# DIGIDAY Pulse.

A quarterly magazine on the future of media

Winter 2016


# YEAR IN PREVIEW


OR YOU COULD JUST ASK THEM
When you want to figure out who to target your ads to, you can work the data and rework the data over and over until you don't even know who you're targeting anymore, or you can just ask people about what they are interested in and want to see. Fluent combines data science with real-time interaction to serve the right ads to the right people and drive real ROI and results. Our performance marketing platform connects with a massive audience of consumers — not pixels — every day, and uses what we learn about them to help brands acquire large and loyal customer bases as a result.
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*No actual consumers were annoyed or humiliated in the making of this ad.

# THE NEW DIGIDAY PULSE

BRIAN MORRISSEY, PRESIDENT & EDITOR-IN-CHIEF

**Welcome to our fourth issue of Digiday Pulse. What started as a magazine is becoming something more.**

Pulse is now part of a new Digiday membership model. Our offer: Pay about $1 a day ($395 a year) and we'll give you a magazine with inciteful, unique content; monthly data reports from our summits; member events in New York City and beyond; and an exclusive, monthly newsletter from our editors on what's coming next in media and marketing.

Our goal is to create a package of value far in excess of $395 a year. I promise you we'll do that. To be a media company in 2016 means you need to develop a varied business model. This is a bit of our own adventure in modern media. There are plenty of pessimists when it comes to media's dominant business models. Personally, I find it motivating to prove them wrong in our own area, and we're committed to building the best media company devoted to those obsessed with media and marketing.

With that spirit, we're devoting our fourth issue to looking ahead, what we call a year in preview. We want to stay away from the predictions game; instead we'll take a step back and look at where we see digital media and marketing going over the next 12 months. If there's one overarching theme it's that 2017 is set to be a year of retrenchment. Two thousand sixteen couldn't end quickly enough for many in the media world and beyond. It was a time of tremendous upheaval and uncertainty. We expect 2017 to be something of a reset, as publishers grapple with the reality that platforms are calling the shots and marketers look to how they too can maintain direct connections to their audiences.

We are also closing out the year by profiling those making change happen. At Digiday, our company mission is to foster change in media and marketing. In this issue, our U.K. editor Jessica Davies spent time with Hamish Nicklin, the new chief revenue officer at The Guardian charged with steering its business model through difficult times. He's doing that by being forthright in his critique of a broader media environment that too often rewards the wrong things. Our managing editor Shareen Pathak profiles Marci Grebstein, the chief marketing officer at Lowe's, and her quest to make emotional connections with people who are making their houses into homes. Jemma Brackebush, a reporter at Digiday Media's fashion and luxury publication Glossy, sits down with Eva Chen to understand why the high-profile fashion editor left publishing to work at Instagram.

We are looking forward to building on our first year of Pulse. Expect to see further changes as we expand Pulse from a magazine to a robust membership program that includes premium content, unique data and insights, and in-person events.


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We are a team of journalists, editors, artists, musicians, photographers and content makers who make by hand what others make by rote.

We know the people, business and culture of tech-disrupted industries. True to our Digiday roots, our new agency puts a human spin on digital B2B marketing.

Our audience isn't a set of "decision makers" or "users." We don't drown them in vectors, specs and jargon. We talk to them like we talk to each other: as people. And we're here to help you do the same.

CUSTOM MADE BY PEOPLE

# DIGIDAY MEDIA

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# YEAR IN PREVIEW


## HOT TAKES



## MEDIA



## MARKETING



## YEAR IN PREVIEW



## ETC.

# A Short History of Platform Copycats


BY ROSS BENES

All platforms are guilty of copying other platforms, and those that have been around the longest are the worst offenders. Facebook lifted hashtags from Twitter, launched multiple apps that ripped off Snapchat and even experimented with a location check-in service based on Foursquare. Snapchat implemented a product that lets users permanently store photos like they do on Instagram. Instagram then turned around and cloned Snapchat's nascent Stories feature. What the platforms have demonstrated is that if you have scale and sought-after audiences, there isn't always a need for originality.

### VERIFIED PAGES & PROFILES

Introduced By: Twitter
Copied By : Facebook
5 /29 / 2013

### #HASHTAGS

Introduced By: Twitter
Copied By : Facebook
6 / 12 / 2013

### DISAPPEARING POSTS

Introduced By: Snapchat
Copied By : Facebook
9 / 10 / 2014

### STICKERED

*An emoji app*

Introduced By: Snapchat
Copied By : Facebook
12 / 9 / 2014

**2011 — 2012 — 2013 — 2014 — 2015**

### #HASHTAGS

*Hashtags, a central component of Twitter's identity, have been adopted by Instagram and Facebook, not to mention Pinterest, YouTube, Tumblr, Google+ and ironic texters.*

Introduced By: Twitter
Copied By : Instagram
1 / 26 / 2011

### DUBS NON-FRIENDS 'FOLLOWERS'

Introduced By: Twitter
Copied By : Facebook
12 / 5 / 2012

### POKE

*Messaging app that allowed users to send direct messages that disappeared.*

Introduced By: Snapchat
Copied By : Facebook
12 / 21 / 2012

### TRENDING NEWS

*Twitter is known for connecting users to trending events in real-time. But in 2014, Facebook launched its own trending feature that displayed popular news topics, which has since become a lightning rod of controversy.*

Introduced By: Twitter
Copied By : Facebook
1 / 16 / 2014

### ONE ON ONE MESSAGING

Introduced By: Instagram/Vine
Copied By : Snapchat
5 / 1 / 2014

### SLINGSHOT

*A messaging app that allowed users to share disappearing messages for all their friends to see.*

Introduced By: Snapchat
Copied By : Facebook
6 / 17 / 2014

### RIFF

*Which is like Snap's Stories*

Introduced By: Snapchat
Copied By : Facebook
4 / 1 / 2015

### AUTOPLAY VIDEO

*After autoplay videos became popular on Facebook, Twiter followed suit.*

Introduced By: Facebook
Copied By : Twitter
6 / 16 / 2015

### LIVE EVENT CURATION

Introduced By: Snapchat
Copied By : Facebook
6 / 31 / 2015

## MOMENTS

*Twitter threw its hat in the aggregated stories game when it rolled out its Snapchat-like Moments.*

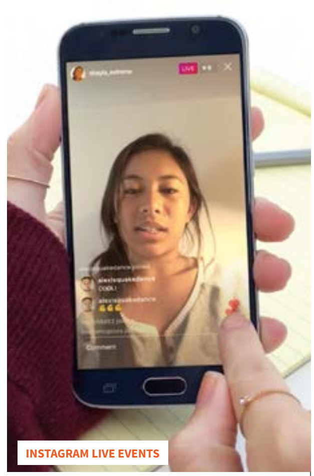
Introduced By: Snapchat
Copied By : Twitter
10 / 6 / 2015

## DRAWING/ DOODLING ON PHOTOS

Introduced By: Snapchat
Copied By : Facebook
10 / 6 / 2015
Copied By : WhatsApp
10 / 4 / 2016

## ADDING HEARTS TO LIKE FUNCTION

Introduced By: Facebook
Copied By : Twitter
11 / 3 / 2015


INSTAGRAM LIVE EVENTS

## FACE-ALTERING FILTERS

Introduced By: Snapchat
Copied By : Facebook
3 / 9 / 2016

## MESSENGER CODES

Introduced By: Snapchat
Copied By : Facebook
4 / 7 / 2016

## LENSES AND FILTERS

Introduced By: Snapchat
Copied By : Instagram
8 / 5 / 2016

## LIVE EVENTS

Introduced By: Snapchat
Copied By : Instagram
8 / 17 / 2016

## MESSENGER DAY

*Similar to Snapchat Stories*

Introduced By: Snapchat
Copied By : Facebook
10 / 18 / 2016

## FLASH

*A Snap-like app for emerging markets*

Introduced By: Snapchat
Copied By : Facebook
11 / 8 / 2016

## LIVE VIDEO IN STORIES

*Ripping off Snapchat's Stories wasn't enough, so in November 2016, Instagram added live video to its Stories and allowed users to direct message their friends videos that disappear after they're viewed.*

Introduced By: Snapchat
Copied By : Instagram
11 / 21 / 2016

**2016**

## DISAPPEARING CONTENT

Introduced By: Snapchat
Copied By : Facebook
11 / 15 / 2015

## FACEBOOK LIVE

*Is sort of ripoff of Periscope which is a ripoff of Meerkat*

Introduced By: Twitter
Copied By : Facebook
12 / 15 / 2015


FACEBOOK LIVE

## CAROUSEL ADS

Introduced By: Instagram
Copied By : Twitter
6 / 3 / 2016

## MEMORIES

*Lets you store snaps*

Introduced By: Instagram
Copied By : Snapchat
7 / 6 / 2016

## STORIES

Introduced By: Snapchat
Copied By : Instagram
8 / 2 / 2016
Copied By : WhatsApp
11 / 4 / 2016

## TESTING MORE SNAP-LIKE LENSES

Introduced By: Snapchat
Copied By : Facebook
10 / 28 / 2016

# Battle Dress

## Industry veterans on how to look great on stage

**BY HILARY MILNES**

Gearing up for a speaking gig on a panel can feel like preparing for battle. Sure, the battle may only be a silent one fought between the panelist and her rogue microphone, but the armor chosen for the engagement is critical when you're partly there to keep up appearances. Some elements of the battle-ready ensemble are universal: they shouldn't wrinkle in a suitcase, ride up too high on a seated stage, or clash with a pesky mic clip. At the same time, adding flair makes it possible to leave a lasting mark.

Every veteran speaker has figured out a way to fit both function and personal form into their go-to panel uniforms. Take Cindy Whitehead, the founder of the VC firm The Pink Ceiling that's geared toward women-founded companies, for instance. While her panel uniform centers around a pink item like a dress or blazer, she also usually wears a kid's bracelet with beads that spell out the name "Addyi."

"My dear friend gave it to me. I always wear a bracelet one of the my girlfriends gave me when I'm speaking. Reminds you others are cheering you on," Whitehead says.

We asked four women who frequent the panel circuit to share the go-to outfits that pass the reliability test, while also providing a shock of confidence for fending off pre-stage jitters.

## THE EFFORTLESS UP-STAGER

Dress, ***Ulla Johnson*** / white leather jacket, ***IRO*** / red lipstick, ***Nars*** / pumps, ***Gianvito Rossi***.

**The strategy:** Strike the perfect and enviable balance between professional and fashion-forward, while low-key looking better than everyone else on the panel. Rub it in by swiping on a casual red lip and reminding everyone that you just flew in from L.A.

**"Whenever I'm on stage, my look is both polished and feminine, but never too overdone or conservative. No matter the occasion, I'm usually on the more dressed-up side."**

***– Lauren Prince, CEO of Chandelier***

# THE NO-FUSS IN BOOTS

Black or white leather dress, ***Zara*** / black leather silver-studded boots, ***Yohji Yamamoto*** / Facebook 'like' necklace and @cindygallop Twitter handle necklace

**The strategy:** Invest in cheap faux leather that won't wrinkle on a redeye, and pair with heels or studded boots for elevated badassery. Accessorize with your social handle to maximize followers.

"The only downside: the bulky part of the mic has to be clipped onto my bra, so many a stage technician has had to stick his arm down the back of my dress. I mind a lot less than they do."

*– Cindy Gallop, founder and CEO of IfWeRanTheWorld, advertising consultant*

# THE BRAZENLY PINK LADY

"Shocking pink" dress, ***St.John*** / nude stilettos, ***Prada*** / hoop earrings

**The strategy:** Be the brightest participant on any panel, proceed to speak your mind, get political, and talk over the men — all while shamelessly wearing pink.

"Pink precipitates a conversation we need to be having about gender disparity. I love pink and I'm not apologizing for that. Not in the boardroom or anywhere else."

*– Cindy Whitehead, founder of The Pink Ceiling*

# THE POSH & PRACTICAL PANELIST

Black Long-sleeved dress, ***Carven*** / embellished black suede pumps, ***Bruno Magli*** / hoop earrings with Pave crystals, ***Alexis Bittar***.

**The strategy:** Embrace the understated power and versatility of a good LBD — or several, which you keep on heavy rotation. Pack token glitzy heels that will serve as a conversation starter before being swapped for sensible flats later.

"I choose dark colors because they feel timeless, yet chic; then I'll add fun elements with the shoes and accessories."

*– Melissa Davis, evp of ShopStyle*

# Meat Off The Bone


## How W repurposes content

BY JEMMA BRACKEBUSH

Over the summer, W Magazine spent roughly three hours over two days with English actor Hugh Grant to feature him in a bespoke men's fashion story within its October issue, dubbed the "Royals" portfolio.

At a restaurant in London, photographer Ellen von Unwerth photographed Grant in a bar setting, wearing a range of classic-looking men's designer suits and jackets picked by stylist Robert Rabensteiner. On a different day, Grant was pulled into a New York studio for an hourlong interview with W's editor at large Lynn Hirschberg. Out of that came an article and three separate videos that were created specifically for Wmag.com and its social media platforms.

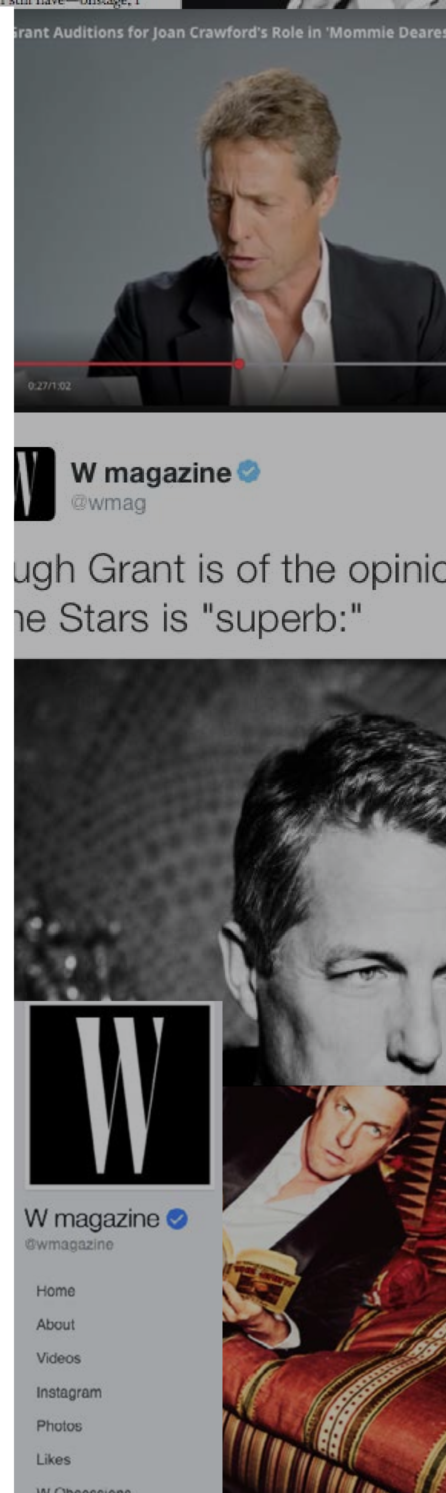
The approach of taking an interview and creating as much content around it as possible is not unique to W, but Digiday has taken this particular example to see what the three hours with Grant was turned into. Turns out one fatted calf can produce quite a spread:

For the print edition, the main feature consisted of eight large images of Grant posing in different places around the bar with cocktails, and a book, with heading reading, "Hugh got it made," and the sub-heading, "A dashing leading man in his bespoke finest." The accompanying article appeared in a single column written as a Q&A, and was focused on Grant's career. The same article appeared on Wmag.com, where the text was emphasized somewhat over the same photo shoot, displayed in a gallery, along with two videos: "Screen tests," a four-minute video interview on a range of topics, and "Casting Call," part of a wider series, where Grant performed an on-the-fly movie audition for Joan Crawford's role in Mommie Dearest. Both videos are simply a tight shot of Grant talking into the camera.

The video interview also lives on Facebook, with subtitles. In a video on Instagram, Grant shares his most memorable birthday moments in a shorter video, which was posted on his birthday, September 9, and used to re-promote his story in the issue. On Twitter, a link sends readers back to the online article.

"Every time we create a piece of content for print we immediately think about what are the digital extensions of this content," says Stefano Tonchi, W's editor-in-chief.

A key element for the videos and social content is also making sure it's not time sensitive. "We try to make them evergreen, not tie them to a specific movie or time sensitive subject," says Tonchi. "So we can always resurface them whenever we need," whether it's for a new movie or life event. Like a birthday.




Photos Courtesy: W magazine


GLOSSY

# Media Deals that *Should* Happen in 2017

OK, so maybe 2016 wasn't the "bloodbath" that Vice pichman/CEO Shane Smith predicted. But it did have its share of big deals, chief among them Verizon's gobbling up of AOL. We asked industry insiders for their takes on the deals that absolutely should happen in the next 12 months. These aren't predictions that they will happen; in fact, they're so logical that they probably won't.

