



AdWords Cross-Exchange Buying (AWBid)

July 2014

Business Process & Compliance

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PTX0208

1:23-cv-00108

- AWBid Project Overview
- Exchange Deal Overview
- BD Status
- Product Status

AdWords Cross-Exchange Buying (AWBid) enables AdWords advertisers to reach a greater share of users on their remarketing lists by extending their advertising campaigns beyond GDN to multiple partner ad exchanges and premium inventory.



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Extending our technologies to 3rd party exchanges

Google needs to sign deals in order to purchase remarketing inventory from partner ad exchanges on behalf of our AdWords advertisers.

- Google is better able to retain the largest and most strategic GDN spenders, grow their spend, and compete more effectively in the remarketing space
- Many advertisers are spending significantly below their daily remarketing campaign budgets due to lack of available inventory. AWBid will help monetize part of that unfulfilled demand
- Major exchanges (e.g. PubMatic, Rubicon, OpenX) represent more than 1 trillion monthly impressions*
- Greater demand on RTB will allow Google to optimize on programmatic buying

* GDN has 210 million impressions

<div>  <div>Detailed Deal Terms</div> </div>	
Partner	3rd party exchanges
Region, Countries	Global impact
Payment	Google is system of record or can dispute discrepancies greater than the lesser of 5% or \$10K per month or spam/fraud that it determines in its sole discretion
