Interview with Frank Addante from The Rubicon Project

Adrian Bye: All right let's get started. So I'm here today with Frank from the Rubicon Project. And Frank is very secretive about what he's been doing and won't tell anyone, including me, and hopefully today he's going to tell us a little bit about what's happening in his project and in the advertising and some of the other stuff. Frank, do you want to maybe start off just tell us a little about you and your background and then a little bit about your company?

Frank Addante: Sure, absolutely, the Rubicon Project is actually my sixth company of my five prior companies. I've been through two acquisitions, one IPO, one failure, or as I like to call it a character building experience. And then my last company was StrongMail Systems, a company that I self-funded here in Los Angeles, moved up to Silicone Valley a few years ago, raised some capital from Sequoia Capital, about thirty million has been put in the company so far, and the company is still growing well, growing strong.

I moved back down to Los Angeles about a year ago, and I reconnected with the team from my third company, which is the company that I took public. That was L90adMonitor. If you don't recall the company, we were in the advertising space when we started. We were the seventh horse in a seven horse race. DoubleClick would be a thousand pound gorilla in the space. And within a couple of short years we actually became the number two player in the states behind DoubleClick. We have about 3,000 customers, delivered about eight billion ads a month for those three 3,000 customers which reached about 65 percent of the Internet.

We took that company public. Raised a hundred and twenty million dollars in our ITL, half a billion dollar market cap at its peak, and then DoubleClick acquired us. So when I reconnected with the team that developed that product and that platform for me. We were just looking around at the advertising space and realized that not a whole lot has changed in the past seven years. There's just been an overall lack of innovation applied to the space, and we still have that, you know, while it's an incredible large market, the 27 billion dollar market in the U.S. alone, it's an incredible inefficient one. That's the way that I sort of characterize it is, it's sort of like the stock market without a NASDAQ system.

So we saw two trends occurring. One was that the website publishers were underserved. Lack of technology that really exists for them. And two was that we saw this trend of a growing number of ad networks coming into the space. You know when I was in the space seven years ago, there were 15 ad networks. A year ago there were 100. And today there are over 300 ad networks. Some of those are focused on very niche areas of the market. Like there is a women's ad network, a sports' ad network, a gay ad network. There are now networks in India and China and Japan. Many of these didn't exist many years ago.

So what we're doing here at the Rubicon Project is developing a service for website publishers to better monetize their unsold or remnants ad space. And the way we're doing that is we're actually pulling together and aggregating these 300 ad networks that exist on one side, so giving them fuller access to the market.

And on the other side we've got technology that really deciphers the publisher inventory based on demographic, geographic, and contextual information then understands the strengths of these networks and essentially matches up ad impressions with the networks that are best able to monetize it.

Adrian Bye: So would it be fair to say that what you're doing is along the lines of what Blue Lithium is doing, and I think they just got acquired by Yahoo.

Frank Addante: No actually Blue Lithium, it does a fantastic job with behavioral targeting and Blue Lithium is another ad network. We're finding that publishers are working with Blue Lithium, Dakota, 24/7 Media. They're using Google AdSense. They're using all these services and each of these ad networks certainly have their strengths. And what we're doing is we're allowing the publishers to be able to work with all these ad networks but work with them much more efficiency, more efficiently.

So if Blue Lithium has certain strengths, they might get more of the publisher inventory where they're going to be successful. But if Blue Lithium, as an example, doesn't have any advertisers in Mexico, it doesn't matter how good their technology is they're not going to be able to monetize that inventory in Mexico. Of course if we can siphon that off and send that over to ad networks who are in Mexico or focused on the Mexico market, such as Latin3 or Sandiquik, that's a win/win for everybody. The publishers are now able to monetize inventory that they were normally not able to just simply because of the areas of focus of a certain ad network.

Adrian Bye: Okay, so you're basically what you're saying is that the CPA arena, there's been these massive gain networks like CPA Empire, Clickbooth, Rextopia, PrimaryAds, and Enhydra that are mass, mass CPA networks, just general interest offers. The next progression from that then is these new CPA networks that are focused around like there's a Bizoff network. There's a Hispanic network. There are national networks, and what you're then helping those guys do is saying okay the Australia CPA network, they're going to be the best of this in Australia and we're going to make it easy for you to aggregate your inventory with us, and so you can be the best in Australia. We'll then bring in

international advertisers that want that Australia traffic and can monetize that better than anyone. Is that, would that be correct?

Frank Addante: Uh yeah that's part of it. It's not just focused on CPAs. It's CPA, CPM, CPC, it doesn't matter. At the end of the day what we're doing is we're taking this publisher inventory, we're breaking it up into about 9,000 different micro-segments, so it could be e-mail sports enthusiasts in New York. And we're going to use our technology to go out and figure out which ad network is going to do the best job monetizing these female sports enthusiasts in New York.

