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Global
Publishers and Platforms
Solutions & Innovations

Big Rocks: DFP / AdX / AdMob

April 3rd, 2014

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Structure of today's discussion

- Where we have come from:
  - Deck presented to PMG on DFP/AdX proposal on March 20th
  - Brian Adams deck on DFP/AdX unification shared with Aidan, Pooja, Drew B on March 21st
  - Deck presented to Global Publisher Strategy Weekly on Mobile Segmentation on March 27th (incl extract from gTech deck shared with PMG)
- Where [we think] we are today:
  - Update from 4/1 and 4/2 meetings
- Where we go from here:
  - Next steps

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Consolidated feedback on DFP/AdX proposal

March 20th, 2014

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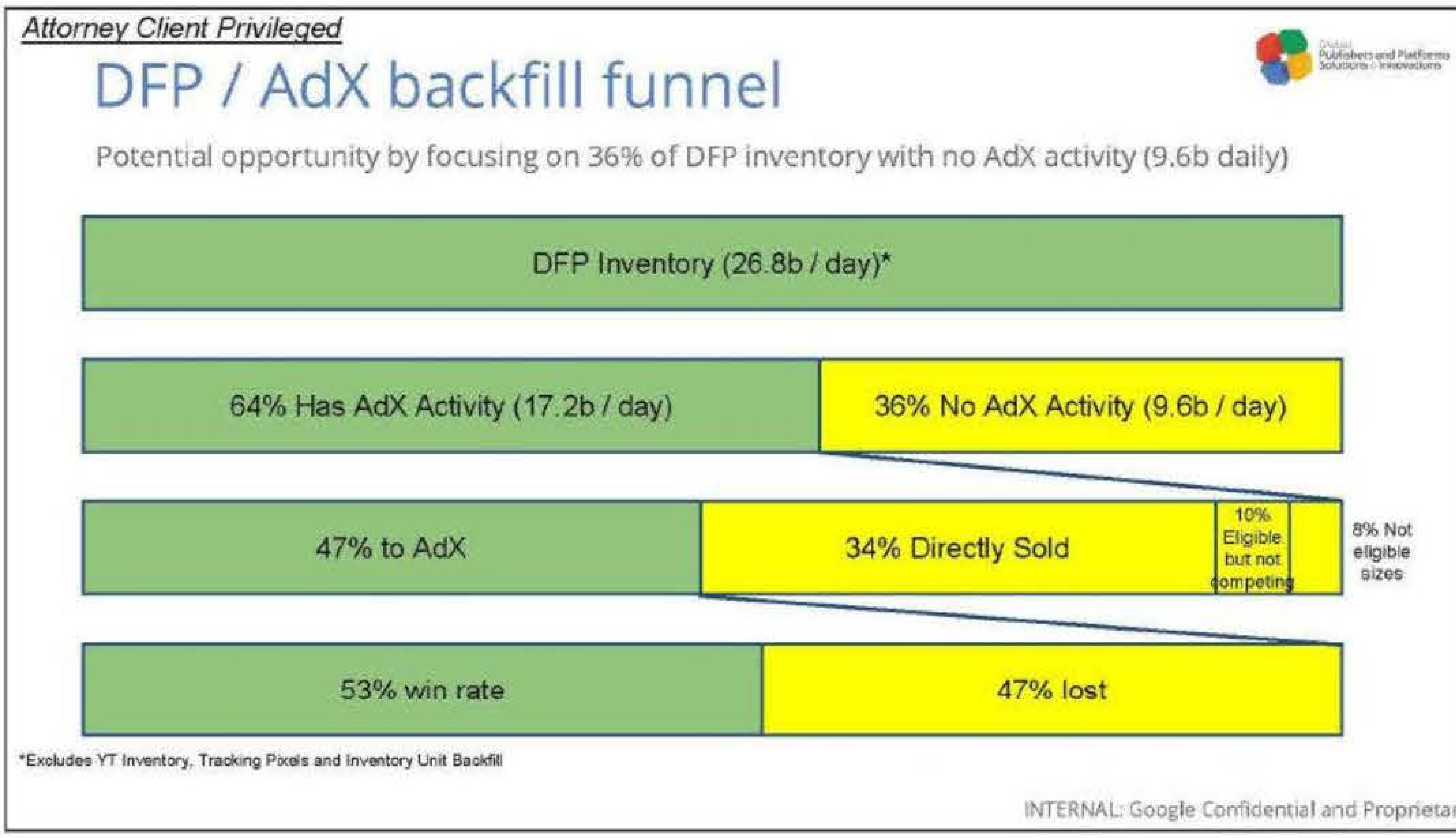
Background

- Critical long-term product strategy decision for DFP/AdX in the offing
- Planning for the future of digital publishing which is increasingly programmatic, cross-device, where viewability and GRP are standard, requires a fresh view of our offering
- We are building solutions like Jordan (programmatic reservations) and Omega Ads (personalized content instead of ads) which blur the inventory access lines
- Increasingly complex landscape means that in-house / independent ad servers will find it more difficult to keep pace with the market (see recent traction with Turner, NYT, Spil)
- Initial new product design principles would have the effect that implementing AdX backfill via a third party ad server would be unfeasible.

DFP publishers not using AdX



AdSense: 7
Ad Network: 2
Anti-Google: 2
Yield concerns: 2
Rubicon: 3
Custom: 6
Indirect monetization not a priority: 3
Need strict controls: 1 (Disney)
Terms: 1

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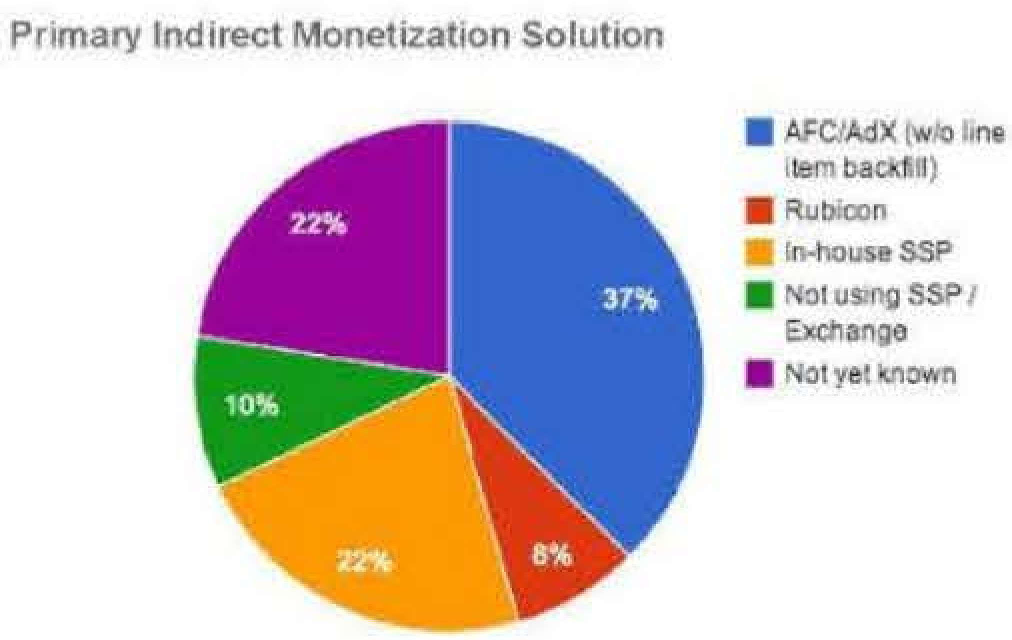
How does the 9.6b break out?