Pricing	Google will purchase remarketing inventory via the exchange's auction. Google will convert AdWords CPC bids into appropriate CPM bids on the auction via an automated bidder developed by Google Eng specifically for the Exchange auction. Google's numbers as controlling measurement for spam and discrepancy disputes.
Term length	Redacted - Privilege
Termination rights	<p>Note, termination rights are not critical, as the exchange is not obliged to send us bid requests and we're not obliged to bid, but rights to termination are important as it will allow us to say that we don't have a relationship with Exchange for AWBids if we terminate.</p> <p>Mutual termination rights upon 30 days written notice, immediately upon material breach, with 30 days to cure if the breach is curable. Google can terminate immediately if illegal content is displayed on any inventory available through the Services. Google can terminate if any publisher policy is violated 3 times within 120 days.</p>
Exclusivity	None
Publisher policies	Exchange must ensure that publishers adhere to Google's publisher policies
Liability Caps	<p>Unlimited liability for infringement of IP, indemnification amounts payable to 3rd parties, and breaches of confidentiality (including public statements about this relationship without mutual consent).</p> <p>Maximum aggregate liability for all other issues is limited to the total amount of fees payable by Google to Exchange during the 12 months prior to when the liability arose.</p>
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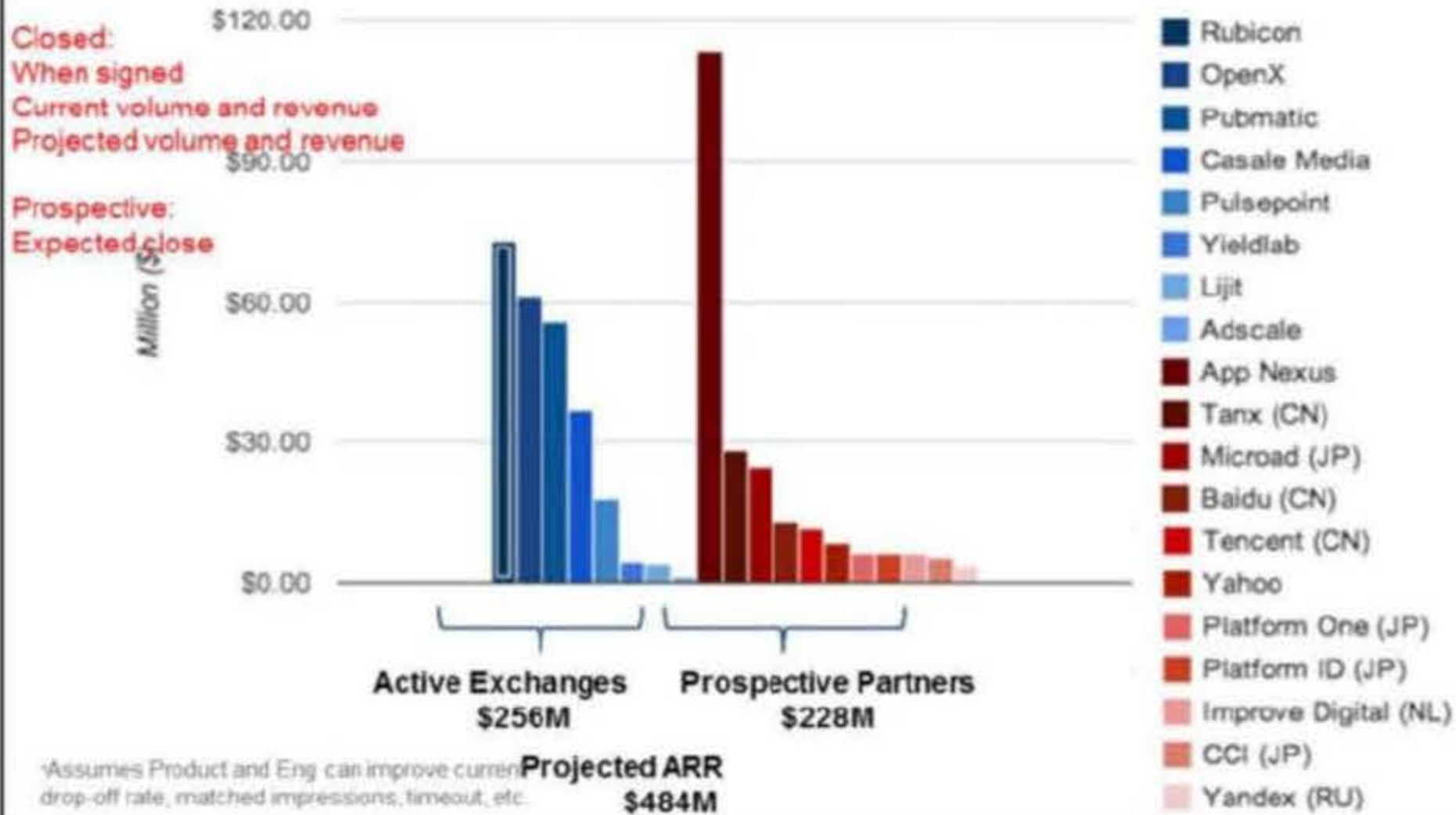
AWBid is projected to generate over **\$480M** of annual incremental gross revenue run rate by mid-2015.

