



THE GREAT COLLAB:

REARCHITECTING TO DIGITAL MARKETING TO HARMONIZE PRIVACY, PERSONALIZATION, AND COMMUNITY

Keynote Presentation to IAB Annual Leadership Meeting

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(Slide 2)

Today's consumers seem very complicated. On the one hand, they love to receive customized, even personalized communications.

Eighty-one percent of consumers want brands to get to know them well enough to know when to approach them and when not. Eighty percent of consumers say they're more likely to do business with a company if it offers personalized experiences. Seventy-five percent of consumers want retailers to offer them products and services based on their past purchase history. And 52 percent will switch brands if the brand doesn't personalize communications to them.

On the other hand, consumers are worried about what they perceive as the cavalier ways their data is used and misused in digital environments. Seventy-three percent of consumers say their concerns over data privacy are growing. Two-thirds of consumers say they've taken steps to secure their data – and of those, three-quarters have changed their privacy settings, more than half have deleted mobile apps that worry them, and a third have changed their social media consumption. Only a quarter of consumers believe companies are handling their data responsibly.

There you have the entire story of the commercial Internet, from its inception in 1994 with the release of the first AT&T banner ad on Hotwired, all the way until today, 26 years later. The redemption, and the fear. The kiss and the punch. The joy and the "oy."

Each and every person in this room lives with these seeming contradictions every day, in your personal lives, if not in your business lives.

You love the way the Internet gets "me." You hate the way the Internet diminishes your actual, true self. You love the way you can talk back to brands on Twitter and get responses. You hate the way you and your company get trolled on Twitter. You love the ability to search for anything. You hate Google having all your data. You love seeing pictures of your high school friends' children on Facebook. You hate microtargeted political ads that you think may be sowing social division. You love giving Alexa voice commands and having your utilities automatically respond. You worry that she and other digital assistants might be spying on you.

The truth is, these are not contradictions. These apparent inconsistencies reflect the eternal quest of human beings to be valued as individuals, within the necessary constraints and joys of living in families, communities, societies, and cultures.

In other words, treat me like an "I" – but remember that I am a "we." I am many "we's."



What our industry has failed to do in the 26 years since that first Hotwired ad – and what we must do now - is rearchitect digital marketing to harmonize the three values that animated the Renaissance, the Reformation, the Enlightenment, and the advance of Modernity: personalization, privacy, and community.

Harmonizing personalization, privacy, and community is no small task. I'd argue that it's difficult even to see it straight.

Consider, for a moment, that personalization and privacy – these superficially opposed values – are actually different perspectives on the same thing: individuality.

“Personalization” is a third-party perspective on individuality: It can be a friend mailing me a birthday card to my home, or Spotify algorithmically offering me a package of tunes tailored to preferences it's gleaned from my expressed interests or behaviors. The agency sits outside of me.

“Privacy” is first-person – my ownership of my individuality: I invite you into my home, but I don't want that other person intruding in my space without my invitation. You can have my data – but only if I offer it to you and you give me something of value in return.

“Community,” too, abounds with competing perspectives. I love my family, my country, and my football team, but not in the same way. “My tribe” can be your enemy.

Throughout history, these different perspectives on the “I” and the “we” have been rife with conflicts. Public education vs. the right to home-school. The social safety net vs. onerous taxation. Vaccination for public health vs. my bodily integrity. Gun rights vs. community safety. Free speech vs. hate speech. “Give us your tired, your poor” vs. “No Irish need apply.”

Overlay these various perspectives on the “I” and the “we” and you can readily understand why the Internet on some days looks like Jesus, Moses, Mohammed, and Buddha, while on other days it seems more like Michael Myers, Babadook, and Freddy Krueger. When it offers me value and gives me access to knowledge that would otherwise have been denied, the Internet is divine. When it violates my dignity, intrudes uninvited into my domain, takes my data without recompense, and subordinates my community to other communities, it is evil.

