HAVAS DIGITAL

INSIGHT

March 2011

AD EXCHANGES

BRINGING SANITY TO DISPLAY

HAVAS MEDIA

adnetik®

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OVERVIEW

The online advertising system consists of three primary constituents: advertisers wishing to market their products; publishers intent on selling their inventory; and consumers visiting the publishers' sites for content.

But, currently the system is flawed. The advertisers aren't reaching their intended audience; the publishers aren't getting fair market value; and the consumers are swamped with ad clutter. **Ad exchanges, properly managed, change that**.

Exchanges bring transparent audience and content targeting for advertisers, natural price optimization for publishers, and less clutter and ad irrelevancy for consumers.

For now it's important to understand that **90 million unique users a day are served ads purchased on exchanges**, and the numbers are growing month to month.[1] The benefits to the entire environment and the expanding reach are too significant to ignore. Traded media is here to stay and it will impact every media planner and every publisher whether they're ready or not.

This white paper will **examine the basics of ad exchanges and Demand Side Platforms (DSPs). It will delve into Adnetik's approach to comprehensive data management and its role in driving the absolute best bidding strategy**. It will consider the implications of exchanges from the advertisers' and the publishers' perspectives. Finally, it will explore how Adnetik and the exchanges provide a model where everybody gains.

1. Marketing & Media Ecosystem 2010 Survey and Booz & Company analysis.

A VERY BRIEF HISTORY OF DISPLAY

Ad networks purchase audience.
Agencies purchase media.

WHY THAT'S FLAWED

Generally, publishers tier inventory in two levels. They sell primary inventory directly through a traditional sales force and guarantee placement. Secondary inventory is not guaranteed; instead it is auctioned on the exchanges, DSPs or networks. While the publishers understandably welcome the higher revenues and guaranteed sales of the primary tier they appreciate the chance to fill unsold ads through the secondary tier.

Until now this model has gone largely unquestioned. Exchanges now expose a potentially dangerous pricing coincidence between the two tiers, which this paper will explore in depth later.

Media has been the historical proxy for reaching a target audience –the accepted but imperfect strategy. The ad environment hasn't been structured to realize the importance of both the neighborhood and audience in different combinations. To compound the discrepancy, while advertisers want efficiency, publishers want higher CPMs from the secondary channel. These two desires have been difficult to reconcile because the majority of display ads in the secondary channel were served on opaque, previously impossible-to-value inventory. Fixing Advertising reckons, "since 2003, online display ad spend has nearly doubled while CTR has dropped by a factor of three."

Something isn't working. This is not unexpected given that as a result of the rapid increase in Internet usage, publishers have ratcheted up inventory creation. The problem is that much of this extra inventory ends up being bought and sold blindly within the secondary channel. The buyer does not know the specific page on which the ad will be served. This has created an oversupply of opaque ads, ensuring the secondary inventory is not optimally valued. Exchanges that offer inventory transparently correct this.

Exchanges that offer inventory
transparently correct this.

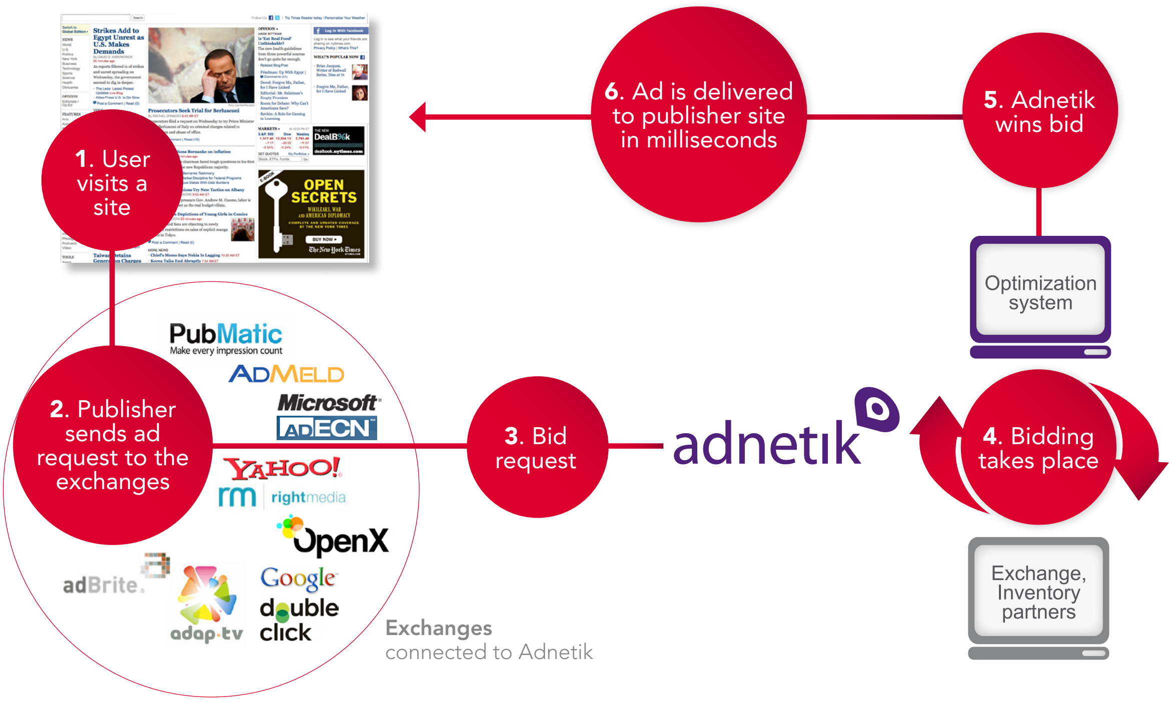
WHAT IS AN AD EXCHANGE?

