DIGIDAY

Winter 2017

A YEAR IN PREVIEW

After a year of disappointments, media will face sobering realities in the year ahead.

EDITOR'S NOTE

BY LUCIA MOSES

Welcome to our eighth issue of Digiday magazine, a cornerstone of our premium membership program Digiday+, and our second Year in Preview issue. In the following pages, we'll take a look at the big ideas that we believe will shape media and marketing in the year ahead. If there was one dominant theme of 2016, it was the questioning of many of the rosy premises of the shift to digital media. Lawmakers started to hold the tech giants accountable for allowing extremists and foreign entities to use their platforms for ill. Publishers began to stand up to the platforms' dominance over the distribution and monetization of content, pulling back from putting their editorial content on those platforms. Marketers called for a draining of the swamp that is digital advertising, with all its fraud, bots and measurement problems. And in media, marketing and tech, along with countless other industries, tolerance for sexual harassment is coming to an overdue end.

2018 will only see an acceleration of these questions, as media retrenches from fantasies of easy money from supercharged audiences on Facebook and marketers start to crack down on giving their marketing over to algorithms. As it's become abundantly clear in recent months, it's that the scale- and advertising-based model that's dominated digital media is, in large part, unsustainable. Advertising is a great business model, but publishers have let themselves grow too dependent on it, and the rise of Google, Facebook and the other tech giants hasn't left enough to support the rest of the publishing ecosystem, even as publishers scrambled to shift to lucrative digital video. The year ahead will force publishers to supplement advertising with other revenue streams, while focusing their message to advertisers to make the case for themselves in an ever-tightening race for ad dollars.

We're examining these themes in a number of ways in the issue. U.K. reporter Seb Joseph argues that this is the year that marketers will really start to care about the problems with digital advertising. Senior reporter Sahil Patel calls the failure of the pivot to video, which has turned out to be really hard to make money from. Co-executive editor Shareen Pathak reality-checks Amazon's retail and advertising ambitions. Top executives at Facebook, Procter & Gamble and The New York Times share their views about the future of video, advertising and subscriptions in their own words.

We're also looking forward to our third year of Digiday+. It's our recognition that, like other publishers, a successful media company needs to get revenue from a variety of places. In 2017, we introduced exclusive research, more in-person events and Digiday IP, a way to help you be smarter by organizing the news and information on Digiday. Look for us to hone and build on these in the year ahead. As always, let us know what you like, dislike and want more of. Your feedback helps us make the program even more worth your while.

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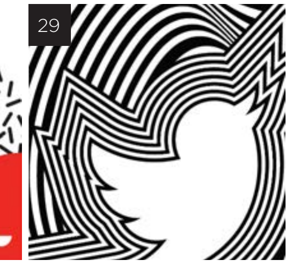
YEAR IN PREVIEW



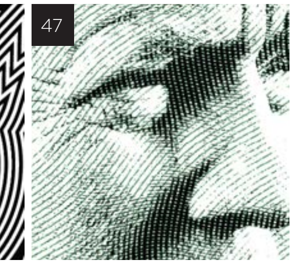


TABLE OF CONTENTS

PLATFORM PEOPLE PUBLISHERS SHOULD KNOW

BY MAX WILLENS

RICKY VAN VEEN, HEAD OF VIDEO, FACEBOOK

Van Veen is an unassuming type, but he looms large in the publishing ecosystem, since the Facebook head of video determines what shows make it onto the platform's coveted Watch section. Van Veen built CollegeHumor while he was still a student at Wake Forest, but despite that early success, he lacks the outsize ego that's common in media. Publishers might take heart in considering that, according to insiders, Van Veen came away from his CollegeHumor days feeling the site got a raw deal from YouTube, an experience he'd like to improve on in his current role. "He's the exact opposite of a media guy," says one executive familiar with Van Veen's thinking. "He took this job for the intellectual exercise, not the money."

OLIVIA MA, HEAD OF PRODUCT MARKETING, NEWS AT GOOGLE

Ma became the head of product marketing at Google News in the summer after spending almost 10 years figuring out how news fits into Google products, including YouTube and Google Plus. In her three years at Google News Lab, she helped small publishers do things like data journalism, which endeared her to some small publishing teams. At a visit to one local publisher, she was mobbed by staffers looking for selfies. "She's just as comfortable talking to a local news team as she is talking to an executive from Hearst," one executive says.

SEAN MILLS, SENIOR DIRECTOR OF CONTENT PROGRAMMING AT SNAPCHAT

Mills' job is to help publishers figure out what Snapchat shows should look like in a way that reflects the content creator's brand but also reinforces the cool-kid brand that founder Evan Spiegel honed over several years. Mills also is a key figure in the platform's rapid evolution. "They're changing what they're doing so fast, it's hard to keep up," an insider says. "Sean is shaping that."

IN	OUT
Amazon lookalike audiences	Facebook lookalike audiences
Owned and operated video	Distributed video
"We're in a video content bubble"	"We're pivoting to video!"
Licensing your brand	Licensing viral video clips
Registering site visitors	Selling "ad-light" experiences to site visitors
Micropayments working	Micropayments flopping
Instagram-first brands	Facebook-only brands
Distributing to smart TVs	Distributing to Roku
Facebook for performance marketing	Facebook for referral traffic
Publishers as experiential marketers	Publishers as virtual reality studios
Branded podcasts	Branded Alexa skills
Human-written newsletters	Automated newsletters
Proving branded content works	Assuming branded content works

PREDICTIONS REPORT CARD

BY MAX WILLENS

The new year is a time for predictions. Here's how our own 2017 forecasts held up:

PREDICTION: Platforms will start to cut more checks to content creators, not out of altruism but because they need quality content to keep users on their sites.

WHAT HAPPENED: Facebook has paid up in the form of big checks for Watch. It's starting to let publishers sell subscriptions and will let them keep all the revenue (and data). Google is moving in the same direction. But revenue from Facebook's news feed video is still wanting, as is an ad unit for Instagram Stories.

PREDICTION: More retailers will abandon their own apps to focus on better mobile sites and platform features.

WHAT HAPPENED: No mass exodus from apps, but the general consensus remains that apps are expensive and have limited benefit. Instead, retailers spent 2017 investing in things like artificial intelligence to better personalize their mobile sites.

PREDICTION: Ad tech eats the (media) world, with exchanges for geofilters and publishers' branded emoji inventories.

WHAT HAPPENED: A third-party geofilter marketplace is still years away, but with more brands looking to target beyond age and gender, ad tech's place in the world is intact.

PREDICTION: The influencer bubble deflates as influencers demand increasingly exorbitant rates.

WHAT HAPPENED: Although marketers are challenged to prove its value and contracts are tighter than before, influencer marketing remains a part of many marketers' budgets.

PREDICTION: Dynamic ad insertion, the kind that dominates audio platforms like Spotify and Pandora, will take over podcasting.

WHAT HAPPENED: Dynamic ad insertion tech became more common to deploy host-read ads for large publishers, but brands themselves only began testing their own ads in the second half of the year.

PREDICTION: Facing backlashes, brands would quiet down on social media.

WHAT HAPPENED: Instead, many brands continued to stick up for causes. An ad that Cadillac ran during the Oscars was called one of the most anti-Trump spots anyone had ever seen.

PREDICTION: Esports will grow up amid consolidation and increased investment.

WHAT HAPPENED: There's still a Wild West quality to esports, but would-be governing bodies, including the World Esports Association and the British Esports Association, took steps this year to organize them.

PREDICTION: An uptick in zero-margin agency deals between thrifty brands and prestige-hungry agencies.

WHAT HAPPENED: Zero-margin didn't become the law of the land, but agency margins continue to get squeezed. Pivotal Research reported that organic growth for the big four agency holding companies (plus Havas) declined 0.3 percent in the first half of 2017, the first time that's happened outside a recession.

THINGS IN MEDIA & MARKETING THAT DIED

BY MAX WILLENS

Tom Petty. Gregg Allman. AOL Instant Messenger. These are just a few of the bright lights that went out in 2017. As we head into 2018, we took stock of things in media and marketing taken from us in the past year.

A

Scout was one of the first publishers to build a subscription business on fans' obsession with college athletics recruiting, and in a 2014 merger, it became part of a company worth $100 million. Two years later, it collapsed, undone by a costly pivot to video and a play for scale that led it to cover nonsports topics. The company's board also ousted founder Jim Heckman. By February, it was in bankruptcy court, where a stalking horse bid CBS Sports made for the company's assets went unopposed.

B

Ad-supported Medium

In January 2017, Medium founder Ev Williams declared that digital media's ad-supported model was broken and needed fixing. Seven months and 50 layoffs later, Williams emerged with a subscription model, which would let paying subscribers direct their fees to whichever Medium authors they liked and even get a refund if they didn't like what they'd read.

C

Facebook's Lifestage and Groups

Facebook had its share of mobile product mishaps in 2017. Lifestage, a Snapchat competitor Facebook built to encourage people to share video, shut down in August after less than a year. That same week, it shut down Groups, Facebook's other attempt to grow a facet of its core product into a standalone app, after months of growing bugginess and stagnating user growth.

D

Yik Yak

The anonymous, location-based chat app Yik Yak tore across America's college campuses in 2014, attracted major venture capital and a $400 million valuation. But a pivot to group messaging inflamed its core user base, and advertisers had trouble seeing the value of the app's often controversial content. It was shut down in April.

E

Yahoo News Digest

Yahoo was never known for its design sense. An exception was the Yahoo News Digest, an app it purchased from a British design wunderkind in 2015 for $30 million. The app had nearly 10 million downloads and won multiple design awards, but it also aggregated news instead of serving up Yahoo content, so Verizon shut down Yahoo News Digest just a few months after finalizing its acquisition of Yahoo.

2017 TRANSLATOR

What people said and what they really meant this year

Pivot to video: Facebook algorithm change

Commerce strategy: Amazon affiliate links

Transparency: Cutting fees

AI: Whatever we called big data last year

Self-gifting: Shopping

Consumer revenue: Paywall

Pivot to video: Venture capital cash is running out

Direct connections: Email addresses

OTT: Not Facebook and YouTube

Trump bump: Monetizing fear

Correction: Bloodbath

Curvy: Plus-size

THREAD: Hide

Pivot to video: Autoplay video

Respecting the user: Autoplay video without sound

Pivot to video: H-E-L-P

HOW TO SOUND SMART ON BLOCKCHAIN

BY SUMAN BHATTACHARYYA

There's a lot of hype around blockchain. You may have heard that it will change everything from how banking and finance works, to tracking food's journey from farm to store shelf, to tracing whether tuna was ethically fished. It's safe to say 2018 will be the year you'll be called on to speak intelligently about blockchain. Here's a translator to help you sound smart, fast.

Altcoin: A bitcoin alternative

Bitcoin: We aren't allowed to talk about that

Bitcoin mining: Computers are competing to get new bitcoins

Blockchain: A very secure Excel sheet

Central ledger: A really important blockchain run by really important people

Chain: We can't change this, we're serious

Cryptocurrency: Bitcoin but not necessarily bitcoin

Decentralized autonomous organization: Humans aren't involved

Digital identity: The real you

Digital tokens: A way to raise money

Distributed ledger: Blockchain tech built with banker specs

Jamie Dimon: He hates bitcoin but loves blockchain

Ethereum: The new bitcoin

ICO: Kind of like an IPO, but using cryptocurrency

Participants: Real people

Peer to peer: Between real people

Permissioned ledger: You need an invite to join this

Permissionless: Anarchy

Proof of burn: You can't spend your crypto

Proof of stake: You've got skin in the game

Proof of work: You're mining

Satoshi Nakamoto: We don't know if he exists, but apparently he designed bitcoin

Smart contract: You don't need to argue with real people

Consensus: When everyone agrees this is a thing

Wallet: Like it sounds, but it doesn't weigh down your pocket

AMAZON'S BIG YEAR

BY HILARY MILNES

After reaching $22 trillion in global retail sales in 2016, the e-commerce giant flexed its tentacles and entrenched itself even deeper in a handful of industries this year, like physical and online retail, advertising, video streaming and payments. From the $13.7 billion purchase of Whole Foods that shook the grocery industry to the fast rise of its server-to-server solution, Amazon had an almost alarmingly action-packed year.

02/02:

AMAZON ANNOUNCES ITS 2016 EARNINGS

Amazon starts its financial year 2017 with a 27 percent revenue jump, from $107 billion to $136 billion. Analysts estimate that the company will reach $1 trillion in revenue within the decade.

02/26:

AMAZON STUDIOS' 'MANCHESTER BY THE SEA' WINS TWO OSCARS

Here's a reminder that Amazon is everywhere: The film "Manchester by the Sea," distributed by Amazon Studios, takes home two awards on Oscar night — best original screenplay and best actor for star Casey Affleck.

04/04:

AMAZON INKS A DEAL WITH THE NFL

Amazon gets the attention of network TV stations and football fans everywhere when it announces a $50 million deal with the NFL that would permit Amazon Video to livestream 10 "Thursday Night Football" games to the service's estimated 80 million members.

04/24:

AMAZON LAUNCHES DIGITAL SUBSCRIPTION MARKETPLACE, SUBSCRIBE WITH AMAZON

Amazon throws publishers a bone when it announces the launch of Subscribe with Amazon, which lets publishers sell subscriptions to Amazon members, who can then manage, search and read those subscriptions in one place.

04/27:

THE 'ELEPHANT IN THE ROOM'

WPP chief Martin Sorrell identifies Amazon as "the elephant in the room," meaning it's the next powerful force agencies must grapple with. Considering he predicted the rise of the Google-Facebook duopoly, it's not a declaration to take lightly. In the months that followed, agencies ramp up their Amazon-specific services.

04/28:

ECHO LOOK DEBUTS

Amazon establishes new territory in the bedroom with the launch of Echo Look, a $200 Alexa-powered gadget made to help users get dressed and build their own "personal lookbooks." The fashion charge continues.

05/24:

AMAZON CHANNELS LURES MORE VIDEO

Adding to its Amazon Video Direct program, which lets publishers of any size upload video content for Prime subscribers, Amazon launches Amazon Channels, a service that lets media companies sell their subscription services as add-on channels. Early participants of both say the revenue is already rolling in.

06/13:

PRIME PERKS BRANCH OUT WITH PRIME RELOAD

Amazon's Prime Reload program offers incentive for Prime members to fund their balances with their debit cards by giving 2 percent of purchases back to users. If it offers perks like a bank …

06/20:

AMAZON RAISES THE CURTAIN ON ECHO SHOW

Echo Show, an Echo device that has a built-in screen for uses like baby monitoring and video streaming, is announced as the latest addition to Amazon's hardware lineup. Things get ugly a few months later when Google, in the process of building a competitor product, pulls YouTube from the platform.

06/20:

PRIME WARDROBE BECOMES AMAZON'S FIRST PERSONAL STYLIST

Amazon boards the try-before-you-buy train of e-commerce purchasing incentives when it announces Prime Wardrobe. The service lets Prime members select a few pieces of clothing, try them on at home and decide what they want to keep before sending the rest back. Sound familiar? Amazon took a direct jab at Stitch Fix, the online styling service that filed for an IPO in October.

06/21:

NIKE GIVES IN

Nike announces it will surrender and sell directly on Amazon in an effort to take the attention off the rampant resell market on the platform. Resistance feels futile if a brand with Nike's heft can't hold out.

07/14:

AMAZON CEO JEFF BEZOS GETS JACKED

Photos surface of a suddenly ripped Jeff Bezos attending the Sun Valley Conference in Idaho. Wearing an all-business vest and aviators to match, Bezos becomes a walking reminder that Amazon isn't something to mess with.

07/18:

AMAZON SPARK POKES A PIN IN PINTEREST

Amazon, not known for its strengths as a discovery platform, launches Amazon Spark, an in-app Pinterest-Instagram hybrid that lets users post photos with product tags that are styled with influencer flair.

07/19:

AMAZON PAY GOES BRICK-AND-MORTAR

Amazon Pay celebrates 10 years as a mobile payment system by launching a physical retail service, Amazon Pay Places. Restaurant chain TGI Fridays is an early adopter.

08/28:

AMAZON STORMS WHOLE FOODS

Amazon becomes the official owner of Whole Foods. Immediately after, prices on certain products drop, and Amazon Echos dot the shelves. A new era for grocery begins.

09/07:

HQ2: LET THE HEADQUARTER BIDDING WARS BEGIN

Bezos announces that Amazon will open a new headquarters in the U.S., location TBD. Suddenly, 50,000 jobs and a $5 billion economic boost are up for grabs, and cities start acting a little desperate. Stonecrest, Ala., promises to change its name to Amazon if it is chosen.

09/11:

AMAZON CRACKS DOWN ON COUNTERFEITS

Amazon's Transparency program extends to third-party sellers this year, after Amazon sellers got hit with a series of lawsuits from brands like Chanel for peddling fake goods. Amazon long wooed brands to its wholesale business by promising protection from counterfeiters; this move weakens that play.

09/19:

KOHL'S SIGNS A DEAL WITH THE DEVIL

Kohl's opens its doors to Amazon when it announces it will accept Amazon returns in stores, and the retailer also says it will start selling Amazon devices. Amazon is not one to quit while it's ahead, so it's likely the retailers' tango will only escalate from here.

09/21:

AMAZON BRINGS BIGGER AD BUSINESS TO NYC

As the nation's cities compete for a chance at a new Amazon headquarters, it's said that New York City will soon be home to 2,000 new jobs at Amazon's local offices, with most jobs being in the ad biz.

09/22:

HUNGRY? HEAD TO AMAZON

Even Seamless isn't spared. In September, Amazon's food delivery service, Amazon Restaurants, partners with food-ordering company Olo to bring its restaurant count to 200 chains with 40,000 total locations in the U.S.

10/04:

BYE-BYE, HEADER BIDDING

Amazon's Transparent Ad Marketplace, a server-to-server solution launched in December of last year as a header-bidding competitor, officially becomes the most popular ad wrapper of its kind in the ad industry. Is Google sweating yet?

10/13:

AMAZON GETS INTO ATHLEISURE

The company announces that its next private-label play would be in — where else? — sportswear. Lululemon CEO Laurent Potdevin says he's not scared, but we're not so sure.

10/17:

ROY PRICE RESIGNS; AMAZON LOSES $40 MILLION

Amid sexual assault allegations, Amazon Studios exec Roy Price steps down. As Harvey Weinstein allegations surface, Amazon also shuts down a David O. Russell-directed project produced by The Weinstein Co. Down the drain goes $40 million.

10/25:

AMAZON KEY UNLOCKS NEW TERRITORY

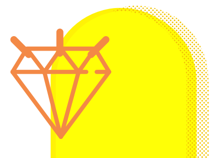
Amazon announces a new offer that lets Prime members take the step they never could with their last significant other: handing over a key to their apartments. With Amazon Key, Amazon delivery drivers can enter customers' homes while they're out to leave packages. Delivery made easy or an invitation for murder? The internet is divided.

MILLENNIAL MASSACRE: ALL THE THINGS MILLENNIALS KILLED IN 2017

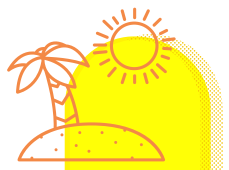
BY BETHANY BIRON

FEB. 17, 2017: DEPARTMENT STORES
Forbes declares millennials effectively killed malls, serving as a major catalyst to the retail apocalypse, thanks to their obsession with online shopping and tinkering on their phones.

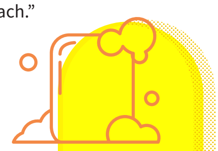
MAY 15, 2017: HOMEOWNERSHIP
In a "60 Minutes" segment that went viral, Australian millionaire and real estate executive Tim Gurner pins the blame on millennials for the decline of homeownership due to their affinity for "smashed avocado for $19 and four coffees at $4 each."



MAY 20, 2017: DIAMONDS
Diamonds may be a girl's best friend, but not if you're a millennial, according to CNBC. The news organization highlights various reasons the diamond is done, including consumers opting for synthetic diamonds and the rising average age of marriage.



MAY 24, 2017: VACATIONS
Glassdoor reports statistics that show two-thirds of employees work while on vacation, a percentage mostly comprised of millennials. This follows a 2016 report by Project: Time Off that found they use less vacation days and contribute less money to the travel industry.



JUNE 12, 2017: BAR SOAP
Market research firm Mintel finds that millennials fear that bar soap is covered in germs, contributing to a continued decline in sales. Bring on the age of body wash.

JULY 24, 2017: BEER
CNBC reports that as a result of millennials drinking less alcohol than previous generations, Goldman Sachs downgraded The Boston Beer Co. and Constellation Brands.

AUG. 14, 2017: THE ANTI-AGING INDUSTRY: Beauty publisher Allure puts actress Helen Mirren on its cover and bans the term "anti-aging" in an attempt to remove stigma. So long, anti-wrinkle cream.

AUG. 28, 2017: GOLF
Though first reported in 2016, Golf Advisor declares definitively this year that millennials are killing off golf because they're so obsessed with their trendy fitness classes that they're shying away from traditional sports. SoulCycle > the Masters.

OCT. 31, 2017: STARTER HOMES
Business Insider reports that millennials are in fact buying homes despite popular opinion — they're just waiting longer in order to purchase high-end houses, jacking up prices on the market and squandering the amount of smaller, more affordable places.

WALMART'S PARTNERING SPREE

In its race against Amazon, Walmart goes shopping

BY ILYSE LIFFREING

Walmart may lead overall retail sales, but in e-commerce, it trails Amazon, which was expected to generate $200 billion in revenue in 2017. To catch up, Walmart went on an acquisition spree this past year, focusing on premium brands aimed at young, affluent customers.