	AWBid	
Monthly Impressions	1,310,000,000,000	
% Bids Submitted	7.7%	• Drop-off rate: 50% (OpenX performance) • Matched impressions: 22% (OpenX match rate) • Time-out: 30% (OpenX performance) % of Bids Submitted: 7.7%
Bids Submitted*	101,840,000,000	
Win Rate	25%	25% (AW remarketing bid submitted to AdX system)
Won Impressions - Assumes Product and Eng can improve current drop-off rate, matched impressions, timeout, etc.	25,460,000,000	
All exchanges		
eCPM Paid to Exchange	\$1.20	
Monthly Cost of Acquisition	\$30,552,000	
Margin (leading with 32%, but will be optimized)	32%	\$1.20 (AW remarketing buying on AdX)
Monthly Gross Revenue	\$40,328,640	
Annual Gross Revenue	\$483,943,680	

[Full Financial Model](#)

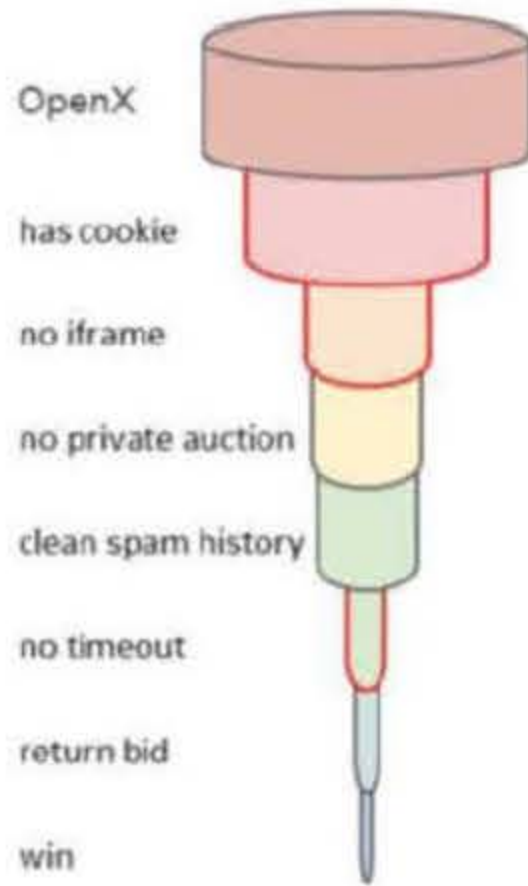
Id	Date	Text
1	07/28/2014 14:43:51	+aweinberg@google.com this is based on go/awbid-model
		are you okay quoting these numbers?
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AWBid Revenue Opportunity - By Exchange



Id	Date	Text
1	07/28/2014 18:37:06	+jieu@google.com does the color coding reflect likelihood to generate this revenue? do we have projected vs. actuals for existing exchanges ? Also, this prospective partners' revenue assumes that we fix the issues on the next slide? Let's call it out.
1	07/28/2014 18:37:06	Color-coding is for active vs. prospective. Yes it is based on correcting the inventory throttle.
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There is key Product and Engineering work to increase the volume of inventory that AWPbid can successfully bid on.



	Current	Q3 goal	Product/ Eng work to improve
Cookie	58%	75%	<ul style="list-style-type: none"> Place cookie matching pixels in more frequently called locations Drop cookies on non-cookie users: 25%
iframe*	50%	90%	<ul style="list-style-type: none"> Launch encrypted creative to address soam Allow iframes on exchanges with low spam issues
Timeout non-GPA/GPA***	35 / 70%	20 / 20% stretch	<ul style="list-style-type: none"> Tech improvements: caching, IBADON opt. Bid prediction: guess what would be a bid for an impression and determine the right creative later. Close to 0%.

* based on conservative assumption that 10% of traffic doesn't meet our spam quality requirements
 ** includes other filter reasons
 *** 70/95% in Q1

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This is on OpenX, which dominates our current traffic. Other exchanges are worse off, e.g. Yieldlab times out 90% on non-GPA queries.

Challenge	Mitigation	Status
Exchange is direct competitor to AdX	<ul style="list-style-type: none"> Pilot program approved by Ads leadership team (Susan, Neal, Philipp, Joerg, etc.), would present updated financials for full launch approval AWBid demand is capped at 10% of AdWords spend AWBid is confidential program Google not obligated to bid on any inventory Strategic competitors (e.g. Criteo) offer cross-exchange buying, making AWBid a defensive priority for our remarketing business 	<p>Need to project impact to existing AdX business, given success of pilot</p>
Google can not bid on majority of available impressions from partner exchanges (e.g. bidding timeout)	<ul style="list-style-type: none"> Google Eng needs to improve following: <ul style="list-style-type: none"> Match rate - Find remarketing ad for an eligible impression Time out - Time to submit bid expires before submission 	<p>Eng working on bid improvements in Q3/Q4</p>
Exchange provides more publisher-favorable auction mechanics than AdX	<ul style="list-style-type: none"> Google charging a flexible margin on all AWBid purchases to ensure healthy ecosystem 	<p>Eng optimizing for margin</p>
Google is buying on behalf of our advertisers, converting CPC to CPM bids	<ul style="list-style-type: none"> Exchange must be transparent on how their auction works Eng building optimized bidder that takes Exchange auction mechanics into account 	<p>All exchanges have been transparent with auction mechanics</p>
Exchange inventory may be poor quality	<ul style="list-style-type: none"> Exchange committed to adhering to our publisher policies and has made significant quality improvements in their inventory 	<p>Only bidding on high-quality inventory</p>

