

From: "Aparna Pappu (Google Docs)" <comments-noreply@docs.google.com>
To: chrisl@google.com
Subject: ATTY CLIENT PRIVILEGED... - tied back to the comment about revisi...

Aparna Pappu replied to a comment in ATTY CLIENT PRIVILEGED Sell-side pricing 2.0



Chris LaSala

Bundle DFP fees, and net revenue from AdX buyers, EB/NB, PG/PD into a single, separate platform revenues line. Have team set 2019 plan for improving revenue growth across the combined business

tied back to the comment about revisiting buy-side pricing plans...if we do not move toward a model where we extract margin from where we deliver value (specifically through targeting on the buy-side as value to advertisers), then we will be hamstrung wrt how much we can give up revenue on the sell-side. Said more precisely, I don't think there is 20% of value in comparing two bids...adx is not providing additional liquidity to the market, it is simply running the auction. The value of our platform is not in adx it is in other parts. We should disrupt ourselves and commoditize the exchange business, and charge where we deliver unique, defensible value (the rest of the platform on the sell-side PLUS targeting on the buy-side).

— This would also put appropriate pressure on Google to compete on targeting - where it is reasonable to assume that Amazon and FB actually have better data - so we need to up our game and focus on winning this game, vs continuing to extract irrationally high rent from the adX.

— One might ask why the market continues to bear 20%. It may be because of adwords bringing liquidity from a long-tail. Even that position is under attack as FB and AMZ prove they can also fill at high rates...



Jonathan Bellack

You have found a gap in the plan. I think you are right that AdX buyers at 20% is not long term defensible. But that has issues for GDN & esp. DBM. From a sellside position, our best move is to extract GDN/DBM into a new network contract with less transparent margin, but that will take time because it has to mean higher pub payouts or they won't do it. If we lower AdX buyer fees but leave GDN/DBM higher, they will win less. Even so, I think we should propose our model without assuming D changes their pricing model. The faster they do, the easier our job is, but I want to retain agency that we can do things that are positive even if DBM doesn't act.



Aparna Pappu

+jim@giles@google.com this goes to jim's point of drop adx buy-side to 10% to be competitive and he and I talked about accretive value over the years for services that pubs pay for outside DFP that are now a part of DFP (seasonality, AiH etc) and make it a part of platform pricing. This enables us to truly say we are pub agents and not keep media rev share high just for the sake of profitability. This also can be a plan that gets us into profitability because I worry that moving EB/PG etc to net does not change the key metric we need to look at Free Cash Flow.

Open

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