

9 **Disruptive
Questions
That May Define
the Marketplace**

DOUG WEAVER
Founder & CEO, Upstream Group

 twitter.com/UpstreamDW 

Good Morning Everyone and Thanks very much to Randall and Lisa and everyone at the IAB for having me speak with all of you today.

You'll notice that the title of my talk is a little different than what's in your programs. I'll get to my thinking on that in just a minute, so bear with me.

Why Am I Up Here?



I Have No Dog
in This Fight



Pattern
Recognition



Action Forms Around
a Point of View

IABNE

twitter.com/UpstreamDW

←



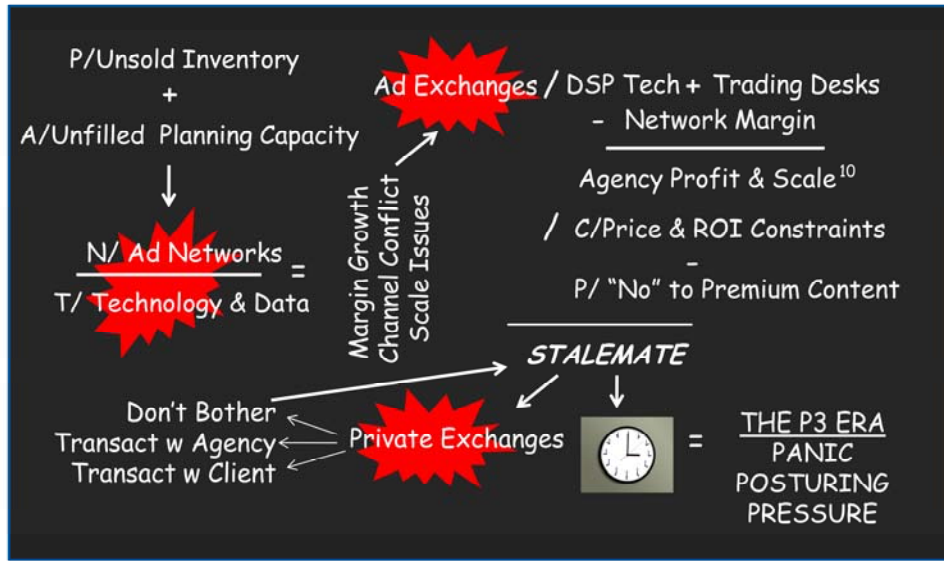
I think the first thing any speaker should do in a spot like this is to justify his relevance and explain why you should invest valuable time that could otherwise be spent on your blackberry or iPhone. So why is the next 25 minutes better spent listening to me than playing “Angry Birds?”

I think there are three reasons:

1. First, I have nothing to sell you, no imminent deal is being struck for the sale of my company and I have no reason to support any particular position in this debate.
2. Second, I’m pretty good at pattern recognition. I write my blog – THE DRIFT – each week with the goal of helping people in the industry see the deeper connections and bigger picture that are impacting what we do and the decisions we make.
3. And finally, I’ve always believed that action forms around a Point of View. You may agree with some of the things I say up here, and you may violently disagree with others. I may be right, I may be wrong. But my goal is to give you all something to talk about during the rest of your time here.

To that end, how many people here have access to Twitter on your handhelds or tablets? Here’s the hashtag for the event, along with my own handle. I’ll be seeing both up here so both direct messages and open comments are more than welcome throughout.

How We Got Here:



 twitter.com/UpstreamDW



Full Disclosure: most of you in the room have probably *forgotten* more math and science than I've ever learned. I'll admit that after 17 years in digital advertising, I'm still not completely sure what an algorithm is. But I don't think we need to throw another mathematician or scientist at the situation anyway.

So I've come up with my own formula to explain where I think we're at right now. Ladies and Gentlemen, I give you "the Dougorithm."

