Ad Platforms Pricing Review

Google

July 8th, 2014

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Back ups:
- trix with all numbers
- PPT charts/figures

Agenda

Overall volume and price trends

Deep dive on each product

Current pricing priorities

Key principles for pricing platforms products

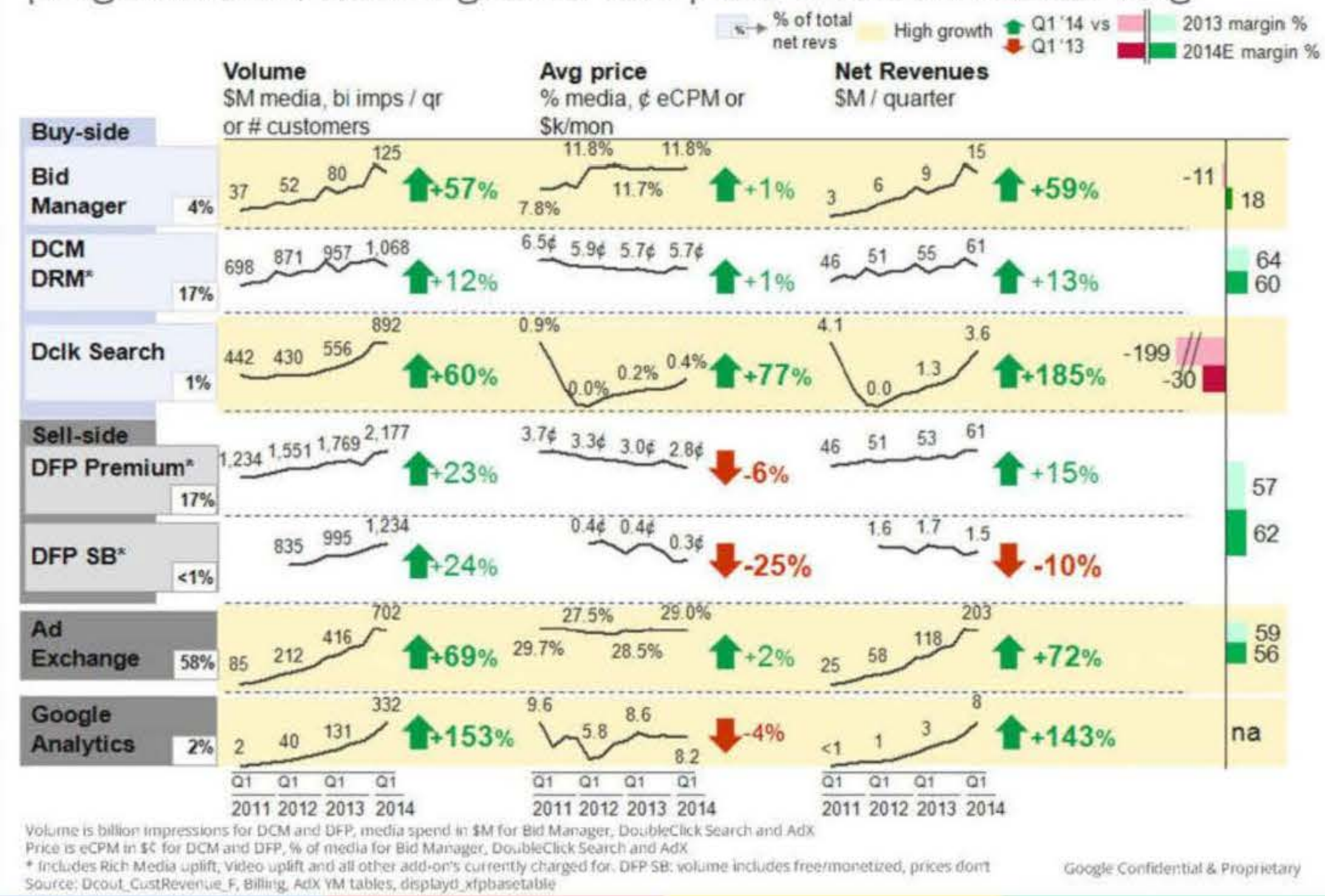| Guiding principles...	... and implications
✔ Focus on the long-term overall value for Google	Take into account the monetization and strategic value of the adoption of the products / features, not only their direct revenues
✔ Ensure ease of execution and scalability	Factor in the value of simplicity in pricing - accelerates execution and reduces costs (less manual work, less engineering effort, fewer non-standard deals)
✔ Price competitively and adequately to the value delivered to clients	Price should in general not be an issue to close a deal – in each geography, it should be aligned with the value delivered to the client and the competitive environment
✔ Consider the effect of price in conveying value and quality to customers	Below a certain price level, lower prices may lead to lower adoption / usage, not higher. In particular, "free" may hinder adoption / usage of some features

Platforms overall: high growth and increasing prices in programmatic, slower growth and price erosion in ad serving

Legend: % of total net revs | High growth | Q1 '14 vs / Q1 '13 | 2013 margin % / 2014E margin %

	Volume $M media, bi imps / qr or # customers	Avg price % media, ¢ eCPM or $k/mon	Net Revenues $M / quarter	2013 margin %	2014E margin %
Buy-side					
Bid Manager 4%	37 52 80 125 ↑+57%	11.8% 11.8% 7.8% 11.7% ↑+1%	3 6 9 15 ↑+59%	-11	18
DCM DRM* 17%	698 871 957 1,068 ↑+12%	6.5¢ 5.9¢ 5.7¢ 5.7¢ ↑+1%	46 51 55 61 ↑+13%	64	60
Dclk Search 1%	442 430 556 892 ↑+60%	0.9% 0.0% 0.2% 0.4% ↑+77%	4.1 0.0 1.3 3.6 ↑+185%	-199 / -30	
Sell-side					
DFP Premium* 17%	1,234 1,551 1,769 2,177 ↑+23%	3.7¢ 3.3¢ 3.0¢ 2.8¢ ↓-6%	46 51 53 61 ↑+15%		57
DFP SB* <1%	835 995 1,234 ↑+24%	0.4¢ 0.4¢ 0.3¢ ↓-25%	1.6 1.7 1.5 ↓-10%		62
Ad Exchange 58%	85 212 416 702 ↑+69%	27.5% 29.0% 29.7% 28.5% ↑+2%	25 58 118 203 ↑+72%	59	56
Google Analytics 2%	2 40 131 332 ↑+153%	9.6 5.8 8.6 8.2 ↓-4%	<1 1 3 8 ↑+143%	na	

Q1 2011 Q1 2012 Q1 2013 Q1 2014

Volume is billion impressions for DCM and DFP, media spend in $M for Bid Manager, DoubleClick Search and AdX
Price is eCPM in $¢ for DCM and DFP, % of media for Bid Manager, DoubleClick Search and AdX
* Includes Rich Media uplift, Video uplift and all other add-ons currently charged for. DFP SB: volume includes free/monetized, prices don't
Source: Dcout_CustRevenue_F, Billing, AdX YM tables, displayd_xfpbasetable

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GA: total free users (not customers) in Q1 2014: 37M, including inactive users (significant portion)

Strong product sold at a premium for larger clients, competition is from Turn, AppNexus and recently video DSPs

Key change since Nov. 2013
● High
○ Low

Strengths/weaknesses of main players

Price (% media)

	High vol	Low vol	Value
doubleclick bid manager by Google	11 12 15 · · 18		+ KCT, algorithms, stack, infrastructure [2] − No access to some local exchanges[3]
TURN	<7	15	+ Openness to 3P add-ons, own DMP
adform	8	15[4]	+ Strong local presence in EMEA
MediaMath	6-7	15[4]	+ Friendly reporting
appnexus	<6	15	+ Flexible API
rocketfuel	6	15	− Opaque pricing / arbitrage

% of DSP volume[1] | Top competitors

Region	%	Top competitors
Americas	~25%	1. Turn 2. AppNexus 3. MediaMath
NACE	35-40%	1. AppNexus 2. Turn 3. MediaMath
SEEMEA	~30%	1. MediaMath 2. Turn 3. AppNexus
APAC — AU/NZ	40-50%	1. Turn 2. Brandscreen 3. Local players[5]
APAC — SE Asia	30%	
APAC — IN, JP	<5-10%	

Key changes since Nov 2013:
> SEEMEA share decreased from ~40%, driven largely by loss of AMNET video volume to Videology
> Videology, TubeMogul (priced as CPM/CPV) gaining share for video portion of media budgets

1 These estimates do not account for all available product substitutes (in-house tools, ad networks, etc)
2 Without FBX, DBM was perceived as less valuable than Turn   3 In China: Baidu, Tencent, Sina. In Japan: currently integrating with MicroAd, PlatformID and PlatformOne   4
MediaMath rate includes some service (not full campaign management). AdForm rate for smaller spender: rough estimate
6 China: Yoyi, Ipinyou, MediaV. Japan: MicroAd, FreakOut, MarketOne
Source: Sales Teams' intuition, not based on actual metrics

- Video competitors are emerging, but not yet large enough to list as "top competitors"

NACE: Vivaki vol (at 9%) makes up ~25% vol, rest at 13.3%
SEEMEA: Vivaki vol (at avg 9%) makes up ~40% vol, rest at 12.4%

DCM: mature business with healthy margins, slower growth and decreasing prices
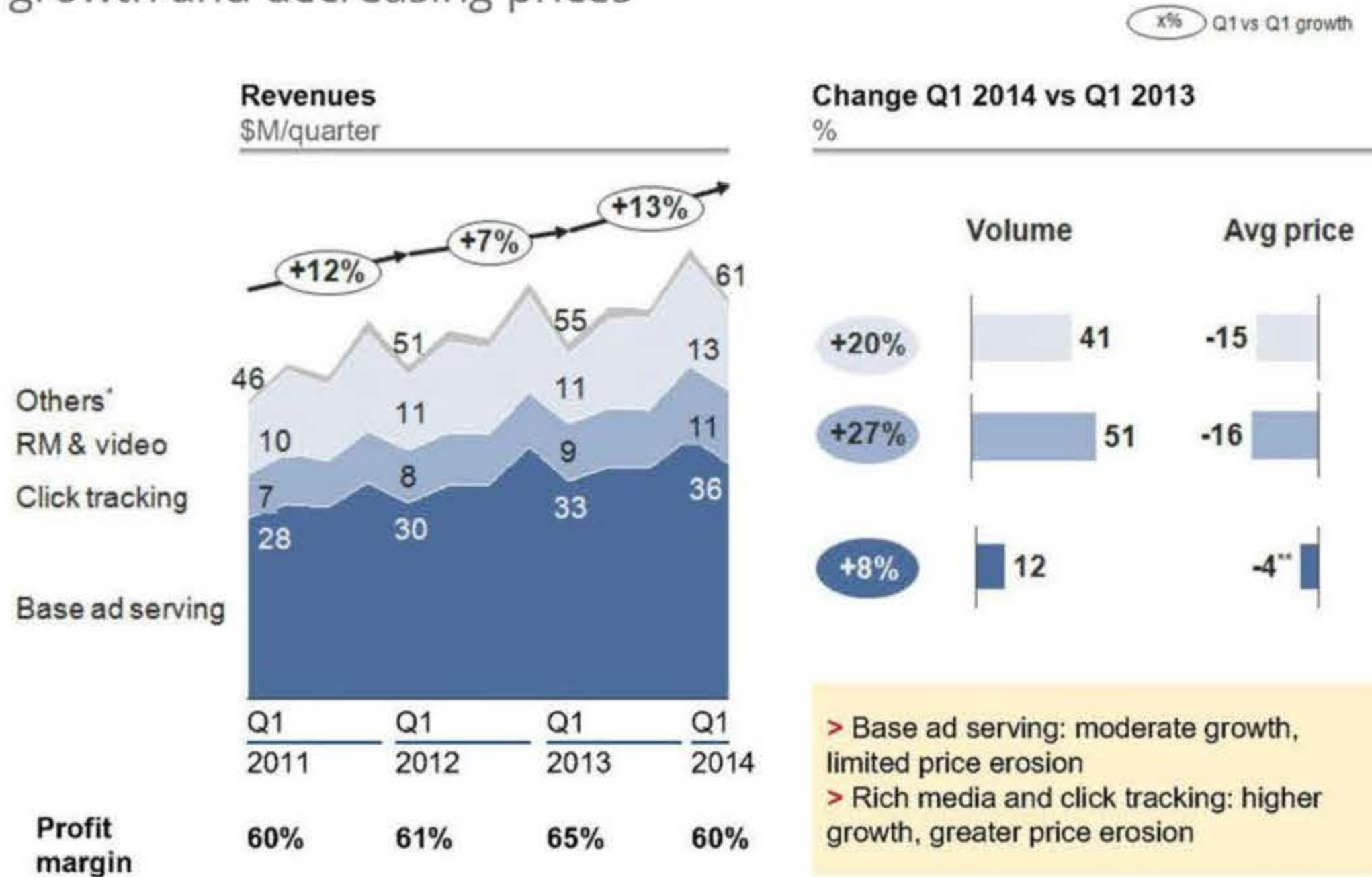
x% Q1 vs Q1 growth

Revenues
$M/quarter

+12% +7% +13%

| | 46 | 51 | 55 | 61 |
Others*
RM & video
Click tracking

10   11   11   13

7   8   9   11

28   30   33   36

Base ad serving

| Q1 2011 | Q1 2012 | Q1 2013 | Q1 2014 |

Profit margin   60%   61%   65%   60%

Change Q1 2014 vs Q1 2013
%

	Volume	Avg price
+20%	41	-15
+27%	51	-16
+8%	12	-4**

> Base ad serving: moderate growth, limited price erosion
> Rich media and click tracking: higher growth, greater price erosion

* Includes Optimization, Reports, Audience, Clicks & Text Links, Data Transfer, Mobile, Network Builder
** In Q1 2014 global average eCPM was 3.37 USD cents
Source: Dcout_CustRevenue_F

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DCM is a superior product, competitors focus on price, especially in SEEMEA and APAC

Key change since Nov 2013
● High
○ Low

	% 3PAS volume*	Top competitors	Price vs DCM %
Americas	50+%	1. Sizmek** 2. Atlas	-30 to -40%
NACE			
UK	~50%	1. Sizmek**	
DACH, Benelux, Nordics	13-20%	2. Adform 3. Mediaplex	-50
SEEMEA		4. Atlas	
FR/IT/ES	~30%	5. Facilitate	
Other	5-10%	6. AppNexus 7. Smart AdServer (FRITES)	
APAC			
AU/NZ	50+%	1. Sizmek**	-20 to -50%
		2. Facilitate	-20%
SE Asia	10-30%	3. Atlas	Cheaper
IN, JP	10-15%	4. Zedo	Very cheap

Strengths / weaknesses of main players

Value

Player		Value
dfa by Google	(High)	+ Features, stack, reliability − Not very intuitive UI
Sizmek		+ Flexibility, reporting, RM, excl. relationship w/ some pubs − Less advanced tech
appnexus		+ DSP, flexible UI, localization − Scale
adform		+ DSP, localization (Europe), customization
Mediaplex		+ User-friendly, search integr. − Scale and localization
atlas		− Lack of recent investment
facilitate		− No advanced reporting
ZEDO	(Low)	N.a.

Key changes since Nov 2013:
> SEEMEA share decreased from ~40%, driven largely by loss of volume to Smart AdServer in France
> APAC share increase driven by new business in AU/NZ (formerly ~50% share)

* These estimates do not account for all available product substitutes (in-house tools, ad networks, etc)
** Formerly MediaMind
*** -20% in AU/NZ, -50% in IN
Source: Sales Teams' intuition, not based on actual metrics

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Ad serving volume largely from Americas, other regions driving growth, with price erosion

Legend:
- ▲ Q1 '14 vs / ▼ Q1 '13
- [x] (green) Discount (%) within guidance
- [x] (red) Discount (%) outside guidance

Volume, B imps/quarter

Price, CPM USD ¢

Americas
- 34, 638, 710, 710 — —0%
- Price: 4.0, 3.4, 3.4, 3.5 | [34*] [34*] ▲ +1%

NACE
- 3, 137, 142, 187 ▲ +31%
- Price: 4.0, 3.5, 3.8, 3.3 | [12] [23] ▼ -14%

SEEMEA
- 54, 60, 67, 91 ▲ +36%
- Price: 3.3, 3.2, 2.8, 2.4 | [33] [42] ▼ -15%

APAC
- 19, 35, 36, 50 ▲ +37%
- Price: 3.6, 4.0, 4.5, 3.6 | [6] [25] ▼ -19%

X-axis: Q1 '11, Q1 '12, Q1 '13, Q1 '14
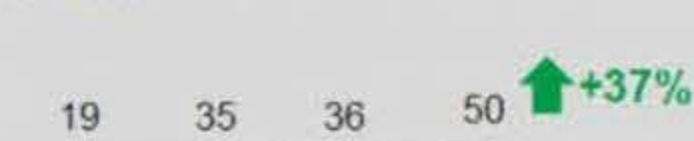
> Americas vol: growth offset by losses from ~10 of top 30 customers
 - loss of a few advertisers from client agencies**
 - reduced display spend from a few advertisers

> Other regions: higher vol growth and increasing price erosion

* Discounts appear higher than other regions for similar eCPMs, partly due to higher rate card CPMs
** United from Dentsu, 3 advertisers from Starcom

*** Verizon, Intuit

DoubleClick Rich Media is more expensive and has less service than competitors

Key change since Nov 2013
● High
○ Low

	% of 3PAS volume[1]	Top competitors	Price vs DRM %[2]
Americas	~25%	1. Sizmek[3] 2. Flashtalking 3. PointRoll 4. SpongeCell 5. AdMotion, Predicta (LatAm)	~same NA, -60 LatAm N.a. -30 -50 -60
NACE	~25%	1. Sizmek[3] 2. Flashtalking 3. Point players 4. AdForm	-40
SEEMEA IT FR/ES/PT & EE MENA	10% ~0-5% 20-80%	1. Sizmek[3] 2. AdForm 3. Weborama 4. Gemius 5. AdRiver (EE) 6. Smart AdServer (FRITES)	-80
APAC AU/NZ Other	40% 0-15%	1. Sizmek[3] 2. FlashTalking 3. Innovid	-50 to -80

Strengths / weaknesses of main players

Value

dfa by Google
+ Integration with base ad serving, layouts (flexible/fast)
− Service

Sizmek
+ Innovative features, quality, service (recent attempts at scaling back), exclusive relationships w/ some pubs

flashtalking"
+ Perceived as creative, dynamic, service oriented
− Low scalability

weborama
+ Good video formats
− Lack of innovation

spongecell
− Lack of base ad serving

POINTROLL
+ Excl. relationships w/ pubs
− Less sophisticated

Key changes since Nov 2013:
> Share decrease in Americas (from 30%) due to mix shift towards video & mobile, where point players are strong competitors (Celtra for mobile, Vindico for video)

1 These estimates do not account for all available product substitutes (in-house tools, ad networks, etc)
2 Mostly refers to In-Page and In-Banner Video. DRM rates for In-Stream are in general close to competition
3 Formerly MediaMind
Source: Sales Teams' intuition, not based on actual metrics

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- Mobile/video competitors are emerging, but not yet large enough to list as "top competitors"
- Awaiting response from Nadia on driver for share loss in IT from 40% to 10%

DS3 experiencing strong volume growth and slight price erosion. Billing improving quickly

In the last quarters, average effective price is slightly declining, as deals with top agencies are being signed

Price
% of managed spend

-25% Q1 YoY

Avg. rate card[1]

Effective price

Managed spend
$M / quarter

+2%/year

+71%/year

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
442	401	389	435	430	436	454	523	556	611	718	888	892
100%	91%	53%	9%	1%	10%	15%	18%	24%	29%	28%	44%	58%

2011 | **2012** | **2013** | **2014**

Not billed

Billed[2]

