Now we’re 25.

Digital advertising grows up.

Think back to what you were doing in 1994.

If you’re an ad industry veteran, chances are that you or someone you knew was camping by the fax machine, spending hours sending out buy orders and waiting for confirmations. Or perhaps you were mocking up print ads using early versions of PageMaker and saving files on SyQuest disks. Maybe you were still in school, rushing home so you could return in time for the start of an episode of *My Little Pony* or *G.I. Joe*—or you were watching a worn-out copy on a videocassette recorder. Some of you might not have even been born yet.

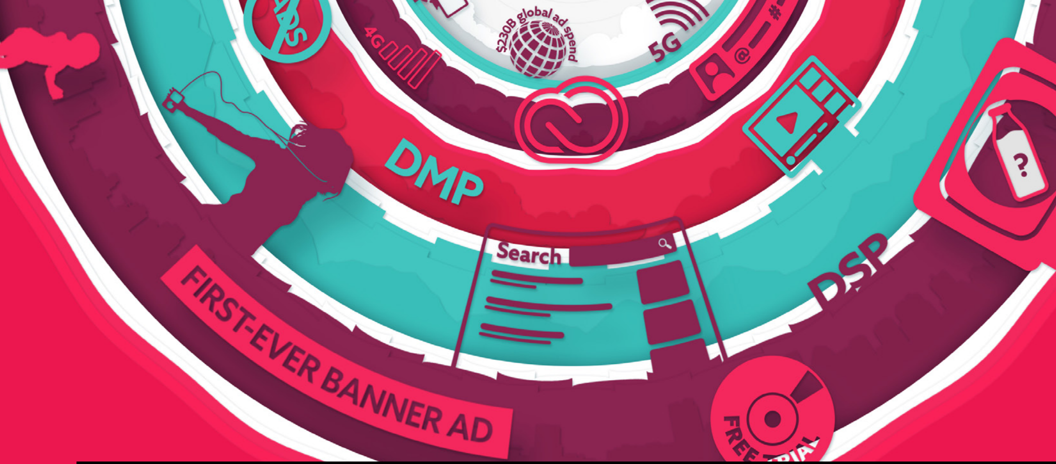
It's hard to believe that 1994—when Americans were glued to their TVs, watching the drama of ice skater Nancy Kerrigan in the run-up to U.S. Nationals and the slow-motion chase of O. J. Simpson down the Los Angeles freeways—would also mark the birth of digital advertising. In the United States, spending on digital advertising will exceed traditional ad spending by the end of 2019, according to eMarketer.

As reported by *The Atlantic*, it all started with the very first banner ad—a rectangular image on a new website called HotWired.com that simply challenged visitors to click "right HERE." And it led us to this point—an industry entering a new age of maturity after years of innovation and challenge.

We're celebrating digital advertising's quarter-century mark with a compilation of interviews and research in this report. As we take a trip down memory lane into the industry's formative years, not only can we see how far we have come, but we can envision digital advertising up to its next big anniversary and beyond.

Buckle up as we transport you back in time and take you on an extraordinary journey through the first 25 years of digital advertising.

And stay tuned for what's next.



The first banner ad—*a star is born.*

According to John Battelle, co-founding managing editor of *Wired* magazine, the technology publication had merely a single mention of the World Wide Web in the first edition (January 1993). “We were very fortunate that we managed to squeeze one little notation about it in, because otherwise I think some of our digital bona fides might have been questioned,” he said.

However, the World Wide Web soon came to dominate *Wired*’s pages, with editors and journalists feverishly accessing pages using beta versions of Netscape Navigator or Marc Andreessen’s browser out of the University of Illinois, Urbana-Champaign.

It wasn't long before a group of Wired team members decided that they needed to live up to their beliefs and build an online presence of their own. So they created a separate company, called HotWired, with an entirely separate team than the magazine's—all in order to get the site off the ground.

HotWired was a home for original content, "something that wasn't just a dumping ground" for *Wired* magazine, said Battelle. But high-quality editorial comes at a cost, of course. At one point, the site had a couple dozen editorial staff members, but no business model.

"We were just a small group of people creating stuff, trying stuff out."

Sharon Otterman
Chief Marketing Officer, William Hill

"The general sensibility at the time was that people already paid to get online, so they're not going to pay for information online. That seemed like a complete non-starter," said Battelle.

The first digital banner ad, sold by *Wired*'s advertising team and placed on HotWired, broke the fourth wall and asked the audience, "Have you ever clicked right HERE?" It formed part of AT&T's "You Will" campaign, which focused on what the company thought the future would bring to telecommunications.

The ad confidently boasted to users, "You will" click—and they did in droves. Battelle recalls that almost 70 percent of visitors clicked on the ad, while *The Atlantic* cites a figure closer to 44 percent—which is still phenomenal to think about now, when click-through rates for online ads struggle to reach even single digits.

The ad's success was likely due to its novelty. "Everyone wondered what...it was," Battelle said. "After all, clicking was all you really did in the early days of the Web.... You never knew what was next, and you just clicked your way through what was an incredible universe of new information."

Yet it wasn't long before what's known as "banner blindness" became a common challenge for creatives to overcome. Advertisers resorted to ever wilder ways to grasp people's attention. So began a trend of flashing colors and outrageous animations—who could resist trying their hand at a flashy, clickable "shoot the duck" game?

"In the early years of banner advertising, it was like being part of a club," said Sharon Otterman, a digital media veteran and current U.S. chief marketing officer of William Hill. "We were just a small group of people creating stuff, trying stuff out, trying to figure out how to pay for it, how to contract it—it was such a blur, and yet completely exciting. We were building new ground that never existed before."

Highlights from digital advertising's past.