It could be 24/7 Media this week because they might have a big ad buy with women's Nike stores. Whereas a few weeks from now that big ad buy moves over to aQuantis then aQuantis might do a better job monetizing that particular micro-segment. So you never know what's going to cause a particular ad network to do better or worse on a particular piece of inventory. And what we're just doing is kind of creating this free flow market where if networks perform on certain inventory, they get more of it. And if they're not performing on certain inventory, then we'll go allocate that inventory to networks that do perform well on it. That makes sense?

Adrian Bye: Yeah, it does. It's interesting. So that has the potential to really shake up the industry.

Frank Addante: You know I don't think it is, the industry today is shaken up. This constant churn of advertisers moving money around with different ad networks. Today they're spending money amongst 300 ad networks. Again, seven years ago, it was 15 ad networks. So some, of course, they're spending more with some, of course, they're spending less with. But there's more money being spread around in more places. And that creates more confusion for the publishers. And in order for publishers to really maximize the value of their ad space, they're got to be able to connect to all the funding sources.

Now the second piece of this equation that's challenging for the ad networks themselves is that they've got constant churn in their business. Again, it used to be seven years ago where the ad networks went off and established either exclusive or semi-exclusive relationships with the publishers. Those days are over as you know. So today it's not uncommon for a publisher to work with five, ten, fifteen, or we've seen even as much as 30 ad networks and what that's doing is causing a lot of volatility for the ad networks, and it is creating a lot of churn in their business. So they're constantly trying to maintain this balance of advertiser dollars and buys versus inventory to be able to fulfill it. And what we're doing is actually, I'd say, stabilizing that equation not necessarily shaking it up.

Adrian Bye: And at least I can talk more to the CPA side of it. I mean right now it's that, there are a lot of CPA networks that have guys running around selling that inventory. And it's a lot of stuff that's relationship driven. You know there's this mutual trust and all this kind of stuff, and what you're talking about doing then is commotizing that and saying, "Okay the relationship is there but at the end of the day most people pay, most of the offers work reasonable well, we're just going to split test them all and whoever is performing the best will do the best." So potentially all of the advertisers at a lot of the CPA networks with all the employees or their affiliate managers could all

lose their jobs by what you're doing. Because it'll be automated. You'll be automating the entire process. Does that sound correct?

Frank Addante: Yes we are automating the process, but I don't necessarily agree with the statement that it's commotizing, it's commotizing it. I think commoditization occurs when a market is saturated. And I think right now we have just the opposite problem. I think we see that 80 percent of all the ad inventory on the Internet goes unsold. And that's what's going to these ad networks today. And the ad networks themselves, when they get a piece of inventory from a publisher, they're not able to successfully sell all of it. So there's a portion of it that they sell, and then there's a large portion of it that they don't sell.

And that's where a lot of these guys are going, arbitrating that on the backend. They're doing this just because they don't want to lose access to that inventory, and they don't want to just go throw that inventory in the trash. And so I think what we're doing is really making it more efficient, and in this case, ad networks will get more of the inventory that they're successful with. So if they're driving high CPMs on say female traffic in the United States, then they'll get more of that.

And if they're not really focused or doing a good job on male traffic in the United States, they'll get less of that. So when the effective CPM comes back to the publisher from a particular network, they're doing a better job with the, in areas that they're more successful, which means that the ad network is able to go drive more dollars from their advertisers, which of course ultimately benefit the publishers. But I think it's really just making that process more efficient, and I think we're a long way away from worrying about commoditization.

Adrian Bye: Well and I'm not saying that losing jobs is a bad thing. I've actually thought that this sort of efficiency, I think that a lot of the ad networks will be out of business in the next five years in the sense of the way they operate today because a lot of it is relationship driven, and it is going to be automated. And what you're talking about sounds a very logical way to automate it. I'm a proponent. I think there should be more efficiency in the system.

Frank Addante: Yeah, I think that's like any space. They're going to find areas where they can create more value at, and I think we're seeing a lot of that happen today. You mentioned Blue Lithium. They're developing fantastic behavioral targeting technology to better convert for the advertisers. Other folks, like some of these CPA folks, are doing a good job. PostClick, to turn clicks into higher quality leads.

Adrian Bye: And so what you're talking about then is, let's say we're got a site that has a range of demographics that hasn't, it hasn't been working particularly well anywhere. You can then bring in a bunch of these niche targeting, niche ad networks, aggregate them all. Each of the niche ad networks can do their thing really well whether it's, I mean, the slices could get really thin. It could be 30 to 35-year-old males. It could be 16 to 18-year-old males. It could become all sorts of combinations, and your system will then put in place the ad network that is doing the best job at filling that inventory.