Of course, the Internet is neither divine nor evil. It is us. It is imperfect. Like us, its makers and masters, it can get better. It can listen more acutely. It can learn. It can adapt. It can stop unhealthy practices, and with exercise, it can grow a healthier heart.

That's a message I have been delivering from this stage almost every year since we began the IAB Annual Leadership Meeting in 2008 – how we, together, can grow a healthier Internet. That, indeed, is the theme of this year's ALM. “The New Alphabet of Consumer Experience” means to celebrate the new acronyms of our existence: AR, VR, OTT, 5G, IoT, and the untold number of new ways they unleash storytellers to appeal to the hearts and minds of human beings around the world.

“The New Alphabet of Consumer Experience” also means to shine a light on the darkness of the Internet. We will look at the technologies that added relevance to digital media and marketing, and ask why they have engendered such terrors about privacy. We will explore the next generation of AI technologies and ask how we can design a future that is less Hal and more R2D2. As we did last night, we will grapple with how we can rebuild our societies on a foundation of shared truths, rather than on the shifting sands of disinformation.

Most importantly, at this IAB Annual Leadership Meeting, we will begin fixing these problems.



We are at an inflection point. One month ago, Google announced a formal plan to phase out the use of third-party cookies in the Chrome browser. Google's move was two years in the making, and followed more than six months of active discussions with industry associations like the IAB and others.

But Google has been far from alone. Apple, Mozilla, and Microsoft have already made their transitions to cookie-rejecting browsers, and similar such moves are forecast, especially on our ubiquitous mobile devices. Regulators and legislators across the globe are cracking down on digital media, to assure consumer privacy is recognized as a right.

The death of the third-party cookie has been bearing down on us like a freight train for years. How is it we tethered the future of marketing and media to such a slight and imperfect technology?

JORDAN MITCHELL

My name is Jordan Mitchell. I'm the Senior Vice President of Identity, Data and Privacy at the IAB Tech Lab, and I can answer that question pretty simply ... there was no other way!

The Internet, and all the wonderful personalized services it offers us as consumers, was built on open standards. Cookies are an open standard, just like the HTTP protocol behind the Web itself, BlueTooth, and WiFi and so many other consumer-elevating innovations. For 26 years, cookies have been the only mechanism built into all browsers, and the only way to recognize a user for any purpose – from the first frequency cap capability in 1995 to literally all personalization on the Web today, and everything in between – including privacy settings!

But as the business of the Internet flourished, the cookie didn't evolve at all. Each and every website, web server, site owner, and company had to create its own cookie, which has resulted in millions of cookies proliferating around the internet.

Third-party cookies enabled communities of interest to self-identify and convene. But the cookie generated excessive, redundant "tracking" requests and has become a focal point of the data and privacy critique that we see today. If we're going to satisfy consumers, the IAB, Tech Lab, and other industry, governments, and non-governmental organizations will have to invent a new future that harmonizes privacy, personalization, and community

RANDALL ROTHENBERG

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As you will learn later today when we unveil the *2020 IAB Brand Disruption Report*, in 2019 brick-and-mortar store closings increased by 68%, to a record-high 9,300 stores shuttered in the U.S. Those sales are shifting inexorably to data-driven e-commerce – which is growing at five times the rate of total retail. In most major consumer products categories, all growth is taking place in etail. Food sales – up 0.1% in physical stores, 60% in digital stores. Household care goods – up 0.6% in brick-and-mortar, + 32% in etail.

Whether you use a benign word like "relevance" or a scary word like "tracking," Internet personalization is the engine of this economic transition. In our new Policy Track this afternoon, we will be releasing new econometric research by John Deighton, the Harold M. Brierley Professor of Business Administration Emeritus at Harvard Business School. Prof. Deighton concludes "if tracking were to end, the advertising revenue earned by the open Web by 2025 would decline between \$32 billion and \$39 billion," with more than 90% of those revenues shifting from publishers to walled gardens.