64% in March
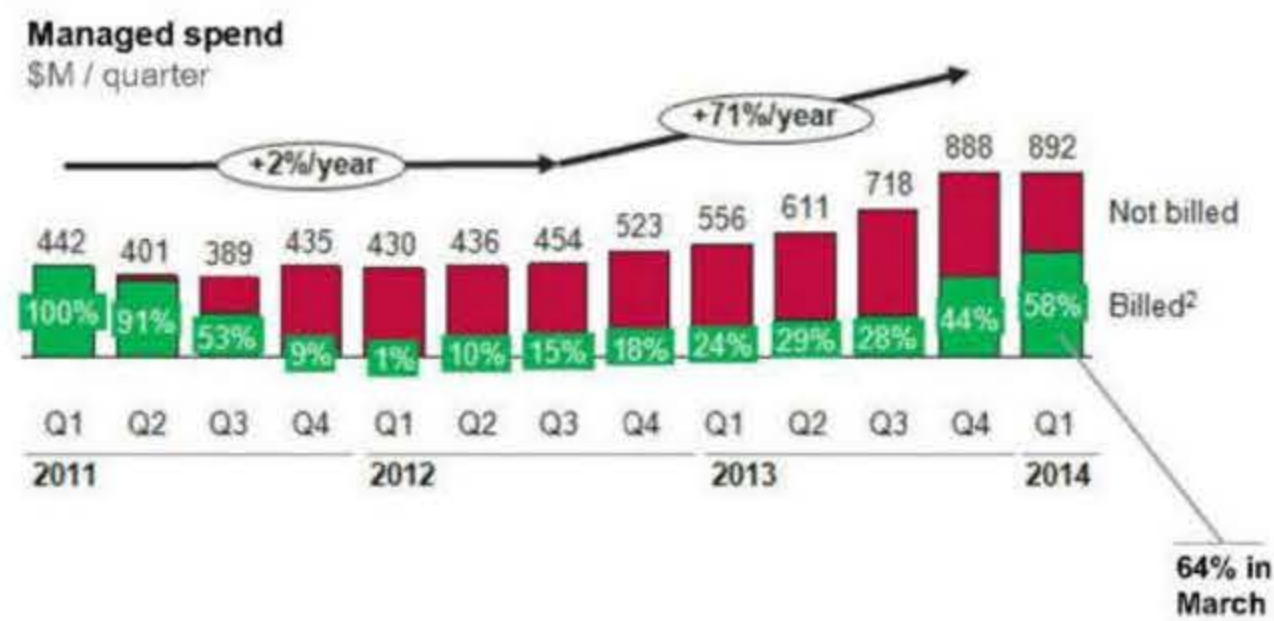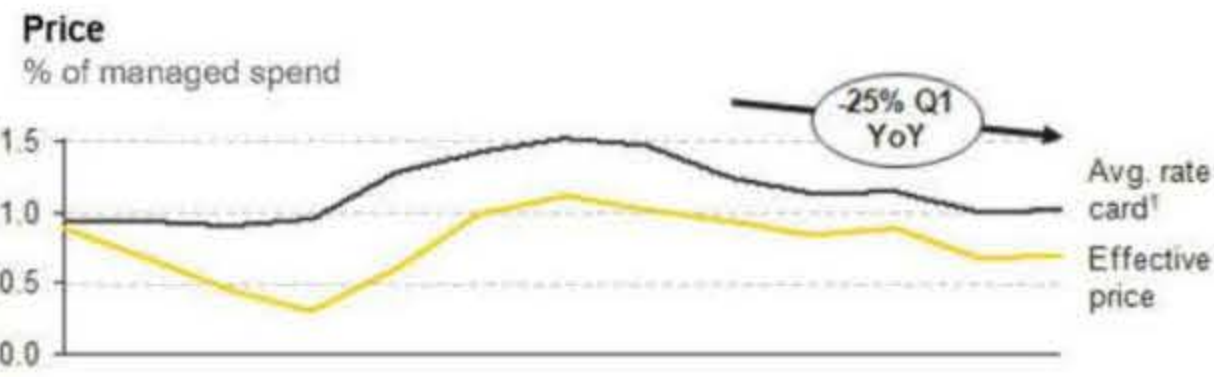
Increased % of billed volume & business growth drive improved financials

P&L[3]
$M 2014 (% of fees)

If all vol was billed (X%) Profit margin

+5 (+21%)

10

18

-5 (-30%)

-23

Costs	Actual fees[3]	Lost fees[4] (36% of managed search spend)	Margin
	~70% in 2013		-$12M or - 200% of fees in 2013
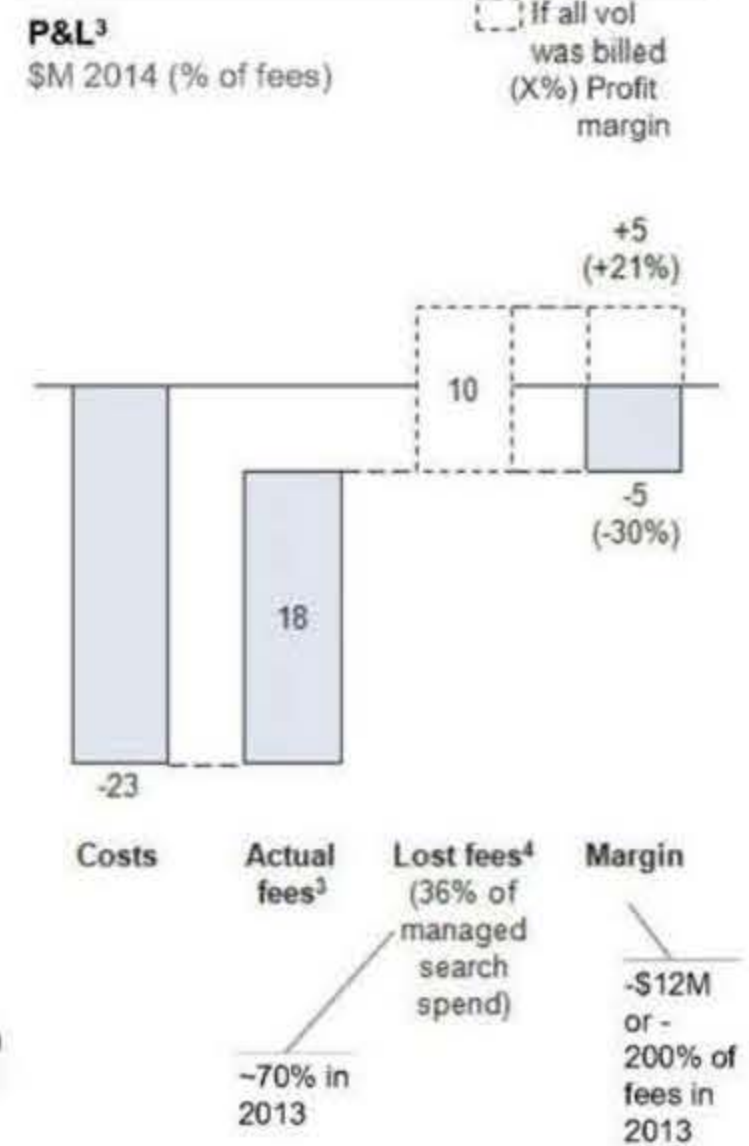
1 Based on current rate card (% of spend) for every quarter   2 Estimates until Q2 of 2012
3 Based on expected spend of $4.0B   4 Share of billed vol as of March 2014
Source: Dcout_CustRevenue_F, Buy-Side P&L, DS3 Billing Master File

DS3: dip in price is from the big 6 agencies, who were using the product but not paying during the negotiations of their contracts (which came into effect late 2012/early 2013)

In general, DS3 continues to be priced at a discount vs. main competitors

Strength
Parity
Weakness

	% Managed search vol*	Top competitors	Price vs DS3 %	Strengths / weaknesses of main players

Americas ~30%
1. Marin — 30-150%
2. Kenshoo — ~40%
3. Adobe — na

NACE ~30%
1. Marin
2. Kenshoo — na
3. Adobe

SEEMEA ~35%
1. Marin — 30-190%**
2. Kenshoo — ~same
3. Adobe — na

APAC ~25%
1. Marin — -30 to -60%
2. Kenshoo — na
3. Adobe — na

Strengths / weaknesses of main players

	doubleclick search	Marin SOFTWARE	KENSHOO	ADOBE ADLENS
Campaign mgmt	Parity	Strength	Strength	Parity
Inventory mgmt	Strength	Weakness	Strength	Weakness
Performance	Strength	Parity	Parity	Parity
Reporting & insights	Parity	Strength	Parity	Strength
Optimization	Strength	Parity	Strength	Strength
Engine support	Weakness	Parity	Strength	Strength
Social (FB)	Weakness	Strength	Strength	Strength
Integration	Parity	Strength	Parity	Parity
DCLK Platform	Strength	Weakness	Weakness	Weakness

* These estimates do not account for all available product substitutes
** With the exception of a Marin price point 60% below DS3 (Marin at 1% vs DS3 at 2.5%)

Volume and growth largely from Americas, APAC growing fast from a low base

⬆ Q1 '14 vs
⬇ Q1 '13

| x | Discount (%)* within guidance |
| x | Discount (%)* outside guidance |

Media spend, $M/quarter

Price, % media

Americas

319 304 378 578

⬆ +53%

| 22 | | 30 |

0.9 0.9 0.7 ⬇ -28%

NACE

99 96 140 227 ⬆ +62%

| 53 | | 37 |

0.7 0.8 0.7 ⬇ -3%

SEEMEA

20 24 28 54 ⬆ +91%

| 34 | | 42 |

0.9 0.8 0.8 ⬇ -15%

APAC

4 6 9 33 ⬆ +257%

n/a | 22 | 1.1

Q1 '11   Q1 '12   Q1 '13   Q1 '14

Q1 '13   Q3   Q1 '14
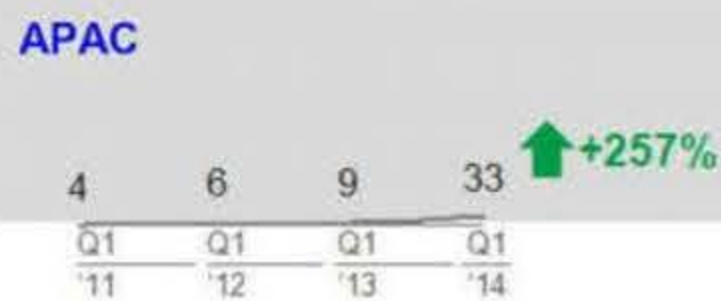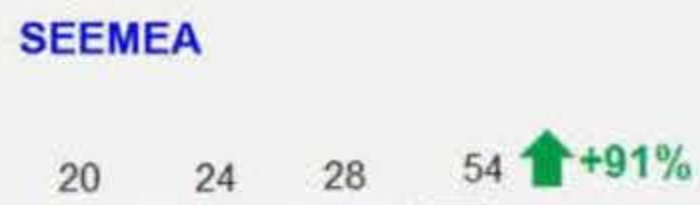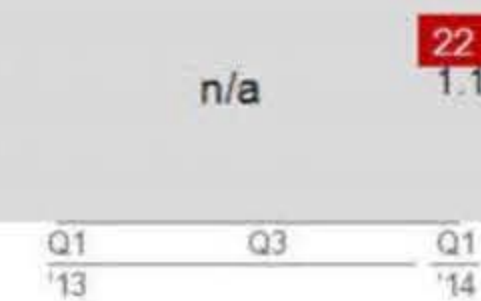
> Two thirds of volume from Americas

> Decrease in prices due to acquisition of Big 6 agencies

> Similar price levels across regions (highest in APAC), with largest discounts in EMEA

* Discounts calculated relative to new rate card (including 0.7% tier)
Source: Dcout_CustRevenue_F

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DFP Premium: mature business with healthy margins, slower growth and decreasing prices

x% Q1 vs Q1 growth

Revenues
$M/quarter

+10%   +4%   +15%
         53   61
51
46
Other[1]
Rich Media & Video
Sales Manager   35   38   40   48

Ad Serving

	Q1 2011	Q1 2012	Q1 2013	Q1 2014
Variable margin[4]	61%	72%	68%	62%

Change Q1 2014 vs Q1 2013
%

	Volume	Avg price
+13%	147	-31
+8%	2[2]	1
+7%	23	-2[3]

> Base ad serving: significant vol growth with limited price erosion - represents ~80% revenues
> RM/video: higher growth, greater price erosion
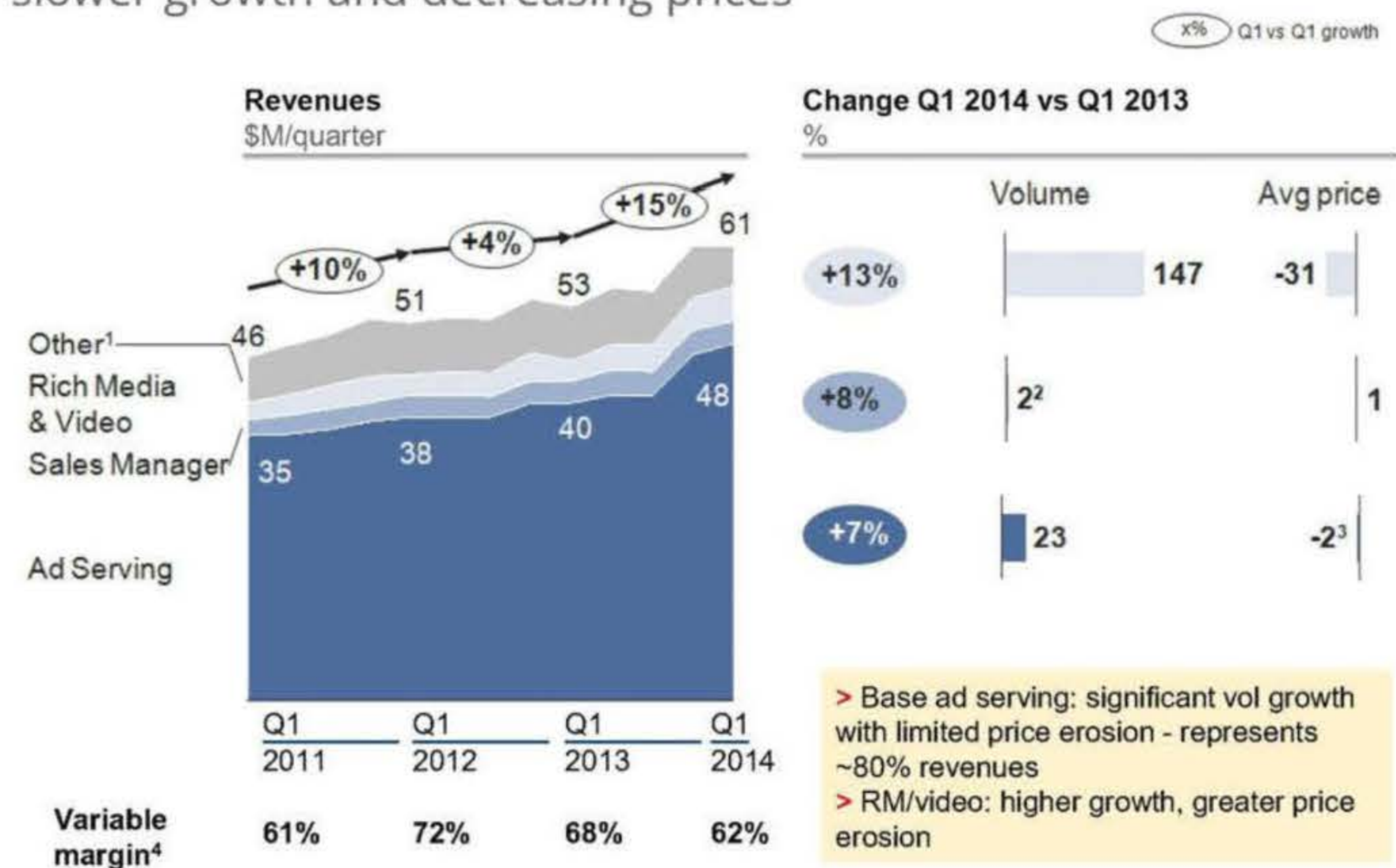
1 Includes Optimization, Reports, Audience, Clicks & Text Links, Data Transfer, Mobile, Network Builder
2 For Sales Manager, volume is number of clients and avg. price is monthly spend per client
3 In Q1 2014 global average eCPM was 2.19 USD cents
4 Based on costs reported by Hyperion - margin calculations do not include Eng Op Ex, G&A and Marketing
Source: Dcout_CustRevenue_F

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- Margins from previous review: 2011 - 62%, 2012 - 63%, 2013 - 58%. Difference is due to different sales cost estimates, which are based on diff versions of sales surveys

DFP acknowledged as the best ad server, competitors focus on lower prices and local support

Key change since Nov. 2013
● High
○ Low

	% 3PAS volume*	Top competitors	Price vs DFP %
Americas			
N. Amer.	50+%	1. AppNexus	-35
		2. 24/7 (NA)	-20
LatAm**	50+%	3. 24/7, Smart, Eplanning (LatAm)	50 to -65
NACE			
UK	50+%	1. Real Media	-20
DACH, Benelux	~40%	2. AdTech	-20
	~15%	3. Adition	-40
Nordics			
SEEMEA			
FR/IT/ES	30-35%		
Israel & MENA***	~50%	1. Smart	-40
		2. AdTech	-30
Other	<10%	3. AdOcean	-60
APAC			
AU/NZ/SEA/IN	50+%	1. Mediamind	-20
JP	<30%	2. AI Match	-20
CN	<10%	3. AdToma	-15

Strengths / weaknesses of main players

Value

dfp by Google
+ Features, stack, infrastructure
− No local billing in some countries, CPA discrepancies

appnexus
+ Integrated monetization, DSP
− No forecasting

mediamind
+ Strong RM offer
− Mostly targets buy-side

ADITION technologies AG
+ Real time reporting & trafficking
− No optimization

ad tech
+ Real time reporting

24/7 MEDIA
− Slow development, unclear roadmap

Key changes since Nov 2013:
> Lat Am share increased from ~30%, driven by major customer wins largely in Brazil, some in Mexico
> Emerging point players in North America for video (FreeWheel, LiveRail, Adobe Auditude) and mobile (MoPub, AdMarvel)

* These
** 60% in Brazil, ~30% in SpLA
Eastern Europe
Source: Sales Teams' intuition, not based on actual metrics

*** 10% in Turkey, <10% in

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- Mobile/video competitors are emerging, but not yet large enough to list as "top competitors"

Prices decreasing globally, Americas accounts for majority of volume and growth

▲ Q1 '14 vs
▼ Q1 '13

| X | Discount (%)** within guidance |
| X | Discount (%)** outside guidance |

Volume, B imps/quarter

Price*, CPM USD ¢

Americas
34 1,032 1,165 1,518
▲ +30%

19 20
3.2 2.7 2.5 2.4
▼ -4%

NACE
3 265 242 242 — 0%

4 9
2.2 2.1 2.0 1.9
▼ -3%

SEEMEA
103 125 182 204 ▲ +12%

13 23
2.4 1.7 1.5 1.3
▼ -11%

APAC
66 88 143 204 ▲ +42%

14 2
3.1 2.9 2.1 1.9
▼ -9%

| Q1 '11 | Q1 '12 | Q1 '13 | Q1 '14 | | Q1 '11 | Q1 '12 | Q1 '13 | Q1 '14 |

> Overall: continued price erosion across regions

> Americas: increased vol from organic growth of existing large customers (increased ads by eBay, Disney; movement of in-house ad serving by CBS)

* Effective price includes minimum charges
** Determined based on current rate card (effective as of July 2013)
Source: Dcout_CustRevenue_F

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DFP SB is acknowledged as the best. Competitors focus on lower price, higher free vol or local features/service

DFP SB share*
% of volume

Top competitors
Price vs. DFP SB

Americas — 50+%
1. OpenX (~same)
2. AdZerk (N.a.)
3. AdJuggler (N.a.)

NACE — 30%
1. OpenX (cheaper)
2. Smart (-20 to -60%)
3. Emediate (cheaper)
4. AppNexus
5. AdTech (~same)

SEEMEA — 35%

APAC — 20%
1. Baidu (free)
2. MicroAd (free)
3. Zedo (~same)

Strengths / weaknesses of main players**

● High
○ Low

Value

dfp (High)
+ Features (e.g., dynamic allocation), reliability, stack
– No AM (exc. LPS), no local support

OpenX
+ Link to exchange and SSP
– Security (hacked in 2013)

Adzerk
N.a.

emediate
+ Service & support in local language

ad'tech
+ Real time reporting

ZEDO
+ Great tech support.