Frank Addante: Yes absolutely, absolutely. Another piece of this is really frequency. So today it's really difficult for publishers to slice up their inventory down into these different micro-segments to

start. And too, it's hard for them to balance multiple networks to satisfy this inventory. So again advertisers are spending money in multiple places, again, sometimes more with some and less with others. But if Gatorade, say, is doing a buy in multiple places through multiple ad networks. Let's just take three ad networks as an example. Say Gatorade spent ten dollars. They spent three dollars with Network A, two dollars with Network B, and five dollars with Network C. What we're able to do is allow the publisher to tap into all three of those ad networks and maybe they get a dollar from each of those ad networks. Now they're going to make three dollars whereas if they were just working with one of the ad networks, they'd just get a dollar.

Adrian Bye: And in the previous example if they're just working with just that one ad network, it's all, it's not automated either. But you've automated that entire process. All they've done is stuck your Java script on the page and then it is test and optimize it.

Frank Addante: Right. That's correct. That's correct. Yeah, the work to reward ration quickly decreases, I should say increases as publishers are working with more networks because that just means more tags, more deals that they need to go traffic and optimize. The way they're managing the stuff today is typically with Excel spreadsheets. They're doing it very holistically and not at a very granular level.

Adrian Bye: Yep

Frank Addante: So yeah I mean that would be, it's a management nightmare to work with multiple networks especially if you're talking about dealing with different tags and tag translations and limitations, etcetera. You're absolutely right. With our system, they basically take one tag and either insert it directly onto their page if they don't have an ad server. Or if they do have an ad server, we essentially just get inserted into that ad server's a default, unsold, the remnant campaign. What we're doing is connecting them to all the ad networks in the bucket.

Adrian Bye: So let me ask then, how do you know, what's the incentive for everybody to sign up? I mean how do we know that Blue Lithium isn't in fact doing mostly this today, and it's just as their base of advertisers and networks grow, then they'll do this better?

Frank Addante: Well, first we actually don't need the ad networks to sign up. What we're essentially doing is providing this management service on behalf of the publishers. The publishers are working with these ad networks or want to work with these ad networks. We're just facilitating that relationship and making it more efficient. So it is completely transparent. Every ad network works and knows every publisher that's working with them and visa versa. Having said that, we could do a better job for both the ad networks and the publishers if we do have a relationship with them. And we actually are going out there and establishing relationships with a number of ad networks. Today actually we've got relationships with 25 ad networks. Ranging from services like AdBrite to ad networks like Dakota and Hispanoclick. In that case what we're able to do is get much more granular tag information from the ad networks and what we're able to do is essentially do a better job matching so we can again bring them more of the inventory that they're successful with.

Adrian Bye: Isn't this just a form of behavioral targeting? I mean effectively by having someone like Dakota sign up aren't you saying that well, you're doing behavioral targeting but so are we but we just happen to be better at it?

Frank Addante: We are adding information to Dakota to where we are labeling the publisher inventory. It's not just behavioral. I mean some of it's based on geographic information and some of it's based on contextual. So we do use combination of geographical, demographic, and contextual information to sort of pre-label and presort that inventory. We are not by any means replacing the technology that these behavioral targeting companies have or any other technology for that matter. They're still able to leverage it. But at the end of the day, the ad networks are only going to be as successful as the advertisers that they have within that network and the amount of ad dollars that they have coming from those advertisers. So again, as long as advertisers are spending money in multiple places, I think it supports the fact that publishers need to now connect to multiple places to reach as many of the ad dollars as possible.

Adrian Bye: So I get the point about the signups. What I guess I'm not completely understanding, and if you can bear with my slowness on this, is the actual targeting side of it. Is your targeting side of this different to what companies like Blue Lithium and Dakota are doing today? Because as I understand it those guys are saying, "Well you know, we know this guy is a 26-year-old male. His IP address says that he's in the state of Florida. We know these other three things about him that we've gathered over a period of time. Therefore we're going to show this ad inventory."

Frank Addante: There's certainly some overlap, but we're by no means looking to replace those technologies. Those technologies, at the end of the day, do a better job of converting for the advertisers. Certainly they have some benefit to the publishers, but what they're doing is they're looking through and sorting through inventory and trying to figure out how can Dakota or Blue Lithium do a better job converting for the advertisers that exist within their networks?

Adrian Bye: Right.

