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**AdWords cross-exchange bidding**

**This document is now outdated, please see [go/awbid](#) for updated awbid commercialization documents.**

**SUMMARY:**

**I. GDN needs to be cross-exchange competitively. We will do it via xBid's implementation.**

There is a shift happening across the industry - where competitive networks have access to all of the inventory we represent through AdX + AdSense plus access to other exchange inventory (like Yahoo and Microsoft) and publisher inventory (from yield managers such as PubMatic, Rubicon, and AdMeld). Competitors such as Criteo and Dapper are winning business against GDN as a result of this differentiation. Our assumption is that GDN needs to become a cross exchange buyer to stay relevant as a network. All networks and new performance media offerings (such as Criteo) focus on their inventory scale through cross exchange buying. Per our xBid strategy, moving forward, our plan is to enable Invite cross-exchange buying functionality across GDN.

**II. However, that has implications for the publisher base. Currently AdSense and AdX use AdWords demand as a unique sales proposition.**

The main concern from AdSense and AdX is eliminating the USP that they are the only access point for dynamic AdWords demand. Given the current market position of AdX versus other Yield Managers, if publishers can get the same AdWords RTB demand from any yield management/exchange partner, we expect many publishers would terminate their AdX relationship in favor of their preferred alternate vendor. We have started to model out the different scenarios to determine if the benefit of the increased inventory access outweighs the loss in the USP of AdX and AdSense + the shift in CPMs. That model is currently in progress.

**III. This decision also has strategic implications for our Publisher strategy overall**

Recognizing the strategic threat to GDN from Criteo et al, there is also a strategic question about the differential value to GDN of having direct publisher relationships through AdSense and AdX. If GDN is truly agnostic about where the inventory comes from as long as it's available, it may lead to a rethink of our publisher strategy, as it would no longer be as important for Google to hold the primary relationship. Alternately, if there "is" value to GDN in Google holding the primary publisher relationship via AdX or AdSense, then that should be quantifiable and potential loss there should be measured against the financial gain of this move.

**IV. We have implementation options that should enable us to mitigate some of the risk to both GDN and the Publisher base.**

Options include:



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- Operationally, making the cross-exchange buying occur via AdX so that the buyer of record is AdX. This increases the value of the integration (includes AdX and AdWords media spend), mitigates the sell-side perception issue of abandoning AdX or AdSense, and enables additional value propositions like eliminating advertiser self-competition through our platforms.
- A phased integration. GDN could start by targeting MSN and Y! inventory. The implementation of inventory from 3rd party yield managers will be triggered based on the market success of the initial integrations. Another option is to get all exchange inventory but only offer it to a limited set of advertisers.
- Commercialization. The commercialization & messaging of this project could be designed jointly with the sell-side, to avoid misunderstandings and combat the likely exaggerations of our competitors. (Right Media or AdMeld will almost certainly claim "you can now get 100% of AdX/AdWords demand through our tool, so stop working with them directly and just go through us!")

## V. Next Steps

Moving forward we will need to:

1. ~~Statement out to sales leadership - Zach to take lead~~
2. Create financial model incorporating risks and opportunities to both the buy and sell sides of the business. In addition we plan to model inventory access (size and overlap) as well as the impact on net revenue due to buyer and seller shifts. David Goodman
3. Address the open options above and determine the best way forward as a team. Scott
4. Create a mechanism to assess the state of penetration of the YM vendors; if their share increases or decreases materially, we may need to revisit our implementation. Zach
5. ~~Drive the commercialization of AwBid as it is strategically important to ensure internal and external messaging are properly crafted.~~
6. Throttle rollout: From a rollout perspective we will want to do the same thing we did when we turned on AdX initially, which was to throttle inventory so that we could chart the impacts to RPMs etc before going full-scale. Zach
7. Recommend to have Scott Sheffer, Mark Evans, and Shane Peros (plus others, as appropriate) discuss how to open up new supply to help deal with auction pressure constraining certain advertisers from running. Jonathan
8. Hard question FAQ, including ramifications for AdX positioning Zach

- Brad, Scott, Jason, and Jonathan

## OTHER NOTES:

A. GDN is currently supply constrained in cases where the auction pressure is not enabling certain advertisers to run. Opening up additional low-cost inventory into the pool should enable those advertisers to run which would be incremental revenue into the system.

B. Additionally, GDN has risk and competitive pressure on two fronts:

I) Marketing. Even though we already reach ~84% of the users on the internet, "deduplicated reach across exchanges" is making traction with clients.

II) Actual performance. We run a real risk of losing demand pressure and share if the other players in the market can outcompete us on performance based on this larger reach (needless to say this will have an even bigger negative impact on RPMs). The Criteos and/or trading desks of the world are now able to run across what we see on AdSense/AdX PLUS all of the other YMs/Exchange pools

NOTES from meeting:

### **1) Messaging to sales**

Short-term messaging:

**AI:** Zach to float stopgap messaging by four of us then send of day Jason to follow up.

Long-term messaging:

**AI:** Scott to take a first cut.

### **2) Execution**

Ideas:

1. Turn on exchanges (opt-out), yms (opt-in)
2. Throttling
3. Go-to-market: who is buying (AdX)

### **3) Strategy**

**AI:**

1. Create financial/strategic model - first cut done
2. Understand true net revenue flows - Scott to talk to Goodman
3. Ramifications of model