

Credit Suisse Technology Conference

Company Participants

- Ellen West
- Neal Mohan

Other Participants

- Stephen D. Ju, Credit Suisse Securities (USA) LLC (Broker)

MANAGEMENT DISCUSSION SECTION

Stephen D. Ju {BIO 6658298 <GO>}

All right. Good morning, everybody. I think we're going to go ahead and get started. I'm Stephen Ju from the Credit Suisse Internet equity research team, joined on the stage by the team from Google. I think - but before we start, we're going to have Ellen read off the Safe Harbor statement. So take it away.

Ellen West {BIO 19113967 <GO>}

Very exciting. I'll quickly cover the Safe Harbor. Some of the statements we make today may be considered forward-looking, including statements regarding Google's future investments, our long-term growth and innovation, the expected performance of our businesses and our expected level of CapEx. These statements involve a number of risks and uncertainties that could cause actual results to differ materially.

Please note that these forward-looking statements reflect our opinions only as of the date - today and we undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements in light of new information or future events. Please refer to our SEC filings for a more detailed description of the risk factors that may affect our results.

Stephen D. Ju {BIO 6658298 <GO>}

So like I said, I'm joined on the stage by Neal Mohan, who is the Vice President of Display and Video Advertising. So thanks for joining us, Neal, and welcome.

Neal Mohan {BIO 17200493 <GO>}

Thanks for having me.

Q&A

Q - Stephen D. Ju {BIO 6658298 <GO>}

Great. So, Neal, I don't think investors are as familiar with you. I think the industry players are familiar with you, but I don't think they're as familiar with you. But I think of you as the guy who built the entire display stack at Google. But will you talk a little bit more about your background as well as - at DoubleClick and what you do on a day-to-day basis?

A - Neal Mohan {BIO 17200493 <GO>}

Sure. So I'll do that fairly quickly. So my name is Neal Mohan. I'm responsible for what at Google we call Display and Video Advertising Products, which are generally speaking those products out of our core search ads set of products, so outside of the ads that we run on google.com. And so my portfolio includes advertising on YouTube, across the Google Display Network, our AdSense sites and, of course, our DoubleClick platform, our programmatic solutions both for the sell-side, the publishing side, as well as for the buy-side, the advertiser, and agency side. I came to Google when we sold DoubleClick to Google about - nearly coming up on seven years ago now, with really, as Stephen said, the purpose of building out a display and video advertising business and capability for the company which is what I've been responsible for and leading over the course of the last several years.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got you. So seven years on now, it's a lot of water under the bridge now, but what do you think were the most crucial product developments for Google in that meantime and where do you think you still have a lot of work to do?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah, I mean I think that when I started - when we, at Google, really started growing the display and video business it was nascent. AdSense, which is kind of the kernel of our display business was around, we were working with publisher websites. But putting together, I think, sort of the deep relationships and customer expertise that we had on the DoubleClick side of the business with sort of Google technology and scale as represented by AdSense and AdWords into kind of a unified offering that works for 2 million plus web publishers, app developers from the smallest blogs and app developers to multimedia publishing conglomerates on one end and then having a solution that caters to the smallest mom and pop advertisers via our AdWords on display offering to the largest agency holding companies via our DoubleClick suite on the high-end.

Having that sort of comprehensive complete solution, I think, has been our largest accomplishment and throughout that process, we've remained very focused on one thing which is what do our customers need both on the buy-side and the sell-side. How can we deliver to them a comprehensive solution across display, video, mobile, search, et cetera, and that's what we've been focused on, and so that's been, I think, the kernel or the key ingredient of our success over the course of the last seven years.