BONOBOS
June 16, 2017: Walmart gets deeper into upscale fashion by acquiring hip men's clothing maker Bonobos for $310 million and puts Bonobos co-founder Andy Dunn in charge of Walmart's digital vertical brands.

August
Sept. 22, 2017: Walmart tests a new partnership with smart home security company August and delivery startup Deliv to deliver groceries and other goods inside people's homes. A little more than a month later, Amazon announces a similar service, Amazon Key.

Moosejaw
Feb. 15, 2017: Walmart acquires outdoor retailer Moosejaw for $51 million, providing another entry point to apparel. Moosejaw offers 120,000 SKUs from 400 apparel retailers. Former Moosejaw CEO Eoin Comerford becomes the head of Walmart's outdoor category for e-commerce.

Lord & Taylor
Oct. 19, 2017: Walmart courts Lord & Taylor to give it retail space on Walmart.com as part of an effort to make the site more upscale.

shoebuy
Jan. 5, 2017: Jet.com acquires e-commerce site ShoeBuy for about $70 million, increasing Jet.com inventory.

MODCLOTH
March 17, 2017: Walmart acquires hipster online retailer ModCloth for an estimated $50 million-$75 million, giving Walmart a retail line for young women who fit a wide range of sizes.

Google
Aug. 23, 2017: Google starts selling Walmart products on Google Express. The eventual plan is for customers to reorder items through Google Home and shop Walmart.com using Google Assistant. Walmart customers can also link their accounts to Google, allowing Google to learn their past shopping behavior.

jet
Aug. 8, 2016: Walmart acquires online bulk shopping site Jet.com for $3.3 billion. Former Jet.com CEO Marc Lore becomes Walmart's U.S. e-commerce chief.

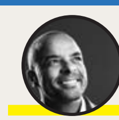
THE YEAR IN EXITS

This was a big year for marketer and media departures

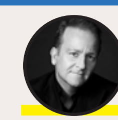
BY SHAREEN PATHAK & LUCIA MOSES

APRIL: DANA ANDERSON, MONDELĒZ
Mondelēz's respected head of marketing Dana Anderson leaves for the same position at MediaLink. Anderson was brought on board Kraft Foods before Mondelēz was spun off.

JUNE: TIM WESTERGREN, PANDORA
Pandora's CEO leaves along with CMO Nick Bartle and president Mike Herring, capping off an 18 months that saw six high-level execs leave the troubled music platform.

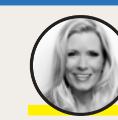


OCTOBER: JONATHAN MILDENHALL, AIRBNB
After three years as CMO, Mildenhall, who brought mature marketing to the company, steps down to start a marketing consulting firm. Mildenhall is a proponent of diversity, reaching out to women and creatives of color.

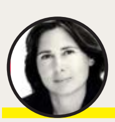


OCTOBER: BRAD JAKEMAN, PEPSICO
The "agency provocateur," who called out agencies' irrelevance and blamed marketing's failures — including diversity issues — on how agencies are staffed and structured, leaves after seven years to start a consulting firm.

OCTOBER: BETH COMSTOCK, GE
The first female vice chair at GE and its former CMO announces she will leave at the end of the year. She was credited with turning GE into a savvy marketing juggernaut.



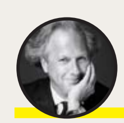
OCTOBER: MARNI WALDEN, VERIZON
Verizon announces that head of global media Marni Walden will leave in February in part because it became clear that she would not succeed CEO Lowell McAdam. She'll advise until her last day.



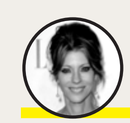
JANUARY: ALEXANDRA SHULMAN, BRITISH VOGUE
The veteran editor says she will step down after 25 years at British Vogue. Her replacement, fashion director Edward Enninful, is the first male editor in the title's history.

JULY: NORM PEARLSTINE, TIME INC.
The vice chairman and former chief content officer retires after steering the company's editorial operation through its spinoff from Time Warner and period of rapid shift to digital.

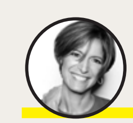
SEPTEMBER: NANCY GIBBS, TIME
After a tumultuous period at the company, the first female editor of Time steps down after 32 years at the newsweekly and is replaced by Edward Felsenthal, a digital media vet.



SEPTEMBER: GRAYDON CARTER, VANITY FAIR
The wispy-haired editor of Vanity Fair for 25 years, a cultural impresario and Trump irritant, announces his long-rumored retirement at the end of the year.



SEPTEMBER: ROBBIE MYERS, ELLE
Myers leaves after 17 years as the fashion magazine's top editor. Her replacement Nina Garcia, creative director of Marie Claire, brings star quality as a past judge on "Project Runway."



SEPTEMBER: CINDI LEIVE, GLAMOUR
Leive says she will leave at year's end after 16 years as editor-in-chief of Glamour, where she promoted plus-size models and political engagement.

AMAZON'S REALITY CHECK

Think the commerce giant is going to crack industries like fashion? Not so fast

BY SHAREEN PATHAK

Onstage at Liberty Media's annual investor meeting in November, chairman and billionaire John Malone had some nice, if not exactly complimentary, things to say about Amazon. Talking about how disruptive media had become, he said: "Jeff [Bezos] is gonna be the most disruptive, as [his] Death Star moves into striking range of every industry on the planet."

But as any good "Star Wars" fan knows, the Death Star wasn't exactly indestructible.

There is no doubt it's been quite the year for Amazon. Bezos and his company are seemingly everywhere, with every fresh move having a sort of butterfly effect across business — causing stocks to plummet, pundits to clutch their pearls, Donald Trump to fume. But Amazon's ascendance is no foregone conclusion. After all, at the turn of the century, Microsoft was thought to have an unassailable position with a growing ad business and media ambitions. You know how that turned out. That's why some caution is needed when treating the Amazonification of all industries as a done deal.

Advertising ambitions are still immature

When it comes to advertising, Amazon's biggest strength — retail — can also be its weakness. Ad buyers see Amazon as a retail play, which means it's hard to get advertisers from brands that don't sell on Amazon. In some ways, Amazon has almost shot itself in the foot: Its celebrated flywheel strategy now includes advertising. But what's not on the flywheel can't be advertised.

Speaking on the company's third-quarter earnings call earlier this year, Dave Fildes, director of investor relations, said advertising is an important part of the company's flywheel strategy. "The traffic and customers and Prime customers who come to the site are the ones who we can help [to] select items and use advertising to help them make decisions and be more informed."

But lots of brands don't sell on Amazon: automakers, telco companies. Speaking to Digiday earlier this year, the company's programmatic chief Saurabh Sharma said selling to "non-endemic" advertisers is a real opportunity. But for buyers, it seems like a serious moonshot: "To really go after the Google and Facebook duopoly, [Amazon needs] to think outside of just product advertising," says one agency buyer who works with Amazon. "Retail is just one piece of online business overall."

And sweet-talking agencies — long a bastion of the way newer ad platforms do business — doesn't seem to have come as easily to Amazon. It's a cultural effect, one that Amazon wants to mitigate with its new 2,000-person office to service advertising in New York City. But for buyers, Amazon remains a bit of a mystery. Its traditional locked-box approach to its sellers won't work here. At one holding company-owned agency, an executive says he loves working with Amazon, but finds that improvements remain slow. For example, when Amazon gave his agency beta access for an application programming interface for its self-serve ad platform, it was pretty rudimentary. This executive says he has a "wish list" with Amazon with the kind of insights he wants — and needs — Amazon to provide in exchange for his client's ad dollars.

"They're still a couple of years behind," this executive says. "We don't see them pressing on the gas to go 150 miles an hour."

That seems to be the crux of the problem: Amazon wants to dominate, but lags in the nitty-gritty. Measurement remains a problem that needs to be fixed, and compared with the sophistication Google provides to marketers when it comes to adjusting and reporting, there is work to be done.

Eric Heller, svp at Marketplace Ignition, has an analogy he likes to use when it comes to Amazon. "It's a little bit like, you're Amazon, in charge of chopping wood. And in your section of the forest, you've only cut maybe one-thousandth of the trees. So for you, as Amazon, anything you hit means growth. Everything at Amazon is under-optimized in advertising, so whatever it does will indicate growth," he says. Essentially: Amazon is so new and so green that the growth right now is evident and will keep going.

For Heller, an added barrier is that Amazon's internal organizational structure isn't cut out for advertising. The company's famous two-pizza rule, which says that a team has to be small enough that two pizzas can feed it, works badly in advertising. "Advertising is complex, and with Amazon's organizational model, different teams won't talk."

Dooley Tombras, svp and group account director at The Tombras Group, says the same: Until Amazon's different ad teams, including Amazon Media Group and Marketing Services, start talking to each other, the offering remains fragmented.

Andy Taylor, head of research at Merkle, which recently put out a research report looking at how many more brands were spending on Amazon, says that while brands are increasing spend, "the total number of brands on Amazon is tiny compared with Google Shopping." Taylor has also found that it's hard to say if the growth is successful because the platform is immature: "We expect optimizations to have big effects now, but it's low-hanging gains." The fewer brands there are on the platform, the more growth there is because there's simply less competition, Taylor says.

For some buyers, Amazon is part of a retail media strategy, not a strategy in itself. "We tell clients that they don't need an Amazon strategy; they need an Amazon-plus strategy." That means Amazon is bucketed in with other retail media buys like Walmart or Target, which have bulked up their ad operations heavily. "From an ad perspective, Amazon is a frenemy," one executive says.

Amazon can't crack fashion

Amazon wants to be — to quote itself — "the best place to buy fashion online." Apparel is big — $300 billion in yearly U.S. revenue big — but for all its talk, Amazon has yet to really crack fashion apparel. It's tried for years, starting with the 2006 acquisition of Shopbop and sponsorships of events like New York Fashion Week: Men's in 2015. It also sponsors the national fashion weeks in India and Japan. This past year, it launched a handful of apparel brands in its private-label suite.

What's notable is that none of them are branded with "Amazon." And for many in the industry, therein lies the problem. Building a brand is hard. It's an amorphous idea — and while customers are happy enough to buy Amazon-branded phone chargers, it's less likely that Amazon has the kind of high-end halo effect that will get them to buy Amazon shoes or an Amazon dress.

"Authenticity, storytelling and creativity might all be stuff people scoff at, but that's how you get people to shell out upward of $300 for a pair of shoes," one retail exec says. "And nobody is going to

want to do that for an Amazon brand. They can try to find space on shelves at lower-end retailers, but Amazon will always be a price play, not a brand play."

And luxury is even farther out of reach. While Amazon is making moves to class up its user experience, the proof is in the pudding. John Idol, Michael Kors Holdings CEO, categorically emphasized the need for the brand to own the online relationship in its most recent earnings call: "While it's too early to ascertain what the future is for us on Amazon and similar platforms, we're prioritizing our own digital channels as we grow. Today, the No. 1 place the customer engages with your brand is online. That doesn't mean the physical store isn't still important, but we need that first engagement with the brand to be owned by us." LVMH has said the same. "We believe the business of Amazon does not fit with LVMH full stop, and it does not fit with our brands," says Jean-Jacques Guiony, LVMH chief financial officer. For Ralph Lauren, the answer is the same: The brand has no plans to sell on Amazon.

China (and India) are battlegrounds

Ask anyone in the retail world what Amazon's Achilles' heel is, and the answer is undoubtedly Alibaba.

Many of these luxury brands are gung-ho on Alibaba and its subsidiary, Tmall. Alibaba has made it a point to pitch luxury and other brands Amazon finds hard to reach by wielding a powerful weapon: Amazon itself. Alibaba tells brands that unlike Amazon, it won't compete with the brands — it has no labels of its own — and will be a better partner than Amazon, which often comes under fire for lack of measurement and an overall frenemy approach.

It's worked: Ralph Lauren is on Tmall, which has a "luxury pavilion" it rolled out earlier in 2017. So are Burberry, La Mer, Hugo Boss, Maserati, Guerlain and Zenith.

Alibaba's Singles Day sales generated $25.3 billion in revenue this year. The sales for Amazon's Prime Day, in July, were estimated at about $2 billion. Scale matters.

Here's the crux of the matter: Amazon boasts very high penetration in the U.S. That's a given. But for real, sustainable growth, it needs to win globally. That's where Alibaba comes in. The Chinese e-commerce giant now has 466 million customers in its retail marketplaces and trades at 25 times earnings for its fiscal year ending March 2019, according to Neil Campling, head of tech, media and telecoms research at Northern Trust. Compare this with Amazon, which trades at 65 times earnings. That means that while Alibaba may be worth less, revenue will grow faster than Amazon.

Amazon has had a hard time in China — it had about 1.3 percent of the online retail market in 2016, down from 2 percent in 2011. Local companies already match Amazon's Prime benefits, and Amazon lags on mobile, a huge differentiator in a market where 66 percent of online purchases in 2016 were made through mobile.

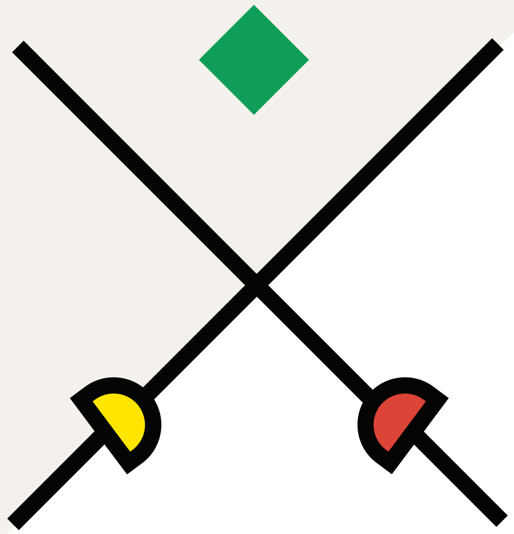
It's also interesting to look at Amazon's similar struggles in another big country, India. On its most recent earnings call, Amazon said its international losses, mostly driven by Indian investments, were $936 million. Rivals like Flipkart have gained steam, thanks to injections of cash from Tencent, eBay and Microsoft, as well as SoftBank. While Indian e-commerce is a far cry from China, Morgan Stanley estimates it will be $200 billion by 2026.

"Amazon's Achilles' heel is a battleground for India," says Kevin Packler, director of Amazon Services for The Tombras Group. "It's a battle. They could lose it — either to an Indian company or Alibaba."

SAURABH SHARMA

DIRECTOR, AD PLATFORM, AMAZON

Responsibilities: Leading the team building the technology behind Amazon's growing advertising business and creating a "customer-centric" ad experience.
Insider's take: 2018 will be a big year for Sharma. If Amazon is to fulfill its much-hyped promise of becoming a viable competitor to Facebook and Google, it'll have to do it with advertising. Amazon has been cozying up to Madison Avenue, but execs say its tools and back end still lack the sophistication of Google or Facebook. For Sharma, connecting retail with programmatic advertising and attracting big, non-endemic advertisers will be Job One.



GOOGLE FINDS ITS FOE

Amazon's no Yahoo

BY ROSS BENES

Google has fended off all comers, but it may have found a worthy opponent in ad tech: Amazon.

In 2018, Amazon will continue to press its advantage with a key tool in how publishers provision their ad space. Amazon has a jump on Google with the presumed successor to header bidding, known as server-side bidding, according to ServerBid. Meanwhile, Google has yet to release its own server-side product to the open market. That promises to help pry open Google's dominant position in the display ad market in 2018.

"Nobody wants Google to have more power in advertising," says Purch CTO John Potter.

Amazon's demand-side platform is also cutting into Google's business. Google's DSP DoubleClick Bid Manager has been the most popular buying platform since the advent of programmatic. But by pitching agencies a self-service option, low fees and most importantly, unique commerce and purchase data that advertisers crave, Amazon is catching up.

In 2016, Amazon's DSP wasn't popular enough for research firm Advertiser Perceptions to include Amazon in its DSP survey. But in its fall 2017 survey of 700 ad buyers, Amazon's DSP tied Google for having the highest adoption rate among ad agencies.

Amazon is testing a new application programming interface for self-serve that will make its reporting and data segmentation more robust. This will help the company further scale its ad business to compete with Google. Most ad tech firms, which may offer superior plumbing but inferior data, simply can't compete at this scale.

The unfortunately named Verizon brand Oath has the potential to create robust data sets to rival Google. But the blending of disparate Yahoo and AOL ad tech assets isn't going smoothly, according to an ad buyer requesting anonymity.

"Verizon's pitch to advertisers is way ahead of their engineering," the buyer says. "But Amazon does have the engineering to back up its pitch."

Other ad tech companies have the potential to challenge a specific aspect of Google's programmatic business. The Trade Desk is growing rapidly, and it might one day overtake both Google and Amazon to become the industry's leading DSP. But companies like The Trade Desk can only challenge Google in a given area, whereas Amazon has the potential to rival Google across its multitude of ad products.

Amazon's ad business is growing 58 percent year over year, and the company reported ad revenues of $1.1 billion in its third-quarter earnings. For comparison, Google's parent company Alphabet reported third-quarter ad sales of $24 billion. Amazon will further emerge as a threat to Google's ad tech business in 2018, but it will take some time before the two are seen as equals.

"They're not competing on Google's scale yet," the ad buyer says. "But everyone who owns Google stock should be looking at this. Their growth models don't account for Amazon cutting in." D

THE GREAT PROGRAMMATIC SQUEEZE

Bye-bye, margins

BY YUYU CHEN

The good times are coming to an end for many programmatic middlemen. Thanks to brands' and publishers' improved governance of ad tech fees, programmatic will get a cleanup in 2018 — for real this time.

Programmatic buying has been a lucrative business for media agencies and ad tech companies. But as brands and publishers are pushing for transparency, learning more about ad tech and trimming the vendors they are working with, programmatic — that is largely built upon ad fraud and opaque tech costs — will experience a reshuffle next year. Ad tech consolidation is also on the way.

"We see programmatic margins stabilizing and coming more in line with their direct-buy counterparts," says Scott Tieman, media lead for Accenture Interactive. "While this puts pressure on providers that used to profit from programmatic opacity, it ultimately brings pricing closer to true market value."

CMOs are concerned about ad fraud and brand safety in a programmatic environment. For instance, at this year's ANA Masters of Marketing, marketing heads from JPMorgan Chase, Procter & Gamble and The Clorox Co. all expressed on stage their distrust with open exchanges, with JPMorgan Chase notably slashing the number of sites where its ads showed up, and P&G consolidating its DSP vendors.

"Ad fraud is not a small issue — it is infiltrating ad tech," says Mike Racic, president of media operations for agency iCrossing. "Supply-side platforms and DSPs will get squeezed. Lots of programmatic platforms are not set up to prevent ad fraud — they are just buying inventory in the open marketplace."

Under the pressure of transparency, agency trading desks have also evolved from charging both technology fees and service fees to negotiated margins, and brands increasingly work directly with tech companies like Google while their agencies solely provide services, according to Mac Delaney, svp of media investment and strategy for Merkle.

"For agency trading desks that are operated on a transparent model, I don't think they will get hit financially much," says Delaney. "After all, agencies have lots of programmatic expertise."

On the sell side, as publishers gain more ad tech knowledge, they are cutting the number of supply-side platforms that they work with. Turner, for instance, went from using 30 vendors to six, while The Washington Post also cut out multiple vendors, although the publisher declined to disclose the exact number.

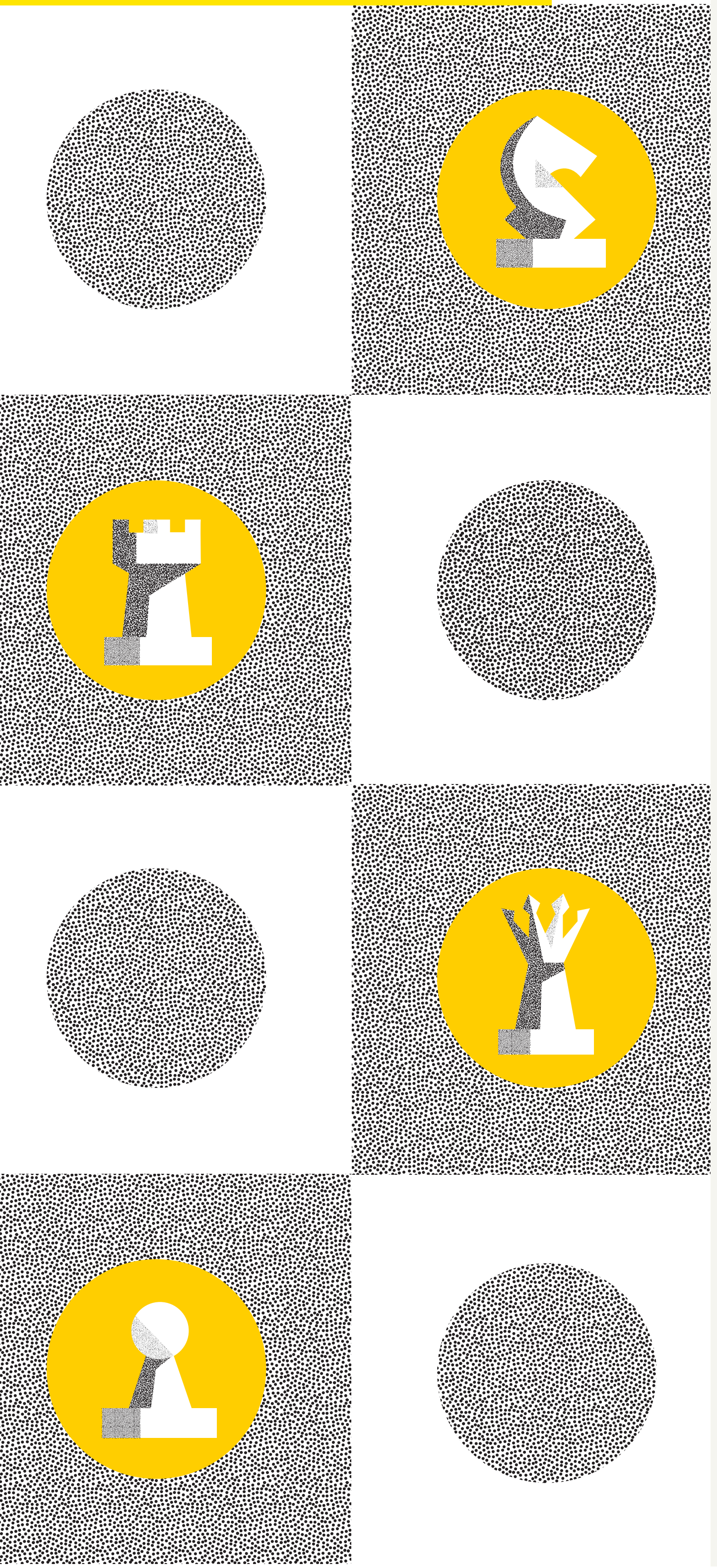
"SSPs are in a tough place right now. If they don't provide value, they won't have a role," says Susan Bidel, senior analyst for Forrester Research.

