

The state of publisher ad revenue:

**Framing the changing roles
of the open marketplace,
direct-sold and paths to
profits in 2023**

As digital advertising evolves, publishers are increasingly diversifying how they monetize their audiences, working toward building sustainable revenue and more robust engagement and results for advertisers.

Amid an uncertain economic climate, direct-sold and programmatic ads continue to be a focus for publishers. While ad sales remain a priority for revenue diversification strategies, publishers are shifting their approaches when planning for 2024.

As publishers hope to see an ad revenue boost in 2024, they are moving deals from the open marketplace to direct-sold. In this world, data and audience insights are essential for publishers to deepen their direct advertiser relationships and improve business outcomes.

In this new State of the Industry report, Digiday and Permutive explore how the changing roles of OMP and direct-sold programmatic impact publisher revenue. Driven by a survey of more than 100 publishers, we'll explore how advertising is driving revenue goals, how teams are moving away from OMP toward direct-sold deals – and how first-party data, RFPs, audience strategies and the very ways organizations measure success across all these factors are contributing to revenue outcomes, challenges and opportunities.

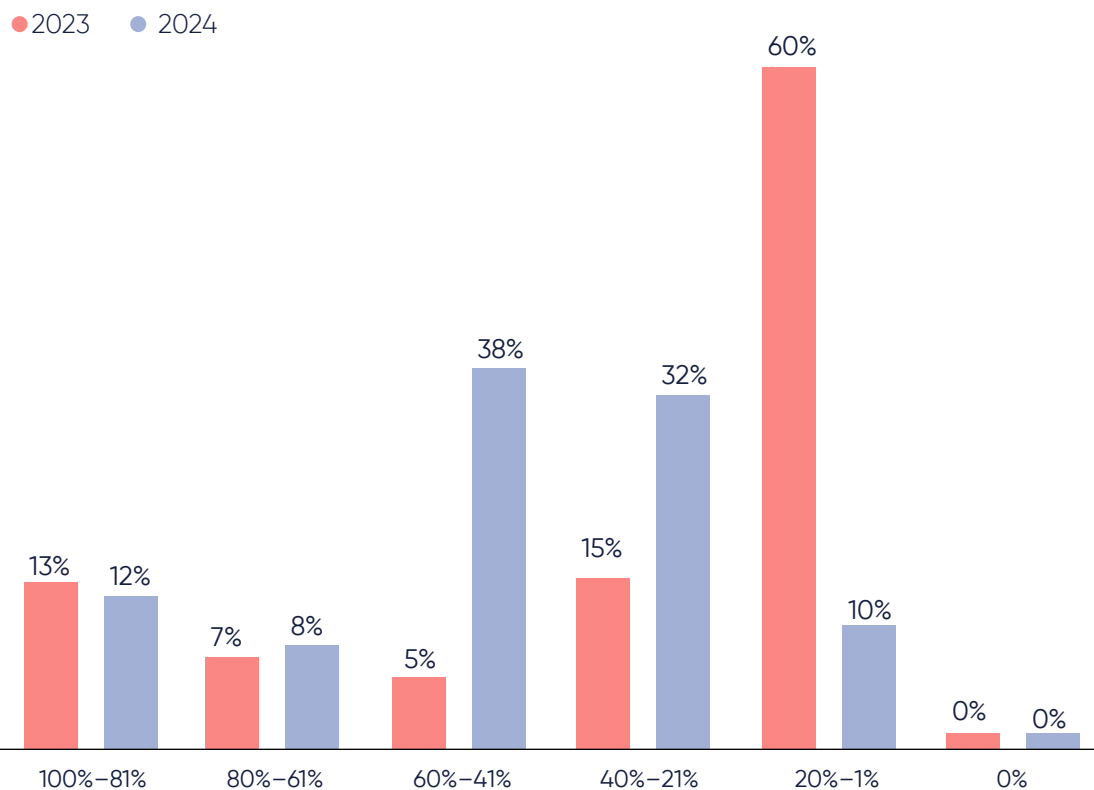
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For publishers, 2023 was tough on ad revenue, but 2024 looks like a comeback

Publishers took an ad-revenue hit during a down year for many economies. Among survey respondents, 60% said advertising would account for one-fifth or less of their annual revenue in 2023.

Q. What percentage of your organization's revenue will come from advertising in 2023? What do you estimate the percentage will be in 2024?



The good news for publisher revenue is that the tides are expected to change in 2024: the 1%–20% respondents drop to 10%, and 58% of our publishers said advertising will account for 41% or more of their annual revenue next year.

Reasons for optimism can be found in recent reporting. For example, Guideline's U.S. Ad Market Tracker showed July 2023 ad spending by major agencies in the United States [growing by the largest percentage](#) since April 2022.

The message from brands has been that investing in advertising is back after a tumultuous year. However, their eyes will still be set on consumer sentiment amid a year fraught with inflation and uncertainty.

"This year, we're targeting 11%, and we think that's a prudent investment given the pressure the consumer is going to be under from a macroeconomic perspective," Richard Fairbank, CEO of Clorox, [said to analysts](#) in September. "We want to continue to support the consumer as they transition through that. And so we think 11% is the right number."

Predictions are that the gains should continue across the rest of this year. In the long term, experts predict ad spend on publisher inventory to settle into a market picture that looks much like the 4%–5% year-over-year growth analysts saw in the 2010s.

