



# How Private Exchanges Benefit Video Publishers

TubeMogul enables industry leading video publishers  
to reap the benefits of real-time selling for premium  
and remnant inventory



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# Executive Summary: Private Exchanges Empower Video Publishers

Private exchanges are the next evolution in buying and selling digital media – bringing the benefits of programmatic media buying together with the safety of direct advertiser to publisher relationships.

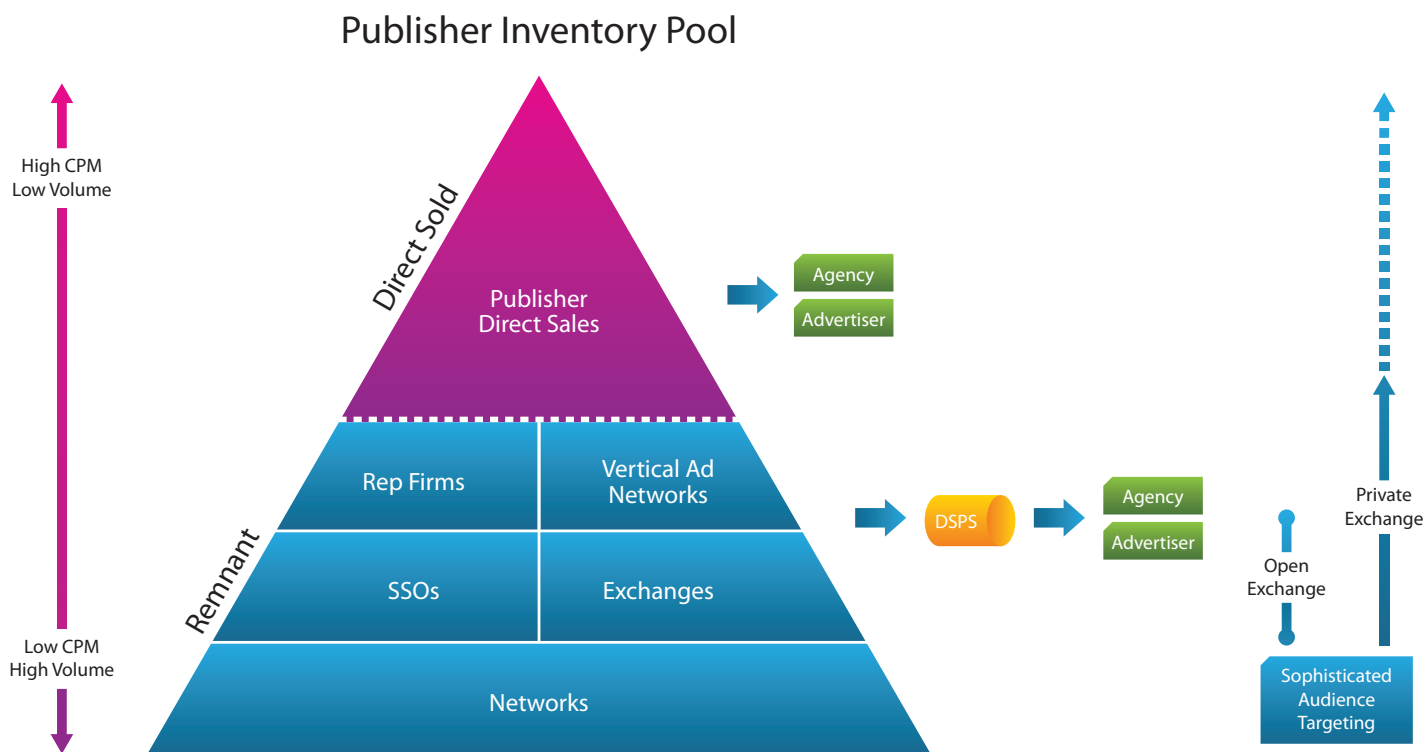
While open exchanges simply offer a venue for all media buyers and sellers to transact, private exchanges are controlled by a publisher or group of publishers to expose their inventory in real-time using their chosen set of exchanges, ad servers, buying platforms and buyers. Using a private exchange, the publisher has full control over the transactions that are executed – the buyers, price levels, data use and inventory availability are all specifically chosen by the publisher to satisfy their business goals. This level of control is especially important for premium brands and premium inventory, including video, whether the goal is to monetize remnant inventory or realize the full value of scarce inventory. The most flexible private exchange technologies enable the publisher to utilize a variety of buying and selling technologies in their customized exchange.

