



**DIGITAL CONTENT NEXT**  
**Legal and Legislative Day NYC**



**“The Economic Climate for Publishers”**

# Digital Content Next

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- ① DCN's Unique Role
- ② The State of Digital Publishing
- ③ The Opportunity

# **DCN's Unique Role In the Industry**





# Advancing the Future of Trusted Content

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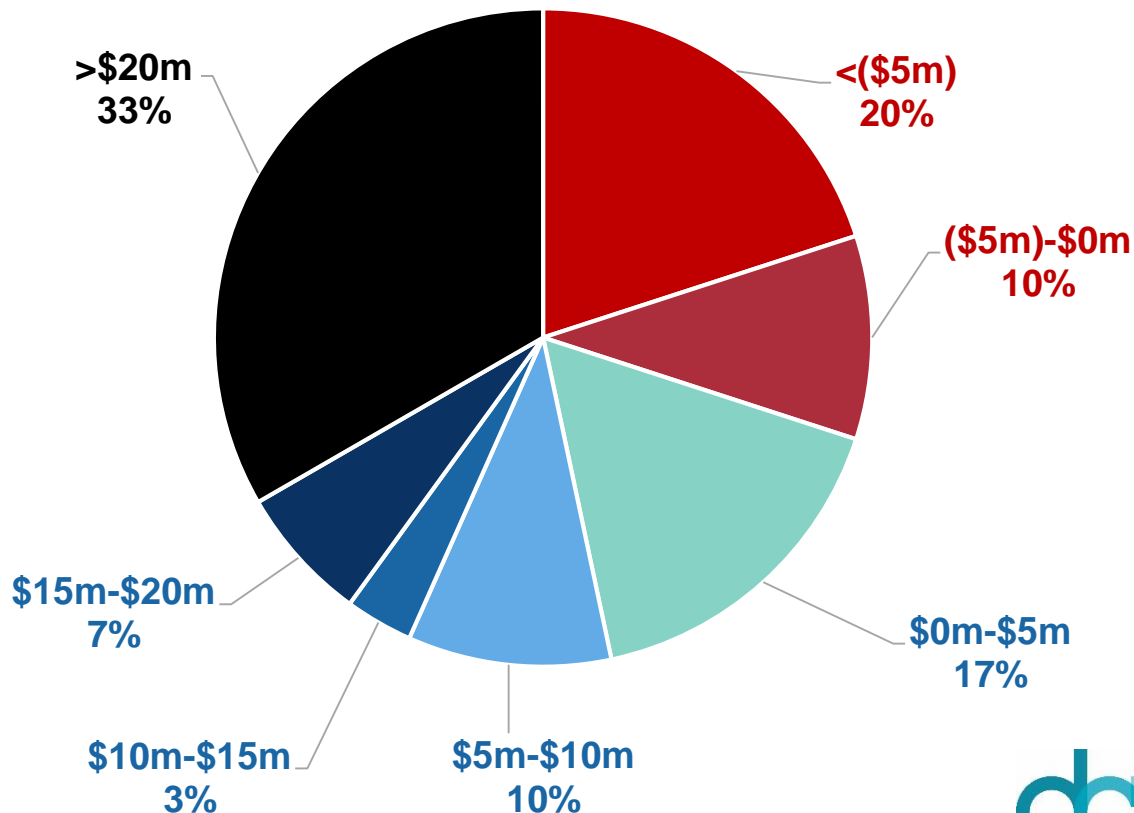
“DCN provides us with an excellent industry association to address a wide range of **publishing** concerns across **all aspects of our business model**, and is highly **proactive and forward-thinking in practically** addressing issues of regulation, transparency and the value of editorial **environments**. That is increasingly the sort of organization we choose to support.”

# State of Digital Publishing



# Premium Publishers: Profit Mix is "mixed"

2016 in EBITDA

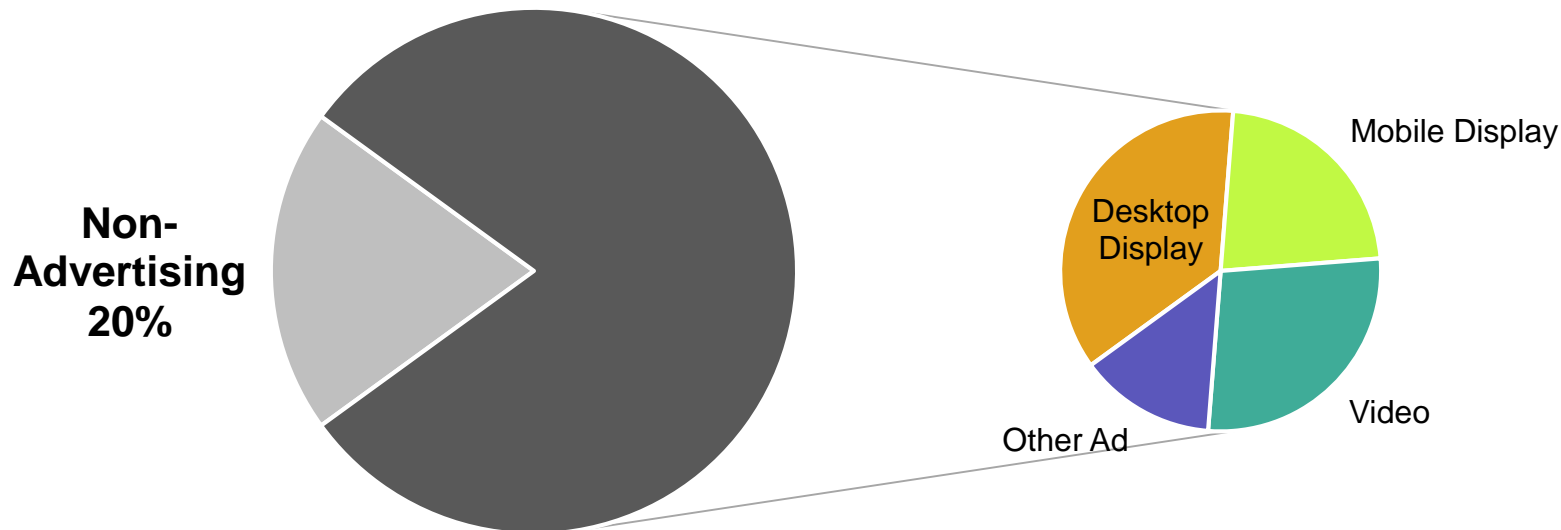


Source: DCN 2016 Member Benchmark Report (confidential).



