

Microsoft's Programmatic Transformation: A Case Study

Learnings and focus forward

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AppNexus | Supply Evangelism Team

AppNexus Inc. — Confidential



Microsoft

2015: Microsoft retreats from Display Advertising



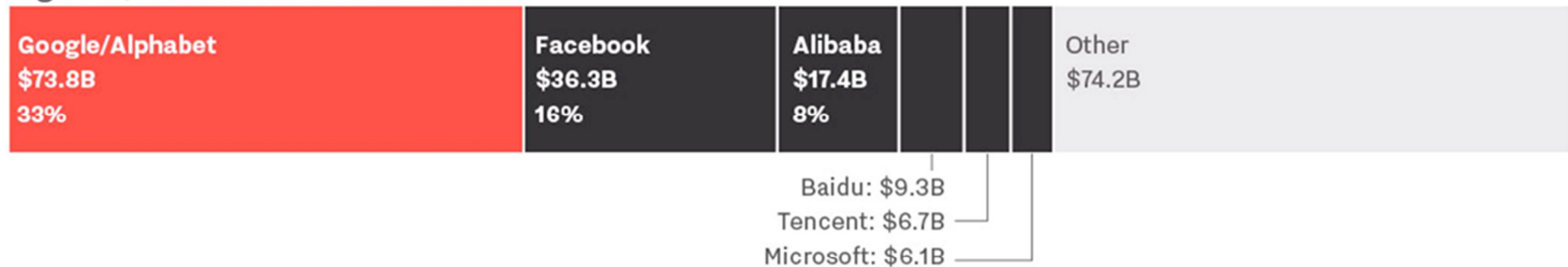
Things have worked out nicely for Microsoft



They are still the third largest western advertising player

Global net ad revenue share for digital and mobile in 2017

Digital: \$223.7 billion



SOURCE: E-marketer, 2017

Bing's market share is 17% in Norway, 33% in the United States

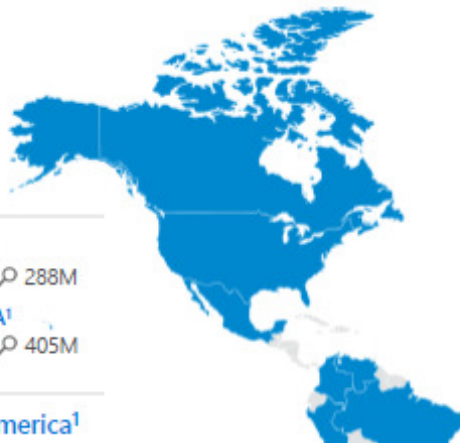


Worldwide¹

📈 9% Market share
🔍 12B Monthly searches

UNITED STATES²

📈 33% Market share
🔍 5B Monthly searches



Bing Network PC market share

Growing on a global scale.

Europe¹

📈 9% Market share
🔍 3B Monthly searches

Austria
Belgium
Denmark
Finland
France
Germany
Ireland
Italy
Luxembourg
Netherlands
Norway
Spain
Sweden
Switzerland
UK



AUSTRIA⁵

📈 12% 🔍 24M

BELGIUM⁵

📈 12% 🔍 42M

DENMARK¹

📈 9% 🔍 13M

ITALY¹

📈 9% 🔍 218M

NETHERLANDS¹

📈 9% 🔍 111M

NORWAY¹

📈 17% 🔍 16M

Asia Pacific¹

📈 4% Market share
🔍 2B Monthly searches

Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Philippines
Singapore
Taiwan
Thailand
Vietnam



AUSTRALIA³

📈 12% 🔍 173M

HONG KONG⁵

📈 19% 🔍 87M

INDIA⁵

📈 7% 🔍 233M

PHILIPPINES⁵

📈 5% 🔍 59M

Bing Network. Intelligent Search.

SOURCE: 1. comScore qSearch(custom), June 2017.