## 1 NBC Universal should buy BuzzFeed

Considering that NBCUniversal has already invested $400 million in BuzzFeed — in addition to using BuzzFeed to create Snapchat content during the Olympics as well as a Tasty-branded segment for the "Today Show" — an acquisition feels inevitable. It's a "no-brainer," as one well-placed video source says. "But Jonah [Peretti] doesn't want to sell," says a former BuzzFeed exec. "If it were up to the business side, that would have happened last year."

## 2 Facebook should buy Criteo

Facebook has gone from strength to strength in its ad business. Its success is tied to its scale and huge advantage in data. But Criteo, the leading provider of retargeting, is sitting on valuable information Facebook doesn't have: Purchase-intent data. "At $3 billion - $4 billion," says Ari Paparo, CEO of ad tech firm Beeswax, "Criteo would be a steal."

## 3 Amazon should buy Pinterest

Despite rolling out many ad products this year, Pinterest has struggled with ad buyers. But Amazon could get more mileage out of Pinterest's data. "It would be a smart acquisition if you think about the DIY and eCommerce connections," says Larry Cohen, executive director of social analytics at Mediabrands Society. "Pinterest's recipe-based content could also combine with Amazon's pantry and delivery services."

## 4 CAA should buy VaynerMedia

VaynerMedia and Gary Vaynerchuk have arguably built a digital agency that is doing breakneck, if not creatively standout, work. Add to that a model built on a lot of cheaper, younger digital talent — 65 in-house production people alone — and digital agencies and those who'd like to be in that space, are envious. "I could see a big holding company buying them, but the price would need to be high," says an agency exec. Another executive says it could be someone else: One of the entertainment agencies, like CAA or WME/IMG, would be interested. "They want to own the whole pie."

## 5 AT&T should buy Twitter

The fate of Twitter has been a parlor game in Silicon Valley for years. Many assume Google makes the most sense as a new parent. But don't count out AT&T. Its media ambitions were made clear by its pending $85.4 billion deal to acquire Time Warner. With Twitter, AT&T could step into the big leagues of digital content distribution. "AT&T/Time Warner could push Twitter harder on monetizing its data assets, using it to help add power to what would be the largest and most powerful addressable TV network in the U.S.," says Ian Schafer, CEO of digital agency Deep Focus.

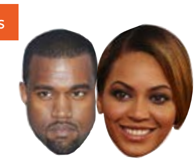
2017 EDITION

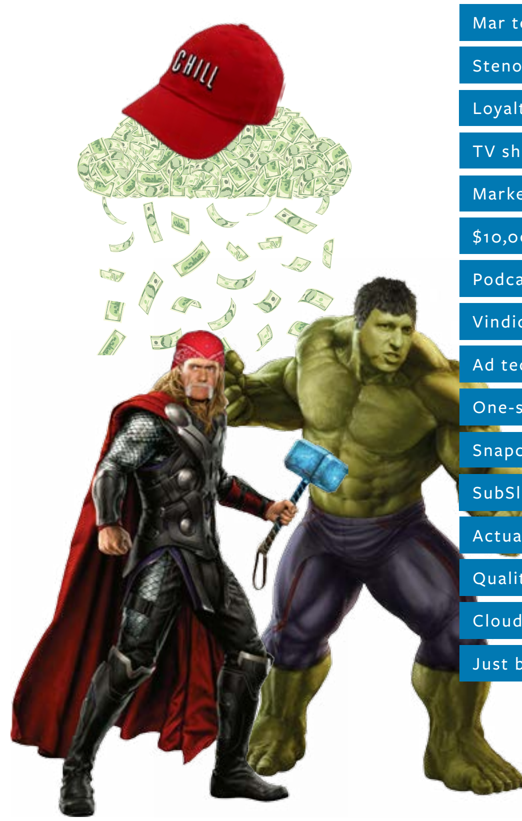
# WHAT'S IN & OUT



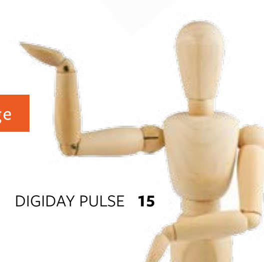
| IN | OUT |
|---|---|
| Fake news | Hard news |
| Bots | Apps |
| Memberships | Ads |
| Push notifications | Email newsletters |
| CNN as a video business | CNN as a news operation |
| Artificial intelligence | Big data |
| Hate groups | Hate reads |
| Second-party data | Third-party data |
| Facebook as threat to democracy | Facebook as threat to publishers |
| Blocking ad blockers | "Please turn off your ad blocker" |
| Palo Alto as media capital | New York City as media capital |
| Fake news as scourge | Clickbait as scourge |
| Platform dependency | Platform wariness |
| Google AMP | Facebook Instant Articles |
| Surprise election results | Surprise albums |
| Layoffs | Buyouts |
| Facebook video views | Facebook traffic |
| Vertical video | New publisher verticals |
| Blacklisting Breitbart | Advertising on Breitbart |
| Autoplay | Click to play |
| Email hashes | Cookies |
| Willing to work for cheap | Experience |
| Header bidding | Waterfalls |
| Mar tech | Ad tech |
| Stenography | Reporting |
| Loyalty | Distribution |
| TV shows | Exploding watermelons |
| Marketing clouds | DMPs |
| $10,000 subscriptions | Scale |
| Podcasting into the void | Shouting into the void |
| Vindictive billionaires | Gawker |
| Ad tech consolidation | Ad tech IPOs |
| One-second views | Three-second views |
| Snapchat Spectacles | Google Glass |
| SubSlacking | Subtweeting |
| Actual celebrities | "Influencers" |
| Quality | Quantity |
| Clouds | Platforms |
| Just being frozen by a general sense of dread | Mannequin challenge |








# Media


III
THE MAGICIAN

# The Counterpuncher

## Hamish Nicklin, The Guardian's new CRO, is ready to rumble

**BY JESSICA DAVIES**

Back in the late 2000's, Hamish Nicklin took up boxing. He was drawn to the sweet science as a fun way to keep fit, and he spent four years sparring twice a week with former Google colleagues. There was just one problem in his short-lived pugilistic adventures: He punched so hard that he hurt his hand. "I just punched badly," he laughs.

Now, as chief revenue officer at The Guardian at the most fraught period of its 195-year history, Nicklin is back in the ring. He's learned to hit back at the pummeling the publisher has taken over the years as advertisers favor audience over context, quantity over quality, and clicks over impressions. And he's not shy about saying so.

"We're chasing the wrong things. The idea of bombarding people with ads, for the sake of scale, at cheap costs, is a bit rubbish. It doesn't work for advertisers or consumers, or publishers. We've forgotten what really matters, which is getting people to do something. We want the Guardian to be a catalyst for change," he says.

And he doesn't have the luxury of time. With a 2016 pre-tax loss of £69 million ($87 million), the Guardian is dangerously in the red. Guardian News and Media Group, which also owns the Observer newspaper, has a unique ownership structure. In 1936, its parent company, The Scott Trust, was established to secure the newspaper's financial and editorial independence. But insulating such losses indefinitely is not a luxury even the trust can afford. As such, in January 2016 the Guardian announced plans to cut costs by 20 percent within three years. So far, that's involved a voluntary redundancy program in London, which has resulted in the departure of 270 staffers. Its U.S. operation will also need to scale back its workforce by 30 percent. The publisher has also dialed up appeals to readers to donate and support the Guardian with various paid membership tiers.

Nicklin arrived midway through this turmoil, six months after the cost-cutting measures were announced. A lot has changed internally in that time. One of the new processes is a three-month objectives check-in, led by editor-in-chief Katharine Viner and CEO David Pemsel. That's sped up internal processes. And it's a system Nicklin is at home with, since it's been borrowed from Google, where he spent nine years of his career, in various senior roles. That experience certainly comes in handy now. "I'm often asked, 'what would Google do in this situation?' It definitely helps put a certain perspective on things," he says.


Photo by ***Bronac McNeill***


## A crisis is a terrible opportunity to waste

Nicklin has quickly become known for his blunt talk. While former colleagues describe the "legendary smile," Nicklin has become a leading critic of how programmatic advertising in particular operates, rewarding the wrong outcomes and leaving quality publishers scraping for pennies while middlemen and data merchants make off with most of the money.

Last October, Nicklin made waves when speaking at a Mediatel event in London and declaring that the Guardian bought ad programmatically on its own site, only to find that only 30 percent of the buy ever reached the Guardian. The rest was eaten up in serving and data fees along the way.

"It's insane," Nicklin says bluntly.

Nicklin's hardly a Luddite looking to smash the platforms. In fact, he's spent a good part of his career at tech platforms, having worked a decade at Google before joining AOL as U.K. managing director, a role he was in for just five months before being snapped up by the Guardian.

"If all you're looking for is a pair of eyeballs as cheaply as you can find them, then the Guardian isn't the place for you to put your ad," he says. And yet it's this mentality that is at the root of the problem publishers are facing, rather than the ad tech itself — or the tech platforms for that matter. "Facebook, Google, they're just symptoms of the deeper problem." He adds that the trade-off between what the publisher gets back from publishing to platforms like Facebook compared to what it puts in is far from balanced.

He believes there are ways to fix some of these imbalances if ad tech vendors are willing to build in signals that detect how much production has gone into a piece of content.

"We spend hours figuring out the best page layouts and designs and where to embed ads. We could find ways to feed in signals to show how many collaborators worked on a piece of content. There are loads of different signals of quality that an algorithm can digest." And they could be configured in a way that couldn't be gamed and that algorithms can understand, he adds. "But agencies and advertisers need to demand it."

Nicklin's assault on the ad tech tax is one that has many publishers nodding in unison. He's reticent to call out just who took the 70 percent cut in the Guardian's investigation of programmatic buys, but he vows the situation will — and must — change.

"We want our vendors to give us audit rights, show us full transparency, so we can be more on top of what's happening and see what's going on in the bid train," he says. "We want to take back more control of that part of the revenue stream. Otherwise we've essentially outsourced our sales team, which doesn't make sense if the future is programmatic."

## The happy warrior

Nicklin hasn't been shy in making changes at the Guardian. Within weeks he had radically changed the commercial team structure, which was surprisingly still very siloed. Now, there are unified client-facing teams rather than three separate selling divisions, and there's a laser focus on embedding the new commercial positioning with advertisers as a "platform for action."

This is intended as more than a pithy mantra. Nicklin wants the Guardian to take a leading role in convincing agencies that advertising in its current form is damaged. The story is familiar: The Guardian is by no means the only newspaper publisher hurting from the continued fall of print ad revenue, nor the fact digital advertising has failed to fill the hole. And the Guardian's regular record-breaking traffic — never more pronounced than during Brexit and the U.S. presidential election — has so far failed to convert to ad revenue, a fact Nicklin readily admits. Added to that, he strongly believes that programmatic advertising simply isn't working in publishers' favor.

The new centralized Guardian commercial team works closely with advertisers, whether it's with branded content, programmatic, print and digital display, to determine what will make its audience respond to ads in a way the Guardian can measure and quantify, beyond just click-through rates. The team will be monitoring four performance targets, which will be built into commercial packages: Whether they can prove a reader has taken notice, changed their mind about something, like the brand or product they buy from, go somewhere or buy something.

Nicklin's conviction in the right commercial path and narrative for the Guardian, together with his sunny disposition, has been revitalizing to colleagues still reeling from the departure of so many staff and the uncertainty that left behind.

"It's been a difficult year in many ways, with the voluntary redundancy program. The disruptive impact that has shouldn't be underestimated," says the Guardian's commercial director, Nick Hewat. "But Hamish came without any baggage, and so was able to inject a positive energy and optimism that was really needed after a long period of time when people probably weren't at their best because of the uncertainty hanging over them."

Optimism is an attribute that's prized in leadership, and Nicklin embodies this, according to Hewat. "Hamish is full of energy and resilience, and leadership needs that because people thrive off it. His personality and character, as well as the timing of when he joined, was all very beneficial," he says.

Facebook and Google pose issues, but they're only symptoms of the deeper problem.

# Advertising is broken, we’re chasing the wrong things.

## "We have to change"

Nicklin’s passion for the Guardian brand is noted by pretty much everyone who knows him. Rachel Forde, CEO of MediaVest, who also describes Nicklin as a “super bright and shrewd” media man, says that his passion for the Guardian brand and what it stands for in British culture made him “an obvious fit” for the role.

He’s been in situ at The Guardian’s Kings Cross headquarters for two historic, global news events already: the E.U. Referendum and the U.S. Presidential election. His eyes light up when he describes the atmosphere of tense anticipation in the newsroom on the eve of, and in the aftermath of both events.

And yet, he was a late Guardian bloomer. His great-great-great-grandfather on his mother’s side, John Walter, was founder of The Times. That meant he grew up in a Times household. The reason for his switch in newspaper loyalty: the phone hacking scandals that hit The Times’ parent company News U.K., or News International, as it was known then. Although the scandals were tied to the other newspapers in the group, Nicklin says he wanted no part of it. “I started reading the Guardian via the mobile app, and haven’t looked back.”

Nicklin may be in a commercial role, but if the job was just a matter of making money, he’d soon get bored, he stresses. He needs to believe in a company’s goals. When it comes to assessing what companies and roles will suit him, he considers two factors: what’s that company’s purpose and what’s its map for progress. As long as he can identify and believe in both, then he’ll throw everything into it. “I believed in the purpose of Google, that’s why I stayed there nine years. And I believe in what the Guardian is trying to achieve,” he says. But he’s realistic about it, too. “Unless we progress we’re not going to be in a position we want to be in, given the shape we’re in. We have to change, shape and adapt, and that, I love.”

With Nicklin’s boxing days firmly behind him, he’s turned to other ways to unwind. He enjoys yoga, though admits he isn’t sure what kind. “It’s the bendy type,” he jokes. But his real passion, alongside spending time with his baby daughters (who he adds are blissfully past the tantrum phase) is enjoying the fruits of his wife Helena’s expertise as a wine critic. And he has plenty of time to shed the pressures of work in the time it takes him to ride home on his motorbike — a hair-raising experience for anyone during London commuter hours. “Everyone is literally trying to kill you. It’s actually a lovely way to switch off. You have to really stay focused.”

That same laser focus he applies to the road rings true with the descriptions some of his former colleagues give him. “Hamish is a fearless thinker,” says Bruce Daisley, Twitter’s head honcho for Europe and a former colleague. “He’s one of the gentleman of the ad industry,” he says. “He’s thoughtful, intelligent, and articulate. He stood out from the crowd at Google because he wasn’t afraid of taking responsibility for things. Hamish makes things happen.”

# YouTube's Second Act

With Red, Google's video giant wants to be TV, Netflix, Spotify and YouTube — all at once

BY SAHIL PATEL

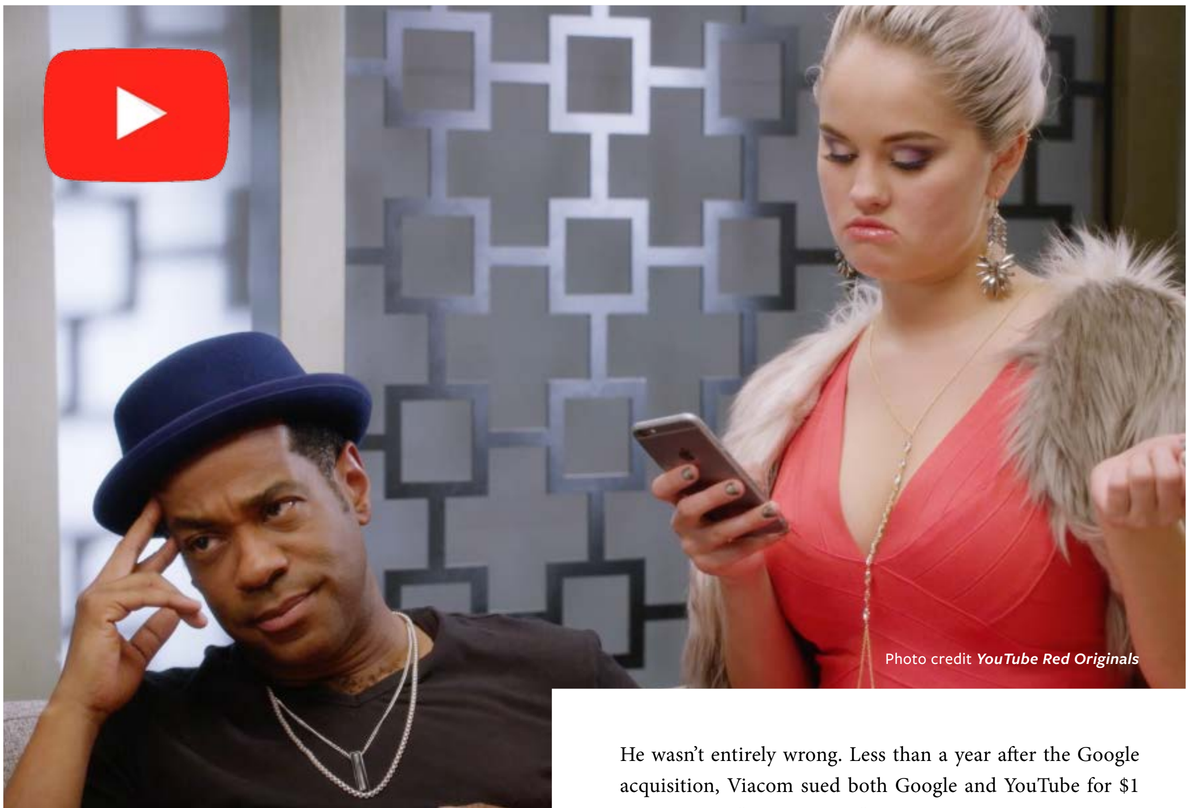


Photo credit *YouTube Red Originals*

Believe it or not, YouTube has had its share of doubters. Billionaire Mark Cuban famously once said only a "moron" would buy YouTube — just one month before Google dropped $1.6 billion for the video-sharing service. His qualms? It was only a matter of time until a site with rampant piracy issues was "sued into oblivion" for copyright violations.