1994
First-ever banner ad launches.

1996
DoubleClick launches.

1997
Pop-up ads invented by Ethan Zuckerman.

1998
GoTo.com creates first keyword auction.
OpenX launches open-source ad exchange.

2000
Google launches AdWords.

2006
AdBlock add-on is released.
YouTube launches.

2007
Apple releases first iPhone.

2009
Adobe buys Omniture.

2011
Adobe acquires Demdex.

2012
Adobe acquires Efficient Frontier.

2016
Adobe acquires TubeMogul.

2018
GDPR goes into effect.

Learning to *walk.*

Digital advertising entered its terrible twos with the launch of DoubleClick in 1996. For the first time, an ad server could serve ads on behalf of an advertiser instead of trafficking individual ads to individual media companies. It was finally possible to deliver ads at scale. DoubleClick was eventually acquired by Google for $3.1 billion 12 years later.

"Marketing automation, targeting, and accountability can all be traced back to this launch," said Otterman. "In fact, the words we use today in marketing automation all began with this moment."

Five years later came Google AdWords and the dawn of search advertising. AdWords was one of the first links in the chain that created today's obsession with data and analytics.

The early 2000s marked rapid shifts in investment to analytics and measurement, as advertisers needed to find ways to prove the effectiveness of their spend. After all, a banner featuring a litter of dancing kittens and some ukulele music might sound great on paper, but the campaign shouldn't continue if marketers can't figure out what that ad actually delivers for their bottom line.

After one year of operation, AdWords generated $70 million in advertising revenue for Google, according to Statista. Today, Zenith reports that digital global ad expenditures topped $230 billion in 2018. This accounts for about 40 percent of all global ad spend.

This "Wild West" period was an opportunity to try to figure out the different ways in which creative ads can engage and attract a consumer online, according to Michael Miller, vice president of creative experience and social media at T-Mobile.

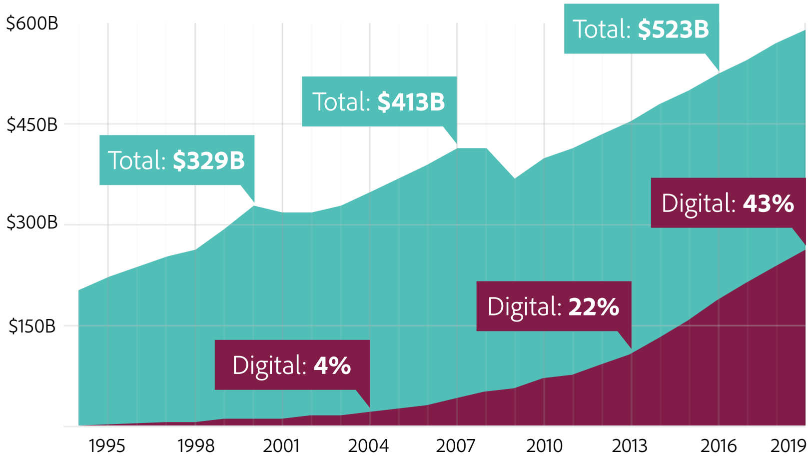
"When I think back to where we were 20, 25 years ago from a creative standpoint [on digital platforms], we basically employed any tactic that we could to try and get someone to stop and notice an ad," said Miller. "There were no rules and no real boundaries as to what we could do."

After the dotcom crash, reality set in, and the industry strove to make its efforts more accountable, said Otterman. "How do you make sure...all these digital pennies amounted to dollars? I actually think that course correction was really important."

"The dotcom bust gave everyone a kick in the pants and made them say, 'What can we do with this new medium that could actually solve some problems for advertisers?'"

John Battelle
Co-Founder of *Wired* and CEO of NewCo

Global advertising spending over time.



Source: Zenith

As the dotcom bust faded into a mere memory, 2005 brought two game-changing companies to the digital advertising arena: Facebook and YouTube. These two brands, which would become internet advertising titans, were founded within just two weeks of each other and brought never-before-seen formats and opportunities to digital marketers.

Facebook popularized the news feed, a now-ubiquitous format across the web, though it wasn't originally met with fanfare. The day after News Feed launched in 2006, protestors swarmed Facebook's offices and demanded that the company reverse the design change, according to *Business Insider.*

Users grew used to the news feed, however, and Facebook's global audience numbers have continued to grow every year since—although there have been some indications recently that the Facebook app is beginning to reach a saturation point. This could explain the $1 billion purchase of Instagram in 2012 and the $19 billion WhatsApp deal two years later.

The arrival of YouTube, which Google bought for $1.65 billion in 2006, took video advertising to the next level. The video platform blazed the trail for content creation in the widest and most democratic way ever, with all the pluses and minuses that come with that. With YouTube, the storytelling methods employed by TV advertising could be delivered straight to large online audiences for the first time in a highly targeted way. Their first pre-roll and promoted video ads launched in 2008, and by the next year, YouTube was clocking up more than 1 billion video views a day.

Brett Wilson, co-founder and CEO of TubeMogul (now Adobe Advertising Cloud) recalled, "Before YouTube won the video battle, there were dozens and dozens of video sharing sites such as Metacafe and Dailymotion—and there was a lot of excitement, because we suddenly had this new communication medium offering everyday people sharing content."

One of the most memorable early brand campaigns in the interactive video space was Burger King's "Subservient Chicken." In 2004, the fast-food chain set up a website, featuring what appeared to be live webcam footage of a person dressed up in a chicken costume who seemed to act out any command users typed in. In reality, Burger King preempted the types of things users would ask the chicken to do. They prerecorded a library of around 400 different actions, ranging from performing the moonwalk to picking its nose, according to Campaign.

"The engagement aspect of digital and asking people to interact with something and do something back and forth has always been the roots of what you expected a digital experience to be and media being an invitation to those experiences, not necessarily just a way to push out messaging," said Anthony Martinez, global media director at Coca-Cola.

Celebrities and politicians alike soon took notice of the growing popularity of video and social channels and their ability to interact with wide audiences on a more

> **"Asking people to interact with something and do something back and forth has always been the roots of what you expected a digital experience to be."**
>
> **Anthony Martinez**
> Global Media Director, Coca-Cola

personal level.

