



## Understanding Exchanges

# Speakers

- Paul Fisher, Chief Executive Officer, IAB Australia
- Mark Bamford, Partner, TressCox
- Julian Tol, Chief Executive Officer, Brandscreen
- Ros Alison, Director, Viviaki Nerve Center
- Danny Bass, Chief Digital Officer, GroupM



# Understanding Exchanges

Julian Tol, CEO, BRANDSCREEN

# Introduction

Julian Tol, Co-founder & CEO



**BRANDSCREEN**

- Career in media and advertising with Clemenger BBDO, McCann-Erickson, Ogilvy & Mather
- Founder-CEO of Campaign Centre in 1993; one of Europe's first digital agencies
- Sold to Publicis in 2000 creating one of Europe's leading digital agencies; led agency as CEO for 3 years
- Returned to Australia in 2005 and founded BRANDSCREEN with Seth Yates and Nic Jones in 2006
- Set out to fix a broken digital media buying model
- Aim was to achieve scale, transparency & efficiency through automation
- Ad Exchange and auction models were the most promising direction
- As a company, amongst first 5 to back the 'Real Time Bidding' technology protocol (early 2008)
- After 4 years of engineering, BRANDSCREEN launched in November 2010 as Asia-Pacific's first Demand Side Platform, with launch customers VivaKi, Omnicom Media Group (PHD) and Ikon (STW)
- [jtol@brandscreen.com](mailto:jtol@brandscreen.com) | [twitter: #juliantol](https://twitter.com/juliantol)
- BRANDSCREEN technology powers the trading desk operations of a majority of media agency holding company trading desks around the Asia-Pacific region

# Who's who?

## SSP: Sell Side Platform

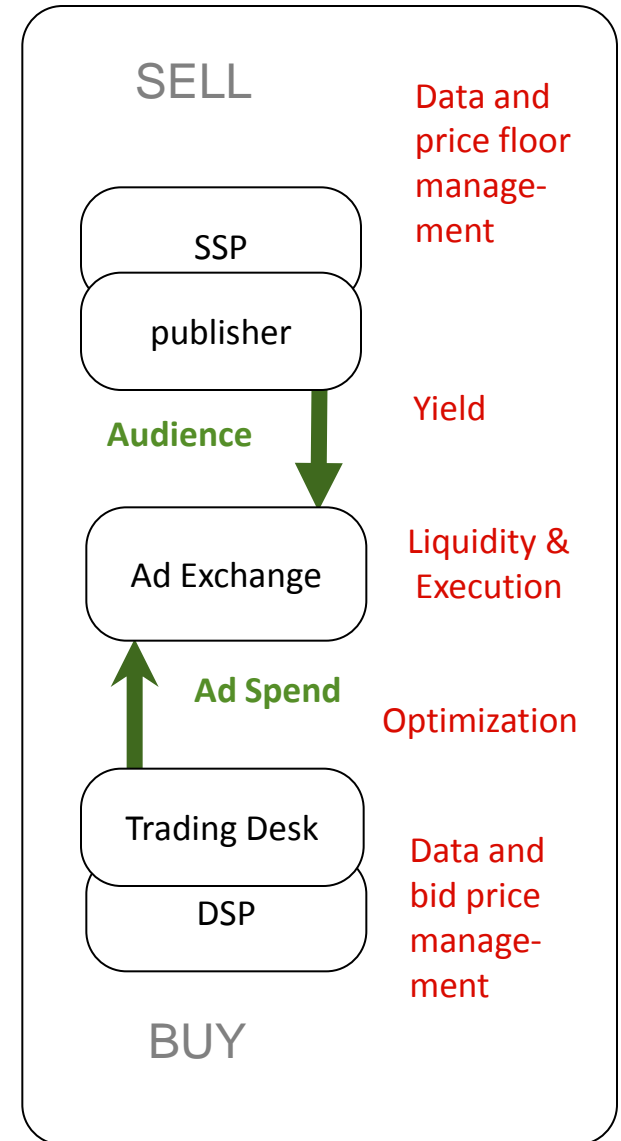
Works for the Publisher. Core role is to maximize yield. Sells to DSP via Ad Exchange. Charges a % of sales.

## Ad Exchange:

Venue for executing transactions. Provide market liquidity, funds clearance and neutral reporting. Buys from SSP, sells to DSP.

