# MAU [Talk]
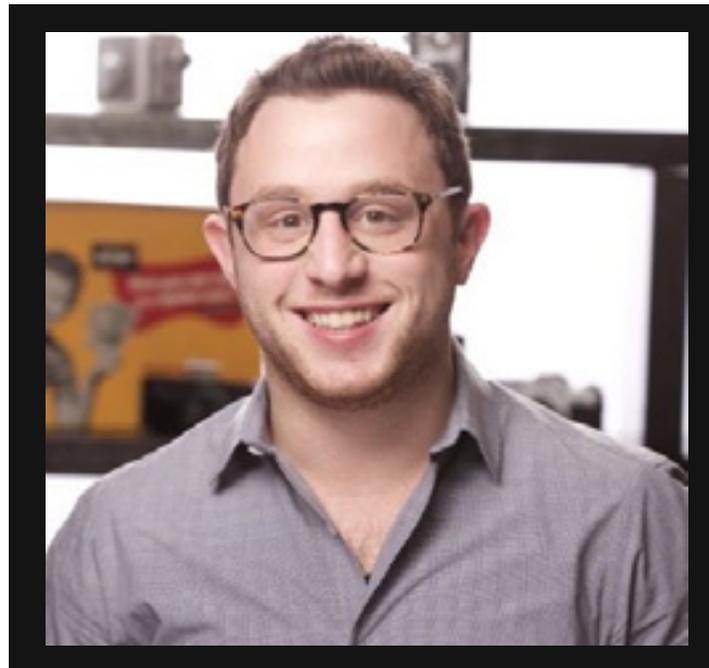
EP. 009

## A CONVERSATION WITH:

## NOAH GORSKY

### STRATEGIC PARTNER MANAGER

**MAU[Talk]  00:00**

Hey guys! Welcome to MAU [Talk], a new podcast from MAU Vegas, the premier mobile acquisition and retention summit. In this episode, Adam sits down with Noah Gorsky, strategic partner manager at Facebook Audience Network to discuss the company's move to becoming a bidding only ad network this year. What bidding means for publishers and its significance today. Take it away, Adam.

**Adam Lovallo  00:22**

Noah, welcome. Welcome to the podcast. Thank you. This is I think, my fourth Facebook related podcast. So we're gotta take the number one spot here, I think you got a good shot at it.

**Noah Gorsky  00:33**

Wow!

**Adam Lovallo  00:33**

Welcome.

**Noah Gorsky  00:35**

Hey, thanks so much! Thanks for having me here on this show. You know, my colleagues and I love coming out to the conference every year, right. And just given the unusual circumstances this year, we're just excited that we get to participate in any real capacity to be honest and just be involved with what's been a very impressive pivot for you in the larger team. So thank you so much for having me here.

**Adam Lovallo  00:58**

Yeah, yeah, you know, every day, we're looking at the vaccines and the this and that, and dates and wow. But it's like, what a mess. But the first in person event is not just our event, but all the whole industry will fly, there will be extra fun, cuz it'll be like, you know, return to normalcy.

**Noah Gorsky  01:16**

Hopefully.

**Adam Lovallo  01:17**

Okay, so let's do a bit of an intro. And I think it would be great to talk about if you don't mind, like your pre Facebook and now Facebook world, because I think that's quite useful for context, especially for what we're going to talk about.

**Noah Gorsky  01:34**

Definitely. So prior to joining Facebook, my background has been primarily in ad tech, just kind of helping startups achieve sustainable growth. I actually initially got started in recruiting way back when and so scaling organizations is something that I'm really passionate about. And it's certainly well actually, since coming to Facebook, so at the Audience Network, which we started in 2014, we've always operated as kind of a startup within a much larger company. So being able to relate to developers both big and small, over the years and working to help them monetize more effectively has, I think, always been a major key to our success.