The Microsoft / AppNexus partnership

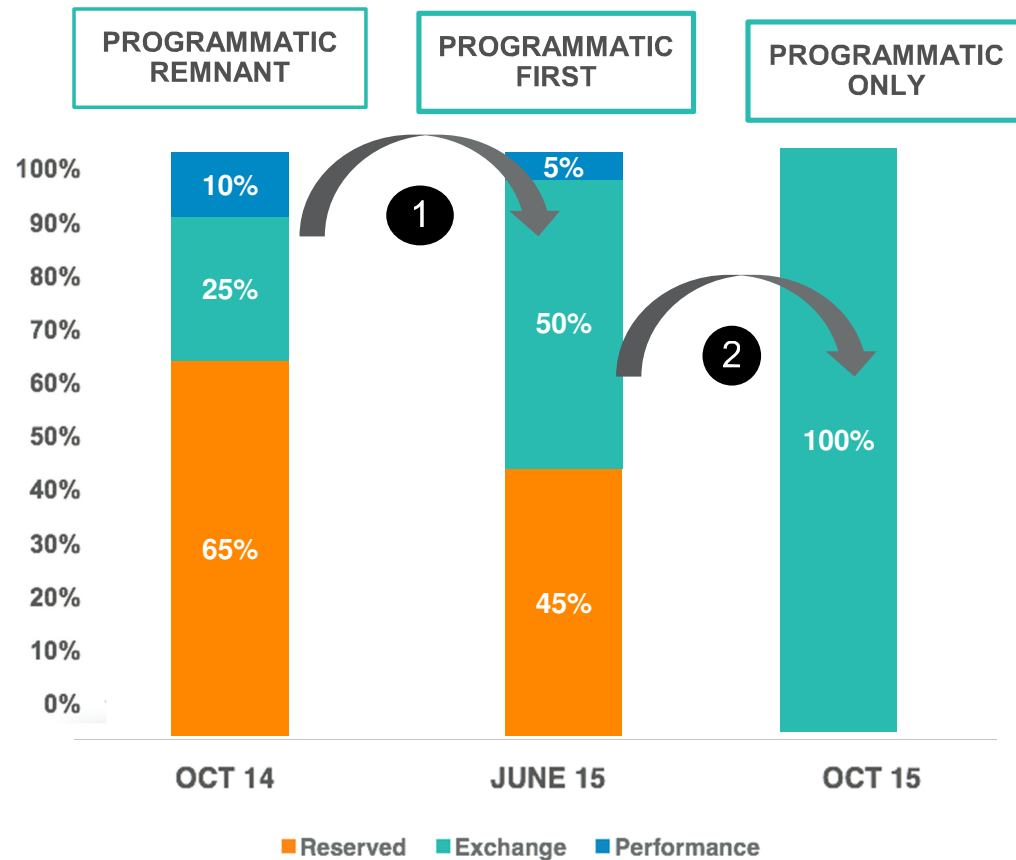


Microsoft's publishers are



AppNexus is a platform offering a marketplace to buy and sell programmatic advertising, helping publishers to monetize their inventory better and helping buyers to buy smarter and achieve better results.