The average public life span of ad tech and marketing tech companies is around three years, according to Jason Helfstein, managing director and internet analyst for Oppenheimer. John Matthews, managing director for media investment bank Oaklins DeSilva+Phillips, thinks that investors will invest in programmatic hopefuls and help those organizations buy up smaller players to build full tech stacks. "More money will go into consolidating the programmatic market, filling the gaps where investors need to fill," says Matthews. D

JULY 2018:

CANNES

In 2017, Publicis announced it was pulling out of the Cannes Lions. Sir Martin Sorrell said the jury was still out on whether WPP would participate in 2018. If both holding companies pull out, the Croisette could look pretty sleepy next summer.



MARKETERS TAKE CONTROL

The days of ignoring everything that's wrong with digital advertising are over

BY SEB JOSEPH

If there was any doubt that 2018 would be another year that marketers continue to turn a blind eye to the problems of digital marketing, it's gone now. The revelations of the last 12 months have forced chief marketing officers to care about media.

For years, concerns over ineffective ad placements had lingered in the back of marketers' minds, mere footnotes against the unfettered growth of online media. In 2017, those concerns spilled onto the front pages of national newspapers worldwide after ads for brands such as Jaguar Land Rover and Tesco were spotted against inappropriate videos on YouTube. In response, marketers pulled spend from the video site. YouTube ad spend dipped around 26 percent in the second quarter of 2017, according to research firm Standard Media Index, while ad spend across digital video services such as Hulu jumped by around 18 percent year over year in the period. Advertisers eventually returned to YouTube, but they did so with caution. Insurance firm Direct Line Group's marketing director Mark Evans sums up the dilemma he and his peers face: "The reality is it's not a huge amount of spend that got placed against terrorist content [on YouTube], but the reputational damage means it's worth incurring a bit of cost [from targeting better placements] to get it right."

Advertisers like Direct Line Group go into 2018 mindful of the very long tail of YouTube, which has massive reach but isn't always relevant. Andrea Ching, CMO at OpenSlate, adds: "Context and context [on YouTube] have been easily forgotten in this audience-driven world but will become more prominent for clients."

Digital advertising's problems come home to roost

As big as the brand-safety scandal was in 2017, it served as a microcosm for what happened across the industry. Digital became too big for marketers to treat it with kid gloves. In the U.S., digital ad spending outstripped TV for the first time in 2016, with $70 billion spent online in comparison to $67 billion on television, according to IPG Mediabrands' Magna. Globally, TV was marginally ahead. That tipping point made marketers realize how many channels their ads were on and that better management of them was needed, says Nick Manning, chief strategy officer at auditing firm Ebiquity.

Marc Pritchard, the chief brand officer at Procter & Gamble, tackled the issue last January in a now famous speech that lambasted the "murky at best, fraudulent at worst" supply chain. He urged the ad industry to stop treating its challenges as a spectator sport and to unite to tackle fraud, transparency and viewability. A closer look at Pritchard's radical reassessment of online media reveals a marketer who realized its lack of transparency is not the cause, but the effect of what is hidden, i.e., a lack of trust. That's led to real shifts in the way that P&G buys inventory online.

Between January and August, the world's largest advertiser ran ads on 20 percent fewer sites than a year ago, according to MediaRadar. Interestingly, P&G increased the number of sites it advertised on year over year in July (14 percent) and August (21 percent), a sign that it has become more confident in the ecosystem, says Todd Krizelman, CEO and co-founder of MediaRadar. The increased spend shows how advertisers like P&G aren't just fixated on the return on their budgets, observes Krizelman, they want to know where that money is being invested programmatically.

Brands take action to claw back control of digital media spend

How marketers get that answer will take many forms in 2018. But none of those methods, whether it's taking programmatic buying in-house or owning the contracts to ad tech, should signal the death knell for media agencies — unless they have something to hide. Increasingly, marketers are pushing agencies to tell them exactly what they're paying for, reviewing contracts to unbundle any hidden costs from the media or services bought. Jaguar Land Rover's digital marketing director Dominic Chambers says clarifying those hidden costs would be a key part of its revised media strategy going into the new year once it concluded its global media review.

More advertisers like Sky and the U.K. government are getting their "contractual arrangements" with agencies in a position that allows them to start to make digital work for them, says Phil Smith, the director general of the U.K. advertisers' trade body ISBA. If informed clients are "thrashing out" things like brand safety, viewability, ad fraud and ownership of data in their contracts as well as financial incentives, then it should "manage the potential conflicts of interest and create aligned interests between brand and client, while also putting both on the same side when it comes to addressing some of the market's more endemic issues," adds Smith.

Agencies like Omnicom and WPP have responded to those demands by itemizing media costs and offering transparent ad buying. The issue, however, is how far those companies are willing to go, particularly off the back of a 2017 blighted by one weak quarter after another for the big networks. Indeed, not every advertiser will be as willing to pay for greater transparency as Barclays was when it hired Omnicom's OMD in September to take on its £60 million ($81 million) global media account. The agency will buy media in a transparent fashion on behalf of the bank, which in turn will pay a higher margin for it than they would do otherwise, according to people familiar with the plan.

Mark Butterfield, a marketing consultant and former consulting firm executive, believes the move is a step backward for Barclays. All the deal means is that the agency has mitigated its loss on trading dishonestly, he says. The

agency agreement should always be that whatever media is bought there is no pass through cost. Few advertisers have been as explicit as Barclays about the premium they put on transparency. Instead, they see transparency as a means to an end, a stepping stone to trusting their agencies. What advertisers really want and will try to get in 2018 are better assurances that their agencies are working wholly in their interests. As Stephan Loerke, CEO of the World Federation of Advertisers, explains: "The discussion around transparency is not a short-term one motivated by revenue. It's a discussion about the removal of conflicts of interest and the ability [of the agency] to preserve trust."

2018: A new beginning for marketers

Deutsche Telekom spent the bulk of 2017 figuring out how agencies, technology companies and consulting firms might work together in a structure it has more control over. In 2018, it will hire best-in-class partners in media buying, programmatic, search and affiliate marketing alongside media analytics and campaign planning. GroupM has emerged as the first winner, as it will assist Deutsche Telekom's marketers in campaign planning and media buying in 11 of its 13 markets. For the other roles, the advertiser will look beyond agencies to companies such as Facebook and Google. Under this new model, Deutsche Telekom's partners would support rather than lead its media planning and buying. Christian Hahn, vp of marketing communications, strategy and media at Deutsche Telekom, expands on the point: "The ambition of our new operating model is to drive greater transparency and flexibility across all facets of the increasingly complex media ecosystem."

Advertising consultant ID Comms, which advised Deutsche Telekom on its strategy, says it expects more advertisers to follow its lead in the coming years and shift to operating models that allow them to take back more control of strategic media decisions from their media agencies. This is all part of CMOs wanting their organizations to be more accountable for ROI of marketing budgets and to treat media like an investment rather than a cost, says Tom Denford, chief strategy officer at ID Comms.

How the dynamics between advertisers and agencies play out in this "new world" will determine the winners and losers, claims Paul Wright, CEO of Iotec Global. As marketers become more "operationally efficient" around media, that's what will drive the changes, he says. That will force some of the changes to happen that perhaps the agencies haven't been able to do, or perhaps they've had models with clients that haven't allowed them to do so, explains Wright.

But becoming "operationally efficient" is easier said than done when the bulk of an advertiser's media expertise sits in its procurement team. There's a power shift happening internally at companies where advertisers are trying to wrestle back control of media decisions from their procurement colleagues, says Denford. "In a few of the briefs we're seeing, CMOs are saying we need to turn media from procurement control into marketing control." The value of having a chief media officer in those situations isn't lost on either big brands or recruitment consultants.

"The challenge is and always will be that the cost of bringing media specialists in-house is one that few clients will be willing to carry," says Daren Rubins, CEO of executive search firm The Lighthouse Company. "Assuming they are, there are then challenges around attracting — and more importantly, retaining — the quality of talent required that will truly shift the dial in the in-house environment."

GDPR CAUSES CHAOS

Mark your calendars: May 25 is GDPR Day

BY JESSICA DAVIES

It will be the day of reckoning for many businesses in the media and marketing industries in 2018. It's the date Europe's highly anticipated General Data Protection Regulation kicks in, from which point no business operating in Europe can use data without explicit permission from users to do so. The maximum penalty for noncompliance: fines to the tune of €20 million ($24 million) or 4 percent of annual sales.

The GDPR is a slow-moving wrecking ball, after a two-year incubation period that served mostly to heighten confusion over what the regulation means and how to get out of its way. In 2018, the hand-wringing and chatter will give way to action, with a period of intense pain, while companies come to grips with a post-GDPR world. For all the talk of revolution, the GDPR will end up a blip for most rather than a world made new. But that will be after the new regulation causes its share of confusion.

For years, publishers and brands have been burned by not fully understanding how vendors operate within their digital ad transactions — that lack of information will land them in hot water with regulators if left unchecked. Under the GDPR, publishers will share liability if a vendor uses data without the correct level of consent. Wrestling that level of transparency from ad tech vendors and agencies won't be easy. Even now, some vendors are passing the buck to publishers, which they expect to shoulder the burden of gaining compliance on their behalf. The harsh reality is, no one will shelter anyone. When it comes to the GDPR, it's a dog-eat-dog world.

In the U.K., detailed updates on exactly what implementation will look like have dripped through from the Information Commissioner's Office at a snail's pace, leaving very little time for businesses to actually implement. That means companies have been forced to second-guess potential outcomes and try and lay out contingency plans for worst-case scenarios, like if advertisers panic about not being ready themselves and pull campaigns. It also means a last-minute scramble to get ready is inevitable.

That said, it's not all bad news. There are some silver linings hidden within the confusion.

For instance, the GDPR will root out bad practices in digital advertising that have long been cause for embarrassment — like cookie bombing. It could bring about some much-needed change in programmatic trading; help end interruptive ads altogether; improve the user experience; and reward publishers and marketers that offer a clear value exchange with users, while penalizing those who don't, along with bad actors like data merchants that scrape fees within digital ad transactions, essentially stealing from both publishers and marketers.

"GDPR will force programmatic to evolve to greater accountability and improve advertising," says Amir Malik, programmatic lead at management consultancy Accenture. It could cull bad practices like cookie bombing, where ad networks buy a load of low-quality inventory so they can drop as many cookies as possible in order to inflate campaign conversions, to the detriment of the user experience, he adds.

Those are the long-term benefits. But in the short term, things are going to be tough. For those who think that the issue will be fixed on May 25, think again. The "fun" is just beginning.

REVOLUTION DELAYED

Across almost every industry, people have their heads in the stars when it comes to blockchain strategy

BY TANAYA MACHEEL

For what's basically database technology, a lot of company leaders sure treat blockchain like some sort of panacea. It will decrease fraud everywhere from fashion to advertising to financial transactions. It'll save everyone money. It'll give everyone the same unchangeable record to view, putting everyone on the same page and making work more efficient. Blockchain to the rescue.

Not so fast. The technology may have matured some, but most companies are still working on proving it actually works, determining why they really need to invest in it and even struggling to identify which of its attributes they like. This technology may be a game-changer, but it won't amount to much in 2018.

"The argument is that blockchains can automate, systemize and routinize what all those companies are doing today and end up with a lot more cost-effectiveness for the advertising brands," Brian Behlendorf, CEO of Hyperledger, says of the advertising industry. "That's an optimistic take; I think that'll take more than a few years to do."

Different industries looking at blockchain technology are in different places in their understanding of it. But there are a couple things to keep in mind in this space in the year ahead. First of all, it's still in its infrastructure phase. Even if blockchain is a "revolutionary" technology, building infrastructure is difficult and can take years to perfect. There's a reason it took decades after the launch of the internet to get the version of Facebook we have today.

In the year ahead, people need to slow down and rethink some of the basic characteristics of the technology — specifically, its so-called "immutability" that ostensibly prevents any transactions recorded on a blockchain from ever being reversed or changed.

"It's far too absolute," says Angela Walch, associate professor at St. Mary's University School of Law and research fellow at the Centre for Blockchain Technologies at University College London. "Humans continue to play very important roles in governing these technologies, and that trust remains a vital part of these technologies."

People in industries that are further along in developing blockchain-based infrastructure, like financial services companies, know now that not all blockchains are immutable, which is why they've begun building "permissioned" blockchains, where a known group of parties come together to do record-keeping together.

That's what makes the fact that there's been a resurgence in interest in public blockchains so significant — and it shows how much more exploring there is to do before blockchains go to market. The financial industry was the first to respond to the digital currency bitcoin in 2014 because of its connection to money, and the negativity and hostility coming out of financial services providers fueled the fascination in the technology underpinning the then-nefarious-sounding bitcoin: the blockchain.

The main thing to watch for, Walch says, is the mainstream financial system incorporating cryptocurrencies into financial products that everyday people will be able to access — as opposed to signing up to a bitcoin exchange to buy some bitcoin themselves. It's beginning already with the massive creation of hedge funds investing in cryptocurrencies, like CME Group offering futures contracts and bitcoin.

"My sense is it's one of those things that finance is jumping into blindly just to make returns rather than thinking carefully and necessarily fully understanding what they're doing."

AI IS TBD

The hope for an easy button and letting artificial intelligence do media planning and buying for you is not coming next year

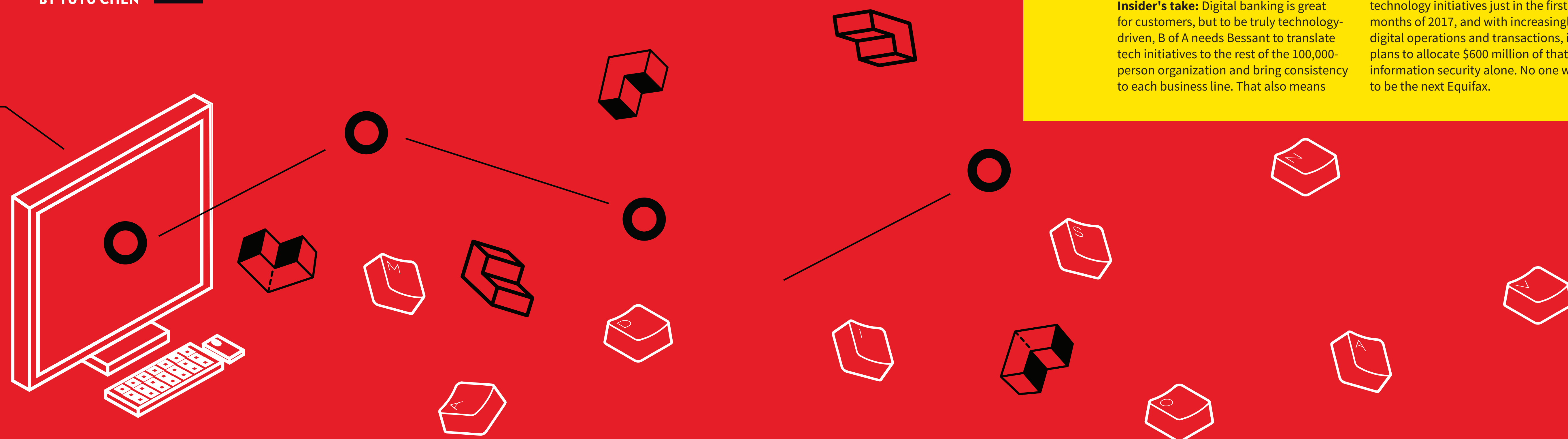
BY YUYU CHEN

CATHY BESSANT

CHIEF OPERATIONS AND TECHNOLOGY OFFICER, BANK OF AMERICA

Responsibilities: Oversees the development and execution of Bank of America's technological transformation and underpinnings across all lines of business.

Insider's take: Digital banking is great for customers, but to be truly technology-driven, B of A needs Bessant to translate tech initiatives to the rest of the 100,000-person organization and bring consistency to each business line. That also means protecting what her team builds. Thanks to her aggressive patent strategy, of the 3,000 patents the bank has applied for, 60 percent have come out of Bessant's business. B of A has spent $2.25 billion on technology initiatives just in the first nine months of 2017, and with increasingly digital operations and transactions, it plans to allocate $600 million of that to information security alone. No one wants to be the next Equifax.



In 2017, it seems as if many in the ad industry did a find-and-replace to swap out "big data" with "artificial intelligence." The dream of 25-year-old media buyers being replaced by robots that aren't hung over or on the hunt for jeans parties will be a dream deferred, at least in 2018.

This is because most digital advertising problems don't require algorithms as complicated as winning a chess game as solutions. Media planning and buying will remain a mostly human endeavor, as brands come to terms with the reality that implementing has high upfront costs for the promise of uncertain future savings — and comes with a loss of control.

"From an agency perspective, you need hundreds of millions of dollars to develop AI, and then you need to hire people to run it," says Mike Racic, president of media operations for agency iCrossing. "There are only a handful of data scientists who can maintain AI, and they usually work for companies like Google."

Peter Randazzo, CTO for agency Merkle, also thinks that many AI use cases in media planning and buying are mostly machine learning because the media market is an asymmetrical data market, and the machine needs to be trained by human. For instance, in programmatic, agencies don't see the ad exchange environment, and they don't know what bids they are auctioning against. "The media market is not a clean cut like the stock market," says Randazzo.

At GroupM's Xaxis, a machine learning algorithm decides the right bid price in programmatic buying. AI is also used to change ads on the fly to be more targeted. These are still "the easiest use cases," says Sara Robertson, vp of product engineering at Xaxis. So far, AI isn't used much in media planning. Robertson's team is prototyping a recommendation engine this year: If her team has run campaigns for the same client a few times, the machine will suggest a media planning strategy for the new campaign. But completely letting the machine do media planning isn't a near-term possibility, she says. "The more you let data inform your campaign decisions, the less control you will have," she says. "Clients need to learn to trust the machine."

There are AI platforms like Albert and Frank that promote their abilities of letting advertisers execute a full digital campaign without human operations. Robertson thinks those solutions could work for small-budget advertisers who don't have lots of data and sophisticated ad campaigns, while big ad spenders still need that human touch.

"When you get more ambitious branding goals and more KPIs, it's harder to execute. People say that AI can be delivered in a form of an easy button and does everything for you, but I think we are a long way from that," she says. "Clients with at least $100 million budget still want to have the lever to move things around on their own." D

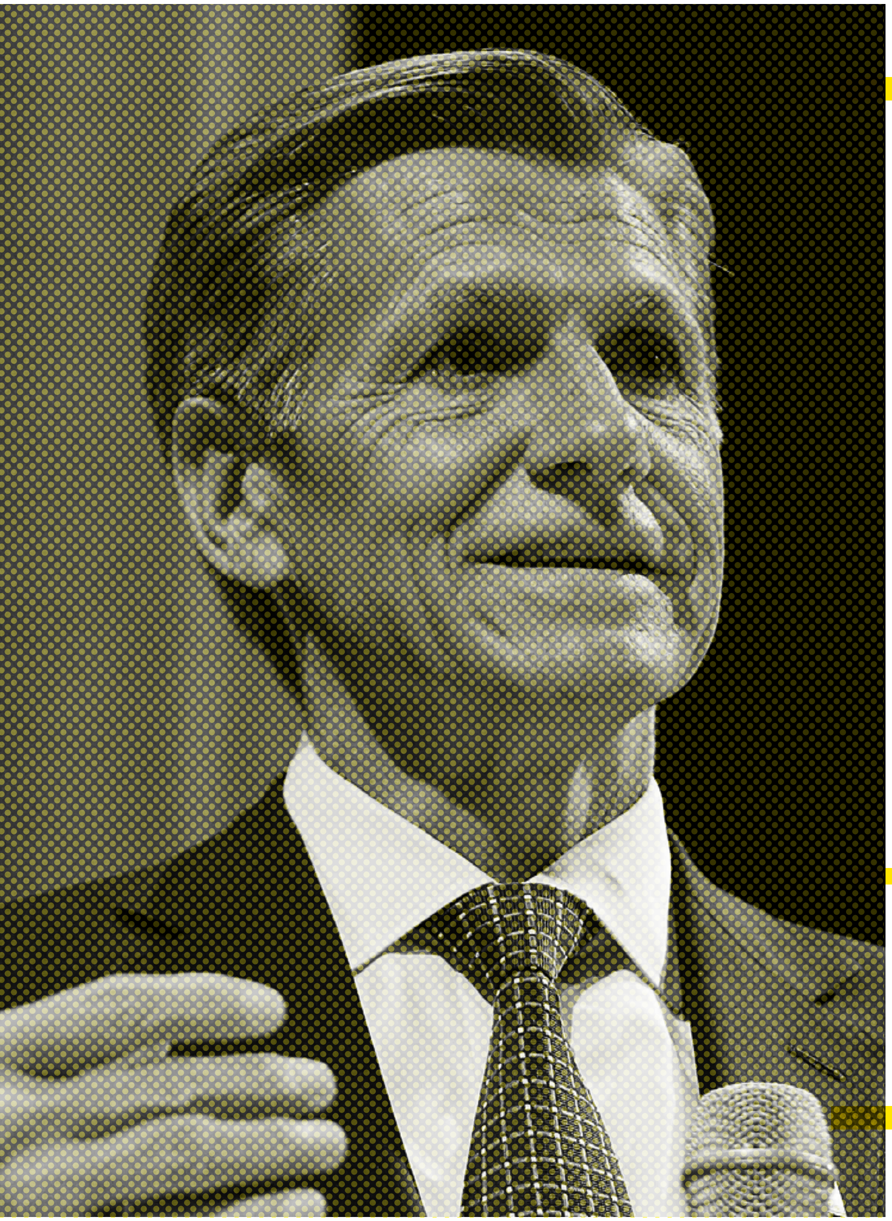
4 percent: Portion of its global revenue a company could be fined for not complying with the General Data Protection Regulation

> **"Clients with at least $100 million budget still want to have the lever to move things around on their own."**

“EXPECTATIONS ARE RISING”

P&G chief brand officer Marc Pritchard says 2018 will be a year of building on improvements in media transparency

BY SHAREEN PATHAK



You set the tone of the conversation this year. How would you rate your progress in your goals of cleaning up the ecosystem?

