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The State of the Industry

# Counting the Cost of Sales

# RFP's Remain a Time-Sink for Digital Publishers

As advertisers and agencies push to automate ad buying, it's not surprising that many publishers are pushing back. The latter, fearing commoditization in an audience-centric world, are looking to distinguish themselves by direct sales relationships and customer service, in addition to reach and audience quality.

Yet, even selectively offered services and customized attention come at a cost to those providing them. As programmatic pricing threatens to squeeze publishers' margins to the limit, deciding which services or whose attention is drawn into the hunt for revenue is more critical than ever.

Do publishers have a strategy for making those decisions? Are they even asking the right questions?

Digiday, with partner Adslot, turned its own State of the Industry survey spotlight on "The Cost of Digital Ad Sales" to find answers. The core questions they sought to answer were:

- How much do digital ad sales really cost publishers?
- What are the most significant variables impacting those costs?
- What are the least productive activities bogging down the sales process? and
- How can sales be run more efficiently?

## The Cost of Business for Display isn't Well Defined

Given the wide variations in the sophistication of digital publishers' ad technology – whether they have a traditional publication adjunct or are online only, whether they focus on video or print, and their relative size – it's startling how much consensus our respondents expressed about the things they consider productive, and those that sap more time and energy than they're worth. Also startling: how many publishers couldn't say how much their direct sales cost them as a percent of overall revenue.

## How much do digital ad sales really cost publishers?

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# Costing Ad Sales & Tiering Service

More than 400 digital publishers began our survey in July. Of the 317 who said they are at least partially supported by advertising dollars, only 56 would even hazard a guess about what portion of their revenues funded the cost of their direct sales.

They estimated that direct sales costs amount to just under 21 percent of revenue. While responses ranged from 1 percent – where clearly programmatic or exchange sales likely predominate, to 75 percent where costs have obviously run amok – 20 percent wasn't just the average, but the most popular answer among respondents.

## 21%
publisher estimate
of direct sales costs.

Publishers know their sales operations are costly, and are extremely vocal about wanting them to be focused on selling rather than on any other activity.

**Creating Tiered Services is a Struggle**

Nearly three quarters of publishers responding to our survey (73 percent) said that they do provide a means for self-service ad buying of their guaranteed digital display advertising inventory. But they're reluctant to offer a price break to customers who avail themselves of this time-saving automation. Nearly two thirds (62 percent) of those who said they offer self-service access to their online inventory say they price their inventory equally, whether it's sold by a commissionable sales person or by self-service; 21 percent said they actually price self-service sales higher than sales made by a sales person, and 18 percent offer a price break to those who serve themselves.

In part, this could be because sales reps typically service better customers who may have earned bonuses or discounts by virtue of their spending tier. As one commented, "We provide an account manager for clients when they reach a certain spend level or frequency." Most publishers actually seemed reluctant to admit that they distinguish between different kinds of customers until they were asked to rank various services that might only be offered to higher spending clients. One crowed: "Same great service all around!"

Another said, "Level of service depends on current spending or expected spending," and a third that, "Higher spending customers get better ad customization."

The top six services cited as most likely to be offered to higher spending clients were Access to Reserve Inventory; Detailed RFP Response; Designated Account Manager; Pre-Campaign Creative Testing and (tied) Post-Campaign Delivery Reporting and Pre-Campaign Consultation on Ad Placement and Frequency. Interestingly, this hierarchy doesn't correspond to the relative costs to publishers of those same services. The top half-dozen services as ranked by price were Access to Creative Services, Access to Content Services, Designated Account Manager, Detailed RFP Response, Pre-Campaign Consultation on Ad Placement and Frequency and Preferred Scheduling.

Asked whether they assign a cost per line item of advertising services that they provide, two thirds of respondents said, "No." Despite the cost savings that buyers assign to programmatic or automated ad sales platforms, publishers don't seem to frame their programmatic strategies in that light.

"We provide an account manager for clients when they reach a certain spend level or frequency."

