

Mobile Advertising Optimization

Higher revenues with mobile
ad optimization and global
ad network aggregation

WHITE PAPER



Publishers of mobile websites & developers of cool mobile apps face the growing challenge of matching their expanding global popularity with the daunting task of filling their ad inventory associated with those very services.

Smaato identified this issue many moons ago and is capitalizing on the provision of global mobile ad optimization using its SOMA platform. Smaato has come from nowhere and gained significant experience and footprint in this section of mobile advertising and marketing in a very short, yet incredibly successful, period.



Nick Lane, Chief Researcher / Writer, mobileSQUARED

Summary

Mobile advertising is getting traction and is becoming an integral part of today's marketing mix. But it is still a very tough job for mobile publishers and mobile developers to monetize their inventory - especially when it comes to non direct sold inventory. The usual approach to overcome this crucial problem is to work with several ad networks specialized in mobile advertising.

Unfortunately, most mobile ad networks are not capable to monetize each single page impression or tend to serve low eCPM run-of-network-advertisements. To react to this challenge, some publishers chain several ad networks together and form so called daisy chains, which cause higher ad server latencies and might lower the overall user experience.

Furthermore the number of mobile ad networks is growing but their performances differ significantly. It is a time consuming and expensive task to find out which mobile ad networks deliver the highest eCPMs and fill rates for a specific inventory, especially when there are limited resources for a professional ad-ops team. This white paper describes essential challenges for mobile publishers and mobile developers to monetize their whole inventory.

Steep Increase of unsold Inventory

To monetize their whole mobile inventory, most mobile publishers and developers sell their unsold (remnant) inventory via mobile ad networks. Mobile ad networks are intermediaries, which aggregate advertisers (buy side) and publishers (sell side) on a shared revenue basis (about 40% for buy side).

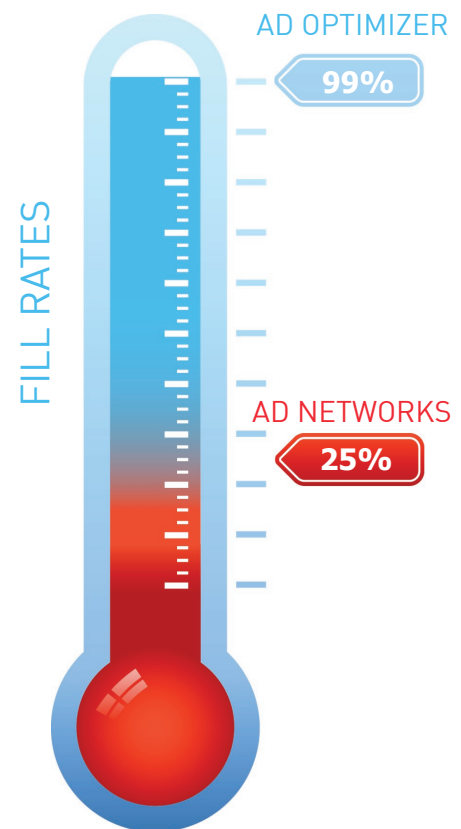
Especially in these economic times with decreasing marketing budgets, mobile ad networks tend to optimize on behalf of their advertisers goals (buy side) which results in decreasing eCPMs.

This trend towards lower eCPMs is even worse when the supply of mobile inventory grows faster than the demand, as it is the case at the moment.

The percentage of served ads vs. requested ads is the fill rate of an ad network. The fill rates are dependent on the targeting criteria and number of advertisers of an ad network.

Even on a very basic targeting criteria like the geographical origin of an impression on a country level, some mobile ad networks are not capable delivering a fill rate above 25 (%) percent.