Id	Date	Text
2	07/28/2014 18:42:00	+jieu@google.com "Need to project impact to existing AdX business"
		do we have even a high level estimate of the impact ? it will be good to compare it w/the existing revenue/potential revenue ? "Google can not bid on majority of available impressions from partner exchanges (e.g. bidding timeout)" - it will be good to include another column of impact and include the % of revenue that can be impacted if we don't have these improvement in place.
4	07/28/2014 18:42:00	Since we're only in pilot mode, we've only opened up 1 to 10% of demand to AWBId. We need to collect a lot more data to make accurate projections on broader impact.
3	08/06/2014 23:32:13	+tmaurer@google.com - Can advertiser control opt-in to buying on specific exchanges?
2	08/06/2014 23:32:34	+tmaurer@google.com - Do we have way to audit auction mechanics?
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Google has signed 8 exchanges representing 19 billion monthly impressions and is projecting 4 to 6 more exchanges in 2014. There is enough 3rd party inventory for Google to solve throttling issues.

Active Exchanges



Prospective Partners



Deal Success Metrics (Profitability, ROI, traffic, etc.):

This deal will be successful if:

- Google can buy advertiser-safe remarketing inventory from 15+ exchanges globally by mid-2015
- Partnerships remain confidential while in pilot stage
- Payment and refund processes meet full launch criteria*

Method for tracking success metrics:

- Ongoing reports on exchange inventory quality and incremental inventory as well as uplift to participating advertisers.

People responsible for success:

- Tobias Maurer (PM) - Overall AWBID strategic direction and product success
- Matthew Young-Lai, Dima Kuzmin (Eng) - Successful integration and ongoing technical optimization
- Maxime Tiran (gTech) - Partner technical account management and integration support
- Barney Pierce (Sales) - Advertiser adoption

Post-deal Follow Up:

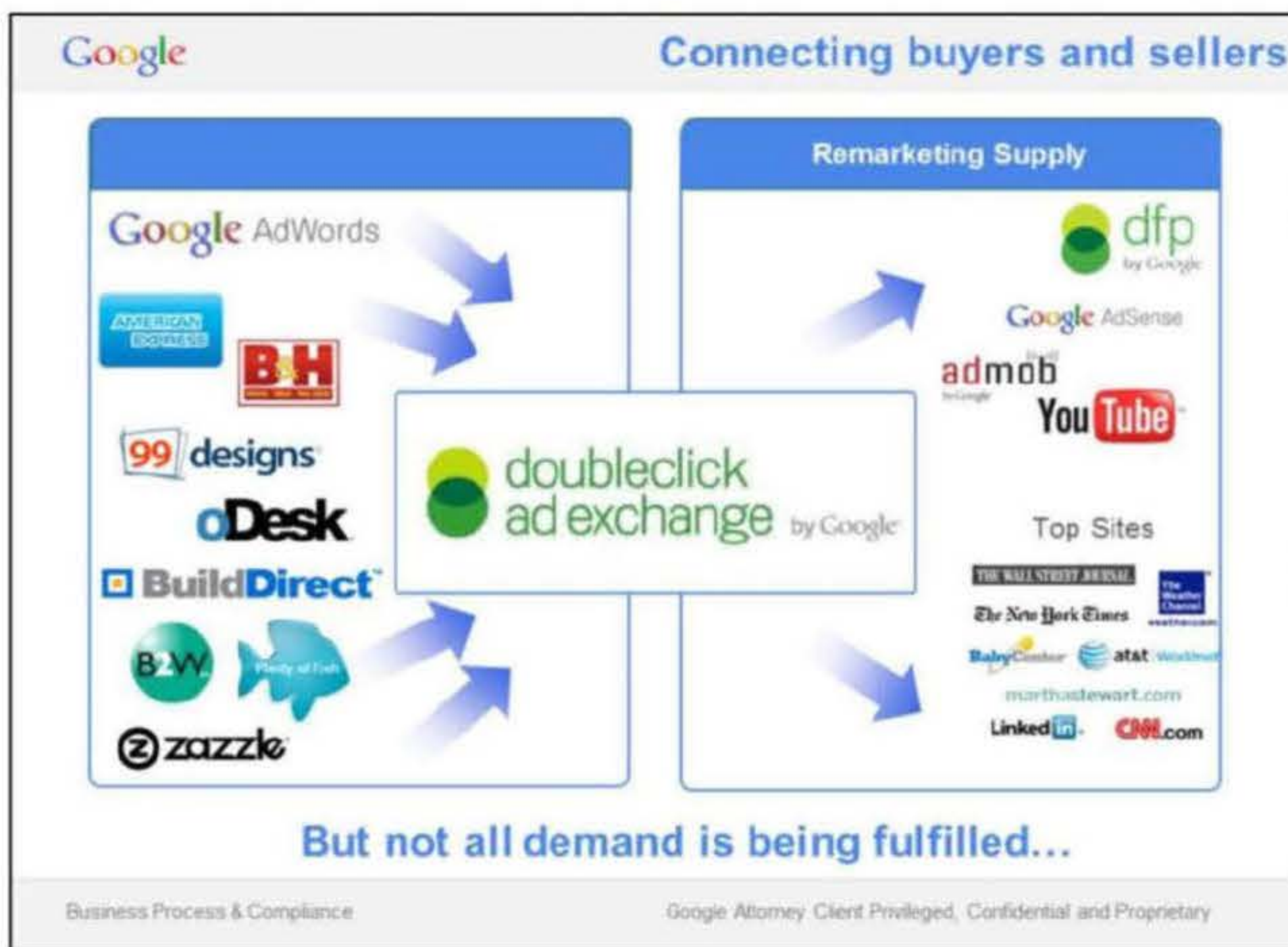
- Regular AWBID commercialization meetings to review performance and strategy.