In terms of new opportunities, I think one of the areas that I'm particularly interested in and that we're very focused on is really cracking the brand advertising nut for digital. And so if you think about the overall display or overall advertising pie globally, there is estimates between \$600 billion to \$800 billion. Digital predominantly has addressed about one-half of that, which is the direct response portion of that pie. And so the opportunity before all of us is that other half of the pie, which is brand advertising predominantly spent on television today, but that represents a huge opportunity not just for Google, but for all of our publisher and advertiser and agency partners, and so that remains something that I'm extremely excited about. We're obviously very focused on that with properties like YouTube, our programmatic buying solutions, et cetera, and I think that's where you'll see a lot of product innovation in the years ahead.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got you. You bring up YouTube and brand advertising, I think we asked Nikesh (05:13) this on an earnings conference call several quarters ago, and especially as it pertains to YouTube and brand advertising, safety as well as context are two hugely important factors for brand advertisers. So it seems like given Google's core technology competencies and I think of Google as the king of contextual advertising. I mean there remains a large opportunity to do the same for YouTube as well, so you can signal to your advertisers and say, hey, this is a safe place for you to be placing your ad dollars. So where are you on that product initiative right now? How are you signaling to advertisers? Yes, you can spend your money here.

A - Neal Mohan {BIO 17200493 <GO>}

Yeah. So the first thing that I will say is that when we think about things like making sure that digital is a safe and productive place for brand advertisers to spend money, we don't think about it just in terms of how do we solve that problem for YouTube. We want to solve that problem for the entire ecosystem. Like I said, we work with 2 million plus publishers who also are great places for brand advertising in addition to YouTube. And so we approach it as an industry-wide, system-wide problem and it's an area in that we've been investing in very heavily.

Obviously, Google has a deep heritage here, given our early days in terms of weeding out fraud on the AdWords side, click fraud, et cetera. We want to extend those capabilities to things like impression and view fraud, which is a challenge in the display and video space. comScore had a recent study, I think, that said that about half the ads on the Internet are never actually seen by human being. With stuff like that, nothing else matters. And so it's been an area of an aggressive investment for us to solve that problem, not just for Google but for the entire - working with partners across the entire industry. And so couple of things there.

We acquired a company called spider.io a few months ago that has deep expertise and impression in view spam. We're building those capabilities into our entire stack. And the idea there is ensuring that all of our inventory, YouTube, the inventory available on our Ad Exchange, et cetera, is as clean and as fraud free as possible. But just as importantly giving tools to our buyers to make sure that that's the case, not

just for our inventory, but for all the inventory that they're buying across the Internap and the app ecosystem.

So that's what I would say on the safety and fraud side of things. And in terms of viewability, we've been, again, investing very heavily there, working with industry bodies like the IAB to come up with viewability standards for display and video. We have a technology called Active View, which allows brands to be assured that a human being actually is capable of seeing the advertiser that they're running. It sounds crazy, but that is a fundamental problem that still needs to be solved in digital, and we have a technological capability that allows us to do that. In fact, we've rolled that out across all of our media buying networks where we will only charge advertisers when the ads are actually seen by human being, and we encourage the entire industry to move to that type of the standard. We think it's good for the overall ecosystem for publishers, advertisers and agencies. And so that's how we're looking to address the problem systematically, not just on our own properties like YouTube.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got it. Now, that brings up an interesting question, attracting the TV ad budgets to come online. So that's been an exciting theme that everybody is chasing after and you're seeing Yahoo! recently as well as AOL positioning themselves to capture additional share of those dollars. But this is an industry that's been doing things the way they've been doing it for close to 60 years now, right? So what can Google do to accelerate, I guess, the share gain for online and make it easier for advertisers to spend?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah. I mean I think that to answer that question, you really have to, again, think back to what the true first principles. And if you think about it, brand advertisers really only care about three things. They care about whether they're actually reaching the right audience in the right context, et cetera. And so there, everything that I talked about fighting ad fraud, ensuring that ads are actually viewable by human beings on desktop, mobile, all kinds of devices, that's table stakes, and we need to deliver that as an industry.

