The ad business is still sleeping on the end of cookies

Next in Marketing – Season 3, Episode 05

Mike:
Hi, everybody. Welcome to Next In Marketing. My guest this week is Ari Lewine. He's a co-founder and chief strategy officer at TripleLift. Hey Ari, how are you? Thanks for being here.

Ari:
Thanks for having me, Mike.

Mike:
I have that right. You are the chief strategy officer these days, correct?

Ari:
That's right. The CSO.

Mike:
I think a fair number of our audience will know TripleLift. You guys were in the news in a big way, about a year ago, especially. But maybe you can just give everybody the brief origin story of the company. What it was founded on where you are today. I know there's a lot of twist and turns there, but catch us up on TripleLift.

Ari:
TripleLift started in 2012 as a programmatic advertising technology company, focused on making a better ad. So at that time, programmatic was taking off. It was super incredible transformation, how ads were transacted, but people weren't really focusing on what the ads look like, that were being transacted through this new way. And so TripleLift was basically created to fundamentally, rethink how ads can be much more empathetic, much more effective, much more respectful. And that led us

to pioneering what is now called, native programmatic, which are ads that match the specific look and feel of the publisher's page and can be easily bought through DSPs and SSPs. And so, we invented that technology in 2014, it really took off in a big way. We were very fortunate.

Mike:
And around that time, that was when the banner people were realizing, oh, the big social platforms are not going to use banners. They're going to use their own native advertising, that is really like, the platform of the platform. People wanted to apply that to the open web a little bit more. That was the premise behind the native category, right?

Ari:
That's right. If you can imagine a marketer at that time, they're spending a portion of their budgets in walled gardens and a portion in programmatic, all the walled garden spend was native. It was a specific ad format for Facebook, Snapchat, Pinterest, Twitter and the like. And then once they go into their DSP, it was things called 728x90's and 300x250's. And so-

Mike:
They're trying native stuff on Buzzfeed and those kind of sites, but that's not programmatic. It's not scalable at that time, at least.

Ari:
That's right. And that's what we typically refer to as, branded content, right?

Mike:
Right.

Ari:
Where you're running long form articles. And so we said, let's bring these native ad formats within walled gardens, to the open internet for the first time. And they perform way better than banner ads. They look beautiful, consumers prefer them.

They're better in every way. And so, we help create that technology. And since then, we've been continuing to innovate. So we launched additional ad formats like, instream video and display advertising. So now, we offer every major ad format, we've expanded globally into Europe, Asia. And the big thing we're doing now is, two specific things. One is, that we're taking the same playbook that we did in native, of reinventing the fundamental ad experience, and we're applying that playbook to connected television. So we're trying to think about, we've been running 15 and 30, and 60 sencond ads for something like, 70 years now, as an industry.

Ari:
And yet, connected television allows for so much more, how do we create new, less intrusive ad experiences within connected TV? And for us, we think that real opportunity is, to find really non-intrusive ways to have the brands share their messages in the content themselves. So that can take the form for instance, of overlays. It could be post-production, personalized product placement. So for instance, our technology can insert a Coca-Cola can, when one viewer watches a show on the table, and when another viewer watches a show, maybe a Pepsi can on the table.

Ari:
And our technology can actually facilitate that in a way that looks beautiful and seamless and scalable. And so, a lot of our focus in terms of our technology, is being applied now, to the connected television space. And the second area that we're really focused on now is, to think about the future is in, identity specific, leveraging first party data, which we think is going to be the foundation for the programmatic ecosystem when cookies go away, and we're building some of the, what we think are the most advanced tools for marketers and publishers, to best use their first party data.

Mike:
Okay. I want to thank you for blowing through all my questions in one answer, right off the bat. So you can just jump ahead.

Ari:
Yeah.

Mike:
But no, I want to come back to a couple of those topics. They're super interesting, but maybe just, if we can go back to a couple things. I want to ask you about, the original vision at the time you guys were launching, there were several companies in the native ad space. And there was maybe, a thought that banners would go away entirely, maybe the broader publishing world would flip a switch one day, and replace everything with native. And what it seems like is, they become core units for some publishers, complimented in other cases, lots of different players and pieces. What do you think happened along the way, there?

