

Digital Operating Models: **bing**

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Objective / Expectations

The objective was to maximize our search engine profit by negotiating high bids from publishers.

We expected publishers to bid aggressively and implement creative strategies since there was a large amount of competition for each slot.

We anticipated that Google would take a reactionary stance to the auction and wait for bids to come in before negotiating.



Round 1 Strategy

- Get first round of bids from all publishers
 - This gave us an idea of where to start with the negotiating
- Use highest bids from first round of bids submissions to negotiate up the price of each advertising position
 - We used the high bid for each position as the baseline for next round of negotiation
- Go back and forth with each publisher until the price would not go any higher
 - Quote a price that maximizes our revenue and keep margins low for publishers
 - Then confirm the highest bids for each position

Round 1

Takeaways

Takeaways:

- Publishers took longer than expected to submit bids -> leaving little time for negotiation
- Google was negotiating heavily and outperformed us in several positions
- Some publishers took advantage of the knowledge that only certain positions were still available to have greater leverage in negotiation

Challenges:

- Delayed bids in from some publishers
- Coordinating within a huge team across different time zones to decide on final bid prices and reaching a consensus

Round 2 Strategy

- Similar to round 1, we waited for the first round bids to come in before negotiating
- We calculated how much margin each publishers needed to get a better position
 - We used this information to up the bid for each publisher to their limit based on the available positions
- We also waited until we were ready to confirm all positions at once to send confirmation codes
 - This kept the information advantage in our favour since publishers would not know which slots were still available and which were not

Round 2

Takeaways

- Publishers came in firm with their margins: *“We will only work with Google if we cannot keep a margin of \$9000”*
 - Since they were very firm and time was running out, we had little bargaining power
- Earlier communication was needed
 - Waiting for the publishers to send in their bids gave them time to negotiate with Google first
 - By waiting, we gained the information advantage, but lost the ability to negotiate as fiercely

What we would do differently next time?

- Communicate with publishers earlier
 - We waited for the publisher to submit a bid, but we could've suggested minimum bids that we would've taken at some sort of premium
 - Earlier communication would've given us a better relationship with the publishers than Google and would have helped us with negotiations
- Better communication among group
 - Make sure that everyone in the group knew of the bids that were placed so it was easier for each person managing each respective publisher to negotiate

Key to winning the game: Optimum Strategy

Form a Basis

- Set the lowest amounts we'd accept and start higher
- Calculate margins for publishers

Communication & Relationship

- Create one-to-one communication to avoid any miscommunication and confusion
- Be authentic to build credibility and trust

“Time is running out”

- Create a “sold-out” scene to limit publishers’ time to make decisions

THANK YOU

