

Message

From: Jerome Grateau [jgrateau@google.com]
Sent: 1/12/2016 7:03:09 AM
To: Eisar Lipkovitz [eisar@google.com]
Subject: Re: GDN/ Awbid

Eisar,

Thanks for your answer.

I understand that GDN is definitively going cross-exchanges with 3 main rationales

- Maximizing our access to Advertiser budgets. Currently not being able to access inventory/cookies on all exchanges makes us loose budgets. Clear example is our limited rmkt cookies access vs Criteo
- Lowering our cost to serve Advertisers willing to go programmatic. Positioning GDN as a full programmatic buying platform (incl. cross-exchanges) will allow to retain Advertisers on GDN vs pushing them to adopt DBM for which we have an higher cost to serve (especially with SkyRay, DBM might become as good as GDN on performance campaigns!).
- Better control on where the Media is spent vs on DBM or other DSPs (pushing Advertisers towards DSP incl. DBM is diluting the spend on Adx).

And yes, as you mentioned, this strategy creates significant challenges for the Sell-Side, especially in the current market context

- DFP/Adx market position has been built on 3 core differentiators: 1/Best "traditional" Adserver 2/ Dynamic allocation and 3/Exclusive access to GDN demand justifying a 20% rev share and strict Sell Side policy. This value proposition will be diluted if 3rd party exchanges have access to GDN's 2m+ advertisers with real time pricing integration, cross all publishers.
- This "own the tag strategy" is also being challenged by Header Bidding and AppNexus' renewed offer. The Awbid expansion will reinforce these threats (ie Awbid is leveraging HB of other SSPs reinforcing HB's attractiveness)

I see 2 important areas of collaborative work to mitigate these risks:

1/ Adjust the speed of execution of the GDN new strategy so that the Sell-Side has the time to adapt. I understand the current scenario is that Awbid will accelerate first on Rmkt. Some key dimensions to discuss are:

- Initial external positioning ("GDN is programmatic buying tool buying on several Exchanges" vs "GDN is sourcing remarketing inventory on several Exchanges")
- Existence or not of specific legal terms emulating sell side policy related to Awbid (would depend on the Sell Side Policy evolution)
- Restriction or not on DFP/Adx inventory sourcing
- Targeted gross margin (vs 32% today). By the way, do we have an overall targeted gross margin for the rmkt business? Should we agree to still give "direct access" a pricing advantage?
- Coordination on the relationship with other SPPs (ie don't offer them a free ride on the Buy Side)

2/ Identify the renewed long term foundation of our Sell Side stack differentiation and competitiveness. Initial areas of investigation:

- Policy: drop any sell side policy related to GDN as a buyer.
- Data: offer access to "Google Data" for transaction delivered through DBM-GDN only on AdX (ex: cross-device targeting with PG)
- Demand syndication: accelerate development of RTB integration of other SSPs

I understand there is a Media Review this week about Awbid during which some of these elements will be discussed. Looking forward to it!

Thanks

Jerome Grateau
Director, Global Publisher Solutions and Innovation

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On Wed, Jan 6, 2016 at 7:24 PM, Eisar Lipkovitz <eisar@google.com> wrote:

We are very aware of the concerns wrt to losing the sell side. As you can imagine Bellack expressed them loud and clear and they are quite obvious.

The reality is that GDN is at a disadvantage .vs. DBM and we want to better manage segmentation between these two products. Doing nothing isn't an option because spend is rapidly shifting to DBM, which naturally creates the situation you worry about.

I've asked the DRX team to work with GDN to ensure we are strategic in terms of what we buy and where to minimize situations where a different SSP can essentially better monetize the same content using Google demand.

Happy to discuss more in person. Either way we will be moving very slowly and thoughtfully

On Jan 6, 2016 4:20 PM, "Jerome Grateau" <jgrateau@google.com> wrote:

Eisar,

During the last Sell Side Policy meeting, you mentioned the GDN cross-exchange strategy and presented as a 'given'. I would appreciate if we could meet as I would like to better understand the rationale behind such decision, especially considering the potential negative implication on the competitiveness of our Sell Side offer. This meeting could represent a good preparation for a larger discussion with PMG (PBS management)

Thanks

Jerome Grateau
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