# Costing Ad Sales
# & Tiering Service *(cont.)*

**Needed: A Strategy to
Distinguish Handshake Deals
from Programmatic Sales**

Only 58 percent of sellers say they even have a strategy for distinguishing their approach to relationship-driven or "direct" sales vs. programmatic sales. Those who do make the distinction use programmatic platforms to help expand their audiences across the Web or to offer convenience to "pre-approved agencies and clients in a private exchange with pre-set pricing." Creativity, choice and guarantees adhere to premium sales that are handled by human sales teams, while "programmatic tends to be basic display ad units." Said one respondent, asked to explain the difference between direct sales and programmatic selling, "[We offer] firewalled access for our most profitable customers; you must by minimum $X to get access to our in-house programmatic capabilities. This avoids cannibalization."

Rather than viewing programmatic selling as a means to reduce their own costs, those who don't have a strategy to automate their sales process are inclined to say it will devalue their inventory. One admitted, "This is a work in progress. There is a great deal of resistance to programmatic within our organization. Much of it is centered around compensation and control. I see the need for us to pursue programmatic aggressively with the understanding that CPMs are still deficient but, over time, will approach standard placement pricing."

One publisher who clearly does look for programmatic sales to reduce his or her costs said the purpose of programmatic was to, "eliminate commissions, funnel national buyers, and increase remnant e-CPMs."

"[Programmatic's
purpose is to] funnel
national buyers,
and increase
remnant eCPMs."

# Where'd the Time Go?

Another point of agreement among publishers: no single activity is as time consuming and potentially costly as the "pre-sale" back and forth process familiarly known by its industry acronym, "RFP."

Contrary to conventional wisdom, the advertising RFP or Request for Proposal wasn't engineered by ad buyers as an instrument of torture for publishers. But what was meant to save time and standardize responses from multiple providers by advertisers looking to cast as wide a net as possible and achieve favorable competitive pricing for services is, for publishers, an identifiable time-sink.

## Bottlenecks

Asked, "What's the least efficient activity for your sales team in terms of time spent?," "Pre-planning" topped the charts with more than a third of responses.

Write-in comments included: "Back and forth of inventory checking and price negotiation"; "The < $20k deal"; "Client 'tests,' unreasonable RFP turnaround"; "RFP process in general"; "RFP responses… optimizations"; and "Optimization."

The three themes that clearly emerged as the most painful and possibly most wasteful activities were time spent in the RFP process, optimizing campaigns to meet possibly unrealistic expectations,

and a need for self-service to streamline processes.

## Counting the Hours

Estimates of actual time spent in the RFP process drive home the expense of this process from another angle. Here's the estimated per person average amount of time invested by the 77 percent of publishers in our survey who say they even respond to transactional RFPs:
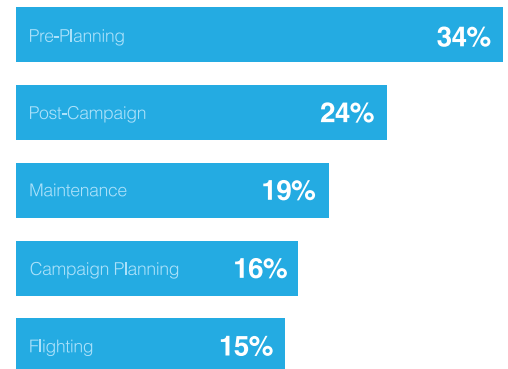
5.3 hours on Pre-Planning

4.2 hours on Campaign Planning

4.0 hours on Flighting

5.3 hours on Maintenance

3.3 hours Post-Campaign

**22.1 hours total**

## Compounding the Problem

But the lack of productivity doesn't end there. Some 65 percent of RFP responses miss the buy outright. And, of the 35 percent or more lucky publishers tapped for a "win," another 24 percent of campaigns are lost after the campaign begins due to poor performance!

Underlying publishers' angst about the wrestling match that the RFP process has become is the feeling that it ought to be easier. If only they could automate the process, they could focus on higher-CPM deals.

**Time Spent on Transactional RFPs**

| | |
|---|---|
| Pre-Planning | **34%** |
| Post-Campaign | **24%** |
| Maintenance | **19%** |
| Campaign Planning | **16%** |
| Flighting | **15%** |

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# The RFP Black Hole

To expand our understanding of publisher pain points in their sales processes, we layered our quantitative study with a series of nine executive-level interviews with leading digital sales leaders. Here are just a few of their more telling, candid observations:

"Pre-campaign planning is a black hole for us," said one national sales VP. "It's super inefficient, and too much ambiguity around roles and responsibilities.  Priority # 1 for me is to establish and execute a new work flow that will reduce friction here."