He wasn't entirely wrong. Less than a year after the Google acquisition, Viacom sued both Google and YouTube for $1 billion, citing "massive" and "brazen" copyright infringement.

And yet, YouTube is a juggernaut. A decade later, the Viacom suit has been settled; YouTube has a copyright system to help rightsholders make money on the platform. And YouTube has become a global cultural force — and a big business for Google, with a billion users and $9 billion in annual revenue.

Now, with all eyes on video and Facebook in pursuit, YouTube is embarking on its boldest, riskiest bet: Getting people to pay for what they used to get for free.

In October 2015, YouTube launched an ad-free version of its video service called YouTube Red, which is available to users for $10 per month. The history of web video is littered with dead platforms that struggled to find an audience. YouTube Red faces the same, steep mountain to climb. Except it has one thing in its corner that others don't: YouTube — which is to say, don't count it out.

## Putting a lot of green on Red

As far as bets go, YouTube Red is a pretty big one. By the end of this year, YouTube Red will have released 20 original TV shows and movies from top YouTube stars like Joey Graceffa, PewDiePie and Rooster Teeth.

YouTube hasn't been afraid to open its checkbook to nab original content. For half-hour shows, YouTube has been willing to pay $200,000 to $500,000 per episode, depending on the type of show and the talent involved, multiple sources say. For movies, YouTube has been willing to go as high as $1 million, another source says.

Compared to other digital content buyers, YouTube is near the top of the list, says JC Cangilla, svp of business development at New Form, a digital studio that's sold shows to YouTube Red and Go90, among other platforms and publishers. "[YouTube] knows the investment they need to make to ensure the content is of a good quality," he says.

YouTubers, unsurprisingly, love it as well. "For us, it means that some of the more premium projects that we've been wanting to get made for years, YouTube Red makes it more possible for those to get made," says Burnie Burns, chief creative officer of digital studio Rooster Teeth, which sold its first feature film "Lazer Team" to YouTube Red.

"If we were doing a half-hour with IFC or TruTV, [YouTube's budgets are] in that range," says one veteran TV and digital producer. "But [YouTube is] so far ahead of anyone else who was at the stage Red is at right now — Amazon, which is killing it today, wasn't originally resourced to work with production companies the way YouTube is. YouTube's clear about what it wants."

And YouTube is willing to go bigger. It's reportedly paying several million dollars per episode for a TV show based on Lionsgate's "Step Up" movie franchise.

## The dollars haven't translated to a massive audience

Getting people to watch something online is hard enough. Getting people to pay for it? That's a tough business. At the end of this summer, YouTube Red had 1.5 million paying subscribers and another million subscribers watching on a free-trial basis, according to The Verge.

YouTube declined to comment on that number, but a spokesperson said the company is seeing "healthy growth of members each month."

Subscription-related revenue for YouTube channels, meanwhile, is small, according to multiple YouTube networks. The Young Turks Network, which has 30 channels on YouTube, said YouTube Red accounts for less than 5 percent of YouTube-related revenues for the company. Other YouTube publishers have said incremental revenues from YouTube Red range between 5 to 10 percent. (YouTube takes 45 percent of all subscription revenue from Red and then divvies up the remaining 55 percent based on total watch time per channel.)

It's a slightly different story for those who are making original shows and movies for YouTube Red. According to YouTube, creators featured in Red originals are seeing a significant boost in subscribers and watch time for their regular channels.

"The real value of YouTube Red is that YouTube writes giant checks for you to go out and make brand new films," says an executive at a YouTube Red content partner. "The fact that you get some additional money from subscriptions, that's fine, but that's not why you get excited about Red."


Photo credit *YouTube Red Originals*

# YouTube Red doesn't need to be YouTube to succeed

YouTube Red content partners and other channel owners are optimistic about YouTube Red's chances. Newer competitors like Go90 would kill for the audience that Red already has, they say, and YouTube still has the huge advantage of a billion users that go to its free version every day to watch videos.

"YouTube is the greatest fishing hole for finding paying subscribers," says Rich Raddon, co-CEO of Zefr, which works with subscription video businesses to find subscribers by advertising to them on YouTube. "We continue to see enormous traction in being able to market on that platform because it has such a huge audience and it's global. Now imagine if they can capture only a fraction of that."

And unlike Go90, Watchable and some of the newer streaming video players, YouTube is heavily marketing its original series.

"This is a big distinction between YouTube Red and some of the other digital platforms and publishers," says Cangilla. "YouTube is actively spending real dollars to get real audiences to watch their shows."

YouTube, for its part, says it's still very early in the game for YouTube Red. The service is available in only four countries with plans to add more countries in 2017. It also plans to do more than 20 original series and movies next year, and has already renewed four existing projects, including "Escape the Night" and "Lazer Team."

It also likes to remind people that YouTube Red is not just an ad-free version of YouTube, or a subscription service for movies and TV shows — it's also a music service. This means there are three distinct entry points for potential subscribers.

"YouTube has a more realistic shot than other streaming platforms, which are building from scratch," says Steven Oh, COO of The Young Turks Network. "With proper incentives, they can leverage some of their top partners to drive their existing audiences to sign up for Red."

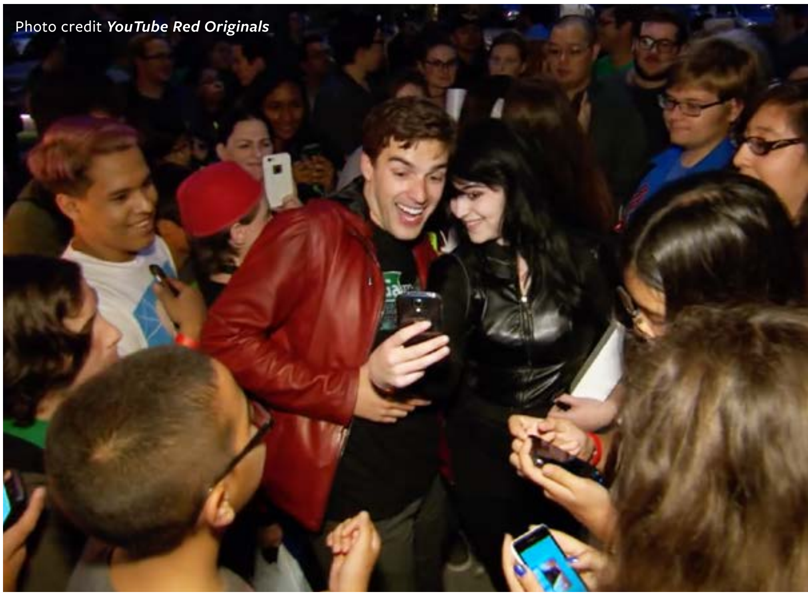


Photo credit ***YouTube Red Originals***

YouTube is actively spending real dollars to get real audiences to watch their shows.

# DIGIDAY
AWARDS
2017 PROGRAMS

**DIGIDAY**
PUBLISHING
AWARDS

FINAL DEADLINE: JANUARY 13

**DIGIDAY**
CONTENT
MARKETING AWARDS

EARLY DEADLINE: FEBRUARY 17

**DIGIDAY**
VIDEO
AWARDS EUROPE

EARLY DEADLINE: FEBRUARY 2017

**DIGIDAY**
CONTENT
MARKETING AWARDS

EARLY DEADLINE: MARCH 2017

**DIGIDAY**
AWARDS

EARLY DEADLINE: JUNE 2017

**DIGIDAY**
PUBLISHING
AWARDS EUROPE

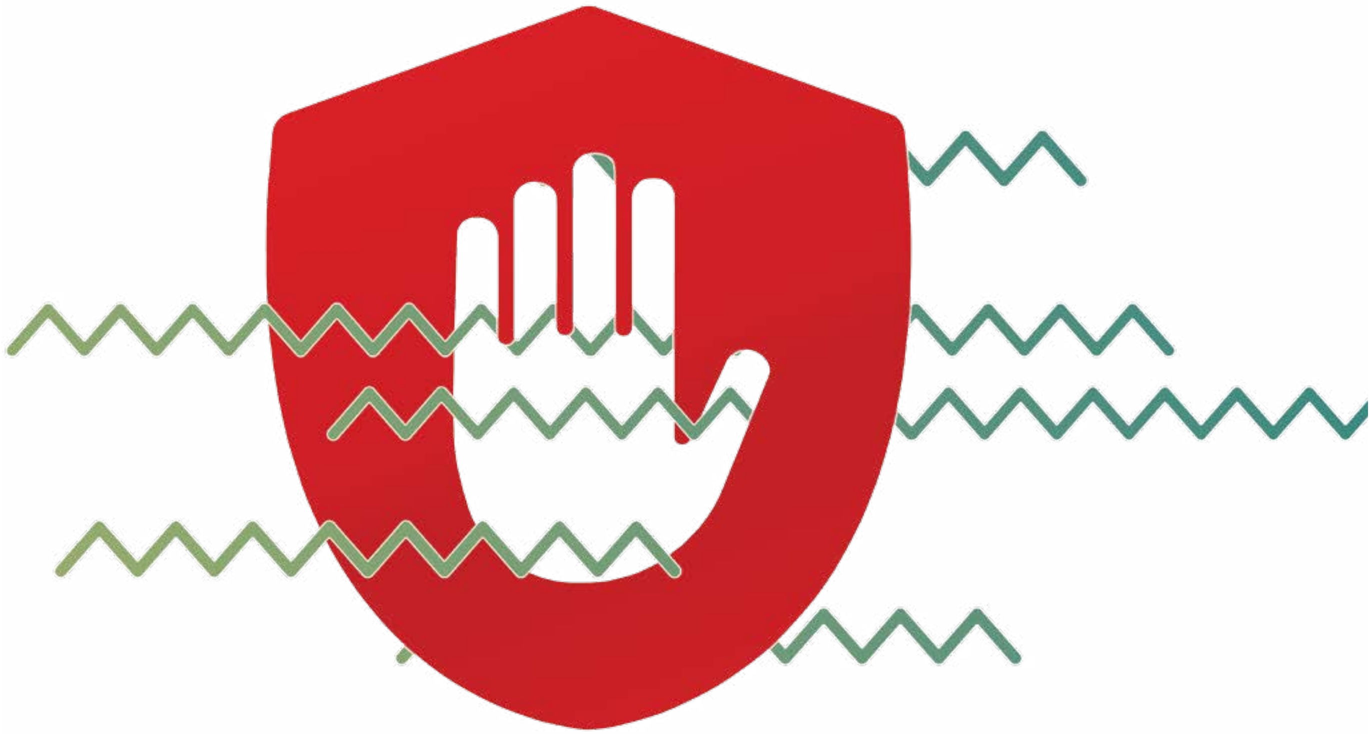
EARLY DEADLINE: JUNE 2017

**DIGIDAY**
VIDEO
AWARDS

EARLY DEADLINE: JULY 2017

**DIGIDAY**
AWARDS
EUROPE

EARLY DEADLINE: AUGUST 2017



# The Rise of the Unblockable Ad

## Games publishers are leading the way with a muscular approach to ad blocking

**BY LUCINDA SOUTHERN**

Faced with 40 percent of its readers blocking ads, gaming publisher the Gamer Network did what many media outlets have done: It asked readers nicely to disable their ad blocker. When that didn't work — in some markets only 5 percent heeded the message — it upped the ante and started reinserting ads at the beginning of August.

Using technology built in-house, the Gamer Network has been able to punch through AdBlock Plus, parent company Eyeo's blocking software that's installed on 100 million devices, and serve ads to the blockers. In the first three months the publisher has run 15 direct campaigns with games brands, including Nintendo, 2K Games and Bandai Namco, that directly target ads to ad blockers.

“We’ve not had any negative feedback from users,” says CEO Rupert Lomen, “and we’re able to sell it to clients.”

Publisher responses to ad blocking have ranged from the polite request to the more blunt blocking of content. But the latter approach leads to drops in audience numbers. Now, growing examples of ad reinsertion show it could be a more important part of the mix, and publishers are done playing nice.

According to Gamer Network’s analytics figures, there are 35 million monthly uniques across its dozen sites. “If AdBlock Plus has something like a market share of between 50 and 75 percent, then we’ve reclaimed a significant amount of inventory,” he says, adding that the millions of reclaimed impressions has generated a good level of new revenue.

Gaming publishers have been the first to experiment with ad reinsertion, although not all of them will admit it, having been fighting the ad blocking battle for years already. Their audiences often index higher than the national average, which in the U.K. is 21 percent, according to July figures from the Interactive Advertising Bureau.

Ad reinsertion is a controversial tactic among both publishers and agencies. Some see it as an affront to the rights of consumers. And ad buyers wonder whether users who are hellbent on avoiding ads are the type of people they want to advertise to in the first place.

Lomen argues that the ads it reinserts don’t trigger any of the reasons why people would block in the first place: They are static skins with no video or audio, and so are fast-loading, capped at one per page, and according to Lomen, have no data tracking or chance of malware.

Because these ads are the only ones on the page, and most likely the only that the ad blocker will see, they get higher click through rates than regular ad campaigns. It gives the publisher the competitive edge, for now.

Targeting the valuable ad blocker cohort is becoming more common: In November Netflix ran a campaign for the latest series of "Black Mirror," the dystopian sci-fi show, to ad block users. "Hello ad block user," it read. "You cannot see the ad. But the ad can see you.

What's on the other side of your black mirror?"

Notably, Facebook announced in August that it was serving ads it deemed acceptable to ad blockers. A technological arms race ensued between Facebook’s army of engineers and the AdBlock Plus open source community, the latter creating more blocking software that was then punched through by Facebook, ending in the platform’s favor.

“Facebook is not responsible for creating content,” points out Robin O'Neill, managing director of digital for media agency GroupM, a vocal opponent of ad reinsertion. “The costs of maintaining an environment is not the same as the costs that newspapers have.”

GroupM, which controls roughly a third of global digital ad spend,  says it will not pay for reinserted ads. Instead, it’s working with clients to make ads more user friendly. “We need to work on stemming the flow and cutting out adoption of ad blockers, rather than smashing through them,” says O'Neill. “That ignores the user's right to block advertising.”

And yet, PageFair estimates that some of its publishing clients are earning an extra $50,000 a month using its technology to reinsert ads. Perhaps conscious of the stigma around reinsertion, PageFair doesn’t disclose the publishers it works with, although its client base has grown from 10 to 25 since June.

As ad re-insertion takes off, then publishers will inevitably look to do more and more with the technology.

“As ad re-insertion takes off, then publishers will inevitably look to do more and more with the technology,” says Lomen. “And you get into this feature creep where you’re moving towards the current situation of ads going too far.”

# Publisher Alliances Splinter

## Cooperating against common foes is better in theory than reality

BY JESSICA DAVIES

The bad news for programmatic alliances: 2016 was not a good year as nascent efforts in the U.K. failed, for the most part, to make a dent. The worse news: 2017 shapes up to be even more grim, as marketers look for full transparency on every part of their digital ad buys and publishers face programmatic revenue woes.

Buying programmatic ads blindly, albeit within a premium publisher brands marketplace, simply isn't top of the priority list for buyers.

In 2015, the picture looked markedly different. Pangaea — the name of the Guardian-led alliance which has CNN International, the Financial Times, and Reuters as members — created a real stir in the market at launch. Pangaea offered a way to scale programmatic campaigns across the combined global audiences of its members, without the worry of appearing on fraudulent sites or anywhere of suspect quality. It was also proof of publishers' commitment to prioritizing collaboration over competitive advantage in the face of real threat from Google and Facebook.

Likewise, another alliance initiated by the Association of Online Publishers had similar ambitions, though focused on domestic audiences, and modeled on France's so far successful publisher programmatic marketplace model, La Place. (Though rumors are now circulating that the French alliance may be starting to fracture as mobile and native gain prominence — neither areas of focus for the ad tech vendor they initially selected.)

Only by banding together could publishers hope to come anywhere near the scale Google and Facebook can offer marketers. And against the backdrop of a digital ad industry fraught with fraud and viewability issues, the concept behind the alliances were sound. And yet, they've failed to gain real traction. And with so much change occurring in the digital media industry, it's unlikely they ever will.

Much of that is due to the fact that anything that's committee led is fiendishly slow to progress, and in a market as fast moving as digital media, that's an added complication nobody can afford. But agencies also want control over the buying process — they want self-service, rather than the managed service the likes of Pangaea provide.