Microsoft's Programmatic Transformation



1 = Nordic Programmatic Pilot

2 = AppNexus Supply Evangelism Team

The results of the transformation



REVENUE GROWTH
of 13% YoY in Norway

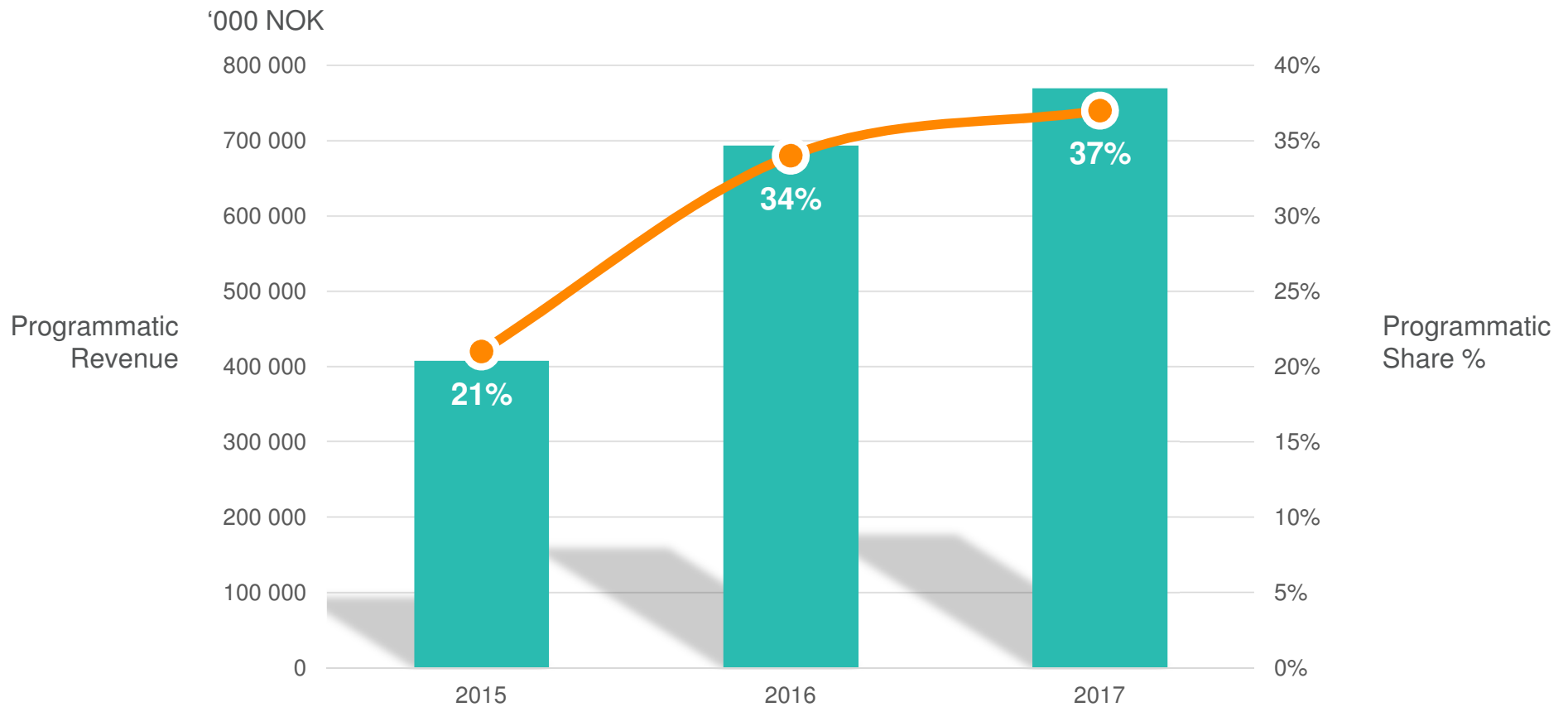


**ORGANIZATIONAL
RE-DESIGN**
34 people in MSFT A&O
2 people in AN SET
In the Nordics



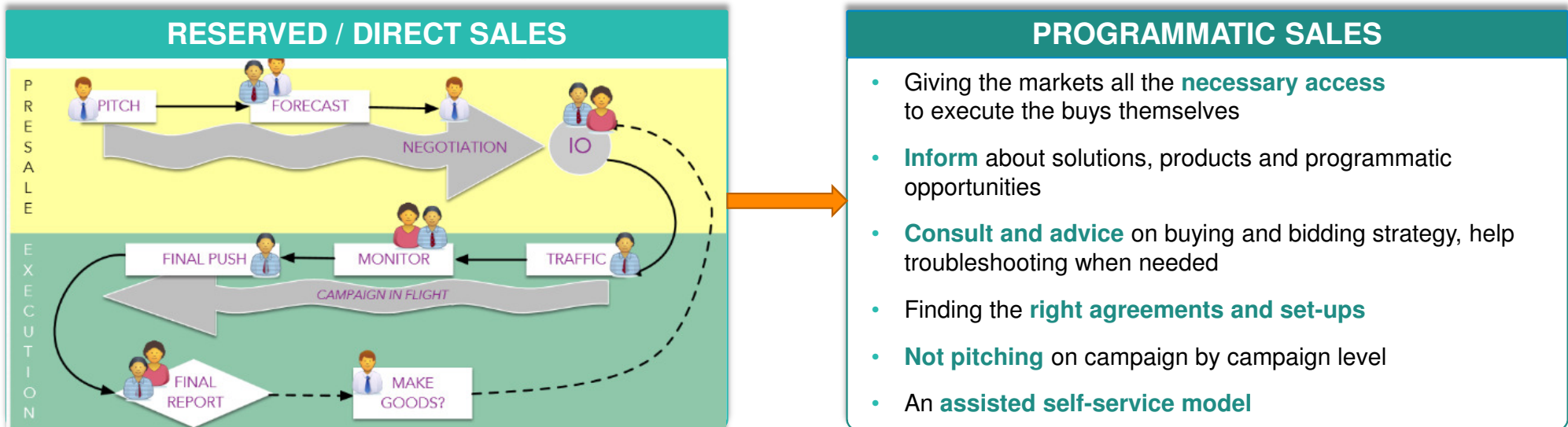
**STRONG INCREASE
IN PROFITABILITY**

Strong programmatic growth is one key reason



SOURCE: Mediebyråforeningen. For 2017 based on the first 9 months - applied same growth rate for last quarter

Reserved and programmatic sales differ fundamentally





Any learnings?

