Interview with Aaron Broder from Gorilla Nation

Adrian Bye: So today I'm here with Aaron who is co-founder of Gorilla Nation and Aaron, why don't you tell us a little bit about who you are and what it is you guys do?

Aaron Broder: Well, I'm a native Californian, born and raised, lived most of my life over there. I was a professional student at one point in my life. I got a CPA, JB, and an MBA at Santa Barbara's for undergrad and University of Wisconsin, Madison for an MBA and then I was -- actually went into the and got, went to UCLA for my JB and I started my career in the industry. My grandfather was a movie producer in the '50s and '40s and my family has been in, had a career in entertainment, and early on I worked at the fabled mailroom after all that stuff, I that education and I decided to become a professional mailman and after, realized I wasn't that interested in entertainment. I went in on, I went out and started my own first internet company that was built around creating an entertainment community site centered around young celebrities. And I started that back in '98 with my business partner Brian Fitzgerald who joined me early '99 and we quickly realized that that business was difficult to deal with, sort of at that time where there was sort of internet matter recession at that point in time and we more fit into that rep firm and that's where our Gorilla Nation became out of -- we were working with a company that was broking our ads for our site celebrity Celebrity Boulevard and they were taking a good commission and we realized that, you know, our skills that's really in sort of the business aspect and not necessarily building an site and we more into an ad rep company.

Adrian Bye: So you take in, so this is -- first thing on your grandfather, so would he have actually worked inside the studio system?

Aaron Broder: My grandfather was an independent movie producer. He actually came to the States from Poland and he moved initially to Detroit and he, his brother and my grandfather had a chain of

movie theaters and I believe out in the late '30s, early '40s he moved to Los Angeles, and shortly after coming to Los Angeles he started producing independent movies. He actually casted Leonard Nimoy in his first feature film and he was one of the great B movie producers of the day and so I, since then my uncle Bob started and ran a very successful literate talent agency called Brother Osner which was acquired by CM and my father. It's run for the past 30 years, they're very successful business management company where they managed the investment and taxes for lots of important entertainment industry figures.

Adrian Bye: So basically what you're saying is you've been around the business of entertainment for a long time and then what you're doing with Gorilla Nation is taking that expertise and bringing that to web publishers.

Aaron Broder: That's correct. You know, I spent, you know, several years around Hollywood agencies and Hollywood agencies are, you know, they represent writers, directors, film producers, composers, editors, and we wanted to, you know, once we -- once the Celebrity Boulevard model, once we've started talking to ad rep companies we realized that a media rep was very similar to a Hollywood agency and that we're an agency rep for web publishers. That's really sort of a natural extension out of what I learned at the Hollywood agencies. A lot of things transfer over such as you have to learn how to maintain clients, you have to learn how to set client expectations, you have to learn how to pitch clients, it's very similar to the world of, you know, Hollywood agencies only that the fact that your clients are websites as opposed to people.

Adrian Bye: And probably some of these guys that are just doing it on their own in very popular websites, their egos are probably a better same size than some of the celebrities, aren't they? (Laughs)

Aaron Broder: That is correct. That is correct. You just have to know some of the famous celebrity bloggers and they certainly fit that bill.

Adrian Bye: Fair enough. And so you started off actually running a site and then figured you'd move to repping because you understood the business side headers. Is that a correct understanding?

Aaron Broder: Yes, correct also. Back when we switched to repping, it was around 2001 and there was very, you know, at that point in time the brand ad revenue that was spent online and we were always interested even from the gecko of repping, the focusing on movie and celebrity websites because our goal at that point in time in 2001, movie studios are spending a significant portion of their money building out their own web platforms or websites and very little money marketing those site online to the extent that they were marketing, they were really only working with, they're probably spending 90% of their budgets for portals and those budgets weren't very significant. So at that point in time we felt that there was a great opportunity to help movies studios connect with audiences online and in that being we ended up signing up some of the leading independent movie information sites such as Rotten Tomatoes which is, News Corp or IGM and then News Corp, you know, Box Office Mojo, Joe Blow, Dark Horizons, and a of other sites and that's a great way to reach, you know, film enthusiasts, and then we started timing other sites to reach that elusive film fan such

as leading comic sites, anime sites, scary movie sites, where they can properly market, let's say a science fiction thriller across a grouping of science fiction sites and movie sites. So everything of the initial starting point of Celebrity Boulevard was built around ad repping the service, movie studios, both the theatrical and as well as the DVD release.

