

theTradeDesk  
**PALOOZA '17**

# HEADER BIDDING

STARRING

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**PTX1650**

1:23-cv-00108

## What is header bidding?

“Header bidding, also known as advance bidding or pre-bidding, is an advanced programmatic technique wherein publishers offer inventory to multiple ad exchanges simultaneously before making calls to their ad servers”

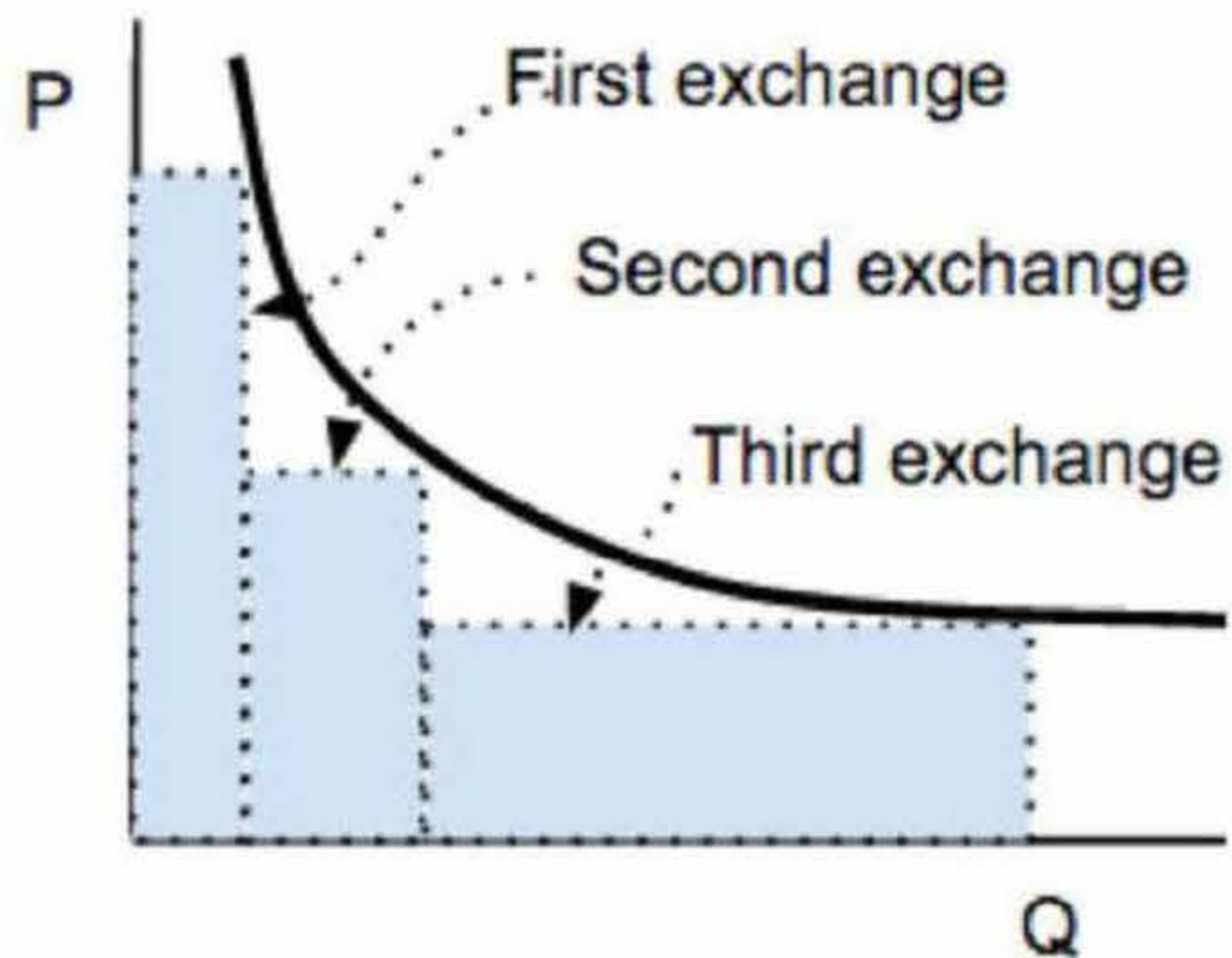
- Digiday

*Source: “WTF is Header Bidding?”, Digiday, August 2015*

