Display Business Overview

November 2020 | Sissie Hsiao

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Display Business Overview

"Display" includes several product and businesses supporting the transacting of ads between publishers and advertisers on non-Google O&O surfaces. But it's complicated as our products "blend" the buying and selling of O&O and non, for strategic reasons.

| Advertisers	Publishers	Users	Google
Spend **$18.3B** per year on non-O&O inventory	We pay **$14B / year** to 700k web pubs and 170k app pubs	**Privacy** balanced with access to **free content**	Overall, "Display" generates **$1B** in non-O&O op profit
Extends Google's reach by ~10-30+% volume.	**Monetize** content, while ensuring **fair access to clean inventory**		

Increasingly, a 5th constituent: KOFs and Regulators (privacy and competition)

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The Display "Ad Tech" ecosystem

Conceptually, there are 3 ways Display transacts between advs and pubs: Reservations, RTB, and Network
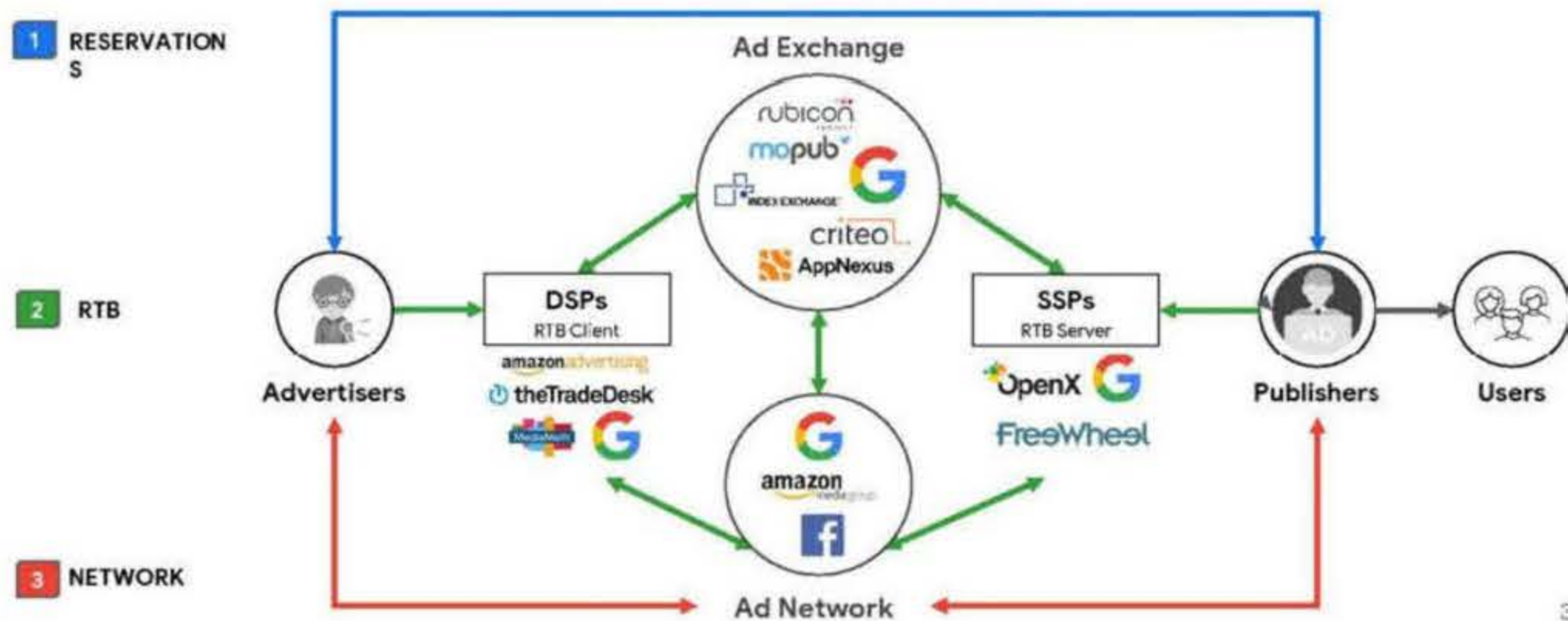
11/13 Notes
Can play in some and not in others / and can succeed in some and not in others
Alternative to deep dive slides - publisher slides (Admanager and network products) and discuss purpose, dependence on data
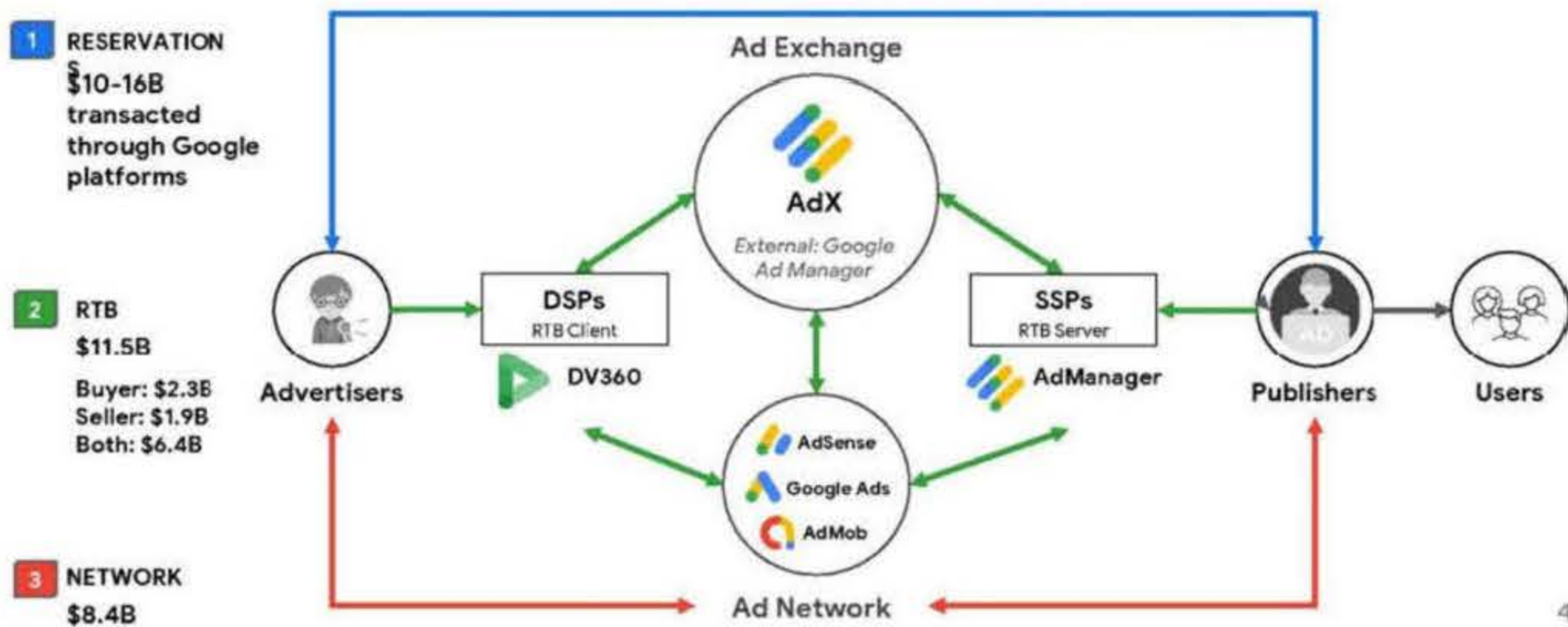Buckets: DV360, DFP, ADX, Networks
Here is how they benefit us, the google ecosystem, and the data tension
⅓ frame ⅔ on data and making products viable

