17th Annual International Symposium on Online Journalism

Day 1, April 15, 2016: Morning Session 11:15am–12:30pm

Can advertising still subsidize journalism? The ad blocking war and the news organizations' efforts to create new revenue streams.

Chair & Presenter: Jeff Jarvis, Professor & Director, **Tow-Knight Center for Entrepreneurial Journalism, CUNY**

- **Jed Hartman,** Chief Revenue Officer, **The Washington Post**
- **Jason Kint,** CEO, **Digital Content Next (formerly Online Publishers Association)**
- **Marcelo Leite,** Director, Product & Marketing, **RBS Media Group, Brazil**
- **Diane Vickroy,** Vice President Business Development, **Secret Media**

Jed Hartman: So yes, advertising can support journalism. In short, the short answer is yes. Advertising is north of half-a-trillion-dollar worldwide industry. And journalism attracts an enormous audience, and advertising tend to follow an audience. So it stands to reason that if journalism brands do the right thing, that they can capture enough revenue to support journalism.

However, admittedly with the dramatic mind-boggling rate of change, it complicates things, as Jeff pointed out. Yesterday is no longer a good enough barometer for tomorrow. And in fact, if you are new school now, if you feel new school in your thinking today, it doesn't mean you will be new school in your thinking tomorrow. You start from scratch every day, and you have reinvent your thinking every day. And that creates complications.

So what that means is, you do have to diversify your revenue. But not just outside of advertising. That would be giving up on a half-a-trillion-dollars. You must diversify and innovate and experiment within advertising. So I'd like to illustrate it this way, please.

There we go. So my first day at The Washington Post a year-and-a-half ago, my boss gave me this. He gave me a revenue bucket and he asked me to fill it and return it to him at the end of the year. And then I would pay for our journalism expertise. Seems easy, but the challenge was, if you look closely, you'll see these small holes in the bucket.

Boom! Newspaper ads come out. Magazine ads. Something very interesting—digital display ads. So, who would have thought that digital was an old medium? And in digital years, like dog years, it's hundreds of years old. And display advertising is a newspaper business inside pure-play digital copies. So that is leaking out and leaking out fast. If you're in the TV business, you see this following. And then, of course, lucky us, we have fraud. It creates more supply, hurts our CPM. That's leaking. The viewability rules, the new viewability rules, some are appropriate and some are not as fair but cost us money. And then, of course, the recent enjoyment of ad blocking. So you have a lot of holes in the bucket and things leaking.

However, you have things to put in the bucket. First of all, you have to maximize one of these things that's leaking. You have to. The challenge there is, for us, it's the newspaper business. We have an enormous newspaper advertising business, newspaper subscription business. Enormous financially. And you have to maximize it, but you can't maximize it instead of betting on your future. So when the two come head-to-head, you always bet on the future, but you have to have an infrastructure and a strategy to maximize your legacy business, rather than accelerating a leak.

Then you have things like sponsorships, which are popular. You put them in the bucket. You have video which is popular. Native advertising. Content creation. Like an ad agency, we do that, too. Social media. Very popular. Great way of making money. Licensing of our content or our brand. Throw that in the bucket. Programmatic world is growing and a very good way of making a lot of money. Both open and direct private deals with agencies and clients—programmatic. Put that right in that bucket too.

VR—new hot, fancy item. There is short-term money, perhaps long-term money to be made. The event business has been good for us to make money. Consumer revenue: subscriptions, digital and print. Tech. We sell our CMS and aspects of our CMS. We sell ad tech. Can make money there, too. In addition to all that, you have experiment and innovate. You have to try different things with your existing assets to try to look for revenue streams.

So if you see what you have here, you've got a lot of stuff that you can put in that bucket. So even though it's leaking, you can still make money, grow your business, and support journalism. So you have to experiment. You have to be nimble. You have to diversify within advertising and outside of advertising. And you can grow your business and continue to support journalism.

Thank you.

Jason Kint: Yeah, so old life, we were called the Online Publishers Association. We are the only association that's exclusively focused on content companies. So all our members are content companies, so importantly, our association doesn't include ad tech companies, distributors, etc. Pure content

companies. What's important to understand when you think about these brands is, every one of them has a direct and trusted relationship with consumers and advertisers. So every brand in our membership is a known household brand, and marketer and consumers do business with them and know that they are.