24/7 MEDIA
+ Rich Media support

Baidu 百度 (Low)
+ Monetization in China, RM support
– Features

* Estimates based on the penetration of DFP SB on Tier 1 OPG partners, assuming that OPG partners cover 100%, 80%, 80% and 40% of the total display volume respectively in the four regions
** DFP Premium competitors (e.g. AppNexus) also compete for DFP SB target publishers
Source: Sales Teams' intuition, not based on actual metrics

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AdX: fastest growing DoubleClick product, starting to face price pressure on open auction revenue share

ADX

(x%) Q1 vs Q1 growth

Revenues
$M/quarter

+69% 702

+97% 416

+150%

+67%

212

+93%

AdWords on AdX
AdX on AdX — 85
AdX on AdSense

+47%

	Q1 2011	Q1 2012	Q1 2013	Q1 2014
Profit margin	54%	59%	59%	56%

Prices (rev share)
%

	2011	2012	2013	2014 Q1
	29.5	27.9	29.2	29.0
	31.2	29.5	32.2	32.2
	20.0	19.8	19.2	19.0
	32.1	32.2	32.4	32.7
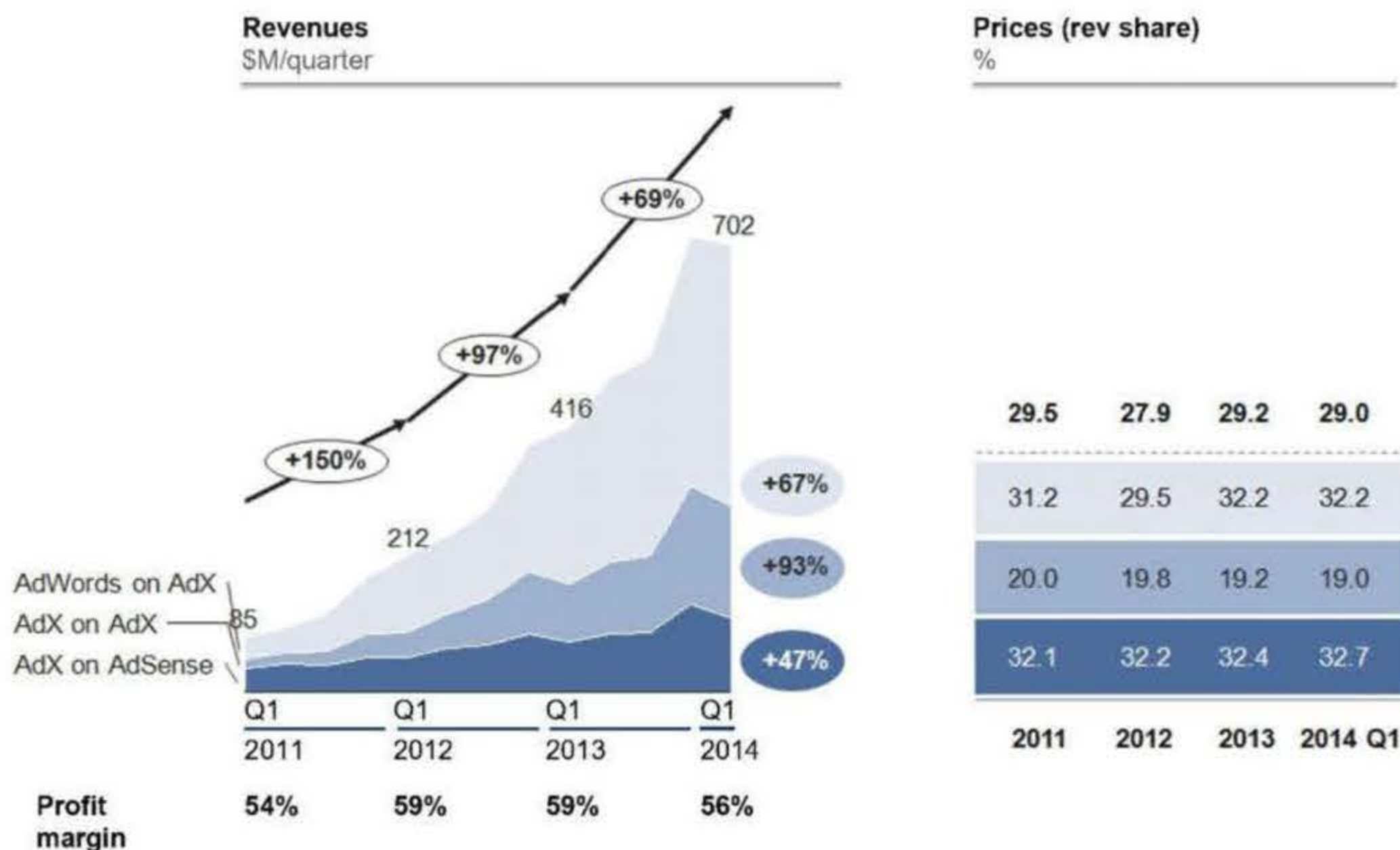
Source: AdX Yield Management Tables, GDSS tables

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- AW on AdX rev share deviation from standard driven largely by pCTR prediction accuracy (not Bernanke, confirmed w/ Nirmal)
- AdX on AdX rev share deviation from standard driven by discounts (~75%) and impact of pref deals (~25%). 1 new pub was given an open auction discount (Answers.com) since the previous analysis
- AdX on AdSense rev share increase (vs 32% standard) driven by lower share of spend on AFC (increasing % mix from video and mobile ads, which have higher rev share)

AdX faces strong competition, particularly for private auction, but still maintains a premium
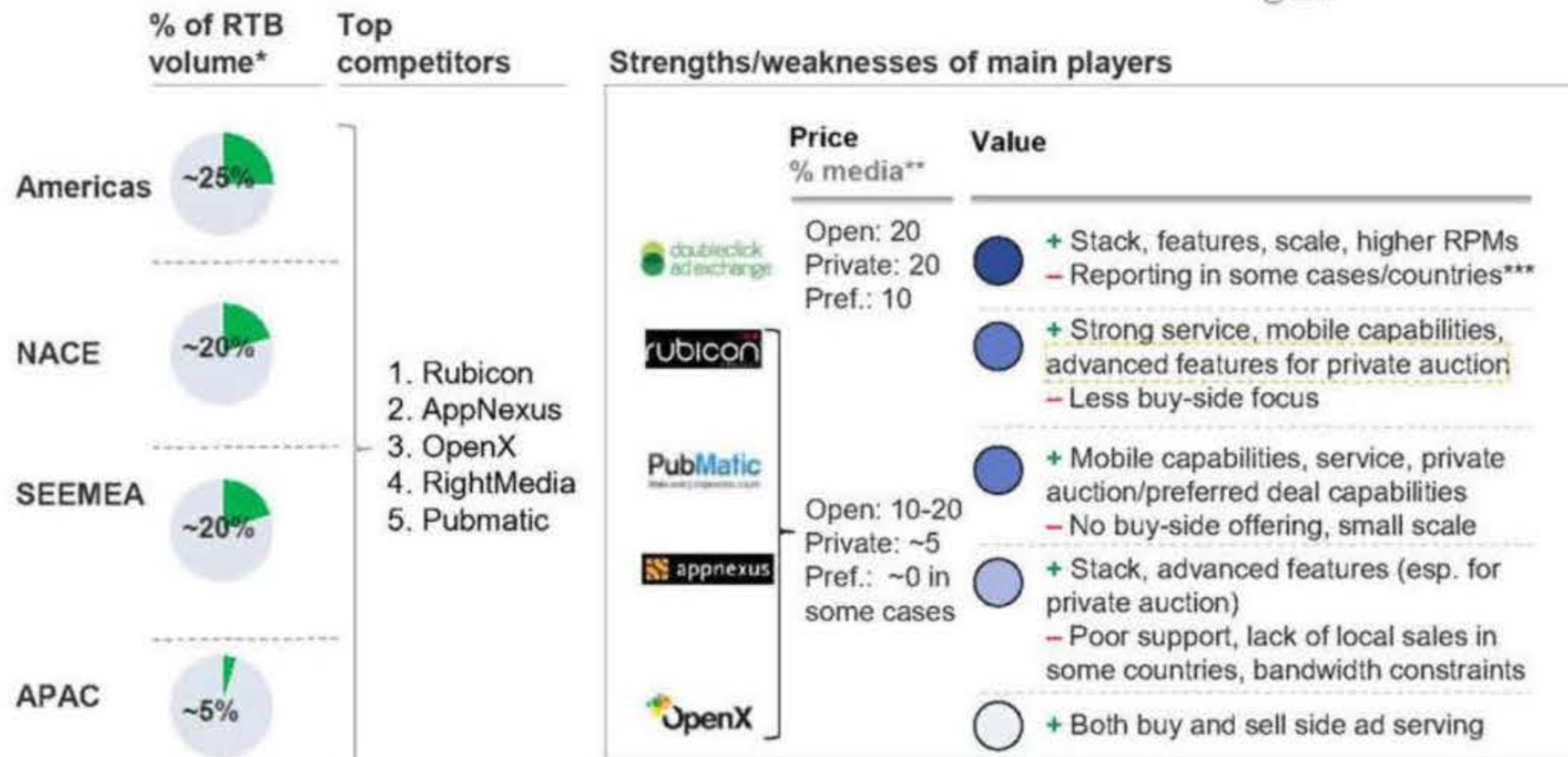
- Mobile competitors are emerging, but not yet large enough to list as "top competitors"

Reducing AdX rev share likely value destroying except in <30% of current volume

Type of pub	Expected elasticity*	Rationale	
LPS pubs with < 20% vol on AdX **27**	2 - 3	> Based on experience with pubs currently at discounted rates	**Value creating**, promotes a step increase in SoW of programmatic
LPS pubs with 20-40% vol on AdX **14**	~1	> Limited potential increase in vol given higher share already on AdX**	**Value neutral**, likely promoting only an incremental increase in SoW of programmatic
LPS pubs with > 40% vol on AdX **16**	< 1	> Unlikely to have enough programmatic inventory in addition to the one already on AdX to compensate for the price decrease**	**Value destroying**, current SoW of programmatic already very high
OPG pubs **43**	~0	> Unlikely to have any programmatic inventory in addition to the one already on AdX	
Total blended	<1		

* For a 25% reduction in price vs today (from current 20% to 15% rev share)
** Programmatic on avg <50% of total inventory of the publisher
*** Excluding 8 pubs with discounted rates

Most volume and growth from the Americas while other regions are growing as fast

GAP: price is key for the avg client - a flat price increase is counterproductive (despite GAP being a strong product)

Top 15 features	Importance	GAP	Adobe
Conversion tracking	94	65	49
Integration with ad server	85	75	62
Price level	80	80	
Visualization UI	74	80	54
Customizable dashboards	68	58	42
Multiple site reporting	65	66	57
Customer journey analysis	65	66	52
Data collection + reports	62	77	54
Adv. Admin. controls	60	41	83
24/7 phone support	58	71	75
Data freshness	58	45	80
Price structure	58	80	52
Std var definitions	57	100	100
Account mngt	57	78	75
Training	57	63	55

Remaining features	Importance	GAP	Adobe
Unsampled data reports	54	57	78
Custom metrics	54	69	48
X-channel attribution	52	88	51
Monthly hit vol limit	51	63	68
Custom vars definition	51	80	75
X-device reports	51	72	57
Mobile app tracking	49	69	48
Rule based modeling	49	51	35
X-channel reports	45	74	55
E-commerce tracking	45	31	62
Content analytics	43	60	48
Data driven attribution	42	86	47
Implementation support	40	51	46
AB & Multivar. testing	22	52	49

- GAP outperforms competition on most features and is improving on the remaining ones
- However, price weighs heavily on the avg purchase decision, making a flat price increase for everyone not an attractive option, as it would likely hurt adoption

Importance = % respondents who rate the feature very / extremely important in the purchase decision (5 point scale)
GAP / Adobe = % respondents who rate the product very good / excellent on each feature (5 point scale)
Based on a survey to current and potential GAP clients - detail here

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However, price and product features sensitivity vary widely with client's size, suggesting a segmented approach

Size of segment
% of LCS 300

Small clients < 500M hits/mo	27%

Top 15 features	Imp.	G	A
Conversion tracking	94	67	56
Price level	89	54	
Visualization UI	73	78	50
Price structure	67	80	46
Multiple site reports	67	72	67
Integ. w/ ad server	61	83	61
Custom dashboards	61	72	50
Training	61	72	67
Std vars	56		
Cust. journey analysis	56	67	56
Data collection+reports	50	89	67
Custom metrics	44	78	50
Content analytics	44	50	44
Rule based modeling	44	44	
Data freshness	44	56	67

Medium clients 500M – 1B hits/mo	47%

Top 15 features	Imp	G	A
Integ. w/ ad server	93	67	59
Conversion tracking	93	70	52
Price level	89	73	
Visualization UI	70	81	67
Account mngt	70	96	85
Cust journey analysis	67	70	63
X-device reports	63	74	59
Custom dashboards	63	74	63
Data collection+reports	63	85	55
Price structure	63	85	52
Adv admin controls	63		78
24/7 dedicated support	59	67	74
Training	59	85	70
X-channel reports	56	81	63
Std vars	52		

Large clients >1B hits/mo	26%

Top 15 features	Imp	G	A
Monthly hit vol limit >1B	100	50	80
Integ. w/ ad server	95	60	65
Multiple site reports	95	60	45
Conversion tracking	95	55	40
X-channel attribution	90	60	65
Custom vars	90	75	70
Unsampled data reports	90	35	75
Adv admin controls	85	50	50
Data freshness	85	25	50
Custom dashboards	80	55	
Mobile app tracking	80	65	75
24/7 dedicated support	80	70	65
Visualization UI	75	60	40
Data driven attribution	75	60	55
E-commerce tracking	70	20	65

- Price is a key factor
- Product and service requirements are simpler and met by GAP

- Price is important
- Stricter product & service requirements, mostly met by GAP

- Price NOT among top factors
- Strict product & service requirements, not entirely met by GAP

Proposed rate card is tiered based on the needs and price sensitivity of different segments

Available only through resellers

Volume	Fees	
Hits/month	$th/year	$/month
< 100M	**90**	7,500
100M – 200M	105	8,750
200M – 300M	120	10,000
300M – 400M	135	11,250
400M – 500M	**150**	12,500
500M – 600M	180	15,000
600M – 700M	210	17,500
700M – 800M	240	20,000
800M – 900M	270	22,500
900M – 1.0B	**300**	25,000
For each 500M		+$2,500

Minimum commitment $th/year	Product features*	Sales & Service
90	• Data refresh < 4h • Unsampled reports < 4h • Custom variables - 30	• Resellers only
150	• Data refresh < 1h • Unsampled reports < 4h • Adv. admin controls • Custom variables - 100 • Big Query integration	• Google AMs + Resellers • 24/7 Technical Assistance • Implementation: 1st site free. Additional $25K/site
300	• Data refresh < 15m • Unsampled reports < 1h • Adv. admin controls • Custom variables - 200+ • Big Query integration	• Google AMs • 24/7 Technical Assistance • Implementation: 1st site free. Additional $25K/site • Consulting svcs: $25K/mo/consultant

> Higher min commitment (300 vs 150 vs 90M /hits/mo) incentivized through better product features / sales & service, not lower unit price
> Flexibility for sales teams to use discounts if/when appropriate to further incent other / higher min commitments

Note: Same discount criteria and esc. +$30k process as for buy-side platforms. 20% discount allowed at Sales Director level, higher discounts need GBX approval
* Data driven attribution, DFA/DFP integration and SLAs available in all paid versions (not available on Free)

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Pricing priorities

	Topic	Description
BUY-SIDE	**DDM Stack**	> Integrated pricing for select use cases of multiple DDM products
	Open Studio	> Strategy for RM ads on DDM - open platform to 3P ad creation tools?
	DoubleClick Audience Center	> Pricing strategy for DMP to launch in Q3
	Adometry	> Pricing strategy to integrate attribution solution with DoubleClick suite
SELL-SIDE	**Project Jordan**	> Pricing for reservation buys on DBM-AdX-DFP
	GRP	> Pricing for vCE (comScore) and OCR (Nielsen) metrics for video and display
	AdX open auction	> Evaluate lowering AdX rev share and compensating with higher & dynamic AdW fee
	AdMob	> Evaluate lowering rev share to same level as AdSense (from 40 to 32%)
	mDialog	> Pricing strategy for company acquired in Q2 2014, to serve as DFP add on

Pricing priorities

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BUY-SIDE	**DDM Stack**	> Integrated pricing for select use cases of multiple DDM products	remove?
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	Project Jordan	> Pricing for reservation buys on DBM-AdX-DFP	
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	mDialog	> Pricing strategy for company acquired in Q2 2014, to serve as DFP add on	
ANALYTICS	**DoubleClick Audience Center**	> Pricing strategy for DMP to launch in Q3	
	Adometry	> Pricing strategy for company acquired in Q2 2014, to integrate attribute solution with DoubleClick suite	

Google — Ongoing / recent platforms pricing projects

	Topic	Hypotheses / recommendations
BUY-SIDE	**DoubleClick Audience Center:** pricing strategy for DMP to launch in Q3	> License fee pricing model (flat rate tiered by vol out)
	DDM Stack: integrated pricing for select use cases of multiple DDM products	> No rate card change, updated discount guidance to allow waiving of ad serving fees in certain cases
	Open Studio: strategy for RM ads on DDM - open platform to 3P ad creation tools?	> Double down on internal resources and open Studio to select 3P RM players
SELL-SIDE	**Project Jordan:** pricing for reservation buys on DBM-AdX-DFP	> 6-9% media fee on DBM, 3-5% rev share on DFP
	GRP: pricing for vCE (comScore) and OCR (Nielsen) metrics for video and display	> vCE: free (except on DCM), OCR: pass through
	Platforms Pricing Review: overview of Google performance and competitive landscape	> Currently gathering data for a comprehensive pricing overview for the Display Steering Committee on Jun 17
	AdX open auction: lower AdX rev share and compensate with higher & dynamic AdW fee?	> No change to current rev share, except when negotiated by pubs with vol >$1M/month and low current SoW
	AdMob: lower rev share to same level as AdSense (from 40 to 32%)?	> AdMob has a relatively low share today; competitors price lower for key pubs

Google Overview of recent pricing efforts

Product / topic	Description	Current status
> Platforms pricing review	> Annual comprehensive pricing review of buy and sell side platforms for the Display Steering	> Presented Q4 2013
> DBM Pricing Strategy	> Self vs full-service rates, Premium rates, lower rates for very high volume	> Launched Apr '14
> Enhanced formats / filesize	> RM In page in DCM (no studio, self service), no filesize fees	> Launched Q1 2014
> DCLK Search	> Stricter pricing guidance, same rate card	> Launched Q1 2014
> Analytics Premium	> Segmented pricing to increase overall avg price	> Approved in concept, process for final approval underway
> Audience Center	> Determined rate card (flat rate, tiered by vol of data exported out of Google)	> Approved in concept, rate card to be finalized based on pilot
> Jordan	> Determine pricing for reservation buys using DBM - AdX - DFP	> Buyside pricing agreed upon, to request approval in Q2 2014
> DDM Stack Pricing	> Determine integrated pricing for DDM products in specific use cases	> Agreed on no major price changes*
> GRP Pricing	> Determine pricing for GRP metrics from Comscore/Nielsen on platforms products	> Price ranges agreed upon, to finalize price points** in Q2 2014
> YouTube on DBM/AdW	> Determine pricing change (if any) to enable migration of YT spend from AdW to DBM	> Evaluating option of offering YT through Project Jordan
> Open Studio	> Assess the attractiveness of opening Studio to other ad authoring tools	> Evaluating the long-term strategic implications and risks

* 2 minor adjustments identified, to be implemented in Q2 2014
** Final price point to be determined based on comp intel

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Back ups

Platforms overall: high growth and increasing prices in programmatic, slower growth and price erosion in ad serving

Legend: → % of total net revs | High growth | ▲ Q1 '14 vs ▼ Q1 '13

Buy-side	Volume $M media or bi imps / qr	Avg price % media or ¢ eCPM	Net Revenues $M / quarter	Margin %
Bid Manager 4%	37 52 80 125 ▲ +57%	7.8% 11.8% 11.7% 11.8% ▲ +1%	3 6 9 15 ▲ +59%	18
DCM DRM* 18%	698 871 957 1,068 ▲ +12%	6.5¢ 5.9¢ 5.7¢ 5.7¢ ▲ +1%	46 51 55 61 ▲ +13%	60
Dclk Search 1%	442 430 556 892 ▲ +60%	0.9% 0.0% 0.2% 0.4% ▲ +77%	4.1 0.0 1.3 3.6 ▲ +185%	-30
Sell-side				
DFP Premium* 18%	1,234 1,551 1,769 2,177 ▲ +23%	3.7¢ 3.3¢ 3.0¢ 2.8¢ ▼ -6%	46 51 53 61 ▲ +15%	62
DFP SB* <1%	835 995 1,234 ▲ +24%	0.4¢ 0.4¢ 0.3¢ ▼ -25%	1.6 1.7 1.5 ▼ -10%	
Ad Exchange 59%	85 212 416 702 ▲ +69%	29.7% 27.5% 28.5% 29.0% ▲ +2%	25 58 118 203 ▲ +72%	56

Q1 2011 Q1 2012 Q1 2013 Q1 2014

Volume is billion impressions for DCM and DFP, media spend in $M for Bid Manager, DoubleClick Search and AdX
Price is eCPM in $¢ for DCM and DFP, % of media for Bid Manager, DoubleClick Search and AdX
* Includes Rich Media uplift, Video uplift and all other add-ons currently charged for. DFP SB: volume includes free/monetized, prices don't
Source: Dcout_CustRevenue_F, Billing, AdX YM tables, displayd_xfpbasetable

DBM: prices for DBM Standard stabilizing, margin increased by growth and new rate card