**Adam Lovallo  02:14**

Okay, so we're obviously gonna be talking about monetization, audience network stuff, a bit of a different cup of tea than the usual grow.co/MAU sort of world. Which is great. So, there have been massive Facebook Audience Network announcements lately. We're recording on November 20. I think it's like a this week thing. So yeah, let's let's start there. What's the big news in your world?

**Noah Gorsky  02:43**

Yeah, for sure. So it's a great place to start. In October of this year, actually, we announced that Facebook Audience Network will become a bidding only ad network in Q2 of 2021 for iOS apps, and will be no longer supporting waterphone ad mediation. So, you know, what does that really mean? Right, becoming a bidding only demand source has been audience network's vision, really, since we first started testing bidding in 2017. After three years of kind of pioneering the app bidding side of things and working with our ecosystem partners to make bidding accessible to publishers worldwide. The Facebook Audience Network just felt like bidding only demand was the right way to move forward into 2021. We are accelerating the timeline for iOS apps due to Apple's upcoming iOS 14 changes, which will affect publishers. As you know, and I know, our listeners are obviously pretty attuned to as well. Affecting their ability to monetize the apps through in-app advertising, right and bidding, we truly believe it's going to help publishers and developers maximize their ad revenue and their operational resources. And so that's kind of why we're making this decision. We'll continue to support waterfall and bidding for Android apps for the time being. However, we really do recommend migrating to bidding to take full advantage of the revenue maximization and operational efficiency. So we passionately believe in-app bidding delivers a more efficient system for pubs, and we expect to move all of our demand over throughout the next year.

**Adam Lovallo  04:18**

Okay, excellent. Well, no doubt we'll talk about all those put your money where your mouth is, basically, we'll talk about an example. But alright, fair enough. So iOS is gonna make things a little bit more difficult for all sorts of publishers. That's understood. You guys think bidding is going to yield better and I don't think that's really controversial take given where the industry is all headed. But, let's talk about like the world of waterfalls like why is that the standard? Why do you think it's outdated? You know, what's your what's your critique of the waterfall approach? Which still has adherents by the way I mean, do you really believe in that--what's your perspective?

**Noah Gorsky  05:01**

Yeah, for sure. You know, it has been waterfall mediation, the dominant setup for monetization for a long while, right? We find that recently, more and more publishers are kind of realizing the shortcomings of that approach. It's been around since the early days of the ad network business model. Like when I had first gotten started in the industry, and I'm sure our listeners remember this fondly, or not so fondly, but a lot of the ad network business was predicated on cutting iOS' and making deals and you know, handshakes and steak dinners, right?

**Adam Lovallo** 05:34

Yeah, yeah.

**Noah Gorsky** 05:34

And all that sort of stuff. And obviously, a client dinner now feels like something in the distant past.

**Adam Lovallo** 05:41

Yeah, yeah.

**Noah Gorsky** 05:43

But as you said, we're hoping to get back to, you know, in person meetings, and things of that nature next year. But you know, back then, in 2009, 2010, you know, the technology and a lot of cases often took a backseat to relationship building and partnership management. And while building connections with partners is still, in our view, and I think many, many folks' view part and parcel to doing good business. I think that as tech has advanced, and it's becoming more and more integral to have the latest available, so you can truly maximize the value of each impression. And so with that in mind, there are really three key ways that we feel waterfalls just fall a bit short. So first up, waterfall mediation requires a publishers ad server to call demand sources one by one, and that's according to their average historical price.

**Adam Lovallo** 06:31

That's the waterfall.

**Noah Gorsky** 06:33

Yeah, exactly. And so, you know, it's just not based on who's willing to pay the most for each impression. At least the missed opportunities, money left on the table, you know, nobody really wants that, right. And so that's first step. Secondly, you know, you add and maintain a growing number of demand sources, it's just hard for developers to maintain. A lot of these publishers we work with share stories about just growing increasingly frustrated with that manual optimization, because it's so tedious. That one of the publishers we work with Voodoo, for example, you know, experience exactly the scenario, you know, time consuming process required to optimize waterfall, and then processes that are also prone to, you know, human error on top of all that, before they make the switch over to bidding. So it could put a strain on operational teams kind of managing that waterfall. It could lead to new demand sources not being added in. All of that just decreases the diversity of the ads shown. Right. So that's kind of second. And then lastly, you know, waterfalls are key contributed to ad latency, which was, you know, is just a concern for so many developers. So all of this is kind of paved the way I think together for bidding as really the future of where the industry is heading right now.