Obviously, Google is taking a leadership position and making that happen across YouTube and other properties, that's the first step. But then, once you - the brand advertisers are assured that they can reach in the audience that they're looking to reach, we need to give them the tools to actually engage in that audience. And so one of the great things about digital, of course, is that we have a slew of capabilities there that you may or may not have in linear television in terms of making accretive really something that works for an audience. And so an example of that is our TrueView format, which, for those of you that aren't unfamiliar, is the skippable video format that you see on advertising that runs on YouTube. And the idea there is can we align advertiser and agency goals with consumer goals, which is users, if they are not interested in the ad, can skip them, they don't have to watch them. And advertisers don't have to pay if users actually skip those ads. And so it creates this kind of positive feedback cycle where advertisers are very invested in building beautiful creative, engaging creative, and that actually works for the consumers.

And so a lot of the great viral video campaigns that you've seen have been campaigns that have been built around this orientation of, if users skip the ad, it doesn't matter. So let's create something that's truly engaging, funny, makes an emotional connection with users, et cetera. And so we're investing very heavily there in terms of building out those capabilities for creative agencies, media agencies. We have YouTube Brand Labs where we literally will bring in creative agencies to help them with concepts of how do you actually get consumers hooked during the first five seconds of an ad so that they don't actually skip when they can and those types of concepts. We're also investing in terms of making it very easy for them to deploy those creatives by making it very easy to buy, allowing them to buy that inventory programmatically, which I think many of you know is the means by which many large advertisers and agencies would like to deploy all of their digital media going forward.

And then the final thing the brands care about is not only did I reach actual - the right audience was I looking for, did I engage that audience. But how do I actually truly measure the efficacy of these campaigns. And if I would articulate in a nutshell, the biggest problem that needs to get solved in digital in terms of attracting brand dollars, it's this third one, which is around measurement. And the analogy that I like to use is that digital works for direct response advertisers because they can measure it, impressions, clicks, conversion, it's all right there that can make the math work seamlessly and that's the reason why it's such a powerful medium for direct response advertising.

But what if we could actually invent or deliver that click, if you will, for brand advertising, giving brand advertisers that clear real-time signal into the fact that their brand campaigns are actually working the same way that DR campaigns do for performance advertisers. And so that's a big area of investment for us. We're doing a lot of innovation there. Ourselves, we're partnering with companies like Nielsen and comScore as well. To give you an example of what we're working on there is we have a product called Brand Lift. And this is the capability that runs for campaigns across YouTube and GDN. We're trying to bring it to our DoubleClick suite, so we can run across the entire - the rest of our advertising portfolio as well.

And we've run about 6,000 of these Brand Lift studies and what they show to advertisers in a very, very quick feedback loop is whether those brand campaigns are working towards upper funnel metrics that they're looking to measure like brand recall, change in awareness, change in consideration, purchase intent, those types of signals which are important to brand advertisers and not so much to performance advertisers who are looking for some kind of conversion event. And if we can give that feedback signal to brand advertisers in near real-time, we've gotten to the point where brand campaigns aren't just one-time events, they're campaigns that brand advertisers can leave always on as long as they're getting those Brand Lift results that they're looking for.

So as I said, we've run 6,000 of these surveys for brands like MasterCard, Mondelēz, eHealth, et cetera, and not only are the results proving that digital works, but more importantly, for me, the fact that advertisers are getting that feedback on

