



# A Publisher's Guide to Demand Path Optimization

**How a strong DPO strategy can help you generate more revenue dollars**





## Introduction

The programmatic landscape is often seen as complicated and lacking transparency. This complexity, coupled with the rise of numerous vendors touting various specialties, has resulted in the need for a more direct media sales path for publishers.

Enter Demand Path Optimization (DPO). DPO streamlines the way buyers connect with premium inventory through a more direct and transparent bidding process, reducing ad tech fees and increasing revenue for publishers.

Supply chain efficiency has been widely adopted on the buy-side in an effort to maintain the value of working media. As buyers strategically invest in transparent partnerships, publishers have an opportunity to capture more spend and build relationships with advertisers through DPO initiatives. Beyond efficiency, the narrative of reducing the gap between buyers and sellers has only intensified with the deprecation of third-party cookies, where both sides have echoed working more closely together is among their top priorities<sup>1</sup>.

In this guide we'll demystify DPO and provide a deeper understanding of why it matters, common misconceptions about media buying paths and more, so publishers will be well equipped to optimize their DPO strategies in 2023 and beyond.

1. [AdExchanger, Identity Is Driving The Convergence Of Programmatic Supply And Demand](#)

Part 1

# What is Demand Path Optimization?

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Demand Path Optimization refers to the process of assessing and refining the way advertisers buy publisher inventory in an effort to grow publisher revenue and increase ROAS through a simplified supply path.

While Supply Path Optimization (SPO) helps ad buyers identify the most efficient partnerships, DPO helps publishers maximize yield by ensuring demand is routed through the most direct path to their page. Being that SPO and DPO are two sides of the same coin, it's crucial that as buyers prioritize their SPO strategies, publishers follow suit to better understand and optimize how their inventory is being purchased.

Without a clear understanding and audit of every partner's supply path, publishers' monetization efforts can be greatly depleted by ad tech middlemen, as shown in the diagram below. With every additional hop, an intermediary takes a fee and by the time it reaches the publisher, the CPM has been greatly reduced. Recent supply chain efforts have shown progress with publishers receiving 65% of ad budgets on average, up from 51% in 2020<sup>2</sup>, but there is still room for growth across the industry.



## Beyond transaction fees, a strong DPO strategy will have larger implications, including:

1

**Making inventory more desirable to buyers** who want the most direct path to premium inventory and will spend more on paths that return the highest ROI

2

**Ensuring all inventory is available to bid on** by removing intermediaries' filtering and bid throttling layers

“ Understanding how our inventory is being purchased brought to light inefficiencies in our demand paths. Prioritizing partners that bring us the most value has not only strengthened our monetization efforts but also our relationships with advertisers.