Ari:
I think this story's still being written. Had we done this interview in 2014, I would've said banner ads by now, were probably on their way out. I think if you look at the data, the native market outside of walled gardens and social networks is growing faster, significantly faster than the broader display market. And it's largely taking share from display. So it is the case that, should this trend continue for the foreseeable future, at some point, native will be bigger than, and maybe become the dominant format for programmatic advertising. We're not there yet today, just because of the rate that those things are growing, but we are on the right trajectory. So maybe it's not a 10 year thing. Maybe it's a 25 year thing, but although the data and trends suggests that we're still on that trajectory, that native is a better ad format and that marketers and publishers tend to prefer it. But these things happen quite slowly.

Mike:
Right.

Ari:
And that's charging along. And we, as a company, have recognized that it's not the answer, it's an answer. And coming up on us to support all the ways that brands and publishers want to transact.

Mike:
Right. It's just that, there's a lot of plumbing to undo and market inertia to change, to just flip a switch and get rid of the banners overnight, but you're heading in the right direction.

Ari:
That's right. And the other thing I will say is, even though we invented native programmatic in 2014, the initial days, like any nascent technology, there's not a lot of scale. The technology isn't seamless. It got really, really good, I would say in 2018, 2019. And right now I would say, it's starting to get exceptionally strong, where there's tremendous scale. Buying a native ad on a DSP today is easier than buying a banner ad. And that I've only been able to say that relatively recently. So I think there's a question of, do you start the clock on native programmatic in 2014? Or do you start the clock when it really becomes extremely easy and scalable? [crosstalk 00:07:01]

Mike:
Right. When you don't have to definitely ask brands to do a test or do something outside of their playbook, like you're doing. This is right in the center of how they operate, you can really start scaling.

Ari:
That's right. And what I think is happening now is, we support banner ads and video ads and connected television ads and native ads. And many of our customers today, what they do is, they're saying, "We're trying to achieve X, Y, Z objectives. We're going to run all these formats and let the data figure out what's working and what's not." And I think that's the right approach, which is, it's not starting a campaign saying, this is a CTV campaign. Or this is a mobile campaign. IT's, we're trying to achieve this objective, and we're going to use all the tools available to us, and we're going to test and see what works.

Mike:

Right. Makes sense. Okay. Let's talk about, I mentioned you were in the news, roughly a year ago. You had an outcome, an exit of sorts. Talk about what happened, and what that means.

Ari:
Yeah. So in the spring of 2021, we sold the majority of the company to Vista Equity Partners, which is a large, private equity firm that specializes in software. I think it's one of the largest, if not the largest software company in the world.

Mike:
What other names are they involved in, that people would know?

Ari:
Integral Ad Science. They recently sold Mediaocean. They sold Marketo a few years ago. Those are some of the names in the product they [crosstalk 00:08:27]

Mike:
They know the space.

Ari:
Yeah. They know the space extremely well. So that was a really interesting point in time. So one thing I think that's worth noting when you think about these exit events is, when you take venture capital, as we did, you basically are making a deal that you intend to provide liquidity for your shareholders at some point. And so, it's just a question then is, if you can provide liquidity and have an outcome and exit, what's the best kind? And after about a decade of doing this, we felt that the time was right to explore this. And by the way, prior to that, we hadn't really thought about it, talked about it. There was no plan. And then after a decade, we said, "Wow, there's a lot of interest in what we built. We should probably entertain the conversation in a way that we previously didn't." And the conversations were far reaching.

Ari:

At that time, there were, if you can imagine back then there was a SPAC craze. So a bunch of SPACs were interested in talking to us. There were strategic parties who were interested in acquiring the business, and then there were private equity firms. And so, we were in this really fortunate position where, we got to have the conversations and learn and think about what does going public through a SPAC look like? What as being acquired by the strategic look like? And what does private equity look like? And for us, private equity was a clear answer.

Mike:
Is that because people talk, there's all kinds of startups and they have different missions and plans, and people hear this term exit. And they often think of, "I sold it, I'm done. I'm going to a beach now, because I have all my money. I'm not going to do anything." Where other investments are like, "We want to give you more money and you can do more stuff. And the founders are going to stay." What went into the decision? It sounds like you were clearly not done, in your mind.

Ari:
That's right. That's exactly right. So generally, when you sell to a strategic, it depends what the nature of the deal is. But oftentimes, they're buying your technology and your team, for their purposes. So not always, but you certainly lose control, which may or may not be a bad thing, depending on what your business is trying to do and what you're in. But for our goals, we still have incredible growth opportunities ahead of us that we want to pursue. And generally speaking, in the conversations we were having about being bought by larger tech companies, we would not be a position to pursue those. So for example, our connected television business, I think, is going to be even bigger than any of our current businesses today.

