Self-Serve Ad Exchange: This Century's Strowger Switch?

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ADOTAS EXCLUSIVE — What is an ad exchange? And why could a self-serve advertising exchange transform the ad world as profoundly as the Strowger switch changed the communications world a century ago?

Let's answer the first question before we tackle the second.

According to netlingo, an ad exchange is "a company that brokers online advertising by bringing Web publishers and advertising buyers together on a Web site where they can participate in auctions for ad space. Set up in a Nasdaq-like exchange for the buying and selling of digital advertisements, an ad exchange is a marketplace where publishers and advertisers can find and execute advertising transactions."

Examples of ad exchanges include ContextWeb's ADSDAQ, Google's DoubleClick, Microsoft's AdECN, and Yahoo's Right Media.

So, what is a self-serve advertising exchange?

ContextWeb provided the first part of the answer in October 17, 2007, when it opened the ADSDAQ "Selling Desk" – an easy-to-use self-service web application that allowed online publishers to name the CPM they would ask for their advertising inventory. For the first time, even niche content sites and blogs were able to make their ad inventory available on the media exchange.

According to Andy Beal's search marketing blog, Marketing Pilgrim, "The new self service ADSDAQ Exchange Selling Desk lets bloggers and publishers:
• **Name their CPM price**. When your inventory clears the ADSDAQ exchange, you will be paid the CPM price you set. No revenue share. No blind revenue share. No guessing.
• **Serve ad tags from other exchanges and ad networks**. When ADSDAQ cannot clear inventory at your set CPM "AskPrice" it will serve tags from your backup networks and exchanges such as Google AdSense, Advertising.com and Right Media.
• **No Risk**. Either ADSDAQ beats the price of your current network or exchange partners or it serves the backup networks you specify."

The second part of the answer is expected to arrive this fall when ContextWeb introduces a self-serve "Buying Desk" for small to medium sized online advertisers.

This will give "the long tail" of smaller online advertisers various capabilities, including:
• Joining a growing, contextual exchange community of more than 350 advertisers, including nine out of

the top 10 marketing organization, and more than 5,000 publishers;
• Targeting ads by choosing from more than 386 content categories or uploading search marketing keywords to find their categories;
• Geo-targeting by U.S. city or region;
• Supporting text, graphical, and Flash ad creative;
• Testing the exchange with only a $25 minimum deposit required; and
• Spending what they want, when they want, where they want.

So, why could a self-serve advertising exchange transform the ad world as profoundly as the Strowger Switch changed the communications world more than a century ago?

Early telephone exchanges consisted of one to several hundred switchboards staffed by telephone operators. When a caller lifted the receiver, a signal lamp near the caller's jack would light. The operator would plug the "answering cord" into the caller's jack and ask, "Number please?"

Depending upon the answer, the operator might plug a second "ringing cord" into the called party's local jack and start the ringing cycle, or plug into a trunk circuit to start a long distance call handled by another operator miles away. In 1918 the average time to complete a long-distance call was 15 minutes.

The self-service alternative was invented by Almon Brown Strowger, an undertaker in Kansas City, Missouri.

According to legend, Strowger was losing clients to a competitor whose wife was a telephone operator. Strowger suspected that she was intercepting calls to him and redirecting them to her husband's undertaking business.

This convinced Strowger that the caller, not the operator, should chose who was to be called. He conceived of an electromechanical switch that could do this in 1888, which he patented in 1891 as the "automatic telephone exchange."

According to The History of Computing Project, "That switch and a telephone that could be dialed to operate it (1896) were adopted by AT&T in 1916, making it possible for businesses to dial their own calls."

While the telephone was already having an impact on business communication before 1916, it was the Strowger switch – a self-serve telephone exchange – that transformed the communications world back then.

The self-serve advertising exchange could impact the ad world just as profoundly today.

http://www.adotas.com/2008/10/self-serve-ad-exchange-this-centurys-strowger-switch/