Adrian Bye: So you're focus on traffic is entertainment movie type traffic. It's not -- if I come to you with a dating site or a sport site, that's not going to be your kind of --

Aaron Broder: No, that was early on. Since then we've really, you know, grown into a variety of verticals. Right now we're focused across 37 different verticals. We represent a number of marquee properties which include Marvel.com, Starwars.com, you know, some of the aforementioned film sites. We represent a lot of the leading celebrity blog sites such as Superficial Pink as a new blog. We represent, you know, Millsberry, one of the largest children sites. So we're really still entertainment and lifestyle focused but we do represent, you know, a variety of sites that's still in, you know, both nero categories such as, you know, anime comic book, science fiction, hunting, fishing, you know, enthusiasts as well as broader categories which would be, you know, leading film sites, leading video games, news and information sites, leading music sites and celebrity gossip sites. In addition to those categories, we also reach, you know, and represent a lot of the leading sites catering the women which would include, you know, general female interest sites, style sites, fashion sites, sites appealing to the fashion needs and celebrity gossip.

Adrian Bye: So what kind of annual volume of ad sales are you managing.

Aaron Broder: Well, our, you know, our business is really more of into, and I can speak into that later, but you know, right now, our total company's revenues last year hovered around $47,000,000 and we've experienced, you know, anywhere between 50 to 200% growth based on the year since 2002 and we expect 2008 to be -- to continue that trend.

Adrian Bye: So I don't understand why or how a deal like this works at all. This is really interesting. I'm happy to talk to you about this because this is new. So let's say I have a site and I've got -- actually one, I mean, one that I know quite well, maybe we could use this as a basic example 'cause I've talked with him a lot. It's – are you familiar with Fark.com? F-A-R-K.

Aaron Broder: Yes.

Adrian Bye: So, Drew and I spoke quite a lot. He tells me all kinds of stories about his site and I've talked through a lot of the issues and this is the site that I don't understand that well as a branding site. So you come along and would represent someone like Drew, is that correct?

Aaron Broder: That is correct.

Adrian Bye: And so you --

Aaron Broder: So we would approach Drew or Drew would approach us and we discuss his site and we would find a representation contract where we would go out and agree that we would active

their exclusive premium ad sales entity that would directly replace any internal sales team that they would have. Our direct responsibility would be dealing out to brand marketers that would be relevant for his site, Fark for example, probably caters to a 12 to 34-year old mostly male audience. And we try to --

Adrian Bye: Probably it's late 12 to 13 but yes --

Aaron Broder: Yeah. And we target -- we --

Adrian Bye: And I can say that we target as well.

Aaron Broder: Yeah, we target those marketers that would be interested in reaching that adolescently-minded yet mature male through, you know, a variety of integrative promotions as well as banner media. So in addition to just selling the banners on the site whether that's, you know, and there's different ad formats whether, you know, a rectangular ad or a, you know, a longer and skinnier ad which we call the sort of a super banner leader board or we go out and we do custom units such as creating custom advertorial, actually re-skinning the page, or creating, you know, very interesting programs that can engage with the reader through vehicles other than just a mere ad. And we go out, we pitch those programs to marketing partners and then we agree to rates, we agree to the specs of the buy, duration of the buy, the budget of the buy, and once we've run that campaign we end up using our ad server which the publisher will use or double client and they, they're having an internal server where they take our code or they're just hard-coded on their sites, our ad tags, and they run the campaign and after the campaign is over we agree to a commission arrangement and they then will receive the net proceeds after we earn our commission.

Adrian Bye: So from that site, here's what's interesting to me, let's say I'm Fark.com and you've gone to Procter & Gamble and you cut a big deal to run an ad for some sort of, I don't know, some or something. Let's just say they're making a I don't know if she knows they make imagine how they do it. They then give you $100,000 to run ads on my site. So you then take the $100,000 and you then work with them to come up with creatives, you give me those creatives, they then run on my site and then I end up giving a percentage of that money. Is that how it works?

Aaron Broder: More or less the only main difference that you mentioned is that the agency which is representing the advertiser. The advertising agency will create standard creatives that will run across the a large group of sites to run not only Fark but through other male interested, you know, male-oriented publisher and, you know, use that same creative to run across, you know, a collection of sites some of which we may represent, some of which we may not. And if there are any custom that we would create such as, let's say re-skinning Fark.com we would do that but we most often or more often than not will use the assets that the agency will provide to us to create consistent messaging on Fark.com although that custom skin will be unique to Fark and will be different from, of what may run on other sites.

Adrian Bye: So you actually want to totally re-skin Fark.com like change the look and feel. Is that -- that would be one of the major things that --

Aaron Broder: That could be one major thing. We could, you know, we could set up a, you know, a custom editorial commenter where they could sponsor certain, you know, let's say news feeds of the day. They can -- we can build a widget which can be sponsored by Fark.com. They can run a pre-roll video ad so far as actually serving video, we can sell, you know, pre-roll spaces, a variety of instruments that you can -- the stuff that you can do with respect to online media programs these days.

