

Message

From: Johan Land [johanland@google.com]
Sent: 9/8/2014 5:02:21 PM
To: Scott Spencer [scottspencer@google.com]
CC: Drew Bradstock [dbradstock@google.com]
Subject: Re:

And even better stick is "AdWords + all AdX buyers" :)

On Mon, Sep 8, 2014 at 9:54 AM, Scott Spencer <scottspencer@google.com> wrote:
I'm happy to push back on sales to maintain the revenue share. AdWords is just our best "stick" with which to do so.

On Mon, Sep 8, 2014 at 12:53 PM, Drew Bradstock <dbradstock@google.com> wrote:
I think the ideal solution is to get the 'remarketing only auction' implemented in DFP as quickly as possible. Inventory access by RMKT was the main driver for these deals and the RMKT only type would be at the standard rev share.

The origins of the differentiated rev share was that a PA was supposed to be for publisher relationships directly with advertisers/agencies. We didnt want a pub to just included adwords in a private auction and soak up all the demand at a lower rev share with no real upside for adwords. Scott and I were actually working to protect the rev share of Google.

Sales was very well educated on the revenue rates but sales being sales has chosen to 'accidentally' forget this a few times it appears. The main reason for the rev share difference now was for the rmkt team to compete better with criteo on the net revenue going to a pub.

Drew

On 8 September 2014 12:46, Johan Land <johanland@google.com> wrote:

On Mon, Sep 8, 2014 at 9:32 AM, Scott Spencer <scottspencer@google.com> wrote:
Johan,

As you know there are significant concerns over how we can maintain our 20% revenue share for the auction. As part of this, when we discount private auctions to 10%, we have limited AdWords participation – the argument being that, if you want AdWords in private auctions, you need to pay the full 20% revenue share.

I'm not sure that this is the right thing to do. We should treat AdWords the same as other buyers. What's the history? Was this Woojin's thinking? If so, I'll talk to him and we'll get on the same page...

Speaking only from the perspective of AdWords, we want to buy into all auctions regardless of what the AdX margin is. More importantly, we do not like the idea of AdWords being given a disadvantage compared to the other buyers in order to strengthen the publisher pitch (e.g. uphold the 20% margin).

Speaking from the perspective of Display Ads overall, I think we strongly should uphold the 20% sell-side revenue and rather compete on other dimensions than margin.

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Sales made a mistake and did not implement this restriction in a particular deal. This leaves us with 3 options:

1. renegotiate the deal with 20% for private auctions and lose some of the PA inventory
2. allow this as an exception
3. compensate for the lower revenue share via AdWords bids.

Looking at the deck this seems to be low volume (Stroer Digital Media, small?), hence I don't think we need to worry about the lost margin (#3). My biggest worry is that if we do not push back on this, sales will think that we are fine with lowering the rev share and we will see "repeat mistakes". What was the communication prior to the deal? Did sales truly make a mistake, or are they rather pushing the limit testing out new waters? If it's the latter we should push back and go with solution #1.

Generally I feel that the sell side margin is far too low. Looking at the Demand Media AdSense deal I feel that we are throwing money away. We, in Product, need to keep sales honest or we will steadily work ourselves down to a very low margin, and a barely profitable business.

I'd be happy to help push back against sales.

1.

Obviously, sales just want's an exception but that means we are loosing some net revenue. Thoughts?

Sale's analysis:

https://docs.google.com/a/google.com/presentation/d/1VB8Vv2lSYjx9wdJtTCuhplTMjeW7UpHFI8KyGdOtdyg/edit#slide=id.g18ddb8082_07

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