Frank Addante: One thing I should have mentioned is that, from a technical standpoint, we don't serve any ads. So there's no creatives actually put into our system. What we are is sort of a really smart or intelligent traffic manager. So the typical deployment, if somebody was to insert our tags as

their default campaign, their default remnant campaign, into their ad server what happens at that point is the ad impression gets redirected to our service. We go and analyze that impression based on that demographic, contextual, and geographical information. We are constantly analyzing the strengths of each of the ad networks, and what we do is we make a decision. As an impression comes in we say which network do we think is best able to monetize this impression? What we do is we actually redirect that impression to that network. But at the end of the day, if it's Blue Lithium, they are serving the ad and they are leveraging all their behavioral and other technology to service and pick the ads.

Adrian Bye: Let me see if I've got it now so what you're then, your service as the explanation is, it's not so much about behavioral or any of these other types of targeting you're taking just everybody's advertisers and you're like networks or any kind of network, and then you're doing the optimization for the publisher. And then, over time, you'll get a feel for and based on performance data, you'll get a feel for which network performs the best on different publishers' sites. Does that sound like a more accurate summary?

Frank Addante: Yes, that is accurate. And I think an important distinction here is that we don't know each of the individual ads. So whatever ads Blue Lithium or Dakota or AdBrite want to serve, it's their technology that is figuring that out. Our technology is just simply saying, look we sent over a piece of inventory, what is the publisher getting in return? And at one point does that start diminishing? So an example might be we might send over a million impressions to a particular network throughout the day for males looking at travel pictures. At some point that network is going to decrease in performance. Might be based on the ad dollars they have in the system. It might be because they blew out a certain campaign and it's over.

So we might start saying, "punch the monkey ads." And we know that punch the monkey ads aren't going to convert as high as a CPM. And once that happens, we say okay well, who else do we think can also monetize this inventory? So let's send that over to somebody else because we'd rather have somebody whose, who has ad dollars that can monetize this thing than just showing that ad network default punch the monkey ad.

Adrian Bye: So you aren't actually doing any real behavioral targeting at all are you? Your targeting is just based on what's, on historical data and what's performing.

Frank Addante: Yeah, you know targeting isn't necessarily the best word. Because targeting means, at least in my opinion, picking an ad to match that particular user. We are doing the analysis and the optimization to say based on this behavioral information, which network or networks do we think or will monetize this best? So we're doing the analysis, but we're not necessarily targeting the end ad.

Adrian Bye: That's really interesting. So part of what you're doing then is integration with all these things. Like you're figuring out how to integrate with AdBrite, and you're figuring out how to integrate with like a CPA network and maybe Zeta and all these others. Does that sound right?

Frank Addante: Uh yes, yes. And when we say integrate part of that is centralizing all of the data into one place. A large part of that though is figuring out all the different tag translations. So if we got 15

different ad tags from a particular network, maybe one was for sports, another one was for females, another one was for U.S. traffic. Then what we're doing is we're optimizing those individual tags. That ad network might have 15 campaigns behind one tag, but what we're doing is kind of balancing these things and testing them and figuring out how each of these perform in different segments of traffic. Some networks can get very, very granular. They'll give us 20, 30, 40 tags that match very closely to these different micro-segments that we'll analyzing again. Some networks only have the capability to give you one or two tags. In that case, we're trying to optimize the . . . in a much more holistic or macro level.

Adrian Bye: I really like it. That's really interesting.

Frank Addante: Well, that's it's uh, it's an easy concept to at least talk about, but certainly some pretty sophisticated and complex technology in the backend to make it work.

Adrian Bye: And then when you take it out, how hard is it to get people to sign up for it?

Frank Addante: Well we haven't launched it yet. Right now we're bringing on some early Alpha customers. We took it out to 50 publishers just to get their feedback. And what we found was that 48 of them wanted to sign up and use the service right away. So it was a good problem to have, but we're trying to walk before we run. We're trying to turn our early customers into successful case studies. So in terms of them seeing the product, seeing the demo and seeing the value, that's been incredible encouraging. In terms of implementation, typically it takes one of our customers about ten to fifteen minutes to get up and running. It's just as easy as implementing say Google AdSense on your site.
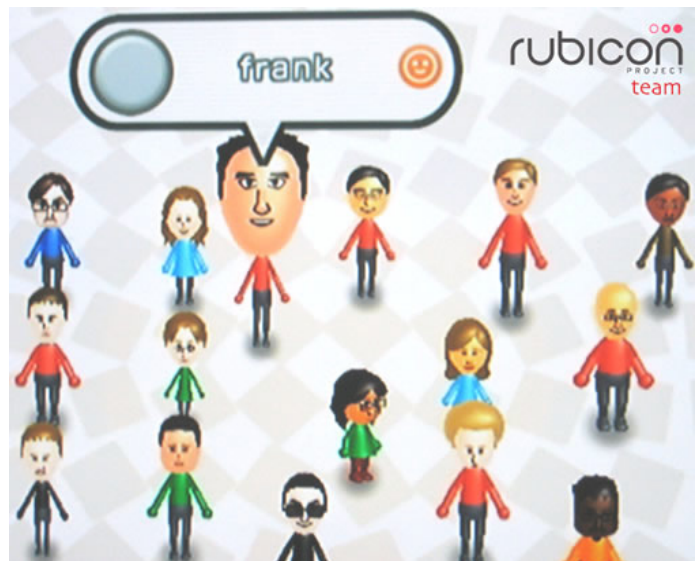
Adrian Bye: So this is 48 out of 50 publishers wanted to sign up right away?