## DSP: Demand Side Platform

Works for the Trading Desk. Connects Media, Data and Audience into the platform for executing RTB trades. Core role is optimize buys. Charges a % of buys.



# Who's who?

Admeld | Rubicon | Contextweb | Pubmatic

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23,522 .com.au sites | 6 MM global sites | Major Aussie pubs

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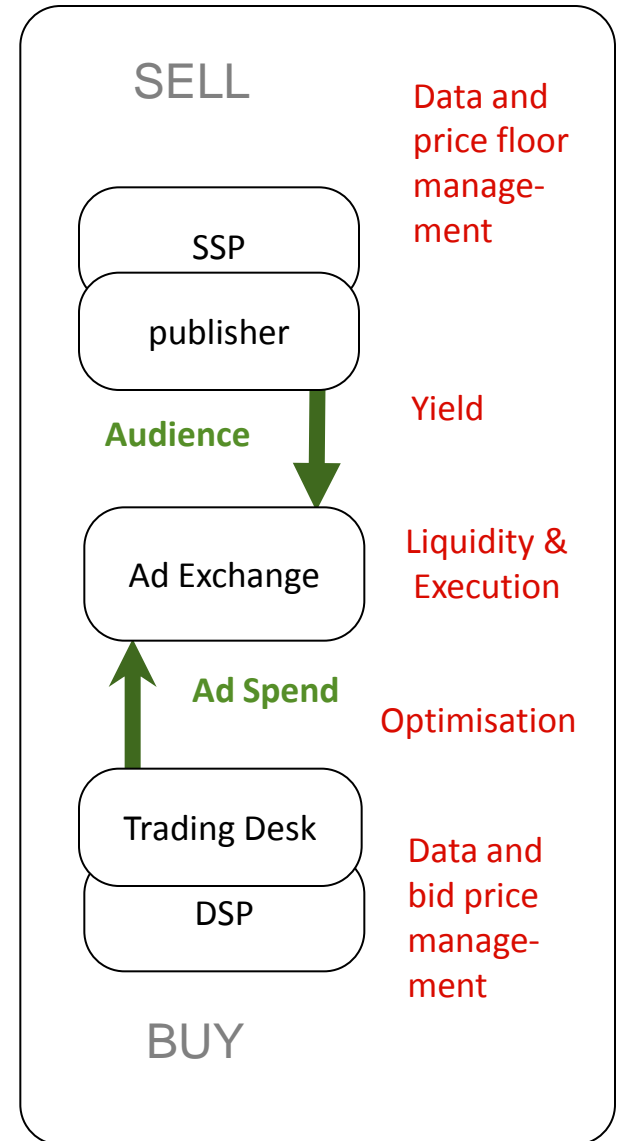
Google | Microsoft-AppNexus | OpenX

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VivaKi AoD | Cadreon | Accuen | STW | Group M

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Brandscreen | MediaMath | Invite | Xaxis



# What's driving change?

- **GDP moving online:** Movement of transactions towards desktop and mobile
- **Publisher as Storefront:** Merging of advertising and transactional streams (GroupOn, Amazon, Dell, Apple)
- **Automation and efficiency:** Digital media outgrew its old distribution, sales and buying methodologies. The majority of media will be traded electronically in the future (managed by human salespeople)
- **Technology:** Allowing compression of the media sales value chain, driving dollars back to publishers and advertisers, away from inefficient intermediaries
- A genuinely disruptive technology has emerged: ***RTB (Real Time Bidding)***

# Display Advertising Technology Landscape





# RTB: Anatomy of a real-time transaction

## HTTP & IP Data

Bandwidth, time of day, work/home, browser, device, OS, Postcode

## Demographic Data

Age group, life stage, rent/own, income, Prizm,

## Contextual Data

verticals, page-level semantic analysis

## Behavioral Data

re-marketing (product pages visited), SKU-level retargeting, referring URL (search), purchased products

## Customer Data

CRM category, tenure, purchases, propensity, preferences

- iOS, Mobile
- Work, Monday 8 am
- Western Sydney
- Lifestyle cluster 52
- Auto-intender
- Lifelong customer
- In-market for cruises

website.com.au

**\$12.80**

cpm bid



# In the RTB marketplace, *data drives value*

- The DSP ingests data with the aim of correctly valuing the impression with regard to the ***probability*** that the user will (***click / convert / engage***)