* Detail in appendix

Id	Date	Text
5	07/28/2014 14:53:06	+tmaurer@google.com - Pls review and confirm or comment
2	07/28/2014 14:53:06	<p>From a BD perspective, I agree with your metrics. But would add payment and refund processes are operational. Or something along those lines.</p> <p>Here is what I have defined as a launch criteria for us:</p> <ul style="list-style-type: none"> a. 15% incremental conversions at equal CPA b. Spam rate of purchased impressions <15% online, <5% offline (compared to 10%, 1% AdX) c. Policy rating at least 8/10 (compared to 7/10 for AdX), subjective content quality at least 3/10 (compares to AdX/AdSense long-tail) d. Sufficient level of incremental inventory: overlap purchased impressions with AdX/AsSense <=30% [this is based on the thinking that if we don't have a majority of impressions by a margin that are net-new, the cost of cannibalizing and resulting increased cost to advertisers (due to additional margins) is higher than the benefit of providing additional inventory access]
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- Agree on clear success criteria
- Revisit BD and Product status in 6 months

Appendix



GDN	DBM
RMKT only, CPD equalized	all campaign types
supplemental inventory focused on performance results	unfettered access
32% margin	lower margin
spam protections built-in	no spam protection today
simple opt-out for all exchanges	per-exchange management
no exchange-level reporting or optimization levers	full reporting and optimization per exchange

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1. 15% incremental conversions at equal CPA
2. Spam rate of purchased impressions <15% online, <5% offline (compared to 10%, 1% AdX)
3. Policy rating at least 6/10 (compared to 7/10 for AdX), subjective content quality at least 3/10 (compares to AdX/AdSense long-tail)
4. Sufficient level of incremental inventory: overlap purchased impressions with AdX/AdSense $\leq 30\%$
 - a. Google needs majority of impressions that are net-new. Otherwise, the cost of cannibalizing and resulting increased cost to advertisers (due to additional margins) is higher than the benefit of providing additional inventory access.