# Premium Pubs: Advertising is 80% of Revenue

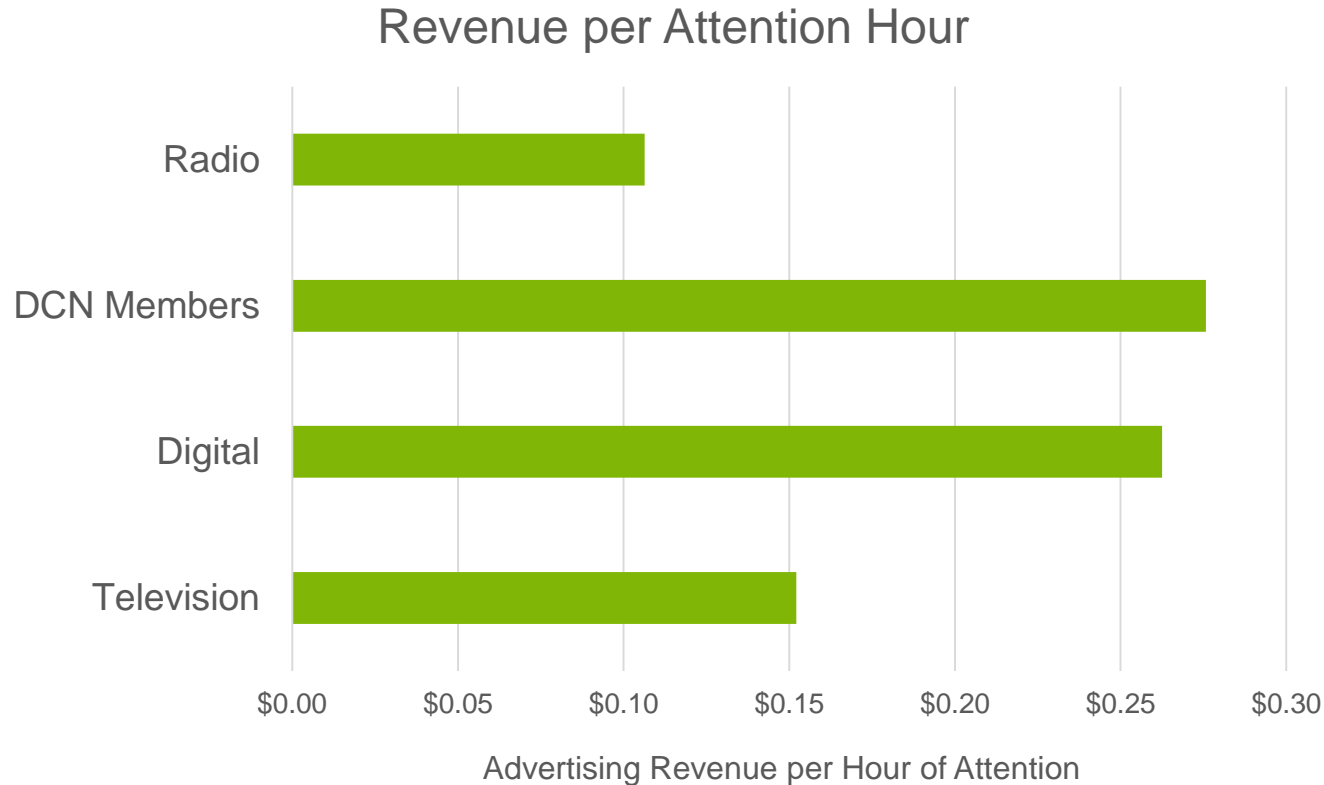
## 2016 DCN Member Revenue Mix



■ Non-Ad ■ Desktop Display ■ Mobile Display ■ Video ■ Other Ad

Source: DCN 2016 Member Benchmark Report (confidential). Note: 2017 research shows this data point is 81% in the EU.

# Premium Pubs: High monetization, different scale




Source: DCN 2016 Member Benchmark Report (confidential). Note: 2017 research shows this data point is 81% in the EU.

# DCN Members: State of Digital Advertising



# US Digital Advertising Annual Growth: 20+%

 Menu

AdAge

Don't Miss

The New Coke

The Talent Crisis

BuzzFeed's Am to DM

Sandberg's Mea Cu

**IAB: DIGITAL ADVERTISING HITS RECORD HIGH OF \$27.5 BILLION**

Mobile Leads the Pack, Accounting for 30% of All Dig

By [George Slefo](#). Published on October 21, 2015.

