



Digital INTELLIGENCE

volume 2

from Acceleration

*How Ad
Exchanges can
drive revenue*

*DoubleClick / Google
Ad Exchange 2.0
changes the game*

Finding opinions is easy. Finding opinions you can trust...

Welcome to this volume of Digital Intelligence. Here we delve into Ad Exchanges and especially DoubleClick Ad Exchange 2.0, which is poised to change the online advertising landscape forever.

Ad Exchanges has received much hype and recent media attention. Through this publication, we aim to cut through the hype to look at the real business impact and options available to publishers.

Is DoubleClick Ad Exchange 2.0 the solution that publishers have been waiting for, and will it play a fundamental role in the digital media industry to become an efficient and profitable sales channel? Surely one cannot predict the future, however, with knowledge and insight into this space, we aim to give you a fighting chance at the fast approaching future.

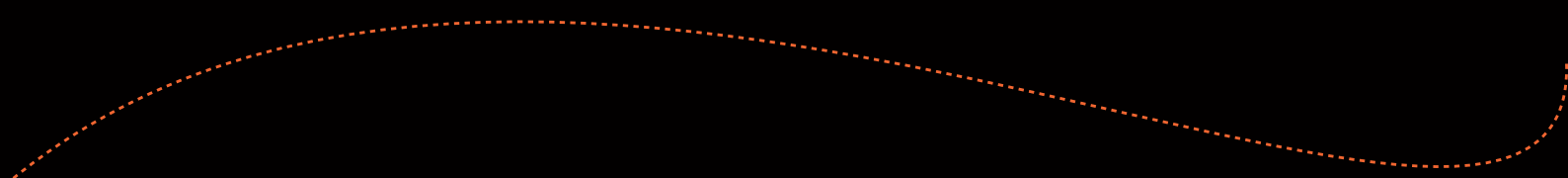
About Digital Intelligence

Digital Intelligence is a journal-style publication that applies a scientific approach to making practical and intelligent digital-marketing decisions. With each issue focusing on one specific topic, it will include accumulative insight from multiple, trusted sources – opinion leaders, partner companies, research firms clients and of course, our own specialised consultants. These research insights are compiled systematically within the journal to help you find the answers you are looking for.

I hope you find this issue helpful. Welcome to Digital Intelligence.