Looked at Top 40 DFP publishers by volume (50% of all such impressions)



Region	LPS	OPG
Americas	13	5
NACE	3	-
SEEMEA	6	1
APAC	6	6
Total	28	12

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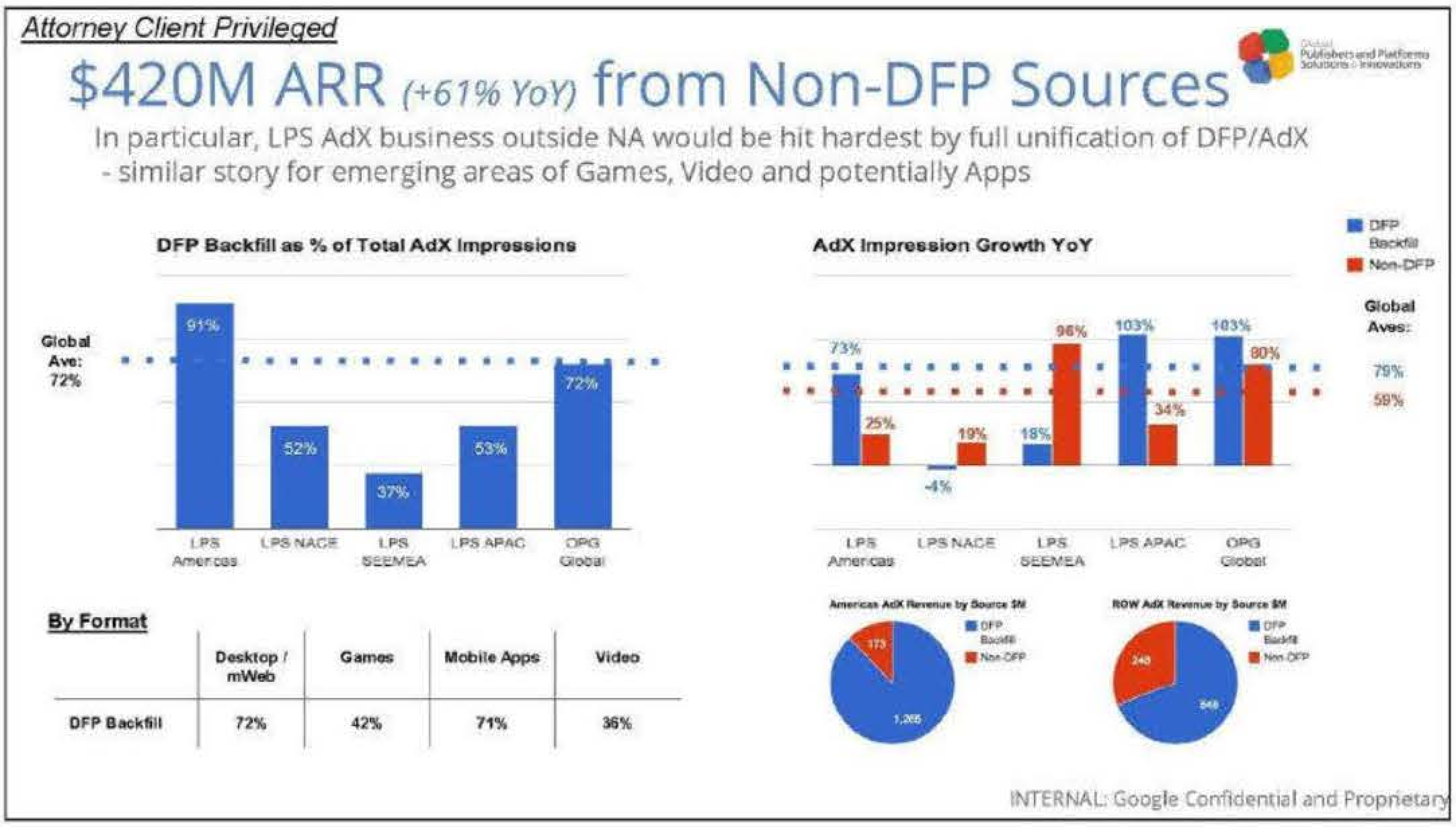
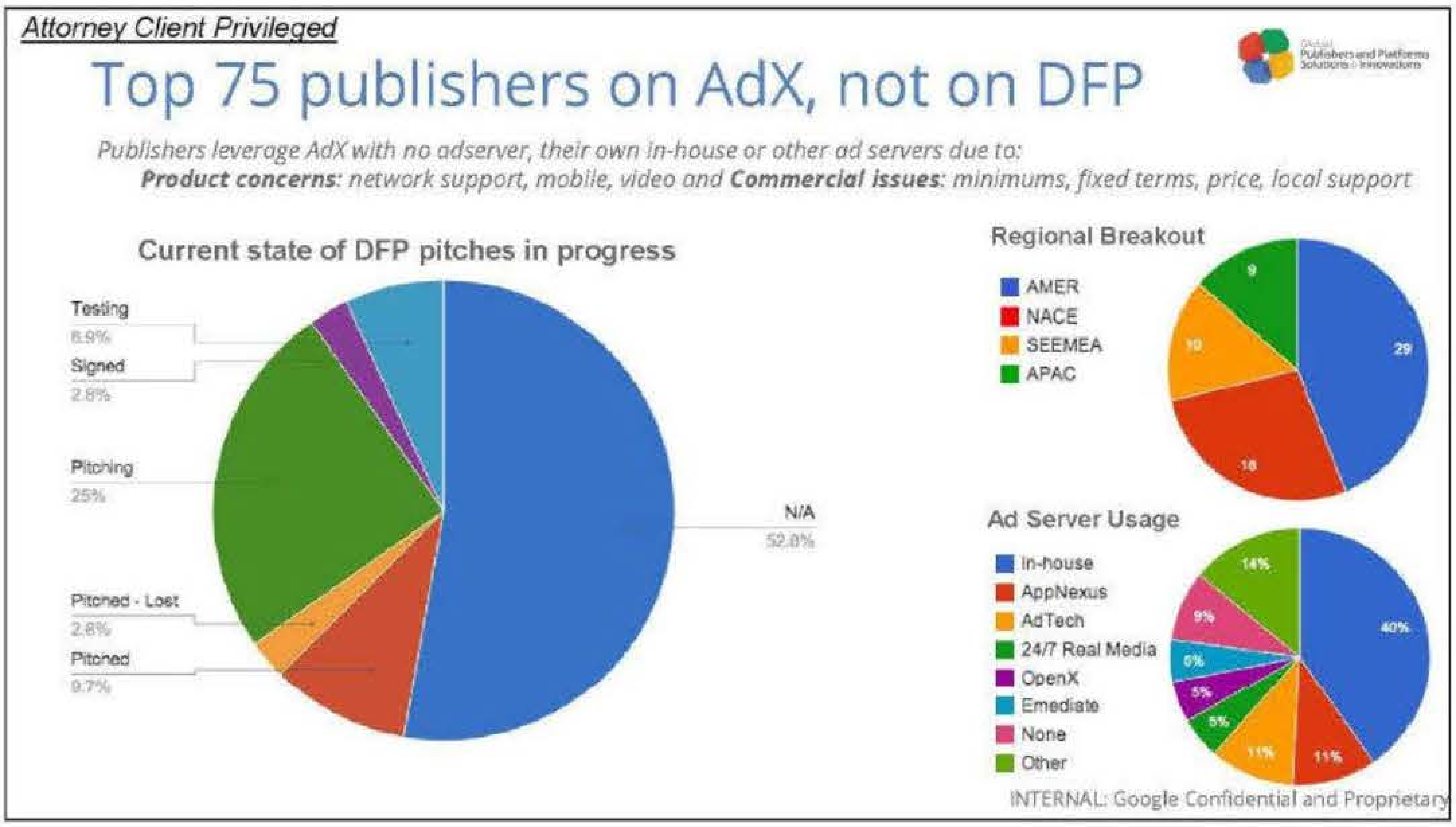
AdX publishers not using DFP