2

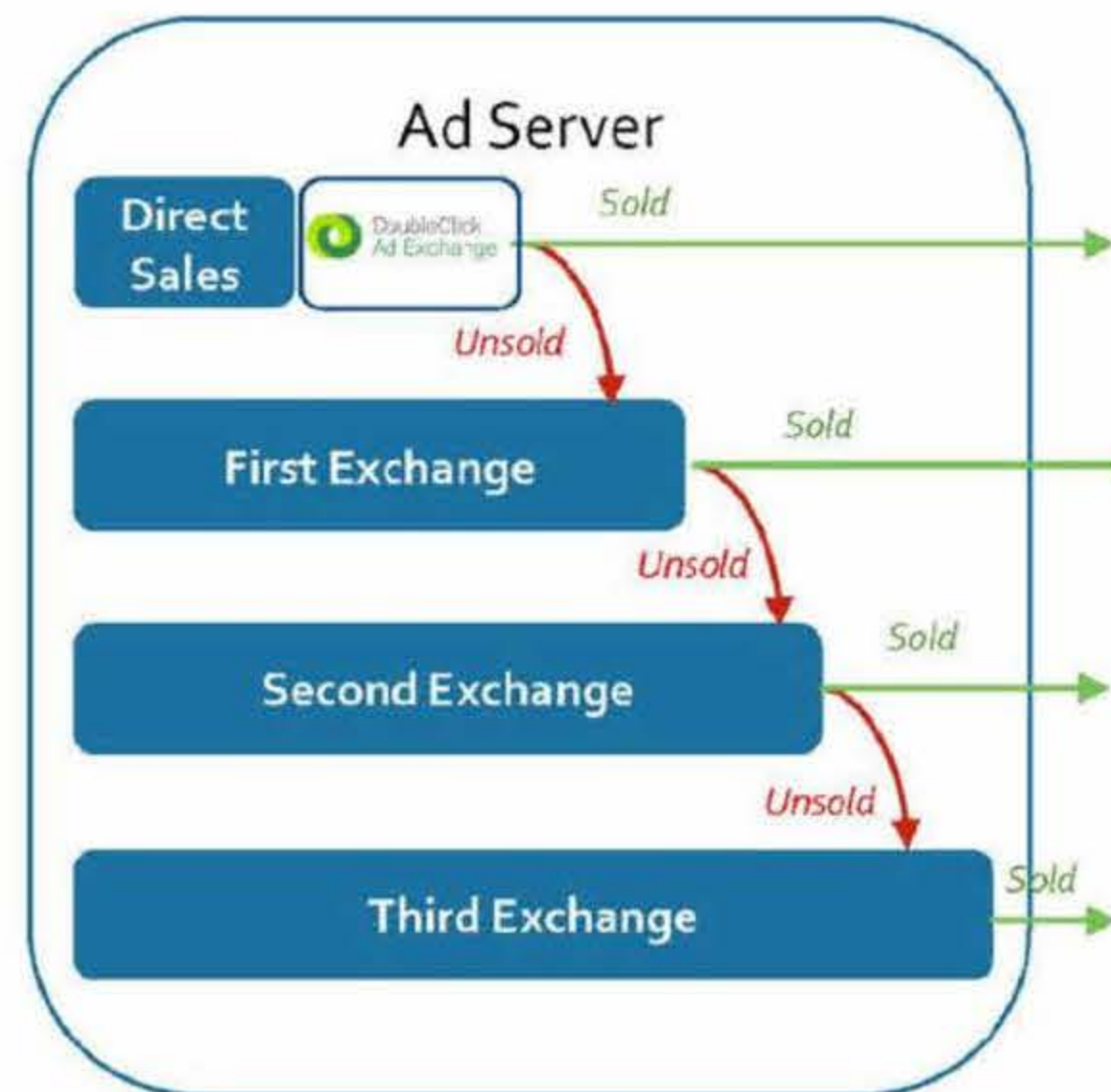


# Ad tech before header bidding



Source: AdExchanger, January 2015

# The Publisher Waterfall



# The Publisher Waterfall

Inefficient

Inflexible

Unfair advantage to Google

# Google's position before header bidding

Google's ad server is used by almost all publishers (77% market share in 2015)



Google's SSP was tightly integrated with its ad server, allowing preferential access to ad inventory before other SSPs