BID MANAGER
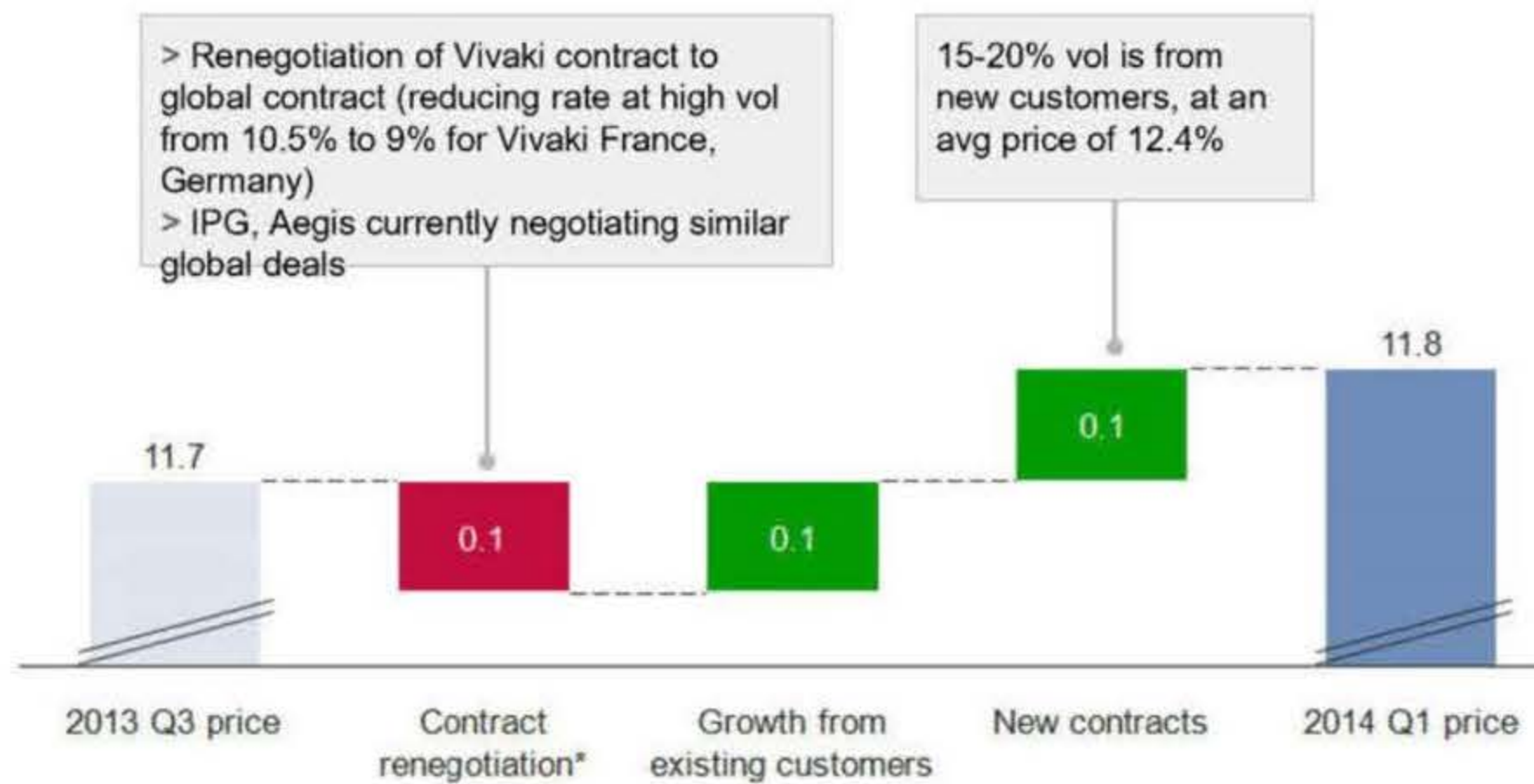
- early 2012 price slightly above trending levels due to high vol from a client at legacy 23% rate (Camelot Communications), renegotiated in Q3 2013

Effective fee increased slightly from the impact of new volume at higher prices

% media

> Renegotiation of Vivaki contract to global contract (reducing rate at high vol from 10.5% to 9% for Vivaki France, Germany)
> IPG, Aegis currently negotiating similar global deals

15-20% vol is from new customers, at an avg price of 12.4%

| 2013 Q3 price | Contract renegotiation* | Growth from existing customers | New contracts | 2014 Q1 price |

11.7   0.1   0.1   0.1   11.8

* ~13 contract renegotiations in Q3 2013 - Q1 2014, of which effective price stayed roughly constant for all except Vivaki

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Strong product sold at a premium for larger clients, competition is from Turn, AppNexus and recently video DSPs

● High ☐ Key change since Nov 2013
○ Low

% DSP vol[1] | Top competitors

Strengths/weaknesses of main players

	Price (% media)		Value
	High vol	Low vol	
doubleclick bid manager by Google	11 12 15 18		+ KCT, algorithms, stack, infrastructure [2] — No access to some local exchanges[3]
TURN	<7	15	+ Openness to 3P add-ons, own DMP
adform	8	15[4]	+ Strong local presence in EMEA
MediaMath	6-7	15[4]	+ Friendly reporting
appnexus	<6	15	+ Flexible API
rocketfuel	6	15	— Opaque pricing / arbitrage

Americas ~25%
1. **Turn**
2. AppNexus
3. MediaMath

NACE
UK 42%
DACH 27%
Benelux 37%
Nordics 12%
1. **AppNexus**
2. Turn
3. MediaMath

SEEMEA
FRITES 25-30%
MENA, IL 20-70%
Others 35-80%
1. **MediaMath**
2. Turn
3. AppNexus

APAC
AU/NZ 40-50%
SE Asia 30%
IN, JP <5-10%
1. **Turn**
2. Brandscreen
3. Local players[5]

Key changes since Nov 2013:
> SEEMEA share decreased from ~40%, driven largely by loss of AMNET video volume to Videology
> Videology, TubeMogul (priced as CPM/CPV) gaining share for video portion of media budgets

1 These estimates do not account for all available product substitutes (in-house tools, ad networks, etc)
2 Without FBX, DBM was perceived as less valuable than Turn   3 In China: Baidu, Tencent, Sina. In Japan: currently integrating with MicroAd, PlatformID and PlatformOne   4
MediaMath rate includes some service (not full campaign management). AdForm rate for smaller spender: rough estimate
6 China: Yoyi, Ipinyou, MediaV. Japan: MicroAd; FreakOut, MarketOne   Google Confidential & Proprietary
Source: Sales Teams' intuition, not based on actual metrics
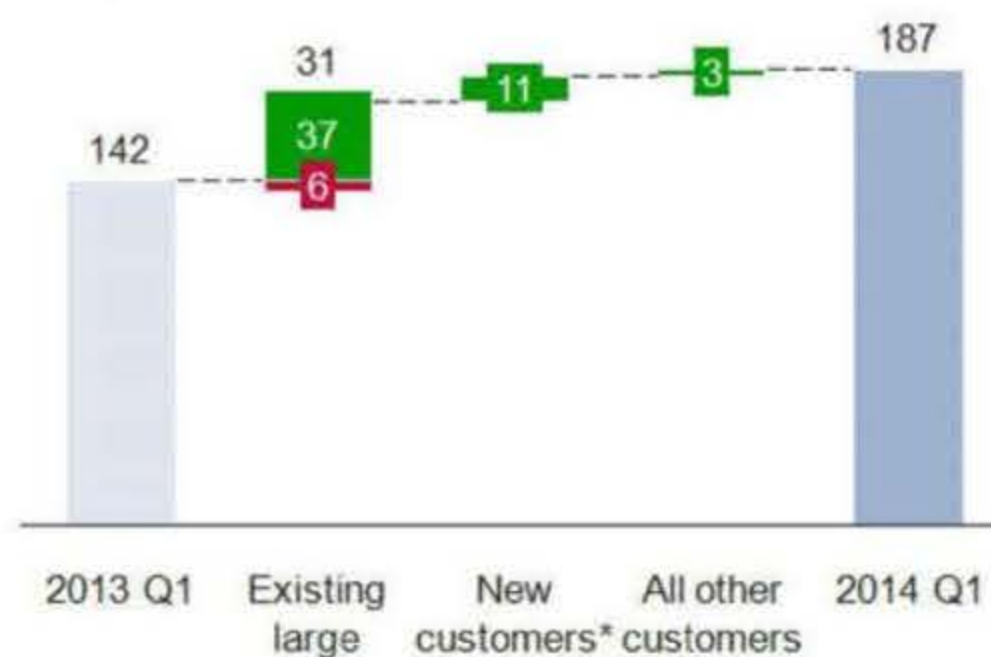
- Video competitors are emerging, but not yet large enough to list as "top competitors"

NACE: while impressions volume are declining overall, Q1 2014 saw unusually high growth

Volume from large existing customers and new customers increased significantly in Q1 2014...

Ad serving volume
B imps

31
142 — 37 / 6 — 11 — 3 — 187

2013 Q1 | Existing large customers | New customers* | All other customers | 2014 Q1

> Growth from 7 major agencies**
> Decline from 3 major agencies and 1 marketer***

* Largely from 4 major new customers: TalkTalk, bwin, KLM, Goldback Interactive
** Refers to WPP, Aegis, IPG, Omnicom, Publicis, Profero, DQ&A
*** Refers to Rocket, Havas, Xenion (agencies) and Sporting Index Limited (marketer)

...however longer term trends indicate declining volume

Vol growth
% YoY

2013	Q1	+4
	Q2	-2
	Q3	-8
	Q4	-5
2014	Q1	+31

> Overall volume decline from shift towards click tracking, programmatic, other media (video / mobile)

> Q1 2014 growth from unusually high agency spend (which doesn't appear to carry over to Q2)

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Americas: declining volume from 13 of top 30 customers offset by new volume and existing customer growth
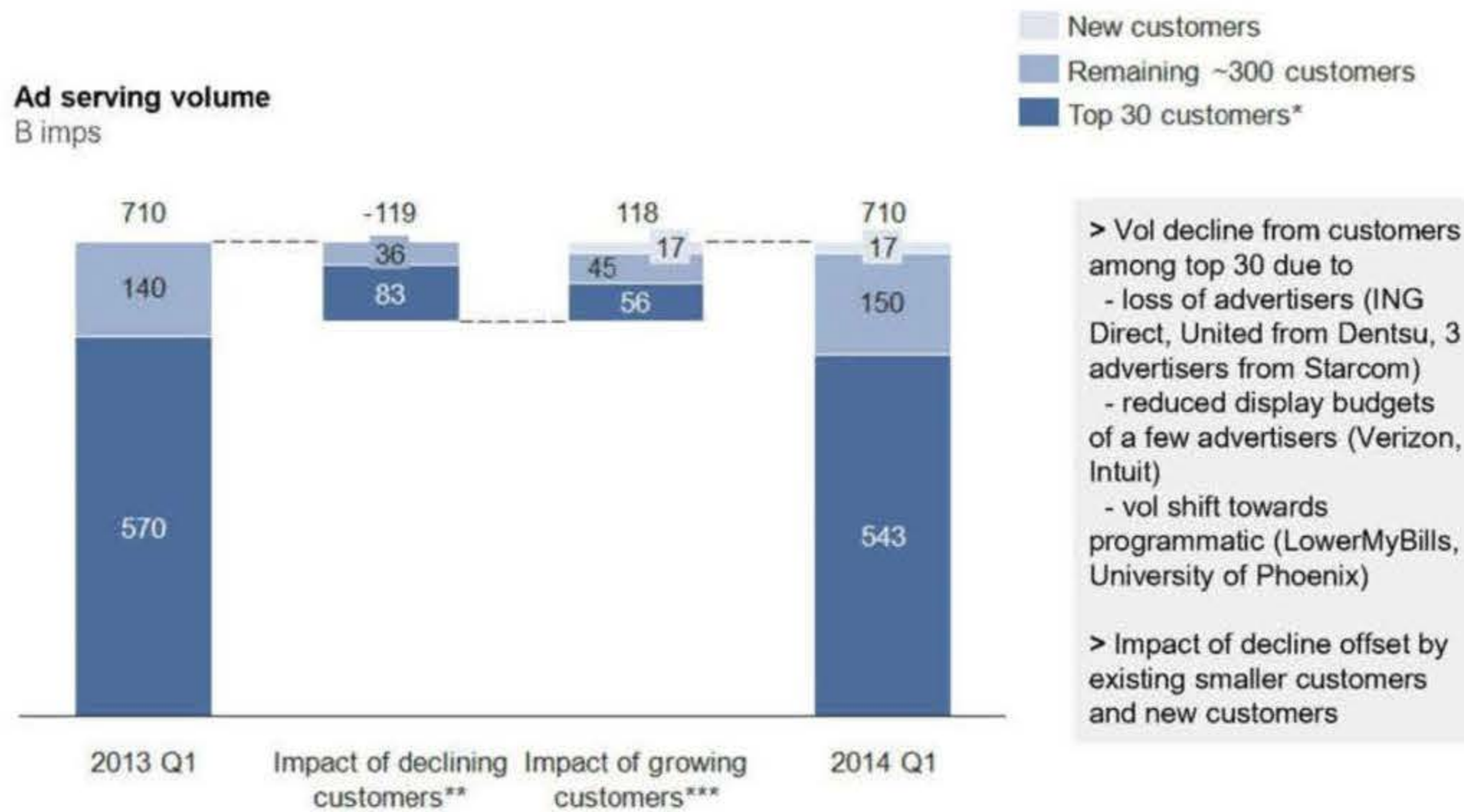
vol decline from 13 of top 30 customers offset growth. Declines were due to loss of a few key advertisers (ING Direct, 3 advertisers on Starcom) and reduced display spend from a few advertisers (Intuit shifted towards text links, Verizon reduced display budget by 50%). 5-10% declines from loss of vol to 3P DSPs or RM (LowerMyBills, University of Pheonix)

DCM is a superior product, competitors focus on price, especially in SEEMEA and APAC

% 3PAS vol* Top competitors | **Price vs DCM %** | **Strengths / weaknesses of main players**

Legend: Key change since Nov 2013 — High / Low

Americas — 50+%
1. Sizmek**
2. Atlas
-30 to -40%

NACE
- UK 50%
- DACH 20%
- Benelux 15%
- Nordics 13%

1. Sizmek**
2. Adform
3. Mediaplex
4. Atlas
5. Facilitate
6. AppNexus
7. Smart AdServer (FRITES)
-50

SEEMEA
- FR/IT/ES 30-40%
- MENA/IL 20-70%
- Other 0-10%

APAC
- AU/NZ 50%+
- SE Asia 10-30%
- IN, JP 10-15%

1. Sizmek**
2. Facilitate
3. Atlas
4. Zedo
-20 to -50%
-20%
Cheaper
Very cheap

Value

- **dfa** by Google — High
  - + Features, stack, reliability
  - − Not very intuitive UI
- **Sizmek**
  - + Flexibility, reporting, RM, excl. relationship w/ some pubs
  - − Less advanced tech
- **appnexus**
  - + DSP, flexible UI, localization
  - − Scale
- **adform**
  - + DSP, localization (Europe), customization
- **Mediaplex**
  - + User-friendly, search integr.
  - − Scale and localization
- **atlas**
  - − Lack of recent investment
- **facilitate**
  - − No advanced reporting
- **ZEDO** — Low
  - N.a.

Key changes since Nov 2013:
> SEEMEA share decreased from ~40%, driven largely by loss of volume to Smart AdServer in France
> APAC share increase driven by new business in AU/NZ (formerly ~50% share)

* These estimates do not account for all available product substitutes (in-house tools, ad networks, etc)
** Formerly MediaMind
*** -20% in AU/NZ, -50% in IN
Source: Sales Teams' intuition, not based on actual metrics

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DCM

DoubleClick Rich Media is more expensive and has less service than competitors

Key change since Nov 2013
● High
○ Low

Region	% of 3PAS vol[1]	Top competitors	Price vs DRM %[2]
Americas	~25%	1. Sizmek[3] 2. Flashtalking 3. PointRoll 4. SpongeCell 5. AdMotion, Predicta (LatAm)	~same NA, -60 LatAm N.a. -30 -50 -60
NACE	~25%	1. Sizmek[3] 2. Flashtalking 3. Point players 4. AdForm	-40
SEEMEA IT	10%	1. Sizmek[3] 2. AdForm 3. Weborama 4. Gemius 5. AdRiver (EE) 6. Smart AdServer (FRITES)	-80
FR/ES/PT & EE	~0-5%		
MENA	20-80%		
APAC AU/NZ	40%	1. Sizmek[3] 2. FlashTalking 3. Innovid	-50 to -80
SEA	15%		
Other	0-15%		

Strengths / weaknesses of main players

Value

dfa by Google
+ Integration with base ad serving, layouts (flexible/fast)
− Service

Sizmek
+ Innovative features, quality, service (recent attempts at scaling back), exclusive relationships w/ some pubs

flashtalking
+ Perceived as creative, dynamic, service oriented
− Low scalability

weborama
+ Good video formats
− Lack of innovation

spongecell
− Lack of base ad serving

POINTROLL
+ Excl. relationships w/ pubs
− Less sophisticated

Key changes since Nov 2013:
> Share decrease in Americas (from 30%) due to mix shift towards video & mobile, where point players are strong competitors (Celtra for mobile, Vindico for video)

1 These estimates do not account for all available product substitutes (in-house tools, ad networks, etc)
2 Mostly refers to In-Page and In-Banner Video. DRM rates for In-Stream are in general close to competition
3 Formerly MediaMind

Source: Sales Teams' intuition, not based on actual metrics

- Mobile/video competitors are emerging, but not yet large enough to list as "top competitors"
- Awaiting response from Nadia on driver for share loss in IT from 40% to 10%

Google Analytics
Premium Pricing Strategy

Proposal for discussion

November 22, 2013

Google

Key principles for pricing Google Analytics Premium

Key principles for platforms pricing...	**... and implications for GAP**
✓ Focus on the long-term overall value from the adoption of the products / features	Optimize the rate card for both adoption (value of owning the analytics layer) and direct revenues
✓ Ensure ease of execution and scalability	Ensure a simple fee structure to avoid time consuming negotiations that add little value vs the value of fast adoption
✓ Price competitively and adequately to the value delivered to the client	Ensure the rate card is well adapted to the competitive environment and value for the different types of clients
✓ Consider the signaling effects of price in conveying value and quality to clients	Charge for the use cases that clients expect to pay - too low pricing (or "free") may actually lead to lower adoption

Google
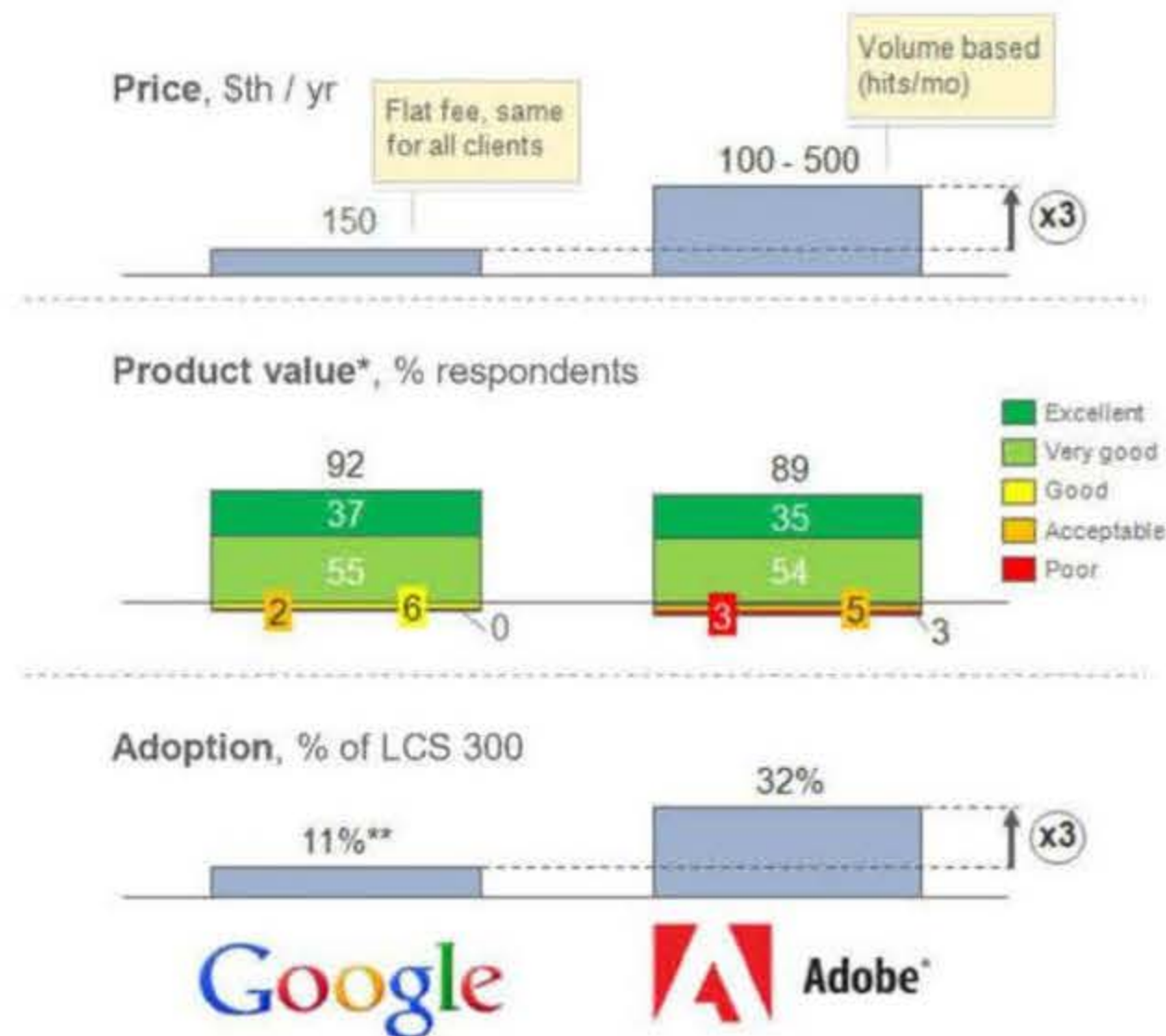
Client survey to assess perceptions on price and product features for Google and competitors