performance in real-time and are able to tweak their campaigns almost immediately to actually dramatically improve brand performance, while those campaigns are running as opposed to getting some kind of report six months after the fact that they are used to, say, in television and they can't do anything about until next season's holiday campaign. And so I think that is the really big paradigm shift that's going to occur for brand advertising that's going to make it so that those brand dollars really start to flow to digital. And the bang for the buck that brand advertisers see as a result of their paid media deployments is going to improve dramatically, just as it did for direct response advertisers several years ago.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Yeah. When I look at Google, I think one of the very few companies out there that has placements and properties that - to cater to advertisers in all parts of the purchasing funnel, right, and I think if you talk to advertisers these days, they're mainly concerned with the problem of attribution, they know that they can measure the efficacy on a direct response but not so much on brand advertising. So like what are you doing from a product perspective to help people out to from the very top of the purchasing funnel? It seems like all the properties are there, it's just a matter of linking them and solving it for everybody. So what are you doing from a product perspective to help people out?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah. So I mean I think the real key there before we can even link that consumer journey from the top of the funnel all the way to the bottom of the funnel is actually establishing benchmarks for that top of the funnel, and so that's the reason, again, why we are investing so heavily with things like Brand Lift so that we can actually show - for example, the idea would be an advertiser starts with a top of the funnel campaign, say, on YouTube or the Google Display Network or using one of our DoubleClick products and we could show to them as a result of these brand advertising efforts, you are generating x, y, z in terms of lift. And lift around metrics that you are already measuring through some kind of offline survey for the television world like, ad recall, awareness, consideration, purchase intent, all the stuff that brand advertisers are used to but we can actually now measure in real-time. And the idea then is to be able to stitch that kind of feedback together with the feedback that users might be getting - or advertisers are getting at the bottom of the funnel to complete that journey.

But one of the things that we have seen is that the path of the consumer is not always just a linear path down that funnel, right? Brand advertising works because it creates this halo of awareness. Sometimes that might take years for it to pay off, for example, in the purchase of a new car or something like that that's a long-term considered purchase. And so it's not just about attribution up and down the funnel, it's about actually establishing a currency and set of metrics for brand advertisers that just works on its own and stands on its own regardless of whether that brand campaign is tied to some kind of conversion event immediately or six months, a year or two years down the road. And in order to make that happen, we need to establish the link between those Brand Lift metrics at the top of the funnel and some sort of sales activity that might happen sort of months or years sort of down the road. And so those are the types of things that we're working on.

But the real table stakes there for us are to be able to give brands this real-time feedback in terms of the type of Brand Lift that they're seeing and the early results of working with, like I said, we run 6,000 of these studies over the last several months for a lot of our largest brands in the world, is that this is really what they're looking for in terms of establishing this clique, if you will, for brand. This shallow indicator of whether their campaigns are actually working to change perception around their brands, change consideration, purchase intent and those types of things and so that's what we are very focused on.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got you. You brought up the tool sets to help people purchase ad inventory earlier, that begs the question of programmatic. So I mean 10 years ago, we were sending insertion orders via fax to deploy ad dollars. But now, it seems like it's such a simple and logical move. But what do you think has impeded more of a rapid advertiser adoption of programmatic as a buying (18:47)?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah. Well, I mean I would say from my experience programmatic and I've been in the digital advertising industries literally from the very early days from the mid-1990s and I have never seen a technology both on the buy-side and the sell-side of digital media grow faster than something like programmatic buying and selling. So I'd say at the outset, it's experienced incredibly rapid growth and there is obviously things that we would like to see to see it grow faster and I'll name a few of those in a second. But the growth has been truly phenomenal there in terms of the amount of transactions that are occurring programmatically versus not. And the feedback that I get from agencies and advertisers is they'd like to see it grow even faster, they would like to deploy more of their dollars in a programmatic fashion. And the simple reason is because it works, it delivers the ROI that they're looking for, it is more efficient, it allows them to deploy insights they may have about their consumers in a much more effective, efficient manner and a real-time manner all capabilities that are not possible to do in an upfront I/O sort of type of fashion.

For example, on our DoubleClick Bid Manager, which is the product that many agencies and advertisers use to deploy their budgets programmatically, we have seen doubling in the number of transactions that occur via that platform year-on-year. And much of that growth is coming from things like video and mobile. So not only is programmatic growing, but it's growing in some of the fastest growing parts of the industry which are video and mobile.

