DSP 101

Introduction to Demand-Side Platforms

By:

Alexander Kennedy
Global Display Specialist (Platform Lead)

Jace Medsker
Display Product Specialist

FINCH
eCommerce Growth Platform

Message from Alex - Finch Expert

Over my many years working with clients in programmatic advertising, nothing has created more confusion than Demand-Side Platforms (DSP). **Why are they different and how exactly are they beneficial?**

DSP is by far the least known method of digital advertising in modern performance marketing platforms. Blending general marketing methodology, robust datasets, and a smidge of consumer psychology - lower-funnel DSP campaigns can be the definitive factor in overall campaign success. As the final touchpoint of consideration for consumers, it can drastically change the overall results of campaigns (both evergreen and promotional). The trick is knowing when to use DSP and what campaign types to implement in any given scenario.

But most importantly, DSPs excel in one pivotal way - they offer **predictable financial balancing in overall campaign budgets**.

To demystify digital advertising's least known method, I've put together a crash course in DSP terminology, best practices, and strategies designed to take the confusion out of DSP marketing.

– Alex Kennedy

About FINCH

As the world's first eCommerce Growth Platform, Finch was born to evolve.

Named for the most adaptive species on the planet, Finch has continually focused on one thing: eCommerce growth. That's it. We're a simple bunch of tech heads and eCommerce experts ruthlessly focused on enabling businesses to break-through the glass ceiling of growth and scale their operations through proprietary technology and proven strategies.

True to its evolutionary roots, Finch was built as the world's first platform to plan, manage and deliver eCommerce growth across multiple channels. Backed by domain expertise from around the world, Finch became what it is today: a platform focused on growing businesses - not just campaigns.

Contents

1 What is a Demand-Side Platform?

2 Why Are Demand-Side Platforms Important?

3 How Does a Demand-Side Platform (DSP) Work?

4 What is the Difference Between DSP and SSP?

5 What Are the Main Components of a DSP?

6 What Are the Types of Demand-Side Platforms?

7 How Do DSPs Help Advertisers Buy Ad Space More Efficiently?

8 What Kind of User Data Do DSPs Employ for Targeting and Bidding?

9 What is the difference between demand-side platforms and advertising networks?

Ad buying and selling wasn't always as easy as it is today.

Over time, the online advertising market has streamlined and optimized the buying and selling of ad space, consolidating supply and demand on ad exchanges. Now, thanks to supply-side platforms and demand-side platforms, publishers can reach a wider range of advertisers, while advertisers enjoy lower prices and better tools for tracking ad performance.

What is a Demand-Side Platform (DSP)?

A demand-side platform, often abbreviated to DSP, is a programmatic advertising platform that allows advertisers to **bid automatically on display, video, audio, connected TV, and native ad inventory** across a network of publishers that manage millions of websites across the internet. Sometimes even search and mobile specific inventory as well!

A demand-side platform can automate the decision-making process on how much to bid for an ad in real-time. DSPs make the ad-buying process significantly faster, cheaper, and more efficient.

The key feature of demand-side platforms is that instead of contacting, negotiating and buying display banner space directly from a single website or publisher, what you get is the access to reach across a large network of website publishers, along with the ability to reach a specific audience segment based on the targeting capabilities of your choice of DSP.

Demand-side platforms are an evolution of ad networks, which have been incorporating capabilities like real-time bidding into their offering as well.

Why Are Demand-Side Platforms Important?

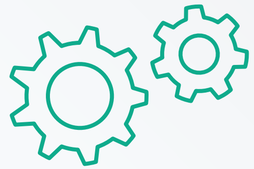
Because demand-side platforms allow for the management of advertising across many real-time bidding networks, advertisers **no longer have to manually contact hundreds of publishers** with offers to advertise.

Since marketers no longer have to spend time and energy on something that can be completed by an automated machine, they can set up campaigns quickly and dedicate more time optimizing the campaigns for success.

Did you know?

The average daily time spent with digital media is now almost **8 hours**.[1]

76% of companies in 2021 report using automation.[2]



[1] https://www.wordstream.com/blog/ws/2021/06/17/post-pandemic-digital-marketing-statistics

[2] https://www.hubspot.com/hubfs/State-of-Marketing%20(2).pdf

How Does a Demand-Side Platform (DSP) Work?

