

Message

From: Donald Harrison [harrison@google.com]
Sent: 9/5/2017 5:08:04 AM
To: Michelle Sarlo Dauwalter [michellesarlo@google.com]
Subject: Re: Thanks - and we're asking the wrong question

thanks for this - I'll likely follow up when I get clear of early September priorities.

On Thu, Aug 31, 2017 at 9:37 PM, Michelle Sarlo Dauwalter <michellesarlo@google.com> wrote:
Hi Don,

Thanks for your time earlier. I wanted to follow up on the question you asked on whether we should consider spinning off DoubleClick. I realized I hesitated a bit, as I was recalling a debate I had *just* last night on the matter over dinner with a buyside APAC colleague.

I would be remiss if I left CA without answering your question with an emphatic **NO**. Owning the ad serving tag is the right strategy and AdX (and DBM & Adwords) benefits from the direct line of inventory provided by DFP via dynamic allocation. AdX buyers (including DBM and Adwords) often buy based on cookies, and they value 1st look on a user/cookie highest. Our buyers enjoy a competitive advantage from dynamic allocation because they receive first look on inventory, which inherently provides higher CPMs (from which Google benefits on the rev share).

Launching AdX into a non-DFP server destroys this competitive first look advantage and would most likely lead to AdX (1) losing access to overall queries, and (2) losing access to the *highest-value* queries. From there, it becomes a self-fulfilling prophecy in that less-valuable inventory begets lower CPMs, publishers react by decreasing inventory access, which begets even lower CPMs. [As an FYI, LPS has often won access to inventory by advising pubs to cut their lowest performing ad nets.]

It is likely that the question to spin off the platform comes from pressure to increase profitability. The value of Google's ad tech stack is less in each individual product, but in **the connections across all of them**. Google-scale data is Google's competitive advantage, and that's where we should focus efforts to increase profitability via media transactions that originate via DFP. Based on my experience, the path toward increasing profitability is very clear: the most streamlined way to increase margin across DFP & AdX is to ingest more data from Google's non-ad products to create automated optimizations.

Below are just a few immediate optimizations that come to mind from GA360, but I'd be happy to provide more leveraging other products, such as YouTube and Play:

1. Optimizations based on the entry path of a user. I.e., A user who visits a site via Adwords SEM spend may be monetized differently than someone who visits via a social media post. (To my knowledge, have a signal via DFP would be required to do this.)
2. Loyalty of a user. i.e., DFP/AdX could recognize via ML a way to segment a publisher's audiences by loyalists versus casual visitors, and provide different types of advertising or subscription offers accordingly.
3. Engagement on site. i.e., Consider a "last ditch" ad or offer to serve a user before we anticipate them bouncing from the site. This would be particularly relevant for eCommerce and Travel partners.

The majority of my work at Google has focused on increasing a publisher's profitability. I'd be happy to provide similar guidance/feedback to Ruth and team if they are interested.

Thanks again,
Michelle

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