Frank Addante: Yeah, yeah. And the other two? Actually had exclusive relationships with particular ad networks.

Adrian Bye: Will you be doing these as exclusives?

Frank Addante: Will we be doing this as an exclusive? Is that what you asked?

Adrian Bye: Yeah will you ask publishers to sign any kind of exclusive deal with you for this kind of stuff?

Frank Addante: No, no, not at all. Not at all. We believe in putting our money where our mouth is and we feel that if we're adding something that's of value and we're delivering results to the customers then they'll continue to use us. And if we don't, then they won't.

Adrian Bye: And obviously once you got the publishers to sign up then the advertisers will automatically come knocking.

Frank Addante: The ad networks? Yeah. We don't deal direct with advertisers.

Adrian Bye: So you would do . . .

Frank Addante: That's an important part of our business. We feel that we just want to be really effective channel managers and do the best job that we can in helping the ad networks work really well with the publishers.

Adrian Bye: I'm interested, so why would you turn down working with advertisers?

Frank Addante: You know it's just an issue of how we want to build out this business and in channel conflicts. We consider the ad networks our channels to reach the advertisers. There are 300 of them. They're all going out and spending a lot of time, effort, and money building ad sales teams, and we just see that there's big inefficiency between the ad networks and the publishers. And if we can help them all work better together, we don't see a need to actually go touch the end advertiser directly. We just like to supply the ad networks and the tools. I'm sorry, we want to supply the ad networks with the tools and the information that they need to be more successful in working with the advertisers to create more value for the publishers.

Adrian Bye: At least for the first year or two, right? This is my cynical Australian side coming out. I mean what . . .

Frank Addante: No. I think we can go build a successful business doing this. I think it's just something that really requires commitment and requires.

Adrian Bye: You know what you're doing. If you pull this off, you're going to own Internet advertising.

Frank Addante: We're going to own Internet advertising?

Adrian Bye: Yeah you'll, you could potentially have every publisher on the Internet signed up for what you're doing. I mean this is pretty powerful what you're talking about here. This isn't trivial. This isn't kid stuff.

Frank Addante: Well first, thank you, but yeah, I mean absolutely. We would, I wouldn't say we'd own Internet advertising, but we would certainly be very happy if every publisher on the Internet signed up for our service. And we think that really in order for this to work that's why it's important for us to work really well with the ad networks and commit to them and not compete with them.

Because if we could do that, then we're solving a big part of the equation for them which is accessing inventory and doing so in a very predictable way. And we're dealing with everyone from small blogs to large sites. And a lot of these ad networks don't have the capacity to go out there and manage thousands of relationships with the smaller sites.

Adrian Bye: Yeah, you are helping them with their inventory, but I mean they know that their job is managing that relationship between advertiser and the publisher. And by you stepping in, you're cutting away half of that relationship with the advertiser side. Or the publisher's side, sorry.

Frank Addante: I don't know if we're cutting it away because we are, again, you're being very transparent about the whole thing so they do have control over which publishers they work with. They do have the same rights and interests that they do today in terms of content and things like that. So it's not necessarily cutting it out, I think we're providing a more efficient way to manage and access it, but you know at the end of the day, these ad networks do have a pretty big challenge. Managing the interest of the advertisers and the interests of the publishers and balancing that is very difficult. They're very conflicting interests right?

At the end of the day, the advertisers want to pay the least for ad space and the publishers want to make the most. So with these ad networks today have to do is they have to balance that and find a happy medium to make them both happy, and I think that's creating a lot of challenge for them in their business. So you know I do believe that we can help them with that challenge and help the publishers be more successful and help the ad networks also be more successful with their ability to manage advertisers. At the end of the day, the advertisers are the ones that are paying the ad networks, and they are their customers.