Aspects assessed

- Current analytics products, annual spend
- Features that drive purchase decision
- Feature level performance rating of GAP vs competitors
- Price perception of GAP and competitors

Sample

- Surveyed 90 GAP clients and 30 non-clients in Sep-Oct 2013
- 65 respondents (55% response rate)
  - 25 only use GAP
  - 26 use GAP as primary & Adobe as secondary
  - 9 use Adobe as primary & GAP as secondary
  - 5 use Adobe only

Survey details here

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Price is key for the avg client - a flat price increase is counterproductive (despite GAP being a strong product)

% respondents

Top 15 features	Importance	GAP	Adobe
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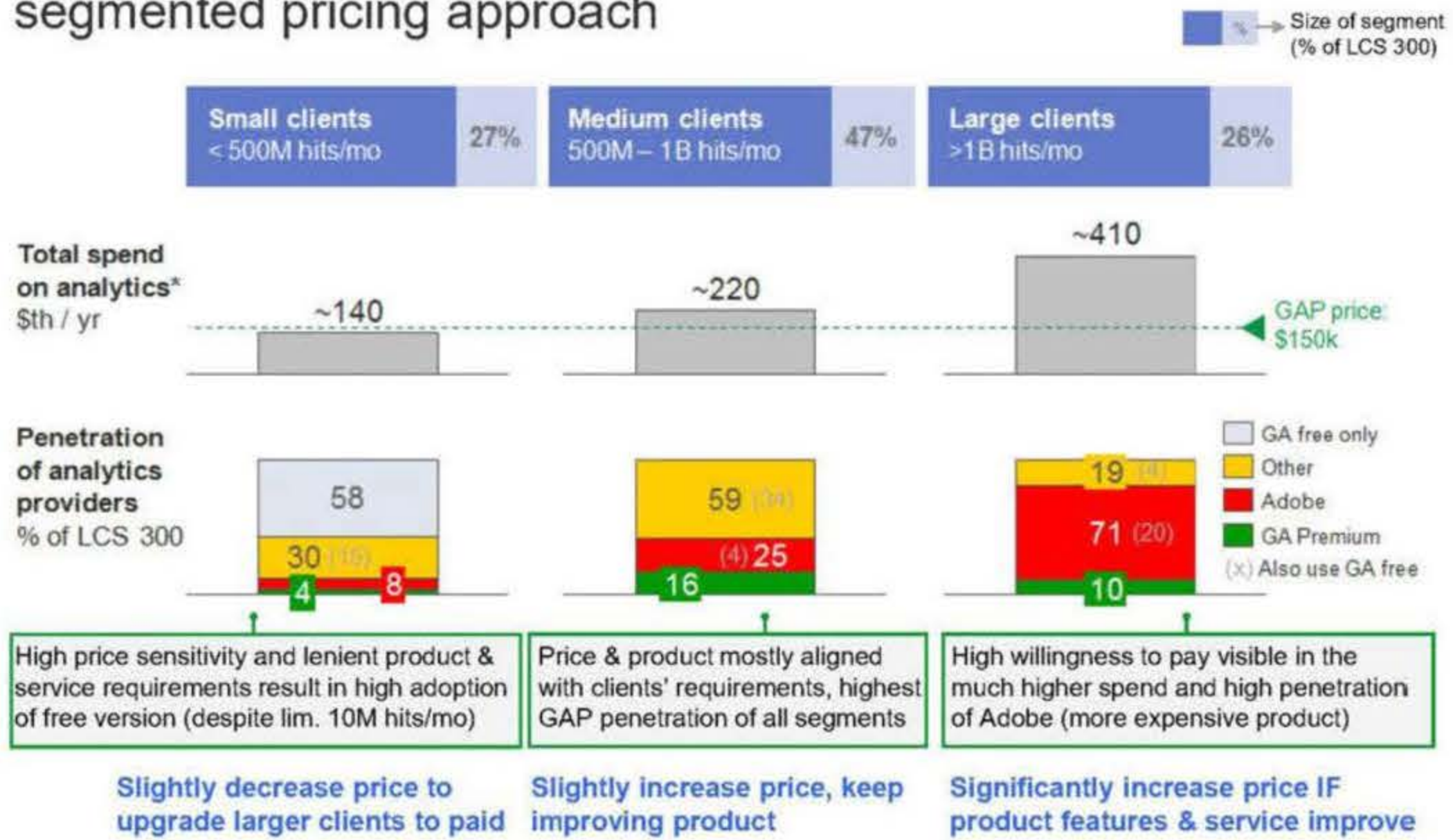
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Std vars	52	100	100

- Price is important
- Stricter product & service requirements, mostly met by GAP

Large clients >1B hits/mo			26%

Top 15 features	Imp	G	A
Monthly hit vol limit >1B	100	50	80
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Multiple site reports	95	60	45
Conversion tracking	95	55	40
X-channel attribution	90	90	65
Custom vars	90	75	70
Unsampled data reports	90	35	75
Adv admin controls	85	30	90
Data freshness	85	25	90
Custom dashboards	80	25	90
Mobile app tracking	80	65	75
24/7 dedicated support	80	80	95
Visualization UI	75	80	40
Data driven attribution	70	90	35
E-commerce tracking	70	30	65

- Price NOT among top factors
- Strict product & service requirements, not entirely met by GAP

Importance = % respondents who rate the feature very / extremely important in the purchase decision (5 point scale)
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Based on a survey to current and potential GAP clients - detail here

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# Clients' current behavior further suggests the need for a segmented pricing approach

Size of segment (% of LCS 300)

Small clients < 500M hits/mo	27%	Medium clients 500M – 1B hits/mo	47%	Large clients >1B hits/mo	26%

Total spend on analytics* $th / yr

~140 ~220 ~410

GAP price: $150k

Penetration of analytics providers % of LCS 300

- GA free only
- Other
- Adobe
- GA Premium
- (x) Also use GA free

Small: 58 / 30 / 4 / 8
Medium: 59 / (4) 25 / 16
Large: 19 / 71 (20) / 10

High price sensitivity and lenient product & service requirements result in high adoption of free version (despite lim. 10M hits/mo)

Price & product mostly aligned with clients' requirements, highest GAP penetration of all segments

High willingness to pay visible in the much higher spend and high penetration of Adobe (more expensive product)

Slightly decrease price to upgrade larger clients to paid

Slightly increase price, keep improving product

Significantly increase price IF product features & service improve

* Estimate, based on self reported spend for clients on paid versions (data collected through a survey - detail here)
Detail of the estimate of the size of the segments and penetration of the different providers here

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In summary, provided the needs of the larger segments are met, price should be increased
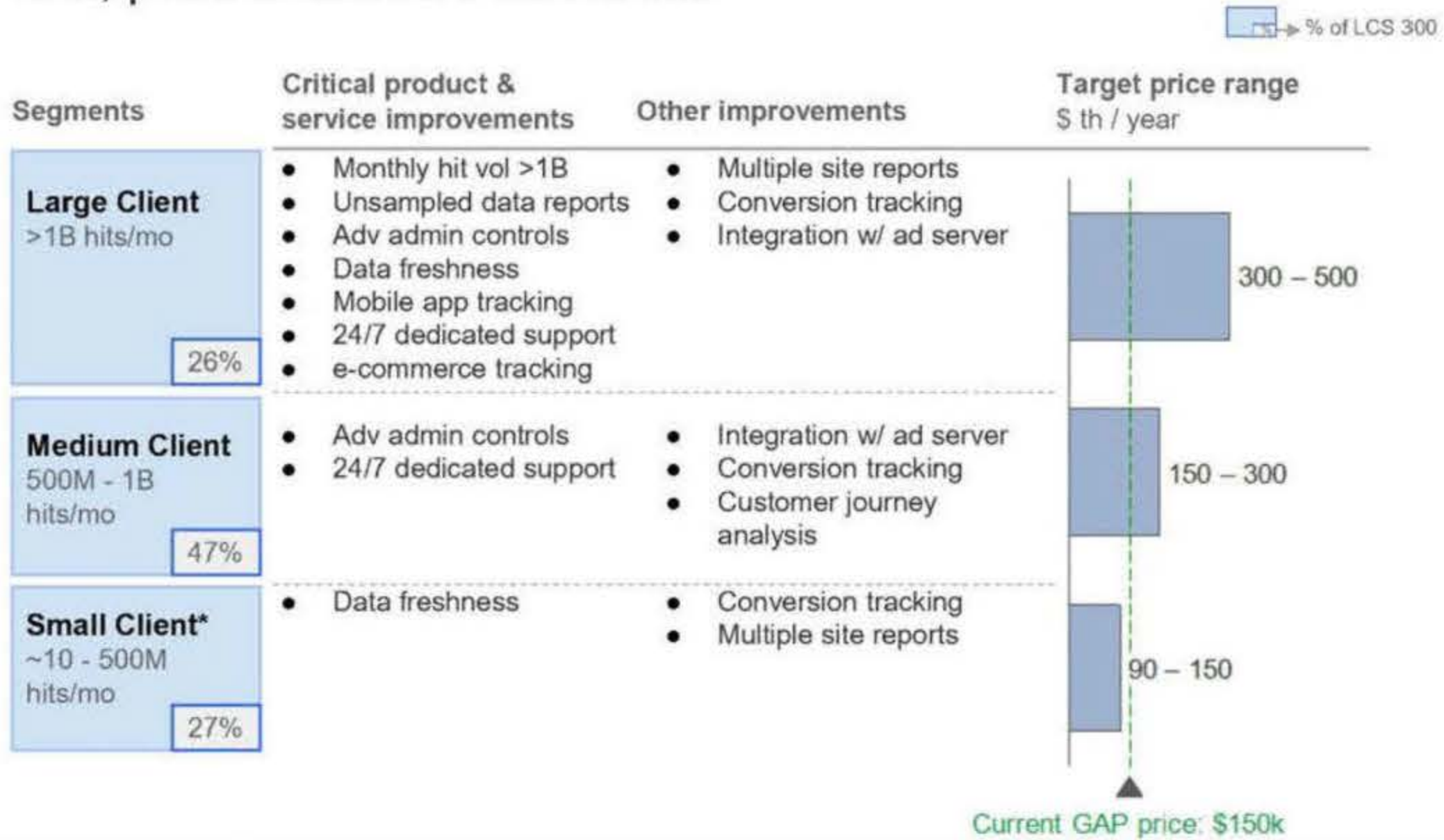
Google

Services, if/when offered, should be priced to cover our costs and not lower than competitors

	Implementation support	Ongoing Technical Assistance	Consulting services
Current GAP offer	• Only offered to direct clients • Only offered for 1 site per client	• Included in 150K price	• Not offered
Cost Driver	• # of sites • Complexity of sites	• # of tickets • # of authorized users	• # of hours
Cost[1]	• $9k- 12k per site	• $4k - 6k/client/year	• $10-15k/month/consultant
Competitor offers	• First site implementation free • Additional sites charged at $25k - 35k per site	• Most competitors include this service in analytics fee	• Charged as add-on service • Billed as monthly retainer of $25-30k per consultant
Proposed services pricing	First site free for direct clients. Additional sites priced in line with competition ($25k/site)	Given low cost and competitor pricing, continue to include this service in analytics price	If we offer this service, price as monthly retainer in line with competition ($25k/mo/consultant)

1- Estimates based on existing G-Tech headcount costs. Details here

Proposed pricing: volume based rate card with differentiation in product and services

		GA Premium			GA Free
		Large Clients >1B hits/mo	**Medium Clients** 500M-1B hits/mo	**Small Clients** 10M-500M hits/mo	**Non-paying Clients** <10M hits/mo
Volume based pricing...	Flat Fee ($K/yr)	$300K	$150K	$90K	Free
	Vol cap (Hits/mo)	1B	500M	100M	10M
	Fee > Cap ($K/yr) [1]	$30K per 500M	$30K per 100M upto 1B	$15K per 100M upto 500M	*
... with differentiation in product features	Data freshness	<15 mins	< 1h	< 4h	24h+
	Unsampled reports	< 1h	< 4h	< 4h	✖
	Adv Admin controls	✔	✔	✖	✖
	Custom variables	200+	100	30	20
	Data driven attribution	✔	✔	✔	✖
	DFA/DFP Integration	✔	✔	✔	✖
	Big Query Integration [2]	✔	✔	✖	✖
... and in sales & services	Sales channel	Google AMs	Google AM + Resellers	Reseller only	Online
	Implementation	1st site free. Additional sites $25K	1st site free. Additional sites $25K	✖	✖
	24/7 Tech Support	✔	✔	✖	✖
	Account Mgr	✔	✔	✖	✖
	Consulting Svcs	$25K/mo**	✖	✖	✖

1- E.g., a client with $90k flat fee that goes above 100M hits/mo will be charged $15k for each 100M hits up to 500M hits, then $30K per 100M hits up to 1B and then $30K per 500M hits above 1B

2- Feature not tested in customer survey. * No data processed above cap. ** Monthly retainer fee per consultant

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Proposed rate card

Available only through resellers

Volume Hits/month	Fees $th/year	$/month
< 100M	90	7,500
100M – 200M	105	8,750
200M – 300M	120	10,000
300M – 400M	135	11,250
400M – 500M	150	12,500
500M – 600M	180	15,000
600M – 700M	210	17,500
700M – 800M	240	20,000
800M – 900M	270	22,500
900M – 1.0B	300	25,000
For each 500M		+$2,500 +$30k

Minimum commitment $th/year	Product features*	Sales & Service
90	• Data refresh < 4h • Unsampled reports < 4h • Custom variables - 30	• Resellers only
150	• Data refresh < 1h • Unsampled reports < 4h • Adv. admin controls • Custom variables - 100 • Big Query integration	• Google AMs + Resellers • 24/7 Technical Assistance • Implementation: 1st site free. Additional $25K/site
300	• Data refresh < 15m • Unsampled reports < 1h • Adv. admin controls • Custom variables - 200+ • Big Query integration	• Google AMs • 24/7 Technical Assistance • Implementation: 1st site free. Additional $25K/site • Consulting svcs: $25K/mo/consultant

> Higher min commitment (300 vs 150 vs 90M /hits/mo) incentivized through better product features / sales & service, not lower unit price
> Flexibility for sales teams to use discounts if/when appropriate to further incent other / higher min commitments

Note: Same discount criteria and escalation process as for buy-side platforms: 20% discount allowed at Sales Director level, higher discounts need SBX approval
* Data driven attribution, DFA/DFP integration and SLAs available in all paid versions (not available on Free)

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The proposed pricing results in a target margin of ~70% in 2014, in line with the margin of other platforms products

Assumptions

- Fixed costs (Eng, Product, Marketing HC) and variable costs/client (Sales & Support HC + Tech costs) sourced from Sales Finance 2014 P&L

- Assumes 100% penetration of LCS 300 with expected distribution
  - 80 small clients
  - 140 medium clients
  - 80 large clients

- Avg. revenue per client per year
  - Small clients: $120k, 50:50 reseller share
  - Medium clients: $225k
  - Large clients: $400k

- 20% of med and large clients use paid implementation service for 1-2 sites[2]

Financials[1] (2014 run rate)
$ M / yr

Revenues	**71**
Small clients	5
Medium clients	34
Large clients	32
Costs	**20**
Sales & support	**18**
Small clients	0
Medium clients	7
Large clients	11
Fixed costs[1]	**2**
Profit	**51**
Profit Margin	**70%**

DFA: ~70%
DFP: ~60%

1- Includes paid implementation services, but not paid consulting services
2- Based on G-Tech estimates

Google

Preliminary product roadmap

Q1 2014	Q2 2014	Q3 2014

Hit volume - 20B/mo/property

Unsampled offline report <1hr

Unsampled data - custom aggregates

Unsampled data in UI - 20M (all queries)

Unsampled data freshness <15 min

Reprocessing - 30 days prior

Big Query integration - V2 features

Group / Account Management / Provisioning ACLs

DFP integration

Rollup reporting

E-commerce
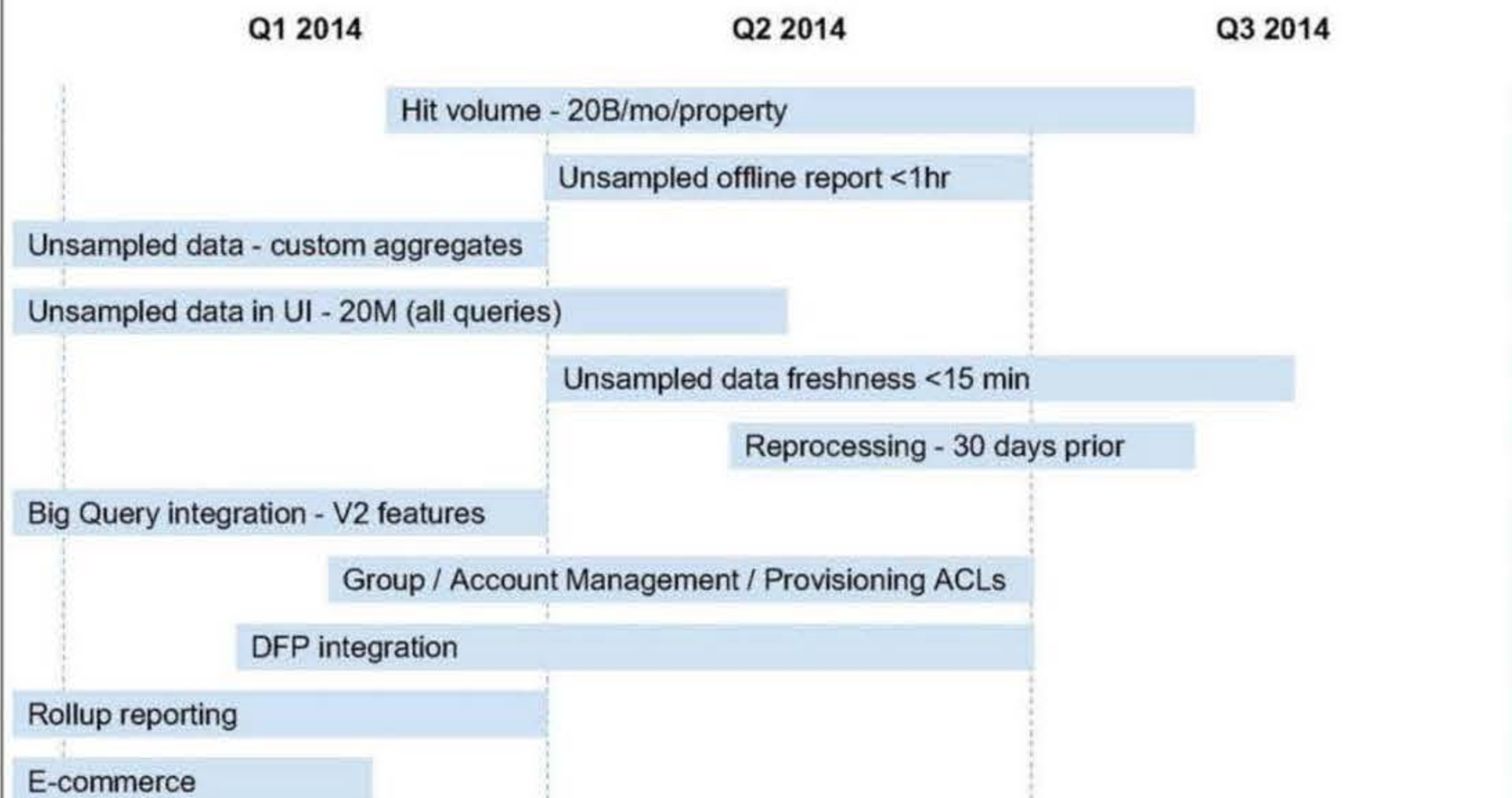
Source: Google Analytics Premium Product Team

Next steps

Pricing Strategy

- Regionalize pricing proposal for **markets outside North America**

- Define the pricing strategy for the remaining **Analytics Suite** products

- Define how Analytics pricing should be integrated in the **DDM stack pricing**

Product & Sales Strategy

- Agree on a **product roadmap** that addresses the key development areas identified in the survey

- Define the **re-seller strategy** to complement our direct sales & service channel

Google | # AdX Pricing

Impact of a decrease in the rev share

March 2014

Should AdX rev share be decreased? If so, how?