Also, we look at the entire revenue mix, which is important to this discussion. But it's good to understand that across our membership, about 85% of their revenue comes from advertising. 85% comes from advertising. And the brands up there, you can see, we've actually grown from about 40-some members to doubled in size to 75 in the past two years. But those brands include new companies, old companies, native digital companies, The Washington Post, The New York Times, ESPN, Texas Tribune. So all sorts of brands.

Skipping forward, there we go, just to frame this discussion, you know, I said 85% of our revenue comes from advertising. Kinsey referenced this earlier today that the Times revenue growth had all come from non-advertising. If you look at the past five years, all of the growth which our industry talks about in digital advertising, which is about 15-20% per year, all of that growth has gone to intermediaries, which includes ad tech companies, and it's gone to very large distributors. Google, Facebook, being the obvious ones. Twitter to a lesser extent.

And so what these companies have in common, though, is they have enormous wealth of data. And they are able to collect that data and see most of the web in a way that an individual content company or publisher can't do. They see most of the web. And that is a great strength. And the content companies have been relatively flat over the past five years—represented in the red. Jed talked a lot about all the elements of that bucket.

So I'd like to just kind of simplify the problem around the word *trust*. If you simplify digital media and you just think about what makes digital media thrive, there's really there stakeholders that matter. There's the consumer. We get that. There's the advertiser that subsidizes much of this content. And then there's the publisher. And you all understand that role. And it's the fair value exchange and the trust between those three stakeholders that makes digital media work. And I know in this room we think about trust in terms of editorial integrity journalism.

But for this discussion, I mean the confidence you're going to get what you expect in return. So when Jeff describes what Vice Media does—absolutely, that's the cool factor—what BuzzFeed does, what The Onion does, what The Times [and] The Washington Post do. There's an expectation of value. And all the parties in that chain right now are in a crisis of trust, I would call it. Jed described a lot of the marketing issues.

Skipping towards ad blocking, which is part of our topic here, there's been this need to, when advertising revenue hasn't been growing, there's been this need for a publisher to pay for the journalist and the entertainment. And so, yes, they've been adding more and more ads to the pages trying to find new ways to get more revenue out of a webpage. Leading to more and more clutter, more and more data collection, and ultimately, a loss in audience goodwill. Audience goodwill and trust being the most important—the most important asset of any brand and publisher.

There's a stat that we've been tracking for about four years now. And probably the best source of it is Nielson. They put out a Trust in Advertising Report every year. And digital advertising, going on four years, is always at the very, very bottom of the least trusted form of advertising. And I'm the digital guy telling you this. So you've got television, newspapers, magazines above it. And down at the bottom, you've got native, mobile, social. So you have an issue of trust in digital advertising with consumers.

Fairly logical how we got to this problem of ad blocking. If you paid attention for the last five years, it's very simple how we got here. And so now consumers are boycotting all ads.

This is one page view. You've seen stuff like this before. It's one page view on one website. Over 400 third-party calls, tags, interactions with companies that the consumer had no desire to interact with when they visited this page, which was The Washington Times website, just to be transparent. A lot of sites are some degree of this.

And that, you know, everybody gets focused on the privacy piece. I talk a lot about privacy and consumer trust. But that introduces all sorts of -- that complexity introduces all sorts of vulnerability. It introduces issues of fraud. It introduces the issue of measurement. And it gums up the page. It creates…. I mean, if you take any site that looks like that behind the scenes, typically, the front of the site looks pretty terrible too.

So take that all into consideration. The research we've been doing, we've been doing a lot of it at DCN. The consumer research, in particular, shows a worrying trend of ad blocking adoption. We're at about 15% of the US audience now. And the data says it's going to continue to grow. It's not growing geometrically. It's not really hockey sticking. But it's growing linearly and consistently. And the idea that you're going to actually turn that around while the technology behind our wonderful, open internet is getting more complicated, I think could be a lot of hope.

