggest risk associated with Header Bidding?



**F**or buyers a potential risk could be the disruptive effect Header Bidding has on guaranteed buys, prioritization and pricing strategies (like fixed rates).

Furthermore Header Bidding adds another technical step and cost layer to the already non-transparent and long supply chain for transacting ad impressions, driving up the costs that vanish to third parties in order to transact an ad even more. Publishers adapting an holistic full stack solution will probably be the ones that benefit here.

I haven't been able to test the impact in practice, but the risk of bidding against yourself also becomes significantly higher with Header Bidding since publishers offer impressions across multiple platforms now at a single impression.

**Header Bidding setups need to be actively managed and optimized overtime for best results**



**A**dding latency could potentially impact the user experience on short term. On a longer term it could also impact the viewability and the Google ranking meaning less search traffic.



**D**epending on the setup you can fail delivering your guaranteed sold campaigns.



**S**ome vendors send bids with gross rates and others with net. The risk will be having an unfair competition between gross and net prices. Lowered value of the inventory as buyer will find more efficient and cheaper ways to access the inventory, compared to focusing all inventory into one SSP.

**Vendors that offer advanced Header Bidding technology, monetization support and services can minimize these risks**



**T**he market has been flooded with participants, best practices. Without proper alignment through education and focusing the market we will see slower adoption curves.

# What is the next evolution of Header Bidding? Where do we go from here?



There is a good chance that this will evolve into a server-to-server technology that will significantly reduce loading times. However there are many things that need to happen before this and hopefully the industry will take its time to learn the lessons from Header Bidding, before moving to a single auction on the server side.

Lower latency, more standards into API's so solutions become standardized in a manner more similar to the way the OpenRTB standards were created. Our product offering continues to expand. Video is relatively new but growing incredibly fast.



It all began with the open tag waterfall setup as the common ground for publishers to connect the demand. Header Bidding is a step forward in solving the discrepancies and enabling transparent competition on impression level.



Now we have the promise of one unified auction and a nicely integrated technical setup, I hope we will see innovation in the way we judge and determine winning bids.



Sabrina Schmidt  
Market Director NL & IE AppNexus

IAB Nederland,  
Core Member Programmatic Taskforce

Header Bidding's popularity is on the rise as it eliminates the traditional "waterfall" setup by allowing increased competition between guaranteed, RTB buyers, and exchanges within a publisher's ad server, without bias towards a particular demand source. As a result, publishers drive higher yields with Header Bidding and advertisers get better access to the right inventory. Many of the top publishers are now using some form of Header Bidding, and many more are in implementation. Header Bidding has been particularly advantageous for publishers using DFP and Smart Ad server, as an innovative solution to improve monetization across desktop and mobile.

As for the risks of Header Bidding, a poor technical setup of Header Bidding can be problematic and cause latency. In addition, Header Bidding setups need to be actively managed and optimized over time for best results. Vendors that offer advanced header bidding technology, monetization support and services can minimize these risks.

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