



## User Friendly podcast at CES: The future of advertising

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**HR:** Hi, this is Heidi Rataj, your host for User Friendly. Our Production team is working hard to bring you new episodes for Season 2 which will launch in mid-February. However, we didn't want to leave you hanging between seasons so we have a surprise for you this week. We're broadcasting a 3-episode special from the Consumer Electronics Show in Las Vegas. Each day guest host, Hanish Patel, will interview Deloitte colleagues and industry experts from some of the biggest names of tech.

Hanish will be bringing you the hottest trends from CES and deciphering how these trends will affect your business in 2018 and beyond. Today, Hanish will be speaking about the future of advertising. Thanks for tuning in and enjoy the show.

**HP:** Hi, this is Hanish Patel and welcome to User Friendly. Recording from CES 2018. It's day 1 of the show and I'm here at the Deloitte lounge space with Sharon Harris, Todd Harris from Deloitte and Tiffany Miller from Google to talk about what we're seeing at the show about advertising for both buyers and sellers. Tiffany, Todd, Sharon, welcome to the show.

Thanks for having us.

Good Afternoon.

Thank you.

**HP:** So guys, we've all been working the show floor and visiting various exhibits at CES. The number of new devices, gadgets and technologies just continues to grow and expand. It's astounding. Consumers are clearly getting more devices in every aspect of their life. From work, to play, to relationships, to tasks around the house, to entertainment. It's all here at CES. For an advertiser, this is a

dream. And no doubt, a massive challenge. There are more and more touchpoints and for content creators there are more and more challenges. But one thing remains constant. Great marketing begins and ends with the audience. To that end, I want to start with a question for you Todd.

**TH:** Sure.

**HP:** How are brands and marketers going to reach these audiences given the number of devices, gadgets, an endless number of touchpoints, and content to engage with.

**TH:** So that's the part of CES that I like. You were mentioning devices everywhere. Devices and drones and TVs, connected TVs...There are so many different devices that we can all start to engage with in a very hyper-personal way. The number one thing underlying thing, the currency, is Data. It comes from IoT, Smart Cities, all kinds of devices. Being able to harvest all of that data and then unify that data and marry it back to the marketer's side; that's where I think the magic happens.

**HP:** Awesome. You said data quite a few times there right?

**TH:** I'm paid to say that.

**HP:** We've all heard about it for years now. Big data, data-driven markets. What's different now? And why is this key to the future of advertising?

**TH:** The difference today is that we're starting to actually understand and master the data. Brands are starting to engage, to understand what that ID online means to the TV world, the connected TV world, or OTT. What does that mean with drones that may be watching you from a personal perspective.

**SH:** I think to that point though, Todd, when you mention marketing, consumers want relevant advertising. And consumers are really driving this push that they don't want to just see an ad about anything. They want to see an ad that's relevant, that's delivered to them in the right context, and that has some value to them. So, with the rise of user generated content with social media, you're starting to see consumers really engage in that conversation with advertisers and marketers around - not just showing me any ad. Show me an ad that's going to give me some value. And I think that's what's pushing brands to really think about how to use that data and how to manage it. They are thinking about how to operate more effectively, more efficiently, and be more intelligent with data.

**TH:** And the technologies that are in place, like the cloud service providers, that technology allows us to do that scale. So now you can actually do hyper-targeting but you can do that at scale. Those are two things you wouldn't normally connect. In the days of early programmatic, you targeted an audience that was so small. Now you can find that audience in so many places across so many different sites.

**TM:** I think it's incredibly exciting but it comes with a need for responsibility and investment. At Google, we think very conservatively in getting into PII and getting into how we aggregate and use this data. From a consumer perspective, for me personally, when I walked through the floor and I saw all of these things -- especially the competition to have the connected home and I wonder who's going to own that connected home experience? I see how useful it would be. You and I talked about it yesterday. What would it be like if our home was much more intelligent, and would it make our lives easier? That comes with a responsibility. As marketers, we look at it as exciting; I can be hyper-personalized. But I need to be really thoughtful. And in order to mine that data, I need to think of it as an investment. We're going to talk about that from an AdTech perspective regarding Cost vs. Investment and how you really mine this data well for your brand where you make it so that you delight me [the consumer], you add value, you make my life seamless and easy. I think we've seen that from technology companies in the past 5 years.

