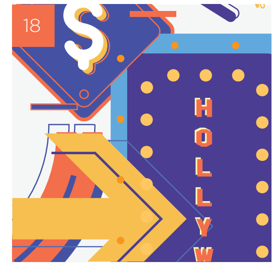
DIGIDAY

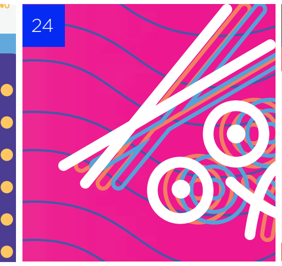
Fall 2017

UH-OH

THE BIG IDEAS ISSUE

BIG IDEAS





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EDITOR'S NOTE

BY LUCIA MOSES

At Digiday, we report on and examine the big and small ways media and marketing companies are modernizing. For this, our Big Ideas issue, we decided to dream big and identify the big ideas that could fundamentally alter media and marketing — for better or for worse.

In some cases, we looked at the ideas and people tackling big problems in the digital media ecosystem. Marketing reporter Seb Joseph looks at the promise of blockchain to bring integrity to online advertising. Media reporter Ross Benes imagines what it would take to turn off ad retargeting, that scourge of online advertising, and its implications for consumers. (They're not all good.) We profile JavaScript inventor Brendan Eich and entrepreneur Tina Sharkey, who are trying to make the web safe for surfers and take on the "tax" marketers charge consumers in the form of marketing for packaged goods, respectively.

Amazon figures big in this issue. The retail giant has come a long way from selling books online and is now poised to disrupt multiple big industries, from fashion to entertainment to advertising. We asked what would happen if Amazon went all-in on advertising and entertainment, and what that would mean for publishers, Facebook and Google. Conversely, we look at what it would take for Amazon to be broken up — and even if that happens, why that wouldn't solve all retailers' problems.

The issue also features Digiday sister pub Glossy's list of 50 insiders driving the modernization of fashion, luxury and beauty. The Glossy team highlighted everyone from the Teen Vogue digital editorial director who's rethinking the role of fashion publications in today's political environment to the LVMH digital chief who's integrating tech into luxury fashion.

There are some treats for readers who get to the end. The back of the book features a peek at the inner sanctum of tastemaker Stella Bugbee, president and editor of The Cut; and a Q&A with Washington Post reporter and Pulitzer Prize winner David Fahrenthold, who reveals the questions he's pursuing on Trump and the competitor he fears more than The New York Times.

We hope you enjoy this issue, our seventh, and the rest of the Digiday Plus benefits. This year, we launched a members-only Slack channel and original research. Look for more research to come from us in the year ahead. Let us know what you want more of — and what we can do better.

The Seven Stages of Publisher-Platform Relations

BY LUCIA MOSES

Like grief, the publisher-platform relationship has seven stages. Publishers rely on platforms to distribute their content and find new audiences... And that dependence can become unhealthy.

1 Denial Everyone loves the honeymoon period when the platform is in a nascent stage. Everyone is excited about the prospects of reaching a new audience, and there's no monetization for people to fight over yet.

2 Grief starts to set in as publishers realize they're giving up more than they're getting, whether it's Google cutting off their traffic or Facebook pushing them to publish directly to the platform.

3 Fear Still, publishers feel they have no choice but to do the platform's bidding, lest the platform ding them by giving them less exposure to its users.

4 Anger Fear turns to anger when publishers put effort into doing that bidding, only to have the platform change priorities, or the revenue or data it promised never materializes. This often coincides with a platform hitting the cool-kid stage, causing attitude to seep into its partner dealings.

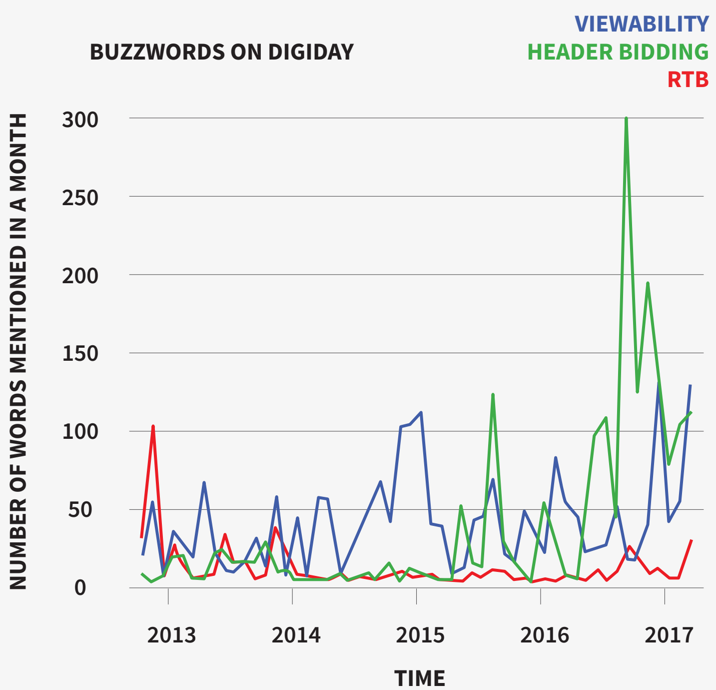
5 Bargaining Even as they acknowledge the risk of platform dependency, publishers stick with them because the fear of irrelevance with the platforms' huge audiences is even greater.

6 Testing Publishers realize they can't suffer forever. They become emboldened to demand more from platforms and band together to try to undercut their dominance. The gloves are off.

7 Acceptance Some, but not all, publishers come around to accept that the platforms' business objectives aren't the same as the publishers' (the platforms just happen to be much, much bigger) and that if almost all the digital ad revenue is going to the platforms, publishers have to do a better job getting revenue from other places.

The Changing Guard of Ad Tech Buzzwords

Real-time bidding used to be all the rage, but these days, it's less talked about than A Flock of Seagulls album. Shift Communications ran a crawler on Digiday.com and found that viewability and header bidding have become the go-to buzzwords in our coverage. - *Ross Benes*



IN	OUT
Direct connections	Scale
Watch time	View counts
Retainer relationships	Content studios
Voice	Virtual reality
Vertical media	Omnibus coverage
Obsessing over Amazon	"What's Amazon?"
Facebook being nice	Facebook not caring
Monetizing video on YouTube	Chasing video scale on Facebook
5-minute "shows"	30-second clips
Quality	Quantity
Selling subscriptions	"Pivoting to video"
Commerce	Church and state
Trump fatigue	Trump bumps
Pop-up newsletters	Pop-up banners
Recirculation	Recommendation widgets
Facebook groups	Facebook bots
Giving things good names	Oath, Splinter, Tronc, Dotdash
$SNAP judgment	Snapchat hype
Measurement	Middlemen

Anatomy of Video Ad Fraud

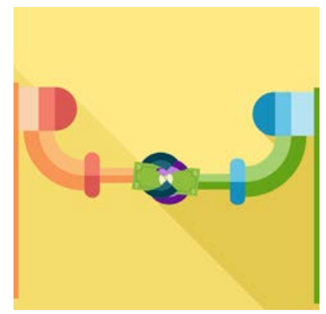
BY ROSS BENES

Video ad fraud is about twice as common as display ad fraud, according to DoubleVerify. Aside from spoofing domains and driving bot traffic, shady middlemen — typically ad networks and unscrupulous publishers — also make money by arbitraging the difference between display and video CPMs. Here's how that happens.

Here's how video fraud happens, in five steps.

First, an ad network pays $5 CPMs for display inventory.

Then, the network attaches pirated video to the display inventory it purchased so that the inventory appears to be video.



Next, the network resells its faux video inventory to an unsuspecting second exchange.

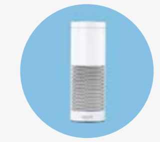
Ad buyers bidding on inventory in the second exchange pay $20 CPMs, thinking the impressions are video.

The shady network pockets the difference between the $5 and $20 CPMs while the ad buyer overpays for junk.

Brands' Guide to Home Voice Assistants

BY ILYSE LIFFREING

The home voice assistants market is getting bigger, and as with any new budding technology, brands are eager to experiment with them. Here's what brands need to know.

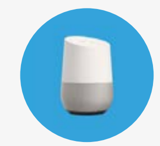


amazon echo

WHERE IT EXCELS: Knows consumers' past transactions

BEST FOR: Consumer goods brands that need to frequently restock inventory

BRANDS THAT HAVE EXPERIMENTED WITH IT: Domino's, Starbucks, Uber, Fitbit, Capital One, Ikea, Fandango, American Express and "Jeopardy!" among others

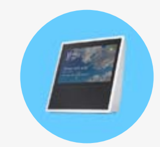


Google Home

WHERE IT EXCELS: Conversation and search

BEST FOR: Entertainment brands and publishers

BRANDS THAT HAVE EXPERIMENTED WITH IT: Domino's, Mercedes-Benz, Uber, Netflix, Mad Libs, HBO and Hulu, among others

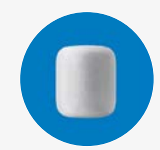


amazon echo show

WHERE IT EXCELS: Adding visual elements to voice

BEST FOR: Entertainment and food brands that can make full use of the device's video screen

BRANDS THAT HAVE EXPERIMENTED WITH IT: Campbell's, Allrecipes, Starbucks, Kayak, Fandango, "Jeopardy!" and Uber



HomePod

WHERE IT WILL (LIKELY) EXCEL: Sound quality

BEST FOR: Music and entertainment brands

BRANDS THAT ARE SIGNING ON: Apple Music, naturally; smart home devices for Philips, Honeywell and Elgato

The Costs of Doing Video

BY SAHIL PATEL

SALARIES

$35,000+ annual
Entry-level social video producer/editor

$65,000 to $75,000 annual
Experienced social video producer/editor

$100,000 to $140,000 annual
Special projects producer (digital series, branded content)

$200,000+ annual
Show producer (TV, streaming platforms)

CONTENT

$100 to $400 per video
Daily Facebook videos

$13,500 per video
Smosh on YouTube

$10,000 to $40,000 per episode
Facebook "spotlight" show

$40,000
Barstool Sports' 10-minute "Bills Mafia" documentary short film

$200,000 to $300,000 per episode
Scripted series on Go90

< $3 million per episode
Facebook "hero" TV show

$250,000 to millions per episode
Half-hour cable or streaming TV series

TECHNOLOGY

$5,000 to $100,000+ annual
Transcoding

$2,000 to $500,000+ annual
Storage

$2 million to $3 million per year
App development and maintenance tech costs for high-end streaming channel

The Agency Uniform

BY HILARY MILNES

Most agencies eschew strict dress codes, but they do tend toward certain styles, ranging from the Type A executive to the carefree creative director. Four people in different roles told us what they wear to get the job done.

THE MANAGING PARTNER

as worn by Barbara Apple Sullivan, founder and managing partner, Sullivan

"I wear an Hermès scarf because it's different temperatures in different areas of the office."

"A Hermès Birkin bag fits my wallet, laptop, iPad, organizer and even an extra pair of shoes if needed."

"I have Lululemon workout clothes stashed in my office drawer and bright melon Asics for the gym."

"I have a Fitbit on me at all times — we have a Fitbit club at work, and I'm ultra-competitive."

THE EXECUTIVE CREATIVE DIRECTOR

as worn by John Paolini, executive creative director at Sullivan

"For client meetings, I rotate five blazers — classic English Dunhill double-vent herringbone or Massimo Bizzocchi for the European cut."

"I have five pairs of the same beige Uniqlo Stretch Slim Fit Flat-Front pants and Uniqlo Extra Fine Cotton Broadcloth Long-Sleeve shirts.

"The pants are stretchy in the right places and good for jumping up and down and squatting in front of pin-up boards."

"I carry a Fjallraven tote that's weather-resistant, fits a computer and can turn into a backpack if I need it to."

THE DIRECTOR OF INSIGHTS

as worn by Ashwin Deshmukh, director of insights at Hungry

I favor all black. All black has an aggression that plays well in our industry and communicates deliberation without drill. If I do wear color, I like to get away with a splash of millennial pink."

"I always wear black Levi's 501s and go from there.

"I like to mix streetwear and luxury for the rest.

"Go-to brands: Supreme, Dover Street Market, Nike, Yeezy, Gitman Vintage, The Good Company, Kith (for shorts), Dries Van Noten and Garrett Leight glasses."

THE ART DIRECTOR

as worn by Gage Clegg, art director at Pitch

"I like to keep them guessing: 'Does that guy work here? Should I call security?' That usually means a ratty black T-shirt that's older than our interns paired with ratty tan shorts, which are also older than our interns."

"My flip-flops are quite literally a walking health-code violation. But I like to keep it fresh, you know?"

"My desk drawer has my 'have to go to a meeting' shoes and my 'have to go to a meeting' fifth of tequila."

Amazon Is Everywhere

BY SHAREEN PATHAK

Amazon's living up to its name.
The company has sprawled seemingly into every corner of every industry. Here's where Amazon has its fingers.

Marketplace
This is the big one. Amazon is set to account for over half of all of the country's e-commerce by 2012. Bolstered by Prime members, Amazon is a wholesale seller of some of the world's biggest brands — and for others, acts as a third-party marketplace. Essentially, it acts as both a buyer and a seller, and because of sheer scale, it can control pricing, creating a virtuous cycle that keeps customers happy and keeps brands on its platform.

Amazon brand
To cause more consternation, Amazon is also able to compete with the brands that sell to it either wholesale or through its third-party system. The brand now sells AmazonBasics for essential items and has private labels in consumer packaged goods and apparel as well. It makes sense: It barely has to spend on marketing, and the data it keeps close to its chest enables it to know what is selling well. Then, it tries to undercut brands by making its own products.

Luxury and fashion retail
While Amazon may have the market cornered on basic retail, it also has its sights set on luxury. It has made a series of investments, from buying e-commerce site Shopbop in 2006 to acquiring Zappos in 2009. Amazon Fashion is a growing presence — its big challenge is convincing high-end brands that it won't dilute them — and it has a real opportunity in becoming a showroom for upcoming designers.

Advertising
Amazon is turning into an advertising powerhouse. The company has a programmatic ad product that will generate it $1 billion this year — and potentially break the Google-Facebook duopoly. Through Amazon Marketing Services and Amazon Media Group, Amazon is now selling an ad product that brands have a lot of interest in.

Amazon Web Services
Amazon's second biggest source of revenue made about $12.2 billion in sales last year. While more under the radar than its other businesses, AWS is a behemoth, letting Amazon sell more than actual products — and sell storage space. It's also been a big reason why the company is able to attract tech talent.

The Amazon Store
From the test bed of Amazon Go — the store with no human employees — to Amazon Books, Amazon is pushing hard into bringing its online brand into the physical world. Coupled with its moves in grocery with the acquisition of Whole Foods and AmazonFresh, being in the real world is a huge asset for Amazon. It lets it extend its Prime membership offering, showcase its devices like Kindle and Echo, and reach a new legion of customers.

Amazon Studios
Amazon is pushing deep into video. In order to shore up Prime subscriptions (which are the company's third-largest source of revenue), Amazon is creating premium streaming content that customers will want to pay for.

Content
Amazon's Echo home device plays a big part not only for its retail business, but also its media. Echo lets it deepen its media relationships, opening it up to companies like the BBC (and Digiday) to reach new audiences.

The Bank of Amazon
Amazon's foray into brick-and-mortar has been extended with July's launch of Amazon Pay, which lets customers pay for items in a store like they're on Amazon.com. This extends Amazon's reach into the world of finance, where banks still control a lot because customers can use debit or credit cards to buy things. It's a natural stepping stone to a future "bank of Amazon," which can do lending and manage money. For a company that is more trusted by people than most banks are, it's probably a good fit.

Seven Ways Publishers are Making Money on Instagram

BY MAX WILLENS

1. Branded content
Instagram is an ideal environment for branded content. The Stories feature in particular has become a preferred canvas for branded content.

2. Affiliate links inside Stories
When Instagram Stories added swipeable links, publishers seized on the opportunity to put click-to-buy links in their stories.

3. Influencer collaborations
Few publishers have amassed enormous Instagram audiences on their own. To get the scale advertisers crave, publishers have gathered influencers, who act as distribution and talent for branded content.

4. Selling subscriptions via ads
Publishers including Condé Nast use Instagram ads to drive subscriptions for its titles, including Wired, The New Yorker and Vogue.

5. Driving e-commerce
Publishers including Barstool Sports and Thought Catalog use Instagram to push people to their own digital storefronts.

6. Selling display space
At the end of the day, an Instagram post isn't much more than a rich display ad. One New York magazine post was basically nothing more than a rich media ad for a Samsung performance space.

7. Driving app installations for brands
Publishers are using their Instagram audiences to sell app installation campaigns, too.

10 WEIRDEST ALTCOINS

BY TANAYA MACHEEL

Move over, bitcoin. There are at least 800 lesser-known alternative cryptocurrencies, or "altcoins." Here are 10.

WHOPPERCOIN
Burger King's new cryptocurrency in Russia is part of a blockchain loyalty program.

DARSEK
Darsek was the main unit of currency used in the Klingon Empire of Star Trek. This coin is for Star Trek fanatics.

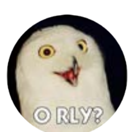
PIZZACOIN
an experimental token for researchers of the Pizzagate scandal.

CONFESSIONCOIN
Clear your conscience by confessing your darkest secrets!

SELFIECOIN
You earn money by taking selfies. What could go wrong?

DOGECOIN
Started as a joke featuring the Shiba Inu from the Doge meme and is now one of the most widely circulated altcoins.

HALLOWEENCOIN
For those who believe in the coexistence of fear and fun.



ORLY
A reference to the O Rly Internet meme and a play on Orly, the Paris airport.

GOOD KARMA
Rewards socially and environmentally conscious purchases.

POTCOIN
Promises convenient, anonymous purchases in the totally legal cannabis market.

Platform Power Players

BY LUCIA MOSES

Platforms wield more power than ever over distribution of publishers' content. Here are four people publishers want to know.

Lila King
Head of global news and publisher partnerships, Instagram
Publishers that want to excel on Instagram want to know Lila King, who was hired in April 2016 to run partnerships after a 13-year career at CNN. King reports to Instagram's head of partnerships, Katie Faul, and works with the news partnerships team of parent Facebook. King is a team of one, and 7-year-old Instagram doesn't have as much analytics as Facebook, so King's scope is limited. But she's key to publishers learning about new products and features, getting the most out of the platform and funneling their feedback to the product side. Publishers buddy up to her so they can have a better shot at being a test partner when the platform rolls out a new product. Publishers also feel that with her publishing background, she gets them. "She can't say yes to every request that comes in, but she always responds," says Francis Thai, vp of marketing and audience development at women's lifestyle publisher Bustle.

David Brinker
Director of business development, content, Snap
David Brinker joined the Snapchat parent in October 2016 from News Corp, where he led business development and was president of the New York Post. At Snap, he leads the team responsible for content business development with publishers, networks, studios and producers across the Discover section. He reports to content vp Nick Bell, also a News Corp vet. At a company known for its youthful management, Brinker is considered business savvy, an adult in the room. Over time, publishers say Brinker has expanded his role in handling Snapchat's content efforts, including taking on the role of Discover's gatekeeper. "If you want to get on Discover, if you want the white-glove treatment in understanding audience analytics and performance, he's a person to talk to," one publishing exec says.

Fidji Simo
Vp of product, Facebook
Most publishers' contact with Facebook is through its media partnerships team, which critics say is little more than ambassadors. But it's product that holds the power, and atop it sits Simo. Simo oversees a team of 300 product managers and engineers that build the news, video and advertising products in the News Feed, including Facebook Live and Instant Articles, the fast-loading articles feature. Publishers say Simo is elusive to them, but Facebook has made her more available this year through its Facebook Journalism Project, the company's attempt to make good with publishers. She's also given them a bigger peek at Facebook's plans with Instant Articles, another big Facebook initiative. No wonder Simo has publishers lining up to talk to her.

Steve Grove
Founder and director, Google News Lab
A former Boston Globe and ABC News reporter, Grove is the name and face behind the 3-year-old News Lab, a division that uses technology to help publishers in four areas: Trust and Verification, Data Journalism, Inclusive Storytelling and Immersive Storytelling. In effect, though, it's a soft tool Google uses to woo publishers and promote the tech giant's own products. It's seen as part of a broader effort by Google to quell European publishers wary of Google's influence over advertising and the news ecosystem and fend off similar reactions in the U.S. It's won fans among publishers like Mic, which worked with News Lab to use Google's data visualization tool to report on Trump's inauguration. "He's really seen as a friend to journalists," says Cory Haik, publisher of Mic. "His job is to connect to publishers meaningfully."

The Retail Apocalypse, by the Numbers

BY HILARY MILNES

Amazon has shaken retail to its core, and this year has been historically brutal, with onetime retail stalwarts such as Macy's and The Limited closing stores and declaring bankruptcy. Here's this year's apocalypse, by the numbers.