# Marketplace Summary

Since the advent of online media selling and buying, publishers have searched for ways to maximize yield and revenue through proper utilization of inventory, sales channels and technical innovation. Similarly, advertisers and agencies have sought tools for discovering and acquiring meaningful exposures to their target audiences.

Not all impressions are created equal and as a result, no single solution is appropriate for every impression. Today, a publisher must navigate a crowded and complex marketplace of offerings to design the optimal configuration for their specific sales needs. While the most premium inventory is typically sold directly by the publisher, the unsold inventory is made available to advertisers via rep firms, ad networks and sell-side optimizers.

In 2011, approximately 55% of all available video ad inventory was sold directly from publishers to advertisers<sup>1</sup>.



1. Source: comScore, U.S. Online Video Ad Rankings, February 2011

## | Marketplace Evolution |

Most publishers sell some portion of their inventory through their direct sales team and have some amount which remains and perishes on a daily basis. This opportunity gave rise to ad networks, services to manage those (Sell Side Platforms or “SSPs”) and ultimately advances in media targeting and buying automation for buyers (Demand Side Platforms, or “DSPs”) to supplement publisher direct sales in clearing the unsold inventory.

Ad exchanges began enabling sellers to work with both advertiser and network buyers using an auction platform, promising to raise CPMs through the economic principles of supply, demand and competition.

As technology advances through this evolution, buyers hope to gain access to more premium inventory – typically sold through the publisher’s direct sales team – and apply sophisticated tools to make an impact with their target audience. This will require that publishers have the proper control to serve their business objectives. Industry leading technology firms believe that the proper marriage of direct publisher sales plus buying technology with built-in controls is the private exchange.

## | What is a Private Exchange? |

Private exchanges allow a specific publisher or group of publishers to offer inventory directly to a buyer or group of buyers in a format to transact in real-time. Different from open exchanges, they enable publishers to create exclusive pools of ad inventory that are connected to a buying interface (DSP) where selected advertisers can purchase the inventory. Some private exchanges allow the publisher to use ad servers, exchanges or ad management platforms in tandem with the private exchange.

Private exchanges offer publishers extensive control over pricing, data usage and inventory availability – all of which can be pre-determined and negotiated directly with the buyer and/or advertiser. By making their inventory available within a private exchange, publishers reap the benefits of real-time buying and selling (RTB), but maintain control over their ad inventory.

Private exchanges can be used to allow premium inventory to be eligible for audience based buys and monetize unsold inventory more effectively than ad networks or other 3rd-party selling channels. By exposing the inventory to a marketplace consisting of publishers’ chosen advertisers, publishers can increase their yield as the inventory becomes more valuable to buyers who apply audience-data to individual impressions and buy them in real-time. Even in this scenario, publishers can set specific prices or price floors to ensure they maintain control over pricing and other variables to accomplish their business goals.

# | The Need for Private Exchanges |

While publishers have worked over time to embrace the concept of programmatic selling, many publishers continue to have valid concerns about putting their inventory into an open marketplace with minimal control over who buys it and what price is paid for it. They want to utilize technology advancements while protecting against channel conflict and the degradation of inventory value and price. The best brands with the most desirable inventory also need to ensure that the integrity of their brand is not compromised and as a result often choose not to offer their inventory to automated buyers or on open exchanges.

To date, the marketplace has learned much about how to utilize programmatic buying and selling to enhance inventory value through the application of data, audience targeting and inventory aggregation. Private exchanges bring those benefits to publishers, incorporating options for technology partners, without circumventing the control of the direct sales relationship, enabling further protection of the brand and direct sales force efforts.

56% of publishers have no experience with RTB <sup>2</sup>

# | Why Buyers Are Asking for RTB |

Advertisers are already buying from major publishers via a direct sales force or an ad network. Many advertisers would like to move to an automated buying platform to capture the benefits of RTB, while continuing to know exactly which publishers are running their ads.