Adrian Bye: So one of the things, like I talked to Drew about one of the, some of the ad that's happened and he talked about how like, sometimes I'll go off on the side and that would just go blow right through in and he won't even see them, you know, he's getting so much traffic. I mean how does an advertiser handle that kind of stuff? You say they give you money for it and then they, you know, they get like 10 clicks and then done, like, so how does that work?

Aaron Broder: Well, there's a lot of there should be, you know, if advertisers are using, you know, have access to very good advertising agency. One of the best parts about online advertising is that the media is very measurable. So, you know, double click or applets or your typical ad server that's used to record ad impressions in that click can, you know, classify that and tell you if the campaign has been successful based on the engagement activity from that ad. In addition, there's sort of a standard flash ad. There's, you know, a new -- a whole litany of rich media ads. And rich media ads are ads that you think you kind of mouse over and the ad would expand or you can mouse over and watch a video where you're able to determine not whether or not someone clicked on an ad but whether or not someone rolled over an ad and saw something or played around with that ad in a meaningful way without leaving Fark.com from its website. So based on those general metrics, they can evaluate what the cost of the ads or even for a fact can do a number of metrics or as a cost per click or cost per, a cost for time spent on an ad unit, to figure out what's been successful or not. In addition to those sort of verifiable metrics there's a lot of soft metrics which can be associated with custom programs. One of those programs can have a vote function, you know, vote for your favorite, you know, let's say Batman movie or vote for your favorite, you know, video game of all time where it can be sponsored or promoted by particular marketing partner and you can collect that data to tell that to see if people are engaged within that message.

Adrian Bye: So in a case like that, would you ever sell in a rate that's not CPM? Would you sell, like based on a cost per action like for example the number of votes collected?

Aaron Broder: No, but what you would do is that those are called more like integrated media programs and there would be sort of a fixed fee associated with building ad program. So if you go far beyond voting, that's just a typical, one example. But you would bill that, you know, whatever custom program you're doing, you normally, you know, sign a fixed fee to that component and you would not be basing things off of a CPA.

Adrian Bye: So is there anything that could get you to move your business to any kind of CPA or are you only able to do CPM?

Aaron Broder: Right now what we're noticing is that there are CPA'd, you know, programs. Most of those programs are occurring through remnant providers. Whatever way any type of media is being backed out, there are CPA programs that you ever see any, you know, dating ads online where they have, you know, seductive-looking woman on the site and they're clicking -- that advertiser on the back end is looking for how many sign-ups they're getting. If -- sometimes a lot of telecommunications messaging while you see a T-Mobile. They may be collecting and evaluating a vendor for how many phone subscribers that they receive. But those are generally bought through remnant media providers. And that media will generally only run after your brand ads are completely exhausted. So we do not specialize in remnant media. There's a lot of companies that are very good at that. Such as technologies for ad optimization and that's a whole different sphere and that's, you know, that remnant media again is very different than selling high touch point custom programs that online brand advertising is -- requires these days.

Adrian Bye: And that's what's fascinating to me because that's the area I know more about. What I don't understand is -- 'cause my feeling would be is that the concept of just selling CPM, you know, is quite going in Procter & Gamble being able to get high CPM's for advertising. It's going to go away. And we're going to move towards CPA-type advertising and even on a CPA basis it will just -- it is where the brand advertising to run but they run first because they're on a high CPA. Did you feel that I'm incorrect in things, something like that?

Aaron Broder: I don't know, I'm not sure that's going to happen online. Right now, you know, if, let's just say you wanted people looking are for impactful programs. That can be through typical banners which would be, you know, let's just say you'd robot that and you want to own that inventory for the, let's just say the Thursday night before movies coming out. So in addition to watching the movie trailer on NBC or Fox, on that Thursday night you want to have road block media on top sites that are reaching the audience segment that you're trying to get to see that movie. I don't know if that if -- in the publisher's going to have -- are the largest and most desirable, will not sell that media on the CPA. So unless, you know, the entire industry changes where, you know, every movie studio or every video game coming or every CPG is trying to, you know, pricing this on a CPA, I don't think it's going to happen. They also need to come up with a very, you know, hard and measurable metrics, you know, for example, let's say you're doing a video game promotion, I'm not sure how you would have that on the CPA. Certain products would not lend themselves to CPA's. So I don't believe that's going to occur. However I do believe that, you know, over time, marketers will be smarter and

smarter with their money and allocate that in the most efficient platforms and normally, branding metrics which are -- which have metrics such as, you know, backing and it wouldn't affect the cost per click or an effective cost per engagement on the rich media ad. Those are ten of the softer metrics than the lesser metrics that brand marketers usually use. And I'm not so certain that brand marketers will ever adopt the metrics as strict as the CPA.