(Slide 3)

The world's greatest brands, retailers, and publishers understand the value of personalization. They know that relationships, realized through continuously replenished data, are the core asset of their enterprise. This is the reason more than 100 brands, giants and disruptors alike, have joined IAB in the past year, since we welcomed brands into our membership. Like our 650 publisher, platform, and technology members, these brands know that relationships matter.

Yet this new requirement for brands to own human relationships at scale, through digital media and device interactions, is running headlong into the desire of humans to guard their online identity – a dilemma that is manifesting itself in the current privacy debate. How can they be reconciled?

DAVID SPECTOR

Hey everyone, good to be here! My name is David Spector and I'm a new member of the IAB Board of Directors. I'm the co-founder and co-CEO of ThirdLove, a seven-year-old, direct-to-consumer bra and underwear brand for women of all shapes and sizes. I can illuminate the dilemma brands are facing.

ThirdLove started with a big idea: Women, who had suffered for years wearing lousy bras with bad fits, deserve better. They deserve undergarments meant for them, designed to fit perfectly, based on millions of real women's measurements, *not size templates*. We carry double the sizes of most brands, and more than any brick-and-mortar store. My wife and co-founder/co-CEO, Heidi Zak, and I created a service infrastructure so our customers could give us continual feedback, and we built a community, so they could talk to each other.

Our ability to interact *directly* with our customers and connect them to our brand and to each other has been central to our growth. I'm proud to say that we are now, according to NPD, the third-largest online women's underwear brand, behind Victoria's Secret and Aerie. In order to keep growing, we need to be able to find new customers and keep existing ones, identify their needs, help them with their fit and style issues, and connect them to each other and to us. We need (and our customers demand) a personalized experience for each woman, based on her unique needs and unique sizing profile. We deeply respect our customers' privacy, but they are also the ones craving the personalization that we bring to them

We - along with so many other online businesses - absolutely need the IAB, the Tech Lab, and other industry organizations to help harmonize privacy, personalization, and community.

RANDALL ROTHENBERG

(Slide 5)

Publishers, too, face the same opportunities – and the same challenges. Human time spent consuming media was up 21 minutes a day from 2018 to 2019. But every one of those new minutes – *every one* - is on an on-demand, direct, personalizable channel or medium.

In 2019, according to Nielsen, time spent with linear television declined by 17 minutes a day, while time spent with mobile devices increased by 42 minutes a day.

This trend hasn't been lost on publishers, not in the least. The world's largest video companies are rapidly building out direct-to-consumer channels. There's no doubt viewers want them. In November,



the Walt Disney Company launched Disney+. The most optimistic analysts projected Disney would snare 20 million customers through all of 2020. Disney+ signed up 28 million subscribers in its first three months.

But how will these new channels satisfy their consumers if they are constrained in exploring, analyzing, and responding to their behaviors? How will they find new consumers efficiently, if they cannot look at their behaviors in their marketing planning?

ALYSIA BORSA

Hi, my name is Alysia Borsa. I'm the Chief Business and Data Officer at Meredith Corporation, and a new member of the IAB Board of Directors. I have an answer to that question.

Meredith owns some of the greatest brands in the media business. People, In Style, Parents, Real Simple, Entertainment Weekly, and Eating Well engage and bring stories to life for our 180M+ consumers and 90% of all US women each month.

At the heart of our relationship with her is trust. Each of our brands is a trusted community. Our consumers trust that Shape's exercise routines will tone their abs. They trust that People's reporting from Hollywood is true, and not Internet rumors. They trust the recipes on AllRecipes, the world's largest social network devoted to food. And so they trust that the advertising in our brands is relevant and provide value-

Our success is based on our ability to predict trends and deeply understand our consumers. We need a trustworthy supply chain that will allow us to use that knowledge and data to optimize and personalize our content, our offers and our advertising. Today our consumers trust us with their data, but they also trust that we will keep it safe.

We need to work together and we need organizations like IAB, the Tech Lab, and other industry bodies to help us harmonize personalization, privacy, and community.

