Message

From: Chris LaSala [chrisl@google.com]
Sent: 10/3/2019 1:02:42 PM
To: Jason Spero [jspero@google.com]
Subject: Fwd: "Source" advertising consortium

just you....

would love guidance on if/how I can be top of mind to Philipp when these questions get asked. I have a ton of what I think are quality opinions here. . .

---------- Forwarded message ---------
From: **Chris LaSala** <chrisl@google.com>
Date: Thu, Oct 3, 2019 at 9:01 AM
Subject: Re: "Source" advertising consortium
To: Sissie Hsiao <sissie@google.com>, Ted Lazarus <tlazarus@google.com>, Jason Spero <jspero@google.com>
Cc: Dan Taylor <dantaylor@google.com>

+Ted Lazarus privileged and confidential - seeking advice of counsel
+Jason Spero as FYI

You may want to follow up with Sam Cox too - he has some well informed and strong opinions on this:

Some detailed thoughts that are both specific to your question and my added thoughts on pricing in general - so apologies for the novella..but this is important:

- **There is a continued call from buyers and publishers for transparency. It is reasonable and should not be dismissed.** Because the "middle" takes more share of the marketers $$ than the content producer. For $1.00 from a marketer they pay any agency 15 cents, a DSP 10 cents, and SSP 10 to 20 cents, and the network another 10-20cents..then add data and measurement cost. In the lowest scenario it is 50 cents on the dollar. Probably more. Would like to compare to Dan's back of the envelope here....I half agree with Prabhakar's point - the 'middle' does take an outsized share and we are only part of the middle. Yet, one could argue that when we are the middle for both buy and sell sides, we are taking an outsized share.
- **Sell-Side pricing model: We need to distinguish between our sell-side ad tech and our sell-side network.**
  - **AdManager as SSP:**
    - Negotiated off of a rate card (OA and PA: 20% - which mostly holds, PD & PG: 10%, w/ PG often dropping to 5%, Exchange/Open Bidding at 5%-10%). These are transparent to publishers, so am not sure what their beef is. I think BUYERS want to know how much we are taking from the pub, but we do not share the terms of negotiated rev shares. Value prop differences that drive pricing differences:
      - **OA**: if you don't have a relationship with the pub, we bring you the inventory - that is worth 20%. Note that getting into a relationship with a pub is becoming increasingly easier as evident in apps.
      - **Open Bidding:** If you do have a relationship with a pub, we'll help run the auction and clear for you in less policy restrictive environment. This is worth 10%

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▪ **Deals (PG/PD):** If you have a negotiated deal btwn buyer and seller (rate and volume) we will help you efficiently put those $$ to work and clear, but because you brought the demand, the rates are lower (5 to 20%).

▪ **It is questionable that 20% for OA is reasonable long term**. Pubs accept it because it brings demand (Google Ads). If Google Ads bought everywhere else, I think we'd see pubs move to other SSPs for OA and we'd lose the 20%. Amazon will put the biggest pressure on us over time if they care to continue to invest here. They have the resources to be a fully functioning SSP via TAM and could suck out all 3rd party demand from our auction over time (this has not yet happened, but is a risk to watch). OpenBidding in AdMob is also a signal that the market rate for OA is closer to 10%, as

o **AdSense and AdMob:**

▪ The market seems to bear a blind(ish) network model of 30+% rev share to Google, when Google demand buys via tag or SDK on page, even if mediated through other SSPs. So if the $$ are incremental, the take-rate maybe not relevant...

o **Our Fraud Protections:**

▪ I think the market does appreciate what our platforms (buy and sell) do to protect the integrity of the auction, protect advertisers, protect pubs, protect users (even if they are vocally hard on us when bad things slip through). I'm not sure we are selling this to the market strongly enough so that we can better equate value with price.

o **My POV:** When a buyer brings incremental demand in a network model - pubs don't seem to complain. Nobody complains about the take-rate from FB, Criteo, AMZ, Google Ads through AFC or AdMob...they only complain about the take-rate when we are pipes. **To the extent we want to be in the 'pipes biz' (DV3 or AdManager) we should accept downward pressure UNLESS we can tie our buy and sellsides together to create unique, differentiated value to buyers and sellers.** Whether this is through data, protections, scale, etc is up to us. But expect the market to always put pressure on the pricing of pipes.

On Thu, Oct 3, 2019 at 12:07 AM Sissie Hsiao <sissie@google.com> wrote:
On this thread (and for my edification)...

How transparent do advertisers and publishers feel about:

- our pricing model
- our ad fraud model
- our auction

---------- Forwarded message ---------
From: **Philipp Schindler** <philipps@google.com>
Date: Wed, Oct 2, 2019 at 8:50 PM
Subject: Re: "Source" advertising consortium
To: Prabhakar Raghavan <pragh@google.com>
Cc: Kent Walker <kwalker@google.com>, Don Harrison <harrison@google.com>, Karan Bhatia <bhatiakaran@google.com>, Wilson White <wilsonw@google.com>, Iris Chen <ichen@google.com>, matthewbye@google.com <matthewbye@google.com>, Markham Erickson <markhame@google.com>, Sissie Hsiao <sissie@google.com>, Dan Taylor <dantaylor@google.com>, Jason Spero <jspero@google.com>, Allan Thygesen <allant@google.com>

+ Dan, Sissie to share their views.

Philipp

On Wed, Oct 2, 2019 at 8:32 AM Prabhakar Raghavan <pragh@google.com> wrote:

Privileged

I don't see anything materially new here. Until we find a better way to articulate to the world that we're not hanging on to an outsize chunk of money, there will continue to be this noise from publishers and they'll be goaded on by "tech" companies that have lost in the online world, such as IBM and Oracle.

On Wed, Oct 2, 2019 at 7:49 AM Kent Walker <kwalker@google.com> wrote:

Privileged

How do we feel about this initiative? Includes a number of critics (Oracle, IBM, News Corp, and a comment by Randal Rothenberg critical of us and FB), but the article also says that we're in talks with them about joining.

Digital Advertising Standards & Practices | *"The Online Ad World Is Murky. A Group of Companies Wants to Fix That." (The New York Times, October 2nd):*

"A group of 16 companies — including leading ad tech firms, ad agencies and publishers — is trying to help clean up the murky world of digital advertising. On Wednesday, the companies called for more visibility into where each dollar is spent in the online advertising supply chain. They committed to standards and practices for sharing data on fees and authenticating content, and urged others to move in the same direction. The move, industry executives and analysts say, is an effort to bolster digital advertising outside the domains of Google and Facebook, whose ad businesses are being scrutinized by federal and state investigators for anticompetitive behavior. The group, which includes IBM and News Corporation, also hopes to apply pressure on the digital ad powers to pry open their 'black box' marketplaces, by disclosing fees and other information. Publishers routinely complain that the opaque nature of the digital ad pipeline is inefficient and expensive, with middlemen taking an outsize share of ad spending."

https://www.nytimes.com/2019/10/02/technology/online-ads-transparency.html

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p.r.

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Philipp Schindler

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