From:	Neal Mohan <nmohan@google.com> on behalf of Neal Mohan
Sent:	Monday, March 23, 2009 6:17 PM
To:	Nikesh Arora
Cc:	Susan Wojcicki; Amy Lambert; Dennis Woodside; Henrique DE Castro
Subject:	Re: sale reductions.

Here are a few thoughts from my end:

Resources

DCLK does have a richer service model than AdWords and that is certainly one of the realities of the business. Having said that I think we can scale back in some areas (though not all) without seriously jeopardizing our investment in buying the business in the first place. My specific concerns / questions would be as follows:

a) Re: the 44, it would be good to understand which products / customers will be the most severely impacted and where the largest risks are after these cuts are made. Also this will be helpful to understand if there are any changes to the product strategy needed for EMEA (ie, it may be better to just pull out of some lower display potential regions instead of spreading ourselves thin across all regions after the cuts).

b) I was the hatchet man at DCLK back in 2000-2001 during the dotcom bust so have lived through this painful period before on display before. The biggest mistake made back then was the "death by a thousand cuts" scenario. That is, every quarter layoffs were made and the next quarter revenue shrank a bit more (because we didnt have the resources to keep the footprint in tact) and then more cuts were made until the business needed to be resurrected by a private equity firm. So if this is a one-time thing vs. the first among many will, then it would be better. Of course I understand there are no guarantees on that.

c) As you guys all know, and as Susan says below, I believe it is a mistake to look at DCLK as a standalone business. DCLK value = DCLK revenue + potential media value from the impressions we have access to. So I think we should look at this in terms of all efficiency or customer segmentation type calculations.

d) Our competitors have essentially the same three-pillared strategy (platform, AdX, network) strategy as we do and have realized that the most strategic battle is about the publisher platform and so are focusing on it pretty agressively (Yahoo APT, MSFT Pub Center, AOL Platform A are basically their DFP and AdX competitors). If we lose platform share, we can build the best GCN in the world but will still be at a severe risk of being disintermediated if Y, M own the ad tag on the publisher page.

Strategy / Pricing

I agree that we should think about Platform and GCN pricing together. More and more publisher deals are overall revenue deals (ie, they dont want to just talk about the network and they dont want to just talk about DFP - rather we need to cover both in the same discussion).

a) While small and unsophisticated pubs are focused mostly on price, our largest most strategic publishers have been willing to pay for a superior product and service level. The reason is ad serving makes up such a small % of media revenues that they cannot jeapordize the latter to save a few cents on the former. I think we can

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execute on our strategy of having the most extensive platform footprint to give us access to inventory without giving up too much on the revenue stream from the platform. There has been extensive pricing work done for XFP (including folks from all regions) and I believe the team has a good recommendation here.

b) I do think we need tight XFP - AdX / GCN bundles and the terms will vary by deal. However we also need to get the RPMs up on AdX and GCN to make this work well (since the real decision for pubs will be based on overall yield as oppsoed to cheap ad serving).

c) The intense pricing pressure we are seeing on the platform I think comes from the fact that our biggest competitors have realized that the most important thing in display is having access to the right inventory (they can build the best networks but if they dont have the tag on the page, they could get disintermediated - just like we could). Since their product is inferior, they are trying to take some share based on price.

d) Fundamentally the glue that seals DFP to GCN is AdX (that is why it is the second pillar of our three-pillared strategy). It is essentially teh DFP - AdSense backfill we bought DCLK for but with the features that will actually get pubs to put their inventory into our ecosystem (dynamic allocation, competitive bidding from other networks, etc.).

On Mon, Mar 23, 2009 at 10:27 AM, Nikesh Arora <nikesh@google.com> wrote:

Susan:
All this is factored into the thinking, these folks don't support GAM, nor am I talking about the need to make it a free product.

Let's chat, I am comfortable with the 44 and our ability to support XFP, and Ad Exchange.

N

From: Susan Wojcicki
To: Nikesh Arora
Cc: Amy Lambert; Dennis Woodside; Henrique DE Castro; Neal Mohan
Sent: Mon Mar 23 10:14:51 2009
Subject: Re: sale reductions.
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+ Neal as well

The spreadsheet says 44... which means we'd be cutting about half of the heads. I just want to make sure a few things are taken into consideration and not look at this as a stand-alone business

* DFP is a key to get more GCN quality impressions ...we should do the analysis this way so we understand the value DFP brings to GCN...
* Are you anticipating support for the Ad Exchange?

Since this is planned for Thurs I want to make sure we have time to address asap. We should discuss our options but to be fair we already have a free product which is GAM which has grown from 400M to ~4B/day in the last year. DFP still is the market leader for top pubs. So we can reduce price but this isn't all about price.. its also about service and features. XFP is coming out which should be a great product!

Susan

On Sun, Mar 22, 2009 at 11:29 PM, Nikesh Arora <nikesh@google.com> wrote:

Susan:
These are primarily doubleclick service folks, (30) of them. We are going from probably 90 heads to 60 if memory serves me. Doubleclick has had a very rich service model - while the revenue has been concentrated on a very few customers.

There is a very thorough analysis behind this and consultation with Ben Regensberger (who has now left) and David R. We didn't go as deep as was originally suggested to us.

We want to discuss the business model going forward. Either we get agressive on price reductions and integrate the strategy of GCN and DFP, thereby allowing us to accelerate inventory. Or we keep this strategy of price cuts every year - keeping revenue growth in single digits and adding more transactions.

Will set up time to review the overall questions,

N

From: Susan Wojcicki
To: Nikesh Arora; Amy Lambert
Sent: Sun Mar 22 22:34:57 2009
Subject: sale reductions.
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Hi Nikesh,

Its been hard for me to get a handle on the sales reductions and I agree they make sense b/c there hasn't been much transparency in the process from my side. I only see you are reducing by ~44 display roles. Which roles are those and do you really think we'll be able to continue to expand without them e.g we are releasing a lot of new things like the exchange, new DFP platform, ramping up content sales etc. Just want to make sure this is the right long term decision...

thx,
Susan

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Susan Wojcicki
VP, Ads Product Management

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Susan Wojcicki
VP, Ads Product Management

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Neal Mohan | Google | 917-287-7981 | nmohan@google.com