

# Increase GDN margin on AdX from 14% to 15%

gTrade, March 2014

## Proposal

The average GDN margin on AdSense pubs was approximately 31.2% several years ago due to reduced margin on some direct deals. At that time, the GDN margin on AdX was chosen as 14% so that the total Google margin including 20% AdX margin would be 31.2%

$$1 - (1-14\%) * (1-20\%) = 31.2\%$$

Recently the GDN margin on AdSense has come closer to 32%, therefore we propose to increase the GDN buy-side margin on AdX to 15% so that

$$1 - (1-15\%) * (1-20\%) = 32\%$$

to keep the margin on AdX and AdSense in sync.

Our discussions with the AdX team indicates that the AdX PMs (Scott Spencer) agree with this change.

## Expected Impact

For **AdWords on AdX** slice we expect roughly:

- GDN profit margin 14 -> 15 = +7.1%
- Google profit margin 31.2 -> 32 = +2.6%
- Publisher payout 68.8 -> 68% = -1.2%
- Revenue neutral
- Small drop in GDN win rate (mitigated by DRS/ Bernanke)

## Measured Impact

### RASTA

For **AdWords on AdX** slice

- GDN profit +5.3%
- Google profit +2.2%
- Publisher payout -0.8%
- Revenue neutral
- REMH CPD +0.64 (noisy/neutral)
- -0.25% impressions

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**Overall on AdX pubs**

- GDN profit +5.3%
- Google profit +1.7%
- Publisher payout -0.5%
- Revenue neutral
- -0.15% impressions

## Post-launch Considerations

1) Update Bernanke simulator codes to choose bid multipliers with 15% target margin rather than 14%. This should improve performance slightly.

2) Widespread messaging for teams that assume 14%, 86%, or 68.8% in analysis scripts that they should update to 15%, 85%, and 68%. Note this is not super critical, since DRS reduced margin from 14% to 13.x% without ill effects, and even in today's system the achieved margin is not exactly 14% due to pCTR errors. We should warn that buy-side margin is subject to change in future (e.g. per targeting type), hence relying on any fixed value is not advised.