RANDALL ROTHENBERG

(Slide 6)

As if re-architecting digital marketing to re-establish trust relationships weren't enough, we have essential business relationships that are going to need to be re-engineered. Let's agree that third-party cookies were – excuse me, are – imperfect. But for all their flaws and warts, they have been central to the way advertising works in digital environments, and therefore central the creation of the entire Internet economy.

In 2018, Internet advertising spend passed \$100 billion for the first time in history. That represents a year-on-year increase of almost 22% - far more than any other medium. Why? Because advertisers are following the eyeballs... and the voice commands... and the social interactions that define digital media.

But the processes and systems by which they follow and benefit have been built on the foundation of third-party cookies. How will the business ecosystem adapt to their elimination?

STEVE KATELMAN

Hello, I'm Steve Katelman. I'm the Executive Vice President for Digital Partnerships at Omnicom Media Group, the media buying arm of the world's second-largest advertising holding company. Let me explain the dilemma we face. First off, I understand the downside of Third-party cookies, believe me. But today



we use them to measure audience sizes, behaviors, and interactions. We use them for media planning and attribution. They are one of the reasons this has grown to a \$100 billion industry. But the inevitable demise of the cookie is not the real problem here.

Personalized content and targeted ads aren't going away; consumers are already dictating that. We all have been working on alternatives for years.

Re-designing digital marketing in a post-cookie world is paramount. We as buyers still need to do media planning, frequency capping, and measurement. But what I feel is most important is coming together to engage the industry in an education campaign that helps real people understand the quid pro quo of advertising in a free content world. We also need a listening campaign that makes sure we solve for their fear and apprehensions. I don't think the pop up on sites saying "we use cookies" is working. For years, I've worked with IAB, Tech Lab, the 4As, the ANA, and other groups to get this right. We need them now more than ever. Don't forget, advertising is what makes the independent web work. Be proud.

RANDALL ROTHENBERG

I learned an interesting word this year. The word is "collab." I learned it at Vidcon, the giant video creators conference, when I was doing a fireside chat with Rosanna Pansino, a 4'10" baker, actress, singer, and Youtube creator with 11.8 million followers and nearly 3 billion total views. She kept talking about how she did a "collab" with this other creator, and how several creators lived in a "collab house."

I nodded. I did a lot of nodding. Kind of like I do in Tech Lab Board meetings. And then I looked up the meaning.

Collab can be a noun – a collaboration.

Collab can be a verb – to collaborate with someone.

But mostly, a collab is a state of being. It's how you act with others.

This made me comfortable. IAB knows how to collab. In fact, IAB is a giant collab. And everything we do is a collab.

The Digital Advertising Alliance's YourAdChoices program – the mechanism that places the "forward I" icon on more than a trillion digital ad impressions a year, and which more than 100 million consumers have clicked on to learn what safeguards and choices they have to manage their data – was a collab among the ANA, the 4As, the DMA, NAI, and the IAB.

Other collabs with our partner associations yielded groundbreaking industry agreements on viewability; and the creation of the anti-fraud program TAG, which has reduced digital ad fraud by 88% in its certified channels.

An even larger collab is the Global Alliance for Responsible Media. GARM was organized by the World Federation of Advertisers and led by 56 of the world's largest brands, agencies, publishers, platforms, and technology companies. It recently announced a groundbreaking agreement to eliminate harmful content from ad-supported media by adopting shared definitions, common tools and systems, and independent oversight to block, demonetize, and take down harmful content.



The IAB organized a collab among 300 legal, technical, and policy experts at 170 companies to develop the IAB CCPA Compliance Solution, which has now been adopted by 201 companies to comply with California's new privacy law.