Focus of this document

Context

Potential pricing changes

Impact to assess

> Price pressure from competitors
 - AdX @ 20% rev share while direct competitors @ 10-20%
 - 8 large AdX pubs (~13% of AdX vol.) at negotiated rates (down to 15%), 6 of which were negotiated in 2013

> Rev share decrease likely to increase AdX volume, GDN fee* could be increased dynamically to offset the AdX price reduction

> Question is whether and in what conditions this pricing change would be value creating

Decrease AdX rev share from current 20%

> Increase in AdX volume due to the decrease in AdX rev share (price elasticity of demand)

+

+

Increase GDN fee keeping the blended AdX+GDN constant @ 32%**

> Decrease in the GDN win rate due to the increase in the GDN fee

* Currently at 14%, to be increased to 15%
** Applies only to the AdX volume at the reduced rev share and such that the blended rev share (AdX + GDN) remains unchanged vs today

Reducing AdX rev share likely value destroying except in <30% of current volume

Type of pub	Expected elasticity*	Rationale		% AdX gross rev****
LPS pubs with < 20% vol on AdX `27`	2 - 3	> Based on experience with pubs currently at discounted rates**	**Value creating**, promotes a step increase in SoW of programmatic	
LPS pubs with 20-40% vol on AdX `14`	~1	> Limited potential increase in vol given higher share already on AdX***	**Value neutral**, likely promoting only an incremental increase in SoW of programmatic	
LPS pubs with > 40% vol on AdX `16`	< 1	> Unlikely to have enough programmatic inventory in addition to the one already on AdX to compensate for the price decrease***	**Value destroying**, current SoW of programmatic already very high	
OPG pubs `43`	~0	> Unlikely to have any programmatic inventory in addition to the one already on AdX		
Total blended	<1			

* For a 25% reduction in price vs today (from current 20% to 15% rev share)
** Detailed next
*** Programmatic on avg <50% of total inventory of the publisher

**** Excluding 8 pubs with discounted rates

For pubs with <20% volume on AdX, evidence so far suggests a rev share decrease is value creating (ε=2-3)

Publishers @ discounted rates	% vol on AdX (before negotiation)		Price change		Impact, calculated[2]		Impact, estimated by sales[3]	
	of total[1]	of program-matic[4]	Negotiated rate based on gross rev, $/mo	Change in blended rate	Gross rev % change	Elasticity	Gross rev % change	Elasticity
ESPN	1%	~40%	<$0.5M: 20% $0.5-0.8M: 18% $0.8-1M: 16% > $1M: 15%	-8%	+68%	9	+137%	18
The Weather Channel	11%	~70%	<$2M: 20% $2-4M: 17.5% > $2M: 15%	-25%	+46%	2	+100%	4
Gumtree	17%	~70%	15%	-25%	+30%	1	+43%	2
CBS	17%	~80%	<$0.5M: 20% $0.5-0.75M: 17.5% > $0.75M: 15%	-21%	+105%	5	+14%	1
			Total blended	-24%	+51%	2	+80%	3

1 For a given publisher, total inventory volume is assumed to be indicated by impression volume on DFP for that publisher
2 Refers to calculated avg monthly gross revenue increase relative to overall growth rates from undiscounted LPS pubs
3 Refers to sales team estimate of avg monthly gross revenue increase relative to expected revenue without discounts
4 Sales team estimate

Volume tiering alone is not sufficient to ensure the price decrease applies only to the target segment

Current volume distribution
% of total gross monthly revenue, Jan-Oct 2013

% AdX gross rev

LPS pubs with < 20% vol on AdX — 27
- 14%, 28%, 23%, 15%, 12%, 9%, 0%

LPS pubs with 20-40% vol on AdX — 14
- 7%, 7%, 28%, 18%, 16%, 2%, 22%

LPS pubs with > 40% vol on AdX — 16
- 9%, 16%, 15%, 11%, 13%, 18%, 18%

OPG pubs — 43
- 41%, 26%, 13%, 9%, 2%, 4%, 4%

<$100k | $100-250k | $250-500k | $500-750k | $750k-1M | $1-2M | $2M+

Gross monthly revenues per pub
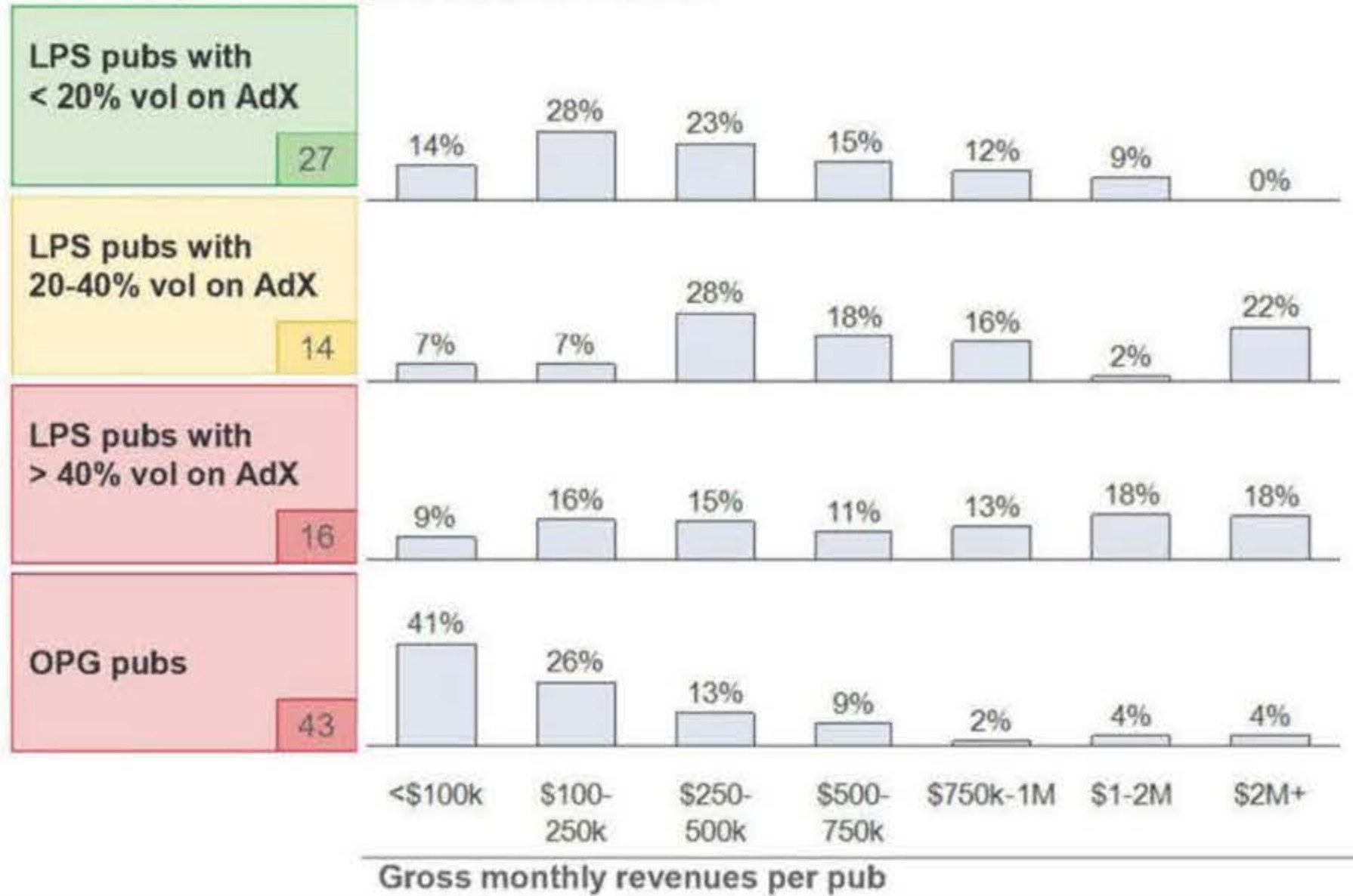
Monthly volume per pub only helps differentiate LPS from OPG pubs

If the rev share is decreased, it should be done reactively and the lower rates should apply only for vol > $1M/month

Assumptions

> Tiered rate card with
- 15% rate at very high volume (> $2M/ month), competitive with Rubicon/ Pubmatic
- 20% for low vol (same as today)
- 17.5% in between

> Elasticity for each segment as calculated previously:
- 2.5 for LPS pubs with <20% vol on AdX
- 1 for LPS pubs with 20-40% vol on AdX
- 0 for all other pubs

Change in net revenues for Google vs today

Legend:
- - - Value creating segment
- - - Value destroying segments
— Total

Net rev change

Max net rev impact
+1%

Threshold for 17.5% rate
$M/month

Gross rev (% change)	+10%	+7%	+5%	+4%	+2%
Price (p.p change)	-1.8	-1.1	-0.7	-0.6	-0.5
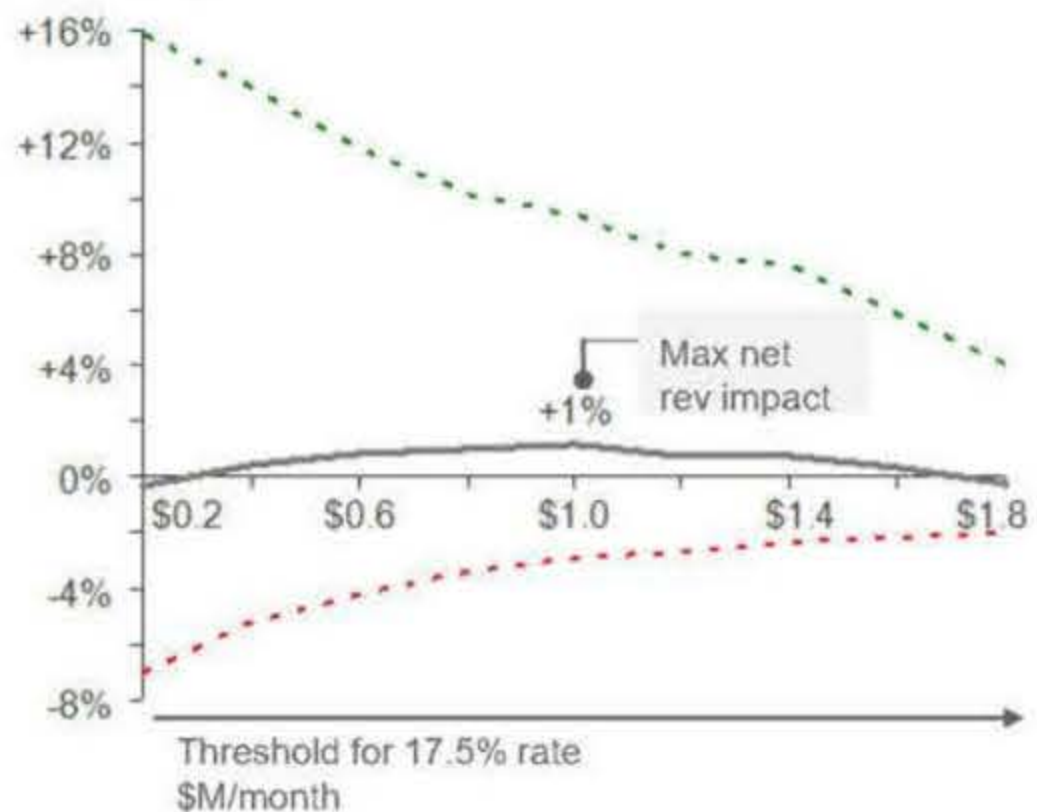
> Net revs remain approx constant, volume increases by ~5%

> A tiered rate card should be offered only reactively on a case-by-case basis, unless we start facing significant pricing pressure on pub acquisitions
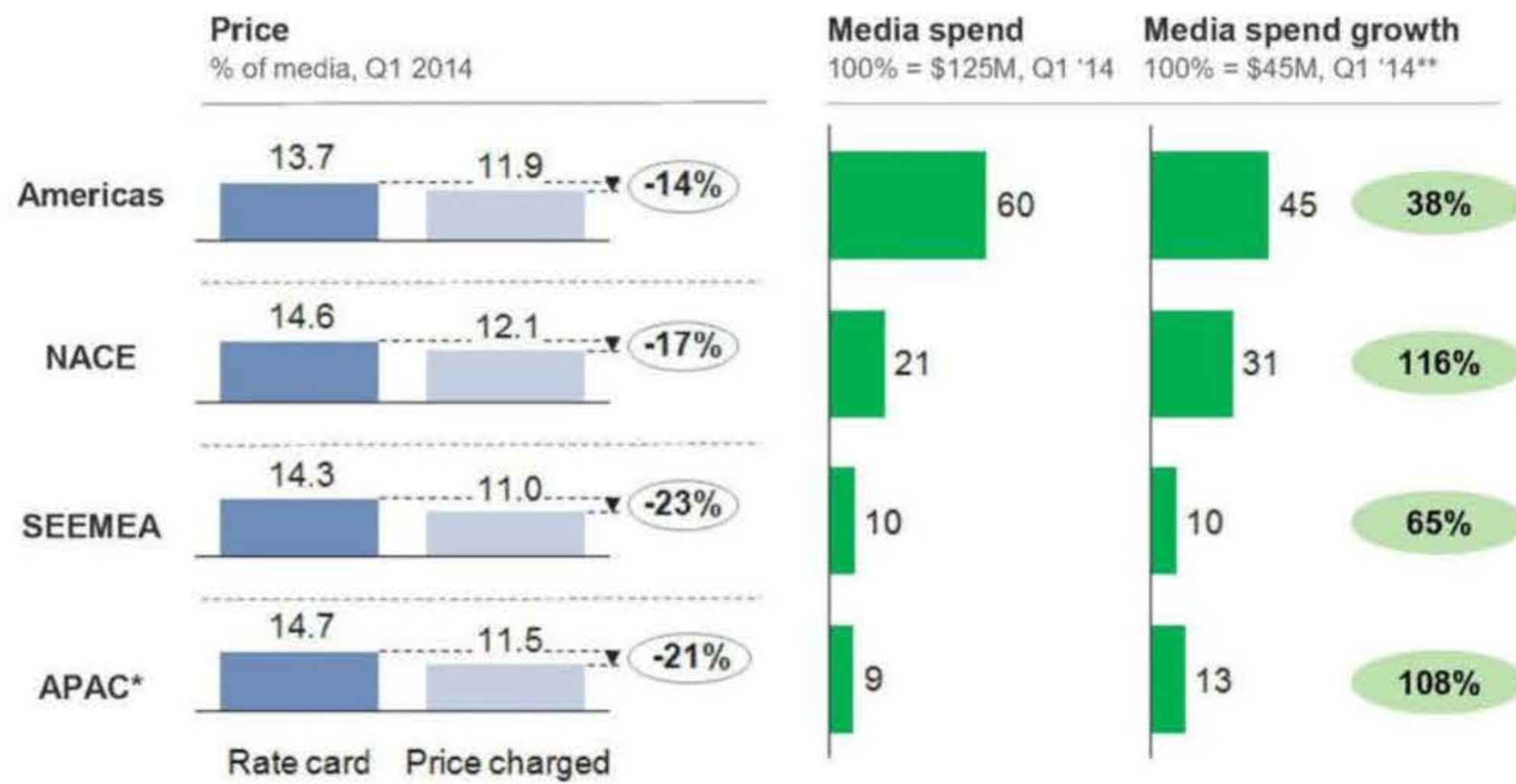
OUT

Similar prices across regions, ~60% of volume and ~45% of growth from Americas

BID MANAGER

% Q1 2014 vs Q1 2013 media spend growth

Price
% of media, Q1 2014

Media spend
100% = $125M, Q1 '14

Media spend growth
100% = $45M, Q1 '14**

Region	Rate card	Price charged	Change	Media spend	Media spend growth	Growth %
Americas	13.7	11.9	-14%	60	45	38%
NACE	14.6	12.1	-17%	21	31	116%
SEEMEA	14.3	11.0	-23%	10	10	65%
APAC*	14.7	11.5	-21%	9	13	108%

Rate card   Price charged

* APAC rate card is currently at par with other regions. Average rate card fee would be 12.2% with previous rate card (1p.p. lower fees and lower volume thresholds)
** Growth calculated as Q1 2014 vs Q1 2013
Source: DBM Billing, go/invitereport

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Americas represents ~70% of ad serving volume, growth coming from other regions

- Flat vol in Americas: vol decline from 13 of top 30 customers offset growth. Declines were due to loss of a few key advertisers (ING Direct, United from Dentsu, 3 advertisers on Starcom) and reduced display spend from a few advertisers (Intuit shifted towards text links, Verizon reduced display budget by 50%). 5-10% declines from loss of vol to 3P DSPs or RM (LowerMyBills, University of Pheonix)
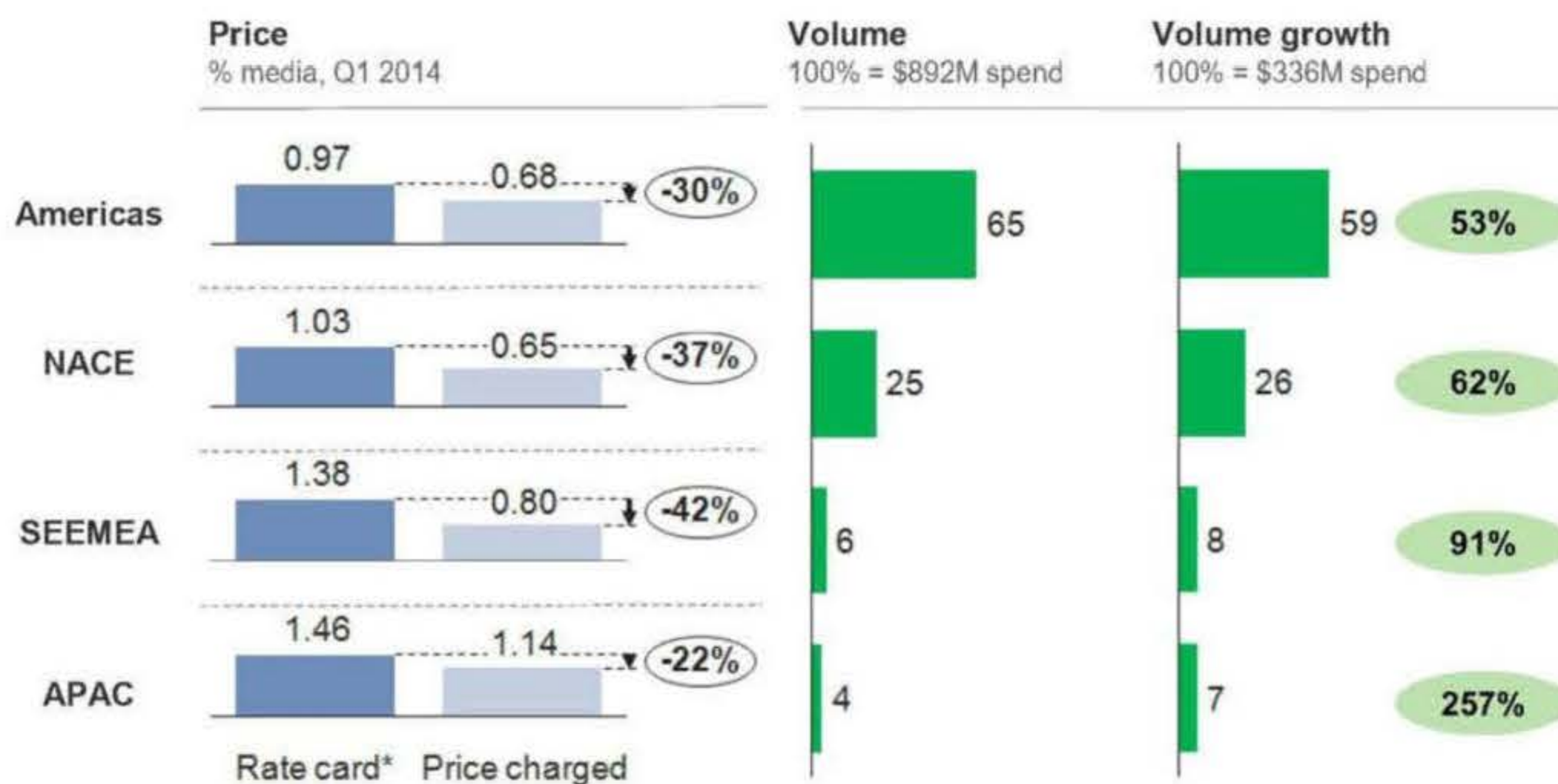other fees:
Click tracking rev growth: 90% from Americas (some large customers which were spending very little/zero on it have recently been increasing spend)
RM growth: mostly from In-Page (accounts for ~30% RM revenues, grew at ~60%), and increasingly from video (currently accounts for ~12%, growing fast at 230%)