"The 2008 election was when you saw all these candidates attempt to go straight to voters via video and internet for the first time," said Wilson. "You also saw corporations experiment, and the term 'viral video' was coined."

Now, what's known as "influencer marketing" is ubiquitous across all social and video channels. Celebrities like Kim Kardashian can reportedly pull in around $300,000 for a single Instagram post, and a whole host of nano-influencers, baby influencers, and even CGI influencers are opening up their feeds to advertisers. Influencer marketing is another segment that isn't without its challenges (think about the ill-fated Fyre Festival), and marketers have increased their scrutiny of influencers they believe have bought fake followings or aren't properly adhering to their briefs.

Digital advertising graduates—and Adobe enters *the ring.*

The launch of the iPhone in 2007 was one of the defining moments in the history of mobile advertising. Sure, marketers were already placing simple mobile apps on WAP browsers way back in 1999, but the rapid adoption of smartphones changed advertising dramatically.

For example, when Facebook filed for their IPO in 2012, they didn't "directly generate any meaningful revenue from the use of Facebook mobile products." Fast-forward just a few years, and Facebook generated $15.5 billion in mobile ad revenue in the fourth quarter of 2018 alone, according to their official results conference call.

The adtech/martech world boomed around this time, as the drive was on to increase efficiency and secure better targeting at scale through the power of software. Despite the creeping encroachment of walled gardens, launch after launch of companies operating in digital advertising created an environment ripe for mergers and acquisitions as players fought to build a competitive stack of solutions.

The drive was on to increase efficiency and secure better targeting at scale through the power of software.

Until 2009, Adobe was known predominantly for our leadership in the provision of creative and desktop publishing solutions. That all changed when we acquired Omniture—the first move we made in our efforts to streamline the creation and measurement of content and applications and position us as a real player in the advertising space. For the first time, advertisers could combine the creation and delivery of advertising under the umbrella of a single company.

We've embraced this trend, through acquisitions such as Efficient Frontier (2011), Demdex (2011), and TubeMogul (2016)—a combined offering that today acts as the only independent solution providing truly agnostic ad-buying and measurement options, integrated with marketing technology.

Amazon emerged as another sleeping giant of the ad industry. Quietly, the e-commerce giant ascended to become the third-largest player in digital advertising in the U.S., according to the *Wall Street Journal*. They may have a single-digit percentage share of the market right now, but their growth shows little sign of slowing as marketers seek valuable inventory at the exact point when a consumer is likely to make a purchase.

We're just *getting started.*

Digital advertising had its ups and downs over its formative years, suffering several setbacks on the way to finding its feet as a mature adult.

Just like the pile of discarded socks at the corner of a teenager's bedroom, the laundry list of challenges facing the ad industry began to mount up, and some still linger today. Those issues range from advertisers unwittingly funding questionable, offensive, or even illegal content on video platforms to serious concerns around privacy and the ongoing discussion around viewability.

But there is light at the end of the tunnel. The industry has begun to band together to address those challenges as the sector looks to better position itself for the next 25 years of growth and success.

Next, we're going to look at some of the key topics and opportunities in digital advertising today in greater detail.

So blow out the candles, cut up the cake, and look ahead to understand what the gift-wrapped present looks like from across the industry.

Happy birthday, digital advertising.

The time is now.

From accountability to targeting Gen Z, there are numerous topics for today's digital marketer to get on top of. Through interviews and research, we analyzed and interpreted the most pressing—and exciting—challenges facing the digital advertising sector today. Let's take a look.

Back to the *drawing board.*

In the early days of digital advertising, creative was often limited to translating a print campaign into a digital format, with little alteration. It often didn't suit the medium well, but it was the easiest and fastest way to meet the requirements of the time.

Creative success was measured solely by hits—a metric that remains important today. Yet only when these hits are combined with other measurement metrics can marketers really determine the true success of their campaigns.

According to many industry leaders we interviewed, big advancements in digital creative didn't develop much until the first dotcom bust in the early 2000s. Unlike traditional channels, there wasn't yet a widely held perception that digital needed strong creative to be effective.

One of the first steps in the development of digital creative was the introduction of animation. Looking back at the clumsy, initial attempts to put animation into practice may make us smile today, but back then, dancing babies marked a massive leap toward transforming static images into ones that could actually tell very basic stories.

"When you look back at some of the first banner ads, you can pinpoint exactly when innovations became available," said Michael Miller. "Adobe Flash, for example, was a huge step forward in giving us the ability to add movement—animated loops and moving images became all the rage for a while."

The advent of mobile unlocked more creative opportunities for digital advertising. And we're not just talking QR codes. Marketers can utilize the features of the phone—like the gyroscope—letting users control the action of an ad by waving their device around or making the user's phone vibrate to highlight certain moments, like the revving of a car engine.

Snapchat pioneered the use of phone cameras in advertising—ads that people not only engage with but actively share across their networks.

Snapchat pioneered the use of phone cameras in advertising. Brands can create augmented reality "lenses," which users can play with and use to send their creative selfies to their friends. Ads that people not only engage with but actively share across their networks—a marketer's dream. For example, a 2016 Taco Bell Lens campaign that transformed users' heads into a giant taco shell, was viewed more than 224 million times, *Adweek* reported.

Today, advertisers understand that creative in digital is vital to campaign success and that they can also monitor, change, and adjust creative assets in real time. If an ad isn't working, they can update the ad with different creative based on first- and third-party data inputs that are tailored to the desires and needs of the target consumer—and assets can be delivered by an advertising platform that gets that ad in front of viewers within seconds.

Movements to improve the use of creative in targeting and personalization took a leap forward in 2018 with the introduction of Adobe Advertising Cloud Creative.