Sincerely,

Cameron Hulett
SVP Publisher Solutions
Acceleration

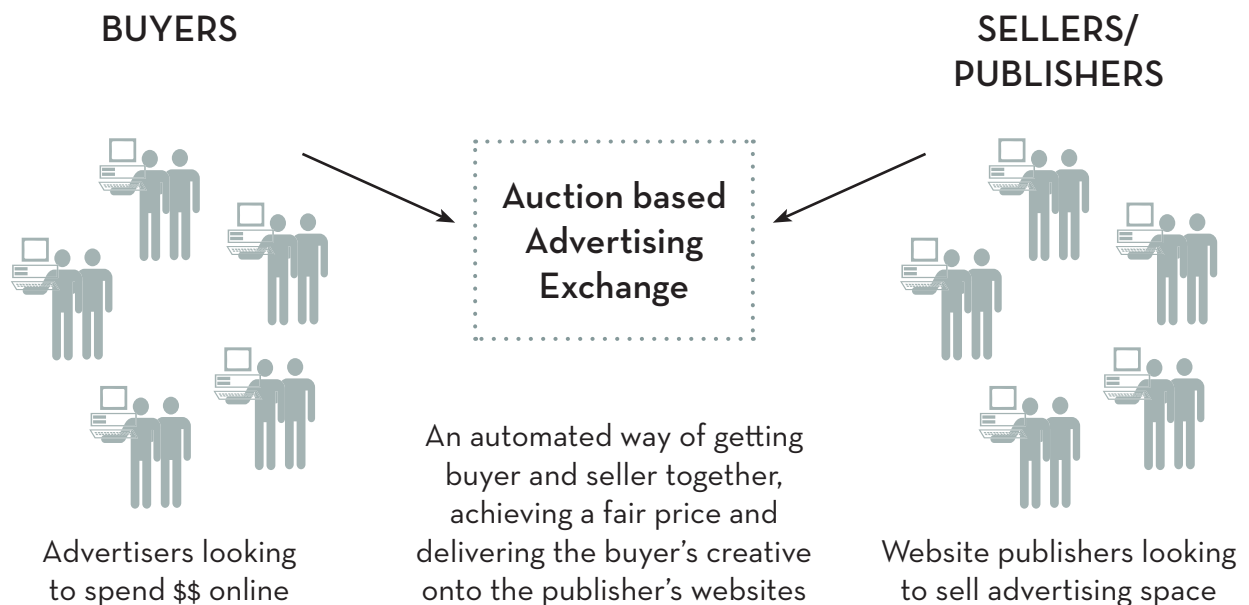


ADVERTISING EXCHANGES

The background

What is an Advertising Exchange?

An Advertising Exchange (Ad Exchange) is an open and transparent marketplace that facilitates the buying and selling of online advertising. It brings buyers and sellers together in an automated electronic auction to achieve a fair price for online inventory and then facilitates the placement of the buyer's creative onto the publisher's website.



The need for such a marketplace is clear. In a survey conducted by Forrester Research Inc., 72% of online advertising professionals who were not already using an ad exchange indicated that they intend to soon.

exchange



What challenges do Ad Exchanges address?

Forrester Research shows that 25% of online advertising inventory is never sold. Added to this, buyers are constantly looking for better and more targeted places for their ads.

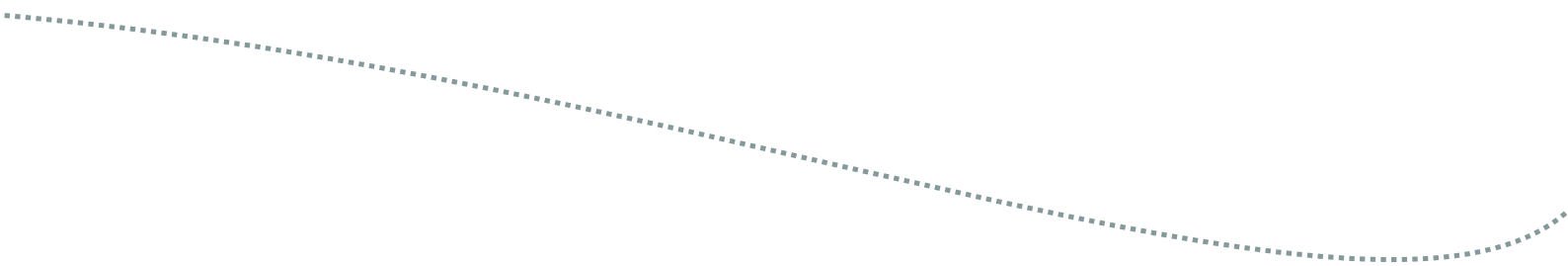
An advertising marketplace puts buyers and sellers together, much like a financial stock exchange. This enables sellers to get their offering in front of more buyers, while giving buyers the opportunity to buy from a larger pool. When this is placed in a fair auction-based exchange where sellers can control who buys and at what minimum values, and buyers can select from focused inventory, the outcome is clearly a win-win.



How does an Ad Exchange differ from an Ad Network?

An Ad Exchange is an auction platform, designed to match buyers and sellers of online advertising. On the other hand, Ad Networks typically act on behalf of either the buyer or the seller to get the highest return respectively, using information proprietary to the network to increase yield. Hence an Ad Network is fundamentally different to an Ad Exchange.

With that said, Ad Networks play an important role in Ad Exchanges, where the latter brings Ad Networks together with publishers, agencies and advertisers into one open, transparent environment. Ad Exchanges provide all participants with the tools and controls needed to maximise return on every impression bought or sold.



THE DOUBLECLICK AD EXCHANGE 2.0

Why should you care about DoubleClick Ad Exchange 2.0?

Your main objective is the effective monetisation of your advertising inventory. Fragmenting audiences, increased competition for ad spend, the recession... all these things make this job harder each day. Not to mention the vast number of sales channel options: direct sales, sales houses, vertical ad networks, peer networks and ad exchanges.