**Adam Lovallo** 07:42

Yeah. I mean, I would argue, the web and mobile web ecosystem, maybe is already there, you know, at least, it's one of the rare instances where maybe they're even ahead on the monetization side of the app ecosystem for more so because was just like, you know, easier to just set up pre bid, whatever, you know, like, it's much easier execution. As an aside, operational challenges, I think, like, you think about international, especially for these gaming companies. So

it's like you're managing a waterfall for every single country. And the network's might yield very differently, or might not even operate in certain markets. That's in my personal experience, where it got so annoying. You know, an ad network is x here in France is less. And so I got yeah, this is gonna take forever, literally an endless editing of line items. I mean, that's essentially what it ends up being. Okay. All right. Cool. So, we understand the macro counter arguments, or, let's say limitations of waterfall stuff, especially latency that cannot be emphasized enough. So, obviously, we think bidding is a better approach. Otherwise, we guys won't be doing it. But given the con case. So now, what's the pro case? Like? You know, why are you doing this now, even?

Noah Gorsky  09:06

Yeah, I love that. You know, I don't know about you, but the doing line items all day is just not my idea of a good time. I don't think it's anybody's so I certainly hear you on that. And, and I think a lot of people listening definitely an ad ops side has some, you know, bad nightmares from that whole side of things. Yeah. But, you know, when you look at bidding and just sort of, you know, as you said, like the pro of it all, it lets you offer an opportunity to just multiple partners, right? This way, you're getting the best price for each impression, right. With bidding, there's increased ad revenue, there's improved operational efficiency, and there's access to more demand, right. So all of those things, make it kind of the best option that we feel not just your point the future but to like right now in the present, and I'll dive into each of these to sort of help illustrate the point. So first up, maximizing revenue, right. Bidding allows pubs to maximize revenue from every impression. When every demand source bids in an open and fair kind of a real time auction, you're just seeing more competition for your inventory, which means better prices for every impression. Competition is healthy and that makes everyone work a little harder, you know, around here, which we love to see. It's like in the NBA, you know, they just had their draft, as you mentioned, we're recording this on the 20th. They had their their big draft earlier in the week, or really any sport for that matter. When the league is dominated by only a few teams, it just makes for a worse product. Right? Not giving all the teams a fair shake is just not good for the league. So having that draft every year, that structure, you know, structure to kind of maximize competition, putting salary caps as another example, in place of how kind of like, you know, things are all being designed to equal the playing field and create a bit more parity on the court. Right. And so from that perspective, we think it's true, the same in advertising allowance for fair competition. It's just better for the industry as a whole.

Adam Lovallo  11:03

Yeah, I mean, that's not that's not hard, argue it. And as an aside, I was really I don't really fully understand the NBA salary cap rules. But I was like, oh, the Golden State Warriors are gonna pay $80 million in taxes.

Noah Gorsky  11:14

Yeah.

Adam Lovallo  11:14

Like what's the salary cap?

Noah Gorsky  11:18

I know. It's crazy.

**Adam Lovallo  11:18**

Like, that seems like a lot. It shows what I know about the NBA. Okay, so we like maximizing revenue. Fair enough. I imagine. So the what's the stat? Like, what kind of improvements are you seeing? And have those improvements been like global or, you know, have you seen different stuff in different geo's or different, you know, categories or something, like what are your numbers?