<b>Publisher data:</b>	Controls the flow of data to the SSP and Exchange
<b>SSP data:</b>	Publisher, <b><u>Cookie ID</u></b> , geo, vertical, publisher
<b>First-party data:</b>	Retargeting, referring search URL, CRM, email
<b>Second-party data:</b>	Any data set created by private arrangement
<b>Third-party data:</b>	Peer39 (semantic), BlueKai (cookies), eBay (SKU level interest)

- The DSP does this in real-time (within 50 ms) up to 100,000 times per second
- Impressions with rich data attached (e.g. ‘auto-intender’) fetch far higher CPMs (up to 100 x)

# *Machine Learning* and its consequences

- Machine Learning is a system which allows a DSP to ***predict the probable response*** of a specific user to a specific advertising message
- In simple terms, it knows ***what works, and what doesn't*** and it tells the bidders located inside the exchange... “Bid \$ XXX for this impression”, therefore:

***If a media masthead really does influence behaviour, it will get valued***

***If the ad slot is far below the fold, or on a crowded page, it will get valued***

***If page relevance is strong, and people are more engaged, it will get valued***

- Machine Learning means that a data-driven auction will ***not*** commoditize the inventory of a publisher below what it deserves, ***if*** a rich data set is provided to the system to correctly value the impression

# Machine Learning Optimisation examples

## Case 1 Retail

- A major group shopping retailer was buying conversions from ad networks for **\$ 7.50 CPA**, and had a budget to spend up to \$ 10 CPA
- The Trading Desk ran a trial with \$ 100,000 budget run over 4 weeks
- CPA after 1 week was \$ 9.00, and after 2 weeks \$ 5.50
- The budget was repeated in month 2, and by week 8, CPAs were at **\$ 2.52**

## Case 2 Finance

- A major Australian bank was buying conversions from ad networks for **\$ 50 CPA**
- The Trading Desk ran a trial with \$ 40,000 budget run over 4 weeks
- CPA after 4 weeks was \$ 75 for ROE, but far lower for retargeting strategies
- A significant review of targeting and data management strategies was conducted and allowed the steady decline in CPAs, now running at **\$ 32.00**

# ***RTB: The effect on agencies***

**Imperative:** Data-driven audience buying is demanded by advertisers, and they are going to get it, one way or another

**Threat:** New entrants in the competitive landscape. Who are you pitching against? Is it a technology company? Is it an agency? Is it a network? Is it a publisher?

**Opportunity:** Agencies own the advertiser relationships at a very high level, and have the best access to advertiser's rich data sets. Digital is becoming more core to the advertisers' business. Agencies are able to leverage ***data + relationships*** to outcompete new entrants with the deployment of Agency Trading Desks.

**Conflict?** Is the agency acting ***exclusively*** in the best interests of its advertisers? Should the Trading Desk take ***risk***? Should the Trading Desk earn a separate ***margin***?

# ***RTB: The effect on publishers***

**Imperative:** Data-driven audience selling is demanded by advertisers, and they are going to get it, one way or another.

**Threats:** Inventory commoditization; audience data leakage; new market entrants

**Opportunity:** Publishers own the highest quality audience data of anyone in the value chain (identity, frequency, engagement, behaviour, propensity). This data is extremely valuable (in terms of CPMs) and is renewable (advertisers need access to a **flow** of audience data, not to a single one-off bucket of cookies). Publishers are able to leverage **unique data sets + agency relationships** to differentiate (and price) inventory. In exchanges, publishers control the selling price **always**.

**Conflict?** Will automated sales damage human-powered sales channels? If so, will the reduction in cost of human-powered sales outweigh the damage?

# ***RTB: The effect on ad networks***

**Imperative:** Ad revenue flows inevitably towards performance and efficiency

**Threats:** RTB technology has displaced the offline 'market-making' methods of ad networks. Ad networks cannot compete with the ***efficiency, transparency and scale*** of ad exchanges

**Opportunity:** Ad networks have a strong understanding of risk, data and productisation of inventory. Networks may choose to provide 'Trading Desk Services' to agencies who do not have the capital, skills or scale to operate their own Trading Desks. Some ad networks may also choose to compete directly with agencies and trading desks for advertiser spend, becoming hybrid 'agency-networks'

**Conclusion:** Ad networks can prosper if they 'pick a side' and compete. Undifferentiated ad networks who cling to the old business model will perish.