So why should you pay special attention to one specific ad exchange, namely DoubleClick Ad Exchange 2.0? Answer: The key components to any Ad Exchange are liquidity, quality and openness. Google and DoubleClick can take advantage of its market leadership to supply liquidity AND quality via its existing premium publisher clients. Hence, the development of an open Ad Exchange technology (Ad Exchange 2.0) gives it the complete solution to tackle this industry need. Added to this, over the past 10 years Google has proven itself to be spectacularly successful at building a large-scale media trading platform for paid search listings. And now they are applying those same skills to display advertising. We believe this will fundamentally change the online advertising landscape.

How DoubleClick Ad Exchange 2.0 works

1 Setup Sellers/publishers make specific inventory available for purchase on the DoubleClick Ad Exchange. These Sellers define a minimum bid value – or “reserve price” – for the inventory, and specify rules to restrict certain advertisers, formats or content. Buyers specify the inventory they wish to purchase and associated bid value for that inventory. They can also specify a rule to dynamically control the bid so that the bid price varies based on the inventory’s performance.

2 Auction There is then an auction for each impression, where DoubleClick Ad Exchange scans the entire marketplace to match the buyer’s targeting requirements with the seller’s inventory and, if all matches, the highest bid wins the inventory. The deal is done at the price of the second highest bid (i.e. a second price auction model).

Benefits of using DoubleClick’s DFP: If the seller is using DoubleClick’s DART for Publishing (DFP) technology to serve ads, inventory is allocated on a dynamic basis in DFP based on competing ads with the same priority level. This means that for each impression, DFP selects

the highest value bid from the DoubleClick Ad Exchange OR from other sources (such as direct sales) entered into DFP. If another ad server is used in place of DFP, this dynamic allocation will only occur if that ad server has a direct API into the DoubleClick Ad Exchange.

3 Creative Approval The Seller can check that they are happy with the allocated buyer’s creative and details before finalising the deal. Rules can be set up to automate and control this process.

4 Monthly Financial Clearing Finally, DoubleClick Ad Exchange reconciles all transactions and provides a single billing and payment point for buyers and sellers. Buyers pay a single invoice for all impressions purchased and sellers receive a single payment for all impressions sold, regardless of the number of buyers. DoubleClick handles all billing and collections. Importantly, these payments to sellers/publishers are guaranteed. This greatly reduces complexity and financial risk for participants.

[See process here](#)



BUYER SETS UP HIS/HER REQUIREMENTS

- Your details as a buyer (name, network info, etc.)
- Specify inventory you want to buy
 - Targeting (geo, etc.)
 - User list targeting
 - Private market
 - Etc.
- Set bid value and maximum CPM
- Define creative(s) that will be used
- Specify restrictions

1 SETUP

SELLER SETS UP HIS/HER OFFERS

- Inventory description
- Minimum bid
- Availability and timing
- Allow/block certain ad technologies and creative types
- Allow/block ad groups, advertisers, specific ads
- List as anonymous, private or branded
- Define targeting
- Set other restrictions
- Etc.



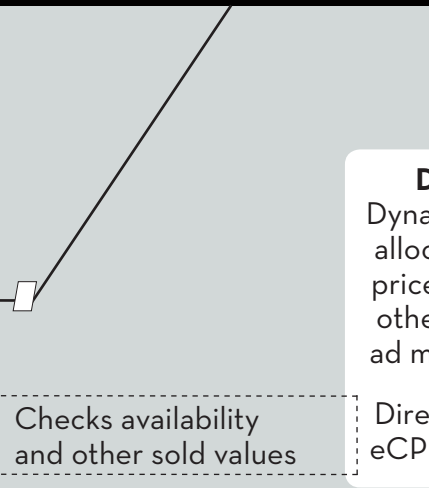
2 AUCTION

Matching all requirements and select highest bid



Winning price \$1.50

Deal ✓



DFP

Dynamically allocates if price beats other DFP ad matches

Direct sale eCPM: \$1.12

Checks availability and other sold values

3 CREATIVE APPROVAL

APPROVAL PROCESS

Vetting process to control creative, etc (including auto allow ads)