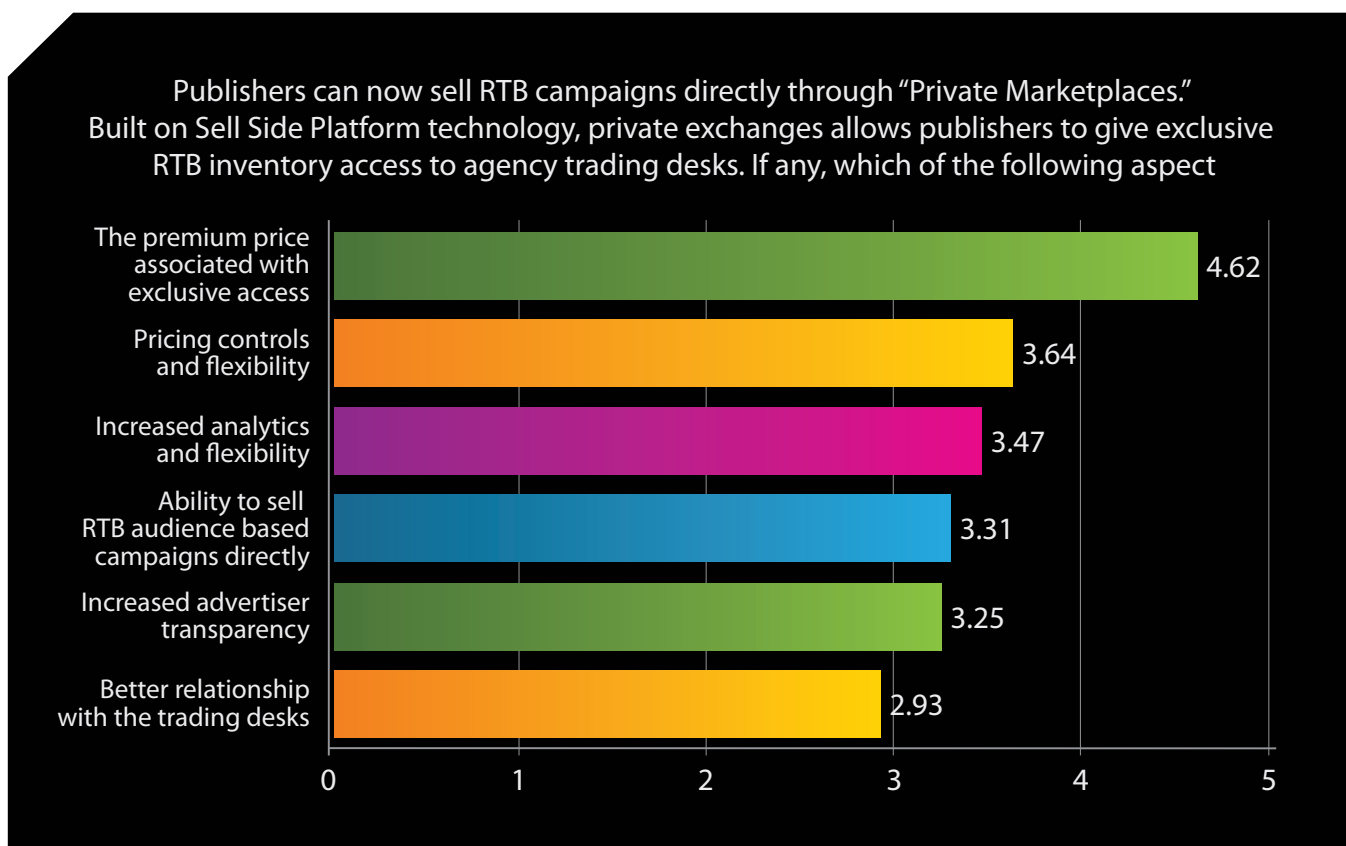
- **Audience targeting** – Advertisers often use data from their own sources or 3rd-party data to target the exact audience they want to reach. When they use a DSP to buy from a private exchange, they can easily integrate this data into their buying strategy.
- **Global frequency caps** – When advertisers use a single buying interface that is plugged into multiple inventory sources – including private exchanges – they are able to set campaign-wide frequency caps. This gives them better management of their entire campaign.
- **Centralized analytics** – Advertisers who use one interface to execute a campaign buy across multiple inventory sources in real-time can access centralized analytics that show them their unique viewers and de-duplicated audience across their buy.
- **Guaranteed delivery** – Advertisers often want to negotiate delivery guarantees with major publishers. Using a private exchange, the advertiser and publisher can arrange to ensure the advertisers sees the “first look” for a guaranteed number of impressions.