**HP:** Tiffany, you mentioned something about PII there. And as a marketer, you want as much data as you can get about me, you, and everyone else out there, right? What about security? I, for one, would think about whether you are listening to me all the time. So where would the security aspect fit into that as well and how much of a handcuff is that for you?

**TM:** We've had a lot of these conversations within the walls of Google. I have it with my family. With the connected home, what is the trade-off? And I think from a consumer perspective I will give you something if you give me something valuable back. But there is education. Consumer watch groups look at how we manage this data, what is the responsibility, and where are the policies that place it. There's experiments like you said, with Smart Cities, in thinking about the future of cities and how we actually build policy and law that protects our data. But on the other hand, I'm willing to give up something if it's personalized. And if my life is actually improved by you knowing a little bit of what I want.

**HP:** You know if I go back to what was said earlier about data, there's a hell of a lot of data, as you guys have already expressed. How does that fit into the enterprise and the organization? Who owns that?

**TM:** Ownership of the data is the first step in actually democratizing the data that you have access to. And we're not just talking about your own CRM data. But it's the data that you can mine that is signed-in user based data vs. probabilistic, where I'm just generally saying this is the trend of what my consumer wants. But getting to the heart of whether I can actually mine intent data, marry that with what I know with my CRM data -- what does that mean? So ownership comes into play pretty much at the beginning of any conversation with an enterprise.

There's a cost to it. Which is why earlier I said are you viewing it as a cost or are you viewing it as an investment. If you're viewing it as a cost, it's going to be harder to convince your organization to take that up for ownership. But if you're viewing it as an investment, for five or ten years out, for the future of your marketing, advertising and sales practice, then it's a no-brainer.

**TH:** So, with the data ownership piece, with first-party data the primary owner is the creator of that data. CRM data often-times comes up as a classic first-party data. You should mine the heck out of that data, but you start to conflate on second-party data and Google can play in this bit of a debate in terms of who plays where and what types of secondary data or second-party data. Then there's the third-party data, which we all kind of differentiate highly and there's different values associated with that. But, by knitting that together with permissions, with respect to PII, with security that we were talking about a second ago, and that's the magic. That's where the insights really start to happen. So there's ownership, security, insights.

**SH:** And I think it's important to note, data hygiene is such a huge topic that I think sometimes goes undiscussed. Because for a marketer, you've got first-party, second-party, third-party data. You're comingling all of these data sources. How do you make sure that data is clean and the integrity is there? So, you're not compromising that consumer, it's safe, it's secure and ultimately you can use it in a way that you really need to use it without violating that trust that you have with the consumer. So that's a really big challenge for marketers right now and I think we're starting to see marketers really begin to think more thoughtfully and more strategically around the integrity of the data.

**TH:** And that gets to the technology point that you were sort of moving toward. Which is, that hygiene, the data mastery, collecting all that data, integrating all that data and then being able to parse it out and say what ID maps, what deterministically or probabilistically, how do we actually take all that data and knit that together in a way that we can offer up the insights in real time. And then you overlay machine learning and keep going down a path of more and more intelligence.

**TM:** If you don't own it, it's like, if you put it in the hands of a different organization, the responsibility to that data and the hygiene of that data falls on a whole other set of motivations and/or goals. When you own that data, you're now hiring differently. We'll talk about what organizations are asking us on a week-by-week basis. And things are changing really fast. You're hiring differently. You are opening up all the advance data analytics that you can within an organization and you're looking at your marketing, sales, and advertising KPIs differently. And it's really powerful. So, data as an investment; absolutely primary ownership is really important.



