

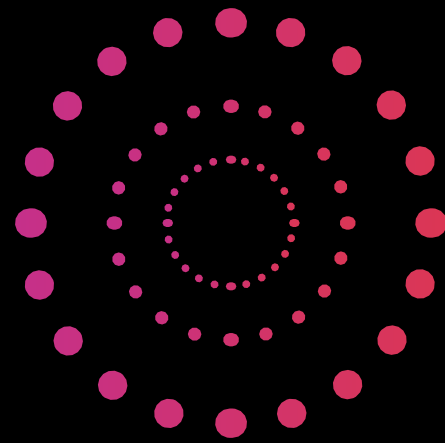


REACHING CRITICAL MASS WITH
PUBLISHER CO-OPERATIVES

REPORT
SEPTEMBER 2015

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INTRODUCTION

La Place Media's former MD Fabien Magalon ruffled a few feathers three years ago when he spoke about the first premium seller co-operative.



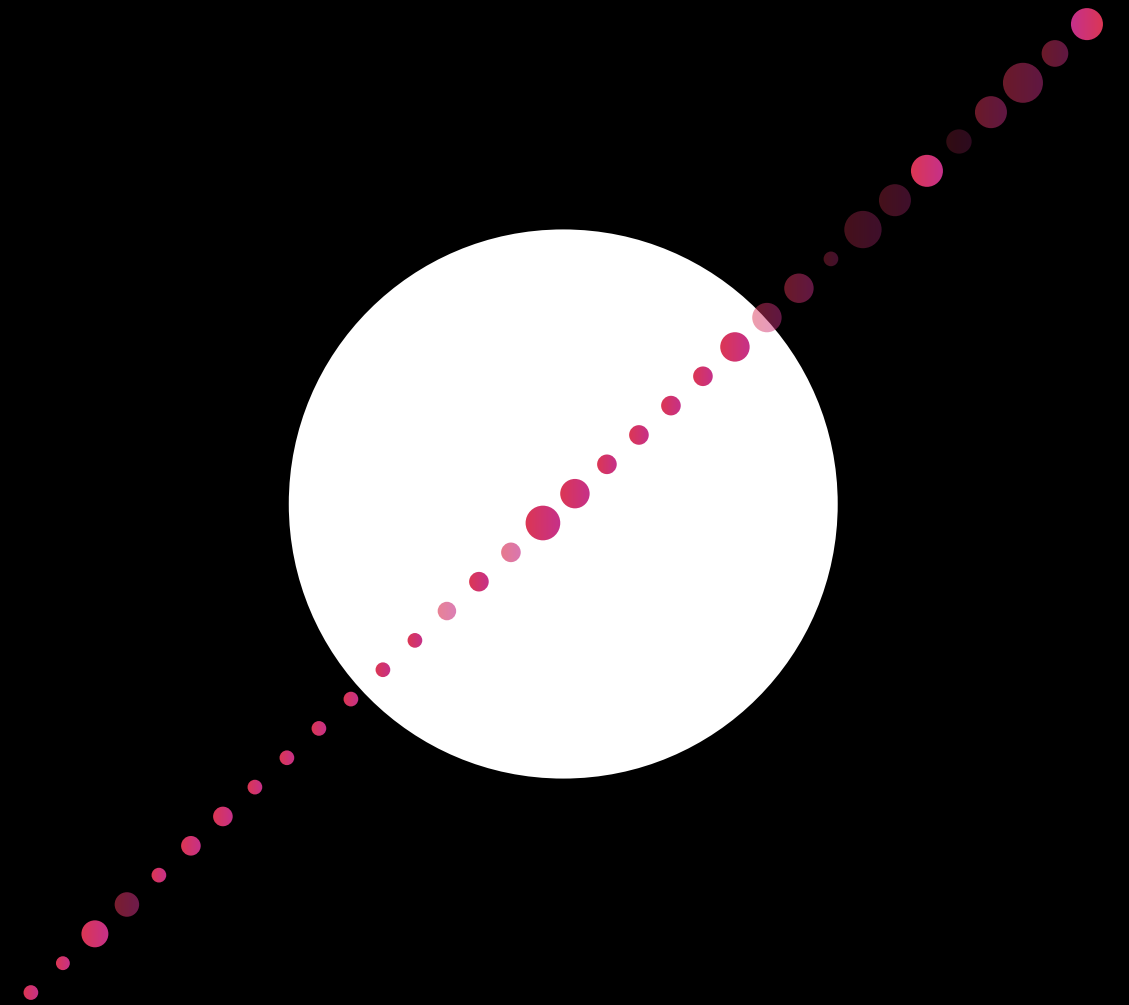
This coming together of the nation's largest media owners (also known as an alliance or coalition) was innovative, admirable, enviable even—but, some people said, it could never work outside of the confines of France.