Daniel: needs to see the quantifiable value/upside for this unified approach
Daniel: What would the implementation/dev cycle look like?
Bonita: If part of the reason for this is internal, what is the cross-product impact on the roadmap?
Jerome: Mobile segmentation is a main pain point



There is a segment of the market who will not want to use our ad server; are we willing to cut that off?
Top 75 by revenue
Many of the 52.8% are ad networks

Of the top 75, a larger portion are ex-US;
How many DFP deals have we signed in last 12 months from “AdX-first” lead list

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Full unification may slow adoption

Limiting our offering to a "full stack only" model may slow adoption and penetration in emerging markets and formats

	DFP	AdX
Stakeholders	• IT • AdOps	• AdOps • Yield/Revenue Ops
Switching costs	• Medium-high	• Low
Implementation time	• 6 months - 2 years	• ~2 weeks
Contractual obligations	• Fixed term	• 30-day termination clause
Pricing	• CPM	• Rev Share
SLA	• Yes - standard	• No
Data provisions	• Pub owns; Google cannot use unless pub signs DAOF	• Google owns; can use aggregated data

Are we willing to risk AdX adoption in the short-term?
Can we leverage success of AdX contract TAT for DFP contract simplification?

Alternate product strategy paths

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Product strategy paths to consider

Unified back end - separate contract / flexible sales approach

- Single back end
- DFP and AdX exist as **permissionable modules** which can be sold separately
- Contracts continue to exist **separately**
- Publishers **can use AdX with their own or 3rd party ad-server**

Unified back end - add-on product approach

- Single back end
- AdX exists as DFP **add-on only**
- **Deprecate** AdX ANO and AdX tags (use DFP tags only)
- Contracts continue to exist **separately** (or can do so)
- **AdX may run in non-Google ad servers via a DFP tag** (see schematic on next slide).

Unified GTM strategy - single contract

- Publishers **cannot** use AdX without also using DFP
- Publishers **can** use DFP with another yield manager
- **Single contract** for both products

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Green: Contracts continue to exist separately. → For simplicity sake and for pubs who don't want to use AdX or have issues with the data rights/etc it's not in the way.
Green: AdX may run in non-Google ad server via a DFP tag. → Also, in discussions with Gregoire - publishers could traffic DFP tags into another ad server and still be able to use AdX with a non-Google ad server. Would the product support this execution? Yes. Like this because we get Jordan on that inventory.
Blue: deprecate adx tags; unified inventory svc

"DFP core" + "Premium add-ons"
Green = marketing question -- DPP w/3 modules: XSM, DFP direct, AdX.

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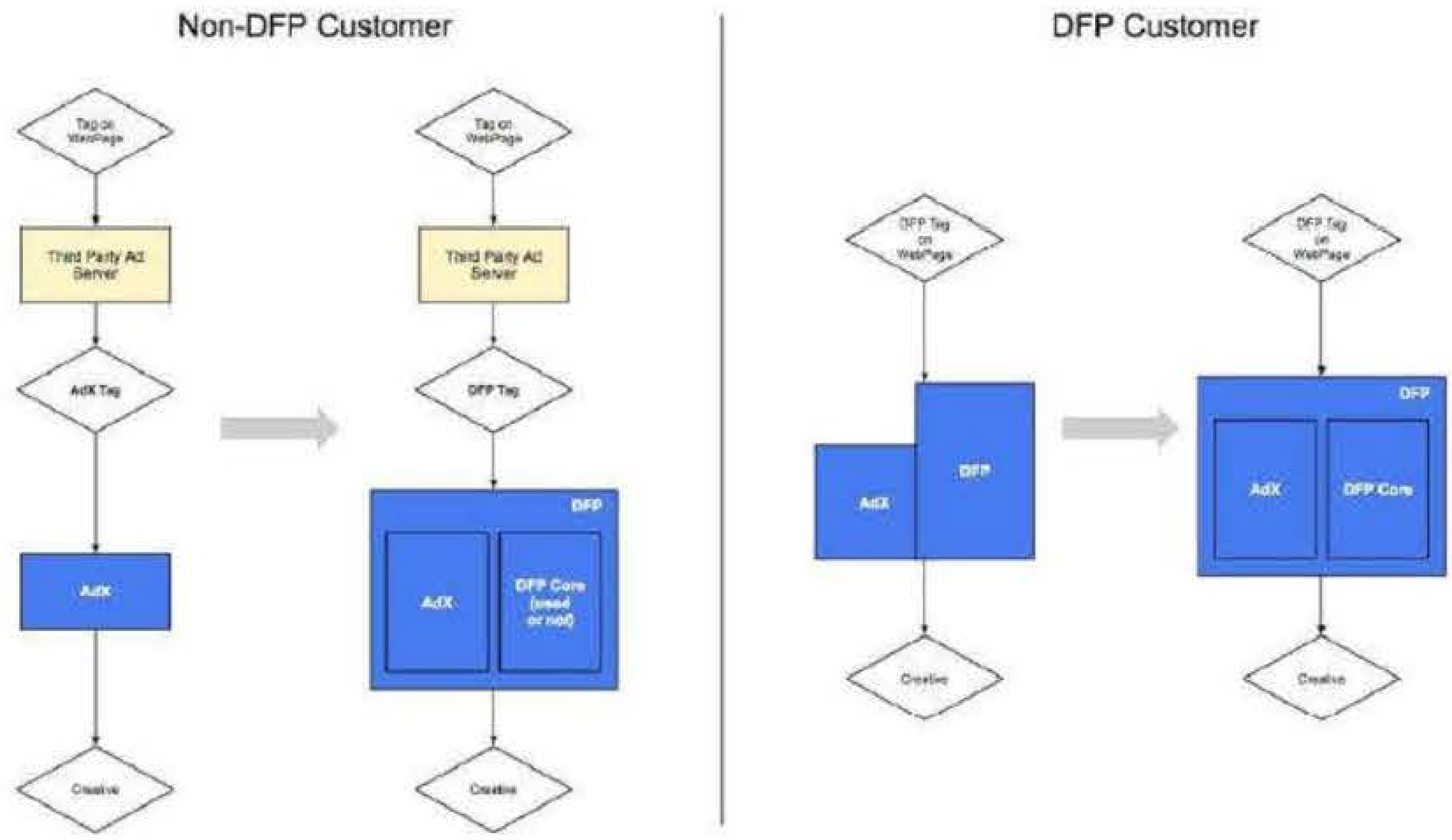
Schematic: AdX in a non-DFP ad server



Example: Axel Springer. Came up when brainstorming other deals as well.

