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Tuesday, December 9, 2008

Interview with Adam Wicks Walker, Hydra

Story by Benjamin F. Kuo



Los Angeles is rapidly gaining a reputation as being the center of the Internet advertising world, for good reason, with a large number of online advertising firms located within and around Los Angeles. One of those firms is Hydra (www.hydranetwork.com), which is a cost-per-action affiliate advertising network. The online advertising world is full of ad networks, so we had Adam Wicks Walker, Chief Strategy Officer at Hydra, tell us where they fit into the market.

To start out, can you describe to us where Hydra fits into the advertising network world?

Adam Wicks Walker: There are probably as many as three or four types of ad networks, and lots of people using different models within those segments. The segment we play in is the performance-based media buying world, where the essential difference is that advertisers are paying for the results. Hydra has been a leader in the space, tracking the user all the way back to the transaction. That gives us the ability to monitor the result of campaigns, all the way to the creation of a customer. We've built our revenue and buying model such that we only charge advertisers when they get a customer--or whatever the equivalent of customer for them is, such as is filling out a form to get a sample. We can track users all the way to a result, so that our advertisers are only billed when they sell a membership, or someone applies to a credit card, etc. That way, advertisers don't waste any money.

How do you track those kinds of things?

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Adam Wicks Walker: We use cookies and things like that, to create unique identifiers in a database that matches a publisher with the advertisers. We put a code into the pages on a site, which allows us to measure the results, and we build a database to track it real time, and connect the two. So, we then pay the publisher for the result, which is to get customers for the advertiser.

What kinds of advertisers are most interested in your kind of ad network?

Adam Wicks Walker: It's a broad field these days. If you asked me that question a few years ago, my answer would have been different. Back then, we have hundreds of different advertisers running, with more than a thousand ad campaigns in our network right now. So, it's all over the map. Anybody who is able to create a customer relationship online can have some degree of success with Hydra, given that their product is desirable. Everything from a lead generated for life insurance, to a new member for dating site True.com, or having a person buying coffee through the mail from Kraft--which is a long term advertiser which has been successful with Hydra--or applying for credit, or signing up for a magazine. It's all over the map.

Where do you get your inventory, and is that exclusive inventory?

Adam Wicks Walker: The inventory is not exclusive. It really doesn't suit a publisher well to have exclusive representation, except in some instances--for example, if a site has an outsourced sales agency. Publishers run with Hydra because we've eliminated the risk and so forth in pricing. A well placed CPA campaign can earn more from inventory than a randomly placed, and even a possibly targeted campaign with automatic ad rotations from the bigger networks. Our affiliate managers will consult with publishers, find out who their users are, what kind of traffic it is, and segment out the right campaign mix for them to run. At the end of the day, if you measure effective CPMs and compare that to the math on CPA campaigns, it turns out to work out to be a higher yield you're getting on your inventory.

It looks like your company has been seeing some great growth. Tell us the story behind the growth?

Adam Wicks Walker: It's a combination of lots of factors. One thing is that we've had an exclusive focus on being the best CPA ad network. There are lots of different players in the field, and the guys who are behind us always have a difference. They tend to be more focused on a specific set of

verticals, certain types of campaigns, and only a few different business. Google has been trying to get into CPA for a long time, and companies like Advertising.com tried to get into it a few years ago, but really didn't make it. It's something we've decided to be the best in, and we have a lot of focus and drive to make sure we work all the time. The moment you stop tracking and ad campaign, publishers and advertisers start losing money. Our system has to be perfect and flawless, and you have to manage your accounts correctly--there are lots of ingredients. We've got an exclusive focus and mission be the best in our sector, which is what is making it grow. We've had over 1,000 percent growth over 3 years.

How's the economy affecting that growth curve?

Adam Wicks Walker: It's an interesting market to play in. We're actually ahead of target for this year, from the projection we made a year and a half ago. Fortunately, the net effect of the economy for Hydra is good, because more advertisers are talking to customers through Hydra, and we're creating relationships successfully. We wouldn't have the numbers if they weren't. It's an interesting thing, and we're quite lucky to be doing well when lots aren't.

How much of your business is technology versus service?

Adam Wicks Walker: The technology is pretty significant. We've got lots of databases and lots of servers. In terms of where the value proposition comes from, it's the platform, and our ability of to acquire customers and create revenue for publishers, which is the fundamental driver of the business. On top of that, we manage our accounts very carefully--we provide creative optimization with our advertisers, because we know what works and doesn't--because creating conversions for a campaign into a customer is the only thing valuable to us. We want to make sure the campaign is going to be effective. If it's not something that can create significant appeal, it doesn't run. We have customers who won't get to run a campaign, because it doesn't have enough appeal. We've spent a lot of time, making sure that the right campaigns are in the right rotation with the publishers. It's really a high touch service. We've been around a long time, and what's made us competitive from a value proposition from something like Commission Junction, is a advertiser has to manage that themselves, and you have to pay a fee if you want to get email access to an account rep. It's a whole different thing. Hydra's service is very high touch, end-to-end, so an

advertiser doesn't have to do any campaign management. It's really something where they can sit back and watch the customers roll in.

Finally, how big is the company, and are they all here in LA?

Adam Wicks Walker: We've got 70 employees, all of them here in Beverly Hills on Wilshire. Our data center is on the other end of Wilshire, Downtown.

Thanks!

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