2. Source: “State of the Industry in Digital Advertising” Digiday/DataXu, December 2010

# | Publishers' Views on Private Exchanges |

Publishers using real-time bidding functionality look forward to the availability of private exchanges in order to facilitate increased pricing and more control over buying terms. Publishers who are not using real-time bidding are hoping to be able to take advantage of sophisticated audience targeting and other technology arrangements while maintaining exclusive access and full control over buying partners and deal terms.

In a recent poll conducted by PubMatic and Digiday, publishers who were already using real-time bidding technology were asked what benefits of a private exchange would appeal to them most. The expected pricing lift, the controls and flexibility, and increased analytics and reporting were ranked as the top three benefits.<sup>3</sup>



3. Source: DIGIDAY/PubMatic Digital Publishing Summit State of the Industry Survey, March 2011

# Why is a Private Exchange the Answer?

Private exchanges enable the best of both techniques – the sophisticated targeting and analytics of programmatic buying and the safety and control of a direct sale. To date, major publishers have established private exchanges for display ads, and many premium publishers are gearing up to roll out private exchanges in 2H 2011. The acceleration in adoption of private exchanges is driven by three key developments:

## Huge Demand for Premium Video Inventory

Contextual relevancy matters and the best brand advertisers care about where their ads are placed in addition to the audience that is reached. Open exchanges optimize for Direct Response priorities like audience targeting and performance, but can't ensure safe placement on quality inventory with a reputable brand. Private exchanges offer confidence in the quality of a site and increase the value of a buy. As more ad budget is allocated to video, brand safety becomes increasingly important and desired.

73% of agencies and brands will run video campaigns in 2011<sup>4</sup>.

## Audience Buying Drives Results for Advertisers

Contextual placement and audience targeting used together are the best of both worlds, delivering the best messages to the right user at an optimal time. Publishers who have previously opted out of open exchanges can now take advantage of the sophisticated audience targeting used in the marketplace without risk of degrading their brand or inventory value.

Metrics	Uplift
Overall Performance <sup>5</sup>	749%
ROI <sup>5</sup>	101%
CTR <sup>6</sup>	134%
Conversion Rates <sup>6</sup>	150%
Cost-per-action <sup>6</sup>	145%

RTB supported campaigns out-perform non-RTB campaigns<sup>5</sup>.

## Trading Desks Growing More Dominant

Agency Trading Desks (ATDs) are teams at the agency holding companies that are responsible for centralized, automated media buying on behalf of clients of the media buying agencies within each conglomerate. With significant, recognized success in DR campaigns, they are now working to expand their management of brand campaigns using video.

The total spend by trading desks in 2011 is expected to exceed \$1.4 billion<sup>7</sup>.

4. Source: "State of the Industry in Digital Advertising" Digiday/DataXu, December 2010.

5. Source: <http://www.pubmatic.com/press-release-10-07-2010>

6. Source: <http://www.nma.co.uk/features/real-time-bidding/3015579.article>

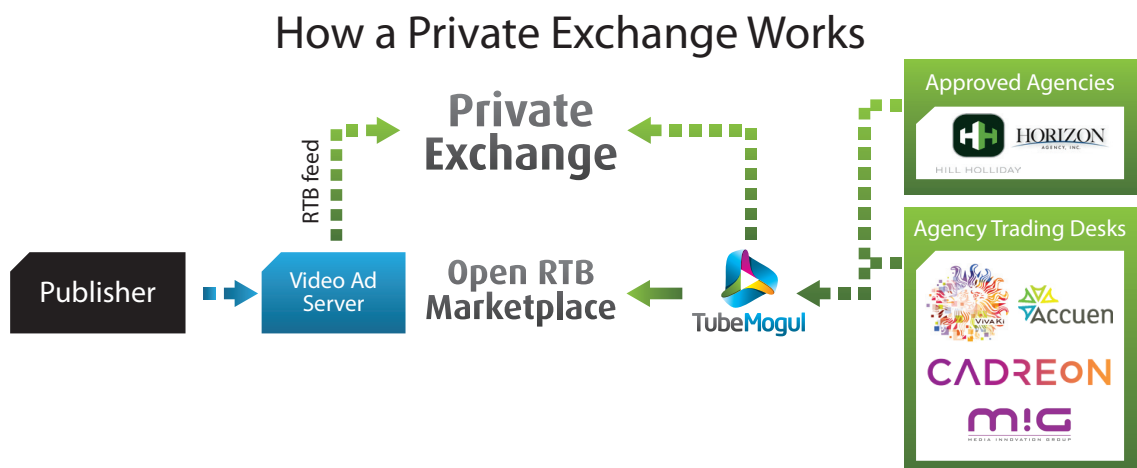
7. Source: Forrester, February 2011.