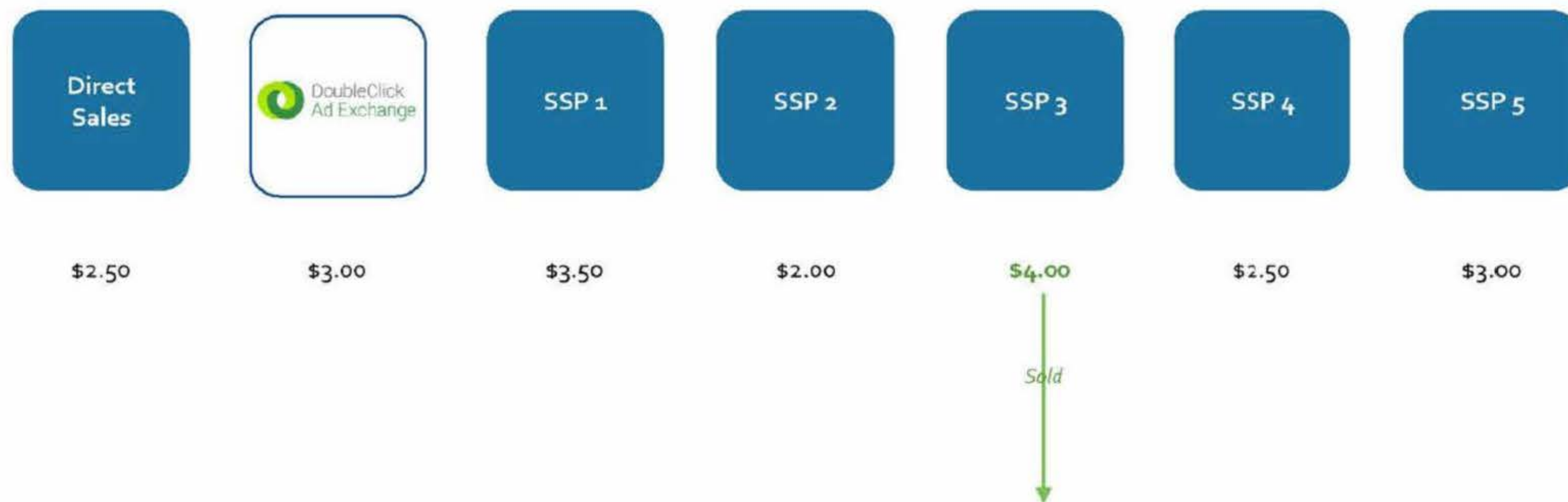
As a result, Google had a significant competitive advantage in the programmatic ad market