"Single-digit growth is back," Brian Wieser, a media analyst and author of the Madison and Wall newsletter, [recently told Digiday](#). "The kind of growth that we had in the mid-2000s is where I'm expecting the market to settle back into, and the second half of this year is teeing that up."



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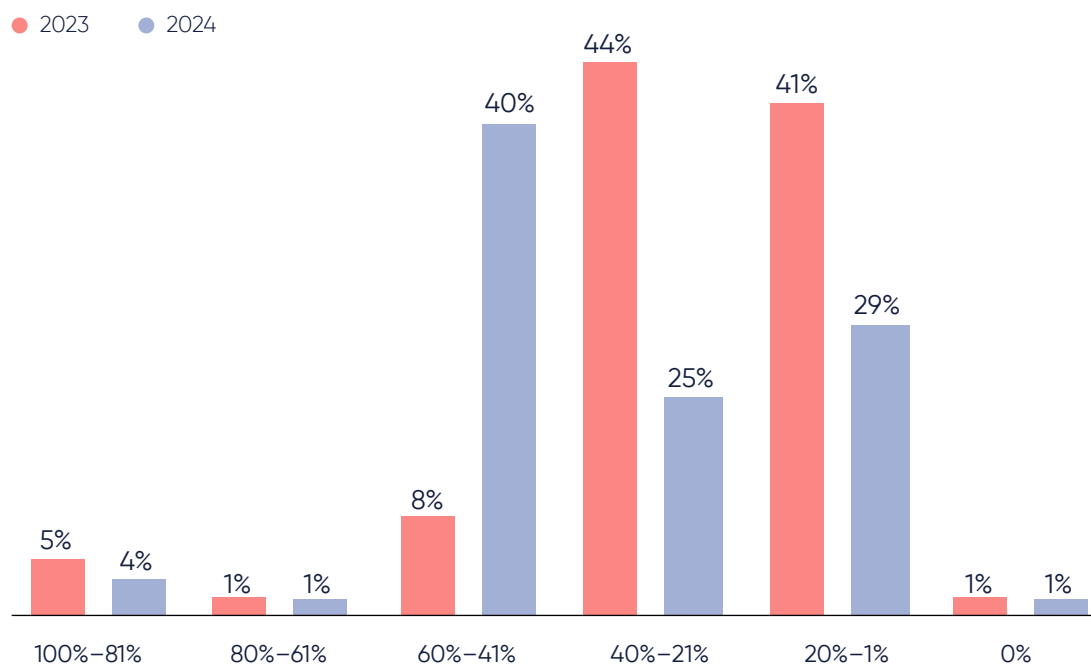
— Brian Wieser, media analyst (Digiday: September 6, 2023)

Publishers expect direct-sold deals to edge out open marketplace revenue in 2024

Regarding where publishers' ad revenue originates, the open marketplace contributed to a challenging 2023. Among our respondents, 42% said OMP deals drove less than 21% of their annual ad revenue.

Among them, 86% said those deals put less than 41% of their revenue in hand.

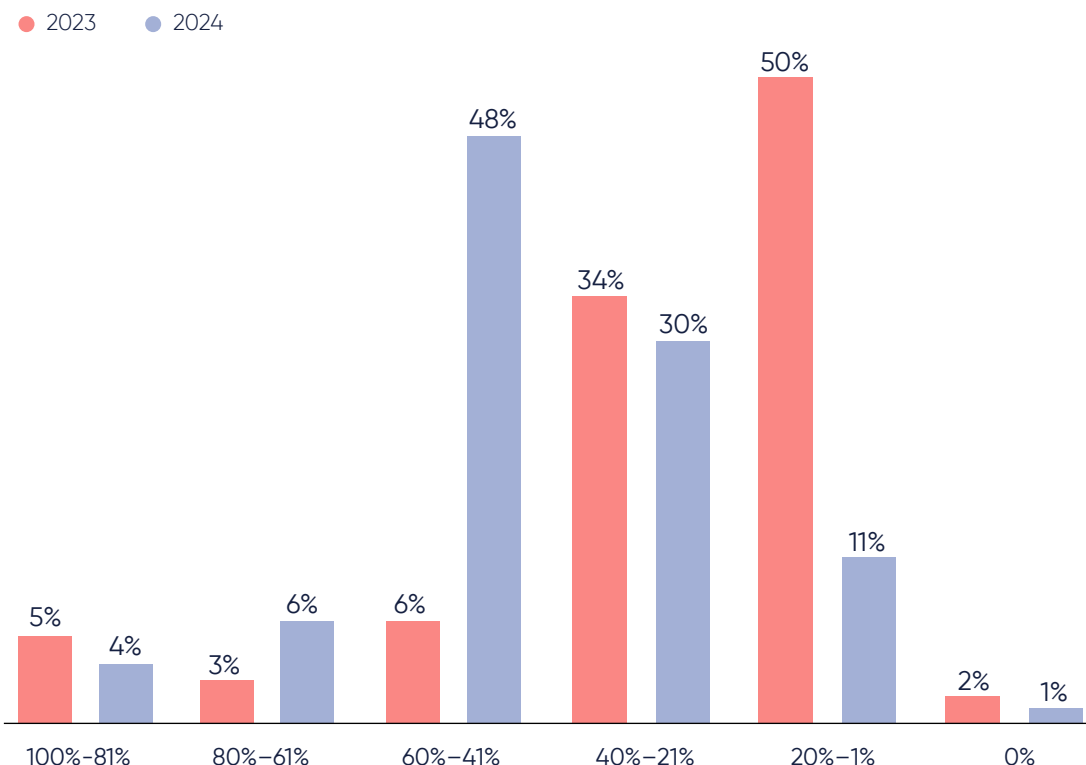
Q. What percentage of your ad revenue will come from open marketplace deals in 2023? What do you estimate the percentage will be in 2024?



