

## Advertising Software

Openads, a supplier of free software used by Web sites to manage online ad campaigns, has received \$5 million in initial funding, bolstering it to prepare for increasing competition globally with Google Inc. The financing round is being led by Index Ventures, and joined by early-stage U.S. firm First Round Capital, Europe-focused Mangrove Capital Partners, and O'Reilly AlphaTech Ventures, an arm of the U.S. technology publisher. London-based Openads was founded as a grassroots, open-source software development project in 1999. It has signed up 25,000 Web site publishers in more than 100 countries and 20 languages. "In a way, this has been one of the best kept secrets on the Web," said Saul Klein, a partner with Index Ventures, who was previously marketing chief at Web-telephone company Skype. "What we liked about Openads is that they're disrupting the market and (it) has secured significant, global adoption." Openads powers more Web site publishers than all competing products combined, it said, albeit small players. It is popular with users of other open-source content management systems, including Drupal and WordPress blogging software. The community-based project turned 10-employee start-up company relies on an open series of discussion boards (<http://forum.openads.org/>) to service its customers, solicit feature requests, and trade advertising techniques. "What publishers love about Openads is that it is intuitive, easy to use, solid and they can peek under the hood and see how it works," Klein said. "But more than anything they love the fact that it is free." Instead of charging up-front, Openads supplies hand-holding services to publishers, as well as more advanced services to bigger publishers. A big strength is its global distribution. Only 30 percent of customers come from the United States. The rest come from markets such as Poland, Brazil and Russia. Openads makes money in part from referral fees that advertising networks pay it for connecting them to publishers who use its software. Customers include blog ad network Federated Media, Sun Microsystems Inc. and online music site Last.fm. Simplistically, Openads' ad-server technology competes with DoubleClick Inc. in the market for ad-serving services. But Marissa Gluck of media research firm Radar Research in Los Angeles said they operate at opposite ends of the market. DoubleClick, which is seeking regulatory approval of its plan to be acquired by Google for \$3.1 billion, focuses on high-end advertisers, while Openads serves up ads for customers who install and run their own ads, relying on multiple advertising networks to sign up advertisers. Instead, Gluck sees Openads coming into competition with Google's mainstay advertising service, AdSense, its pay-per-click text ad delivery system that is transforming itself into both a text and graphical ad service.

## About the Author

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