Said another interactive sales VP: "The process by which we hand off executional elements of bigger programs is always a challenge, with the push and pull of the sales lead wanting to ensure the campaign meets or exceeds expectations while at the same time I need them to hand that deal off so they can get back on the street and as opposed to baby sitting deals that are already done."

## "Pre-campaign planning is a black hole for us,"

A head of digital ad operations for a financial publisher re-affirmed the need for sales to be less involved with campaign logistics, "Calls, prospecting, on back and forth, on planning, creative, problem solving, etc.

There is still way too much friction in the marketplace, [with] sales guys doing too much support/logistics/communication stuff that is taking them away from selling. Many sales people seem reluctant to step back from these support steps because they want to remain the primary interface with the client, and have as many direct interactions with them as possible."
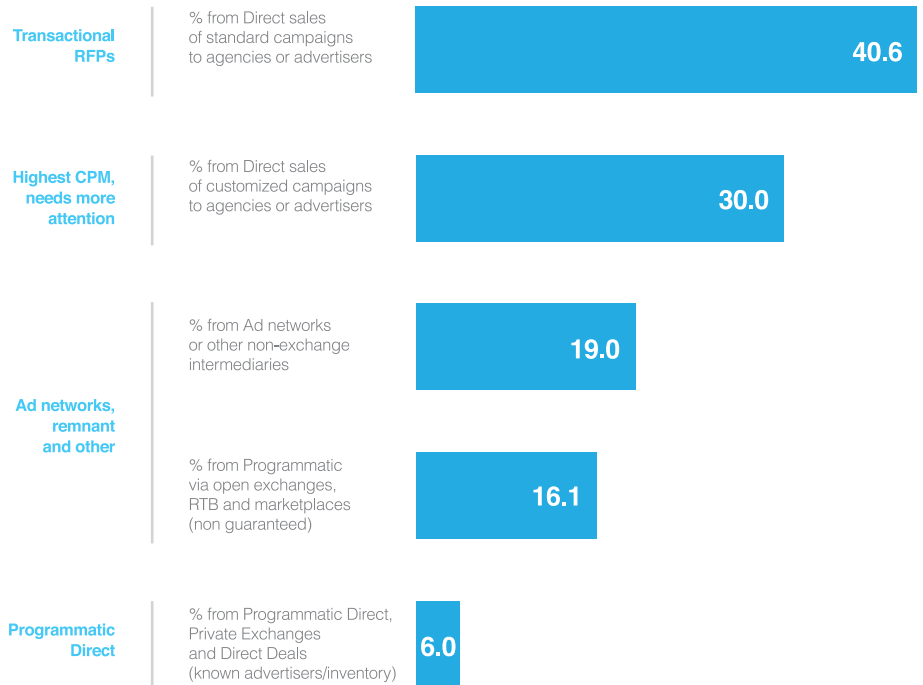
## There is still way too much friction in the marketplace, [with] sales guys doing too much support/logistics/ communication stuff that is taking them away from selling.

# Despite Inefficiencies, RFPs Pay the Bills

Why, then, do publishers play the game and answer an average of 23 of these detailed requests per month? Answer: Because the single largest portion of their revenue derives from this proposal process.

The following chart shows the percentage of revenue that digital publishers derive from various sales channels. The percentage of direct sales of standard campaigns to agencies or advertisers sold via RFP tops the charts at 41 percent, while higher yielding direct sales of customized campaigns to agencies or advertisers comes in at 30 percent, but this category of activity is one that publishers have singled out for the greatest growth in the year ahead.