1: A programmatic sales model requires a different skill set



2 : The inventory quality and performance is ultimately what sells

- Brand noise and relational selling losing importance
- Campaigns across many different publishers optimizing for metrics such as viewability and clicks
- The best inventory will be prioritized

3 : Data has become abundant, but drives more revenue

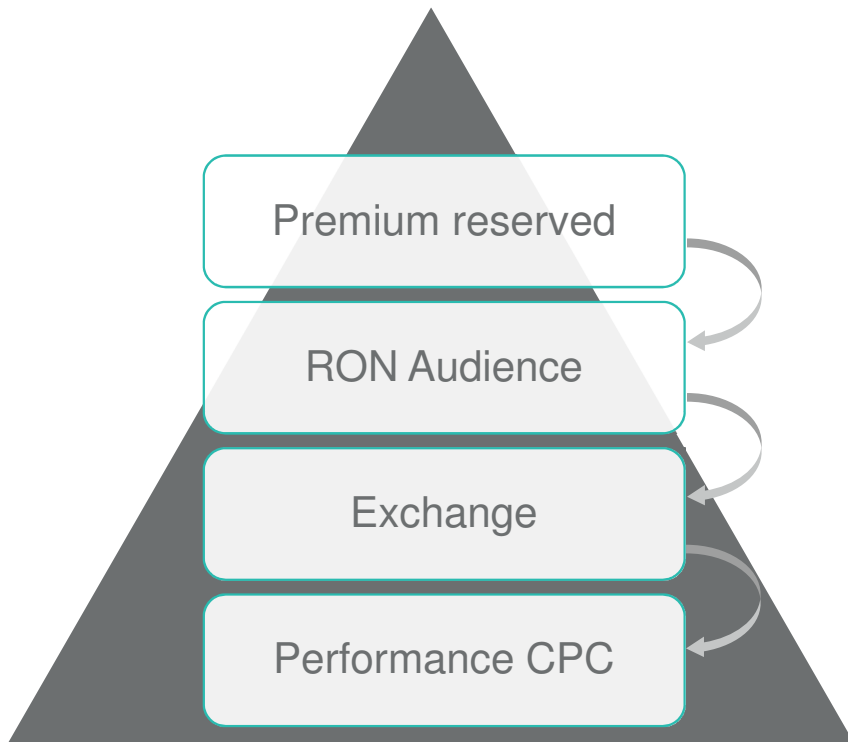
- Giving up data monopoly - potentially less demand for own data
- Harder to have a unique data offering
- However, all external data (advertiser and third party data) greatly increases the value of all inventory