Advertising Cloud Creative uses automated processes to eliminate the need to manually edit ad assets, like the text and images, every time the campaign parameters change. It lets marketers instead optimize thousands of ads in real time, depending on the audience-targeting options and campaign performance. Because no creative professional ever went into advertising with dreams of changing banner backgrounds from red to blue 17 times for 17 executions instead of working on the big campaign idea.

"As a creative, at first when I started hearing words like automated creative generation, my first response was, 'How can you possibly do that with any sense of integrity?'," said Miller. But he adds, "You've got to embrace that ability to optimize, that ability to customize, and see that as a new creative challenge for how you tell a story."

Seamless flow from creative design to execution is where we see the industry moving—all powered and informed by data. That's not to say that the days of a really cool, big brand idea are over. It simply means that execution of that campaign will have multiple facets across mobile, TV, and online—adjusted in real time to suit the needs of consumers on a hyper-targeted level.

We can see *clearly* now.

According to Brett Wilson, it was a while before viewability—a measure of whether an ad has the opportunity to be seen by a real human—became a key industry topic. It wasn't until around 2011 and 2012 that it really began dominating conversations.

Viewability was a response to help people understand that just because you were buying cheap, it didn't mean that you were buying real human engagement. An impression and a click were totally different to someone actually watching the video. At the same time, some unscrupulous publishers were also creating inventory that played video below the fold, or somewhere ridiculous like inside a tiny banner, which was obviously not effective for the advertiser.

"Viewability always reminded me of the mortgage crisis in the U.S. when everybody knew there were a lot of bad loans in the system, but everybody was making money," said Wilson. "Advertising brand managers were often rewarded for lowering their

CPMs (cost to buy 1,000 impressions) by being given additional budget, only to then keep pumping those funds into the system to purchase poorer inventory."

Back in 2011, most marketers weren't asking the right questions about viewability.

"It was a bit of a 'don't ask, don't tell' situation," said Wilson. "In fact, there was a game being played at the time where ad networks and other middlemen would buy banners, which cost sub-$1.00 CPM, in order to figure out how to stick video ads in them to make them play."

To combat the issue, TubeMogul coined the phrase "fake pre-roll"—the name given to ads that play at the beginning of a video—and launched a site to call out bad players in 2011.

While 100 percent viewability is still sometimes trumpeted as a metric to aim for, most practitioners believe it is a false metric.

"It was a very risky move because many of the publishers were actually ones we wanted to eventually work with—but only once they cleaned up their act," added Wilson.

Today, viewability continues to be one of the metrics that advertisers use to optimize their campaigns. In less than a decade, it has shifted the game from one that looked purely in terms of CPMs to one that values viewable CPMs.

Viewability isn't perfect. Advertisers need to be aware of the subtle change in the language when defining the metric. It doesn't guarantee a view, only that there was an opportunity for the consumer to view the ad. Customers can still open up another tab or scroll away. That has nothing to do with the publisher—just as a viewer deciding to visit the restroom during a TV ad break has nothing to do with a network.

While 100 percent viewability is still sometimes trumpeted as a metric to aim for, most practitioners believe it is a false metric.

“In viewability, if it sounds too good to be true then it probably is,” added Wilson.

Today, demand-side platforms (DSPs) advise advertisers to use technology in order to establish a baseline viewability figure. They can then improve that metric over time through constant testing. Metrics will always vary depending on target consumers and inventory bought—but DSPs (alongside independent, third-party verification and viewability analysis firms) can guide advertisers along the right path.

Clear and present danger in ad fraud.

Just as the industry thought it was tackling the viewability issue, ad fraud reared its ugly head in a big way. Irregular and suspicious patterns began appearing in the ecosystem, such as unheard-of single web domains suddenly generating massive amounts of traffic. DSPs also began noticing single IP addresses (which the industry associates with a single user) having the ability to watch hundreds of videos in mere seconds.

As with viewability, new companies were formed to combat and protect advertisers from non-human traffic generated by ad fraud scammers who often set up elaborate schemes including “botnets” of infected consumer devices to siphon ad dollars off for themselves.

Our non-human traffic initiative, introduced in 2016 and extended to include mobile inventory in 2019, offered refunds to advertisers who had bought independently verified fraudulent traffic, ensuring that advertisers were only paying for inventory that was legitimate.

Wilson said, "Fraud is always going to be a problem. Just as DSPs and software have gotten better spotting and tackling the issue, so too have fraudsters found ways to beat the system."

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Brett Wilson
Co-Founder and CEO, TubeMogul (now Adobe Advertising Cloud)

There are some signs that industry initiatives like these are working. A report from the Association of National Advertisers and ad fraud detection firm White Ops, cited by the *Wall Street Journal*, estimated that the money advertisers lost to ad fraud would be reduced from $7.2 billion in 2016 to $6.5 billion in 2017.

Recently, also reported by the *Wall Street Journal*, companies including White Ops, Google, Facebook, Verizon, and Oath joined in an effort to unravel the work of scammers, which led to the U.S. Department of Justice charging eight people with operating alleged ad fraud schemes in 2018.

The inventory *checklist.*

As advertisers realize that the adage that "you get what you pay for" does ring true, premium publishers are positioning themselves to meet the growing need for quality inventory.

Nevertheless, finding the right inventory can be a minefield in itself.

"There are vast exchanges with billions and trillions of transactions available from millions of publishers," said Sahil Gupta, director of global partnerships at Adobe Advertising Cloud. "After a while it gets hard to know what you are buying."

"Questions then start to arise: Am I being misrepresented by my media agency or software provider? Is any of my buy fraudulent? How can I find out? If the inventory I am buying is also owned by the DSP I am working with, how do I know I'm getting what I pay for and that it shouldn't have gone somewhere else?"

To find the right inventory, Gupta essentially recommends that advertisers start at the end of the journey and work their way back.