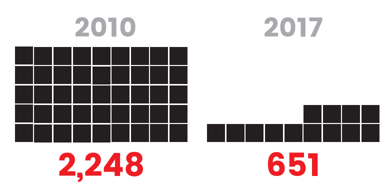
STORE CLOSURES

6,163
Stores closed in 2008, the worst year for retail closures on record
BLS

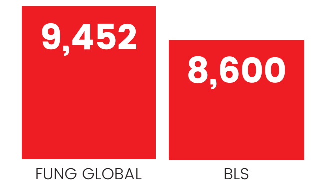
5,381
Store closures this year, as of July
FUNG GLOBAL

162%
Increase in store closures over 2016, as of July
CREDIT SUISSE

sears number of stores by year
SEARS HOLDINGS



Predicted-to-be-announced store closures by the end of this year



512
Most store closures from one retailer announced this year: Payless
FUNG GLOBAL

147 million sq. ft.
Retail space to free up due to closures
CREDIT SUISSE

JOB GAINS & LOSSES

General Retail	E-commerce
51,000	355,000

Jobs gained since the 2008 recession
BLS

Jobs lost since 2001
MACK INSTITUTE

22,000	500,000
Coal-mining	Department store

6,100
Retail jobs lost this year
BLS

341,400
Total Amazon employees
AMAZON INC.

$22,600
Average annual salary for a retail worker in 2017
BLS

GEN Z DICTIONARY

ADULTING – The performative act of doing traditionally grown-up tasks like cooking and going to work.

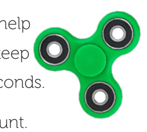
BAE – An acronym that stands for "before anyone else," used as a term of endearment for a significant other or best friend.

CRAY CRAY – Crazy.

CLAPBACK – Though clapback has early origins, it's found a resurgence on the internet as a way to respond to a diss, usually using a clapping emoji 👏 between 👏 each 👏 word 👏 like 👏 this.

DRAKING – Behaving emotionally, derived from rapper and singer Drake's penchant for romantic and melodramatic lyrics.

FIDGET SPINNER – A toy intended to help Gen Zers expel nervous energy or just keep them away from their phones for 10 seconds.



FINSTAGRAM – A fake Instagram account.

GLOW UP – A makeover.

"I'M DEAD/DED" – When something is outlandishly funny or shocking (not literally deceased).

MONDAZE – The mixed feeling of euphoria and disenchantment that comes the Monday morning after a particularly enjoyable weekend.

ON FLEEK – The act of being "on point" or another way of saying "looking good."

ONE HUNDRED – Usually denoted with the emoji, this indicates a job well done.

RATCHET – A classless, hot mess.

SHIP – To wishfully hope that two fictional characters become romantically involved. Often the precursor to fan fiction.

SLAY – To do something with aplomb.

SNAP TRAP – When a friend has opened or viewed a Snap but hasn't responded.

SNAPSTREAK – When two friends have sent Snapchats to each other for three or more consecutive days.

SWERVE – Used similarly to how millennials use "swag" to indicate someone or something with swagger.

"THE FLOOR IS LAVA" – Revival of a popular playground game in the form of internet videos and memes of people being told "the floor is lava," whereupon they have 5 seconds to not touch the ground.

UPSNAP – The act of trying to outperform friends on Snapchat by going out with the sole purpose of getting fresh content.

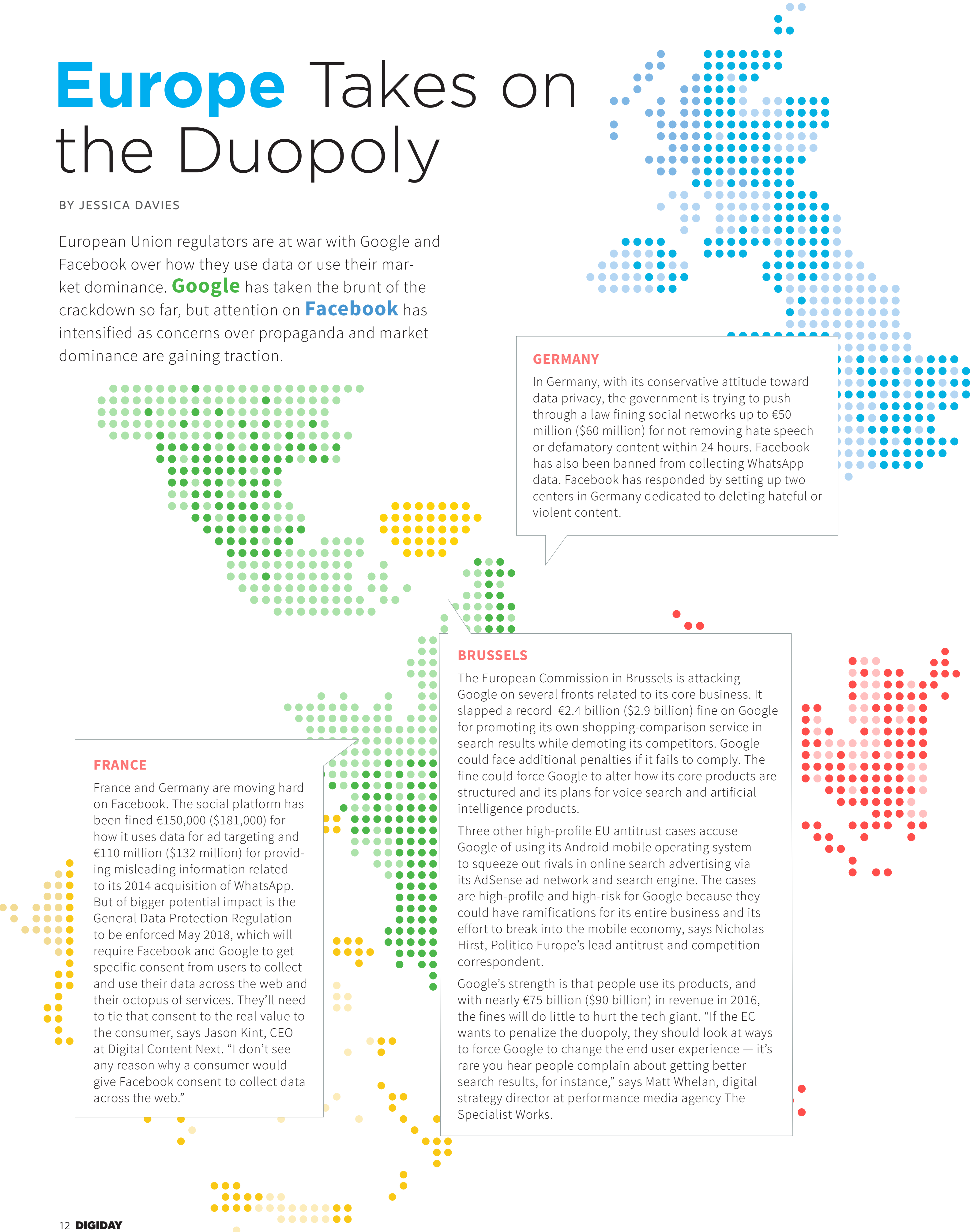
YAAS – Yes.

ZAYUM – Damn.

Europe Takes on the Duopoly

BY JESSICA DAVIES

European Union regulators are at war with Google and Facebook over how they use data or use their market dominance. **Google** has taken the brunt of the crackdown so far, but attention on **Facebook** has intensified as concerns over propaganda and market dominance are gaining traction.



GERMANY

In Germany, with its conservative attitude toward data privacy, the government is trying to push through a law fining social networks up to €50 million ($60 million) for not removing hate speech or defamatory content within 24 hours. Facebook has also been banned from collecting WhatsApp data. Facebook has responded by setting up two centers in Germany dedicated to deleting hateful or violent content.

BRUSSELS

The European Commission in Brussels is attacking Google on several fronts related to its core business. It slapped a record €2.4 billion ($2.9 billion) fine on Google for promoting its own shopping-comparison service in search results while demoting its competitors. Google could face additional penalties if it fails to comply. The fine could force Google to alter how its core products are structured and its plans for voice search and artificial intelligence products.

Three other high-profile EU antitrust cases accuse Google of using its Android mobile operating system to squeeze out rivals in online search advertising via its AdSense ad network and search engine. The cases are high-profile and high-risk for Google because they could have ramifications for its entire business and its effort to break into the mobile economy, says Nicholas Hirst, Politico Europe's lead antitrust and competition correspondent.

Google's strength is that people use its products, and with nearly €75 billion ($90 billion) in revenue in 2016, the fines will do little to hurt the tech giant. "If the EC wants to penalize the duopoly, they should look at ways to force Google to change the end user experience — it's rare you hear people complain about getting better search results, for instance," says Matt Whelan, digital strategy director at performance media agency The Specialist Works.

FRANCE

France and Germany are moving hard on Facebook. The social platform has been fined €150,000 ($181,000) for how it uses data for ad targeting and €110 million ($132 million) for providing misleading information related to its 2014 acquisition of WhatsApp. But of bigger potential impact is the General Data Protection Regulation to be enforced May 2018, which will require Facebook and Google to get specific consent from users to collect and use their data across the web and their octopus of services. They'll need to tie that consent to the real value to the consumer, says Jason Kint, CEO at Digital Content Next. "I don't see any reason why a consumer would give Facebook consent to collect data across the web."

The Sound of Silence

Imagining a web without autoplay video

BY SAHIL PATEL

Autoplay video is the new pop-up ad. Publishers know their users find it annoying, but they can't resist the urge to crank up autoplay to goose video views and ad dollars, even if that's at the expense of driving people crazy. Thanks to Facebook normalizing autoplay in its News Feed, the practice has become even more common among publishers on the web.

"A majority of publishers out there employ autostart because the dollars are still OK in the current environment; dollars haven't shifted away from autostart just yet," says Brian Rifkin, co-founder of JW Player. That said, publishers that employ autoplay video typically see three or four times higher desktop CPMs with better fill rates, he says.

But what would happen if browsers decided to shut off autoplay video by default? It's not as far away as you think: Later this fall, Safari plans to block videos that play automatically with the sound on; Chrome is expected to follow by next spring.

The impact of such a move on autoplay video would be large and immediate: Publishers wouldn't just lose viewership (comScore counts views at 3 seconds), but also ad revenue.

The revenue impact would not be limited to big publishers, either. Plenty of publishers use outstream video products from companies such as Teads to capture video ad dollars even if they don't have video content of their own. That's revenue that would go away if browsers block such ad tech vendors.

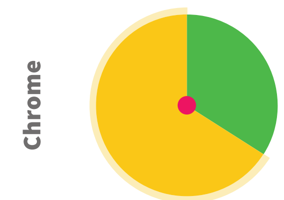
"If you look at the ad tech world, you have a huge number of over-optimized ad tech vendors such as Teads that are doing outstream," says Michael Downing, CEO of video distribution network Tout. "Those guys would be instantly dead. And the other ad tech guys, who do in-banner video, they'd be instantly flushed out."

Chrome and Safari blocking sound-on autoplay videos won't affect outstream ad tech vendors or autoplay videos that are muted from the beginning (such as on Facebook), but there will be some impact.

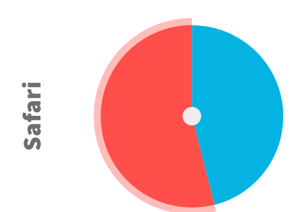
The bigger question mark comes in the form of YouTube, which is largely click-to-play and would stand to benefit from all autoplay videos being blocked by default. Some argue that this is why Google won't ever fully block autoplay video, as it could be seen as anti-competitive.

"Frankly, someone is going to call out Google and say, 'You're protecting your video business and trying to prevent others from competing,'" says Downing. "It would be hard for them."

Autoplay video use is wide across the web — and that's not even considering Facebook (on desktops)

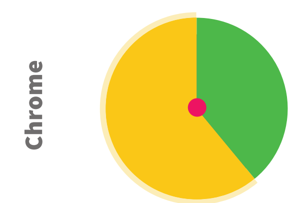


Autoplay 65.7%
Click-to-play 34.1%

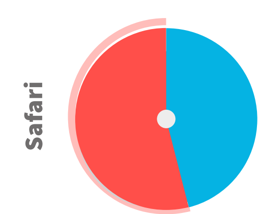


Autoplay 53.5%
Click-to-play 46.4%

Ads, too, are frequently shown in autoplay (on desktops)

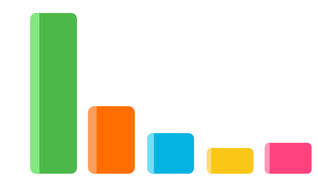


Autoplay 61%
Click-to-play 39%



Autoplay 66.3%
Click-to-play 33.7%

Daily video view on browsers



Google Chrome	**71.6%**
Firefox	**12.4%**
Internet Explorer	**6.9%**
Apple Safari	**3.7%**
Rest	**5.4%**

(charts: JW Player)

The End of the **30-second** Spot

BY SAHIL PATEL

TV viewers have long accepted a simple trade-off: To watch your favorite shows, you're going to have to sit through commercials. Even though you're paying a fee for every channel as part of your cable-TV bundle subscription, commercials are part of the ballgame.

The rise of digital video recorders put a dent in this bargain, showing that people were willing to take matters into their own hands to avoid ads. Now, with the rise of Netflix and others, people can pay to avoid TV spots. Networks are noticing. This summer, AMC, the network behind "The Walking Dead," "Breaking Bad" and "Mad Men," launched AMC Premiere, a $5-per-month streaming channel where you can watch current shows commercial free. Less than two months later, FX, home of "American Horror Story" and "It's Always Sunny in Philadelphia," launched a similar ad-free subscription streaming channel, FX+.

Of course, there's a catch: Comcast sells both streaming channels as add-ons, which means Comcast customers still have to pay for the regular AMC and FX channels in order to level up to the commercial-free add-on. With $70 billion in annual ad revenue at stake, it's going to take a lot more than shifting consumption habits to force linear TV distributors and networks to change.

But if one cable distributor and two high-profile networks are willing to experiment with ad-free options, what if the entire industry did the same and gave viewers the option to pay for an entirely ad-free cable bundle? TV ads would go from a reliable mass-reach vehicle to a tax on poor people.

Not linear, but streaming

For an ad-free cable bundle to exist, the TV industry would need to follow in the footsteps of HBO, AMC and FX, which release new episodes of their shows on their digital streaming channels at the same time the episodes air on traditional TV. These channels also offer full libraries of previous seasons and shows, which essentially replace the reruns that populate many cable networks' programming lineups.

"There are people like Amazon, Hulu and Netflix, which are effectively doing versions of that today," says Bernard Gershon, president of GershonMedia.

It'd be hard to apply this model to live programming like the Oscars, sports and news, he added. Many live events are designed to include commercial breaks. In football, for instance, commercial breaks give teams the chance to review plays or switch from offense to defense. Advertisers are also willing to pay higher premiums to reach attentive viewers.

But when it comes to most of the TV guide, an ad-free option is plausible, especially as more cable networks offer ad-free streaming channels. Long term, people won't want to have 10 different logins and 10 different monthly billing statements.

Revenue implications

The challenge for TV networks is making up for the lost revenue. Networks don't typically break down their revenue by source, but advertising can account for anywhere from a third to two-thirds of a cable network's monthly revenues, says Brian Wieser, senior analyst at Pivotal Research.

"Assume that the network would want to be made whole before they commit to anything," Wieser says. "They might say, 'We just have to accept lower revenues and lower profits.' Theoretically, that does happen in different industries from time to time, but I'm highly skeptical."

AMC and FX can offer ad-free streaming channels because they're sold as add-ons through Comcast, an existing major cable distributor, so while the additional revenue is minimal, so are the costs. Otherwise, networks run the risk of cannibalizing their still-lucrative advertising businesses. Cable networks could choose to offset this by charging enough on the subscription side to make up for losses in ad revenue, but that assumes enough customers would be willing to pay steeper prices for an ad-free experience.

One potential benefit is that such options could decrease costs at smaller cable networks, which have to find programming to fill 24 hours of airtime. "A lot of smaller cable channels can go video-on-demand only — there's no reason for them to be live for 24 hours," says Alan Wolk, TV industry analyst for TVRev.

Not everyone will pay

There's clearly a market for people willing to pay more to avoid ads. Hulu, for instance, has an ad-free tier priced at $11.99 per month, which is $4 more than the regular tier. Earlier this spring, Hulu CEO Mike Hopkins said nearly half of Hulu's revenue comes from advertising, with about 41 percent of Hulu viewers seeing ads, according to Hulu.

Wolk estimates that roughly 10 to 15 percent of TV viewers would be willing to pay for ad-free streaming channels. "[AMC and FX] are banking on that; otherwise, it will seriously cut into ad sales," he says.

The wrinkle for the networks is the people most willing to pay for subscriptions are also the affluent spenders advertisers want to reach the most.

"If you lost 30 percent of your audience to an ad-free channel, then your remaining ad-supported audience is not worth as much anymore," Wolk says. "It will require a balancing act to figure out where the ideal position is for the networks and throwing in other tricks such as native ads and branded integrations to make up the gap."

Highly unlikely, but not impossible

For all these reasons, TV analysts agree that the entire cable bundle is unlikely to go ad-free anytime soon. But there is evidence beyond Comcast, AMC and FX that some form of ad-free bundle will eventually happen. Hulu, for instance, is already selling subscriptions to HBO Now and Showtime's streaming channel, in addition to its own two subscription tiers. With Showtime, Hulu also offers a $2 discount for those who subscribe to both channels. The rise of internet-based live TV services, including those from DirecTV, Dish Network, Hulu and YouTube, also offers the chance to distribute ad-free video channels.

"Whether it's offered by a traditional player such as DirecTV or some new player, it's definitely viable," Gershon says.

Restraining Order

Mass rejection of online retargeting could make media more costly for consumers

By Ross Benes

People being stalked around the internet with ads for the same pair of sneakers is one of the unfortunate side effects of digital advertising. But online ad campaigns still rely on retargeting because, well, it works.

Users can turn off their cookies to reduce retargeting, but it's hard to eliminate all ad tracking since advertisers also identify users by their login data. It's also difficult for users to prevent data aggregators from accumulating information on them whenever they log in to their email or social media accounts.

Many want a simple button to turn off retargeting for a product they already bought or aren't interested in. If users could opt out of retargeting with a single click — rather than having to manually remove tracking capabilities across all their devices, browsers and email accounts — mass adoption of this feature would ripple through the industry. It could lead to the shuttering of ad tech companies, more power to Facebook and Google and a dip in digital ad spending.

"It would almost be like a daily reset button because we wouldn't have the data to follow people the way we want to," says Julie Rezek, North American president at ad agency HackerAgency.

The sales impact

Turning off retargeting with one click would give first-party data another advantage over third-party data, says Dana Hayes, president of social sharing platform ShareThis. First-party data is information like purchase histories that a publisher or advertiser collects directly from users. Third-party data is information like audience demographics that advertisers purchase through third parties to help them target ad buys across large numbers of people. First-party data providers like Google and Facebook benefit from retargeting opt-outs because preventing advertisers from tracking users with third-party data they obtain from another company puts more power in the hands of first-party data providers since they obtain data directly from their users.

Without retargeting, third-party data simply wouldn't scale. Ad buyers trying to reach specific audiences would turn to customer-relationship management and sales data from their brand clients to predict where they are likely to convert users. But most brands don't share personally identifiable information or gather behavioral data. So without being able to track users' browsing behavior, brands would have a harder time finding new customers, which would in turn hurt sales, Rezek says.

Cutting out retargeting would also prevent advertisers from reaching users across devices, Rezek says. And it would make attribution more difficult since a lack of user tracking makes it harder for advertisers to determine which variables drive sales.

Costs to consumers could rise

Preethy Vaidyanathan, svp of product at cross-device tracking firm Tapad, believes a pullback on retargeting would also hurt publishers because many of them rely on selling audience segments that ad buyers find through retargeters. To make up for the lost publisher revenue, consumers would likely have to start paying for more content.

If users start opting out of being targeted, vendors like Criteo and AdRoll that specialize in retargeting would lose business, says Ari Paparo, CEO of ad tech company Beeswax. Since adding retargeting data to campaigns increases ad rates, a reduction in retargeting would lower the CPMs advertisers pay. The trade-off is that advertisers would reach smaller audiences in return, which could lead retailers to lose some sales, he says.

Dave Morgan, CEO of TV ad-targeting firm Simulmedia, says that users opting out of retargeting would also hurt ad tech companies like ad exchanges, demand-side platforms and data-management platforms.

"Those companies are all about creating data to target particular users across digital properties," Morgan says. "If you limit the techniques they use to find those audiences, much of what they do will not be relevant anymore."

If ad tech platforms can no longer segment and target audiences, the trend of ad dollars increasingly shifting toward programmatic would stop since automated buying would lose many of the advantages it holds over direct sales, Morgan says. In this scenario, marketers would turn to other channels to reach users, like direct marketing through email.

While cutting off ad retargeting would be perilous for many companies in the digital ad supply chain, a restriction on retargeting would benefit people who are concerned about the privacy of their digital data and annoyed by the ads that follow them around the internet. Ad tech execs and ad agency reps claim targeted ads benefit users by making ads more relevant for them. But people are clearly fed up with digital advertising given that about 30 percent of U.S. internet users block ads and the number is growing, according to eMarketer.

Although users are have an incentive to expel ad trackers out of concern for their privacy, most people outside of the ad industry aren't that sensitive to the issue, Paparo says.

"As with most consumer-facing ad things, only a small minority of users would be aware of this option and would remember to click it," Paparo says. "And probably many of the people who would choose to already use ad blockers."

