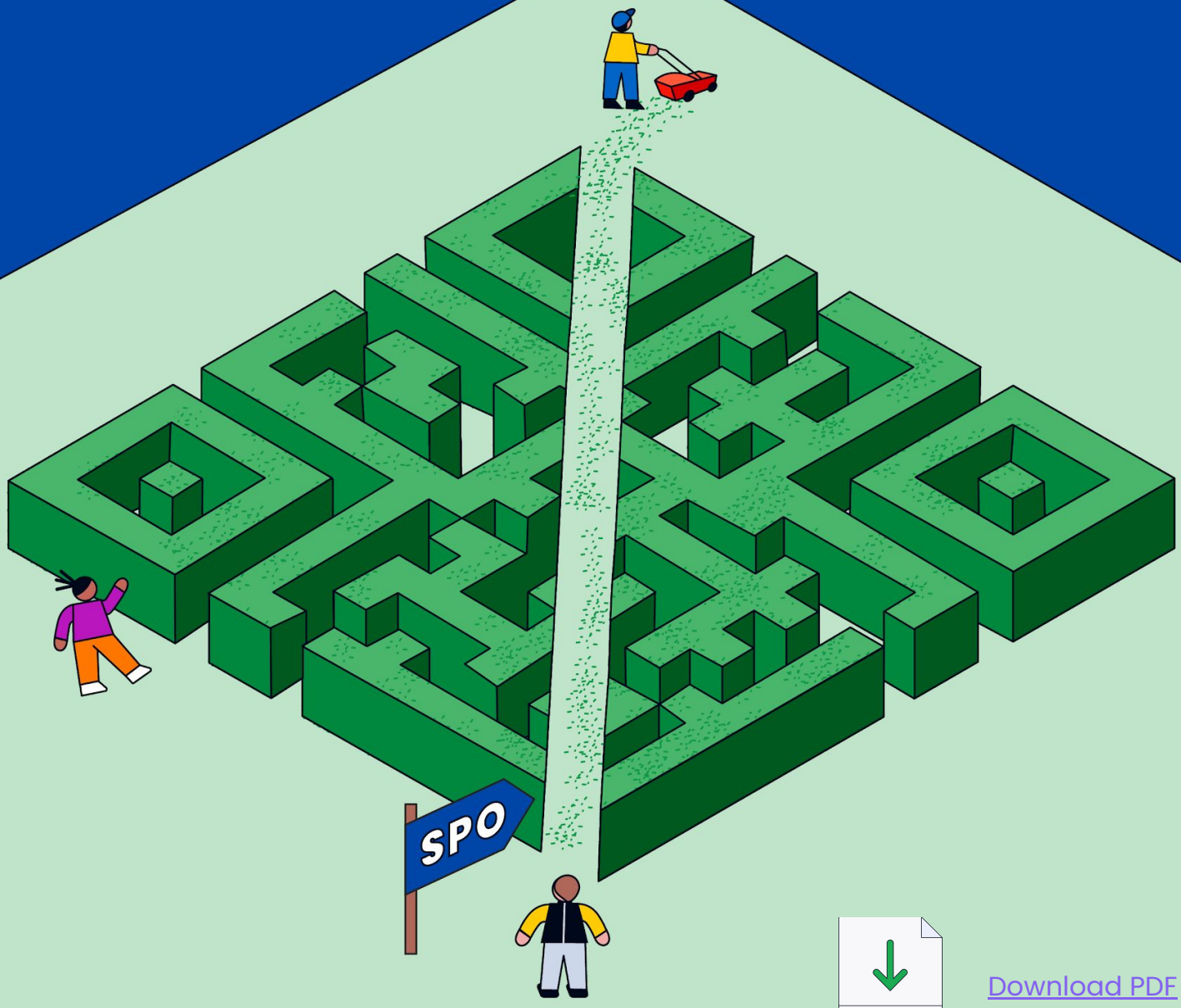
2023

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Supply Path Optimization Guide



