

AD NETWORKS AND HOW TO CHOOSE THEM

A White Paper by Robert Tas

Founder, President, and CEO: SPORTGENIC INC.

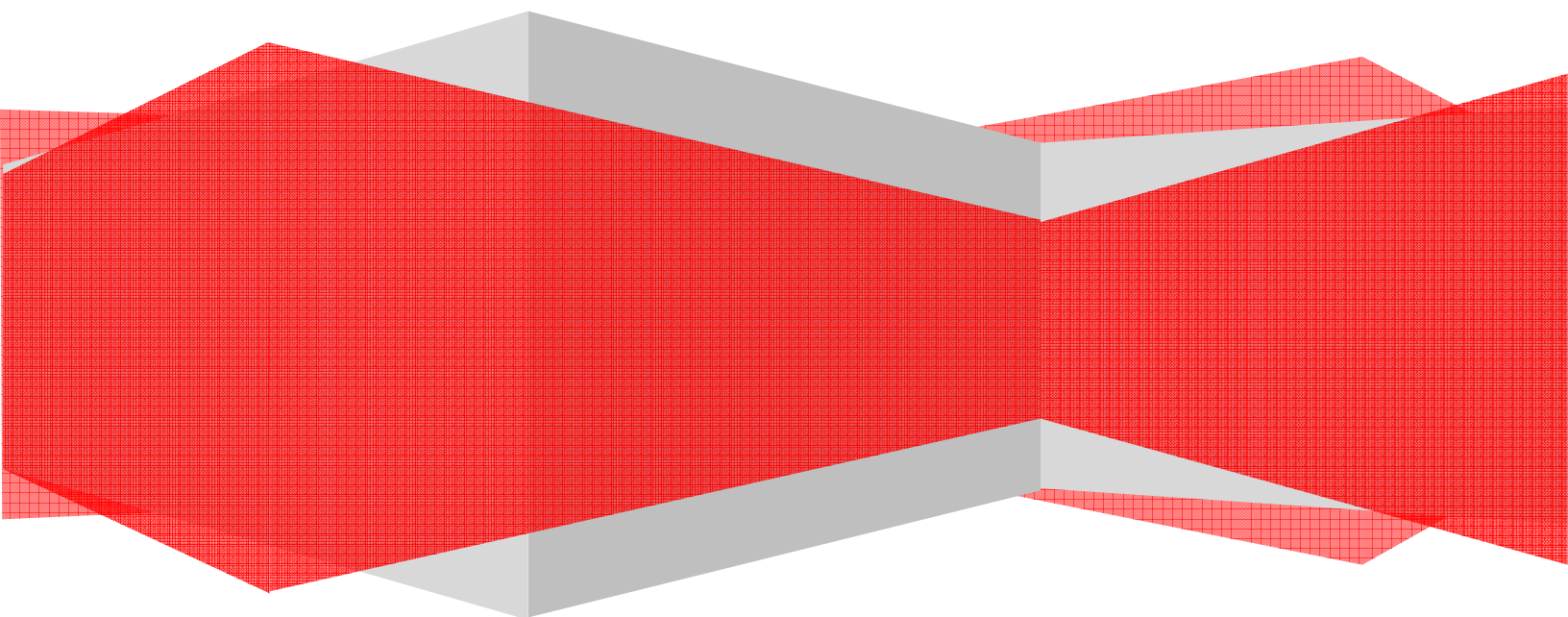
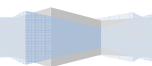


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SUMMARY

The purpose of this white paper is to provide the digital media professional with a comprehensive introduction to digital ad networks.

It explains what ad networks are, the roles they play for advertisers, and the key market segments of the business. We will review how ad networks have evolved from the remnant inventory clearinghouse model of the late 1990s to a preferred digital media channel of “first resort” with leadership in the areas of reach, targeting, user involvement, and creative flexibility. Because “vertical networks” are the truly key growth area of the category, we focus particular attention on that segment and the role they play in connecting advertisers to their core target audience.

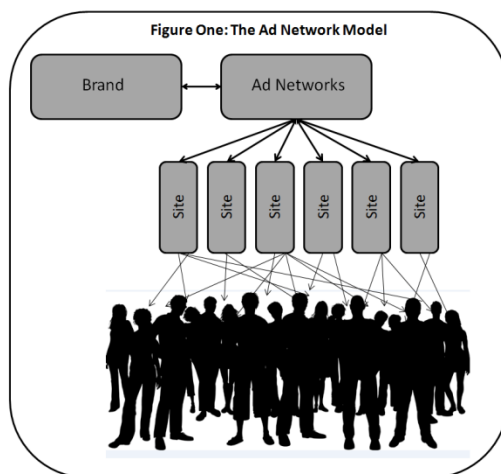
Finally, we offer advice and a simple check list on what to look for in an ad network partner.