Amazon Eats **Hollywood**

By Lucia Moses

The list of industries trembling at the thought of Amazon turning its sights on them is not short. One juicy target: Hollywood.

Amazon already has a foothold in entertainment. After all, Amazon Prime Video already reaches roughly 18 percent of U.S. households. Amazon chief Jeff Bezos is poised to spend $4.5 billion on video content in 2017, nearly double what it spent the year before. Amazon, like Netflix, is poised to eat Hollywood.

Central to its entertainment empire is Amazon Studios, the arm that puts out original TV shows like “Transparent,” “The Man in the High Castle” and “The Grand Tour” — content that’s available for free to the 80 million people who pay for a $99-a-year Amazon Prime membership. It’s spent $12 million to buy movies (and credibility) at this year’s Sundance; the year before, its “Manchester by the Sea” was the first movie bought by a streaming service to win an Oscar, per Fortune.

Beyond the homegrown shows, Amazon buys and distributes feature films and videos from publishers including Condé Nast and Playboy and HowStuffWorks. Amazon also lets viewers subscribe to streaming services including HBO Go, Showtime and Starz as well as smaller channels. It’s gotten a foothold in sports programming, having made a deal in April with the NFL to stream 10 Thursday night games and outbid Sky for the U.K. rights to broadcast ATP tour tennis matches.

Its Alexa-powered device, Echo, already dominates the voice-activated home assistant market.

Oh, and it’s also getting into social media, launching Spark, an Instagram-like network for shopping; and working on Anytime, a messaging app.

Prime time

Amazon’s biggest trump card in its entertainment ambitions is that they help it sell toilet paper. Amazon is bulking up on all this entertainment because it’s critical to Amazon Prime, which is fueling much of Amazon’s growth. Prime members spend twice as much — $1,300 — a year on Amazon than non-Prime members. Prime also gives Amazon data on its shoppers, which it can use to target more products and ads to them. So adding entertainment to Prime’s free shipping benefits gives people more incentive to join and renew their subscription and watch more Amazon video.

“The end game is to cement the subscription-bundled relationship with the consumer so that you never leave the bundle,” says Rich Greenfield, media and tech analyst at BTIG. “I believe they think they’ll win by controlling your time. Consumers spend four to five hours a day watching television. So there’s a huge pot of fish to catch.”

Amazon clearly wants more. It still lags behind Netflix in a few ways. It’s one of the four major OTT apps, but is third in household penetration and fourth in terms of monthly viewing hours per month, behind Netflix, YouTube and Hulu, per comScore. To keep people re-upping Prime, it also needs to keep giving people more attractive content. And Amazon hasn’t had a breakout hit on the level of Netflix’s “Orange is the New Black” or “Stranger Things.”

With Amazon, the common refrain is, “Amazon can do anything it wants.” And media and entertainment are no different. Observers see Amazon going after more and varied content. It’s expensive to keep relying on third parties for content, so Amazon will continue to create its own, says Darren Herman, operating partner at Bain Capital.

Buy or build

However, as its acquisition of Whole Foods shows, Amazon isn’t averse to buying established companies after starting out building its own, as it did with food retail. In entertainment, that could mean buying a movie studio.

It could bid for more sports rights. Observers see it bundling streaming channels a la skinny cable bundles, positioning it to take video ad share from Google and Facebook, says Bernard Gershon, president of GershonMedia, which consults to publishers.

“One could imagine them buying ESPN, CNN, and that becomes just like another channel on your Amazon account,” says Josh Lovitz, partner and co-founder of Consumer Intelligence Research Partners. Less likely, but not out of the question, he says, Amazon could leverage Bezos’ ownership of The Washington Post to start a cable news network, which it could then promote and distribute.

Making video part of Prime’s benefits makes Amazon’s entertainment model different from other streaming services, which are just competing for people’s entertainment budget. This Prime model also seems to be bringing new customers to streaming video. Netflix dominates streaming video, but fully 26 percent of Prime video watchers aren’t already subscribing to Netflix, according to comScore research.

Amazon’s packaging genius also extends to its Fire TV device, which makes TVs into connected devices. According to comScore, Fire TV owners are twice as likely to watch Amazon video on their Fire-connected TVs — far more than people who have Google Chromecast-connected TVs are likely to watch Google’s YouTube.

“It speaks to how Amazon has packaged these things together as part of the Prime membership to create these synergies,” says Mike Rich, vp of emerging products at comScore. “Clearly, Amazon is differentiating in making video a broader suite of products and services, so there’s a stickiness they’re going for.”

Video helps Amazon in other ways. According to CIRP, Prime members who watch free video are more likely to buy and rent video from Amazon.

What does this all bode for publishers and content creators? Amazon’s moves into entertainment mean more competition for people’s time and attention that are now going to newer streaming services such as Netflix and Hulu as well as legacy cable and broadcast companies. There’s an opportunity for video companies to get more distribution for their content; the question, Lovitz asks, is will Amazon’s terms be better or worse than what the legacy distributors would have paid?

“They are not traditional, which makes them dangerous to the traditional ecosystem,” Gershon says. “They are incented to grow Prime members, and Prime members buy more stuff. So their hands are not tied as a traditional bundler of content.”

amazon

Saving the Web

Brendan Eich wants to fix the web — and he's got a plan

By Lucia Moses

Brendan Eich knows how the web works — and how to fix it.

The inventor of JavaScript while at Netscape is now occupied with growing a new browser, Brave, which promises to be far faster than entrenched leaders like Google Chrome. The trick: Brave blocks data-hogging ads and flips the web's publishing model. Instead of advertisers paying publishers or ad networks to serve their ads, they'd pay Brave, which serves only privacy-protecting ads.

If it works — and that admittedly is a big if considering the most powerful companies in the world are invested in the status quo — it could turn digital advertising on its head and put users back in control. With a user base of around 1 million, Brave's still a rounding error in browser market share terms. But Eich is playing a long game. His goal is to get to 7 million users, the number he thinks will get marketers' attention. And he's aiming at the early adopters, people who care about speed and privacy as much as he does. Once they adopt Brave in large numbers, millions more people will follow. "The lead users always drive markets," he says. "And that'll influence the whole market."

Reinventing how the web is funded sounds like a long shot, but if anyone has the credentials, it's Eich. He created JavaScript, the most widely used programming language. Then, he co-founded Mozilla, which created Firefox and restarted the browser market (stepping down in 2014 after facing criticism over his contribution to support Proposition 8, a proposed same-sex marriage ban in California). People who have worked with Eich speak of him with respect and awe.

"He's a fucking rock star," says Darren Herman, who was briefly vp of content services at Mozilla and is now at Bain Capital. "If you have a counterargument, you better make sure your argument is solid. He's just on another wavelength."

"He can see things before others can see them," says Andreas Gal, who went to Mozilla in 2008 to work with Eich on JavaScript and served as Mozilla's CTO from 2014 to 2015. Gal says that when he was considering the offer, he was still a grad student, and "I was being told by the smartest researchers in the world that spending time making JavaScript fast was a waste of time. Today, all these billion-dollar businesses emerged on top of the web that Brendan built."

The idealist

But something happened along the way. Eich saw how advertising was taking over the internet, polluting it with third-party trackers that slowed down page speed and tracked users' behavior; gave rise to malware, ad fraud and ad blocking; and took revenue out of publishers' pockets. "Advertising took a wrong turn on the internet," he says. "We think there's a better world."

He raised $7 million in seed money to co-found Brave with Brian Bondy, who worked on Firefox and Khan Academy. The idea was to block ads and replace them with Brave's own, privacy-protecting ads, sharing the revenue with publishers and advertisers. Eich realized that Brave needs to get a much bigger audience to get publishers and advertisers on board, though. So in the immediate term, Eich wants to make people's attention the currency of the web.

In March, Brave introduced a digital token, called the Basic Attention Token, that will let people earn currency by

viewing ads. ("Putting change in users' pockets has not been done before," Eich says.) He raised $35 million right off the bat, which should give Brave funding for several years and allow it to give currency to users that they can in turn use to help fund publishers with micropayments in exchange for a better reading experience — but making distributions every 30 days, so people don't get decision fatigue every time they want to read an article.

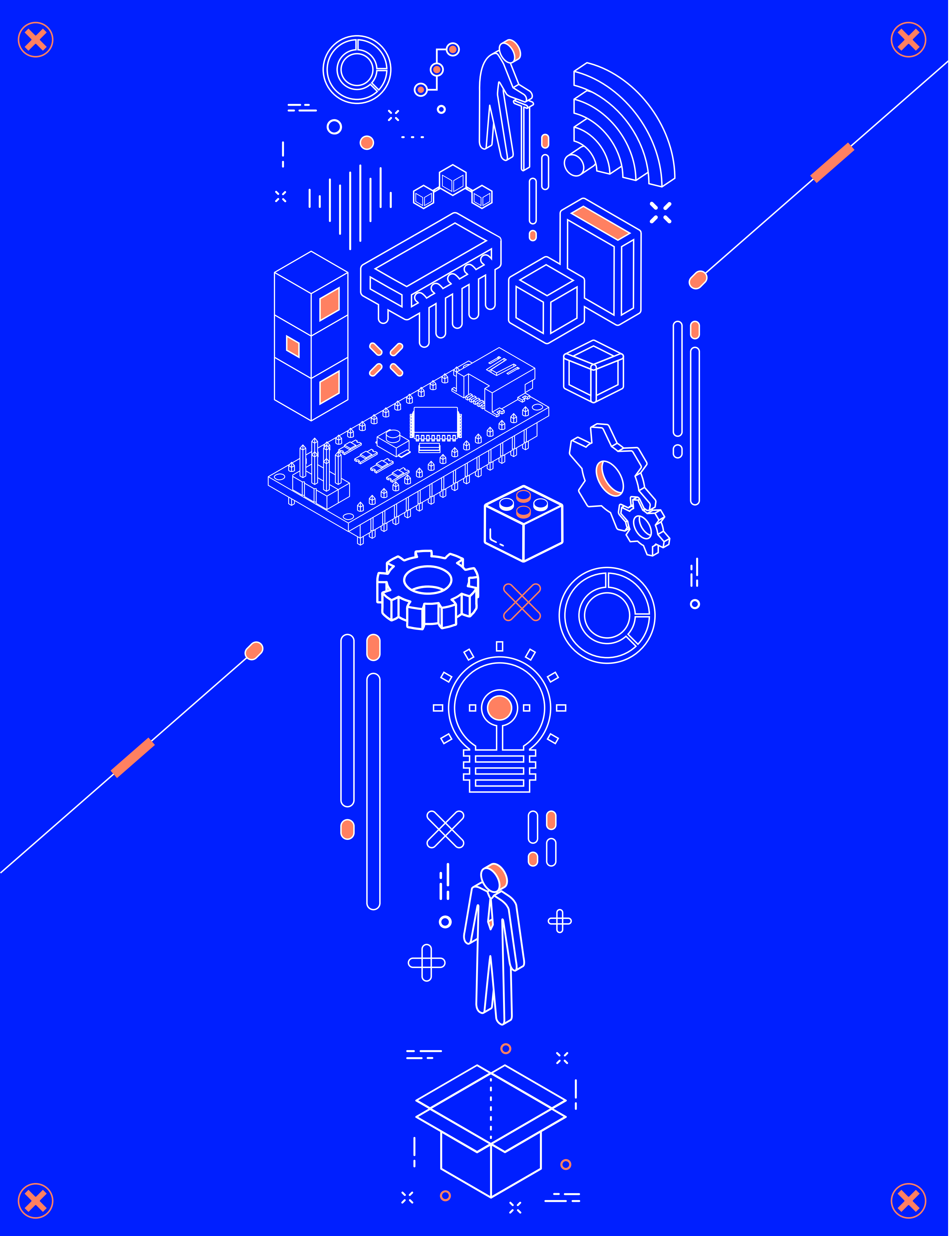
Right now, when you go to a publisher's site on Brave, there are blank spaces where the ads would normally be. The idea is that Brave will show ads to users based on their browsing history but without sharing that history with advertisers, so advertisers can still target people with relevant ads, and users will get relevant ads without their privacy being invaded. Eich sees himself as bringing the user experience back to the center of the web and improving the economics for publishers that have given up too much control over their sites to third parties.

Eich cites TMZ as a poster child for this degraded user experience: "I hate to pick out anybody, but TMZ gets on our slides a lot; they do header bidding and wrappers, which spray JavaScript all over." Meanwhile, virtually all the ad share gains have gone to Facebook and Google. "They have huge market power, and they're the only ones benefiting where the publishers are struggling. I would like to see a better system," Eich says.

Scaling the audience

It all sounds like utopian, Silicon Valley hippie talk. After all, Google and Facebook rely on advertising for most of their revenue — and they're not exactly going to cede that without a fight. Getting people to switch browsers is devilishly hard. The rule of thumb cited by Peter Thiel is that a new tech needs to be 10 times better, not two times better. Speed and performance are table stakes for a new browser. But getting users to adopt it en masse will be an uphill battle. Chrome owned 56 percent of the browser market share at the end of 2016, while Firefox bleeds market share.

And browsers have ceased being standalone products and moved to be simply another node that keeps users in platforms' ecosystems. Google uses Chrome to drive use of Gmail and word-processing software, all in an attempt, of course, to drive searches, where it makes most of its money. To get the word out about Brave, Eich is giving away the Basic Attention Token to users so they can donate to publishers' sites and has started running, somewhat ironically, search ads on Google.



"Brave is a better internet, with fewer ads," Andreas Gal says. "If you have a big enough audience, the ads will come. The question is, can you distribute enough browsers to create enough of an audience? The power of the default is very, very strong."

While many agree on what the web's problems are, not all agree with Eich's solution. Ben Barokas, a Google vet and co-founder of Sourcepoint, remains skeptical about how attention tokens will compensate publishers, the difficulty of getting people to ditch Chrome for a new browser, and if Brave will really be good for publishers, but is sympathetic to the idea of letting users directly compensate publishers. He prefers Sourcepoint's approach, which is to let publishers unblock ads and give visitors a choice in how they access content. "We're in this time of pain and suffering from many publishers because of the duopoly and things they can't control," he says. "So perhaps there can be this idea for trading attention for content for money."

Publisher opposition

Brave got off on a bad foot with publishers. After Brave was announced back in January 2016, members of the Newspaper Association of America, now the News Media Alliance, representing more than 2,000 outlets including news stalwarts The New York Times, The Washington Post and Dow Jones, accused Brave of effectively stealing their content. "Brave's proposed business model crosses legal and ethical boundaries and should be viewed as illegal and deceptive by the courts, consumers and those who value the creation of content," Alliance CEO David Chavern said at the time. The Interactive Advertising Bureau also tore into Brave.

Sourcepoint shares some of Brave's values, but Barokas sees his company as more pro-publisher while Brave is proposing "a softer form" of blackmail. "Sure, nobody wants ads, but no one wants to pay for content," he says. "My way is, give people the choice, versus going in with a bully club and saying to publishers, 'I'm going to steal all your ads and only pay you if you give me some money.'"

(Photo by Darcy Padilla)

The newspaper group's reaction wasn't what Eich hoped for, but he enjoyed the PR and users it generated for Brave. "I would definitely do some things differently, but that was some of our best growth," he says. "Users have a thorn in their side from advertising. Some of [the publishers] are in dire straits. But they can't switch gears because they're too wedded to vendors. They can't lose any revenue to ad blockers. Those two statements are in conflict. The [Federal Trade Commission] is not going to ban ad blocking. What publishers need to do — and we're not waiting for them — is look at how vendors are taking advantage of them. We're trying to get the publishers off the Lumascape."

Brave comes along at a time when Eich's user-first ideas about speed and privacy are gaining momentum elsewhere. Google is working on a new version of Chrome that'll strip out heavy, intrusive ads that gum up the works. Apple is updating its Safari browser to block autoplay video and end tracking of people's online browsing. Google and Facebook have launched fast-loading article templates. All these moves don't give the publisher much choice but to let the platform giants be the arbiter of the rules for advertising that underpin their business models, though. More broadly, Europe is enacting pro-consumer privacy protections in the General Data Protection Regulation, and European and U.S. publishers are banding together in various ways to take back market share from the internet giants.

'We cut off the hydra head early'

Google's and Apple's steps are a recognition that the web has become a mess. Google has a huge advertising business to protect, though, which would seem to limit how much it's motivated to really change the rules of the web. "Google cannot damage their main revenue source, and that depends on JavaScript," Eich contends. "Even [Accelerated Mobile Pages] is not as fast as we are. We cut off the hydra head early and burn the stump so it doesn't sprout again."

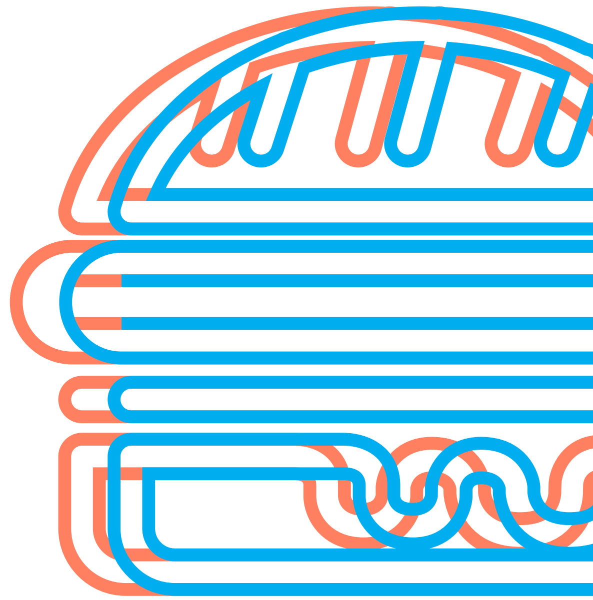
It's hard to look at how entrenched the digital ad ecosystem is, with Google and Facebook accounting for three-fourths of digital ad revenue and nearly all its growth, and imagine things being any different. But people who have worked closely with Eich warn not to count him out.

"The reason he's well-positioned for the challenge he has now is he has a good understanding of how the present doesn't limit the future possibilities," says Harvey Anderson, who used to be svp of business and legal affairs at Mozilla. "Because if you look at how things are today, you don't think it can be different." ◘

Amazon Eats Advertising

John Wanamaker, meet Jeff Bezos. He knows which ads were a waste.

By Shareen Pathak



When it comes to threats to advertising, WPP chief Martin Sorrell is a keen student. He quickly identified Google as a frenemy during its rise. And now, it's Amazon that's keeping him up at night.

The reason: Amazon boasts a gigantic pool of data, not just likes and habits, but purchases. It could position its ad platform to be the arbiter of what ads work in driving people to make purchases — and the one best positioned to target those ads.

That's the vision of the Amazon ad platform, one that will be achieved if Amazon goes all-in on advertising. It's already starting to happen. Amazon's ad business is already worth almost $2 billion. (BMO Capital Markets places it at $3.5 billion in revenue this year.) And Amazon executives have repeatedly said the company is investing heavily in ad sales teams. The growth rate of jobs in that area has exceeded the company growth rate, CFO Brian Olsavsky has said. The company also sees both sales tools in self-service and managed accounts growing. To Dooley Tombras, evp at The Tombras Group, it's just a matter of time.

"Our perspective isn't if Amazon will go all-in on advertising. It's that they are going all-in on advertising," Tombras says.

Proving ads work

If there's one thing chief marketing officers hate, it's unscientific and unreliable attribution methods that require them to connect the dots from their marketing to actual conversions. Any platform that helps them go beyond theory to practice helps, which is just what Amazon is pitching agencies: If you buy ads on Amazon, you'll know if they work. Google and Facebook became the duopoly because they delivered more conversions, Tombras says, and Amazon goes much further.

"Imagine that you're a brand running an Amazon campaign. Then, you can see how many people click on your ad, maybe even buy your product online. Then, inside the Amazon Media Group service arm, you can see data inside the stores on who was served an ad and who bought in store," say Tombras.

Agencies and brands, especially in the consumer packaged goods industries, are paying even closer attention to Amazon after its purchase of Whole Foods, its latest foray into brick-and-mortar retail.

"What Amazon is really introducing brands to is performance marketing," says Kevin VanValkenburgh, svp of connections planning at Tombras. "Take a brand like Tide, where a search ad on Google is just brand building. On Amazon, a search ad is brand building, but it's also conversion and sales."

If Amazon goes all-in on advertising, it also means a new wave for social media. Spark, its new Instagram imitator that lets customers view a feed of shoppable photos posted by Prime members and then shop them through Amazon.com, is a big game-changer, says Brian Cohen, evp and senior group director at Catapult Marketing. "You're talking about a website being able to monetize personal social data," he says.

What makes this plausible — and also a bit scary — is how much data Amazon is sitting on that could make this a nearly seamless undertaking, from image recognition technology to supply chain that makes this close to a perfect e-commerce and advertising play. "They probably know more about us than the government," says Cohen. The individual player in the marketplace usually knows pieces of a customer on a purchase level. Using third-party data, you can supplement that. But Amazon is close to marrying all of that to create what those in the industry call a "total wallet" perspective.

Frank Kochenash, svp of commerce at Possible, says Amazon is lacking scale and more outreach to agencies to show them why it should be the choice. "Amazon looks at advertisers as customers like they look at their actual customers," says Kochenash. "To Amazon, the end consumer will also be the main person to sell to. That is why maybe there is some caution in developing ad programs. But that's good for advertisers in the long run." That's especially true considering the fears brands have of their programmatic ads showing up in odd places: Amazon can ensure ads are appearing only where they should.