Domestic digital advertising revenue surged 19% to \$27.5 billion du

the industry since the Interactive Advertising Bureau began tracki

Second-quarter internet ad revenue also rose by 22.5% to \$14.3 bill

according to a report released Wednesday by the IAB and prepared

Source: IAB/PWC Annual Reports 2007-2017

AdAge

The New Coke

The Talent Crisis

BuzzFeed's Am to DM

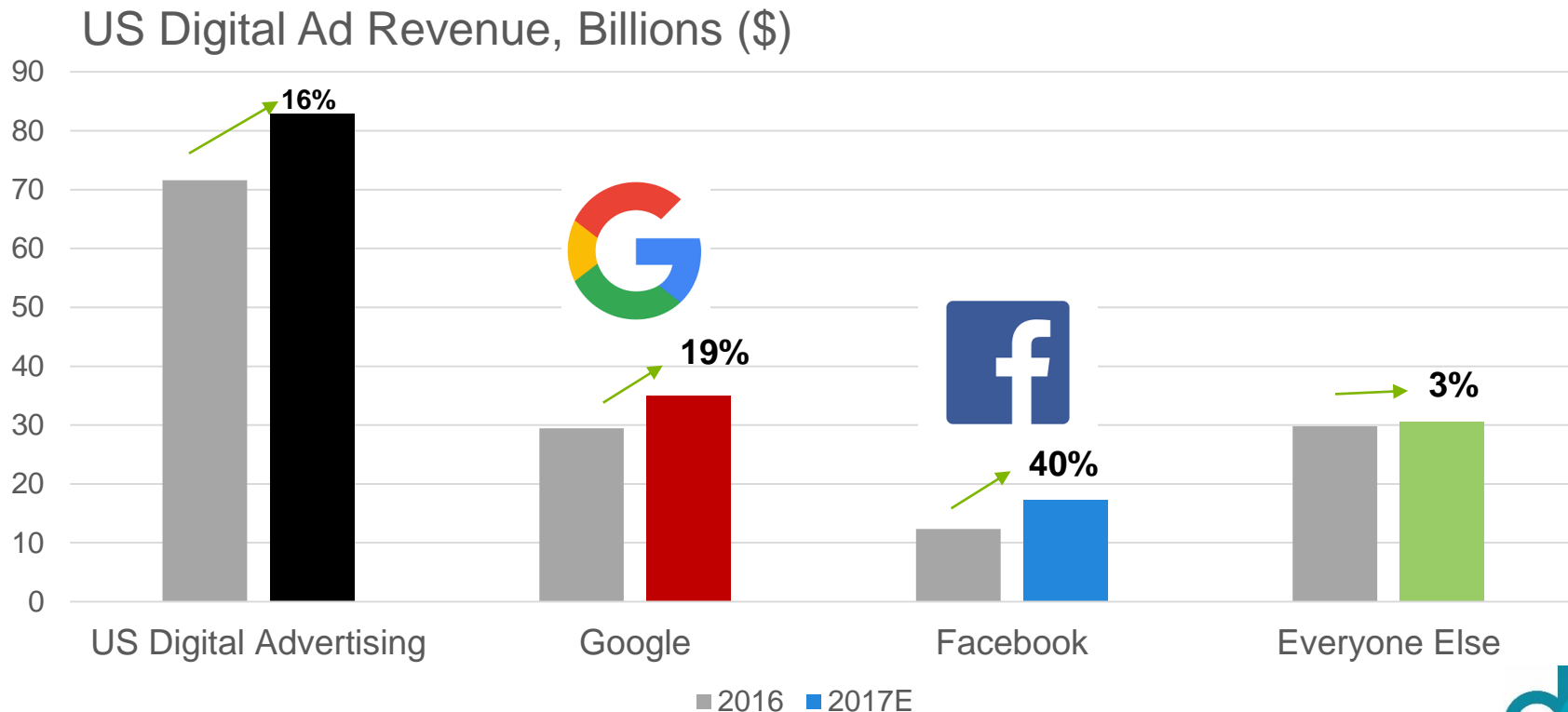
**IAB ADVERTISING REPORT FINDS MARKETERS CAN'T STOP SPENDING ON DIGITAL**

By [George Slefo](#). Published on December 28, 2016.

Digital advertising is on a relentless path toward gobbling up more ad

 dcm  
DIGITAL CONTENT NEXT

# The “Duopoly” and “Everyone Else”

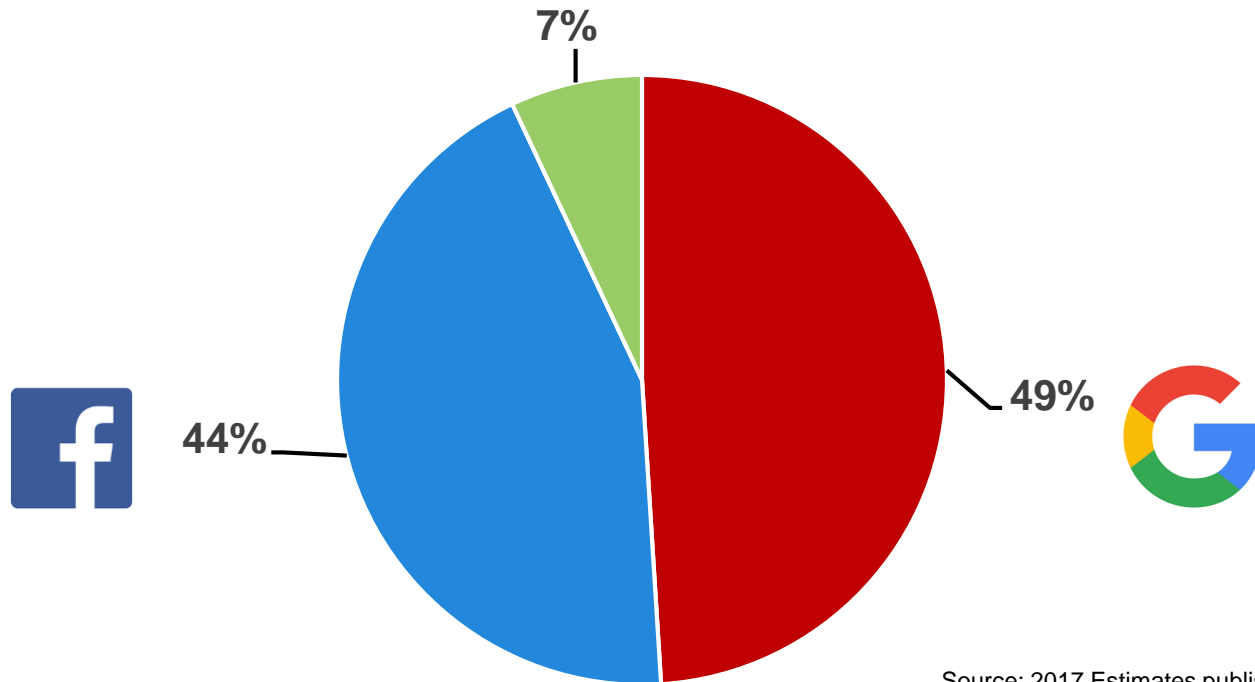


Source: 2017 estimates published September 2017

eMarketer – <https://www.emarketer.com/Article/Google-Facebook-Tighten-Grip-on-US-Digital-Ad-Market/1016494>