**Noah Gorsky  11:43**

Yeah, it's a good follow up. So take a report, for example, called the new era in monetization. In it, several of the developers, we spoke to experienced substantial revenue growth, when switching to beta from waterfall. Recording between, you know, 13%, and 27%, uplift, in average revenue, per daily active user. So just like enormous gains there. Another developer we work with called Gainsight, you know, hugely successful and one of the earliest adopters of bidding with Facebook Audience Network. Historically, they cannot generate a significant amount of revenue at all, from ads. So bidding has helped Gainsight, increase their opt out and kind of raise the amount of ads contributing to their overall revenues. Due to these results, Gainsight, now runs more than 95% of inventory on bidding. So that's just one of many examples of how we're working with our partners to really kind of unlock their full potential.

**Adam Lovallo  12:40**

I love it. Okay. I think the points made like, obviously, you're not managing lots of line items, it's a lot more efficient. I mentioned this a lot of monetization people out there, kind of like, 'hmm, maybe I don't like bidding for other reasons'. But like, do you expect that that a lot? I mean, where do people spend that time, otherwise? Maybe they have a smaller focus on this in general, like, what's the efficiency argument? I guess.

**Noah Gorsky  13:15**

Yeah, for sure. So right. So that's kind of the next point I was gonna make is like, you know, second to kind of revenue is obviously operational efficiency. So you're removing that burden of maintaining those waterfalls, we're talking about bidding helps you increase that efficiencies, your team can drive impact in other ways. You know, including kind of more time to optimize your app experience, more freedom to integrate more demand partners more easily. And then just to focus on user acquisition, which we all know, is the engine of growth for any successful developer. We had, you know, publishers like Gamehive, for example, tell us that what the extra time that bidding enables, they've been able to focus on improving, you know, their in-app experiences and enhance interaction with ad placements. Another developer of ours Pixel Federation, you know, I was just talking to them the other week. They're able to save 30% more time with app bidding and which just allows them to spend their time and their money driving user acquisition, right. So just a huge, huge, you know, time resource that's been made available to so many developers, and they can focus on other areas of it.

**Adam Lovallo  14:24**

I want to emphasize the point you made there because I think like a lot of the monetization job as traditionally defined, is or ad ops, if you prefer that parlance, is about managing the waterfall, managing relationships, delivery, etc. and a remarkably small amount of the job is about like, where the ads go and what they are and, you know, like the placement and exposure. Like it's crazy how much time you might spend, you know, optimizing your 320x50's. But like you don't either have the time or maybe it's not in your purview or whatever to like, actually think about ad placement, if you want to call it.

**Noah Gorsky  15:07**

Right, yeah.

**Adam Lovallo**  15:08

But just like yield management on that side. I think that is an excellent benefit of the whole, not just Facebook, but just in general, like all of this bidding, stuff like that, that can have a massive impact. Especially we start talking about Android, where there's different sizes and different devices, you know, like, huge, huge, huge. Like, you can afford to spend the time working on the experience for the subset of traffic because you know, you don't have to, like, upload the zillion whatever, or are more likely, ad network x is not calling you screaming that like, you know, their share for delivery seems to be down week over week, which is a constant conversation. Okay. All right.

**Noah Gorsky**  15:48

Right, right.

**Adam Lovallo**  15:49

So we like we like bidding. That's fair now. Almost all, not all, but almost all executive maybe all of the examples you give me thus far gaming. Fair enough. I mean, you know, we're talking about mobile apps, which is more or less synonymous. I'm just curious, like, do you? I know that gaming is a big part of the audience network on the publisher side, right. I believe it's a big part of the network on the buy side, which makes sense. Um, but yeah, is your take? Like, are you guys making gaming a priority? Is this a thing that you think is more relevant to gaming pubs? Or is this like a universal, you know, everybody benefits equally sort of a situation?

**Noah Gorsky**  16:32

Yeah. Arising the tides? You know.

**Adam Lovallo**  16:32

Yeah.

**Noah Gorsky**  16:35

Bidding for us is applicable to the entire app ecosystem, right? At Facebook Audience Network, we just so happen to work with a lot of mobile game publishers. Gaming companies often like to be innovators. You know, given the highly competitive nature of the space, you know, a lot of these companies are always looking for ways to optimize their monetization to stay ahead of the competition.