Americas are 65% of managed search spend and are still driving growth. Fast growth in APAC, from a low base
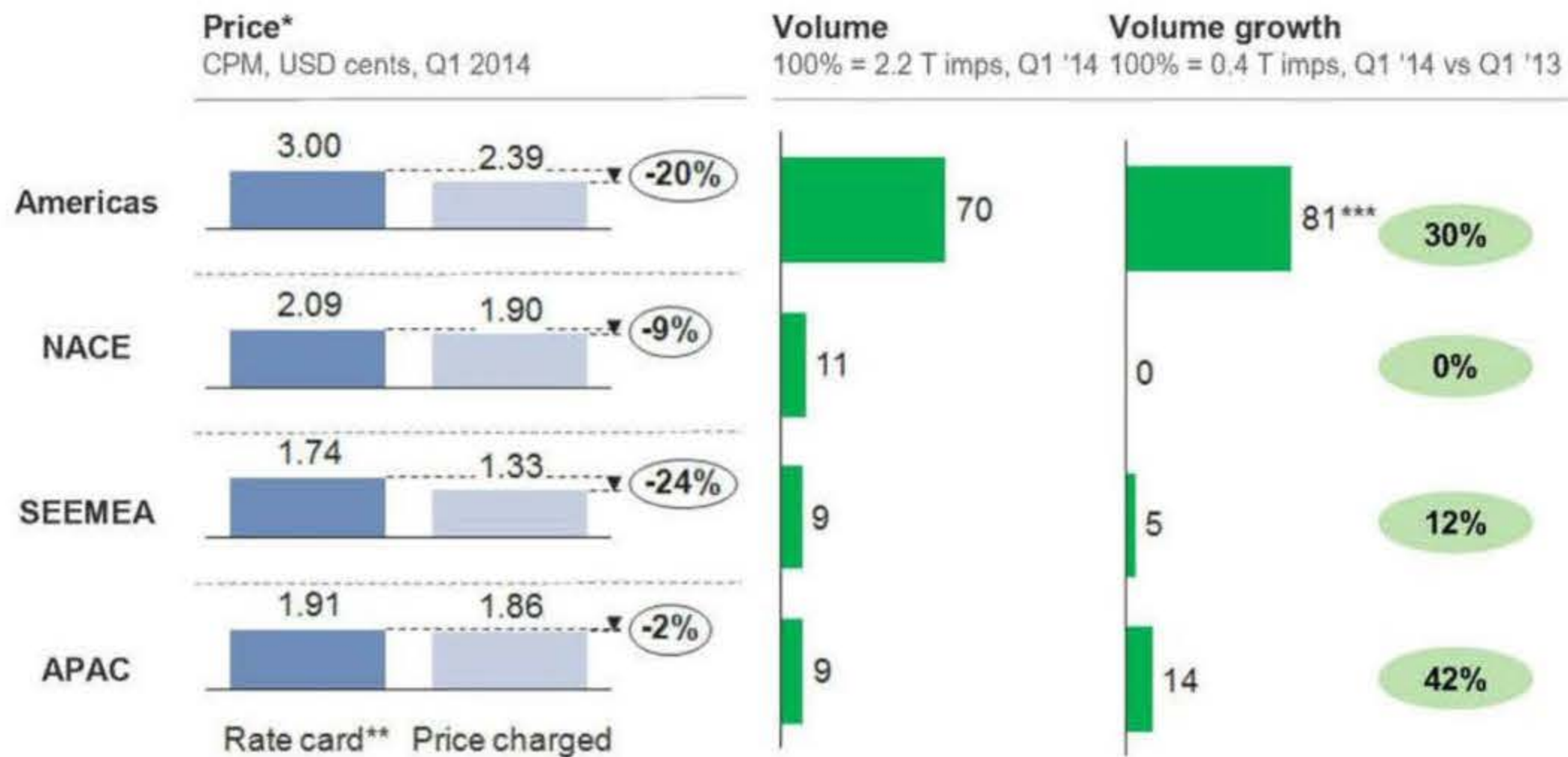

%   Q1 2014 vs Q1 2013 volume growth

Price
% media, Q1 2014

Volume
100% = $892M spend

Volume growth
100% = $336M spend

Americas   0.97   0.68   -30%   65   59   **53%**

NACE   1.03   0.65   -37%   25   26   **62%**

SEEMEA   1.38   0.80   -42%   6   8   **91%**

APAC   1.46   1.14   -22%   4   7   **257%**

Rate card*   Price charged

* New rate card (including 0.7% tier)
Source: Dcout_CustRevenue_F

Americas contributed 70% to volume and ~80% to growth

> ~60% of Americas growth comes from growth in 5 large pubs (eBay, Disney, CBS, Gorilla Nation Media & Move.com) & 1 new pub (Answer.com)
> existing pub vol growth was from vol previously non-addressable by DFP - organic impression growth (eg, Disney's property Playdom increased ad refresh rates, eBay properties added more ad units in existing properties) and movement of in-house ad serving to DFP(eg, CBS)

Strong product sold at a premium for larger clients, competition is from Turn, AppNexus and recently video DSPs
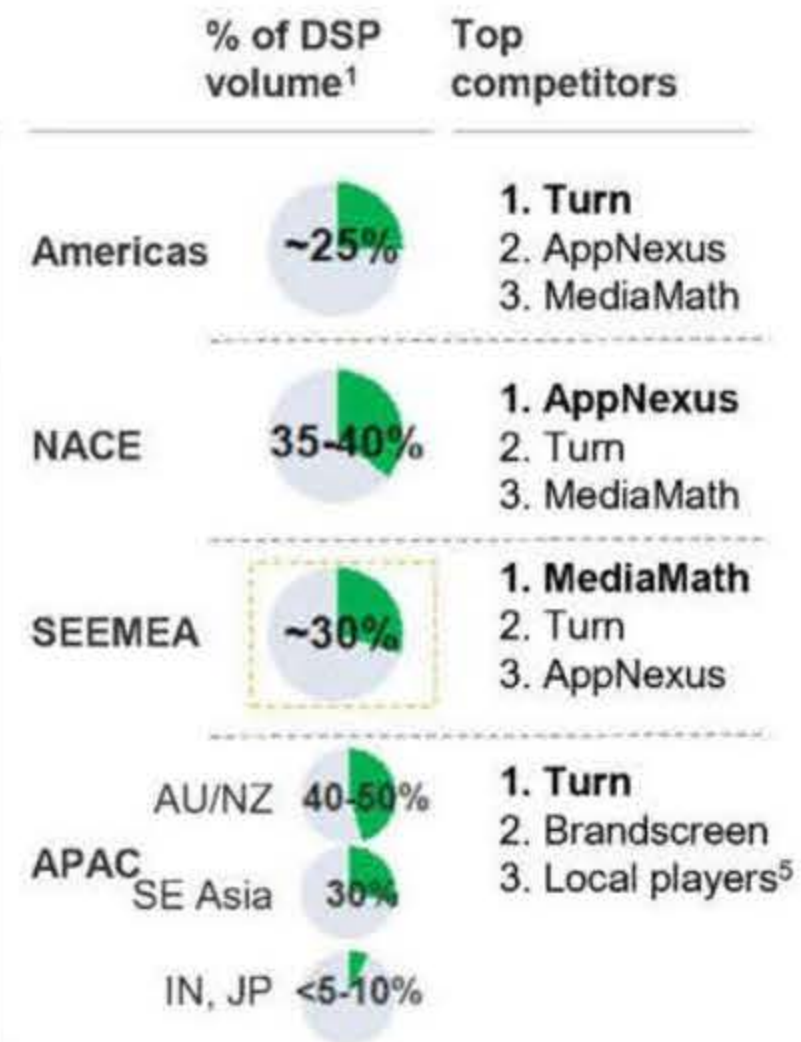
Key change since Nov 2013
● High
○ Low

Strengths/weaknesses of main players

	Price (% media)		Value
	High vol	Low vol	
doubleclick bid manager	11 12	15	+ KCT, algorithms, stack, infrastructure − No access to some local exchanges[3]
TURN	<7	15	+ Openness to 3P add-ons, own DMP
adform	8	15[4]	+ Strong local presence in EMEA
MediaMath	6-7	15[4]	+ Friendly reporting
appnexus	<6	15	+ Flexible API
rocketfuel	6	15	− Opaque pricing / arbitrage

	% of DSP volume[1]	Top competitors
Americas	~25%	1. Turn 2. AppNexus 3. MediaMath
NACE	35-40%	1. AppNexus 2. Turn 3. MediaMath
SEEMEA	~30%	1. MediaMath 2. Turn 3. AppNexus
APAC AU/NZ	40-50%	1. Turn 2. Brandscreen 3. Local players[5]
APAC SE Asia	30%	
IN, JP	<5-10%	

Key changes since Nov 2013:
> SEEMEA share decreased from ~40%, driven largely by loss of AMNET video volume to Videology
> Videology, TubeMogul (priced as CPM/CPV) gaining share for video portion of media budgets

1 These estimates do not account for all available product substitutes (in-house tools, ad networks, etc)
2 Without FBX, DBM was perceived as less valuable than Turn   3 In China: Baidu, Tencent, Sina. In Japan: currently integrating with MicroAd, PlatformID and PlatformOne   4
MediaMath rate includes some service (not full campaign management). AdForm rate for smaller spender: rough estimate
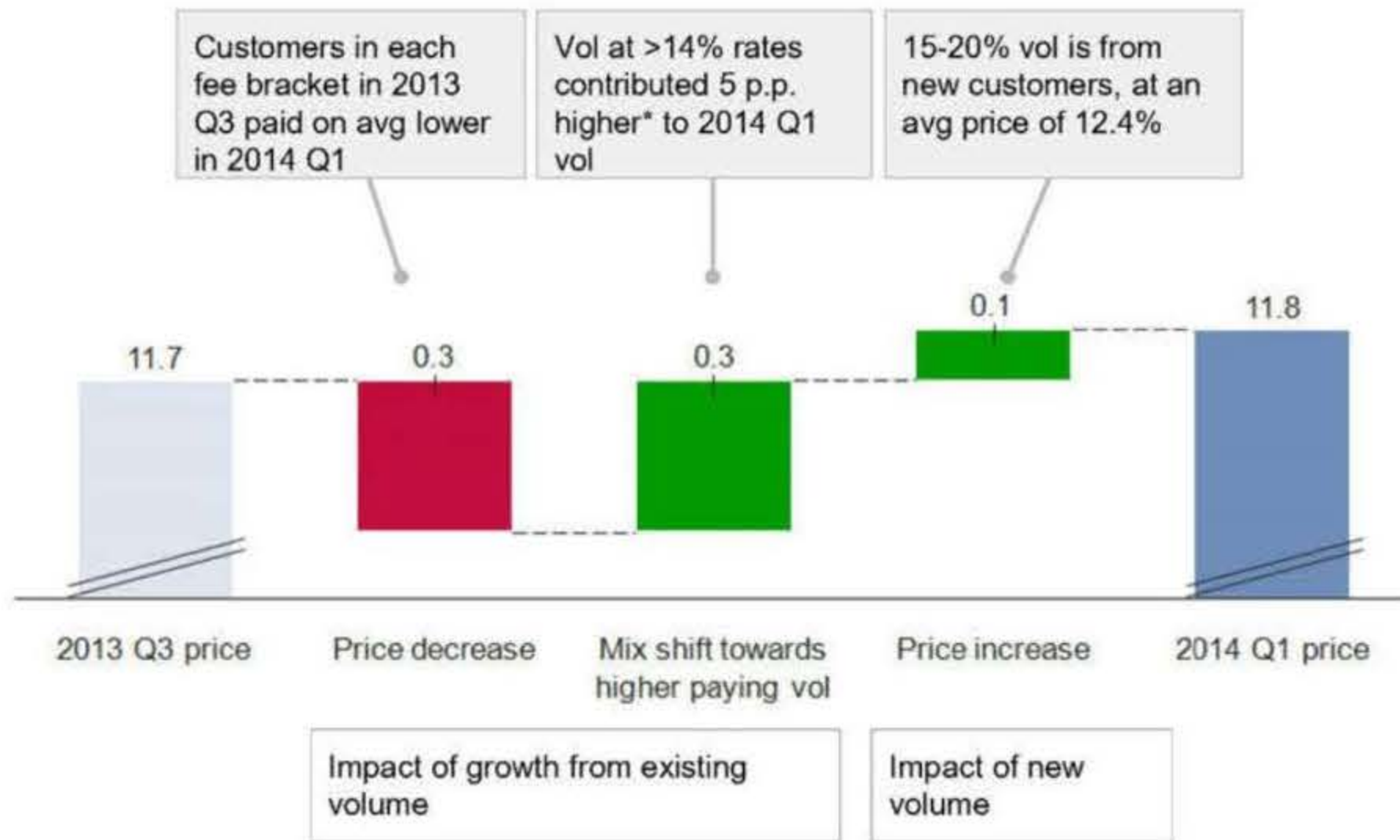6 China: Yoyi, Ipinyou, MediaV. Japan: MicroAd, FreakOut, MarketOne
Source: Sales Teams' intuition, not based on actual metrics

- Video competitors are emerging, but not yet large enough to list as "top competitors"

Effective fee increased slightly from the impact of new volume at higher prices

BID MANAGER

% media

Customers in each fee bracket in 2013 Q3 paid on avg lower in 2014 Q1	Vol at >14% rates contributed 5 p.p. higher* to 2014 Q1 vol	15-20% vol is from new customers, at an avg price of 12.4%		

11.7 — 0.3 — 0.3 — 0.1 — 11.8

2013 Q3 price — Price decrease — Mix shift towards higher paying vol — Price increase — 2014 Q1 price

Impact of growth from existing volume

Impact of new volume
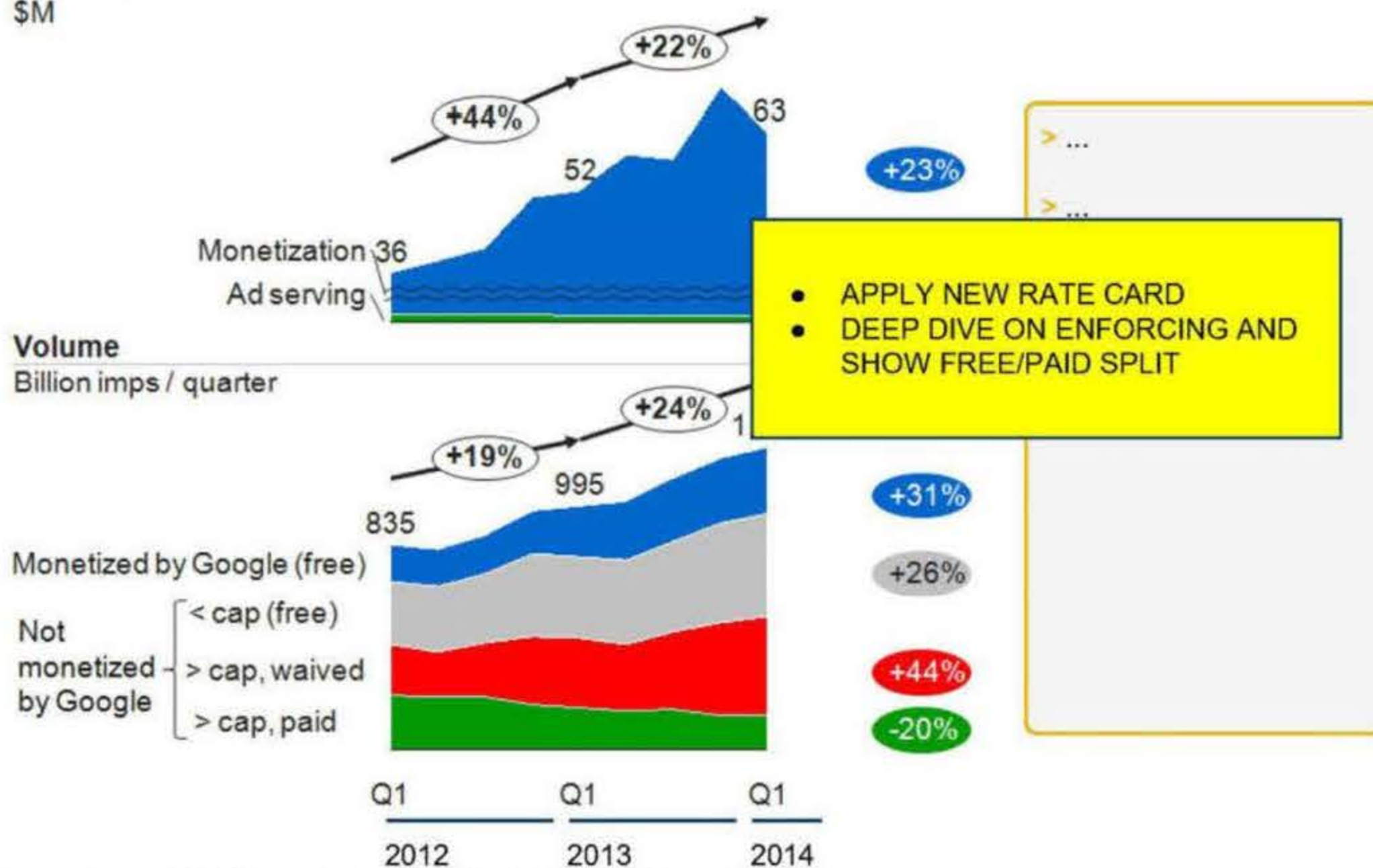
* 2013 Q3 vol distribution by price - <10%: 9%, 10-12%: 52%, 12-14%: 21%, >14%: 18%, vol distribution of same customers in 2014 Q1 - 9%, 46%, 22%, 23%

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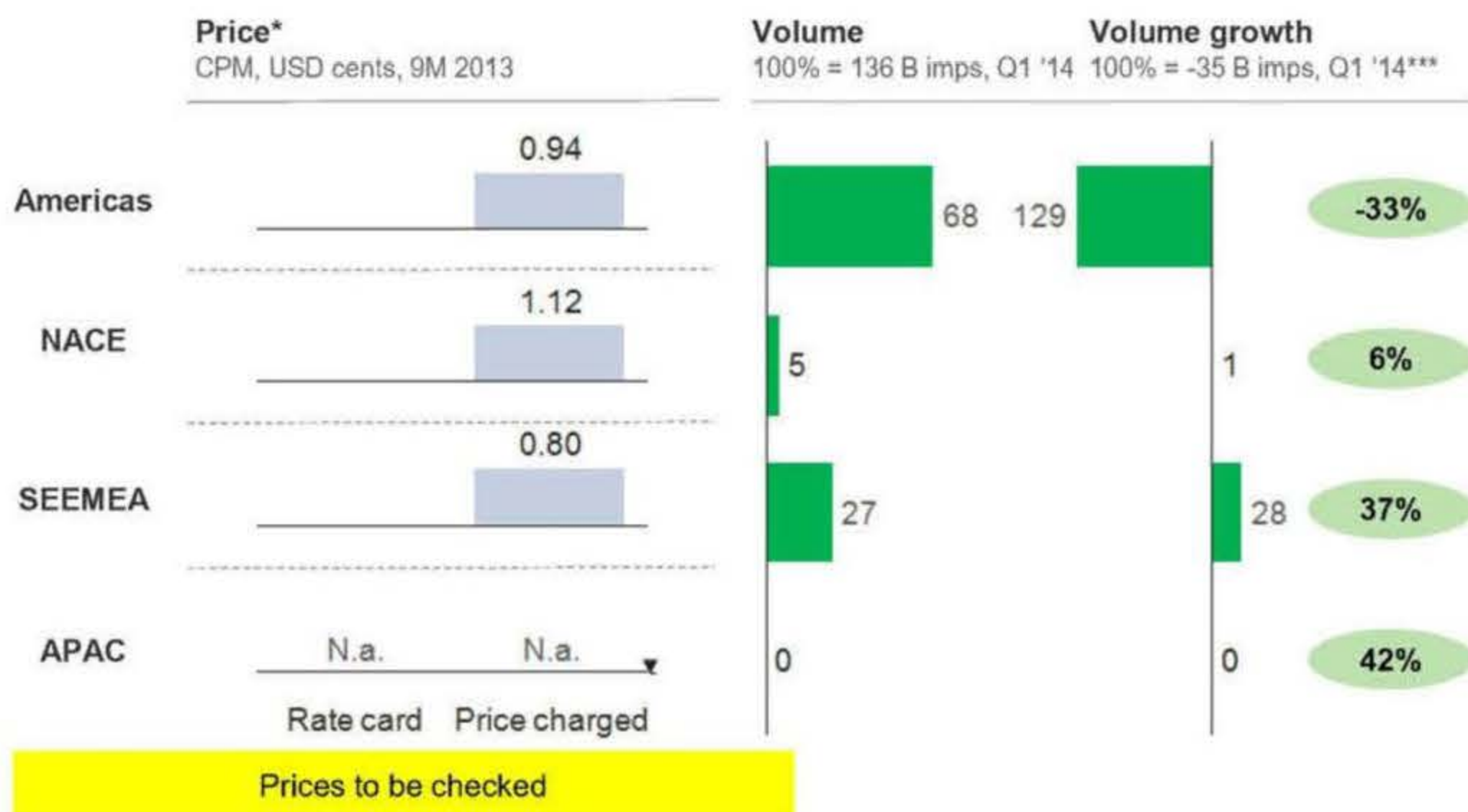DFP Small Business: value primarily from monetization, growing ~50% yoy