# 18 months on, how is the industry looking?

- Google continues its march into display and mobile... (already owned) Doubleclick, acquired Invite Media in 2010 (DSP) and in the process of acquiring Admeld (SSP)
- Microsoft invested in AppNexus, reborn as the **Microsoft ad exchange**, spawning multiple 'private exchanges' including NineMSN in Australia
- Yahoo and AOL remain out of the picture; No serious move towards RTB to-date
- Almost all DSPs and SSPs have now split into two classes;

**Platforms:** Own and operate own technology, infrastructure optimisation algorithms; Power the Trading Desks of Agencies, Networks and Publishers. Focus on empowering customers to run lean, powerful self-service trading operations

**Traders:** Technology-neutral operators of other people's platforms; sell products to agencies and advertisers (views, clicks, actions); Focus on service and opportunism.



# How the exchange market develops:

## *Stage 1: Critical Mass*

Insufficient liquidity



- Supply-side volume reached **Critical Mass** (Nov. 2010 in AU)
- Switch-on demand side: VivaKi, Ikon, Omnicom/PHD
- Campaigns in consumer, non-niche categories (e.g. travel, financial services, retail) are delivering well
- Niche products (high end IT, pet insurance) not yet viable

# How the exchange market develops:

## *Stage 2: Growth*

Trading Desks proliferate,  
advertiser spending follows  
performance




- Rapid growth of supply as existing RTB pubs respond (4x)
- Premium content pubs add inventory via **Private Markets**
- All major agencies, networks and publishers adopt Trading Desk model

# How the exchange market develops:

## *Stage 3: Mainstream*

RTB accounts for 68% of  
'traded inventory' in the US  
(indirect sales)

- 
- Premium pubs add majority of inventory into exchanges
  - Some advertisers shift their **total display budget** into Trading Desks (e.g. Amazon, June 2011)
  - Further growth in inventory; increase in site level transparency; richer and deeper 3rd party data sets available in the market
  - Additional media types added: Anything 'served' to a screen

# Asia-Pacific Snapshot: Impressions

Country	per Day	Country	per Month
China	669,000,069	China	20,070,002,056
Japan	404,682,033	Japan	12,140,460,992
Philippines	353,121,857	Philippines	10,593,655,714
India	257,503,195	India	7,725,095,863
Thailand	207,492,288	Thailand	6,224,768,642
South Korea	198,710,557	South Korea	5,961,316,724
Malaysia	163,341,209	Malaysia	4,900,236,263
Indonesia	131,337,536	Indonesia	3,940,126,067
Taiwan	127,669,722	Taiwan	3,830,091,665
Australia	102,590,461	Australia	3,077,713,844
Vietnam	80,949,330	Vietnam	2,428,479,912
Hong Kong	63,580,032	Hong Kong	1,907,400,955
Singapore	61,695,825	Singapore	1,850,874,752
New Zealand	30,147,830	New Zealand	904,434,890
Sri Lanka	11,748,972	Sri Lanka	352,469,171
<b>Total</b>	<b>2,863,570,917</b>	<b>Total</b>	<b>85,907,127,510</b>

June 2010 | Source:  BRANDSCREEN

# Asia-Pacific Snapshot: Uniques

Country	per Day	Country	per Month
China	10,344,690	China	310,340,693
Japan	2,469,378	Japan	74,081,327
India	1,401,539	India	42,046,158
South Korea	834,249	South Korea	25,027,475
Indonesia	533,919	Indonesia	16,017,584
Thailand	533,919	Thailand	16,017,584
Australia	500,550	Australia	15,016,485
Taiwan	467,180	Taiwan	14,015,386
Malaysia	433,810	Malaysia	13,014,287
Vietnam	433,810	Vietnam	13,014,287
Philippines	246,938	Philippines	7,408,133
Hong Kong	140,154	Hong Kong	4,204,616
New Zealand	96,773	New Zealand	2,903,187
Singapore	96,773	Singapore	2,903,187
Sri Lanka	56,729	Sri Lanka	1,701,868
Total	18,590,409	Total	557,712,258

