From:	Adam Davison </O=THEFACEBOOK/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=ADAMDAVISONCE8>
To:	Zoheb Hajiyani; Matthew Idema; Adam Davison; Brian Boland; Richard Sim; David Jakubowski
Sent:	1/29/2016 4:07:05 PM
Subject:	Re: Cross Publisher Buyer Interfaces Sync
Attachments:	Buyer Interfaces_Jan2016_v8.pptx

Hey All,

Thanks for your time today- deck attached that Zoheb and I have been socializing. Let us know if you have questions and we will be sure to keep everyone in the loop as we kick off an alpa.

-Adam

From: zohebhajiyani@fb.com
When: 3:30 PM - 4:00 PM January 29, 2016
Subject: Cross Publisher Buyer Interfaces Sync
Location: [MPK0012.02] Bottle episode

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When: Friday, January 29, 2016 3:30 PM-4:00 PM. (UTC-08:00) Pacific Time (US & Canada
Where: [MPK0012.02] Bottle episode

*~*~*~*~*~*~*~*~*~*
```

+David J

+Richard

Hi all,

Putting down some time to walk through the product plan for cross publisher buyer interfaces. Lmk if this time doesn't work and I'll reschedule.

Thanks!
Zoheb

Locations

[MPK0012.02] Bottle episode:

PTX1524
1:23-cv-00108

Locations

This meeting was booked with Calendar. Try it yourself at https://our.intern.facebook.com/intern/calendar/

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Buyer Interfaces_Jan2016_v8.pptx

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Cross Publisher Buying Interfaces

Product planning – Jan 2016

Mission

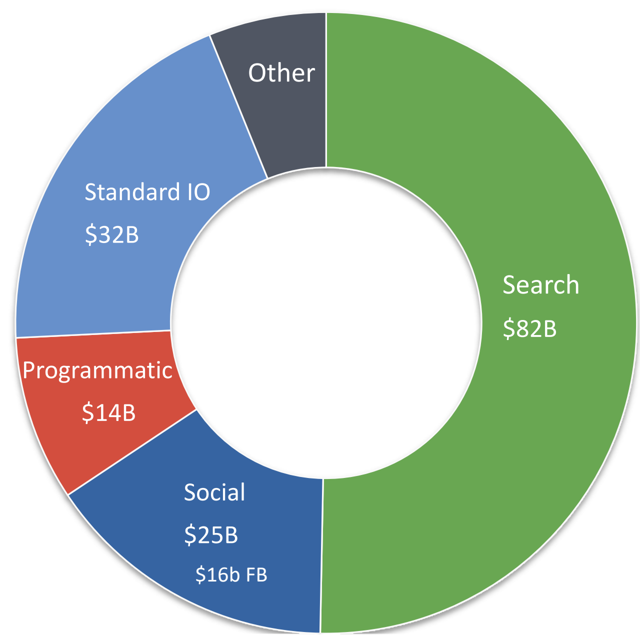
*Penetrate **non-social budgets** (programmatic/IO) by building the capabilities and tools that enable advertisers to buy off-Facebook inventory at scale.*

Facebook only sees agency spend from social channel

Market Overview

- Digital spend split into four main channels: search, social, IO & programmatic.
- Each channel managed by separate teams within an agency.
- Social budgets account for ~$25B globally. Facebook sees high penetration within this channel.
- However, Facebook sees ***little to no penetration*** in programmatic, IO, and search budgets.

2015 Global Digital Ad Spend



We are building a strong supply footprint on and off Facebook

- We've built a strong off-FB supply footprint across mobile-app inventory via AN.
  - However, AN mobile-app inventory is filled via demand from existing social budgets.
- We're also looking to further bolster our publisher footprint via Audience Network M-Web, Audience Network for Video, (LiveRail), Instant Articles, and Suggested Videos.
- Our increasing publisher footprint across devices, formats, and placements presents an opportunity for programmatic buyers to activate their budgets at scale.