Mike:
Hmm.

Ari:
And that was not something that a lot of the strategics were willing to invest in, to the degree that we want to where... Transforming television-

Mike:
You don't want to let that go, you want to build that, you want to keep going.

Ari:
That's right. So then, the question is going public, or private equity? Both are options that allow you to continue to run the company and to continue to build technology. The SPAC conversations we were having were just, bizarre. Now, a year later, you look at what's happened to SPACs, it all makes sense, but at the time, they were so eager and the conversations were so unusual with folks who had no understanding of ad tech, but were willing to do a deal. This was a red flag for us. So we didn't really, take it super seriously. These were folks who, due to the economics of how SPACs work and sponsor and promote fees and the like, they appeared to be more eager to do a deal, than to do a deal with [crosstalk 00:11:37]

Mike:
Because they believe in your company and love your products, yeah.

Ari:
That's right. They didn't really, understand the programmatic advertising ecosystem. And then, we talked to a private equity firm, like Vista who understands programmatic advertising extremely well. And so we said, private equity seems to be the best path here. And if you look, by the way, it was all that weird conversations with SPACs and IPOs, turned out, turned out to be a great decision.

Mike:
Yeah, your instincts were right. There were not many that worked out or even exist.

Ari:
The volatility at that time, that we saw, made us really uncomfortable. So many people were saying, "This is actually an ideal time to IPO, because they're hysteria in the markets. For us, it was the opposite, which is, things don't seem to be in a really stable foundation right now. So we said, "let's partner with Vista, someone who really

understands our space, someone most importantly, that wants to invest in areas like cookie list solutions and connected television, which are areas that we are passionate about." And Vista allows us to do that. And is even more aggressive than we would otherwise be, they're oftentimes pushing us to invest more heavily, think bigger. And I love that kind of collaboration with them.

Mike:
Very cool. And when they put $1.4 billion into the company, do you keep that at home? Is it a suitcase or something? How does that work?

Ari:
Yeah, there's a series of suitcases here in my bedroom.

Mike:
Oh, cool.

Ari:
No, so the $1.4 billion is the total valuation of the company. The way it works is, predominantly what's called a secondary transaction, which means that existing shareholders sell their shares to the private equity firm. So a lot of that is our venture capital investors, and a lot of it is employees. So one of the most rewarding things for me honestly, is as an entrepreneur, you carry a lot of this pressure all the time. Not only is there pressure to make your customers happy and to do right by your employees, but there's always this thing hanging over you of, everyone has put so much of their life and time and energy into-

Mike:
Mm-hmm (affirmative). People sucked it up for you, you want to pay that back somehow.

Ari:
That's right. We do these onboarding sessions that, I meet with every new employee at some point. And I ask them any questions. And invariably, the most common

question is, what's the exit? How are my shares going to be valued? And to be able to actually, deliver that value for folks on our team is just, incredibly rewarding. One, just to have the sort of pressure off, because it builds after a decade, it gets quite intense. But secondly, because they deserve it. These are the folks who built the company, and to be able to reward them accordingly, it just feels really great to do. And so, I can't emphasize enough how just exhilarating it is to actually, do right.

Mike:
You kept your word, you gave them [crosstalk 00:14:18] That's pretty cool.

Ari:
We promised them that, if you build something great here, it's going to be worth your while. And we were able to do that, and that just feels... Just leaves me with a really warm and fuzzy feeling.

Mike:
Very nice. Okay. Let's go take a higher level of view of what's going on. Ari is known as a very prolific LinkedIn writer and I always recommend people, take a look at your feed, because you talk about not just your company, but the industry. And one of the things, you hinted this in our conversation, the market right now, if you're looking at it from far away, it seems like this is a blunt way of looking at it. But with all that's gone on with, you mentioned cookies and Apple ID and everything that's changed, privacy regulation concerns. It's, you either have identity data or you don't, and the companies that winning right now, have first party and the ones that don't, are in trouble. Is that fair? Is that a way to look at it? Is it that dire, that stark?

