

AdX Direct Deprecation Plan

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Summary

When AdX was first launched as a standalone product, it possessed the ability to generate an ad tag that could be used to request ads from AdX. Even after we brought AdX and DFP together in DRX and then Google Ad Manager (AM), the ability to use AdX as a stand-alone SSP has persisted.

As part of our sell-side strategy in 2019 and beyond, we have clearly defined a two fold strategy of 1) continuing to be the platform of choice for partners and 2) access off-platform inventory via Ad Connector (aka Project Yavin).

When we take a deeper look at Ad Connector, there are two critical goals

1. Access net new inventory from publishers with in-house ad tech (e.g. walled gardens)
2. Improve the quality of access we see for inventory today with our products

For point #2, we are looking to achieve the following objectives:

- Direct payment relationship with the publisher
- Fair access to inventory (i.e. not buried in a waterfall)
- Per query pricing (i.e. not setup with an average competition price)
- 1st price bid with a non-transparent margin (which enables margin optimization on our part)

Given these strategic goals, we looked at the current adx direct business and decided that it does not accomplish our overall objective. To that end, we have made the decision to deprecate adx direct.

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As an additional note, existing AdX direct tags add a lot of complexity to unified features in Ad Manager and we plan to get rid of them regardless of the strategic goals mentioned above.

Current AdX Direct business

As of July 2018, the AdX Direct business represents 15.8% of total AdX revenue, contributing to ~ \$1B ARR gross sell-side revenue.

A large component of AdX direct revenue is coming from Mobile Apps and is concentrated on a relatively limited set of publishers (see below).

Product	# of AdX Properties	% of Revenue	Revenue (net to pub)	Top 50 Revenue
Mobile App	471	48.1%	\$414M	93%
Display	3715	41.5%	\$358M	53%
Video	614	9.7%	\$84M	88%
Games	75	0.7%	\$6M	99%
Total	4875	-	\$861	58%

Deprecation Plan *** TENTATIVE - NOT APPROVED ***

Overview

We conducted a publisher segmentation looking at the following signals:

1. Publishers ad-serving stack (proprietary vs 3rd-party)
2. Environment (Web, Video, App)
3. Current AdX Direct revenue / impressions
4. Use of Ad Manager backfill (if any) and of other Google monetization products (focused on AdMob)

We have identified 5 distinct publisher segments and laid out migration option paths for each. Given the large degree of flexibility that Ad Manager publishers benefit from and variety of use cases, we should however expect to encounter edge cases that might require exceptions or deviation from the suggested path.

Segment	ARR (net to pub), # of AdX Properties	Plan for migration
Ad Manager /	\$545M	App(\$283M, 94):

AdMob	965	<ul style="list-style-type: none"> ~75% of revenue from App-only pubs using both AdX and AdMob with In-House mediation. Move these to AdMob Move cross-platform publishers to Ad Manager <p>Web(\$167M, 723): move to Ad Manager</p> <p>Video(\$63M, 139): move to Ad Manager, might require to build support for specific use cases, (e.g Pod support).</p>
Proprietary Ad Server	\$96M 26	Move to Ad Connector (Yavin)
3rd Party AdServer	\$134M 143	<p>App (\$84M, 21): pursue flip to AdMob / AdManager. We believe AdMob product roadmap will allow us to win business away from 3P Mediation if we let execute</p> <p>Web(\$38M, 110): this revenue is at risk if not able to pursue Yavin integration with 3rd party ad servers.</p> <p>Video (\$11, 11): move to new Direct-Vast-Call offering (long term goal of flipping to Ad Manager)</p>
Torso AdX Direct (not currently on platform)	\$82M 483	<ul style="list-style-type: none"> - Move to AdSense or Ad Manager ('new SB') or deprecate - A small subset (<50 pubs) might be Yavin prospect - A subset might be on 3rd party ad server (undetected)
Tail AdX Direct accounts (<\$10k/Y)	\$3M 3258	Deprecate

Detailed segmentation

Below we provide a more detailed view and additional consideration for each segment:

AdManager / AdMob

Description	<ul style="list-style-type: none"> AdX properties receiving backfill request from an Ad Manager network, but with a share of requests flowing via AdX direct. Possible reasons identified: legacy setups, trafficking malpractices or "hacks" around unsupported use cases in Ad Manager Mobile Apps publishers mediating both AdMob / AdX within proprietary mediation. Most sending multiple calls and some possibly violating our 3-call policy limitation to extract revenue from additional calls
Size / # of Pubs	\$545M ARR, 965 AdX Web Properties