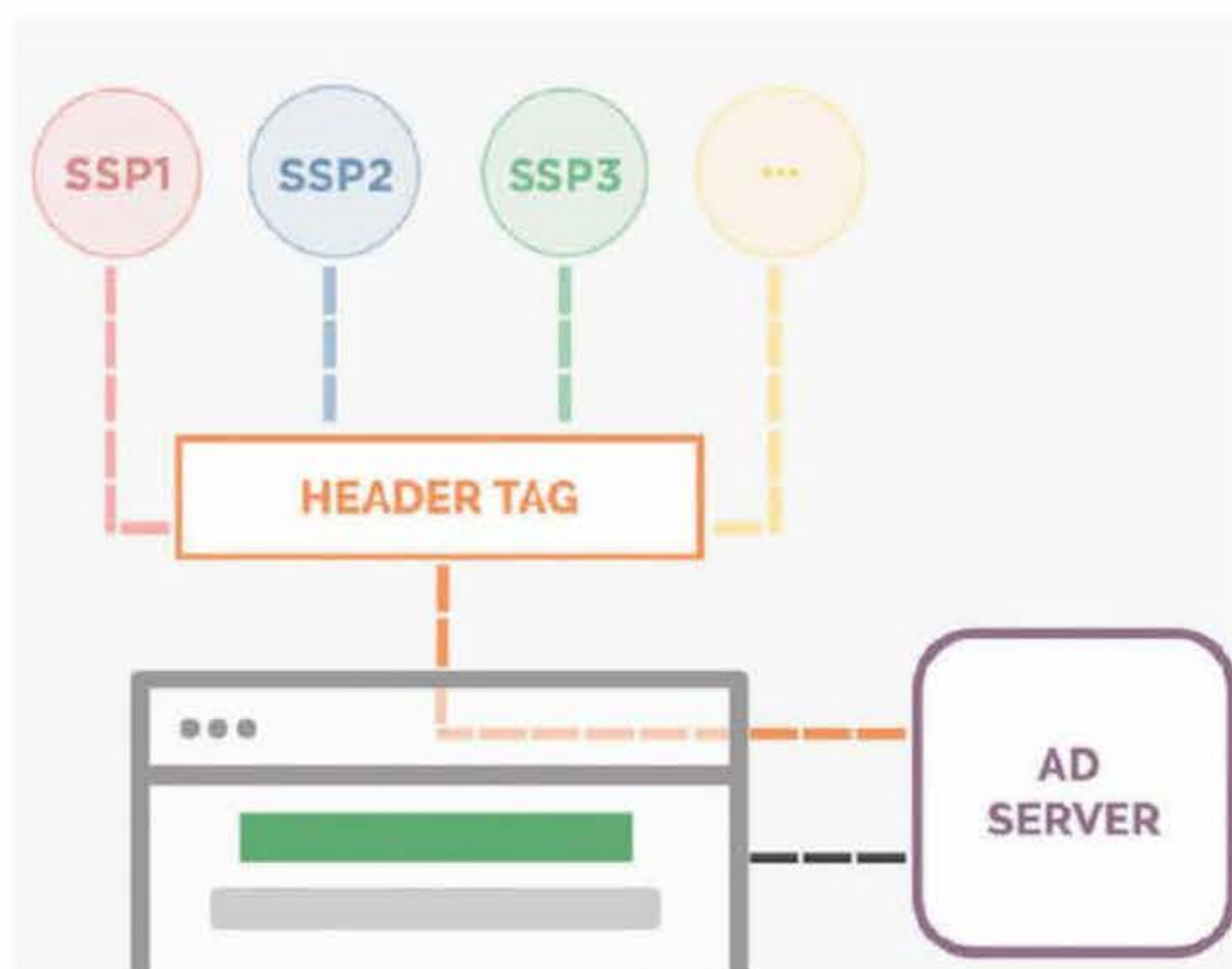
Source: Datanyze, ad server market share for top 1M Alexa-ranked websites, 2015



# Header bidding levels the playing field



## How it is implemented



- Publishers insert Javascript code into webpage header
- Circumvents waterfall auction, enabling simultaneous bidding by multiple SSPs
- Lower barriers to entry for smaller SSPs

Source: OpenX

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# Wrappers accelerated header bidding adoption

ad  
exchanger

Localized Ad Buys = Higher

TOPICS | COMMENTARY | RESOURCES | EVENTS | JOBS | SEARCH

## The Year Header Bidding Went Mainstream

By Sarah Sava on Tuesday, December 27th, 2016 - 5:00 am

Share



2016 was the year that header bidding crossed over and became a disruptive force in the ad industry.

The wave of publisher adoption spurred tech companies to create header bidding solutions.


AdvertisingAge

Marketing Advertising Digital Media Agency Data B2B Video

## Header Bidding Wrappers Are the Next Ad-Tech Craze (for Large Publishers)

Time Inc. First Large Publisher to Announce Adoption

By [Name] on [Date]