One industry insider described Pangaea's financial set-up as a "a black hole of decision by committee and vendor RFIs, revolving personnel and changing perspectives."

And media agencies want to target audiences with even more precision than years past. Case in point: GroupM has now created a unit (called mPlatform) designed to pull in data to create customer IDs that can give its clients a more in-depth, but more importantly, unified view of their habits across devices, than the cookie ever could. The only other players who can offer the same customer IDs at that kind of scale are Apple, Google and Facebook.

This is what clients are really after, and agencies are driving it. "Even though we know the publishers involved, we could only buy blind inventory [on Pangaea] and it is hard to buy blind in today's atmosphere of ad quality and fraud. We need to see where our ads appearing," says Marco Bertozzi, outgoing chief revenue officer of Publicis Media's Performics.

With others, programmatic alliances just haven't brought anything to the table that ad buyers needed. Tim Pearce, head of digital investment at Dentsu Aegis Network's Amplifi, says: "The long and short of it is, we can replicate exactly what Pangaea has done, internally. We have the technology. But we don't because we don't see the value in it."

Testing new ways to collaborate is something that should be encouraged, and there are even new alliance models afoot for 2017, but not every market is well suited to them. France, Germany, the U.K. and the U.S. all have their different quirks. A prime reason La Place did so well in France is because it was the sole route for advertisers to buy programmatically with the member publishers. In the U.K., publishers weren't willing to halt their own individual efforts to sell programmatically, which can't have helped. And for now, header bidding, mobile and native are all more pressing problems for publishers. In a way, the market has already ruthlessly moved on. P

# Marketing


II
THE ENGAGER


# Hearts & Green Thumbs

## Lowe's Marci Grebstein gets emotional

**BY SHAREEN PATHAK**

**When Marci Grebstein was growing up in Randolph, Massachusetts, her father had very specific rules about lawn care: 15 minutes of weeding, every evening, before dinner. "We had to do it," says Grebstein, 53, now the chief marketing officer at Lowe's, which is the biggest seller of lawn care products in the U.S. "He had this idea of a perfect lawn."**

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Grebstein's father's meticulous thoughts about what homes and gardens should look like have in part shaped how Grebstein runs marketing at Lowe's. Her own father, she says, is the perfect embodiment of the DIY-oriented customer, the kind who has projects going on around the home all the time and who makes weekly trips to home improvement stores. (Other customer types include Grebstein herself, who weeds weekly, and newer homeowners less concerned about the perfect lawn and more concerned about how many barbecues they'll have on it.)

For Lowe's, one of the biggest home-improvement big-box stores in North America, marketing is on a mission to go beyond price and strike an emotional connection with customers. "How I think of marketing is how to go beyond the sales and transaction, 'win the wallet approach' to make people think of Lowe's as the place to go. A 'win the heart' approach, as it is," says Grebstein.

It's pretty central to Lowe's future. The retailer has seen weak financial performance even as rival Home Depot continues to grow. The housing market is growing, though, but a large key to Lowe's success lies in convincing younger homeowners and potential home-buyers that there is more to home improvement than hammering a few nails.

Last May, Lowe's rolled out the "House Love" campaign, which featured a three-minute video, where two kids — and their homes — fall in love with each other. It was the first brand messaging for Lowe's since the recession in 2008, says Grebstein, and it felt like the time to bring the more emotional nuances of home ownership back into focus.

It's a personal topic for Grebstein, who grew up in a family where her father was a "jobber," a middleman role between department stores and manufacturers of clothing accessories like ties, belts and gloves, and her mother ran the call center for a small office supply company. The home was important (the attention to weeding was only just one part of it), and it's a driving theme for Grebstein, too.

Grebstein joined Lowe's after over two decades in marketing. At Food Lion, she spearheaded a marketing turnaround plan. At Staples and CVS, Grebstein was part of regional players growing into national chains. She went to school at Boston College wanting to be a teacher, but realized that she was never going to get a job, thanks to a glut of teachers graduating at the time — and ended up at the school of management. Everywhere she went, those who worked with her recall someone who was both unafraid to pull punches, but had an emotional streak that made her the right fit for any new challenge.

# The home is personal. And more than ever, the home is sancturay.

Photos Courtesy: *Lowe's*

Jay Baitler, Marci's former boss at Staples, recalls bringing her in on a massive project when she barely had any business-to-business sales experience, then working with her when the company decided to make a hostile bid for $4 billion competitor Corporate Express in 2008. "She was flexible and — I'm going to use a terrible word — ballsy," he says.

"She had no problems walking into my office, shutting the door and telling me I was wrong. She was such a breath of fresh air in uncharted territory."

What brought her to Lowe's was the clear purpose she saw at the company: Help people love where they live.

That kind of idea, she says, is going to come off as "marketing" unless it's actually part of the DNA running through the company. To that end, she and her team are pushing through more helping communities initiatives, with every associate getting eight hours a year of paid time to go build and fix homes in the communities. The marketing team has built and "adopted" a shelter for homeless women and children they maintain called Hope House. "That heart piece has to run deeply," she says.

"The home is personal. And more than ever, the home is sanctuary," she says. (Grebstein built a house for the first time when she moved to North Carolina four years ago. This month's project is getting a light fixture picked out for her home office.) Perhaps nowhere is that clearer than Gingerbread, its holiday effort that went live at Thanksgiving. The two-minute YouTube video has a gingerbread cookie who is different from other cookies in the batch.

It's a markedly positive — and liberal — note to take in a fraught political landscape where brands are dragged into conversations and lambasted on social media.

"He's looking for a place to feel at home," says Grebstein. "With the country where it is, I'm going to come out and say that no matter where you're from, this holiday season, you have to feel like you belong somewhere."

# Brussels Sprouts Red Tape

## GDPR is coming, and brands better prepare

BY LUCINDA SOUTHERN

Doing business in Europe is about to get trickier, thanks to a pretty hefty piece of data legislature. And companies are not ready for it.

Research into how prepared companies are for the European General Data Protection Regulation, which requires all companies to ask permission if they want to use someone's data, varies widely. Some reports say 30 percent of respondents are unprepared, others put the figure closer to 68 percent. The message is clear: Companies have a way to go to get themselves ready in 2017.

"In April, we'll hear from a lot of companies about what they are doing," says Zach Thornton, external affairs manager at the Direct Marketing Association. "For most people it hasn't dawned on them the extent of the work, partly because the law is ambiguous, there isn't the clarity from the data regulators, but the clock is ticking."

With the GDPR coming into effect in May 2018, all companies that go through any systematic monitoring of data (which catches most marketing tactics) including any U.S. company collecting data on people from Europe, need to comply.

Right now, companies bundle data consent in with their terms of service, allowing them to track online behavior and browsing history through cookies. The tangled web of ad tech means this data gets shuffled on to other third parties to be used on marketing lists or for ad retargeting, often unknown to the consumer.

Top on the list of priorities for companies is data auditing. If they are creating a marketing campaign, they need to know how they are getting insight on their audience. How long is their data stored for? Does the user know they have it? How are they showing they document this?

Credit rating agency Callcredit went through this process, making sure the data it had to sell on to third-parties was pure, so that it could charge a premium. As a result it has cut its data set nearly in half. "It's a positive and negative," said Thornton, "at least you have data populated with people who want to be marketed to."

Each company needs to appoint a data protection officer to take responsibility for the company's data pursuits. It's a role that's in demand: By 2017, the U.K. will need 28,000 more data protection officers. Companies will also be announcing staff training programs and how they will respond to a data breach within the first half of 2017.

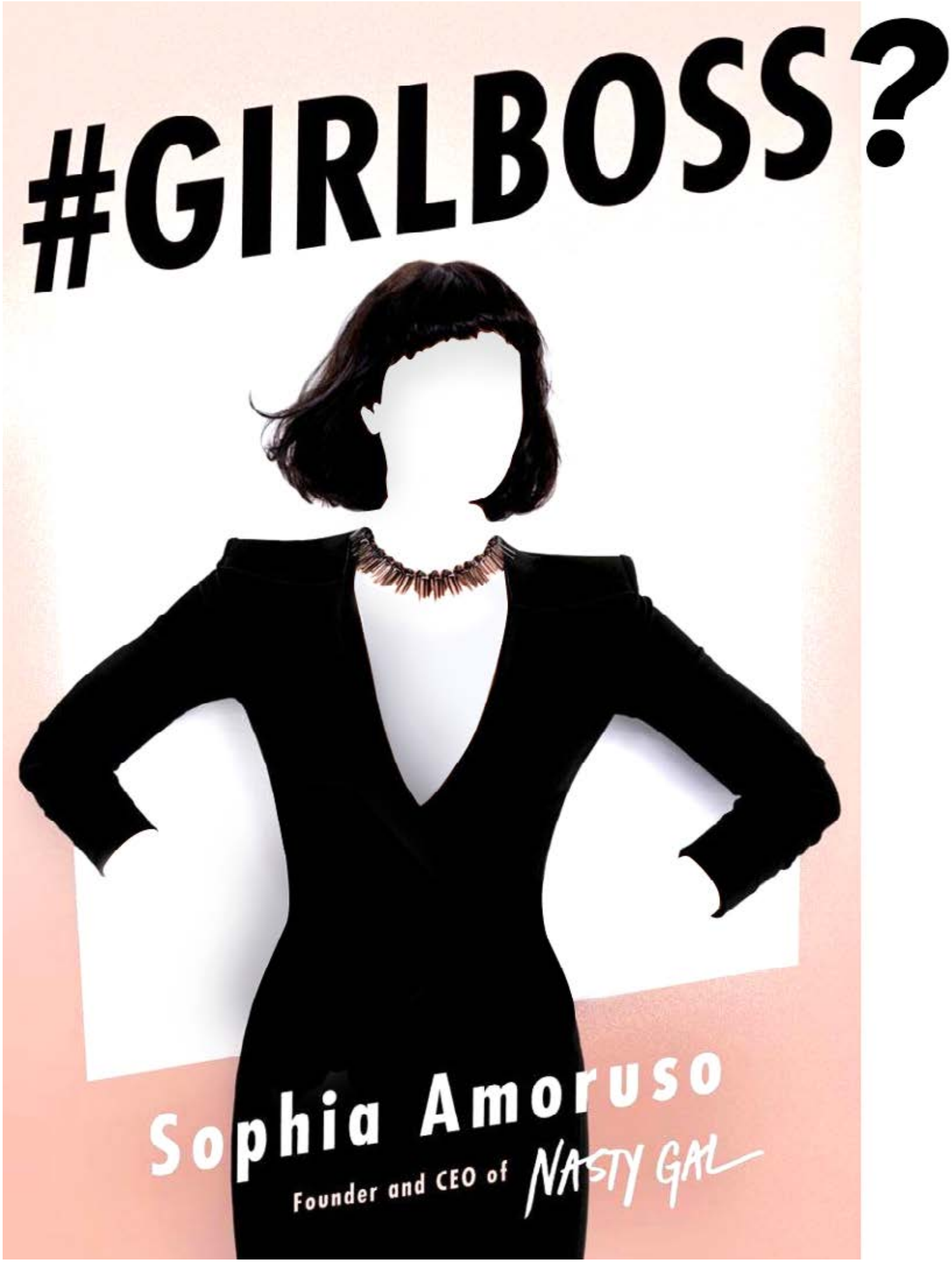
Externally, companies are also getting their party line sorted. John Lewis has brought in creative agency Adam&EveDDB, the same agency behind its famed Christmas TV ads, to build the communications strategy for how it will tell current customers about these changes. It's a dense subject, and bombarding people with too many messages about how you're planning to use their data can get annoyingly creepy.

There's a lot at stake. Data falling into the wrong hands hurts a brand. "Brands see negative stories and shares plummet," says Thorton. "Companies still try to brush it under the rug." It's not just their reputation at stake. If companies fall foul, there's some eye-watering fines of €20 million ($21.8 million) or 4 percent of the company's global revenue. Previously, the most serious breaches of the data in the U.K. got a maximum fine of £500,000, ($261,000).

> Not enough people understand that ads fund journalism.

As companies get more vocal about how they are going to protect data, people are wising up to its value: Research from software company Symantec found that 74 percent of respondents think it's unfair that companies are making money from their personal data. That's hardly surprising. Companies like Citizenme and People.io are filling this void, rewarding people for sharing their personal data with advertisers.

It's against this backdrop that smarter companies will have to offer more to people to make the value exchange appealing, according to Bethan Crockett, GroupM's digital operations director: "Relevant ad targeting is not necessarily enough," she said. "Companies will have to offer more."




# When Personal Brands Go Wrong

## Nasty Gal's brand suffers while founder's soars

BY HILARY MILNES

With two books on the Amazon No. 1 bestseller list and her name attached to the millennial career woman moniker "Girlboss," Sophia Amoruso is a modern-day success story for aspiring entrepreneurs who watched her rise from a dumpster-diving, vintage-clothing peddler on eBay to the founder of e-commerce store Nasty Gal, a retail runaway success story.

But as Amoruso's personal brand soared, somewhere along the way Nasty Gal hit a wall. In November, the company filed for bankruptcy. Rather than the shining proof of Amoruso's rising business savvy, Nasty Gal has become a tale of a retail darling falling from grace, with everyone from Forbes to The New York Times pondering how, with previous annual revenue of $300 million and $65 million in venture capital, the company ended up where it did. Amoruso has since stepped down from her position as executive chairman, even as she told Forbes in July: "Everyone knows Nasty Gal requires me."

In retrospect, maybe it did. Amoruso left her post as CEO of the brand in 2015, putting former Lululemon chief product officer Sheree Waterson in her place. With Amoruso busy promoting her books and other personal affairs, Nasty Gal was left to those who didn't understand the brand's original style or customer.

## The price of a personal brand

The news of bankruptcy is the final blow for the brand, which came just as Amoruso had finished a tour promoting her second book, "Nasty Galaxy," a $22, 272-page follow up to 2014's "Girlboss." It is full of inspiration for women who identify with Amoruso's specific style of modern female empowerment: Unafraid to speak her mind, take risks, and embrace the fact that personal success can come despite being a little bit of a fuckup. In the book, Amoruso is speaking to the same woman who bought into her brand.

The Nasty Gal customer is a "rebellious rocker chick with a punk aesthetic," according to Michael Ian Kaye, creative director at Mother New York, the agency that Amoruso worked with in developing the "Nasty Galaxy" book.

"It's a complex brand," he says. "There's a free spirit, attitude and girl power that comes through in Sophia's ideology, but there's also a chicness and contemporary quality to the aesthetic."

The books aren't the only benchmarks of her booming personal brand: Amoruso also hosts a podcast with the "Girlboss" name and is developing a Netflix comedy series with actress Charlize Theron centered around her path to becoming a CEO. This year, she was named to Forbes' Richest Self-Made Women list with a fortune of $280 million, more than Beyoncé's net worth. She recently finished a circuit of sold-out speaking gigs and is also an ambassador for Squarespace.

Amoruso isn't the first founder to see her personal brand eventually outsize the startup that propelled her. Prolific founders from fashion designers like Diane von Furstenberg to Virgin founder Sir Richard Branson have risen to personal fame alongside their businesses. For startup founders, a strong personality calling the shots behind the scenes helps get more buzz for the budding brand. For Amoruso, her relatable humble beginnings and young age (she started her business at 22) made her stand out.

Nasty Gal, however, began sputtering just as Amoruso was climbing the ranks.


The party was over and people didn't want to see the company grow up a bit.

## A string of setbacks

In 2014, the same year that "Girlboss" was released, the company saw its first round of layoffs, cutting 10 percent of staff. A year later, the retailer faced two publicized lawsuits. The first claimed that the company illegally terminated three female employees who became pregnant and one male employee as he was about to take paternity leave; the second claimed that the company discriminated against an employee after she underwent a heart transplant.

In February this year, the retailer laid off another 10 percent of its employees, or 19 people, as part of a "strategic restructuring," according to current CEO Waterson. According to a source at the company, the cuts included all the senior buyers and some tech and creative positions. Most recently, in September, the company was said to be "aggressively seeking capital," or a buyer, according to sources. So far, Nasty Gal has raised $65 million in three rounds of funding; most prominently, Index Ventures invested $40 million for the online retailer to open physical stores.

Finally, in November, the company was said to be preparing for Chapter 11 bankruptcy. Amoruso resigned from her position as executive chair of the company's board, cutting her ties to the Nasty Gal brand. After stepping down as CEO, Amoruso was less involved in the daily going-ons but still regularly involved with the retail company she built with a punky, edgy female millennial consumer in mind.

According to former Nasty Gal employees, the retailer's problems were rooted in personnel issues: The experienced C-suite brought in to push it to the next phase had largely lost sight of the core Nasty Gal customer, while failing to attract a new one.

"[Amoruso] placed Sheree [Waterson] and other executives into positions so she could focus elsewhere," says one former employee who left the company for a new position at the beginning of 2016 after two years and spoke on condition of anonymity. "We were always aware that a lot of the success of Nasty Gal was connected with her name. [The new executives] misinterpreted the brand and who the customer is, and they wanted it to become something it's not."

## Losing Nasty Gal

According to the former employee, incoming executives lost sight of the original ideology that made Nasty Gal a success. By introducing more expensive products, they priced out its loyal younger customer without having earned the older, more affluent customer they were aiming for.