# The “Duopoly” and “Everyone Else”

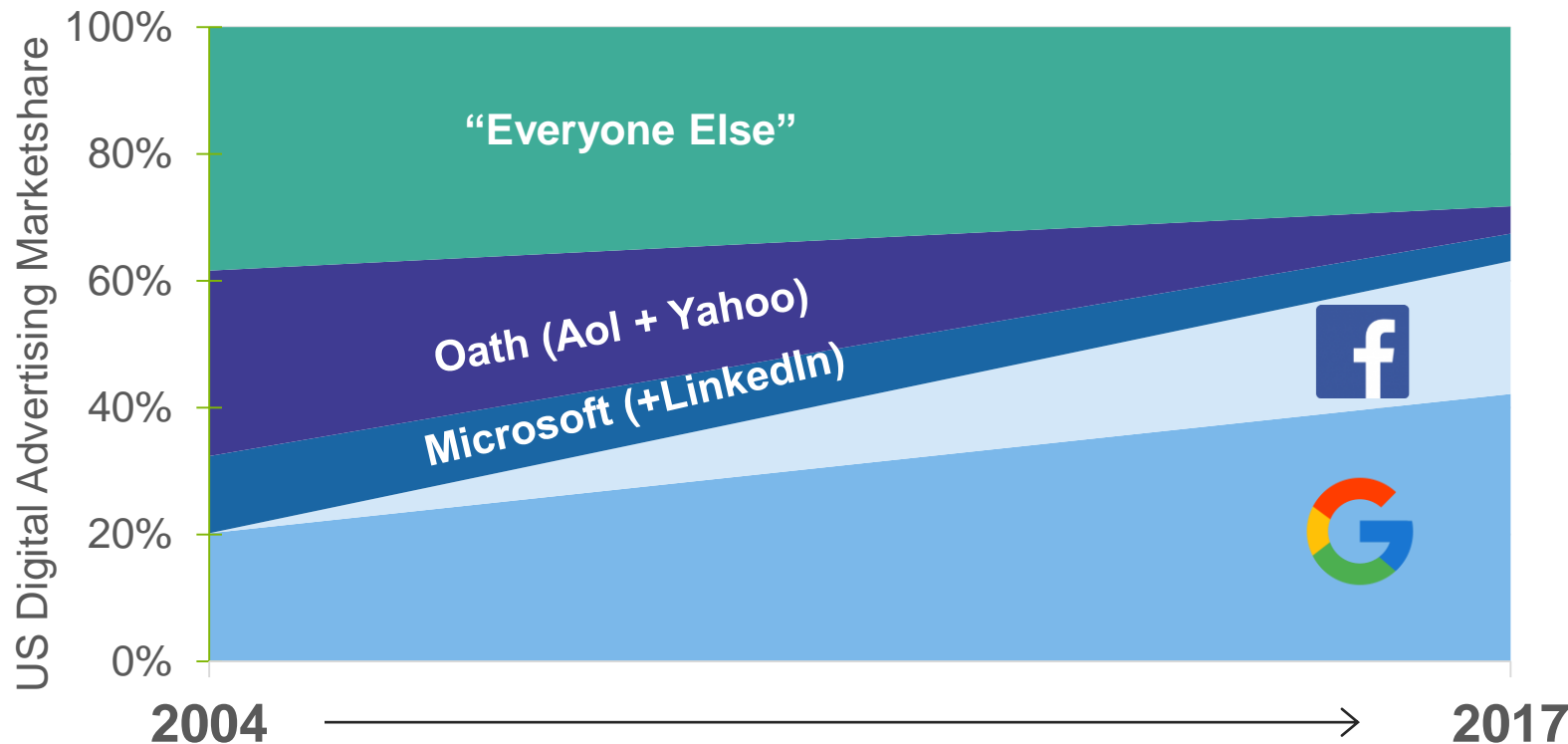
Share of 2017 Growth



Source: 2017 Estimates published September 2017  
eMarketer – <https://www.emarketer.com/Article/Google-Facebook-Tighten-Grip-on-US-Digital-Ad-Market/1016494>

# Rise of the “Duopoly” – 2004 to 2017

## How Two Platforms Inhaled the Digital Advertising Market

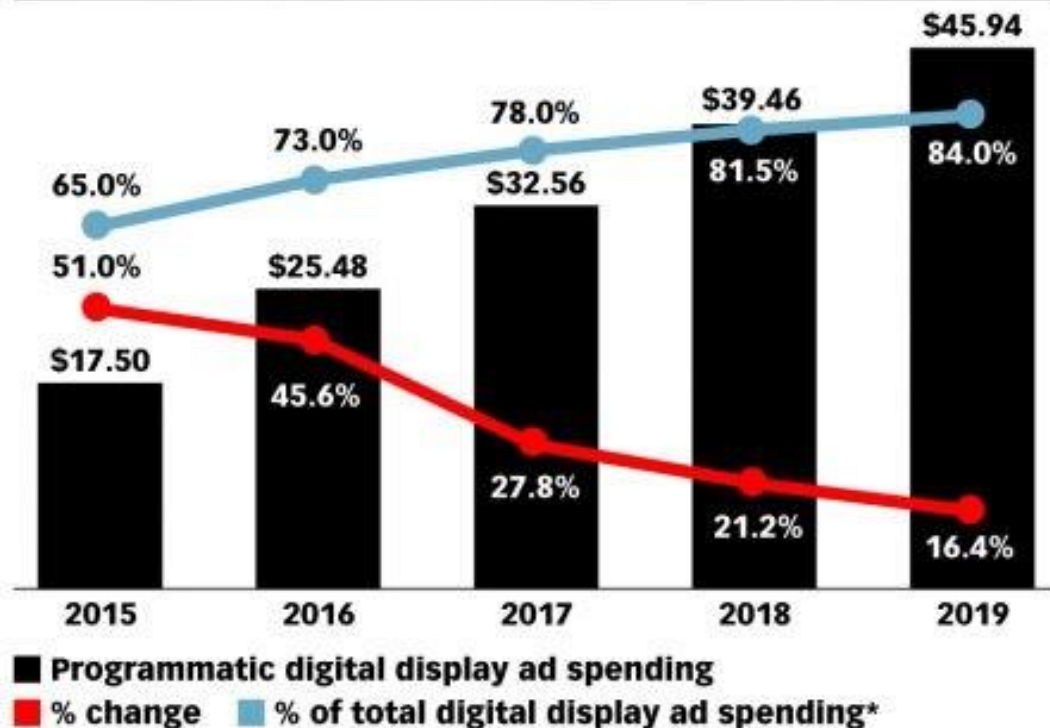


Source: 2017 Estimates published September 2017 (eMarketer – <https://www.emarketer.com/Article/Google-Facebook-Tighten-Grip-on-US-Digital-Ad-Market/1016494>)  
2004 Advertising Revenues (IAB, SEC filings, Online Publishers Association)