BUSINESS INSIDER

BI INTELLIGENCE

## Header bidding gains momentum, drives up publisher ad revenue

By Intelligence

May 3, 2016, 3:30 AM

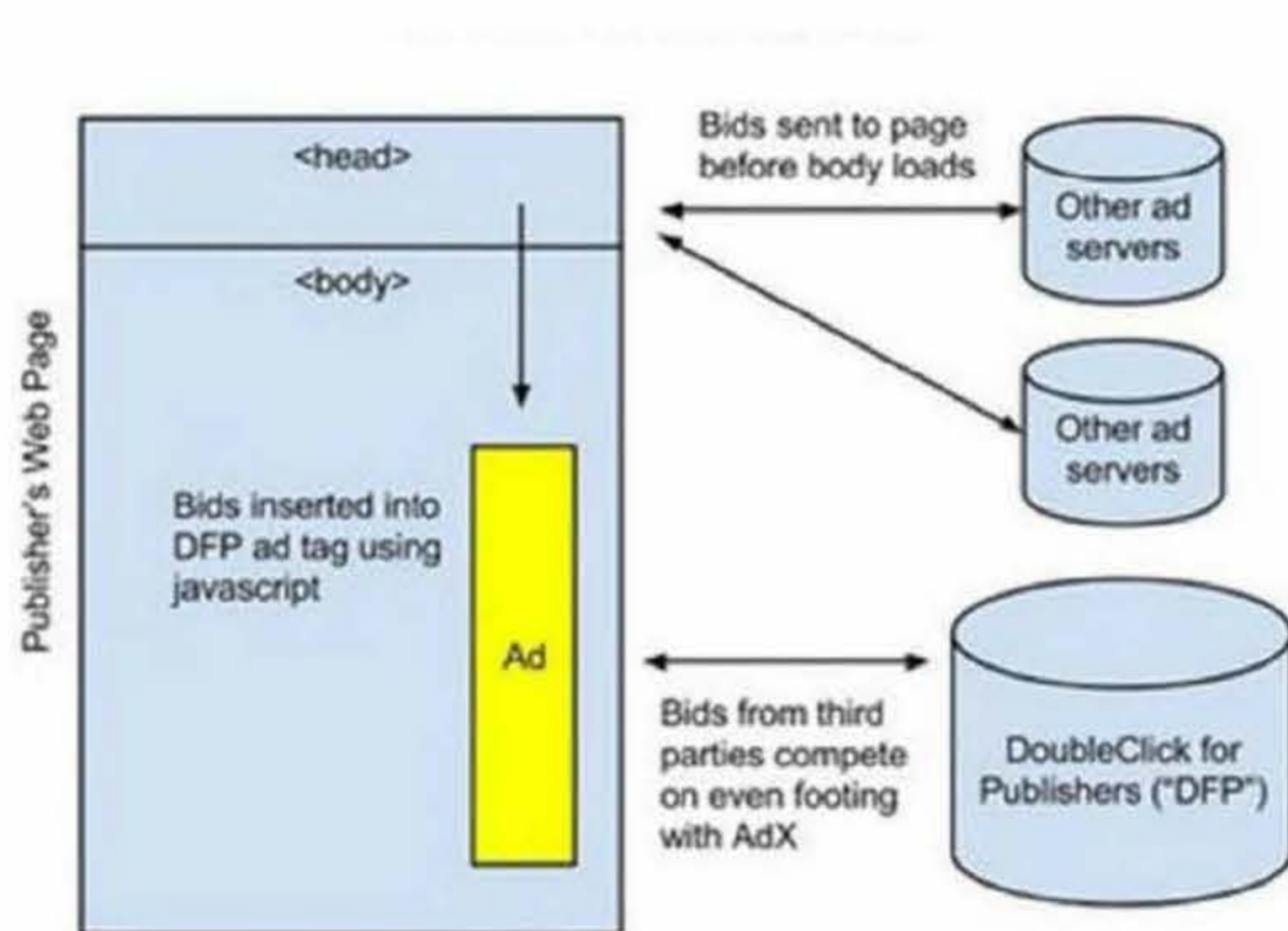
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Last week, programmatic ad exchange OpenX revealed that header bidding technology was largely responsible for an overall uptick in revenue.



## How header bidding works



- User visits a webpage
- Header code calls SSPs for bids before calling ad server
- DSPs simultaneously pass bids to ad server
- Ad server selects highest bid and serves the ad

Source: Business Insider, 2016

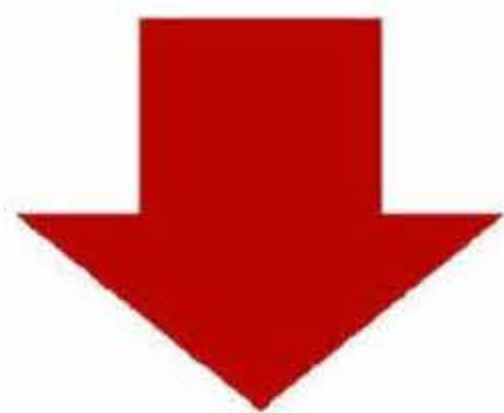
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## How header bidding impacts publishers