- **Exchange is a direct competitor to AdX, and providing them access to Google demand is empowering our competitor.**
 - AWBid has been approved by the Ads leadership team (Susan Wojcicki, Neal Mohan, Philipp Schindler, Joerg Heilig etc.) on October 10th.
 - Strategic competitors (e.g. Criteo) offer cross-exchange buying, making AWBid a defensive priority for our remarketing business.
 - This is a confidential program. Exchange is prevented from making any announcement about AWBid without Google's permission (with unlimited liability for breach). Google is also not obligated to bid on any inventory.
 - Google can terminate the partnership, but relationships with top partners (e.g. Baidu, Alibaba, Tencent) may be impacted.
- **Exchange provides more publisher-favorable auction mechanics than AdX, which could push publishers to them.**
 - Google is charging a flexible margin on all AWBid purchases, ensuring a balanced and healthy exchange ecosystem.
- **Google is buying on behalf of our advertisers, converting from CPC advertiser bids to CPM bids on the partner exchange. Incorrect bidding strategy and/or CPC to CPM conversion could result in Google losing money.**
 - Exchange has been transparent on how their auction works and has committed to update us in advance of any material changes.
 - AWBid eng is building a bidder that takes Exchange auction mechanics into account, ensuring that we don't overbid. We will begin with small purchases to test our bidding strategy and then expand.
- **Exchange could overcharge Google.**
 - Google's numbers are the controlling measurement for both discrepancy resolution and spam.
- **Exchange inventory has had a reputation for poor quality in the past.**
 - Exchange has committed to adhering to our publisher policies and has made significant quality improvements in their inventory. Quality issues expected to be less severe in APAC given high share of owned and operated (China) and premium nature of aggregated inventory (Japan).



Google bidder understands auction model to optimize conversion of CPC bids to CPM bids on exchanges

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Google is converting advertiser CPC bids to CPM bids on the exchanges, and charging a margin. To do so, we need to understand how the exchanges' auction models work so that we can bid appropriately.



AWBid Deal Requirements

BD Pipeline and Negotiation Overview: With the top tier exchanges (Right Media, Rubicon, PubMatic, AppNexus, Exchange, and Lijit) we are negotiating key terms that are the same conceptually. Most of the agreements are on 3rd party paper based on the partner's standard buyer agreement.

For subsequent deals, we'd ask to go straight to SIMBA if negotiated deal terms fall within the following structure:

Essentials:

All deals with terms outside of these parameters should go to EPX review

- Transparency on auction mechanics (and commitment to notify us of any changes)
- Google's numbers as system of record for discrepancies (greater than 5% or \$10K per month) or spam/fraud in any disputes
- Adherence to Google's publisher policies
- No marketing, publicity or announcements without Google's consent. Unlimited liability for breaches of confidentiality or IP infringement

Nice to Have:

- Commitment to maintain "clean" 2nd price auction (fallback is transparency on auction)
- Shared publisher billing details for use in spam detection (often in violation of partner confidentiality commitments)
- Rights for Google to create targeting profiles based on publisher site data (fallback is to retain the right with explicit publisher consent)

*Detailed deal terms in the appendix

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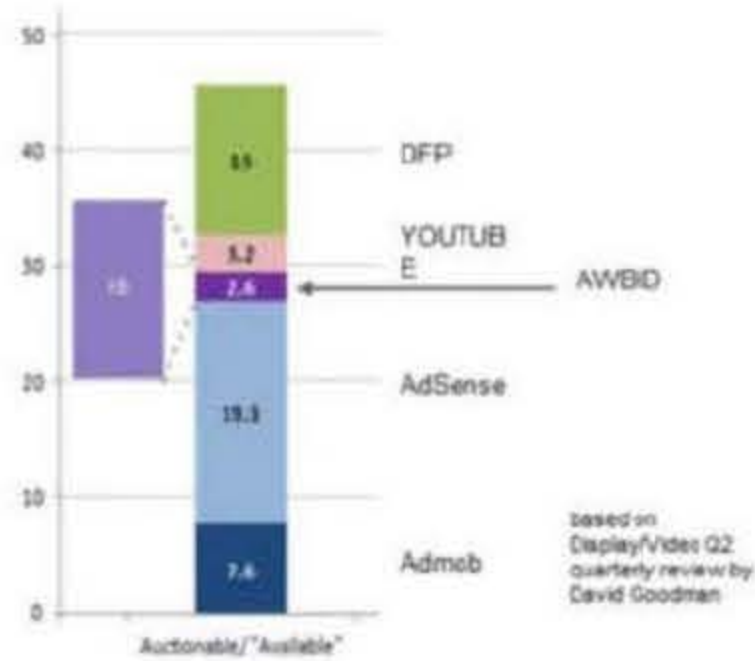
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Advertiser report for April 2014:

https://docs.google.com/a/google.com/spreadsheets/d/1JpiNTL2P2MY7J1NwG_NO1JwDfWDJxbDdsGa84Mc5LcM/edit#gid=1564235217