INTRODUCTION

With *The New York Times* reporting that there are over 200 ad networks operating in 2008, and other Internet sources putting the number closer to 400, it is clear that an advertiser has a wealth of options from which to choose. But the mere availability of choices does not necessarily mean that all of these options have a distinctive reason for being. You need to be able to find the right networks for you. Helping you do that is what this white paper is about.

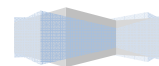
WHAT ARE AD NETWORKS?

Ad networks aggregate online advertising inventory from a variety of sites and provide a single vendor solution for advertisers. Brands work with ad networks to buy advertising across some or all of the sites they represent. See the schematic below:



From Cheap Tonnage and Bad Reputations to High Quality Inventory and Industry Leadership

Historically, networks were a source of cheap tonnage – and there was a reason why so much ad network inventory was cheap. By aggregating pages across huge numbers of not-well-vetted sites, advertisers had



little or no control over where their messages ran or if they appeared on inappropriate content. Thus advertisers placed minimal value on networks as a whole, or were simply unwilling to run messages on them.

Naturally, networks took notice of all this advertiser angst about their inventory and made critical changes. The first step was a dramatic improvement in the quality of sites that were represented by networks. Good networks dropped dodgy sites, and began offering contextual channels that represented far greater value to marketers. You can still get low cost inventory from many networks, but as the network business has expanded so too have networks' ability to offer other benefits to advertisers.

By mitigating quality concerns, ad networks gained the trust of even the most conservative advertisers. They also made incredible advances in technology, including leading the behavioral targeting space. Now advertisers look to networks for a host of value added benefits:

1. **Behavioral targeting and re-targeting.**
2. **Easy to reach "vertical" targets like auto buyers, or women, or sport enthusiasts.**
3. **One-stop advertising on mid- and long-tail sites.**
4. **Connection to the passionate – people who demonstrate energy and loyalty that can be channeled toward brands.**
5. **Large amounts of inventory on short notice.**
6. **Broad reach and heavy frequency beyond the reach of the portals.**

Publishers offer ad networks some of their best inventory because ad networks add value in many ways.

Different Kinds of Networks

Years ago, there was really only one kind of network, a "general interest" or **horizontal network** that aggregated content from thousands of small sites across categories and targets. Buyers could select a broad reach "run-of-schedule" buy, or focus on a particular demo.

Some examples of the largest horizontal ad networks include:

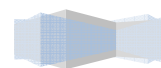
1. **Platform-A**
2. **BlueLithium**
3. **ValueClick**

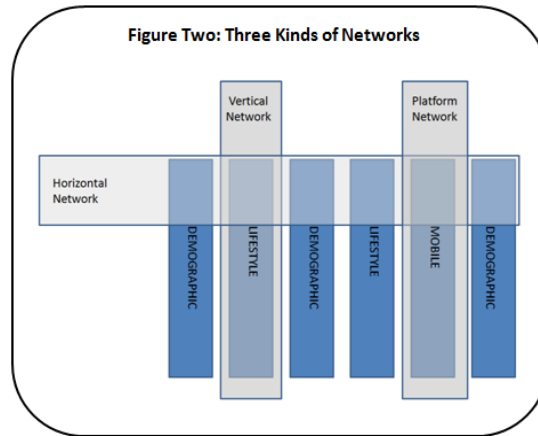
A more recent development in the area that is driving such rapid growth in terms of category revenue are **vertical ad networks**. Verticals specialize in a particular type of content or audience, and represent only sites related to that "vertical."

The growth in vertical networks is the result of burgeoning consumer interest in niche sites. Dollars are following consumers. Lehman Brothers reported 43% growth in overall ad spending on vertical categories in 2007, versus a 5% decline in spending on the portals. Consumers are spending a greater proportion of their Internet time on specialty sites.

Some examples of vertical ad networks:

1. **Glam Media represents sites targeting women 18-49.**
2. **Sportgenic targets sport enthusiasts, be they participants or fans.**
3. **Jumpstart Automotive aggregates auto impressions across auto sites and its behavioral targeting network.**





A third set of networks have arisen to aggregate ad opportunities in emerging digital platforms like mobile and console gaming. Many people call these **platform networks**. A few examples:

1. **Ad Infuse™ aggregates mobile ad opportunities across mobile sites.**
2. **AdMob also aggregates mobile impressions across mobile sites.**
3. **Double Fusion brings together ad opportunities across XBOX®, Playstation® and Nintendo® console games.**

In sum, as the number of ad networks has increased, so too has the degree of specialization in the category. But the basic concept – aggregating impressions across sites so that marketers have an easier way to reach consumers and avail themselves of better targeting and executional knowledge – has remained the same.