Fast forward to the present, and it seems *liberté égalité fraternité* is the phrase on the lips of publishers across the globe. Country after country is either launching its own co-op, or planning to.

Eight are already live on the Rubicon Project platform alone. And Pangaea, the first such alliance with a truly global focus is the latest to join them, alongside HOPPex in Hungary, and RPA Media Place in Argentina.

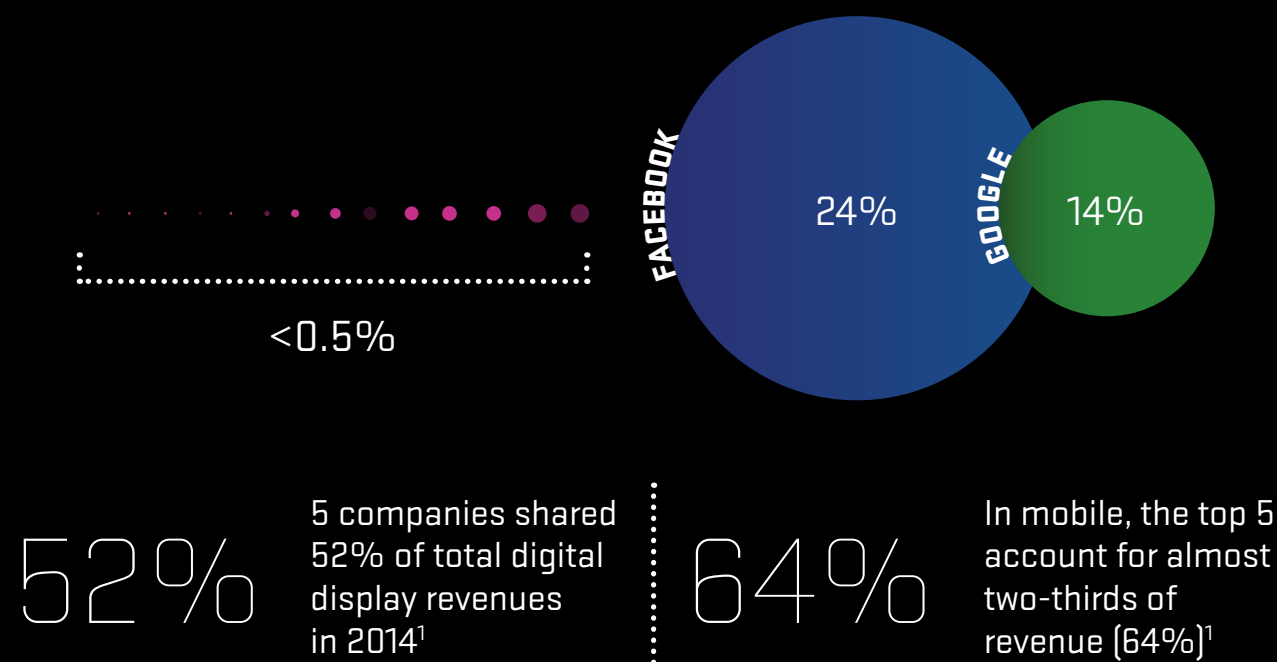
As these premium co-operatives hit critical mass, in the following pages we look beyond the headlines at some of the numbers behind their success.