Walk through

Or, to Put it Differently:

"Houston, Looks Like
Maybe We've Got
a Clusterf#@k on
Our Hands!"

 twitter.com/UpstreamDW



And since I've never been accused of being subtle...



The Best Way
to Deal with
a Messy
Situation
is to Ask
the Right
Questions.

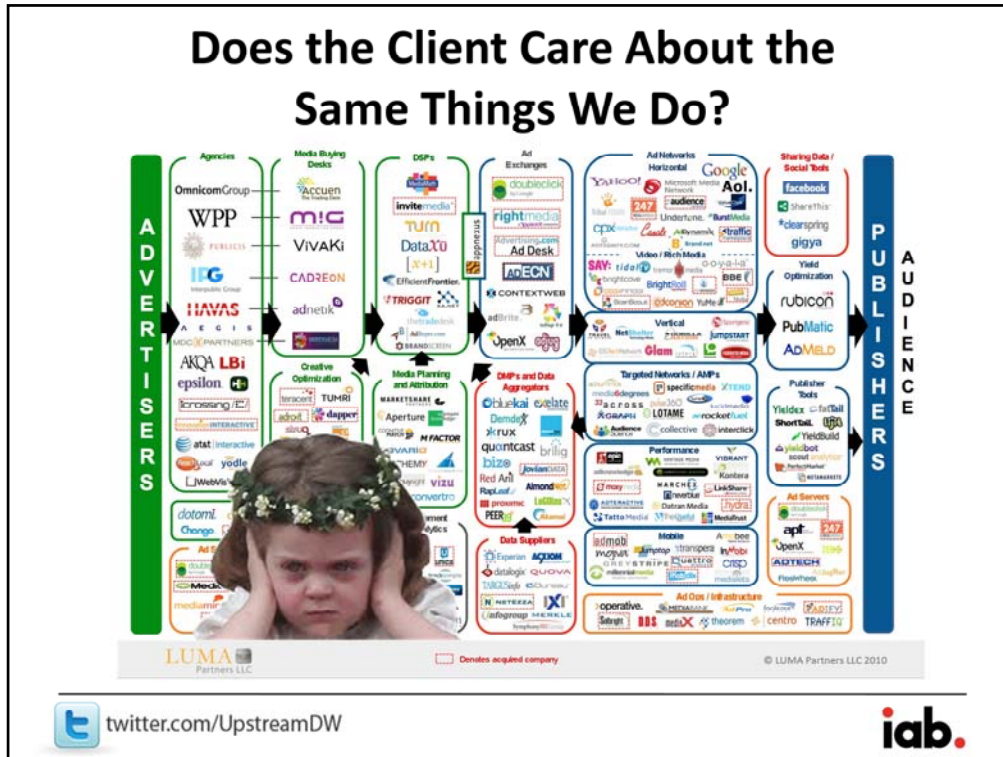
 twitter.com/UpstreamDW



I read once that when you're trying to solve a concrete puzzle then more data points are a good thing. But when you're trying to frame an asymmetrical picture like the one we have here, then more data can actually make things worse.

Instead, you need to focus more on asking the right questions. The right questions will be your ultimate navigation aid through this labyrinth.

So here then are the NINE disruptive questions that I believe everyone in this ecosystem should be asking themselves and one another in the weeks, months and years ahead.



First, we have to ask ourselves “Does the customer – the Marketer – really care about the same things we do. We seem fixated on this now famous chart from Terry Kawaja. The Client?

CLICK

Not so much. While we’re obsessing about the details of RTB and DSP and Data Optimization, the brand marketers we claim to serve are happy to shut this all out and let us squabble in obscurity. Meanwhile they’re still apparently just as much in love with television as they’ve ever been..... as witnessed by the ridiculously strong upfronts this month.

I think we’ve collectively managed to take something very big and profound and make it look at the same time both byzantine and mundane.