**HP:** If I take a point that each one of you said and think about the ownership mindset, Tiffany, that you mentioned. Sharon, you talked about the whole hygiene aspect of it as well. And Todd, you mentioned technology. Let's put all of that in the mix. Does it really work?

**TH:** Sure. (laughter)

**TM:** No it has to. It absolutely is critical. Mission critical to the future of advertising or I would like to say current advertising. Because I think enterprises don't fully understand what's available to them today.

**TH:** They don't and it is not easy to do what we're describing here casually. Just take the data and marry the data and monetize the data. So, with these technologies, with respect to Google, with respect to other providers as well, though it does exist and there are certain brands that are actually pushing forward, but [other] people struggle just for the basics of data hygiene. And they're still struggling with data hygiene let alone the more advanced components of that, all the way to the analytics. So, does it work? Yes. Are brands already there, not so much quite yet. So, it's not as sexy to talk about this from the future point of view, but this is just what we're talking about here; the 18 month or 24 month things that needs to happen to really kind of start to light up the advertising and monetization.

**TM:** I'd love to share with you something very unsexy, but it's very effective. I've been with Google 15 years. 13 of it was on the ONO side for search and YouTube. And you know the power of search. When I made the pivot to the AdTech side of the business with DoubleClick, the first thing that really stood out for me was how under-utilized ad serving data has been for the last 10 years. We see it as kind of utilitarian. I serve my ad, I traffic it, but the amount of just basic marketing campaign data -- if the data hygiene is good, if your ad-serving structure is good and sound-- then the insights that come back are highly important, and I've seen many marketers within our space for the last year starting to really look at ad-serving data in a real way.

**SH:** I think we're really getting there. I think we're to some extent in the early stages and that speaks to just the maturity of the talent in the market and understanding how to really utilize the data. And I think it's also a bit of having the mindset around what advertising is. I think people only think of the glamour: shooting a TV commercial, being on-set. But, it's really now that blend of the art with the science and how do you use this data to be smarter about the creative elements that you build, smarter about the conversations you engage with consumers on, and also just being smarter about how you position your brand in the marketplace. That's what the data is really allowing you to do. And I think you're going to see marketers really evolve, get more sophisticated and much more strategic about how they approach the data - from hygiene, to the mastery, to the ownership, and the actual usage of that data. I often tell people, I think of data as the new oil. Particularly for the publisher side of the house. Publishers now are really beginning to understand the value of that data in driving revenue for their content. But it's taking a really long time because before there was always this sort of time honored tradition, the home page is where I make my money. And not really understanding that, no there's sections of the site, of the video, that actually resonate better with my audiences and those are the places that I need to monetize more effectively. So we're starting to see things really grow and evolve.

**HP:** I love what you said there Sharon about getting smart. And you touched upon the content publisher to a certain degree. We talked a fair bit about the brand, the marketer and the focus on that. So, I'd love for you to explore a bit more about what is it that a website owner or a content publisher really needs to do and the thinking they need to have to make themselves attractive to buyers?

**SH:** I think for the content providers out there and the publishers this has really been an all-up disruption in many respects. Because it's been about how do I really simplify my portfolio. You don't need thousands of ad offerings. You need the top ten that are really going to resonate with that audience. And you need to understand your audience first and foremost. By leveraging that data, understanding what content works for them, what's the most appealing, where are they spending their time; then, you really have to take that and build that into your overall strategy. It's not only how you develop the content but how you monetize the content. Because for a publisher, you don't want any single impression wasted or lost. You want to monetize every single impression that comes to your site, every single video view, every single click is really a dollar. So it's all about how do you build an organization that understands it's not about us, it's about what does my advertiser need, what is my audience really looking for. And really understanding how to build the model that optimizes and maximizes that relationship. and I think you're starting to see publishers once again sort of really reevaluate what their place is. Because with the rise of things like user generated content, many of the publishers have to some extent really retreated and you start to see a lot of them almost run scared because they are thinking, "Oh My God, consumers are just going to build all of this themselves, do they really need us?" And that's where I think you're starting to see content really step it up. You're starting to see higher quality content. More relevant content. But you're starting to see those publishers say, "Wait a minute, I need to use this data on what my consumers are doing to inform the content that we develop."