JAY STEVENS, GM INTERNATIONAL, RUBICON PROJECT



WHY PUBLISHER CO-OPERATIVES CAME ABOUT IN THE FIRST PLACE

SELLERS FROM THE WORLD OF TRADITIONAL MEDIA ARE DWARFED BY LARGER DIGITAL GIANTS:



COMPETITION AND THE 'BIG 5'

More than pure efficiency, the co-op is also about competition: competing with the digital giants that in the-at times conflicted-world of advertising also seek to make media owners their customers.

Just the latest example of this has seen Facebook trying to persuade publishers to bypass their own websites and apps altogether, publishing content directly to the social network's news feed.

With 88% of US millennials already getting their news via Facebook, so the argument goes, what do sellers have to lose? Against the backdrop of Google increasing its lead as the world's biggest media owner according to Zenith, and the 'Big 5' increasing their overall digital advertising share to 50%, one begins to see why publishing names worldwide, previously competitors, are seeing the need to join together. The following quote from the Czech Publisher Exchange's Managing Director sums it up best:

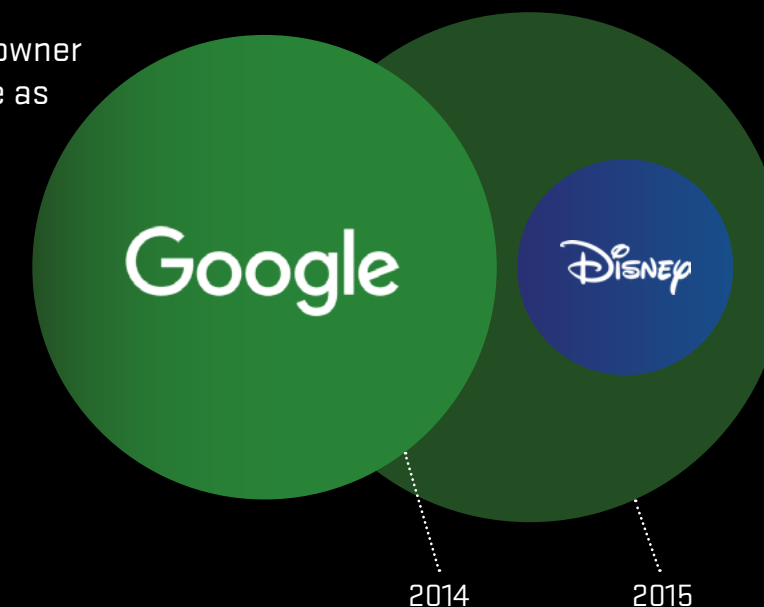
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 "To face up to global competition (Google, Facebook etc) individually, we are weak. Even if we are competitors as publishers, the value we gain from working together is so great that the compromise is worth it."

Matej Novak, MD, CPEX



Google is the largest media owner in the world, more than twice as large as Disney at #2...

... And larger than the 2nd and 3rd largest media owner combined²



LA PLACE MEDIA - THE PIONEER



70%

Increase in eCPMs in its 2nd year



30m

Unique users per month



€20m

Forecast revenues in 2015

With 120 publishers at launch, La Place Media has since more than doubled in size, while offering more than 80 premium audience segments through the pooling of its members highly valued audience data:

MEMBER PUBLISHERS

120

250

PREMIUM AUDIENCE SEGMENTS

80+

La Place Media's five shareholding members are TF1 Publicité, Figaro Medias, France Television Publicité, Amaury Médias and Lagardere Publicité.

As the first seller alliance, La Place Media wasn't just innovative in its pioneering concept, but also in its approach. From the start, La Place's members stood together in funding what was effectively an internal, shared startup: where building a skilled and knowledgeable team, as well as an effective marketing approach would both be key to its success.