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Impact, Benefits, Risks

	PM/Eng Impact	Sales Impact	Customer Benefits	Risks / Open Questions
Modular	• Organizational improvements • Reduce duplicate feature development • Increased product adoption	• **Most flexible sales approach**	• Streamlined user experience • Simpler product opt-in	• Unclear impact on current product roadmap timing • Interplay between additional products: DSM, GA, AdMob
Add-on	• Increased product adoption via client awareness • Reduce duplicate feature development	• Retrain sellers to pitch full stack	• Full pitch may entice publishers who are unaware of Google's full suite of offerings	• Potential OPG impact? • Draft simpler, joint contract? • Need to reconcile pricing models
Full Unification	• Setting our products up for **long-term vision** • **Single yield optimization** offering across video, in-app, mobile web, desktop • **One view of all sales channels** and results - direct, programmatic & open • Simpler administration • Easier marketplace integration	• Required use of full stack may **push partners to point players**. • Sales would have to close dual-product deals • Elongated enablement timeframe. • **Pure-play mobile or video** publishers may only need a monetization partner, not a full ad serving stack	• Not solving for a current specific customer issue	• Drastic shift in market positioning • Future customer base is non-US, non-desktop. • Publisher exclusivity with other providers. • Pricing reconciliation • Imposing how we build our products into how we sell • Impact on DFP SB and AdSense

org opps against each one
org enhancements do not solve for a specific customer problem; benefits Google internally

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Questions & Feedback

Appendix

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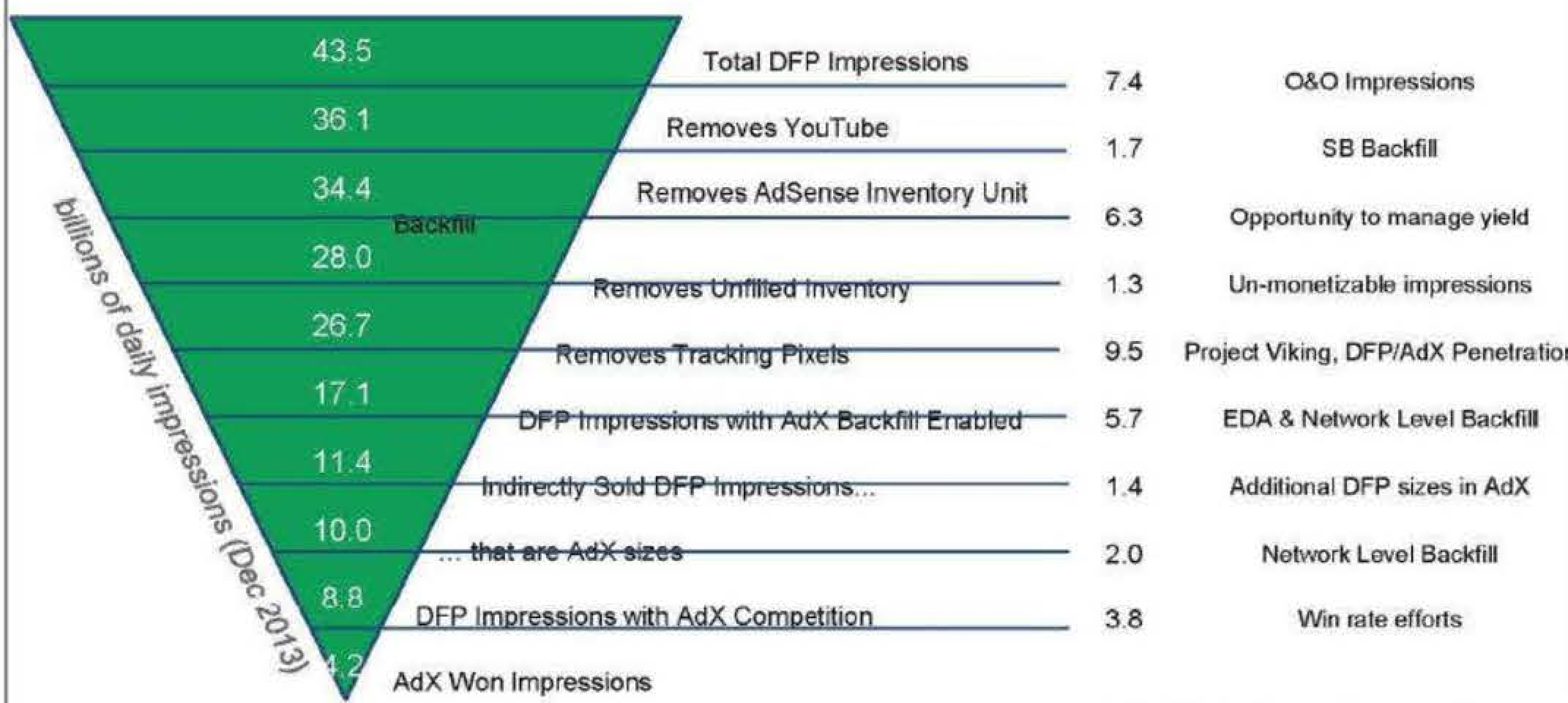

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The AdX backfill opportunity

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Why did AdX allocation jump? Is data different?

AI) more info on the 36% (no contract)
AI) reviewing of re-direction inventory coming back to AdX, redirection to AdSense

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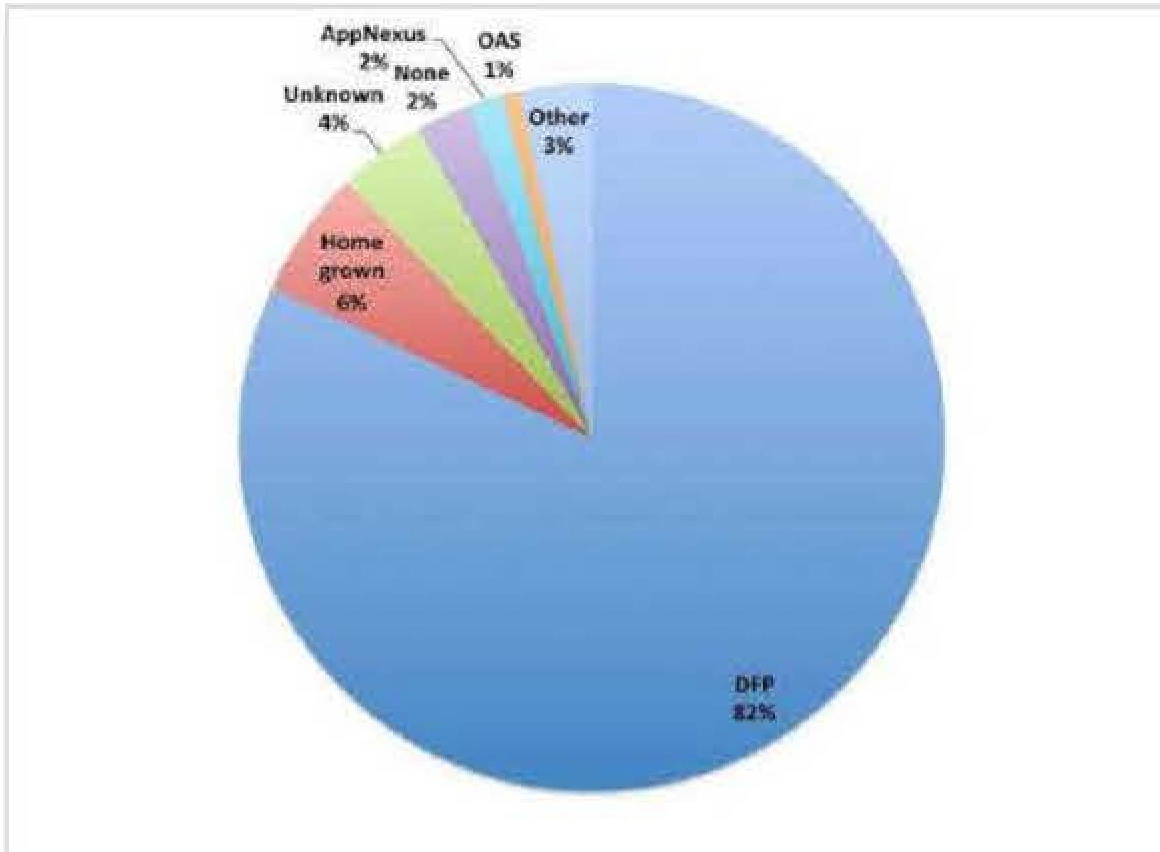
AdX Publisher Revenue By Ad Server Q1 2014