I would rate the progress as very strong. The agenda was to drive growth, but to do it through better quality creative, driven by media transparency. Because we really needed to focus on getting a transparent media supply chain. We’ve focused on getting viewability data, third-party verification, transparent agency contracts, eliminating fraud, and brand safety, which came later. A huge amount has been done this year.

So, grade it for me. An A? A B?

It’s 80 percent complete. We have some room to go. We still have six weeks left. Almost every company has stepped up to provide the kind of measurement and third-party verification we wanted. The biggest gap is in getting MRC accreditation, which is largely a function of MRC capacity. I feel reasonably good. It’s important to get transparency right because that’s allowed us to get data to make better decisions. We’ve learned a lot. We’ve learned how for viewability in a news feed, you have about two seconds. So we’re not putting 30-second ads on news feeds. We learned we have a lot of excess frequency. We were hitting people a lot — you plan for three times, but there’s this tail of people who get it 20 times. We cut off the long tail of websites. Too many of them were bot farms. But we’ve still got to do work on brand safety.

What are the priorities for 2018?

Complete the task on transparency. Then, use the data we have to do much better planning across our platforms. And raise the bar on the quality of the creative so it’s more effective. The other thing is we’re pivoting now to data-driven, mass one-to-one marketing. That’ll be a major push over the course of next year. It’s also time for looking at agency models and figuring out what the next generation is of agency work.

Will you consolidate agencies further?

We really embarked on a significant change over the past three years. We had too many agencies. We really consolidated the number of agencies, raised the quality, and frankly, we cut back on the work we were doing. With agencies, we need to simplify more dramatically. There is place for even fewer agencies.

The rise of platforms made brands uncom-fortable. Can brands regain their power?

What really matters is what a consumer believes. The best assessment of whether a brand has power is market share. The other stuff is just interesting for us. It’s not interesting for the consumer who is buying Pampers or Charmin or Gillette or Tide.

The way we think about this rise of platforms is what occurred was a shift with consumers. Digital tech changed the way consumers interacted with brands. That shift moved our ad dollars there. We had to work with the big players like Google and Facebook to create the ad ecosystem that exists today. And now, we can buy straight from there. That’s where the power shift was. What I think we did at an industry level is what brand managers and brand people did, which is needing to put standards into how we purchased media and advertising so we could make the best decisions. The media transparency is where we stood up as an industry.

What surprised you about growth in China?

The majority of our spending from a media standpoint is digital in China: WeChat, Alibaba, Baidu, Tencent. And we have a huge growing e-commerce business. What’s interesting is, they rely a lot on influencers. It’s a big part of how we do business there. We just need to make sure influencers have the audiences they say they have.

Give me a prediction for next year.

Consumer data will start to come of age, which will more rapidly enable more mass one-to-one marketing.

What’s the overall message for the digital media industry?

Digital turned 21 in 2017. It’s an adult now. The responsibilities are increasing. We pushed transparency; that’s step one. That leads to you needing more controls on your systems. It’s very clear that expectations are rising for digital companies.

$20 billion: How much digital ad fraud could cost the industry in 2018, per World Federation of Advertisers

BOLD CALL

GO90 SHUTS DOWN

It's not been an easy road for Go90, the short-form video streaming platform launched by Verizon in 2015. Verizon has spent hundreds of millions on the product, including commissioning original series and video libraries from digital and traditional media companies, to get people to watch. But there's scant evidence that people have adopted the service — or even know it exists. Verizon has already cut back spending and focused its content strategy, and might pull the plug entirely on Go90 in 2018.

Ultimately, the issue is not whether Verizon spent enough money on content for Go90 or even properly marketed the streaming platform. Go90 has been trying to become a premium platform for the best of web video — which, as recent failures such as Vessel and Watchable show, consumers aren't actually demanding.

Verizon maintains that it's still committed to the platform, but several of its content partners express doubts about whether Go90 will be around in a few years. Video sellers say Go90 is spending less on original content as it tries to chart its next steps under ex-Hulu and Vessel exec Richard Tom. One partner says he believes Go90 will eventually become its own channel on Verizon's upcoming internet TV service, which itself has been delayed.

In the end, Verizon remains committed to building a video business, but that doesn't mean Go90 will be the way it does that.

SAHIL PATEL

THE BIG CONVERGENCE

The lines between media and marketing are blurring more than ever

BY SHAREEN PATHAK

Brands are media companies

This year, automaker Kia has done campaigns ranging from an augmented reality event to a themed evening event in Los Angeles. It's standard fare for any brand and its agency, but what made it notable to industry watchers was that it was The New York Times that did the work for them, via Fake Love, the agency it acquired and absorbed a year ago. It's just one example of how quickly it feels like everything is converging.

But 2017 was just the beginning of a giant shake-up that saw every type of company in media and marketing start at least advertising itself as open for other types of businesses. But for most industry watchers, 2018 is when the convergence will get even more pronounced, even as cracks in existing agency and media models turn into yawning crevices.

It's already beginning. Next year, Airbnb and Hearst will unveil a new media brand, while Dollar Shave Club will turn its media play, Mel, into a larger publisher.

Media companies are brands. Publishers are turning into commerce plays. Swedish media group Nyheter24-Gruppen is making beauty products, while Gizmodo Media Group sends "deals" via its commerce effort directly to readers. And the rise of Amazon and the growth of e-commerce puts more pressure on these publishers to make these commerce efforts count. Agencies are media companies. Laundry Service is now part of Cycle Media, a holding group that sees itself as a media company — and has $150 million (as of writing) to spend on acquiring other publishers, likely to happen next year.

Consultants are agencies. Everyone from Accenture to Deloitte to IBM now has $1 billion-plus services businesses layered on top of their logistics, supply chain and accounting businesses. And more are coming: Outsourcing giant Wipro is now acquiring design agencies to build on its $790 million ad agency business that it hopes will grow to $1 billion-plus in 2018.

Retailers are media companies. Threatened by Amazon's encroachment into advertising, everyone from Walmart to Kroger is building out serious media platforms to entice advertising revenue. And while they're small right now, retail media is a growing part of many advertiser budgets, and agencies are opening units to specifically service those budgets.

"I describe the industry as a great blur," says Dany Lennon, founder of the Creative Register and a recruiter who now finds herself at a crossroads of media and marketing. She's finding that when she recruits or coaches talent, she thinks of things differently than she did in the past. "I don't see agencies as agencies, brands as agencies, studios of the future as specific entities," she says. "What I do is look at life in the communications world as a toolbox."

Mike Proulx, the chief digital officer at Hill Holliday, who wrote a book about mashing up media and tech called "Social TV," says (unsurprisingly) that digital media is what's driving this great convergence.

But the bigger effect to be felt next year is how this somewhat theoretical mashup will affect the very innards of companies.

"It now takes a different configuration of people to produce things that is very different from the classic media planner model," says Proulx. With modern marketing, media agencies have to do creative, agencies have to do media and media companies have to think about services.

It's already happening in some places. At Ogilvy & Mather, a legacy ad agency business has had to undergo a shake-up, creating new disciplines and departments, including more consulting practices, so if a client needs it, it can provide it. "We have to get closer to audiences and build relationships," says president Adam Tucker. "The ecosystem is just bigger. The implication for us is we need to be more agile, more client-centric, and we need to bring more disciplined skills to the table. To do that, we have to simplify." To that end, Ogilvy recently restructured around nine groups across clients and created Ogilvy Delivery to do more production and technology inside the agency.

It's clear that digital media is under pressure. Agencies face lowering margins and new competition, while brands thirst for content and now have to pay to make sure it gets out there. For publishers, adding agency services businesses, like Bloomberg and the Times have done, is a smart way to keep some of that money themselves and fatten up revenue streams and diversify them. In some cases, the way platforms are dominating business means everyone can do everything — and so it is.

But for others, all this converging business is simply a way to market.

"I wouldn't overstate it," says Brian Wieser, analyst at Pivotal Research. For Wieser, the issue comes down to the fact that agencies — and entities that resemble them — are "nothing if not entrepreneurial." Next year, he says, "they'll find other ways to generate revenues from services that others are providing."

Essentially, though, just because someone says they can do something doesn't mean they can compete. Accenture, for example, in its drive to own the agency services business, now offers consulting to brands around programmatic and is bringing that in-house. It's significant to the competitors in the business — to Accenture, not really. "Is it correct there's more companies publicly positioning themselves as doing new things? Yes. Is it new? Not necessarily," says Wieser. Because digital media has gotten more confusing, it's an opportunity to exploit that confusion. And the things that exist in the industry, especially in creative services, don't lend themselves to economies of scale. But when a lot of different companies can claim to offer lots of different things, it becomes easier.

"Everyone says they do everything now. That's intentional," Wieser says. "You can't really afford to close off an opportunity."

Media companies are brands

JANUARY:

CHROME AD BLOCKING

Browser judgment day. Chrome, the most popular browser in the United States, will filter out ads that do not conform to standards set by the Coalition for Better Ads, which Google helped found.

MEDIA AGENCIES LOSE GROUND

BY SEB JOSEPH

> "It may be a while before brands get those answers. There has been an exodus of senior executives from media agencies throughout 2017."

Pressure on the world's largest media agencies will get worse before it improves in 2018. A sharp decline in the share prices of WPP, Publicis, Omnicom and Interpublic Group over the past 12 months has shown just how much the transparency movement engulfing online media buying has sapped investor spirits. Add to that the wave of big brands taking greater control over their media buying, and it's clear more turbulence lies ahead for agencies. If 2017 was a year of pressure for media agencies, 2018 promises to be a time of pain.

It's a crisis of their own making. Fears from advertisers that online media doesn't always work the way they thought it did should've been the perfect opportunity for media agencies to emerge as a safe pair of hands to clear up the murky supply chain. Instead, it inflamed suspicions in 2017 that some media agencies have been profiting from the lack of transparency all along. Those concerns have long lingered at the back of the minds of some marketers. Pernod Ricard tried to tackle the issue with its own media-buying unit in 2015. But it took until 2017 for other advertisers to wake up to the same fears, in part because digital had become too big for them to keep it at arm's length. IPG's Magna predicts that by 2021, digital will represent half of global ad sales. And programmatic, which hit $19 billion in spend in 2017, has been and will continue to be a huge contributor, reaching $42 billion by 2020.

As quick as that growth has been, it has also been built on arbitrage. In arbitrage, media agencies charge advertisers for additional services such as programmatic, and there's an undisclosed margin within that. While these practices have come to be brushed off as common knowledge over the years, Procter & Gamble's chief brand officer Marc Pritchard didn't get the memo. In his now famous speech in January, the high-profile marketer said he uncovered one of P&G's agencies buying online media with its money in a deal that saw it gain extra ad inventory that could then be sold to other clients at a profit. Cue a flurry of other advertisers scrutinizing their own contracts with media agencies. Few marketers were as open as Pritchard about what they found, and those that were seemed to accept how media agencies make their money as long as they own up to how they do it.

Jaguar Land Rover used its media review in February to tweak its own contracts so that it knows what agencies are doing with its money. Dominic Chambers, the digital marketing director for the car brand, says it had used parts of Pritchard's speech as a template for its own review and that knowing how its media agency makes money from its spend was key to why it considered alternative models.

It would seem other brands had a similar idea.

In Europe, Pernod Ricard's media team is sifting through the various metrics used by its own media agencies to weed out the ones that are useless. Once the team has decided what it will be, Pernod Ricard's viewability standard will be used by its media agencies to buy ads, particularly video. Thibaut Portal, Pernod Ricard's chief media officer, explains, "We're looking closely at the metrics being provided by our partners to asses the real impact of media on sales. We need to close that loop, as do a lot of advertisers."

It may be a while before brands get those answers. There has been an exodus of senior executives from media agencies throughout 2017, causing some observers to worry about a dearth of leaders at such a testing time. Exits are a staple of agency life, but what's been different in 2017 has been where those people go next. Consultancies, brands and even startups have swooped in for some of those candidates, some of whom have expressed their concerns to recruitment consultants that the big holding groups can't respond fast enough to the demands of the market.

Whether that is true or not won't be for a lack of trying. WPP, Publicis, Omnicom and IPG moved to bolster their consulting expertise in 2017 by either consolidating existing businesses or building new ones. The next 12 months will test those gambles with many advertisers, who admit that it is the planning rather than buying expertise they really need. The opportunities of that shift will not be lost on consultancies such as Accenture and Deloitte, both of which have recruited and acquired media talent and digital agencies this year with the aim of making a more concerted push into media next.

It points to another difficult year for media agencies. But brands won't turn their backs on agencies, claims Nick Manning, the chief strategy officer at media analytics specialist Ebiquity. "The shift is about advertisers working with agencies in a different way that's more hands-on and focused on how media is planned and implemented."

"WE ALWAYS THINK COMMUNITY FIRST"

Fidji Simo, Facebook's vp of product, says the platform recognizes that publishers need multiple different ways to monetize their video and other content there

BY LUCIA MOSES

What's been the highlight of 2017 from a product standpoint?

We're excited to see some of the early things we wanted to see start to happen on Watch, like people watching for longer, people planning to watch episodes, people watching content that's really interactive. When you combine live and Watch, it's even more exciting. And the emergence of gaming on Facebook has been a pretty exciting trend.

Some consider Facebook Live a disappointment. How do you see it?

We see it as a big success because watch time and people broadcasting continue to increase, and it continues to be the biggest format. It's truly social from the ground up. When we combine live and shows, like "Make Up or Break Up," where the audience can vote on the outcome, it's the beginning of a new kind of content. The reason some are medium or lukewarm is we need monetization of these formats to materialize, and we've been working on it with ad breaks and we are planning to scale in the coming months. For a lot of partners, it doesn't matter if the audience loves it if the monetization isn't there.

What's going to be your big focus for the year ahead?

Monetization is really top of mind, and we also know it's not going to be a one-size-fits-all. Even within creators, we want a variety of tools to monetize, whether it's ad breaks or branded content. We want to continue figuring out what putting video at the center of the experience looks like. How does that change the way people consume video? When you look at our mission, our approach to video is not about consumption; it's about interacting with each other.

What does Facebook owe publishers?

We want publishers to feel like they can grow their business on Facebook and that the value exchange is fair because that is the way we'll have strong relationships and will continue delivering value to people. That's why a mutually beneficial relationship is important to us. That's the purpose of the Facebook Journalism Project.

What's a fair value exchange?

It totally depends on the partner. There are some creators that only care about having an audience. You have celebrities that are using Facebook for causes. And then you have publishers who really care about fostering business models outside of Facebook. Even within news, you find some who don't care about news, don't care about video advertising.

What's the case for Facebook not being a media company?

We consider ourselves more a technology company, but the real question being asked is: What is our responsibility? We recognize the role Facebook has and the responsibility that comes with it. That's why we're ramping up in security and around fake news, et cetera. The question, if any, is about how we make sure we protect people on our platform, we do what's best for the community and the world. I definitely see tension on a lot of things — protecting our community while being in favor of free speech.

What's the order of priority between users, advertisers and publishers when you're developing a product?

We always think of the community first because that's core to our mission. But optimizing for a community of people is also going to be valuable for publishers and advertisers. Because if they don't come back, it makes it harder to monetize. That's why these things are not at odds.

Will the news feed always be the core of Facebook?

I think it's such a core part of Facebook that it's definitely a place people will go to to catch up with their friends and what's happening in the world. But ideally, we have other things that they have intention around. Watch is a good example. So we think the two can totally coexist. And the news feed is used as a discovery of shows.

What do you see coming up when it comes to video in general?

Three trends are going to be very important. Immersiveness: We've seen text to video, we're seeing video being used to share, and we'll see VR and AR being used in new ways. The second is putting people at the center of the experience. The final one is AI. It's going to transform a lot of things in the video landscape that will make the experience more relevant, which is super important in a world where people care less about the content of the video and more about whether the video is important to them. AI is also going to be interesting for safety.

COMEBACK KID

2018 could be Twitter's big year

BY LUCIA MOSES

In October, Twitter sales executives hosted reporters at the company's headquarters in New York City's Chelsea neighborhood. While reporters sipped custom coffees made by the company's barista, execs enthusiastically made Twitter's pitch: An array of video ad products to meet every marketing need, high-quality publishing partners and an audience that's actually receptive to ads.

"This is not meant as a criticism, but if you go to some of the other social platforms, you're seeing people say, 'Look at me,'" Matt Derella, the company's energetic vp of global client solutions, told the assembled. "On Twitter, it's, 'Look at this.' It's a very different context."

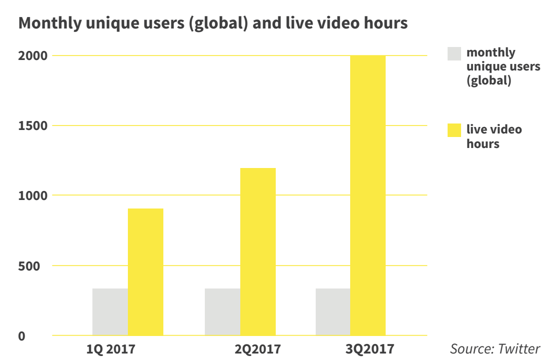
The subtext was clear: Our audience is young, influential and primed for discovering not only news, but brands' products — in other words, we're not Facebook.

Twitter, with its seemingly endless executive changes and turmoil, is the ugly duckling of the platform world. User growth has stagnated. Marketers have concentrated their digital ad dollars with Google and Facebook, which offer vastly bigger audiences, more ways to target and are less associated with trolls and bots. The brand-safety issue that dominated digital media this past year has ensnared Twitter and the other big social media platforms that have been slow to put in guardrails against fake news and offensive content.

But Twitter is working hard to turn itself around, with new video products and a strong brand-safety pitch and audience message. If Twitter succeeds, 2018 could be a comeback year where it grabs ad share from the duopoly. It's making moves on a few fronts.

User growth is edging up

User growth is the big one. Ultimately, Twitter needs to show it's gaining in popularity if it wants to attract more advertising. In the second quarter of 2017, monthly user growth was flat year over year, despite having Donald Trump as its most famous user. It did manage to eke out growth of 4 million monthly users, to 330 million, in the third quarter. (Twitter also admitted that it had overestimated usership for the past three years, but Wall Street didn't seem to mind, judging from the stock price jump.) The user uptick started after Twitter's big push into live, along with organic growth, marketing and product changes. "There is a direct connection in their starting Twitter live and their growth," says Beena Kalaiya, head of social at Mindshare North America.



Its ad business is up. CEO Jack Dorsey said during the company's third-quarter earnings announcement that he expected the company to be profitable this year for the first time since it went public in 2013, and it moved toward that in the quarter, with revenue results beating expectations and losses declining.

Advertising dollars are pivoting to video, and Twitter is pushing more video ad products into the pipeline. In 2017, Twitter got into live video in a big way. It's livestreamed 830 events in the third quarter and announced 30 new live video partnerships, on top of 16 it announced earlier in the year with content creators picked with their premium, brand-safe content in mind. It streamed more than 2,000 hours of original video in the third quarter, more than double what it did in the first quarter. In this way, Twitter is positioning itself as a complement to television.

"Twitter does enable brands to tap into these cord cutters and cord-nevers," said Stacy Minero, head of planning for Twitter, at the reporter gathering. She ran through the breadth of ad products Twitter has to offer, from takeovers to promoted video to in-stream ads, meant for every need an advertiser might have, from introducing a new product with a high-impact format to sustaining a marketing message to pushing ticket sales to an event.

Twitter sells pre-roll video ads, something Facebook doesn't, with an emphasis on the six-second format. An advertiser doesn't have a six-second ad already? No problem. Twitter has a new service called #Fuel that will edit down advertisers' 15- and 30-second spots to six.