**RYAN MOLLY**

*Sr. Director, Programmatic & Video Operations at Vox Media*

**VOXMEDIA**

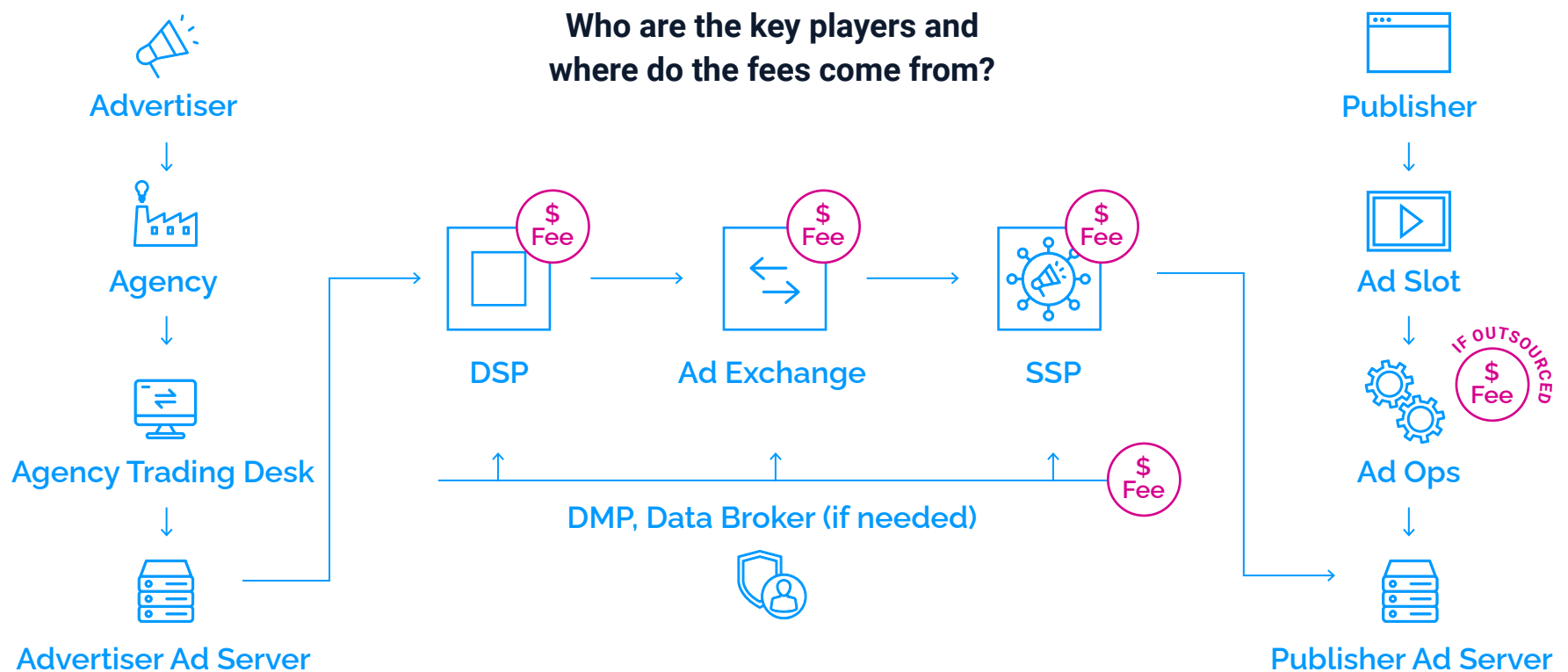
Part 2

# The Key Players in DPO

One of the main reasons for the highly complicated nature of programmatic advertising and DPO is the number of players involved, from publishers to advertisers, agencies, DSPs, SSPs, resellers, ad exchanges, networks, DMPs and more. It's critical to understand how each player works with one another and the value they bring in order to ensure you have full transparency.

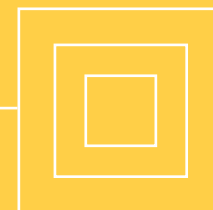
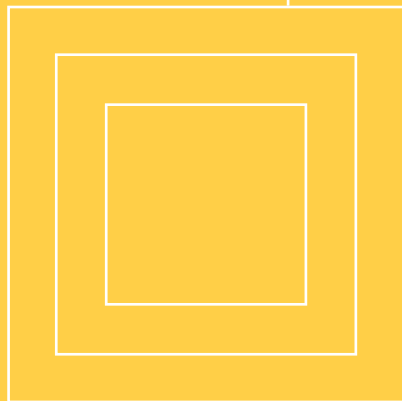
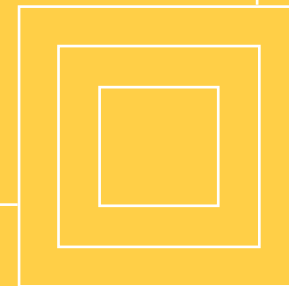
Given the abundance of intermediaries involved, knowing where fees are applied and uncovering hidden ones is the first step

in the DPO process. Some fees provide a fair value exchange for services or technology, while others don't or worse yet, are hidden entirely. Conducting a demand path audit will give visibility into your partners' fee structures to assess what's bringing substantial value and what is acting as a cost center. In this simplified visual see how the key players work together and where fees are typically applied.



## Part 3

# Why Does DPO Matter?





With an understanding of who the key players are and the fees associated, let's dig further into why DPO matters in the first place. As the media landscape continues to evolve, it's important to have a fluid DPO strategy in place to make the most of your revenue dollars.



**There are several considerations and advantages publishers should keep in mind as they prioritize DPO:**

1

### Fewer transaction fees

Every added hop in the media-supply chain adds a fee. By evaluating current fee structures and consolidating demand partners to those with the most transparent purchase path, publishers can grow revenue while cutting costs.

2

### Increased transparency means more valuable inventory

Buyers are less likely to purchase inventory only accessible through messy supply chains. To unlock the most value for your inventory and provide advertisers with the transparency they need, it's important to work with demand partners that can offer efficient supply paths. Doing so will help increase both the quantity of bids and the overall average spend per deal.



3

### Ensure every impression opportunity is seen by a potential buyer

Every platform has their own SPO strategies and algorithms to ensure they are maximizing spend efficiently. Additionally, platforms have their own approval policies and may not allow your inventory for a host of reasons (e.g., various quality assurance vendors, ads.txt authorization, etc). For publishers, that means irrespective of individual buyers' SPO paths, your inventory may be filtered out if it doesn't meet certain SPO benchmarks or policies set by DSPs. By collapsing the supply chain, you reduce the risk of your inventory being inaccessible due to buy-side SPO filtering.