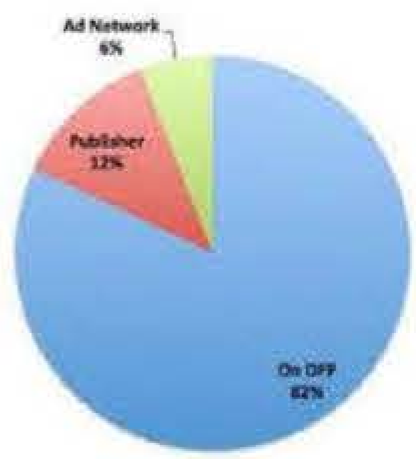


non-DFP revenue sampled at 50% by sales team

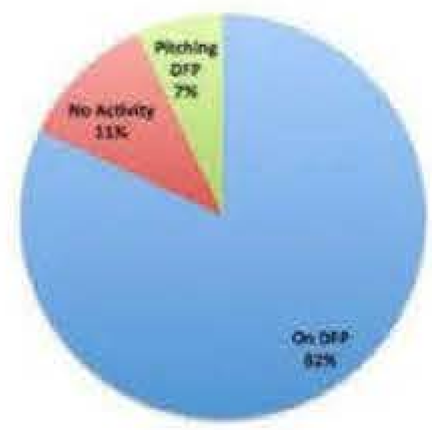
doubleclick by Google

Details on non-DFP AdX Revenue

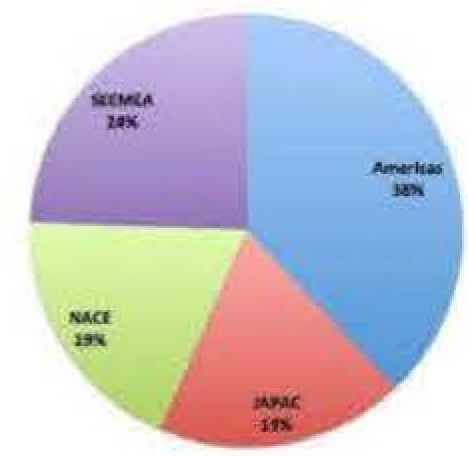
Significant presence of ad networks such as CPX and Tribal Fusion which also run in DFP



Sales team is actively pursuing AdX customers who don't use DFP but it's a small share of the business



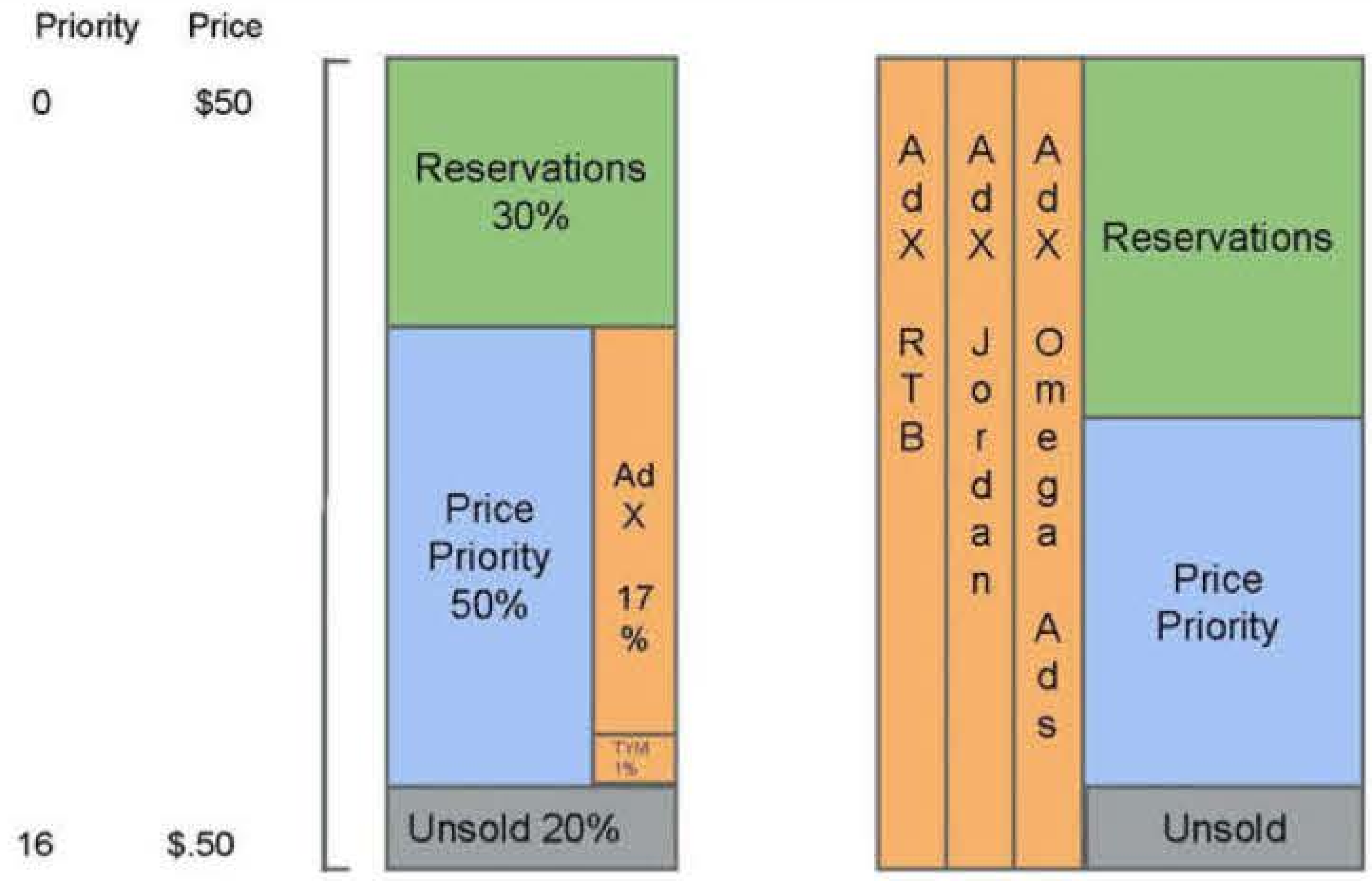
Americas leads with a close split across other regions



non-DFP revenue sampled at 50% by sales team

The Future Looks a Lot Different

- → Dynamic Allocation 2.0 [unified advertisers/blocking, EDA, inventory backfill]
- → Active View/GRP
- → Cross Device
- → Jordan
- → Omega Ads
- → Spam


Priority
Price
0
$50
16
$.50
Reservations 30%
Price Priority 50%
AdX 17%
TYM 1%
Unsold 20%
AdX RTB
AdX Jordan
AdX Omega Ads
Reservations
Price Priority
Unsold

DFP+AdX Integration Myths

- This is all-or-nothing, all DFP customers must use AdX, sales must close both
- DFP + AdX contracts must be unified
- Standalone AdX has been used to close key deals such as Axel Springer, Turner, Spilgames
- DFP pricing prevents adoption outside the US and western EU
- Current DFP customers will have to endure yet another migration to "DPP"
- Ensuring access to remnant inventory justifies having a standalone AdX product

DFP+AdX Integration Truths

- All AdX customers must use DFP

A Pragmatic Proposal

- **reposition sell-side AdX as a DFP add-on (also accessible by AdSense and AdMob)**
  - align top level strategy and roadmap, reinforce the donut model
- **deprecate AdX tags**
  - prevent misuse of AdX, callouts from SSPs
  - encourage adoption of Dynamic Allocation 2.0 features
- **deprecate static inventory/YM in AdX**
  - interferes with DFP/AdX integration roadmap
  - not a meaningful business
- **accelerate merging of DFP/AdX UIs**
  - realize an integrated and aligned platform sooner