Social footprint

Publisher footprint

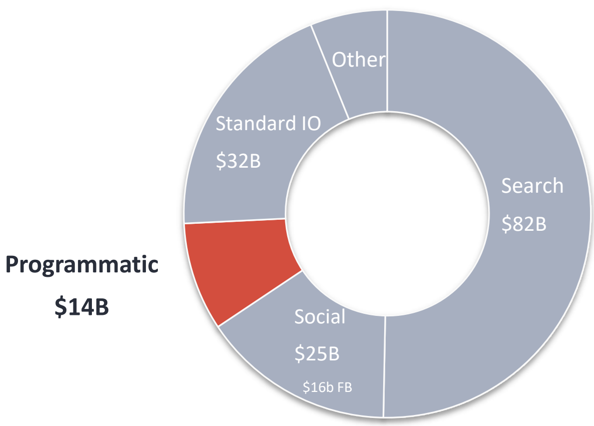
Facebook Audience Network

Instant Articles

Suggested Videos

Programmatic advertisers are increasingly interested in our off-FB supply

- Programmatic ad-spend accounts for ~$14B globally ($7B US) and ~60-80% of budgets are driven by agency trading desks and in house programmatic buyers.
- Programmatic buyers currently leverage DSPs to buy non-social inventory at scale.
- However, programmatic buyers are expressing interest in buying non-social inventory from us, given our ability to drive people based targeting and outcomes based-buying on our increasing off-FB supply footprint across video and display,



WHY

1. People-based buying and measurement
2. Premium, high-performing inventory at scale
3. New formats (native, IA) to programmatic teams arsenal
4. Identity solves cross-publisher, cross-device measurement

We have two product options

1. Let existing FB interfaces evolve organically – as we bring more off-FB inventory, FB will penetrate programmatic budgets and grow organically.

2. [Recommended] Start by bringing to market a new interface on FB delivery designed for cross-publisher buying

   - Built for enterprise clients that run multi-publisher, multi-device campaigns
   - Deployment-ready for large advertisers & agency environments
   - Built on the world-class Facebook Ads Infrastructure

Creating an off-Facebook interface creates value for FB in 3 key areas

Net-new source of revenue for FB

~$14b market opportunity that FB is not capturing today

Less ~4-6% share captured via FBX

Strengthen publisher relationships

Increase competition for publisher inventory & provide new revenue streams

Strengthen agency relationships

This will help Facebook break out of "social box" and increase advertiser share-of-wallet

Won't programmatic budgets organically move to FB over time?

- Large advertisers & agency hold co. have a channel based approach to ad spend that directs $300b of the $545b global ad market.
- Channel based approach is driven by inventory types & buying method which makes it difficult for Facebook O&O to address other channels
- Currently, social team controls all spend flowing through Facebook interfaces
- Programmatic opportunity is increasing as standard IO budgets move to programmatic
- However, these Complex organizations are would take time organically shift ad budgets from other channels to Facebook

Fundamental Requirements – X-Pub Buying

1. Lightweight creation entry-point w/ placements as a top level item

2. Inventory
   - Unbundled off and on-FB (buyable individually)
   - Diverse set of off-FB publishers and sufficient volume to justify shift from other RTB/DSP channels

3. Provides adequate control over inventory and adequate transparency in reporting

4. Workflow tuned to the needs and workflows of agency trading desks and programmatic teams

5. Built on FB delivery (optimization) and interfaces stack

6. Brand neutrality / perception (easier adoption across silo’d organizational channels)

Appendix

Product roadmap

Cross Publisher Buyer Interfaces	**P1**	**P2**	**P3**
Objectives	- Website Clicks	- Video Views - Brand Awareness	- Website Conversions
Placements	- AN Mobile App - Facebook RHS (?)	- AN Video - AN Mobile Web - PP Instant Articles	- PP Suggested Video - PP LiveRail Private Marketplaces - AN Desktop
Inventory Targeting	- App Categories (Mobile)	- Brand Safety (App Blacklists)	- Brand Safety (Domain Blacklists)
Bid Models	- CPM - CPC	- oCPM (video views, clicks, impressions) - CPV	
Optimizations	- Impressions - Clicks	- Video Views	- Conversions
Reporting	- Placement - Category	- Private Placements (IA)	- Private Placements (SVC, LR PX)
Integrations	n/a	- Nielsen DAR	- Atlas Measurement - VAST Asset Parsing - Prisma (?)