Adrian Bye: Yeah. Fair enough. So some more questions then. Let's say on a CPA network, so let's say I'm primary ads, and I've got, I don't know, say 200 offers in my network, and I want to work with you guys. How do I do that? How do I tag? And how do I, how many offers do you take, and how does that sort of thing work in the case of a CPA network?

Frank Addante: Well there's two ways. One is we do have a group that is working specifically with the ad networks to figure out the best way to get them involved in the system. In that case every one of these ad networks have different technology, different ways that they do business different ways that they traffic tags. So we take the time to learn that and figure out how they normally work with publishers and we essentially mimic that and that process in our products. Publishers have the ability to choose certain preferences on the types of ads and the types of networks that they'd like to work with. They can pick them individually or they can set preferences and let the system pick it automatically for them.

In which case then the ad networks, whatever information they'd give us, we'd make that available to the publishers so that ad network can be selected to work with that publisher. At the same time, the networks can also give us certain limitations and restrictions on the publishers that they'd like to work with or not like to work with if they have certain restrictions on content. Like some folks, some networks don't like to work on social networking context or user generated context as an example.

So once we have that information, that's available in the system. The publishers can actually get matched up with these ad networks. In, once that's established then as the publishers sign up and use this, we're essentially connecting them to the network, but we're doing all the . . . all the work to figure out which tags to use, which CPA network tags or offers are performing on certain pieces of content. They're based on that demographic, geographic, and contextual analysis.

Adrian Bye: And so that's . . .

Frank Addante: So is that answering your question? I think I rambled a little bit

Adrian Bye: No, so you, to make sure I do understand it, so you kind of go in with a behavioral targeting, some behavioral guessing in the beginning I guess we could say. And then based on the tags within a network, and so let's say that guessing then led you to decide that a debtlead generation offer was the right offer to run, and so then you'll, that'll then start showing from the CPA network so you'll drive a bunch of debtleads until the effective CPM drops and then you may either put something else from that network if that network is performing consistently on that kind of traffic, or otherwise you'll switch them out which it could be some kind of display ad from one of the banner networks.

Frank Addante: That's correct right.

Adrian Bye: What percentage do you guys take?

Frank Addante: You know we actually haven't committed to a revenue model just yet. What we're planning on doing is taking this thing through our alpha and our beta and having the publishers see the type of value that they get from this system and work very closely with them to figure out what that should be. Our reaction though is to make it very performance based. And to take a little bit of a lot. That's right for me to describe it. We don't want to really interfere with the way that business occurs today.

What we want to do is essential be kind of like the Visa backend transaction platform for Internet advertising to really make the facilitating of buying and selling advertising between the networks and the publishers much more efficient. They're very similar to Visa. They supply technology to retailers to process credit cards and they supply cards to consumers. And they're just facilitating the flow of transactions between them, and they take a small percentage of the revenue and as the retailer makes more money, Visa makes more money. And if they don't make money, then Visa doesn't get paid. So that's kind of the model that we're looking at, but we haven't exactly committed to the plan just yet.

Adrian Bye: So Visa takes, like, I mean it ends up being something like one percent doesn't it? Are you talking about that kind of number or more like a bigger number than that?

Frank Addante: We're looking in the single digit, the single digit range.

Adrian Bye: All right, and would there be any fees at all or is it all going to be commissioned based?

Frank Addante: It would all be commissioned based. So in terms of fees, I assume you'd mean like a licensing fee?

Adrian Bye: Yeah, so basically a publisher can say "Okay. Everybody's been doing a bad job monetizing my inventory. I'm going to stick these guys in and see how it does." And there's no cost. They just stick your tags in and then they're off and running.

Frank Addante: That's correct. Yeah, people will be able to come to our website, create an account, be up and running that same day within fifteen to twenty minutes of trying out the service just like you would with say, just like you would with say a Google AdSense today.

Adrian Bye: Right and obviously it's going to be a big area for you, and so you'll be filling in your international traffic with these, some of these international networks.

Frank Addante: Yeah, I mean the way the system first starts working is, it is gap filling and it is cherry picking. It's looking at where things aren't monetized and finding ways to fill those gaps and monetize them. It's not necessarily right off the bat about trying to make people compete, to make it from a dollar CPM to a dollar five CPM. There's so much inefficiency and so much inventory that's just not monetized that we can provide a lot of lift to the publishers, and it's simply just gap filling.

Adrian Bye: I just need to add in here because I actually wrote an article about this basic concept about three or four months ago.

Adrian Bye: I think what you're doing here is brilliant. It's really good to hear someone's figured out the right way to do this stuff, and that makes a lot of sense to me, so.

Frank Addante: Oh well, thank you.

Adrian Bye: I would say this is one of the best interviews I've had this year, so good stuff.