# How Does a TubeMogul Private Exchange Work?

Private exchanges can be set up to work in any number of ways, but usually work as follows:

- The publisher chooses which inventory to expose on the private exchange
- When an appropriate impression is available, an ad call is made by the publisher’s ad server to TubeMogul
- TubeMogul’s system works within the publisher-defined settings to deliver an ad from eligible advertisers connected to TubeMogul’s DSP
- Publishers can use ad management tools, ad servers and other exchanges in tandem with the private exchange

This gives publishers a level of control that enables them to extract premium pricing from advertisers for such things as exclusive access, audience targeting, inventory bundles and “first look” impressions. After the initial set-up costs, private exchanges can lower ongoing costs by streamlining the workflow involved with selling ad inventory.



## The Publisher is in Control

A private exchange gives publishers complete control over their inventory and the tools to execute their desired monetization strategy. They can incorporate technology partners, set rules for pricing, buyers, inventory and data that satisfy their business goals. Each of these rules can be customized for individual buyers or advertisers and for specific sets of ad inventory.

## Flexible Sales Models

Publishers can set up their private exchange in two primary ways for different advertisers:

1. **“First Look” Impression** – Guaranteed direct buy with pre-established pricing. In this model, the advertiser pays a premium to bid on the first ad call to buy their preferred audience. Publishers can sell inventory this way for higher CPMs in upfronts.
2. **Unsold Premium Fill** – Set a CPM floor and let advertisers bid up from there. This increases fill and can open up the possibility of higher CPMs than selling direct due to the scarcity of premium in-stream inventory.

## Price Controls

Many publishers are reluctant to put their inventory on open ad exchanges because they believe they can realize higher CPMs selling their inventory via their sales force or an ad network. However, with private exchanges, publishers can set price controls to ensure they maximize their CPMs. There are many different ways publishers could configure price controls, including:

- Fixed price for a specific set of impressions
- Biddable, but with a CPM floor
- Biddable with no constraints
- Specific buyer or individual campaign

## Buyer Controls

Publishers have complete control over who can buy their inventory via a private exchange. They can limit which buying groups (Agencies, Trading Desks, DSPs, etc.) can access their inventory and place limits on which advertisers can buy their inventory using these buying groups. This level of control is critical for premium publishers who only want to run ads from high quality brands.

## Inventory Controls

Private exchanges enable publishers to have pinpoint control over which inventory they make available for buying. Publishers can manage which channels, sites or groups of sites across their portfolios can be bought by all advertisers or by specific advertisers. Publishers can also bundle different inventory segments into custom groupings for advertisers to buy.

## Data Controls

TubeMogul allows the publisher to limit buyer access to user information, keeping publisher data private and protected within the system.

## Data Transparency

Private exchanges can be built using the OpenRTB protocol to provide publishers with full transparency into buyer actions. This allows publishers to see the buyers on their exchange, the prices of each bid (both winning and losing bids), the bidding volume and much more.

## Advertising Creative and Line Item Controls

Some exchanges allow publishers to review and approve or reject creative that is eligible to run on their site. Others allow a publisher to view the buys or line items. In a private exchange, a publisher can require a buyer to submit creative attributed to each line item before any buys are allowed to go live on the site.