Reservations = DFP Direct Reservations only
RTB = OA, PD, PG on AdX and 3PE (from Authorized Buyers, DV3 and AdWords) and DCM, DBM fees

Note: RTB Buyer/Seller/Both breakout does not sum to $11.5B because there is $0.9B in DCM + DBM fees

Served Gross Revenue = v10 2019 Fcst (Source)

$24B RUM = $8B AdX Media (v11 2019 Fcst $8.9B, AdX Backfill 92.5% from go/lumina) + $10-$16B DFP Direct Reservations from previous slide

https://docs.google.com/presentation/d/1lXsJzsTpnxDv7zypBv7n70kRQpIDUeFOJrfmNkLziUA/edit#slide=id.g604379dfbf_1_315

We can also pull a slide from the sellside QBRs on breadth, depth, addressability. Something like this slide, but with the addressable bar brought down to a more reasonable range (eg exclude O&O, walled gardens, and other policy violating inventory).
https://docs.google.com/presentation/d/1UVAhKIzbeZPBeGJ7Pn7P7ckpZEpxMh3Sg5SzJyGZyMY/edit#slide=id.g38ffbb1edc_12_645

AdX

Auction that enables multiple buyers to bid on publisher's remnant inventory. Google buys 78%, 3ps buy 22%

$9.6B
2019 Gross Revenue

30%
2019 Net Margin (blended)

$200M
2019 Op Profit

Highly dependent on data and multiple buyers

More buyers with more data means more revenue for publishers

Unclear evolution if cookies go away.

Tension on pricing and policies

Misalignment of Google and publisher, Authorized buyer incentives.