Ari:
I don't know that I view it like that. I think there are companies who are, either investing in and taking seriously, the notion that they will be a fundamental rethink that will need to happen, in the future and those that aren't. And I believe, that's how I view it. And so, at Triple, if we spend most of our time thinking about what the future looks like in a world without third party cookies, and are building significant technology to support that eventuality. The reality is, that we as we sit here right now,

in Q1 2022, we don't know a lot. We don't know a lot, how Privacy Sandbox may or may not develop-

Mike:
Right.

Ari:
And the various solutions within, right now, that's topics and fledge and other things, we don't know what's going to happen with regulation and legislation, and how that's going to play out in the US and in Europe, and other markets. And there are a lot of unknowns. We don't know, what solutions work well. We've never given contextual a real chance before, and so that remains a TBD. And so I think there's a lot of unknowns. I can tell you though, that we're placing bets in all of these areas so that, regardless of how things shake out, we can continue to provide value for publishers and marketers. And one thing in particular, that we think we're making a big bet on, is first party data. We think that being a technology company that works closely with publishers, we can provide unique technology algorithms and models to help publishers make as much money and make their first party data as effective as possible. And that's the route that we're choosing to take and really prioritize.

Mike:
So let me make sure I understand what you're saying there, because there's been lot... First of all, you're right, there's so much, still prolonged uncertainty in the market, but there's been various attempts at creating a cookie alternative that gets you used, widely. It sounds like you're not talking about creating your own identifier, you're talking about helping publishers get more out of what they already have or get more of it is that-

Ari:
That's right. The whole identifier space is often talking about authenticated users. So these are users who, both the advertiser and publisher have been enabled to authenticate, using something like an email address, against an identifier. The reality is, we don't know how much of the total programmatic audience will be identifiable

through this mechanism. There are various estimates and who really knows. We have our own ideas and our own best guesses about what those percentages are.

Mike:
It's probably unlikely that everyone is going to register for every site out there, and their ID is going to be out there for use everywhere you go. Right. We almost overestimate that.

Ari:
I think so. And I'm not willing to bet on that. So I think we will support that, everyone will support that. That will be a standard use case, but I don't think that will be the majority of the online audience, will be logged in and authenticated and identifiable through that mechanism. So first party data refers to all the things that the publisher's able to collect about their audience on their domain, based off of the things that happen on their site, what pages you go to without even the need for authentication. So this is a really important part about first party data.

Mike:
So first party is of offense synonymous with identity, that's not-

Ari:
That's right, first party data does not necessarily require you to log in. You can discern and infer all sorts of things about a viewer in a very privacy focused way, without asking them for an email address or a login, or the like. You could see what pages they go to. And you can make all sorts of inferences about interests, about demographics and the like, based off of browsing behavior patterns. That's stored in first party cookies on that domain. And if publishers have technology solutions built by companies like TripleLift to make sense of that, to intelligently create targetable audiences for brands by using this data, we think that there's a real interesting opportunity there. One that doesn't rely on third party cookies and one that doesn't rely on over optimistic guesses about how many users are actually going to be logged into any given website.

Mike:
So that's interesting because I think of it as a lot. There's lots of sites I go to, weather.com and ESPN all the time. I never log in, I probably never will. My assumption is, those guys are going to be stuck with contextual targeting for people like me, because there's not enough you can know about me, but you're saying... I don't know if those are the right sites to think about, but there's enough stuff you'll know about users who don't log in, based on where they live and their patterns that aren't just going to be, they like sports or they like whatever.

Ari:
That's right.

Mike:
Okay. And is that product in evolution right now? Are you doing this with a lot of publishers? Where does that stand?

Ari:
Yeah, I think we're going to have some big announcements forthcoming in the next couple months.

Mike:
Okay.

Ari:
Talking more about the technology that we've been building behind the scenes.

Mike:
So does that mean you guys, I'm not ask you to make a declaration, but are you also able to work with the UID 2.0's or the other identifiers out there, that may or may not gain big traction?

Ari:

Absolutely. So we work with many of them leading identifiers today, the universal IDs today and will continue to do so. But I view that fundamentally, as largely commodity, everyone will support them and there'll be a handful of winners there. And I think that's a fairly straightforward use case.

Mike:
Okay.

Ari:
I don't think there's going to be great innovation or differentiation by virtue of supporting those identifiers. I think it's just standard infrastructure stuff.

Mike:
Right. But it's unlikely that they'll be... I'm putting words in your mouth. Tell me if I'm wrong, that they'll be, "Okay. The Cookie's gone, but we got a new thing and it's fully replacing it and that's what everyone uses."