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**TM:** I have a question. So from a publisher perspective, protecting that content and ensuring that your brand is exposed or people can have access to it and can trust that this is real, from a fraud perspective what are you hearing from the publishers?

**SH:** Fraud is a huge thing.

**TM:** I know.

**SH:** Along with the fake news that's the buzz of the industry. And I think you're starting to see publishers really take a hard look at how the content is developed, how it's distributed, ensuring that it really is authentic. And really trying to develop content that really aligns well with their brands, and not sort of veering off into other areas where you get things that may not be true to their brand DNA. And I think that's where technology is really coming into play, around how do you ensure that you're building brand-safe content and that there's true view-ability. How do you ensure that you're not taking in content from an unauthorized source? There is so much user generated content, there are bots out there, there are people who spend years and days just building technically fake news. How do you protect yourself from that? And that's really where the technology has become incredibly useful for publishers in terms of how we protect our brand and build a really solid content platform. I think it's going to continue to grow because there are now more and more attacks on the content.

**TM:** Nobody wants fraud. It's bad for business but it's taken some time to get everyone on the same wagon.

(laughter)

**HP:** What I'm hearing, more and more, it sounds like the lines are really blurring from the buy and the sell side. Clearly from what we've been talking about, data is the new currency in all of this: data from technology. Is that what's really happening? It is getting blurred and it's all about the data?

**TM:** YES

**SH:** YES

**SH:** YES

**TM:** If you look at some of the big categories, in retail, in entertainment, even in telecom, now CPG, maybe even CE, if marketers' brands are building content and they're also on one end they're now sell side, retailers are going to go out and go to the OEMs and say alright, we have a lot of data, we're going to share it with you. Co-op marketing is changing.

**TH:** Absolutely.

**TM:** So then, on the flip side, there are also customers of buying advertising to target for folks to go on their website. We're talking about democratization of data on the back end and if you have the right system and the same system and you truly have a single view of the user journey. And it's the same person that's coming to your site and the same person that's actually buying offline, and we get to the whole identity piece.

**HP:** You've all said yes to data being the currency. But let me throw something out there - for as long as I can remember, I've always said the same thing: Content is King. That being said, in the future of advertising, where is the content and how are experiences really being created because content is all about creating an experience? How are they really being created?

**SH:** I don't think anything has really changed there. Content is still the king. Hands down. But what I think data is telling you is the context, that's the kingdom. That's where that king is sitting and without having the right context, the king doesn't have as much power.

**TM:** Is that the kingdom or is that the Queen?

(Laughter)

**TM:** Make it the queen.

**SH:** Behind every great man...

**SH:** It really sets the stage, that's where your real power comes from. Understanding that data, understanding that audience. With content, we're getting smarter about it in terms of how it's getting built, who the audiences are, what's resonating with them. When you think about the rise of over the top television and you see how Netflix has just blown everyone away with this amazing content, it's that ardent size. So understanding the data. What are consumers really looking for? What kind of images do they want to see reflected on their televisions. And now we've got a completely new world where people are really being pushed on developing much higher quality content, but understanding that's really where that data sits. And how do I build something that's relevant to my audiences, that speaks to them, that's compelling, and that ultimately at the end of the day is really going to drive my revenue streams.

And let's talk about Netflix. They take personalization, they take data for personalization for customized creative in promoting all of the shows to the next level. And what we see in the marketplace with a lot of acquisitions and consolidations is looking at how do we do what Netflix has done. What you see for an ad for any given show, The Crown, Narcos, will be different from what I see. And so last year with Narcos for example they're taking all of those shows global and that's really where you have to play to be competitive. Specifically for Narcos, they use data, they use machine learning, they use everything that they can actually throw in their algorithm to say actually in South America the imagery that the consumers respond best to are beautiful photos of Columbia. And they're so proud of their country, this is part of the heritage, it's part of the history. Whereas in the states, we're much more into the nefarious part of the story. Of course, the kingpin, the drugs, and so you'll see the ads targeting the US Consumer will be kind of hard features, Pablo, cocaine flying everywhere, slow motion. Whereas in South America, he's smiling, there's a mountain backdrop. They tested that. They have a test and learn culture because the foundation layer is data.