Demand-side platforms are used by advertisers to replace manual ad buying with an automated, real-time bidding platform. The whole process can be summarized in the following steps:

1. Advertisers select their target audience and upload the ads they want to publish.
2. Publishers make their ad inventories available on the DSP through ad exchanges and supply-side publishers
3. These platforms offer the ad impression to the DSP (which makes a decision to send a bid to buy the impression based on relevance to the targeting criteria).
4. Advertisers compete with other advertisers for the ad impression placing bids in real-time.
5. The demand-side platform buys the impression and the ad is shown on the publisher's website.

This whole process is conducted in milliseconds when someone visits the publisher's site.

What is the Difference Between DSP and SSP?

The supply-side platform (SSP) is a technology platform used by publishers to connect their inventory to ad exchanges. An SSP allows publishers to filter ads by the advertiser and other criteria, as well as set different rates for ad spaces to define the cost.

DSP refers to the demand-side platform - it allows buyers to manage multiple ad exchanges via one interface. The buyers commonly include trading desks, agencies, or advertisers directly. The demand-side platform must plug into an SSP to enable the buyer to bid on digital inventory.

Simply put, a DSP and an SSP connect to different parts of the programmatic ecosystem. A demand-side platform (DSP) is a tool used by advertisers to help organize ad-buying, whereas a supply-side platform is used by publishers to automate the sale of advertising space, which is the supply-side of the demand-side platform.

- **The supply-side platform (SSP) is a technology platform used by publishers to connect their inventory to ad exchanges.**
- **DSP refers to the demand-side platform - it allows buyers to manage multiple ad exchanges via one interface.**
- **DSP and an SSP connect to different parts of the programmatic ecosystem.**

What Are the Main Components of a DSP?

Although different companies may have different elements or different names, they all share a similar structure to fulfill their role of serving ads programmatically.

Let's take a closer look at the components and terminology that make up many of today's DSPs:

Bidder: The bidder is the most important element of the DSP, as it's what places bids on ad impressions on a real-time bidding (RTB) process. As the RTB process concludes in milliseconds, being able to execute the bid as fast as possible is crucial. Most DSPs use multiple data centres spread around the world to minimise latency. Demand-side platforms use analytics to forecast impression bids based on historical information.

Ad server: The ad server of the DSPs is what actually serves the required ad elements to the publisher's website. But they do much more than that. Ad servers also track the impression and conversion data, which can then be used to optimize the ad campaign. They also have fraud prevention functionality, to detect false ad inventory. A demand-side platform can have its own ad server or integrate with an external one.

Campaign tracker and reporting: A key element of a DSP is the ability to track and record data about the ad effectiveness: impressions, ad viewability, clicks, CTR, conversions, ad spends etc. This is then presented on a reporting dashboard and used in the ad campaign optimization.

User profiling: DSPs record user data when they view an ad served by the DSP. Over time, they build a profile of the user, allowing them to assign them certain characteristics and place them in an audience segment, based on the type of content they are consuming, where, and which ads they are clicking on. The user profile database is used in remarketing campaigns and ad optimization.

Budget manager: This element can be known in DSPs as the banker or the cashier. It's what allows the advertiser to define the budget parameters of the campaign, like defining a maximum budget for the campaign. The budget manager can also define rules about how the budget is spent.

Integrations: DSPs integrate with ad exchanges and SSPs for advertising space, but they also integrate with other tools to increase their functionality, like data management platforms, analytics platforms, payment gateways and brand safety solutions, which enhance the risk management capabilities of the DSP.

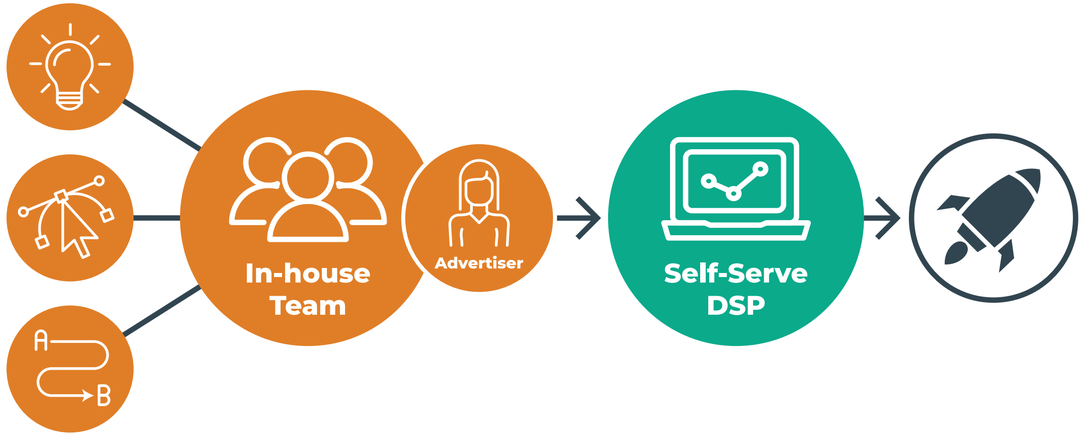
exchange and SSP integration: One of the benefits of working with a DSP is the ability to reach multiple ad exchanges and supply-side platforms. Integrating several supply sources allows a demand-side platform to consolidate and centralize the ad-buying process, allowing an advertiser to have a wide cross-channel reach from a single source. Therefore an advertiser would expect their DSP to integrate with several ad exchanges and SSP.

