Digital Evolution of Advertising Transactions: Concentration or Dispersion?

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Ongoing research project

• This research project concerns the new digital advertising market, and especially the evolution of transactions between advertisers and publishers (websites)

• Hands-on observation of the market (participant)

• Creation of a data base on Internet advertising tools and trades (expertise, know-how)
  – 1031 advertising companies
  – 91 trades
  – Countries, acquisitions (M&A), launch dates, etc.
Display advertising

• 2 kinds of advertising on the Web
  – **Search**: adwords / adsense with Google mostly
  – **Display**: banners on a webpage (including rich media or video) either on a computer or on a smartphone, iPad (mobile web)
 Dispersion, division of labor

• There used to be only a few trades in planning and buying (EDI), there are now 10 times more trades, 100 times more companies
• Everything was national, now it is international
• Geographic division of labor: the current « ecosystem » is structured
  – Research and strategic decisions in the US (companies located close to major universities)
  – Sales and marketing in the rest of the world
  – One exception: China
## Advertising agency side

<table>
<thead>
<tr>
<th>Manual</th>
<th>All media</th>
<th>Automated</th>
<th>Digital media</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publisher (media)</td>
<td></td>
<td>Digital transaction</td>
<td></td>
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</tbody>
</table>

- **Strategy**
- **Creative**
- **Media planning**
- **Media buying**
- **Optimization**

- **Monitoring**

- **Strategy**
  - Search vs display
- **Creative optimization**
- **Adexchange: auction, Real Time Bidding (RTB)**
- **Targeting (behavioral targeting, retargeting)**
- **Adserving**
- **Data buying (cookies, IP addresses, tags, words, demos)**
- **Optimization**

- **Monitoring**
# Publisher (media) side

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<td>Digital transaction</td>
<td></td>
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</tbody>
</table>

- Sales rep
- Insertion
- Measurement (paid)

- Ad networks (video, mobile, etc.), content farms: inventory aggregators
- Yield optimizers (Sell side Platforms)
- Insertion
- Analytics included (automated, free)

Buying through technology, rather than people – using data, metrics and analysis
Transaction costs in advertising

• Data-driven world of digital advertising
  – Costs are falling
  – Global, economies of scale > Consolidation
  – Very innovative market > Dispersion (start-ups)

• A world of engineers, algorithms
  – It used to be a “Mad Men” world (creatives, craftsmen)
  – Now, the status hierarchy at Google described by an insider: “First come the engineers, then the lawyers, then the chefs” and, very far down, sales people
The U.S. as a huge incubator

- Hundreds of start-ups
- «Google, the ogre»: Google and other big groups cherry-pick what they need (R&D) and buy
- Google, Facebook, Yahoo!, Microsoft, Apple: the new universities (they train people)
- “Please remind me when was the last time Google actually developed something cool by itself and not by acquiring another company?”
Tools of the Trade

Advertisers

Media Buying Platforms

Demand Side Platforms (DSP) 33

Ad Exchanges 33

Ad Networks 319

Adservers 102

Creative Optimization
Analytics 132
Data optimization
Ad Verification / Attribution / Brand Safety
Data aggregation
Data supply

Vertical networks
Video 140
Audience networks
Performance
Mobile 218
Social media 121

Yield Optimization
Publishers tools

Publishers
1031 Companies: Launch History
California + NY... and the Rest of the World

The Californian biotope

« The people in L.A. they’ve learned to speak this ad language », Addante, Rubicon, 2011

- 276 ad companies in California
- 144 in New York

- USA
- Canada
- France
- UK
- Germany
- China
### 1031 Companies: Geographical Breakdown

<table>
<thead>
<tr>
<th>Region</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>660</td>
</tr>
<tr>
<td>Germany</td>
<td>64</td>
</tr>
<tr>
<td>UK</td>
<td>59</td>
</tr>
<tr>
<td>France</td>
<td>47</td>
</tr>
<tr>
<td>Canada</td>
<td>44</td>
</tr>
<tr>
<td>China</td>
<td>17</td>
</tr>
<tr>
<td>Israel</td>
<td>15</td>
</tr>
<tr>
<td>Netherlands</td>
<td>14</td>
</tr>
<tr>
<td>India</td>
<td>13</td>
</tr>
<tr>
<td>Spain</td>
<td>9</td>
</tr>
<tr>
<td>USA, Canada, Israel</td>
<td>719</td>
</tr>
<tr>
<td>Europe</td>
<td>231</td>
</tr>
<tr>
<td>Asia</td>
<td>46</td>
</tr>
<tr>
<td>California</td>
<td>276</td>
</tr>
<tr>
<td>New York</td>
<td>144</td>
</tr>
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Internet Advertising Tools are American

- N.B. some American companies base their R&D in Israel or India
- Geographic breakdown looks like a colonial situation
WORKING CONCLUSION
Search + Display >1 single platform

• Both types of marketing are interwoven (concentrating)
  – Ex: Google + DoubleClick
  – Traffiq Search Desk: allows clients to manage display and paid search from a single platform

• Instead intermittent advertising, on campaign basis, «always on» advertising, the same way we use search
Towards total digital media

• Real-time bidding, buying through an ad exchange, using a Demand Side Platform, behavior marketing, retargeting: what algorithms have done for search and display, they now promise to do for all media

• Phone: Apple (iAd), Google (AdMob)

• Connected TV: Apple TV, Google TV
  – Remote control
  – Digital Program Guide

• Digital Out-of-Home (display, transportation, urban furniture, etc.)

• Stores, point of sales, malls, stadiums...
  – Google Places, Groupon...
La Cina e vicina!

• Next step, after the U.S, will certainly be China: Baidu, Alibaba, Tudu, Tencent
Epistemology

• Participant observation
• This project is not a spectator sport
• It is still difficult to analyse what happens in China (wysiswyg!)
Thank you for your attention!

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