3 Ways to Navigate First-Price Auction Adoption

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3 mins ago

For years, second-price auctions, with winning bids awarded on a showcase showdown model of a penny over the second highest bid, have been the standard way to buy digital ad inventory.

That’s about to change.

As Google Ad Manager adopts first-price auctions, the world’s largest ad management platform for publishers is causing suppliers to re-evaluate their ad exchanges and buyers to modify their bidding strategies.

Everybody has questions. Will the change increase transparency into inventory pricing? Will this help level the playing field between bidders? Will first-price hurt our ability to optimize media spend?

While it’s too early to gauge the full implications of the switch with any certainty, we do at least know where to look. And three major techniques will be key to successful navigation of digital supply in a post-first-price world.

Analyze historical cost data for deeper context

Google’s shift is indicative of a larger movement in the advertising industry, one embodied by the need for clarity and definitive value.

Cost per thousand impressions (CPM) will remain the most widely used metric for evaluating the soundness of a given buying strategy. In the coming pricing environment, smart marketers will analyze historical CPM averages at the

publisher and campaign levels in search of patterns that may have been overlooked during the second-price era.

For example, media buyers may have been overbidding for low-performing inventory or underbidding for inventory associated with increased campaign performance. The new system alters the incentive structure, motivating buyers to look deeper into bid-side data and actively mitigating risks associated with CPM spikes.

Where should you be looking? Consider purchasing patterns, timing of CPM increases across verticals and fluctuations in winning percentages. These patterns set a baseline for recognizing unusual CPM yields, which can help inform bidding strategy and prices. A detailed understanding of the pricing context can also help marketers set more accurate CPM caps on line items and apply reporting software that can easily identify unusual changes in campaign CPM, impressions or win rate.

Implement supply path optimization (SPO)

SPO, a process that demand-side platforms use to streamline interactions with supply-side platforms, has gained traction even among second-price buyers in recent years. But its application might be even better suited to analyzing the first-price auction landscape.

That’s because SPO can consolidate inventory sources, identify duplicate inventory and unify bidding strategy metrics within a single buying path.

Header bidding isn’t going away due to Google Ad Manager’s shift to first-price auctions. The practice may actually take on an expanded role as publishers adjust. That’s why media buyers will need to rely on any tool—SPO most certainly included—that can help identify sellers across a fractured landscape that can offer the most favorable eCPMs and consolidate the supply path to apply smarter and more

leveraged buying strategies.

Intensify collaboration with supply-side platforms

A closer relationship with SSPs will help first-price bidders gain transparency into ad buying and enable more effective campaign optimizations through bid-sharing technologies.

Any SSP relationship that can share log-level data will be especially helpful, but any contextual and behavioral data currently worked on by SSP partners will deepen your understanding of appropriate first-price valuations. At the very least, SSP partnerships can be vital in recognizing and leveraging a preferred position with specific publishers.

As with any major change, first-price auctioning is causing its share of freakouts.

The benefits of first-price auctions compared to second-price auctions may seem fewer and the limitations greater. Even if that’s ultimately the case, the new system can still work to the advantage of marketers.

Google’s shift is indicative of a larger movement in the advertising industry, one embodied by the need for clarity and definitive value. Putting the above techniques into practice will help marketers prepare for the industry’s progression and adjust to the new reality of first-price auctions.

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