

Optimize & Prophesize

The Decade of Display That Wasn't 2007 – 2017

Act I: Crank That

The year was 2007. Ten years ago.

Microsoft bought aQuantive for \$6.3B.

Google bought DoubleClick for \$3.1B.

Yahoo bought Right Media for \$680M.

Display was poised to take massive amounts of advertising dollars from television over the next decade and become the dominant form of advertising. Microsoft, Google and Yahoo were going to own advertising. A revolution had come to display advertising. But like all revolutions, the hard part is what happened next.

Underlying those \$10B in purchases was leveraging an undervalued asset. Remnant inventory. The leftover boxes and rectangles on the page that were not sold direct by publishers. Some of this inventory was from the top publishers in the world who struggled to build digital sales teams (or more accurately struggled to get their print teams to sell digital). Much of this inventory from the acquirers themselves. Keep in mind this era was the height of the "long tail." The thesis made sense.

The unsold inventory was cheap and became easy to buy. Nobody really knew or cared why this crappy inventory was being purchased. It was a new frontier. In fact, it was the Wild West. What quickly became clear was that remnant inventory served a large and different purpose than many thought it would. In many respects it had nothing to do

with display advertising as it had been built (namely by Yahoo) until 2007. That purpose was the fast developing "method" of dropping cookies on the browser to track people.

The timing of this was important. Around 2007 the first public exposure of malicious ads was taking place. Zango, Gator, Intermix and others had built businesses on the back of what was then known by the accurate name of "spyware." [Ben Edelman](#) and the FTC were going after and shutting down businesses. These companies had done pioneering work dropping cookies and tracking people across the web, if you can call breaking the law and getting a fined by the FTC pioneering...but this was display and large portions if not the majority of it was built on spyware.

After the demise of the first wave of spyware companies (though Intermix became MySpace) these people just formed new ones. The money was just too easy and the tactics even easier. Now, instead of having to pop-up or pop-under or fool people into clicking there were exchanges that provided a less intrusive way to get ads served and cookies dropped. The problem actually became worse.

Publishers might not have known what was going on but they made the decision to sell these ads knowing full well nobody was really seeing 90% of them. Publisher sales teams still didn't believe this was going to be a threat to them since the ads were all "below the fold." In fact many started adding more ad slots to pages to sell more and more cheap inventory in order to increase yield. CTRs plummeted but nobody cared. By 2008 a person [clicking on an ad was being derided as meaningless](#) by ComScore.

For three years fueled by remnant inventory the exchanges grew. With cookies dropping all over the place RTB (real-time bidding) started to take hold to ensure the lowest prices possible were being paid by buyers for cookie matched impressions. SSPs (supply-side platforms) starting popping up with inventory from sellers. DSPs were created to enable buying. And what happened after all that infrastructure was set up? Google and then Facebook came and dumped their low value inventory on the market that they couldn't monetize themselves. The whole thing was cranking.

Act II: Like A G6

By 2010 the display advertising space exploded. People couldn't keep up with everything that was happening. The Lumascape took off within the industry to help make sense of it all.

2010 was peak display. And if there was one start-up that peaked more than any other and exemplified what the decade was all about, it was RocketFuel.

RocketFuel was the right idea at the right time with the right people. I remember speaking with George John when he was starting it. He was incredibly interested in advanced testing techniques and applying them to display ads. This was all building off the incredible work teams that George was involved with at Yahoo were doing around ad optimization. At the time (2005-2008) these teams were so good even Google could not compete with them on digital ad innovation, in both Search and Display.

With Right Media and DoubleClick being bought lots of ad tech power was now centered in NYC. But performance ad networks were always a San Francisco treat and RocketFuel was no different. It would bring its West Coast version of a performance ad network to market and by 2010 it was humming. They were the hottest display advertising company on the planet. I'll let their press release from November 2010 explain why:

Rocket Fuel has seen amazing results with real-time bidding and its ad operations autopilot system, both of which help the company buy only the best-performing impressions for their customers' campaigns. Its systems optimize and tune every campaign every 15 minutes – a level of attention that is hard to replicate with manual "trading desk" approaches. Around this core technology engine, Rocket Fuel has created a set of industry- and

If you know this story you know that RocketFuel selling for \$125M this year from a peak valuation of \$2B in 2013 is the end of their story. Exhibit A that the last 10 years were the display decade that wasn't. However, it was actually other events from 2010 that shaped the future of display.