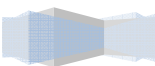
THE VALUE OF VERTICALS

It is important to better understand the value that vertical networks provide to many publishers and marketers.

Benefits for Advertisers

1. **Quality content.** The best sites join vertical instead of general interest networks to benefit from the domain expertise that the network provides.
2. **Passionate audience.** Marketers who choose vertical networks can capitalize on the mid- and long-tail sites that have the most passionate audiences. Brands who run within this content can leverage the relationship the audience already has with the topic or content.
3. **Custom programs and unique insights.** The specialized nature of vertical networks means that they can work with their sites to build custom media programs that help marketers better reach consumers and convert them into loyal evangelists.

Further, some verticals have amassed huge audiences that help mitigate the reach advantages of horizontals. For example, Sportgenic reaches 20 million people monthly, and for an average of 120 minutes per month each.



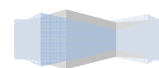
WHAT TO LOOK FOR IN AN AD NETWORK

There are a number of factors that separate great networks from the rest of the pack.

Ad Network Checklist – The Long Form

As a way of making it easier to make the right decision regarding what ad networks to engage, we offer the following “checklist” of questions to ask as you consider your options. You will find a short crib sheet on the last page of this white paper as well.

- 1. What are the site quality standards of the network? How do they decide whether a site is good enough to run my advertising?** The network you choose should have impeccable quality standards to ensure that your ads run in high quality, brand-enhancing environments. Running next to the wrong kind of inventory can do significant damage to a brand.
- 2. Is the network willing to share its site list, as well as the actual site list on which my ads will run?** You have the right to know where you will be advertising. At a MINIMUM, you should see the site list of your buy.
- 3. What is the reach of the network into my target audience?** While reach isn't everything, working with larger networks will make the job of buying, reporting, and optimization easier. Larger networks are also likely to have better technological resources and more creative options.
- 4. How robust are the targeting options available? Can they truly pinpoint my audience? Can they make it possible for me to segment my audience and offer tailored creative?** Digital advertising is getting increasingly sophisticated, and the ability to offer tailored targeting and creative will become increasingly important over time. You should begin to create relationships with networks that will be able to provide those essential services.
- 5. Does the network offer me opportunities to develop programs across digital platforms? Specifically, do they have offerings in mobile, widgets, social media, and gaming?** Digital audiences are fragmenting across platforms. Having a network that can offer you platforms beyond PC-based web pages will make it easier for you to migrate more and more of your buy to follow your audience onto these platforms in the near future.
- 6. Is the network growing? Are the sites within the network growing?** Network health will give you a sense of the passion that the audience feels for the media properties, and, by extension, the advertisers.
- 7. Does the network have a lot of exclusive representation agreements with its sites, or are they primarily focused on selling remnant inventory?** Exclusive representation means you will be getting the best ad placements available. While remnant isn't necessarily bad, there are sometimes reasons why certain kinds of network inventory cannot be sold by publishers.
- 8. What are the reporting capabilities of the network? Can I see the reporting systems before I buy? Can the network be fully integrated into my current reporting platform (e.g., DFA)?** Reporting and optimization are cornerstones of digital. The network you choose should make it easier to fulfill these critical tasks, not harder.
- 9. Is the sales rep I would be working with responsive? Do they strive to meet reasonable requests and deadlines? Do they have ideas and knowledge that will help make our brand efforts more effective?** The people you work with are a critical component of an effective ad network solution. Good



people make your job of planning, buying, trafficking, reporting, and optimizing easier. They can also bring you ideas that will lead to improved programs and innovation in the future.

FINAL THOUGHTS

We hope that this white paper provided you with the information and perspective to make the best possible choices in network partners. With hundreds of networks to choose from, there is no reason why you shouldn't be able to find a partner or partners that will serve you well.

It's also important to recognize that the same forces that are driving the growth of networks are changing the face of media as a whole. If you ask a question about the future of the web, you can get a dozen pundits arguing convincingly for opposite predictions. But the direction everyone agrees will be central to the future of the web is consumer control, and the recognition that reaching passionate consumers when they are receptive to messages will make an enormous difference in the success of marketing programs. Ad networks, especially vertical networks, are centered around this critical insight. Capitalizing on user passions has been and will continue to be central to the growth and success of verticals.

