

DoubleClick Ad Exchange's Impact on Publisher Revenue

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Introduction

In mid-2010, we published the results of a research study quantifying the impact of DoubleClick Ad Exchange on publishers' effective CPMs (eCPM) for their unsold (or "pre-emptible") ad space. Our analysis determined that the combined effects of auction pressure and Google's proprietary Dynamic Allocation technology resulted in CPM lift of 136% compared with fixed, upfront, pre-negotiated sales of non-guaranteed inventory.

This initial study was conducted using the first-generation version of DoubleClick Ad Exchange, and we wished to conduct further analysis to assess the incremental revenue impact (as opposed to eCPM lift) of our second-generation yield management and optimization technology.

Research Methodology

To gain a better understanding of how much more money publishers could expect to earn by selling pre-emptible inventory in the Ad Exchange, Google's engineering team made several ad server enhancements to log more-detailed data about the conditions under which Ad Exchange clears impressions. Since mid-2010, we have been recording the counterfactual – the price at which individual impressions would have sold had the Exchange not won the auction – enabling researchers to measure revenue lift more accurately.

To calculate incremental revenue, researchers looked at the Ad Exchange clearing price across both branded and anonymous inventory when it won the auction, for all transactions during a five-week period in early Q4, 2010, and multiplied it by the publisher revenue share. We summed this total and compared it with the reserve, or fixed, price for all instances where the auction did not win.

Thus equipped, Google's research team was able to quantify the impact of DoubleClick Ad Exchange on publisher revenue by comparing the Ad Exchange winning price with the publisher's pre-booked price (the third-party CPM threshold, including those instances when the publisher had booked a zero-value minimum).

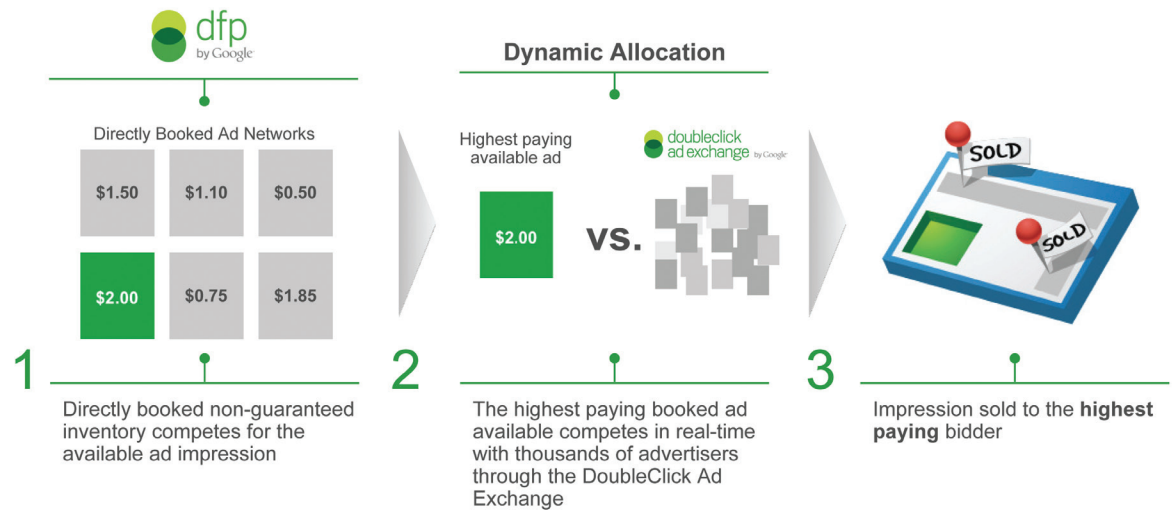
Results

The results of our research showed that when DoubleClick Ad Exchange wins the auction, publishers generate **188% more revenue**, on average, net of revenue sharing and ad serving fees, compared with fixed upfront sales of non-guaranteed display advertising. These results are aggregate across all publishers participating in the Ad Exchange. We included both branded and anonymous inventory in the study, and noted similar results (**197% lift for branded vs. 167% for anonymous**).

The Ad Exchange fill rate (percentage of offered impressions resulting in a matched transaction, including those with minimum CPMs or restrictions) **increased significantly since the first version of the study, to over 33%**. Across all pre-emptible inventory, including those instances when the Ad Exchange did not win the auction, the **revenue lift for publishers averaged 12.5%**.

To further inform publishers' yield management strategies, we are conducting customized analyses to determine precise revenue and CPM uplift. We encourage DoubleClick clients to contact their account managers for further details. Additionally, the Product and Engineering teams are developing a dashboard that includes real-time revenue lift numbers within the product's user interface (UI).

AdX Version



Conclusion and Takeaways

Publishers today are benefiting materially from upward pricing pressure from increased spending through agency trading desks, AdWords buyers and new third-party technology providers using innovative real-time bidding and targeting technologies to meet advertiser goals. Another key anecdotal learning from conversations with individual publishers is that the Ad Exchange also creates meaningful systemic efficiencies, as ad operations, yield management, revenue and other employees spend far less time manually managing and optimizing yield across multiple ad networks and sources of demand for indirectly sold ad space.

To further spur and streamline buying activity, the Ad Exchange recently launched several enhancements to add additional flexibility to the platform. Publishers can benefit from new "private ad slot" functionality to create a customized auction environment for one or more ad unit. This could allow a publisher to allow only trusted advertiser partners into certain ad space, and assign variable pricing floors depending on the buyer.

Additionally, we recently rolled out new tools that allow publishers to gain more control over the ads that appear on their sites. Publishers can now access an Ad Review Chrome Extension to see the source of any ad for easy blocking. Publishers can also block ads based on over 150+ general categories. Using Google's contextual technology, publishers can, for example, block ads that are related to online dating. The new features are designed to help publishers continue to generate additional revenue from their unsold ad space while protecting their brands and maintaining the strictest controls.