Ari:
No, I don't think that's what the future has in store.

Mike:
Okay. All right. Recently, on this topic earlier in the week, actually the IB came out with this report and the state of data and some of it was a not surprising, some of it was alarming. And that brands... You would think the way we talk about cookies, cookie Armageddon, and all that's gone on with Apple, to death, this would be top of mind, first priority for everyone. The report painted a picture that brands are still not ready. Still, not sure what to do. Still, not ready to invest in whatever replacement or tech. Do you see that? Does it really depend on the category and the advertiser?

Ari:
I can share with you that, buying behavior has not changed in any discernible way whatsoever. So we've not seen a change to more towards, targeting and data solutions that don't require third party cookies. I think folks are taking a wait and see

approach, and probably will be moving, maybe a year from now, when the cookie deadline is much closer. There's a lot of interesting conversations, but I haven't seen a lot of movement, honestly. I think folks are generally... It's status quo out there, programmatic.

Mike:
So it reminds me of, I remember when Google extended the deadline, there was so much talk like, "We're not going to wait, we're going to get it done now." But if you told me I had an extra month to do my term paper, I would do the term paper a month from now. Psychologically, it's probably hard, not to think that way.

Ari:
That's right. And by the way, the last time there was this hoopla was GDPR, and a lot of folks were prepping at the last second. And in that case, very little actually changed. So there were many different guesses about what would happen and the guess in which it had the minimal disruption, what turned out to be the right one.

Mike:
Yep.

Ari:
And so I think some folks may just be thinking, that'll be a similar thing here. [crosstalk 00:22:56]

Mike:
Yeah, I've heard this before. What do I have to worry about?

Ari:
Yeah. The interesting thing that people don't often talk about is, this cookie list future, more than half of the ad request today, do not have a persistent identifier attached to them. And that's because they're either safari or Firefox, which don't allow persistent third party cookies, or their users who have ad block or privacy block are

installed, or they're users that just haven't been synced. So already today, [crosstalk 00:23:26] Yeah.

Ari:
So we're already halfway there. And by the way, we've been halfway there. And what I think is interesting about that is, you don't often hear about that. I don't know often hear that. You would think, that if we've been prepping for this, it'd be two strategies. There'd be the cookie list strategy for every single campaign of, here's what we're going to do for Firefox, safari users. And here's what we're going to do for Chrome users, but I've never heard of anyone really, setting up campaigns that way today and that doesn't seem to be a standard in the industry. And so, I think there's already something interesting there, that we have a long pedigree as an industry of maybe, ignoring the fact that so much of the audiences is not identifiable, not measurable and not targetable, using third party codes.

Mike:
Right. These changes are really not sudden, no matter how you look at it. Okay. As I mentioned, you're always somebody who's really thoughtful about... On LinkedIn and talking about the industry. And I remember you very early, talking about when the Apple identifier changes were coming, this is really going to hit Facebook. And I don't think everyone really understood that or had a sense of what the windows meant end for attribution, how that would change their business. So can you talk about what you saw maybe, and then maybe what you thought of, their recent earnings were market rocking and crazy.

Ari:
Yeah. So what I thought just happened, two or three quarters ago. What I got wrong and my guess was, I thought it would happen all at once, which is basically, Facebook's ability to deliver highly personalized ads in all environments, would just go off a cliff in losing the ability to actually track users in iOS. The reality that I didn't understand is that, iOS op-tin rates and the rollout of iOS happens in a very slow progression. So instead of having one big thing, it's a series of very small cuts. And the big X factor to me is, what other tricks does Facebook have up it's sleeve beyond

this? And I never know. That's always a big question mark, because it's a whole company, thousands of people thinking about loopholes and other mechanisms to gather this data, in a way that I can't possibly contemplate, right?

Mike:
Right.

Ari:
It's world class, they created the playbook on this stuff. And so, I never know what else they have cooking. It seems to me now, that they didn't really have anything compelling cooking, as far as I can tell. And now, if you listen to the latest earnings call and the words that they're saying, it sounds like literally, they will need to rebuild their ad stack somewhat from the ground up. Their existing data surveillance mechanism that feeds into their machine learning algorithms, is no longer going to be viable and they'll need to create something entirely new, using potentially, different data sources, more anonymous data sources, non individual-

Mike:
More cordial like, things.

