Who wins in the convergence of AdTech & MarTech?

Exclusive Interview with **Scott Brinker,**

founder of chiefmartec.com

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WHY IS THIS INTERVIEW IMPORTANT TO YOU?

Over the past 10 to 20 years, as we've watched technology swiftly alter societies and businesses, we've realized that sometimes these changes resulted when different industries collided and merged with each other. Now, a similar process is underway between AdTech and MarTech, large, relatively new industry clusters that have emerged in the past 5-6 years on the intersections of the larger classic industries: marketing, media, and technology.

Because Cogniance has done software development for numerous marketing, media, and technology companies, we've taken a keen interest in AdTech and MarTech, and we've developed insight into those fields. Our understanding comes not just from our own research capabilities, but also from relationships and conversations with well-known industry experts.

Among them is marketing technology pro Scott Brinker. Scott is founder of the popular blog chiefmartech.com, author of the extremely popular MarTech Landscapes, chair of MarTech Conferences, and chief technology officer of ION Interactive.

In our exclusive interview with Scott, we explore his views on the quickly accelerating convergence of Ad-Tech and MarTech, find out what he considers to be the undercurrents affecting their interaction, and learn how these changes will affect current players in the AdTech industry.

LARGER UNIVERSE OF ADTECH AND MARTECH
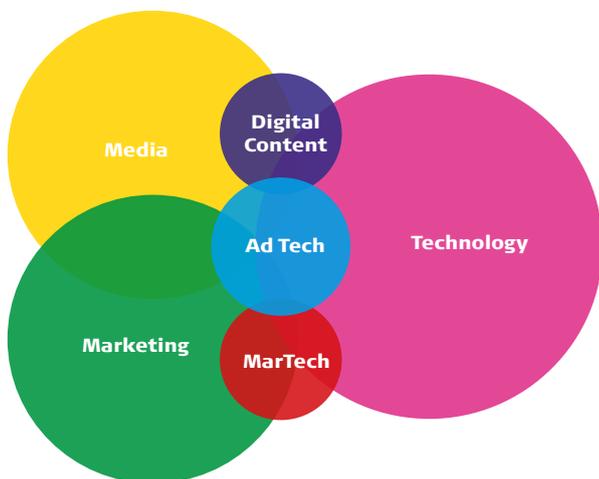
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Scott Brinker
Founder of chiefmartec.com,
Chair of MarTech Conferences

Cogniance (C): Hello, Scott. Thank you for setting aside some time to chat with Cogniance about this exciting topic. MarTech and AdTech are getting a lot of attention these days. How do you define them, and how do you think they differ?

Scott Brinker (SB): I think AdTech has been very well defined. It's the stack of technologies associated with serving digital advertising including publisher-oriented technologies, advertising exchanges, demand-side platforms and, below that, a level of data management platforms that are trying to keep track of targeting information for different potential recipients of the advertising. That world has been very well-defined. It grew out of ad agency and media agency involvement – this was the digital transformation of traditional advertising.

If we want to make a distinction, marketing technology, or MarTech, started from a different side. It was more about the websites themselves. It was usually driven by the brands and the marketers within those brands asking, 'What is our website about? What is our experience about.' If they were selling things, it might involve the eCommerce group.

As we started to gather more and more data, marketing started to engage with the customer relationship management — or CRM — systems that were originally just for sales. Marketing started to use CRM as the foundation of a ground truth for the individuals we were dealing with, and by that I mean, targeting and selling to. In the past decade we've seen this explosion around social media, content marketing, deeper analytics, and mobile apps. A lot of these things started to really be considered part of the MarTech world. In the end, they were primarily being owned by the brands. Even if the brands would hire an agency to help them build this stuff or execute on it, it really became a part of the brand's marketing capabilities. That's different from the AdTech side, where a lot of the brands didn't manage AdTech at all by themselves. It was entirely outsourced to the agency.

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What you've seen in the past year or so is these two worlds are coming together. The data touch points we have with prospects in the AdTech world - there's a lot of demand to be able to have that flow into the MarTech-led experience on the website, or with organic engagement with social media and things like that. So, that's where we're at now and we can see the two worlds starting to collide.

C: Would it be fair to say that when we talk about AdTech we are talking more about agencies and publishers being the final users of AdTech product, but with MarTech, the users are usually brands?

S: Yes, it's interesting. It's a lot about the brand. And frankly, it's also about the relationship with the brand's customer. AdTech has never really been about relationships. At best, it's about better targeting.

