

Ad Network - organization that aggregates supply and matches it with demand from advertisers or agencies. Aggregates supply by either going direct to source (pubs) or buying via an exchange. Charges for its services, commonly undisclosed and therefore no clear distinction between buy-side or sell-side fee structure.

- FAN, Criteo, AdSense, AdMob, Oath, Taboola, Outbrain, AdColony, etc...
- Networks develop business models that are viable however they aggregate inventory. Highest net revenue when sourcing their own supply and most likely either need to sacrifice gross or net revenue when using exchanges to source supply.
- Assume our 32% is in-line with other companies margin attainment or goals but we split our take across buy and sell.

Ad Exchange - programmatic platform or digital marketplace that connects supply to demand. Charges pubs, bidders or both for use of the platform. The distinction between ad servers and ad exchanges are blurring as programmatic and tag-based serving merge.

- Ad Manager, Rubicon, TAM, AppNexus, etc...
- Because our network business model is split across buy and sell and does not differential between demand sources, we are the most expensive Ad Network in the market.

Our business model is a mix of Ad Network and Ad Exchange and this discussion poses the question: **'is there risk going forward doing so?'**

Regulatory Risk - recent post by EW on Medium

- "Many big tech companies own a marketplace—where buyers and sellers transact—while also participating on the marketplace. This can create a conflict of interest that undermines competition."
- "companies would be prohibited from owning both the platform utility and any participants on that platform"
- Not sure EW will be in the oval office but these ideas could become more popular globally on the heels of GDPR, privacy concerns as well as general big tech concerns.

Business Risk

- We are under increasing pressure to reveal our business practices under industry themes like 'supply path optimization' and competitor promises to undermine our business models (e.g. AppNexus)
- Our pricing decision are rooting legacy pricing models that blend ad network and platform value
 - Everyone in this room would point to unique Google Display Ad demand as one of the justifications for why we can charge 20% in the market for OA transactions.
 - With that being true, how can we justify a 20% rev share on PAs (GDA does not participate). This is one example of asking sales to justify a rate in the market that is not rational/logical.

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- Google has an enormous sales team sourcing demand to fuel GDA and we factor that into our ad exchange rev share, Authorized buyers bring that value to our exchange but are charged the same.
- The more times we answer questions about our pricing by stating what the market is willing to bear, the more we may flirt with risks beyond our day-to-day business.

We should do the hard work of figuring out what the value is we actually provide as a platform and charge appropriately.

- Until we do this, it will be difficult to uncover areas where we can incrementally charge and grow our net revenue.
- Until we do this, it will be difficult for our partners to accept any increases to our current pricing.
- Some of this is a reflection give our struggles with our repricing efforts. As I try to figure out what we've learned from this effort, one thing I wonder is 'can we justify the prices we charge?'.

Ultimately, this topic touches of Chris' favorite rants. GDA could easily adapt if we moved to a rationale platform pricing model. If DV3 had a self-sustaining business model, we would be more free to make rational pricing decisions.

From our rebrand brief: "Publishers on Ad Manager run unified auctions where Google-sourced demand competes with publisher-sourced demand."

I'll root this is another question, do we know what value our platform provides absent Google demand? I believe everyone in this room would point to unique Google Display Ad demand as one of the justifications for why we can charge 20% in the market. Do we believe this is sustainable for the next 5 years?

As a platform, we do a lot of valuable things

- Malware protection
- Pub protections
 - Brand safety
 - Channel conflict / price protection
- Optimizations
- Aggregation of demand
- RTB
- Line items
- Formats
- Deals
- Reporting / DT
- Forecasting
- Measurement
- Payments/Billing
- Automation

- What is the Google brand worth above and beyond competition?

We could push internally so we did not lose money when GDA (pretty easy) and DV3 (rather hard) transact. If we went down the path and reduced our rev share on ABs, we would lose money - cutting rates in half would not result in 2x the revenue. It's difficult to determine how much more ABs would buy on us if rev share was lower and difficult to predict patterns in the future.

Should we charge the same rev share when Authorized Buyers win as we do when GDA wins?