2018 AWBid Review

AWBid / GTrade teams
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Outline

Current Status

AWBid Principles

Expanding to ICM/Keyword

Setting the right margins

Id	Date	Text
1	08/29/2018 23:30:16	Can we swap the order of discussion? Margins first (for RMKT), then expansion to other targeting types (with even higher margins)?
1	08/29/2018 23:30:16	isn't the margins discussion with rmkt and icm coupled though?

AWBid RMKT Growth

Spam click rate comparable to AdX. Contracts have clawback provisions that we exercise monthly

AWBid Principles

1. Sellside: Take higher margins on 3PE than AdX/AW

2. Buyside: Take higher margins on less competitive segments (e.g. interests/keywords) than more competitive segments (e.g. RMKT)

Proposal: expand AWBid to non-RMKT

AWBid generates roughly 450M gross revenue for Remarketing. Over the past years, we have been investing in supporting additional buying types.

Contextual Interests: +50M* ARR at 50% margin - can launch Q4 2018/Q1 2019

Contextual Keyword: +50M* ARR at 50% margin - can launch in 1H 2019.

*: assumes exchange coop data pool, 1.yx if all exchanges participated, 2x if we could use AdX data pool.

Id	Date	Text
1	09/04/2018 18:40:48	Is this gross or net revenue? What's the net revenue?
2	09/04/2018 18:40:48	gross. the mid gross/net numbers are 3 slides down

Margins Consistent with Principles TLDR

Remarketing – we compete with other buyers for incremental conversions and have to be more competitive

- 450M annual top-line revenue
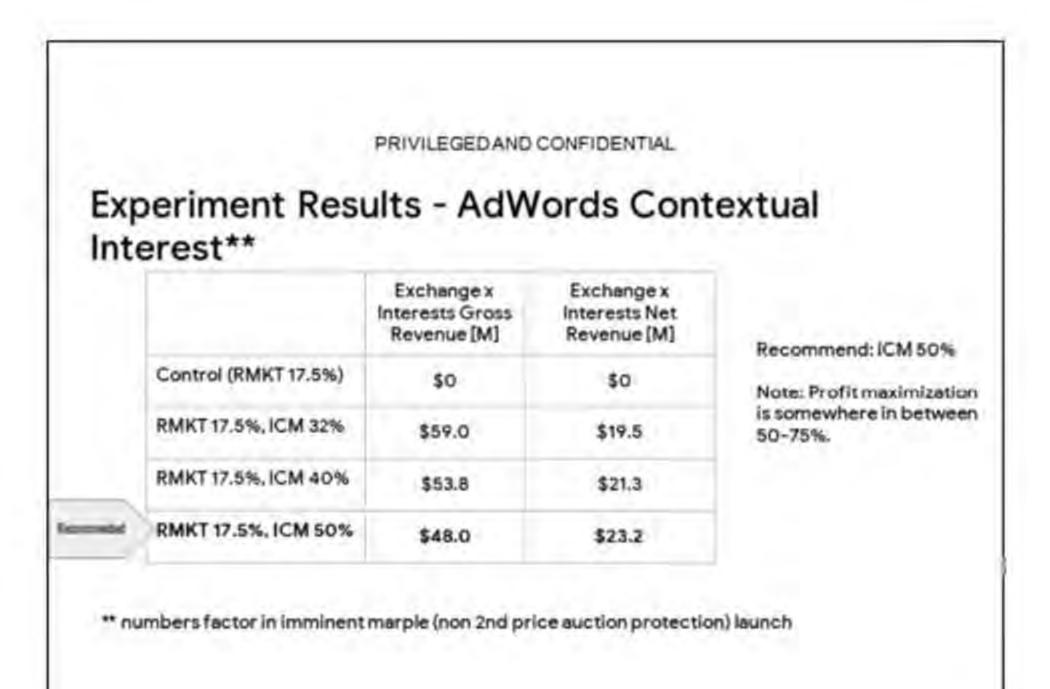- 32% (from 17.5% now) [we will adjust to match any future AdX/AW adjustments]