"For this older customer, the name 'Nasty Gal' itself is probably not going to fly. It's a very specific brand. So if your pricing is outside of your core demographic and the quality is outside of it, but your name and brand is still attached to it, that's going to be really tough."

Internally, tension had been high at the company, amid layoffs, as executives have muscled out the influence and power of lower-level employees, many of whom had been with Nasty Gal since the beginning. Suddenly, people who were used to working with Amoruso directly were seeing that their voices didn't matter as much and that the direction of the company was out of their control.

"These people were very passionate about the brand," says the former employee. "Then, Sophia stepped aside and people became disillusioned and unhappy. The party was over and people didn't want to see the company grow up a bit."

Another former employee says that while Amoruso did the right thing by letting more experienced executives take over, the company has since gone in the wrong direction. The future of the company, as it prepares for bankruptcy, is up in the air, but they envisioned a Nasty Gal without Amoruso.

"I'm not faulting her for it. As a person, you evolve and want to do other things. I'm sure losing it is going to hurt."

Amoruso was unable to comment for this article. But at speaking engagements and on social media, news of Nasty Gal's bankruptcy clearly affected her. She teared up at a career event in Sydney, Australia, while telling the audience it was "the most responsible thing to do right now."

On Twitter, Amoruso shared a 12-character message following her departure from the brand: "Thank you <3"

Photos Courtesy: ***Under Armour***

# How to Get Big Without Sucking

Under Armour has grand ambitions

**BY TANYA DUA**

**On the banks of the Patapsco River, overlooking the Baltimore harbor, sits Under Armour's sprawling headquarters. Inside its red brick buildings — once Procter & Gamble factories — are offices, state-of-the-art testing labs, a mega gym and a cafeteria. The cafeteria, named "The Humble & Hungry Cafe," is not only an allusion to one of founder and CEO Kevin Plank's leadership maxims, but an embodiment of the company's core values.**

An unfettered hunger for success goes some distance towards explaining Under Armour's meteoric rise over the two decades. The brand has continuously disrupted the sports apparel market, with 26 consecutive quarters of 20 percent-plus growth. Most recently, sales were up by 22 percent in the third quarter of 2016 to $1.5 billion, and the brand is well on track to reaching its 2018 revenue target of $7.5 billion, according to Plank.

It has offered surprising competition to global behemoths like Nike and Adidas by continuously investing in newer categories, consistently pushing the envelope in terms of its marketing and amassing the world's largest connected fitness community with over 190 million users.

But growth often comes at a cost, and ambition, with a degree of sacrifice. As Under Armour sets its sights on new international locations, new categories and connected fitness, the Baltimore-based brand is facing increasing headwinds in its path.

Revenue continues to increase, but it is coming at the cost of margins: The brand's gross margins declined to 48.8 percent in 2016's third quarter, down from 49.6 percent the year before. Its shares also took a beating after the third-quarter earnings, slipping by more than 13 percent after executives warned that sales growth would slow over the next two years. And in October 2016, Adidas overtook Under Armour to reclaim its position as the second biggest sports brand in the U.S.

If the brand is worried, it's not showing it.

"We've never been the biggest kid on the block, so we've always had to do things a little bit differently," says the brand's president of innovation, Kevin Haley. "We have an advantage because we don't have a $30 billion-dollar supply chain that's always done something a certain way."


# Innovation in products

Under Armour's official mission, "make all athletes better," has long meant creating high-performance sports gear and apparel. But in the last couple of years, the phrase has taken a whole new meaning, particularly with regard to its investments in connected fitness, wearable tech and an in-house innovation lab apart from subcategories like athleisure and womenswear.

Since 2013, the company has spent close to $1 billion investing in three leading fitness and diet-tracking mobile apps apart from its own — MapMyFitness, MyFitnessPal and Copenhagen-based Endomondo — amassing the world's largest digital fitness community.

This year, Under Armour also made its foray into wearable technology under a new sub-brand Healthbox, introduced two models of wireless headphones in collaboration with JBL, as well as a smart shoe and a smart scale, putting itself in direct competition with Fitbit and Apple in the fast-growing wearables market.

The idea is to use that digital community and its reams of data to drive everything from product development to merchandising — even marketing. It is not only a chance for the brand to connect with consumers more deeply, but also drive consumers to buy more gear by authentically inserting itself into the apps when they reach their fitness goals. The UA Shop app launched this summer, for example, uses users' data from their activity in Under Armour's other apps and makes specific gear recommendations that they can directly buy on their phones.

"Strategically, for us to get to $7.5 billion, we have got to be more to the consumer than just sweat," says Adrienne Lofton, Under Armour's svp of global brand management. "We're trusted when it comes to performance, but the aim now is to become part of that consumer's life 24x7 through, among other things, connected fitness."

At the same time, Under Armour is also focused on product innovation and reinventing the manufacturing process at its 140,000-square-foot design and manufacturing lab in Baltimore's Port Covington area. Called the Lighthouse, the former garage functions as its in-house innovation hub, where a team of designers, developers and engineers toy with high-tech machines to develop new concepts, iterate on ways to make the production process faster and more efficient and test the next generation of athletic products.

A lighting-fast laser cutter called the Lectra, for example, can slice fabric in a way that generates the least amount of waste possible, while a 3D printer can effortlessly sculpt sneakers from powder in less than 24 hours. It is this commitment to experimentation that has led the brand to pioneer innovation from a product standpoint, making it the first to bring a 3D shoe to market with the UA Architech released in July 2016, for example.

"If we're always following two steps behind or doing things the way they've always been done, we're never going to get ahead," says Haley. "When others zig, we dare to zag." But not everyone is convinced.

For Erich Joachimsthaler, CEO at brand consulting firm Vivaldi Partners, these digital investments are the most significant investments that Under Armour has made over the years. But what was potentially one big opportunity has not paid off yet. Its connected fitness business isn't exactly booming — representing only 1.3 percent of Under Armour's total 2015 revenue of $3.9 billion.

"Somehow, the wheels came off in the company," he said. "It has not worked as I expected."


# Innovation in marketing

Under Armour has grown remarkably since it was first started by Plank in his grandmother's basement in Washington, D.C., in 1996. But it has retained its core brand ethos of being an underdog and a challenger even while innovating at a rapid clip.

The spirit was perhaps best exemplified in its critically acclaimed 2014 campaign, "I will what I want," which celebrated women like ballerina Misty Copeland displaying unyielding determination while fearlessly confronting the challenges in their paths. On the ground, Under Armour has continued to advance through a spate of out-of-the-box digital activations through the course of the year.

In April, for instance, the brand and its agency Droga5 capitalized on Golden State Warrior basketballer Stephen Curry's knack for scoring long-distance shots, releasing a new three-second Twitter ad every time the player scored a three-pointer in the playoffs. And in September, the brand hacked Snapchat, converting a Discover ad into a mobile game that allowed users to play as Cam Newton and dodge a variety of obstacles with the swipe of a finger.

"Digital has forced us to rethink how we approach marketing, both from a creative standpoint and a delivery standpoint," says its vp of global consumer engagement Jim Mollica. "In each of the cases, we started with a consumer insight and then tried to create unique experiences — and not in the way in which traditional advertising is served."

The biggest win for the brand in 2016 came with its Rio Olympics campaign, where it outsmarted its rivals and proved that a brand doesn't need to be an official sponsor — and shell out 10s of millions of dollars — to reap the benefits associated with the games.

Its emotional "Rule Yourself" campaign, featuring players such as swimmer Michael Phelps, was not only fully compliant with the Rule 40 restrictions in that it didn't contain any Olympic intellectual property, but was also the second most shared Olympics ad in 2016. The brand also proved its social media savviness by craftily using emojis in a tweet to congratulate the swimmer, effectively skirting rules again.

But the company is not immune to setbacks, nor is it in a place where it can get complacent — and Mollica knows it. "The goal is to innovate to such a degree, through innovative products and cutting-edge campaigns, that technology has to catch up to our vision instead of the other way around," he says. "That's how we stay relevant and deliver on our mission to empower athletes around the globe."

The company is on the right track, says NPD Group sports industry analyst Matt Powell, particularly with its focus on new categories like basketball and Under Armour Sportswear, the athleisure-inspired line it announced in summer 2016.

"Consumers today demand new and fresh products constantly," he says. "And Under Armour has always delivered on that premise. Under Armour continues to grow at a faster pace than the rest of the industry."

# Year In Preview


IV
THE EMPEROR

# Retailers Rethink the App

BY HILARY MILNES

Five years ago, the mobile app was the hottest digital box for retailers to check. Without an app to download in the app store, you might as well not exist, the wisdom went.

This year, a number of retailers bid their mobile apps goodbye. Coach, Dolce and Gabbana, Patagonia, Everlane and Rebecca Minkoff pulled their apps from the market. The common reason for cutting the apps loose: a lack of resources to spend on something that doesn't offer enough value to customers. Gartner predicts that 20 percent of brand mobile apps will disappear from the app store over the next two years.

In 2017, expect the trickle of dropped apps to become a flood, as the strategy continues to lose favor among resource-strapped retailers. In their place will be improved mobile web capabilities and platform features that better fit with how customers interact with brands on their phones.

The exodus is coming as brands have realized that keeping a mobile app up to date is a lot of work.

"Thanks for supporting the Patagonia iPhone app," read an update from the brand sent out in June. "Now that our website is beautiful and easy to use on all mobile web browsers, we will no longer be supporting this app — you may delete it from your device."

"The app was no longer made sense for us," says Coach's head of innovation Dana Randall of the brand's decision to cut it loose at the beginning of the year. "We weren't getting the usage we needed to keep updating it."

For big-box retailers like Amazon and Target that service a customer who's making regular, repeat purchases, the mobile app makes sense. But specialty retailers, like Coach, who Randall says is a brand for "considered purchases," rather than impulse buys, are turning attention focusing on a mobile experience that aligns with existing customer behavior.

On mobile, a critical component of that behavior is search, both for products and store locations. According to L2 research, customer habits on mobile currently fall into three main categories: store locators, order tracking and customer service. These capabilities have largely moved off the app and into the mobile web through GPS and platform-enabled chat services.

"We're seeing improved search capabilities that have been greatly increasing on mobile sites," says L2 research associate Amay Makhija. "Mobile sites are becoming increasingly more frequented by customers — people aren't moving off their phones, retailers are just coming around to how people shop on their phones."

Retailers are also leaning towards partnerships with platforms to keep up with the quick pace of mobile's evolution. In the coming year, they're going to forfeit more control over their mobile strategies by working with platforms like iMessage, Facebook Messenger, WeChat and Kik to get in front of the customers. Basically, according to Phil Granof, CMO of mobile retail platform NewStore, retailers tried to own their own spaces on mobile through the app, and now they're looking elsewhere.

"What's indisputable is the role that mobile is playing in consumers' lives. What the question is is what the strategy around mobile looks like for the brands," says Granof. "Retailers are very much in the experimentation stage, but putting a retail relationship where the consumer is spending a lot of their time makes absolute sense."

Conversational commerce through messaging platforms, according to Granof, follows natural consumer behavior since people have already downloaded and use these platforms, and they're comfortable getting information from them. For brands, future mobile strategies will center around finding the right partners.

# DIGIDAY SUMMIT SCHEDULE 2017


**DIGIDAY**
PUBLISHING SUMMIT EUROPE
FEBRUARY 21 - 23
LISBON, PORTUGAL

**DIGIDAY**
AGENCY SUMMIT
MARCH 1 - 3
NASHVILLE, TENNESSEE

**DIGIDAY**
PUBLISHING SUMMIT
MARCH 29 - 31
VAIL, COLORADO

**DIGIDAY**
BRAND SUMMIT
APRIL 18 - 20
CHARLESTON, SOUTH CAROLINA

**DIGIDAY**
BRAND SUMMIT EUROPE
MAY 3 - 5
BERLIN, GERMANY

**DIGIDAY**
VIDEO ANYWHERE SUMMIT
MAY 17 - 19
NEW ORLEANS, LOUISIANA

**DIGIDAY**
PROGRAMMATIC MARKETING SUMMIT
MAY 24 - 26
SCOTTSDALE, AZ

**DIGIDAY**
RETAIL SUMMIT
JUNE 2017

# Platforms Will Pay Up

BY LUCIA MOSES

A year ago, Facebook wanted to get creators and publishers to use its new live video feature. Facebook has a powerful incentive for them in its news feed, in that it can reward participants by sending eyeballs to their posts. But this time, it provided a far more important motivator: cash. More than $50 million, spread among 140 creators including The New York Times, Vox Media and Mashable as well as personalities including Kevin Hart and Gordon Ramsey.

Snapchat has been talking to media companies about licensing their content in addition to sharing revenue from advertising sold against their Discover channels. Not everyone will benefit, and there are caps on the payouts, for sure, but these are clear signs that the platform giants will pony up for content. In 2017, more of these platforms, under pressure from struggling publishers, will embrace the power of cutting the check.

Don't expect this to come about out of altruism. The one word platforms care most about is scale. Ultimately, the platforms are playing an advertising game based on scale. And to attract advertising, lucrative video advertising in particular, they need to have quality content that advertisers want to be associated with — and large amounts of it. The precedent is YouTube, which spent $100 million in 2013 to get media companies, including Hearst and Vice, to produce high-quality shows.

"The platforms have shown in a variety of ways they appreciate the value of paying for content," says Andrew Morse, digital general manager for CNN, which was one of the media companies Facebook paid to create live video, money he described as a step in the right direction. "There has been a great leap of faith by media companies and platforms. It's been a great first date. For a second date, there has to be a promise of a future relationship."

The other side of this is that the platform largesse is limited and isn't going to be evenly shared. Facebook Live payments will likely only last until Facebook lets video creators make money from advertising. Twitter's focus has been on live streaming sporting events, one of the few types of content that gets people to tune in at a specific time. Snapchat will control the terms of the licensing fees, and will make sure the terms favor Snapchat. Platforms will want to work with the media companies that have scale and a point of differentiation. That leaves a lot of companies in the murky middle and below with little leverage.

At the same time, traditional publishers are facing hard times because of a tougher than expected climate for ad spending (new digital publishers aren't immune to this climate, and they don't have the legacy revenue that traditional media companies do to fall back on). That pressure makes it hard to justify continued spending on platform initiatives that haven't paid for themselves.

Already this year, some publishers have started to cool on Facebook Instant Articles rather than publish all their articles to Facebook's platform, which owns the reader data and sets the rules around monetization.

"The new guard is part of the old guard," says digital media vet Vivian Schiller. "In light of what's happening with platforms, they're bundled with everyone else."

If traditional media took a revenue hit as their audience shifted to desktop, and then again to mobile screens, the move to the distributed web has been even harder because the content is being consumed off their own platforms where the revenue tends to be further divided, says M. Scott Havens, global digital head of Bloomberg Media. "There's been an ongoing conversation between publishers and platforms about how the economic pie gets distributed for a couple years now. If publishers' efforts don't bear fruit, they'll likely have to pull back from some of the platforms."

But they'll hardly be doing so from a position of strength.

***When it comes to platforms, new and old media are on the same playing field bundled with everyone else.***

# Ad Tech Eats the (Media) World

## The beast keeps growing

**BY ROSS BENES**

For years, ad tech has been responsible for serving and display ads while also automating ad buying. Ad tech will continue carrying out these tasks, but the industry is also now turning newer communication features, such as geofilters and emojis, into scalable ad units. In the year ahead, ad tech will be virtually everywhere — and cease to be thought of as a separate industry rather than an integral part of all media.

Snapchat geofilters are animated images that only show up on users' screens in particular locations. Over the next few years, sponsored geofilters are expected to become a major ad unit. EMarketer forecasts that geofilter ad revenue will jump from $29.2 million in 2016 to a whopping $164.3 million in 2018. Because geofilter campaigns involve the management of large amounts of location data, the expansion of branded geofilters gives ad tech companies another opportunity to capitalize on Snapchat's rise.

Cathy Boyle, a mobile analyst at eMarketer, says that she has already seen more than a handful of tech companies pitch location-based services intended for branded geofilters. Rather than having to manually provide Snapchat exact geographic data for each of their locations, "a little under 100 companies" have outsourced the task to marketing tech company Yext, says Marc Ferrentino, Yext evp of strategy and product. And the list of clients interested in SIM Partners' assistance with geofilters is "growing quickly as Snapchat is gaining momentum," says Jay Hawkinson, SIM Partners svp of client success.

Branded peer-to-peer messages are also getting a lift from tech startup Emogi, which is working with media-buying giants, such as Interpublic and Publicis, to bring branded emojis, stickers and GIFs to messaging apps. Emogi CEO Travis Montaque says users won't mind the in-app branding because Steph Curry and Starbucks emojis "help consumers more accurately express themselves" than do emojis of generic basketball players and coffee cups.

Next year, Montaque expects Emogi will have partnerships with more than 100 brands. Whether it's branded geofilters, emojis, stickers or bots, these non-traditional units are appealing because "they deliver a very valuable message to the consumer in a very short amount of time," he says.