Next year looks slightly less dire in the OMP picture – 40% of our survey respondents expect open marketplaces to account for 41%–60%.

Comparing OMP to direct-sold deals (i.e., programmatic direct, PMP, programmatic guaranteed) shows the impact of a down advertising year.

Q. What percentage of your ad revenue will come from direct-sold deals in 2023? What do you estimate the percentage will be in 2024?



Similar to the open marketplace, the majority (86%) of direct deals accounted for less than 41% of publishers' annual ad revenue. When the bounce-back they expect to see comes in 2024, our respondents are more bullish on direct deals, accounting for a revenue boost — 58% expect it to drive 41% or more.

As users increasingly choose cookie-blocking browsers and opt out of tracking on Chrome, [addressability is dwindling](#) and creating a challenge for open market deals as advertisers aren't able to reach valuable audiences. Audience targeting issues will likely be exacerbated by the loss of third-party cookies in 2024.

58%

...of publishers in Digiday and Permutive's survey expect 41% or more of their 2024 ad revenue to come from direct-sold deals, up from 14% in 2023.

"It creates a massive opportunity for publishers who can adjust and understand use cases for audience targeting without the need for cookies, adapt to macro trends like supply path optimization and really understand their inventory," said Aly Nurmohamed, Chief Operating Officer at Permutive. "These macro trends are creating a clear pathway for publishers to sell directly to advertisers, which is really going to come to fruition over the next year."

For instance, across more than 120 publishers, Permutive saw a 55% increase in direct-sold audience revenue year-over-year in Q1 2023. In Q2 2023, this increased to 62% year-over-year.

And when that opportunity comes to fruition, according to Nurmohamed, one significant outcome will be the kind of additional [control and differentiation](#) that publisher teams crave – transparency, the ability to offer brands access to premium inventory unavailable in the open market and, increasingly, freedom from the constraints around addressability that OMP often represents.

Many of the issues experienced in OMP are alleviated in direct relationships with publishers using first-party data, as advertisers can access all audiences rather than the [30% available in the open](#).



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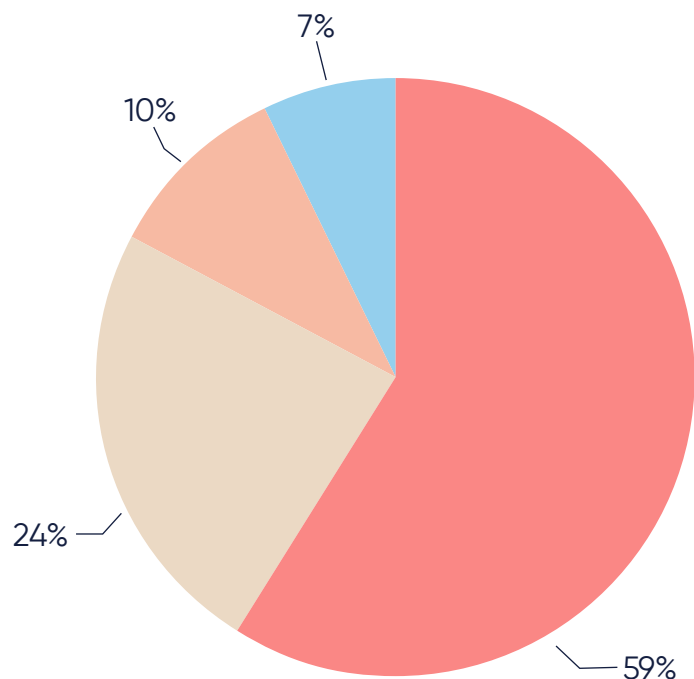
— Aly Nurmohamed, Chief Operating Officer, Permutive

A shift to direct-sold marks publishers' move to offset revenue loss on the OMP

However, publishers' shift to direct-sold models is about more than just control and differentiation. A revenue-loss factor is at play in the OMP ecosystem highlighted in our survey, an element of doing business they cannot ignore.

More than half of our respondents (59%) have experienced "very significant" revenue loss when working with the open marketplace, and 24% have experienced "somewhat significant" revenue loss.