How does it work? A user visits a webpage, the page's publisher sends an ad request to their inventory management system. If there is no buyer in the direct sales queue, then the ad impression is presented to a secondary channel –an ad network, a Supply Side Optimizer or an ad exchange.

In each of these cases it is very likely that the ad request is eventually presented in an auction format that uses Real-Time Bidding (RTB). In an RTB auction the seller releases a set of bid-request data that includes a consumer's profile to all qualifying bidders and then waits for a response. While the RTB auction waits the competing buy sides get to work. They ingest all of the known data points in the bid request and then use various decisioning processes to bid what they think will return value to the advertiser and win the auction. All the bids are then collected, the highest bid wins the impression, the ad is served to a page, and the page is rendered.

This sounds logical and, given the reach and depth of technology today, isn't too surprising, unless you consider that **the speed at which all of these steps happen is between 10 and 100 milliseconds**. That's 10 times faster than an eye blink, or about as fast as one flap of a hummingbird's wing.

Example or Retargeting, Behavioral Targeting and Optimization:



HOW THE DSPs OPERATE ON THE EXCHANGES

DSPs are, simply put, **a piece of bidding technology or ad servers with optimization and inventory links**. They allow audience buying via RTB across multiple sources of inventory. DSPs aren't very good at two, key functions: 1) distinguishing and valuing the quality of ad inventory; and 2) leveraging data that is distinct to the advertiser. This inability to value inventory based on all key parameters causes inventory prices to drop below "real" value.

Premium publishers are discouraged from making more inventory available transparently. The subsequent shortage curtails the brand advertisers reaping the potential benefits of RTB at scale. DSPs are good at leveraging third party data. They just lack the ability to find segments that are unique to each specific advertiser. The reason: third party data is available to all other buyers in the marketplace.

This means that the buyers are bidding on the same users over and over again. Since the DSPs are unable to find any uniqueness in these segments advertisers expect to pay bottom-of-the-barrel prices. When prices drop too low, premium publishers pull out, leaving premium brands with nowhere to turn.

This murkiness makes display resemble a used car market, in which a buyer doesn't know whether a car is a lemon until after purchase. Since buyers are conditioned to believe the chances of getting a lemon are high, they pay lower prices than they would if they knew that a specific car was sound.

DSPs aren't very good at two, key functions: 1) distinguishing and valuing the quality of ad inventory; and 2) leveraging data that is distinct to the advertiser.

This discourages owners of quality cars from selling, because the market price is below their reservation value for the car. This repeats until more and more good cars are pulled out of the market, and the prices drop lower and lower, in a negative cycle of inventory withdrawal and price diminishment.

While the online display advertising market has a different economic structure (namely that unsold inventory has no reservation value to publishers) much of the analogy holds true. Brand sensitive advertisers, who would pay higher CPMs for more valuable inventory if they could assess its value, view blind inventory as risky and irrelevant to their brands.

Since DSPs don't value the real estate where the impressions are served, and thus don't allow advertisers to pay higher CPMs for that higher quality inventory, premium publishers have no incentive to make their inventory available transparently.

The lack of transparency squashes any sufficient signal of quality (like a certified warranty for cars), and brand sensitive advertisers don't have enough of an incentive to allocate major campaign funds to the secondary digital display market. Both sides withdraw.

The remaining advertisers are price shoppers, discouraging publishers from providing transparency. This in turn encourages the publishers' assumption that transparent secondary inventory reduces CPMs. Since there is zero value to holding on to inventory, publishers sell it blindly, thereby creating oversupply of nontransparent inventory.