## Revenue Channels

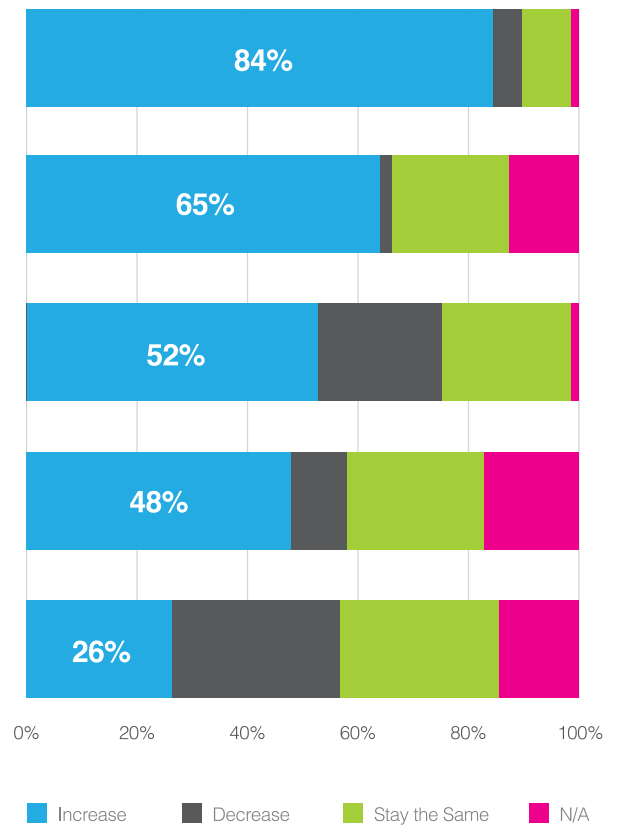| Channel | Description | Value |
|---|---|---|
| **Transactional RFPs** | % from Direct sales of standard campaigns to agencies or advertisers | 40.6 |
| **Highest CPM, needs more attention** | % from Direct sales of customized campaigns to agencies or advertisers | 30.0 |
| **Ad networks, remnant and other** | % from Ad networks or other non-exchange intermediaries | 19.0 |
| | % from Programmatic via open exchanges, RTB and marketplaces (non guaranteed) | 16.1 |
| **Programmatic Direct** | % from Programmatic Direct, Private Exchanges and Direct Deals (known advertisers/inventory) | 6.0 |

# Despite Inefficiencies, RFPs Pay the Bills *(cont.)*

## More Time is Needed for Custom Deals

Direct sales of customized campaigns were highlighted as those predicted to increase most at 84 percent, followed by programmatic direct / private exchanges at 65 percent (though a relatively high 13 percent of respondents don't support such a sales channel). Third, and only barely behind exchange selling, came the direct sales of standard campaigns at 52 percent. Ad networks were singled out for the highest decrease, followed by such standard campaigns, as tactics in the year ahead.

**How will sales tactics change in 2014?**

Direct sales of customized campaigns to agencies or advertisers
**84%**

% from Programmatic Direct, Private Exchanges and Direct Deals (known advertisers/inventory)
**65%**

Direct sales of standard campaigns to agencies or advertisers
**52%**

% from Programmatic via open exchanges, RTB and marketplaces (non guaranteed)
**48%**

Ad networks or other non-exchange intermediaries
**26%**

0%    20%    40%    60%    80%    100%

■ Increase  ■ Decrease  ■ Stay the Same  ■ N/A

# Automate to put Time Back on the Clock

Asked, "If you could do one thing to make your sales process more efficient, what would it be?" publishers in our quantitative study repeatedly cited automation.

Self-service tools which automate campaign buying could help "Tire-kickers" check on pricing and availability. Said one, "Automate as much as possible via self-service platforms." Suggested others:

- Automate reports
- Automate more of the steps
- Automate order to delivery for direct business

Better communications between sales and operations might help, especially in being better able to pull inventory more efficiently from "multiple placements" – one indication that multiple systems are in place for different platforms, confusing the process even further.

One industrious publisher suggested that self-service might even be employed to create mock-ups for customers, eliminating some of the pre-sales morass. Even before sales reaches the RFP stage, better research and planning by the organization might streamline the process. Another suggested better integration of systems like SalesForce, Drupal, DART and Quickbooks would be a time-saver, or that "having a real data stack with systems integrated" would make audience-driven campaigns easier to launch.

## Sales Needs to Sell

Overwhelmingly, there was the sense that sales people need to be selling, and not bogged down with either planning or clearing inventory. "I need my sales team out selling, but we wind up with a lot of sales people account managing as well, and that just isn't sustainable…" said one.

> "I need my sales team out selling, but we wind up with a lot of sales people account managing as well."