Nick Einstein, vp of research and principal analyst at The Relevancy Group, says that ad tech will further entrench itself into mobile messaging. And a few sources suggested bots and digital assistants will get further commoditized and scaled by ad tech.

Sean Cullen, evp of product and technology at millennial marketing firm Fluent, says that ad tech has become so powerful and pervasive that it could "theoretically create programmatic exchangers to better target and monetize publishers' emoji and geofilter inventory." Cullen noted that these hypothetic exchangers "sound completely insane."

A few sources says that although we're in an era of ad tech innovation featuring many players, large companies will start gobbling up startups in droves. "While I see new companies entering the landscape and leveraging these new spaces, I think the established companies will wait a bit and then leverage their size to acquire some of the early winners," says Jonathon Shaevitz, founder and CEO of tech investing firm Shoulder Tap Advisors. "[Next year] will definitely be the best year for mergers and acquisitions yet."

***Established companies will wait a bit and then leverage their size to acquire some of the early winners.***

All these advances leave the big catch still at sea: TV. Dave Morgan, founder and CEO of Simulmedia, says that over the next year some local stations and small cable stations will experiment with data to test if better measurement or addressable ads will boost revenue. But ad tech's relationship with TV still won't change much in the near future.

Unlike digital advertising, TV advertising's infrastructure, culture and regulatory environment isn't very conducive to targeting or automated buying, Morgan says. Also, TV advertising remains a seller's market where demand exceeds supply, so until prices begin dropping, there's little incentive to change the system. Ad tech's relationship with TV won't change significantly until most TV viewing occurs through over-the-top services, and that could still be several years away, he says.

But even if ad tech's entry into TV remains an uphill battle, if these sources are onto something, then ad tech budgets will likely grow as more deep-pocketed investors buy in. And as budgets grow, so might the categories that ad tech dips its hands into. But Montaque stresses that ad tech's primary function is to support and deliver the content. It's ultimately up the advertiser if the content will catch on.

"It's not just the tech players that need to evolve to serve up the unique content," he says. "But the creative agencies also need to rethink how they think about creative and the ad experience." P

# The Influencer Bubble Deflates

BY BETHANY BIRON

When Liz Stanley started her blog Say Yes in 2006, she was unencumbered by the world of sponsored posts and advertisements. For the newly married mother-to-be, blogging was purely hobby, a creative outlet to share a glimpse of her world.

Then came the dawn of influencer marketing. Before long, she began to notice fellow bloggers featuring static sidebar advertisements. It seemed too easy — a couple calls over at Etsy and she could score a free backpack or throw blanket just for featuring it in a post. Now she's publishing sponsored posts for brands like Gerber and Land O' Lakes.

But as the landscape grows increasingly saturated with micro-influencers like Stanley (defined as anyone with a social media following in the 10,000 to 100,000 range) it may very well end up being too good to be true. With no precedent on rates and pricing, brands are recognizing the challenge of operating within an increasingly unbridled market, navigating influencers that demand higher and higher rates.

Ultimately, these brands are beginning to return to the drawing board to reassess priorities, which may mean influencers are the ones losing out in the end.

“This is still a new way for brands to advertise — and they get cold feet about wanting to commit. I have seen brands that will try to do sampling,” Stanley says. “They'll do one-off posts with six or seven influencers and see where they have the most success.”

Stanley says brands and agencies often don't have a clear strategy when they reach out to influencers, and at times appear to be grasping at straws. It doesn't help that there is very little transparency when it comes to payment rates, making it difficult for bloggers like Stanley to determine their worth.

For example, a $30,000 influencer deal can range the gamut from several Instagram posts and Snapchat stories, to a single appearance at an event, according to Stacie Brockman, co-founder of Metier Creative. “The girl who has two million followers is now the new celebrity, and commanding the same rate as someone like Jennifer Aniston,” Brockman says. “There's smoke and mirrors to a lot of it.”

Beyond monetary vagaries, influencer posts are now so ubiquitous that they verge on becoming meaningless to consumers, coalescing into a never-ending stream of sponsored content. Brian Salzman, CEO of influencer shop RQ, says that as brands continue to haphazardly tap influencers, they dilute the storytelling process and weaken brand messages.

“Consumers know that influencer marketing is a joke, that it's not real and not authentic,” says Salzman, founder and CEO of RQ. “[The internet] is an amazing thing and a phenomenal tool to connect with consumers, but as marketers we skipped the part before that, which is to build a relationship with somebody. We need to revert back to a time when somebody's voice actually matters.”

Ryan Stern, co-founder of Collectively, an influencer marketing agency, says as micro-influencers continue to gain prominence and hold more clout than top-tier influencers or celebrities, brands and agencies will have to employ more tactful strategies to leverage with them.

“Micro-influencers are helping bring equilibrium to the current landscape on both cost and performance," she says. "I anticipate the pricing ‘bubble’ around top tier of influencers to burst as micro-influencers, who often outperform high-reach influencers on key metrics we track like consideration and purchase intent, command more attention and demand from brands and calibrate the cost at the top."

Moving into 2017, the success of influencer marketing is contingent on returning back to basics when it comes to messaging. “Brands have to rethink how they work with influencers," Salzman says. "As agencies, we need to build the type of relationships that happened before the internet was around.”

Kamiu Lee, head of business development and strategy at BlogLovin', says this readjustment will likely be platform specific. The challenge is figuring out how to best tell brand stories across a multitude of channels and identifying the best way to leverage tactics depending on the medium.

“With micro-influencers, what you get is much more targeted distribution,” Lee says. “A certain influencer may have his or her niche audiences, likely garner even higher engagement rates, but they obviously have a smaller reach as an individual.”

By and large, she says Instagram and personal blogs will still reign supreme. According to a study of 2,500 micro-influencers conducted by BlogLovin', 59 percent of influencers feel that Instagram is the most effective platform when engaging their target audiences, compared to just one percent for Snapchat. Likewise, more than half of the influencers surveyed have worked with brands on sponsored blog posts.

“As brands become a little bit more savvy, they're thinking about how to leverage influencers for different channels,” she says. P

***Consumers know that influencer marketing is a joke, that it's not real and not authentic.***

# Podcasting Gets Dynamic

BY MAX WILLENS

Depending on whom you ask, podcasting has gone mainstream three times in the last three years. Some people say the transcendent success of "Serial" in 2014 put it over the line; others point to radio broadcasters like CBS, Scripps and Hubbard buying their way into the format back in 2015; a third group will tell you it was A-list publishers like Gannett, Time Inc. and The New York Times arriving in 2016.

But the thing that's really going to make podcasting a mainstream media format will happen next year: Dynamic ad insertion is poised to become the format's dominant mode of ad delivery in 2017. Instead of the homespun, live-read spots that were baked right into the MP3s of each episode, advertisers will be able to target listeners in real time, finally bringing podcasting into the 21st century as a medium for advertisers. Instead of ads that are permanently associated with one episode of a show, podcasters are now able to offer their audience to marketers almost in real time.

That prospect has some industry stakeholders salivating. "It's going to double our business next year," says Jason Hoch, the chief content officer of How Stuff Works, the fourth-largest podcasting publisher in America.

Others are dreading it. "I think it's going to be a game changer, but in all the wrong ways," says Dan Granger, the founder of media agency Oxford Road, which buys media for large podcast advertisers including Blue Apron and Legal Zoom. Unlike the host-read ads that define podcast advertising currently, Granger says dynamic ad insertion could uhser in a lot of crummy, low-quality ads, which sends a message Granger describes like this: "You can ignore the next several things we're going to tell you."

Under that scenario, "There's no real connection between the talent and the product anymore," Granger says.

But dynamic ad insertion is coming, whether Granger likes it or not. A handful of publishers are using it to deliver ads already, and the table is set for all the major publishers to ramp it up: ART19, an ad insertion platform used by publishers ranging from The New York Times to DGital Media, emerged from beta in August after nearly a year of tests; in July, the programmatic audio advertising firm AdsWizz announced the launch of Podwave, a collaboration with National Public Media, designed to let brand advertisers buy podcast audiences at scale; Megaphone, an ad insertion and analytics platform created by the Slate-owned podcast network Panoply, has been fielding invitation requests from podcast producers for months.

"It's one of the cornerstones going into 2017," says Rockie Thomas, vp of business development at AdsWizz.

Dynamic insertion will help publishers like Radiotopia or How Stuff Works, which get huge portions of their monthly downloads from episodes that are months, or even years old, sell their audience more effectively. An advertiser looking to reach people in a matter of months now knows it can reach a listener tuning in to an episode that was originally published years ago. It should also help larger numbers of shows monetize their audiences, as small shows, which might have the right audience, but in the wrong number, can tap into advertising networks run by companies like Midroll or Acast.

But publishers are worried that this new technology could lead to a deluge of spots that drive listeners crazy. The live-read ads common to podcasts today might be shaggier than the spots commonly heard on the radio, but they are also very effective, if certain partisan studies are to be believed: Research conducted by the IAB and Edison Research found that 55 percent of podcast listeners have a favorable view of host-read ads; separate research conducted

***It's one of the cornerstones going into 2017.***

by Midroll, the podcast ad firm that's home to Marc Maron and Bill Simmons, found 63 percent of its listeners had purchased a product endorsed by one of its hosts.

As a result, these spots are expensive too. CPMs average around $20, nearly 10 times higher than the rates charged for commercial radio. The most expensive shows charge up to $100, according to multiple media agency sources.

Dynamic insertion, in theory, should drive those prices down, because it lets advertisers advertise across a network, rather than directly with one show. While publishers are free to set their own price floors, a spot purchased on PodWave will fetch a CPM closer to $10.

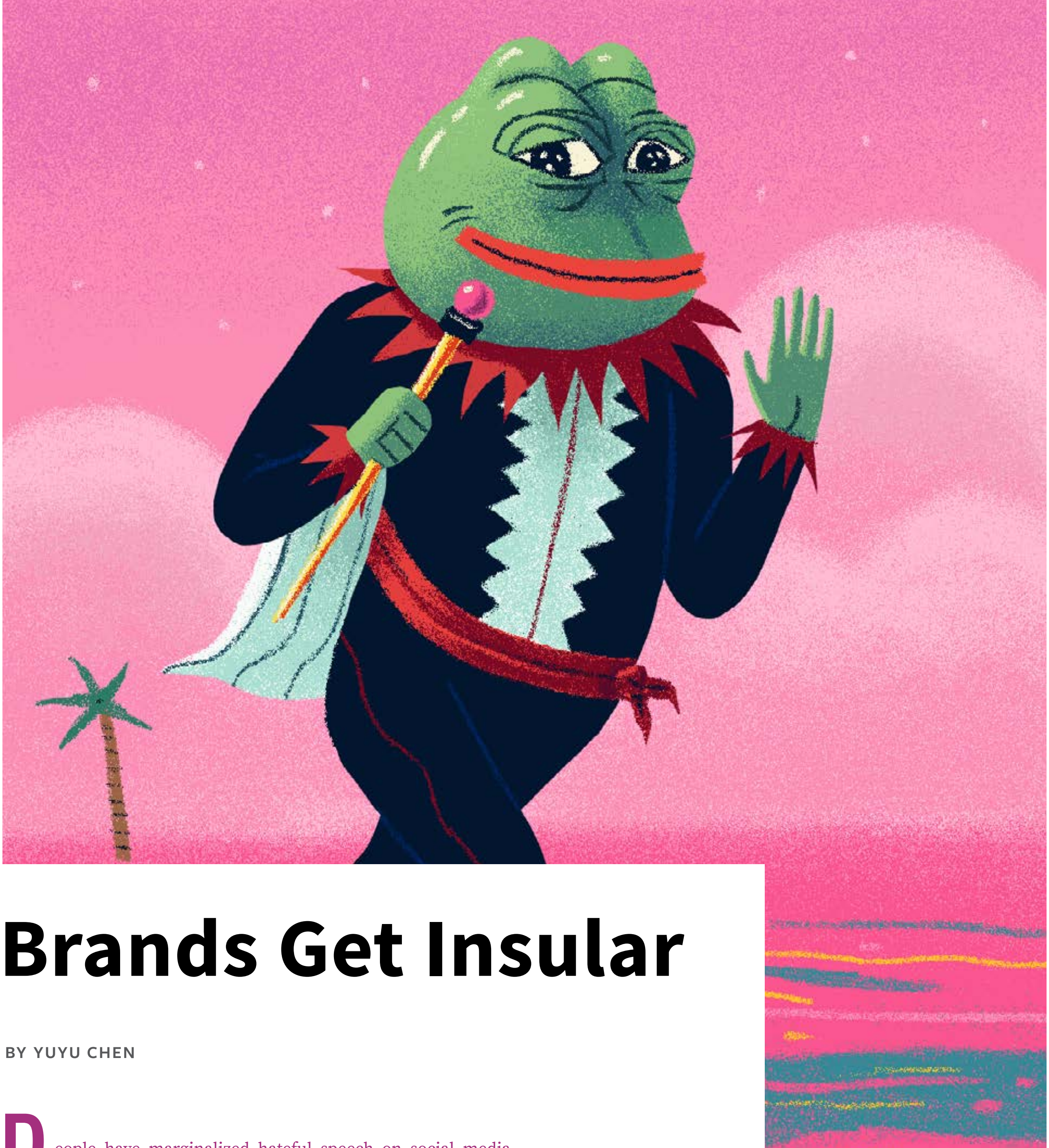
But what has publishers nervous are the kinds of spots advertisers will look to insert. "The reason a lot of podcasts haven't gotten into a third-party or programmatic kind of exchange is they don't want commercial creative," Thomas says. Those spots are common in other digital audio environments, like Spotify and Pandora.

Most of the stakeholders in this space are trying to make sure creative standards stay high. AdsWizz partnered with National Public Media on PodWave partly to find the scale advertisers want, but also because it wanted NPM to offer creative guidelines for how the spots should sound and feel. Other publishers offer creative guidelines, or simply use dynamic ad insertion to inject host-read ads into older episodes.

"People think these live reads are performed live," says Sean Carr, ART19's co-founder. "More often than not, these ads are recorded after the fact, and they're cut into the master media file."

On the other end of the spectrum, publishers from Gimlet to Gannett are offering advertisers the chance to create branded podcast series.

However this shakes out next year, the stakes are high. An estimated 50 million people listen to podcasts every month, but under the right conditions, that number could top 125 million by 2020, according to Bridge Ratings Media Research. How podcast CPMs change during that time could be the difference between a $400 million market and one that's worth closer to $1 billion. "I do believe we're in a golden age of audio creation," Oxford Road's Granger says. "Podcasting has pushed the medium to new heights. But it could be a victim of its own success."



# Brands Get Insular

BY YUYU CHEN

People have marginalized hateful speech on social media for a long time — it was always there, but lurking in the internet's darker corners. A bizarre hangover of this recent election cycle is something of a validation of our uglier impulses. This has become challenging for brands — already wary of entering the political fray — especially as they find themselves being involuntarily dragged into hot-button ideological issues like immigration and politics. In that sense, 2017 could be the year when brands become insular and real-time riffing falls by the wayside.

"Politics and business have been a tricky mix. It is not a new problem, but an amplified problem," says Anne Bologna, chief strategy officer for agency iCrossing. "This election has opened Pandora's box on social where there will be more diverse conversations in 2017."

***This election has opened Pandora's box on social where there will be more diverse conversations in 2017.***

This election cycle put lots of pressure on brands. For instance, Kellogg's publicly pulled ads from the so-called "alt-right" news site Breitbart, citing concerns over hate speech. Breitbart in turn asked its 45 million readers to boycott Kellogg's. New Balance has been on public relations defensive since customers called for a boycott after its vp of public affairs voiced support for President-elect Trump's stance on trade. Food delivery service Grubhub left a bad taste in Trump supporters' mouths after CEO Matt Maloney's internal email to employees leaked suggesting that if they backed Trump they should resign. Shannon Coulter, CEO of a communications firm, put her own pressure on brands with the hashtag #GrabYourWallet urging people to boycott companies that are doing business with the Trump family, which include Amazon, Bed Bath & Beyond, DSW and Macy's.

Increasingly it seems brands need to learn to think like a publicist, becoming ever more vigilant in the face of heightened risk of consumer backlash, says Bologna. Of course, some brands have a risk-taking culture, and will therefore be more willing to be part of ideological conversations in 2017. But if a brand has a highly risk-averse corporate culture, however, it will anchor down and become even more careful.

"Consumers on social won't hold back in criticizing brands that are not aligned with their values," says Nadina Guglielmetti, managing director of social and communications for agency Huge.

If politics has been part of a brand DNA, however, the company should keep expressing its opinion, Guglielmetti adds. For instance, Ben and Jerry's ice-cream has been vocal about its progressive politics for a long time because it was ingrained into the company culture from the top down.

And, indeed, silence is not always the best policy; there may be a risk in not speaking up. For example, a tape was leaked during the election of a 2005 conversation between Trump and TV personality Billy Bush while the two were taping an Access Hollywood segment with Days of our Lives actress Arianne Zucker. At about one minute into the three-minute clip, Trump tells Bush, "I better use some Tic Tacs just in case I start kissing her. You know I'm automatically attracted to beautiful—I just start kissing them. It's like a magnet. Just kiss. I don't even wait."


