Header bidding

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Header bidding has been a 'hot topic' within the digital ecosystem this year. The buzz around it shows that some publishers are starting to consider it as a custom yield-optimising solution in order to drive maximum return.

Below we share our cautionary observations on header bidding as well as some recommendations on more feasible alternatives should you be considering taking this route.

What is header bidding?

Header bidding is a custom implementation through which publishers try to offer their ad inventory to multiple ad exchanges simultaneously. If an ad exchange is able to return an ad for a higher CPM than their premium campaign bookings can offer, this bid is accepted and this buyer's ad will display.

In effect, publishers that make use of this feature believe that in doing so, they are increasing their yield and thereby will improve their revenue.

A response to Google

Header bidding is in essence the reaction from Google's competitors to the solutions provided within the DoubleClick stack. That is, firstly, (Enhanced) Dynamic Allocation, which allows DFP campaigns to compete with Ad Exchange Open Auction bids. Secondly, DFP First Look allows for (selected) AdX buyers to compete with DFP-guaranteed campaigns provided they meet the high floor price set in AdX.

The downsides to header bidding

Header bidding requires a significant number of resources for setup and maintenance - it has to be actively managed and optimised over time for best results. This means additional technical steps need to be made with an extra cost layer to the already non-transparent and long supply chain for transacting ad impressions.

In short, the many phases added through header bidding are:

1. Negotiations and signing of contract;
2. Setup of the inventory in all SSPs;
3. Setup of the SSPs in the adserver (hundreds of line items and price buckets);
4. Implementation of the header bidding scripts;
5. Maintenance of all the SSPs.

If the setup is done incorrectly, the delivery of your direct campaigns could be jeopardised. Additionally, if poorly implemented, header bidding can add latency and cause delays to your site load times. This impacts the user experience which in turn puts the performance of the ads at risk and thereby devalues the publisher's inventory. There is also a potential impact on the the viewability of ads, which can devalue the ad inventory even more.

Header bidding can also impact a publisher's Google ranking. A lower Google ranking means that the publisher may experience a decrease in traffic as the website is no longer top of the Google search results.

In other words, header bidding, while implemented to increase yield and revenue, could potentially do the exact opposite. This is a huge risk and one that many publishers are simply not willing to take.

Last but not least, header bidding only provides a limited solution. It does not (yet) work for mobile and video - for many publishers this is a large part of their ad inventory. Also, not every SSP offers header bidding - some do not accept external demand other than theirs. Some vendors may not want to participate in proprietary solutions.

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So why would publishers use header bidding?

The main reason publishers are using header bidding is because they want to compete with Google and have DFP as a 'blocker' in the whole chain. Agencies see the header bidding trend as a way to bypass DoubleClick. Their aim is to play their own game and get closer to 'the olden days' in terms of how they bought and sold inventory. The reality is, that Google is too big a player to ignore. Ignoring Google's solutions is naive, especially considering the limitations of and disadvantages to header bidding.

Our recommendation

Google offers more suitable alternatives than the complex and error-prone 'solution' of header bidding.

Importantly, DFP First Look is being opened up for external demand, which means that publishers have access to the entire digital network without having to implement a custom solution. In addition, Google is currently working on a new solution called 'exchange bidding', soon to be released. This will allow publishers to invite trusted third-party exchanges and SSPs to submit real-time prices using industry-standard RTB calls. These prices will be considered along with bids from the DoubleClick Ad Exchange and the publisher's reservation campaigns to pick the highest-paying ad.

Whilst header bidding needs to be implemented (hard coded) on the page, Google's solutions are directly integrated within the GPT tags. This means the feature will be enabled inside DFP and there will be no latency. Billing and reporting will also be integrated within the DFP UI, allowing for easy navigation and transparency.

It is our recommendation to steer away from custom solutions such as header bidding since the different DoubleClick products (AdX, DFP) are seamlessly integrated to offer publishers the same thing: optimised yield and the most revenue for their inventory. If you, like us, believe in using no more than one SSP, header bidding will give you limited advantages. In cooperation with Google, DQ&A continues to help publishers get the highest yield for every impression without sacrificing user experience.

Further reading

For further reading, please refer to the below article:
- Improving yield, speed and control with DoubleClick for Publishers First Look and exchange bidding

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