Adrian Bye: When I say CPA, I actually, I mean anything that's requiring some kind of an action. Whether to lead or click or something. I'm talking about some kind of an action being taken rather than paying on a impression.

Aaron Broder: I've not seen that yet. And I think if anything that's going away, that doesn't mean -- I think the other confusing part is, let's take T-mobile as an example. T-Mobile may have two very different initiatives. One initiative maybe is CPM-focused where the goals of the campaign are to change the perception of a product, introduce a product, enhance a certain feature set. Those are, again, brand goals. Those are softer goals. And for that they're looking for integrative media programs, big ideas to contextually tie your product to the audience in the site that you're reading or project, some type of video on. T-Mobile on the other hand may have another -- a whole other set of another initiative where they are trying to push plans and that maybe based purely on the CPM. Those plans may go to a CPA basis. So the other guy you CPA basis except they are choosing and selecting their remnant providers. And from my understanding they're still paying based on the CPM or a CPC, a cost-per-click. And then the remnant media providers are using their ad technology to make sure that they're optimized properly so that they're making the most, the highest ECPM or effective CPM possible by making sure that the ad serve on sites where the people are most likely to click.

Adrian Bye: So let's say T-Mobile has a goal of changing the perception of a product, let's say it had a bad perception in some way and they want to make a good perception. So something would traditionally be bought on a CPM scale. Why wouldn't they design into the campaign that, okay we want, we're going to run this in a social networking site and we're going to allow people to come in and play the T-Mobile game and for each person that comes in and plays the T-Mobile game we'll know by the end of it that their perception has been changed somewhat and then pay based on the number of those interactions which they can then choose a scale out across the different social media site. Is not that their kind of thinking? You see it heading in that direction or is it just --

Aaron Broder: No. I don't see that the paying out based on those perceptions is happening but what is happening is that if you created a program where there was very little activity, so let's use your example on people who are playing with some game built on a social network or on specific type of content sites. And users are not engaging with that. And that is the metric that we're looking for to determine whether or not they have been successful in changing the consumers' brand perception or engaging a consumer regarding a brand. If you, let's just say, I had a far lower engagement rate because you're not having as many people play that game. That agency may penalize you on the next campaign and based upon the fact that you didn't perform as well as another site, you may not make the next plan. So they will use performance metrics or just to assess whether or not they want to include you in plan but they're not going to pay you based upon those performance metrics.

Adrian Bye: So decision-making, is that -- is the reason they don't want to do this kind of CPA-type or, you know, interactive-based billing, is that a decision more on the side of the publisher or is it more on the side of the advertiser? Who's pushing it that way?

Aaron Broder: It's mostly by publishers but it's been adopted that advertisers know that they're not going to go to Yahoo or My Space and believe that Yahoo or My Space will not accept ads based from those pricing methods. They only accept ads based upon CPM's for their coverage inventory. And it's always been that way.

Adrian Bye: So would the advertisers do it if they could?

Aaron Broder: Some would. Some absolutely would except that you rarely see things being done that way. If advertisers are really into efficiency they will just demand either lower CPM's or in various certain cases, lower CPC pricing but you would rarely, if ever see a CPA pricing from a brand advertiser. From those initiatives where they're looking to change or alter or enhance the product image. Again, if it's more towards, you know, sign up for the, you know, job listing board or signup for a Expedia, you will see those campaigns based on CPA's.

Adrian Bye: So then you want to be able to go into an advertiser, let's say T-Mobile and they say that we want to launch a new product and change the perceptions of the existing one and you'll then work with them for their goals for their campaign, you'll get those clear and then you'll work across your network of sites to -- and then get back to campaign out of that, correct?

Aaron Broder: That is correct.

Adrian Bye: All right. What about, does re-brokering happen? Like do you take -- you go to other agencies and get on, get bigger rates that way?

Aaron Broder: No. No. We only work directly with our publishers. Now we could work with a group of people that own more than one site but we do not work through other brokers. It's just our belief that it's important to work directly with the publishers because if you're going to come up with

custom programs you need to work with that very specific person or owner, or person, whoever is in charge of the site.

Adrian Bye: Is that industry-wide or that's just how you guys work?

Aaron Broder: I don't -- well, I think we, you know, it is industry-wide with respect to brand ad selling. With respect to performance ad selling, so let's just say a company's involved in, you know, selling someone's unfold or remnant space, that party may very well work with a variety of ad brokers to fill that unfold space. But when you're going out to sell the premium, you know, vasting class ad space that is done industry-wide rate and agent and publisher relationship, if that site does not have a sales force. Most large sites or the top, let's say, 50 sites, the vast majority have a deed internal sales team. Some use independent rep companies but if the site is big enough they offer more to have an internal team selling their own media.