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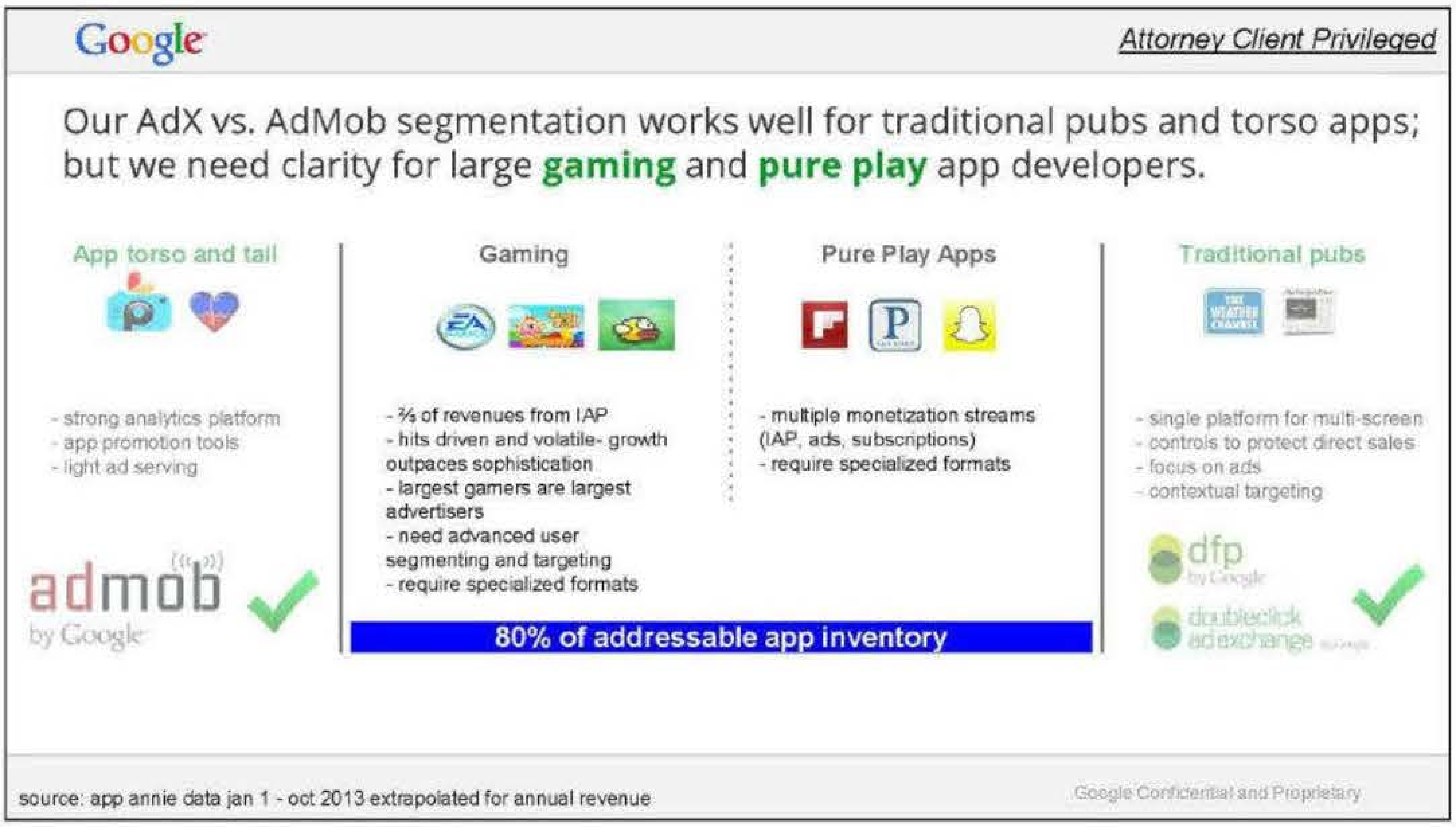
Mobile sell-side strategy

Jessica Gilmartin
Contributors: Brandon Stuut, Pooja Kapoor, Eve Goldman



Our mobile product strategy is the least clear for 80% of the addressable market: large gaming and pure play app developers

Our current sales and product strategy puts more sophisticated gaming and app developers into AdX, designed for the traditional publisher segment.

admob by Google

When apps grow up, our current strategy is to move them to AdX

doubleclick ad exchange by Google

Business & Product Pros/Cons:

- 100% focus on apps
- Frequent releases in a fast-moving environment
- Existing presence among app developers
- No granular inventory controls
- No private auctions

Business Pros/Cons:

- New contract and new implementation without feature parity puts us at risk to lose customers during the transition process

Product Pros/Cons:

- Granular inventory controls
- Roadmap split between desktop, mobile web and apps
- Significant lag time in developing features for apps
- Duplicative features in AdMob and AdX with varying functionality
- Confusion in market
- Customers must give up features in order to gain others

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Given the current state of product and customer needs, the mobile sales specialists have proposed aligning around DFP/AdMob instead of DFP/AdX for the large gaming and app segments.

Our ask of the product teams in Q2:

Short-term execution:

- Fix AdX mobile UI issues (for example):
    - UI: No tag generator for DFP publishers -- #1 source of TAM issues today
    - Rules: Semi-transparency non functional
    - Rules: Backup ads non functional
    - Rules: Additional settings non functional
    - Rules: No mobile specific targeting options

Long-term strategy:

1. Provide a **clearly defined strategy** for AdX/AdMob/DFP to become the leading and most innovative mobile apps platform.
2. Create clear **differentiation points** to build for customer needs instead of features.
3. Identify and commit to PM and Eng **resources** to execute on the strategy.

Google

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Google for App Developers: Realign and Focus

Dave Marquard
Brandon Stuut

Objective:

This is a proposal to PM, Eng, and Sales leadership on market segmentation and where to focus to win the apps market today and make the case that Google needs to define its cross-product mobile app strategy

Three decision points:

1. AdMob or AdX In-App: Which pub facing (i.e. UI) mobile app products best serve the apps market right now given current market conditions and product state.
2. What we need to build in the short term to win the apps market
3. What we need to build longer term to win the apps market

→ **This deck addresses decision point #1.**

A Quick Note on Terminology in this Presentation

- **AdX** - "AdX" in this presentation refers to the sell side user interface and trafficking capabilities for AdX In App and **not** the underlying RTB / exchange capabilities.
- **AdMob** - "AdMob" in this presentation refers to the sell side user interface and trafficking capabilities for AdMob.
- **RTB / Demand / Monetization** - AdMob and AdX In App both access the same sources of RTB and AdWords demand. The choice of "AdMob" and "AdX" will be essentially revenue neutral for a publisher.