And this commitment has paid itself back: La Place revealing in an article in AdExchanger that CPMs increased by 70% in its second year, and forecasting 20m Euros in revenue in 2015. With a reach of 70% of France's digital population, or 30m unique users, La Place Media's model has become a blueprint for the other co-operatives: efficiency through scale, premium brands and first party data cross-media.

La Place Media's founding principles, which many of the other co-operatives also adhere to, are as follows:



“Buyers are increasingly looking for single access points to access premium audiences and data. Co-operatives provide this, across multiple screens and media.”

Arthur Millet, MD, La Place Media

CZECH PUBLISHER EXCHANGE (CPEX) –CATALYSING DIGITAL SPEND



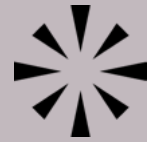
1.7bn

Monthly impressions



30%

Revenues currently from
Private Marketplaces



280%

Increase in high impact
format revenue year-on-year

500%

Most recently, CPEX has seen a 500%
increase in private marketplace
revenue year-on-year



CZECH REPUBLIC

The Czech market is an interesting one, as a country of around 10 million people, with, at 74% the highest internet user penetration in Central and Eastern Europe.

The Czech Publisher Exchange emerged in September 2013, with the combined forces of Centrum Holdings, Mafra, Mladá fronta, Ringier Axel Springer and Sanoma Media Praha, just as automation was starting to be a hot topic in the region. Digital is now the nation's fastest growing advertising sector, rapidly catching up on TV to reach almost \$400m next year.

CPEX MD Matej Novak speaks of the 'catalysing effect' in growing the Czech digital ad market that advertising automation has since had:

"This is especially true for the members of CPEX: In removing the barriers for buyers to access quality inventory at scale, qualified by data, the co-operative has outgrown the rest of the programmatic market."

"We are already seeing audience-based private marketplaces make up about 20% of our total revenues, twice as much as standard direct deals."

Now seeing up to 1.7bn impressions per month, CPEX is both maturing as a business, as well as leading the advancement of automation within its market. For smaller geos, a lower average order value combined with relatively higher overheads mean buyers and sellers alike have more to gain from automation.

It is perhaps little surprise then that CPEX has most recently seen a more than 500% increase in private marketplace revenue year-on-year. And those direct orders now represent 30% of its total revenues.

In terms of next steps, a 280% increase in revenue from high impact formats year-on-year marks the way forward: CPEX lists the introduction of more rich media units among its top priorities, as it continues lead the Czech market in catching up with the most advanced worldwide for automated advertising.

.....
"In removing the barriers for buyers to access quality inventory at scale, qualified by data, the co-operative has outgrown the rest of the programmatic market. We are already seeing audience-based private marketplaces make up about 20% of our total revenues, twice as much as standard direct deals."⁷

Matej Novak, MD, CPEX
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DUN - AUDIENCE EXTENSION & INNOVATION



DENMARK



71%

Reach, up from 45% at launch



44%

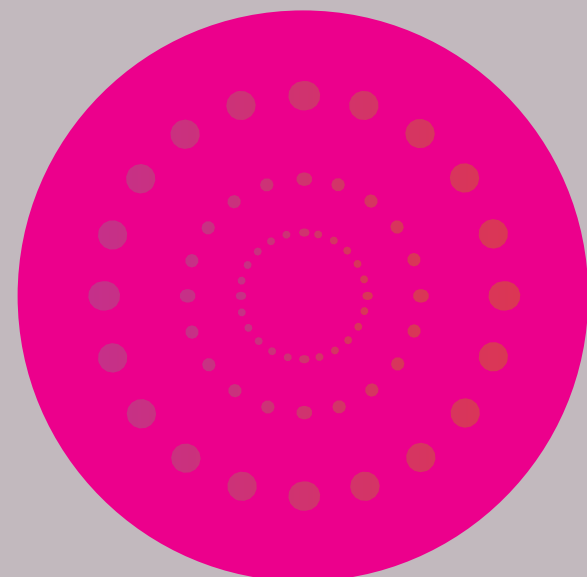
Revenues currently from Private Marketplaces