While there is a glut of inventory overall, there is an undersupply of premium inventory. And since all the advertisers compete against each other with the same generic information, rather than with information that would enable them to determine inventory value, **there is little to no differentiation in campaign or bidding strategy**.

The remaining advertisers **are price shoppers**, discouraging publishers from providing transparency.

But transparency is not only like a certified, pre-owned warranty, which signals quality and confidence, justifying a premium price. Through transparency the page, the content, contextual relevancy and page structure become parameters to guide purchase of the right inventory, targeting the right audience, for a given advertiser for a specific campaign.

There is clear value in doing this. Publishers that release their inventory transparently will be ahead in understanding the value of that inventory across channels. In this model, not only is there a higher price paid by the advertiser for premium inventory, but also the premium is reflective of the value of an impression for a given campaign, which is something that all advertisers can justify.

This requires the capabilities to effectively evaluate the inventory using the relevant parameters including the domain, the audience, the advertiser, the campaign, the time of year, etc. synthetically valuing the inventory accurately within the context of the specific campaign objectives. Adnetik does this.

In contrast, DSPs that combine third party data with often-blind inventory create neither differentiation in campaign strategy nor an incentive for publishers or advertisers to act in ways that will create a transparent, liquid, and scalable market structure. The DSPs don't value the location where the ad is placed. Everyone has access to the same third party data. DSPs and their clients ignore the sustainable value within the advertisers' own data. They're simply focused on cost.

Since the focus is on cost without assessing the value based on the campaign strategy, there are no audience bargains that competition unwittingly passes over. Multiple competitors march into the ad buy with the same information. Inventory is assumed to be undifferentiated –a commodity.

Since high quality inventory is assumed to be of equal value to lower quality inventory, actual prices end up somewhere between the two. Because the vast amount of blind inventory includes potentially high quality pockets, as well as massive amounts of low quality inventory, both types are sold for the same price. There is no way to differentiate.

Premium publishers receive suboptimal yield for their high quality inventory, and advertisers overpay for the low quality inventory, whose value is lower than the average price that it is selling for. It's cheap but overpriced. Both the premium publishers and the brand sensitive advertisers lose. There's no way to derive competitive advantage in this scenario.

IT GETS WORSE

To add insult to injury after the advertiser has overpaid in a senseless bidding war, their ad often lands on an inappropriate site –maybe one with teenagers in bikinis.

Customers complain, snarky bloggers post, competitors laugh and the bosses scream bloody murder.

HOW ADNETIK OPERATES ON THE EXCHANGES - AIM

Most companies in the ad exchange environment focus on decisioning, write an algorithm, bring in BlueKai for the 3rd party data and call it a day. This approach provides no uniqueness to the campaign –nothing distinct to the advertiser nor does it guarantee that ads are running on brand appropriate sites.

The only way to win the game is to **harness data that is unique to the advertiser or process information that is unknown to competitive buyers**, and combine it with the relevance of the Web property where the ad is placed.

Such a synthesis determines the true value of the inventory for a given campaign for a given advertiser. This is the goal of AIM Quality Scoring, one of the products under the Audience Investment Management (AIM) umbrella.

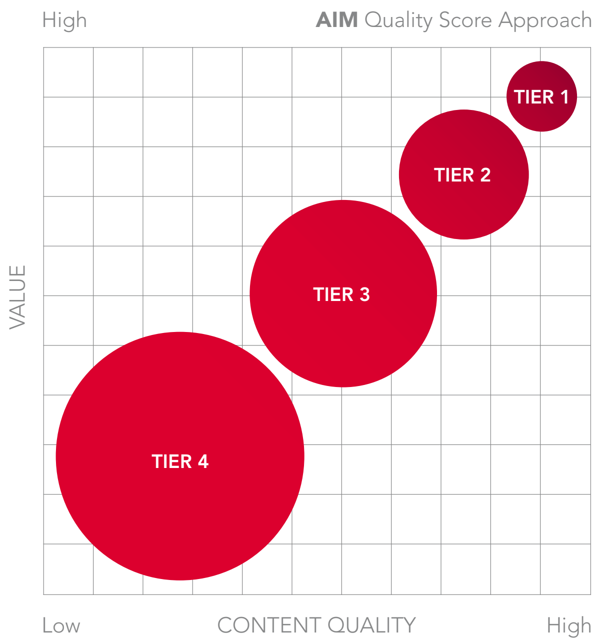
AIM QUALITY SCORING FROM ADNETIK

Adnetik created the AIM Quality Scoring system to set up media parameters unique to each advertiser. By reading millions of URLs and classifying each for publisher brand equity, contextual relevance to the advertiser, brand safety, level of ad clutter and content quality, AIM allows advertisers to control the ad environment through a tiered, inventory valuation system. The advertiser can choose where they wish to be on the portfolio curve with a tradeoff between quality and price that normalizes value.