What's the
"Better Future"
That We're
Conjuring for
the Marketer?



 twitter.com/UpstreamDW



Which leads me to my second question: “What exactly is the **better future** we’re conjuring for the marketer?”

Making response rates marginally better or ad delivery a little bit cheaper is not a vision. We’ve got to start describing the “better future” we’re building toward. Marketers want to latch onto something exciting and creative and expansive. Everything **we** talk about, by comparison, ends up sounding like clipping coupons.

If the message about how your company’s offerings lead to a better future for the marketer is not being heard, then you’ve got a sales problem. If everyone in your own company doesn’t know what that message IS, then you have a leadership problem.

What If Our “Math State” is Focused on the Wrong Branches of Math?



 twitter.com/UpstreamDW



One of the latest memes going around in the blogosphere is Kendall Allen’s idea that we’ve fallen into “a Math State.” We have, but that’s only half the problem.

The Question we need to ask at this juncture is whether we’re even focused on the right branches of Math. Today we are still shackled to the legacy of direct response advertising that has surrounded this business like an iron curtain for 17 years. As a result, we ALWAYS end up defaulting to division and subtraction: Using targeting to narrow every transaction and ultimately make every buy smaller. We continue to slice the bean ever more finely, and it ends up satisfying and nourishing no one.

I believe that if we’re to achieve sustained growth and a continued shift of dollars from broadcast and other media into digital channels, then we must focus on how we ADD value to marketing and MULTIPLY its value. We must get back to talking about the transformative possibilities, and not try to get there from the bottom up on the basis of cost savings.

Do the Holding Company Trading Desks Really Have Bench Strength and Mandate to Survive and Thrive?




 twitter.com/UpstreamDW




I think another healthy question to ask at this point is whether the agency trading desks will be, in fact, a permanent part of our landscape. We've talked incessantly about them over the past two years. But what are the facts today?


- (1) Trade news reports say that the desks are coming up short on their goal of reducing media costs compared to the work of dedicated media teams
- (2) We've seen many of the early leaders in this space step down and take other positions, so there may well be a cultural issue that works against retaining technology talent.
- (3) And you have to wonder if the clients are really vested in this process of reinvention as much as their agency holding companies are? **Their** media dollars are the ones going to fund what is essentially the reengineering of an agency buying process. Is that mandate open ended?

Suffice to say that it's healthy for everyone in the landscape to ask this fundamental, existential question about the Trading Desks – most of all, the holding companies themselves.



**What is the
Defensible
High Ground
for Ad Networks
and How Many
Will Make
the Journey?**

 twitter.com/UpstreamDW



Whatever the long term fate of the Trading Desks, their short term impact on the world of Ad Networks has been pronounced.

Now, ad Networks have had a pretty amazing run over the last 7 years serving as outsourced planning muscle and scale for agency planning teams. Along the way, many of them have developed remarkable capabilities and resources. But when your biggest customer decides to compete with you, commoditize your offerings and take back the margin you've lived on, it's time for a new strategy.

As I said in my blog three weeks ago, I think this is the Networks' moment. Clearly there will be a thinning of the herd – there must be – but it's also a time of renaissance for the handful of strong players who will remain.

Some will acquire content assets.....others will double down on technology... Some will seek to *become* the very marketplaces in which they compete. Whatever their moves, they *must* make them, and soon. It's clearly a time for leadership in this space and I'm confident that the best are already laying new visions for their companies.

Who's in This For the Long Haul?



 twitter.com/UpstreamDW

 iab.

Which leads me to my next fundamental question: “Who’s in this for the long haul.”

I used to think the most common lines in every internet business plan were “...and then we’ll sell advertising ... and then someone will buy us.” These two lines have now been joined by “...we’re just an add-on to the CPM.”

As I said earlier, we’re now in the P3 era: Panic, Posturing and Pressure. There are a great many companies with jumpy investors who are looking for action ... and soon.

But I think we all need two fundamental realities.