***Quiz:** What was the highest paid CPM price in the Microsoft Ad Exchange in Norway in October 2017?*

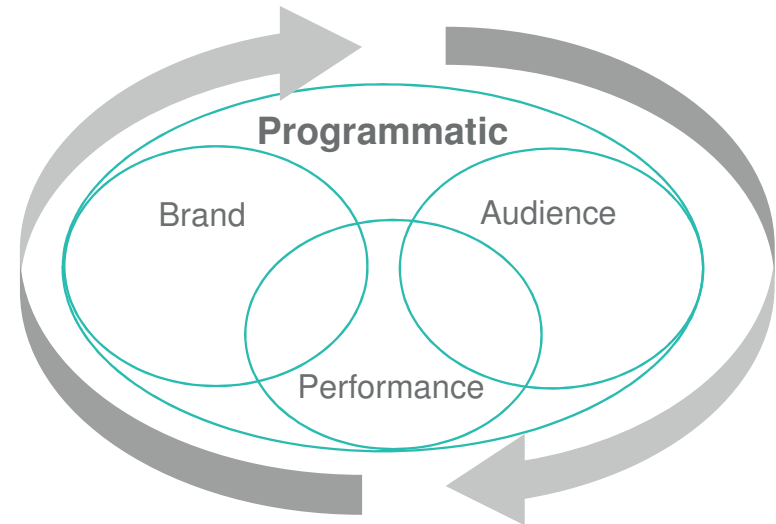
Answer: 663 USD CPM = 5446 NOK CPM

4 : The beauty of competition and willingness to pay

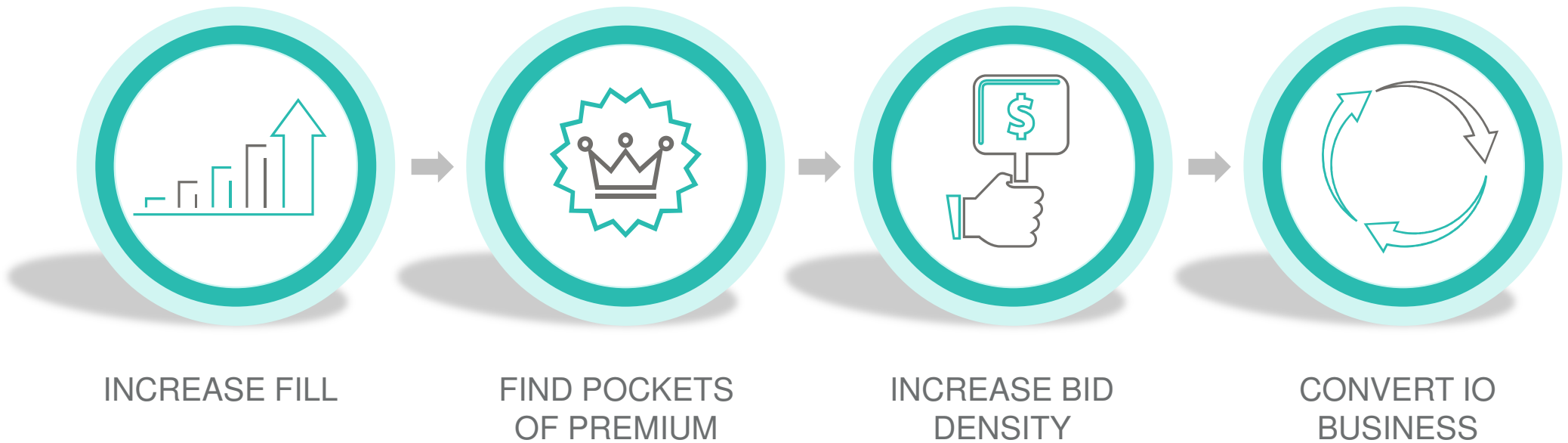
Microsoft Waterfall 2015



Microsoft's Unified Auction Today



5: A different monetization approach is needed



The background of the slide is a digital landscape. It features a perspective view of a road that curves into the distance. The road is composed of many parallel lines of binary code (0s and 1s) in various shades of blue and teal. A single, solid yellow line runs along the center of the road, acting as a guide. The overall effect is one of a high-tech, digital highway.

The Road Ahead...

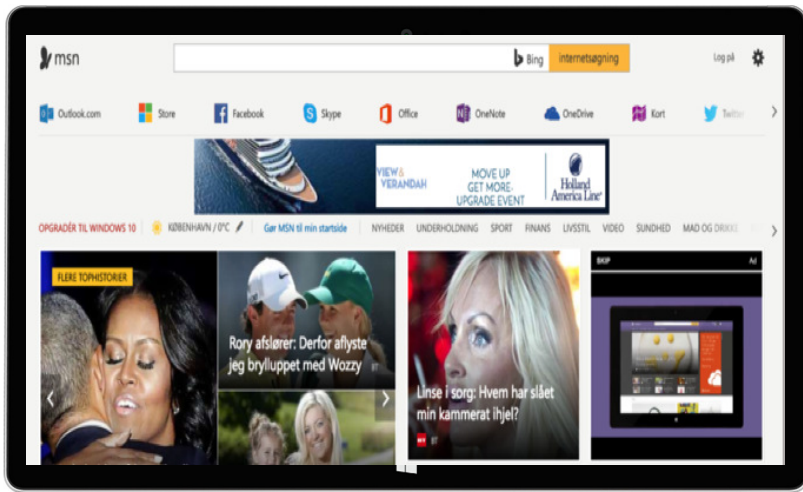
"I skate to where the puck is going to
be, not where it has been."