4

### Build recognition as a premium supply partner

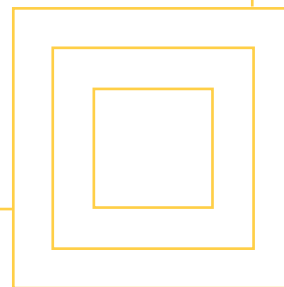
Advertisers heavily leaned into SPO are looking for partners who make it easy to buy premium inventory with fewer supply chain hops and the greatest ROAS. With RTB-enabled publishers monetizing through 28 SSPs on average along with additional resellers, an opportunity exists for publishers who remove inefficient paths<sup>3</sup>. By investing in DPO, publishers (and their designated demand partners) become trusted suppliers of premium, efficient media and increase the likelihood of repeat buying.

3. <https://www.adexchanger.com/sustainability/buyers-are-into-spo-what-will-it-take-to-get-sellers-onboard/>

“ Having an efficient media sales path is beneficial for both publishers and advertisers. A transparent supply path builds trust and is where efficiencies and optimizations can be capitalized on. This all leads to the most optimal business outcomes for both the supply and the buy side.

**JOSEF NAJM**

*Global Lead, Programmatic Sales and On-Platform Partnerships at Reuters*



**Part 4**

# **The Most Common DPO Misconceptions**

While most publishers understand that a messy supply chain means more fees and less money, there are a few misconceptions around DPO (beyond fees) that impact publisher revenue.

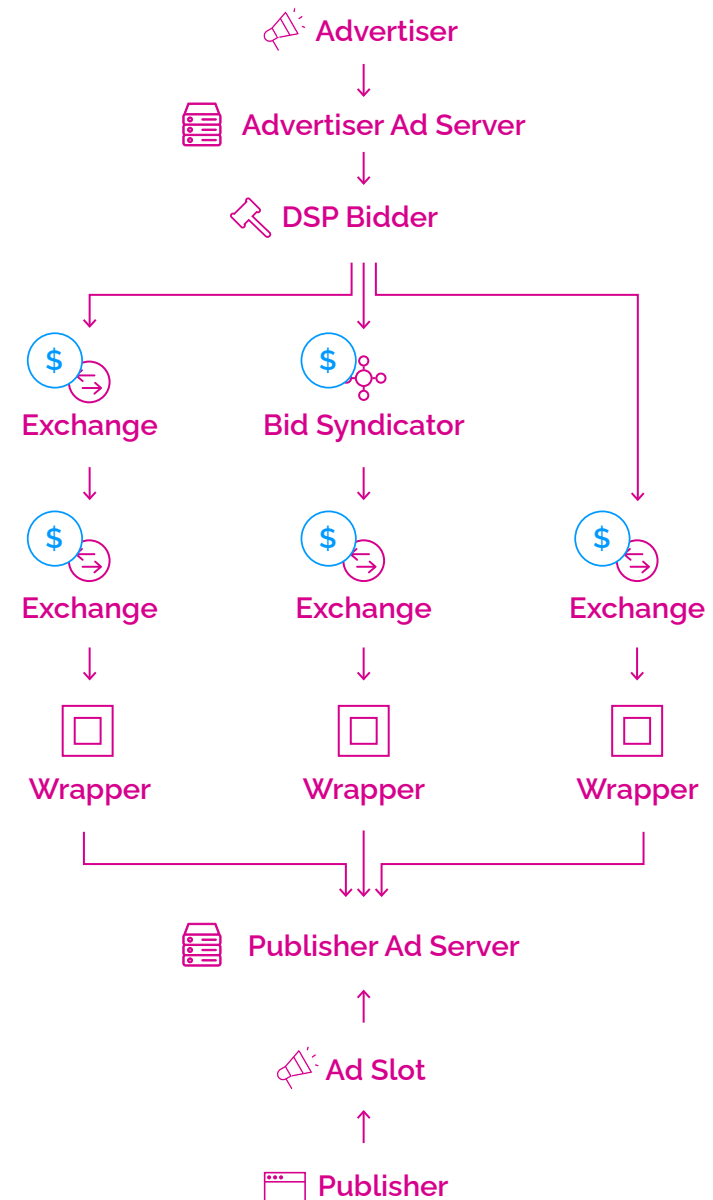
#### MYTH #1

### Having my inventory available in more places means more revenue.

It is often thought that opening up your inventory in multiple places will drive up CPMs and increase revenue. This way of thinking evolved when header bidding was introduced. While it's true that there will be more bidders vying for that inventory, in order to make it available across multiple exchanges you also need to increase the number of technology partners involved.

Every time an ad has to flow through another piece of technology or intermediary, a fee is taken off the top. These fees can add up quickly, and what was once a \$10 CPM can quickly become a \$5 CPM, resulting in a diluted publisher payout.

Advertisers are also highly focused on maintaining the value of their working media and are conducting their own SPO initiatives. Buyers are focusing their efforts on fewer supply partners that bring the most value and allocating more spend to partners with the highest efficiency.