On the publisher side, we're also seeing great results. One of the most interesting things that we've seen over the last 12 months is that programmatic is no longer the purview of sort of performance advertising inventory or sort of "remnant inventory". It's really moving up the spectrum into more premium inventory. For example, the amount of transactions conducted programmatically on our Ad Exchange at CPMs greater than \$5 grew something like, I think, 55% year-on-year last year, those at CPMs greater than \$10 grew 60% year-on-year. So lots of very high quality inventory is actually now getting transacted programmatically.

Another example is the program that we launched a few months ago called Partner Select. And the idea there is, can we bring together the world's most premium sort of video publishers on one end and the most premium sort of brands on the other end and create a programmatic video marketplace that allows them to transact very high quality inventory, very high quality brands, but do it in a fashion that isn't sort of, let me book a upfront sort of one-time a year IO RFP process, but to allow them to actually do it programmatically much more efficiently, much more effectively. And the response we've seen from publishers as well as advertisers has been incredibly encouraging despite how new that program is.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Yeah.

A - Neal Mohan {BIO 17200493 <GO>}

And so we're very encouraged by the growth of programmatic not just sort of across the Google stack but for the entire industry and, in particular, I am encouraged given sort of how quickly it's moving up the spectrum from sort of just remnant inventory to much more premium brand-oriented inventory around things like mobile and video, et cetera.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got it. What is your long-term pricing strategy for all of your ad tech services? It seems like you guys are singularly focused on reducing the friction that exists in the platform. So from a platform perspective, it seems like you should be looking at pricing down as much as possible to get more rapid adoption of all of your technology?

A - Neal Mohan {BIO 17200493 <GO>}

I mean at the end of the day, it's not for us for - we want to enable - the way I think about it is, what is the solution that our advertisers and our publishers are looking for? Our advertisers are looking for effective deployment of their media dollars. There needs to be some way of sort of measuring the efficacy and delivering sort of the highest amount of ROI for those dollars whether they are DR advertisers or brand advertisers. Hence, the focus on things like Brand Lift for brands and - et cetera. And so our solutions are oriented around that and so that's kind of the way I think about the buy-side.

And on the sell-side, the same sort of kind of principle applies. Fundamentally, our publishers are looking for our solutions to deliver the highest yield from a monetization standpoint.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Yeah.

A - Neal Mohan {BIO 17200493 <GO>}

And so that means that the solutions - when they use our solutions, it should generate higher yield for every single ad slot whether it's on mobile, desktop, et cetera, compared to the alternatives that are out there. And so for me, it's not about sort of driving down or driving up prices, it's really about sort of how our publishers and advertisers can get the best out of both sides of our sort of technology stack. And if we can do that, that's fundamentally sort of what grows the pie. Our business only grows as we continue to sort of grow the pie for both our publishers and our advertisers. And it's not for us, it's not about sort of how the pricing mechanics play out. It's really about driving up yield on the publisher side. Last year, we delivered \$9 billion to all of these publishers that we work on, that's how we grow our business by delivering value to publishers. Similarly, on the advertiser side, all of the top 10 major agencies globally use our buy-side stack. They do it because it delivers effective and efficient results for their campaigns and that's what we're focused on.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Interesting. So, let's talk about the competition then. If you want to name names, that's fine also. But as you lined up the stack that you have built versus the others that are being built right now and have already been constructed, like what would you say are your most long-term sustainable advantages?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah. I mean I guess the first thing that I would say is that and, again, I have been in this business for a very long time. I think competition is great. It keeps us on our toes. It provides choice to advertisers and publishers and our goal really is less so focused on the competition and, again, back to what I said before, focused on what our advertisers and agencies and our publisher partners are looking for.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Yeah.

A - Neal Mohan {BIO 17200493 <GO>}

We think and what the direction that I give to all of my product team has been deliver the most comprehensive scalable simple solution you can to both advertisers and publishers, but do it in a way that's an open platform, so if they want to plug and play other technologies in there, they can, but if they want a sort of comprehensive sort of suite of solutions, then Google delivers that as well.