And so I think we, as an industry, need to assume at this point that there is this loss of consumer trust, and the solution to it is going to be some form of ad blocking. And that solution won't be ad blocking as we know it now. And it certainly won't be Ad Block Plus, which is the most popular version of it, which has all sorts of questionable business practices behind it. But there's

going to be something that's going to protect the consumer experience and why they're installing ad blocking. It's going to actually take care of the privacy issue, the security issue, and the performance issue.

And AMP might be that solution that Google's offered, but it might be something built into the browser. But expect that that's going to continue to -- there's going to be more and more adoption, and you're going to have to evolve to solve for it.

So the provocative challenge here is to flip this around and think about that audience as an opportunity. There is 45-million people now, and growing, in America that are using an ad blocker. That have said, "I'm out." They are of no value right now to advertisers or publishers, but they are probably the most important demographic. They are all young millennials. They really understand the digital medium. They are the future. And they all want high-quality journalism. They all want great entertainment. And so they are the most likely to give your attention, the most like to say, "OK, if you have a better experience to offer me, I will opt back into these new terms."

And that's really the opportunity here. And it is—you know, I'm not exaggerating when I say, I think it really is a unicorn opportunity to find a way to rethink your value proposition to this audience. And it might not be just about advertising, but you'll adjust the new terms of the deal.

Last point I'm going to make, in terms of doing that, obviously, 100% focused on the consumers. We do need to rid, as much as we can…. And I think the people in this room can help here. And I think Dan Gilmore did a great job covering this a couple of weeks ago in a piece he wrote. We need to purge the marketplace of what I call the *trust parasites*. These are companies that are actually taking out more than they are putting in.

Dan focused, I think, on Facebook, which has incredible value to our ecosystem, so don't misread this point. He focused specifically on the way they are able to collect data across the entire web, and that publishers should push back on that sort of data collection, and also should demand better data in return for their content.

I don't know how that's going to evolve, but the point is, we need to be smarter about what this technology is doing and how that value exchange is happening; particularly, around first party [data] versus private data. Stop there.

Marcelo Leite: So I disagree slightly with what you said, Jeff. I still think advertising is always going to be important, but it's not going to be as big. I think that's fine. It's not going to be as big as it was. So I want to add just one dimension here I the conversation. That is, profitability.

One thing about advertising is not only it was always big for our industry, but it is a very, very high contribution margin. We do, like, in Brazil, 75-78% contribution margin on that. And as you replace that, you have to find another way to do that in a profitable way.

So real quick about RBS. RBS is a multimedia company that operates in South Brazil. We have TV stations, radio stations, digital, and newspapers. We actually have eight newspapers. And Zero Hora is our main newspaper. We are a 51-year-old brand. We are actually one of the most awarded brand journalism in Brazil. And we are the fourth largest newspaper in the country, even being a regional newspaper.

So I'm going to talk a little bit about some of the things we are doing. I think I like the analogy of the bucket that Jed just did for us. I think it's pretty similar. And you know, we've done a bunch of those things. We started licensing some of our brands. We started doing…. We did our DNP. We have a programmatic business that started late last year. We have a branded content studio. We have, you know, a roadmap of nice things that are going to launch.

Most of them [are] things that everybody else in the industry is doing. So we are kind of mimicking the best practices and trying to get new revenue streams. However, profitability on those things is not the same, right? When you do something like licensing, you go to margins that are very, very small. And you can somehow replace revenue, but you still have a large, big bill to pay.

So one thing about Brazil that might not affect everybody in the U.S. and some other countries that are represented here is that we are exposed to currency effects. Right now a real in Brazil is worth very, very little, so we buy paper in dollars and you know how it works.

Logistics is something that is very complex in Brazil. Our infrastructure is not as good as most developed countries. Other than that, the cost of logistics are exposed to gas and to labor, which grows pretty high in Brazil. Much, much higher than every industry revenue growth.

So when you add that to the equation, you see that profitability really gets to the point that it [becomes] a bigger issue than advertising revenue itself. So we try to understand our customers. So, how can we focus on these guys and understand their behavior in order to make more money and to explore better financially the opportunity that we have?

