

Message

From: Chris Harris [ckharris@google.com]
Sent: 7/31/2014 1:14:36 AM
To: Eisar Lipkovitz [eisar@google.com]
Subject: Fwd: Adding more buyers to the exchange

FWIW... this is how I would solve the "adx problem."

Just one man's opinion...

----- Forwarded message -----

From: Chris Harris <ckharris@google.com>
Date: Wed, Jul 30, 2014 at 6:13 PM
Subject: Re: Adding more buyers to the exchange
To: Johan Land <johanland@google.com>
Cc: Jonathan Bellack <jbellack@google.com>, Scott Spencer <scottspencer@google.com>, Aparna Pappu <apappu@google.com>, Benjamin Jones <brjones@google.com>

Buyers have four large structural reasons that force them to aggregate demand:

- They can directly improve their gross margins by increasing demand aggregation. Both from auction dynamics and indirectly via negotiation with exchanges, networks, and direct relationships with publishers.
- There is a large (relatively fixed) cost to hire folks like us to build the engineering/bidding strategies. Thus, operating margins increase with increasing revenue.
- Their bidding algorithms get smarter with more data.
- There are sales & marketing advantages to having a good brand around performance you can deliver for advertisers.

Johan is on to something with respect to helping out the little buyers of the world, this amounts to either reducing the barriers of becoming a successful Buyer, or reducing the switching costs for advertisers directly.

Some ideas I've thrown around before:

- We could white-label GDN's remarketing solution - charging a % fee of course. This converts the "fixed cost" of R&D to a variable cost for new buyers. It's basically a form of financing.
- We could offer a buyer incubator program that helps small/start-up buyers and is meaningless to big buyers
 - Change our margins to graduate with size
 - The first \$100k of ad spend has a 0% margin.
 - The next \$1M of ad spend has a 10% margin.
 - The next \$10M of ad spend has a 20% margin.
 - All money above \$100M of ad spend has a 30% margin.
 - Highlight small buyers in the press / industry newsletters.
 - Lend credibility to smaller buyers via a "certified buyer program" which buyers could use/reference in their pitch/marketing material.
- We could offer GDN's similar users technology to buyers. If a buyer wanted to use our similar users technology, we could put more of their users into more auctions. If we can do this "behind the scenes" that would be ideal, because then we could get more information from buyers per query.

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- We could stop sending as much information we send to RTB folks and try to shift some more of the filtering logic to our end. Information we could exclude might be things like ad format, precise geo, the unique cookie. Instead we should ask for larger responses with conditions and/or multipliers in them that we evaluate server side. This would result in them needing to send more advertisers w/ corresponding bids, because they wouldn't know which was "the best" yet.

On Wed, Jul 30, 2014 at 4:45 PM, Johan Land <johanland@google.com> wrote:
privileged

Criteo was once a small company and they built their new business on top of AdX. I bet there are 100's of "mini Criteo's" in the mobile space that would love to try out there buy-side solutions on AdX.

Of course, helping new start-ups becoming buyers on AdX is not a great strategy for GDN as it will create new competition. But, then we have made a bet that an open eco system is the strategically right thing to do. If we don't believe in that any longer, we should consider dismantling RTB rather than only creating barriers, or...?

On Wed, Jul 30, 2014 at 7:09 PM, Jonathan Bellack <jbellack@google.com> wrote:
I don't know what that means.

On Jul 30, 2014 7:06 PM, "Johan Land" <johanland@google.com> wrote:
Whomever is doing the next ad-tech startup :)

+Chris would kill me if I didn't add him as this topic is super-dear to his heart...

/Johan

On Wed, Jul 30, 2014 at 7:00 PM, Jonathan Bellack <jbellack@google.com> wrote:
Who is out there as a potential buyer who is not an ad network, using a DSP who already buys on AdX, or already a DBM or GDN customer?

On Jul 30, 2014 6:56 PM, "Johan Land" <johanland@google.com> wrote:
I'm supportive! Let me know how I can help on the GDN side...!

On Wed, Jul 30, 2014 at 6:36 PM, Aparna Pappu <apappu@google.com> wrote:
Yes sorry I wasn't clear - I meant agencies or even large advertisers

On Wed, Jul 30, 2014 at 6:34 PM, Scott Spencer <scottspencer@google.com> wrote:
We can get networks as buyers. I think you mean Agencies. Either way, always worth a discussion to get more buyers.

On Jul 30, 2014 6:30 PM, "Jonathan Bellack" <jbellack@google.com> wrote:
Ah. This is best discussed at our next 1:1.

On Jul 30, 2014 6:25 PM, "Aparna Pappu" <apappu@google.com> wrote:
We're only allowed to get networks on as buyers - there's a finite number and now all networks are on all exchanges

On Wed, Jul 30, 2014 at 6:24 PM, Jonathan Bellack <jbellack@google.com> wrote:

What does that mean? Aren't we always trying to get more buyers?

On Jul 30, 2014 6:17 PM, "Aparna Pappu" <apappu@google.com> wrote:

Hey Scott

Johan and I just chatted and we revived the idea of increasing buyer participation in the auction. Scott and I in the past have discussed this and the issue in the past from N/J was cannibalization of DBM/AdWords by allowing agencies to bid on the exchange.

One of the biggest issues with the auction right now is it's relatively shallow - increasing bid density would actually transfer more value to publishers.

The suggestions to do those are

- a) insist on everyone submitting two bids (like GDN) and eng loves this except no way to police that buyers submit two real bids i.e. that not every impression has two competing campaigns for it
- b) add more buyers

From a product standpoint JB/SS - do you guys have objections to (b)?

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