- **Think about your target market and what it is they watch. Are you looking to purchase family-friendly content, or are you trying to promote an alcohol brand?**

- **Examine the publishers you want to partner with and see what technology partners they work with. Chances are these publishers will actually work with multiple SSPs. That's how you can determine who the top partners are to work with—the people who will have the access to inventory you want to advertise on.**

- **Look for offerings that have a curated marketplace option—a "premium" choice that removes the noise from the equation in order to focus buys strictly on premium inventory.**

Just a few years ago, inventory development was focused on desktop. Mobile was only then starting to grow in importance, and connected TV (CTV) wasn't even on the minds of most advertisers. Today, all that has changed, with mobile now dominating and CTV starting to position itself as a viable and necessary segment of campaign activity. As inventory options have become diversified, advertisers have increased demands for more transparency on what exactly they are buying.

Today, often bespoke metrics and requirements are being created that determine inventory options, with minimum standards put in place that determine where spend can go. As there is still no common standard across the industry, most parameters vary from advertiser to advertiser, with differences put in place for each account as to what is considered buyable inventory.

"The greater challenge is actually starting to connect and create synergies across all these various partners," said Connor Dault, marketing manager at Dollar Shave Club. "It requires participation from networks, exchanges, DSPs, along with measurement and verification partners like DoubleVerify, IAS, Nielsen, and so on."

New growth is also being predicted in formats such as audio. The emergence of popular podcasts, combined with high-quality inventory options on streaming platforms like Spotify and Pandora, has driven the consumer demand for audio platforms and opened up new creative territory for advertisers.

"[There is] something about the intimacy of having a podcaster read an endorsement of a product in a DJ-read or voiceover way," said John Battelle. "I think what we need to learn how to do is take that intimacy and figure out how to scale it."

A new partnership with Pandora opening up their inventory across all formats, announced at Adobe Summit in March 2019, is a harbinger of things to come.

We're going to need a *bigger ladder.*

Despite the demand by advertisers for an ecosystem that is open and transparent, some large publishers are continuing to build walls to shift ad dollars into their greenery.

The walled gardens of the ecosystem restrict access to certain inventory from third-party players, often adding sweeteners to the pot in order to encourage direct purchase by advertisers. And, while they do offer data, technology providers warn of a lack of transparency over how those assets are compiled—and whether marketers' campaign goals really are being reached. Top marketers like Unilever's Keith Weed and Procter & Gamble's Marc Pritchard have previously compared this issue to those platforms "grading their own homework," as reported by Campaign.

Independent, third-party verification is recommended (whether working with a walled garden or not), as the inventory available at the beginning of the month when you ink a deal may not necessarily be the same as what's floating around at the end.

Adobe Advertising Cloud will prove to be the type of single-platform solution that advertisers turn to in order to cut through the barriers.

"I think Facebook and Google get a disproportionate share of the advertising dollars in part because the platforms work, in part because it's simpler for clients to spend money with them—through companies like our own—than it is to spend it more broadly," said Mark Read, CEO of WPP, who added that another part of the reason is a lack of trust in other parts of the online ad ecosystem. "I think those are things that we need to fix," he said.

It's not just concerns about the volume of publishers that advertisers will have to work with—worries about data ownership and ad frequency also come into play when ad buyers have to spread funds across multiple siloed publishers.

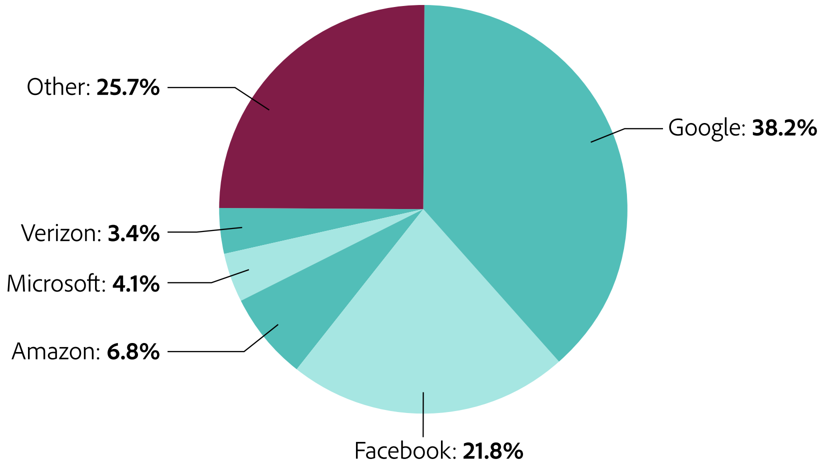
"I think there is going to be a 'jump the shark' moment at some point when advertisers get fed up with having to deal with yet another walled garden," said Gupta.

“Will it be walled garden number 56 or 156? Who’s to know? But eventually advertisers will have had enough.”

Some smaller publishers also have “delusions of grandeur” that they deserve to be walled off too, but that will change when advertisers refuse to play ball with their demands or when their in-house teams can’t keep up with exponential growth and change in the ecosystem, Gupta said.

Ideally, an independent DSP like Adobe Advertising Cloud will prove to be the type of single-platform solution that advertisers turn to to cut through the barriers. That's because Advertising Cloud offers no threat to publishers since it doesn't own any of its own inventory. But as players like AT&T’s Xandr continue to announce even more walled gardens planted in their fields, only time will tell if this solution is realized and embraced.

Percent of total digital ad spending.



Source: eMarketer

Taking back control in privacy.

Even before the Facebook Cambridge Analytica data-breach scandal exploded on front pages in 2018, concerns surrounding data privacy had been growing steadily since 2001. And this became especially concerning as more and more companies were being hacked.

It's now becoming even clearer that data security is more important than ever as consumers find out that something as private as their menstrual cycle timing may have been shared without their knowledge, as reported by the *Wall Street Journal.*

Privacy regulation has been top of mind for almost every corporation since the introduction of the General Data Protection Regulation (GDPR)—the European Union's sometimes vague, often misinterpreted regulation to put the power of data ownership back into the hands of the people. GDPR, which came into force in May 2018, is designed to restrict personal data access only to companies and individuals who have clearly and transparently asked for it—and who have received consent from the individuals whose data is being requested.