In fact, these collabs help answer the question all your CFOs ask when the IAB dues bills come in toward the end of the year: What kind of value do we get from this trade association? Well, let's do the math. TAG saves U.S. companies 88% of the \$8.2 billion lost to ad fraud each year, according to E&Y. TAG cut in half the \$2.8 billion in ad flows to content-pirate sites. IAB initiatives, including the Tech Lab VAST standard and the Digital Content Newfronts, underpin the \$16 billion U.S. digital video industry. Tech Lab standards and the Podcast Upfronts are foundational to the \$2 billion podcast industry. IAB's CCPA Compliance Solution will help participants circumvent \$55 billion in compliance costs. Add the \$32 to \$39 billion we'll save by rearchitecting the cookie-based ad ecosystem.

So how much is IAB membership worth to U.S. companies? Conservatively, between \$113 and \$121 billion – and counting. Take that to your CFOs!

But that's chump change compared with the value yet to be created.

When I gave my first talk at the IAB ALM in 2008, U.S. digital advertising revenues were about \$5 billion a year. They're now more than \$100 billion – and still growing. The corresponding societal benefits of that spend has been an order of magnitude greater than that. \ , as channels converge, 5G makes real life multi-media, and all advertising becomes human-centered. If we get it right, society will again reap the corresponding exponential benefit. If we do nothing, the gains will reverse, with fragmentation in laws and technology, and concentration that stifles innovation.

But trend is not destiny. We can create that new value. In order to do so, we've got to collab again, and in an even bigger way than we've ever tried before. How are we going to accomplish this?

DENNIS BUCHHEIM

Hello, I'm Dennis Buchheim, I'm the President of the IAB Tech Lab, and I'm going to start to answer this question.

Tech Lab was founded by the IAB five years ago as an independent, global, cross-industry body to take charge of technical standard-setting for digital marketing and media. The most important industry standards – from the anti-fraud standard ads.txt to the standards underpinning OpenRTB – are overseen by Tech Lab.

We have learned something crucial to successful standardization efforts: technology and practice are joined at the hip. Brand safety is not an abstract problem; CMOs must integrate technical understanding from the beginning. Same with measurement. Same with brands in-housing their programmatic stacks. Same with publishers reorganizing sales teams to bring together direct sales and programmatic sales.

If we are to rearchitect digital marketing, we must appeal to the most senior leadership across all major brands, retailers, ad agencies, publishers across all media, all the major platforms, and the rest of the data, ad tech, and martech infrastructure. We must show them that harmonizing personalization, privacy, and community is a business requirement that underpins their very future.

RANDALL ROTHENBERG

Whatever cross-industry collaboration we engineer, it will require separate workstreams for business model adaptation, public policy, technical architecture, and strategic communications.



Engaging the entire marketing and media industry in this endeavor won't be easy, especially because we've got to engage bitter rivals, in the same rooms. Especially because this cannot be a U.S. exercise, but needs, at the least, transparency to companies, citizens, and governments around the world.

And here's what makes this even MORE complicated. We've got to get people talking to each other across functional silos that today are rigidly isolated from each other.

We need sales leaders talking to engineers, and CMOs talking to product developers. We need publishers talking to ad tech intermediaries. We need lawyers talking to retailers. We need Chief procurement officers talking to Chief Privacy Officers.

And we've got to do more than talk. We have to listen. We have to negotiate. We have to simplify. And we must execute.

For here's the simple truth. Our industries – all of us together – have disrupted the equilibrium of a century-old marketing-media ecosystem. Big parts of that disruption are fantastic. People have more access to more information about more things than ever in the history of mankind. It's easier to build a business than at any time in history.

But we also have created a messy and frightening marketplace built on the collection and use of personal information that scares the daylights out of a lot of people because they don't understand it and cannot control it. We've built it in a way that requires a doctorate in engineering to understand. Governments have rightly stepped in to attempt to offer fixes, but their laws also are difficult to comprehend, by consumers and businesses alike. People are asked for rounds and rounds of consent, and still don't understand what they are agreeing to. And the spiral of mistrust continues.

The coming death of the third-party cookie allows us to fix all of that. It is an opportunity to change the economics of personal data so it – and its outcomes – favor consumers.