Q. Has your organization experienced revenue loss when working with the open marketplace?



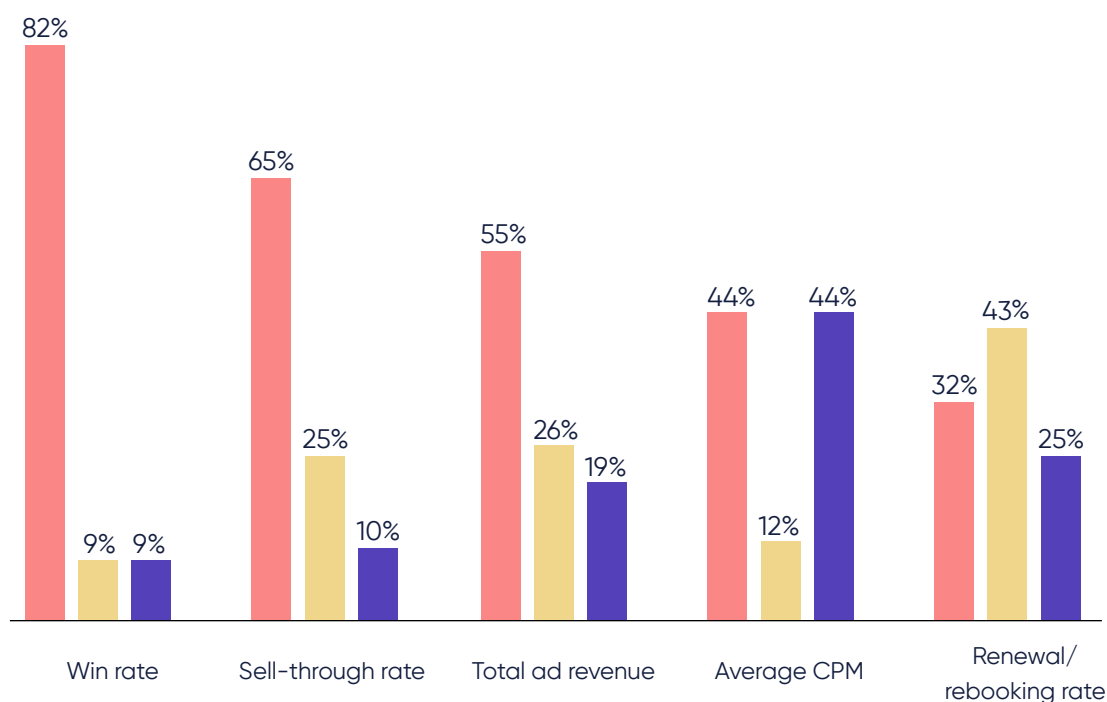
At Salon, Justin Wohl, CRO, [told Digiday](#) earlier this year that the company's average revenue earned per 1,000 page views (RPM) was down 55% across their OMP outcomes, year over year. Other publishers told Digiday that first-quarter ad revenues were [pacing as much as 10 – 25% behind forecasts](#).

"We're definitely feeling, on the programmatic side, the lack of competition, the lack of advertiser presence [and] the lack of pricing pressure," said Wohl.

One response from publishers to that kind of revenue event, in terms of driving better outcomes, has been direct-sold deals. Publisher respondents in our survey said direct-sold increased win rates (82%), sell-through rates (65%) and total ad revenue (54%) in 2023 so far.

Q. What roles have direct-sold deals played in driving the following revenue outcomes for your organization?

● Increase ● Decrease ● No change



Publishers are looking at direct offerings such as programmatic guaranteed as a go-forward strategy. When they measured RPMs in 2023, they saw positive impacts that must suggest a solution to OPM revenue challenges, with one publisher telling Digiday in the above report that RPMs from direct-sold had risen "about 30%" from recent quarters.

83%

...of publishers in Digiday and Permutive's survey have experienced significant revenue loss on the open marketplace in 2023.

RFPs are a sustained revenue driver, but publishers are grappling with audience insights and reach

Another significant player in the publisher revenue game is the request for proposal (RFP), a key consideration for most respondents. RFPs played a “very significant” role in annual revenue outcomes for 69% of the publishers in our survey.

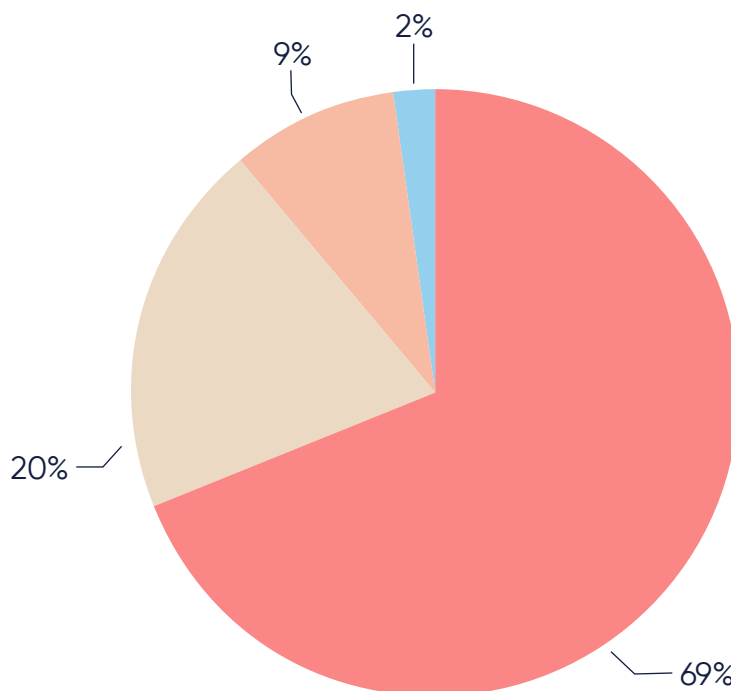
Q. How significant a role do RFPs play in your typical annual revenue outcomes?

