

From: Chris LaSala <chrisl@google.com>
To: Craig DiNatali <cdinatali@google.com>
Sent: Tue, 13 Oct 2015 08:13:58 -0400
Subject: Re: The REAL Header Bidding Threat...
Cc: browley <browley@google.com>, Lisa Lehman <lisalehman@google.com>

Great write up. The rallying call of less snacks in the mk should be enough to move us to action. This view is not prediction, but is happening in the world of mApp. The genesis of the app ad tech ecosystem was a network and then a mediation platform...and now those mediation platforms (including AdMob) are building 'ad servers'...but not b/c it is strategic, but because the developer needs some way to server their own direct sold ads (which, in this case, are a lower % of the total revenue when compared to indirect). Bottom line - there is no real 'ad server' in mApp - they are both SSP/AdServer combined.

We see this coming for all inventory - hence jamming DFP and AdX together to ensure we take the best of both worlds into a system that is capable of delivering 'yield' to a pub - removing the distinction between 'ad server' and 'mediator'. Work with us and we'll optimize your yield across all formats, all screens, with all data. It is an overly optimistic vision, one that makes us slower than if we were to just double down on one part.

Your point about "modernizing the ad server" is dead on...the question we need to really unpack is what are the pros/cons of allowing all demand in the exchange, including exchanges. I am coming around to your view that we should, but we have an uphill battle - this is not a popular position (for good reason)...and this decision is hard.

Looking forward to the conversation...not sure if I am invited (Bryan tends to keep me locked in my office) but you are talking to the right people.

Chris

On Mon, Oct 12, 2015 at 9:38 PM, Craig DiNatali <cdinatali@google.com> wrote:

I will join

On Oct 12, 2015 9:00 PM, "Bryan Rowley" <browley@google.com> wrote:

Thanks for forwarding.

Just set up a meeting for next week. Since this bleeds into programmatic direct I added Pooja. Also added Kat and Kristen from our team. Lisa, apologies to you for setting up a 4 v 1 meeting. Bring reinforcements if you like.

Bryan

On Thu, Oct 8, 2015 at 8:12 AM Craig DiNatali <cdinatali@google.com> wrote:

+ (Hope you don't mind) Rowley/Lasala who are lead on the strategy side on header bidding.

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Thanks Lisa - I agree and I think we are underestimating the longer term play here and risk to the business by focusing on some short term metrics.

Chris/Bryan - Lisa joined my team from Rubicon/iSocket and has a lot of good perspective and ideas around this and has already demonstrated some new thinking around the risks associated with header bidding, and other things. Worth a quick read through this...

On Wed, Oct 7, 2015 at 5:45 PM, Lisa Lehman <lsalehman@google.com> wrote:

Hey Craig,

Started jotting down some thoughts in response to our meeting today; I share your feeling that we kind of seem to be missing the point here on what the threat is.

Header bidding doesn't matter because we are seeing significant declining revenue, or even that we anticipate seeing significant declining revenue in the next 12 months. And it doesn't even really matter because of latency...

Taking 10 steps back.

Right now we are the defacto, preferred ad server of choice for 90% of publishers. By having that we: (a) have a relationship with all pubs (b) get to see all their inventory, even that which we don't monetize (c) (almost) always give AdX demand access to their inventory (d) maybe even allow AdX first look at every single impression.

But all of that is predicated on the fact that publishers need an ad server, because they have needed a way to serve direct, guaranteed campaigns via non-RTB protocol, because direct campaigns make up majority of their advertising revenue. That is all changing.

Google's products and approach and public statements (Neal Mohan has said that everything will be bidded!) are slowly but surely eroding the need for DFP as the publisher ad serving and decisioning engine. I'm not thinking next year, but in 3-5 years: **In a world where (nearly) everything that currently happens in DFP today can be executed via RTB pipes, ad exchanges/SSPs really truly can replace the ad server (remember this?!)** By invalidating the need for an ad server we are setting the stage for Google to actually have to compete alongside the SSPs (or whatever these platforms are called then) for **any** access to any publisher inventory in the future. And we'll be disadvantaged at that point because, unlike our competitors, pubs have been viewing us as a necessary evil, instead of a responsive, innovative partner, so they are eager to figure out how to cut us out altogether.

The problems we are really trying to solve for here are:

1. Customers have consistently looked to Google to solve the industry's problems and trends, and we've consistently watched smaller companies respond, and then followed. Google simply isn't leading, and we aren't giving customers confidence that they can and should trust in us to build the right things and solve the right problems. [I'd note that AMP is an amazing step in

that direction!] The real problem is that when our publishers came to us and said: *how are you going to solve the fact that I am not able to maximize my revenue by allowing all demand sources to compete in real time?* ... we didn't respond. That's mostly just a point about perception, but it becomes an important one when/if we start lose marketshare in a meaningful way.

2. We need to preserve the importance of the ad server - by modernizing it. Let us accept the reality that there's no way that every media buy will flow via AdWords or DBM. Let us accept that the implication of that is that all demand not at a fixed rate and/or not flowing through AdX is not being optimized properly. Our lack of action to solve this problems means that we are giving publishers 2 options: Make less money due to inability to maximize revenue on every impression or seek alternative solutions outside of Google to do so.

3. "Modernizing the Ad Server" should be something we attack from a lot of different angles; what's changed over the last 5-10 years, what are the things we can invest in to continue to make DFP a necessary part of the publisher workflow. That would include things like investments in DSM and PG, too, but really - the modern publisher ad server needs to allow as many demand sources as the publisher wants to compete in real time for a given impression, while following whatever rules and contractual agreements between buyer and seller have been established.

4. The worst case scenario here is serious.

a. One might argue that by not taking action, amid all the ad blocking craziness, the user experience is getting worse, not better, and we are fueling the fire to make ad blocking not a fad but a real threat to advertising as a meaningful and sustaining revenue source for publishers. And that of course is really bad. That does seem a bit speculative and fear-mongery so I won't push that angle - but it could happen :)

b. The real threat to me though is that Google's primary publisher value prop is eroded, and Google's relationship with publishers is that of AdX just being another demand source (perhaps the best one, with the most liquidity and demand behind it), but ultimately just another player competing for impressions in real time. And over time, that hurts our value prop on the buy side, because we don't have the best access to supply. And then AdX isn't the richest source of demand at all. And then there are less snacks in the MKs. Etc etc.

We seem to be very aware of what is a threat to AdWords or DBM (and let's be honest, the heart of our biz, buyers) but we don't seem willing to acknowledge that if the ad server is no longer relevant for pubs, everything changes. Are we prepared for that and/or what am I missing? What's our long-term vision for our relationship with publishers as it relates to advertising?

Lucy

Lisa Strategic Partner Lead, News & Magazines,
Lehman| Google |

lsalehman@google.com | 617-875-
3983

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Craig DiNatali
Director, News and Magazine Partnerships
Google Inc.

p: 212-381-5485

f: 646-786-4722

c: 732-890-4485

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Chris LaSala / Director, Global Programmatic Self-Side Solutions / 212-565-8801 (office)