"People felt like they didn't have control over their online experience and that companies were intruding and taking liberties regarding their data and online usage information," said Phil Duffield, managing director of Adobe Advertising Cloud for Europe, the Middle East, and Africa (EMEA). "GDPR was the end result of governments and industry bodies realizing that customers had reached their limit."

Still, some advertising practitioners complain that while they understand the principles behind GDPR, the actual wording is confusing and hard to put into practice. Many believe that the main challenge of the policy is that there isn't a deep enough understanding and clarity around what people mean by the word "consent." This in turn opens up gray areas that certain industries, technology companies, or websites will attempt to capitalize on in order to serve ads and use people's data until a broader consensus is reached.

In Europe—and increasingly in the United States with the emergence of California's new data privacy law that is set to take effect in 2020—advertisers are sensing that a single, clear, and global framework would actually benefit the entire industry, rather than a tapestry of different regulations across the globe.

"The power of data and the scale and volume of data has never been as large as it is now—and with great power comes great responsibility."

Connor Dault
Marketing Manager, Dollar Shave Club

GDPR and data protection will only become bigger priorities this year and beyond as the industry moves away from a period of wiggle room and into a zone where companies face fines and legislative issues.

Earlier this year, Google became the first major company to be hit with a big GDPR penalty after France's data protection authority ordered the advertising giant to pay a $57 million fine. The ruling was a sign that the big players are firmly in the sights of regulators—with others sensing more action is to come.

Duffield added, "Google's fine was a real wake-up call as Google had access to endless legal resources and believed they were putting a robust GDPR consent framework in place, yet still missed the mark. This has prompted plenty of other organizations to come to us wondering if they could meet the same fate."

There's a better way to *get personal.*

In the early days, audience targeting was a pretty basic proposition. Someone who wanted to target sports fans would think, "Sports fans like ESPN" and would buy inventory on that site. But ESPN only had a certain amount of inventory available, and that marketer was bound to be competing for those ads against hundreds, if not thousands, of other brands.

This is where the importance of audience targeting comes into its own—it's what you do in order to guarantee reach to your desired customer without blowing the bank or being disappointed every time you launch a campaign. It also opens up undervalued inventory that you might not have thought of before but that still gets into the eyes of the people you are trying to engage with. This, obviously, has benefits to both the advertiser and the publisher, who can finally monetize inventory they may have struggled to sell in times past.

In the past, ad networks were the first step toward broadening inventory in order to target specific audiences. Ad networks did this by packaging bundles of similar titles or publishers that targeted specific audiences. For example, advertisers could purchase sports publisher packages or packages appealing to technology lovers. While this was a step in the right direction, it still wasn't as granular as advertisers needed.

Today, audiences can be targeted in many different ways. They can be purchased on contextual elements. They can be targeted based on age, gender, location, purchase intent, or past purchase behavior. Depending on the different partners used, targeting can be based on whether a consumer is in the market for a product like a new car or if they're ready to renew their insurance. Such data can be anonymized, aggregated, and provided in bulk for an advertiser to use in their advertising campaigns.

There are a variety of different tools to measure and confirm the effectiveness of audience targeting. A partner like Nielsen or comScore can validate whether the age and gender matches you targeted correspond to what you've been told about the audience. There are also ways to match targeting against offline sales data. Partners like MasterCard, Visa, and Epsilon can provide matching and overlap reports to see if you really were reaching intended auto purchasers or TV shoppers.

Topic, or contextual, targeting is another way you can reach audiences, often used around premium, non-specific inventory (such as the *New York Times*, the *Guardian*, or the *Daily Mail* online). This format uses technology to understand the text content of the page around the ad and then serves a relevant message to users. For example, if an advertiser wants to target a user that has shown signals as a travel intender, they may serve an ad on a page in the travel section of TheGuardian.com that's talking about travel, airlines, flights, ferries, hotels, or car rentals.

Hyper-personalization isn't a panacea for marketers. Ian Monaghan, product marketing manager for data and Adobe Experience Cloud integrations at Adobe, said, "The pendulum...began swinging the other way with advertisers asking for hyper-personalization that ignored the benefits of mass advertising"—a benefit that has been trumpeted and proven largely successful by the television industry for years.

"What we as an industry should do more is to deliver relevant messages."

Ian Monaghan
Product Marketing Manager, Data and Experience Cloud Integrations, Adobe

Say you're a yogurt enthusiast. Your interest in yogurt is discovered by advertisers after you enter a couple of yogurt competitions, log on to a number of "make your own yogurt" websites, and join a "Yogurt Lovers of America" forum site. Obviously, you can't get enough of the stuff. Suddenly, everywhere you look, you see ads for yogurt. On your email, on every news site you look at, and before every video you watch, an ad for yogurt pops up. It gets creepy. It's odd. And it will most likely turn you away from the benefits of personalization.

"What we as an industry should do more is to deliver relevant messages and relevant connected messages so that it is part of an entire customer journey that's relevant across multiple touchpoints," said Monaghan. "We need to understand where the line is that can't be crossed in terms of personalization for each individual so that the creepy factor doesn't 'creep' in."

Measurement is getting *better.*

With more platforms becoming connected, there are more ways to measure how ads are performing as consumers switch across devices. That presents a plethora of opportunities—and challenges.