Ari:
Correct. Now, I bet that they're going to come up with something compelling. It's just surprising to me that they're talking about it at this point. I thought that would be something they would talk about two years ago, when the writing is on the wall. I think this battle between Apple and Facebook, tensions have been rising for five years. So I don't think Zuckerberg or anyone else thought that this move was unexpected. I think Apples has ad this in their cross hairs for a long period of time. And I would've figured that Facebook would've had these backup plans and backup systems at the ready. And it doesn't seem like they did, for whatever reason, in large part, maybe because the company's making huge bets in other areas.

Mike:

Yeah. Right now, they are all about acquiring VR companies and building this metaverse and maybe it's a little distracting. Maybe they never thought it would come to this. It's funny because they've talked about it in earnings for a while. Guidance is coming down and I think it was hard not to think, well, Facebook's going to figure it out. And maybe they will, but it's not that quickly. Let's just make sure, I know this is, for dummies, part of the conversation, but why is this not hurting Google as badly as Facebook? Is part of it I know is just search is foolproof, but Facebook still has billions of logged in users. It's just that they can't figure out what's happening off... It's very hard for them to attribute in advertising, an advertisement on Facebook, causing a download somewhere else or something else. Why is it so hard for them to track, where they used to be able to track?

Ari:
At the simplest level, Facebook runs an in-app advertise business and Apple's ATT affects in-app advertising within iOS. Google's business is predominantly YouTube and search, neither of which are affected by in-app browsing behavior. The ads that you see on YouTube are generally, not dictated by what apps you use and what you do on your phone. It's all these other targeting parameters largely within Google's audience classifications that happens on the open web. And so, Google is fundamentally less exposed. That's why you see the changes in stock price to companies that run in-app advertising businesses like Snapchat, Twitter, Facebook, Pinterest, and others. Whereas, web and open internet businesses, or ones that run at CTV, are far less affected. Rokus ad business for instance, is not heavily affected. Googles is not affected, and so on and so forth.

Mike:
Yeah. And it was interesting to your earlier point, SNAPs talked about how they have developed an end around that is pretty effective.

Ari:
Yeah.

Mike:

But they're doing it in a much smaller scale than Facebook would have to do, and who knows how long it will last.

Ari:
Yeah. And the other big thing is, it matters what type of ads, not just that you're running ads in-app. It's what is the nature of your advertiser base? If you're dealing with small and medium sized businesses, focused on return on ad spend, which is Facebook's core business, it needs to be highly performant and it needs to be a high degree of personalization, to deliver that performance and attribution associated with that. AT&T breaks the personalization and the attribution, in many cases. And so, if you have more branding dollars, for instance, and more prospecting dollars or brands who have different objectives, and aren't looking at, purely from a direct response standpoint, success looks very different from those platforms. So Facebook tends to operate at very, very lower funnel environments, at the lowest part of the funnel. Where people expect a direct sale or action, right from the ad on Instagram or Facebook, in a way that few other platforms have generated that kind of direct response business.

Mike:
Right. Okay. I want to come back to another earlier point, which you talked about how you guys are pushing into CTV. Super interesting market right now, it's growing like crazy. I think the promise right now of CTV is that, it's going to be very sophisticated digital marketing, but for the most part, for the early stages, I think it's been a lot of, TV money moving over. So I wonder if you could talk about where you fit in that market, where you're advertiser base is probably very broad, not necessarily concentrated among pure TV advertisers, but you're trying to get in that world with a different kind of product. Where do you fit in that world? And I love to talk about how the product placement product works.

Ari:
Yeah. So if you look at how every new channel opens up every new form of medium, it tends to be that, it gets disrupted through automation and data technology. So we were transacting banner ads and we were doing it through insertion orders and

pieces of paper [crosstalk 00:30:53] Things were programmatic. And it takes about five to 10 years for all of the infrastructure pipes to be installed. Make it seamless so buyers and sellers can sell, and that we have standards around things like fraud and viewability and measurement and attribution. And that's basically, programmatic circa 2007, to let's call it 2015. Right now, we're still in that stage in connected television. We're still laying the pipes, getting infrastructure. You see and you hear on your podcast, for instance, still talking about relatively fundamental things like measurement. Which audience am I reaching? Can I trust these numbers? Can I build my media plans off of these numbers? These are still very active- [crosstalk 00:31:35]

Mike:
Really basic stuff. But it's funny, the money's almost ahead of the infrastructure, in this case.