Very significant

Somewhat significant

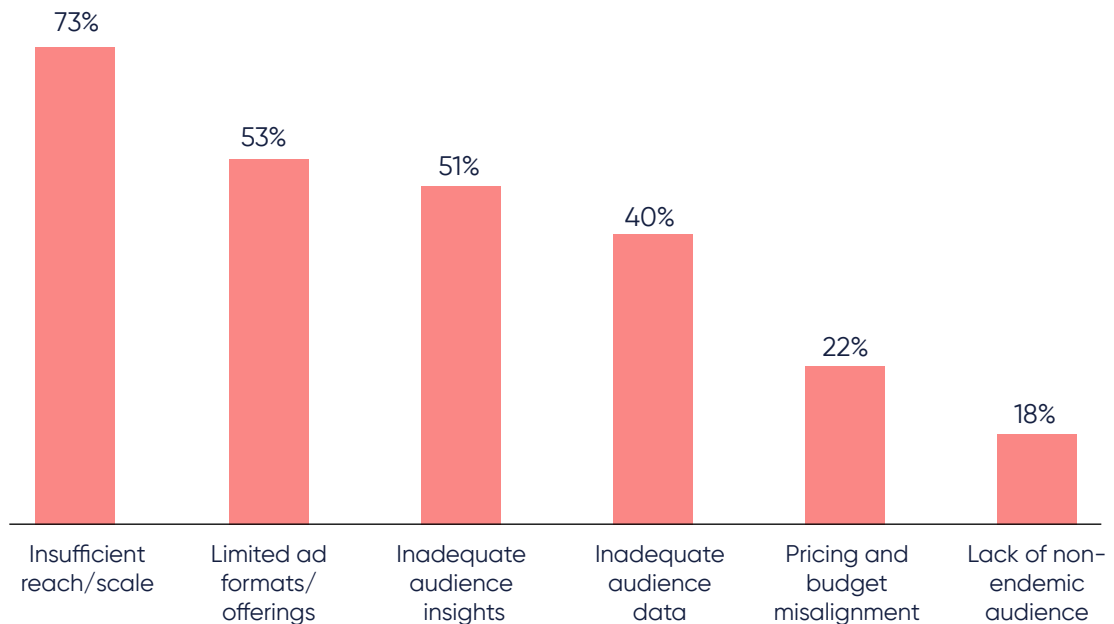
Not very significant

Not significant at all



The challenges in the RFP dynamic revolve around audience factors. Insufficient reach/scale was cited by 73% of publishers as one of their primary challenges around winning contracts. Other significant challenges include limited ad formats/offers (53%), inadequate audience insights (51%) and inadequate audience data (40%).

Q. Regarding RFPs, what are your team's primary challenges around winning contracts? Select all that apply.



An essential factor in solving the challenges that prevent a team from landing the RFP is education and deep knowledge of the data that drives reach, which is the top response among our survey respondents.

For example, if a media publisher knows that they have many people buying Rolexes, that allows them to infer that they have a high net-worth audience. But the analysis must go further as well.

"Each user has a vast range of interests that go beyond the page they are browsing, so it's vital to respond to an RFP's audience parameters. That could mean having a deeper understanding of an audience, for example, people who are high net worth because they are in the market for a Rolex, but also identifying those people who have specific overlapping interests, such as interest in a specific type of food," said Nurmohamed.

The follow-on to that part of the publisher RFP toolkit is scale, showcasing endemic and non-endemic audiences and leveraging modeling lookalike audiences and educating buyers on how to do that, explained Nurmohamed, adding that "building out that modeling capability equals more scale."



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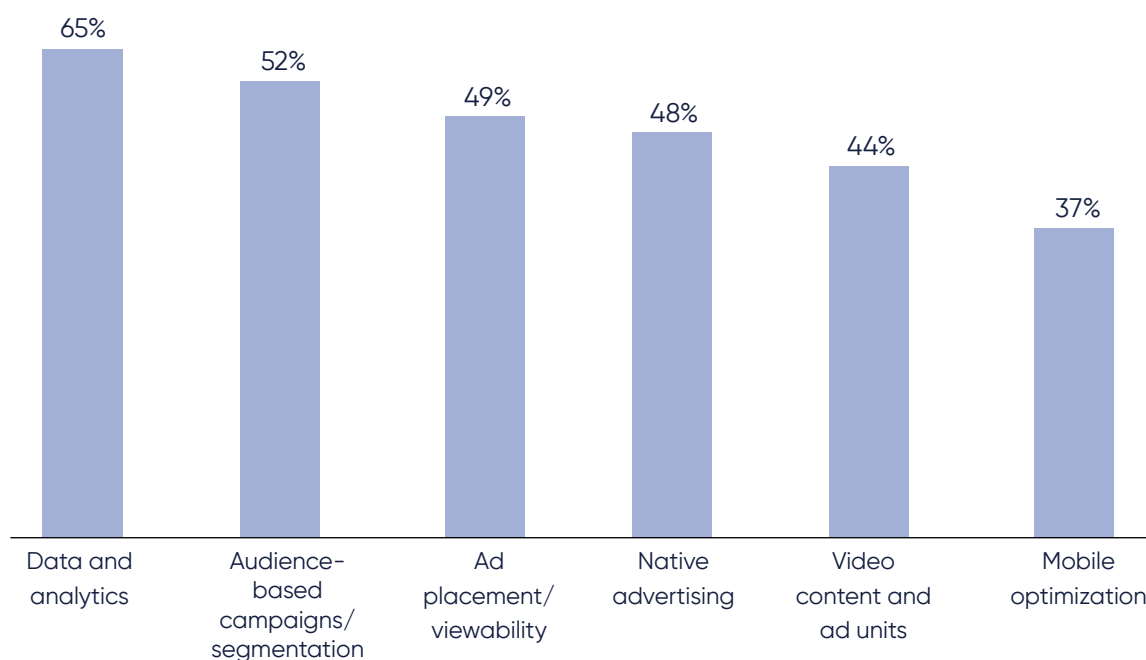
— Aly Nurmohamed, Chief Operating Officer, Permutive

Data and audience insights top the 2023 list of publisher revenue drivers

Data and audience insights are precisely what publishers in our survey placed atop their list of revenue-driving strategies.