One or two took the somewhat rigid view that even creativity on pricing needed stifling. Said one publisher: "Cut sales meetings all together and go by RFIs and established rate cards." Cutting customization entirely, in other words would be this manager's solution to the "back and forth" of traditional RFPs, with a view that a lack of negotiating would yield increased efficiency. "Reduce the haggling," said one. "Respond to fewer RFPs," said another.

Other managers have the sense that their whole prospecting process is flawed. "General prospecting can take many hours just to get a response to an email or a phone call," groused one respondent. Growled

another, "Fire all the agencies." Yet another publisher said, "Tell the agencies to standardize more and walk the walk rather than talk the talk. They have awful back offices."

A minority of respondents argued for eliminating direct sales entirely. "Make everything programmatic. Give client[s] access to make certain changes," said one publisher. A less draconian option proposed by another respondent would actually make agencies a more integral part of the buying process. This respondent proposed, "More direct framework deals where the agency is authorized to directly flight inventory without the need to exchange IOs for every single campaign."

> "More direct framework deals where the agency is authorized to directly flight inventory without the need to exchange IOs for every single campaign."

# Strategies for Overhauling Transactional RFPs

Browsing the qualitative comments again from our senior level digital publishing pronouncements, we develop the clear impression that few, if any publishers, are properly investigating tiered service levels – the amount of spending or customer loyalty that should adhere to either a higher level of customized offerings or perhaps training for dealing directly with the publisher via programmatic channels.

Said one senior manager for revenue and ad operations: "It's like pornography – I know a strategic opportunity when I see it and will act accordingly."

Even those who are spending more time and attention trying to qualify certain accounts for better service still are operating on "gut feel." Said one partner executive, "We recently went through an effort to streamline the process by which we interact with clients as well as the sheer number of clients and partners we deal with. While we have no formal revenue threshold, I think all of us have a good idea of what types of deals are/are not worth our time and we act accordingly. In practice this means that while I will take a $5,000-$10,000 deal, I'm going to be damn sure I don't have to spend much time managing it."

Ironically, publishers can blame efforts to raise the bar for the industry as a whole to a higher level of customer service. Publishers were slammed for years for being mere "order takers" on the digital front, favoring their more traditional advertising channels. Now, as one VP of sales and business development said, "We are of the mentality that every client we sell to is a potential strategic account, and even if you spend $10k with us, we can service the hell outta you and grow that business significantly. This works well for us because we have a 90% renewal rate."

Another national and emerging sales executive indicated that he recognizes treating all customers equally isn't in the publisher's interest. "Truthfully, everything that is directly sold falls into the same bucket of account management; we just don't have a tiered structure." He explained, "We are considering breaking this model to develop a high value customer team, but we're only at the discussion phase of this. We do have a few clients who should be getting this level of service; we just need to figure out how to treat these deals differently while at the same time generate more of them so we can, again, justify the cost."

Most of these higher-level publishing execs have no real idea how much time or effort the various parts of the revenue-generating process takes – other than that it takes too long, that is.

Realizing greater margins and not just larger sales are the real goal for the profitable digital operation.

## #1 Track Processes
Implement at least a temporary tracking process to find out how long both the average RFP takes and how much time individual customers take out of a given work day. Then, use this data to allocate lower yielding activities to lower paid employees.

## #2 Automate With Self-Service
Publishers must evaluate and consider implementing a self-service option which automates the handling of standardized ad products and orders (ie. transactional RFPs). Offer a bonus for trying out the system, if not for every-day usage, just to see what level of spending such systems attract, and if they end up requiring more hand-holding than necessary.

## #3 Go Programmatic Across All Tiers
Publishers should consider applying programmatic selling to ALL tiers of customer service to see which kinds of accounts benefit more than others.

Customized deals sold at a higher CPM are the dream of all publishers, regardless of their adoption of automation, but realizing greater margins and not just larger sales are the real goal for the profitable digital operation.

# Benefits of Programmatic Direct

Regardless of the size of a publishing company, a programmatic direct solution can alleviate the pain of RFPs and reduce inefficiencies at every step of the sales and operations process. Below are benefits and elements important for programmatic direct.

A programmatic direct solution can alleviate the pain of RFPs and reduce inefficiencies at every step of the sales and operations process.