If you have questions or comments, you can contact me at Robert@sportgenic.com

ABOUT ROBERT TAS

Prior to founding Sportgenic, Robert was most recently senior vice president of media and technology at 24/7 Real Media, where he was responsible for a 45% increase in revenue. During his tenure, Robert established a Strategic Account Selling group, as well as closed transactions with Marketwatch.com, USA Today, Discovery, 800Flowers and others. Previously, Robert also helped with the launch of Tacoda Systems, Inc., a behavioral targeting software and network firm. He began his sales, marketing and management career in 1989, working in the enterprise software market with companies such as Sybase, Commerce One and Finjan. He has managed business in excess of \$80 million and 100+ employees.

In addition to his professional qualifications, Robert has been involved in the sport community for years. In 2003, he co-founded and served on the board of directors of the Triathlon Association of New York City, one of the country's largest triathlon clubs. He also frequently participates in running and triathlon events around the world. Through the years, he has competed in numerous endurance events, including three New York City marathons and four Ironman triathlons.

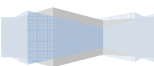
ABOUT SPORTGENIC

Sportgenic represents the buying power of millions of sport enthusiasts looking for people, products and information online. The company represents a network of highly engaging medium and long tail websites, including specialty sites, training resources, social networks, and uber-fan sites. Sportgenic connects marketers with engaged and passionate consumers via proprietary technology, ad targeting and deep domain expertise.

Sportgenic has consistently been listed among the top 10 sports networks on ComScore in sports since November 2007. (ComScore Media Metrix Sports category media sets with duplication.) The company is headquartered in San Francisco, CA.

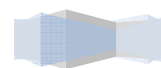


For more information call 415-983-2300 or visit <http://www.sportgenic.com/>.



AD NETWORK SELECTION CHECKLIST

1. What are the site quality standards of the network? How do they decide whether a site is good enough to run my advertising?
2. Is the network willing to share its site list, as well as the actual site list on which my ads will run?
3. What is the reach of the network into my target audience? While reach isn't everything, working with larger networks will make the job of buying, reporting, and optimization easier. Larger networks are also likely to have better technological resources and more creative options.
4. How robust are the targeting options available? Can they truly pinpoint my audience? Can they make it possible for me to segment my audience and offer tailored creative?
5. Does the network offer me opportunities to develop programs across digital platforms? Specifically, do they have offerings in mobile, widgets, social media, and gaming?
6. Is the network growing? Are the sites within the network growing?
7. Does the network have a lot of exclusive representation agreements with its sites, or are they primarily focused on selling remnant inventory?
8. What are the reporting capabilities of the network? Can I see the reporting systems before I buy? Can the network be fully integrated into my current reporting platform (e.g., DFA?)
9. Is the sales rep I would be working with responsive? Do they strive to meet reasonable requests and deadlines? Do they have ideas and knowledge that will help make our brand efforts more effective?



TEN TERMS TO KNOW

The ad network industry is laden with jargon. But only a few terms are absolutely necessary for understanding the space. Here are the ten we think are most critical:

Behavioral Targeting: Behavioral targeting (also called BT) uses the past online behaviors of consumers to predict their future buying patterns, and serves them ads more likely to meet their needs. For example, an individual who visits several car sites is more likely to be in the market for a car, so behavioral targeting serves that individual more car ads. The tracking of past behaviors is anonymous and cookie-based.

Contextual Targeting: Contextual targeting matches the editorial on a web page to an advertiser. For example, ads for a seller of camping equipment would be run on a camping site, under the (natural) assumption that people on a camping site would be more likely to buy camping equipment.

Horizontal Network: A horizontal network is a general interest ad network, which works with sites in virtually any category – from portals to specialty sites. Typically, horizontals offer the opportunity for massive reach across hundreds or thousands of sites.

Mid Tail and Long Tail Sites: In his book *The Long Tail: Why the Future of Business is Selling Less*, author Chris Anderson coined the terms “mid tail” and “long tail” to describe (among other things) niche sites that meet the needs of groups of highly passionate consumers. A site that specializes in a particular topic appealing to a medium sized or small audience is a mid-tail or long-tail site.

Platform Network: A platform network aggregates ad opportunities available through a specific digital media platform, like mobile.

Portals: A portal is a site that functions as a jumping off point for information on the Internet. Google, Yahoo, and MSN are portals.

Publishers: Publishers are the people and companies that produce a web site or group of sites.

Unduplicated Reach: Unduplicated reach tells you how many people are reached by an ad network or publisher site. Every individual that is reached by the network is counted only once, even if they visit more than one site in the network.

Verticals: A vertical is an interest category. Sites that discuss a particular topic or reach a particular demo are said to be in that vertical. So, all auto sites are in the auto vertical. Sites reaching Moms would be in the Moms vertical, etc.

Vertical Network: A vertical ad network aggregates ad inventory across a set of sites in a vertical. For example, Sportgenic aggregates ad impressions across over 350 sites themed with sports. Sites not related to sports are not part of the network.