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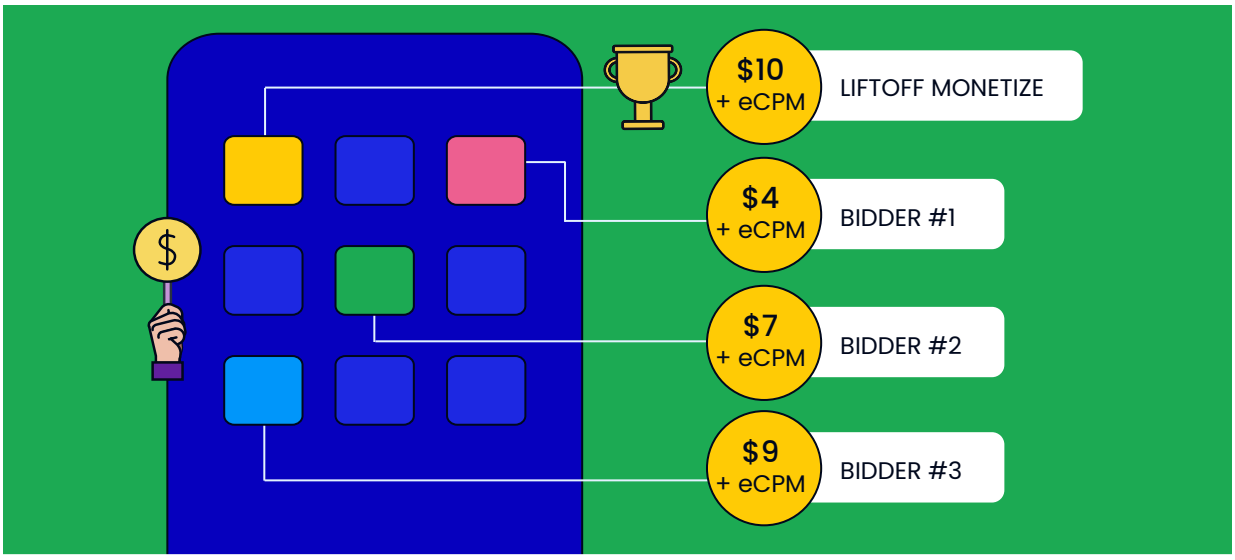
What Is SPO for Programmatic Advertising?

In recent years, we've seen more demand-side players in the app marketing industry engaged in Supply Path Optimization (SPO). SPO is a process of evaluating and winnowing down on intermediaries to offer advertisers more direct pathways to ad supply. While a lot has been written about SPO, many advertisers still have questions about how it works on mobile.

To help, this guide will provide an overview of how SPO works in programmatic ad buying. But first, it's important to revisit why SPO became a crucial strategy for mobile advertisers in the first place.

How In-App Bidding Changed the Game

For most advertisers, programmatic ad buying is now the dominant way to access mobile ad inventory. In the past decade, however, the programmatic supply chain has grown significantly more complex. One of the key reasons is the shift from waterfalling to in-app bidding.



Simultaneous bids from multiple demand sources

In-app bidding enables publishers to receive bids on each ad impression from multiple demand partners in a unified auction. As we can see above, the highest bid from a demand source wins the ad impression, guaranteeing that publishers receive the best return for each impression. For advertisers and DSPs, however, in-app bidding introduces new challenges and complexities.

While in-app bidding reduces latency and improves yield for publishers, it also creates multiple pathways to winning the same ad impression.

DSPs now receive multiple bid requests for an ad impression from different ad exchanges, leading to duplicate bids that can artificially inflate prices. Simultaneous bidding also enables redundant supply-side intermediaries to resell ad auctions to DSPs and advertisers. These new inefficiencies in the programmatic chain can increase costs markedly.

How SPO Benefits Advertisers

A widely-circulated 2020 report found that 15% of advertiser spend is unaccounted for in the programmatic supply chain. The same report found that supply side platform (SSP) fees average 2% higher than reported, and inventory reselling between SSPs is rife. Fees and margins can accumulate long before an ad impression is even offered to a buyer.

