

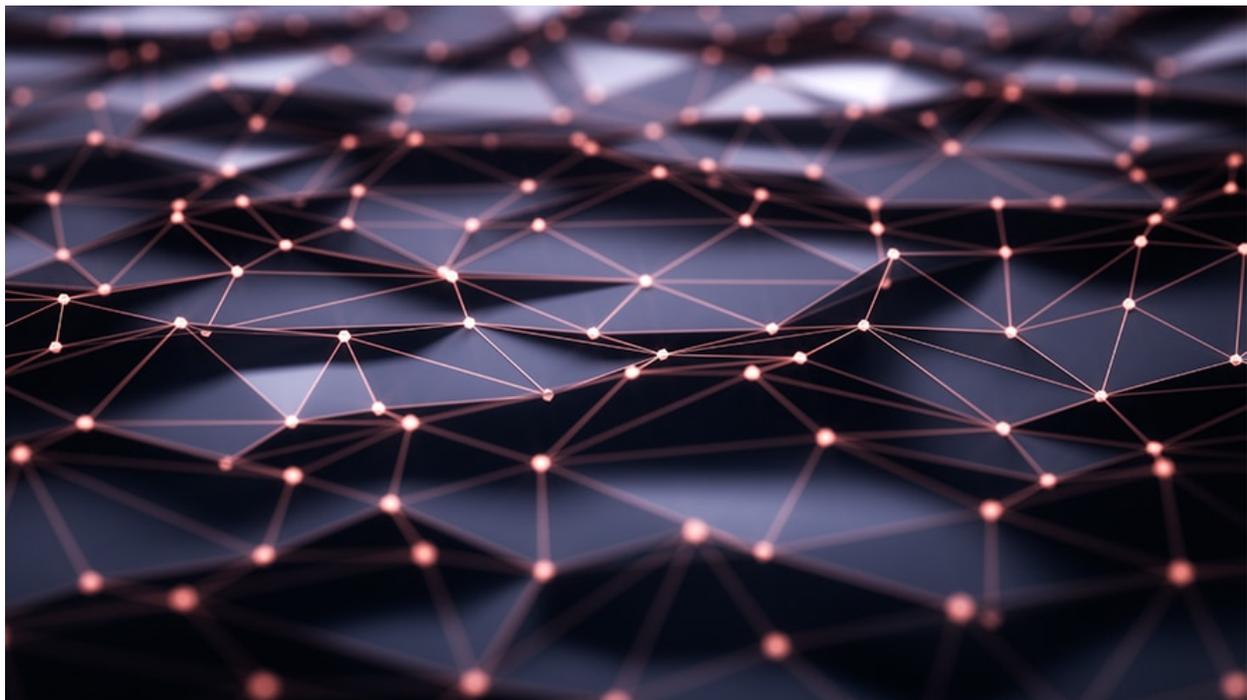
5 Key Ingredients That'll Fix a Broken Programmatic System

As brands become more comfortable, the industry will improve

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Transparency and trust amongst consumers will create cohesion in programmatic.
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Over the last 20 years, the relationship between the buyer and seller in the advertising market has fundamentally changed as the market digitized and became automated in

2009 with the start of the programmatic wave. Having started my career as an energy trader and witnessed the transition from floor-based outcry trading to sophisticated data-driven approach, I have seen the shift in advertising.

Let's face it: Programmatic was born broken, partly because we had no idea how big it was going to become but also, we stuck together multiple technologies into the supply chain as the market grew so rapidly. According to Marc Pritchard at P&G, "We have a media supply chain that is murky at best and fraudulent at worst."

As the largest advertiser in the world, the concerns from the brands are clear, and it's incumbent on us as an industry to create a transparent and trustworthy supply chain to create confidence among the brands going forward. Capital markets are an established trading ecosystem that works and has governance framework that ensures that market is well-regulated, the barriers to entry remain high, and there are tests required to ensure businesses are fit and proper to operate in the market.

Cast your mind back 10 years to when programmatic was born and we didn't really create a governance framework to ensure its integrity. The key question that faces us now is "How do you turn the clock back and put everything back in a box?" Blockchain technology presents an opportunity to connect the supply chain and present a transparent ecosystem with a governance framework that protects the industry and brands.

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For the advertising market to take on the look of a fully liquid tradeable ecosystem, it'll need the following.

Smart contract technology

It enables people to process automation by consolidating elements of the insertion order that currently exists in media transactions and are designed to facilitate automation in the verification and enforcing of performance in contracts. It will provide the backbone for the development of the marketplace as it shifts toward a more regulated environment.

Standardization

One of the key benefits of the capital markets is that they are able to describe or define an asset as it's established and therefore standardized. This is something that we need to get to enable contracts to be traded in an automated market. Businesses like NYIAX in the U.S. and LMX in Europe have made significant strides toward this with NASDAQ and the London Stock Exchange.

Control

Publishers need an element of control around creative assets to ensure that their brands are protected. Smart contract technology will go some way to provide publishers with the comfort that their brand is being protected by ensuring that any advertisers that conflict with the brand are essentially verifying the performance of the contract.

Pricing

What is fair value? Agencies and brands will want some clarity around price in the initial stages. As the market matures and the governance framework evolves, the market will establish a pricing framework, but this will develop in stages. In the early days, some pricing parameters and floor values can be included in the smart contract to verify and enforce the contract.

Liquidity

One of the key elements with any marketplace is guaranteeing you have enough players involved to ensure the market has enough volume to make it worthwhile to the buying and selling sides. Blockchain technology provides the rails for a regulated and connected ecosystem to run on, and if properly implemented, it simplifies the governance, reconciliation and payment in the industry and brings transparency and trust to the forefront of the supply chain.

In my opinion, the industry would be receptive to capital markets where the structure offered by the transaction models to promote trust and transparency. As the market develops and the comfort and confidence levels rise along with the standardization of assets and contract classifications, concepts like secondary trading will take off.

All in all, the next 24 months will be an interesting time for the industry as these new technologies take hold and the transaction models evolve. Will you also see a shift in talent coming over to advertising from capital markets? Intriguing questions! Watch this space.



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