Regional breakdown for DFP Small Business

Price*
CPM, USD cents, 9M 2013

Volume
100% = 136 B imps, Q1 '14

Volume growth
100% = -35 B imps, Q1 '14***

Q1 2014 vs Q1 2013 volume growth

	Rate card	Price charged	Volume	Volume growth	%
Americas		0.94	68	129	-33%
NACE		1.12	5	1	6%
SEEMEA		0.80	27	28	37%
APAC	N.a.	N.a.	0	0	42%

Prices to be checked

*Effective price includes minimum charges
** Determined based on current rate card (effective as of July 2013)
*** Growth calculated as Q1 2014 vs Q1 2013
Source: Dcout_CustRevenue_F

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Tools for slide making
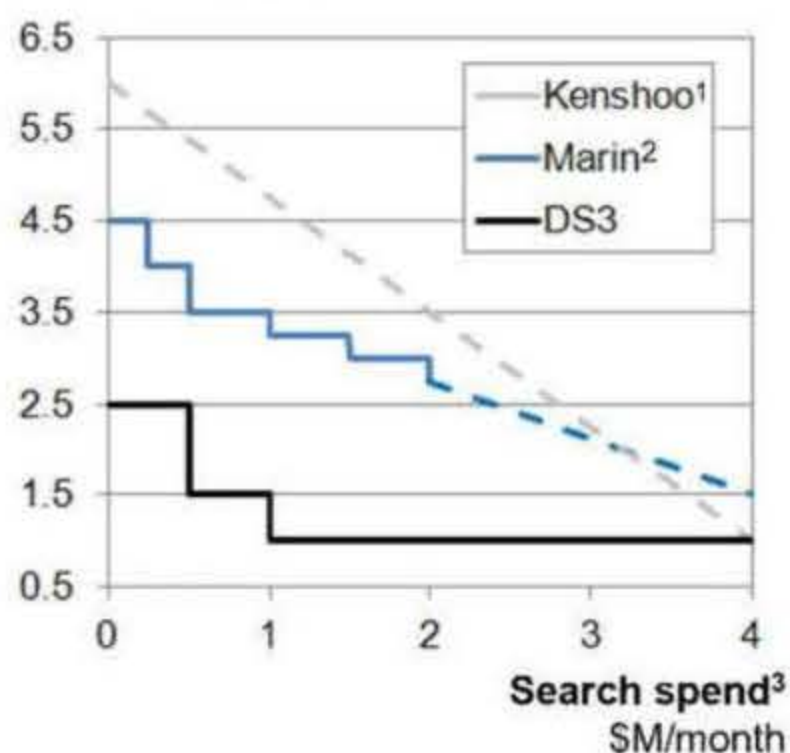
Google Confidential & Proprietary

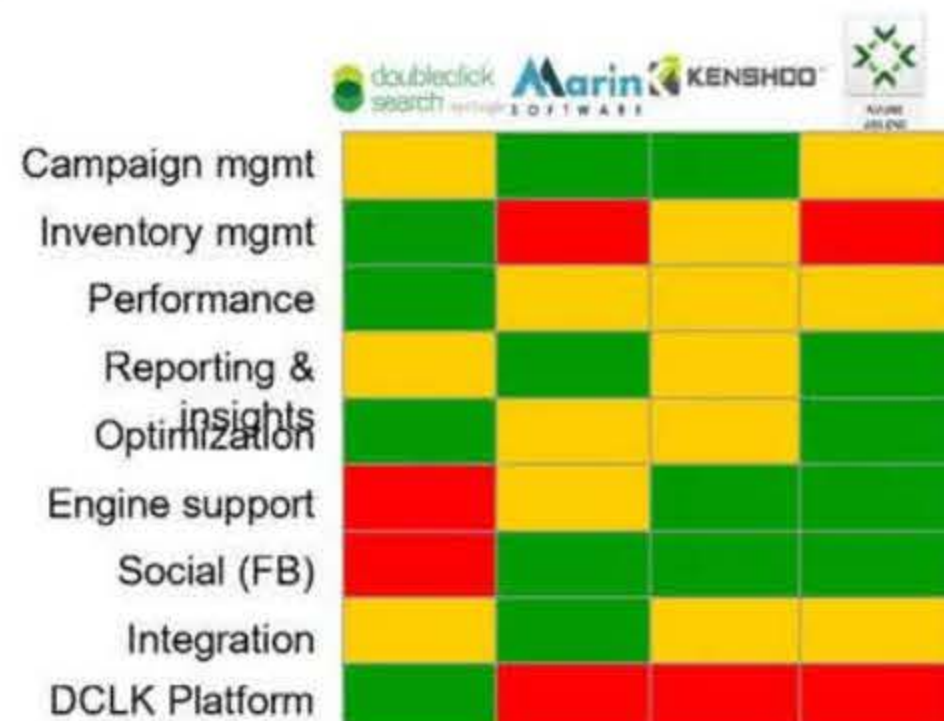# Unlike the other DoubleClick products, DS3 is currently priced at a discount vs. main competitors

Legend:
- **Strength** (green)
- **Parity** (yellow)
- **Weakness** (red)

DoubleClick Search is on avg ~30% cheaper than competitors[4]...

Rate card
% of search spend

Legend:
- Kenshoo[1] (dashed gray)
- Marin[2] (blue)
- DS3 (black)

X-axis: **Search spend[3]** $M/month
Y-axis values: 0.5, 1.5, 2.5, 3.5, 4.5, 5.5, 6.5
X-axis values: 0, 1, 2, 3, 4

... but current product[5] and market position don't allow for price parity with competitors

	doubleclick search	Marin SOFTWARE	KENSHOO	(Future ad-end)
Campaign mgmt	green	yellow	green	yellow
Inventory mgmt	green	red	yellow	red
Performance	green	red	yellow	green
Reporting & insights	green	yellow	green	green
Optimization	green	yellow	yellow	green
Engine support	red	yellow	green	green
Social (FB)	red	green	green	yellow
Integration	yellow	green	green	yellow
DCLK Platform	green	red	red	red

DS3 % Managed search vol

Americas	NACE	SEEMEA	APAC
~30%	~30%	~35%	~25%

1 Rate card goes from 6% to <1%. Average paid rate across tiers is ~2%. Effective price for a customer spending ~$500K-1M/month was 2%. Kenshoo also charges extra for some options   2 Rates for Marin are not known above $2M/month   3 Above $4M/month rates are always negotiated
4 Tiers and competitors weighted by managed spend, excludes Adobe Engine Support & Integration (parity) and Social (weakness)   5 Current status. Expected EoY 2014: all areas strength for DS3 except   Source: Sales Teams, Product Teams

DS3: comparison to competitors

Legend:
- 🟩 Strength
- 🟨 Parity
- 🟥 Weakness

DoubleClick Search is on avg ~30% cheaper than competitors[4]...
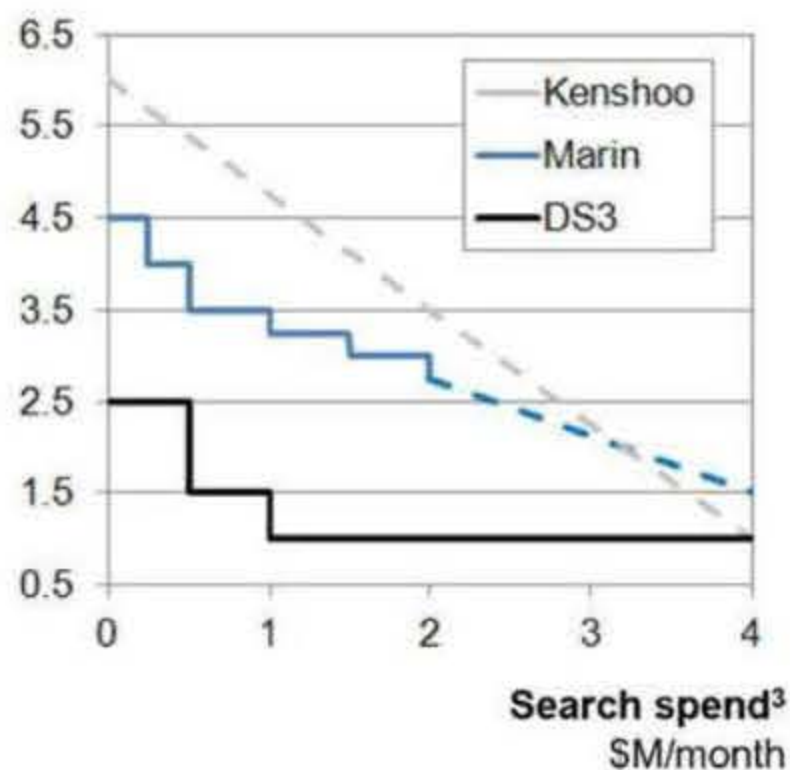
Rate card
% of search spend

Search spend[3]
$M/month

Legend: Kenshoo, Marin, DS3

... but current product[5] and market position don't allow for price parity with competitors

doubleclick search | Marin SOFTWARE | KENSHOO | ADOBE ADLENS

	DoubleClick Search	Marin	Kenshoo	Adobe
Campaign mgmt	🟨	🟨	🟩	🟩
Inventory mgmt	🟩	🟥	🟨	🟥
Performance	🟩	🟨	🟨	🟨
Reporting & insights	🟩	🟨	🟨	🟩
Optimization	🟩	🟨	🟩	🟩
Engine support	🟥	🟩	🟩	🟩
Social (FB)	🟥	🟩	🟩	🟩
Integration	🟨	🟩	🟨	🟨
DCLK Platform	🟩	🟥	🟥	🟥
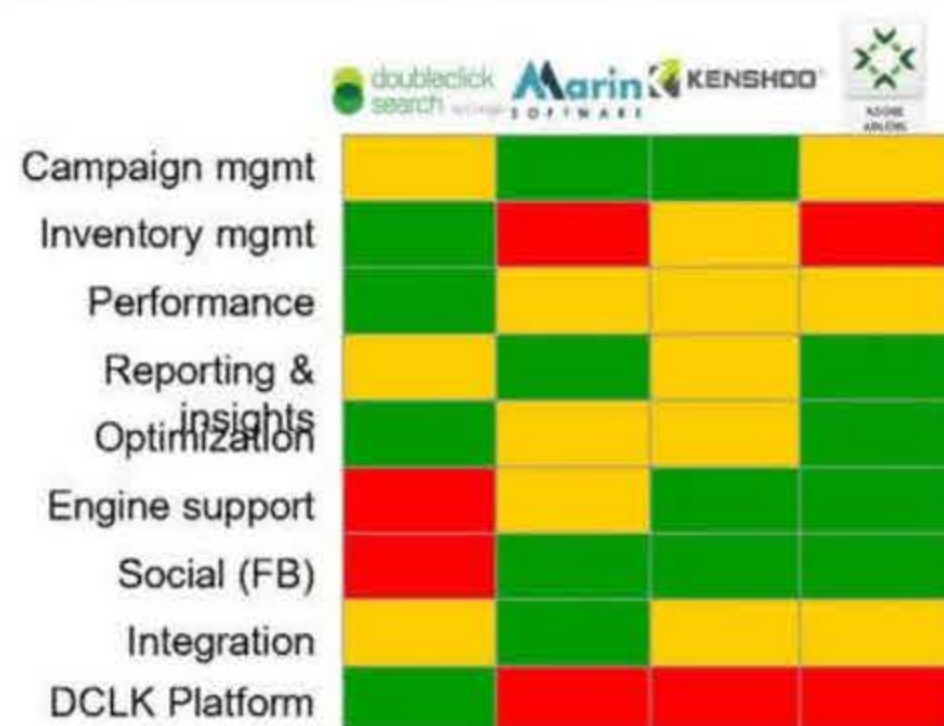
Managed search spend (est.)
$B/yr, Q1 2013 run rate

Values: 2.2 | 3.9 | 2.1 | 1.5

1 Rate card goes from 6% to <1%. Average paid rate across tiers is ~2%. Effective price for a customer spending ~$500K-1M/month was 2%. Kenshoo also charges extra for some options   2 Rates for Marin are not known above $2M/month   3 Above $4M/month rates are always negotiated
4 Tiers and competitors weighted by managed spend, excludes Adobe   5 Current status. Expected EoY 2014: all areas strength for DS3 except
Engine Support & Integration (parity) and Social (weakness)   Source: Sales Teams, Product Teams

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Effects driving price dip in Q4 2013 for DBM

% of media fee

11.9% | 0.4% | 0.2% | ~0.0% | 11.3% | 0.3% | 0.2% | 0.1% | 11.7%
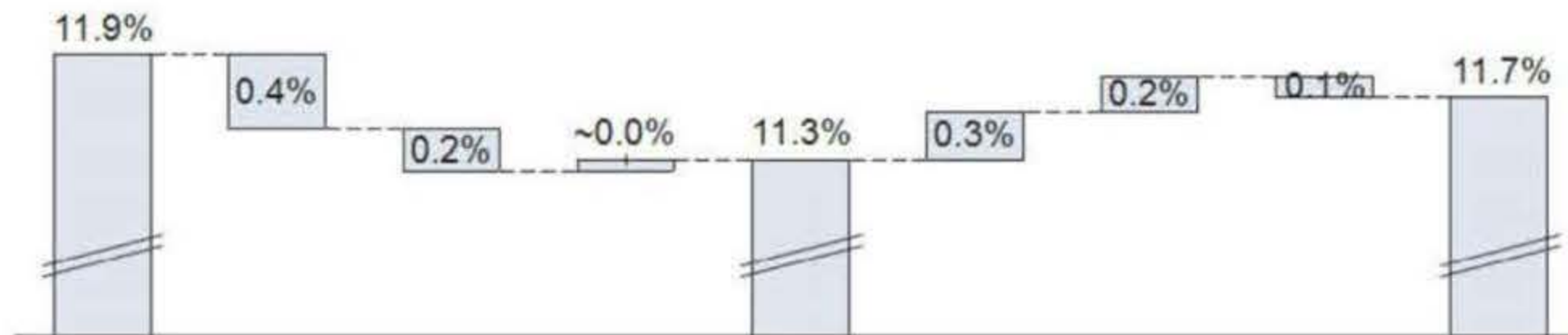
| Q2 2013 | Decreasing price | Low price, increasing vol | Other | Q4 2013 | High price, increased volume | Low price, decreased volume | Other | Q1 2014 |

Partner	Price Q2	Price Q4	Vol Q4 ($M)
Camelot	19.0%	11.5%	1.9
Kellogg	15.5%	8.0%	2.4
Cadreon AU	9.0%	0.0%	1.2
Vivaki FR & AU/NZ	10.5%	9.0%	7.0
TalkTalk	15.0%	12.8%	0.8

Partner	Vol Q2	Vol Q4	Price Q4
Motorola	3.8	0.9	9.0%
Kellogg	2.4	0.4	8.0%
Google Marketing	1.8	1.1	0.0%
Cadreon	1.3	0.8	0.0%
Poker Stars	0.7	0.3	4.0%
AOD Amex	1.2	0.3	9.0%

Partner	Vol Q2	Vol Q4	Price Q4
Cadreon	0.1	1.3	0.0%
Vivaki UK	0.0	4.4	9.0%
Motorola	0.0	3.8	9.0%

Partner	Vol Q2	Vol Q4	Price Q4
AMNET IT	0.3	1.4	12.0%
Walmart	0.0	0.8	0.0%
Adconion	0.1	1.5	15.0%
Bank of America	1.1	1.5	20.0%
Conversant	2.6	4.4	12.0%
Hill Holliday	0.1	0.6	15.0%

WE ARE CHECKING THE CONTRACTS TO SEE IF THESE ARE TRUE

Current rate cards

Buy side

DCM / DRM	Tiers (if any)	Prices			
			Advanced	Mature	Emerging
Standard ad serving	Imps/mo	CPM, USD ¢	4 - 21		4 - 9
	Advanced- none, Mature/Emerging - imps/mo	CPC, USD ¢	1		1 - 2
Basic ad serving		CPM, USD ¢			3
		CPC, USD ¢			0.5
Enhanced formats uplift		CPM, USD ¢	10	8	7
DRM uplift		CPM, USD ¢	14 - 125 (varies by format)	14 - 110 (varies by format)	
Data transfer	Imps/mo	$/mo	1,750-4,000/file, 4,250-8,000/all 3 files		
Path to conversion		$/mo	1,500*		
Provider List Remktg		$/mo	1,500		
Trafficking services		$/campaign	1,700		

Discount allowance (with approval): 20% (manager), 40% (regional director, sales/finance), 40%+ (GBX)

DBM	Prices (% media)		
Tiers	Basic self svc	Premium self svc	Premium managed svc
Media spend /mo	11-15	14-18	17-27

DS3	Prices (% media)	
Tiers	Core product	Tracking links**
Media spend /mo	11-15	14-18

GAP	Price ($k / year)	
Basis for tiers	Minimum	Usage fee (per addl 100-500M hits)
Hits/mo	90-300	15-30

Discount allowance (with approval): 10% (manager), 20% (regional director, sales/finance), 20%+ (GBX)

Sell side

DFP	Tiers (if any)	Prices			
			Advanced	Mature	Emerging
Premium ad serving	Imps/mo	CPM, USD ¢	2 - 9	1 - 6	1 - 4
Small Business ad serving	Imps/mo	CPM, USD ¢	1 - 2 (for >90M imps/mo)		
	Video imps/mo	CPM, USD ¢	17 (for >800k video imps/mo)		
	Clicks/mo	CPC, USD ¢	1 (for >300k clicks/mo in Advanced, >500k clicks/mo in Emerging/Mature)		
Audience 1st/3rd party		CPM, USD ¢	10		
DRM uplift		CPM, USD ¢	14 - 125 (varies by format)	14 - 110 (varies by format)	
Advanced Video uplift		CPM, USD ¢	65 / 35 (hosted / non hosted)		
Basic Video uplift		CPM, USD ¢	45 / 15 (hosted / non hosted)		
Data transfer	Imps/mo	$/mo	800 - 4,500/file, discount for 2-5 file bundles		
Partner Mgmt Payments	# Partners	$/mo	5,000 - 9,000		
		CPM uplift %	35 / 65 % (on DFP vol / incremental vol)		

DSM	Price ($/seat)	
Tiers	Monthly service fee	Implementation fee
# Seats	100 - 680	10-50,000

Salesforce.com implementation fee at $12k in Advanced markets

AdX	Prices (% revshare)		
	Open / private auction	Preferred deal	Google / Client managed deal
	11-15	10	5 - 10

Discount allowance (with approval)
DFP / DFP SB / Audience: 10% (manager), 20% (director / PBS regional director), 20%+ (PBSX)
DFP Video / DRM / DSM: 20% (manager), 40% (director / PBS regional director), 40%+ (PBSX)

* Price applicable for >5 exposures, upto a maximum of 200

** Only available in Advanced markets

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Current buy side rate cards

DCM / DRM

CPM, USD cents   CPC, USD cents   Monthly fee, USD (unless indicated otherwise)

	Advanced	Mature	Emerging	Advanced	Mature	Emerging
Standard ad serving						
Volume (M imps/month)						
0 – 25	0.21		0.09			0.02
25 – 50	0.19					0.02
50 – 100	0.15		0.07			0.02
100 – 250	0.11		0.07			0.01
250 – 500	0.08		0.06			0.01
500 – 750	0.07			0.01		0.01
750 – 1,000	0.06					
1,000 – 1,500	0.05		0.04			0.01
1,500 – 2,000	0.05					
>2,000	0.04		0.04			0.01
Basic ad serving						
			3.0			0.5

Data transfer

	Imps files	Clicks files	Activities files	All 3 files
	1,750	1,750	2,000	4,250
	2,000	2,000	2,000	5000
	3,000	2,000	2,000	6000
	4,000	2,500	2,500	8000
	0.0025 CPM uplift	3,000	3,000	0.003 CPM uplift

Enhanced formats uplift

	0.10	0.08	0.07

Rich Media uplift

In-Banner Video	1.25	1.1
Teaser Ad	0.3	
Advanced Formats*	0.75	0.4
In-Page (non-Video)	0.14	0.14
In-Stream (Video)	0.55	0.55

Path to conversion – monthly fee

< 5 exposures	Free
< 200 exposures	1,500

Provided List Remktg

Dev't / set up	Free
Maintenance	1,500

Trafficking services

	1,700/campaign

DBM

% media

Media spend ($k/month)	Basic self svc	Premium self svc	Premium managed svc
0 – 100	15%	18%	27%
100-500			24%
500-1,000	14%	17%	21%
1,000-2,500	13%	16%	19%
>2,500	11%	14%	17%

DS3

% media

Advanced	Mature	Emerging		
Media spend ($k/month)			Core product	Tracking links
0 – 500	0 – 200		15%	18%
500 – 1,000	200 – 400			
1,000 – 4,000	400 – 4,000		14%	17%
>4,000	>4,000		13%	16%

GAP

Monthly fee, USD

Volume (M hits/month)	Minimum	Incremental (per 100M hits/mo>min)	Incremental (per 500M hits/mo>min)
<100	7,500	n/a	n/a
100 – 400	7,500	1,250	n/a
400 – 1,000	12,500	2,500	n/a
> 1,000	25,000	n/a	2,500