Here's where SPO strategies come in. Advertisers and DSPs can recover value for ad spend by figuring out which supply partners are adding value and which ones are not. By cutting out unnecessary intermediaries, DSPs can deliver better deals for advertisers and improve campaign performance—without losing out on unique, high-quality inventory.

Finding the Right Approach to SPO

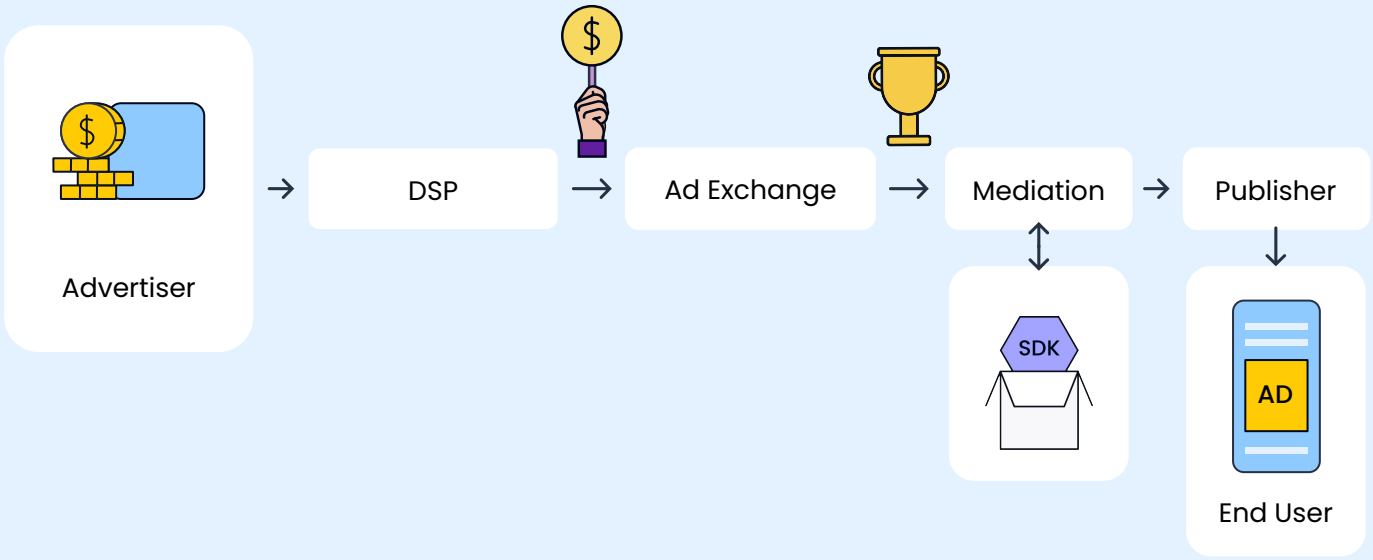
This guide offers a break down of the current advertiser journey with in-app bidding and the challenges and inefficiencies present in the ad tech ecosystem. We explain how implementing SPO can help find advertisers find the best return on investment (ROI) for advertiser budgets.

While there are many approaches to SPO, Liftoff offers a unique solution because of the value-generating synergies of its product suite. By buying directly from the Vungle Exchange and accessing the full set of publishers with the Vungle SDK integrated, Liftoff Accelerate DSP delivers consistent cost savings and performance improvements for advertisers.

> "Liftoff's suite of integrated products not only offers buyers transparent, direct access to ad supply, but we also leverage optimized pathways to drive performance improvements that increase ROI. We are consistently evaluating the most efficient path to the best performing supply to ensure that ads are seen by the right users at the right time."

