

PREMIUM PUBLISHER

Ad Price Index

2009 YEAR IN REVIEW

PubMatic

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2009 YEAR-END AD PRICING SURGES PAST PRE-RECESSION PRICES

The recession hit online publishers the hardest in 2008 with ad prices falling to new lows, but 2009 proved to be a rebound year where ad pricing increased significantly and steadily. Each quarter since the beginning of the year saw big gains in premium publisher ad pricing, ending with a surge that raised December 2009 prices even higher than pre-recession prices.

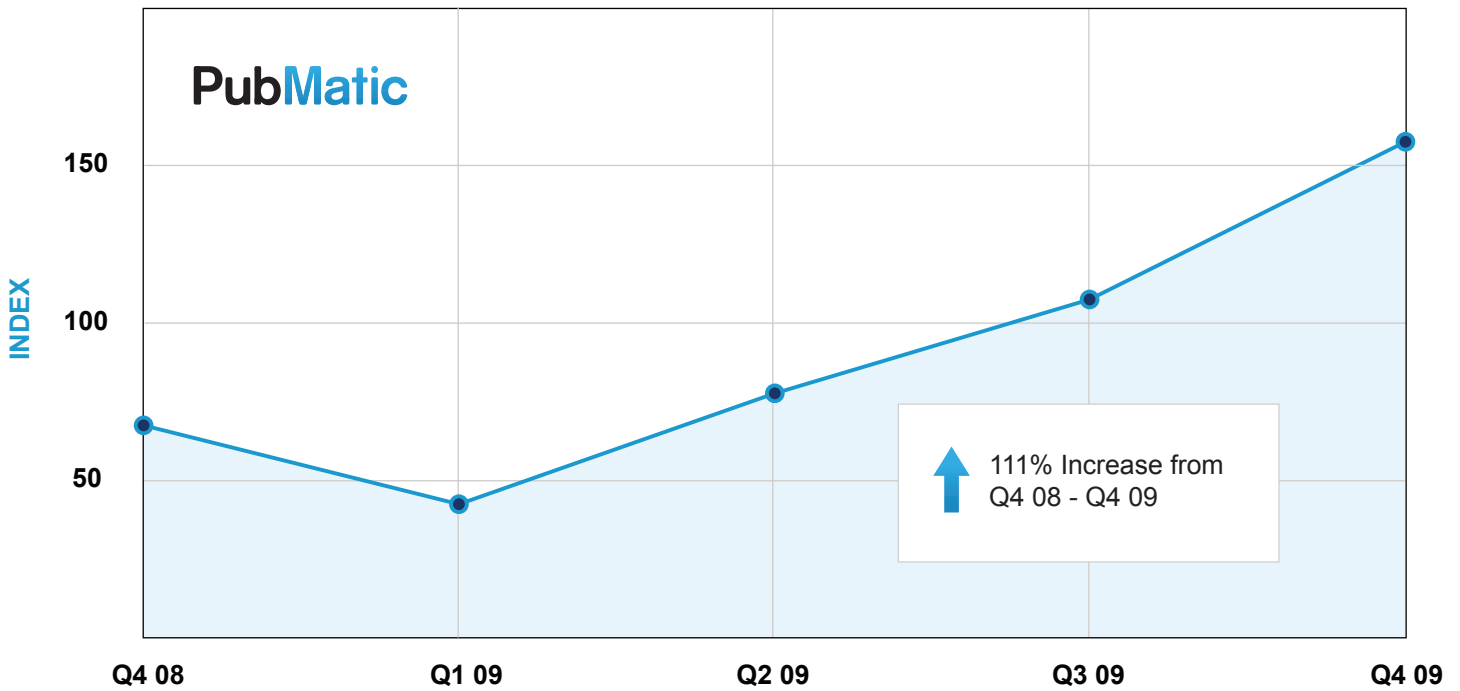
Sequential changes in ad pricing:

- Q1 2009 – Q2 2009: 57% increase
- Q2 2009 – Q3 2009: 31% increase
- Q3 2009 – Q4 2009: 42% increase

Year on year changes in ad pricing:

- Q4 2008 – Q4 2009: 111% increase

Q4 08 TO Q4 09 PREMIUM PUBLISHER AD PRICING FOR NON-GUARANTEED INVENTORY



DRIVERS OF AD PRICING IN 2009

There were likely many contributing factors to the ad pricing rebound of 2009, starting with the slow overall economic recovery in the United States. However, rapid innovation of targeting technology from publisher vendors and better monetization strategies from PubMatic publishers helped to unlock the greater value of publishers' ad space.

Contributors include:

- **Introduction of Real-Time Bidding (RTB)**

PubMatic launched the first sell side real-time bidding platform in January 2009. While RTB-purchased impressions are a relatively small segment of overall online ad revenue, PubMatic data shows that publishers can achieve a more than 60% increase in eCPM when comparing RTB campaigns to non-RTB campaigns, and some publishers are achieving more than a 100% eCPM increase.

