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Sent: Tuesday, April 06, 2010 11:06 PM
To: susan@google.com
Subject: OCQ Meeting Notes



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Message from jagduggal@google.com:

Hey Susan,

My high level notes from the OCQ....

jag

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Q1, 2010 OCQ

Action Items

[Alan] to put together plan within 3 weeks

[Joerg/Henrique/Neal] What are the operational issues that we can accelerate/increase velocity over next 90-180 days

- Need a finite list

[Neal] Review of Project Butterfly - Bring the facts and tradeoffs. Quantify the opportunity

Notes

- p1: HL & LL
 - Highlights
 - Hit \$1B run rate last week - business is running well, could run faster
 - Launched new DFP product on GOOG technology stack
 - Lowlights
 - AdX migration launch - tough 1st half of qtr, strong 2nd half
 - Scaling & Internal Tools - Big priority for Sales
 - Need to get critical mass of talent on this opportunity
 - Put very strong Eng. Director on this issue - what are the 5 things we need to do over next 90 days to make this happen?
 - Need to be very specific on needs: Platform, Exchange, Network
 - In some cases these are hard problems e.g. auto-optimize
 - Need parity with Search processes

- Don't have competitive answer to Facebook Connect e.g. Demo data
- p2: P&L
- p.3: Network Metrics
 - Text business also growing and great margins (Patrick)
 - Ads quality now the main driver of growth - inverse from last OCQ (when it was mostly inventory)
 - Inventory quality mix also improving as MySpace inventory dials down
- p6: Problem with Ad Builder? (Patrick) Product or Sales?
 - Both e.g. Local templates, Social templates, Internationalization (China, Japan)
 - Something btw Studio and DAB - 80% of advertisers have never spent on display below. Good entry platform
 - Need to integrate Teracent into DAB as well
 - Team just finished 2 quarter infrastructure work to carve out of AWFE
- p.7 Platform Metrics
 - Pub: 50% share, Adv: 67% share
 - Pub side is strategic - Atlas didn't have strong Pub-side
 - Having both Adv and Pub side allows more seamless integration between both - zero discrepancies vs. up to 5% discrepancies
- 2 questions
 - What are we doing on DART for Search? (Nikesh)
 - Problematic from Product/Eng perspective
 - What about DSM?
 - New XFP flavor coming out in 2H
 - Lots of progress with team fully staffed
 - What about cross-channel Agency buying platform?
 - De-duplicated reporting is key feature
- p. 9: Display leapfrogging Search
 - Big 6 agencies driving shift to allow them to add value
 - What prevents this from happening? (Shona)
 - Large pubs stop participating to prevent commoditization - need to find a way to stay whole
 - Technology adoption by agencies (person running this part came from SEM-side of business)
 - Betting on it and looking to drive it BUT are hedging (Reservations etc.)
- p. 10: Beautiful disruption
 - Agencies critical to drive flywheel of adoption (Patrick) - agency tools should be top of list of scaling features
- Question: Yahoo selling re-targeting from Search. Can we do it?
 - Privacy issue and lots of opportunity on Remarketing using DCLK data first (e.g. Searches for flowers)
 - Just started Project Butterfly
 - No question it brings huge value but the question is privacy and timing - want to handle same way as IBA launch
 - Stronger proposition to pubs than Facebook Connect
- p. 12: 5 Big Bets
 - Yahoo is #1 - still almost double
 - REDACTED
 - Is Facebook the bigger threat? They have the most impressions - He who has the most impressions wins (Eric)
 - We are not a leader in O&O inventory (except YT) - We don't have a set of verticals (Auto, Tech, Finance) - Do we need it OR does it create conflict with Display partners?
 - Video & Mobile Ad Serving OS: Focus on building one and buy the other? Need to focus and quickly get traction - all markets are happening at the same time
 - Avoid peanut butter-ing. Don't chase rabbits
- p. 13: AdX
 - Core challenge in AdX-on-AdX - addressed 6 of 8 key product issues
 - Once we get to 8-of-8 back to original roadmap to improve publisher controls

- Still have 1-2 quarters of fine tuning of AdX (Henrique) but out of the woods in terms of roadblocks
- Very dependent on many Ads teams
- What are the necessary conditions for inflection? (Patrick) - Let's track closely through OKR
- p. 15: Global Agency Deals
- p. 16: DR Leadership
 - Next 2 big product bets: Auto-optimization (tough problem) and core scaling tools for operational efficiency
- p. 17: Brand
- p. 18: Ad Serving OS - Need to be aggressive in catching up
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- Summary Where is the biz?
 - Good job of getting sales trained
 - Very well-led team - wish all teams were as clear and coherent - BUT always felt you were too controlled, want you to be a little wilder - run into your scale limits
 - Huge business - Display impressions should be way higher than Search
 - Get Analytics more tightly integrated
 - Think about intersection points - creative, subtle ideas that can drive huge upside - what is the most clever thing we can do now that we've built the infrastructure
 - struggling with eng and time limitations on "boring" stuff
 - Issue with Chicago DART Search team
 - Good progress on getting DCLK onto GOOG stack
 - We can subsidize agencies more than we're doing but not so much they view it as a birthright
 - Tremendous progress in last 6 months! (Patrick) Massive congratulations! (Eric) We just want more (Patrick)!
 - Space has lots of surface area (Jeff) - lots of little issues & companies to deal with
 - Think about Mobile first - apps are new (compared to desktop)