It owns real-time conversation

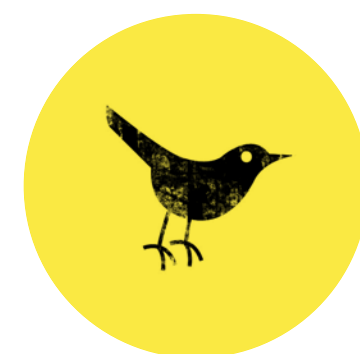
Twitter is strengthening its identity. It takes a while for platforms to define what they are, and like a maturing adolescent, Twitter is starting to grow out of its awkward phase and embrace itself for what it is: a place where real-time conversations happen.

In 2016, it recharacterized itself in the Apple App Store as a news app instead of a social networking app, which boosted its ranking and more clearly differentiated it from Facebook, which has always had an ambivalent relationship with news. Twitter might not have seen a clear Trump bump in usership, but its most famous user puts it in the news on a daily basis, which can't be a bad thing. "Like it or not, we're going to hear about Twitter every day for the next three years," says Doug Rozen, chief digital and innovation officer at OMD.

Twitter has been building ad products apart from video around this real-time identity, including a chatbot for customer service and polls. Rozen has used Twitter's chatbot for a client to improve customer service, something companies used to do organically on Twitter. "What Twitter is really doing is owning this real time," Rozen says. "So there's new things we can take advantage of." The platform is particularly good for ad products that let advertisers capitalize on real-time events like the weather, Kalaiya says. "It's more effective on Twitter because people are talking about these things." And while Facebook and Instagram duke it out with Snapchat over their lookalike Stories formats, Twitter is freer to focus on forging its own path.

For his clients that use Twitter, their spending on the platform still trails the duopoly, but that spending has been steady or increasing, says Noah Mallin, managing partner at Wavemaker, formerly MEC. Mallin says the platform continues to appeal to advertisers that want to be associated with things like sports and live events — the kinds of things people turn to Twitter to talk about in real time. "They're doing more live shows, and they have a video offering that is competitive," he says of Twitter. The video ads are skippable, which means if someone watches an ad, there's a chance they won't hate it as much as they would if it were forced on them. And with the #Fuel service, he says, "Twitter's making it easier for advertisers to think, 'This is a platform I don't have to think about in a really different way.'"

Twitter has made the right noises on brand safety. With lawmakers from both parties summoning platforms'



representatives to Capitol Hill to grill them over Russian ads and fake news, it's clear the demand for platforms to take more responsibility for what they distribute is widespread. Platforms are in a damned-if-they-do, damned-if-they-don't situation because if they curtail content, they'll be accused of censorship, and if they don't, they'll be blamed when beheading videos and the like get through. Twitter got raked over the coals when it temporarily suspended actress Rose McGowan from tweeting, for example. More backlash seems inevitable, but Twitter has made the impression it's making a big effort to get out in front of the issue, clamping down on inflammatory tweets and banning ads from Russian media outlets. Plus, Google's and Facebook's size are a blessing and a curse; their brand-safety and measurement screw-ups make them bigger headaches for advertisers than Twitter.

Its strengths are its weaknesses

There are still a lot of questions facing Twitter. Its live video initiative is still relatively new, and the jury's out on whether the quality of the content will be high enough and if users want to watch live video there in the first place. For advertisers that still haven't embraced Twitter, they'll want to see user growth, hard evidence that people are more receptive to ads when they're on Twitter versus other platforms (presumably evidence more solid than the studies that Twitter cites that it's done with researchers that show its video ads are more memorable and less intrusive than those on other sites and that users are in a discovery mindset when they're on the platform). And while it's good that Twitter's making it easier to repurpose TV spots, some advertisers will always want every ad they run to be bespoke, if they want to take the time and effort to do so.

Fundamentally, Twitter's strengths have always been its weaknesses. It's engaging for users, but that has its downsides. Some of those users can have very narrow, limited interests. And most concerning of all, engagement can take a dark turn, with trolls and abuse, which makes advertisers skittish.

"That's Twitter's great strength," Mallin says. "When you're on there, it is highly engaging. But it is also one of those things that makes them a challenge for some advertisers. The same things that make advertisers wary of some news because they're worried about people getting stirred up look at Twitter as being similar to that. Right or wrong, that's becoming a little of a ceiling for them."

Ben Kunz, evp of marketing and content at Mediassociates, sees Twitter as a pure form of social media, which makes any kind of advertising there intrusive. Facebook's immense targeting abilities also just make Twitter a non-starter. "Twitter hasn't performed anything like that," he says. "Facebook has just created a wonderful balance of a digital ecosystem. Twitter's like the surly guy in the corner. You kind of want to work with them, but we haven't seen it work in the past."

If nothing else, the ad community has its own reasons to see Twitter as ascendant. "We want to see multiple platforms of the size and scale of a Facebook and Google," Rozen says. "It does not do the industry well to have just two. So, we're hopeful that, be it a Twitter, a Snapchat or others, they will continue to grow to create good diversity in the supply chain."

FEB. 29:

SNAP'S IPO'S ONE-YEAR ANNIVERSARY

Since its IPO, Snap's stock has mostly gone in one direction: down. Investment analysts granted that the company will need time to prove its business model. One year in, the company will have no choice but to stand by its results.

BROWSER WARS II

Browsers are about to retake their place as a critical front in how digital advertising evolves

BY ROSS BENES

For all the complaining publishers do about tech platforms, they often turn to tech giants to save them from themselves.

Look no further than the crisis of user experience. Hard-up publishers are loading pages down with autoplay video ads and all manner of intrusions and annoyances. And in 2018, tech giants are going to restore order, led by Google, which will release an "ad-filtering" version of Chrome in 2018. This follows Apple's move against ad targeting in the autumn of 2017. The message: Get on board or get blocked.

"Should Google get to decide what's good and what's bad?" says Rebecca Lieb, founding partner of research firm Kaleido Insights. "If you are a publisher or an advertiser, it's likely you'll be picking sides on that question very quickly."

The tracking change makes it harder for advertisers to use third-party data to target niche audiences. Publishers that rely heavily on programmatic advertising — like CafeMedia, Ranker, Granite Media and Slader — are seeing a drop in their ad rates following Safari's update.

Safari also started blocking autoplay video ads in September 2017. And Google is taking a stance against autoplay by turning the sound off autoplay videos in Chrome starting in January 2018. These moves will continue to rattle publishers because mobile is eating digital media, and Apple and Google hold the keys to the most popular browsers in town. Mobile accounts for 70 percent of the $83 billion in annual digital ad spend in the U.S., according to eMarketer. About 80 percent of mobile web traffic flows through Safari and Chrome, per NetMarketShare.

Publishers have been notorious for putting monetization ahead of user experience, which is why poor user experience remains one of the most common reasons for users to block ads. Clark Benson, CEO of listicle publisher Ranker, believes these browser updates could be beneficial to publishers in the long run since they improve user experience. But Benson is skeptical of the motivations of the tech giants running the browsers.

"I hope this isn't just the first step in a bigger throttling of monetization tactics," he says.

As two tech giants battle to protect their market share — Apple by positioning itself as the guardian of customer privacy and Google by trying to suck up as much of the digital advertising pie from rival Facebook — publishers risk suffering collateral damage if they don't adapt to the browsers' changes.

"The industry has to be prepared to evolve quickly to a more user friendly one," says Brad Holcenberg, independent ad tech consultant. "Only a few companies hold the keys to users on the internet. And as [Google and Apple] show, that means changes can come fast and have broad implications."

APRIL 22:

DEADLINE FOR THE AT&T-TIME WARNER MERGER

The first proposed merger that President Trump criticized has until April to secure approval from regulators. If the companies don't get it, it's back to the drawing board to figure out how to craft a vertically integrated media and telecommunications conglomerate.

BOLD CALL

FACEBOOK'S WATCH FAILS

Facebook is reportedly willing to spend up to $1 billion on content as it tries to lure users to Watch, its new section for live sports and hundreds of video shows from digital publishers, TV networks and other video creators. But according to multiple original content partners, Facebook's first round of shows has not moved the needle among users or advertisers, and the company is already going back to the drawing board.

Building a YouTube-like user experience inside Facebook was always going to be a gargantuan task. People have long grown accustomed to going to YouTube to watch videos, but that's not the case on Facebook, no matter how much the company is willing to fund and boost video content through its algorithm.

Facebook might be willing to spend money beyond 2018 to make Watch work, but the company has already said that eventually, it wanted to fund shows through advertising. So far, its mid-roll ads have brought in scant revenue for Facebook and the shows' creators. It's unlikely that in 12 months Facebook engineers such a dramatic turnaround that it truly competes with YouTube where it hurts: watch time. In the end, Facebook's greatest contribution to the digital video ecosystem might be the silent news-feed video format, not shows.

SAHIL PATEL

JACK MA'S BIG PITCH

BY YUYU CHEN

Early last summer, Jack Ma, chairman of Alibaba Group, flew to Detroit to deliver a keynote in his company's first conference in the U.S. His pitch to over 3,000 conference attendees: E-commerce is booming in China, and Alibaba can help small to medium businesses overseas tap into that opportunity.

Ma, who has cast himself in his own kung fu movie, is not yet a household name in the U.S. like Silicon Valley tech titans. But Alibaba's eye-popping growth — it rang up $25 billion in sales on Singles Day in November — makes Ma the one force, outside of government intervention, that could smash the chokehold of Amazon. When pitching international brands, Ma and his team position Alibaba as a helper that bridges the gap between Western sellers and Asian consumers, as the name of its conference indicates. Alibaba emphasizes that different from Amazon, it doesn't tightly hold consumer data, create its own private labels or keep any inventory. As more and more brands in the U.S. bristle at Amazon's dominance, Alibaba could become a silver lining.

"For us, globalization means reaching 2 billion consumers and 10 million retailers around the world," says Michael Evans, president of Alibaba. "Our next step is facilitating the cross-border trade globally for brands, retailers and agricultural producers."

Evans says that Alibaba's globalization encompasses two pillars: A consumer strategy and a merchant strategy. The former is going to be focused on developing countries, primarily Asia, where middle class is emerging, while the latter is focused on developed countries where brands offer "safe, high-quality and interesting" products, says Evans.

"It's a huge cross-border opportunity, but it's pretty challenging [to manage] from payments to logistics to data," he says.

Alibaba's third-quarter earnings report shows that as of September, the company's retail business in China generated around $40 billion in revenue, up 64 percent from the same period a year prior. Retail in China also represents 72 percent of Alibaba's overall commerce revenue. In comparison, Alibaba's international retail is much smaller, merely $3 billion in revenue, but that represents a year-over-year growth of 151 percent.

Outside of China, Southeast Asia is Alibaba's major focus. In order to support its expansion into the region, Alibaba invested nearly $1 billion in June in Lazada — an e-commerce platform that has a presence in Indonesia, Malaysia, Singapore, Thailand, Vietnam and the Philippines — to raise its stake from 51 percent to 83 percent. Alibaba's mobile payment service Alipay, which has more than 520 million users globally, is also widely adopted in Southeast Asia.

While Alibaba has been leading e-commerce in China and potentially in Southeast Asia, the company faces headwinds in developed countries like the U.S., where Amazon plays a dominant role.

To develop brand partnerships in the U.S., Alibaba has built a team of around 330 people working on payments, cloud engineering, logistics, business development and public relations in cities like Washington, D.C., San Francisco and New York City. Alibaba positions itself as a facilitator that helps U.S. brands sell outside of their country — there are around 7,000 U.S. brands selling on Alibaba's Tmall alone, including Apple, Starbucks and Victoria's Secret, according to Evans. Of course, one pressing task for Alibaba's U.S. team is to differentiate the company from Amazon.

"A big difference is, we share all of the data with brands on what consumers are doing on our platforms, while Amazon doesn't share any data," says Evans. "Because of the data, brand building and customer acquisition are the two things that brands can do on Alibaba, and they differentiate us as a platform and Amazon as a retailer."

Charlie Cole, chief digital officer of Tumi, which sells both on Amazon and Tmall, agrees that Alibaba's data is better and more actionable than Amazon's. "Amazon's data is basically indexing the square root of an index's index," says Cole. "It makes me want to scream."

But at the same time, Cole thinks that compared to Alibaba, Amazon is a little better about being transparent about its advertising options and how the company combats counterfeits. "The two companies are virtually identical in my opinion," he says. "They both come with the exact same strengths and weakness: Massive scale, zero respect for brand protection and general aloofness as it pertains to policing their marketplaces."

Counterfeits could be a roadblock to Alibaba's expansion in the U.S. For instance, the United States Trade Representative added a passing mention of both Taobao and Tmall in its 2015 notorious markets report. In spite of the passing mention, however, neither Taobao nor Tmall was included in the USTR's actual 2015 list of notorious markets. Then, in 2016, Taobao was added to the USTR's list of notorious markets. In response, an Alibaba spokesperson says that more than 100,000 brands do business with over 500 million consumers on Alibaba's marketplaces, which is a testament to the trust that brands and consumers have in the company, adding that its anti-fraud systems are "among the best in the industry, and we are always looking for ways to improve them."

In spite of counterfeit accusations, small to medium-size companies in the U.S. seem to appreciate Alibaba as another distribution channel. For instance, Stadium Goods, a New York-based company that sells footwear from the likes of Nike, Adidas and New Balance, opened a store on Tmall last August to reach Chinese consumers. Stadium Goods also sells on Amazon in the U.S. and Canada. (Nike itself also has official stores on both Tmall and Amazon.)

"At the time when we joined Tmall, there were mostly large brands on the platform. Between now and then, Tmall started realizing the potential of smaller, curated players," says John McPheters, co-founder and CEO of Stadium Goods. "I think Amazon is good at getting bigger as a platform, while Tmall is more focused on supporting individual brands."

MARTIN LAU

PRESIDENT OF TENCENT

Responsibilities: Overseeing Tencent's daily operations, company strategy and investments

Insider's take: Lau is Tencent's Sheryl Sandberg. The former Goldman Sachs banker helped steer Tencent's IPO and its plan to enter social media and digital advertising. Tencent is one of the most successful technology companies in China, but Lau's challenge is to expand it globally. One route is to use its popular messaging app WeChat to direct users to other Tencent-owned services. Lau is also looking for potential mergers and acquisitions globally for Tencent in emerging technologies. It bought 5 percent of Tesla, for instance.

BOLD CALL

GOOGLE KILLS ADBLOCK PLUS

Google's relationship with AdBlock Plus is complicated. On one hand, the tech giant pays to have its ads whitelisted. On the other, Google is on a crusade to clean up the ecosystem: It's a founding member of the Coalition for Better Ads; launched its own ad blocking program, Funding Choices; and is testing ad filters in its Chrome browser.

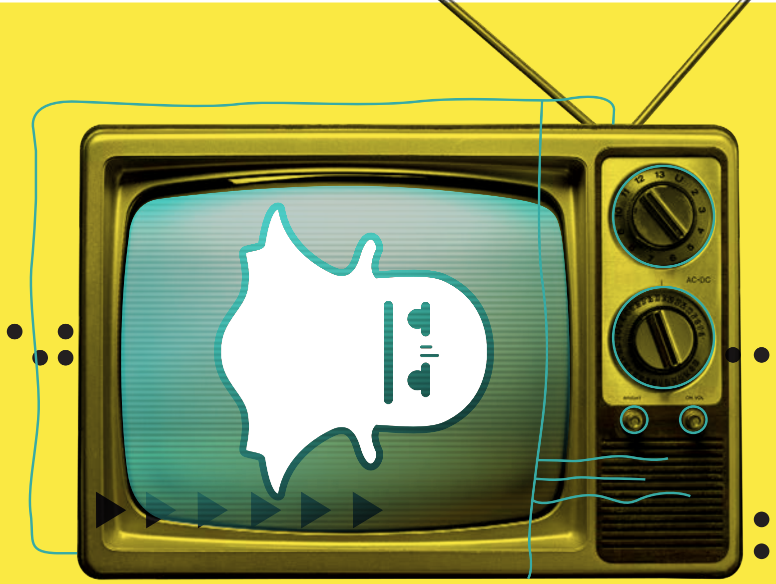
In 2018, Google will finally move to marginalize ABP, winning friends in the publishing industry that still views ABP as a shakedown scheme and establishing Google as the main arbiter of how digital advertising balances the user experience with monetization. The question isn't whether the two can coexist, but how much longer Google will let it.

Earlier this year, Google reportedly found that 0.5 percent of sites in North America and Europe (amounting to thousands of sites) violated the tech company's standards of acceptable ads, which are based on guidelines from the Coalition for Better Ads. After issuing warnings, Google said 25 percent of the offending sites are looking to improve. A Chrome ad filter is a warning for sites that motivate people to block ads to clean up their act, Google claims.

Once Google figures out how to deal with ad blocking on its own, it won't need to pay AdBlock Plus to do it. Losing Google as a customer would hobble AdBlock Plus. That might cause a lot of publishers to rejoice — until they consider that it means Google is setting even more of the terms online.

LUCINDA SOUTHERN

50,000: Number of "high-paying" jobs Amazon expects its HQ2 to create



SNAP, CRACKLE AND POP

In a business driven by hit shows, the social app needs one badly

BY SAHIL PATEL

Television is a hits-driven business. And while Snap remains committed to creating a TV-like experience with its shows initiative for Snapchat Discover, the company still faces a nearly insurmountable task of not only offering content that large quantities of people want to watch, but also convincing its media partners that Snapchat Discover shows are a worthwhile, long-term investment.

In 2018, Snapchat's shows initiative will strain under the pressures of a stagnating app audience, insufficient ad revenue and the lack of a hit — all clear reasons for TV networks and other media partners to question their investments on the platform.

The Snapchat shows initiative has certainly been off to a good start. E! News' entertainment and news show "The Rundown" is getting 8 million unique viewers per episode; A+E Networks' "Second Chance" also had 8 million viewers per episode during its first season — and it's soon coming back for more. NBC News' daily news show had more than 29 million unique viewers in its first month.

But people coming to watch Snapchat shows has not translated into a lot of ad revenue. Multiple Snapchat shows partners say Snap has struggled to fill ad inventory inside shows. Some of that has to do with Snap's pricing, which can be as high as $350,000 for a 33 percent share of voice on one show, according to one ad buyer. Other ad buyers, even those who are intrigued by the possibility of advertising inside Snapchat shows, consider them experimental placements rather than surefire annual upfront commitments.

For these reasons, Snap recently decided to boost programmatic advertising within Snapchat shows, hoping to fill more inventory and grow revenue. Previously, Snap had been hesitant to include programmatically bought ads within Snapchat shows, which hurt ad revenue, according to what one content partner previously told Digiday.

This is a huge issue for Snap. Even if shows are able to attract viewers, if Snap and its content partners can't turn a profit, there would be no point in continuing to spend money producing shows. As one content partner says, "we need to make money off this."

Snap's early success with attracting viewers to Snapchat shows has kept the drumbeat of new show announcements and partnerships between Snap and TV networks strong. Earlier this summer, Time Warner announced plans to create 10 shows per year for Snapchat, including scripted dramas and comedies. One of the first projects out of this deal is "Team Coco's Comedy Club," a live-action and animated comedy show from Conan O'Brien's Team Coco studio and TBS, which premiered on Nov. 12. Time Warner reportedly plans to spend $100 million over the next two years on all of the shows it creates for Snapchat.

Working with TV companies offers a clear advantage for Snap: It gets to take advantage of existing intellectual property — a "Saturday Night Live" Snapchat show is probably going to get more viewers right out of the gate than an new sketch comedy show with no name recognition. And to TV networks, Snap has a compelling pitch: Come to our platform to reach the teenagers who are not watching linear TV.

Essentially, Snapchat shows have become marketing for existing media brands and franchises owned by big TV networks — which makes it easier to make an investment on the platform, even if the ad revenue isn't high as Snap or its partners would want it to be.

But Snapchat isn't the only app that draws a young audience. Competitors ranging from Instagram to Musical.ly are also attracting these users, and ultimately, TV marketers will make the call that it's better to reach a wider user base on Instagram rather than continuing to experiment on Snapchat.

This is compounded by the fact that for the most part, Snapchat is not funding these productions, which has not only limited the number of partners it works with but could ultimately drive existing partners to spend their content and marketing dollars elsewhere. (Snap does produce its political series "Good Luck America" and has partnered with investor NBCUniversal on a new original content venture — but that's a fraction of the dozens of shows Snap hopes to air through 2018.)

"It's the way Snapchat is a huge outlier," says one Discover publisher that passed on making a show for Snapchat. "They don't want any risk in content creation. They wanted us to fund the pilot, and then maybe, if they liked the pilot, they would then commission it for a full season. We would have had to drop too much money for what was essentially an experiment. We're willing to take on some risks, but we couldn't do that."

Snapchat's audience and revenue woes could be fixed by a true, bona fide hit show. Unfortunately, the history of digital video offers only a handful of examples where a program can be considered a conversation-sparking hit in the way top TV shows do. Ten million people can watch "Phone Swap" on Snapchat, but that doesn't mean they're going to read articles about the show or talk about it with friends the way they do with HBO's "Game of Thrones."

And ultimately, that is what will prevent the Snapchat shows initiative from succeeding in the long run. For as long as TV networks and other big media companies see Snapchat as a worthwhile marketing vehicle for their brands and shows, they will continue to experiment on the platform.

But true success in show business needs more: more audience, more revenue and more internal investment — three things Snap can't exactly guarantee.