Other		- Margin Control(?)	- Audience / Placement Forecasting

UX Strategy

	Pros	Cons
Power Editor Integration	• Minimizes interfaces fragmentation • Lightweight eng. investment (heavier coordination/dependencies) • All existing and new PE releases come for "free"	• Dependencies on PE team • Disruptive to PE flow • Friction between FB O&O vs. off-FB feature iteration/needs • Designed specifically for FB and single publisher buying. • Less perceived neutrality • Customer confusion
New Interface [recommended] *"TRP approach"*	• Best product experience for target customer • Least disruptive to PE • Fastest way to test hypothesis • Best delivers on neutrality needs • Clear sales channels / less customer confusion • Precedent w/ Brand Solutions team	• Heavier eng. investment • Interfaces market confusion • Complexity of buying on-FB • Keeping pace with new PE features

Social team has exclusive access to Power Editor & Ads Manager within agency

- Large advertisers & agency hold co. have a channel based approach to ad spend that directs $300b of the $545b global ad market

- Currently, social team controls all spend flowing through Facebook interfaces

- Channel based approach is driven by inventory types & buying method which makes it difficult for Facebook O&O to address other channels

- Programmatic opportunity is increasing as standard IO budgets move to programmatic

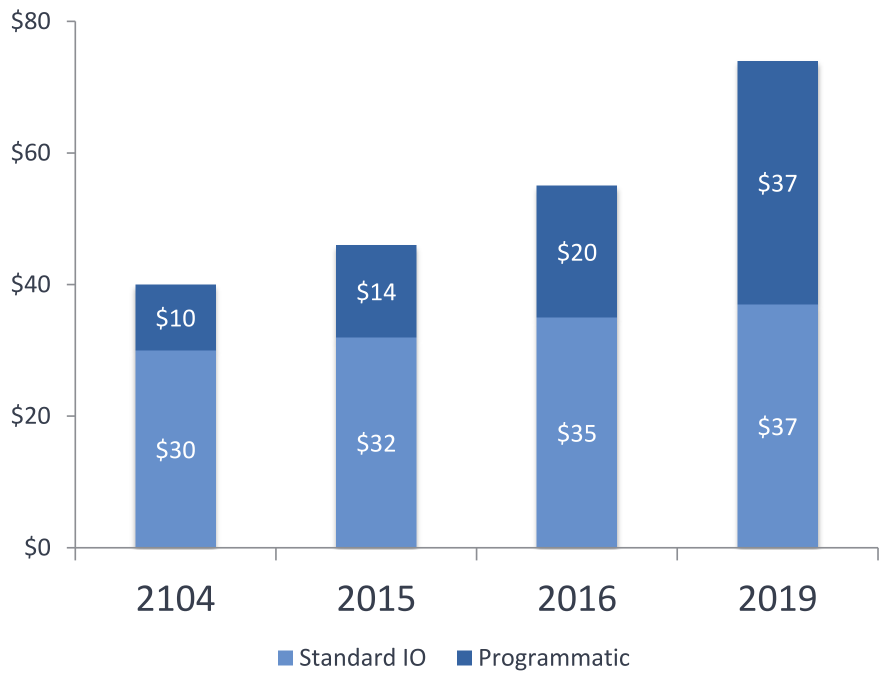
Programmatic Media Plan- Mountain Dew

- Google appears 3 times on the media plan; DBM & Youtube (2)
- No social budget present

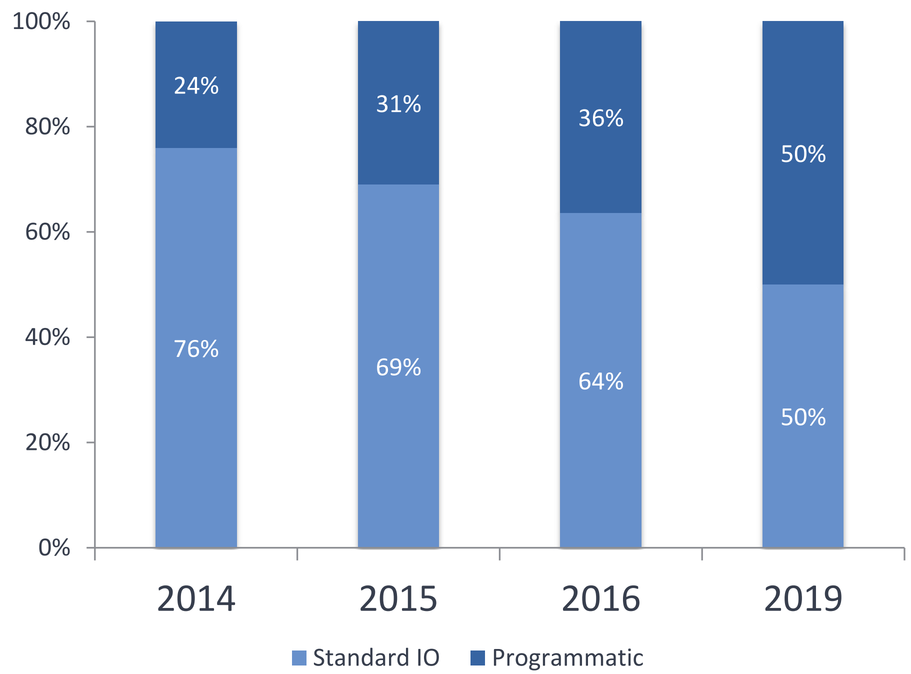
Channel	Platform	Partners	Tactics	% of Budget Allocated	eCPM	Imp	Budget