## MYTH #2

### **All inventory sent to SSPs is available for advertisers to bid on**

When trafficking inventory through additional layers of technology, your inventory is subjected to additional parameters set by these intermediaries. Each layer of tech has its own filtering rules which can lead to inventory being blocked and ineligible for deals. Each SSP also has certain QPS/throttling rules set in place for partners, where they restrict the number of bid requests providers are allowed to run through their pipes. This is typically due to infrastructure costs that SSPs and downstream DSPs are incurring but because of these throttling measures publishers are missing out on premium demand that could be bidding on their inventory.

## MYTH #3

### **All demand partners bring the same value**

Not all demand partners are created equal. It's important to look under the hood and evaluate their supply chain effectiveness. Vendors lacking direct DSP integrations are forced to partner with intermediaries that add extra tech layers and fees, which deplete CPMs. These extra tech layers also make your inventory less appealing to buyers because their working media dollars quickly

lose value. Marketers highly value supply chain transparency and will spend more on paths with the most directness.

Another consideration to evaluate is what demand source vendors are bringing to the table. Do they have relationships with agencies and holding companies? Are they plugged into other exchanges? Find partners who are prioritizing supply chain efficiency as heavily as you are.

“ The ability to offer a direct supply path between advertisers and our video inventory is a huge win for us. Working with a provider like Connatix helps bring efficiency and transparency to the ad tech ecosystem, removes additive tech fees, and provides tools which allow Recurrent to better support advertiser initiatives.

**SCOTT MULQUEEN**

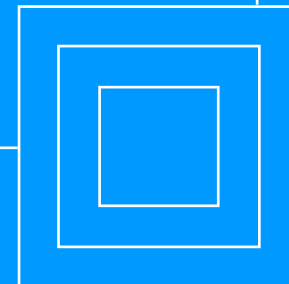
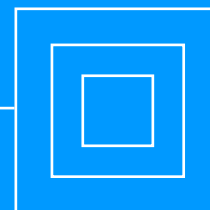
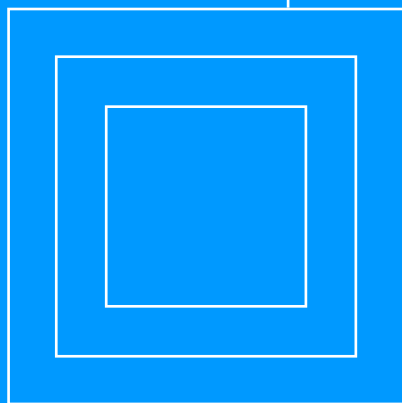
*VP, Programmatic & Yield at Recurrent Ventures*



Part 5

*Putting DPO Into Practice*

# The Five Questions You Must Ask Your Demand Partners



Now for the fun part! The first step in establishing a strong DPO strategy is asking your partners the right questions, digging deeper into supply chain relationships and seeing where the buck stops. Here are the top five questions to ask:

**1 Do you have direct integrations with DSPs? If so, which ones? Are these actual integrations or through bid syndicators?**

DSPs are selective in which partners they directly integrate with. Many vendors have to access DSPs through SSPs or bid syndicators which adds additional fees.

**2 What SSPs are you integrated with?**

If the vendor doesn't have any direct DSP integrations, knowing which SSPs they're integrated with helps ensure you can access preferred DSPs through their connections.

**3 How many hops does an ad have to go through before hitting my page if running through (insert preferred DSP here)? And what are the combined fees?**

If you work with a specific DSP to run direct-sold deals, ask the vendor how many supply hops the deal will have to run through before hitting your page. If your vendor isn't directly integrated with your preferred DSP, you will see a diluted publisher payout.



**4 Does any of your traffic get throttled due to your current supply chain setup?**

Most intermediaries, like SSPs, throttle the amount of bid requests a publisher is allowed to push through each day which can impact publisher revenue. Make sure you understand the throttling agreements between your vendor and their intermediaries.

**5 What other solutions do you offer aside from revenue tools?**

It's important to look for partners who deliver value across a variety of business needs—from editorial tools, to operational efficiencies, analytics, and more.





Connatix is a video technology company that powers the world's stories with effortless, empowering, and inspiring solutions. Through a proprietary full-stack platform, Connatix helps publishers deliver, monetize, analyze and create video, while providing advertisers with premium video inventory and precise Deep Contextual™ targeting. Sitting at the forefront of innovation, Connatix leverages the power of AI to optimize revenue and ensure relevancy, efficiency and scale across campaigns.

Connatix currently works with 350+ publisher groups across thousands of sites and leading brands and agencies. The private equity-backed business has been included on the Inc. 5000 list of the fastest growing companies and named an AdExchanger Programmatic Power Player for two consecutive years. Founded in 2014, Connatix is headquartered in New York City and continues to expand its global footprint with offices in London, Cluj-Napoca, and Tel Aviv.