JOHN STANKEY

SR. EVP, AT&T/TIME WARNER MERGER INTEGRATION PLANNING

Responsibilities: Making AT&T and Time Warner become one

Insider's take: AT&T's bid for Time Warner was facing Justice Department opposition, but if that deal closes, Stankey, the former CEO of AT&T Entertainment, would become Time Warner's new boss. The proposed merger could significantly change the media and advertising landscape. AT&T would have access to more than 150 million mobile screens through its wireless business, access to nearly 50 million TV screens through its pay-TV businesses (which include DirecTV and DirecTV Now) and entertainment content from Batman movies to "Game of Thrones." Yes, there's Google and Facebook, and soon, Amazon. But don't ignore Stankey and AT&T, either.

“FACEBOOK IS NOT TRANSPARENT”

Mark Thompson, CEO of The New York Times Co., on focusing on the consumer, dealing with platforms and fixing the digital ad mess

BY LUCIA MOSES

The New York Times is changing its mindset to become a consumer company. What’s the thinking behind that?

It’s essentially about recognizing that the early days, first 15, 20 years of the internet were wrong. The whole concept that infinite free distribution would solve all the business problems associated with journalism, and there’d be a perfect way of matching news to users, has just turned out to be wrong. There is demonstrably a market for high-quality news for paying customers. So that’s a significant change.

What’s the challenge in making that change?

It’s about how you think about the product and what you’re trying to do and what is the value you’re giving to users. The areas of weakness in the publishing industry have been not having an audience strategy or sufficient brain space to think about how you serve your audience. It’s very easy to get tracked into assumptions about who your audience is. In legacy media, journalistic parameters were set by the geographical limitations. [The smartphone] changes everything. You need to reinvent journalism from the ground up with this device in mind, and then try and figure out what you’re going to do on a laptop and the physical newspaper.

How interested are you in other value-exchange models, such as getting people to pay with information about themselves or with time-based ads?

I’m skeptical. Trying to steal people’s attention feels like part of the problem rather than part of the solution. Increasingly, it’s going to be commercial content, which is of intrinsic interest and value to people. Association with commercial partners of interest to our readers also is working well for us. Samsung, for example, being associated with visual, VR journalism for the Times. I think most users don’t feel that good with the idea of a kind of involuntary swapping of their data for some complicated business model. That feels like part of the swamp to me.

How does being reader-driven inform the relationship with Google and Facebook?

These are very powerful partners in trying to get an audience. The challenge is to what extent we can help get support from Google and Facebook and other distributed platforms for driving highly engaged audiences and where we’re getting the full brand credit for what we’re doing. We’d like to be more readily able to turn that engagement into a regular revenue stream and see better rates of monetization rather than dilution of revenue. For example, the recent Google announcement about the way they handle subscriptions and first-click free is not transformational, but it’s very helpful.

Is it realistic for publishers to just work around Google and Facebook?

I would disagree. They both loom large for users, including engaged users for news. One of the things I see happening in 2018 and beyond is a more profound focus by the Silicon Valley majors on connected intelligent environments. Google Home and Alexa are examples. But the idea of, let’s take Google, traveling with you from the moment you wake up in the morning to the moment you go to sleep at night. Multiple devices are available to you to help you in a lot of different ways. Trying to figure out how news plays into that is going to be one of themes for 2018, [2019, 2020]. And that is absolutely going to mean working with giants, like Facebook and Google and Amazon, and device manufacturers, like Samsung and Apple.

The Times has been absent from two big Facebook initiatives, Instant Articles and its subscription sales test. Does the Times have enough clout that it can afford to not play ball with them?

We don’t say yes to every opportunity, but I wouldn’t characterize us as being grand or powerful enough to sit out on our own. There are certain principles. We like to have a lot of data about end user behavior because we want to have a relationship with the end user. We are fairly jealous of our brand and want to make sure that when people are reading The New York Times, they’re aware of where it’s coming from. We like the flexibility to set up our business model, how many stories a person can read in a given time before we ask them to pay. But I can’t think of a platform where we’re not having deep conversations.

What is Facebook if it’s not just a platform or a media company?

I think we need greater clarity about how much responsibility they do take. A pure platform could argue the content that plays across the platform is not the responsibility of the platform. The phone company is not held directly responsible for the content of the conversations that happen on the telephone network. But that’s a transparent, regulated environment. Facebook is not transparent. We don’t understand, and there’s no requirement on Facebook to disclose how its algorithm works. Most people believe Facebook is to some extent responsible for its content. The idea of them making choices of what goes on their platforms is obviously susceptible to abuse. It’s probable that these platforms are going to exist in some middle tier, which is with more responsibilities than a platform but without all of the responsibilities that the Times would have.

Will digital advertising get cleaned up in 2018?

The pressure on the industry to clean up its act is there. So over time, things should improve. I think there’s been a wake-up call in the last year, 18 months. It comes back to the issues around the major platforms. The buying and selling of advertising entirely by machine and without regard to the underlying content that’s being served is bound to lead to abuse. And that’s what we’ve seen. Bad actors who want to gain or abuse the system are not just a theoretical threat. They’re a reality. And there are very few protections in the digital advertising ecology to prevent the bad actors.

Has there been too much faith in the power of machine buying?

Too much faith in the idea that the internet was naturally virtuous and that choice and universal distribution would only lead to good outcomes. Universal free distribution is just as good for bad things as it is for good things. Deep in the water supply in Silicon Valley is the idea that it’s more good than bad. I think it’s neutral.

20,000: Number of employees Facebook says it will have working on safety and security by the end of 2018

THE VIDEO BUBBLE BURSTS

Most publishers aren't making money from their video content on Facebook, for starters

BY SAHIL PATEL

Success in video has to go beyond advertising

In 2017, the "Great Pivot to Video" became synonymous with a desperation strategy for publishers trying to find sustainable business models. The crash landing of Mashable — Ziff Davis bought it for just $50 million when Mashable raised $46 million in venture capital over the years — will be joined by many others in 2018, as publishers find no jackpot at the end of the video rainbow.

Publishers' video pivot has coincided with Facebook's growing ambitions in video. Facebook wants more video content — in its news feed, and more recently, inside the YouTube-esque Watch section — in an effort to get users to spend more time on Facebook. Publishers have been happy to oblige, believing the quick scale Facebook's algorithm offers will soon lead to revenue.

That has not been the case. While still early in its beta test, Facebook's mid-roll ad breaks program has brought in scant revenue, with estimated CPMs lower than a dollar for many publishers. One publisher previously told Digiday that one of its Facebook pages, which gets more than 20 million views per month, was only able to make $500 during that time span.

The big distributed-media publishers, including BuzzFeed, Business Insider and NowThis, say they can make money on Facebook by making sponsored videos for advertisers. But sponsored content is hard to scale and rely on consistently, being at the whims of clients' spending habits. And even if the big digital publishers were able to make that a consistent revenue stream, that still leaves out many of the smaller publishers pivoting to video in the hopes of creating more revenue.

"The big question here is how Facebook will support [publishers]," says Peter Csathy, founder of media consulting firm Creatv Media. "Many video players already see massive numbers on Facebook, but no long-term revenue model has emerged for them. Will that finally happen in 2018? That's the fundamental question."

The highest CPMs in digital video are still on top publishers' websites and apps — and Hulu. Hulu's ad-supported subscription platform, for instance, commands $30 to $40 CPMs, according to one buyer. The prices can double or triple if the inventory is close to being sold out, says the same buyer. Compare that to Facebook, where CPMs can be as low as 15 cents.

One of the biggest follies in video is the belief that if you build it, the high CPMs and ad dollars will follow. That is simply not the case. Advertisers are willing to spend a lot of money to align with high-profile shows such as Hulu's Emmy-winning "The Handmaid's Tale." They're not willing to spend as much money on a minutelong, silent and autoplaying clip inside the Facebook news feed. (There's a reason, after all, that Facebook is investing in its Watch section, which offers professionally produced, ad-friendly video series.)

Most publishers can quickly scale on Facebook by feeding the algorithm with short, news feed-optimized video clips. Producing something at a higher level, which requires more upfront costs and a skill level to make narrative content that people want to watch, is much harder to do and succeed in.

Austin, Texas-based digital studio Rooster Teeth is not the biggest name in video — but it has a business model that should be the envy of any publisher that wants to be a "video-first company." Advertising accounts for 31 percent of the 300-person company's business, according to Rooster Teeth. Other forms of revenue for Rooster Teeth include subscriptions and content royalties (25 percent), producing original movies and TV shows for platforms (14 percent), merchandising (20 percent) and live events (8 percent).

It's a true, diversified business model — and it's closer to all the different ways major media companies such as Disney, NBCUniversal and Turner make money. These companies sell advertising, but they also make money from subscription fees, studio productions, distribution and more.

Advertisers might be willing to spend some money on an interesting video series idea or to buy some pre-roll inventory against a popular YouTube channel or series — but that won't bring in enough money in a consistent enough fashion to create a legitimate video business. ◘

“WE HAVE TO REMIND PEOPLE OF THE ROLE THE GUARDIAN PLAYS IN THE WORLD.”

David Pemsel, CEO of Guardian News & Media, is bullish on the ability of philanthropic contributions to fund publishing

BY JESSICA DAVIES

Your move to a more reader revenue-focused model has resulted in reader revenue overtaking advertising. What’s the future for that?

When we started this three-year plan, we recognized that advertising alone would not secure a sustainable business model. We looked at the binary decision of either putting up a paywall, which will inevitably impact reach, or going the advertising-only road and saw a third way in which we can still have reach, but at the same time optimize reader loyalty globally and domestically.

Why not a paywall?

Well-intentioned people often tell me, “Just keep cutting costs, put up a paywall and The Guardian will be profitable.” But we have to remind people of the role The Guardian plays in the world. People are anxious about what the world is right now, and our unique ownership structure, which is totally independent and free of shareholders, means people trust our independence and want to support us to keep us as openly accessible as possible.

What are the cultural challenges in moving to more of a reader-revenue model?

We haven’t always legitimized genuine collaboration. There’s tension. When you’re trying to get to a sustainable outcome, a dynamic news agenda, with finite resources, you’re pivoting from an advertising-only to a reader contributor strategy, there’s a lot of heat in the organization. You must deploy your most precious people in a strategic way, but give them autonomy to collaborate, debate and argue their way to an outcome.

What’s the opportunity in philanthropy?

There are some conventions derived from The New York Times that X percent of your regular readers are likely to become paying subscribers, and that’s your future business model. Over time, that will cap out. You’re then stuck with a finite number of paying subscribers. There are different groups of people who will subscribe digitally and others that contribute at an article level because they feel passionate about a subject. There is no ceiling on how far contributions can go.

What’s next for publishers’ relationship with Facebook and Google?

We have a close relationship with Google from [CEO] Sundar [Pichai] down. They recognize the role of quality news within their ecosystem. So, we’ve collaborated a lot around video, VR funding, data analytics and engineering resources. It’s a valuable strategic relationship.

What about Facebook?

Facebook is a different picture. Our relationship with them is difficult because we’ve not found the strategic meeting point on which to collaborate. Eighteen months ago, they changed their algorithm, which showed their business model was derived on virality, not on the distribution of quality. We argue that quality, for societal reasons, as well as to derive ad revenue, should be part of their ecosystem. It’s not. We came out of Instant Articles because we didn’t want to provide our journalism in return for nothing. When you have algorithms that are fueling fake news and virality with no definition around what’s good or bad, how can The Guardian play a role within that ecosystem? The idea of what The Guardian does being starved of oxygen in those environments is not only damaging to our business model but damaging to everyone.

Should Google and Facebook be regulated?

Regulation ensures there isn’t negative impact from market dominance, which there is with those organizations, especially in advertising. But you can’t sound anti-platform or anti-digital or anti-Google or Facebook because it’s the future. News organizations have had this narrative of “it’s unfair; look what they’re doing.” But regulation needs to be used appropriately to ensure there is fairness.

You’ve described the digital ad model as broken. How would you describe it now?

The commoditization that’s come with everything being more machine-led has meant some clients have lost sense of how to build brand equity over time. There is nothing wrong with programmatic; it’s just the safeguards in that ecosystem need to be about total transparency. Some of those data points in media planning are completely opaque, and that still needs to be solved.

Who is responsible for addressing ad fraud?

There is a client at the top of this food chain. It’s their money. They can’t allow their money to be disseminated in places they don’t understand, so it’s beholden on clients being much clearer on where their money is deployed and for agencies to be more clear and transparent about where that money is going.

What’s a big trend you see in 2018?

Voice is increasingly on our radar. The translation of the written word into devices like Google Home or Alexa is starting to take off. What is the role of news organizations in a voice-activated search world with no interface? What’s the user experience? How do you get brand recognition? If you say, “Good morning, Alexa or Home,” how can you be reassured that The Guardian is the first thing that comes up in the news category? I love that challenge.

BOLD CALL

VICE GETS SOLD

When Vice Media received a $450 million investment from private equity firm TPG, which valued the digital media company at $5.7 billion, Vice CEO Shane Smith told CNBC the company was considering going public. The new funds would allow Vice to build subscription businesses, increase spending on TV and mobile video production operations and create other opportunities for revenue that would make the company look sexier if it went public, Smith said.

The trouble is, the TPG funding came a year after Smith himself was talking about a potential sale to Disney, which has invested $400 million into Vice (across two funding rounds) but did not participate in the TPG round. With the TPG investment, many industry insiders said a potential sale to Disney was no longer on the table.

Still, Vice’s best option for an exit remains a sale. With a $5.7 billion valuation — which is more than the $4 billion each Disney paid for Lucasfilm and Marvel — Vice faces a steep climb to prove its business, which is almost entirely reliant on advertising revenue, is worth all of that money. “You have to be comfortable with the future of ad-supported media, which people are increasingly not, and you have to be comfortable with the staying power of the brand, which Vice probably has,” says one banker. “I’m impressed by what they’ve built, but is it worth the risk? I’m not sure.”

But traditional TV giants are still struggling to adapt digitally, and as they look for upstarts to help them do so, they’re likely to look to Vice, which continues to be seen by many as one of the few reliably relevant digital media brands.

SAHIL PATEL

BOLD CALL

FACEBOOK LOSES STEAM

Publishers have spent much of the last three years being pummeled by Facebook. First, Facebook kept tweaking its algorithm, causing traffic to careen. Then, it gave publishers a head fake with live video. Finally, it rolled out Instant Articles and gave it ambivalent support. All the while, Facebook kept eating the digital ad market, with even Jonah Peretti, BuzzFeed's CEO and Facebook's biggest booster among top publishing execs, grousing that Facebook needed to share more revenue.

Yet in 2017, Facebook showed its vulnerabilities, soft spots that will continue to pose a problem for the Silicon Valley giant. Nobody expects Facebook to go into a death spiral anytime soon, but markets tend to correct themselves when they become imbalanced — and 2017 made clear the digital media market is severely imbalanced. Expect 2018 to be a year of trials and tribulations for Facebook, as it finds itself under attack on varied fronts, from legislators incensed over its role in election meddling to power-hungry regulators in Europe to advertisers who are demanding more accountability for the billions they pour into Facebook's coffers.

Facebook's biggest weakness that will be exploited in 2018 is its sheer scale. The reason Russian propagandists were able to infiltrate Facebook's ad system is that it is built for scale, not review. Facebook has already been in the prepos-terous position, which it has since walked back, of telling advertisers that Facebook ads will change hearts and minds while Mark Zuckerberg claimed Facebook posts and ads couldn't have swayed an election. The sheer scale of Facebook makes it vulnerable to infiltrations, which have continued in other countries.

The result is going to be a major political battle. Politicians are going to remind Zuckerberg he once called Facebook a "utility" in its early days. Lawyers eventually told the then-callow CEO to quit it lest governments get ideas. Now, governments will seize on that notion, since utilities are regulated for the common good.

Scale will also work against Facebook, as advertisers scrutinize more closely just where their ads are running and to what effect. The measurement errors Facebook experienced in 2017 are bound to continue as it looks to operate a massive ad platform with some degree of precision. Publishers are also finding their voice on these issues, aggressively pressing the issue that Facebook needs to be treated like a media company and held responsible legally as one. It's one issue The New York Times and The Wall Street Journal can agree on.

None of this should cause anyone to rush to short Facebook shares. In the near term, Facebook's position is nearly impregnable, but 2018 will at least bloody the giant.

BRIAN MORRISSEY

FACEBOOK MAKES NICE WITH PUBLISHERS

BY LUCIA MOSES

For years, Facebook has been the vampire squid of media, sucking up content from media companies while also sucking up nearly all the growth in digital advertising. Even media's foremost Facebook booster, BuzzFeed CEO Jonah Peretti, has said the situation is untenable.

In 2017, Facebook made its first big moves to support publishers, cutting checks to several publishers, including Condé Nast, Mashable and BuzzFeed, to create original shows for Watch, its new video tab. But these pilot programs are hardly enough. The Watch payments mostly range from $10,000 to $40,000 per episode and are a harbinger of more generosity to come in 2018. Facebook reportedly could spend as much as $1 billion on original content (albeit a lot of it for sports), a big increase from the $50 million it paid creators to make live video in 2016.

In the year ahead, there's reason to believe publishers will see more tangible support in the form of funding for Watch video series and monetization of news-feed videos. That's because Facebook knows people come to the app to catch up on what friends and family are up to, but also to catch up on news. Without news, Facebook's value to users would be much diminished. Facebook also covets TV ad dollars, and to get those, it needs to pony up to get shows that are good enough for people to actually want to watch.

The knock on the Facebook Journalism Project is that it's just an exercise by Facebook to placate publishers. But Kim Lau, The Atlantic's svp of digital and head of business development, says Facebook's moves to increase its partnership team and give publishers more access to the product side were significant. "This year, I've probably had four or five different conversations with different product managers about different things," she says. "Historically, these people weren't talking to publishers."

The Atlantic and other publishers have stories about how contacts they've had with Facebook have ended up being put into practice. The Atlantic had tested a newsletter sign-up call to action on Facebook, and a month after Lau asked Facebook to provide conversion rate data, the platform delivered. "It feels like they're listening," she says. Lau sees more effort by Facebook to implement subscriptions and push monetization of video in the year ahead, even if the money Facebook shares with publishers will never be as much as what publishers can make by selling their sites directly. "Quality content is one of the things that gets people to spend more time continuing to engage on the platform," she says.

Subscription testing is a step forward for publishers, and Facebook was expected to expand it this year. Not all were happy with the parameters of the test (The New York Times and The Wall Street Journal were notable holdouts of the initial test), but Facebook can take credit for agreeing to give publishers all the revenue and customer data. Facebook has also improved monetization in Instant Articles.

But Facebook's goals are fundamentally still at odds with publishers. Facebook has moved away from promoting publishers' links in favor of native video and text content to keep users in its walled garden. So, referral traffic back to publishers' sites is no longer the steady source of traffic it once was. Increasingly, publishers are recognizing that they can't depend on digital ad revenue growth, so they have to lean on consumers for revenue, which starts with getting people back to their own sites. Publishers have gotten bolder in criticizing Facebook (and pulling out of its initiatives), but that's unlikely to have as much of an impact as the threat of government regulation, which grew louder this past year.

"Publishers want audiences to consume them on their owned-and-operated platforms," says Vivian Schiller, a former Twitter and digital news executive. "As reader revenue becomes the coin of the realm, you need to have a reader relationship."

Facebook still has the size advantage, says Darren Herman, operating partner at Bain Capital. "Facebook is going to test the patience with publishers in 2018," he says. "They've burned them before, won them back, burned them again and maybe will win them back. Even with all of these new initiatives, Facebook still has the size and scale that will get any publisher to pay attention to them."

> **"Facebook still has the size and scale that will get any publisher to pay attention to them."**

MARGRETHE VESTAGER

EUROPEAN COMMISSIONER FOR COMPETITION

Responsibilities: Enforcing competition laws and regulation in Europe

Insider's take: The Danish politician has taken a muscular approach to how global companies do business in Europe. Since 2014, she has initiated investigations into Fiat, Starbucks, Amazon and Apple under competition laws. Google is appealing a record fine of €2.4 billion ($2.8 billion) for allegedly abusing its market dominance of the search engine market in building its shopping comparison service and faces two other pending investigations. Even if Vestager doesn't finish the work she started before her term ends next year, she's leveled the microscope on the dominance of the tech companies.

MAY 25

GDPR GOES INTO EFFECT

The General Data Protection Regulation is supposed to harmonize data privacy and regulation across Western Europe. But with enforcement likely to vary across territories and publishers complying at different speeds, it is impossible to predict what the near-term consequences will be.

“THE DIGITAL WORLD IS DYSFUNCTIONAL”

Robert Thomson, CEO of News Corp, says platforms need to change their ways to benefit publishers’ long-term business models

BY LUCIA MOSES

The tech platforms have been the big story of the past year, with advertiser backlash and talk of regulation. How do you see it?

The surprising thing about the scrutiny is how long it’s taken to come to pass when you think we’ve been discussing these issues actively for well over a decade. It is at last good to see how the publishers are speaking up. Why they were so mute for so long — did they feel intimidated, was it an affront to fashion? There’s no doubt in Washington there is a time of reckoning. The digital world is dysfunctional from a content creative perspective. When you do a search now, so many answers are people gaming search optimization or clickbait. I think we imagined, perhaps naively, that the web would become more sophisticated, not less. There’s no doubt it can play a role, but it’s become clogged.

Is regulation going to help publishers, though?

I’m not normally in favor of regulation. The type of regulation I would argue for is self-regulation, a change in behavior that’s beneficial to our long-term models. We’ve been engaged with Brussels and their investigation. We’re in constant discussions with both Google and Facebook. We hope we can come to agreements with everything from confronting piracy to a more coherent systemic issue of prominence. There’s obviously a debate in Facebook about its role, commercial and social. They’re in the midst of a storm that’s not going to go away anytime soon. The base issue for any digital company is, are you compliant or are you complicit? Facebook is a publisher, and like all publishers, you have a responsibility for what you publish. Even if the word "publisher" is hard to utter.