# Shift To “Programmatic” (aka “Automation”)

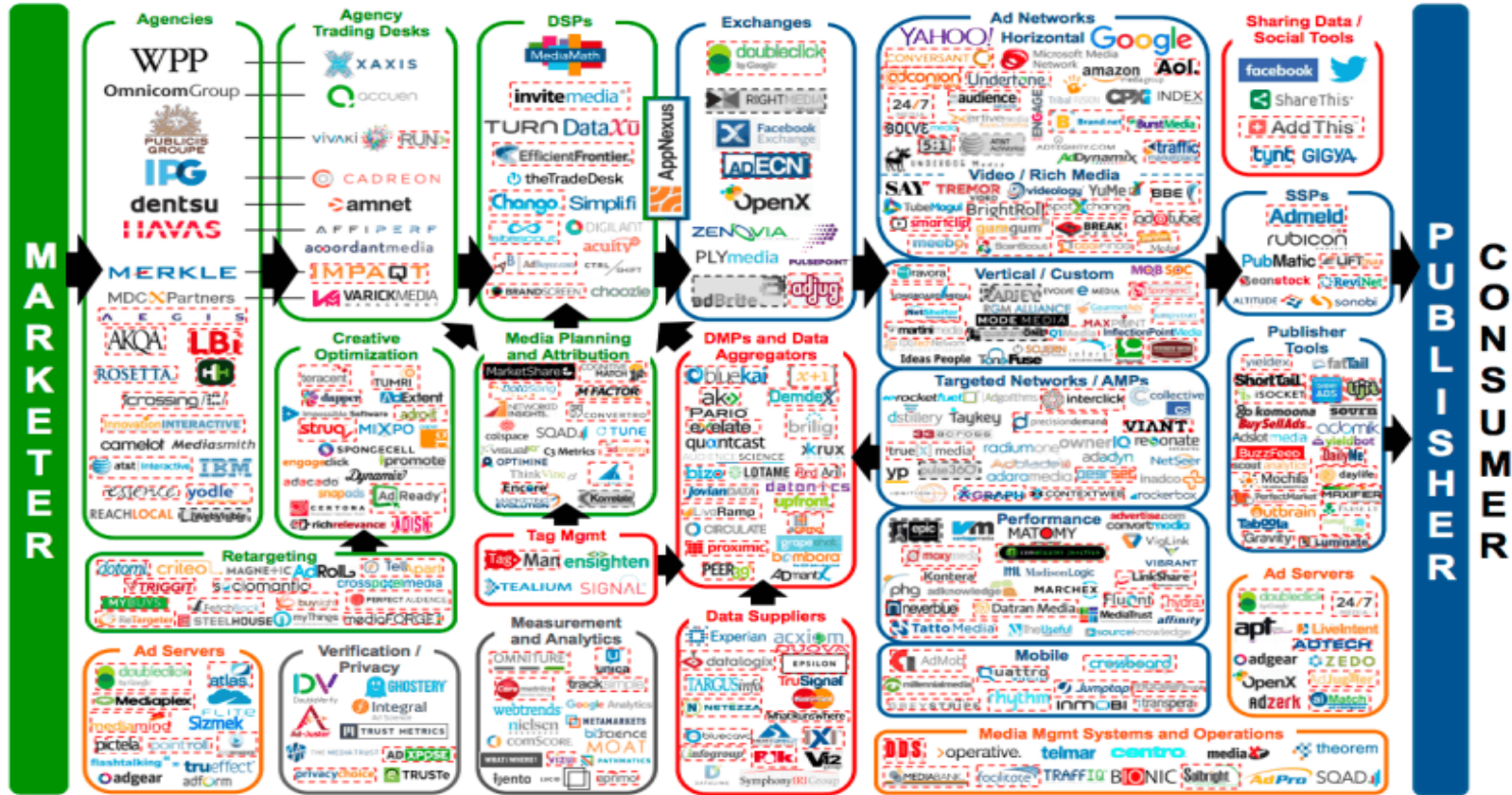
## US Programmatic Digital Display Ad Spending, 2015-2019

billions, % change and % of total digital display ad spending\*





# Simplicity and Scale – But At What Cost...



# Marketers are waking up?

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“We continue to believe one of the biggest issues of programmatic buying is the issue of distrust by the clients, because they don’t really understand what’s going into this ‘black box’”

-- Michael Roth, Chairman and CEO, Interpublic

(October 2014 earnings call)

NEWS IN BRIEF • 1.10.11

VOL 47 / ISSUE 02

## Report: Majority Of Money Donated At Church Doesn't Make It To God



WASHINGTON—A shocking report released Monday by the Internal Revenue Service revealed that more than 65 percent of the money donated at churches across the world never reaches God.



"Unfortunately, almost half of all collections go toward administrative expenses such as management,



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Meet the New Synthetic Spokesman  
for Quaker State