Threatening the duopoly

As an advertising behemoth, Amazon could break up the Google-Facebook duopoly — or at least add a third leg. And both could stand to lose. Amazon's AMG and AMS services both provide essentially what those two platform giants do, albeit in a slightly more ramshackle and rudimentary fashion. (Observers say Amazon's current offerings put it where Google was about eight years ago.)

The key, say those who work with Amazon's ad products, is to merge AMG and AMS. The company is also building a self-service platform that will let it scale, and according to people familiar with the matter, opening up application programming interface access akin to Google's big management platform. Amazon's paid search arm doesn't have it yet, but it's in the works. That would position Amazon to take market share from Google, while Amazon's media group, which lets marketers put ads in places outside Amazon such as the Kindle, would directly rival Facebook.

Amazon also boasts a big content play. Let's say it knows, for example, what brand of running shoes you buy. If that running shoe manufacturer comes out with a new pair that matches your stride, the manufacturer could announce that news on Amazon, not Runner's World. The implications for publishers is potentially enormous. "Nobody is going to call up a publisher to advertise there," says Cohen. "They're going to buy audiences."

Tax Time

The scourge of slow-loading ads has some dreaming about levying fines on offending ads

By Yuyu Chen

Readers are quick to click away from webpages that don't load in a timely manner, and advertising contributes to that latency. But what if advertisers got taxed for heavy ads that delay publishers' page-load speeds?

Ad-quality issues delay page loads by an average of 4.3 seconds, costing ad-supported sites $400,000 in revenue a year, according to ad tech firm Ad Lightning, which helps publishers identify ads that hurt their site performance. Ad Lightning analyzed around 1.2 million ad creatives across 135 websites from January to March.

Slapping fines on heavy ads would shift the responsibility for sluggish sites onto advertisers and their creative shops, where the blame often lies. Peter Spande, chief revenue officer for Business Insider, says it's the most heavily designed ads that are typically the slowest, so a surcharge on heavy ads could incentivize creative shops to prioritize speed.

"Some advertisers hold publishers accountable for viewability yet use [ad] creatives that sometimes take 10 seconds to load," says Spande. "Beyond viewability, lighter ads with less animation just perform better."

The idea has some support among agencies. Publishers are already being "taxed" by Google's algorithm, which pushes slow sites further down in search results, among hundreds of other signals it uses to rank results. So if an advertiser wants to use heavy ads, it should pay a premium, just as it does for bigger ads or more placements, says Jess Bahr, director of paid media for agency Glow.

Enforcement challenges

Enforcing an ad surcharge would be tricky, though. It's hard for publishers to prove which ad creative is slowing down their pages, especially when programmatic comes into play. Even if the publisher could prove certain ads slow down page-load time, that cost would be eventually passed on to the advertiser, which might cause backlash from brands. It would be hard for publishers to impose such taxes on their own because advertisers can just pull their spending from a site if they don't like the publisher's policy.

"From an advertiser's perspective, I may be skeptical that my ad is causing latency. To my knowledge, there is not a specific tool or application that would flag an ad when it caused page-load issues," Bahr says. "Lots of publishers have latency issues because they are running retargeting campaigns and have too many pixels on the website."

Then, there's the question of who would tax the advertisers. For insertion order-based sales, publishers could hire a third party to track and audit ad specifications and then impose a tax on those that don't abide by creative standards. That's harder to do with programmatic ads. Google DoubleClick and other ad servers are in the best position to do the work because the ad server owns data around file sizes and the number of ad tags, and it's the only place where an ad could change, says Spande.

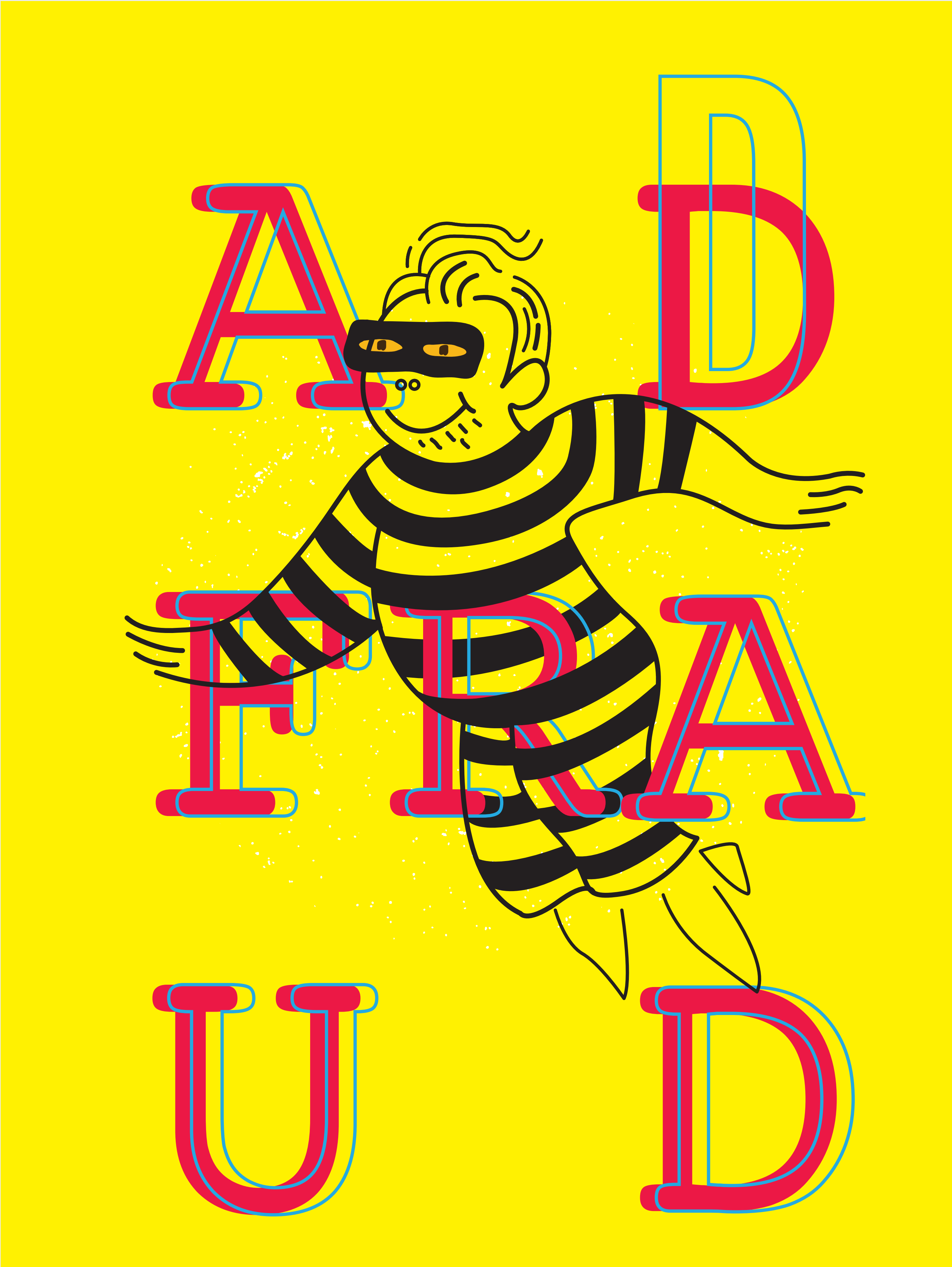
Google's role

To work, an ad tax would need broad enforcement. Publishers would need to rely on Google and trade groups like the Interactive Advertising Bureau to tax advertisers, says a publishing executive, speaking on condition of anonymity. "Publishers have left some control of their business to Google," the exec says. "It's like when Chrome decided to block ads that don't meet certain standards. Google prompted lots of creative agencies to take notice."

There's hope that market forces correct the problem before it gets to the level of an ad tax. Ad servers, supply-side platforms and demand-side platforms that work in publishers' interests will be rewarded by getting publishers' business, says Lizzy Hanna, gm for agency Engine Media. If creative agencies are told in the brief stage that their ads should meet certain ad specifications, they will do so to avoid penalties, says Michael Giardina, marketing director for the Glenfiddich and Monkey Shoulder whiskey brands at William Grant & Sons.

"Advertisers should hold themselves to a standard where they don't interrupt user experience. But if publishers want to make more money and allow heavy ads to exist in the first place, that's a different story," said Giardina. "There are moralities on both sides."

> "There are moralities on both sides."



Wiping Out Fraud

Blockchain inspires hope for an ad industry free of ad fraud

By Seb Joseph

Billions of dollars are lost to online ad fraud each year as millions are spent fighting it mostly fruitlessly. But what if this game of whack-a-mole had an end date and advertisers, publishers and vendors could tackle one type of ad fraud without fear another would pop up in its place? Some industry observers see hope in blockchain technology, which underpins cryptocurrencies but has broad use cases across many industries. In digital media, blockchain's digital ledger — a process for storing events that can only be changed when there is a consensus among a designated group — could ensure that every user is real and media owners are only charging advertiser for actual clicks to their site, it could prevent intermediaries from manipulating that process.

The cost of fraud

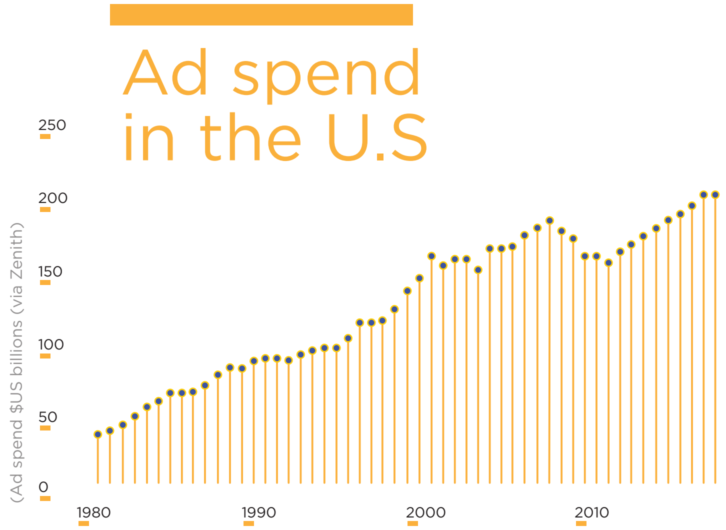
From site traffic fraud to domain spoofing, fake sites to fake clicks, the relentless rise of fraudsters worldwide is expected to suck $16.4 billion from the market this year, per WPP — more than double the previous estimate of $7.2 billion. If ad fraud's growth continues unchallenged, the cost could top $50 billion, according to the World Federation of Advertisers. Many advertisers fear for the worse in spite of an industry-wide crackdown on inhuman traffic, with 78 percent of brand marketers concerned with ad fraud and bot traffic, according to MyersBizNet. Whitelists, blacklists and private marketplaces can eliminate cheap fraud, yet they are no match for fraudsters relentlessly targeting weaknesses in a splintered media supply chain.

Blockchain is still too low

One thing holding back blockchain is speed. It can perform five transactions a second, but millions of ad impressions are being transacted per second on programmatic marketplaces. Blockchain is early in the adoption process. The IAB has set up a working group to explore the technology's potential in advertising and blockchain-enabled advertising marketplaces. Publishers and advertisers have only been testing Nasdaq's blockchain-powered marketplace for the past six months, while Dennis Publishing has only just started building a SSP prototype using the technology. Furthermore, Comcast's own blockchain bid, which will let advertisers use aggregated data sets without having to give away their own precious data to a third party, isn't due to launch until next year.

Starting points

While most observers think it's unrealistic to expect the entire ad tech ecosystem to adopt the technology, they hope it could find a role amid high-value transactions and spot-checking. Adam Graham, the CEO of The Marketing Group, an advertising network that's working on a cryptocurrency solution for brands, says blockchain could be initially used for post-campaign validation and authentication if advertisers and publishers agree on the two or three most important elements. Paul Hood, head of digital at Dennis Publishing, says blockchain should serve brands and publishers first by adding layers of transparency to initiatives like the Pangaea programmatic alliance. "We've got to stop allowing the ad-tech tail to wag the dog. If we can add further layers of transparency to initiatives like this, and extend these to other premium publishers, that may be a practical way of making progress towards wider adoption."



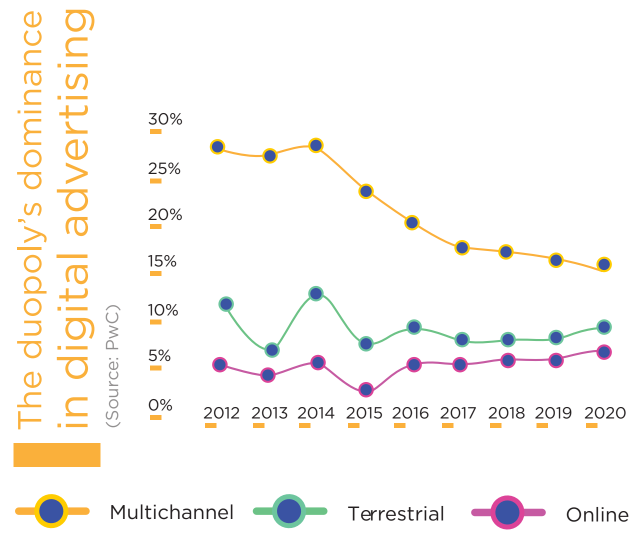
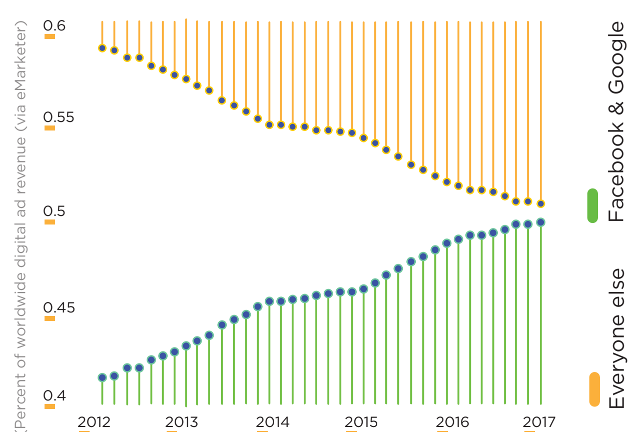


Figure 3: Growth rates of terrestrial, multichannel and online TV advertising revenue (%), **2012-2020**



Permanent **Ad** Deflation

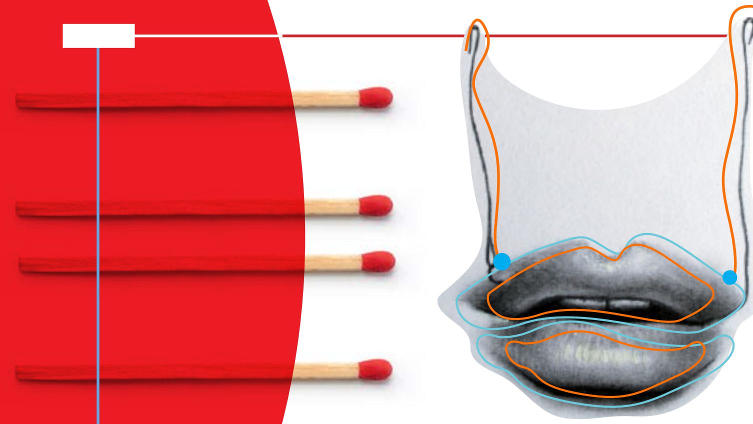
Technological improvements have made it possible for advertisers to spend less and still grow sales

BY ROSS BENES

For almost a century, ad spending has hovered around 1 to 1.5 percent of gross domestic product, and this year will be no different if the forecasts are right. Zenith Media, one of the most widely cited forecasters, projects that this year's total ad spend will reach $197 billion in 2017, based on the belief that advertising's share of the GDP will remain constant. But what if these forecasts are wrong? As technology has improved, the ability to reach specific audiences has become more efficient and cheaper. Display ads are getting cheaper and brands like Unilever and Procter & Gamble are showing it's possible to slash ad budgets without seeing drops in sales, says media industry analyst Rebecca Lieb. Brands are getting choosier about how they spend digital ad dollars at a time when TV ad spend — which accounted for the bulk of total ad spend over the past half century — is beginning to decline.Experts predict the growth in digital spend will offset the decline in TV spend. But maintaining digital advertising's current level of growth is a bit unsustainable, says Pivotal Research senior analyst Brian Wieser. Ad spend usually grows 2 to 3 percentage points annually, but lately it's grown about 5 percentage points per year. The majority of this growth comes from Google and Facebook, which reap more than half of all digital display and mobile ad dollars. A slowdown from either of these companies could end the precipitous growth in digital ad spend.

If brands spend less on advertising, they'll likely spend that money toward using consumer data to reach people through direct marketing tactics like targeted emails, Wieser says. Should ad spend decline, marketers will spend more resources on analyzing data to figure out new ways of driving organic engagement, says Cheryl Huckabay, the head of brand media at ad agency The Richards Group. Attribution and measurement companies will become even more valuable as marketers try to understand the value of the customers they already have.

The BRAND Lie



Tina Sharkey wants to shake up CPG

By Shareen Pathak

Tina Sharkey thinks people are being ripped off. They pay extra for basic goods like toilet paper and toothpaste on the back of billions in marketing and brand building by the likes of Procter & Gamble and Unilever. The extra margins charged due to branding amount to a tax on people. It's why she's even trademarked the term "BrandTax" and put it at the center of the, yes, marketing for her new venture Brandless, the e-commerce startup that sells consumer and household goods from olive oil to gummy worms, all priced at $3 each.

To hear Sharkey, 53, tell it, institutions are crumbling all over. Younger generations are questioning government, rejecting institutions that went unchallenged for decades. There's no reason the religion of branding, built up in the post-World War II consumer boom, wouldn't be next. Never mind that CPG stalwarts like P&G and Unilever are among the world's biggest companies.

"I realized that nobody was building a new kind of brand or experience that was baked in community and based in social responsibility, but also gave them a product they were looking for based on values they cared about," she says.

Founders' story

The story of Brandless — you've probably heard it before, since Sharkey and her co-founder, Ido Leffler, sold it with religious fervor to 80 different press outlets at launch — goes like this: Leffler woke up in the middle of the night with an idea. He told Sharkey, a longtime friend, at her offices at Sherpa Foundry, an offshoot of Sherpa Capital that aims to help older companies navigate the startup ecosystem, where she was CEO.

"What if people understood what things cost versus what they pay for them?" Leffler asked Sharkey, who had previously founded iVillage and served as the chair at BabyCenter.

It struck a chord. Sharkey replied: "Let me tell you what's bothering me. What's bothering me was the fact that I started my companies with soul. I started my career building brands that have a higher purpose connecting people." Sharkey had just given a TEDx Talk in Hollywood called "Unlocking Joy," and for that talk, she'd done a lot of research on neuroscience, dopamine, serotonin and what happens when people buy things.

"In all of my research, I found that this generation of consumers [was] rejecting institutions, they were rejecting government, they were rejecting everything," she says. "If they're rejecting everything, what are they adopting?

What values? "Things like organic, gluten-free, vegan. Things like sizes," she says. "The McMansion era of 'Super Size Me' was over. The Sunday night supermarket shop with your mom where you store up and save was over."

All of this came together as Brandless, which was officially announced with a Medium post in early December. Leffler and Sharkey spent a few days in New York, making the rounds presenting

Tina Sharkey and Ido Leffler

Brandless to multiple people, including the press. In an almost-choreographed presentation, Sharkey would talk about the movement; Leffler would follow with the story about his middle-of-the-night epiphany. Then, as Leffler puts it, "There was a game show-like reveal of, 'And it's only $3!'"

Bargain — or not

The 36-person company — which Sharkey calls a platform — sells consumer goods for $3 apiece online, regardless of what they are. (It's a bargain in some cases, but not all: A face moisturizer for $3 is undeniably a steal, but two taco-seasoning packets for $3 might not be.)

Shipping costs a flat $9, or, if you become a member for $36 a year, is free if you spend $48 or more at once. Products come in minimalist packaging — it bears the name of the product, plus its ingredients and reassurances that it's free of artificial additions and is "Brandless." Following in the footsteps of other online startups that seek to cut out the middleman (think Everlane), Brandless purports to buy directly from the source.

Of course, Brandless is a brand. In fact, Sharkey is emphatic on that point and is in love as much with the brand she's created as the mission it's supposedly on. It just may be a smarter brand, with packaging design (Sharkey says that was key to the company) that creates a "white space" that consumers can fill.

"We're not saying we're anti-brand. We're not saying we're not a brand," she says, almost yelling. "We're reimagining what it means to be a brand. A brand about you. And your narrative and your white space. Our job is to make incredible product. ... incredible stuff at fair prices."

Yet the problem for Brandless is that giants like Amazon can (and already do) sell inexpensive products. As one top exec exclaimed when I mentioned Brandless to him: "Yeah, but Amazon already has Brandless. It's called AmazonBasics."

The key for Brandless is to build a strong enough brand that people will be compelled to choose it over Amazon or Amazon-like companies.

Only Sharkey makes buying soap almost a political act, though. It's 2017, and this is a California-based company, after all.

