Digital advertising has grown even more algorithmic

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A while ago, I had written about the new market for trading in advertising space on social media and on the internet in general. The first revolution in digital advertising occurred when Google began to place advertisements along with its standard web search. Search engine optimization (SEO) was all the rage for some time. Companies wanted to be on the first page served. Google was smart enough to add video to the mix. YouTube, which it acquired, is now the second largest search engine on the internet and rakes in gigantic sums in ad revenue.

Broadcast TV is slowly fading away, as TV screens increasingly go online to access Netflix, Amazon Prime Video, Apple TV, YouTube and other content platforms. Advertising here is more sophisticated than SEO. Companies in this space are running artificial intelligence based devices to dynamically arrive at the best prices for a particular slot. This recognizes the fact that the viewership of specific content on internet channels (like YouTube videos or live events on over-the-top or OTT platforms) can vary significantly through its run-time duration. Witness Sunday's Asia Cup cricket final, where Sri Lanka were bundled out for 50 runs. The fact that India would win in short order would have caused a large part of the viewership to drop off, thereby reducing the value of advertising slots during India's run chase.

Broadcast TV advertising was always a bit of a hit-or-miss affair, and advertisers relied on data companies such as AC Nielsen and others that would track samples of viewers to understand viewing patterns. This was achieved by placing a small device on the TV sets of people in the sample and collecting data from it to see which TV programmes people viewed and how often. Television rating points (TRPs) are the output of this process. Today's wave, in contrast, is 'programmatic advertising placement,' which involves targeted ads placed online automatically. It automates the buying and selling of ad inventory in real-time through an automated bidding system that allows advertisers to purchase ad impressions on publisher sites or apps within milliseconds through a sophisticated technological ecosystem. Till around 2020, this was used mainly on mobile phones, but has now moved into the broadcast space as well. In the US, there are a few companies which are leading the way on programmatic advertising via connected TVs. One of the largest of these is The Trade Desk, which is a demand side advertising platform. It helps ad agencies and buyers in placing their digital ads using algorithms and data rather than just intuition.

While The Trade Desk is a demand side platform (DSP) that allows for sophisticated bidding, there are also supply side platforms (SSPs) like Index Exchange, which helps publishers sell ad inventory programmatically, including through real-time auctions. There is also Sovrn, which provides tools for publishers to manage their ad inventory and maximize revenue, including through real-time bidding.

And then, of course, there are actual exchanges that allow users to bid for ads in real time, such as Google Ad Exchange (AdX). One of the most popular such platforms, AdX offers real-time bidding and a wide range of inventory, including display, video and mobile ads. Similarly, OpenX is an independent ad exchange that also offers real-time bidding and is known for its quality inventory and transparent marketplace.

Marketers in India need to realize that the world for ad viewership is changing, and in real time. Bidding for advertising space on social media platforms is a crucial aspect of digital marketing for many businesses today. The process allows advertisers to compete for ad placement in a user's feed or other spaces within social media apps like Facebook, Instagram, Twitter, LinkedIn, etc.

The bidding system varies from platform to platform, but there are common principles that guide most of them. There is cost-per-click (CPC): You pay only when someone clicks on your ad. This is common for driving website traffic or for campaigns aimed at immediate conversions. Then there is cost-per-mille (CPM): You pay for every 1,000 impressions your ad receives. This is often used for brand awareness campaigns. There's cost-per-engagement (CPE): You pay when a user takes a specific action, like liking, commenting or sharing your ad. Cost-per-install (CPI): Specific to mobile apps, you pay when someone installs the app via the ad. Cost-per-conversion (CPA): You pay for every conversion, such as a completed purchase or form submission, that is attributed to the ad.

The more narrowly a company can define its audience, the more effective its bidding strategy usually is. Most platforms like The Trade Desk offer a variety of targeting options, such as demographics, interests, behaviour and custom audiences. In addition, platforms often allow

A/B testing to evaluate the performance of different strategies and allow advertisers to regularly check metrics like clicks, impressions, engagement and conversion rates, so that firms can adjust their bids and strategy.

Some platforms offer advanced features like bid adjustments for device types, ad scheduling and geo-targeting. By understanding these concepts and best practices, firms can run more effective and cost-efficient advertising campaigns on social media platforms. This is the wave that needs to be mastered by advertisers for a rewarding and smooth surfing experience.

Tags: Digital, advertising