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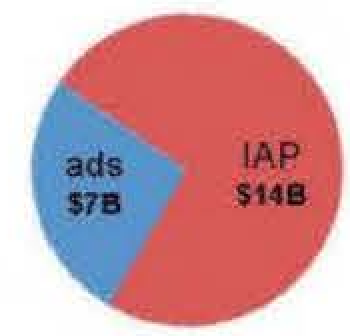
The apps market is considerably different than the web market

Addressable market is highly concentrated at the head

42 apps comprise 80% of addressable volume

Bulk of revenue comes from IAP rather than display ads

67% of 2013 app revenue from in app purchases

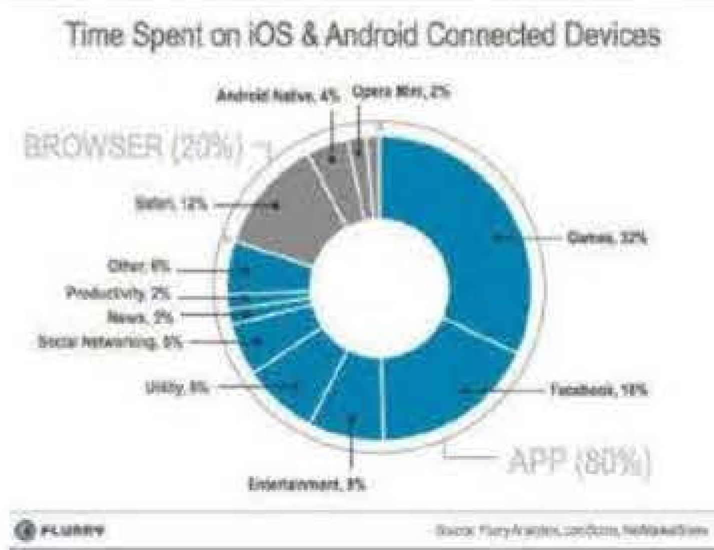


Source: Comscore 2013, NetMarketShare

Traditional publishers are a very small part of the app market

Pure play apps dominate mobile usage share

Only 10% of time spent on mobile devices is in traditional publisher apps



For example, NY Times app is not in the top 1,000 apps

Wanted: pie chart of traditional app rev vs pure play
- maybe from App Annie?

Pure Play and Traditional Publishers Have Different Needs

Pure Play App Publishers

- In app purchases
- Analytics / segmentation
- App promotion

Traditional App Publishers

- Contextual targeting for display ads
- Unified web / app trafficking

* Not an exhaustive list of publisher needs; meant to be representative of app focus

DFP + AdX is a good fit for traditional app publishers

	DFP + AdX	
Fine Grained Inventory Controls	Yes	Key Needs
Private Auctions	Yes	
Preferred Deals	Yes	
NPM	Roadmap	
Contextual Targeting / Content URL	In Progress	
Ad Network Optimization	In Progress	
Dynamic Allocation	Yes	
In App Purchases (IAP)	No	Not Key
Analytics	No	
App Promotion	No	

Key needs addressed or on roadmap

* Not an exhaustive list of publisher needs; meant to be representative of app focus

DFP + AdX is a poor fit for pure play app developers

	DFP + AdX	
In App Purchases (IAP)	No	Key Needs
Analytics	No	
App Promotion	No	
Fine Grained Inventory Controls	Yes	
Ad Network Optimization	In Progress	
Dynamic Allocation	Yes	
Private Auctions	[illegible]	Not Key
Preferred Deals	[illegible]	
NPM	Roadmap	
Contextual Targeting / Content URL	[illegible]	

Substantial gap in current offering vs key needs

* Not an exhaustive list of publisher needs; meant to be representative of app focus

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Our current positioning is not ideal for pure play publishers

Torso / Tail Pure Play App Publishers: AdMob

	AdMob
In App Purchases (IAP)	Roadmap
Analytics	Yes
App Promotion	Yes
Ad Network Optimization	In Progress
Fine Grained Inventory Controls	Roadmap
Dynamic Allocation	No

Head Pure Play App Publishers: DFP + AdX

	DFP + AdX
In App Purchases (IAP)	No
Analytics	No
App Promotion	No
Ad Network Optimization	In Progress
Fine Grained Inventory Controls	Yes
Dynamic Allocation	Yes

The solution for Head publishers is worse than for Torso / Tail

The proposed solution

Torso / Tail Pure Play App Publishers:
AdMob

	AdMob
In App Purchases (IAP)	Roadmap
Analytics	Yes
App Promotion	Yes
Ad Network Optimization	In Progress
Fine Grained Inventory Controls	Roadmap
Dynamic Allocation	No

Head Pure Play App Publishers:
DFP + AdMob

	DFP + AdMob
In App Purchases (IAP)	Roadmap
Analytics	Yes
App Promotion	Yes
Ad Network Optimization	In Progress
Fine Grained Inventory Controls	Yes
Dynamic Allocation	Yes

Go to market with the best products we have right now

AdMob is our solution for pure play app developers of any size
Invest "just enough" to AdX In App to serve the needs of traditional web publishers that have app inventory
Use DFP as the ad server in conjunction with AdMob or AdX for any publisher with a direct salesforce
→ Easier for PBS sales teams to understand and sell

Proposal: Our best chance to win the apps market now

1. **AdX Mobile is a natural fit for traditional publishers** that already use DFP + AdX for their desktop inventory.

2. **AdMob** is a better solution for **all other app developers**.

3. **DFP** is the market leading ad server that gives us a competitive advantage **for all publishers that have a direct salesforce**.

1. Focus AdX mobile eng efforts on growing **RTB for mobile apps**. Ensure market knows “AdX RTB” is a demand source for AdMob.

Q1 / Q2 2014 guidance

Next Steps

1. Decide on AdX In-App vs AdMob publisher segmentation (this deck)

1. Prioritize AdX / AdMob / DFP features required to support large strategic pubs in near and medium term and if that affects the product segmentation (in process)

1. Determine right feature segmentation between DFP and AdMob and provide an "upgrade" path
    - IAP and Google Analytics integration / sharing
    - Unified tags between AdMob / DFP (i.e., no need to retag)
    - Expose AdMob demand controls in DFP (or vice-versa)

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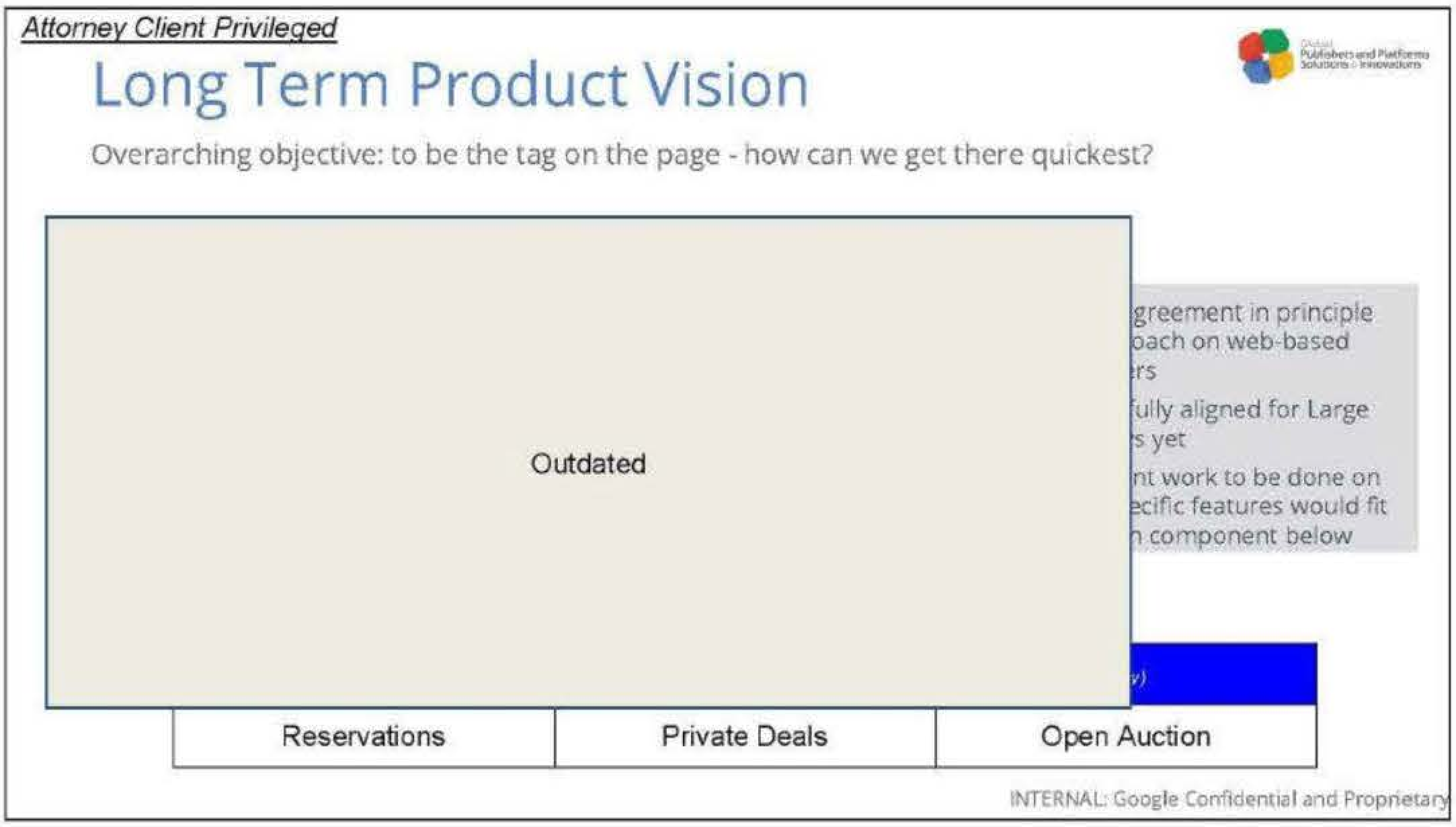
Where [we think] we are today?