160m

Mobile impressions per month

DUN'S AUDIENCE EXTENSION INITIATIVE HAS BROUGHT IN:



500

ad campaigns

150

from more than 150 clients

Over the past 18 months

80%

>40

More than 40 new and major customers signed through this feature⁸

High customer satisfaction – with a greater than 80% retention rate

If we've learned anything from the development of advertising technology so far, it's that market size is no limit to innovation—if anything, compressed markets make the need for greater efficiency an even higher priority.

In Denmark, the Dansk Udgivernetværk co-operative launched in February of 2013. Initially reaching 45% of the country's internet population, it has since grown to touch 71% of those online.

Initially acting as a pioneer of private marketplaces in the region, DUN was quick to acknowledge one of the key strengths of the publisher co-op: providing data at scale, packaged across quality brands. And as a sign of its popularity among buyers, private marketplaces reached 44% of its total revenues in April 2015 .

Beyond offering these audience-based direct orders, itself a great step forward for a market that reputedly has a high number of users who choose to block third party cookies, DUN was also an early proponent of audience extension.

Sometimes also referred to as a publisher trading desk, essentially DUN has used the quality audience and scale of the co-op as an answer to the question of how to bring the best out of classified advertising through automation: starting with the employment vertical, prominent local employment brand Jobzonen allows advertisers to reach the premium audiences they need across the entire DUN membership. DUN Director Troels Nielsen sums it up best:

"Enabling audience extension across the co-operative has been particularly effective for us. With the secure use of data, it has allowed us to really offer clients a unique self-serve solution in our market. It has effectively rejuvenated our classifieds offering, a market that for some was considered lost to our larger digital-only competitors."

And the results are as impressive as any of the other seller co-operatives' achievements. DUN's audience extension initiative has brought in over 500 ad campaigns from more than 150 clients in the last 18 months. It has also signed more than 40 new and major customers through this feature, resulting in new ad revenue, as well as high customer satisfaction – with a greater than 80% retention rate .



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Troels Nielsen, Director, DUN

REACHING CRITICAL MASS IN A REGION NEAR YOU

Following on more recently from La Place, DUN and CPEX, we have seen the launch of the Premium Publisher Network (PPN) bringing together seven of the largest publishers in Greece, and representing around 1.8bn impressions per month.

The launch of PPN follows the announcement in Italy of the Gold 5 coalition of Manzoni, Banzai, ItaliaOnline, Mediamond and RCS. This year has also seen the launch of the Pangaea Alliance, bringing together the combined heft of the Guardian, CNN, FT, Reuters and the Economist as the first seller co-operative with a truly global focus.

And in an early sign of the type of impact it could have, this latest chapter in the evolution of the co-operative has already announced

its inaugural pan-global campaign, with American Airlines.

Also new for 2015, the emergence of both HOPPEX in Hungary, and most recently RPA Media Place in Argentina confirm what is now a truly global phenomenon.