Unwittingly dragged into the public discourse, Tic Tacs had no choice but to disavow Trump's lewd comments lest it appear to condone them, Guglielmetti explains. "We are in an era where intolerance is magnified," says Ian Schafer, CEO of agency Deep Focus. "But I don't think that should eliminate the idea that brands need to have a point of view. And I don't want to see brands stop doing that out of fear."

While Robert Passikoff, founder and CEO for brand research consultancy Brand Keys, agrees that brands must be part of the conversation that relates to their category or values, he believes that companies should always steer clear of ideological issues.

"Who cares about political ideology or even social issues? Ninety-nine point nine percent of the time they have nothing to do with the brand or its category," says Passikoff. "Trump is the first human brand to incorporate ideology into the mix, so nobody has on ice how it is going to play out in the marketplace."

# Nerds No More: EShorts Grows Up

BY SAHIL PATEL

It's one thing to go mainstream. It's another matter altogether to grow up.

For eSports — the industry coalescing around organized competitions between professional video gamers — 2017 will be a key year in proving that it's more than just a series of disparate leagues and tournaments. For eSports, 2017 will be a year of consolidation and professionalization around the most popular games, leagues and teams.

By now, it would be foolish to argue that eSports hasn't hit the mainstream. Viewership is expected to hit 239 million people globally in 2017, up from 214 million in 2016, according to gaming industry research firm SuperData Research. TV networks including ESPN and Turner Sports are broadcasting tournaments. Big-name advertisers ranging from Coca-Cola to Intel are sponsoring competitions. Even pro sports franchises like the Philadelphia 76ers are getting in on the action by purchasing individual eSports teams that compete across different leagues.

The trouble is, with all of the investments from these new players as well as established eSports promoters like Riot Games, ESL and Major League Gaming, the space is incredibly cluttered. The best way to look at eSports is through three tiers: at the top are publisher-driven leagues like Riot's "League of Legends;" then there are the independent circuits like ESL and Turner Sports' ELeague; then at the bottom are the online-only tournaments organized by smaller promoters.

"ESports grew up very quickly and not with a lot of structure, governance and guidance," says Andy Swanson, vp at Amazon-owned streaming platform Twitch. "Because of that we're left with this loose, tiered structure."

The unstructured nature of eSports — where professional teams can play in a top-level league owned by a game publisher one second and then later participate in small online-only tournaments controlled by an independent party — make it unlikely that an NBA-type central governing body will arise anytime soon.

But that doesn't mean the eSports world won't consolidate and mature. In fact, it's already happening when you consider that the top four titles account for a large bulk of online gaming viewership. Total hours watched for the four biggest games on Twitch — "League of Legends," "Counter-Strike: Global Offensive," "Dota 2" and "Hearthstone" — ranged between 210 million and 450 million hours from January to May 2016, according to SuperData. The next-biggest title, "Call of Duty: Black Ops," generated 75 million hours watched on Twitch in that timeframe.

"These are the games that matter," says Joost van Dreunen, CEO of SuperData. "Consolidation is already happening on the viewership side, so how do you double that dollar value? One way is professionalization — if you want numbers to go up, you need to have more structure."

Riot Games, the company behind "League of Legends," is becoming the template of a gaming publisher taking the reins of its eSports ecosystem. The company tightly controls its worldwide "League of Legends" tournaments, which includes managing five regional leagues across the U.S., Europe and Asia. Riot employs full-time commentators and video producers and keeps to a strict regional schedule, all of which culminates in a world championship that brings together the best teams from each region.

It's helped "League of Legends" grow to be the top draw in eSports with the 2015 championship final grabbing 36 million viewers, according to Riot Games.

Similarly, other game publishers like Activision Blizzard and EA Sports are forming eSports leagues to better manage their eSports ecosystems.

"The bigger properties are naturally the ones that we are going to gravitate towards," says Steve Lang, associate director of strategy and development for Horizon Media's Scout Sports and Entertainment. "The bigger properties have been more aggressive in developing sponsorable opportunities and in their outreach."

***ESports grew up quickly and not with a lot of structure, goverance and guidance.***

The publisher-driven model is not without its faults as, until recently, Riot was criticized by teams for limiting how much money teams could earn by participating in its tournaments. Riot has promised to resolve those issues going forward.

On the independent circuit, the players and teams are getting more active in professionalizing eSports. In May, eSports promoter ESL partnered with eight top eSports teams to form WESA, an organization devoted to "professionalize eSports," and work with teams to "create an open and inclusive organisation to oversee standardized tournament regulations, player representation as well as revenue sharing for teams." Another player-centric organization, the PEA, has similar goals for North American teams.

"Teams are banding together and recognizing their own value," says Dennis Fong, a retired professional gamer and CEO of Raptr, a social platform for gamers. "They want ownership in the league, they want a cut of revenue. As they push more strongly for those things, the space may consolidate because an event can't support itself without having the top teams participating."

Hot topics

# Header Bidding

February 7, New York City

# Unpacking the next trend in programmatic

# Hello, Zero-Margin Agency

BY SHAREEN PATHAK

When the CMO of McDonald's, Deborah Wahl, announced DDB as its new agency, she was excited: "This agency of the future really has digital and data at heart," she said in an interview in August. That's great. But the agency of the future may also be dirt poor: McDonald's required DDB sign a zero-margin contract for the $1 billion account.

The McDonald's-DDB deal the first domino to fall that will result in more agreements of the sort, part of a new agency-client relationship that gives smaller, unknown agencies the opportunity to win new clients while simultaneously giving those clients, always looking for a way to cut costs and get more out of their agencies, more power. The year ahead will see agencies complain — and then claw each other's eyes out to cut sweetheart deals to land marquee clients.

There is precedent for these type of deals. The first-ever one might have been Doner, before the agency was sold to MDC Partners, in the mid-2000s, who declared to clients that it would forego profit and only share in the results. "The clients didn't know how to handle this," recalls Ann Billock of Ark Advisors. But it was mostly used as a ploy, say those familiar with the matter. Most people knew that the agency baked in a profit any way — and kept overheads low thanks to owning their own real estate.

The average agency margin, or markup, in the U.S. is between 13 percent and 15 percent. Procurement departments inside clients obviously look to go lower, and often tap compensation companies to do that. So if a shop asks for $100,000 as a fee, then asks for a 20 percent margin, what they really mean is a $20,000 markup on top of that fee. Some clients offer both margins and markups.
And yet zero margin deals can make sense from the agency side. For companies like Omnicom's Hearts and Science, which won AT&T's media business in August, many suspect that it won not only because of a data-driven pitch, but because of a new revenue-sharing model.

"It's agency terminology to refer to these things as zero margin, from an advertiser perspective it's a heavily incentivised performance-based contract," says Tom Denford, chief strategy officer at consultancy ID Comms.

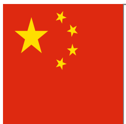
One of the biggest and most attractive upsides, at least right now, is on the media side. Denford says that performance-based remuneration has to be the future for agencies: "If you incentivize an agency to buy cheap media they do not care how many cans of beans you sell. You need to make sure the agency is motivated to help you sell baked beans and is aligned with your business outcome," he says. Simply: An agency with skin in the game is likelier to operate in a client's best interests.

Clients do create incentive-based structures as part of these deals. These can take multiple forms. Incentives can be based on how the company performs, overall, as well as actual advertising-related KPIs. Sometimes incentives can be based on what compensation experts dub "was it fun getting there?," that is, was it enjoyable to work with the agency? (Most consultants say clients will usually stiff agencies on that last one, since it's so subjective.)
If an agency operates on zero-margin and has long payment terms of 120-plus days built into contracts of 120-plus days, that can be a financial burden many agencies can't afford to take on. And yet, the potential upside can be limitless. If sales grow 100 percent, the agency is owed a lot more money by its client. As one holding company agency CEO says on condition of anonymity, "procurement is going to get very skittish around these deals."

"It'll continue moving in this direction," says Gunning. "Ten years ago we'd talk to clients about these kinds of low-margin deals but we didn't have capabilities" to look at data and see if agency services were really making a difference. "McDonald's has been a tipping point for us."

# Chinese Agencies Branch Out

BY YUYU CHEN



Denise Sabet, managing director for Shanghai-based agency Labbrand, was relocated to New York City in September of this year. She is tasked with building the company's first North American operations and developing new clients beyond existing ones like LinkedIn and Airbnb.

Within three months, her team of five has already landed "several important projects" in the U.S., she says, helping companies develop brand and product names in foreign languages, and adapt the messaging and design for the local cultures.

"After first expanding to Paris around two years ago, we now aim to leverage global insights for brands operating in North America," Sabet explains. "We have already worked with dozens of American companies on international work scopes. We now regularly visit their headquarters, meet with key stakeholders face-to-face, and converse conveniently in their time zone."

Labbrand is not the only Chinese agency expanding abroad. HyLink, a Beijing-based marketing firm, just opened an office in Santa Monica in October of this year to acquire American film, TV, and digital content for distribution in China. Blue Focus, the largest holding group in China, positions itself as "China's WPP" with intensive mergers and acquisitions globally. The company opened an office in Silicon Valley in June of this year.

Bessie Lee, CEO for Shanghai-based startup incubator Withinlink, says that one big driver for Chinese agencies' international expansion is many Chinese brands are going global, and those companies prefer partnering with shops that can speak their language and understand their culture.

One challenge for those homegrown agencies, though, is to truly function like a global agency. "They need to figure out how to manage international talent," says Lee. "Acquisition is the easier step — how they can make it work post acquisition is a real challenge."

# India Gets Down With OTT

BY TANYA DUA

With the inevitable coming together of television and digital video, "over-the-top" has emerged as the sexiest term in entertainment in recent years. But in India, OTT, or the term used to refer to the delivery of film and TV content via the Internet, is just on the cusp of exploding in 2017.

"OTT has been the proverbial 'next big thing' with the increased penetration of internet and net-enabled devices," says Uday Sodhi, evp and head of digital business at Sony Pictures Network India. "But 2017, without a doubt, will bear witness to the coming of age of OTT in India."

Internet and smartphone penetration in India is growing at a rapid rate, making the conditions ripe for an OTT explosion: Smartphone penetration alone in India expected to grow to 520 million by 2020, according to Ernst and Young.

On top of that, infrastructural support like better broadband services and government initiatives like the Digital India plan are supplementing the growing digital consumption, says Ajay Chacko, co-founder and CEO of digital media startup Arré.

"These enablers make India a very large and lucrative market for the many Indian and global OTT platforms looking to create a sizeable presence in India," he says.

It is against this backdrop that a number of players – from international giants like Netflix and Sony as well as local players like Arré and Alt Digital – are betting on the future, offering video-on-demand services and preparing their content and business strategies.

Chacko also sees exponential growth of digital video advertising on the monetization front in 2017, with advertisers working with content creators to innovate on native formats for higher impact and engagement.

"The year will also see early experiments by OTT platforms, mobile operators and others on subscription offerings to digital consumers, as digital wallets continue to grow," he says.

# No Más

BY LUCINDA SOUTHERN

In Spain, more than a quarter (27 percent) of the country's web users block ads, according to figures from the Interactive Advertising Bureau. Pushed to the brink, Spanish publishers followed Sweden and France by taking a collective approach to ad blocking: In October news leaked that the country's three newspaper publishers, Vocento, Prisa and Unidad Editorial, were going to collectively ban ad-block users from viewing content.

However, the action has stalled and no industry movement has been made by either the IAB or the Spanish Newspaper Publishers' Association. Insiders say it's proving difficult to agree both internally and externally on the right course of action. Instead, for now, publishers are taking their own approaches: Vocento, for example, so far has banned readers with blockers from accessing some of its regional news titles.

The problem may require a different fix. Even though 53 percent of ad block users there cite intrusive ads as the reason for installing blockers — not the desire to speed up page load times or protect themselves from malware, which are popular reasons for ad blocking in the U.K and elsewhere — Spanish publishers have been slow to clean up their ad formats.

"You see crazy formats, preactivated sound on interstitials, extendable ads, ads that cover the text is still rampant in many places," says Enrique Dans, information systems professor at Madrid's IE Business School. "Where's the frontier between making your ad noticeable and making it annoying?"

The Spanish Newspaper Association has taken collective action before, with varying degrees of success: In 2010 nearly all publishers installed paywalls so that readers had no option but to pay for content. In 2014 the association helped lobby for Google News to pay publishers to use snippets of text in the aggregator. Google News subsequently pulled out of Spain, a move that inevitably cost publishers traffic.

In the face of continually falling revenues, though, expect more drastic measures to come against ad blocking in Spain.

# The German Engine

BY LUCINDA SOUTHERN

In Germany, unlike other markets, publishers have a little more power to wield.

In a similar way to how the region set the global precedent for fighting ad blocking, which is now at its lowest of 19.4 percent according to the German Federal Association of the Digital Economy, it's nicely positioned to be the market lead in cleaning up interruptive ads.

Firstly, the display ad ecosystem is healthy. "In Germany standard display is much stronger, homepage takeovers are stronger in economic relevance," says Oliver von Wersch, Gruner+Jahr Digital's managing director of growth projects and strategic partnerships. "The U.K. market is closer to the U.S. market in terms of certain ad formats, like the development of native ads formats," he added.

Partly this is because programmatic has been slower to take off — decision-makers are keen to see evidence that something works before implementing it — with direct buys dominating, Germany's display market has been less vulnerable to the problems of programmatic. According to eMarketer, 2017 is the first year that Germany is expected to spend over half (54 percent or $1.2 billion) of digital ad spend on programmatic display, a milestone the U.K. surpassed in 2015.

Also, desktop is still a dominant force for content consumption, fetching more ad dollars than mobile. Mobile usage is lower in Germany than Scandinavia and the U.K., with 40 percent of people getting their news this way (Reuters Digital News Report), while publishers like the U.K.'s BBC are find 70 percent of their traffic comes from mobile.

Gruner+Jahr and Axel Springer are among the publishers slashing interruptive ads from their sites and introducing custom formats. By Spring next year, the Coalition for Better Ads, a consortium of publishers, agencies, advertisers and tech players, plans to introduce a standardized score card of what ads are acceptable. But a global coalition has to be done at a local level: Germany's hub of coalition participants are on high-frequency mode, talking more than weekly. "We are discussing some tools and instruments for penalization," adds von Wersch. Presumably implemented with German proficiency.

# ETC.

## The Ringleader

How Milk co-founder Mazdack Rassi turned a production company into a cooler-than-thou collective

## Fashion Gram

Eva Chen left a high-octane media career to become a top Instagram insider

## Instafame

A Day in the Life of Danielle Bernstein


THE TROLL

# The Ringleader

How Milk co-founder Mazdack Rassi turned a production company into a cooler-than-thou collective

BY HILARY MILNES


Photos by ***Catalina Kulczar***

Milk is the type of company that escapes simple categorization. What started as a production company and media business that employed a community of directors, writers and creators has grown into an agency, digital community platform and, most recently, a makeup brand.

Co-founder Mazdack Rassi believes that what keeps Milk going is the community of people the company has invested in and forged long-lasting connections with. It's also managed to distinguish itself with a cooler-than-thou allure that keeps the list of brands hoping to work with Milk and its team of creators piling up.

### *Milk didn't start out as a branding agency. How did it get there?*

We first started working with brands through other agencies who came to us for our ecosystem of production studios, directors, writers. Then brands started coming directly to us. It's not enough for agencies to say they can do something anymore, they have to be able to do it themselves. That's why creative hubs like Vice and Milk have flourished — it's about integrating a brand into an existing community. Brands will come to us, and we'll ask them what they're looking for, and they'll say we don't know, we just know we want to work with Milk. The landscape has changed so much digitally and experientially, with influencers, how to talk about your product, while shifting to mobile, and they just want help navigating.

### *So why do they seek out Milk to do that?*

A lot of times they have just heard Milk is cool, and that we speak to a new generation. We're very picky. We have to do work that we believe in, so scale isn't the first thing that comes to mind. Brands have to come to us willing to try something new, and we have the ability to push the envelope, challenge the status quo, and say no more than we say yes. We wouldn't put our name on anything that doesn't resonate with our community.

### What type of work have you turned down?

We don't usually have brands showing up to do this, but we don't want to do a 30-second spot that's like everything else, or just an activation or straightforward idea. That keeps us relevant and feeling good about what we do.

### Milk's first brand, Milk Makeup, launched in June. How did your work as an agency shape your brand?

It took us six months to figure out what product we wanted to sell. "Cosmetics" was a difficult industry for me to get my head around; it's too clinical and serious. But we realized that "makeup" was more us — it's fun, it's paint, it's about self expression. Then we started doing all the exercises we do for brands for ourselves: all the components had to be fast, everything had to be applicable with your finger. People were taken aback when we came out with the line for a community rather than a professional line with a makeup artist attached to it, since we run fashion studios with makeup artists. Instead we did a lifestyle concept, and it's been complicated, but fun.

### Beauty is such a saturated industry. Why did a community-driven approach feel right?

We're very bullish about the opportunities that allow us to directly speak with consumers and build relationships. The basic idea of retail hasn't changed: It's building a relationship and then doing business, and if you don't do that you can't get people to come back. The new generation lives in the digital world. But the good news for brands is you can talk to them directly, and that's a major asset. We've never had more information, more data, more opportunities to touch the consumer than we do today and that's a major plus. Everyone is terrified, but we're bullish about it.