This is the gold standard for both buyers (and sellers), but they haven't been able to achieve this without an optimal valuation of the inventory. Adnetik brings the technical, analytical, and mathematical skill set, as well as the buy-side roots and intuition to enable all this.

ADNETIK AIM DATA - DATA NEUTRALITY IN A SECTARIAN WORLD

The foundation of data begins from the advertiser's perspective. Adnetik combines the client's historical data with their own through AIM Data.



Data Aggregation: Adnetik begins by collecting, organizing and modeling off of the advertiser's data, starting with ad server data. Through standard systems integration projects that are the benchmark of historical direct mail and database marketing companies Adnetik can also integrate CRM systems, email systems, call center systems, etc.

Data Intelligence: From that data pool Adnetik gleans, for example, 5,000,000 cookies IDs that are a best match for a specific publisher campaign. These ID's, refreshed daily, are the users Adnetik hunts for on the exchanges. The static cookie ID's are combined with the AIM Quality Score, a qualitative static model, that matches up the target users contextually.

Adnetik further evaluates the dynamic, real-time signals released by the exchanges to inform the buy-side about the impressions. When the ad is served and the user takes the desired action, Adnetik further optimizes the buy.

This is why AIM assimilates both spheres. Static scoring models based on unique advertiser data can either stand alone as a targeted segment buy or be plugged into a dynamic bidding algorithm as additional dimensions.

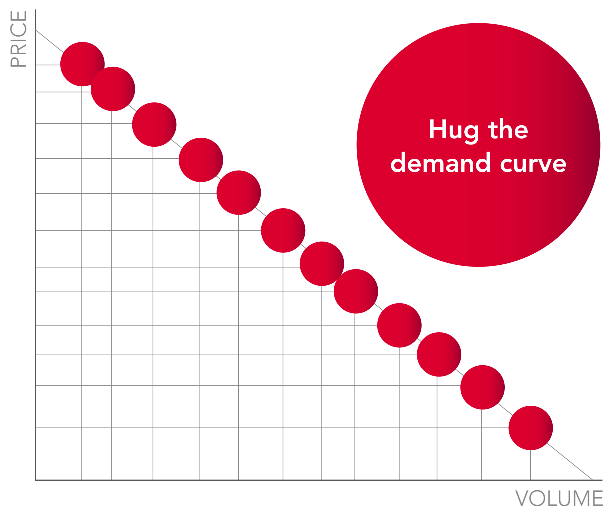
Not only do the static scores lift performance but they also create an advertiser-specific derivative work that in an auction environment gives the advertiser a lasting, competitive advantage.

Data Distribution: The valuation from data intelligence is then distributed to the buying platforms, either Adnetik's own bidder, a DSP or directly to an exchange. Occasionally the data is distributed directly into the Supply Side Optimizers.

The points of data distribution also represent different buying models. Adnetik purchases ads impression by impression via Real-Time Bidding, at fixed price, by bulk price in reverse auctions and by media futures.

It is the job of Adnetik's services team to find the right combination of targeting and trading practices that will deliver the most effective use of the advertiser's marketing investment.

Not only do the static scores lift performance but they also create an **advertiser-specific derivative work** that in an auction environment gives the advertiser a lasting, competitive advantage.



ALGORITHMS - A QUICK WORD

There's been a lot of talk in the space about algorithms. While algorithms are certainly important, **they are meaningless if they aren't mining the right data**.

Adnetik helps its customers value impressions by harvesting proprietary data unavailable anywhere else. In doing so Adnetik helps their clients leverage their own data to create derivative works off of that information, thus producing elusive, long-term, sustainable competitive advantage.

In essence Adnetik believes algorithms over the long run are all equal. **The only way to change the game is to change the data that is input into the algorithm**.

The best example of this is Google's Page Rank. By their own admission Google's algorithms were only marginally better than AltaVista's but Google came to dominate search by adding proprietary data.[2] They now maintain that advantage by collecting more data than anyone else to create unique data sets and derivative data sets to perpetuate their advantage.

AD EXCHANGES - PROVIDING FULL VALUE FOR PUBLISHERS. YES, REALLY

The current evolution via the exchanges allows the buy-side instead of the sell-side to determine the price. This shift in "control" will also benefit the seller over the long term because accurate valuation allows the clearing price of ads to hug the demand curve according to their value –the most profitable price point for the seller. This is why exchanges exist. **They optimize the price for the seller by giving the price decision to a competitive, demand-side market**.