And so that's been the goal of our DoubleClick Digital Marketing solutions on the advertiser side, DoubleClick for Publishers, our Ad Exchange, et cetera, on the publishing side. And that's going to remain the goal which is how do we deliver sort of the best and most comprehensive solutions to our partners? And we do that through a combination of sort of very deep relationships with all of these partners on the buy-side as well as the sell-side so that we have kind of the nuance insights about what they're really looking for us to develop and that's how we develop a lot of our roadmaps is in conjunction with our partners. And then deploy sort of true Google technology and scale to solve the problems globally for all of these clients.

That's what I believe has been kind of our sustainable advantage for the last seven years and I think is what's going to continue into the future.

And from our perspective, the results play out. As I said, every one of the top 10 global agencies uses one or more components of the DoubleClick suite on the buy-side. We, on the publishing side, the amount of transactions that go through our Ad Exchange today is more than all the sort of stock and bond exchange of the world combined and that continues to grow.

In terms of our programmatic technologies, as I said, the number of impressions, transactions in DoubleClick Bid Manager has doubled year-on-year and that continues to grow. Our mobile and video parts of this stack are growing nearly 100% in both of those buckets. And so we're happy with the results, but fundamentally, those results come from satisfied publishers and satisfied advertisers and agencies and that is truly what we focus on.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got you. Now, much has been made some of competitors' access to data, right? It seems like to me that Google has 10 plus years of consumer behavioral search data that could be levered to better signal to advertisers the value of our certain publishers' inventory including yours also. So where are you in terms of implementing all of that data for your publisher partners as well as your verticals like YouTube?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah. So the way I think about it is less about sort of what type of data or insights get supplied where, but really giving our advertisers and publishers the tools that they need to deploy the insights and other assets like that they may have in the most efficient manner. And so, for example, the reason we've invested so heavily in our programmatic stack is because a lot of advertisers actually have consumer insights of their own that they would like to bring to the table and use to deploy from a digital media standpoint. And so we've enabled that as seamlessly as possible and all the growth including a lot of the numbers that I just rattled off are coming from the fact that advertisers can do that.

In terms of - on the publisher side, similarly, sort of how do we give those types of insights about how their audience looks and those types of things so that they can deploy their inventory in a way that's most effective for them is kind of how we focus our business. And so I believe the answer in more of a general state in terms of sort of what slice of type of data we use where and really say that our job is to enable our advertisers and publishers to do that in the most effective manner.

The other thing that I would say there is that, sort of the overriding principle in terms of how we think about data and its use for things like advertising is, at the end of the day, this is all about how brands and publishers make connections with consumers. And so if we're not putting consumer privacy, transparency, control and choice front and center, then we, as an industry, not just Google, are kind of missing the ball. And so everything we do is really from that lens.

And so to give some examples there, for all Google media, if users don't want any of that data to be deployed, we have an Ads Preferences Manager where they can easily opt out. You may have started to notice on all the ads that you see across the Internet, a small X at the top of the creative where users can simply mute an ad that they think is either irrelevant or don't want to see again and they can submit to us the reasons why they don't want to see it and then can easily opt out from seeing an ad from that advertiser. And so a lot of our innovation in terms of kind of how data is used is done after we've actually deployed capabilities that we think are really good in terms of giving our users control of the types of messages that they see. And from Google, those are the types of things that you can look for more so going forward.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got it. We've been talking about sort of the larger advertisers, the brand advertisers, but SMB and local advertisers is also going to be a crucial part of your growth trajectory over the longer term. So how will you look to adopt the tools and the products that you've developed so that it's more appropriate for clients who probably don't have the wherewithal to go outside and hire an ad agency?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah, that's a good question. So I think as many people know, Google's heritage on the advertising side has come from catering to the needs of small and medium businesses. That's where a lot of the growth of AdWords has come from, AdSense obviously starting with small publishers before they grew up into large publishers. And that remains a very important critical part of our business. And so I talked a lot about earlier, about advertisers and agencies kind of bringing their own data to bear, their own insights to bear, well, of course, a lot of that is the purview of the large advertisers and brands.

