From:	Ali Nasiri Amini [amini@google.com]
Sent:	3/1/2019 2:53:14 PM
To:	Sam Temes [temes@google.com]
CC:	Tobias Maurer [tmaurer@google.com]; Roshan Khan [roshank@google.com]; Payam Shodjai [pshodjai@google.com]; Deepti Bhatnagar [deeptib@google.com]; Brent Besson [bbesson@google.com]; Karin Hennessy [karinb@google.com]; Nirmal Jayaram [nirmaljayaram@google.com]; DV3 PM Leads [dv3-pm-leads@google.com]; Oliver Zee [ozee@google.com]
Subject:	Re: TTD and Poirot

+1 on transparency, grading our homework and charging based on it seems weird to me.

On Fri, Mar 1, 2019, 6:39 AM Sam Temes <temes@google.com> wrote:
Thanks for leading this Roshan. Looking forward to partnering on this through the P&L steering Gabe K has set up. I think there is a path to charge for auto bidding and poirot based on savings. I don't think doing so is part of our *current* a la carte pricing strategy. The big difference is that our approach to all pricing is transparency. A la carte included. Taking margin on Poirot (even is % of savings as we determine it) will not be deem transparent. I think it's OK for us to consider this, but it's a bigger change nad something we decided against in our first strategic plan last year.

-Sam

On Thu, Feb 28, 2019 at 1:20 PM Tobias Maurer <tmaurer@google.com> wrote:
Here's a doc I wrote back in December. Back then, after multiple discussions, we said that we don't prefer charging for the already launched option but we could consider charging for an improved future version.

I don't have bandwidth to pay attention to this thread. If you need me to weigh in please let me know directly.

On Thu, Feb 28, 2019 at 9:53 AM Roshan Khan <roshank@google.com> wrote:
I will share the set of principles - the team actually has some, but likely we want to pressure test them before commitment.

In terms of bundling changes - **Yes**. We can't have a pricing conversation every month with clients, and we need to land our "principles" with clients as well, so they understand the approach we are taking. The best case scenario is one which results in more fees for Google, an easier job for sales, and clients feel we're better aligned with pricing for value we provide.

I'll plan to bring all of this to a steering.

On Thu, Feb 28, 2019 at 9:47 AM Payam Shodjai <pshodjai@google.com> wrote:
Agree that we need a more principled approach on what we charge for. Roshan, now that you're in charge of the overall pricing effort, perhaps you can start thinking about this in collaboration with the other leads.

I was just chatting with Nirmal. I think we are maxed out on the "shift mix" strategy towards AdX. I'm also worried about erosion of the 20% AdX fee. While suddenly charging for Poirot does feel weird, perhaps we can couple this with another change: removing the YT 4% fee (something we've been toying around with for a while). I know these two are totally unrelated, but I think the story could actually land well in market if we couple them: we charge when we create value. For YT, the value DV3 brings is minimal, so we won't charge. For Poirot, the value we generate is high, so we capture some of it for ourselves.

On Thu, Feb 28, 2019 at 9:34 AM Deepti Bhatnagar <deeptib@google.com> wrote:

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Totally agreed that we should challenge our existing assumptions around pricing. But in the absence of clear principles, it's hard to make one-off decisions. That's the discussion we've also had in context of premium auto bidding.

It's not clear how to trade-off competing objectives we have at the DV3 level incl. topline growth, mix-shift to AdX and potential revenue we could get by charging extra via a la carte features. **Roshan**, as you ramp up on pricing, would love to pick your brain on how you're thinking about this.

On Thu, Feb 28, 2019 at 12:18 PM Roshan Khan <roshank@google.com> wrote:
I think we should challenge our existing assumptions around pricing. It's clear we haven't made much progress historically aside from mix shift to AdX, and even that is getting saturated (we spend a large portion on AdX systemwide; and we risk becoming 'AdX Only' if we push this further - already getting inbounds from the commercial team about the perception related to spend on AdX).

In the long run, we will likely have a menu of products:

- Pay Per Outcome

- CPM buying with Price and Performance optimization

- YouTube API buying

- Cross Media Optimizations (Performance, Frequency, etc).

The format I think we should look at is the % adoption of these menu items, over time, and then what impact our rate card has on net revenue.

It's my early opinion that we should have / should look to capture some of the value that Poirot brings. If PPO grows to be the majority of our menu, then that's fine also.

On Thu, Feb 28, 2019 at 9:03 AM Deepti Bhatnagar <deeptib@google.com> wrote:

On Thu, Feb 28, 2019 at 11:49 AM Brent Besson <bbesson@google.com> wrote:
I'm new to the trade desk discussion so apologies if some of this has already been discussed. It sounds like Trade Desk bundles a set of technologies into it's Koa product (targeting recommendations, cross device graph, bid shading, and also CPA optimization; screenshot). This makes it sound similar to our PPO product. Do we know if the fee for using Koa is disclosed?

IMHO, it's more like Poirot than like PPO. PPO is about customers paying us for outcomes (like clicks) with a non-transparent margin. Koa on the other hand is an add-on feature where the fees in transparent to the customers. The media buy continues to be CPM based.

I totally agree with Nirmal's POV above. It's not clear how a la carte pricing will be received by customers, so hopefully we'll get clarity on that soon. And if we move Poirot to be an add on feature, we obviously have to be okay with a reduction in usage which may impact our margin from an inventory-mix standpoint.

Is there general competitive intelligence on The Trade Desk that I can read up on?

I think that adding a charge for Poirot may be more easily received if we add the fee at the same time that we make it available in PPO without an explicit fee.

Brent

On Thu, Feb 28, 2019 at 6:52 AM Karin Hennessy <karinb@google.com> wrote:
I do appreciate the forthrightness that is here about their value generation and commesurate keep (all the stuff about take rate that they aren't concerned about customers knowing about). I think we should similarly take that kind of stance w/r/t pricing (Sam) and our narrative.

Karin Hennessy
Senior Product Manager, Display & Video 360

On Thu, Feb 28, 2019, 09:03 Nirmal Jayaram <nirmaljayaram@google.com> wrote:
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We have to work out a few things

• Success of the a-la-cart pricing strategy. I hear from Deepti we have a few items in the pipeline for Q1, which may inform us how this will be received?

• Can we go back and charge for something we have offered for free in the past? If yes, will Adx moving to 1p be perceived as Google making the ecosystem more complex for buyers for this increased profit? If not, we need to build something better and the margins on this diff may not be as big as a cut of the overall savings.

• If we charge for Poirot for fixed CPM, should we also charge for the equivalent auto-bidding Poirot? In auto-bidding, Poirot is sort of inherent in the solution to the bidding optimization itself, so this can be tricky.

• Poirot currently generates margins by shifting inventory to Adx (outcome of poirot), so charging for it and losing poirot adoption means losing some of this. If we do this after Adx 1p migration, this drawback goes away.

Happy to deep-dive with specific folks. I'm up for charging for Poirot and increasing net, but I suspect we need to resolve at least the above questions.

Thanks

On Thu, Feb 28, 2019 at 5:55 AM Payam Shodjai <pshodjai@google.com> wrote:
Check out this article:

https://www.google.com/amp/s/adexchanger.com/online-advertising/how-the-trade-desk-has-evolved-for-the-next-stage-of-dsp-growth/amp/

TTD takes a cut of the Poirot savings they generate.

Brent, Roshan, why can't we do something like this?

Payam
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