

August 1, 2019

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VERTICAL
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**The Trade Desk's Unified
ID Sees Widespread
Adoption**

GOOG, GOOGL, TTD
ADBE, AMZN, CRTO, FB, T, TTD,
TWTR, VZ

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Growing adoption of Unified ID among publishers is boosting available inventory on The Trade Desk which is offsetting weak pricing as buyers and sellers seek alternatives to Facebook and Google.

- Programmatic advertising continues to grow as a share of total spending, with third-party options seeing growing interest as digital ad budgets rise above expectations.
- Despite poor ROI from Oath, Criteo, and Mediamath, interest in AT&T's AppNexus and The Trade Desk are rising fast as buyers seek alternatives to Facebook and Google.
- Overall prices on DSPs rise in mid-double digits yy, with price gains on Google Display Network and Facebook Audience Network overshadowing other platforms. The Trade Desk sees prices flat to up slightly as inventory rises sharply, while prices are flat to down on Oath and smaller DSPs on weakening performance.
- Iterative improvements in Adobe's Advertising Cloud seen as a long-term risk for The Trade Desk, but sources say ROI on Google Ad Manager continues to exceed all other alternatives.
- Emerging Theme: Limited Interest in The Trade Desk's Connected TV could change with Amazon partnership

The Trade Desk Gains Share as Small DSPs See Weaker ROI

Strong growth in programmatic advertising continued in 2Q19, with most sources saying that improvements to the ecosystem and a consolidation of exchanges has helped make programmatic ad buying easier.

Sources also said adoption of The Trade Desk's Unified ID solution is growing very fast and beyond expectations, because more advertisers and publishers find it to be the highest quality alternative to Google and Facebook's outbound networks. "The Trade Desk's independence is a real asset they are leveraging—they are making it clear that publishers can own their data and have third-party ad insertion with more transparency than Facebook and Alphabet offer, and they love it," said a source. "We have seen inventory in some verticals rise by 40% from the start of the year, and that's all because of Unified ID."

While sources had mixed opinions on the viability of Unified ID in the longer term in light of potential regulation and stricter rules on data sharing in Apple's Safari, sources said Unified ID has caused incrementally higher spending through The Trade Desk in 2Q19. "It isn't a slam dunk, but it's a smarter strategy than what AppNexus and other DSPs have done in the past. The Trade Desk is trying to be the neutral standard, which is an opportunity for as long as Apple and Google allow it," said a source.

Google, Facebook Help Programmatic Prices Rise

Sources said pricing was pressured by the sharp growth of inventory on The Trade Desk in 2Q19 as Unified ID was adopted more openly, but prices rose at a much higher rate on both GDN and FAN as both megaplatforms continued to improve ROI and competition for inventory increased. "I think this is really demand driven more than inventory driven. It's true that Google and Facebook are being much more responsible about what content they allow on their networks, but the fact of the matter is that there's aggressive spending because the economy is going gangbusters and we're all struggling to find inventory to fit our campaign targets," said a source.

While larger ad networks and exchanges saw prices rise, Oath, Mediamath, and Criteo were seen as underperformers both as ROI lagged behind larger alternatives and as improvements in inventory quality resulted in lower clickthroughs.

Adobe, Google SaaS Solutions Outperform

While most sources said it was becoming increasingly difficult coordinating campaigns among competing advertising platforms, sources also said that the ability to use Adobe and Google to analyze campaign ROI for placement across all networks was a primary reason why both platforms remained favorites. Sources did note that the primary appeal of Google Ad Manager was to plan and bid on GDN, but sources also said that Google Ad Manager was becoming increasingly effective in planning and executing campaigns elsewhere, including on The Trade Desk. "The Trade Desk was once the only SaaS you could use to execute all your buys everywhere, but Google has realized they need to

make a solution that is network neutral, which is what Ad Manager is. And while the UI isn't perfect, it works extremely well," said a source.

Bullish Hopes on TTD/AMZN Partnership

The Trade Desk's announcement of its partnership with Amazon became public too late for VMI to interview all sources on the subject, but there was enough time to ask two sources about what this would mean for Connected TV demand. In both cases, sources were extremely positive on the development, while also expressing harsh criticism for The Trade Desk's current CTV offerings. "Their Connected TV is really a joke, and I always wondered why it was such a low-quality product compared to everything else. They were doing what TubeMogul was doing five years ago. But now it makes sense...it was a testing platform," said a source. "It appears they were working on targeting with those campaigns just to get the data that they could then throw at Amazon." Another source added, "we inquired about CTV but quickly forgot about it when we saw the limited inventory availability. Amazon will open up a tremendous amount of inventory, and so we will probably spend on CTV as soon as we can. We've wanted to experiment with Fire TV for a while, but this really makes it compelling."

When asked how The Trade Desk would add value considering Amazon's wealth of intent-based shopper data, one source explained: "Obviously Amazon has a lot of high-value data that it can overlay on Fire TV inventory, and Amazon won't share that with The Trade Desk. That's revenue Amazon keeps. But on top of that, you will be able to overlay your own data through TTD's SaaS, which is incredibly valuable for retargeting and so on, plus whatever inferential data TTD has based on its own historical ad placements. For me personally, the biggest appeal though is how this will help us avoid repeat ads, which has been a huge problem with online video networks besides YouTube for a long time," said the source.

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