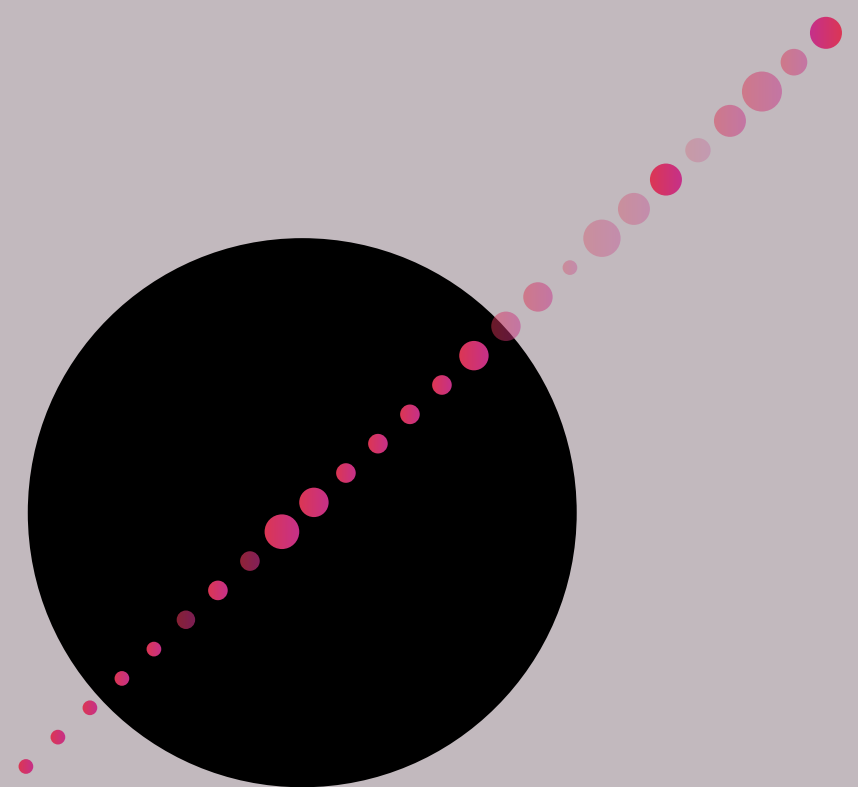
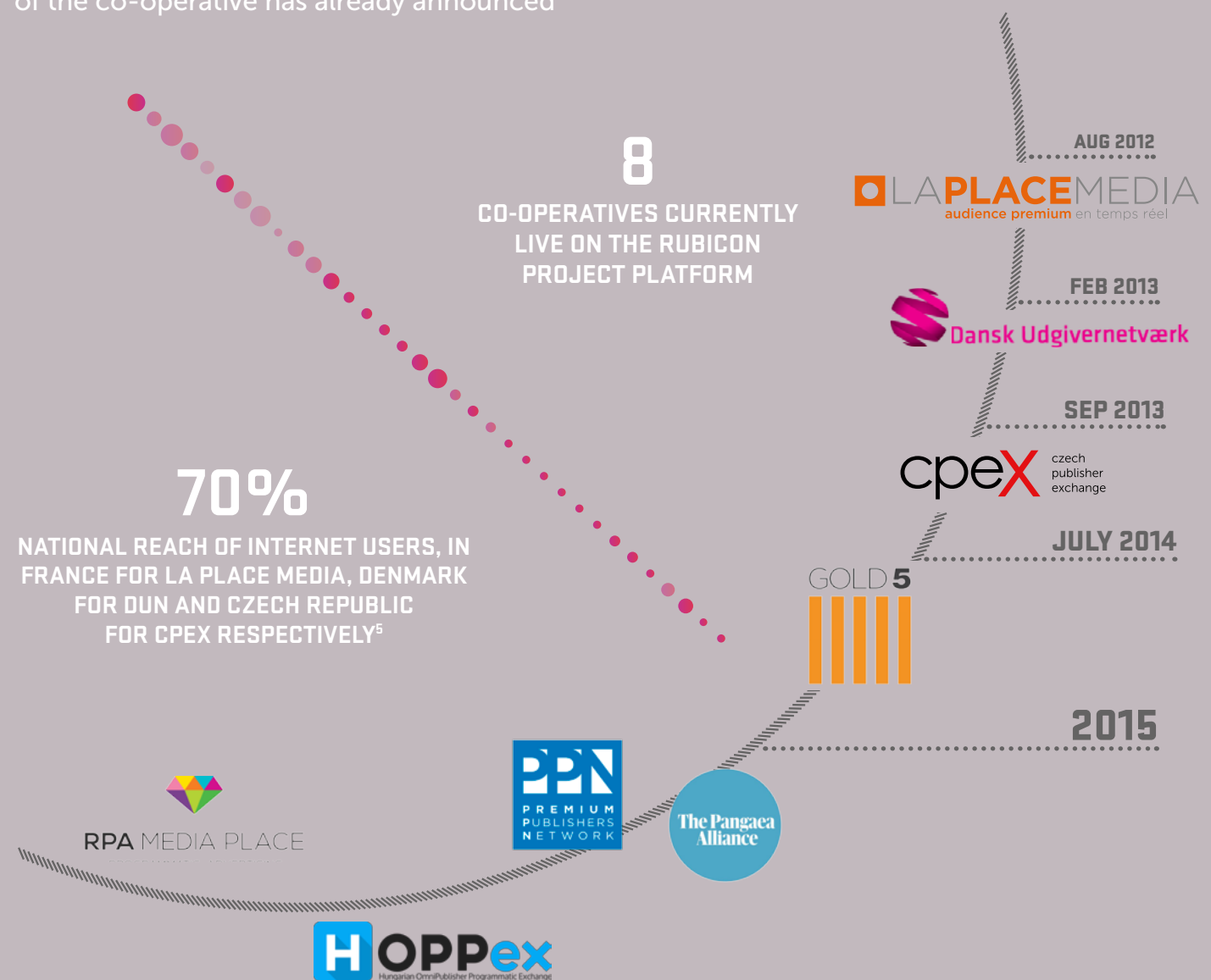
As Pangaea, along with the worldwide co-operative phenomenon at large hit critical mass, Guardian Revenue Director Tim Gentry neatly sums up both their success, as well as their raison d'être: "Addressing the demands of the industry for premium programmatic advertising at scale."