**Adam Lovallo**  16:57

Yeah.

**Noah Gorsky**  16:58

We do see a lot of success stories surrounding game publishers who were dependent, for example, on, you know, on in-app purchases alone, right. And they've increased their revenue and player retention by adopting more of a hybrid approach of in app purchases and in-app ads, right. And for these publishers, just getting started with the IP ad model. Biddings just an awesome way to easily test ads, and evaluate their impact without creating, you know, as we're saying, like that large operational burden. Bidding also facilitates a smooth transition into monetization more generally, right? And helping publishers monetize their entire user base, not just the users likely to make those in-app purchases.

**Adam Lovallo** 17:40

Yep. Yeah. Fair enough. Okay, so yeah, I mean, I think everybody in this industry knows that the gaming people are in the most competitive category, and they're the most sophisticated. I mean, just, you know, money talk. So I think that that makes plenty of sense. Okay. So I'm sure there's a Facebook take on this. So like, alright, kinda hard to argue with the numbers. Like in terms of yield and latency, and like, that's just math. But you don't see totally universal adoption. Um, you don't see it on the web. You don't see it in-app. I mean, there's still, you know, waterfall mediation companies like dedicated product. So like, when you're talking to people, like what are the main, I don't know, hurdles? Or like, if you get pushback, why are people, yeah, not like, let's go like, is it technical? Is it contractual, maybe? Or I don't know, something else, like, what do you get back?

**Noah Gorsky** 18:39

Right. So I think one of the key reasons we see some publishers hesitant to move over to bidding, it's just that they don't know where to start or it seems difficult to change the one way that they've been doing things for such a long time. And just for so many years ago, we talked about how long, you know, ad ops has been around for right, basically, since the advent of the industry, right? So it reminds me of how, you know, growing up, I always wanted to be a morning person. But I could never bring myself to get out of bed early. And you don't just get a head start on the day. And then once I had my first kid, shout out to Leo, by the way, it's just, you know, forced my hand and the decision was made for me right now, I'm a morning person for life. And so I think at Facebook, we just like to offer our partners, some of the cutting edge technology that allows them to compete in today's marketplace. You know, we would love for our publishers to get a head start port over to bidding, you know, before the proverbial baby shows up, right?

**Adam Lovallo** 19:40

Yeah, yeah, yeah.

**Noah Gorsky** 19:41

That's kind of the thinking there. But, we also understand it I mean, developers are juggling a lot to run a successful business these days, which is why Facebook Audience Network is offering a variety of different integration options to help publishers adopt app bidding in the best way that works for their business. Right. And that could include in-house and partner solutions, right? In-house integration, for example, is for those who build immediate mediation stack themselves. You know, integration is for those who are just relying on third parties, and that's okay to demand density of course, it's kind of moving the entire ecosystem toward bidding. So we're trying to prepare developers for the new world as best we're able to.

**Adam Lovallo** 20:24

Okay, all right, fair enough. So let's say people are out there, they're, you know, undoubtedly they read this announcement. I mean, and it's like, this is like happening. This is a requirement like this is going away on iOS. Okay. So, like, so they've got to deal with this basically.

**Noah Gorsky** 20:40

Right.

**Adam Lovallo** 20:41

Yeah. What are the resources advice? I don't know, like, you guys sent me a good article. And that was pretty, I thought was pretty useful. So like, what? Yeah, what else you got? If somebody's job is to have to respond to this, and hopefully a positive way, because it should increase yield. What would you tell him to do?