First, a few extra pennies on the CPM is not realistic at a time when the agencies are working night and day to make the overall CPM smaller.

Second, while this market will clearly continue growing, it won’t be in a hurry to anoint winners, and don’t look for it to clear up any time soon. This could turn out to be a long term war of attrition, a slog. Who among us is built for that.

“Built to flip” is out. “Built to last” is in.

What Happens to the Ecosystem if We Kill Off All the Songbirds?



 twitter.com/UpstreamDW

 iab.

To many people in our space, “content” is another commodity. It’s something to be generated at the lowest cost possible, optimized so that search engines will find it, and then evaluated based on its yield. It’s become the processed corn of our agribusiness.

We have to ask ourselves what this attitude means to the long term sustainability of our ecosystem for brand advertisers. Those advertisers continue to pour ever more money into the TV marketplace and I have to think it’s at least in part because TV still has a few hits, a handful of recognizable personalities and some catchphrases that end up in the popular culture.

Our collective inattention to the real value of content is, I believe, sowing the seeds of our ultimate irrelevance in the brand conversation. In fact, I could also argue that the parallel trend of audience targeting is actually *disincenting* those who might otherwise create great, memorable content. Why spend the time and money imbuing your site with personality and attitude if its ultimate financial value is completely driven by the unseen hand of data enhancement?

Folks, we need to stay in the business of creating Jon Stewarts and Oprah Winfreys and Michael Scott’s. We need our recognizable rooms and memorable moments. (That’s what She Said!)

What Happens If Atlas Shrugs?



 twitter.com/UpstreamDW

 iab.

Speaking of recognizable media, can you imagine a digital marketplace with no ESPN, Turner, Conde Nast, Time Inc. or NBC? Would the marketplace be as rich and deep without NASCAR and Spongebob Squarepants? Would it be as appealing to brand marketers without The New York Times or the NBA?

Just as the elite and talented walked away from society in “Atlas Shrugged,” so too may all of today’s prestige brands say no to the marketplace that you are all here to build. Without the presence of media brands like these, I think our marketplace begins to look a lot more like a flea market.

I think that ship may already have sailed when it comes to large public exchanges. Now the mini-trend is about private exchanges, which prestige media brands are cautiously considering. Unless agencies set realistic pricing expectations about those private markets with their clients, I think it’s entirely possible that THIS ship may pull away empty as well.

What About the Consumer?



 twitter.com/UpstreamDW

 iab.

And last but certainly not least, we must ask, “What about the consumer?”
What exactly is the value we’re promising in exchange for all this tracking and targeting? How pure and genuine is our commitment to privacy and security?

From my perspective, I think our value promise to the consumer is pretty flabby. We tell them they’re going to get better advertising and that we’ll keep the internet free. But I don’t think they’re buying into either one of these premises. While I very much appreciate all the lobbying and PR work the IAB is doing, I think we’re fools if we think data won’t continue to be a potent political issue for many years to come. And the day that consumers say this all stops, it all stops. Let’s never forget that the do-not-call legislation passed through congress even faster than the declaration of war on Japan after Pearl Harbor.

It’s time to start truly creating a better experience for the consumer based on data. It’s time to take a proactive and positive approach to privacy, and make it a core value that all of our brands represent. In fact, it’s long past time.

Thank You

Doug Weaver

802.985.2500

dweaver@upstreamgroup.com

www.getthedrift.com

 twitter.com/UpstreamDW



If you've found any of these questions and ideas helpful, I hope you'll tell someone. If you think I'm completely out of my mind, I hope you'll tell somebody that too. Above all I hope that my Point of View serves as a catalyst for debate and discussion and that it makes your time together at this conference a bit more focused and memorable.

I'll be posting some thoughts from this speech in my blog tomorrow, and I'd love to have you join the conversation there as well. Go to getthedrift.com and have at it.

I'll close with a thought from Marshall McLuhan:

Thanks very much.