Non-RMKT – we have a mature business in AW buying on AdX web, so goal here is to maximize net revenue

- 150M annual top-line revenue for contextual interests and other targeting types
- Contextual interests at 50% in Q4 2018 (stretch) / Q1 2019

ASK1: approval to expand AWBid beyond RMKT at 50% (contingent on AdSpam/Policy approval)

ASK2: raise AWBid RMKT margin to 32%

Experiment Results - AdWords Contextual Interest**

	Exchange x Interests Gross Revenue [M]	Exchange x Interests Net Revenue [M]
Control (RMKT 17.5%)	$0	$0
RMKT 17.5%, ICM 32%	$59.0	$19.5
RMKT 17.5%, ICM 40%	$53.8	$21.3
RMKT 17.5%, ICM 50%	$48.0	$23.2

Recommended

Recommend: ICM 50%

Note: Profit maximization is somewhere in between 50-75%.

** numbers factor in imminent marple (non 2nd price auction protection) launch

Id	Date	Text
3	08/31/2018 03:18:51	+nirmaljayaram@google.com +santoshkc@google.com +egadd@google.com i realised these icm numbers are slightly weird because we're comparing them to a control where remarketing is 17.5% margin. I think these numbers would be substantially higher when we're comparing to a remarketing at 32% margin since icm is now more competitive. is that right? _Reassigned to Nirmal Jayaram_
1	08/31/2018 03:18:51	The revshare is not considered in cat2 auction (at the moment), so icm and rmkt are competing in a even field. That said, its more of a limitation of the current prototype, here is the corresponding feature request http://b/111570645 (Tim & I discussed on this a couple of weeks ago, we think it can be considered as a post-launch improvement – which should lead to some gains for rmkt) +tlipus@google.com
2	09/04/2018 18:40:24	How about adding another foot note to indicate, we estimate a similar net revenue gain from Keywords/CIM targeting as well (or we can just 2X the table, with a corresponding foot note)

Experiment Results - AdWords Remarketing**

Recommend 32% and match AdX/AW margins in future

	Exchange Gross Revenue [M]	Exchange Net Revenue [M]	Net Revenue Increase [M]
Control (RMKT 17.5%)	$387	$65	-
RMKT 32%	$367	$117	$52
RMKT 40%	$354	$141	$76
RMKT 50%	$324	$158	$93

** numbers factor in imminent marple (non 2nd price auction protection) launch

Id	Date	Text
2	09/04/2018 23:09:47	What's the inflection point, where net revenue stops going up?
1	09/04/2018 23:09:47	Assuming you mean net revenue. We haven't explored that. RMKT needs to stay competitive, as such Net Revenue Maximization is not the goal. Instead, we are trying to hit a sensible trade-off that also works well with the rest of the margins across the ecosystem, which we believe to be at 32%

Concern	Mitigation
Third parties and middlemen will benefit	At 50% margins (higher than YT), there isn't much room for middleman to take a cut.
Publishers will game GDN demand	50% margins result in lower bids, resulting in lower dynamic range for exchanges/publishers to extract money by gaming floors.
Dirty auctions will take advantage of GDN	Marple / Bid lowering in non-second price auctions protect against overpaying dirty exchanges/publishers
We could make more money on AdX	At 50%, if publisher moves to AdX, Google makes less net revenue.
There will be substantial negative impact to Sell-side	Differential high/low margins on AdX/Exchange contributes to AdX becoming more premium and exchange becoming more remnant, as we buy 3P inventory at low bids Despite worries when first launching AWBid on RMKT 3+ years ago, there doesn't seem to have noticeable impact to our sell side