If you don't have those capabilities or if you don't have a staff of sort of math PhDs on hand to be able to optimize your campaigns every single day, AdWords has those tools to be able to cater to your needs. So if you want to find an audience that men 18 to 49 that are interested in, say, either sports or cooking or what have you, well, we offer those audience segments and the ability to find those users in AdWords today in a very simply couple of clicks. If you want to optimize your campaign, but you don't have those statisticians on hand, well, there's tools like Conversion Optimizer that do that automatically for you in AdWords today. And by the way, when I'm using the term AdWords, it doesn't apply just to search, it applies to the Google Display Network, YouTube, et cetera.

One of the other areas that we focused on for SMBs is making it very easy to actually build the creative. So several years ago, this was a big challenge in the display space, because it's relatively easy to create a text ad for search, but building kind of a rich display ad is a lot harder. And so we built a product called Display Ad Builder seamlessly integrated in AdWords where literally in a matter of minutes, an advertiser can get a display ad created and up and running, a process that previously would have probably taken dozens or hundreds of hours to build. We're doing the same thing for video advertising. A few months ago, we acquired a very small company called Directr that allows small businesses to be able to create

beautiful, rich and engaging video ads, all from their mobile phones and trying to integrate that experience into the AdWords experience as well. So everything from sort of creative creation to targeting, to optimization, we want to make as seamless and as easy as possible and take as much of that burden away from small and medium businesses as possible...

Q - Stephen D. Ju {BIO 6658298 <GO>}

Yeah.

A - Neal Mohan {BIO 17200493 <GO>}

...because we think that this growth that we're seeing in display and video and mobile is not just the purview of the largest advertisers and agencies that should apply to everybody.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got you. Now switching gears a little bit to the mobile side of things, I mean we spent the last sort of 50 years optimizing ad targeting for the desktop only to have mobile traffic start to become an increasingly larger percentage of the overall traffic. So do you think targeting innovation for mobile, do we have to slough through 15 years of innovation to reach where it is on desktop? And on the other side of this equation, where is the willingness of investors to step up - not investors, but advertisers to step up for mobile inventory and what can Google do to help facilitate budget deployment on mobile to take away some of the friction?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah. I mean so I think the first thing I'd say is that, I mean advertisers are very excited and eager to go where their consumers are. I mean everybody's seen the stats, but 77% of consumers are on a second screen when they're doing something like watching television. We recently saw that 90% of consumers begin a task on one device completed on another. So it's not just a mobile world that we're all living in, it's truly a 24/7 connected multi-screen world. And that's the environment that advertisers and publishers find themselves in. So everything that we've been talking about for the last half hour or so is mobile is something that sort of should be front and center in all of those pieces whether it's brand, whether it's programmatic, whether it's SMB, used cases, et cetera.

And the first thing is we can't sort of reinvent the wheel on a lot of things on mobile, we need to be able to allow brands, for example, to be able to take creative concepts that they have developed for desktop or even television and things like that and deploy them seamlessly to mobile. And so, for example, we have a rich media format called the Lightbox Ad that works on desktop where if you hover over the ad with your mouse, it expands into kind of this full sort of full screen rich canvas, while in mobile, obviously, you don't have a mouse for hover over. How do you enable that, how do you make that ad work seamlessly on mobile with either a tap or a swipe or something like that, and that should be technology that Google just handles behind the scenes so that the creatives can actually focus on building beautiful creatives. So it's a small example, but how to actually deploy creative in a

multi-screen environment is an important thing. Our TrueView video format, a big chunk of its impressions come in a mobile environment now, so it's a format that works seamlessly across desktop and mobile.