-- Wayne Gretzky



1 : Video and Native

Native Formats to Launch



Innovative Video Solutions

- BannerStream
- Instream
- Outstream
- Windows Video Interstitial

FORMATS & SPECIFICATIONS

With a single creative specification, reach your target audience at scale across all major native publishers available on AppNexus. Adhere to the following creative specifications:

CREATIVE SPECIFICATIONS

Dimensions
1200 x 627
aspect ratio 1.91:1

File Size
200Kb max file size

Logo
1:1 aspect ratio

Title
25 char max

Body

Creative Best Practices for Programmatic Native

Turbo-charge your call-to-action: Immediately highlight to create urgency and drive engagement.

Choose compelling images: People, particularly shown in your headline, increase impact. Also, avoid text overlays on center main content. Avoid clutter and ensure important are centered in your image asset.

Be bold with color: Use vibrant colors to create focus and



Native Inventory Overview on MSN

Microsoft's MSN is a customizable collection of the best in news, sports, entertainment, money, weather, travel, health and lifestyle, and more. MSN provides the scale, reach and variety of sizes and channels to suit any campaign on premium curated content.

Access the MSN homepage carousel, a high-quality ATF placement, with native.

The Benefits of MSN Native Inventory

Audience: Receive access to the high-quality and targeted audiences of MSN

User Experience: A seamless user experience in the MSN carousel.

Speed & Scale: Benefit from the speed and scale of exchange-based real-time buying



[Click here to see the native demo on MSN.](#)

For further information on Microsoft's Creative Acceptance Policy and Specifications, see below:

Microsoft Creative Acceptance Policy:

<http://advertising.microsoft.com/creative-acceptance-policy>

Microsoft Creative Specifications:

<http://advertising.microsoft.com/creative-specs>

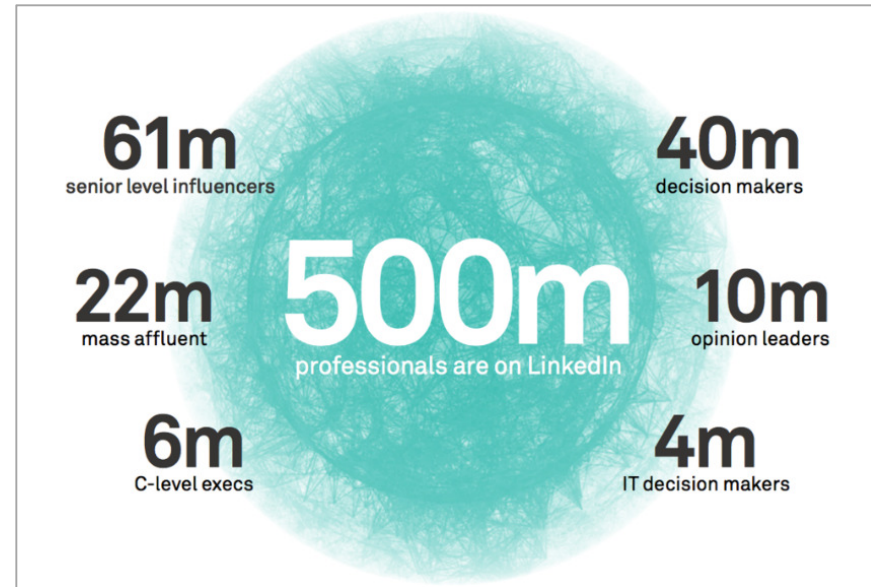
2 : Focus on transparency



“ Microsoft was the first global publisher to go fully programmatic in these markets back in 2015. We are excited to be at the forefront of yet another industry-leading development to support great marketplace transparency and a sustainable premium marketplace that will benefit both buyers and sellers. ”

~ Barry Dougan, VP, Worldwide Display, Microsoft Advertising

3 : Truly unique data




“The second part is around data. LinkedIn, of course, has signed-in users with very deep profiles.... In a totally privacy-compliant way, we will be thinking about how we make advertising more relevant by combining our data sources.”

~ Rik van der Kooi, Corporate Vice President, Microsoft Advertising

The Programmatic Disruption

disruption
[dis-ruhp-shuh n]

"To change the traditional way that an industry operates, especially in a new and effective way"
(Cambridge Dictionary)



**“YOU CAN’T
STOP THE WAVES
BUT YOU CAN
LEARN TO SURF.”**

- Jon Kabat-Zinn

Thank You!

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