

From: Jerome Grateau <jgrateau@google.com>
To: Jim Giles <jimgiles@google.com>
Sent: Thu, 15 Dec 2016 14:32:35 -0800
Subject: Re: Need financial target for EB in 2017
Cc: Jonathan Bellack <jbellack@google.com>, Gargi Sur <gargisur@google.com>, "Barbara B. Piermont" <bpiermont@google.com>, browley <browley@google.com>, George Levitte <glevitte@google.com>, Max Loubser <maxl@google.com>, Dan Taylor <dantaylor@google.com>, Jasper Seldin <jseldin@google.com>, Roberto Ruju <robertoruju@google.com>, Aparna Pappu <apappu@google.com>, Sam Cox <samcox@google.com>, Chris LaSala <chrisl@google.com>

Jim,

Thanks for your answer that provide more insights on this question.

Just to clarify, I am not worry about giving up some money on EB without last look vs EB with last look. I am concern about making EB too attractive vs OA.

If we are giving away last look, what would be the incentive for a DSP/CRT/AMZ to buy through OA Adx vs another SSP+EB? Let say that this other SSP decides to start a price war and decreases its OA cut to 10%., what would we our levers to not to have to follow it?

The winds are already turning and the new hype is S/S HB. How long Rubicon/Openx/Index.. will be able to justify a C/S HB vs a our solution that eliminates latency and discrepancy issues? Our objective/GTM approach should be to focus on convincing the publishers that our proposal is the best one and have them force SSP to use it.

We may still not have all the data but it seems that the main value creation lever of HB is to create 'artificial' floor prices for Adx by exposing the same impressions to multiple SSP. We are not speaking of a real/fare 'auction of auctions' combining true additional demands sources but rather a hack to alter the mechanism of 2nd price auction. EB is just a cleaner way to introduce floor price in AdX. I am not convince we should go beyond that.

If we go this direction, what would we say when Amazon will ask us to integrate their S/S wrapper with no last look?

Now, there are several points mentioned in your email that I don't know / not aware of and this potentially alters my judgement

- mechanisms that allow buyers to provide a more aggressive price in Jedi auction
- tactics where they artificially run up ADX
- sharing Jedi bid data (vs not with last look)

I would be very interested by a live discussion on this subject.

Thanks

Jerome Grateau

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On Thu, Dec 15, 2016 at 2:02 PM, Jim Giles <jimgiles@google.com> wrote:

Jerome, re last look, there are several important reasons why we will be moving forward with testing in the open beta:

- 1) Because both publishers and exchanges have very strongly complained about the fairness of it. This was one of the biggest objections raised in the recent EB steering committee meeting with exchanges. If we want exchanges to give up HB and move to EB, we need to give some concessions.
- 2) Because we aren't actually losing much money by giving it up. Furthermore, reclaiming what money we lose is completely under our control through more aggressive RPO tactics. Beyond that, we will have a mechanism that allows buyers to provide a more aggressive price in the Jedi auction. Between what we do, what GDN does, and what our buyers do, we should be able to make ADX very competitive even by giving up this advantage.
- 3) It creates a clear differentiation between EB and HB -- exchanges that go through HB are subject to last look, and those that go through EB are not. This gives a pretty big incentive to switch.
- 4) If exchanges trust that there is truly fair competition, they have indicated that the tactics where they artificially run up ADX prices can be dropped.
- 5) By giving up last look, we can share Jedi bid data with publishers, exchanges, and buyers. As long as it is an integrated auction we cannot do that because of adx opt-outs.
- 6) Earn a little more trust in the industry

The next step is to test it in the open beta where we will learn more, but the advantages of going forward with it seem to far outweigh the small amount of money we will be giving up

On Thu, Dec 15, 2016 at 4:21 PM, Jerome Grateau <jgrateau@google.com> wrote:

Hi,

I totally agree with Chris.

I would be more interested by a EB revenue target for the main HB that our publishers are using: Rubicon, OpenX, Amazon (?) and in parallel a target for the HB revenues (ie,

stabilization or decrease). Our objective is to transfer HB transaction into EB , not growing EB as such.