Real-time bidding was originally conceived as a method to allow advertisers and agencies to more granularly value and purchase ad impressions for a particular campaign. With RTB, the advertiser can uniquely value the specific combination of context and audience for a given ad impression and bid appropriately. This is in contrast to typical media and audience acquisition methods, in which a single price is set for a broad array of ad impressions.

With advertisers willing to pay a much higher price to reach specific users, the value of ad space goes up and there is a potential for publishers to earn a much higher eCPM.

- **Increased Usage of Audience Data**

Creating a clear strategy to better utilize audience data for increased ad revenue was a hot topic in 2009, and for the early adopters the results have been significant. Nearly every campaign that PubMatic helps to facilitate on behalf of publishers has audience data layered into it.

As more advertisers were persuaded to put more money online during the recession, they wanted to know that they had a safe environment to reach their target audience. In 2009, many of PubMatic's publishers leveraged new capabilities to better understand who their audience is and how to package it for advertisers.

As media is increasingly sold based on the audience behind the media, publishers are generating increased eCPMs from the superior targeting and advertiser ROI that results.

- **The Rise of Demand Side Platforms (DSP)**

Demand side platforms, known as DSPs, gained significant traction in 2009 in terms of both scale and improved technologies. DSPs enable advertisers to aggregate media from many sources and to target audiences customized to advertisers' specifications, rather than the segmentation proffered by publishers, networks and data providers. PubMatic is partnered with all of the major DSPs, and has seen that the improved campaign performance that they provide to advertisers has also translated into higher publisher eCPMs.

DSPs are expected to continue flourish in 2010. PubMatic estimates that DSPs will manage 3-5% of online display advertising spend in the US in 2010, up from less than 1% in 2009. DSPs will continue to be a force for improved publisher eCPMs in 2010.

- **Continued Strength of Ad Networks**

While some industry analysts predicted the demise of many ad networks, those predictions have not yet been realized. In fact, many ad networks experienced better than expected growth by working to differentiate their core offerings with better targeting capabilities. In 2009, the number of ad networks that PubMatic had relationships was double what it was in 2008, and pricing from ad networks saw similarly significant increases.

- **Improved International Monetization**

Premium US publishers typically have 20-40% of their traffic coming from Europe, and monetizing an international audience is best done leveraging local ad sales teams. Last year, PubMatic expanded into Europe having publisher and ad network representation on the ground in London, Hamburg, Paris, and Amsterdam. The result has been increased ad pricing for international traffic, a goal that publishers commonly have difficulty with.

CONCLUSION

2009 turned out to be a much better year for online ad pricing than many expected, but many challenges still exist. Gaining greater revenue control, improving protection from unwanted ads, and resolving latency problems will be issues that publishers will still face, but with better technology to help them.

It is impossible to predict what will happen with online ad pricing in 2010, but the year is off to a promising start and new opportunities will be available to help publishers unlock the true value of their audience, including the broader adoption of real-time bidding, increased abilities to better monetize audiences, and extending ad network optimization to publishers' mobile platforms.

To learn more about the premium publisher ecosystem, download the 2009 Ad Revenue Report:



Download at: <http://www.pubmatic.com/adrevenuereport>

ABOUT PUBMATIC

PubMatic's Ad Revenue Optimization solution combines real-time ad decision technology with local service around the world to provide global publishers a holistic ad monetization platform. PubMatic's real-time bidding (RTB) and Ad Price Prediction™ technology ensures that online publishers get the most money from their advertising space by deciding in real-time which ad network or exchange can best monetize each impression.

Some of the world's most respected online publishers have chosen to work with PubMatic, including The Huffington Post, eBay, United Online, TV Guide, and the majority of the ComScore Top 10.

ABOUT THE AD PRICE INDEX

PubMatic collects data from a large number of premium publishers that is then analyzed by our independent statisticians, and from which an aggregate monthly price index is produced. The 100 index reflects pricing from Q1 2008.

ABOUT THE AD PRICE DATA METHODOLOGY

The PubMatic ad price data used in this brief is comprised of premium publishers using PubMatic. The data is prepared by leading independent statisticians and industry experts: Albert Madansky, Ph.D., H.G.B. Alexander Professor Emeritus of Business Administration at the University of Chicago Graduate School of Business and recipient of the 2005 American Statistical Association Founders Award, and Michele Madansky, Ph.D., a media and market research consultant and former VP of Global Market Research for Yahoo!

The pricing data reflects net publisher monetization via ad networks and excludes ad networks' share of ad spend as well as inventory sold directly by publishers to ad agencies or advertisers.

The pricing data is not representative of the performance of any particular ad network.

CONTACT US

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