### What's so scary for everyone else?

The landscape has changed. Brands are used to controlling everything, but today, you don't control your brand, the people do. Luxury has a big problem with this because it's all about the few, the exclusive, and the internet is about the inclusive. It's a democracy. The other part is that the way people shop has changed. We used to "go shopping," and today we're always shopping, and customers should be getting the same experience, voice, tone, images, products whether they're on the phone or in the store. That's a tremendous amount of change, and brands that aren't nimble enough to adapt are going to be pushed out.

### So who's going to stick around?

The companies that learn to bring everything together. They have to realize that one touchpoint is not more or less important than another. There are big brands that get all gung ho in one area, and charge into a new field without realizing that they have to connect that idea to everything else. Basically, infrastructure within companies has to change. Budgets are in the wrong division — that's a huge problem. The struggle with the internal thought process is very difficult because a lot of these bad habits have been in place for a long time. All these years, we've been preaching what to do and now that we're doing it ourselves, it's like, "Oh my God, this is really difficult."

**Brands are used to controlling everything, but today, you don't control your brand, the people do.**

Photo by ***Jeff Thibodeau***

# Fashion Gram

Eva Chen left a high-octane media career to become a top Instagram insider.

BY JEMMA BRACKEBUSH

E***va Chen***'s Instagram feed is filled with photos of some of fashion's top designers and models, her enviable wardrobe, and what seems like a never-ending collection of handbags and shoes. Sprinkled amongst those are shots of beauty products, snacks and treats, and her family.

It looks like a good life. Then again, as Instagram's head of fashion partnerships, she's the poster child of what an Instagram feed should look like.

The former editor of Lucky magazine, who's had roles at Teen Vogue and Elle, left the publishing industry for Instagram a little over a year ago, but insists the jobs aren't that different.

"When I was a magazine editor my role was to work with photographers, stylists, models, writers and editors to coax the best work out of them... on behalf of a magazine. Now, part of my job is to do that, but for their own Instagram and their own storytelling," she says.

With 645,000 Instagram followers, Chen, 37, is a social media mogul. Digiday caught up with Chen to discuss her role at Instagram and how the platform has played a part in some of the fashion industry's biggest changes.

## Has Instagram played a role in fashion brands' shift to see-now-buy-now and the rise of transparency in the industry?

The fashion cycle even before Instagram existed had been on a shift. The retail industry in general was changing tides. Net-a-Porter and e-commerce sites like ShopBop and Amazon have changed the cycle in general of fashion and the expectation if you see something you should be able to click it and get something two days later.

Photo credits: @therubycanvas

## Has the app changed how brands approach fashion shows? Nowadays millions of people are watching them all over the world.

A lot of people ask whether Instagram has changed show production values or 'people are staging shows just for Instagram now.' My favorite fashion show was one Marc Jacobs did 10 years ago and the finale was a marching band playing "Smells Like Teen Spirit," and there was metallic gold and silver confetti coming down from the rafters. If that happened now people would say it was staged for Instagram, but it happened 10 years ago.

## Tommy Hilfiger's NYFW show was a spectacle — a carnival, fashion show, see-now-buy-now. It sounds like the Marc Jacobs show on steroids.

I loved it. Could brand have done that 10 years ago? Probably. Would they have been likely to? I'm not sure, but I do think now people are thinking more about the consumer in general and thinking about how to make it an inclusive experience and Instagram has played a part in that. Fashion has always been a visual, show-and-tell industry. It's always been over the top. I don't think that's changed, but Instagram's allowed more people to see it.

## How has social media changed who the gatekeepers of fashion are?

I think that everyone's entitled to an opinion now and people have always been entitled to an opinion but they didn't always have a platform where they could share it. Nowadays [at a fashion show] a digital editor is sitting next to someone who might be purely a print editor who might be sitting next to [blogger] Susanna Lau [Susie Bubble], who may be sitting next to a model who's just sitting in the front row. The thing is they're all going to have very different perspectives on that show and that's a good thing.

## So there's no one traditional voice anymore?

Anyone who's saying there's only one right voice in terms of who is authorized to have a fashion opinion, that doesn't feel very modern to me. I've seen and know both sides. Bloggers work incredibly hard at what they do, they're not just changing clothes between every show. It's just a different time and I think that there's room at the table for everyone.

## What are brands doing right on Instagram?

They're engaging back with their audience. Take Glossier for example. They have 320,000 followers which is not a lot compared to some beauty brands that have millions, but when they're asked questions, they'll write back. It's also important to create original content for Instagram. You could post five lipsticks against a white background for e-commerce or shoot the exact same against a countertop that could be any girl's vanity and ask what is someone's favorite color. One encourages conversation with followers and the other is "buy me."

## What's the biggest challenge fashion brands face with social media?

Human resources. A lot of the time for brands are not staffed to devote more resources to Instagram. I don't mean financial resources but it takes someone with an eye. For example, take a handbag brand based in NYC. You want pictures of girls carrying the bag on cobblestone streets, or having coffee in a cafe. That has to come from somewhere.

## There's been talk of an 'Influencer Bubble,' do you think it'll burst?

I don't think so, I think these girls have incredible influence within their follower base. Influencers are like a brand signing an athlete, a model, an author, it's a completely different audience. It's important to recognize influencers as a different kind of spokesperson with their own strong impact.

Photo credits above: Tom Bannister / below: Nyra Lang

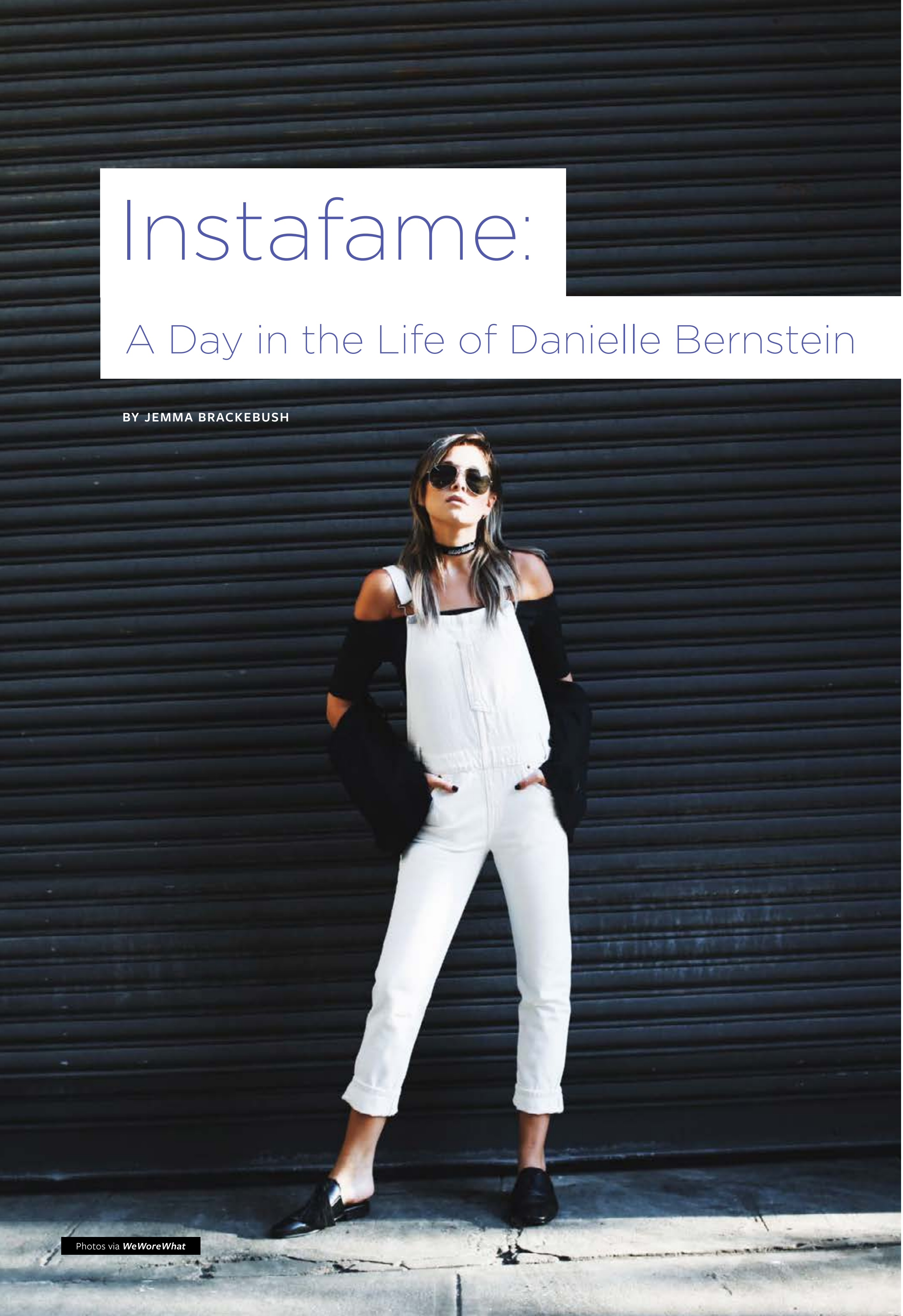
## Where does Instagram sit in the wider media landscape?

Instagram is a common thread and undercurrent in everyone's day. I don't think it replaces traditional media but it's an enhancement in whatever you're doing and it can help amplify the message. The companies that were formerly traditional print media, the ones that have adapted the quickest and have a presence everywhere, are the ones that are doing a bit better because they understand people graze when it comes to media. There's still a lot of respect for traditional media.

# Instafame:

## A Day in the Life of Danielle Bernstein

BY JEMMA BRACKEBUSH



Photos via ***WeWoreWhat***

Growing up, Danielle Bernstein thought that she'd be an event planner. Instead, the fashion blogger behind WeWoreWhat is being paid by brands to attend the events, for fees she wouldn't discuss. Bernstein, who started the street style blog five years ago while attending the Fashion Institute of Technology, has emerged at the helm of one of digital media's current phenomenons: influencer marketing.

"My blog started as a hobby, it was never something that I thought would be my career," she says. With 1.5 million followers on Instagram, she's paid to attend different events, where she may post a photo to Instagram or take a Snapchat, and stay anywhere between five and 30 minutes, depending on the event. She refused to discuss money in any sense, but told Harper's Bazaar in 2015 that she pulled in a salary in the mid-six figures.

"It's not easy," Bernstein, 24, says about the work. "We [influencers] work very hard and almost 24/7. There's a lot more that goes into the content and collaborations than you see. The backend of the business is definitely more complicated than people think."

Today, WeWoreWhat covers men's fashion, home interiors, food and travel; Bernstein also recently her own line of overalls, dubbed Second Skin Overalls. "I can't put a number on it," she replies when asked how many brands she's worked with. "I've worked with almost every brand you could imagine."

*Here's a recent day in her life, edited for clarity.*

**8:30 a.m.**

Alarm goes off, snooze snooze snooze, followed by a facial from my dog Bleecker. OK, OK I'm up.

I update myself on Instagram and Snapchat, I have major FOMO from the night before. There was a Tommy Hilfiger event I went to for a little bit to say hi and show my support, but I didn't get to hang out and catch up with friends because I had a Wine and Dine dinner to go to.

Most nights there are usually a few things to go to, so I usually stop by one or two of them, then I go to a sit down dinner.

**9:00 a.m.**

My team arrives at my apartment (Moe Paretti, chief brand officer; our intern Courtney, and a part time photographer; I also have an agent based in LA). It's coffee and email time, they sit in my lounge as I get ready for the day. I jump in the shower and shout out ideas and to-do's from the shower.

**10:00 a.m.**

Outfit photo on the street. My Uber driver gets annoyed. My blog post goes live, syndicated social, followed by my Snapchat routine. *"Good morning Snapchat, today I'm wearing a Chelsea and Walker Jacket, Aritzia leather pants and vintage boots."*

**10.30 a.m.**

The first event of the day is a Laura Mercier make up event where Laura is speaking, I just stop by.

**10.45 a.m.**

My next stop is La Serina at the Maritime Hotel where Chelsea and Walker is hosting a fashion show and brunch. Appearances are part of the job and if it's a paid appearance it's usually an hour commitment.

**11:30 a.m.**

I head to the Elizabeth Kennedy's showroom for a press preview, which is a regular part of the job. I talk to the designers and look at the new collection. On my way I grab a salad from the vegan restaurant, By Chloe, where I've been getting lunch most days recently.

**1:00 p.m.**

The next press preview is at the Nomad Hotel for The Kooples, a fashion brand by three French brothers, who are showing me their new collections. They've flown in from Paris and I've worked with them for many years, but it's the first time I met them. It was so nice to finally meet them.

**2:00 p.m.**

Head to the H&M showroom to see the Kenzo and H&M collaboration. It's a press preview the day before the launch, so I can see the collections before it comes out.

**3:00 p.m.**

I have a Second Skin Overalls team meeting. I launched my first collection of Second Skin Overalls, a collection of five different styles all designed by me, in October. It's direct-to-consumer through my website and it's my own company, not a collaboration. In the meeting we go over stock checks, and customer service emails.

**7:00 p.m.**

Head to an Alice + Oliva and CFDA launch party for the Alice + Olivia and Basquiat capsule. The brand designed the collection inspired by the late artist.

**8:00 p.m.**

Tonight, Elton John is having a dinner for his AIDS foundation at Cipriani restaurant down at Wall St. I wear a bronze, embellished evening gown by JustDrewNYC and get my photo taken on the red carpet, which I post it to Instagram. It's a sit down dinner and I sit with some of the people who work on the charity's committee. It was a great dinner.

***My blog started as a hobby, it was never something that I thought would be my career.***

**4:00 p.m.**

Workout with my personal trainer in my building's gym. I like to sweat out the stress.

**5:00 p.m.**

Shower and get ready all over again for my night time schedule.

**6:00 p.m.**

Tonight I've got a Maje and Vogue event, I go to say hello, talk to a few friends and show my support and take photos and Snapchat.

**9:30 p.m.**

I meet my boyfriend for dinner at a local restaurant near my apartment in West Village. I have a large glass of red wine.

**10:30 p.m.**

I finally get home, I don't check emails or do any work when I get home. I get into bed and go to sleep.

# Wake Up Call

BY BRIAN MORRISSEY

The original sin of digital media was splitting the audience impression from the media environment. It was, of course, a neat trick. The internet would allow advertisers to do what they couldn't in any other media: Only show ads to specific types of people, wherever they are.

You could argue this key selling point for the the internet has been the main source of its woes, from an overcrowded and over-complicated supply chain to a crisis of confidence, from fraud and bots to a struggling environment for quality content publishers. The issue has come to the forefront in the aftermath of the election as the focus has turned to propaganda, distortions and hyper-partisan content that has fed our current political divisiveness. Much of this "fake news" exists solely because audience is split for context.

Dozens of advertisers have been called out for appearing on these sites — Digiday was early to this story, by the way — and nearly all have pled ignorance. Some of this is feigned. Advertisers have tools to know exactly where their ads run. Many choose not to use them or pay attention. After all, digital media is all about efficiency. And running ads that follow users around no matter the environment are efficient — they look good on spreadsheets — and that's all that matters.

Ad tech companies too have been caught up in the issue. They are, after all, the enabling system underpinning all of this. Google and Facebook, facing PR backlashes that aren't worth it when you're minting money, vowed to crack down on ads running on fake news sites. But that leaves dozens of ad tech players to take their place. AppNexus came out to say it would stop helping Breitbart make money since the publisher violated its rules against hate speech. But visit Breitbart and you'll find tracking tags from plenty of ad tech players, happy to stay hidden in the background and, if called out, to make vague claims about "free speech."

The hope for quality content publishers, struggling for years against the wave of commoditization brought on by separating audience from context, is this incident doesn't blow over. Kellogg's pulled ads from Breitbart, then found itself the subject of a noisy boycott call from the hard-right site. Other advertisers could look at that situation and think how it could be them. Thanks to the spread of programmatic advertising, retargeting and content ad networks, big brands can easily find themselves in the same situation. The easy solution, if possibly more expensive, is this: Demand to know where their ads are running, and insist all distributors balance audience with media context.

The knock-on effect to this would be a healthier media system in which quality is rewarded over quantity. That hasn't been the case for some time. The name of the game in media has been to pile up as many pageviews as possible, usually through appealing to the lowest-common denominator of the Facebook algorithm, then try to eke out a living off cheap ads made ever cheaper as Facebook and Google suck up most of the growth of the digital ad market.

There are signs of hope in digital media. Venture capitalists have started backing new publishers that are preaching quality over quantity. Jim VandeHei's Axios is betting on a high-priced subscription model. Bloomberg and the Verge vet Josh Topolsky has started The Outline as the antidote to disposable news. The Information is proving that taking the high road — and charging for it — works in business news. And The Wirecutter's recent sale to The New York Times shows promise for how commerce models can fund user-centric media businesses. But clearly more needs to be done, starting with the pendulum swinging swiftly in the direction of context from its current extreme position on the side of audience. P

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