Q4, 2009 OCQ

- P. 4: What's our mkt share?
 - ~5% to 7%
 - Fragmented marketplace - ways to go to capture Yahoo, AOL, MSN
 - 2nd biggest ad network after Ad.com - perhaps first
 - Big advertisers (& agencies) vs. small advertisers and premium and tail inventory - Glue that holds it together is DCLK platform
 - OKR for us is to be #1 in 24 months - if not in the Top 3 don't get traction with big agencies and advertisers (Patrick just visited WPP)
 - Yahoo is \$1.8B out of \$17B market
 - When will our RPMs exceed other networks for equal quality inventory?
 - To access premium inventory we need reservations - can't reserve on GCN today (can on YT b/c it sits on DCLK platform)
- p. 5:
- p. 6: Eric - To get everyone in the room excited show me an ad that's backfilled by us right now
 - What are the signals used to select an ad? Decides based on higher RPM - directly sold or AdSense
 - Finds the best contextual match (default)
 - Usually the salesperson beats the algorithm
 - We do better from an advertiser ROI perspective
 - Want to move as much of pub/industry inventory to dynamic allocation
 - How many salespeople involved with GAM backfill revenue?
 - Big difference with Yahoo and MSN is that they are O&O properties
 - But Yahoo is now building its own exchange and replicating our strategy - larger than ours today
- p. 7: P&L
 - Really 3 different businesses - Platform, Network, AdX - all work together (e.g. backfill)

- AdX is the big bet for next year AND AFC/AFX Display (non-text)
- DCLK is ALL net revenue - real value is the backfill and enabling of the Exchange
 - Didn't buy DCLK for the revenue (& growth) - bought it for enabling the Exchange and backfill strategy
- How to become de-facto choice for large agencies? Called for every RFP
- Somebody will become the OS for Display - we want it to be us
 - We're positioned to win - we serve 45B impressions a day (btw DCLK and AdSense)
 - Need to move forward on all 3 pillars at the same time
- Story of Network effects BUT 2011 and 2012 revenues look linear - Buy the story but if so, we need to have a seatbelt b/c we are about to get on a ride
- How do I know when I'm hitting points where strategy is reaching critical mass? (Patrick)
- Want to focus on AFC non-text + Ad Exchange revenue line - should grow faster
- p. 10:
 - Platform: Who is our competitor today?
 - We have ~75% share excl. Portals
- p. 15: Video - Freewheel claims to be DCLK of Video. We should be DCLK of Video
 - Why is Video different? Syndication of content, rights mgmt and monetization are mixed together - complicated workflow. Both content-owner and distributor (e.g. YT and Hulu) can sell the inventory
 - Serving itself more difficult - no JS
 - Is it a Freewheel play OR is it a YT + Freewheel play
 - What about Bright Cove? - the content side & rights mgmt
 - YT is looking at building Bright Cove functionality, accepted DRM streaming
 - Key problem: Industry lacks a std. Opportunity to become the std
- p. 20: Scaling Tools - Key issue
 - XFP: AdSense on same platform as DFP - bring key functionality like reservations
- p. 22: Internationalization opportunity
 - Most O&O pubs don't have scale to monetize outside a handful of countries - we can do it for them
- p. 24: 60 partners account for 90+% of revenue - will migrate all by end of Jan. Also 50% of AdSense pubs migrated
 - Why not growing faster?
- p. 28: Not just Display - Video, Mobile and eventually TV
- p. 29 190 heads - lucky to get 100 in 1st half of year (recruiting challenges)
 - What to focus on and accelerate?
 - How to connect HC to additional revenues? Make a promise rather than an amorphous ask - need a crisper case
 - Ask based on what you need and the size of the opp'ty
 - Worried that we may not be investing enough (potentially) - may lead to an acquisition if we don't build things (e.g. Bidder)
 - Need a bi-focal view - next few qtrs and next 3 years - want to see 2011 and 2012 numbers
 - Need both eng. and sales
 - AI: Come back to OC with crisper HC and Investment ask - by Qtr

Summary

- Eric: Analysis is too smooth - need something disruptively beautiful
 - Selling cycle is still people-intensive
 - Placements TO Audience
- Problem with your strategy is that its so good that it should be growing faster
 - I expect significant positive revenue upside surprise in 2010
 - Need a more explosive strategy - more engineers
 - What's the analogy to Nikesh's 10s?
 - Think about this as a technology shift/disruption rather than a business metrics
 - What do you need - Bidder
- This is such a large space - let's really go for it! I expect a miracle!
- Patrick: Agencies are dinosaurs - talking to the wrong guys

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