**TH:** There is one underlying component of that, a critical component of that, which is that Netflix is one of the preeminent leaders in taking their media in-house. They've gone to great lengths actually. It changed their relationship with the agency and in doing that they've taken control of the data. Once they've got that data, they can start to do and own their own insights. So people that are currently working in the agency model, interesting to note, is that most of them don't own their own data or that advertising data and that's making for an interesting dynamic in the marketplace. Netflix is a leader in terms of taking that ownership, taking the paper, the direct control, the ad server of a lot of different vendors that they actually engage with. And it allows them to do the type of targeting exactly what you're talking about.

**TM:** They moved incredibly fast. They hired incredibly fast. What would you say to the non-Netflix's of the world in terms of hiring for that expertise and operating in this model.

**TH:** Our clients are now talking about this quite a bit, how do we change the ownership structure of all of the insights. That's the typical place where we start the conversation and we're not saying, take ownership of all of it immediately. Dynamically change and restructure the entire agency relationship. It's a matter of moving toward a bit of a hybrid model where ownership of the data, ownership of the insights and the ability then to staff analytics data engineers, data scientists. That's a challenge for any brand. And so, it's kind of an incremental, one-year, two-year, three-year process. And the agency becomes a very strategic component of the entire process. But they become another vendor that they have within their suite of vendors.

**TM:** Listeners out there, your kids going to college, they should learn data science. There are a lot of jobs out there in the next 10 years.

**HP:** Tiffany, let's go back to what you said about data ownership. You said a fair bit about the importance of that and Todd, you talked about the mindset. Sharon, you talked about the hygiene aspect of that. If I look at what's going on on the show floor here at CES, there's so much going on about AI, machine learning. Where does machine learning and artificial intelligence play into what the marketer and advertiser can do? And, from a consumer perspective, how can you really get that personalization and consistency that the consumer is probably looking for?

**TM:** Let's talk about a business case that happened last year. This was a campaign launch for Toyota Rav 4 in partnership with Watson. The challenge was - we talk a lot about machine learning, let's put it to the test. To be fair, machine learning is everywhere. It's already within your advertising campaigns; if you do it right and if you're using the right tech, right now you can do real time optimization. You don't have to wait for 30 days or 6 months to get campaign data back. But the Rav 4 example I thought was really interesting because they went and used Watson to comb all of the web. For Rav 4 enthusiasts. The imagery and the language and the way that people talk about the brand and the product. It spit back a bunch of words. Now machine learning plus the human component - like we know in order to process this much data machine learning has to catch up. But in the mean time for these guys, what they did was they used human beings because we're still part of this equation for now.

I like to think that we will play the strategy and the vision with the data vs. a lot of hands on keyboard work that we do today. So things

won't change. But they had human interactions like they took chunks and themes of this data. What made sense they kept in Watson, what didn't they threw out. And in the end, the personalized creative messaging that came out was in the voice of the enthusiast and it was quite frankly something that would take so much time for a human creative to come up with because it's just impossible to mine that much data. And combine that together they came up with something really great. It's expensive, it's not easy to do, but it's available. I thought that was a really good example of using current machine learning for advertising purposes.

**TH:** People are doing this in the marketplace now by taking the learnings from ML and today's world, or yesterday's world where you had the insights. Now you have to go hands on keyboard and actually dive in and go buy on platforms. Today, or tomorrow, you'll be able to take those insight and integrate those insights into a recommendation engine. It will be in the actual auto buy and so people won't have to have that, jumping over to Excel, building line by line. The machines will actually move from insights to recommendation to activating on different buying platforms. And that will be a great step forward.