Exchanges are providing 15bn daily queries, 33% growth to GDN top funnel, 6% bottom of funnel (pre/post throttles and spam filtering)



	Daily Queries
Rubicon*	6.0bn
OpenX	5.0bn
Casale Media	3.0bn
PulsePoint	1.5bn
Pubmatic	4.5bn
Yieldlab	0.5bn
AdScale*	<1.0bn
TOTAL	15.0bn

*: currently ramping up, fully live by end of week

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https://docs.google.com/a/google.com/presentation/d/1mxQMZ-L2XYCy5K8N5oj6upEFOCZdf---KbRD9dWsZvo/edit#slide=id.g275351530_1250



Inventory Quality Meeds AdX Policy Ratings

Inventory Quality compares to Adsense Longtail

Based on June review by stonite@, pfb@ in Vinay Rao's team

Policy rating:
6/10 (vs. 7/10 AdX)

Subjective Content Quality:
3/10, compares to long-tail AdX/AdSense

Issues addressable with blacklists:
Webmail, Copyright, Cracking/Hacking,
T&C compliance, few low quality sites

Need to monitor but not blocking:
Ad injection, Sexual Content, Desktop
app inventory, Syndication

Recommendation:
No blocking issues, especially if audience buy



	Description	Action
Webmail	6-7 webmail providers (eg. orange.co.uk)	blacklist/whitelist based off webmail beta solution
Copyright	some evidence, eg. dramafire.com , annholtoy.info	AdSense blacklist
Cracking/Hacking		
T&C compliance	MP3/Video downloads, subverting rights, use Google Product abuse blacklist	
Ad injection	suspecting ad injections (eg. thephonebook.bt.com)	not blocking: can create a list of top 100 O&O properties and block them
Sexual Content	very little evidence, eg. imgur.com	not blocking: keep monitoring
Desktop app		not blocking: keep monitoring
Multi-level Syndication	can create a list of top 100 O&O properties and block them	not blocking: keep monitoring

<https://docs.google.com/a/google.com/document/d/1Oe2MMiLAo2RF43vVm462sDxe9i2jS1HJkMyIN07nSP8/edit>



Incremental Inventory

Site	AWBid Eligible Imp	AWBid Contribution	% OpenX	% Casale	% PulsePoint	% PubMatic	% Yieldlab
juno.com	2086951279	99%	99%				
drudgereport.com	1934658767	87%	57%	8%	3.41%	18.09%	
loking.net	1803587623	99%	99%		0.00%		
opposingviews.com	1345717299	98%	98%		0.00%		
jsonline.com	1140067262	99.99%	99.99%				
addictinggames.com	1137802055	98%	98%	0%			
emgn.com	1017773516	91%	90%		1.07%		
scrabblefinder.com	896421210	88%	88%				
auctionzip.com	749674505	94%	94%				
characterarcade.com	702021848	100%	100%				
perezhilton.com	686065742	93%	87%	6%			
meteofeminille.it	593250822	99.99%	99.99%				
wayfair.com	414558889	87%	87%			0.01%	