### Trending Now

SLIDESHOW

74 Normal Photos And 2 Kinda Weird Ones

NEWS IN BRIEF

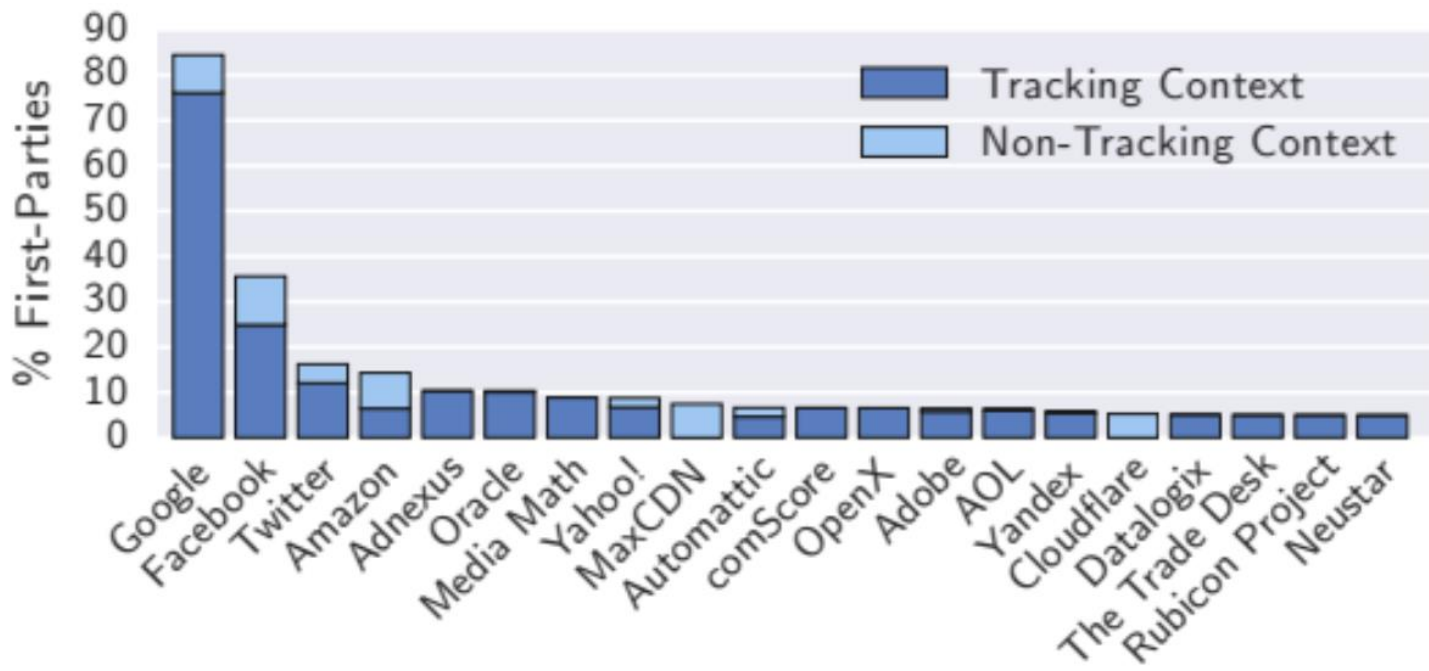
Van Morrison Removed From Rock And Roll  
Hall Of Fame Following Allegations He Bet On  
Album Sales

COMMENTARY

We're Going To Enjoy This Cocaine-Fueled  
Mason Jar Rocket Ride For As Long As It Lasts

# “Duopoly” Absolutely Dominating Data

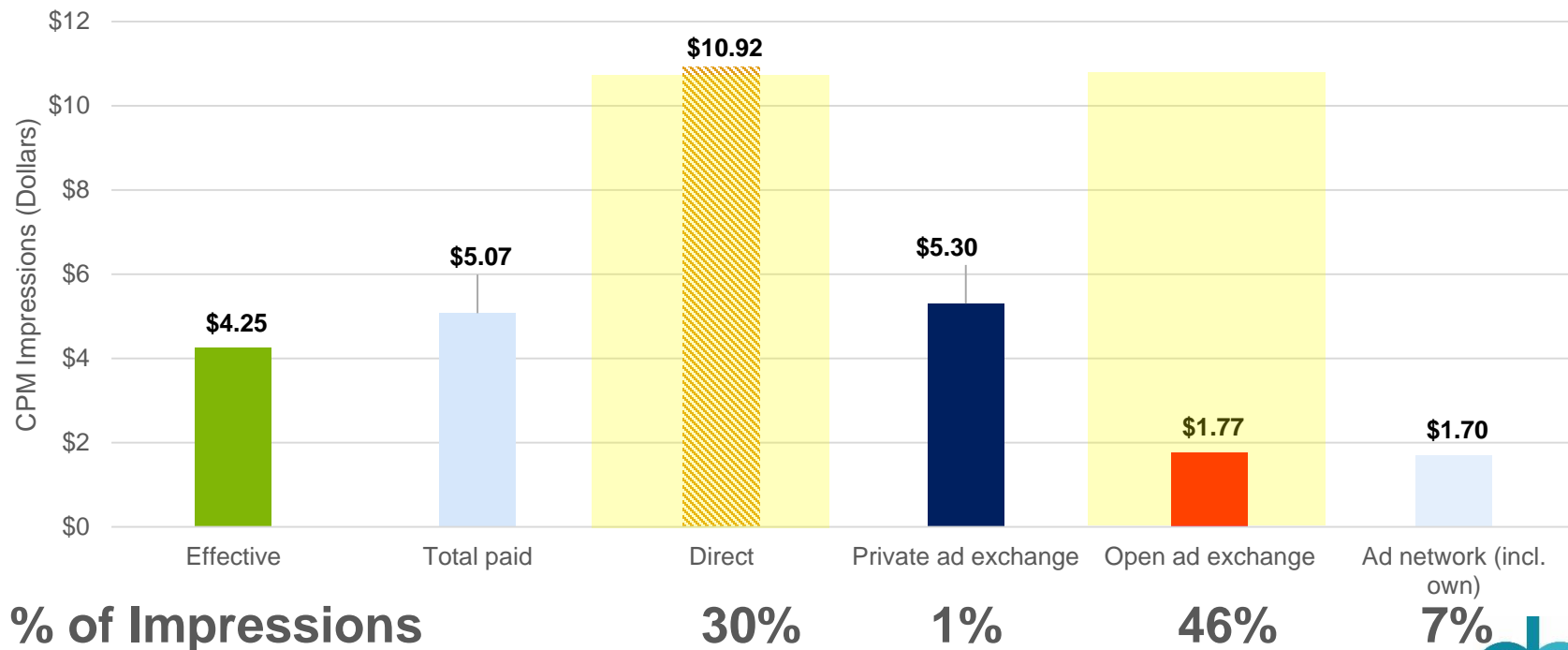
*Fragmented supply chain can't compete on data collection.*



Source: Steven Englehardt & Arvind Narayanan, Princeton University, "Online Tracking: A 1-million-site Measurement and Analysis," available at [http://randomwalker.info/publications/OpenWPM\\_1\\_million\\_site\\_tracking\\_measurement.pdf](http://randomwalker.info/publications/OpenWPM_1_million_site_tracking_measurement.pdf).

# +Simplicity and +Scale = Commodity Inventory

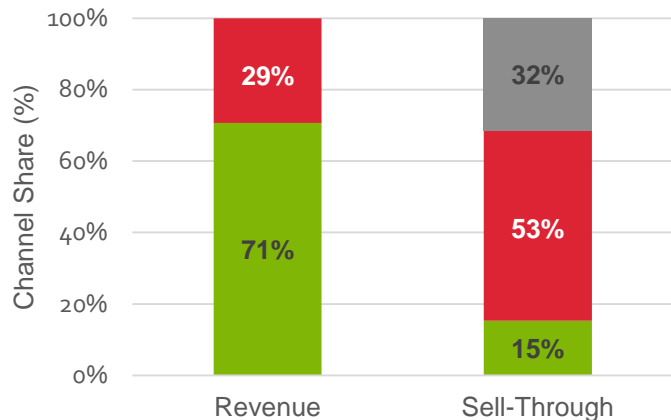
## 2016 Average Desktop Display Advertising CPM



Source: DCN 2016 Member Benchmark Report (confidential).