"We made the assumption this country was in a dark place. I know that Washington is not the place anymore where you can implement change. We're trying to change the system outside the system," Sharkey says. "No matter how they vote, their sexual orientation, how much debt or credit they have, everyone deserves to be treated — everyone is equal in their humanistic needs."

Brandless says it takes paralysis of choice out of the equation (just try searching for "shampoo" on Amazon.com). While setting up Brandless, Sharkey and Leffler found that a regular supermarket environment has about 20,000 units of sales in "center of store" — not including perishables. They edited it to 200: one of each product. It was done through a process called "industry cutting," where multiple types of ketchup, for instance, were whittled down one by one by taste testers, so at the end, only one was left.

Tapping into minimalism

Brandless is undeniably on-trend. This is the age, after all, of the KonMari method, the decluttering, simplifying technique by Japanese tidying coach Marie Kondo that's turned into a global movement over the past year (Kondo has since turned it into a media company). It's also a time when companies like Rent the Runway push a minimalist war against fast fashion by asking people to rent and return well-made expensive designer clothes rather than buy cheap stuff.

It's also the age of the "movement," where a simple business idea has to map back to a bigger purpose. Sharkey's passionate style has been compared to Goop founder Gwyneth Paltrow. The Brandless team recently had its first company off-site. Sharkey and Leffler asked the team to anonymously answer questions, including "How will you know Brandless has been successful?" Her favorite answer: When you overhear a conversation where someone holds up a product and says, "Have you seen the Brandless of [blank]?"

"This person totally understood the idea that Brandless was bigger than the product," she says. The big idea in Brandless' case, she says, goes beyond selling lotion and cookies to a world-dominating "brandless" life. "We'll think about opportunities to co-create things people want, need and love, then make them awesome and brand-tax free."

For Leffler, Brandless is like a child he and Sharkey produced. It was the off-site, he says, when he realized that "this was real." "I'm enamored by Tina and the skills she brings to the party," he says, adding one more thing right before we hung up the phone. "Have you tried the sour gummy worms?"

Hello, Robot

Can automation help retailers fend off the threat of Amazon?

By Hilary Milnes

The LoweBot is an actual 5-foot-tall robot that sweeps the aisles of Lowe's home-improvement stores to track inventory and help shoppers find items. After the first one was deployed in August 2016 in San Francisco, it's live in 11 California Lowe's stores. But it does have roots in science fiction.

"We actually give all of our marketing research and trend data to professionally published science fiction writers," says Kyle Nel, head of Lowe's Innovation Labs. "They're uniquely capable of kind of sifting through all the possible, probable permutations of the future and coming up with how that will actually play out."

With the LoweBot, Lowe's is attacking two retail plights: inefficiencies in inventory management and an in-store disconnect with customers, who might arrive at a shelf to find the product they want is out of stock or have trouble finding a salesperson. The LoweBot uses RFID technology, machine learning and natural language processing to monitor inventory levels and flag for staff which items need to be restocked, which are selling fastest and which ones aren't moving quickly.

When approached by a customer, the machine's touch screen invites users to input a few keywords about what they're looking for. The robot then takes off, halting in front of the stocked selection of paint colors or light bulbs. J.P. Gownder, vp and principal analyst at business consultant firm Forrester, who specializes in robotics, calls it "one of the most advanced, glamorous examples of the future of robotics in retail."

In danger of being crushed by Amazon, retailers are looking to automation and robotics as a panacea. The technology — which is readily available, not futuristic, despite the science fiction authors recruited by Nel — can cut labor costs, localize supply chains, oversee inventory in store and online and personalize the customer's online experience.

Localizing manufacturing

Over the past 40 years, the retail industry moved 95 percent of consumer-product manufacturing outside the U.S. in pursuit of cheap labor. But by using robots in the production cycle, manufacturing can return closer to the consumer, cutting down on the time it takes respond to trends.

"Automation will bring the industry back to localized manufacturing, since there's no more need to outsource the labor," says Frank Henderson, the third-generation CEO of Henderson Sewing Machine Co. "Right now, the production cycle takes about six to nine months to account for shipping overseas. In the new order of automation, we're talking about days, so you get to market faster and get things to customers much quicker."

The final step in the manufacturing process to become automated is cutting and sewing, as robots haven't mastered the fine motor skills that seamstresses have. Companies such as Softwear Automation are tackling this by building robots — the company calls them "Sewbots" — that can master these skills for any item made of fabric, from pillowcases to T-shirts to dresses.

"We call our local supply chain for sewing Sewlocal," says Pete Santora, chief commercial officer at Softwear Automation. "The only thing stopping companies from making goods where they buy them is cheap sewing labor. Everything else has been solved for."

Santora says that his company is working with athletic brands. Adidas is in the process of opening its second Speedfactory, a new take on a manufacturing plant that uses automation to turn around a pair of customized sneakers in 48 hours.

Everybody wants things quickly

In fact, as retailers try to stay ahead of Amazon, they may actually be using tech spawned by the e-tail giant itself. In 2012, Amazon bought Kiva Systems, a system for automatic warehouse inventory management that picks products for online orders and prepares them for packing and shipping. The fulfillment system uses robotic technology like machine learning, control software, language processing and computer vision to get items from warehouses to customers faster.

A team from Kiva resurrected the company as Locus Robotics and spun Locus out in 2015. Now Locus Robotics works with retailers to install robots in warehouses that respond to online orders and first locate the closest shipping point before readying the item to pack and ship. According to Bruce Welty, founder and chairman of Locus Robotics, the technology cuts the typical time it would take for a human to do these steps by 50 percent. Most orders are filled within 15 minutes. Packing the order in the box still has to be left to humans.

"Robotics can serve that just-in-time delivery, as part of an ultra-efficient supply chain, which means we get things when we want them," says Gownder. "In this world, which is a cross-channel world that's not about physical or online but the intersection, this type of inventory management is critical."

Brands including Bonobos have used Locus Robotics' technology to meet shipping times that would otherwise be slowed down by human workers who don't have the oversight to match online orders with the best fulfillment center, and who tend to make more errors. Locus Robotics' machinery has a 99.7 percent accuracy rate, according to the company.

"Amazon has set the standard, and e-commerce brands need this to compete with Amazon," says Welty. "Everybody seems to want things quickly. Inventory has to be close to the customer to do that."

Keeping the human connection

At Lowe's, Nel's hope is for the LoweBot is that it will be able to do what smartphones already can and more to help customers navigate store layouts. Right now, for instance, it can communicate in 19 languages. The company doesn't see the robot as a machine meant to replace human labor, but enhance it, by making it better at managing inventory and freeing up time that store clerks would otherwise spend directing customers to a particular item.

While Lowe's and Locus Robotics see their machines as helping humans, not replacing them, jobs are still going to be lost. Forrester estimates that by 2027, 17 percent of jobs will be lost to automation. Some but not all of those jobs will be replaced as companies put savings from automation into new parts of the business. According to Forrester, the automation industry will recreate 10 percent of the jobs it killed, making for an overall net loss of 7 percent of jobs, or 10 million.

And automation won't solve all of retail's problems, like certain parts of the customer experience.

"Our world is about brand, efficiency, effectiveness and customer service, and if any one of those are lacking, it will affect your client base and business," says Jennifer Valdivia, a partner in BDO's retail and consumer products practice. "Robotics can be an efficiency prong to a brand's approach, but without the right branding and customer service, it may not necessarily be the panacea that struggling retailers hope it to be."

The white-glove concierge service that sets a luxury retailer apart from a mass-market one is a branding experience that will remain firmly within the realm of humans, Gownder says. A robot can't yet pull together a smartly branded Instagram feed or an in-store event. But artificial intelligence and machine learning — two technologies born from robotics — can make online shopping more personalized based on an individual shopper's interests.

This is an area where Amazon is still well behind. ◘

Too BIG to Ignore

Amazon's biggest threat is from regulators

By Hilary Milnes

MO–NO–POLY

When Amazon decided to buy Whole Foods for $13.7 billion, the retail industry responded with a resounding gulp.

The news inspired Amazon antagonists to speak up: The company has gotten too big to fail, and it's competing in too many industries. Now, as it thunders into the grocery market, it's time to do something.

The call to break up Amazon has one vocal supporter: President Trump, who said in a May 2016 interview that Amazon chief Jeff Bezos (who also owns The Washington Post and against whom Trump has a personal grudge) had a "huge antitrust problem" and is sitting on a monopoly that needs to be divested.

Talking down big business in favor of small, locally owned companies has been political lip service for a long time. And while in the case of Amazon as a monopoly, no action is apparently imminent, it's not entirely out of the question that the company could eventually split off one or more of its businesses.

"It's certainly plausible — someday," says Cooper Smith, head of Amazon research at digital intelligence firm L2. "With the dominance of tech giants like Amazon and Google, we're almost anti-antitrust today. It's incredible how large and how important these organizations have become in their industries."

Antitrust laws in the U.S. are relatively helpless against Amazon, though. They're set up to target companies that are hurting consumers, not other businesses, so it's not in the nature of the Federal Trade Commission or the Department of Justice to rule that companies must "play nicer" in order to help other businesses stay afloat. Plus, Amazon competes on pricing, and according to the FTC, it's nearly impossible to prove that "too-low" prices are unlawful, unless a company is specifically lowering prices to drive out competitors, then raising them after competition is out of the way, something Amazon hasn't done.

"The idea is that Amazon simply has its tentacles in too many different businesses," says Smith. "Amazon is the e-commerce leader, retail dollars are leaving brick-and-mortar, going online, et cetera. But where we could get closer to an actual breakup is if Amazon becomes a bigger player in these secondary businesses. Amazon is taking market cap away from traditional enterprise companies, and what happens if Amazon becomes the leader in retail, cloud computing, advertising, media and shipping logistics?"

Those businesses include Amazon Web Services, its cloud computing business that has begun to take market share from traditional leaders like Oracle and Microsoft, and advertising, which Smith calls Amazon's "dark horse." According to a recent L2 Amazon report, advertising is Amazon's fastest growing line of business, worth $2 billion, while a 2016 BloomReach survey found that 55 percent of online shopping searches start on Amazon. Shipping and logistics, which Amazon sees as complementary to its retail business, could become a considerable business arm as well, as the company spends more to reduce costs of delivery and fulfillment. Amazon Video, meanwhile, is now the third-largest online streaming service after Netflix and YouTube.

If the FTC or DOJ were to rule that one or more of those businesses had to be divested by Amazon, it's possible Amazon's biggest competitive strength — its ability to take continuous profit losses while still growing the top line — would be weakened, meaning it may not be able to deliver on its promises, like fast, free shipping.

"A breakup would set a precedent for the retail industry," says Smith. "Amazon has set the standard for what customers want from a retailer, and if it were broken up, more retailers would attempt that model themselves. They have a difficult time keeping up today because Amazon can absorb its profits and reinvest them in the organization like no other retailer can."

While Amazon may be a boon for time-strapped customers now, it's arguable that Amazon's unbridled dominance is stifling competition and innovation, which could make for a less robust market and limit options for consumers in the long term. But diminishing Amazon wouldn't be a magical cure-all for retail.

"Amazon being broken up in any way will not save retail from itself," says Jared Blank, svp of data analysis and insights at analytics firm Bluecore. "Amazon's investments have been in customer service, data and quick delivery. Undercutting that wouldn't send people back to the malls. It wouldn't be helpful to Amazon, and it wouldn't really help retail. Marketplace sellers are also often overlooked, but they benefit a ton by having Amazon as a distribution channel."

If any action is taken against Amazon, it's going to be a lengthy legal process. According to Jason Goldberg, the svp of content and commerce at SapientRazorfish, current antitrust laws aren't equipped for a company like Amazon.

"Congress would basically have to pass a new law, and then we'd have to change how those laws get interpreted," says Goldberg. "We have conservative antitrust laws that are centered around protecting consumers against, say, inflated prices. Our antitrust laws are basically outdated because in the digital world, Amazon can sell stuff at a loss almost forever to help grow their business."

Blank points out that the most recent company to face antitrust scrutiny was Microsoft in the 1990s, when it was worth $900 billion by today's dollar. Amazon, while seemingly too big to fail already, is worth $497 billion.

"The conversation that has come up so far is around the Whole Foods purchase and the president's grudge," says Blank. "I don't buy it. Amazon making people uncomfortable isn't a valid reason to break it up." ◘

GLOSSY 50

The fashion, luxury and beauty industries are being turned on their heads. The heat is on to ship faster, lower prices and be first to market with trends. Those driving these modern strategies are the people we're calling the Glossy 50.

The inaugural class includes an executive who is driving sustainability processes, a founder of a modeling agency dedicated to greater diversity in media, a chief strategy officer rethinking how luxury is sold and a pair of siblings nurturing digitally native beauty brands. They're insiders from 10 categories we cover daily — including platforms, wearables, startups and streetwear — who captured our attention in the past year. In the following pages, we dive into their contributions to their industries' new directions.

Vijay Subramanian

chief analytics officer,
Rent the Runway

Since Rent the Runway launched in 2010, Vijay Subramanian has helped establish it as one of the fashion industry's most innovative companies. As the chief analytics officer, he's credited with designing the back-end systems that power the brand's rental reservations, returns processing, order fulfillment and customer experience.

How has the way you rely on data evolved since the brand launched?

When I started, we had zero data, and now we have terabytes and terabytes of it. I was their first senior hire as a data technologist, despite the fact that we had no data, but that's affected how the company has evolved. Now, we have a data-native culture.

How is that different from other companies working with data today?

Older companies today try to make use of all of this data by putting together reports and analyzing them, but there's more to it than that — it's about asking how to build your business with data at the core. For that, you truly have to embrace the scientific method and ask: What's our hypothesis? How do I attempt to prove it? You experiment, get the results and then iterate accordingly. That mentality is radically different from just coding things and analyzing them. If you're truly data-native, you are always testing, falsifying and proving.

What's one discovery you've made from data that altered the business?

There was a general thesis that our customer base was very young, around college-age, but we quickly found that it was much wider, between 15 and 54. So we mapped out all the events that women within that age range might go to and began gearing our product toward them. It turned out that young mothers and career women in their late 20s and early 30s were the most adaptable to our model because they wanted the convenience and had so many occasions throughout the year.

- Jessica Schiffer

Bayard Winthrop

CEO, American Giant

American Giant CEO Bayard Winthrop is committed to not only slowing down the breakneck pace of the fashion industry, but also ensuring it's made in America. "The company was founded on a handful of core principles that we have a lot of conviction about," Winthrop says. The company produces its affordable knit apparel in factories in the southern United States, with a focus on high-quality products that won't break the bank. The key to this has been a direct-to-consumer model that bypasses the retailer middleman, which has allowed Winthrop and his team to expand from its zip-up sweatshirt — the first product it released in 2012 — to an expansive product roster that includes pants, dresses, jackets and accessories. Now, Winthrop is proving that he's still not concerned about the ubiquitous power of Amazon, asserting that American Giant's brand values and American-made story will prevail and ultimately come out on top.

- Bethany Biron

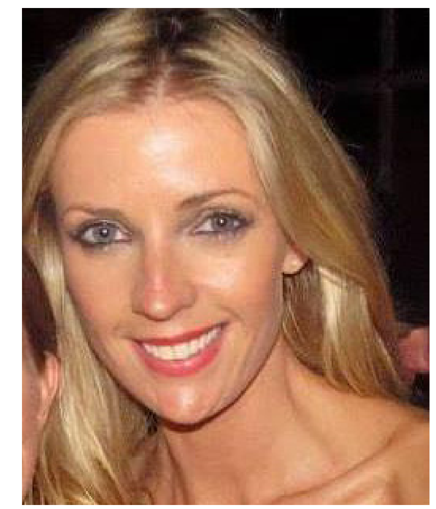
Andres Sosa

evp of sales, marketing and creative, The Outnet

Not everyone is perishing in the Retail Apocalypse. The Outnet — the offseason luxury fashion e-commerce platform Yoox Net-a-Porter Group owns — has seen its physical retail business expand by more than a third. To account for The Outnet's growth, Andres Sosa, evp of sales, marketing and creative, is leading an overhaul of the site, which will focus on personalization and curation tailored to each unique individual user, in partnership with IBM Watson. Sosa is particularly bullish on improving discovery and targeting for users in each of The Outnet's 170 markets. "The site will take us to the next step to make the customer journey a lot easier and a lot simpler, by anticipating the sizes and brands they're looking for from where they're located," Sosa says.

- BB

Natalie McGrath



vp of U.S. marketing, Boohoo

Since launching in the U.S. in 2013, U.K. fast-fashion retailer Boohoo Group has seen unprecedented growth: In its latest financial year, it reported a 145 percent revenue boost in the U.S., from $17 million to $43 million. In addition, it recently launched maternity wear and a menswear-exclusive site, plus built on its brand roster (Boohoo, BoohooMan and PrettyLittleThing) with the acquisition of Nasty Gal.

How are you attracting the attention of U.S. shoppers?

We just recently opened a digital-first New York storefront, which allows consumers to come in and interact with the brand and the product. When a brand hits the market, you need to give consumers a touch point — or all they see is product on a screen.

How essential is speed to market to your success?

We're constantly coming out with newness — production is two to three weeks — and in doing so, we've given ourselves a competitive edge. It's what our customer wants. People are no longer interested in buying things they saw six months ago.

How important is the Generation Z shopper?

They're our most valuable audience. You get that customer early on, and you've got them for generations. Our sweet spot is the 16- to 24-year-olds; everything from a marketing standpoint is solely focused on them.

Has that necessitated more focus on mobile?

For sure. In the next couple of years, we want to have a mobile-first approach to technology. We're moving in that direction with our new mobile app: We're streamlining how consumers shop once they see products on influencers on the different social media platforms.

What's next?

We're really just beginning our journey, but we're going in the right direction and making sure we're keeping ahead of the game. We're launching Boohoo Premium, we're opening a pop-up in Texas this fall and we have a big-name collaboration that's coming to fruition at the moment, which is one route we haven't taken. We're excited.

- Jill Manoff

Stephanie Phair

chief strategy officer, Farfetch

Stephanie Phair is confident that Farfetch is poised to change the way luxury is sold online. "Farfetch has created a new paradigm: a technology business in the luxury industry," says Phair, who joined the company as its chief strategy officer in November 2016. "And it leverages both extremely successfully." Farfetch was founded in 2008 by CEO José Neves as a global online network for small boutiques struggling to transition to e-commerce. Today, the company has extended to include luxury brands, and it's also building back-end platforms for both online and physical stores. Its "Store of the Future" platform is positioned to change the way retail stores function by infusing data analytics and geotargeting technology into the experience.

The company considers itself neck and neck with Net-a-Porter and Amazon in the race to build an online marketplace for luxury brands. Farfetch is also preparing for an IPO: Since Phair's arrival, it has been valuated at $1 billion. Stakes are high. "It's my role to ensure we're constantly thinking ahead," says Phair. "You have to work at innovation. You have to have the right conditions. We truly understand that we're only as good as that next innovator, the next entrepreneur, so we're always thinking about the next way someone will shop."

Phair has thought about how people will shop for luxury online since 2005, when she was on the founding team of an online pre-owned marketplace for luxury goods that connected dealers to a broader audience base — essentially an ahead-of-its-time version of The RealReal that eventually shuttered. She moved on to what would become The Outnet, Net-a-Porter's off-price e-commerce retailer, building out the business model and customer base for the company's first seven years. At Farfetch, Phair comes in not in the company's early stages, but at a time where the next stages of growth are critical, as Amazon is angling to play in the same fashion and luxury space. Phair's team is focusing on building out Farfetch's conversational commerce capabilities and improving the one-to-one interactions its stylists have with customers.

"You have to understand that the tech industry moves very quickly in the same way that Farfetch seemingly grows very quickly," says Phair. "It's, 'How do I solve this problem for the customer?' when the customer hasn't even asked you yet, to 'What can I do to fix that for brands?' when the brands don't know it's broken yet. My most important job is to hire the right people who think this way."

As in-store retail foot traffic falls, Phair sees Farfetch as the digital "lifeline" for the global network of small, independent boutiques that now sell through the marketplace. But she doesn't see Farfetch itself as a company in alignment with such fashion retailers and says customers are more likely to compare it with technology leaders, not retail stores.

"It's more similar to a Facebook, an Amazon, a Google," says Phair. "It's always been about innovation."

- Hilary Milnes

CONNECTED FASHION

Eric Colson

chief algorithms officer, Stitch Fix

Eric Colson knows what your closet needs, even if you don't. He's not a stylist, and before landing at Stitch Fix, the online personal styling service, he had no experience in the fashion industry. As the company's chief algorithms officer, he looks at subjective style in a series of zeros and ones, using data science and machine learning to perfect a recommendations system that's become the backbone of Stitch Fix's service.

What makes an 'algorithms officer' different than a typical data scientist?

Decision-making. I put my money where my mouth is, and we figure out automated techniques that would be tough for humans to do. The conception of ideas comes directly from the data team, rather than the data being there to support an idea that already exists.

What are some of those ideas?

Computer vision. We ask customers to pin outfits they like to Pinterest because we can digitize them, vectorize them and do math with them, and make their Fixes [subscription boxes] even better. Another is Hybrid Design, which is our program that uses genetic algorithms to design clothes. The design team wasn't asking for that; the data science team saw the need.