In 2010 Google bought Invite Media, the early leader in the DSP space, and AdMob, the largest mobile ad platform. Then they re-wrote every line of code to integrate them into DoubleClick. If there was one fear that Google had it was that display

growth could hurt their cash cow, search. So piece-by-piece they bought what they needed in order to own the category. This included buying Admeld in 2011. They executed flawlessly.

Over the next 3 years cheap inventory provided a great reason for everyone to buy on exchanges using cookies. Yes, back to the straw that stirs the drink in display. Cookies. The Reggie Jackson of display. Power hitter, low average, high strikeouts but will win you ballgames – or in this case business from people who have no understanding how all this ad tech stuff works anyway. Cookies game results, cookies create margins, cookies made ad tech fat, dumb and stupid. Proof? Retargeting, the actual exposure to people that they were being followed and tracked across the web became all the rage.

RocketFuel went public in September 2013. This followed IPOs from YuMe, Tremor, and Millennial Media in 2012 all of which were losing large amounts of money. We were halfway into the decade of display and VCs were cashing out. Turns out, the money they got out in 2012/2013 was the best money they were going to get. The public markets were not kind to these companies. Many VC did not get back what they thought they would. For one VC in particular their firm was essentially destroyed because of ad tech. Funding for ad tech started to dry up.

In September of 2013 Pivotal Research analyst Brian Wieser, one of the most knowledgeable people in the space noted ominously "Our guess is that any performance-based advantages that a Rocket Fuel might be able to highlight will be relatively short-lived, as best practices are increasingly commoditized as the sector evolves." The only thing missing from this analysis was the giant shark that Terry Kawaja included on his original 2010 Lumascope presentation that was going to eat display. The shark was Google.

Act III: Look What You Made Me Do

The biggest changes from 2013-2017 were marked by agencies doubling down on building or buying their own programmatic trade desk offerings and then moving as much display buying through them as possible. This was led by WPP and Xaxis, which in late 2013 ushered in our Act III by merging with 27/7 Media.

The next year WPP invested in AppNexus and required supply partners to integrate through them. Other agencies were popping up all kinds of groups and companies with funny names. Accuen, Cadreon, Amnet, RUN. Agencies took a build and buy approach and were determined to get some more of the rake. After all, it was up to them where they were going to spend their media dollar. They saw the value they were creating for others like RocketFuel. They wanted to build their own value.

Slowly and slowly, more and more, impressions were running through these groups and teams at these agencies. The best part as far as the agencies were concerned was that there were no orders required to buy. They didn't have to commit to buying anything! They cherry picked the impressions that they wanted and audiences (cookies) were what they were buying, not content. And when the audiences don't scale? Just buy the cheap stuff. No one really understands or is measuring anything we do anyway. Until they were.

By 2015 things started getting very messy. Questions were being asked by brands. Ad verification, viewability requirements, fake sites, botnets. Display started getting mired with multiple companies measuring many things with data reconciliations, mistakes and make goods up the wazoo.

Then, the biggest mess of all. The consumer.

By 2015 it was clear. People hated display ads and the industry had only itself to blame.

The [IAB road blocked the W3C Do Not Track](#) initiative in 2012 that was led by a cross functional group that most importantly included the browser makers. In hindsight this was the only real chance for the industry to solve consumer needs around data privacy and advertising technology. The IAB wanted self-regulation. In the end, DNT died as the IAB hoped.

Few anticipated that people would fight back against intrusive, creepy and irrelevant display ads. They did. The bombshell report on ad blocking came out from Adobe and PageFair in the middle of 2015 and was the great PR campaign of the decade.