COLLECTIONS

Google collects from buyers

4 FINANCIAL CLEARING



PAYMENTS

Payments to sellers/publishers are guaranteed, irrespective of collections

Benefits to using DoubleClick Ad Exchange 2.0

Proprietary Dynamic Allocation System	<ul style="list-style-type: none">➤ The service automatically generates the highest return for every impression by dynamically allocating to the sales channel that pays the most. This could be through your direct sales channel (through DFP / DE) or through DoubleClick Advertising Exchange.
DFP and DE Integration	<ul style="list-style-type: none">➤ DoubleClick Advertising Exchange integrates tightly with DART for Publishers and DART Enterprise, enabling yield maximisation across sales channels.➤ Straightforward reporting helps makes sense of data across all of your sales channels.
Brand Protection and channel conflict avoidance	<ul style="list-style-type: none">➤ Benefit from complete control over to whom impressions are sold to, what ads are run and at what price.➤ Ban certain advertisers, buyers or product types.➤ Ban certain creatives, ad content or ad formats.
Clearing System	<ul style="list-style-type: none">➤ Reduce complexity and financial risk with a single billing and payment point for all transactions.➤ Eliminate booking inefficiencies and billing discrepancies.➤ Receive a single, guaranteed payment for all impressions sold, regardless of the number of buyers or their ability to pay.➤ No need to agree on financial and legal terms and conditions with every advertiser, agency or network with whom you wish to do business.
Private Markets and Anonymous Inventory Allocation	<ul style="list-style-type: none">➤ Set up private, invitation-only markets with specific advertisers, agencies or networks.➤ Sell inventory on a branded or anonymous basis.

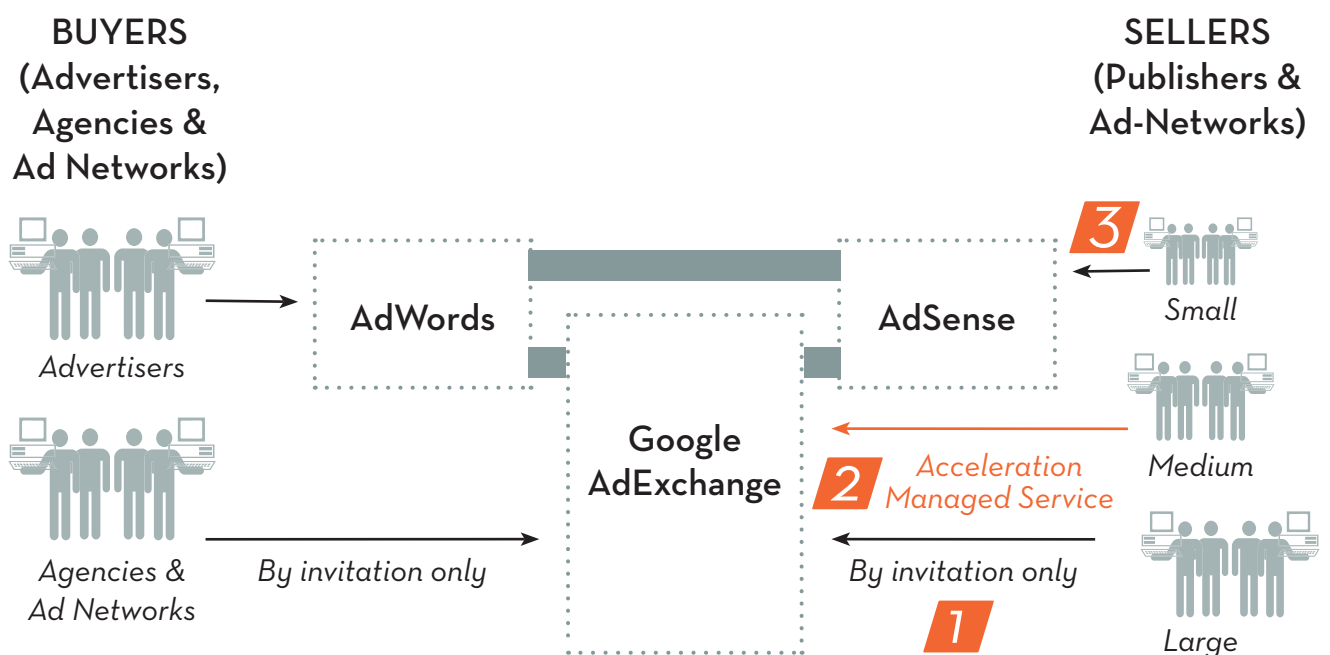


How do you get access to DoubleClick Ad Exchange 2.0?