Marketing technology has really come into this mode of brands recognizing that, over time, the relationship with their customers is really valuable. One of the things I forgot to mention in regard to the MarTech world is around email marketing and marketing automation. It's the idea that, 'once I have a relationship with a known individual, and they've given me permission to engage with them, I have the opportunity to deliver great content, the right offers, and the ability to personalize my marketing.' That's a relationship that's very different from the AdTech ecosystem.

C: The merging processes of AdTech and MarTech have been going on for at least a year. When do you think the two will fully converge? What can we expect to happen during the next couple of years?

S: Here's my interpretation of convergence. All of these pieces are being recognized as one holistic ecosystem. We can't separate the website from the social media from the email. Brands will now have a seamless relationship [with their customers] from the very first touchpoint. Different [AdTech and MarTech] vendors are now

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collaborating more closely than ever. Brands are now starting to pull more AdTech in house, which I think is due to their desire to be able to control that end-to-end customer experience.

At the other end, agencies are starting to recognize that simply managing AdTech isn't a defensive position. If they want to retain their relationships with these brands, they need to get a lot smarter about the rest of the marketing technology stack.

The question of whether or not the vendors themselves will merge together is more of an open question. Certainly some of the largest players in this space — Adobe is a great example — have obviously made efforts to unify this. Oracle's acquisition of BlueKai (the industry's leading cloud-based data management platform) is evidence of some of the larger players trying to bring all the pieces together.

But as you've seen, the challenge is that there are so many pieces out there, and the invention of new approaches/technologies is not slowing down. We're still inventing new touch points, and the expectations of consumers are still evolving. In my opinion, it's hard to imagine that any one vendor is going to be able to get all of the pieces perfectly sewn together in the next couple years. I don't know if I believe in convergence at that level, but I absolutely believe all these components are now part of the same ecosystem.

C: If convergence does indeed happen, and AdTech and MarTech become truly integrated, who do you think will suffer more, the AdTech platforms and services or MarTech companies?

S: That's a good question. Today, if you look at the market, I would conclude that the AdTech companies are a little more vulnerable, just because it feels like AdTech has become a little commoditized. Being able to distinguish between one DMP (data management platform) versus another or one DSP (demand-side platform) versus another...there's not a tremendous variance there.

When you look at the marketing tech landscape, there's still very high variance. If you look at a marketing automation system, or a web experience management system, the different players have wildly different capabilities, user interfaces, price points, and so on.

I think AdTech has the potential to become commoditized. At the same time, these things go in waves. There's a lot of open questions about the evolution of digital advertising. What will happen with addressable TV? What's going to happen with ad blockers? Is native advertising real, or is it a myth? There are all these opportunities for further innovation cycles in AdTech. The potential is there for a powerhouse company to emerge in AdTech. But the key is going to be them finding a way to break out of what's beginning to look like a commodity market.

C: What about the big platforms you mentioned earlier? Adobe? Oracle? How can they enter the AdTech space? Will it be by acquisition or will they develop those technologies in-house?

S: Almost all the major players — Adobe, Oracle, IBM, Salesforce — have been building their portfolios through acquisition. A lot of them do have some pieces of the AdTech space. Most seem to be focused on the

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DMP. It would be interesting to see if they want to enter higher in the AdTech space or not.

But yes, I think they certainly could acquire those pieces. The story they tell is that if we have all these pieces in our portfolio, and we're able to connect the data between them, we can offer marketers a more coherent umbrella with many pieces, all from one provider. I think it's a good narrative. There's just a counter-narrative to that in that there's still so much innovation happening that it's been very difficult for one company to say Yes, we've got all the pieces. They're all connected beautifully, and they're at the top in their category in terms of what they provide. When in actuality, some things are more connected than others. It's definitely in flux, and some people believe that the Adobes of the world will dominate while others think it might be a Quixotic quest.

The question is less about where this will be in five years — because most of this could be consolidated under five vendors in five years. But most marketers today can't wait for the marketing infrastructure to be built. So for the next 12 to 24 months it will be a multi-vendor world for most brands.

C: Since things are changing so quickly, and no single vendor can provide a complete solution, do you think larger brands and agencies should start building their own platforms that unify AdTech and MarTech to fit their unique needs?