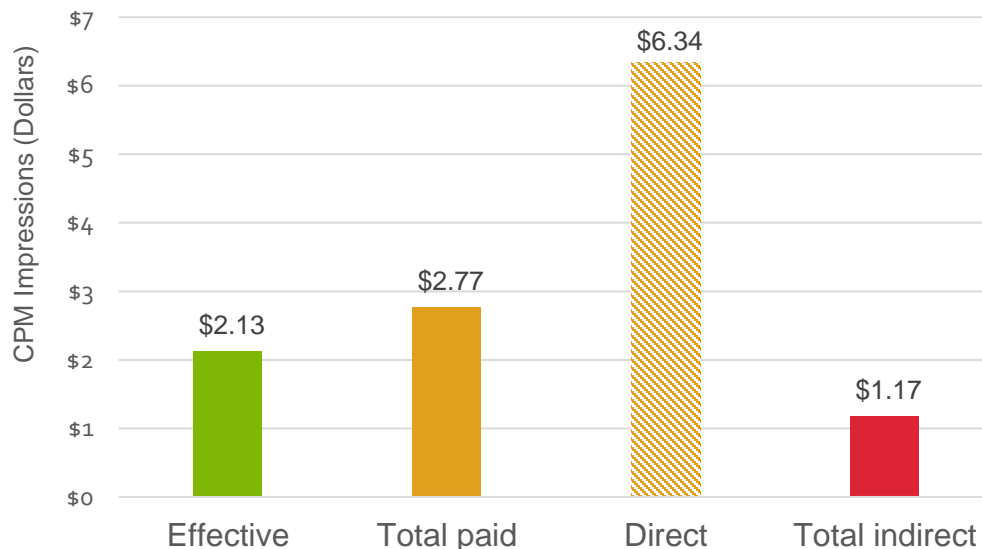
# In Mobile Everything Is More Pronounced

2016 Average Mobile Display Ad Revenue and Sell-Through CPM by Channel (%)



■ Unsold ■ Total ad network & exchange ■ Direct

2016 Average Mobile Display Advertising CPM by Channel (Dollars)



# DCN: Shining the Light

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1. Continue to prove case for value of trusted content environments
2. Call out damaging impact of **Google/Facebook Duopoly**
3. Support **transparency of advertising supply chain** and the commercial incentives between advertisers, agencies and their suppliers
4. Launch **TrustX**



# It's a Matter of Trust

*Why now is the time the industry must hit  
the reset button on digital advertising*

TRUSTX

BUILDING THE SUSTAINABLE FUTURE  
FOR TRUSTED ADVERTISING



# 35+ premium content publishers

A diversity of content categories, channels and sizes with traditional and native digital publications



# INTRODUCING TRUSTX

An **industry-changing** programmatic advertising marketplace designed to match **high-quality brands** to **premium content publishers** with **engaged audiences**

- ✓ 100% premium publisher inventory in an open RTB private marketplace
- ✓ 100% human and viewable ad supply, or you don't pay
- ✓ 100% priority on brand safety and campaign efficacy
- ✓ 100% trading transparency down to the publisher URL
- ✓ 100% financial transparency from bid to delivery, reporting and billing



## This is your invitation to take the lead in building the sustainable future for trusted advertising

### For the agency

- **Access to beta inventory** and private beta-test agency briefings
- **Featured in TrustX press**, case studies and communications
- **First look at creative inventory innovations** and the opportunity to test with your clients
- **Private agency research briefings** before results are widely released

### For your premier clients

- **Marketer Council membership** exclusively for "first mover" CMOs with premier national brands
- **A seat at the table**, collaborating to create new attention measurement models and creative units, backed by research to demonstrate return on marketing investment
- **First look** at what's working and how to activate these new models for **competitive advantage**
- **Two year up-front investment commitment** with TrustX



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+1 (917) 300-9079

TRUSTX

*"We've been giving a pass to the new media in the spirit of learning ... We've come to our senses. We realize there is no sustainable advantage in a complicated, nontransparent, inefficient and fraudulent media supply chain."*

**Marc Pritchard, Chief Brand Officer, Procter & Gamble**  
**Chairman, Association of National Advertisers (ANA)**

IAB Annual Leadership Meeting, 1/29/17  
AdExchanger and AdAge, 1/30/17

# ANA PUSHES \$50 MILLION DIGITAL MEDIA PILOT TO COMBAT 'AD-TECH TAX'

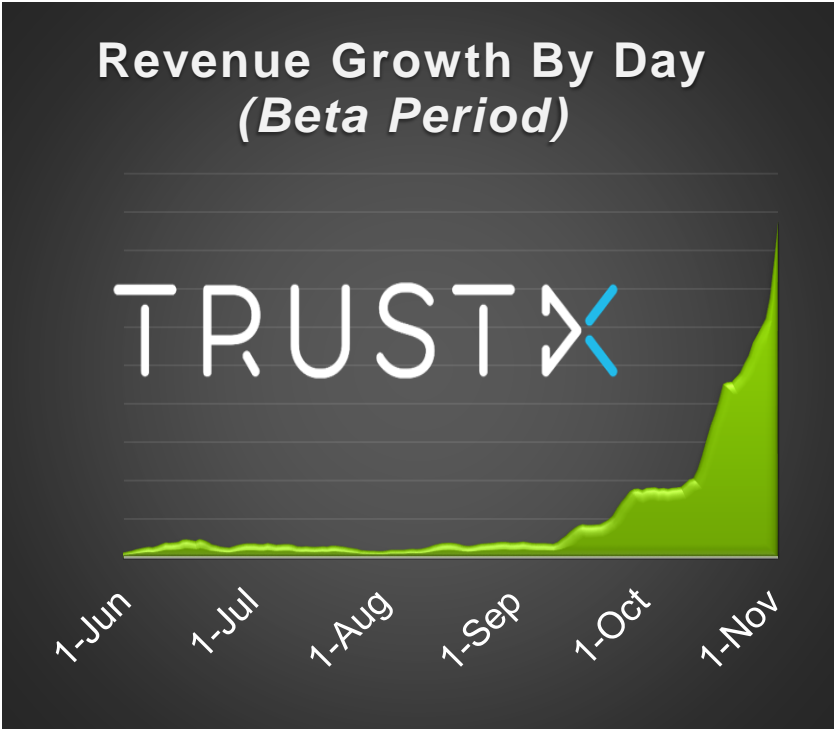
By [Jack Neff](#). Published on August 16, 2017.