Plan for Migration	<ul style="list-style-type: none"> ● Clean-up: audit and fix bad trafficking practices on Ad Manager ● Might require to build features to fill Ad Manager backfill gaps that are pushing publishers to AdX Direct 'hacks' ● Flip near-term prospects ● Mobile App: ~75% of revenue from App-only pubs using both AdX and AdMob. Move these to AdMob
Risks	<p>Web / Video Might include edge case configurations with publishers using Ad Manager as secondary ad-server (e.g AdFox).</p> <p>Mobile App</p> <ul style="list-style-type: none"> ● Publishers that violate our 3 call policy may lose revenue ● Deals (represent only 1% in aggregate) ● Cross platform publishers ● Other use cases not covered by AdMob?

Proprietary Ad Server / Yavin prospect

Description	Publishers on proprietary ad server / SDK mediation with low platform flip likelihood
Size / # of Pubs	\$96M ARR, 26 AdX Web Properties - Link
Plan for Migration	Pursue Yavin integration to gain improved access, resulting in increased net revenue and more favorable margin for Google
Risks	<ul style="list-style-type: none"> ● Complex and long negotiations - some already in progress - with a certain degree of uncertainty on outcome. ● Currently enforcing more stringent AdSpam / Policy requirements vs AdX Direct or Google demand buying via 3P exchanges. Some prospects might be blocked.

3rd Party Ad Servers

Description	Publishers on 3rd party ad server / SDK mediation
Size / # of Pubs	\$134M, 143 AdX Web Properties
Plan for Migration	<p>App (\$84M): Pursue flip to AdMob / AdManager; we believe AdMob product roadmap will allow us to win business away from 3P Mediation if we let execute</p> <p>Video (\$11): Move to new Direct-Vast-Call offering (long term goal of flipping to Ad Manager)</p>

	Web(\$38M): this revenue is at risk if not able to pursue Yavin integration with 3rd party ad servers.
Risks	<p>App:</p> <ul style="list-style-type: none"> Proposed strategy might require to maintain AdX Direct integration in place for specific publishers until we are able to flip to AdMob Need to re-evaluate strategy in 18-24 months based on the success of platform pick Need to coordinate with DBM / Awbid on inventory <u>access strategy</u> <p>Web</p> <ul style="list-style-type: none"> Sales perception that integrating with 3P ad servers will make flips to Ad Manager more difficult. <u>Need policy solution to disallow Adx direct behavior via Ad Manager (how much at risk)</u>



Announcement / comms

The suggested AdX Direct deprecation plan will require a strong commercialization effort, and we anticipate the need for PM and gTech support.

In terms of external messaging, we aim to position this change as part of the unification and rebranding efforts.

Timeline

Oct 2018 to Jan 2019	<p>Preparation</p> <ul style="list-style-type: none"> Internal comms and tools External comms plan Product requirements gathering Sales + gTech Training
TBD	Deprecation of AdX Direct for new publishers - see <u>related proposal</u>
Jan 2019	External announcement of AdX deprecation occurring in July 2019
Jul 2019	Enforcement for all publishers, with the exception of a limited set of strategic whitelisted publishers (TBD)
Dec 2019	Full deprecation of AdX direct

UI / Backend Changes

There are three key activities that we need to undertake in order to stop the flow of traffic on adx direct tags:

1. Deprecate adx direct for new pubs
 - a. Josh has a proposal [here](#)
2. Remove the ability to create new adx direct tags from existing pubs
 - a. Currently there is a single UI path to create adx direct tags
 - b. For ad units that were migrated from adx, you can create an adx direct tag
 - c. This option should be removed from the UI
3. Deactivate existing adx direct tags
 - a. In conjunction with the deprecation announcement, we will specify a date after which adx direct tags will not work

Origination Signal

Given partners can utilize Ad Manager to access Google and 3p demand like they once did via AdX Direct, our best strategy is to identify when partners are doing this and let that influence our buying decisions.

Note, this work will happen in parallel with the add direct deprecation, but will not delay the shutdown.

The first step in this process is to create a policy that states a partner must disclose when they are not the party originating an ad request.

- The default state for an ad call is one that comes directly from the partner
- If you make an ad call that originates from another ad platform, you must designate this fact by setting a flag in the ad call (TBD what qualifies for this)
- We must update the Ad Manager partner guidelines to require this declaration
- We must also create a new parameter on the ad call which we can utilize for this purpose

The next step is a bit trickier, we must work with the buy-side (DBM and AW) to determine if/when/how they will utilize this signal.