- Increases price
- Increases yield
- Higher revenue overall



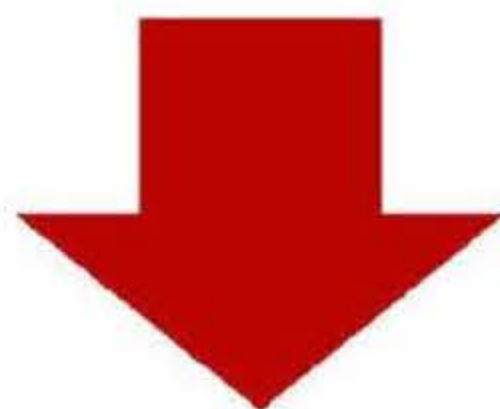
- Page latency
- Operational complexity of managing more SSPs



## How header bidding impacts SSPs



- Lowers barriers to entry
- Access to more inventory

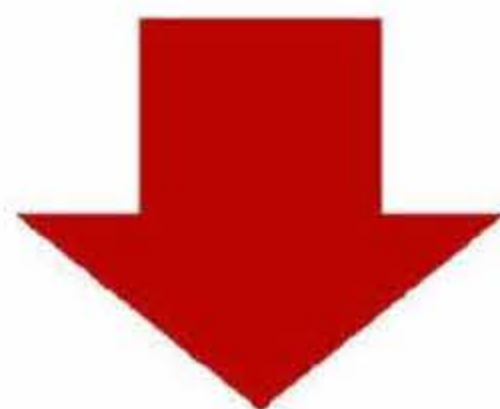


- Increases competition
- Publisher relationships are less sticky
- Higher infrastructure costs, lower margins

## How header bidding impacts DSPs



- Access to more inventory
- Access to higher quality inventory previously reserved for direct buys