What Are the Types of Demand-Side Platforms?

There are two types of DSPs: self-serve and full-service DSPs.

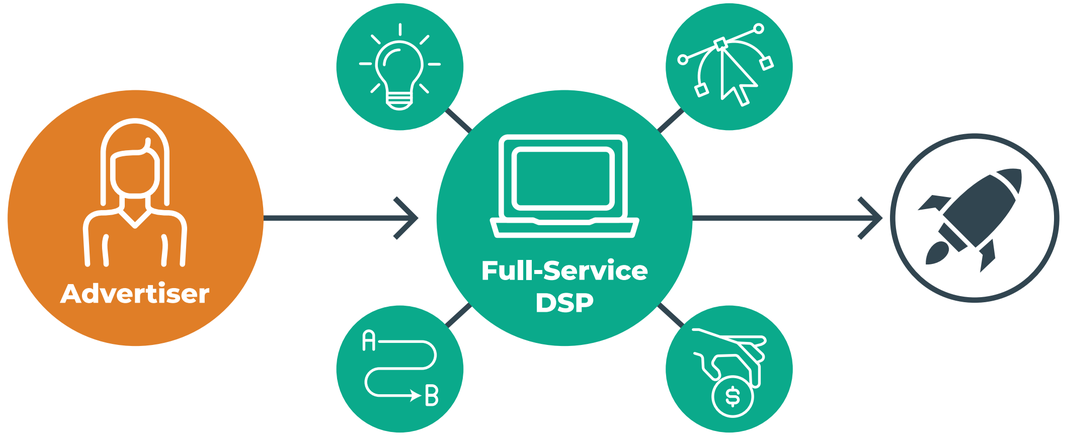
Self-serve DSPS

A self-serve DSP is just a platform an advertiser can use to buy advertising. Campaign ideation, execution and reporting are performed by the advertiser's team or their agency.



Full-service DSPs

A full-service DSP behaves more like an agency. They provide additional service through an account manager. An external team in the DSP takes control and responsibility of the ad campaign from start to finish. It's more expensive and the advertiser has less control and flexibility over the campaign execution, but it's more convenient for advertisers.



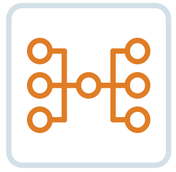
How Do DSPs Help Advertisers Buy Ad Space More Efficiently?

Advertisers and media buyers enjoy several advantages by using DSPs to execute their advertising campaigns over manually buying advertising space.

Advantages of using a DSP

1. Automated, real-time bidding (RTB)

First, RTB streamlines and automates the negotiation process between media buyers and sellers. The whole process of analysing the ad impression offered and bidding on that impression taking into account budget, value and target is performed in milliseconds while the user is loading the page.



2. Inventory reach and selection

Another key advantage is the consolidation of supply in one single platform. Using a DSP allows advertisers to reach a wide range of publishers from one single provider, a more diverse and global ad inventory than they can do on their own. This inventory is often classified by different characteristics which allow a brand to choose carefully where they want their ads placed. This is important for brands which place a premium on being able to choose a safe placement for their advertising.

3. User targeting

All the data that the DSP captures about user behavior is used to improve the targeting, optimize the ad rotation and provide remarketing capabilities. Having a strong user targeting functionality ensures advertisers they can reach the users they need across any digital properties they visit.

4. Reporting, analytics, and optimization

Advertisers value the ability that DSPs provide to see the performance of their ad campaigns in a consolidated dashboard. This gives advertisers and agencies more information to act and optimize their campaigns to be more relevant and provide more value to their target audience.