Ari:
That's right. Well, everyone is extremely excited about the potential of CTV in a very unique way. So that's where we are with CTV. Now, what happens after the infrastructure is there is, now that buyers and sellers can easily transact and you've agreed upon standards and whose numbers you're going to trust and the like, then you start to think about the next level things. Which is, now that I can buy and sell, what do the ads look like, and how do we make a more compelling ad experience? And that's where companies like TripleLift come in, where we're already starting to think about it, doesn't make sense to just take the old school, linear TV ads and transfer them. There's got to be a better way. And our approach, we think is particularly valuable, because connect to television and streaming environment is not linear. The number of ads that a viewer is willing to endure in a streaming service, is a fraction of what they're willing to endure in linear.

Mike:
Right. It's not even close.

Ari:

It's not even close. The average, and depends on the context, just to put this in perspective for your audience. A typical show within linear, for every 60 minutes, is about 15 minutes of ads. For ad supported streaming services, a connected television, it tends to be less than five minutes. So already about two thirds of the ad inventory, unconnected television, just goes away.

Mike:
Are you counting Netflix? Is Netflix bringing that number down? Are you talking strictly about the AVOD world, in that number?

Ari:
I'm just talking about AVOD. So linear versus ad supported streaming. In other words, even for the same television show, if it is delivered over the top or through a cable box, it has a fundamentally different ad profile. And that's because, by the way, I would call this the Netflix effect, which is Netflix taught us as viewers, that when you're streaming, you should expect few, if any ads at all. That's normal and we become accustomed to, "Okay. When I watch through cable, I expect to have a quarter of my time just sitting through ads."

Mike:
Yeah.

Ari:
But with streaming, we have a fundamentally different expectation. And by the way, within streaming, you fire up your connected television app and you have all these different squares of options.

Mike:
You're driving, you are driving the car way more than you were.

Ari:
That's Right. You have control, you have control over completely ad free options. You have control over ad options, and you can switch easily. And because of that, if

you're going to have ads, you need to be very, very thoughtful about how many ads and how intrusive those ads are, because the viewer is so sensitive to advertising in a streaming environment, that it changes the fundamental economics of the connected TV industry, which is, okay, now, two thirds of the ad inventory, just evaporates. Now you have a third left. Sure. You can charge higher CPMs for the third left, because it's more targeted, more personalized, hopefully, but you can't charge three X.

Mike:
No. Brands are not going to go for that. Unless the consumption goes through the roof and there's so much more inventory, it won't matter, but that's not very likely for a while.

Ari:
It's actually the opposite now, which is still linear, actually still dominates in terms of streaming, that's changing every day. But linear is still where the majority of the viewership hours are. So that gap represents a fundamental challenge for the entire industry. Which is, as you move to a lower ad load model, and yes, you've done everything to increase CPMs in yield, through greater personalization and greater measurement that connected television allows for, how are you going to make up for that lost money? And TripleLift is developing a solution to do exactly that, to develop ad units that don't increase ad load. That don't cause a fatigue among viewers, but in many cases, if done well, can even be additive to the story and non-intrusive. So examples of that are, if there's a billboard in the television shop, our technology can identify the billboard using computer vision, and turn that into a billboard, for a relevant ad for the viewer.

Ari:
That doesn't cause the viewer any hardship, any annoyance whatsoever. It provides a unique opportunity for the brand to reach the consumer when they're actively paying attention, watching their favorite shows and content, in a connected television environment. And so that's example of what new technology, the likes of what TripleLift is developing, we'll solve for this fundamental challenge in streaming

television in a way that makes us really proud, that isn't about shoving more ads into the ad pod, but actually is an elegant way to solve the solution, without being annoying or intrusive.

Mike:
But it also sounds like, historically with product placement, you got to be in, early in the process and it's very expensive and you got to be the exclusive advertiser to James Bond. He looks at his certain watch in the movie. You're using machine learning in some level of automation to do this, or that's the aspiration.

Ari:
That's right. Product placement is unscalable and expensive. You're literally shipping products to the set. Oftentimes, over a year before it's ever going to hit television screens. Our technology does it in an automated way, post production, that's personalized to the viewer. So this happens after the television program is created, our technology can find and identify appropriate spots. We do so in a very careful way, to not inundate the viewer with brand messages, but in a way that it aligns with the storyline of the show and does it in a way that's highly scalable, highly efficient, just like programmatic technology brought scale and efficiency to new formats, like native advertising. We're doing the same thing for television.

