Message

From: Joan Braddi [Redacted@google.com]
Sent: 2/28/2020 8:33:01 PM
To: Jerry Dischler [Redacted@google.com]
CC: Carlos Kirjner [Redacted@google.com]
Subject: Re: Alphabet Q4 2019 Earnings: A Warning For Long-Term Investors

Please follow up with John but my understanding from his comment was that Amazon is better positioned for bidding Adwords for the advertiser than the Advertiser. (Amzn has more data and can bid in a way to get better roi). Likely to drive traffic to the advertisers marketplace/amzn pages and not directly to their site (but one never knows Amzn longer term vision).

Joan

On Thu, Feb 27, 2020 at 6:12 PM Jerry Dischler <Redacted@google.com> wrote:

By Amazon buying AdWords for their advertisers - I believe what they're saying is that they want manufacturers and third-party sellers that operate on their marketplace to pay them to drive traffic to Amazon.com, correct? I just want to make sure I understand what the mechanism is. I'll follow up with Mcateer.

On Thu, Feb 27, 2020 at 11:38 AM Joan Braddi <Redacted@google.com> wrote:

btw another article out today on Google has the most to lose from Amazon in the search ad market.

Quick excerpt:

Therefore in Amazon and, as we have just stated, revenue for this concept are growing at 40% year-on-year rates, however the opposite is true in Google; a stagnation / reduction in the rate of growth of advertising revenue.

This situation is being exploited by Amazon as it is competing for a large amount of revenue; Google has reported about $136B of revenue for this concept in the past year 2019.

In this competition for advertising revenue, Google is the one that could lose the most because it is precisely in the advertising revenue where Google's core business lies. However, for Amazon, these advertising revenues constitute a supplementary item to its main business segment: Online Stores.

On Thu, Feb 27, 2020 at 11:09 AM Joan Braddi <Redacted@google.com> wrote:

John M stated last year that he has walked into accounts where they said Amazon just finished pitching that the advertisers should buy Adwords via Amazon. We know that Amazon's practice is to collect money from their merchants
that Amazon then uses to drive traffic. We believe that Amazon is pitching they have better data to produce better ROI based on bidding they
will do on advertiser's behalf on Adwords. (My worry is that by Amazon controlling so much of the bidding (spend) they are actually bidding against themselves so they can drive the bids down in certain categories or keywords - but we need people to look at how much they influence the bid).

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Here is a pretty good article on the advertiser's spend and expected spend increase on Amazon. There were other articles last year with growing % of advertisers making Amazon a "must" buy. On effects to Search budgets, 17% said they will pull from paid search. The question is what makes up the 17% of the advertisers polled.

A small excerpt:

Specialized Amazon marketers and paid search marketers are most likely to be managing campaigns on the platform, our survey found.

Most popular ad products. Unsurprisingly, Amazon's search ad formats continue to be the most popular. Nearly 90% of advertisers are running Sponsored Products (87%), while 68% are running Sponsored Brands.

Incremental budget increases. More than half of the advertisers planning to increase their Amazon advertising budgets said the increases will come from incremental sources, followed by 31% who said the additional funding will be pulled from non-digital advertising budgets. Paid social and search budgets are affected, but less so, with 21% expecting to pull from paid social budgets and 17% from paid search.

Redacted

On Thu, Feb 27, 2020 at 10:12 AM Jerry Dischler <Redacted@google.com> wrote:
Joan - what do you mean by "buy adwords via Amazon"?

On Wed, Feb 26, 2020 at 11:07 AM Joan Braddi <Redacted@google.com> wrote:
Yes, but Amazon has been approaching our advertisers (for over a year according to John Mc) telling them they should buy Adwords via Amazon (as they can produce a better ROI). I do believe (based on other press last year) that Advertisers are moving some of their digital budgets to Amazon (and away from others Google, FB , others).
Plus, any merchant selling on Amazon (including us) spends $$$ to Amazon Redacted

Redacted

On Wed, Feb 26, 2020 at 10:47 AM Carlos Kirjner <Redacted@google.com> wrote:
agreed that a very large portion of their ads business is coop spend you would expect them to get as a very large retail platform.

C

On Wed, Feb 26, 2020 at 9:33 AM Jerry Dischler <Redacted@google.com> wrote:
My take based on the data I've reviewed -
Amazon is growing in advertising
Based on the best analysis we have, most of this is offline co-op spend coming online, not cannibalizing us
There is some degree of cannibalization from slow shift of shopping queries off-Google and to Amazon

Carlos and Joan, would love your perspectives.