Message

From:	Jerome Grateau [jgrateau@google.com]
Sent:	2/14/2017 5:32:30 PM
To:	Chris LaSala [chrisl@google.com]
CC:	Nelson Hsu [nelsonchsu@google.com]; Jonathan Bellack [jbellack@google.com]; Andrey Donov [adonov@google.com]; Aparna Pappu [apappu@google.com]; Bryan Rowley [browley@google.com]; Dale Allsopp [dallsopp@google.com]; Danielle Romain [dromain@google.com]; Ezra Brettler [ebrettler@google.com]; Jim Giles [jimgiles@google.com]; Jonathan Dale [jdale@google.com]; Jonathan Meltzer [meltzerj@google.com]; Josh Cohen [joshcohen@google.com]; Lauren Coste [lbcoste@google.com]; Lauren Taralli [laurentaralli@google.com]; Momar Sock [momar@google.com]; Pooja Kapoor [poojakapoor@google.com]; Roberto Ruju [robertoruju@google.com]
Subject:	Re: [FYI] Key Questions for Pricing Discussion

Chris,

LeBonCoin wanted to go with DFP/AdX. Schibsted Corporate wanted to develop a platform offering to consolidate the Scandinavian market (ie have the other regional pubs join them). AppNexus is more flexible than us on this dimension (ie see the News Corp Connect product). They made a rationale decision from their PoV.

Pubs are also rationale when they decide to diversify their source of revenues. It help them to keep Google at bay and put pressure on us (similar to any industry). In the case of Schibsted, they also learned that we can decide to change the conditions of our offer suddenly and unilaterally (ie AfS rev share). This is not a un-rationale decision (ie "fairness"). Hearst negotiation tactic may have yield them quite tangible benefits. You need an alternative to play this kind of tactics.

Thanks

Jerome Grateau
Director, Global Partnership, Publisher Solutions and Innovation

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On Tue, Feb 14, 2017 at 9:19 AM, Chris LaSala <chrisl@google.com> wrote:
Late to the game here...but a few quick thoughts:

- agree with the framing. we need a definitive POV if we think pubs will make purely economic decisions (let the highest eCPM win; damn be the rev share) or make 'fairness' decision. We have a few data points that don't give us a clear answer: ebay made a fairness decisions and then came back; le bon coin who left and hasn't come back. Right now, prevailing wisdom from our sales leadership team (PMG) is that 'they will come back'. So they will make an economic decision - not a fairness one. We will see if that is true with test cases like Hearst (and possibly NewsCorp next)

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- We also have to account for the 'trust' component of fairness. some pubs just aren't comfortable with putting to much of their business in our hands. In those cases pricing won't matter (so possibly need to be discounted)

On Tue, Feb 7, 2017 at 3:43 PM, Nelson Hsu <nelsonchsu@google.com> wrote:
I think I answered my own question: The proprietary DBM and AW targeting (and proprietary AW advertisers) are the potential offset for the higher Google sell-side fees.

Nelson C. Hsu
Director, Online Partnerships Group
Global Product Sales Leads
NA Publisher Intelligence
Rapid Prototyping Team

On Tue, Feb 7, 2017 at 10:33 AM, Jonathan Bellack <jbellack@google.com> wrote:
No matter what we do going forward, it is imperative we start finding ways to prove that publishers make more money from DBM buying through AdX than DBM buying through other exchanges. We need to be able to run a test to determine if that is even true today. If it's true we need to commercialize/productize it aggressively. If it's not true yet, we need to figure out how to make it true.

-- Jonathan Bellack / jbellack@google.com
Director, Product Management / Publisher Ad Platforms

On Tue, Feb 7, 2017 at 11:17 AM, Nelson Hsu <nelsonchsu@google.com> wrote:
In addition, are there buy-side considerations for this discussion?

- If you assume...
  - Exchanges charge significantly less in sell side fees
  - We share similar "3P buyers" including DBM (ie non AdWords)
  - We are often in yield-managed competition for larger pubs on the same sell-side inventory
- **...does the current situation mean that DBM will "prefer" to purchase on 3P exchanges given that a dollar of spend results in higher net CPMs to pubs in the YM stack?**

Thanks!

- Nelson

Nelson C. Hsu
Director, Online Partnerships Group
Global Product Sales Leads
NA Publisher Intelligence
Rapid Prototyping Team

On Fri, Feb 3, 2017 at 1:19 PM, Jonathan Bellack <jbellack@google.com> wrote:

Great framing. On #3 (fairness), the prior data on this is from AFC, which suggests that fairness/trust is a very important component of the publisher decision. AFC tried for years to convince publishers not to worry about the revenue share, and just look at the net revenue Google was paying them. Publishers did not really care, there was a lot of distrust due to unwillingness to disclose, leading to disclosing 32% in this blog post. And even after that, there was a rumbling of doubt, maybe we meant 32% on average across the network, but some pubs were still paying a higher revshare and others better, etc.

– Jonathan Bellack / jbellack@google.com
Director, Product Management / Publisher Ad Platforms

On Fri, Feb 3, 2017 at 3:55 PM, Nelson Hsu <nelsonchsu@google.com> wrote:
After further thought, I'm wondering whether we can simplify this pricing exercise into three questions:

- **True economics: Given the pricing difference, what is the optimal decision for publishers?**
  - If AppNexus pricing means a pub makes more money, this discussion should be around how to make pubs more money with Google or whether or not competitor pricing is sustainable.
  - If pubs will make more money with Google in spite of the pricing difference, the issue must be one of the latter two issues.
- **Perceived economics: What do pubs BELIEVE is the optimal economic decision?**
  - If pubs incorrectly believe that they will make more money with competitors, we shouldn't change pricing and should focus on the data points we need to prove to pubs to make sure they understand the true economics.
- **Economics vs. Fairness: Are pubs acting on economics or fairness at the cost of economics?**
  - If pubs believe they will make more money with Google but still choose another competitor, we should be focused on justifying that our revshare is connected to specific offerings (e.g. proprietary SMB advertisers in our auction through AW) that other players don't have.

Do we have an accurate answer to any of these questions?

Thanks!

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