## Pre-Planning

By making price and inventory availability discoverable by buyers a programmatic direct platform can provide immediate benefit to the buy and sell side. It's important the platform allows buyers to replicate their planning procedures with the key differentiator being automation. Buyers must be able to search for audiences via demographic data tools and have access to a sophisticated media planning tool. The planning automation reduces the time spent in this significantly expensive phase for both buyers and sellers.

## Custom Media Plans

The right platform must give publisher sales teams the ability to reserve inventory for select clients while making other inventory generally available for any advertiser. Platform controls should allow sales teams the ability to develop, pitch, track and discount custom proposals. Exposed pricing and real time inventory availability streamlines the process for the sales team, eliminating the need for multiple versions of media proposals in Excel or continual back and forth between Sales and AdOps to confirm availability. Upon receipt of proposals, advertisers extend the efficiency in media trading by finalizing the orders and creative, submitted directly to the publisher ad server.

## Advertiser Reporting

Once a campaign has launched, advertisers can view real-time reports on campaign delivery. Ready access to metrics is not only more convenient for advertisers but helps save publishers time consuming reporting hours.

## Payment Options

Flexibility in payment options within a programmatic platform are required for multiple deal types. Publisher direct to advertiser invoicing, platform partner invoicing and pre payment options support the different business rules for advertiser channels.

## Ad Server and CRM Integration

By integrating with business and operations systems in the existing publisher's workflow, programmatic direct platforms allows data to flow freely across ad servers, CRM systems and other vital technologies. Connecting these systems streamlines the sales process, improves data integrity, ensures sales and operations can focus on high return activity.

# The True Costs
# of Transactional RFPs

**The Average Publisher**

**10M - 50M** Monthly Uniques

**22.1 hours** Per Team Member (per RFP)

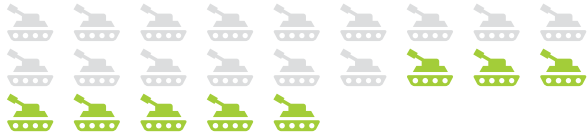**$10M - $50M** Annual Display Revenue

## The Heart of Display

**77%** of publishers **respond** to Transactional RFPs

**40%** of all publisher **revenue** is from Transactional RFPs
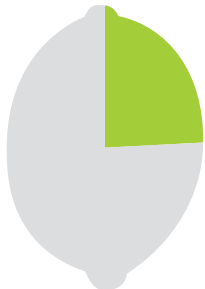
## A Battle of Attrition

**23**

15 **Lost Outright**
8 **Won** (6 Completed, 2 Incomplete)

average number of Transactional RFPs responded to per month

## Won Business Can Turn Sour

**24%** of transactional business is lost AFTER the campaign begins due to poor performance.

## Transactional RFPs Take Time and Cost Money (per month)

| Pre-Planning | Campaign Planning | Flighting | Maintenance | Post-Campaign |
|---|---|---|---|---|
| **598** hours | **518** hours | **168** hours | **128** hours | **188** hours |
| $23,920 | $20,700 | $6,888 | $5,248 | $7,708 |

## The Numbers That Matter

Gross Revenue
**$350k**

Total Costs*
**$65k**

Percentage of Revenue*
**18%**

Total Hours Spent
**1600**

What could your team do with 1600 extra hours every month?

Figures are based on a combination of qualitative and quantitative studies conducted by Adslot and Digiday. *Costs exclude sales commissions.

# About Adslot

Adslot's programmatic direct platform, Adslot Publisher, was developed to help online publishers increase direct sales of premium, guaranteed media and streamline the direct sales process. By automating the sales cycle, costs for publishers are reduced and salespeople have more time to focus on building relationships and generating new revenue streams.

Adslot provides publishers the control of a direct sale with the efficiency of a programmatic transaction. Publishers have full control over price, order size and timing and can reject advertisers before a campaign goes live, ensuring site quality and editorial integrity are never compromised. The platform also integrates with a number of ad servers, CRM systems and includes an easy to use ad builder, Adslot Create, providing advertisers a complete toolset to create custom banners. Current clients include The REA Group, Carsales, MailOnline, eBay and Wotif.

See adslot.com to subscribe to our newsletter or follow us on Twitter @adslot.

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