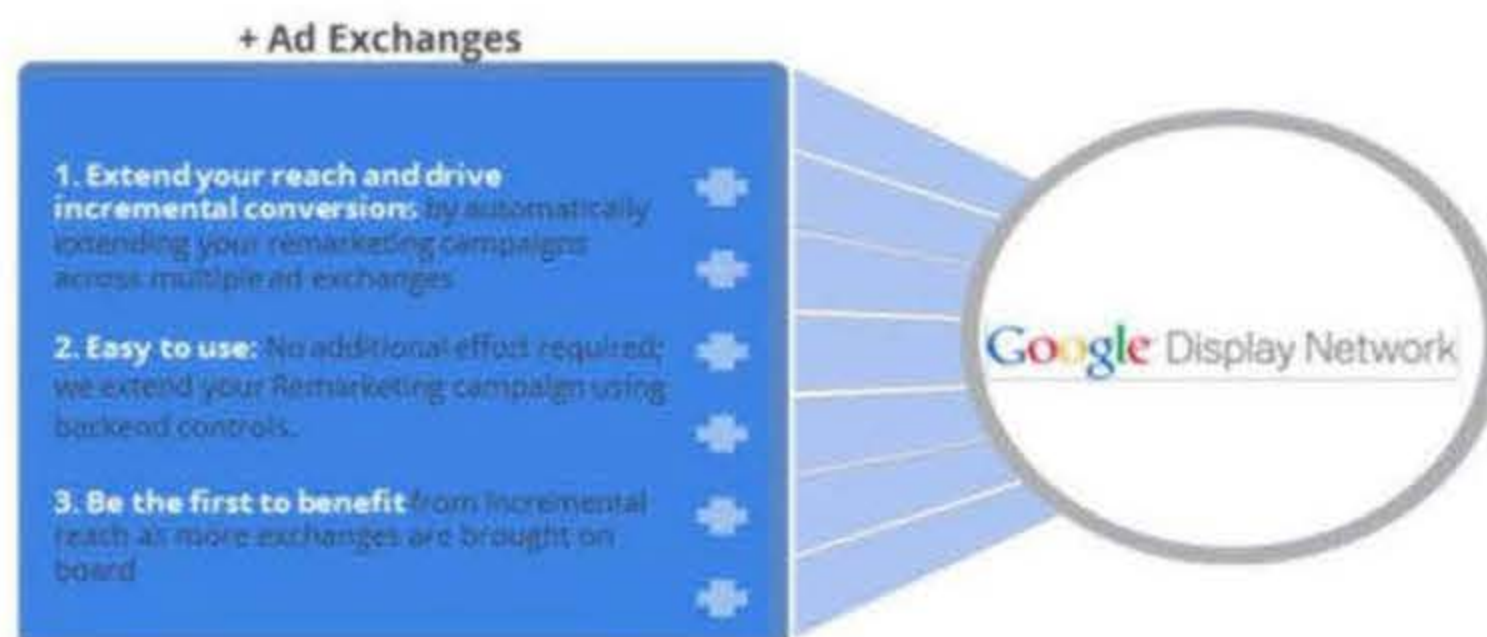
Mainly via OpenX, AWBId providing top unique impressions

[Full Inventory Details can be found here](#)

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Extend your remarketing reach beyond the Google Display Network

Adwords cross exchange buying for Remarketing is a *pilot program* that automatically extends the reach of customers Adwords remarketing campaigns across multiple exchanges to source additional impressions



Ad exchanges are technology platforms that facilitate the bidded buying and selling of online media advertising inventory from multiple ad networks

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Exchange Objection Handling

Top Objections & FAQs

Objection: I don't want to compete against myself in other exchanges?	Answer: on AdX we have found that a very small price inflation occurs from self-competition and that is outweighed by the growth in conversion volume so that there is substantial net benefit to the advertiser: more conversions at a healthy CPA.
Objection: The beta agreement disclaims all liability, that presents a big risk in return for very low gain?	Answer: We need to have these legal provisions b/c we are bringing on additional exchanges to this pilot. While early results show that our spam protection mechanisms work well, we are not yet in the position to make guarantees. In addition to IAB standards, we are implementing reasonable contractual and technological measures to mitigate the risks that come with cross-exchange buying.
Why is GDN buying on multiple exchanges? Isn't that a key DBM differentiator?	Answer: Google's goal is best-in-class shared innovations in display across our media platforms. Cross-exchange is one feature that will be available to both GDN and DBM buyers. Sales team should continue to leverage the Google platform (DBM or GDN) that meets the needs and goals of the advertiser.
What can I tell customers about the exchanges we have participating in the program?	As of October 2013, you can tell customers we have two exchanges currently participating, Casale and PulsePoint. You can also inform them that that we are actively in discussions with all major exchanges and hope to have more exchanges signed onto the pilot soon. Please note that our agreements with Casale and Pulsepoint are considered confidential information and cannot be shared with anyone except the people directly involved - not even with those companies

(Please see [comm doc](#) for more)

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