# | What Are the Benefits of Private Exchanges? |

## **Protect Direct Sales Efforts**

Direct sales relationships continue to drive publishers' businesses. While science and technology can be leveraged to drive improvements in efficiency and effectiveness, the decisions about how to conduct business and with which partners still belongs to the publisher. Private exchanges allow publishers to benefit from the advantages the technology brings without relinquishing control of key business and relationship decisions, protecting not only the direct revenue stream and the inventory behind it, but the relationships so critical to the business.

## **Premium Pricing for Exclusive Access**

On a private exchange, the publisher controls which advertisers can purchase the available inventory, and as a result, private exchanges increase average CPMs for large, premium publishers. The publisher can leverage this limited access to extract premium pricing from advertisers that want to ensure they are the only company from their industry running ads on the sites within the private exchange.

## **Enhanced Inventory Value Using Audience Data**

When publishers use a private exchange, they can leverage their audience data in new ways to increase their CPMs. Publishers can identify, package and sell customized audience segments for specific advertisers, who will be willing to pay higher CPMs for these impressions because they know the value of the audience. Publishers can also allow advertisers to use their own data or 3rd-party data to identify higher value CPMs across the private exchange.

## **Increased Average Prices with Inventory Bundling**

Publishers can bundle groups of inventory together on an exchange, so that access to certain premium inventory also requires advertisers to buy portions of other less premium inventory. By doing so, publishers can increase their average CPMs.

## **Increased Fill Rate by Controlling Supply and Demand**

When publishers establish a private exchange they open up their inventory to new buyers who are RTB-enabled. These new buyers will usually include agency trading desks and demand side platforms who only buy RTB inventory. Since it is a private exchange, the publisher can choose exactly which buyers they want connected to their exchange.

By enabling more RTB buyers to access their inventory, publishers will increase the fill rate for their remnant inventory. In addition, by setting the right rules, publishers can enable trading desk buyers without compromising their direct sales efforts.

## **Lower Costs with Streamlined Workflow**

All publishers know the high costs of manual sales processes. The time and effort required to process RFPs, IOs and other interactions between the advertiser, publisher and the numerous entities involved in a media buy are a drag on publishers' cash flow. Private exchanges alleviate much of this overhead.

Private exchanges require an initial effort to set up, but once in place, dramatically lower the costs of executing media buys. The publisher sets the rules that govern how buyers can operate on the exchange and then buyers are free to execute campaigns. The technology and financial integrations are all pre-set, so buyers and the publisher can move seamlessly from one campaign to the next with minimal friction.

# How to Drive Success in a Private Exchange

## Determine Objectives

Many publishers have a general understanding of what they want to avoid, but having a clear understanding of what they're hoping to gain by deploying a private exchange is key to its success. Specific metrics which can be measured against benchmarks help a publisher determine if their efforts were successful and which components to adjust to optimize results.

## Choose Desirable Demand Partners

Using publisher direct relationships, determine which buyers have demand for the inventory and are willing to transact on a private exchange in a manner that suits the publisher's objectives. Some technology partners will be willing and able to bring demand partners forward as well.

## Choose a Suitable Private Exchange Technology Partner

Many advertising technology vendors will offer private exchanges to any publisher who wants to use them. Some vendors optimize on behalf of buyers, by forcing single selling models and effectively emulating open marketplace RTB behavior that simply eliminates the buyer commitments to the sellers. Some vendors offer technology only, with no visibility into the best way to configure and manage a private exchange for a specific publisher. A select set of vendors understand the unique needs of publishers and offer a feature set with the proper amount of consultation and support to help a publisher meet their goals.

# TubeMogul's Perspective

## Bring Balance to the Marketplace

Our goal is to foster an environment that ensures proper handling of premium inventory, enabling publishers to benefit from the innovation that has historically served only buyers and propel the marketplace toward achieving an optimal advertising outcome.

The digital advertising industry innovates rapidly as it strives to achieve success in matching an effective marketing message with an engaging user experience. The notable inequity of supply and demand tools keeps the marketplace unbalanced and unable to achieve these common goals. While the excess of low value inventory has driven significant innovation, it also repels premium inventory participation, severely limiting the opportunity to leverage technology to drive superior results.

We're committed to bringing advanced techniques for audience targeting and media buying and selling to the marketplace in a way that improves the experience for consumers, sellers and buyers. Our deep expertise in handling premium video inventory, brand analytics and proprietary insights are a starting point in driving balance and control for the marketplace.