Frank Addante: Thank you very much. We're very excited about what we're doing.

Adrian Bye: Well I like it.

Frank Addante: It's a big idea. We're excited about it, but there's a lot of heavy lifting to do to make it work.

Adrian Bye: This is the idea that you can sell this one out there and then you can go and buy yourself an island in the Caribbean?

Frank Addante: Why would I do that when I could just come visit you?

Adrian Bye: Who came up with the idea?

Frank Addante: How did we come up with the idea?

Adrian Bye: Yeah, whose idea was it?

Frank Addante: You know it was really a collection of the initial core team that we pulled together when we were looking at the advertising space. It was really the publishers that came up with the idea. We went out and we talked to about a hundred publishers before even committing to starting this business and we just found that every single one of them said that it's still too hard for them to sell their ad space online.

And then when we drilled them a little further, we found that many of them were using all these ad networks and they were managing it with Excel spreadsheets, and they were doing very complicated things with their ad servers to manage it and there wasn't really a whole lot of intelligence behind the process.

So just after looking at that and talking to about a hundred publishers, they pretty much told us what their biggest pain was and that's where we said, "Well all right, let's go see if we can take a crack at trying to solve it."

Adrian Bye: So did you have this general idea beforehand, or did you just say, "Hey advertising market is hot. I mean there have been some fairly good sales happening recently. Let's talk with some of the old team; some of those guys are available. Well why don't we go and just do an informal chat with some of the publishers and see where the pain points are at and see if we can identify something. Is that how you went about it or did you have the idea before you went and talked to the publishers?

Frank Addante: Yeah we didn't have a preconceived idea of what the solution would be. You know back in L90adMonitor, one of the reasons that we were so successful was because we did focus on the publishers, and we just automated our business, and we threw technology at the problem. So we knew that we wanted to focus on publishers and we knew that we wanted to create a technology driven business. In terms of what that end solution was going to be, we didn't have any preconceived notions. And it was something where we just looked at the space, saw that the publishers were underserved, and we knew that there was some room for improvement there.

Adrian Bye: So you knew there was some kind of problem in there and then you decided to go in and investigate a bit further to see if the problem was as big as you thought. Finding that it was and then identifying exactly what the publishers told you, then you came up with the solution?

Frank Addante: Yeah, yeah exactly. I'm not a very smart guy, so all six of my businesses, I just try to find big markets because big markets are very forgiving and try to find areas where there are lots of players, and then I just go ask what, ask those players what their biggest problems are and that is where I start. There's certainly no brilliance on my end trying to figure that out. Just found it's best to just ask the customers what they want.

Adrian Bye: And then give it to them.

Frank Addante: Yeah.

Adrian Bye: What you're saying here there was actually, do you remember the company called Vinyet?

Frank Addante: I do yes.

Adrian Bye: I was in forum where the C, the founder was talking and for those listening, Vinyet is a publishing company, and I think they've kind of faded now but they were very big during the late '90s, and they helped websites manage their content. And I asked the guy where did the idea come from? And he talked exactly about that point. That they went out and asked the publishers what their biggest pain point was and they all were saying that man, it is a pain managing these websites when you enter all this Internet stuff and getting your content up all the time is a lot of work, and so Vinyet came up and put together a system for managing that. And yeah, so what you're saying is you identified that there was something there and then you just went in and asked a lot of questions about what the exact problem was.

Frank Addante: Absolutely.

Adrian Bye: And so has that been the process behind all the companies that you've started?

Frank Addante: Yes, all actually except for one. And that one company was a wireless company in 2001. And as you know 2001 was not a good time to be starting companies and certainly not a good time to be starting wireless companies. It was an emerging market that never emerged.

Adrian Bye: Right

Frank Addante: Therefore there wasn't, I didn't have the opportunity to go ask people what do you want in terms of wireless applications because they didn't know.

Adrian Bye: So in hindsight was that a mistake? Is your process now to always make sure you can go and ask people this kind stuff or would you still have done what you did then?

Frank Addante: Yeah, you know it is. Yeah, I think there are the types of entrepreneurs that they go out and create markets. You know like the YouTube guys as an example. And you know more power to them. It's a lot of risk and a lot of work to get there, but I think the second type of entrepreneur is one that finds an existing market with existing problems and then just picks some problems to go and solve.

So yeah, my approach has been the latter. I don't think either one is right or wrong. I think it's an issue of leveraging your skills and a risk tolerance comes associated with it.

Adrian Bye: Well, then you've got a potentially, this is not even just a base hit, this is potentially a home run with what you've done here, so. Yeah. All right good stuff. So some more questions. How did you get funding?

Frank Addante: How did we get funding?