Publishers use multiple SSPs and want to plug in as many buyers as possible, while bypassing our auction fees through header bidding

Authorized buyers and publishers want more lax policy.

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AdX 9.6B not the same as RTB 11.5B because RTB number includes 3PE OA/PA/PD, but excludes PG

AdX is bought by: Authorized Buyers (22%), DV3 (37%), AdWords (41%)
Net Revenue margin: AB - AdX 17.5%, DV3 - AdX 24.5%, AW - AdX 31%

Display & Video 360

Single front door to O&O and Third Party inventory for agencies and large buyers

$6.9B ($9.3B incl O&O)

2019 Gross Revenue

27%

2019 Net Margin*

($85)M

2019 Op Profit*

*excl O&O

Enterprise product for consolidating agency & big advertiser buys

Agencies still control a large % of media buying

This tool allows agencies to add value and charge % of media

Anchors YouTube & Google Display inventory buying

15% of YouTube Ads Revenue

33% of Display Inventory Revenue

3P inventory buying is highly dependent on remarketing & cookies

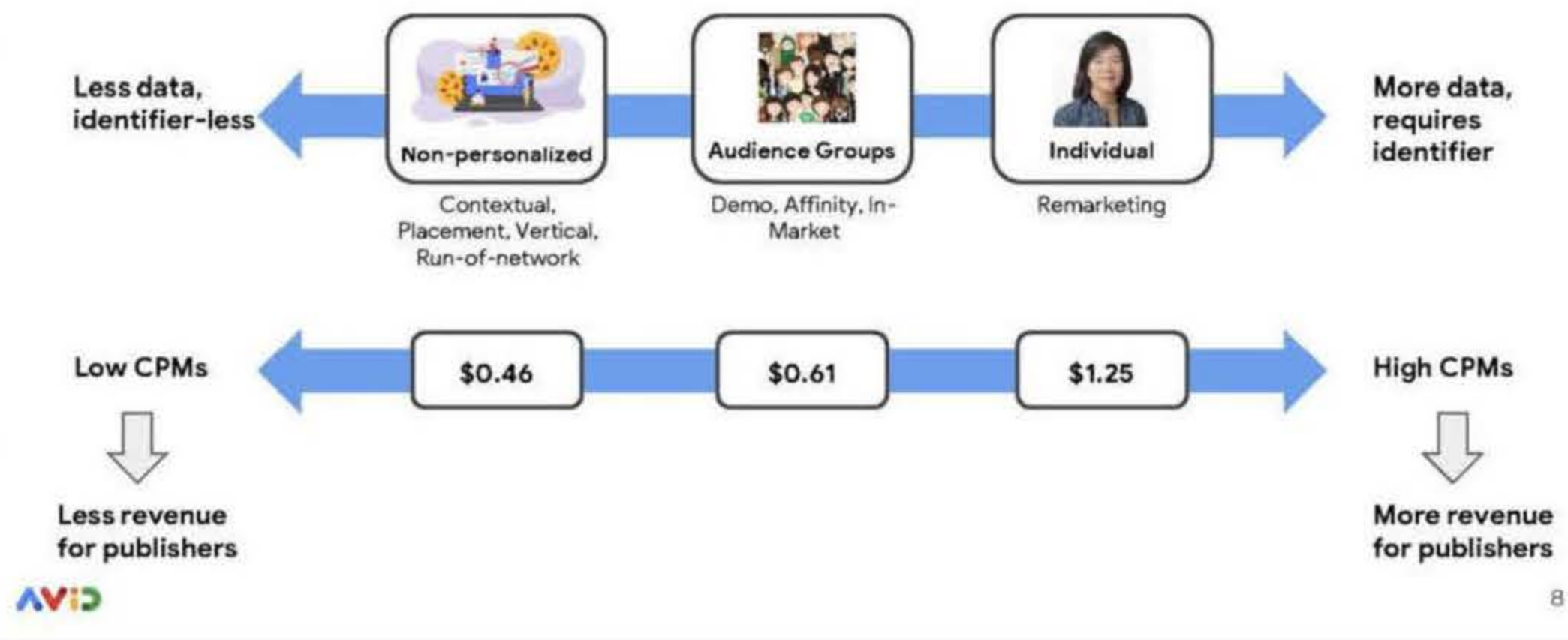28% DV360 display buying that is remarketing / interest based targeting

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% of Display Revenue = (Core DVA from DV3) / (Core DVA from all buying doors). v10 2019 Fcst
% YT Ads Revenue = (YT from DV3) / (YT Served Revenue from go/adspnl). V10 2019 Fcst
DV3 % from Targeting = https://data.corp.google.com/sites/bdr/dv360_nav/?label_id=l293h&view=default