**TM:** They did that with our G Suite product. We're trying to get subscriptions so we give a free trial hoping you like it. Then you'll subscribe. Typical multi-cross-channel online, offline marketing. In terms of the insights we were getting back, it was a lag time of 30-60 days. Pumping in machine learning and using some of the products that we have in market within 2 days of the campaign we put an algorithm score on the likelihood this person will actually convert from a trial to a subscription. That is a bucket that where we're going to focus marketing dollars. That's available. Which I think is very exciting.

**SH:** For the marketer, that's amazing because it's pushing marketers to be much more agile and to really not just say, "Hey this campaign is going to run for a month," but to really do that amazing thing with the consumer and listen to what the consumer wants. That's the beauty of what this technology and all this data is really pushing. Marketers before have always just been pushing out messages with no regard for what a consumer really wants. But now through machine learning, through AI, it's now about listening, taking in what that consumer is looking for and then delivering back something that they're really going to want, something they're going to use and ultimately convert on.

**TH:** Machine learning, AI, it's becoming a service, it is a service. They'll give you ready-made models, TensorFlow. On Google in particular, they'll give you the models and a little bit of training and you start to pull your data and those insights start to happen. So it's actually going to be easier and easier to do as well.

**HP:** We're seeing a lot of that on the show floor. Machine learning, AI, it feels very now. I want to put you all in a bit of a time machine. Fast forward a couple years. We've talked about data at the center, we've talked about technology, creativity, the experiences, all meshing together. What are your big predictions for the future?

**SH:** I'll take a look at it from the consumer's standpoint. I think you're going to see more and more consumers almost curate their own advertising. And it's going to be to an even greater degree. We already see with AI and Machine Learning, but now you're going to see consumers say, I want to see ads that are more like this. That are more representative of me. That have images that represent me. That are in a region of the world that I want to be in. That aspire to a lifestyle that I want to have. And you starting to see glimmers of that now. But I think that's going to become more accelerated with time. And that's really going to force marketers to listen more and be much much more thoughtful about how they develop marketing campaigns and really bring that art and science together.

**TH:** And I would add to that too that if you look at, I started with IoT a while ago. People experience brands in different locations and different places, not just online, not just on your handset, so when you add in the sensors and collect all of that data across all the physical locations, so bring digital intelligence to physical locations, then you can actually start to really engage where we all live and breathe and experience brands which is minute to minute day to day across our lives not just at a PC or at TV.

**TM:** Which if from a marketer perspective it will continue to get more complicated in terms of how you mine this data. So looking at what Intel announced, quantum computing, putting sensors everywhere, from an entertainment perspective, they're going to be big in terms of partnership with the winter Olympics. They're going to be looking at the ability for the user, the viewer, to adjust the angle and be part of the action. Beyond live sports, you're looking at advertising and/or content where you as the viewer can actually feel like you're part of the story. And you can choose the vantage point. And the storyline that you want to be a part of. That has massive implications as to the types of data we're going to be able to collect. Of the four of us here, watching the same movie or experiencing the same marketing content, we're going to view it and engage with it differently. So, what does that mean when you collect that data for future campaigns. What does it mean when you're marketing to me for your product and solutions.

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**HP:** In that time machine I talked about, I think what I'm hearing is, it's going to mean incredible amounts of more data available for you to market, for you to brand, to really push to me that I'm going to choose how to curate. Furthermore, there's going to be a hell of a lot more sensors out there that are going to be picking up on my emotions of whether I'm happy about what you just pushed to me. Would that be a fair assessment of what the world could look like?

**TH:** Fair assessment.

**TM:** Yeah

**SH:** Think that's a fair assessment for sure.

**HP:** Alright. So that's it for day 1 for us at CES and our podcast series. Tiffany, Sharon, Todd, thanks so much for joining.

Thank you!

**HR:** That's it for day 1 of User Friendly's 3 episode special from CES. Tomorrow Hanish will be back with new guests and more trends from the show. See you then!

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