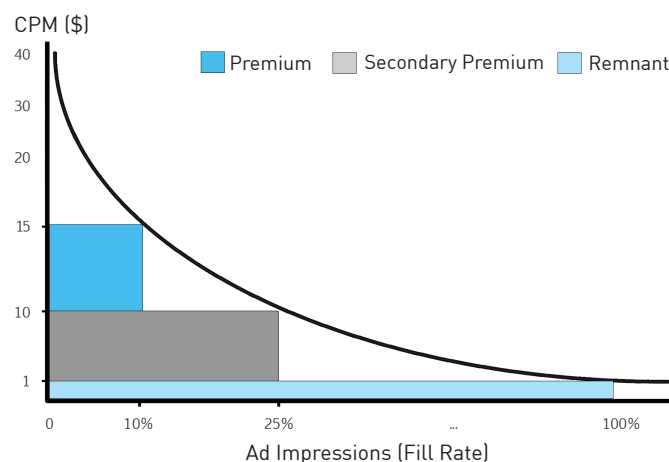
A new category of mobile ad optimizers have emerged. They fill and optimize mobile advertising inventory by aggregating ad networks across different global regions and different pricing models.



Three Tier Pricing Model in Mobile Advertising

Similar to the online advertising market, different tiers of monetization can be identified, which are dependent on the characteristics of the inventory:

1. Premium display inventory is mainly sold direct and guarantees advertisers a specific placement and time frame for their media (high eCPMs >\$10). These tier 1 ad budgets have usually a low fill rate and tend to be CPM based.
2. Secondary premium inventory is sold automated via premium ad networks with the same guarantees as premium. Second tier inventory creates medium eCPMs between \$1-\$10 and the volume remains also limited.
3. Non-Premium inventory is sold automated over ad networks (low eCPMs of \$1) and is mostly CPC based.



Premium inventory represents only a very small amount of the overall inventory (best ad spaces on the site), therefore premium publishers like well known branded websites connect to a premium ad network to monetize their secondary inventory. The inventory that is not filled by one of these channels is monetized by non premium ad networks.

The Advent of Ad Network Chains

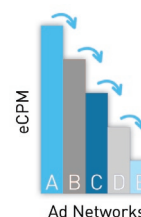
Different ad networks generally offer publishers a trade-off between a high eCPM and a good fill rate. Therefore medium and large mobile publishers are usually connected to several mobile ad networks.

A combination of premium ad networks monetizing their best ad spaces, specific regional focused and horizontal ad networks connected to many advertisers is typical.

To manage this set of mobile ad networks, publishers configure their ad-server to send ad-requests to different ad networks by guessing their future eCPMs and fill rates. So normally the first ad-request goes out to a high eCPM network, when the ad network defaults, the next highest paying network is asked for an advertisement and so forth until an ad is served.

This static sequence of ad-request is called a daisy chain of ad networks. How good a daisy-chain actually performs can only be judged after the ad networks provide performance data - sometimes with a time delay of several days.

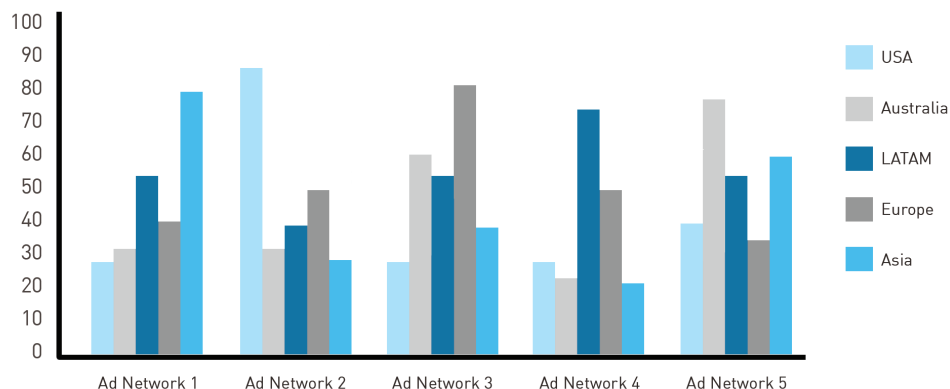
As a matter of fact this static approach increases server latencies and is not capable to react on the dynamic pricing of the market and may finally cause significant revenue losses.



The Global Monetization Challenge

The management of ad networks gets even more complex for publishers with international traffic which need to be connected to several country focused ad networks to monetize the whole inventory.