In any language, it is not so much about liberté égalité fraternité, more practicality and basic market economics.



"Advertising offered through a programmatic purchase model is dramatically growing all over the world. It is a trend attracting advertisers, agencies and media. [Programmatic] enables us to add more and more value to our audiences through the use of first and third Party Data, and, in turn, advertisers will be able to set up more specific and ambitious communication goals,"

Alejandro Alvarez, CEO, RPA Media Place



"Three years from its launch, La Place Media has gone from strength to strength. Independent governance combined with solid backing across all levels of our publisher members' business are key factors in our success."

Arthur Millet, MD, La Place Media

FOOTNOTES

¹ Pew/eMarketer: <http://www.journalism.org/2015/04/29/digital-news-revenue-fact-sheet/>, <http://www.emarketer.com/Article/Facebook-Twitter-Will-Take-33-Share-of-US-Digital-Display-Market-by-2017/1012274>

² Zenith/MediaPost: <http://www.mediapost.com/publications/article/249648/google-expands-ad-industry-dominance-facebook>

³ Rubicon Project interview: <http://rubiconproject.com/blog/interview-la-place-media-md-fabien-magalon/>

⁴ Rubicon Project interview: <http://rubiconproject.com/blog/qa-czech-publisher-cooperative-cpex-managing-director-matej-novak/>

⁵ Cited from DUN, CPEX & LPM websites

⁶ La Place Media: all data in this section—AdExchanger: <http://adexchanger.com/publishers/how-french-publishers-reclaimed-programmatic-by-creating-la-place-media/>

⁷ CPEX: impressions number, private marketplace share and quote direct from client. Other stats taken from Rubicon Project platform: high impact format increase = Jan-May 2015 vs. Jan-May 2014, PMP increase = April 2015 vs. April 2014

⁸ DUN: Reach figure & mobile impressions: DUN website, private marketplace figure: Rubicon Project platform for April 2015, other data and quote provided directly by DUN/Jobzonen



LEADING THE AUTOMATION
OF ADVERTISING

Rubicon Project (NYSE: RUBI) has engineered the Advertising Automation Cloud, one of the largest real-time cloud and Big Data computing systems. The Company's mission is to automate the buying and selling of advertising by offering innovative products to connect buyers and sellers globally.

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