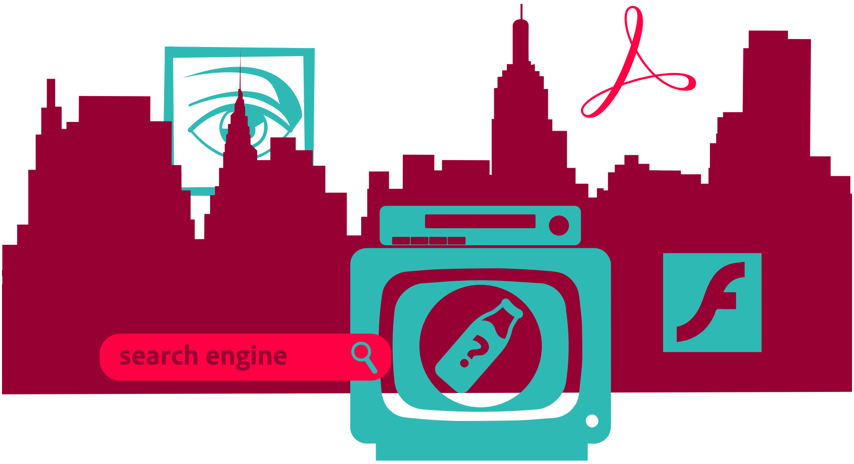
"There are too many metrics that don't actually correlate to desired outcomes," said Phil Cowlishaw, head of Adobe Advertising Cloud for Asia and the Pacific (APAC).

To determine effectiveness, advertisers need to start thinking more in line with how their overall advertising plans are impacting lift in various areas. Is digital advertising helping to drive incremental customers to particular websites? Is it able to drive net-new customers through concepts such as retargeting? Is it having a positive impact on the perception of my brand?

Simple measures like impressions, clicks, and conversions are still incredibly important, but capabilities are now in place to go deeper. But how much is too much? And when does measurement start getting performed just for the sake of it—and for the benefit of the measurement provider?

In a video environment, for example, an advertiser may be adamant that they have two goals for every campaign—a high click-through rate and a high completion rate. It's possible to measure both of these metrics, but if you have a high click-through rate, your completion rate is actually going to be quite low. When an ad is clicked on—usually considered a strong indicator of campaign success and intelligent targeting—the consumer is unlikely to return to the ad just to ensure they watch it all the way through.

And it's not just about what you measure, but how long you measure it for. With digital advertising, advertisers have tended to focus more on optimizing the short-term performance of their campaigns.



Longer measurement frameworks are starting to gain popularity. Longer-term measurement windows take into account the impact of campaigns promoting high-consideration but lower-frequency purchases. Instead of thinking in short, month-by-month cycles, it forces the marketer to understand and orchestrate a campaign that drips through 18 or 24 months—which matches the length of time someone might spend researching a big-ticket purchase like a car or kitchen refurbishment.

Still, for many online advertisers, the shorter term–focused click-through rate still reigns supreme as the measurement metric of choice. Cowlishaw traces the popularity of clicks back to the dawn of paid search.

"In the early days of paid search sales, if I went to Pizza Hut and talked to them about buying the word 'pizza' on Google, we could take the CPM and tell them exactly how many clicks they were going to receive from that buy and whether it would convert into actual sales," Cowlishaw said.

Marketers were hooked on this new ability to measure and monetize. But they were missing something—paid search was the *end result* of all the hard work marketers had been doing to build the brands.

"Paid search is the success metric that tells you whether all of your advertising" and not just the search budget delivered, Cowlishaw said. "Because of this, I think of clicks and click-through rates as a highly overinflated metric to base off of."

Marketers are doing it *themselves.*

In-housing is a movement that's getting a lot of attention. Especially in recent years as more advertisers create internal teams for traditionally outsourced functions like media buying and creative development. But what most brands really want is greater control over data and decisions on marketing spend—a point often missed in the industry literature. No brand has the budget or talent to cultivate expertise in the wide array of what the agency ecosystem has to offer, be it strategy, creative, content, attribution, contracts, or more.

Programmatic functions are one area where brands prefer greater transparency and control over data and spend, and they're either fully or partially bringing that in-house. For example, Dollar Shave Club, Heineken, and L'Oréal have taken the ad-buying function in-house or are currently doing so. According to *Business Insider*, 78 percent of brands now have some sort of in-house agency that is responsible for either the production or delivery of their advertising. It should be no surprise that digitally progressive brands treat data as a mission-critical asset and consider advertising and audience data that way too.

"What keeps me up at night is knowing who's playing a part in the supply chain of advertising," said Connor Dault. "There are a lot of players that touch a bid or an impression, so it's important for us to understand what each of them are doing along that line, where markups are occurring, who's adding value to that supply chain, and who's kind of just taking their cut and not really enhancing the efficacy of the media dollars we are placing."

> **"If you take the fundamentals of marketing, it's about learning fast. It's about the scientific process. You have a hypothesis, you test it, you iterate, you repeat."**
>
> **Brett Wilson**
> Co-Founder and CEO, TubeMogul (now Adobe Advertising Cloud)

Brands typically choose one of two different ways to take in-house control of their digital advertising spend. Some opt to bring everything in-house, wanting complete control over their digital advertising spend and execution. Others sign deals directly with their tech suppliers, instructing agencies on exactly how to use the tech. That way, the advertiser can benefit from the deep knowledge and industry relationships owned by the agency while also maintaining the transparency and agnostic buying power of the technology provider.

The biggest challenge to both scenarios is talent. There is now a huge talent gap as demands from technology providers, brands, agencies, and competing companies like Google and Facebook go after an ever-diminishing pond of experienced programmatic minnows and fish. On the surface, bringing everything in-house might sound appealing, but you'll either have to throw a lot of worms into the water or paddle furiously if you want to land and retain your talent catches.

If brands believe they can navigate the staffing obstacle course, there are multiple benefits to in-housing, explained Brett Wilson.

"If you take the fundamentals of marketing, it's about learning fast. It's about the scientific process. You have a hypothesis, you test it, you iterate, you repeat. That's what the best marketing teams do," said Wilson

"Agencies can uniquely bring creativity, technology, and people who understand how to help clients grow and prepare it for the future."

