
The State of Ad Networks

Jordan Rohan
Clearmeadow Partners

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Ad Networks

The Hype, the Myths, and the Opportunity



Massive VC Funding Led to the Hype and Proliferation of Ad Networks

- April 12, 2009 Online ad network [Collective Media](#) has secured \$20 million in Series B funding led by [Accel Partners](#) and [iNovia Capital](#). Collective Media offers publishers an ad network management platform to create their own branded, vertical ad networks. The company raised an undisclosed amount in Series A funding, led by [Greycroft Partners](#) and iNovia Capital, in October 2007.
- March 11, 2009 Mobile game advertising network Greystripe secured \$5.5 million in Series C funding led by [Incubic Venture Capital](#), [Steamboat Ventures](#) and [Monitor Ventures](#). The company previously received a total of \$10.1 million in Series A and B funding, with the same investors participating.
- October 16, 2007 Another day, another big funding announcement from an online video advertising network. Today's news comes from [YuMe](#), which has raised \$9 million from Khosla Ventures, Accel Partners, and BV Capital.

Reach: Not a Clear Differentiator Anymore

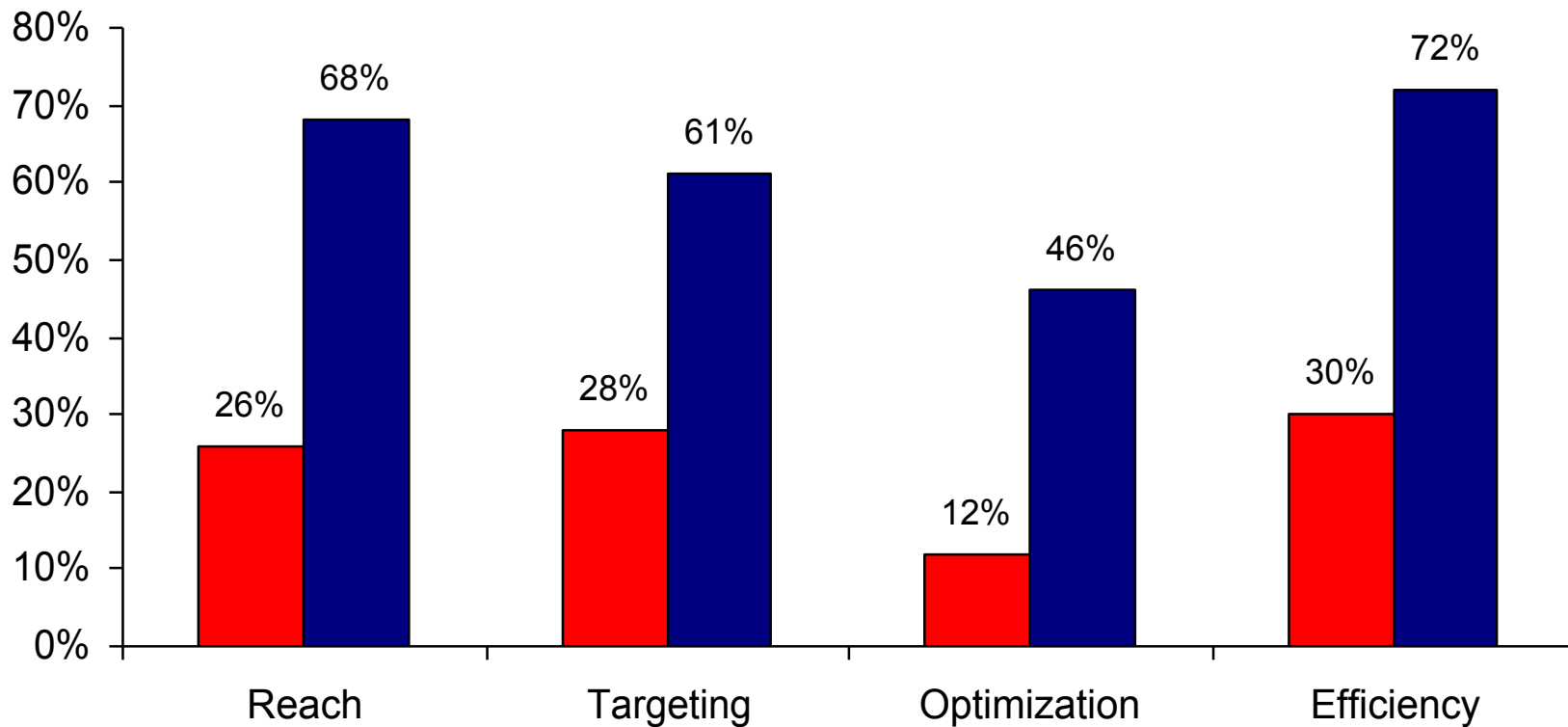
	Apr-08	Apr-09	Growth	Penetration
Total Internet : Total Audience	190,728	192,875	1.1%	
1 Platform-A	170,508	176,455	3.5%	91.5%
2 Yahoo! Network	160,206	167,129	4.3%	86.7%
3 Google Ad Network	155,882	164,518	5.5%	85.3%
4 ValueClick Networks	140,930	160,307	13.7%	83.1%
5 Specific Media	144,773	158,012	9.1%	81.9%
6 FOX Audience Network	N/A	149,249	N/A	77.4%
7 24/7 Real Media	99,959	147,668	47.7%	76.6%
8 Traffic Marketplace	114,682	143,519	25.1%	74.4%
9 Microsoft Media Network US	119,595	139,674	16.8%	72.4%
10 Tribal Fusion	135,113	138,274	2.3%	71.7%
11 Casale Media - MediaNet	127,184	137,884	8.4%	71.5%
12 interCLICK	107,961	134,834	24.9%	69.9%
13 Turn, Inc	60,617	134,028	121.1%	69.5%
14 Adconion Media Group	117,965	133,498	13.2%	69.2%
15 CPX Interactive	69,178	130,370	88.5%	67.6%
16 Collective Network	88,279	129,808	47.0%	67.3%
17 ADSDAQ by ContextWeb	93,815	123,534	31.7%	64.0%
18 AudienceScience	N/A	121,001	N/A	62.7%
19 Burst Media	89,670	116,727	30.2%	60.5%
20 Undertone Networks	72,940	97,053	33.1%	50.3%