Display	Desktop	**DBM**	Demo, Demo+Behavioral, Demo+Contextual, Leap Audiences, DMP Models, Retargeting	49.0%	$6.89	178,324,922	$1,229,480.00
		OMG Private Marketplace	Demo	4.1%			
		Test Partner (additional DSP)	Demo, Demo+Behavioral, Demo+Contextual	13.6%			
	Mobile	Adelphic	Demo, Demo+Behavioral, Demo+Contextual, Leap Audiences, DMP Models	33.3%	$6.73	91,349,206	$615,000.00
			Display Total	***100.0%***	***$6.84***	***269,674,128***	***$1,844,480.00***
Video	Desktop	**YouTube**	Demo, Demo+Behavioral, Demo+Contextual	57.5%	$13.58	137,059,424	$1,861,650.00
		Tube Mogul					
		OMG Private Marketplace	Demo	14.5%			
	Mobile	**YouTube**	Demo, Demo+Behavioral, Demo+Contextual	28.0%	$13.40	54,104,396	$725,000.00
		Adelphic					
			Video Total	***100.0%***	***$13.53***	***191,163,820***	***$2,586,650.00***
			Grand Total		***$9.62***	***460,837,948***	***$4,431,130.00***

Programmatic is a growing opportunity

Global Digital Spend ($B)**



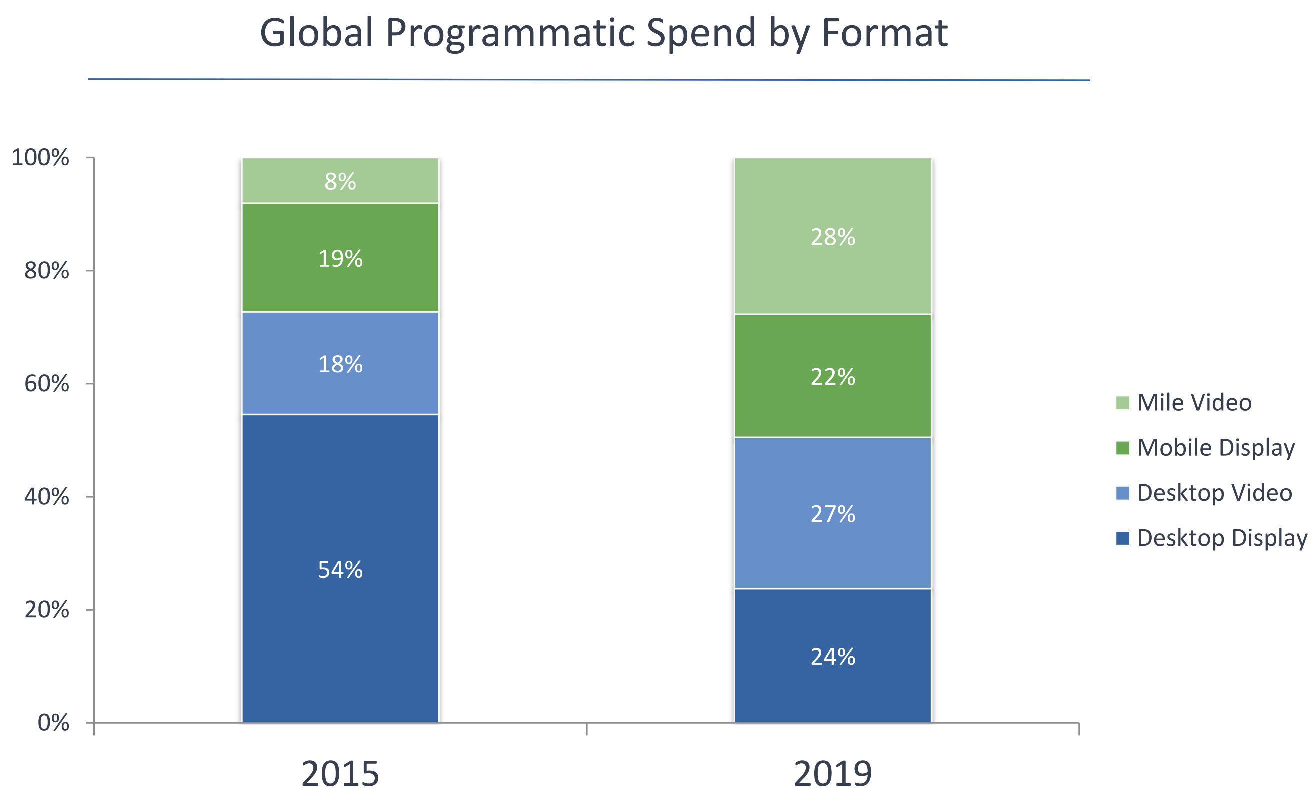
Global Programmatic Penetration



* Source- Magna Global Programmatic 2015
**Excludes search & social spend

Global Programmatic Spend

Programmatic moving to mobile and video



* Source- Magna Global Programmatic 2015
**Excludes search & social spend

Programmatic drivers & inhibitors

Drivers

1. Cross publisher access to audiences
2. Private marketplaces/deals
3. Industry Consolidation
1. Measurement

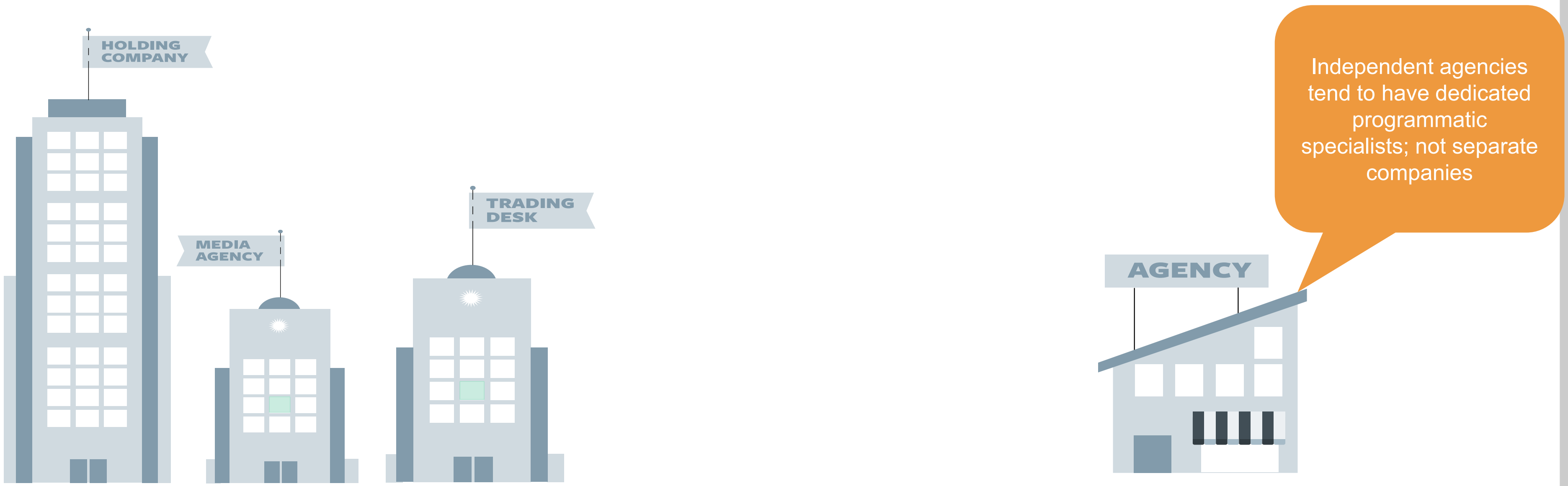
Inhibitors

1. Privacy
2. Viewability
3. Fraud
4. Publisher direct sales

Trading Desk Overview

Agency trading desks control 60-80% of programmatic budgets