Display has been commoditized. The lack of transparency keeps prices, yield and value out of equilibrium. As a buyer's agent Adnetik's focus is inventory valuation, not the far easier task of commodity procurement. They aren't trying to get advertisers cheaper ad spends with little ROI. There are other companies with considerably less know-how who can do that if price is the only concern. Adnetik strives to provide clients with efficiency: identifying targeted customers at a fair price.

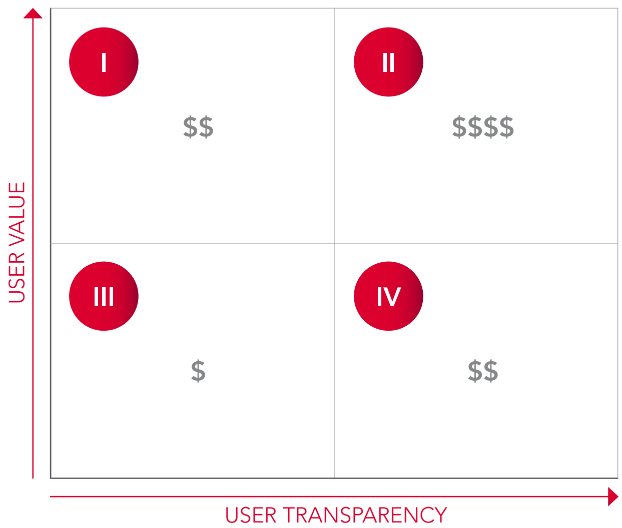
Maximizing yield requires segmenting (or tiering) pricing, ideally impression-by-impression. As ad exchanges allow for more and more of brand and content to receive fair value, pricing for the seller is optimized automatically.

2. Hal Varian, Chief Economist, Google, 1 October 2007 lecture "The Economics of Internet Search," UC Berkeley.

Also, as the ad exchanges gain share of spend they will effortlessly aid yield management and restore price fairness. The ad sellers' current complaint of downward price pressure on the premium market is due to the availability of the same inventory blindly in exchanges. The competition for that type of opaque inventory is not offset by the oversupply, thereby driving down prices.

Traditionally publishers flooding the market place with nontransparent, low value inventory have hurt both the buy- and sell-sides. Reining in this oversupply, and offsetting it by providing sufficient supply of transparent inventory, enables natural, value-driven scarcity. This healthy scarcity is needed to align supply and demand at each inventory value level, and thereby protect the primary channel. Transparency can further optimize the price/value equation in the secondary tiers.

Users that are more transparent are more valuable to ad buyers:



Publisher yield will increase as more intelligent buyers competitively bid for transparent users on Exchange platforms.

The lower prices for some inventory will offset higher prices for other inventory as long as transparency and liquidity exist. Paying higher prices for better inventory and lower prices for less valuable inventory creates an optimal yield curve. This will drive the premium advertisers that are willing to pay fair value to the premium sites and it will relegate the punch-the-monkey ads[3] to the long tail where the inventory is cheap.

A premium publisher should control its yield by operating like a benign cartel, providing transparency and consistency in evaluation, and enough scarcity to prevent oversupply. In order to extract the most value the publisher should present their premium inventory at auction with a floor price that is too high for the unwanted advertisers to appear on their pages but at market price in order to maintain their target advertisers' share of wallet.

3. "Punch-the-monkey" denotes annoying display ad units such as those that flash or sparkle. An example would be a pop-up reading "Play to Win!"

BEYOND PRICING 101

Premium publishers fear transparent remnant inventory cannibalizing direct sales and driving down prices within the primary channel. While that is intuitive, it's short sighted.

In pricing, the greater the variance between the prices of Offering X (primary channel) in relation to a cheaper Offering Y (secondary channel), the stronger you need the measurable and accepted value to be of Offering X.

This difference in value creates a "price fence", which the buyer will be reluctant to jump for Offering Y's lesser value. The current price fence in the display channel is guaranteed placement by direct sales. But direct sales lose their effectiveness when remnant inventory can be purchased so cheaply from networks.

To thwart the incentive to forgo the guaranteed placement for the very cheap blind inventory, publishers have to start narrowing the price gap. They essentially have to start competing on price, since blind inventory accelerates price erosion in the primary channel.

This isn't just theory; it has been the dilemma of the last ten years in display. Direct sales CPMs have been dropping precipitously.

If the secondary inventory, as a result of accurate valuation through transparency, were priced closer to the price of the primary channel, then there would be less incentive to substitute the secondary inventory for the primary simply on cost.