How does your global view affect how you see publishers’ challenges?

For us, the issues are fairly constant, whether it’s Australia or the U.K. or India, for that matter. But different countries have different regulations, and different countries have different cultural approaches. Some countries in Europe, there’s almost an artisanal attitude, so they are particularly concerned about the commodification and blandification of news. They immediately saw the potential social consequences.

You’ve been warning for a long time about the threats posed by Google and Facebook. Do you feel vindicated?

Finally, some credibility! Well, It was never personal. At times I would use pretty phrases. But you needed to deploy language. And alliteration. And it’s not only myself; it’s Rupert and Lachlan [Murdoch]. But it certainly was a soliloquy for many years. That is an indictment of media that we’re so naive or so complicit that we’ve allowed the standardization of practices that have been abuse of prominence, have undermined authenticity and damaged our ability to be publishers.

How do publishers get out of being serfs on platforms’ land?

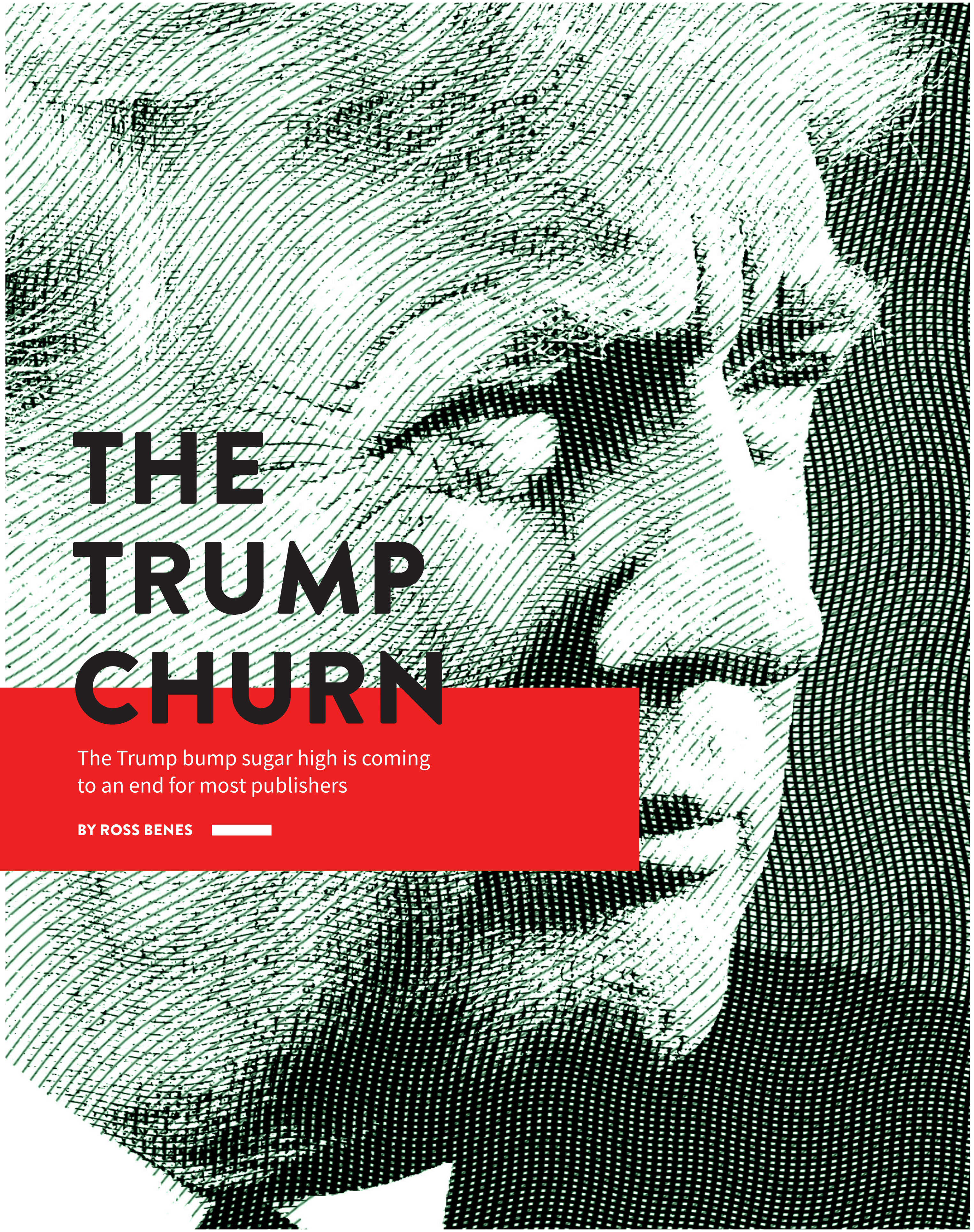
Well, surf is up for the serfs, at the moment. There’s clearly a different attitude in Washington; there’s an activist attitude in Brussels, in Australia. The government is concerned, even if media companies are not.

What’s on your list of demands for the platforms?

At Google, subscription mechanics and permissioned data about our users. I have to give a shoutout to Google, and in particular, [CEO] Sundar Pichai. The end of first click free is a first step. At Facebook, subscription mechanics. We didn’t take part in their trial because at 10 articles, the system is too easy to game.

It’s been 10 years since you acquired The Wall Street Journal. Has it met with your expectations?

The opportunity for The Wall Street Journal in a digital world is enormous, dare I say because when I was editor, it became the best-selling paper in the country. The Saturday paper became the best-selling of the editions. Print will remain strong among Journal readers for a long time. But digitally, it has an opportunity and a strong advantage because of the ability of the company to upsell those readers to premium business products. When you add the professional information business on top of a consumer news business, it’s a particularly potent product.



THE TRUMP CHURN

The Trump bump sugar high is coming to an end for most publishers

BY ROSS BENES

Donald Trump's divisive nature used to be a boon for publishers trying to drive more readers to pay directly. After Trump tweeted in December 2016 that Vanity Fair was "Way down, big trouble, dead!" the magazine sold more than 100,000 subscriptions in a flash sale within a month. Similarly, Slate saw a 65 percent increase in its $35-a-year premium membership sign-ups within three months of the 2016 election. And The New York Times added 355,000 subscriptions in the first quarter of 2017.

With the president waging a culture war against the press by repeatedly referring to reporters as enemies of the American people, publishers found sympathetic readers who became more willing to fork over their cash to support journalism. But in 2018, publishers are going to have a hard time keeping this momentum up as Trump fatigue creeps in. Many publishers are already seeing their subscription growth decline considerably.

Take the Times. In the third quarter of 2017, it added 154,000 subscriptions, which was less than half the number it added in the first quarter.

There's no doubt that Trump's surprising rise to power gave a rocket boost to publishers that critically cover the administration. But it's unrealistic to think that publishers can replicate that boost. Consider public-interest publisher ProPublica.

Before the election, ProPublica had 400 donors who gave the website money each month. By the end of January 2017, after Trump was sworn into office, that number rose to 8,000. But that's where it stayed through the end of November 2017.

It is unreasonable to expect ProPublica to add 7,600 repeat donors every three months, says ProPublica President Richard Tofel. In other words, the whirlwind that immediately followed Trump's campaign is a unique situation. It benefited publishers tremendously, but the emotion and political activism that Trump initially provoked among readers is next to impossible to repeat.

Tofel says total donations are growing year over year, and he expects the trend to continue in 2018. But he emphasizes that maintaining donors requires the publisher to publish broader cultural coverage beyond Trump, even if he's why people signed up in the first place.

"Just because the election was the initial prompt for new donors does not mean that the only reason to give or renew may be about the president or administration," Tofel says. "There are lots of other things we do that are of importance to donors and readers."

But many publishers who benefited from the Trump bump don't have influential nonpolitical coverage to keep readers engaged.

In 2018, a lot of publishers that focus on politics will scramble to merely maintain their level of subscriptions, let alone grow them. It has simply become more difficult to monetize Trump-related content as people have gotten used to and grown tired of the president's outbursts and scandals.

"There has never been a scenario like this before where you are constantly being bombarded by the news cycle," says independent media consultant Brad Adgate. "At times, it is just pulverizing."

It's no coincidence that many publishers are cutting back how often they write about the president. In an analysis of about 1 million articles across 400 publishers, Keywee found that the number of articles with "Trump" in the headline peaked in March 2017, which was the month that two federal judges ruled against Trump's travel ban. Since then, the number of headlines featuring Trump per month has declined considerably. And across 5,000 online publishers, Chartbeat found that readership of political news was down after big spikes in the months surrounding the presidential election.

Critiquing Trump's baffling policies and personal life was a great strategy for increasing subscriptions around the time of the election, when readers were fresh for vengeance and beginning to make sense of what having a reality TV star as president would mean for the U.S. But now that a year has passed and Americans have been hit with every story imaginable about Trump, it will likely take more than critical pieces about the administration to get more people to pay up.

"This is untrodden ground," Adgate says. "There has never been anything quite like this before, and you just wonder how long it is sustainable."

HITTING A WALL

Publishers will have to work harder to convert their e-commerce content into sales

BY MAX WILLENS

$15 billion: What Alibaba says it will spend over the next three years on a global research and development program in labs across the U.S., China, Russia, Israel and Singapore

Publishers know by now that farming on a platform's land can be dangerous.

Just as publishers have learned that they'd struggle to monetize their content on Facebook, those that spent to build businesses based on e-commerce affiliate commissions will get a wake-up call in 2018, as Amazon cements its place as an online shopping destination and cuts the affiliate commission rates it pays publishers.

Digital publishers have glommed on to e-commerce as a revenue stream as ad revenue has dried up. According to BI Intelligence, e-commerce represented the fastest-growing revenue segment for publishers in 2016, a trend that continued in 2017 and surpassed in some corners only by video.

Over the past year, Wirecutter, The New York Times-owned commerce-focused site, has nearly doubled its editorial head count to 55. PopSugar overhauled its merchandising strategy, turning its site from a recommendations source into a standalone shopping destination. Even news-focused publishers CNN and NBC News have launched online shopping guides.

But just as Facebook was the catalyst for an industrywide pivot to video in 2017, Amazon powered most of that commerce growth. Some publishers derive as much as 80 percent of their e-commerce revenues from Amazon because Amazon drives the strongest conversion rates with most publishers' readers. Amazon has the largest base of mobile app installations among shopping apps. Few retailers, aside from Walmart or Alibaba, have the scale necessary to compete with Amazon on price. Over the next few years, Amazon's grip on e-commerce will only tighten. Jeff Bezos's behemoth is expected to account for half of all U.S. e-commerce by 2021, according to Needham & Co.

In 2018, publishers will have to reckon with what happens once Amazon dominates a particular product category. Publishers say that in categories such as fitness gear, Amazon has dropped the affiliate commission rates it pays publishers to near zero after it realized that consumers visit its platform first to buy product, depriving publishers of a revenue stream they've come to rely on.

"[Amazon] could fuck us all tomorrow if they wanted to," says one executive, who asked not to be named because Amazon already represents a top-five source of revenue for that exec's employer.

Some publishers have tried to reduce their dependence on Amazon. Some take the affiliate conversion data they get from Amazon and use it to create direct deals with product manufacturers to sell products directly at a higher margin.

In theory, the best way for commerce-focused publishers to reduce their dependence on Amazon is to create and sell products themselves and own the entire process from checkout onward, a step that publishers including BuzzFeed, Clique and Chive Media have taken.

But being a retailer is hard. Warehouse space is expensive. Customer service, fulfillment and supply-chain issues are expensive, complicated and totally divorced from the rhythms and skill sets that power digital publishing. Amazon has made free shipping, free returns, one-click orders and other perks table stakes of online shopping, and publishers can't compete with that.

A rare exception is Clique, which has wanted to put commerce at the heart of its strategy since its inception in 2007, raising $15 million to build a consumer brands department.

One of the companies that invested in that round? Amazon, which has lately taken a special interest in trying to build its own brands. "They said, 'We're interested in learning from you,'" Clique co-founder Katherine Power said.

More typical is the experience of millennial women-focused Bustle, which started in e-commerce by making deals directly with brands and retailers in pursuit of higher commissions. But the conversion rates, bogged down by different checkout schemes and other problems, didn't drive enough revenue, and Bustle switched to Amazon after less than a year.

MARK WARNER

U.S. SENATOR FROM VIRGINIA

Responsibilities: Ranking member of Senate intelligence committee

Insider's take: The top Senate Democrat has been one of the most vocal lawmakers calling Facebook to account over ads run by Russians to influence the U.S. election. He and fellow senators introduced the bipartisan-supported Honest Ads Act to force Facebook and Google to make their ads open to public inspection. Google has been successful in beating back legislation over its ads in the past, but given the mounting opposition the tech companies are getting from all corners, Warner & Co.'s timing has probably never been better.

THE DTC OD

Fashion has been flooded with direct-to-consumer brands, but few will grow beyond niche

BY HILARY MILNES

The Warby Parker for pajamas. Handmade Italian shoes without the markup. Kids' clothes that cut out the middleman. Yoga mats that tack a donation onto every purchase because brands should stand for something. A fresh-from-Harvard Business School founder who proudly declares he couldn't find his favorite pocket square on the market, so he decided to make it himself.

"Startup founders are like preschoolers," says the founder of one direct-to-consumer apparel brand. "Everyone thinks their brand is the most special, when really, they've become interchangeable."

According to an October study by retail research firm Loose Threads Intel, more than $1 billion venture capital dollars have been pumped into direct-to-consumer brands since 2008. In 2018, the VC well of cash will continue to dry up, and two camps will emerge: the digitally native brands that actually have a profitable future ahead of them and the ones that don't. The ones that have padded their businesses with big investment rounds are already in trouble.

"Money creates expectations," says Loose Threads founder Richie Siegel. "We're now looking at an environment that's full of hype that doesn't live up to reality whatsoever."

The successful brands will be the ones that have laid out plans that are realistic about growth. Luke Grana, founder of the apparel brand Grana, says his company doesn't have plans to raise more capital in order to avoid disproportionate expectations. So far, the company has raised $16 million in four rounds. An added value proposition will take some brands even further. For instance, beauty brand Glossier has created a Slack channel to feed direct customer insight into the brand's decisions.

"A community is just customers who have something in common. A network exchanges value," says Siegel. "That's going to raise the bar."

How did we get to this point? For one, the barrier of entry for starting a consumer brand has never been lower. Thanks to the VC gold rush, a tiny team selling anything from bathing suits to baby clothes can pop up overnight and hit its first $10 million in sales, riding on borrowed cash. It's scaling beyond that first $10 million that's become insurmountable for most startup brands because the well eventually dries up when the path to profitability is hard to prove. When tech dollars are being funneled into consumer brands, the growth trajectory is put under tremendous pressure; all the while, competitors keep popping up. Casper seemed innovative until mirror-image bed-in-a-box brands crowded the market.

"At this point, you have to have a heightened level of scrutiny," says Scott Friend, managing director at Bain Capital Ventures. "Product businesses simply shouldn't be raising a lot of money. We haven't seen many successful exits in brand world, just successful financing."

Perhaps most importantly, it turns out the pillars of traditional retail aren't holding up a house of cards after all. These digitally native direct-to-consumer companies that promised a new rulebook for retail have backtracked on their disavowment of the physical store and the wholesale seller. The middlemen don't seem so unnecessary when it's impossible to scale on your own.

"This degree of hubris — like claiming, 'The store is dead; we're charting a new evolution of retail!' — has come back to haunt these founders," says Siegel. "If someone today tries to pitch the Warby Parker for belts, I'd hope they'll be asked to leave."

STREETWEAR HAS AN IDENTITY CRISIS

Luxury brands and department stores are trying on skate culture

BY HILARY MILNES

S T R E
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N Y C S

In early November 2018, streetwear's ascendency was on full display in Long Beach, California, where 35,000 thronged to a mix of an industry insider event and full-on cultural touchstone, where the faithful worshipped at the altar of capitalism. Streetwear's cultural heft was backed up by musical performances by N.E.R.D. and Gucci Mane while designers like Off-White's Virgil Abloh were treated like celebrities. Merchants racked up over $20 million in sales in two days.

But everybody who has seen a "Behind the Music" episode knows that epic highs always proceed falls, and streetwear is destined for a fall in 2018, as an industry that was once a subculture becomes a driving force in mainstream culture. Look no further than to an event held just two weeks after ComplexCon: Barney's teamed with streetwear bible Highsnobiety for "thedrop@barneys." When Barney's is coopting you, street cred isn't going to last for long.

"Ten years ago, Barneys' creative director told me she wished she could carry my stuff, streetwear stuff. But she couldn't because they were a department store," says Leah McSweeney, founder of Married to the Mob. "Now, they're realizing they need us — maybe more than we need them."

Therein lies the opportunity and threat to streetwear. The authenticity derived from aligning with hip-hop and skate culture is destined to be watered down as luxury brands like Gucci and Louis Vuitton use streetwear collaborations to be more relevant to younger consumers — and look a lot more cool.

As traditional fashion and streetwear continue to intertwine — the establishment co-opting the industry that sprouted up specifically as an antagonist to the establishment — streetwear is going to spend 2018 coming to terms with its newfound seat at the fashion table. It's not going to be painless, as streetwear fans show no mercy when abandoning the brands that have sold out. It also means streetwear as we know it could take on a new identity entirely.

"I call it 'street fashion.'"

"I call it 'street fashion,'" says Jeff Carvalho, the managing director of Highsnobiety, who worked with Barneys on its drop event. "The word 'streetwear' feels outdated to me. It embodies a mindset, refers to fashion that bridges design and music and skate culture. Street fashion is a more friendly term that better helps people understand where fashion is coming from today."

Streetwear collaborations are not a new phenomenon. Carvalho points out that in 2010, streetwear brands made a collective effort to pull back on the number of collaborations they would pull off per year — but now they're getting more attention. According to streetwear designer Jeff Staple, it's because in many ways, the power dynamic appears to have flipped. It used to be that only the scrappiest designers and retailers deigned to take a risk and work with a streetwear brand. Today, thanks to the rise of industry heavyweights like Supreme, now a $1 billion brand, the emergence of the streetwear scene on social media and increased competition for customer attention, traditional fashion brands and retailers are forced to look outside themselves to compete.

At the risk of losing touch with its identity, streetwear brands, built on a status of limited-edition drops and an elusive cool factor, will have to eventually draw the line.

"You can't keep taking, taking, taking from an industry that's entire existence is based on exclusivity," Staple says. "But at the same time, the high-fashion collaboration itself — like a Louis Vuitton and Supreme — can heighten the exclusivity of both sides. It comes down to brands and retailers choosing their partners wisely. You can't just slap these things together and expect it to work."

Expect the novelty of a retailer-streetwear collaboration to wear off as streetwear brands become more skeptical about what's in it for them. Staple says that, as always, good product is what wins no matter what. If a hot streetwear brand designs a sneaker, it could realistically choose any retail partner to distribute it, and the fans will come flocking. This won't damage the brand. But it's a risk for big retailers, like a department store, which will have to figure out how to match those sales next year. As we all know, lightning doesn't strike twice.

E E T F A S H I O N
S T R E E T N Y C
E E T F A S H I O N

"There's no formula, unfortunately."

"There's no formula, unfortunately," Staple says.

Carvalho says there will always be fans of streetwear brands — particularly the ones who caught on to a rising star early — who are disappointed as soon as the brand does something considered "selling out." Where they spend their dollars will match that disappointment.

"There are always risks, like, how do you continue to build a new customer set without alienating your existing customer?" Carvalho says. "That's something we're thinking about ourselves: staying true to our original mission, even as we scale. The thing about streetwear is, there will always be a constant stream of up-and-coming, cool, exclusive, under-the-radar brands waiting to take the place of the sellouts. So they have to watch their backs." ◘

STREETWEAR PRIMER

Beaters *n.* Sneakers worn in rain or snow or wherever it's possible they'll get dirty.

Boxfresh *adj.* Describing an impressive new pair of sneakers that have never been worn.

Cop *v.* To buy, usually an item from a new drop.

Colorway *n.* The set of colors used to design a pair of sneakers. Some colorways can make different versions of the same sneaker more valuable.

Drop *n.* A new product or collection release.

Fit *n.* An outfit, most likely meticulously put together.

Fire *adj.* Impressive, hot, nice. Usually relating to someone's fit.

Flex *v.* To show off a particularly desirable piece of clothing or pair of sneakers.

Grails *n.* Ultra-rare sneakers or clothing.

Hypebeast *n.* Someone who's always after the most buzzed- or hyped-about sneakers and clothing, and will pay any amount of money to get their hands on them, usually desperately.

Mallcore *n.* Clothing that is heavily derided by streetwear fans, usually consisting of items from brands that have gone too mainstream and are now sold in stores like PacSun.

NIB *adj.* New-in-box, an abbreviation used by resellers to signify that the item they're selling has never been worn.

Pack *n.* A small collection of a few styles of sneakers and apparel released by a brand all at once, following a similar pattern or theme.

X *conj.* The signifier indicating the two contributors in a collaboration, e.g., Supreme x Louis Vuitton.

THE STORY BEHIND THAT NEW YORKER TOTE BAG

BY MAX WILLENS

The must-have signifier of urbane sophistication in 2017 wasn't Yeezys or torn jeans. It was a tote bag that The New Yorker gives to new subscribers.

The bag itself isn't new – it's been a gift the glossy has given out since 2014 — but thanks to Donald Trump and an iconic design, the bag became a hit. The magazine's marketing department has distributed over 500,000 of them, to new subscribers and existing ones, who soon started asking for ones of their own.