You were at Netflix before coming to Stitch Fix. How did that prepare you?

At Netflix, decisions are made empirically with no theory to uphold or influence from opinion. There's a parallel: Both companies have buyers. At Netflix, it's for content, and at Stitch Fix, it's for clothing. For them, a mark of success is if something they bought performs well, but no matter what, it's based on relevancy. We're not here to sell anything. What Stitch Fix has that Netflix doesn't is a customer that's willing to serve up a lot of her information to us directly. She wants to share, and that's huge.

Stitch Fix is like the anti-shopping shopping service. Will this become the norm?

Consumers' expectations will continue to change. People will say, "Remember when we had to wander around the mall? What was that about?"

- HM

Karli Cengija

innovation engineer, Intel

Karli Cengija has helped Intel unite fashion and technology since 2010, when she left a systems analyst job in finance to join the company as a developer for its mobile wireless group. Now, the innovation engineer spends most of her time testing new methods of "wiring for the body," tinkering with sensors and applications that help bring garments to life. She has the assistance of a multidisciplinary team that includes mechanical engineers, user experience designers, anthropologists and mathematicians.

"Fashion and technology are perfect partners — they're so different in many ways, but each one has what the other one doesn't," says Cengija, who's collaborated with everyone from industry veteran Hussein Chalayan to upstart brand Tome to create unique wearable experiences.

At Chalayan's spring 2017 show in Paris, that meant developing glasses and a belt that communicate with each other to identify the wearer's stress level. The glasses used the Intel Curie module to gather biometric data on the wearer's brain waves, heart rate and breathing patterns. That information was sent to the belt that used Intel's Compute Stick (basically a tiny computer) to translate the data into one of five different visual symbols. The symbol was then projected onto a wall. One visual, for example, showed someone pulling on a rope — the tighter the grip, the more stressed the wearer.

These projects have also focused in on the environment. In 2016, Cengija collaborated with Tome on a bracelet and sustainable bag that tracked things like ambient temperature, toxic gases and barometric pressure. Although Cengija has no formal training in the fashion industry, she's spent a lot of time studying how garments are designed, produced and ultimately delivered to the consumer. While designers have mood boards and swatches in the prototyping stages of their process, Cengija has hardware and software. "We all evaluate our prototypes, observe our limitations and respond to them creatively," she says.

Although wearables haven't taken off on a large scale, Cengija believes someday all clothing will have a tech component. Some will be more practical, like tags that track the wash/wear cycles of clothing, helping people get the most out of their favorite pieces. Others will be more fun, like shirts whose patterns can be updated based on new launches in an app-like store.

For now, Cengija and her team are just trying to one-up their previous work. "I'd like for the technology to really disappear into the garment, freeing designers to innovate on the interactions enabled by it instead of worrying about how to 'hide' it," she says.

- JS

Aman Advani

co-founder, Ministry of Supply

In 2011, Aman Advani and MIT classmates Kit Hickey and Gihan Amarasiriwardena devised a way to use materials similar to those used in NASA spacesuits to create a "performance dress shirt." Their collegiate foray into reimagining the functionality of a hyper-technical fabric paved the way to Ministry of Supply. Now, the company boasts a vast collection of temperature-regulating, moisture-wicking apparel that includes shorts, pants, jackets, T-shirts and socks. Despite the elaborate materials it uses, the company ensures the products are machine-washable, and it tries to keep prices reasonable. (For example, a men's button-down shirt ranges from $95 to $115.) Advani and his team have continued to push boundaries by integrating 3-D robotic knitting to the production process, introducing a machine that produces blazers on demand in its Boston flagship store. Beyond tapping the emerging technology, the machine gives consumers the opportunity to design their own jackets with personal flair.

- BB

Liron Slonimsky

founder and CEO, Awear Solutions

The idea for Awear Solutions came to Liron Slonimsky in college, when she was wondering about the designer behind a fellow student's bag. Intent on creating a Shazam for fashion, she teamed with software engineer Oren Zomer, and the two launched the company in 2013. Now better described as a frequent flyer program for fashion, Awear found a niche in allowing brands to track products post-sale. Brands can then reward customers based on when, where and how frequently they wear their purchases. This summer, Awear inked a deal with a yet-to-be-announced major fashion brand, which involved equipping everything in the brand's fall collection with its smart tags. Customers who rack up points by regularly wearing the brand will receive perks, like access to exclusive experiences.

- JM

Jacques Bastien

founder, Shade Management

Three years ago, Jacques Bastien noticed a glaring blind spot in the world of influencer marketing that other agencies had ignored: the lack of diversity in the space. Born in Hait, raised in Brooklyn, Bastien was running a multicultural marketing agency called Boogie at the time, when he decided to tackle the issue. In 2016, he founded Shade Management with his wife, Dahcia. The company represents a roster of wide-ranging black and brown influencers, including fashion models, stylists and photographers. Along with helping them build connections and expand their reach, the Bastiens connect their talent with lucrative clients that are hoping to reach a more niche or multicultural audience. So far, Shade has worked with everyone from Food Network to Bumble, helping to fill these mainstream voids with more realistic representation of our increasingly diverse world.

- JS

Nadia Boujarwah

co-founder and CEO, Dia&Co

Nadia Boujarwah didn't see a future for herself in retail. In fact, she was an investment banker before she decided to get her business degree from Harvard Business School in 2011. But certain shopping trips always stuck with her, like the time she went shopping for a prom dress. She was a size 22 at the time, and after her search turned up a very limited selection of options, she ultimately designed her dress herself.

While at Harvard, Boujarwah met Lydia Gilbert, a classmate who shared a similar history of disappointing shopping experiences. The two got to work thinking about what the perfect retail experience would look like for them and the CDC-reported 100 million women who don't fit into traditional retail sizes, which typically end at size 14. It was a combination of that commiseration and their surroundings — Harvard Business School is known as a startup launchpad — that led to the launch of Dia&Co, a style subscription box that sends clothes to plus-size shoppers to try before they buy.

"Retail and fashion [weren't] at the forefront of my mind on the professional aspect," she says. "But one thing that was always clear to me was that how good I felt in my clothes had a direct impact on how powerful I felt in my job. Who I wanted to be was closely tied to how I wanted to dress."

Dia&Co has now raised $25 million in funding, grown to 350 employees (including remote personal stylists) and started designing brands in-house and through collaborations with celebrities like Rebel Wilson. It's come a long way since Boujarwah and Gilbert delivered boxes to early customers themselves — on foot.

The company works with existing plus-size brands on the market to fill its shipments, and it also encourages other brands to join the space, helping them to do so by sharing customer information and tips. The brands have to be dedicated, though, or else Dia&Co isn't interested in supporting their products.

"If brands are interested, we share every resource we have," Boujarwah says. "Our job is to get more options to our customer — we built the business around it. But they have to be committed to her — and not just because the dollars are there."

- HM

Rio Uribe

designer, Gypsy Sport

Rio Uribe is an outsider's designer with insider clout. Since 2012, the Los Angeles native has sent out edgy, unisex fashion under the label Gypsy Sport, with collections that reference everything from homelessness to punk subcultures. He won the prestigious CFDA/Vogue Fashion Fund in 2016 despite having no official design background — he got his start in the industry after falling into a chance merchandising job at Balenciaga in 2006. But that's what makes his story quintessentially American — in the more idyllic sense we need right now. Ditto Uribe's outlook on design, which does not simply blur gender lines but is inclusive across the board, with his clothing regularly shown on models of all sizes, races and sexual orientations — not to mention pregnant women, mothers and children. He's the rare designer that makes you hopeful for an industry less reliant on exclusion.

- JS


Jaclyn Sarka & Gary Dakin

founders, Jag Models

Jag Models founders Gary Dakin and Jaclyn Sarka have been at the forefront of model diversity and inclusivity since the duo left Ford Models together in 2013 to create an agency of their own. Jag Models has come a long way since its early days based at Dakin's kitchen table — four years later, the company continues to push the boundaries on beauty standards, with an emphasis on casting women of all sizes and from all backgrounds.

What was the moment you realized there was a need for an agency like Jag Models?

We really wanted to be casting girls of all sizes, but Ford's new owner chose to undo what we had worked toward for several years and decided to focus more on image rather than commercial looks.

We thought it was a great opportunity to run with our concept of using women of all sizes on one casting board.

Jag's just seven people. How does being small affect your approach?

When we really believe in and are passionate about somebody, we're willing to take a chance on a girl. The big agencies have someone to answer to; we just have ourselves to prove it. If you really love somebody, you take a chance on them. Not everything has to be done by committee.

What's a prerequisite for a Jag model?

They just have to have that special something that makes you want to work with them. When [model Diana Veras] walked in, all 5 feet, 6 inches of her, nothing screamed traditional model, but she had this personality that's just magnetic. You've got to stand out.

- BB

EVOLUTION OF LUXURY

Adam Pritzker

founder of Assembled Brands

Adam Pritzker is on a mission to create the next LVMH. No easy feat, to be sure, but Pritzker has already made waves with experimental shopping concepts like The Apartment by The Line, a luxury loft in New York City that sells everything from home goods to ornate dresses, by appointment. His ultimate vision is to launch several luxury companies all housed under Assembled Brands. In addition to The Line, Pritzker has also created home goods brand Tenfold, the ready-to-wear collection Protagonist and womenswear line Khaite. Always looking to the future, Pritzker is considering menswear and children's lines. Given that he already created the hugely successful technology and design training program General Assembly (which boasts more than 35,000 graduates), Pritzker is well on his way to becoming a major force in the retail world.

- BB

Carol Lim & Humberto Leon

founders, Opening Ceremony

Esprit. Google. The Lipstick Lobby. A list of Opening Ceremony's recent collaborators is a snapshot of fashion's latest priorities — nostalgia, tech and politics. Since 2002, founders Carol Lim and Humberto Leon have infused the brand with all things current, viewing fashion through a wider cultural lens. Recently, the company doubled down on its off-kilter approach with an immigration-themed spring 2017 ballet presentation.

What does luxury mean to you today?

Luxury has been redefined. It's the idea of seeing something and actually being able to get it. A $25 T-shirt can have the same covetable value of a $3,000 handbag.

What makes a new project or collaboration a good fit for OC?

It has to be authentic and an organic extension of our brand. At OC, we are storytellers, so each collaboration and collection has to have an in-depth story that ties into our narrative and keeps things interesting.

What do the presentations you've put on for OC each season offer that traditional shows do not?

The way information is shared has drastically changed, and it prompts everyone to rethink how things are being done. We like to push boundaries and redefine them and, from our first OC show, we've focused on making sure that the experience was visceral.

Why should fashion be political?

It would be silly to ignore politics in this inexplicable time period. Everyone around you is having their rights challenged left and right, so if you have a voice, you should use it.

- JS

Melissa Lowenkron

svp & gm of menswear, Bergdorf Goodman

Melissa Lowenkron proves it's possible to breathe new life into a century-old department store. As head of men's merchandising, Lowenkron is transforming how Bergdorf Goodman not only selects its classic luxury looks, but continues to serve as a launchpad for emerging designers. The store has traditionally served as an introductory channel for several major brands, including Tom Ford and Moncler. Now, as the menswear market continues to grow, Lowenkron plays a significant role in setting modern trends and pushing the boundaries of luxury. She was, after all, the brains behind bringing Kith, which is now one of the most popular streetwear brands in the nation, into Bergdorf Goodman. Since joining the team in 2014, she's proven she has a keen eye for style, with a focus on identifying emerging U.S. designers and drumming up buzz for little-known brands.

- BB

Ian Rogers

chief digital officer, LVMH

In 2015, LVMH raised a few eyebrows with its appointment of Ian Rogers — a music executive heading up iTunes Radio at the time — to chief digital officer. Likewise, Rogers made a surprising move in uprooting his L.A. life in favor of a Paris-based apartment and a job at a buttoned-up fashion brand.

"It's really fun to just be a music fan again, to wake up and breathe music, but not have to wake up and breathe the music industry," says Rogers, of his career transition. What's fueling him today, he says, is the "wave that's hitting retail," as well as the long-term opportunities in diverse developments like cryptocurrency and augmented reality. Now in their early stages, he compares the two to the internet in 1994, promising, "They're going to be part of our lives 20 years from now."

"I was always a student of the way the internet is changing, and changing culture," says Rogers. "Looking at these 70-plus brands at LVMH is a pretty great vantage point to watch that from because the disruption that is happening in retail right now is full-on."

In June, Rogers unveiled his first big project in his new role: 24 Sèvres, the e-commerce counterpart to LVMH's department store, Le Bon Marché, and the French luxury goods conglomerate's first foray into multi-brand e-commerce. "It went smoother than we thought," he says.

It's a project Rogers has worked on since day one at the company, driven by the notions that "Parisian fashion needs a seat at the table" and "the internet has changed since Net-a-Porter's launch [in 2000]."

According to Rogers, the one thing that hasn't changed on the retail front is the value customers place on quality and creative products.

With 24 Sèvres, the quality no doubt exists, with iconic luxury brands including Gucci, Fendi and Givenchy making up the inventory.

And Rogers' emphasis on creativity has made the retailer a standout. Everything from order packaging — Paris street signs inspired the design of 24 Sèvres' boxes, which are personalized with customers' initials and feature pop-up Eiffel Towers — to the online imagery has a wow factor, especially for anyone accustomed to shopping on Amazon.

For the imagery, Rogers turned to those designing window displays for LVMH brands, giving them a canvas on which to work by building "an online version of visual merchandising."

"It was, 'Can we push the storytelling here?'" he says of bringing merchandisers' work online. The result: A striking homepage and colorful category pages, consistently driven by artists' visions rather than promotions.

For a multi-brand retailer to be successful, "inspiring" merchandising is key, Rogers says — as are top-notch service and selection. He compares the retail format to media: "You have to present people with what they should know right now: the new brands, the new products. If they can rely on you for that, they'll keep coming back."

Most of 24 Sèvres' customers are based in France, the U.K. and the U.S., respectively, but Rogers promises those markets are just the tip of the iceberg. "You'll see and hear a lot more from us on an international basis in the months and years ahead."

And, he notes, 24 Sèvres — "a small percentage" of his responsibilities — is just one of the many LVMH brands making strides.

"Every week, there's a launch of some sort of idea," he says. "A lot of what we're working on is behind the scenes — not just making sure the [LVMH] group is not behind the competition, but making sure it's leading the entire industry. We're preparing for tomorrow."

- JM

Dana Randall

head of innovation, Coach

Dana Randall didn't bounce from luxury brand to luxury brand before landing at Coach as its head of innovation in 2015. She was intimately familiar with the brand as Coach's account manager during her time at luxury agency Isobar. In-house at Coach, Randall approaches the challenge of solving "innovation" from the perspective of her varied background in digital marketing, creative strategy and development.

Innovation can mean a lot of different things. How do you interpret it?

Innovation is a word I'm a little scared of right now. It's being thrown around a lot. To me, it's experiential. It's believing in what's possible. It doesn't have to be technology. Sometimes the best innovation is taking something that's been applied to one industry and applying it to another one in a different way.

You didn't have previous experience in-house at a fashion brand before Coach. Is that an advantage?

Having a diverse background is important because you have to have that mindset when you're tackling innovation head-on. To me, innovation is creative problem-solving, and you need to be open-minded as to what the [solution] is going to be. It could involve creative, or digital, or technology or a combination of the three. If you only think about it in terms of technology, you end up going down a dangerous place.

Still, is there any particular technology you're especially excited about right now?

If you look at luxury, fashion and retail, these industries are historically slower to adopt tech. What's most important to me is culture. If you fall into the trap of a technology-first mindset, you're left with things that come off as gimmicky. If it starts with the internal culture, you're empowering people to be open-minded and to try new things that move the needle forward.

- HM

Phillip Picardi

digital editorial director, Teen Vogue and Allure

In early July, TeenVogue.com featured a story, "Anal Sex: What You Need to Know," sparking outrage among some parents, who deemed the story irresponsible. The hashtag #PullTeenVogue circulated across social channels, and a blogger known as Activist Mommy posted a video of herself burning Teen Vogue's print edition.

Phillip Picardi, the publication's digital editorial director since 2015, responded with a string of tweets, calling out the importance of sex education. "How can you possibly expect teenagers to practice safe sex if they don't know what's at risk?" one tweet reads. It wasn't the first time he's justified TeenVogue.com's content on social.

It used to be the magazine mothers bought for their daughters because it was safe, he says. That's changed, and the transition was intentional.

"When you were little, did your parents ever turn off MTV when you were in the room and say, 'You can't watch that?'" he asks, on a call from his office at One World Trade Center in New York City. "That's what I wanted for Teen Vogue: It's on the side of the young people, and it's cool that parents are a little afraid sometimes.

As Picardi tells it, there's nothing irresponsible about TeenVogue.com's content. Stories on sensitive subject matter see "rounds and rounds" of editing, and daily meetings allow the staff to weigh in on every story.

"We know there's a right thing to do, and that's to educate our audience," he says, noting that TeenVogue.com will always stand for civil rights and equality.

That approach seems to be working for TeenVogue.com's audience. In June, the site attracted 6.8 million unique visitors, nearly double that of the same period last year, according to comScore.

That boost is no doubt aided by the attention its political coverage has received since a story by Teen Vogue columnist Lauren Duca, "Donald Trump Is Gaslighting America," went viral following the election.

It was payoff for months of publishing political stories that saw little traction, Picardi says. "We were trusting our editorial instinct versus responding to an algorithm — then, our [political content] basically exploded," he says.

Picardi's instinct has served him

well. In March, his digital editorial director role was extended to Allure.com. It didn't take him long to put his stamp on the beauty site.

Two months in, on a mission to diversify content, he launched a wellness vertical with a photo series of five women flaunting their pubic hair. "It was so ripe with conflict because we're taught that body hair is nasty and that women shouldn't have body hair because it's unhygienic," he says.

He also hired Janet Mock, a transgender woman of color, as contributing editor. She writes a biweekly column on gender and identity.

"It's exciting to see how Allure has evolved, and we'll continue to grow," he says. But that's not to say its content will ever align with Teen Vogue's.

"Teen Vogue is your girl on the street protesting; she's on the ground, fighting. Allure is more internalized; it's about self-care," Picardi says. "Today, they're equally important."

- JM

Julie Zerbo

founder, The Fashion Law

Since launching in 2012, Julie Zerbo's fashion law and business blog, The Fashion Law, has become a highly respected industry resource known for its legitimate legal intel and honest perspective on the fashion world. Unafraid to criticize copyright infringement and the lack of diversity or sustainability, Zerbo has taken on juggernauts like Chanel and Zara and written regular columns for WWD and The New York Times. Zerbo says her continued mission is to provide readers with insight that isn't "dictated by industry politics or advertiser bias." Her work has had larger reverberations, including more transparency surrounding sponsored content and greater awareness of the cost of fast fashion. It's refreshing and effective — a combination the industry needs now more than ever.

- JS

Marc Bain

fashion reporter, Quartz

When Quartz launched in 2012, the news outlet was not expected to deliver great fashion coverage, but reporter Marc Bain has singlehandedly changed that since joining the company in 2015. Now, Quartz is a go-to for industry-related deep dives, from a piece on Helmut Lang's legacy to an exploration of the "homeworker" phenomenon, in which low-wage workers produce fast fashion in their kitchens. Bain's career path, as he describes it, has been somewhat circuitous — he hopped from health reporting at Newsweek, to literature editing at SparkNotes and then to handling production for Korean - German menswear designer Siki Im — but he had his sights set on fashion reporting. "I always liked clothes. They're such a huge part of identity in the U.S. and elsewhere, especially when you're growing up," he says of his initial interest. Today, his writing shines an honest light on an industry prone to smoke and mirrors.

- JS

Michelle Lee

editor-in-chief, Allure

As Michelle Lee approaches her two-year anniversary as editor-in-chief of Allure, she has a lot to be proud of. The former Nylon CMO has not only overseen a revamp of Allure's website and e-commerce strategy, but also redefined what beauty means to the magazine, with a focus on increasing diversity and tackling taboo topics. Recent covers featuring women of color, videos on subjects like albinism and provocative features like a story on pubic hair (which garnered quite a bit of controversy on the internet) serve as a testament to that.

What is the biggest misconception of your job?

When I came to Allure, a lot of people said to me, 'Oh, you get to work with mascara and eyeliner and lipstick every day!' They are absolutely right. And that's great, and it's a huge part of the job. But the most exciting thing to me is how we define beauty and the whole redefinition of beauty.

How are you working to redefine beauty?

In April, we had our first-ever diversity issue that included 41 women of color. It was a very defining moment for us — it wasn't just talking about hair. For our July cover with [model] Halima Aden, we were the first mainstream magazine in the United States to feature a woman in a hijab.

What does diversity mean to Allure?

When people think of diversity, we think racial and ethnic diversity, but it's also about body type, age and gender. Today, we have a number of "beauty boys"; we have many more women of color. Across every platform, it's been a really lovely shift for us in the way we think of the brand.

How has Allure handled the backlash that tends to follow pushing barriers?

When you do things that are provocative, there are always going to be people on both sides; we expect that. We still believe strongly in our message of diversity and inclusion, and I'm OK with people not loving it. It's more of an issue within them than it is with us.

Do you see a place for a Trump supporter in your readership?