Discussion: Using AdX Coop data on 3PE

Legal Position:
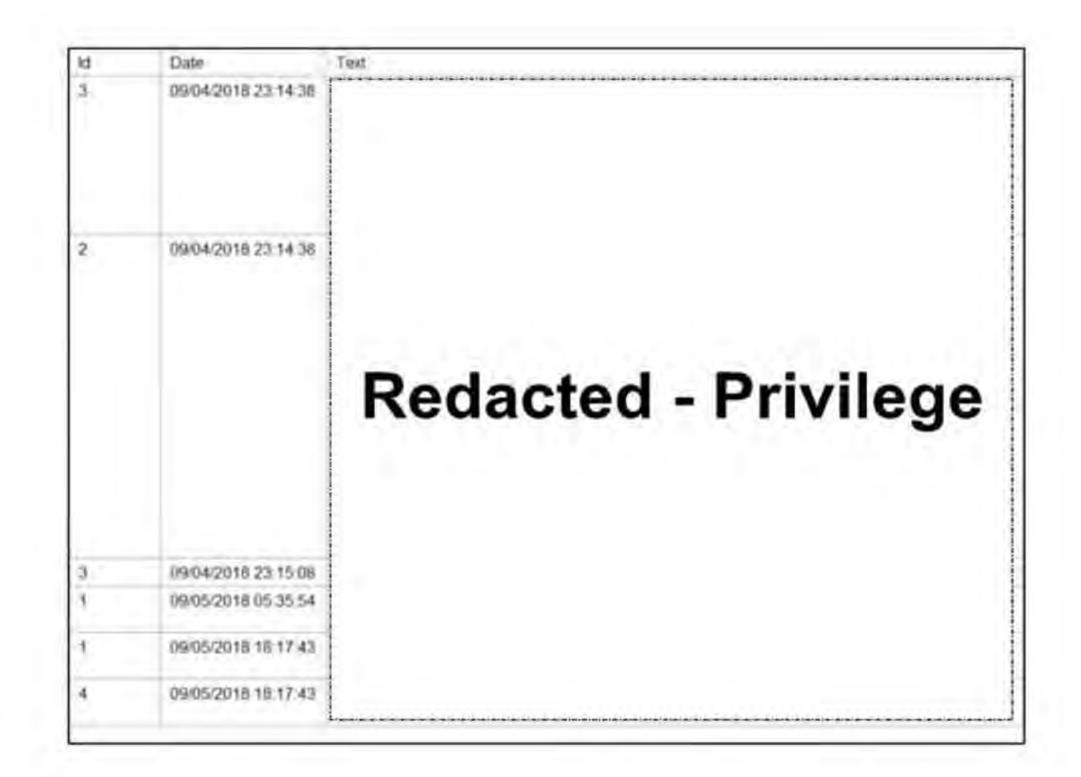
> # **Redacted - Privilege**

What's the right principle for using AdX Coop data on 3PE?

Is there a spectrum of Google data usage? e.g. SA/doppelganger/PT built using AdX vs interest profiles from AdX

ASK 2: Use full SA/doppelganger models for RMKT but take 50% (vs 32%)

ASK 3: Use PT/interest profiles from AdX coop data on 3PE at 50 or 75%

Id	Date	Text
3	09/04/2018 23:14:38	
2	09/04/2018 23:14:38	**Redacted - Privilege**
3	09/04/2018 23:15:08	
1	09/05/2018 05:35:54	
1	09/05/2018 18:17:43	
4	09/05/2018 18:17:43	

APPENDIX

Experiment Results - AdWords Remarketing**

Rasta	Exchange Gross Revenue	Exchange Net Revenue	Net Revenue Increase
Control	$425,414,800	$70,938,967	–
32%	$403,736,233	$128,548,133	$57,609,167
40%	$389,788,367	$155,395,100	$84,456,133
50%	$356,471,167	$173,632,933	$102,693,967

** numbers DO NOT factor in imminent marple (non 2nd price auction protection) launch

Experiment Results - AdWords Contextual Interest**

Rasta	Exchange x Interests Gross Revenue	Exchange x Interests Net Revenue
Control	$0	$0
32%	$64,826,433	$21,437,667
40%	$59,159,200	$23,435,433
50%	$52,737,633	$25,469,700

** numbers DO NOT factor in imminent marple (non 2nd price auction protection) launch