# Asia-Pacific Snapshot: Reach

Country	Online Audience % of Total Population	Country	Total Population %
Sri Lanka	95.8%	Australia	70.6%
Thailand	91.6%	New Zealand	68.9%
Australia	88.2%	Singapore	61.2%
Taiwan	86.9%	Taiwan	60.7%
Hong Kong	86.2%	Hong Kong	59.0%
New Zealand	80.6%	Japan	58.6%
Singapore	79.4%	South Korea	51.3%
Malaysia	77.0%	Malaysia	45.3%
Japan	74.7%	Thailand	24.0%
China	67.9%	China	23.2%
South Korea	63.5%	Vietnam	14.4%
Vietnam	46.7%	Sri Lanka	8.0%
Indonesia	46.0%	Philippines	7.3%
India	42.0%	Indonesia	6.5%
Philippines	24.9%	India	3.5%

# Asia-Pacific Snapshot: Sites

Country	by .Country TLD
Japan	35,536
Australia	23,522
China	2,472
Taiwan	1,684
Hong Kong	1,600
New Zealand	1,154
Philippines	821
India	739
Malaysia	611
Singapore	381
South Korea	295
Indonesia	179
Sri Lanka	94
Vietnam	54
Thailand	30

**.com.au**

Total Sites across Asia-Pacific region

**6,750,000**



# Australia Snapshot:

<b>Total population:</b>	<b>21,262,641</b>
Online population:	17,033,826
Proportion of people online:	80.1%
<b>Reach</b>	
Daily reach:	3,336,997
Weekly reach:	10,010,990
Monthly reach:	15,016,485
% of the online population:	88.2%
<b>Liquidity</b>	
Impressions per day:	102,590,461
Impressions per week:	715,747,406
Impressions per month:	3,077,713,844
Local sites:	23,522

## 3,077,713,844

Monthly Impressions

## 15,016,485

Monthly Uniques

## 88.2%

Monthly Reach

## 23,522

Local Sites





