Integrating All Demand DRX Strat Paper

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[presentation]

Abstract:

Header tag and Header Wrapper technology and adoption has grown rapidly in the past 12 months, representing an existential threat to our business, and necessitating a response that maintains DRX's "Must Call" status in the ecosystem. This is becoming increasingly pressing as Header Tags represent a threat to capturing the $20-30bn in direct buying dollars that can potentially be activated through Header Tag technology. The header ecosystem relies on our unwillingness to open our systems to the types of transactions, policies and innovations that buyers and sellers wish to transact. The result is a "black market" that is extremely difficult to penetrate but that is eroding value from the Google ecosystem.

Jedi++ is the thing we build to reduce the threat from HB being used to manage multiple sources of demand. We believe that the core asset of translating queries to callouts and then organizing the auction has become commoditized. Therefore we believe that we have three assets that will facilitate all media transactions flowing through Google's pipes:

1) Google data: GAIA, Constellation,
2) Computing infrastructure, malware and spam protection
3) Business Intelligence (BI) derived from data and our ability to process it

Background:

- Penetration:
    - Americas: 50% of 278 OPG NA publishers have implemented Header Tags.
    - Global: 47% of 201 LPS publishers have implemented Header Tags.
- Header Tags have the ability to hurt our Open Auction business, and our ability to transact the Direct Business
    - Rough analysis has shown that pubs who have implemented Header Tags have evidenced a decrease in matched queries.
    - AppNexus has begun to stop bidding in the AdX when they have a Header Tag down on a publisher's page
    - Omnicom is using a consortium of SSP's header deployments to run a partner program for their guaranteed/endeavour program, deck here
- The direct reservations market is big ($25B) today, and will remain so for the indefinite future
    - Buyers often want to lock in reach/premium inventory and custom formats at the head
    - Sellers prefer to book guaranteed revenue and can get higher prices by negotiating+customizing

- Many creative formats are not yet supported programmatically, so sellers are forced to execute them as direct reservations
- Programmatic gives us an opportunity to create a superior direct / reservations experience not possible in a traditional tag-based world
  - Increase overall campaign efficiency for buyers/sellers through respecting frequency caps and integrating audiences
  - Drive better performance by bringing algorithmic buying to direct deals
  - Only possible when you control both buy & sell sides
  - Provide true pricing and opportunity cost information
- Publishers and buyers use other platforms to drive innovation due to policy and transactional restrictions imposed by Google/AdX
  - Custom formats
  - Banned categories
  - Configurable deals
  - Billing issues
  - Fee issues
  - Privacy issues
  - Competitive issues
  - Transparency issues
  - Business Intelligence issues
  - Technology configuration issues
  - Control issues
  - Speed to market issues
  - Innovation issues

Strategy:

- In order to capture all transactions through our system, Jedi++ must become the platform of choice for all media transactions. This is predicated on the following first principles
  - Transparency and Openness
  - Publisher Controls
  - Malware moderation, rules and classification
  - Business Insight and Analytics
  - Flexibility & Stability without paternalism (use information vs "force")
  - All demand integration
- Other considerations include
  - Auction dynamics
  - Sustainable margin
  - Risk reduction/BuySide API (The NEW New Network)

- **Transparency and Open-ness**
  - To exceed the header wrapper, we should make Exchange Bidding an open specification that allows 3rd Party Exchanges to integrate with Google simply and easily
    - Acceptable Jedi++ Partner Type: EB partners must be SSP's that can respect the publisher's wishes and have the capacity to moderate and enforce on the publisher's behalf