Mark Read
CEO, WPP

Meanwhile, the client-agency relationship is far from dead. As CEO of the world's largest agency network (WPP), Mark Read says a growing number of his agencies are putting their staff onsite within their clients' companies: "I think that agencies can uniquely bring creativity, technology, and people who understand how to help clients grow and prepare it for the future. That's what we mean when we talk about being a creative transformation company. I think clients are much better served working with their agency partners or working with WPP to put our people on the client premises."

Wilson believes there is a strong place for agencies that position themselves as "transparent partners."

"At Adobe, we've actually seen a renaissance of new agencies that have aligned business models and they are hiring a different type of talent," Wilson said.

Instead of hiring the art major from the state college in New York, for example, the new type of agency is recruiting the math major from Princeton as they look to more diverse talent pools to fully set themselves up for the new, data-driven world.

The next
25 years.

We're now on the final leg of our whistle-stop tour through the last quarter-century of digital advertising. But what does the future hold? By 2044, outside the industry we may finally see marvels like fusion power nearing commercial availability, virtual telepathy becoming the preferred way to communicate, and China's space program rivaling NASA's.

While there's much speculation about what advertising will look like between now and then, the next couple of years will be pivotal. And all signs point to an evolution spurt.

The next couple of years will be pivotal. And all signs point to an evolution spurt.

"The current climate for digital advertising conjures up a flurry of industry woes over data privacy, security, and ownership. But the silver lining is the dawn of redefined digital experiences that turns advertising into an essential part of an experience-led strategy and makes the most of a market worth more than half a trillion dollars," said Keith Eadie, VP and GM of Adobe Advertising Cloud.

The industry will need to come together to overcome challenges over privacy, how data gets used, and what it will take to make changes that put consumers first. We'll need to find workarounds for legacy, walled data gardens that make it difficult for marketers and advertisers to know if their work is resonating with customers.

“To become experience-led and meet evolving expectations around privacy, we must move from a singular focus on data-driven targeting at scale to total consumer-centricity for consistent, relevant, and creative experiences across every channel,” said Eadie. “As the only major marketing cloud provider with a fully integrated advertising solution, we can break down the walls between advertising and marketing and people and meet changing consumer expectations in a way no one else can. Ultimately, when a relentless focus on the customer combines with one brand voice across advertising and marketing empowered by technology, consumers will want brands in their lives over others because they are creative and understand them better.”

We’ll leave you with some additional perspectives on the stepping-stones to this promised land, with industry experts telling us what they’re most excited about as they consider the future of digital advertising.

Here’s to 25 more incredible years of digital evolution. We can’t wait to see what the future has in store.

"Twenty-five years from now, I see a world where things have become personalized everywhere. So a passing billboard would show you a model of a car with a discount to get upgraded to the newest model of the newest year. Or, as you're walking around, billboards and street signs are changing to products and services that exactly fit who you are and what you might need. There will obviously be **new social networks,** new emerging forms that are nascent right now—**augmented reality and virtual reality**—that will probably just be everyday parts of our lives and how we move about the world. Obviously, there will be a place for brands and advertisers to play in that space, but my hope is that these are enhancements to our lives and not interruptions."

Connor Dault
Marketing Manager, Dollar Shave Club

"I'm very bullish about the marketing automation space. I think that it hasn't even been tapped into as much as it could. We had visions of marketing automation back in the '90s in a very tactical way from the beginning of DoubleClick...but I think the ability to automate these customer journeys and to serve needs in the best way possible—the consumer will get what they want, when they want it, and how they want it. I think the **marketing technology** space is an actually amazing space to watch right now, even more so than the publishers."

Sharon Otterman
Chief Marketing Officer, William Hill

"There is a much bigger opportunity for people that do a lot of different things to play a significant role in the digital space now because the nature of advertising has evolved into a place where you need to have a lot of **different skill sets.** You need to be able to do a lot of different things because you're impacting more than just putting together a website, or putting together this one banner ad, or being able to direct a video shoot. One of the more significant impacts that digital advertising has had is that it has created a need for creatives to have a much more **diverse background.** Digital advertising is not just a banner ad, but it's the entire experience that you're creating, end to end."

Michael Miller
VP of Creative Experience and Social Media, T-Mobile

"The advances in **machine learning** are really important, even if not all of them are ready for primetime. The overall advertising ecosystem today is characterized by a lot of aging technologies that will be reoutfitted not only with newer technology, but also with technology that is just moving faster.

"A great example is the latency that exists in television today. It takes up to 45 days for you to know exactly what ran, when, or where on television if you wait for your agency to send you the final reconciliation. However, with **automatic content recognition** coming from digital and being applied to television and smart TVs, as that technology gets better, your machine learning can see your ad the second it runs. And you can then pipe that data back every hour (or continuously) so you will have the same level of detail in TV as you do today in digital and other media."

Rex Briggs
Founder and CEO, Marketing Evolution

"It will be very interesting to see how sustainable some of the **subscription models** are over the long term. I think you've got this duality happening within the media space today of media companies really trying to make subscriptions work for them. If they do make it work for them, what's the impact on the advertising ecosystem? Then you've got another model with bigger hitters coming in and trying to figure out ways that they can better **monetize their platforms** through advertising, like the likes of Amazon."

Anthony P. Martinez
Global Director, Digital Marketing & Media, Coca-Cola

"People want advertisers to be part of the conversation. Not some loud, boorish [person] interrupting the **conversation**—and we've been trying to get there for decades now on the internet. And I think with data, and some more application of **creativity,** we can get there. We can understand audiences well enough, we can get **audience permission,** we can create enough assets and put them together in enough unique ways using technology. Where advertising does become valuable content."

John Battelle
Co-Founder of *Wired* and CEO of NewCo

Join us as we leap into the future and help redefine what's possible. Learn more about Adobe Advertising Cloud, and discover how it can help propel you toward 25 more years of success—and beyond.

Learn more about Adobe Advertising Cloud on Adobe.com.

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