Source: Comscore Media Metrix. Total Unique Visitors (000)



Efficiency, Reach, Targeting top reasons for use

What is the primary reason you use ad networks?



■ 2008 ■ 2009

Source: Collectivemedia Ad Network Study



Efficiency? Spreads are wide

First Quarter 2009

	<u>interClick</u>	<u>Burst</u>	<u>ValueClick</u>
Revenues	\$8.4	\$5.0	\$29.0
Gross Profit	\$4.0	\$2.4	\$13.1
<i>Gross Margin</i>	47.3%	47.6%	45.0%
April Monthly Uniques	134.0	116.7	160.3
Revenues per Unique	\$0.06	\$0.04	\$0.18

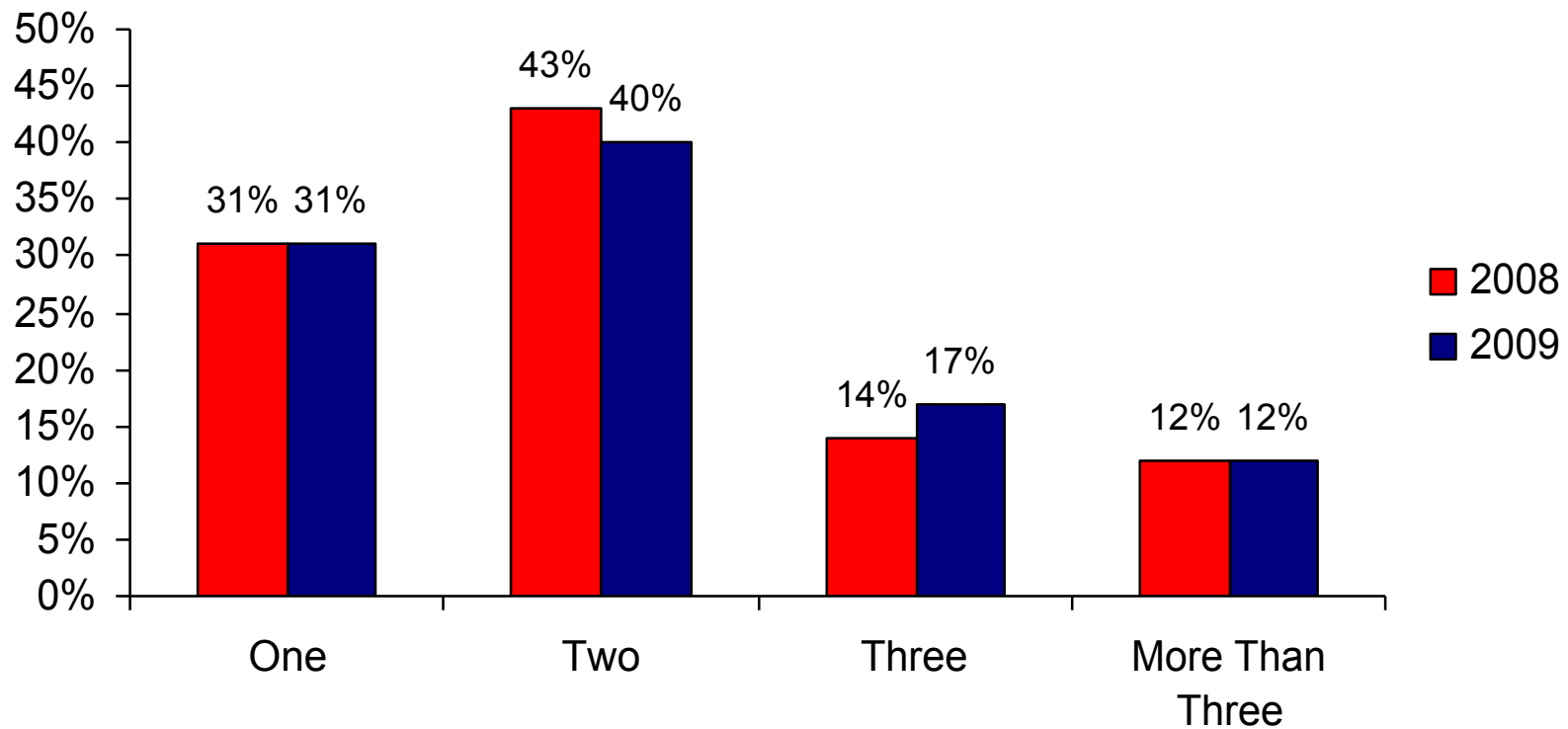
Source: Comscore, Company Reports, Clearmeadow estimates



Intermediaries receive ~\$0.45 of every network ad dollar
Revenues per Unique is very low for publishers

And 70% of Agencies and Advertisers use one or two ad networks on a media plan

How many ad networks do you currently work with on an average media plan?



Source: Collectivemedia Ad Network Study



Top 5 Ad Network Myths

- **#1: Reach is a True Differentiator**
 - Collective media 2009 study: Reach is key factor in using an ad network
- **#2: “Blind” networks are really blind**
 - What do you think the ad network salespeople tell you about the network?
- **#3: “Transparent” networks are really transparent**
 - Unless an advertiser is sorting through terabytes of data, the transparency of ad networks is hidden within aggregate results
 - If a network reported the origin of each click, why would the advertiser pay 40% to the ad network?
- **#4: Most proprietary ad net technologies will work for you**
 - Trial and error is the only way to know
 - Results vary over time based on mix of placement, timing, competition
- **#5: Ad networks are truly efficient**
 - With commissions of 40%-60%, how efficient could they be?

Top 5 Ad Network Truths

- **#1: Better Data + Sophisticated Insight = Results**
 - Insight comes from people and technology
- **#2: No compelling reason to use dozens of ad networks**
 - Diversification/Reach achieved with 2-3 ad nets
 - If you use more, you are doing it for other reasons
- **#3: Measuring impact of ad network buys on branding is still very difficult, if not impossible**
 - Attribution studies are imprecise
 - Brand investment has cumulative impact over months/ yrs
- **#4: Scale matters**
 - Scale within vertical, within geography, or within format matters even more
- **#5: Ad networks rise and fall with key hires and defections**
 - Consolidation will be slow – and triggered by valuation disconnect between private and public markets

Implications for Ad Networks

- **Recommendations:**

- Get Big

- Scale should not be ignored because it means access to bigger budgets

- Get Niche

- Targeting continues to interest advertisers

- Get Data

- Analytics to support the value of your value-added services

- Strengthen Sales

- Don't underestimate sales and service