Adrian Bye: You, I noticed I guess that you didn't go back to Sequoia.

Frank Addante: No we actually raised our first round of funding with a seed round of funding from Clearstone Venture Partners. Clearstone actually invested in Overture if you remember, and they also invested in companies like PayPal and NetZero and Carprices.com. We decided to go with them actually because they are right down the street from us. They're here local to us in Santa Monica, and that, combined with their experience with Overture, was something that we thought was a good combination.

Adrian Bye: And then another question and this is actually not related to your current company but to your previous one, I would just really like to ask this. You've taken a company public. So you were, I mean, were you the CEO when it went public?

Frank Addante: No I was the CTO.

Adrian Bye: How would that work? I mean did you get to go down on the NASDAQ floor, or I don't know, stand there as it went public? How did that happen?

Frank Addante: In terms of the day that we went public?

Adrian Bye: What happened on the day when you went public?

Frank Addante: Oh yeah, see I wasn't personally on the NASDAQ floor. It was the CEO and CFO that were in New York, and I was back at our headquarters in Santa Monica keeping the business running.

Adrian Bye: All right what do they do? If they were in New York, did you guys go public on the New York Stock Exchange?

Frank Addante: We did, yeah. No, I'm sorry it was NASDAQ.

Adrian Bye: It was NASDAQ. Like in the New York Stock Exchange they get to go and ring the bell and that kind of stuff. Did you get to do any of that kind of thing?

Frank Addante: No, the company didn't get to ring the bell.

Adrian Bye: So what happens? Do they just stand out there and then the numbers start? Was there any kind of celebration? Did you guys all have a big party back in Santa Monica? Like, got any stories? I'm interested to hear.

Frank Addante: You know interesting enough the company was very grounded and very realistic. I think we started the company on good fundamentals. We didn't start it with venture capital. We didn't start it sort of chasing the IPO dream. We just focused on building a great business, and it ended up in an IPO. So when the IPO came along, we really looked at it as the beginning and not the end. So yes, I mean there were definitely celebrations.

We had a celebration the day of, but it was really not that much different than any other company celebration that we have. We had a happy hour, but we didn't go out and do anything super extravagant. And then a little while later we actually had an official IPO party where we brought all the office together from all over the world and made a night of it, but it wasn't . . . it was funny it was a little less about the IPO and more about just, I guess, celebrating our continued success.

Adrian Bye: Well like you went and got drunk, you didn't jump off a bridge or anything like that did you?

Frank Addante: Yeah, no, no. I think we just looked at it as another stage or evolution in the business.

Adrian Bye: All right. That's very mature. I mean, that's because you, I mean you all must have done pretty well at that point, especially with the markets the way they were back then.

Frank Addante: Yeah it was definitely a, definitely a good time. We actually went public on the day of the first stock market crash, and there were some challenges there. And DoubleClick had filed a patent infringement lawsuit against us the week before. So it was definitely some trying times, but we still did have a successful IPO in spite of both of those things. I mean it was, again we just looked at it as another evolution and stage of the business.

Adrian Bye: All right. Fair enough. Cool. We've talked a lot about your current project is there any things you want to tell us about that we haven't covered? I mean you're looking to hire people. There's obviously going to be a lot of networks reading this. What are you looking for? How can people help you, and anything that we haven't covered?

Frank Addante: Yeah, actually hiring is something that is a huge priority for us right now. We're hiring or trying to hire great people. The culture of the company is something that's really important to us. It's not just people with fantastic experience, but I think it is people with fantastic personalities that we're looking for. We've got actually about fifteen people that we're looking to hire pretty much immediately. So yeah, that's a big area of focus for us. Another area of focus for us is certainly in establishing stronger relationships with the ad networks. We do feel like we can add a lot of value to them as well if we can work closely, more closely together. And then lastly of course, publishers. The more publishers the merrier. We'd like to be able to create as much value for as many publishers as possible.

Adrian Bye: So any of those kinds of people that are reading this, so if you're a publisher, an ad network, or looking for a job then they should get in touch. I guess they can reply to my interview, and then I'll forward their info on to you.

Frank Addante: Yes, absolutely. They can also go to our website at rubiconproject.com. We have a lot of information up there, and we also have everybody's e-mail address if they want to connect with anyone here directly or individually at the company, they can do that. We have all of our e-mail addresses posted.

Adrian Bye: Well that's even better. They can go directly, that's much better. Cool. Anything else you'd like to add in closing?

Frank Addante: No, no, thank you very much. I appreciate the opportunity. You have some great questions. I think this is a fantastic interview.

Adrian Bye: Cool. Thanks very much

Frank Addante: Thank you.