Having said that, there are unique things in a mobile context that we're - consumers are in a different context and we should be able to take advantage of those as well. One of my favorite examples is the campaign that we ran with Nike during the World Cup and we are running another campaign with EA during this year's NFL season, and it takes into account sort of the real-time aspect of mobile advertising. And so the idea for the World Cup campaign was anytime something interesting happened with a Nike-sponsored athlete or team on the field in Brazil, would it be possible within seconds to be able to run creative that capture that sort of concept that was happening on the field on consumers' mobile screens all across the globe. And so we developed sort of this real-time messaging capability with rich sort of display and video formats for Nike and the success was pretty phenomenal. These ads, within minutes of something happening on the field in Brazil, ran and they would run across - they ended up running across nearly 200 countries globally reaching millions of users. Users could interact with these ads and it was an example of something that could only happen on a mobile device because users were sitting in a bar on their couch somewhere and they would immediately kind of see this ad around sort of one of their favorite players, one of their favorite teams and it really tapped into kind of a lot of these euphoria and excitement around the World Cup and it worked sort of brilliantly sort of for Nike to be sort of in the midst of that conversation. Similar concept that we are doing for EA around the NFL, so that's an example of sort of capturing something that's unique about mobile vis-à-vis the consumer context and that our ad solutions need to be able to cater towards, and so you will see more things like that as well.

And then the final piece that I will touch on in terms of making mobile really work for advertisers is back to what I talked about in the brand space, which is measurement. How do you actually show the efficacy of this? So in AdWords, many of you may be familiar for a while now, we have had something called Estimated Total Conversions and it was first rolled out on the search advertising side, we have rolled it out on the display advertising side recently. And the idea there is conversions don't just happen on the same device that you have seen an ad they might happen on your desktop even though you might have seen the ad on a mobile device.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Yeah.

A - Neal Mohan {BIO 17200493 <GO>}

Is there a way that we can actually estimate what that picture of total conversions looks like so that advertisers can actually truly measure what the ROI of their campaigns are from one device to the other, maybe mobile is not getting enough credit because it's the thing that actually drove people to convert but that conversion was happening on desktop. And so kind of enabling that sort of cross device measurement capability is something that we have been very focused on and have rolled out to our advertisers as well.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got you.

A - Neal Mohan {BIO 17200493 <GO>}

Kind of a long answer to your question, but I think all of those components are the things that need to come together that we are focused on to make mobile really work for our advertisers.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got you. Now, we are running out of time. So I will pose this one last question. So what are your priorities going to be over the next 12 months? And when you come back to the conference next year, what do you want to be telling us that you have accomplished?

A - Neal Mohan {BIO 17200493 <GO>}

Yeah. I mean I think they fall into a lot of the things that we talked about. So as I said, sort of cracking this brand advertising nut, not just for Google but on behalf of the industry is a big priority for us, specifically around things like measuring the efficacy of those campaigns as I talked about, so that's a big priority and we look to have results there over the course of the next 12 months. This mobile multi-screen environment, so sort of tapping into a lot of these more mobile specific sort of used cases, another big one that we didn't talk about is app install...

Q - Stephen D. Ju {BIO 6658298 <GO>}

Yeah.

A - Neal Mohan {BIO 17200493 <GO>}

...and app reengagements, how do we continue to enable those and continue to grow? They are a fast-growing part of our business today, how do we make that continue for advertisers and our app developers. And then the final piece is programmatic has been a rocket ship, how do we continue to enable the growth of that for the entire industry, advertisers, agencies, but also our 2 million plus publisher partners.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Got you. Well, we're out of time. Thanks very much, Neal.

A - Neal Mohan {BIO 17200493 <GO>}

Great.

Q - Stephen D. Ju {BIO 6658298 <GO>}

Thank you, everybody.

A - Neal Mohan {BIO 17200493 <GO>}

Great. All right.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2024, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.