Mike:
Now, I imagine that's going to take a little while for you to get a bunch of deals and producers comfortable with it, and all the different players. Where is it? Where are things now? Are you very early test and learn kind of phase?

Ari:
So we've run proofs of concept of this. So the technology's been deployed, many of your audience may have seen TripleLift powered connected television, product placement and brand messages in your favorite TV show. So it's been already used on some of the largest streaming service providers today. The reaction has been overwhelmingly positive for both the studios and showrunners, and from marketers. The technology to make this truly scalable, like programmatic scale is incredibly

sophisticated and complex. And so, we're hiring dozens upon dozens of specialists in visual FX, computer vision, machine learning, to create something scalable.

Ari:
And the reason is, because every single pixel, when you're dealing with television, needs to be perfect. When you insert something like a Coke can on a table, you need to understand the lighting, the lighting source, the shadows, the speciality, where it is in the plane. Everything needs to be perfect. It cannot look like someone just superimposed a can. It needs to look like it was originally in the shot. And that, from a technology standpoint, is very, very audacious and very challenging. And so, where we're at right now is, everyone is looking for this solution and we're getting really positive feedback from the market. That technology is tremendously complex and we're investing accordingly and building out the right types of deeply talented people, who can help build it.

Mike:
So this is not just even, taking your well versed ad ops team and slot sticking them on this project. It's really unique. I want rap up on this subject, because you led me to this question, which you've written about this recently. It's been hard to hire in programmatic for a long time and that ups and flows, but there's always been, not enough talent or companies fighting over talent all the time. And now you're going for a very specific type of talent, that's probably outside of our industry. Talk to me about how you had these very high goals for hiring this year, and what the process was like and where things might be headed in that realm.

Ari:
Yeah. 2021 was an incredibly difficult year for hiring, and it's really a candidate's market. So a lot of folks can really dictate their own terms. A lot of folks have a lot more options. There just seems to be a supply demand challenge, in a way that I've never seen before now. I think we have a relatively good position. So we've been able to get pretty close to our hiring goals, but it's never been this hard for us. I want to say, we've had it easy. We've won all these awards, to be best place to work, for

several years in a row. We're five years in a row, one of America's fastest growing companies in terms of revenue.

Mike:
Wow.

Ari:
We have all of these wonderful things going for us, candidates really want to be a part of a high growth technology company. And there are very few high growth technology companies like us. And in spite of that, it's still been hard for companies like ours. So for instance, we often used to really, concentrate our hires in certain hubs, like New York City. We've moved away from that, both because we have to respect where people want to work and where there's talent. So now, we've begun hiring in a larger number of locations and cities around the world. We've tried to be a lot more quick. So right now, speed in today's hiring market is incredibly important, where talented people are getting offers from all sorts of companies. And you need to be able to go through your hiring and decision making process faster. So we've had to do things like, revisit how many loops we have of how many people you interview.

Mike:
You can't string people along for weeks and weeks anymore. It's like the NBA or something.

Ari:
We used to do that. By the way, when we were a smaller startup, we used to deliberate and have all these meetings. Sometimes we'd wait a few weeks to make a decision because- [crosstalk 00:41:24]

Mike:
This guy's got to fit, he's got to be-

Ari:

More references.

Mike:
Right.

Ari:
We can't do that anymore. So we have to really streamline and think about the experience to get people a decision, one way or another, as fast as possible. And we think that, that's really, really important in today's hiring market. And the other thing we think about is, you need to market yourself differently as a company now. We used to think about marketing as, marketing to customers. For us, customers are brands, agencies, publishers. Now we think about marketing ourselves to talented people, to candidates, and that's a new concept- [crosstalk 00:41:55]

Mike:
You got to sell another audience.

Ari:
Yeah. And so that's a new thing, maybe fairly straightforward for a lot of larger companies, but that's a new concept for us, because of the changing dynamic that's happening within hiring.

Mike:
Fascinating. Well, all right, everybody send your resumes over to Ari. He's dying for people to figure out how to get those Coke cans to show up right. All right. This was an awesome conversation. Thank you so much. We could have talked for a couple more hours, but I'm going to cut it off here, but thanks so much and best of luck this year.

Ari:
Thank you so much, Mike. It was a pleasure chatting with you.