Nearly two-thirds (65%) cited data and analytics as having the most significant impact on driving positive ad revenue outcomes.

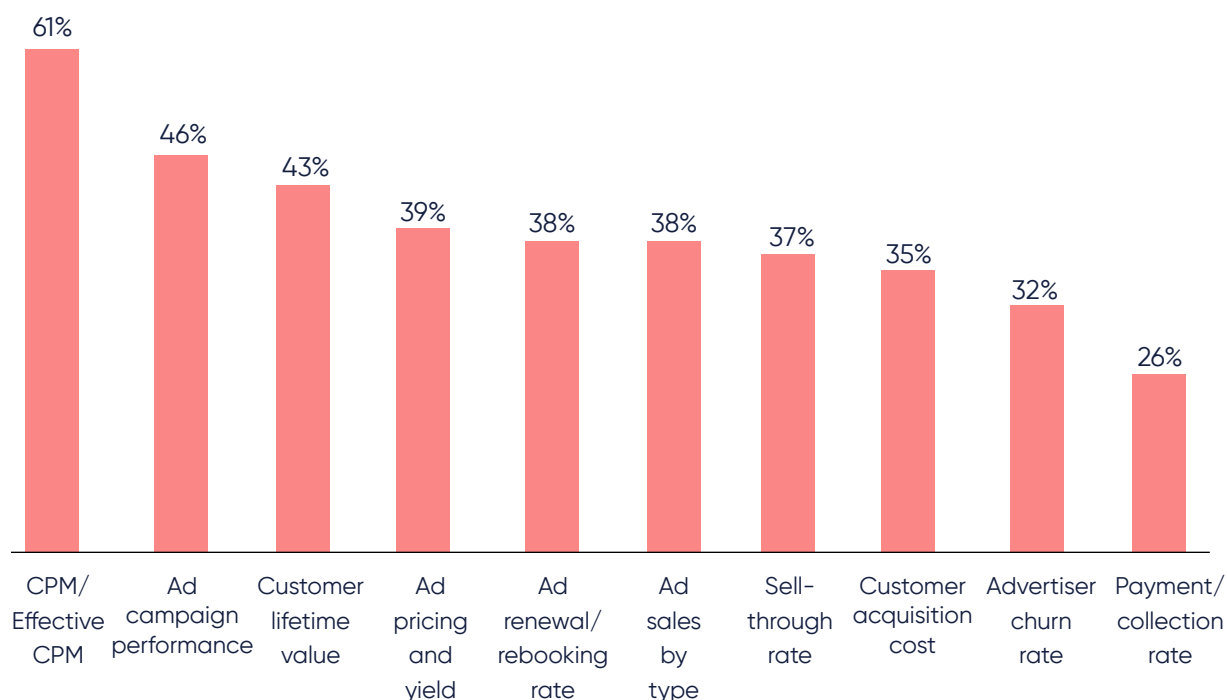
Q. Overall, when it comes to positive ad revenue outcomes, which strategies play the most significant role in uplift? Select all that apply.



Other significant factors center on the way inventory and audiences relate. For example, the surveyed publishers' top-cited drives of ad-revenue success after data and analytics were audience-based campaigns and segmentation (52%), ad placement and viewability (49%) and native advertising (48%).

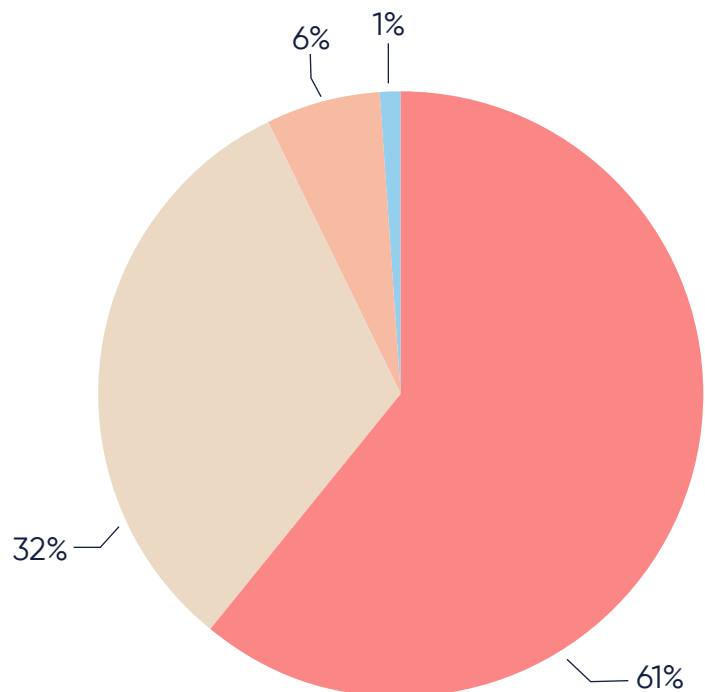
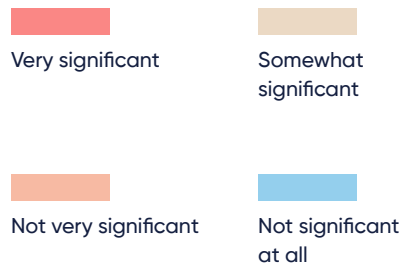
Those answers also correspond to what publishers say are their most essential metrics. They're paying the closest attention to how the number of audience eyeballs accounts for spend and outcomes, with the top-cited KPIs including CPM (61%), followed by ad campaign performance (46%), customer lifetime value (43%) and ad pricing and yield (39%).