At the large **media holding companies**, when **programmatic buying** initially emerged as a **unique and specialized** function, it was **centralized** within a separate division/company with a **distinct P&L**, which became know as the "agency trading desk”



Primary Functions

While some ATDs have invested in or acquired technology platforms, they are **service based organizations**

- Centralized within a holding company; supporting agency teams and their advertisers
- Specialize in bidding, audience buying and programmatic ad tech
- Act as a managed service layer; typically on top of a licensed DSP/DMP platform
- Manage 60-80% of programmatic budgets that run through a holding company

Holding Co.	Agency	Trade Desk
WPP	mec; Mindshare; groupm; MediaCom	XAXIS
Publicis	Starcom MediaVest Group; razorfish; DIGITAS	vivaki
OmnicomGroup	OMD; phd	Accuen
IPG	UM; initiative	CADREON; MAGNA GLOBAL
AEGIS MEDIA	Carat	AMNET
HAVAS WORLDWIDE	HAVAS MEDIA	affiperf

ATD and DSP Relationships

Trading desks primarily license 3rd party DSP tools

Many work with 10+ DSP platforms

Preferred partnerships are common; recommending certain tools to clients.

History of acquisitions and investments trying to "own" ad tech – WPP (24/7, Videology, AppNexus)

Why do ATDs work with multiple DSPs?

- Inventory Scale, seat position or preferred publisher access
- Optimization/performance, CPA
- Specialization (i.e. video)
- Market competition (avoiding the “DFA” monopoly)
- Availability of players (hundreds of “DSPs”)
- Advertiser influence and demand
- Other feature differentiation – targeting, formats, lookalike etc.

Evolution of the Agency Trading Desk