**Noah Gorsky  20:58**

Yeah. So I think what you're referencing, we actually just did a recent sort of a bidding takeover with VentureBeat. And part of that was an interesting Q&A that we curated with two of our publishers, Brian Truman from GSN games, and Phil Suh over at Zynga. When we asked Brian and Phil, this kind of question about bidding, like if they had any advice for getting started after their own experiences, adopting and finding success with bidding, one of the things they mentioned was A/B testing. This is something we always encourage our pubs to do. Use A/B testing, to kind of best isolate and measure the impact of bidding on revenue. And as Brian from GSN Games, was saying, publishers should plan on testing for several weeks to gain that confidence, right. So the sooner they're starting, the better it is, in order to see how bidding impacts their business and kind of where they need to iterate. And we really feel like especially during this holiday season, all of the demand that's out there. It's an incredible time to take advantage of this and get ahead of sort of where things are moving heading into next year.

**Adam Lovallo  22:04**

Exactly. So this article, like, is actually very good. I mean, it's like a classic like, sponsored paid by Facebook, as you know, read between the lines, but these guys are both legit. Obviously, GSN and Zynga have to be I don't know, Top 10, Top 20 gaming companies in the world. And one of them has a stat. I've got it open here. Yeah, one of them has this stat on like, like, 3%-10% improvement or something like that, like a, like a meaningful number off the bat. Yeah. Brian GSN, quote, we saw gains in overall revenue between 2% and 13%. And we've tested bidding against our managed waterfall, presumably, A/B. So like, that's, you know, for a single shot, like thing that's like, pretty good. I'm imagining pretty, like pleased with that. Yeah, I think it's on VentureBeat. I mean, it would post on the 16th it's easy to find this article that that is work for anyone listening, like that's worth. Yeah, it's worth going into. So okay. All right. So iOS, like hammer drop this calendar year, like hilariously. Okay, Android, like, under the radar, you know, perhaps next to follow, who knows whatever. You guys made this monetization, like, acceleration. It sounds like I mean, it seems like this is trajectory we're on. So yeah, like a lot of changes, like, I would argue, more change to the mobile ad tech, or, or even an ad tech ecosystem in the last like, year, then in like, the prior many years.

**Noah Gorsky  23:37**

Yeah.

**Adam Lovallo  23:38**

I mean, that's my read. So like, you know, we've hit the bidding stuff hard, but like, what, yeah, what do you think is next? Like, where do you? Yeah, like, what, what do you think is going on in our, in our little ecosystem? Little in terms of people big in terms of numbers.

**Noah Gorsky  23:54**

Sure. You know, I mean, you know, chalk it up to 2020. Right. It's just been a crazy year in general, why not shake things up in our industry too. No, but I think, you know, in the last year alone, the number of apps using bidding with Facebook Audience Network, it did grow 7x. And so to your point, like we've been moving in this direction, I think long before some of these announcements started coming to the forefront here, and among the top 10 largest publishers, using auto start to monetize the majority are now using bidding already. So these are exciting stats that tell us where the ecosystem is sort of heading in the right direction there. We've seen high adoption and strong results from bidding. You know, we're on track right now as a network to have 50% of our revenue transacted through bidding before the end of the year. Apple's changes, you know, have accelerated that transition timeline. Our bidding focus continues to trend that already benefiting a healthy and significant number of our publishers at Facebook.

Adam Lovallo  24:57

Fair enough.

Noah Gorsky  24:58

Yeah, you know, at the Audience Network we believe bidding just truly creates a more open fair and efficient ecosystem. You know, bidding is something we're very, very excited about and we know that our partners are too. And so I think this is just the beginning of sort of the see-change of what's happening across the the ecosystem today.

Adam Lovallo  25:19

No that's great. And though no guarantees on your end, I know, but maybe in 6-12 months or whatever. Maybe as you start getting onto the Android side to you guys come back and say, 'hey, you know, here's, here's our 50, stats of lift and what we've seen and whatever', like, I think I think that'd be great.

Noah Gorsky  25:38

Yeah, we would love to do that. Thanks so much for having me on. I really, really do appreciate it.

Adam Lovallo  25:44

My pleasure. Thanks for the time.

MAU[Talk]  25:46

Thanks for joining us. For more information on bidding, please visit facebook.com/audiencenetwork. Make sure to subscribe wherever you get your podcasts and we'll catch you on the next episode of MAU [Talk].