SB: That's a really interesting question. The very best companies I have seen in terms of digital marketing all bring proprietary capabilities to bear. In the world of eCommerce, for example, we're talking about Amazon. They drive a tremendous amount of what they're doing with digital marketing through things they've built internally. Netflix also has a whole team that's built these capabilities. And although they'll bring in outside vendor products as part of their overall architecture, Netflix is very insistent that they have open APIs (application program interfaces) and retain the ability to orchestrate how these pieces fit together. The challenge is that most companies aren't Amazon. Most companies don't have the software

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engineering talent at their disposal to build highly customized solutions. I think this is one of the challenges. How much do you buy? How much do you build? Most brands and agencies are going to have to buy this stuff commercially at this point. They might be able to afford a little light customization on top, but the talent just isn't available to create proprietary platforms by themselves.

C: If this convergence continues over the next few years, what will the consequences be for agencies?

SB: There's good news and bad news. The bad news is that the classic model of what agencies did, how they did it, and how they made money at it is in grave danger at this point. We can debate whether or not advertising's going to go away — I think it will continue to evolve — but the nature of digital advertising lends itself to being automated. Someone at a very high level can decide who they want to reach and how much they want to spend, and everything executes from there.

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Even from a creative standpoint, there's still a demand for great, creative ideas, but the effort involved in executing variations can be replaced with software using machine learning that does automated testing and optimization. The classic agency model is under tremendous threat.

The flipside is every single marketer I speak with today has more things that need to get done than they have people on their staff to do. They have an unlimited list of challenges they're facing. I think the services market for marketers is incredibly promising. We're going to see more demand for marketing services than we've seen in the history of the field. But it may be different players. It remains to be seen whether or not the largest ad agencies are going to be able to successfully pivot to offer the kinds of services their customers are demanding.

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C: Who could replace or compete with agencies?

SB: The system integrators — IBM, Accenture, PWC — are making strong plays. They're basically focused on systems, but they've all acquired creative talent and enough agency-like skills to compete.

There are a whole bunch of entrepreneurs who are creating new service businesses around MarTech. Most of the ones I think of are still very small, but there are a lot of them. You'll start to see some clusters aggregated, and I think we'll start to see some multi-billion dollar players in that market.

Even classic management consultancies like McKinsey are doing a whole bunch of engagements around helping companies implement marketing technology capabilities and going through the related change management process.

You could be a CMO, and if you're thinking about a digital transformation effort, you could have proposals from WPP, Accenture, IBM, and McKinsey. That's really weird! A lot of those companies are dramatically different providers, but they're now competing for the same market.

C: What do you think the consequences will be for publishers? A lot of them have created proprietary SSP (supply-side platform) solutions.

SB: I don't know the publishing market as well as I know the brand and agency side, so my opinion is from a little bit of a distance. Publishers have generally made the majority of their revenue from advertising. The price pressure on advertising and other factors like ad blocking and ad fraud probably puts the business models for publishers under tremendous strain. I don't think there are a lot of publishers who have come up with a solution to that yet. It's an open question.

"Whether they're part of a wider advertising platform, or supplied on-demand through an advertising network or DSP, few pre-built solutions will be able to help companies overcome their advertising obstacles."

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C: What's your advice for AdTech companies in 2017? What do DSPs, ad networks, and other companies need to do to survive?

SB: To not narrowly define themselves as AdTech. They need to think of themselves as someone managing a set of channels that are a piece of the buyer's journey. They need to acknowledge that they're part of the larger marketing technology ecosystem, committed to continual innovation.

Take DMPs (data management platforms) for instance. In some ways, the value of DMP is not in serving up the right ad to the right person. It's about companies, through their advertising reach, getting to collect all these touchpoints that anonymous prospects have, even before the prospects are ready to raise their hand and identify themselves as buyers. The DMP is able to collect all that information and leverage it: when someone moves from being an anonymous prospect to someone who says "I'll come to your website and reveal myself because I'm really interested," the DMP can say "oh, and by the way, here are all the things we already know about this person who just identified himself and said they're interested." What's motivated them in the past? What content have they responded to? Companies can then use that knowledge to be more effective in the next stage in the relationship.

C: Scott, thank you so much for your time and all the valuable insights on this important and challenging topic. We know our readers appreciate your thoughts, and we hope this is not our last conversation.

About Cogniance

Cogniance co-creates technology products in partnership with startups through to Fortune 500 companies. Our engineers and designers work with innovators and entrepreneurs worldwide to define, build, launch and evolve market-winning products that forge lasting relationships with customers. Cogniance's design-led thinking, fortified by our Silicon Valley DNA, enables companies like NetPulse, Xerox and CloudMade to create and launch impactful products in the connected car, AdTech, and audio markets that engage users and deepen their relationships with brands.

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