Dwayne Sheppard, vp of consumer marketing at Condé Nast, relives the hubbub.

We knew we were going to launch the paywall, and we knew we wanted to have something special. We told [designer] Wyatt [Mitchell] we wanted a tote bag. That was really the only direction we gave.

I loved it from the start. We had a bit of a debate if the design was going to be one side or if it wrapped around. I think my initial reaction was one side, and I'm so glad I got vetoed.

I've been at Condé Nast for almost 20 years, and I've never seen anything like this.

I've been traveling a lot personally, and my new game is, "How long will it be before I see a tote bag?" In Berlin, it was day three. In Dublin, it was 24 hours. No matter where I go, I tend to see at least one.

It was in 2015 when I got my first email from a current subscriber asking for one. I don't remember where [the subscriber] was from, but it was definitely an indication that something was going on.

If they reach out, they get one. But up until last year, it was something we only gave to U.S. subscribers. The Canadian and international subscribers were getting annoyed. There's a greater cost sending it outside the U.S., but it's worth it to us.

We definitely have seen the Trump bump have an effect — we had our highest month ever in January '17 — but I was seeing the tote bag even before.

I don't think there's any pressure [to top it]. It's a nice perk, but I don't think people are coming to The New Yorker to subscribe just for the tote bag.

STEP INTO THE FUTURE

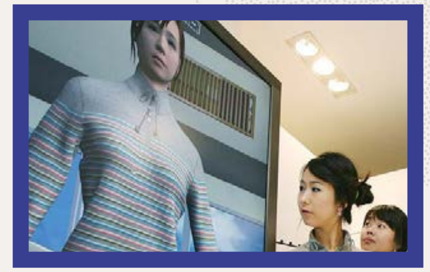
Retail has been falling in the U.S. But across the Pacific Ocean, there are many retail innovations in Asia, ranging from product display to payments to logistics. Here's how the store of the future is being rethought in China, South Korea, Japan and India.

BY YUYU CHEN

INDIA

E-wallets: India has more diverse mobile payments than China, where Alipay and WeChat Pay dominate. Paytm, Oxigen, MobiKwik and PayUmoney are among the major mobile payment services in India.

SOUTH KOREA



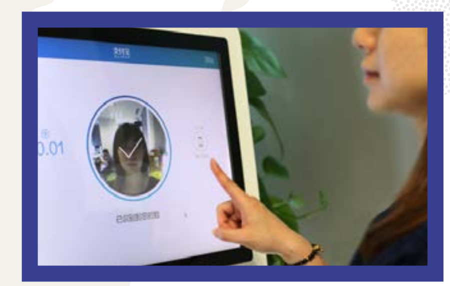
3-D shopping assistants: Physical stores like iClothing use 3-D scanners to scan shoppers' bodies and create a 3-D avatar of them. Then, visitors can go to the physical store and virtually try on clothes with the avatar, skipping the fitting room.

JAPAN

Smart vending machines: These machines take a picture of shoppers and recommend drink choices to them based on their gender and age. Then, customers make their choice using a digital screen.

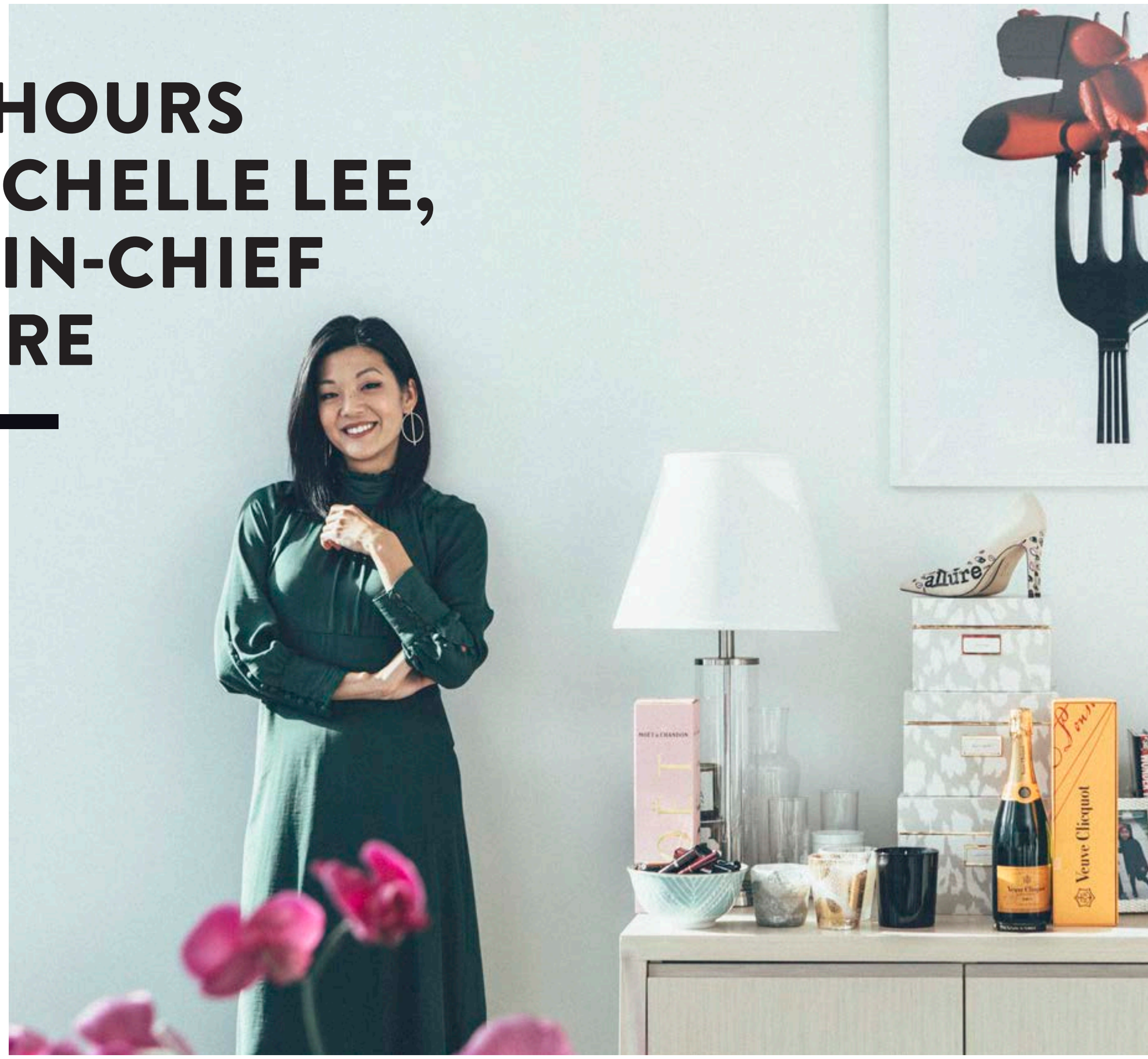
CHINA

Unmanned stores: Staffless stores like EasyGo and BingoBox are an emerging phenomenon in China.
Super-fast food delivery services: Platforms like Meituan and Baidu Waimai can usually deliver food to consumers in around 10 minutes and allow them to track their delivery on mobile. Seamless and Grubhub would be considered "too slow" by Chinese standards.
Mobile bike-sharing: Two startups, Mobike and Ofo, offer station-free bike-sharing services in cities like Beijing and Shanghai.
Facial recognition payment: Alibaba-owned fintech company Ant Financial tested a facial recognition payment service called "smile to pay" with KFC in China.



OFFICE HOURS WITH MICHELLE LEE, EDITOR-IN-CHIEF OF ALLURE

BY JESSICA SCHIFFER



In Michelle Lee's office, all-white furniture and floor-to-ceiling views of lower Manhattan are punctuated by orchids and roses in varying shades, bowls of brightly colored nail polish bottles and tinted glass bottles of perfume. It's exactly where you'd envision the editor-in-chief of Allure spending her days.

"People really knew Allure for their product savvy, but I wanted to build off that and make sure that we were a buzzy brand, too," says Lee. Under Lee, the magazine has increased its coverage of women of color and the LGBTQ community, while tackling unexpected or provocative subjects like albinism and pubic hair.

Even the language the magazine uses has changed.

"We're constantly exploring how the words we use might be affecting people in ways that we don't understand," says Lee, citing "anti-aging" as an example. Allure has discarded that once-loved term and worked to embrace women of every age: Actress Helen Mirren, for example, was on its September cover.

Lee wants her environment to feel welcoming, another difference between her and the old guard. "I have an open-door policy to the point that if my door is closed, people wonder if something is wrong," she says. It's not uncommon to find her listening to music — lately, Marina and the Diamonds or Lorde — while she works.

She describes her leadership style as collaborative, hoping to avoid the micromanagement she's experienced in her own career at all costs. "I focus instead on hiring people that I really trust so that I can then let them fly," she says. "I see myself as the director of a movie, with all of these talented people under me, and I want to make sure that I'm fostering their careers and hearing their input whenever possible."

That accessibility extends to her personal style, which she describes as "pretty/tough." She favors flowy dresses that are fitted at the waist; Zara is a common go-to. It's the accessories — edgy boots or a leather jacket — that she'll splurge on.

Skin care and makeup are complex for a woman whose job is to focus on beauty. A portion of her desk is dedicated to the endless boxes she receives from makeup companies. Products she loves go home with her or sit on a glass tray on her desk; the rest are placed in various bowls throughout her office or given to other employees. Although the freebie excitement has waned by now, certain products still cause her to "fangirl," she says. Most recently, it was a bag of makeup from Chanel and a full collection of products from Anastasia Beverly Hills.

"I posted this photo of my daughter wearing my sunglasses and a mini leather jacket and captioned it 'Mini Michelle Lee.' It was so popular that we created an Instagram under that name for her."

"Any fragrance that I really like ends up staying on this tray table. Bergamote 22 by Le Labo is my all-time favorite. It's clean and citrusy."

"These are special roses that last over a year. I'm not sure how they do it, but they're amazing — they still smell fresh."

"Getting a nice pen changed my work life. I'm someone who still takes paper notes – I think that the act of writing keeps me more engaged."

"This is my under-desk elliptical machine from Cubii, which I rarely use. I'm under no illusion that it's replacing a full workout, but it's better than nothing, right?"

"I splurged on these Gucci heels when I first got here. I don't wear them all the time, but I spent so much money on them that I figured I should at least display them."

LOOKING AHEAD

How Refinery 29, Electus, and Crispin Porter + Bogusky envision their brands

SPONSORED BY GUMGUM

What does it mean to be a visionary? For some, the title could imply possessing an eye for cutting-edge design, or a penchant for bold ideas. Others might equate a visionary with a leader who marches their team into unknown territory. But no matter which definition seems to fit best, one thing remains true across all iterations—to be visionary is to be looking forward, keeping an eye on the horizon of innovation and creativity.

This is the quality that category sponsor GumGum aimed to honor by recognizing Refinery29, Crispin Porter + Bogusky, and Electus as finalists for the GumGum Visionary Award at the 2017 Digiday Awards, have in common. Through their distinctive campaigns, each brand displayed their own unique take on what it means to be a visionary. We spoke to representatives from all three brands to get a better insight into the creative process behind their respective campaigns.

Refinery29: Envisioning empowerment

While all of the finalists displayed an incredible amount of creativity, award winner Refinery29 edged out the competition with their ambitious "29Rooms", a self-described "immersive, interactive fun house," designed to empower and inspire women. Filled with bright visuals and brighter ideas, this proverbial Instagrammer's paradise was wisely held during New York Fashion Week, a conscious decision according to senior brand strategist Finola Austin. "Because Refinery29's roots are in style, we wanted to host 29Rooms during New York Fashion Week," she explains. "However, New York Fashion Week has been traditionally defined as very exclusive, definitely subscribing to one view of beauty and what people should look like. So during the original conception of 29Rooms, we envisioned it being an acceptable, inclusive thing during this very exclusive week."

This vision certainly speaks to Refinery29's brand as a whole — evident especially in their 67 Percent Project. "67 percent of the women in the U.S. wear size 14 or above," Austin notes. "And yet, we found the media is only representing them in 2 percent of images. At Refinery29, we have always prided ourselves on being inclusive from the beginning, but even looking at our own content we found we were only including plus size women about 8 percent of the time." In response, the brand made a commitment that 67 percent of their website images would include these women, eventually partnering with Getty Images to create more realistic stock photography to encourage other brands and publishers to join the body positivity movement.

Crispin Porter + Bogusky: Envisioning ecommerce IRL

The success of connecting this empowering vision across multiple channels was inspiring — and Refinery29 wasn't alone among finalists in the challenge of bringing a digital brand to an IRL space. Agency CP+B found a way to bring online giant PayPal to a real-world eclectic marketplace, and the result was Local Selects, an inventive — and accessible — disruption of the old-school flea market. CP+B LA creative director Sabina Hesse found visual inspiration in the Melrose Trading Post — a staple of local Los Angeles culture — for typographic design. "Los Angeles has always had a long history of inspired signage," says Hesse. "On our drives to the Melrose Trading Post, we found that all of these signs were reflecting their owner's personalities. An equal observation was made for each tent at the marketplace. So, we referenced typographic styles and dynamic angles found on these signs when designing for the logo."

Electus: Envisioning entertainment

A small visual flourish like typography can make up a major component of a brand's identity, so one can imagine the impact of a larger element, like set design. On television show, The Toy Box, a Shark Tank-style kid-focused reality show produced by Electus, the set visuals take center stage in setting the right tone — and reinforcing brand image. "Mattel has such a rich heritage," notes Electus chief operating officer Drew Buckley. "The set harkens back to Barbie, Hot Wheels, and the Magic 8-Ball. It brings authenticity to the project, and it gets inventors excited because they can envision their own toy being sold on the shelves of Toys"R"Us right next to these products." With a backlit showcase of elegantly posed Barbie dolls prominently displayed against the wall of the set, the effect is equal parts aspirational, fun, and wholly Mattel.

The Wrap-Up

Through these innovative campaigns, these 2017 GumGum Visionary Award finalists utilized visual elements to strengthen brand identity, bridging the gap between URL and IRL. ◘

DAY IN THE LIFE

DANIELA BRAGA

The annual Victoria's Secret Fashion Show can be enough to catapult a model's career — just look at the resumes of veterans Adriana Lima and Alessandra Ambrosio. Brazilian model Daniela Braga, who walked her fourth Victoria's Secret show in Shanghai in November, kept a record of show day, from her morning workout to the backstage hoopla to the after-party.

BY JILL MANOFF

6:30 AM

I wake up with excitement and anticipation, ready for the day ahead. I immediately get dressed and head to the gym for a quick workout. I like to run, as it clears my mind, and I stretch to align my body. I also like to do exercises that use my own body weight for resistance. I can do them anywhere at any time, which works well, considering the nature of my job. I usually mix that routine with HIIT [high-intensity interval training] workouts and the occasional spin class to keep my body in athletic shape. After about 45 minutes, I'm ready for breakfast.

7:25 AM

I'm back in my room at the hotel. I order room service and put on some music to get me in the right mood for the day. I'm loving Dua Lipa at the moment; her music's empowering and upbeat.

7:55 AM

My breakfast arrives: a big bowl of berries and a bowl of oatmeal, which should keep me going through the day. I know the rest of the day is going to be busy, so I take these last few moments for myself.

8:45 AM

Shower time. I apply a 10-minute face mask I've used for years. It makes my skin look radiant and fresh, and I want to be sure to look my best. Everything else is quick; I'll have help getting ready at the show space.

10 AM

I meet the other models and the amazing team from Victoria's Secret downstairs so we can travel to the arena together. The atmosphere is electric, and it's so great to be surrounded by a group of girls who empower and encourage each other. I realize how blessed I am to have this opportunity.

10:20 AM

In the bus! I make sure to get a few more glimpses of beautiful China, as I will be returning to New York in the morning.

11:30 AM

We arrive at the arena. It takes my breath away with its sheer size, and seeing the Victoria's Secret logo in front gets me excited. There are a lot of people outside the arena who are waiting to wave to us as we get off the bus, which only increases my anticipation.

NOON

We are finally inside the venue, and it's time for hair and makeup. The prep area inside the arena is huge. There are rows and rows of black tables and mirrors set out on bright pink carpet. All of the girls — an incredible cast of beautiful, diverse models — are seated and chatting with their assigned hair and makeup teams as they get to work.

1:45 PM

Still in the makeup chair. There is a lot of activity: Social media takeovers are happening, a few specially selected journalists are backstage asking questions and taking pictures, and my agents from Next Models come and say good luck. There are regular updates from the show producers, counting us down to our rehearsal.

3 PM

We head out front for a final rehearsal. We have practiced many times prior, but it's always good to have one last practice. The stage seems bigger than ever, plus it's all lit up now, and the music is pumping. My adrenaline is at a high. I will be appearing in two sections of the show, so I get to practice my walk twice. I'm excited to hit the stage with this year's performers: Harry Styles, Miguel, Jane Zhang and Leslie Odom Jr.

4 PM

Final hair and makeup preparations take place, and we are given a pep talk by the Victoria's Secret team. I'm feeling confident and ready to go. We move to wardrobe, where we put on our first looks. We have had several fittings leading up to now, and it's awesome to finally have the final pieces on.

5 PM

The show is still an hour away, but we can already hear the crowds taking their seats. All of my friends are dressed, and we are ready to go. Little known fact: We actually do two shows! That way, it's perfect when it airs on TV. My agents at Next are in the audience ready to cheer me on.

6 PM

It's the time we've all been waiting for! I prepare for my first appearance on the catwalk — it seems everything goes silent in the minutes before I take to the runway; I'm waiting for my cue to walk, and I'm in a zone. The experience always winds up a blur, and it's over in a flash. I walk in my first look — smooth sailing — then run backstage to change to my second outfit.

6:35 PM

I am walking with fellow Next model Aiden Curtiss this time around, which is so fun. We get each other pumped, then head to the runway for a second round. The arena seems as big inside as it did from outside, and it's exhilarating to walk to the music and see the crowd cheering me on. It's decidedly the best I've ever felt.

7 PM

The second show is on, and I start to get sad, knowing the experience is almost over. What an experience! From walking the show to seeing the sights of Shanghai to spending time with my fellow models, it's been amazing. Just as quickly as the first show, the second show comes and goes. Wow! The best feeling.

8 PM

The shows are over, but no, we don't get to rest and relax. We get set to head to the after-party, also hosted at the arena. We have final hair and makeup touch-ups, and we change. I put on a short Balmain dress, kindly loaned to me by designer Olivier Rousteing. I've walked for the brand at Paris Fashion Week, and I got to be a part of the Balmain section of the show tonight. (The brand has a new collab with Victoria's Secret.)

9 PM

We start to dance the night away! The music and atmosphere are incomparable. It's hard to believe that in under 24 hours, I will be back to my day to day in New York.

11 PM

I arrive back at the hotel, take off my makeup and get ready for bed. I keep replaying the experience over and over in my mind, so it's hard to wind down. I can only hope that I get the opportunity to take part again next year. With that, I close my eyes and prepare to keep dreaming.

BACK TO BASICS

BY BRIAN MORRISSEY

The platforms fever is slowly breaking. The fire sale of Mashable for $50 million, when it raised $46 million, was a somber sign that the age of distributed publishing is coming to a close. Using Facebook to grow giant audiences and then relying on ads alone as a revenue model is looking like a fantasy.

What comes next is what we termed the “pivot to reality,” a return to basics as publishers give up on get-big-and-rich-quick schemes that might work in attracting venture capital in favor of the tried and true. There is more sober talk in publishing heading into 2018. Tend to your brand. Differentiate your content. Build direct connections to your audience. Get meaningful numbers to convert to subscribers. Build ancillary revenue streams in events, agency services, commerce. Do not pin all your hopes on a fickle ad market and a Hail Mary that video ad dollars will magically appear.

Media has never been a business for the faint of heart. There are a lot easier ways to make money. The sale of Time Inc. for $2.8 billion to Meredith underscores just how quickly the most powerful can be brought to heel. Nobody will confuse Mashable for Time. But more Mashables will inevitably appear. LittleThings, a Facebook-fueled feel-good publisher, is considering putting itself up for sale. Vice and BuzzFeed are scrapping IPO plans. Gizmodo Media Group is looking for capital.

There are, however, signs of hope. The New York Times has managed to do what many thought was the impossible: It pivoted its entire business model. The Times now boasts 2.5 million paying digital subscribers. The Washington Post has topped 1 million digital subscribers. The Financial Times now has 700,000 digital subscribers, up 14 percent over the past year. The Guardian now has 500,000 paying users, pioneering a unique membership strategy that bears watching. On a local level, the Minneapolis Star Tribune has made headway in getting readers to pay. Plays like The Information, Stratechery and The Athletic show that passionate audiences, ideally with a corporate card, will pay for content.

Beyond ads and subscriptions, enterprising publishers are finding new money in commerce posts that might not win many awards but can supply a healthy-margin business by driving sales. Barstool Sports has proven the model of a modern publisher: building a commerce business that’s a third of its revenue, thanks to a legion of passionate fans.

Advertising remains a very good business model for publishers. BuzzFeed, Vice and others going through rough patches are still growing substantially, although not at the level of expectations they signed on for when taking massive funding rounds. Bustle Digital Group, for instance, is touting 50 percent digital ads revenue growth for the year. The problem, as Bustle CEO Bryan Goldberg sees it, is not ads — it’s mismatched growth expectations. 2018 will bring a new sobriety to digital media as the heady days of hockey stick growth, in audience and revenue, give way to the grind-it-out reality that’s always been media.

There are no shortcuts to success in media, only incremental progress and reward for those that are always moving forward.

DIGIDAY