

Why Leaning on AQ to deliver +20% LongTerm-Rasta RPM for All of SearchAds is a Fragile Strategy (TLDR: It's likely not possible)

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Summary

Historically, the overwhelming majority of SearchAds' 20% RPM OKR has rested on the shoulders of the SearchAdsQuality team. This document articulates why that strategy is structurally becoming more fragile over time, and likely is not one on which to rely in 2020+.

Issue 1: External structural headwinds

PLAs appear like they will be touching **Confidential** of spend in 2019 (QueryNav). So at most **Confidential** of Google.com spend comes from SearchAds (and perhaps much less if Travel is included in QueryNav - I can't tell!). Therefore, **Confidential** more is being asked of AdsQuality relative to a long time ago if they alone need to get to 20%.

Automated bidding is also seemingly resulting in advertisers ever more setting TargetCPAs or Max* strategies, which in turn inhibits AdsQuality from raising prices and/or increasing clicks to increase revenue¹. While such bidding strategies may be proper from a long-term advertiser health perspective, it creates a headwind for RPM launches, likely manifested most strongly in the discounts taken by the team when mapping Rasta RPM to LongTerm RPM factoring in advertiser response (often a 50% haircut).

Issue 2: Internal structural headwinds

Relative to the past (when the OKR was still 20%), we are now dramatically more conservative in how we translate Rasta RPM to bookable RPM. Budget-adjusting is a 20% haircut², we seemingly take a 50% haircut on at least **Confidential** of Rasta RPM from pricing oriented launches (book at least **Confidential** fewer than we would have in the past on such launches). Long-term user quality may be a bit more of a wash (as we both don't book negatives and positives from quality launches, so for now I will assume these cancel). However, just accounting for Budget and Advertiser adjusting, **Confidential** more is being asked of AdsQuality relative to a long time ago given how much more conservatively we book things these days relative to the past.

Issue 3: Things less broken than ever despite bar never higher

Issues (1) and (2) combined imply that roughly **Confidential** is needed of AdsQuality now relative to yesterday in order to achieve the 20% RPM OKR. In other words, in order for AdsQuality alone in 2019 to achieve the 20% RPM OKR, they would need to launch things

¹ For Target ROI products, as CPCs increase the bidding will automatically lower. For Max* strategies which look NoEC but are actually BC, as clicks increase the bidding will automatically lower.

² Budget adjusting been happening for a while, but not always. Therefore, while the team has already been having to work harder, emerging circumstances are resulting in AQ being asked to work harder still.

Commented [1]: I agree that we are pretty conservative with pure pricing launches. Then again, they are a new phenomenon. Do you think we should be more liberal in counting these?

Ex. No.

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which would have been booked as ^{Confidential}RPM several years back. As a reminder, several years back the team was only booking **Confidential** depending on the year.

Is SearchAds more broken than ever in creating RPM, in order to facilitate such dramatically outsized productivity from the SearchAds team? If anything, I would argue the opposite:

- Targeting
 - Probably an area which still has a lot of headroom, but capturing that headroom has proven very challenging. Two relaxations of Exact match are creating some advertiser anxiety, while Targeting overall returned <2% in RPM cumulatively over 2018. Dramatic product changes are likely required in order to capture the opportunity here, but the extent to which such dramatic changes can be landed within 2019 is suspect.
- Prediction Stack
 - If anything, we may be generating too much revenue vs. too little. Since the launch of AdBrain, people feel pretty good about pCTR, and per Google70, otherwise RPM positive launches are tuned to RPM negative states in light of ExcessCPC understandings. Within ClickQuality, I think the general belief is that we're likely showing more low quality ads that we ought not be showing relative to high quality ads that are not making their way through to the auction.
- Auction / Pricing
 - The general belief here is there is more juice in getting prices right (higher) than in improving the allocation of ads. As already seen by 50% response recover by advertisers, this is a path for generating revenue that is finite in nature.
- AdsUI
 - The fraction of clicks going to ads on pages with ads is climbing ever higher, and there is seemingly a real risk that we might be approaching some asymptote for what is possible here. If anything 100% of clicks going to ads is a clear ceiling.
- Other
 - Language Targeting and Budgets are avenues that ought to create value in 2019. However, at some point Language stuff will be fixed and Budgets have a natural headroom based on BCSpent% so it too has a finite opportunity to create value.

So yes, while there is more that can be done within AQ, and AQ will work hard to do what it can (and I even believe can mostly carry the company in 2019). Especially when thinking about 2020 and beyond, AQ to deliver ^{Confidential}more than it has in the past is likely unrealistic. Personally, I believe something has to change dramatically among non-AQ teams when it comes to their ability to contribute to the RPM OKR, along with expectations and accountability thereof.

Commented [2]: Overall I agree with the bottom line (and top line, which thankfully repeats the bottom line!) but not some of the logic. I think the doc could be strengthened by addressing some of my comment feedback as well as by proposing a solution ^{Confidential}

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Commented [3]: I can address the comments above. As for proposing a solution, most of that would entail me proposing work for teams I don't co-manage, so it wasn't clear to me if I should be doing that vs. it being their jobs. Thoughts?

Commented [4]: I think it's fine to propose something, e.g., "Shopping and Travel take on objectives proportional to their revenue contribution."