After years of complaining about digital media fraud, brand safety and other problems, the Association of National Advertisers hopes to do something about it, starting a six-month pilot with what it hopes will be 35 marketers and more than \$50

million in spending for 30 premium online publishers.

The goals include better measuring how much money ad-tech and other "middle players" are siphoning out of the digital media marketplace between advertisers and publishers.



# DCN Members: State of Diversification



# Advertising Industry – “Subs Won’t Work”

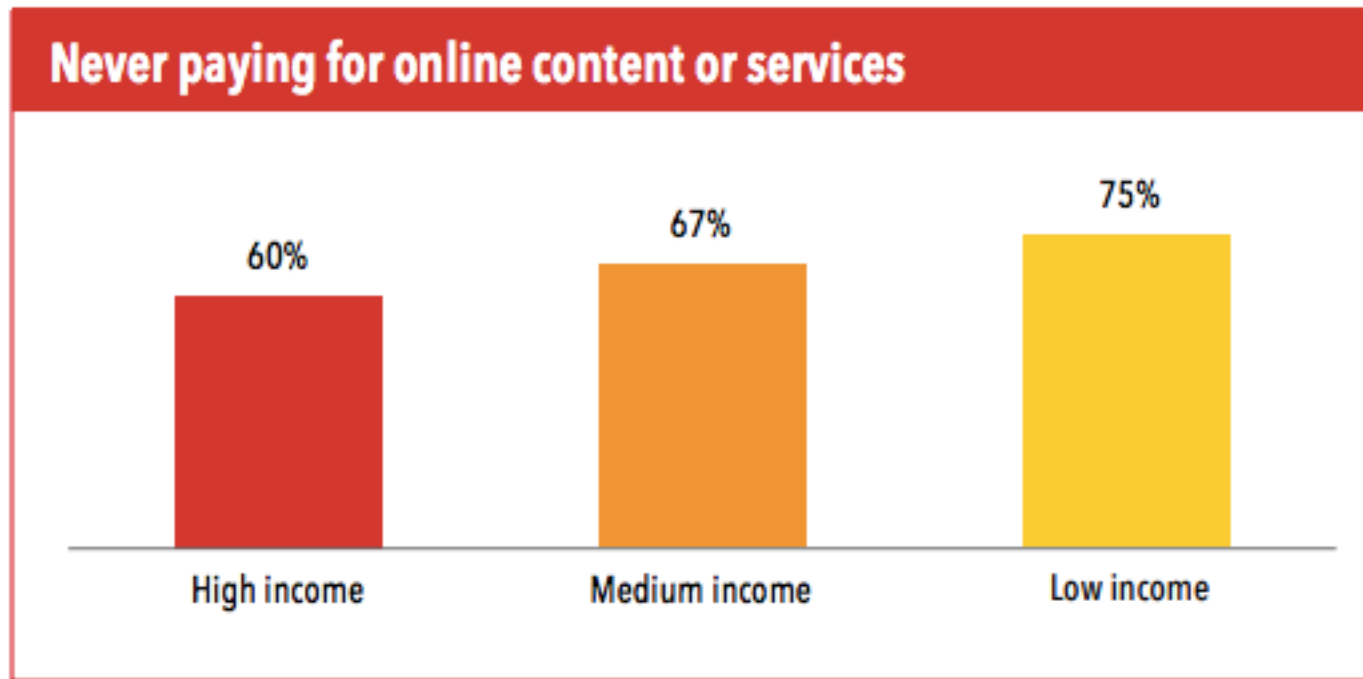


Figure 5. Never paying for online content or services – by income level

- IAB Europe, Sep 2017



# Fact Check – Users Will Fund Content

## Who pays for news, and why do people subscribe?

**53%**

of adults pay  
for news



**52%**

of those who do  
not subscribe are  
"news seekers"

Coverage of a specific topic is the  
**No. 1 reason** people start subscribing

**26%**

who use a source  
for free might  
begin to pay for it



**52%**

of payers subscribe to  
newspapers

**53%**

of **digital subscribers** have never paid  
for a print version of that outlet

And an entirely new generation  
growing up paying for content  
services...



Source: *Paying for News*, American Press Institute May 2017

# New DCN Strategy Research



1. Newest addition to DCN benchmark suite
2. Starting point for 2018 research series
3. Next up: deep-dive case studies
4. Second annual DCN Distributed Content study underway



# Business Imperative for DCN Members

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1. Need to own the relationship with the consumer.
2. Digital publishers need to think about leveraging their distributed content to attract and target new subscribers.
3. Must push for the tools, from Facebook, Google and even Amazon, that allow for data capture and paywall management.
4. Need to invest in the organization to drive paid content.
5. New DNA: marketing and acquisition analytics (attribution, lifetime value analysis, elasticity and price testing, discounts, trials, messaging and product options).

# DCN Members: State of Policy



# Guiding DCN Membership Interests

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Trade press, Washington and Brussels focused on Google, Facebook

- “Duopoly” narrative now well-grounded
- Political advertising: hearings and Honest Ads Act
- Platform liability: CDA 230 / SESTA
- EU Competition / 3 active Google cases
- Brand safety discussions with YouTube / Facebook
- Media Ratings Council audits of major platforms

# Guiding DCN Membership Interests

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## Regulators and market moving towards consumer expectations

### United States:

- FCC Privacy Rules (Open Internet Order)
- 20 State Bills (California AB 375)

### European Union:

- GDPR – May 2018
- ePrivacy Regulation – May 2018?

### Browsers

- Apple “Intelligent Tracking Prevention” (Sept 2017)
- Chrome Ad Blocker (2018?)

### Consumers taking matters into own hands

# The Opportunity; Saving Digital Publishing

- **Break** Google, Facebook's stranglehold on web-wide tracking of consumer demand
- Drive full **transparency** for principals (advertisers, publishers, consumers) in the ad tech supply chain
- Restore **direct, trusted relationship** between publisher brands and their **consumers** through a (transparent) exchange of value