This isn't just theory; it has been the dilemma of the last ten years in display. **Direct sales CPMs** have been dropping precipitously.

Ultimately exchanges reduce, not increase, the incentive to jump the fence. By aligning the prices through transparency, data analytics, and measurable value the decision to go from one to the other will be less about price, and more about reach and the quality of user engagement. In other words, it's less logical to give up guaranteed placement to go from \$12 to \$6 than it is to go from \$12 to .50 cents. Higher CPMs in the secondary channel can protect direct sales prices.[4]

There are a few other mutual benefits to the publishers and advertisers. Since real-time bidding eliminates the daisy chains that create transactional friction, for every dollar of revenue that publishers generate through real-time bidding their profit is higher.

4. This, of course, assumes that there is measurable value in paying higher CPMs through direct sales. If, on the other hand, the inventory is fundamentally the same, then the point becomes moot over time.

As the costs of transactional friction no longer need to be covered, publishers can price their inventory more competitively without losing profit.

Inventory can be priced at high, medium or low points (or anywhere in between) based on the value that it creates for advertisers. When prices hug the demand curve, for every dollar that advertisers spend, their return is higher.

Adnetik helps them value each impression rather than paying an average price for a batch of inventory. As the market becomes more efficient the gains for everyone trend closer to optimal.

The hang-up is that many publishers assume a static economic structure. In fact, the market is dynamic, and economics 101 is no longer sufficient. Unless publishers understand the economic ramifications and strategic implications, they will continue to jump over a dollar to chase a penny.

While it's tempting to try to create and monetize as much inventory as possible (given the unit costs are virtually zero), doing so only undermines direct sales in the long run. The implications of this aren't simply a matter of suboptimal effectiveness of the direct sales channel versus the remnant. The risk is a total meltdown of the market dynamics needed to create a value-driven digital display marketplace.

Ultimately, publishers should control how much inventory they create. The effect of too many ads on pages destroys the value of each impression not only because there is an oversupply of this inventory blindly, but also the effectiveness of each impression, holding all else constant, will be less in a more cluttered ad environment. Inventory creation, distribution, and pricing strategy are all keys.

Pricing strategy cannot be overemphasized here. Thinking about price as a tactic is short sighted, especially in this market. Price is central to strategy and needs to be managed as a strategic lever if publishers are going to do their part in creating a win/win marketplace. Yield needs to be managed simultaneously among all channels.

We have discussed to this point the price deflation effect that opaqueness and a lack of liquidity and measurement have on secondary inventory, which ultimately threatens to devalue direct sales. Adnetik has observed another potentially dangerous effect. In some exchanges secondary prices are increasing rapidly, as much as 50% year over year.

Adnetik has studied the convergence of primary and secondary channel prices over the last three years, and believes that there is a real threat that the two could collide in the not too distant future. If that happens, there won't just be cannibalization; it will be akin to a black hole ripping the two entities apart.

Our observations indicate artificially low prices within the secondary channel are bringing down the prices of the primary channel. At the same time rising prices in some exchanges for the secondary channel are working from the other side to bring prices of the secondary closer to the declining primary levels, accelerating a head on collision.

Fundamentally, we theorize this could be happening because without transparency and accurate valuation, buyers over time create bidding wars that bring prices above the actual value of the inventory. Without delving further into the economic mechanics of it, a continuation of this trend would ensure that no matter who wins the race, **it would be a race to the bottom, with digital display becoming commoditized across the board**.

This is why publishers must start to manage their yield across channel like strategists, and not simply think about quarterly sales numbers.

CREATING THE RIGHT MARKET STRUCTURE: SOLVING FOR PUBLISHER YIELD AND ADVERTISER EFFECTIVENESS SIMULTANEOUSLY

Adnetik is principally interested in helping to create an optimal market structure in which key stakeholders, including Adnetik, win across the board. To that end, **though Adnetik is fundamentally a demand side entity representing advertisers, it is maniacally focused on understanding publisher yield**. Adnetik sees the ideal as both the demand and supply-sides motivated to create and participate in a liquid and transparent market. The game is not to beat down publishers on price. In the long run, that works for neither publishers nor advertisers, since it would eliminate the economic incentives required for publishers to provide more transparency.

While Adnetik is studying and advising on this front, catalyzing a true understanding of the level, quality, and type of user engagement that high quality, transparent inventory creates for brands will require research. In other words, it's not just analyzing lots of data, but also creating the right data and measuring the interrelations among the right parameters. For example, if an advertiser could run a campaign on high quality transparent inventory that costs $5CPM rather than a low quality site with impression costing $.50CPM, then certainly the low quality site will produce a better CPA, as cost is the dominant driver of that metric.