Q. What are the most significant metrics for measuring your ad revenue outcomes? Select all that apply.



With CPMs at the top of the list, our respondents said that creating results that prove the value of the publisher's inventory comes down to audience approaches. The audience-based campaign is a primary tool for CPM uplift — 61% said it had a "very significant" impact on increasing the revenue publisher teams could command in 2023.

Q. When it comes to CPMs, how significant are audience-based campaigns to CPM uplift?



The focus on CPMs becomes all the more important, according to Nurmohamed, in the context of direct sales.

"Publishers CEOs know that even a modest change in the percentage of inventory that is sold directly can create a significant increase in revenue due to the increase in value and the CPMs that they charge," he said. "And so, selling directly can more than compensate for declines that they're seeing in the open market."

61%

...of publishers in Digiday and Permutive's survey said audience-based campaigns are "very significant" to CPM uplift.

The most successful publisher advertising outcomes come from the audiences they know best

The rise of non-endemic advertisers emerged as a recurrent story alongside the rise of retail media networks as a focus for brands and agencies across 2022 and 2023.

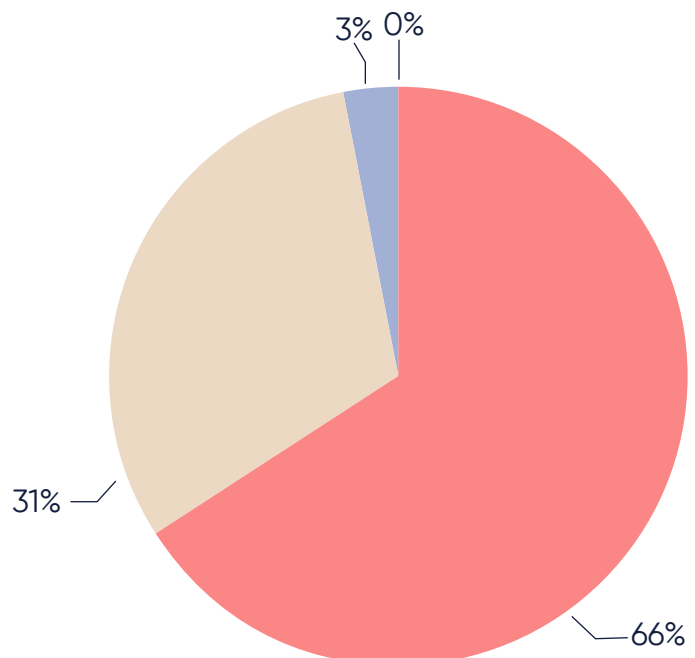
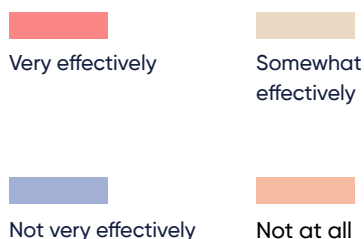
Publishers have also opened doors to non-endemic advertisers. According to Brendan Smyth, vice president and publisher at Health (under Dotdash Meredith), the strategy is to proactively court alignments.

"We hear [a brand] really emphasizing a particular healthful quality or approach on their product or campaign, and we say, 'We thought it would be useful for you to know what Health's commitment is to those similar attributes,'" Smyth [told Digiday](#) in a recent report.

In tandem with pursuing non-endemic brands, publishers also give attention to audiences they can add to the fold via their content offerings, expanding the range of advertising partners they can approach.

However, it's been a challenge, survey respondents said. Overall, publishers are still more confident in their audience teams' ability to build endemic audiences than non-endemic ones. Among our respondents, 66% said they are "very effectively" building endemic audiences, while only 39% report teams are "very effectively" identifying non-endemic audiences.

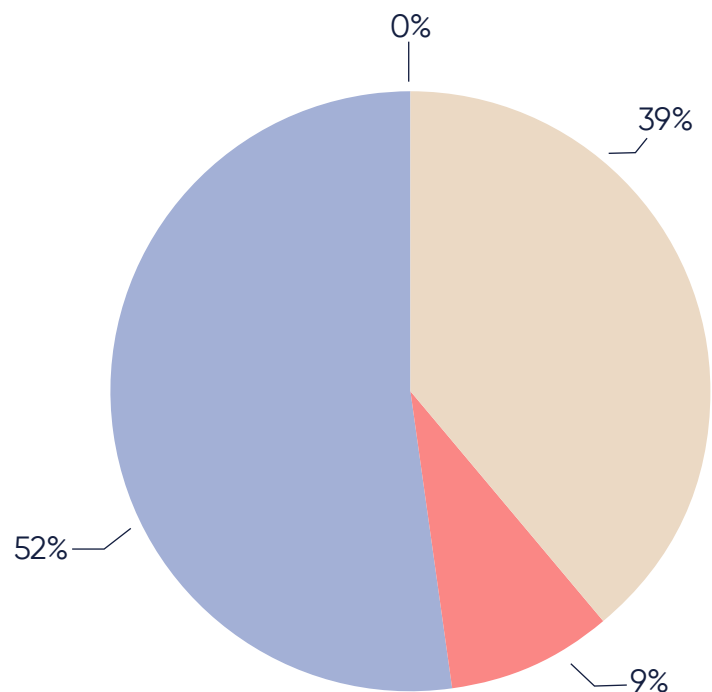
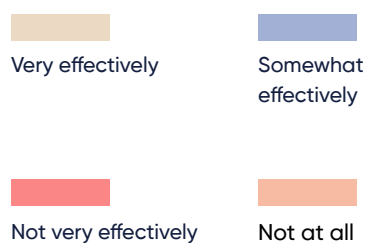
Q. As your audience team works to create engagement and positive advertiser outcomes, how effectively does it build endemic audiences?