Adrian Bye: Is, I mean, would that again come back to the thing high touch and very specific, and that's the reason why you can't do that? 'Cause it would seem like you do lose some scale that way.

Aaron Broder: That is correct. That is correct. You definitely, it's all high touch that requires, you know, intimate knowledge of the market, rate sales people. And for a lot of independent sites that don't have the resources they just can't afford or don't have the desire or energy to go build out an internal sales team.

Adrian Bye: Hmm. So Actually that leads on the next question I have but. Thank you eh.

Aaron Broder: You're welcome.

Adrian Bye: Let's say you're a big publisher, and you've been running your inventory yourself, you maybe got one of your friends to start selling it, it's not as much so you get rid of him and you get someone to represent you. But then what happens is you get to a certain scale and by the time you're getting a certain scale then you can -- then it suddenly starts to make sense to bring him in house again. Automatic like a cap on how big you can grow things?

Aaron Broder: You could, you have to depend -- it really depends on the individual publisher. So a lot of publishers, for example let's take Marvel.com, you know, where publishers earn by parents that aren't advertising focused businesses. There, you know, the revenue they're generating through their site in comparison, let's just say to the revenue that Marvel's earning or Lucas is earning to Starwars.com. He knows this since they're not looking to squeeze every last dollar out of their ad sales arms. What they're looking to do is have a clean efficient solution from an outside sales agency. A lot of independent publishers also need to reach -- very few independent publishers reach either the brand -- have their properties reach the brand acuity levels where it makes sense to bring it in the house or have the total amount of inventory where it makes sense to bring in that house just shares of cost of setting up an internal sales force. If you have a big enough site you cannot simply service that site by having one sales person, you need to have sales planners, you need to have ad traffickers, and you need to have multiple sales people. In finding those people especially confident people is very difficult. In additional about, there's, right now a lot of clutter and noise in the market

and what we're seeing more and more is that marketers are preferring to work through rep firms for sites that are everything but the very large and very top here online in the sense that they just can't be bothered about buying let's say five different celebrity blogs directly through those celebrity blogs owners. They'd rather have a company that aggregated those five was sophisticated enough to fill the media program that may transcend all five sites, and so to create something more powerful than anyone of the sites can do on their own. So from those standpoints, there's a variety of reasons why we believe publishers, you know, certain publishers will always choose to use or work with a rep company. And I think the last point to that which I haven't touched on is that 30% out of generally around 30- -- 25 to 35% of the site's traffic is international and since last year Gorilla Nation is making really strong attempts to grow and fill that international sales force so we have a big team out in Toronto and we're looking to hire and establish components to our business in the UK and Australia during this year.

Adrian Bye: Well, you're right. A very good point there because that's a big problem of a lot of people. How the heck do you monetize international? What kind of CPM's are you able to do?

Aaron Broder: Well, in international markets right now, they're running more, they're running ad-priced -- ads that are mostly remnant in nature because there aren't a lot of sophisticated sales of dot.coms or sites that are based in the US to media buyers and foreign markets. And based on our initial success in the Canadian market, we're very confident that we're going to be able to build out an end-to-end ad rep company which can effectively sell a dot.com ad inventory, you know, across the globe.

Adrian Bye: Okay, so let's, I mean, as I talked to Greg saying about this about eight months ago and sat down. What is the biggest issue dealing with right now? And he said it's number one thing is so much international traffic that's not monetized or not monetized well. What can you say to someone like Greg?

Aaron Broder: Well, I'd say you have to investigate the local landscape and find a good ad rep partner that can effectively sell your site. I think there's also a certain, you know, certain, you know, customs to each particular company, you have a country and you have to make sure that you're dealing with the right ad rep firm, you have to check for their reputation and how their ability as to sell brand with respect to the vertical you're in. So if you're an entertainment site and you're working with a rep company that mostly sells technology, you're probably in the wrong, you're probably going to be working with the wrong company. I also think that you need a staff internal resources to make sure that you're able to adapt and customize plans that are solely visible to people and foreign countries. So sticking with the re-skin for example, you're going to have to make sure that you have somebody in charge back and help expedite and facilitate, you know, rolling out geo-targetable re-skins and geo-targetable integration opportunities. And I think you need that work with a very strong rep company in those markets. One thing we're trying to do is try to solution so sites like Greg's can turn to a single company that can manage, you know, their international inventory and hopefully a variety of countries. We may not be in everyone but we at least want to be in the largest ones which catered English language sites.

Adrian Bye: I've imagined the 80/20 role would kick in. I mean, which would be the countries that you'd care about, you only do English. You won't do other languages?

Aaron Broder: Well, right now, I mean for starters right now, we just want to make sure that we're set up in rolling in the United Kingdom as well as Australia and New Zealand. I think once we're in those markets, we'll be able to gauge, you know, how to sell in the Southeast Asia and how to sell in Europe but we first need to get better before we can extend ourselves any further.