Concerning Last Look, I am still looking for a clearer rationale of why we should give away such benefit at this stage.

Thanks

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On Thu, Dec 15, 2016 at 8:00 AM, Chris LaSala <chrisl@google.com> wrote:

Per our brief chat Jonathan...the buy/sell PM and sales teams are working toward setting goals.

@Everyone - Important to reiterate here the risks of having ONLY a revenue target. For example...at what point does an EB revenue goal become too high? At the extreme, if all DSPs stopped buying direct in AdX and moved spend to another SSP that bought through Jedi, that would be bad.

In the short term in 2017, I don't think this is much of a problem - so we should agree to a reasonable revenue goal. However, this isn't like DFL with a message of grow, grow, grow...so we need other goals like the # of exchanges participating, # of pubs participating, and, the holy grail.....the impact of EB on the reduction of HB.

Barbara, Bryan and I discussed this a couple of weeks ago, and I'd like to see goals in addition to revenue goals. I suspect more work is needed here.

Chris

On Thu, Dec 15, 2016 at 10:35 AM, Jonathan Bellack <jbellack@google.com> wrote:

Thanks Gargi. Buy & sell sales teams, can you come together asap on one plan, similar to what was done for PG over the past two years? Thanks.

On Dec 15, 2016 10:29 AM, "Gargi Sur" <gargisur@google.com> wrote:

Hi Jonathan,

These numbers reflect the revenue goals put forth by the buy-side sales team.

On the sell-side Bryan and I are working with the new PSI team on the 2017 sales activation plan to accelerate Jedi adoption. Will circle back once that's in place

On Dec 15, 2016 10:04 AM, "Jonathan Bellack" <jbellack@google.com> wrote:

Thanks, George. A few questions:

- 1 - Does this account for EMEA and APAC as well as Americas? (+Dan, Jasper)
- 2 - Are these numbers consensus between buy & sell side? (+Bryan, Chris, Jerome)
- 3 - My gut is that leadership will challenge us to expand EB faster than this pace. Could you & team come up with options around what would need to be true to, say, double this target? I know that is a heavy lift, but want to understand the rate limiting steps.

On Dec 15, 2016 9:41 AM, "George Levitte" <glevitte@google.com> wrote:

Hi Jonathan,

Quick follow up on this thread. At the beginning of Q4 we kicked off cross-functional discussions on EB revenue for 2017. Sales is still going through the process of finalizing 2017 targets and doesn't expect these to be locked until January.

As of now, Barbara and Chip have submitted an annual goal of \$62.8m and stretch of \$91.3m. Quarterly breakdowns won't be finalized until after the annual numbers are finalized, but current estimates are:

- Q1 '17: \$8.7m (goal), \$10.1m (stretch)
- Q2 '17: \$12.5m (goal), \$19.5m (stretch)
- Q3 '17: \$18.7m (goal), \$28.6m (stretch)
- Q4 '17: \$22.7m (goal), \$32.9m (stretch)

Note that Sales' numbers are primarily based on the existing product (beta features) and on rough estimates of 2017 exchange adoption, pub adoption and exchange spend per pub (extrapolated from beta trends in 2016). Once we've got final annual and quarterly numbers (early Q1) we'll estimate average daily spend to derive projected ARR for the end of each quarter (ignoring seasonality).

+Barbara in case I've misstated any major assumptions

On Mon, Oct 31, 2016 at 9:58 AM, Jonathan Bellack <jbellack@google.com> wrote:

Hi Jedi folks. Have you started working with sales on a financial target for EB in 2017? If not could you kick this off now? Based on the product as it stands, it should be possible to calculate when you go to GA, what the publisher adoption will be over the course of the year, and derive what the revenues will be. I'd like to see both the total revenue for the year, and what you expect the ARR to be in Q4 2017.
Thanks.

-- Jonathan Bellack / jbellack@google.com
Director, Product Management / Publisher Ad Platforms

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