April 3rd, 2014



1. Neal has a clear and distinct vision for our publisher products as follows:
A. If you have (or intend to have) a direct salesforce for reservation sales, we offer you DFP/AdX (product probably just called DFP) - and that would be the case irrespective of whether you are a traditional web publisher or app developer
B. If you don't need a direct salesforce, then you should use AdSense (traditional web) or AdMob (App Devs)

2. DFP (both premium & small business) ONLY works with AdX, so no DFP link to AdSense or AdMob
- I find this particularly interesting as none of Brian, Scott & Jonathan would particularly like this plan (for different reasons), but Neal is insistent

3. DFP/AdX would be modular in approach (Hurray! - though I will heavily caveat this before speaking with Brian), possibly along the following lines:
- Reservations
- Deals
- Open auction
AdX tag to be deprecated and replaced with DFP tag, but this tag can be used by competitor/in-house ad-servers for AdX-monetization purposes (as you in email from last week Pooja). It is not clear just how much functionality would come with only using the DFP tag for this purpose (e.g. would YM work, or would it just act as a "dumb" demand channel)

4. Contractual question still a big concern for Scott - Neal insistent that DFP/AdX is all one product and so therefore one contract. Scott would support my POV that if the product is modular in nature (i.e. tabs / features "light-up" if you decide to use them, but are hidden if you don't), then the contract needs to reflect that

5. Segmentation approach: I spoke with Scott about the idea of a publisher lifecycle where they start off with only indirect channels (e.g. AdSense or AdMob), and over time the successful ones get more sophisticated and need Inventory & Yield management functionality, and how we need this "upgrade" to be both easy and one whereby publishers do not lose important functionality (as they would if moving from AdMob to AdX today).
A couple of things came up:
A. How often does / do we expect this to really happen? We need to get some data together on that
B. He fully agreed that DFP/AdX has an awful lot of work to do to get up to par with what an App Developer can get from AdMob or competitors (see below - this will NOT be quick)

6. Timeline is not very clear, but the following might be a guide:
Q2-14: Product vision agreed with stakeholders and overall product design / architecture documented
H2-14: Eng build work commences (some elements are effectively in progress like reporting / query tool etc)
H1:15: Eng build continues and some of the more critical pieces are tested (e.g. new tag, In-app purchasing in DFP/AdX)
H2-15: New contractual process in place (will there be a mass migration? - we certainly hope not!)

Lots of open questions still, but I'm more confident now that our representations on DFP/AdX structure are bearing some fruit. Outcome for large App Devs / Gaming pubs seems pretty far away from the segmentation discussion last week, so Jonathan Alferness' perspective will be instructive.

1. Neal's overarching objective: Own the tag on the page. The question he's trying to answer is: What gets us there faster?
One key point to consider here is if we force a pub's hand, pubs can disintermediate DFP by putting a competitor's tag (Criteo, Rubicon, etc.) on the page. Scott is going to reach out to Goody to see if he can size if DFP is currently being disintermediated, and by how much.

2. No AdSense on DFP: We should capture the sales impact here. Neal's view is that any publisher needs that aren't satisfied by DFP/AdX should be built into that product vs. having DFP publishers also use AdSense; however, I think we should try to educate as much as we can.

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DFP/AdX & AdSense for web-based

Open questions and next steps

1. Would DFP only work with AdX? i.e. no DFP link to AdSense?
   a. 1.7BN imps per day backfilled to AFC from DFP SB (50% of all DFP SB backfill)
   b. Should the vision on previous slide be the 90% rule, rather than a strict segmentation?
2. AdX tag to be replaced with DFP tag and this tag can be used by competitor/in-house ad-servers for AdX-monetization purposes - what should the feature functionality break-out of the 3 DFP components be?
   a. Critical question for the product design phase
3. Assuming a single unified contract, how do we reflect the variations of components that pubs might use?
   a. Legal working on an early draft of a unified contract (data provisions, mins, pricing)
   b. Timing of contractual change will be critical - PM may push for commercials to lead the product changes
4. How much migration from AdSense to DFP/AdX do we expect going forward, and can we simplify this for publishers (i.e. publisher lifecycle story)
   a. AI to pull data on this question

Critical for P2 to become trusted adviser for PM on business needs as we move into strategy definition / product design phase

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DFP/AdX & AdMob for App Devs

Open questions and next steps

1. Would DFP only work with AdX? i.e. no DFP link to AdMob?
   a. Does this mean that clients literally won't be able to use DFP and AdMob together, or that we're just not building features to support that integration?
   b. DFP/AdX has a large amount of work to do to get up to par with what an App Developer can get from AdMob or competitors - how quickly can we make significant progress here and what is our interim plan?
2. How much migration from AdMob to DFP/AdX do we expect going forward, and can we simplify this for apps / gaming (i.e. lifecycle story)?
   a. AI to pull data on this question
3. Assuming we will need App-specific functionality in DFP/AdX & AdMob, to what extent do both products use same underlying technology, just with separate front-ends?
   a. Important question for the product design phase (IAP, App promo, Mediation)

Major gap between Product & Business perspectives on segmentation for large Games / Apps. Bridging this for long-term and short-term plans is main priority

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Where do we go from here?

Including requests of P2 leadership

1. Get sell-side vision on calendar for discussion at Display Steering
    a. Ideally this month; Daniel critical to discussion
    b. Should be Product's vision, with P2 supporting
    c. Important to understand any impact on roadmap for business-critical areas (e.g. AdX marketplace - Eng resources should be freed up but will integration cause a significant re-prioritization)

1. Segmentation for large gaming and pure play apps remains biggest gap between Product & Sales
    a. Push PM to articulate the acknowledge the business concerns in both the long and short term vision
    b. Raise issue around PM structure; JA is not acting like the mobile lead - should we push to get a structure similar to the video team?

1. Suggest creation of working group(s) to drive both articulation of product strategy and timeline for implementation (effectively a business-level roadmap)