Being inclusive and showing diversity shouldn't be viewed a liberal or conservative issue. Our goal is to challenge antiquated standards of beauty, and we strongly believe that showing and celebrating diversity is an important piece of that conversation.

- BB

Will Welch

editor-in-chief, GQ Style

When GQ needed someone to lead its new spinoff fashion publication, it didn't have to look far. Enter Will Welch, an eight-year veteran of GQ, who took over as editor of GQ Style when the magazine launched in early 2016. Welch started his media career at New York-based music magazine The Fader, climbing the ranks to deputy editor. Welch is tasked with overseeing the quarterly magazine and carving a niche focused on international style with a fresh, differentiated voice.

Beyond setting the editorial agenda, Welch plays a significant role in courting new luxury brand sponsors and advertisers to the magazine — no easy task in the volatile media market. With recent covers featuring leading men Brad Pitt, Aziz Ansari and Jared Leto, paired with the continued growth of the menswear market, GQ Style is solidifying its place on the newsstand under Welch's tutelage.

- BB

Jeff Carvalho

executive editor, Highsnobiety

As the executive editor of Highsnobiety, Jeff Carvalho acts as a translator, deciphering the often opaque world of streetwear to outsiders. When The New York Times wants to find out why people keep lining up outside of Supreme, the publication turns to Carvalho to explain. Highsnobiety, which has 3 million monthly visitors according to comScore, has become a bible of sorts for sneakerheads since it was founded in 2005.

Streetwear is an elusive category. How does Highsnobiety interpret it for both insiders and outsiders?

Highsnobiety brings cultural literacy to the industry. Our advantage is that we've been covering this market for years. We have context, and we know how to best reach this audience.

How do you explain the convergence of streetwear and high fashion? Did you see it coming?

For us, it feels like a point of acceptance. For a long time, it felt like streetwear was in a bubble and anything outside of it was afraid of going anywhere near it. The convergence of luxury and streetwear has been a long time coming, though. It's like a point of acceptance, and we're happy to feel like we've guided much of that conversation.

Is social media responsible for this acceptance?

Social media has given the community a new place to congregate. I don't know that it's responsible, but it does provide a sort of open door for newcomers to get access. We launched a series on Instagram Stories this year that's been really successful: It's a premium content play for us, with well-made videos telling the story around whatever's the most talked about for us that day. That pulls in millions of views.

- HM

NEW FACE OF BEAUTY

Christine Chang & Sarah Lee

co-founders, Glow Recipe

Korean beauty is ubiquitous in the U.S., thanks in large part to Sarah Lee and Christine Chang. The co-founders of Glow Recipe, who hail from South Korea, first brought their skin care sensibilities to the States while working in separate departments at L'Oréal in New York City. There, they played integral roles in launching K-beauty-inspired products such as cushion compacts and facial essences for brands including Lancôme and Kiehl's. Now leading their own e-commerce company, Lee and Chang continue to pave the way for K-beauty through a partnership with Sephora. Not only does the beauty retailer sell Glow Recipe products, but it also consults with the duo on other K-beauty products and trends it should sell to stay ahead of the curve. Now, they're focused on expanding the Glow Recipe experience, with recent pop-up shops and physical retail experiences at department stores like Saks Fifth Avenue.

- BB

Ali Weiss

svp of marketing, Glossier

Glossier has seen consistent success since launching in 2014, and 2017 is set to be a standout year. The beauty brand is on pace to match its 2016 revenue growth, which spiked 600 percent, and it's expanded to international markets, including the U.K. and France. SVP of marketing Ali Weiss has helped drive this, pinpointing opportunities and keeping Glossier on course.

How has Glossier maintained its momentum?

First, we focus on what we're building toward rather than get distracted by how quickly we're growing. Our true north is building the first true beauty lifestyle brand that's community-driven. The second piece of it is relying on our community. At the end of the day, the people who are heard the loudest are the customers and the community.

What are your thoughts on the power of social media?

There are really two perspectives on what social media can do: It can drive growth, or it can drive brand identity and community creation. We've definitely skewed toward the latter throughout the evolution of Glossier. We launched on Instagram because we knew it was a platform people were going to for information and inspiration around beauty and personal style. We were able to have conversations with our community there, and that's where we brought Glossier to life.

What is your growth strategy?

I think about it as where we play and how we win where we're playing. Where we play is in beauty, in a digital channel, driven by brand building and peer-to-peer recommendations. We'll grow from there by building out our core — we're doing that now with new products and category expansion within the beauty space — and also looking for adjacencies. We still have a really large market opportunity out there. We just launched in Canada, and we're launching in the U.K. in the fall.

- JM

Lucinda Newcomb

vp of digital product, Sephora

Sephora has ridden retail's shift to digital without many missteps. The beauty retailer has launched augmented reality try-on tools for mobile, incorporated tutorial videos to all of its product pages and brought popular user-generated content into stores by way of digital screens, all while continuing to drive sales for its parent, LVMH.
The company makes these digital executions look as effortless as a swipe of mascara, but these launches fall on the shoulders of Lucinda Newcomb, the retailer's vp of digital product.

What falls under your purview at Sephora?

When the business dreams up crazy, audacious goals, we take those big ideas and turn them into reality. If someone says, "Hey, we should launch an Android app," it's my team who figures out what needs to be in there and designs an experience that will connect with our clients. We take the "What could we do?" and turn it into what's tangible and realistic for the company.

How do you balance executive-team demands with what the customer is asking for?

Client experience is queen. If the customer is going to be somewhere, we want to be there first. As new opportunities start to arise, we're there, learning and offering experiences that make sense. New channels don't worry us.

What's something you expect to take up a lot of your time and energy for the foreseeable future?

We recently launched an online Beauty Insider community, so we'll be expanding that. The purpose of digital is to make the customer experience at Sephora more than transactional. Community is a great opportunity to drive a connection and to get people in front of others who have things in common with them. Digital doesn't take the place of personal interactions; we're heading to a place where we can help [the customer] feel understood online.

- HM

Laura & John Nelson

founders, Seed Beauty

Siblings Laura and John Nelson have beauty in their blood. The founders of Seed Beauty — behind Kylie Jenner's uber-successful Kylie Cosmetics line — were weaned at their father's beauty industry supply store, Spatz Labs. It was there that the two decided to leave behind their executive roles to launch a digitally native beauty incubator, one that would be bent more on Instagram influence and YouTube videos than drugstore ubiquity. Seed's first brand launch was ColourPop, whose products are directly inspired by online beauty trends. ColourPop now boasts 4.9 million Instagram followers, which is almost five times more than Revlon and CoverGirl. For a successful road map, those traditional beauty brands need not look further than one of the Nelsons' core tenets for developing fast-selling products: to listen to their audience's needs far more than they dictate.

- JS

Shashi Batra

founder, Credo

When Shashi Batra died in May, the industry lost not just a stalwart but an innovator with infectious creativity and passion. Having founded Credo Beauty — the natural beauty spin on Sephora (where he worked on the founding team from 1998 to 2004) — in 2014, Batra was 10 steps ahead his colleagues, who have only recently begun embracing the natural movement. Batra was keen to push them in the right direction, once telling The New York Times he deliberately placed Credo stores near beauty chains that weren't eco-friendly or organic. Today, the company has four locations in New York and California, with more on the way. "What really set Shashi apart was that he was so bright and could articulate anything with such passion," says Annie Jackson, his former right-hand woman and Credo's chief operating officer. "People were inspired by him to do better — to do more."

- JS

SUSTAINABLE FASHION

Livia Firth

founder, Eco-Age

Livia Firth is determined to make fashion more sustainable. In 2009, Firth founded Eco-Age, a brand consultancy that helps fashion companies build value through sustainable initiatives. She has since helped clients like jeweler Chopard and luxury group Kering reorient their businesses for the greater good. From fixing problematic supply chains to crafting eco-friendly product initiatives, Firth and her team simplify the often-confusing language of sustainability for an industry that's long turned a blind eye on the topic. Her Green Carpet Challenge initiative has pushed the limits even further, tasking brands and celebrities with wearing ethical and eco-friendly designs on the world's glitziest red carpets. It's thanks directly to these efforts that fashion royalty like Anna Wintour and Natalie Massenet are seeing green.

- JS

Cara Chacon

vp of social and environmental responsibility, Patagonia

Patagonia was founded with sustainability as part of its DNA, long before brands glommed onto it as a marketing strategy. Founder Yvon Chouinard made care for the environment central to the brand's mission. Cara Chacon, Patagonia's vp of social and environmental responsibility, is tasked with driving that legacy forward.

For the last seven years, Chacon has led a team of employees dedicated full time to environmental initiatives at Patagonia, overseeing everything from supply chain programming to ensuring animal welfare for products that use materials like wool and reducing Patagonia's carbon footprint. Chacon's team has helped inspire some of the brand's most shocking marketing efforts, like the "Don't Buy This Jacket" Black Friday campaign that urged shoppers to reconsider superfluous purchases to limit waste.

"The only way we can ensure the long-lasting health of our planet and, in turn, our own health and prosperity, is if we all pitch in and buy less and buy quality, long-lasting products that are made in facilities that provide fair and safe working conditions," she says. As the Trump administration has deprioritized federal initiatives to prevent climate change, Chacon's work has become increasingly vital to Patagonia. In August, Patagonia debuted its first-ever TV ad, a \$700,000 campaign supporting U.S. public lands and parks under review and in danger of privatization. Patagonia's success in positioning itself as a front-runner in sustainability is largely because it has considered environmentalism a core tenet from the beginning. The company — which was founded in 1973 to outfit rock climbers and today offers a variety of outdoor apparel — operates with the mission statement to "use business to inspire and implement solutions to the environmental crisis."

However, Patagonia's position as a sustainability leader is also a testament to Chacon's tenacity. Chacon says environmental initiatives have become less of a competitive edge for Patagonia and more of a moral obligation it feels compelled to share with peers and competitors. Today, it co-funds a number of sustainable industry organizations, including the Textile Exchange, the Sustainable Apparel Coalition and the Fair Labor Association. "We share with other brands our knowledge, challenges, failures and successes in the hopes others can move forward faster," she says. "It takes up a lot of our time and adds another layer of complexity to our work, but we wouldn't have

it any other way." Chacon says the most significant change during her Patagonia tenure is the evolution of the word "sustainability," which initially encompassed strictly environmental efforts. It has since transformed into a catch-all term that includes social responsibility. "Unfortunately, the term itself has been watered down a lot, overused and misused," she says. "Around the office, we tend not to use it much and would rather focus on outcomes."

Chacon says Patagonia will continue promoting and serving as an industry resource for sustainability efforts. "If a consumer focuses their purchases on responsibly made products as much as they can, they would be contributing to the betterment of the world and sending a message to corporations that are behind that they need to become part of the solution," she says.

- BB

Amy Hall

director of social consciousness, Eileen Fisher

As the director of social consciousness for Eileen Fisher, Amy Hall wears many hats. Hall juggles internal team development and external advocacy. Her day can involve anything from global supply chain management to signing policy letters on Capitol Hill. In 2015, she helped launch the brand's Vision2020 project, in which the brand vowed to be 100 percent sustainable by 2020. As she tells it, she works through the lens of two questions: "Are we being as transparent as possible? And are we doing the best we can to move toward our future vision, while maintaining financial performance?" It's a constant test of patience and determination, she says, peppered with glimmers of hope.

- JS

Yael Aflalo

founder, Reformation

Yael Aflalo's sustainable fashion brand, Reformation, makes being both sustainable and fashionable seem easy. If you want to be fashionable, wear a Reformation gingham mid-length dress. If you want to take on environmental damages riddling the fashion industry, start a new business.

What are you actually talking about when you talk about sustainability at Reformation?

We're are a carbon-neutral, water-neutral and waste-neutral company. Every [carbon dioxide] emission we create, we offset. We're also moving toward full traceability, which means we know where every single fiber comes from for our products. In fashion, you typically don't know where things come from: It goes from a vendor through a vendor through a sub-vendor.

What's the difference between traceability and transparency?

Traceability is a third-party certified tool that lays out what's required at different levels of the organization. Transparency means you're just telling people things about your product. It's like when companies write "natural" on their food. It's not regulated, and it doesn't mean anything.

What has to happen on the brand-by-brand level for the industry to see progress?

It has to start at the highest level. If sustainability is just the goal of someone in the middle of the company, it's impossible to make change. As more companies enter the space, it makes me cringe to see some that are making false claims. But it's positive in that companies are realizing consumers care about this enough that it's worth tricking them.

People still seem to think sustainability and stylish clothing can't go together.

If you look for 10 more seconds, you see the sustainability messaging everywhere. We just don't lead with that. People don't buy clothes because they're sustainable. It's our job to make clothes people want to buy and make them sustainably.

- HM

Matt Scanlan

CEO, Naadam Cashmere

Like a long list of new-age brand founders before him, Matt Scanlan eliminated middlemen so Naadam Cashmere could sell high-quality cashmere sweaters, robes and more without markups. Unlike most direct-to-consumer brands, however, Naadam runs a parallel nonprofit that supports the goat herders who supply its yarn. Scanlan and his co-founder, Diederik Rijsemus, launched the company after meeting a herding community during a trip to Mongolia. Naadam gets first access to the yarn in exchange for the nonprofit support, which has established veterinary programs, livestock insurance and breeding development initiatives. Scanlan initially thought Naadam's nonprofit, socially conscious angle would be enough for the brand to gain traction. Ultimately, he realized, Naadam's success boils down to its product. A nice backstory is just that — nice. "What we do is important," he says. "But if we can't make a smart competitive product that's the best quality, there's no point. No one will buy it."

- HM

Paul Dillinger

vp of global product innovation, Levi Strauss & Co.

Under the direction of Paul Dillinger, vp of global product innovation, Levi's has recently made breakthroughs in sustainable production. It has also restored faith in wearables with a smart jacket stemming from Project Jacquard, its collaboration with Google.

Which of Levi's recent innovations are you most proud of?

We've developed a holistic model for sustainable denim design through our Levi's Wellthread products. This new systems-based approach to design incorporates sustainability into every stage of the development process. The end results are durable products with timeless, enduring style that are more responsible for both the people who wear them and the planet. We've also radically re-engineered some of our iconic products, dramatically reducing their environmental impact without any compromise on aesthetics or cost.

Do you share your sustainable processes with like-minded brands?

When a discovery or invention helps to resolve a sustainability challenge, the decision to keep that discovery a secret becomes morally problematic. Put simply: If you've figured out a way to save water or cut carbon emissions, and you keep that a secret, you're a jerk.

How have Levi's jeans evolved?

Instead of trying to serve up one perfect design solution to fit every lifestyle, we've built a range of purposeful design solutions for a world of diverse lifestyles: Some of our jeans use specialized fibers for extreme durability. Some incorporate advanced fiber, chemistry and detail innovation tailored to the needs of modern urban cyclists. Typically, the Levi's consumer wants both comfort and performance, and stretch denim is a key component of both.

- JM

THE PLATFORM EFFECT

Virginia Nam

fashion partnerships, Instagram

Virginia Nam is Eva Chen's right-hand woman at Instagram. A former social media manager for Lucky magazine, Nam has helped spearhead the platform's fashion industry initiatives, including designer partnerships at fashion week and activations at events like the Met Gala.

What does your day-to-day role entail?

I work with anyone who touches the fashion industry — brands, designers, models, stylists, makeup artists, etc. — to help with their Instagram strategies so that they tell their story in the best way possible. A lot of them seek us out first; there's no shortage of questions and help we can offer.

Why is Instagram such a good fit for fashion?

We're a visual communications tool that people spend a lot of time on, and fashion is a visual industry, so it was a really natural fit and makes sense for them to invest their time in it.

What products are you focused on most for the fashion industry?

We're still trying to communicate that Stories and Live are a great way to

- JS

show all the moments in between the highlights. Fashion brands are so used to producing the final, beautiful image, but Instagram users don't just want to see that final product — they want to see the journey the brand took to get there.

Why stage a runway show only on Instagram?

We have 7 million users, so there's the huge audience, and oftentimes brands' most engaged social audience is on Instagram. They can create exclusive, unique content for each of the Instagram products so that when Sally Sue is following a brand, what she sees in her feed is totally different than what she's seeing in Stories.

- JS

Matthew Idema

chief operating officer, WhatsApp

Looking to tap into the messaging app's 1.3 billion monthly active users (according to statistics portal Statista), fashion brands are increasingly experimenting with WhatsApp: Diesel, Burberry and Agent Provocateur are among those testing marketing and customer service initiatives on the platform, and Net-a-Porter has started using WhatsApp as a direct-sales channel.

Likewise, with its appointment in February of its first COO, Matthew Idema, WhatsApp plans to take advantage of its growing user base. After shunning advertisers for years and eliminating its subscription fee, it has tasked Idema, formerly vp of product marketing at parent company Facebook, with building out the business. His plans are expected to be announced in September.

- JM

Alice Chang

CEO, Perfect Corp.

In 2014, Alice Chang funneled the frustrations she felt while shopping for makeup into a business: Perfect Corp., a network of augmented reality apps that lets users try on different cosmetics virtually through their mobile phones. Four hundred million people experience similar strife when shopping online for makeup, but are unable to predict what different shades would look like on their skin tones, according to the company. Perfect Corp. runs apps for virtual makeup and nail polish try-ons — YouCam Makeup and YouCam Nails — as well as two photo-editing apps. Beauty Circle, a social network launched in 2016, allows users to share live tutorials, beauty news and other related inspiration.

- HM

Jenny Cossons

head of partnerships, Lyst

Jenny Cossons has been in the front lines of fashion's digital transformation and isn't afraid to take risks, particularly now as the chief partnerships officer at London-based e-commerce company Lyst after a collective 15 years at companies like Condé Nast and Net-a-Porter. Cossons leads the charge of identifying new brand partners for Lyst and maintaining existing relationships. "Effectively, we're doing what Spotify does for music and what Kayak does for travel," Cossons said in a previous interview with Glossy. Cossons has particularly excelled in the art of working with luxury brands that may appear hesitant to experiment with new digital ventures. It helps that Lyst describes itself as both a fashion and technology company, a claim it supports with employees like Cossons and an employee base composed of nearly half data analysts and engineers.

- BB

John McDonald

vp of marketplace operations, Poshmark

The problem with marketplaces: They get more powerful as they expand, but risk overwhelming users with choice at the same time. Peer-to-peer online marketplace Poshmark faced this issue in 2015, when it realized users were spending so much time browsing that fatigue would set in before they could make a purchase. To combat this, John McDonald, vp of marketplace operations at Poshmark, decided to change Poshmark's image by creating a social community that both streamlines the way buyers and sellers interact and also incentivizes top users. McDonald led the first phase of the program at the end of 2016, identifying ways to personalize feeds by retargeting products and seller profiles in an effort to increase conversions. Now, Poshmark is rewarding sellers with access to a wholesale portal where they can purchase inventory from stores like Nordstrom Rack. "What binds everyone together is the social aspect. To be successful, you have to be very engaged in the community. And the more you're engaged, the more you're shopping and spreading engagement, which drives retention for others," McDonald said in a previous interview with Glossy.

- BB

THE RISE OF STREET-WEAR

Kevin Ma

founder, Hypebeast

Streetwear is a quintessentially American phenomenon, intertwined in hip-hop and street culture, but Kevin Ma has established the leading media brand chronicling the rise of streetwear into a mainstream phenomenon. Hypebeast started as a blog in 2005 with a tongue-in-cheek name that pokes fun at the "hypebeasts" who obsessively follow the most buzzed-about trends in streetwear rather than develop original style. The site is now 12 years old and has expanded to include content for women and kids, and it went public last year. Along the way, Ma created an online marketplace for streetwear releases, which are limited in quantity and highly sought after at launch. HBX, Hypebeast's commerce arm that launched in 2012, has grown to $6 million in sales per year. "It's not at all about pushing stuff that doesn't work," says Ma. "Thanks to social media, people know what's cool and what's not cool. So if you're not in on that, you're going to fail."

- HM

Regina Martin

global creative director of trend and innovation, Champion

"'Cool' and 'awesome' are words we often cite around here," says Regina Martin, Champion's global creative director of trend and innovation. Coming from anyone else, that might seem trite, but it's hard to argue with reality — Champion is one of today's hottest (and thus, coolest) brands. That's particularly impressive for a brand founded in 1919 whose popularity surged in the '80s.

Martin says innovation is at the core of that success: "We've been setting new standards for sports, fitness and lifestyle apparel from the start." Indeed, the company has patented its reverse weave sweatshirts — a process that allows for added comfort without loss of fit — and the Jogbra, one of the first sports bras to market.

Today, Champion has returned to the spotlight via buzzy collaborations, including those with Vetements and Supreme, many of which Martin spearheads. "My role is about discovery and impact, tapping into a global community of creatives, engineers, futurists, trend hunters, consumer insights experts and scientists," she says, noting that she also works closely with Champion's myriad teams, from design to marketing.

That idea of breaking down walls was behind the launch of Champion owner Hanesbrands' innovation department, which it has dubbed SparkLab. "I have worked in other places where innovation was behind a locked door, never tapping into the collective talent," she says. "That is not the culture we have created here."