- - Unacceptable Jedi++ Partner Type: Non-publisher centric buyers will continue to be forced to integrate through AdX
- **Publisher Controls:** Publishers have far more control over their business with headers and header wrappers, therefore to meet the market, we need to provide publishers with the following controls.
  - **Inventory Access:** Publisher's should be able to select any exchange from the integrated partners list in order to broadcast their inventory to the partner. We should make this easy rather than adding roadblocks.
  - **Latency:** To meet the Header Wrapper requirement we need to have publisher configurable timeouts on exchange partners, allowing them to set the timeline for bid delivery
  - **Line item configurability:** Publishers need to be allowed to do stupid things like configure non-guaranteed line items at any priority in the ad server. We should allow it, but use information and insights to help guide behavior where we would like it to be.
- **Malware, Moderation, Verification, Classification:** As a baseline publishers are taking risk with their header integrations when they integrate sub-par SSP's that are not able to fully protect them from badness. This is a place where we can add significant value and retain margin
  - Headers and Header wrappers still require publishers to manage multiple systems, for rules, moderation, restrictions and to manage channel conflict.
  - By providing baseline malware scanning, we can keep publishers and users safe from badness.
  - By providing creative categorization and verification we can enforce publisher rules and channel management across multiple SSP's.
  - Margin: as a base functionality this moderation and management commands a certain fee with value based pricing. Waiver of it through a two tier commercial arrangement can be considered.
- **Business Insights and Analytics:** Google has a significant computing advantage over competitors that can add tremendous value to the open ecosystem. Header systems struggle to compete in this regard because they are still disparate systems that must be aggregated and joined to DRX.
  - DRX at present fails to provide adequate Business Intelligence, Analytics and Insights (examples include bid landscapes, access to data, cross platform synthesis)
  - DRX can capture I/O based data through OCR and attribute value to line items despite prioritization and false ad server pricing required to create priority and contractual fulfillment
  - Opportunity Cost is the key disincentive to publisher stupidity and the core value behind providing non-paternalistic configurability and flexibility
- **Flexibility & Stability without Paternalism**
  - Flexibility is the core value of Header Bidding which is antithetical to the current DRX approach
  - Restrictions on Configurations: DRX currently places paternalistic limits on publishers which drives them to alternative systems of transacting
    - Line item management based on negotiation between consenting companies
    - Custom creative executions are limited in AdX (or reserved for GDN)

- Stability of the product vision and ethos are required so that partners feel they can build a sustainable business on top of it
  - Perception of policy capriciousness in policy application and suspension (legacy from AdWords) means that partners don't trust their long term prospects on Google owned infrastructure.
- **All demand integration**
  - Jedi++ Should be inclusive of all forms of demand in an integrated flat auction
    - SDK: Move SDK mediation into the marketplace with Real Time Bidding or other integrated bridge to include mediation partners and increase auction pressure on mobile queries
    - RTB: Allow DSP's and all Exchanges the ability to compete in a simultaneous auction
    - BuySide API: A NEW New Network that takes torso and tail RTB buyers and integrates them through a BuySide API with access to Google Data and without the ability to extract data from the system
    - Line Item Integration: Move all line items into a priced and paced flat auction
    - UI Buying: Integrate GDN/AdWords into the auction on a non-favored nation basis.

- **Other Considerations**
  - **Auction Dynamics:**
    - Consideration of suspension of "Last Look" to AdX - Running flat auction with priced based favoritism instead of time based favoritism
    - First vs. Second Price: Potential move to first price system as prices gradually increase due to increased auction pressure
    - Deals: Partner based deals and AdX based deals participating on equal footing with prioritization only allowed when Opportunity cost of prioritization can be indicated.
  - **Sustainable Margin**
    - Multi tiered pricing system based on value and utility
    - 15%: AdX Buyside DSP's and Networks
    - 15%: EBDA partners in "Network Mode" where Publisher facilitates connection through EBDA without direct relationship, full Malware, policy and categorization of creatives for rules facilitated by AdX
    - 10%: EBDA partners in "Connected Mode" where Publisher facilitates connection through EBDA *WITH* direct relationship, full Malware and categorization of creatives for rules facilitated by AdX, but no policy restrictions.
    - 20% AdX Buyside API: NEW New Network that takes the torso and tail of AdX RTB buyers and incentivises them to give up RTB in exchange to buying against Google Data without the ability to extract data or per query insights.
    - VALUE IS BASED ON MALWARE, DATA AND BUSINESS INTELLIGENCE, NOT QUERY BROADCAST AND RESOLUTION
  - **Risk Reduction**
    - Creation of the AdX Buyside API which allows torso and tail buyers to integrate via API to AdX

- Provides buyers with GAIA data for targeting (similar to facebook) but without ability to extract data
  - Reduces privacy risks of RTB: Isolates Risk to few large buyers who have no access to API and Google Data
  - Provides increased Mobile monetization for publishers
  - High margin product

Market Diagram

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