The report said that 16% of U.S. Internet users had ad blockers installed. Well more than anyone had suspected. In Greece it was estimated 38% of users had ad blocking installed. That 38% number put the fear of Jesus into the industry. As is ad tech's way, new companies sprouted out of nowhere to help solve this ad blocker problem.

The report strengthened Google and Facebook with their walled gardens protected by user agreements and choice, as well as their deep pockets ensuring their ads were not blocked. Brands felt secure Google and Facebook ads were being seen, clicked on, and converting. Inventory at very low eCPC or eCPM was in abundance. They were the top performer on almost every campaign compared to other options. Most of all, Google and Facebook had best data that fueled these results, and you couldn't buy it anywhere. "The Duopoly" was cemented and the hundreds of nameless ad tech companies and the long tail of publishers the IAB purportedly represented during DNT were hurt the most.

In 2017, Google and Facebook each would become embroiled in multiple display advertising scandals.

So here we are. The end of 2017. Best estimates (eMarketer) place U.S. Display spending at ~ \$150B the past 10 years. \$150 Billion in display advertising. Can anyone remember a single display campaign the last decade besides "punch the monkey?"

After the maturation over the past decade it is hard to see where to innovate and where display goes from here. There's nothing as exciting and as transformative as RTB or Exchanges on the horizon. In fact, just having server-to-server communication now is considered a big deal. Instead of having ads that know and predict our needs, consumers hate display ads. Instead of ads supporting a free and vibrant digital publishing ecosystem, publishers are desperately trying to figure out new revenue streams.

A few things seems certain, though we should learn from history nothing is certain in this space.

Programmatic should continue to eat up more spend and spit out larger margins for agencies that need every penny as they grapple with their own significance as Adobe, Oracle, Salesforce, Deloitte, Accenture and others move on their turf. The battles with fraud will continue because there are too many interested parties that benefit and fraud/theft is just part of doing business on the Internet. Publishers will continue to grapple with technology and data advancements thrust on them from the buy side.

It also seems certain display will never die. It will always have billions of dollars flowing through its pipes. But whom it supports and what it supports in the future cannot be known. In 2007 Yahoo and Microsoft were supposed to rule display for the next decade. They were going to be "The Duopoly." Both are essentially out of the business. Google was Search and AdSense. Now it dominates display. Facebook was not even part of the conversation. Now they are Google's largest threat to dominance.

Display's legacy of the last decade?

The lasting legacy might just be the EU [GDPR](#) (General Data Protection Regulation). Last year the EU has passed laws protecting the collection and use of personal data collected on the Internet. Enforcement begins in a few months. Right at the start of the next decade of display ads.

Posted December 4, 2017 in [Digital Media](#), [Display](#), [Publishers](#)

Tags:

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5 responses to "The Decade of Display That Wasn't 2007 – 2017"



Dominic Furlong
December 5, 2017

This really is a thoroughly accurate and fascinating read of every milestone in the Display space over the last ten years. Thank you! Thoroughly enjoyed this.

★ Like

Reply.



Joshua Rex
December 6, 2017

Excellent low down – although along the way some amazing display media reared it's head – only to be crushed by programmatic nonsense.

<https://www.linkedin.com/pulse/online-advertising-dead-long-live-joshua-rex/>

★ Like

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Piyush Aggarwal
December 21, 2017

One of the most brilliant piece on digital marketing space I've read in 2017. Extremely well captured and puts the perspective of all stakeholders in great detail. Well Done!

Would definitely capture some of these points in my yearly round up blog post at <http://www.piyushaggarwal.me>

Well Done!

★ Like

[Reply](#).



Web Analytics Are Not Modern – @jonathanmendez

March 13, 2019

[...] value of context might best be represented in what happened to display advertising on the open web over the last decade. As display/banner ads moved away from context-based signals to serve ads (AdSense & Contextual [...])

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Do You Have a Customer Data Moat or Lake? – @jonathanmendez

October 10, 2019

[...] vendor tags on your website and sold by data brokers to multiple parties. Over the last decade, data commoditization in advertising has drastically decreased the value of media (as measured in CPM or price per 1000 ad impressions). RTB and BT using customer behavioral data [...]

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