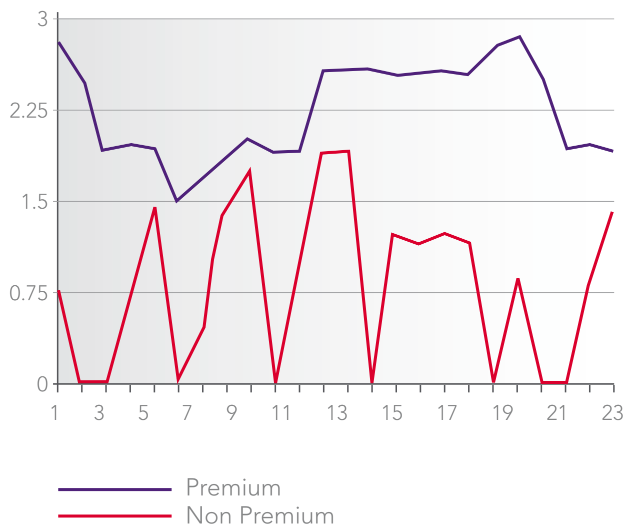
But is CPA the most appropriate measurement of brand engagement? Of course not. Agencies and brand advertisers know this. The issue is that the right metrics don't exist. They need to be created through deeper and further study in the form of dedicated research. In the absence of the right metrics, agencies and advertisers are forced to rely upon cost centric or totally inappropriate metrics, like last view attribution. In short, the demand side incentives are misaligned, and no one has an incentive to create an optimal market.

It has to begin with publishers, but they can't do it alone. User engagement, appropriate measurement criteria, relevance, and significance will have different meanings to different advertisers. That is why ultimately, joint research is needed. Adnetik can work with advertisers and publishers to enable a sophisticated understanding of these dynamics through its capabilities in research, econometric modeling, and technology, as well as its agency roots and endemic understanding of the space.

It's not just analyzing lots of data, but also creating **the right data** and measuring the interrelations among **the right parameters**.

Adnetik's micro-economic analyses have shown that in some exchanges, premium brand inventory is clearing at eCPMs that are 30% higher than the exchange wide rates. But why isn't premium inventory clearing at multiples that are higher? Adnetik believe it's because the buy side fundamentally has not been provided with significant, usable information that justifies paying more.

With that said, it would be naïve to believe that there is a 100 percent chance that all the key parties will act in the way that benefits the entire market. Perhaps publishers will be slow to see the inevitability of the market shift. Adnetik can provide an interim fix for advertisers by buying futures and targeted pockets of inventory on their behalf. Adnetik has developed, and continues to refine sophisticated econometric models to determine the right timing and strike price for inventory purchases to optimize advertiser yield.



NEXUS

Adnetik intends to de-commoditize display. Shining a light on all tiers of inventory will enable fair pricing and optimal reach. Transparency will lead to:

1. **More effective campaigns with appropriate metrics for advertisers.**
2. **Higher eCPM for publishers.**[5]
3. **Less clutter, better content, and user safety.**[6]

Exchanges provide the mechanism for optimal advertiser ROI and publisher yield, but it can be effective only if the publishers, agencies, and advertisers act rationally to achieve that goal. The previous model –governed by CPM without an understanding of value, cannibalization and just general opaqueness– sometimes produced a situation where both the buyer and seller lost. The publisher received less money than the ad was worth, and the advertiser wasted money on impressions delivered to a disinterested customer. Unfortunately, the previous model is still the one that is largely practiced.

From the advertiser's perspective, transparency will allow them to pay optimally for each impression based on its value; and publishers will receive a more optimal yield for the impressions based on their value, rather than receiving a "common denominator" price across the inventory.

Appropriate research and analysis that creates quality data, rather than swimming through useless data, will also allow publishers to manage yield strategically across channels. This will produce a more sustainable and efficient market.

CONCLUSION

The greatest merit of the exchanges is symbiotic value for both sides of the buy leading to improved end-user experience. Adnetik competes against networks whose sole purpose seemingly is arbitrage. **Adnetik has a more strategic, longer-term vision**. Unscrupulous tactics like targeting publishers' users to other sites just to make a buck, without compensating the publishers, are out of the question.

Adnetik built their company to help clients create sustainable, long-term competitive advantages through enhanced technology and analytics that build on their proprietary data.

5. The improvements are noteworthy. Some publishers are seeing more than 500% eCPM uplift. OpenX Whitepaper, Ad Networks vs. Ad Exchanges: How They Stack Up, p. 10.