Fill rate (%)



These publishers need to create static daisy chains for different countries and keep them updated – especially as ad networks perform very different in different regions or on a country-by-country level.

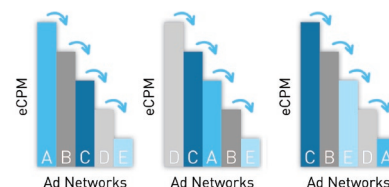
Because of budgets restraints a lot of publishers can't afford ad ops specialists and loose a significant amount of their potential ad revenues, instead.

Advantages of Dynamic Ad Optimization

To solve the issues of static daisy chains and maximize advertising yields, a dynamic ad network management technology is needed to observe the eCPM and fill rate of various ad networks or even the whole market in real-time.

Such a solution is capable of aggregating and optimizing inventory performance by reordering the chain of mobile ad networks upon specific inventory characteristics dynamically.

This process of dynamically optimizing ad revenues in real-time can be referred to as Dynamic Ad Network Optimization.

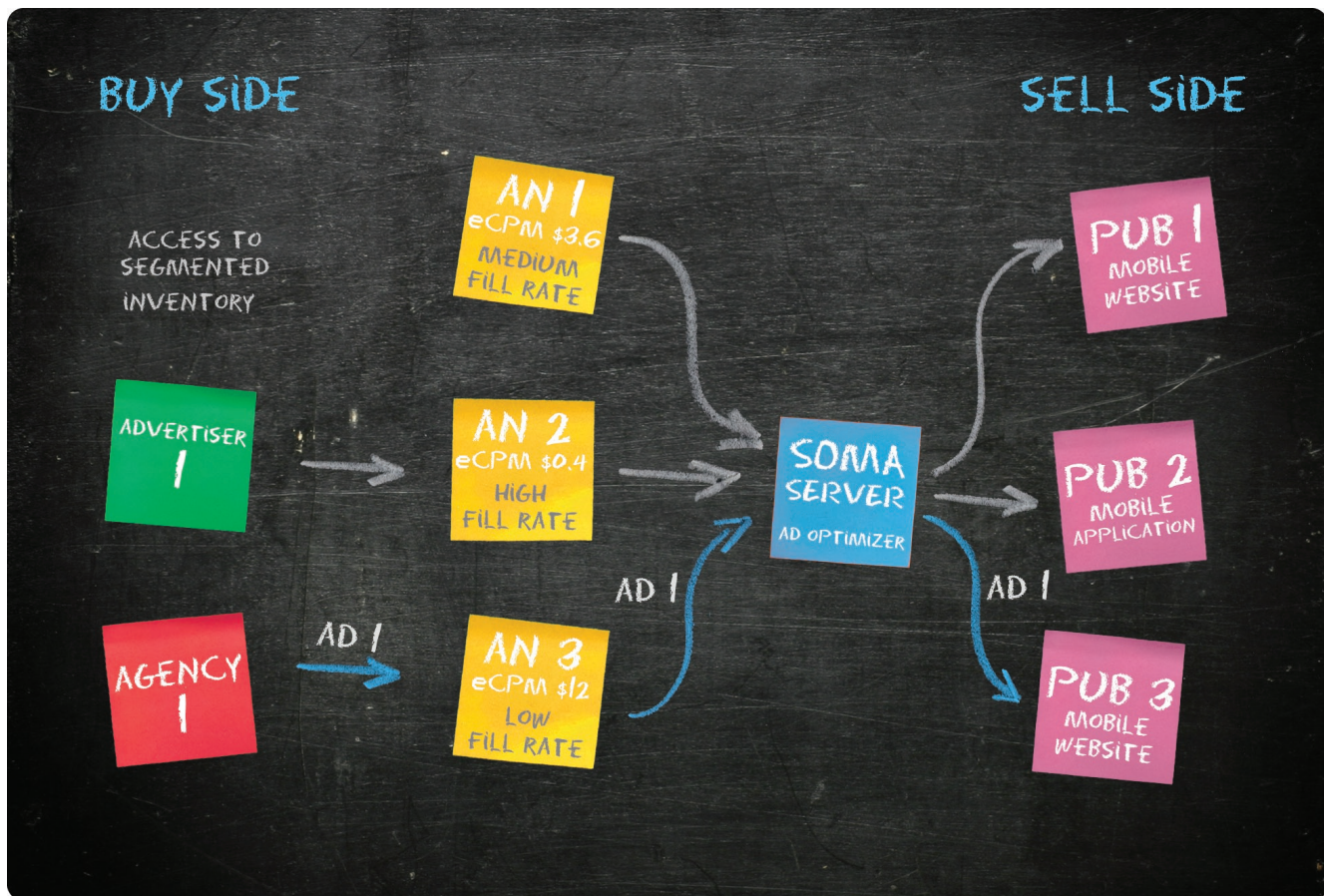


Value Added by Mobile Ad Optimization

Dynamic Ad Network Optimization features these advantages for mobile publishers:

- **Higher Advertising yields** by monetizing every single impression on the best price.
- **Saving money and resources** by dynamically reordering the chain based on performance data, inventory and user characteristics.
- **Lower server latencies** by allocating the ad impressions to the right network in real-time.

Mobile Ad Optimization for Publishers



Because ad network optimization is a cumbersome and complex task, companies have emerged that give mobile publishers the opportunity to outsource this process and make Dynamic Ad Network Optimization available for every publisher.

Ad optimizer take an important role in aggregating different ad networks and collect data on their performance based on different inventory characteristics provided by the publisher.

This data is used to build dynamic daisy chains, which automatically adapt to the changing performance of ad networks, securing the highest ad revenues possible from tier 1 to tier 3 advertisers.

The expertise of an ad optimizer in allocating the impression to the right ad networks in real time helps publishers to improve their ad revenues without losing money by finding the best performing ad networks. Publisher also benefit from a scalable technology and the experience of optimizing billions of ad impressions each month.

Integrating with an ad optimizer is an easy way to maximize the revenues without employing expensive ad ops and enable publishers to focus on direct sales efforts.