1 Direct Access
 Direct access to the DoubleClick Ad Exchange is currently by invitation only. This means that unless you are a very large seller (publisher) or buyer (agency/network), you won't get direct access to the DoubleClick Ad Exchange.

2 Via Acceleration Managed Service
 Acceleration offers a fully managed service for publishers wishing to sell directly on the DoubleClick Ad Exchange. This means you don't access the system directly, but via a professional service team who are experienced in managing this channel. This Acceleration Managed Service offering is detailed later in this document.

3 Via Google AdSense
 DoubleClick Ad Exchange is integrated with Google AdWords and Google AdSense as depicted in the diagram. This means that in most cases, especially for small advertisers and publishers, buyers will simply be able to use AdWords to extend their buying reach onto the DoubleClick Ad Exchange and sellers will simply be able to use AdSense to sell their inventory on the DoubleClick Ad Exchange. This is an extension of the AdWord/AdSense platform; hence if you are already using AdSense, this functionality is automatically activated.



Acceleration's Ad Exchange Managed Service Offering

The DoubleClick Ad Exchange will have a significant impact on nearly every online publisher. On the inventory side it will give you access to far more buyers looking for niche inventory, which means you can repackage your inventory to get higher prices. On the operations side it will give you an additional sales channel to manage, one which needs to align with your existing channels such as direct sales.

Historically, ad exchanges have been seen as a way for selling low-value remnant inventory, much like how AdSense and other Ad Networks are used. We believe this completely undervalues the power of ad exchanges to act as a strategic and efficient sales channel for publishers.

Benefits of using Acceleration's Ad Exchange Managed Services

There are a number of reasons for using Acceleration's Ad Exchange managed services, including:

- You get access to the Ad Exchange without being invited or accessing it via AdSense.
- You get going quickly without upfront investments or training.
- You leverage seasoned experts who can help optimise the usage of Ad Exchange. This means you can focus on your core business and leverage Acceleration to deliver on this channel.
- You can scale your involvement in the Ad Exchange without upfront or fixed ongoing costs.
- You get complete financial transparency.



impact



Services

Although Acceleration often designs bespoke solutions for clients, typical Ad Exchange services include:

- 1 Ad Exchange setup and ongoing management**

Acceleration will setup and manage your account within the Acceleration Ad Exchange sub-network. Your inventory will be controlled by you and not lumped together like an Ad Network's inventory. This will ensure the DoubleClick Ad Exchange channel is aligned with your overall sales strategy.
- 2 Focused sales workshops**

Acceleration will deliver focused Ad Exchange workshops to your sales teams. This will educate them on what Ad Exchange does and how it integrates into your sales strategy.
- 3 Ad Exchange yield optimisation**

Acceleration will optimise your yield through the Ad Exchange (via the likes of inventory planning, pricing and channel management) without cannibalising existing sales.

 - e.g. Sell premium inventory to small international markets that don't justify a direct sales team or even a local sales house relationship.
 - e.g. Sell inventory in niche interest content areas to advertisers who are too small to target directly.
 - e.g. Market your own premium products (subscriptions, events, reprints, etc) to your own readers on third party sites.
- 4 Ad Exchange traffic uplift**

Acceleration will implement retargeting strategies on Ad Exchange designed to increase the amount of traffic your direct sales team has to sell.

 - e.g. Extend your audiences through remarketing tools by leveraging your customer data.
- 5 Ad Exchange quarterly audit**

Acceleration will audit your Ad Exchange usage to ensure ongoing optimal yield and channel conflict avoidance.
- 6 Ad Exchange monthly reporting**

Acceleration will deliver detailed reporting to ensure you are measuring the correct things, which in turn enable better management decision-making.