Adrian Bye: Well, as an Australian can I suggest you prioritize Australia and forget about New Zealand (laughs).

Aaron Broder: You got it.

Adrian Bye: We have to hit for those listing. There's an ongoing Australia-New Zealand rivalry and I --

Aaron Broder: I know. I know.

Adrian Bye: -- but I hate to drop that in.

Aaron Broder: Right. I think that, and the Brit we'll make sure to, make sure that we don't go focused on Ireland before Great Britain.

Adrian Bye: Exactly. So another guy I haven't actually talked to yet but we may interview at some point is John Bat- -- I don't know how to say it John Batillo, John Bataiyo?

Aaron Broder: Batalle, yup.

Adrian Bye: So Bataller?

Aaron Broder: I think Bataller, Bataller, yeah.

Adrian Bye: Is he doing exactly the same thing as you?

Aaron Broder: Very, very similar. They are acting as an ad rep company, they are occupying sort of a different part of the internet eco-system where they, right now, are currently focusing a lot more on

-- they're focusing primarily on blogs and they're focusing primarily on pet blogs although I know that they are expanding. And they are doing a very good job acting as a rep company. So it's great to see another company being successful.

Adrian Bye: Are there not many companies that are doing well with what you guys do?

Aaron Broder: No, not in the US. And that's for a variety of reasons, you know, it's a much tougher proposition. A lot of people are coming into the internet space. They're primarily coming up with, you know, sort of primarily coming up with, you know, different pet plays that can be scalable whether it's a widget maker, or you know, an ad server. They're addressing those aspects of the model and mostly addressing sort of like the media services space. And if they are addressing it, they're usually having underlying technologies to address it. While we have, you know, we have a very robust, you know, ad platform and ad op system that we built for our publishers take advantage of. It's still primarily a high touch point sale. So if we're not selling high touch point ad campaigns, everything else is sort of irrelevant and most people just for whatever reason have decided not to enter in that space.

Adrian Bye: So that could be because there's not a lot of competition or is it not a fast-growing market?

Aaron Broder: It is fast growing. I think you have to build, you know, surrounding businesses around your core rep and or you know, you have to go in an international way or you have to really think through, you know, some of the weaknesses of just being a pure service provider or pure rep company. But I think it's also very hard and you have to get to scale, you have to rep enough sites that you're meaningful to advertisers. And in order to sign those sites, you better have campaigns for them otherwise they're going to be produced pretty quickly. So for most companies I found that it is really the chicken in the egg and I thing the other thing that's been special about us is that rather than focusing only on the, what we would call the fat end of the long tail, we've really defined the term mid-tail. And mid-tail we'd like to refer to sites that are really important niche affinity content sites that have meaningful audiences, and meaningful marketing opportunities and we try to represent as many of those sites as possible in our existing categories so that marketers can create a scalable, you know, media campaign reaching millions of people by aggregating 8 to 10, or 8 to 20 really strong sites. Typical rep companies in the past have gone out and focused only on the very top sites and those top sites are the most likely to potentially leave them and then they're left with nothing, and then their businesses don't grow. So by focusing in the mid-size and then going up we've been much more successful from those companies that have focused on the top sites gone down.

Adrian Bye: And that would seem to be your market, too, that sort of size, isn't it?

Aaron Broder: That's correct.

Adrian Bye: Not too small and not too big.

Aaron Broder: That's correct. Although we are working with several very large sites who take Millsberry for example, one of the top three or four kids' site that's owned by General Mills and they just, you know, they are not experts in ad selling, they still want to have -- make sure that they have safe and secure and conservative ad placements and being taught by a company that's very good in and it's been a learning experience for them and they're getting a great brand ads on their, you know, their community sites for kids. And so it really depends on the business objectives of the particular publisher and what they're looking for and based on that, sometimes you very well may represent very, very large sites.

Adrian Bye: Do you ever do deals around other stuff, for example Lead Generation. And I'll give you an example. Let's say a site like Fark, he could build in a Lead Generation campaign where people are shown offers every so often like, you know, a debt offer or, you know, some other -- and they're annoying sometimes but offers where the intent is to be reasonable relevant, and build that into a branded campaign. Do you ever do creative stuff like that or do you only just focus on CPM stuff?

Aaron Broder: We only focus on CPM stuff but we will do creative stuff if it's surrounding a branding experience. But we are not trying to position ourselves or sell ourselves as they perform in space company for purely performance campaigns, however, we do want to create engaging, you know, engaging measurable integrated media programs that benefit brand marketers.

Adrian Bye: What about behavioral? How do you work with the or revenue signs or someone like that?