Ad Network Optimization helps mobile publishers to find the best performing mobile ad network for their inventory and maximize their yields.

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The buzz in the mobile advertising space is around delivering the right ad to the right person – even better if this occurs in the right context. But the real issue publishers face is how to identify – in real-time – the right ad network to deliver the right results.

Smaato, a global company whose own evolution shows its grasp of the key issues impacting the mobile advertising business ecosystem at all levels, has gained significant traction through its ability to dynamically identify the ad networks that monetize publishers' inventory best.

This innovation is core to Smaato's competitive advantage and pivotal in moving the mobile advertising industry to the next level.

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Peggy Anne Salz, Chief Analyst at MSearchGroove



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With Smaato's neutral and open position in the mobile advertising ecosystem, we act somewhat like the Switzerland of Mobile.

As the leading Mobile Ad Optimizer our goal is to provide trust, transparency and drive innovation by partnering with leading publishers and ad networks worldwide.

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Harald Neidhardt, CMO & Co-Founder, Smaato Inc.

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open mobile advertising

About Smaato

Smaato is a pioneering mobile advertising company that operates the mobile ad optimization platform called SOMA (Smaato Open Mobile Advertising) and partners with mobile publishers, developers, ad networks and operators.

SOMA's unique feature is the aggregation of multiple leading ad networks globally to maximize mobile advertising ARPU. SOMA can be easily integrated with ad networks, ad inventory owners (publishers, developers and operators) and 3rd party ad technology providers.

Smaato is an active member of the Mobile Marketing Association, the dot.mobi Advisory Group and the German Digital Media Association BVDW. Smaato received a Top 100 Private Company Award by AlwaysOn Media (2009 & 2007) and was an Andrew Seybold Choice Awards finalist at CTIA 2008 for best Newcomer, among other awards.

Smaato Inc. is based in Redwood Shores, California. The privately held company was founded in 2005 by an experienced International management team. The European headquarters are in Hamburg, Germany.

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