What Kind of User Data Do DSPs Employ for Targeting and Bidding?

Demand-side platforms have access to multiple sources of user data they can use to build their targeting strategies and optimize their bidding.

First, they have their own data collected from ad impressions and ad clicks, like ad spend, CTR, CPC or ROI. This campaign performance information is complemented with other sources:

User data imported by advertisers from their own CRM. Advertisers can use their own data to create specific targets for remarketing campaigns or to build lookalike audiences based on their customers' profile.

Publishers can also provide information about the content where the ad impression sits and about the user that triggered the ad impression. This data includes demographic information about the user, including their location and type of device they use. It can also include behavioral information, like browsing and shopping history.

DSPs also purchase information from third-party data brokers and exchanges that can be used to build custom audience segments based on the criteria specified by the advertiser.

What is the difference between demand-side platforms and advertising networks?

There are many similarities between ad networks and demand-side platforms. DSPs and ad networks offer essentially the same programmatic advertising services, but DSPs offer more advanced features regarding real-time bidding and audience targeting, which in ad networks is restricted to predefined audience segments, rather than the custom targeting criteria of DSPs.

Platforms like these are the evolution of advertising networks. Moreover, the distinction between the two is becoming blurred as ad networks incorporate many of the DSP features previously unique to them.

Demand-Side Platforms Play an Important Role in the Online Advertising Ecosystem

DSPs have disrupted and introduced key innovations in a process that was regarded as inefficient, due to the necessary negotiations and back-and-forth between media buyers or advertisers and publishers.

The consolidation of supply in a single platform that automates the ad buying process through real-time bidding brings transparency, accountability and enhances the ability of advertisers to reach their target audience through a wider range of publisher sites.

Breaking Down Walled Gardens with DSP

Understanding reporting & performance metrics in the DSP landscape can be likened to navigating a minefield of information. It is essential to set clear goals that align with the strategy of your DSP campaign. If goals are not clearly defined, it's easy to fall into the trap of focusing on metrics that do not directly impact those goals or intention of the campaign.

To use an example, Cost per click (CPC) or click-through rate (CTR) are metrics that are routinely the first metrics some marketers will review first to determine the effectiveness of a campaign; however, that may not always be the case. If the campaign is focused on re-engaging previous site visitors to drive an action/purchase, it's important to first review metrics that drive value over engagement. CPC & CTR should still be considered, but will largely inform on how well the ads were tailored to the intended audience to drive a click.

DSP Campaign Strategies Brand Awareness, Brand Consideration and Brand Re-engagement.

Brand awareness is a broad form of targeting that is largely meant to drive awareness of the brand to a broad audience. Brand consideration leverages a DSP's advanced modeling methods to discover new users that are more likely to perform a desired action. Engagement metrics are more important to these types of campaigns, followed by Cost.

Both of these methods rely on data sources collected by third party data providers to define the target audience. The goal of these strategies is meant to drive traffic, and not drive value. Awareness & Consideration will sacrifice ROAS or Value for Reach or traffic to a website.

Engagement metrics are considered first since that correlates with Reach. Engagement metrics can also inform how the ad is resonating with the targeted audience. Cost is also important, because it shows the efficiency of spend compared to the targeted audiences.

Fully Leverage DSP With Finch's Latest Strategy - DSP + Social

The goal of our DSP + Social strategy is to leverage the strengths of both channels to overcome retargeting and audience validation issues that have emerged since the iOS 14.5 update.

How Does it Work?

Prospect with Paid Social: Utilize the strengths of paid social to effectively prospect customers and drive them down funnel through specific actions.

Retarget with DSP: Take advantage of beneficial elements available in The Trade Desk and DSP to max out retargeting efficiency.

Validate Audiences with DSP + Social: With this combined strategy, it's possible to validate audience quality quickly compared to the old "wait & see" strategy.

Use Finch's Formula to Predict Growth: Overall Value Driven/(Retargeting Ad Spend + Prospecting Ad Spend) = Overall ROAS.

Learn more about our DSP + Social Strategy in our webinar

"Audience Validation & Retargeting in a Post iOS 14.5 World"

FINCH

eCommerce Growth Platform

We Grow Businesses - Not Just Campaigns

Managing eCommerce growth just got easier! Instead of expensive agencies or sizable in-house teams, eCommerce growth can now be scaled through purpose-built software and the digitization of domain expertise with Finch.

We help you own your complete growth strategy - not just your media bidding.

Book a Demo