- **Enormous growth** despite early complications; programmatic **budgets approaching 50%** in 2015.
- **Fee compression** – as budgets grow and trading becomes pervasive; decreased ability to charge premiums
- **Increasing power** within the holding company; ATDs are no longer chasing budgets; “Agency teams come directly to me” – Cadreon
- Despite roots in DR (direct ROI accountability) – evolution to **programmatic brand and video** to attract new budgets and the promise of better audience/GRP buying
- **Increasing ownership of other Programmatic tools** – programmatic social tools
- **Decentralization** – Taking various forms across the holding companies. Largely, being shaped by early issues and distrust with ATD margin practices. Also, agencies driving their take on decentralization to drive differentiation

Where can we play now?

- Drive outcomes for off Facebook buying
- Help trading desks succeed in video
- Audience buying cross-publisher
- Shift from DR to brand strategy
- Do we need to build for new formats?
- ….?

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	Standard IO	Programmatic
2014	76%	24%
2015	69%	31%
2016	64%	36%
2019	50%	50%

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	Standard IO	Programmatic
2104	$30	$10
2015	$32	$14
2016	$35	$20
2019	$37	$37

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	Desktop Display	Desktop Video	Mobile Display	Mile Video
2015	54%	18%	19%	8%
2019	24%	27%	22%	28%

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	Sales
Search	$82,000,000,000
Social	$25,000,000,000
Programmatic	$14,000,000,000
Standard IO	$32,000,000,000.00
Other	$10,000,000,000.00

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