Part of Martin's role entails maintaining the Champion archive. After New York's Museum of Modern Art reached out to Champion last year with interest in seeing authentic, vintage hoodies from the brand, MoMA's curatorial team selected an '80s-era hoodie to feature in an exhibit titled "Items: Is Fashion Modern?" opening this October. "Working with the MoMA took our collaborative spirit to another level," says Martin, adding that they've created exclusive Champion x MoMA hoodies to celebrate the exhibit's launch.

Martin attributes her creative spirit not to her education — she studied fine arts at the Royal Academy of Arts in London and graduated from Parsons School of Design — but to being a so-called "army brat." Moving all over the world with adventurous parents instilled in her a voracious curiosity. "I was not afraid to explore and reach out to someone new to learn something new," she says. "I took that approach right into my work life."

Champion's chief global design officer, Ned Munroe, seemed to pick up on that after following freelance consulting work Martin had done under the name RPM Studios. He offered her a position in 2012. "I am a very lucky girl," she says of the opportunity, noting that she still has the first Champion sweater she "borrowed" from a college roommate and never returned.

Today, it's up to Martin and her team to maintain that decades-old history while also experimenting to stay relevant. It's an exercise in restraint. "We know who we are — an authentic American athletic wear brand — and we take very seriously what products get to earn the Champion 'C,'" says Martin. "We'll let other people be gimmicky."

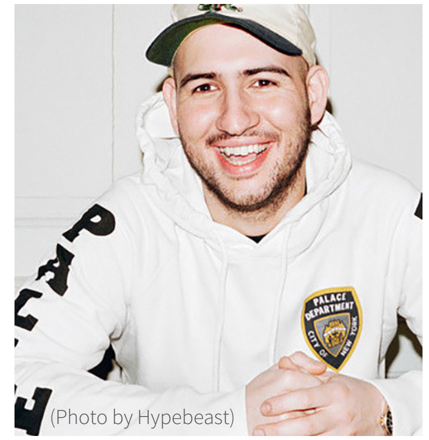
- JS

Aaron Bondaroff

founder, Know Wave

Know Wave launched in 2012 as an internet radio station focused on music, fashion and art creatives. Founder Aaron Bondaroff saw the station as a natural extension of Moran Bondaroff, the contemporary art gallery he and partners Alberto and Mills Moran opened in Los Angeles in 2008. Before building a West Coast network, however, Bondaroff was known as "Downtown Don," a fixture in New York City's Lower East Side nightlife scene. As Supreme's first employee, he started cult label Anything in 2001. Two years ago, Bondaroff expanded Know Wave into merch. Today, collectors wait for Know Wave T-shirt drops, and top streetwear vendors, including Dover Street Market and Supreme, sell Bondaroff's tees, towels and other styles. "If you think of Know Wave as a platform, merch is just another outlet to express what we're doing," he says.

- JM



(Photo by Hypebeast)

Lev Tanju

founder, Palace

When former pro skateboarder Lev Tanju launched Palace in 2009, his primary mission was to create a line of quality skateboards. Shortly afterward, he decided to enlarge Palace's triangle-shaped logo and put it on the backs of T-shirts and hoodies. Before long, the likes of Rihanna and North West were donning Palace gear. Over the years, he's experimented with different versions of the logo, making tongue-in-cheek references to the fashion industry by playing off of existing luxury labels. The website features whimsical product descriptions, most of which Tanju writes. (For example, one shirt's description simply reads, "I eat so much that I'm worried if I do work out, I will look all weird, like Drake.") Now, his London and New York stores have lines around the block with shoppers clamoring for limited-edition products.

- BB

START-UP CIRCUIT

Jodie Fox

co-founder, Shoes of Prey

In 2009, inspired by a shoemaker in Hong Kong offering up every shoe style imaginable, Jodie Fox launched custom brand Shoes of Prey with two close friends. In the past year, the company has moved its production to its own factory, cutting its cart-to-door speed to two weeks, guaranteed — or one week, for an additional cost.

In terms of where the industry is going, you seem to be in a good place.

I firmly believe [the move to] on-demand manufacturing is going to be one of the biggest changes we see in the fashion industry: It will affect the financial model, the business model and designers' perspectives. Making it on par with other manufacturing, in terms of speed, is critical to ensuring its success. To be leading the way in getting [custom] product into customers' hands fast is a big deal to us.

What's been your biggest challenge?

[Shopping custom] is a huge paradigm shift that's very difficult [for customers] to digest. We recently stopped debating how much direction we should provide; for now, we need to paint a clearer picture. We've recently hired a senior merchandiser for that, and it's changed our business model.

How else are you educating your customer?

When she walks into a shoe store, she might pick something up and think, “I wonder if they have it in red,” or “I wonder if they have other heel heights.” The store associate wouldn’t reply, "We have all of those things. Show me what elements you want to change.” But that’s what we’re saying, and she responds to that.

What’s driving Shoes of Prey’s evolution?

I read a lot of industry publications, but the question is never, “What's new?” It’s always, in my customer’s mindset, “Wouldn't it be cool if?” For instance, “Wouldn't it be cool if it was intuitive?” or “Wouldn’t it be cool if it had an element of surprise?” I want to deliver that, along with the feeling of “This [style] is me, and I feel good.”

- JM

Lana Hopkins

founder, Mon Purse

When Lana Hopkins couldn’t find a new purse that suited her style, she decided to make one for herself. Then, she decided to build a business. Today, Hopkins’ customized handbag brand Mon Purse offers 10 billion possible combinations of colors, styles and fabrics using a digital design platform that renders lifelike representations of potential designs. Since it launched in 2014, Mon Purse has hit $2 million in monthly sales, opened standalone stores as well as department store pop-ups and released collections with industry names like InStyle’s Laura Brown. Hopkins believes her business is paving the way forward for brands by producing on demand, in response to customer’s orders, rather than ahead of them. “We want to avoid the pitfalls of traditional retai lers, which means don’t guess or overproduce,” says Hopkins. “There’s nothing worse than making too much and then always being on sale. Our technology is an enabler for fashion.”

- HM

Ross Bailey

founder, Appear Here

Ross Bailey is capitalizing on the shaky retail landscape with his company Appear Here, a marketplace launched in 2013 that connects brands and entrepreneurs with short-term retail spaces. “Physical retail is still needed, but to tell a story, that demands a unique approach,” he says. One of those approaches is the pop-up model, which offers brands less risk and more flexibility than investing in permanent brick-and-mortar locations. Bailey has made testing pop-ups significantly easier for brands with a website that works like an Airbnb for store rental listings across London, Paris and New York City. Now valued at $50 billion, according to PopUp Republic, Appear Here is a welcome addition to the pop-up industry that is paying off for Bailey: It has raised $21 million and worked with top-tier brands ranging from Nike to Givenchy. The store of the future, it seems, will be here today, gone tomorrow.

- JS

Akin Adebowale & Kolade Adeyemo

founders, Oxosi

African fashion is often viewed through a narrow lens, relegated to stereotypes. Akin Adebowale and Kolade Adeyemo are out to change that. In 2015, the Nigerian-born duo launched Oxosi, an e-commerce platform spotlighting current designers and trends from their homeland. “The idea of African fashion has been so limited for so long,” says Adebowale. “We want to show that there’s a lot more to it than just Ankara and Vlisco fabrics or Kente cloth.” Instead, the site sources more contemporary product from West and South Africa, along with clothing that designers of African descent, including Maki Oh and Dent de Man, create internationally. The team also helps smaller brands that lack resources with marketing, branding and logistics. Vogue gave them a seal of approval, but that matters little to them. “We’re not looking for acceptance,” they say. “We’re trying to tell a story that hasn’t been told before.”

- JS

Melanie Travis

co-founder, Andie Swim

Andie Swim is a tiny, brand-new brand with big ambitions: The company, and its founder Melanie Travis, wants to give women a way to shop for swimwear that eliminates the middleman and unflattering fitting rooms, once and for all. Its first collection of solid-color one-pieces, launched in April 2017, came at the right time: Popularity for the more modest alternative to the bikini surged by 50 percent this year, according to Slice Intelligence. Despite early stumbles, including a departed co-founder, Andie has had an Instagram-worthy summer, manned by a tight team of 10, with a modern business model to back it up.

What led Andie to the try-before-you-buy model that Amazon has since adopted?

I knew the brand had to be about more than just great product. The future of e-commerce is in better customer experience, and when we were putting the final bones of this brand together, I realized this is how we succeed. The barrier for entry for e-commerce is so low, you have to deliver something innovative to cut through the noise.

Andie cuts out the middleman. How do you define success when you’re not wooing wholesale partners?

There are two paths to success, which for a company means profitability. You’re either venture-backed and you go all-in on investing in customer experience, pouring all of the capital into delivery, returns and things like that. The other is to do it without VC funding, which means growing long and

[slowly], on a tight budget. We have our eye on both paths and are figuring out how to deliver a magical experience, which is costly, while acquiring as many customers as possible.

How has customer data and insight shaped the business?

For us, every time a customer comes to the site, we know their general demographic, what they’re clicking on and what channel they come from. As a wholesale brand, you’re painting with a broad brush and just hoping you land on the right person. We have a vision ourselves of what the brand should look like, but really, the customer is the brand.

- HM

Tyler Haney

founder, Outdoor Voices

Outdoor Voices founder Tyler Haney has her sights set on her business becoming Generation Z's Lululemon.

Since Outdoor Voices' founding in 2013, it has raised more than $21 million in three rounds of investor funding, including contributions from high-profile supporters like actress Gwyneth Paltrow and Man Repeller's Leandra Medine. The 28-year-old Haney has built a business that has carved a niche in a saturated athletic wear market. In Outdoor Voices' first year and a half of operations, its leggings and tops sold out almost as soon as they hit the website, and Haney's team could hardly keep up with demand. Now, nearly four years out, with an expanded team in areas like merchandising and allocation, along with a growing product inventory, the company shows no sign of stopping. Haney says Outdoor Voices resonates because, unlike its competitors, it's built on whimsy and, most importantly, inclusivity.

"People are responding better to brands that feel approachable, inclusive, friendly and fun," says Haney, a Boulder, Colorado, native and former college track runner. "Nike, Under Armour and Lululemon are quite serious about being the best — being the best runner, being the best yogi — and focused on performance and crossing the finish line. Outdoor Voices flips that traditional macho activewear approach on its head."

Although Outdoor Voices was born online, it recently started opening brick-and-mortar locations in cities like New York, as well as pop-up shops around the country. Seventy percent of its sales occur online, but the physical locations help build a community among Outdoor Voices shoppers, Haney says. The shops hold running clubs and other exercise events and ultimately serve as an important customer acquisition source.

For Haney, Outdoor Voices provides a levity rarely seen among the Nikes of the world — one of her company's core tenets is "freeing fitness from performance." Outdoor Voices pushes to be as accessible as possible with its branding, even launching kits that allow shoppers to mix and match select tops and bottoms at a discounted price. Its marketing features smiling men and women walking dogs and throwing flying discs in a park.

While Outdoor Voices distances itself from the high-performance realm, its product is made using sweat-wicking technical fabrics designed for maximum movement. Haney says her eye for design as a female leader in activewear, an industry male founders largely dominate, is also vital to her company's success. You won't see Haney embroiled in controversy for creating see-through products or making disparaging remarks about women's bodies like Lululemon founder Chip Wilson.

"We send out customer surveys, and a lot of the time, people send back notes saying they're so refreshed a female founder is creating these clothes," she says. "I wanted to make an outfit and a pant that didn't feel like shiny black disposal spandex and wanted something more long-lasting. Our design rule is orienting around comfort and endurance."

- BB

Office Hours with **Stella Bugbee**

president and editor-in-chief of The Cut

By Jessica Schiffer

Stella Bugbee's sunlight-filled office is an inviting oasis amid the dim, cubicle-filled landscape of New York Media's offices. "I'll come back from meetings and find people in here or glitter all over the place from a video shoot," says Bugbee, who has led the women's vertical of New York magazine since 2012 and was recently promoted from its editorial director to president and editor-in-chief.

A modern white couch (which came with the space when she moved in a year ago) and perfectly arranged Perspex coffee table are straight out of a home decor mag, though rows of uneven shelving above her desk give it charm. The thread throughout is books — from a retrospective on the photographer Sarah Moon to "The Armies of the Night" by Norman Mailer, a 1960s-era read about the March on the Pentagon that The Cut used as a point of reference during the Women's March.

Bugbee's office hints at her sense of humor. Behind her desk: a photo of the musician Father John Misty, paired with a Post-it note that reads, "I'm Josh." (His real name is Josh Tillerman.) "It's so funny to me because he's so pretentious," she says. "I keep him there to remind me that people construct their identities and that he's just a human being named Josh."

Nearby are a photo of photographer Cindy Sherman by Landon Nordeman and a drawing by her son of a panda.

Her desk itself is a clean slate. Other than her laptop, there's a wedding gift for a former employee, a reminder note to call Cathy Horyn — the veteran fashion critic who writes for The Cut — and an hourglass timer she uses facetiously whenever someone comes in to complain.

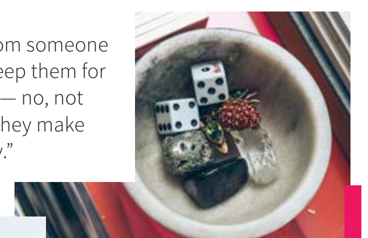
Bugbee eats lunch in her office whenever possible, and it's nothing fancy: "I mostly have time these days for rice crackers and peanut butter," she jokes. Other rituals are scarce — she's not a coffee drinker — but she leaves her perfume at work to give her "something to look forward to."

For her work uniform, she keeps it simple, rotating high-end basics by Creatures of Comfort, Lemaire and Rachel Comey. Like The Cut itself, she's skeptical of the fashion industry but also embraces it: "It's part of the fabric of a woman's life." ◘

"Richard Prince is one of my favorite artists. He's got a great sense of humor and is such a punk. I love everything he does. I think this little booklet came with a special edition of Purple magazine."

"Sarah Moon is one of my favorite photographers. She used to shoot a lot for Mirabella, a magazine that shares a lot of DNA with The Cut. They were early to use female photographers for fashion shoots when most of the industry assigned things to a few big-name men."

"The dice were a gift from someone I used to work with. I keep them for making decisions with — no, not really. I just like them; they make me think of being lucky."



"This was taken on set at a Cut photo shoot — it was a Sunday, so I took my son with me. He was sleepy, so I was holding him and the photographer took that shot. I have no idea why I was wearing sunglasses, though — that's a mystery."

(Photos by Catalina Kulczar)

Keeping up with the **Trumps**

In an extraordinary news cycle, David Fahrenthold says he wants to give people a way to follow

By Lucia Moses

The Washington Post's David Fahrenthold has been one of the political reporting stars of this past year, his coverage of Donald Trump's charitable activities winning journalism's highest honor, the Pulitzer Prize. He talked with us about what still perplexes him about Trump, bursting people's filter bubbles and who he fears more than The New York Times. Answers edited for flow and clarity.

Each week seems to be more incredible than the next in terms of news from the Trump White House. Do you worry about a wearout effect on readers?

Definitely. When I first started, people could keep up with the news. Now, I worry not that people will get tired of the news in general but that things that were big today will not be remembered the next day. We used to take it for granted a big story would last.

When you were investigating Trump's claims of philanthropy, you made a point of going on right-wing media to talk about your coverage. What was that about?

When I was writing last year about Trump giving to charity, the campaign's response was not to respond to me. It was to hear their side of the story. I want people to think I'm too trusting, open to all sides. I think it's important to show people what we know, the efforts we're making, so they can see every step of the way. People like that and they respect the stories that come out of it. People gave me the kind of information I'd never have gotten on my own.

Do you think efforts like that can help people get out of their filter bubbles?

I don't want to toot my horn. I don't think it's made much of a difference. The structures of it — what people watch on television, get from their friends on Facebook — I see it in my own life. It's not within the power of a reporter to get beyond that.

Should Facebook take a bigger role in trying to change that?

It's an interesting question, what their responsibility is here. It's two parts — it's fake news, the teenagers in Macedonia writing stories about the pope endorsing Trump. What should Facebook do to combat that? I don't have a good answer for that question. I know Facebook has taken some steps to let users flag "fake news" so it can be checked out, but I don't know their system well enough to recommend how to do it better. The other part is, Facebook connects me with my friends and people I know, and if my circle of friends posts stories of one persuasion, I don't know if they have a responsibility to break that rule of my choosing.

As you've observed and covered Trump, what's surprised you about him?

Just his lack of strategic thinking. He doesn't have a plan. He reacts often to things that are about his perception of himself. It's all about right now.

What's your overarching question about his presidency?

My big-picture pieces are, is the presidency good for Donald Trump's business overall, and if so, which ones. There are some in blue states that depend on regular people to stay at his hotels. What happens to that business? If it fails, does he intervene? And places that are succeeding: Does it become the main business model, selling services to those people in foreign countries?

You've suggested Trump's tweets got too much attention. What would you change about the campaign coverage if we could do it over?

I think it's important to give people a thread to follow a story day to day. We were used to how, if [a candidate] did something shameful, there was a whole cycle of minimizing, apologizing. Trump was a different kind of candidate. He would just do something outrageous today and something different outrageous the next day. That was hard to write about because there wasn't a string of stories. Things like calling out falsehoods, we used to rely on elliptical language. It was not strong enough for Trump.

You've spent your career at the Post. One recent shift is that there's been a greater emphasis on growing subscriptions. Does that thinking trickle down to the newsroom?

I haven't heard people talk in those explicit terms. We want people to read a lot of those stories. We want people to turn to us first. If that's your goal, a subscription is a natural outgrowth of that. I don't think we do anything different because we want subscriptions rather than eyeballs. But it's been wonderful for me. You used to only hear about people in the context of canceling their subscriptions. So to have people say, I'm subscribing to The Washington Post because of you, that's never happened before. People saw it as something valuable they want to pay money for. And I hope it continues. I hope it's not just the Donald Trump thing.

Does Jeff Bezos ever drop a note?

One of the cool things was, I got to meet him. He was extremely gracious. He was extremely nice and complimentary of the stories. He takes a lot of pride and identity in this. When he bought the paper, we didn't know if there'd be any kind of nudges, and there's been absolutely nothing like that.

How real is the rivalry with The New York Times?

It's definitely a rivalry. We want to beat them, and they want to beat us. But it's not a zero-sum game. It's a little more congenial than it was before the age of the digital subscription. Now, a lot of people subscribe to both of us, and it doesn't break the bank. Also, there's something about the news environment now. You can't take for granted anything you hear from official channels. Like the Don Jr. meeting. The picture emerges bit by bit by us and them, where we sort of together tell you the full story.

Still, do you wake up in the middle of the night thinking about whether they beat you on a story?

In my world, writing about Mar-a-Lago, I think about the the Palm Beach gossip columnist. Shannon Donnelly. She's a killer. I'm trying to make my peace with that. ◘


(Photo by Melina Mara/The Washington Post)

FINAL WORD

BY BRIAN MORRISSEY

Digital media is firmly in the trough of disappointment. Procter & Gamble is questioning whether digital ads even work. Restoration Hardware's CEO is bragging that even Google ads are worthless. Google and Facebook are both under siege for their power. Facebook continues to deal with embarrassing metrics snafus, which give rise to those questioning the one thing Internet advertising was supposed to do better than traditional media: measurement. And beyond that, Facebook's admission it ran a raft of Russian propaganda ads have some calling for it to testify before Congress.

All of these issues operate somewhat separately, but taken together represent a credibility problem. On their own, they're easy to explain away. But starting with the Association of National Advertisers report on the lack of transparency in digital media a year ago, a feeling has been brewing that not all is right in digital media. At the top of marketing organizations, that means a loss of trust.

Take Facebook's drip, drip, drip of measurement snafus. Each on their own has plausible explanations, including the most recent news that Facebook's audience tool estimates it can reach a larger number of Americans than the U.S. census says exists. For a CMO, Facebook's explanation of this — hey, they're just estimates — will ring hollow, when seen in light of its repeated admissions of measurement flaws, all of which were explained away.

Facebook faces an even larger problem with regulators and governments. The company is under siege across the globe as regulators grapple with the outsize role Facebook holds in the dissemination of information — and the opacity of its algorithms and practices. Not helping: The company's grudging admission that it ran ads from Russian sources during the U.S. presidential election after CEO Mark Zuckerberg explicitly rejected the idea that Facebook had any influence on the outcome of the election.

For all the issues digital media has dealt with about measurement, fraud and concentration of power, the industry has grown remarkably fast. Back in 2006, the Interactive Advertising Bureau measured the industry at $17 billion. Last year, it generated over $72 billion. (Yes, many of the gains went to Google and Facebook, but all sectors of digital advertising have grown quickly.) This has been a remarkable run.

But it's a run at risk unless there is gut-level trust from CMOs that they're not getting ripped off. The technicians of the industry might dismiss bots and fraud as rounding errors and the cost of doing business in a fragmented ecosystem. But for a marketer under the gun, these issues do not inspire confidence. For that marketer's boss, they can even inspire derision.

Witness the remarkable comments made recently by Restoration Hardware CEO Gary Friedman. He roasts digital advertising as ineffectual, even while throwing his own digital marketing team under the bus for not having common sense to question just what impact exactly all this activity is having. More tough questions will be asked as digital media defends itself on several fronts, including whether the tools of digital media have led to a flowering of information and opinion or whether malevolent forces have simply harnessed it to create a fraught political climate rife with misinformation and untruths.

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