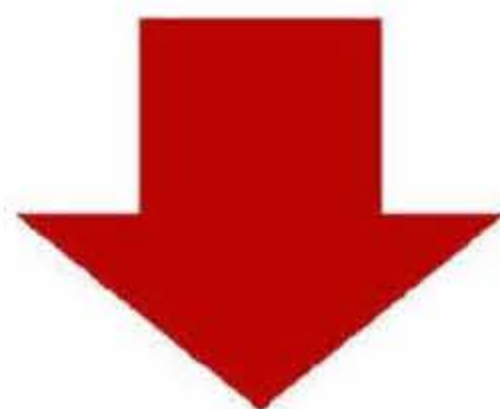


- Higher costs from submitting multiple bids for same impression

# How header bidding impacts advertisers



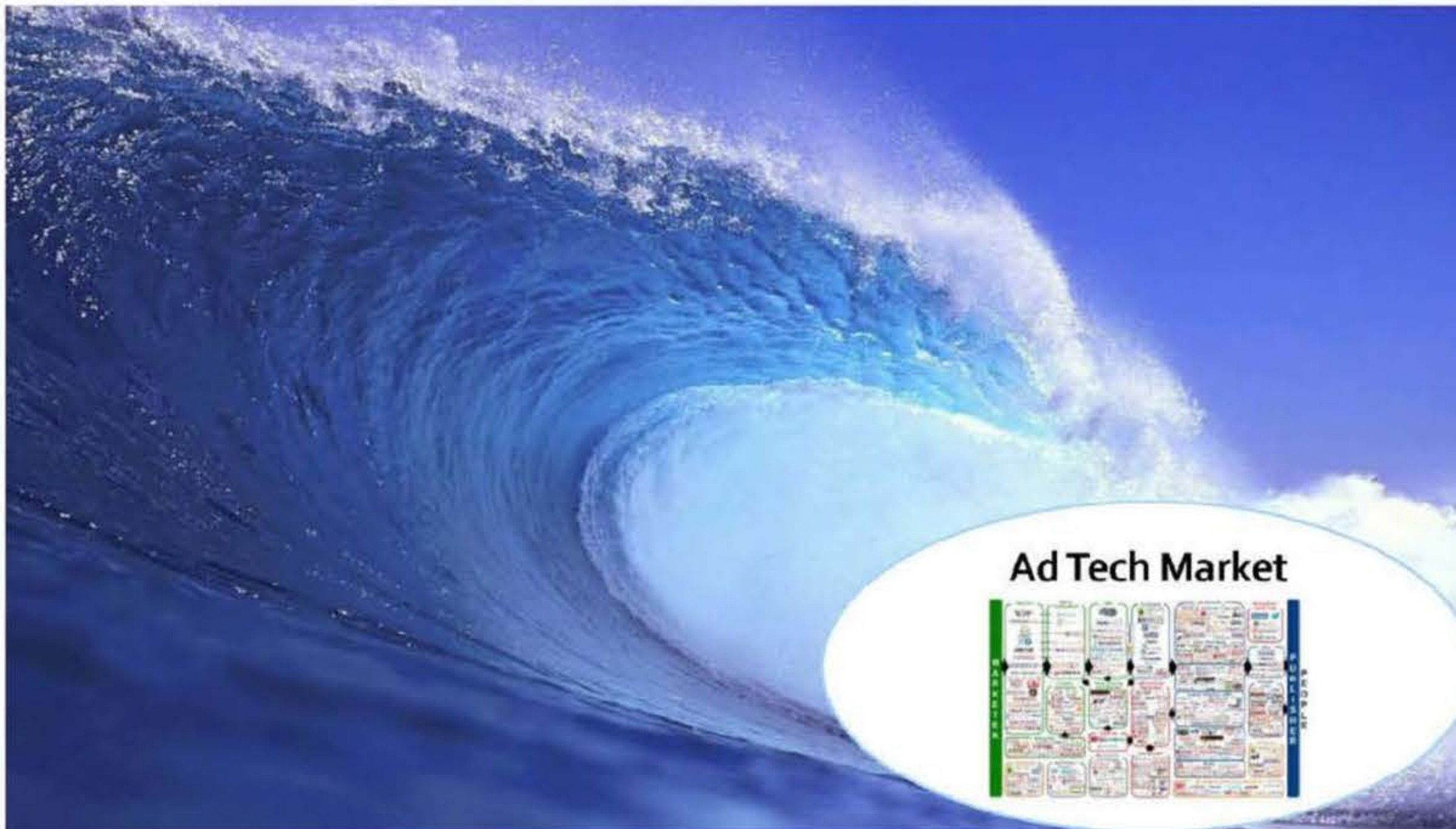
- Access higher quality programmatic inventory
  - Better forecasts of available inventory
  - Campaigns can have greater scale
- 



- Higher CPMs



# Why should we care about header bidding?





# Commoditization of SSPs

BARRON'S

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DAILY
INVESTING IDEAS
ADVISOR CENTER

August 3, 2016, 3:03 PM ET

## Rubicon Plunges 33%, Criteo Drops 6% as 'Header Bidding' Dogs Online Ad Market

Email
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By Tiernan Ray

Yesterday was a big day for **advertising technology**, with earnings reports from three of the top names, **Rubicon Project** ([RUBI](#)), **Criteo** ([CRTO](#)), and **Rocket Fuel** ([FUEL](#)).

And the stocks are taking quite different directions following those reports.

Rubicon is down \$4.39, or 32%, at \$9.28; Criteo is down \$2.77, or 6%, at \$40.39; and Rocket Fuel is up 11 cents, or 5%, at \$2.34.

Rocket Fuel solidly beat expectations, while Criteo and Rubicon Project both offered disappointing outlooks. Another member of the group, **TubeMogul** ([TUBE](#)), is set to report.

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## Rubicon Project Stock Plummets, Downgraded After Weak Outlook

■ Rubicon Project's stock rating was cut by several firms after the company posted solid Q2 results, but provided disappointing guidance.

## The Great Header Bidding Shake-Up Has Begun

by Sarah Sluis // Thursday, August 4th, 2016 - 1:04 pm

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## What's next?

- Header bidding was a client-side hack designed to loosen Google's control of programmatic inventory
- Not a long-term solution
- Google, Amazon, OpenX, Pubmatic, Rubicon Project known to be developing more efficient solutions for header bidding on the server-side





## Server-side header bidding

- Server-side header bidding gets us closer to realizing true potential of RTB
- Pages will load faster, publishers will see more bids and better yield
- Requires SSPs to collaborate on implementations
- Creates some complexity in cookie matching

# What does header bidding mean for TTD?

## Short-Term:

- Duplicate bid requests will inflate QPS
- Transaction costs will rise
- SSPs will work with TTD to make the supply path more efficient

# What does header bidding mean for TTD?

## Long-Term:

- TTD gains market share
- Smaller set of SSP partners; SSPs become more differentiated
- Programmatic advertising becomes more transparent
- TTD emerges as a stronger company at end state