# Issues for the next IAB exchange event

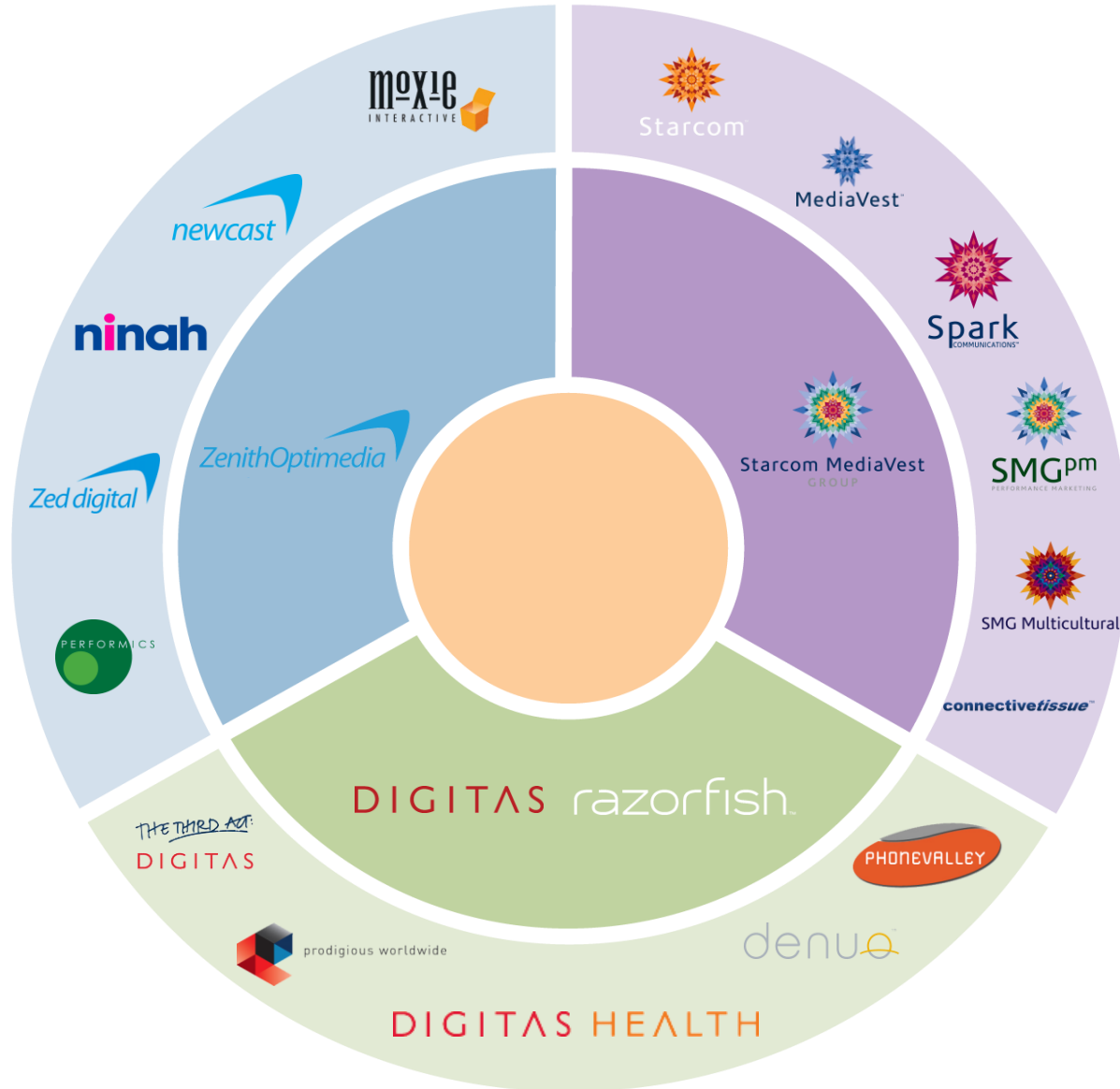
- **Private Markets:** Imminent arrival of Private Markets; Agency TDs able to transact 1:1 with Publishers via exchanges for non-guaranteed buys on mutually agreed terms (*not* the Xaxis model)
- **Publisher and Exchange Relationships:** How quickly will Publisher Trading Desks replace their internal performance ad networks?
- **Agency and Advertiser Relationship:** Will Agency Trading Desks evolve to take on more risk and demand larger margins, or will advertisers demand that they remain technology and channel neutral?
- **Privacy and Data Legislation:** Will new laws such as the (abandoned) 'Do Not Track' regime limit the growth of ad exchange trading?
- **Data Ownership:** Who owns the data? (and how can you get your hands on it)
- **Third Party Data:** How long will Australia take to develop a rich and deep 3rd party data marketplace?
- **Microsoft:** Microsoft-AppNexus will launch in Australia soon with NineMSN. Consequences?
- **Video, Mobile, Search and Social:** All are coming to exchanges soon. Best way to engage?
- **Google:** What happens to your business if Google dominates display like it does search?
- **Globalization:** Exchanges operate across regions and borders; Opportunity? Threats?
- **Brand safety:** Automation and semantic page analysis; strengths and weaknesses