If you would like to find out more about Acceleration and how our Ad Exchange managed services can benefit you visit our Ad Exchange knowledge page at <http://www.acceleration.biz/DoubleClick-Ad-Exchange-V2-Sell>

Ad exchanges: Why Google will ultimately win

Google is not winning the paid search battle because it is a better search engine, but because it is better at monetising search queries. *By Stephan Pretorius, 8 September 2009.*

<http://www.imediaconnection.com//content//24308.asp>

Using this same reasoning, I want to predict that Google will also win the battle to build the biggest, strongest ad exchange – because it will be better at monetising display ad inventory. This is not simply a reckless prediction; it is based on the underlying economics of ad exchanges and the careful choices Google is making in building out its exchange business.

SOME BACKGROUND

Ad exchanges have been around for a number of years now, with Yahoo's RightMedia being the largest and most successful exchange to date. DoubleClick launched its ad exchange shortly before being acquired by Google, but since the acquisition have not promoted it heavily, and put it on idle while rethinking and rebuilding the tool.

At a recent roundtable event, Google outlined their next generation ad exchange to be launched in the autumn of this year. The way they've tweaked the model is simple, yet fundamental. Here are the most significant changes and how it will impact publishers and advertisers alike:

ADWORDS BECOMES THE BUYING PLATFORM

One of the biggest barriers to purchasing from ad exchanges is that they are separate platforms with their own workflow, billing and legal requirements. In short, it is hard for buyers to start trading with them. But from autumn, all agencies and advertisers will be able to buy ad exchange ad inventory through the AdWords UI. This means that all of Google's existing paid search advertisers will have instant access to

all ad exchange inventory, producing a massive increase in liquidity, better workflow and fewer barriers to trade. For AdWords customers that are already buying 'content' as part of their paid search buys, the change will be almost unnoticeable.

It also makes the ad exchange that much more appealing to publishers looking to increase their yield and sell-through rates. The more advertisers, the greater the chances of getting a good price for hard-to-sell blocks of inventory (like long-tail international inventory) or of getting a match for user list targeted impressions in a remarketing campaign. A classic positive network effect.

GUARANTEED PUBLISHERS PAYMENTS

Yes, this is not a typo! No sequential liability, no waiting for payment. Google is guaranteeing 100 per cent of revenues for publishers, regardless of whether they have been paid by the advertiser. Of course, everyone pays Google on time, so this is probably not a major risk for them, but for most publishers (even large enterprise publishers) invoicing correctly and getting paid on time is a major headache and a major inefficiency in their businesses. A sales channel that guarantees payment therefore becomes incredibly appealing.

DYNAMIC ALLOCATION FOR ALL

Dynamic allocation refers to the ability of an ad server to automatically select the highest yielding ad for a particular publisher impression, without the publisher having to make a hard allocation of that impression

for a particular campaign or sales channel. The concept is fundamental to publishers that want to maximise yield across multiple sales channels (direct, sales houses, multiple ad networks etc). In the first version of DoubleClick's ad exchange, dynamic allocation was only possible if you ran DoubleClick's DART for Publishers as your ad serving tool. The new Google ad exchange will make dynamic allocation available to all publishers via an open API. This means that any publisher – regardless of what ad serving platform they use – will be able to include the Google ad exchange in their sales channel mix. This will massively increase the available set of publishers who can sell inventory through the exchange.

THE BOTTOM LINE

The above issues might seem slightly obscure or theoretical to some of you, and their impact will probably not be visible in the marketplace until well into next year, but the result is inevitable. Google will win the ad exchange battle. Integration with AdWords, guaranteed payment and the opportunity for more publishers to get involved, all equates to a stronger network and better potential to monetise.

As a publisher, you should seriously consider integrating Google's ad exchange as part of your sales channel mix, and figure out how best to use it to increase yield. And as an advertiser or agency, make sure you understand how to buy display inventory through AdWords and leverage the advanced targeting, retargeting and optimisation techniques it offers.