Casie Jordan
VP of Revenue Platforms & Commercial Enablement, Liftoff

The Advertiser Journey With In-App Bidding

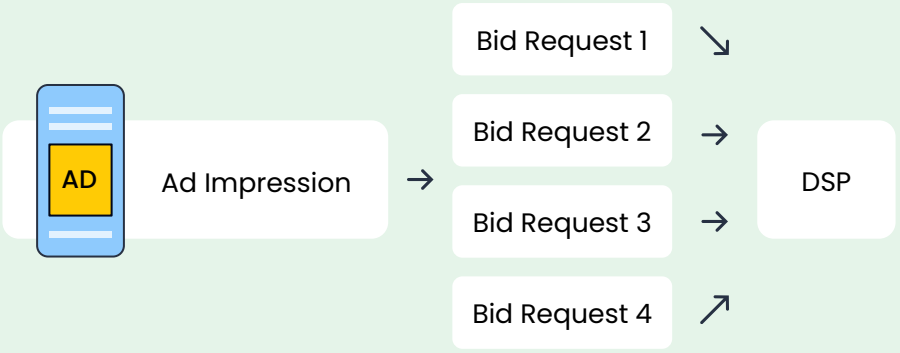


To see the impact of in-app bidding on the ad tech supply chain, let's review the players in the programmatic supply chain. In a simple ecosystem like the one pictured above:

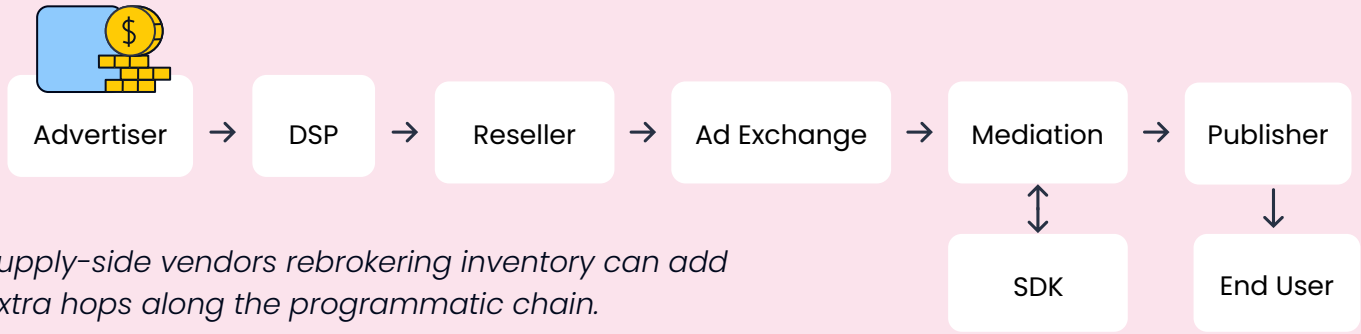
1. An advertiser partners with a DSP (e.g. Liftoff Accelerate) to buy ad impressions.
2. The DSP bids on available supply on an ad exchange (e.g. the Vungle Exchange).
3. The winning bid is received by the mediation partner. The mediation partner, through its integrations with an ad network's SDK (e.g. Vungle SDK), pushes the winning ad to the publisher.
4. Lastly, the ad is delivered to the end user.

In this case, the mediation partner on the supply side selects the highest bid.

With in-app bidding, access to ad inventory looks more complicated:



A DSP can receive upwards of 20 or 30 simultaneous bid requests.



Supply-side vendors rebrokering inventory can add extra hops along the programmatic chain.

To increase the competitiveness of their ad inventory, publishers plug into demand from multiple sources.

1. As we can see in the first diagram above, a DSP like Accelerate can receive multiple, simultaneous bid requests from different exchanges for the same ad impression. This creates many legitimate pathways to the same ad impression.
2. To secure the ad impression, the DSP may be bidding against itself on different ad exchanges, inflating the bid price.
3. Ad exchanges often rebroker inventory to each other before bids are offered to DSPs. In the second diagram above, an advertiser secures an ad impression by bidding with a supply-side reseller.
4. Reselling drives up the margin cost. Even without duplicate bids, buyers will likely pay an additional tech fee in addition to the cost of the winning bid. The ad reaches the end user at an extra premium for the advertiser.