We have the chance to create a new industry and a new world in which "privacy by design" is as well understood, as fairly applied, and as universally beneficial as "safety by design" has been for decades in the automotive industry and the food industry.

Right now, the movement to harmonize personalization, privacy, and community is being led by two different forces that cannot succeed on their own.

Internet browser companies and giant device companies are working assiduously to develop consumer privacy solutions. Most are well-meaning, but they are driven as much by their competition with each other as they are by consumer-centricity. Their competition will result an Internet with radically different privacy and personalization regimes, far too expensive and complex for citizens or companies to work with.

Then there are governments. With their regulatory authority, they can force a level playing field that allows competition to flourish as consumer protection is enhanced. But governmental authority is limited by geographical boundaries, whereas browsers and devices are multinational in their dispersion. And government bureaucracy too frequently leads to incomprehensibly dense regulations that only the largest corporations can afford to comply with.

As marketing and media professionals, we cannot abdicate our responsibility or our future to a multinational tech oligopoly or multiple government bureaucracies. We must take collective ownership. We must take agency.



Let the movement to rearchitect digital marketing to harmonize personalization, privacy, and community begin today, right here at the IAB Annual Leadership Meeting. I have talked to our sister associations, the ANA and 4As, with whom we have toiled successfully on so many important initiatives. They have indicated their desire to work together again and are committed to defining the post-cookie world and preserving all that is good about our industry.

Let's build on the work of DAA, CBA, TAG and our other collabs. And let's be bold. The challenge demands it.

Let's call this new effort Project "Re-arc." Re-arc has a deliberate double meaning: It means we're going to dig in together literally to rearchitect how digital marketing works, so the three values of privacy, personalization, and community can work together. It also means we're going to change the trajectory – the arc – of digital media and marketing, to put consumers in the safe, sane, exciting center of everything we do.

Together, we will reconstitute how privacy, personalization, and community can blend together to create vast new consumer benefits. Together, we will collaborate to create standards of behavior, codes of conduct, legal agreements, and enabling technologies to assure that the values of personalization, privacy, and community can be meshed.

(Slide 7)

Today, I'm asking you to message me the one thing that you believe we need to accomplish as an industry to reimagine our advertising future in a post-cookie, heightened-privacy, and ever-more-personalized media environment. The address is on the screen. Be as self-serving as you can and be specific. We want your ideas and we will share them with everyone in this room, and the entire industry.

Whether you're a brand, agency, publisher, platform, or technology provider, let me give you five more ideas about how you can work with Project Re-arc, starting right now:

- First, assign your Chief Data Officer or equivalent to the IAB Data Center, and soon to Project Re-arc's Workstream. If you don't have a Chief Data Officer, hire one now.
- Second, get your CTO or your Chief Product Officer or both into the Tech Lab, and make sure your teams are assigned to the various workstreams that already are rearchitecting the digital advertising supply chain.
- Third, commit to implementing the best practices and technical standards that emerge from Project Re-arc. Brands and agencies, this especially applies to you! Because money talks – and if you don't talk, no one else needs to listen.
- Fourth, build the best practices and standards into your procurement processes and contracts - it's the only way change happens. You should all refuse to do business with companies whose practices aren't safe and consumer-friendly.
- And fifth, if you're not your company's CEO, then ladder Project Re-arc up to your CEO. Relationships realized through continuously replenished data are the core asset of your enterprise – and if your Chief Executive Officer isn't paying attention, she should.



Today and tomorrow at the IAB ALM, I urge all of you to roll up your sleeves to participate in the numerous Tech Lab and IAB sessions at which some of the technical and policy underpinnings of Project Re-arc will launch. Over the next several weeks, we anticipate a more formal announcement of industry partnerships to commence the other workstreams.

The time has come. The third-party cookie will soon be dead. Let's get to what is next. Let the re-architected, harmonized Internet begin here and now. Thank you.