Aaron Broder: We don't. I mean, behavioral is very different in contextual. I mean if you think about ourselves we are a contextual ad sales company. We are repping premium content and because of that, we personally believe that premium contents trusts behavioral so if you've got a great auto site, you don't need to run a behavioral campaign to reach those, you know, users that are intending to purchase on automotive sites. Similarly, if you're on a great movie site, you don't need to run a campaign or reach people that are most likely to see movies. Behavioral is also an important media vehicle online but it should be used as an additive factor too on online campaign, not as a substitute for running media on content sites. Really, behavioral really come to the play when you're having sort of the premium inventory within a specific user always being sold out. Whether you're on category, a finance category, an entertainment category. And marketers just can't buy enough of that inventory then they want to look towards behavioral solutions to reach users who are interested in that in an alternative manner.

Adrian Bye: You ever have -- do you ever put together a deal with an advertiser and a publisher and have one or both parties try to work around you and cut you out of the deal?

Aaron Broder: That has happened. It's rare but it has happened before. Generally, it's not intentional. In most instances it's just one or the other, it's an advertiser that's trying to circumvent or the publisher trying to circumvent. It doesn't happen as often as one may say but, you know, it happens every now and then.

Adrian Bye: So that's something you actually actively have to watch for in your business, is it?

Aaron Broder: We do but it's not something that's completely disruptive towards that. You really have to have build publisher relationships based on trust and you got to quickly out those publishers that may, or advertisers that may be untrustworthy.

Adrian Bye: Right. So if you find a guy that goes, you know, you bring someone to him and then he cuts you out of the deal, then you just drop him and you'll not work with him again.

Aaron Broder: Well, no we would get paid because we have an exclusive contract and we would pursue that and then going forward we would decide whether or not if we want to do end our relationship or make sure that the publisher understands the agreement that they signed.

Adrian Bye: All right. Okay. Of all the deals you've done, what would you say is the deal you're most proud of?

Aaron Broder: There's several deals that we're really proud of. I think we've been vanguards in a variety of categories. We've really brought, early on, we rep still to this day a very strong collection of movie sites. We're proud of representing each and every one of sort of out top five or six sites, whether that be In Equal News, Dark Horizons, Joe Blow, Movie Web, or Box Office Mojo, those are all class sites and we've represented them for a number of years and been able to perform for them for, you know, in excess of six years. So we're really proud of that. We're proud of identifying the celebrity blogging category and I got to find such strong sites as Pink as a new blog and the Superficial before people even realized that celebrity blogging was going to be huge trend. Those are --

Adrian Bye: -- what is celebrity blogging?

Aaron Broder: Celebrity gossips sites that are basically people commenting on celebrity gossip from their own point of view and coming up with the --

Adrian Bye: Yeah, like TMZ and Perez Hilton --

Aaron Broder: Yeah, TMZ or Perez Hilton. Those are, you know, those are other examples of sites. I'm citing really good sites like that, I mean, there's no one favorite that stands out but there's a good, you know, a good 10 to 20 that we're extremely proud of.

Adrian Bye: So how do you find the new client like one of those guys? How does that start?

Aaron Broder: We have a very big business development department that its sole job is to go out and cover verticals and make sure we're above the leading new sites that are popping up, as well as existing sites. And we also get a lot of referrals based from happy publishers or advertisers that believe that the site would be a great addition to Gorilla Nation media.

Adrian Bye: But how many guys do you have?

Aaron Broder: We, right now, have, I would say, probably at least 10. Ten people between, you know, going out and securing new publishers, resigning new publishers and then managing those relationships day to day.

Adrian Bye: And so they're going out and figuring out who the guys actually are, researching the market and figuring out who they are and then finding ways to get through them and then you go and then cut a deal?

Aaron Broder: That's correct.

Adrian Bye: And who actually does the deal? So those guys are the dealers or then you go in and do the actual deal?

Aaron Broder: No, we have a business development team that self-sufficiently interacts with our legal department and they go out and do their deals.

Adrian Bye: So what actually day-to-day stuff you're involved with? Are you more just focused on managing and running the business?

Aaron Broder: Mostly, you know, the business right now is reaching a scale where it's a lot of management running the business. We have -- one of the things we're also really proud of is that we filled, you know, really interesting companies with lots of bright people that are leaders in their own right and we really leave it to those -- leave it in those people to let them run their departments and manage their teams. However, they're always, you know, free to come in and speak with us and we're always going to them if we have any great ideas of new sites of our own; or more approaches that we should be taking with a specific department but more or less we really are trying to let our group leaders lead their individual units.

Adrian Bye: And so if the site's running, let's say I'm -- let's go back to me being Fark.com again, so Drew is currently using Maxim to do his brand of advertising. What would be -- why would you tell Drew he should switch from Maxim to Gorilla Nation?