65%

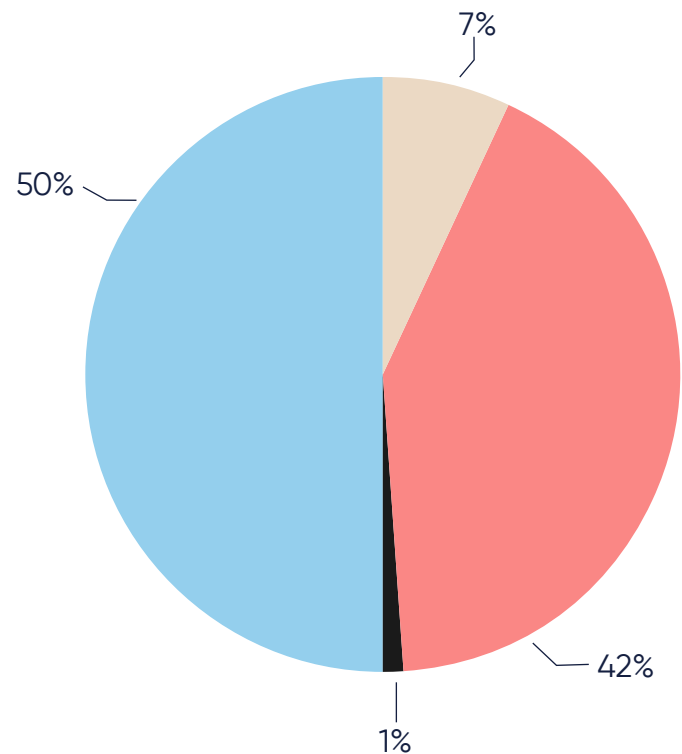
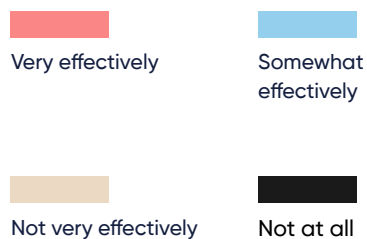
...of publishers in Digiday and Permutive's survey cite data and analytics as having the most significant impact on driving positive ad revenue outcomes.

Q. As your audience team works to create engagement and positive advertiser outcomes, how effectively does it identify/model non-endemic audiences?



As publishers lean into audiences they know well, browsers appear to be of little obstacle. The majority of teams (92%) are at least "somewhat effectively" addressing audiences across all browsers, including 42% that are doing so "very effectively."

Q. How effectively can your team address audiences across all browsers (including cookie-blocked instances)?



50%

...of publishers in Digiday and Permutive's survey can only "somewhat effectively" address audiences across all browsers, including cookie-blocked browsers.

How publishers are identifying partnerships that help drive audience insights and total ad revenue

After 2023 hampered publishers' advertiser revenue, many expect a significant recovery in 2024 as the industry shifts toward direct-sold deals to increase total ad revenue.

Publishers also increasingly rely on audience data and insights as the foundation for advertiser relationships that fuel revenue growth.

To meet advertisers' expectations for highly targeted and relevant audiences, publishers are optimizing their data strategies and leaning on partnerships. However, a primary goal in establishing those partnerships, according to Nurmohamed, must be the audience experience.

"There are lots of tools out there in the market," he said. "But publishers really need to focus on tools to drive direct revenue without compromising user experience or privacy. That means really understanding their data and how they can use it to benefit their sales efforts rather than giving it away or letting other parties take advantage of it."

A strong partner in this effort would not only align with that strategy but also offer ongoing innovation and evolving services.

"One thing we can be sure about is things will evolve very quickly over the next couple of years," Nurmohamed said. "So working with partners that have proven that they can innovate and adapt and evolve to where the market comes to and stay ahead of the industry challenges is going to be paramount."

About Permutive

Permutive puts publishers in control of their revenue by enabling them to reach and monetize 100% of their audience while respecting consumer privacy. With Permutive, publishers can develop unique audience insights, optimize campaigns on the fly, and provide detailed mid- and post-campaign reports.

In unlocking the true value of their audience, Permutive's customers drive direct deals, win more RFPs, and secure repeat business with advertisers.

Permutive is trusted by the world's largest publishers, including News Corp, Hearts, BuzzFeed, Penske Media, Future plc, the BBC, The Guardian, Vox Media, Insider, Hubert Burda Media, Condé Nast International, Trusted Media Brands, Hello! and Unify.

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