How SPO Benefits Advertisers



As the programmatic supply chain grows more complex, DSPs that selectively prune intermediaries for more direct paths to supply can add significant value for advertisers. In short, direct paths to supply can lead to *improved performance at lower costs.* Let's take a closer look at how DSPs can deploy SPO strategies to do this:

REDUCE ADDITIONAL TECH COSTS BY REMOVING INTERMEDIARIES

Resellers account for significant markups along the programmatic journey. As ad impressions are resold, they accumulate tech fees. DSPs that can cut out resellers along the programmatic value chain can pass on savings to advertisers.

DIRECT ACCESS TO IMPROVE INVENTORY QUALITY

DSPs receive bid requests from multiple ad exchanges for the same ad impressions. Top ad exchanges share many publisher apps with other exchanges. DSPs that chart direct paths can secure access to quality ad supply and highly engaged audiences, leading to consistent performance improvements for advertisers.

PREVENT PRICE INFLATION BY REDUCING DUPLICATE BIDS

Most auctions are first-price, which means buyers pay what they bid. Duplicate bid requests can inflate auction prices as DSPs bid against themselves on multiple exchanges. DSPs that can reduce duplicate bids can improve bidding efficiency, driving lower costs for valuable ad impressions.

CLEAN DATA TO MAXIMIZE PERFORMANCE

ML models depend on ad data to hit advertiser KPIs, scale, and automate performance improvements. A streamlined supply path provides DSPs with cleaner data for their ML, leading to improved ad performance and better times to target.

SPO With Liftoff

Same ad impressions, more direct pathways

So how does this work in practice? Liftoff offers a unique approach to SPO because of our specific suite of solutions. Together, Accelerate DSP, the Vungle Exchange, and Vungle SDK chart a direct path to ad supply and deliver insights that translate into supply-side as well as demand-side optimizations.

The Vungle SDK is integrated in over 70% of ad-supported apps (this includes over 95% of the top 200 gaming apps). By optimizing pathways to Vungle SDK supply, Accelerate opens direct, transparent pathways to valuable ad impressions. Accelerate ML can gain privileged insights into bid requests from the Vungle Exchange, ensuring quality impressions that improve advertiser performance.

With Liftoff, Advertisers Can:



CUT OUT COSTLY INTERMEDIARIES AND REDUCE DUPLICATE BIDS

Ad exchanges differ in access and information sharing. DSPs only receive limited information within a bid request. By sharing insights with the Vungle Exchange, Accelerate can ensure a direct pathway with no rebrokering through intermediaries and minimize duplicate bids.



IMPROVE CREATIVE RENDERING AND USER EXPERIENCE

SDKs vary in the creative options they support. By buying on the Vungle Exchange, advertisers can rely on the Vungle SDK to deliver superior creative experiences that are optimized for performance. Vungle SDK supports innovative ad formats such as long-form video and iterative playables that are tested to boost conversion rates.