Aaron Broder: Well, you know, I wouldn't right now. Maxim may be doing a very good job. One other thing I think publishers value is they value our, you know, our commentary. There's also a lot of vertical ad networks popping up in blended opportunities where destination sites are also selling media on third party sites. So it's really an evolving landscape. Really what comes down to question is you have to ask yourself how much are you getting paid, you know, what -- are you running an effective campaigns, are you running ads that are relevant to your sites. So a lot of publishers want to make sure that "hey, I maybe getting paid a little bit more but", you know, "I might also run ads that are contextually relevant". And you have to seek out sites that are -- if you're a publisher you have to seek out partners that you feel can be a good ad selling partner to your site. Basis and other vertical networks sell media on their sites since they own it and they don't have revenue share. Working with Gorilla Nation media you don't have that issue if you're working with a rep company that does not, is not using a known site to sell your – to sell a website. So you have to worry about conflicts, you have to worry about, you also have to worry about who's doing a good job, who has

that expertise in that category. You also have to worry about, you know, overextension in a particular category so if you're working with, if you're, you know, a rep site, you don't feel like getting the attention you need, you got to think about other opportunities as well. So there's a variety of calculations of each individual publisher has to make when accessing who to work with.

Adrian Bye: And do you ever handle – for a publisher, will you handle like everything? Or like including the remnant or that sort of stuff? Or do you say to the publisher, "Well, we'll handle just your high-end stuff but you're on your own for the remnant and the other stuff?"

Aaron Broder: That's what we do right now. So right now we are not focused on the remnant --

Adrian Bye: It's a big paying – it' not like Drew, he doesn't care about any advertising, he just wants checks and if he for example --

Aaron Broder: Yep.

Adrian Bye: -- would say to him they'd handle everything I think he would be happy about it. Is there a reason why you don't do that sort of stuff?

Aaron Broder: Yeah, you know, it's about very unfocused, right now, you know the remnant space is a whole different ad space altogether. What we're noticing is who control, the sort of a premium ad basically controls the sites. Our ad site, our sites are mostly hard cut with our advertisers which means that we are first to run an ad or first call which respect to an ad service so we have brand campaigns running our. The head of remnant and, you know, I think that it will be a broader question where and then solutions still aren't here yet, they're still a little bit of time but in the end of the day you're probably going have to be able to offer both. But our criticizers we just haven't gotten around to focusing on the remnant site as of yet.

Adrian Bye: Are you familiar with the Rubicon Project?

Aaron Broder: Yes.

Adrian Bye: As I interviewed Frank a couple of months ago and that seems to be solving that exact problem and I guess is that something that's pretty compatible with what you're doing?

Aaron Broder: Yes, I had exchanges with probably, you know, companies like media those will solve this prob- – those problems. And I think because we do control, you know, premium sales we'll be the first the first company to be able to test those and really, you know, kind of use them as an out of solution to our sales. In the end of the day though, there's still such great differences, you know, the dexterity is anywhere from you know five to 50 times. A publisher will get paid anywhere from five to 50 times on an average on a brand ad compared to a remnant ad. Hopefully, people like Frank can up the ECT among remnants where the dexterity is not as great.

Adrian Bye: Okay. Is there anything that we should talk about that we have not?

Aaron Broder: You know, I think the, you know, nothing really. I think it's really been a good summer for our business. I think the only thing else that we'd like to kind of make note of is that, we are constantly coming up with new solutions for our publishers aside from just merely representing their ad inventory. We're looking out for broad programs that we can sort of offer them, where we can fair it out who's offering the better program where we add sort of as the wholesaler in that respect. We're also trying to develop ad technology such as our ad up system to make managing publishers and publishers getting information in a much more seamless experience. In addition to that we're trying to develop ad technologies, for example, building a syndicated video player where sites will have access to this where they can host their own video or upload their videos we're sure to cross other Gorilla Nation sites which will then create video advertising opportunities at their sites. So we're really looking to create a broader, the broader business partner with their sites and make sure that we're helping a lot of sites that may not have either the expertise, the time or know-how to basically build better platforms and create new modernization strategy that make us proud of.

Adrian Bye: Cool. Any particular kind of publisher that you'd like to work with that you're not?

Aaron Broder: You know, right now we're pretty happy with and switch ad reps. We'd be really happy about that but we're really happy about the categories we're in. We're always checking around and looking to build out other areas that compliment our entertainment and lifestyle content sites. And the launch of was really exciting. We're really excited about working with larger publishers in the international markets. And once we kind of get through the UK and Australia I think that we'll be looking to get into a couple of new verticals as well.

Adrian Bye: Cool. Well Aaron, thanks very much for your time.

Aaron Broder: Thank you so much. I really appreciate it.