# Understanding Exchanges

A buyer's perspective

# Accelerating digital growth



# A buyer's perspective

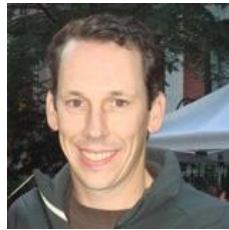
- Help clients successfully navigate the ever changing digital marketplace, buy targeted audiences and develop strategic insights
- Combines industry leading technology, proprietary partnerships, dedicated expertise and agency collaboration to drive data-driven audience buying

# Why Audience on Demand?

- Right audience, right time, at scale
  - Transparency
  - Actionable insight
  - Control
  - Efficiency
  - Direct access

A year in...

# People





# Technology



# Marketplace



# Data



2011

The year ahead

2012



# Understanding Exchanges

Danny Bass, Chief Digital Officer, Group M



**iab.**  
australia

# A lesson in history?...



# Once upon a time...



warner | music | group



SONY MUSIC



UNIVERSAL MUSIC



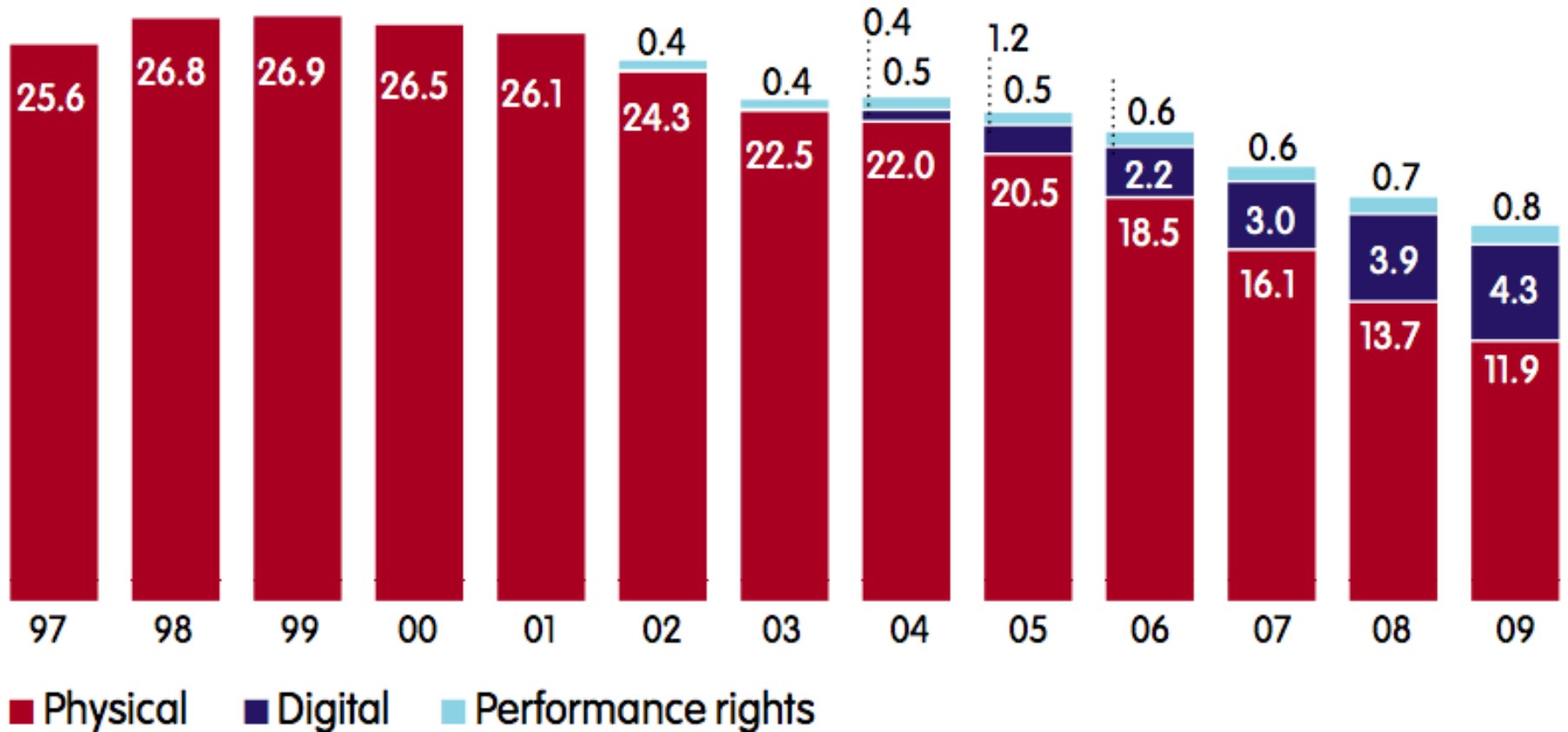
ROUGH  
TRADE



iab.  
australia



## Global Recorded Music Sales 1997-2009 (US\$ billions)



PANDORA®



Spotify



**Grooveshark**



**iab.**  
australia

# What does this mean for us?



# What we've seen



# Changing relationships

‘What I’d like to have is a one-on-one conversation with 7 billion people and personalise everyone one of those conversations’

Marc Pritchard  
CMO P&G

# Changing relationships





**PARTNERS**



**CLIENTS**



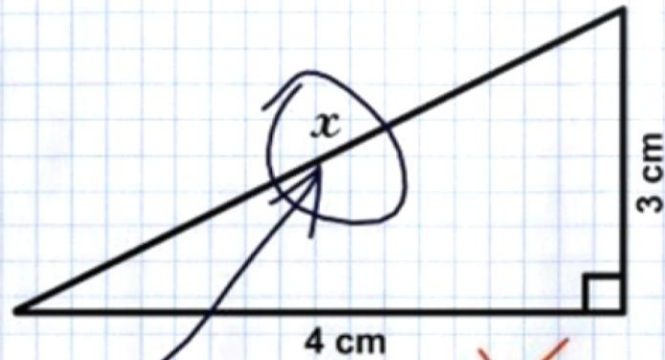
**RECRUITMENT**



**TECHNOLOGY**

# Simplicity

3. Find  $x$ .



Here it is

Ocular Trauma - by Wade Clarke ©2005





# Understanding Exchanges

Q&A

# Questions

- Paul Fisher, Chief Executive Officer, IAB Australia
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