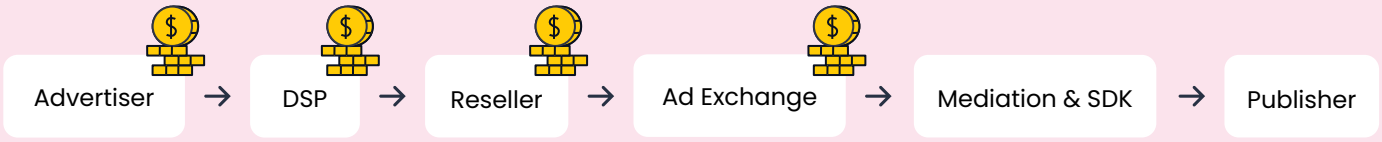


DRIVE REVENUE AND LOWER COSTS BY TRAINING OUR ML WITH CLEANER, BETTER DATA

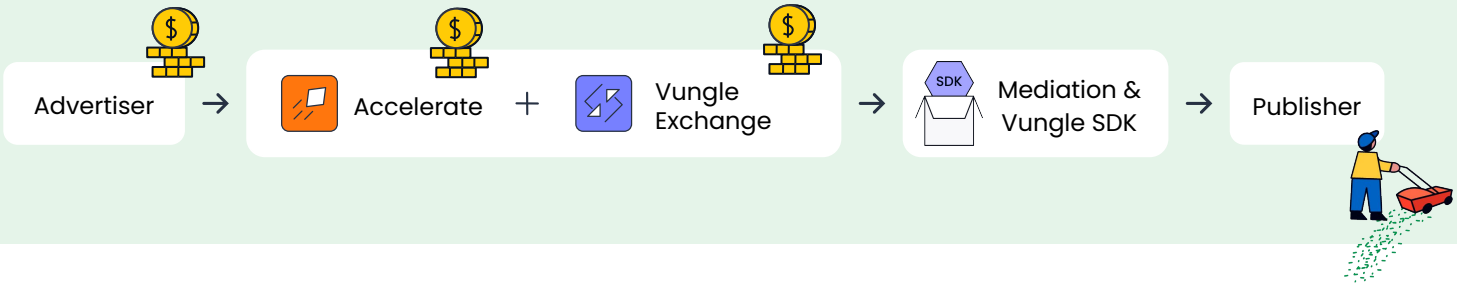
DSPs rely on ML to scale UA and automate performance improvements. Training ML algorithms with cleaner, more accurate data from direct pathways will improve ad performance and reduce the time it takes to hit KPIs.

So how do supply path optimizations work in practice? Let's compare a pre-SPO pathway with an optimized pathway:

Before SPO:



After SPO:



In the pre-SPO pathway, an ad impression generates multiple bid requests to a DSP server, likely generating duplicate bids that inflate the bid price. The request may be sold by an ad exchange to another supply-side reseller before it is offered to a DSP. The tech fees and margins that accumulate from the reseller are then passed onto the advertiser, further inflating the cost of the ad impression.

With Liftoff, by bidding on the same ad impression on the Vungle Exchange, Accelerate has insight into where the bid request came from, securing a direct pathway to winning the ad impression and reducing the likelihood of duplicate bids. Non-value-adding intermediaries are removed, and savings are passed onto the advertiser.

For advertisers looking to maximize the benefits of supply path optimization, Accelerate DSP combines a unique solution to direct pathways with performance improvements. Clean data trains Accelerate ML to better detect which bids are valuable—leading to performance uplift for ads and better ROI over time. Advertisers also gain an edge with the innovative creative solutions supported by Vungle SDK.

Start saving more and improving performance today. Contact us.

Key Takeaways

- With In-app bidding, publishers now work with multiple SSPs to increase the competitiveness of their ad supply.
- This means DSPs have many paths to securing the same ad impression, but ad buyers do not know which paths bring more value, leading to overspending and a lack of transparency.
- Supply path optimization is an effort to find more direct paths to ad supply. Optimized pathways can reduce ad tech supply chain costs, improve access to higher-quality supply, and boost UA performance.
- Liftoff offers a unique approach to SPO because of its specific suite of integrated products. By buying directly on Vungle Exchange, Accelerate gains direct access to quality supply, eliminating costly, non-value-adding intermediaries.
- Advertisers working with Liftoff can leverage SPO to train Accelerate ML with clean, accurate data for better UA performance and reach quality users with industry-leading creative options supported by the Vungle SDK.



Who is liftoff?

Liftoff is the leading growth acceleration platform for the mobile industry, helping advertisers, publishers, game developers and DSPs scale their business with solutions to market and monetize mobile apps. Liftoff's solutions, including Accelerate, Direct, Influence, Monetize, Intelligence, Vungle Exchange, and Creative Studio, support over 6,600 mobile businesses across 74 countries in sectors such as gaming, social, finance, e-commerce, and entertainment. Founded in 2012 and headquartered in Redwood City, CA, Liftoff has a diverse, global presence.

liftoff.io