6. Selling impressions on an individual basis but anonymously, Adnetik neither releases nor even gathers personally identifiable information. Given the speed of RTB there is no derogatory effect on browsing and, as discussed, the experience is actually enhanced by fewer but more contextual ads.

RESOURCES AND SUGGESTED READING

The Big Budget Buster (John Nardone. OMMA, July 2010)

Ad Exchanges, Targeting & Optimization (Gridley & Company, June 2010)

The Opportunity in Non-Premium Display Advertising (Think Media, 4 May 2009)

Real-Time Bidding Heralds Growth in Cloud Advertising (Gartner, 29 March 2010)

CASE STUDY: GROCER

Background: A top five national grocery company with 19 divisions and excess of $10 billion in annual revenue committed to a major shift in their advertising mix by moving away from print to digital channels. In the area of display, Adnetik was selected as the sole strategic partner.

Challenge: The grocer faces tight advertising budgets due to a low margin, high volume business model. This means they needed to target household decision makers via the most efficient and measurable channels.

Objective: To increase the number of online coupon downloads through online display advertising and incentivize shoppers with advance notice of deals.

Execution and Strategy: The grocer was seeking to implement two campaigns in at least 20-40 major markets. The time window varied between 1-2 weeks, and the target was female mothers, ages 18-55, and males, ages 21-65.

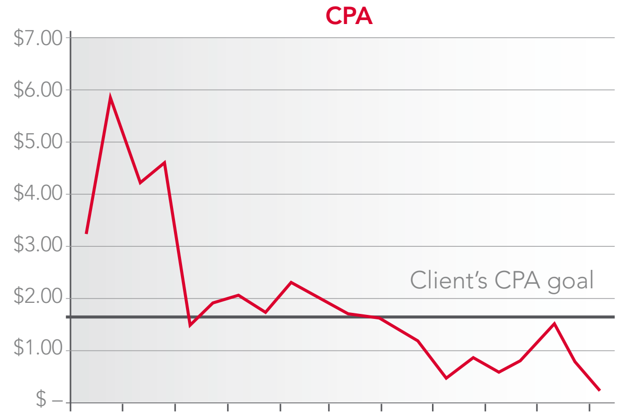
The campaign consisted of three IAB standard, Flash creative elements, provided by the grocer. The ads were trafficked by the advertiser using DFA and tagged by Adnetik.

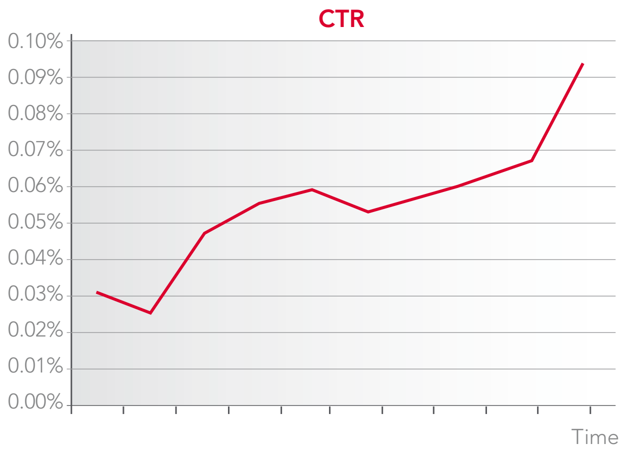
Implementation:

- White list – previously identified list of contextually relevant sites/urls.
- Black list – sites the grocer does not want to appear on.
- Brand safety – Adnetik's AIM Quality Scoring (Audience Investment Management) incorporated to ensure the ads appeared only on sites that positively support the brand.
- Contextual targeting – Adnetik's proprietary model identified the appropriate URL's from its database of 200 million URL's.

- Geo targeting – targeting the grocers markets down to the city and zip-code level.
- Re targeting – by placing a pixel on the grocer's pages, Adnetik was able to re target users who visited the page but did not download the coupon.
- Optimization – early in the campaign, Adnetik implemented the optimization system to target only users who were most likely to click.
- Search re targeting – the grocer identified SEM words to re target searchers.

Results:





- Adnetik provided customized campaign management services. This freed up the agency team, which had little knowledge of biddable display, to focus on other areas of the campaign.
- After just one day of learning, click-thru rate showed steady improvement as a result of performance optimization.
- Adnetik outperformed the client's CPA goals and produced a higher than expected click-thru rate.
- The grocer has since committed to running several more campaigns as a result of the success seen here.

CONTACT DETAILS

We encourage you to contact us directly to discuss, in more details, any concerns you may have regarding this Havas Digital Insight issue. **We will be happy to assist you.**

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