Message

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| **From:** | Jim Giles [jimgiles@google.com] |
| **Sent:** | 8/11/2017 4:52:34 PM |
| **To:** | Nitish Korula [nitish@google.com]; Rita Ren [rren@google.com] |
| **CC:** | Martin Pál [mpal@google.com]; Vahab Mirrokni [mirrokni@google.com]; Michael Hopkins [mhop@google.com]; Max Lin [whlin@google.com]; Max Loubser [maxl@google.com]; Balasubramanian Sivan [balusivan@google.com]; renatoppl [renatoppl@google.com]; Cyrille Berliat [cberliat@google.com]; Ali Radha [aradha@google.com]; Gang Wang [wanggang@google.com] |
| **Subject:** | Re: GOOGLE INTERNAL Copy of Q1 Programmatic OKR: margin manipulation investigation - Invitation to comment |

For now, I like the fact that we still have last look for remnant -- that is one of the advantages of EB if publishers. #2 is the main thing I believe we should make sure is not a misperception, and I think using #1 to encourage publishers to push their partners into EBDA is worth doing.

On Fri, Aug 11, 2017 at 11:29 AM Nitish Korula <nitish@google.com> wrote:

I read their document as conflating two different issues:
1) AdX helps itself at the cost of AppNexus - this is the last look issue Martin brings up, and is indeed legitimate
2) AdX helps itself at the cost of lower revenue to publishers - this is because they don't know we do debt recollection from buyers / make buyers pay more than they otherwise would have. This is achieved in DRSv2 by non-truthful debt recollection, and in tDRS potentially by bundling with (parts) of RPO.

I *think* they're more concerned about the latter, though probably the former to some extent as well. I wonder if we explain to them the specific fact that buyer debt recollection results in higher publisher revenue through charging the buyer more, whether that would help?

(In particular, if my math is right, *even under their assumptions*, they make 10 pounds more under DRS than under the current world. But also, we tend to take higher margin on low-value queries, etc.)

Nitish

On Fri, Aug 11, 2017 at 11:12 AM, Rita Ren <rren@google.com> wrote:

If we make a small tweak on tDRS to not using the maximum remnant CPM in the revshare prediction, then we'll achieve what Martin mentioned at the end.

However, as long as our prediction is doing fairly well, under some scenarios we could in theory result in lower publisher overall revenue from DRS as many stated above. Bundling with RPO could help take us to a better position, but that would mean bundling up the opt-in for them together as well? I guess it would be a bit harder to explain this bundled feature to pubs, but a/b result could be very helpful.

On Fri, Aug 11, 2017 at 7:56 AM, Martin Pál <mpal@google.com> wrote:

My take is that the main culprit is not dynamic revshare, but rather the fact that AdX gets last look over AppNexus (assuming AppNexus demand is booked as price priority LIs in DFP).

AdX gets to pay high and win whenever AppNexus is present with a high CPM, and can pay low when AppNexus bids low. AppNexus in contrast can't reliably save money on queries where AdX bids low, because it doesn't know AdX bids.

This has fundamentally nothing to do with dynamic revshare -- dynamic revshare is just yet another way for AdX to exploit the last look advantage.

(Of course, dynamic revshare can be used without a last look advantage -- but doing so requires fairly accurate prediction of the opponent's bid).

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