Relationship between Personalized Advertising and CPMs

Less data, identifier-less ← → More data, requires identifier

Non-personalized	Audience Groups	Individual
Contextual, Placement, Vertical, Run-of-network	Demo, Affinity, In-Market	Remarketing

Low CPMs ← $0.46 — $0.61 — $1.25 → High CPMs

Less revenue for publishers

More revenue for publishers

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Personalization is needed to make ads more relevant ("Non-personalized" ads CPMs are ⅓ the value of personalized ads)
Scale of personalization - goes from anon / innocent versus shoes following you around internet. As you get more specialized, value goes up for adv but data tension. Where is the right spectrum for us to land but also taking into account competition.
2 dimensions: Type of audience data (personalization) and Data source (who owns it). Walking ecosystem back to less specific is hard and long but we are working on doing so - we need to evolve this together.
Swap "dirty" for clean money
Make it hard to make "dirty" money

Competitive Auctions: Google is not the only player

Multiple competitors bring demand to auctions; the player who can bring the highest CPM wins the auction; the highest CPM is determined by data.
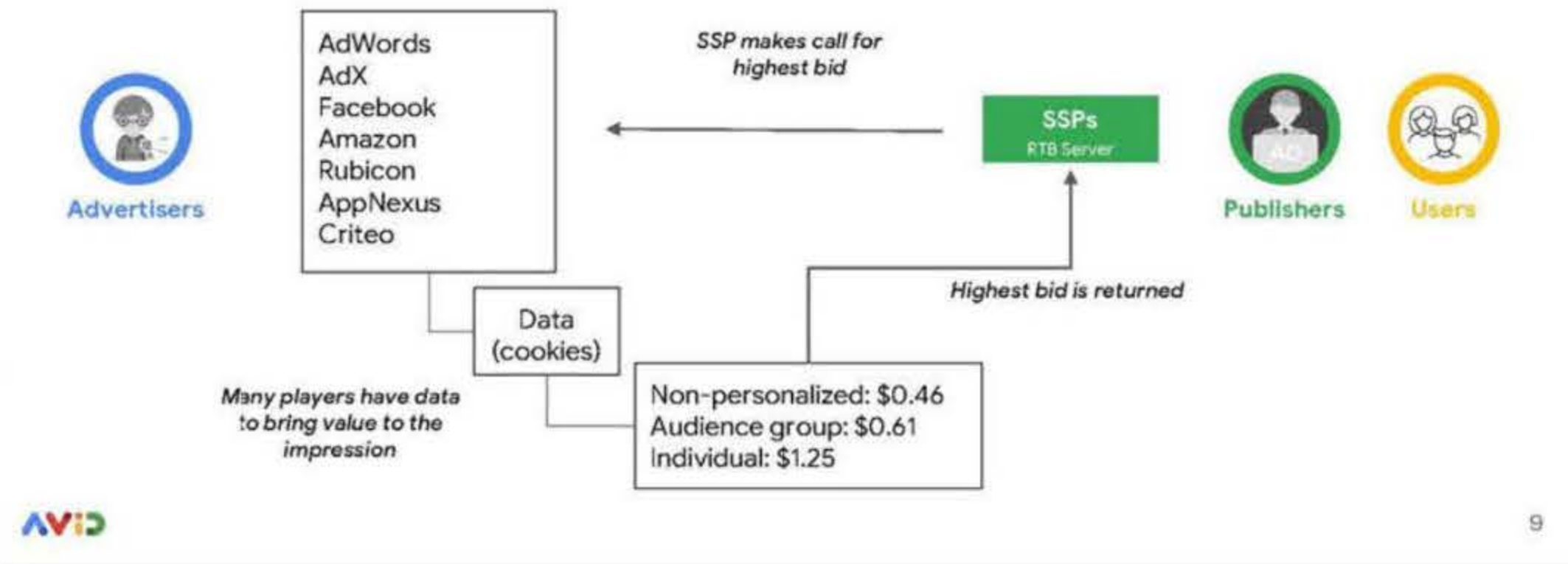
Best data wins in a competitive market

CPM Source: https://docs.google.com/spreadsheets/d/1auGqD_dDt6Gp6j3x4nprdEIzSApumn0cQu5B05b-Dts/edit#gid=220273218

Tension from both Privacy & Competition

Privacy	⟷	Competition

Privacy
GDPR
CCPA, CPRA
Other jurisdictions

Competition
Platform Openness / Fair Access
Questions on margins and costs
Market and competition

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Duality of situation we are currently in
Example regulatory questions related to competition cat. in appendix