And we found that our digital customer is very different among itself. It's not one single guy. It varies a lot—the behavior of this customer—based on his digital adoption and the value that this customer gives to curatorship and to a structured way to consume not only media but experiences in their life. This is the guy who wants to travel, and he likes to go in a group. He likes to

understand where he's going to go which morning. And there's some guys who just go on Trip Advisor, just travel, and then they find out what they're going to do when they are in the places.

So based on those differences, we said that we have this public here. This digital conservative guy. That is like a guy like me. I'm not a digital native, but I had to include digital in my day-to-day activities. I don't go to the bank anymore. I use home banking. I adopted e-commerce. I adopted social media and lots of things in my age. Lots of people my age had to do the same thing.

So these guys, they like a structured reading experience. They like content curation. They value that. They need some support in the digitalization process. And we taught him along the years that going from the first to last page of the newspaper, that experience by itself means to be well informed. So this guy still values that.

So we tried to do something that is very, very focused on profitability. It's a way to accelerate digital adoption that might be very easy in a place like Austin that is very high-tech and has very good infrastructure, but it's not as easy as in Brazil. So if you can play the video real quick.

[Video plays in Portuguese.]

So it's a very simple proposition. If you look at it on a per customer basis, our cost with logistics and printing in Brazil, per year, is less than what the Brazilian average pays for a tablet. The tablet penetration in Brazil is not quite as high as it is in the U.S. The tablet is a product that is…. I'm going to go to that product real quick. The tablet is something that is very desired by the population in Brazil. You see here that the tablet price is pretty much the same as the average income per capita in Brazil. So it's a product that people really want to have. Even people who already have that in the household still wants to have an additional one.

So what we do is, we buy those tablets in scale. We develop a very nice app to go with it that is a perfect replica of the newspaper with a layer of interactivity that is very well built into that. We don't do profit margins on the device itself. We fragment the payment in 12 installments, so in that way we can fit within the average budget of a Brazilian family. And we tie that to a subscription program where we do margin.

So if you look here, the tablet is the first one there. We do much higher margin than any other way we can sell our content to the customers, because we have the tablet embedded on that. So we just launched that. We had kind of a presale reservation line of 5,000 people. We already have 3,000 of those subscribed. We actually had a higher success than we expected, so we had to stop selling right after Christmas. Samsung didn't

help us very much on that. I hope there's nobody with Samsung here in the audience.

And we do an ARPU that is very, very good for us, so we are adding value-added services to this device. So we have a warranty extension. We have a warranty—not a warranty—insurance—sorry—tied to that. So, I mean, we really want to grow that base, and we want to find new revenue streams within that base. So we have news sponsorship models on that. We can sell the deck. We control the deck. So if you are a bank, you can buy from us the pre-installation of your home-bank app already on the deck.

We are increasing the set of value-added services that we offer. We are increasing the offering of accessories. And you know, we're going to have a trade-in program that is going to make some money on the device as well. And we're also going to go to retail on that. So, you know, it's a different way to add profitability to the equation.

Diane Vickroy: So we're here to talk about the question, can ads subsidize journalism? And at Secret Media, that's exactly what we're working to do. We are a technology company helping premium publishers to create a sustainable ad-subsidized experience. So let's get started.

So we not only believe that ads can support journalism, but we think they should for a number of reasons. First of all, today, the ad model means that users don't have to whip out a credit card every time they visit a site, which would be a headache, I think most of us can agree, so we're blessed that we don't have to do that thanks to ads.

This ease of transaction—and I think we should talk about the fact that it is a transaction for the content—means that the three-billion global internet users have access to all this information. And that's important, you know, maybe not so much in developed countries, but in developing countries the purchasing power might not be enough to have them access the great content that they can today. So we'd like to keep it that way.

Lastly, ads maintain the integrity of independent journalism. And I'll touch on that later.

I'm sure most of you have seen this. If you haven't, this is called the LUMAscape. This one's from 2015. It's brought to us by a company called LUMA Partners. What you see up here is everything that is in advertising technology today. So everything from agencies to ad serving, behavioral targeting, measurement, etc., on and on and on.

The problem here is that all of this is on publisher pages, whether they know it or not. And every logo you see up here adds an ad call, a ping. It's adding weight and time. And I believe Jason mentioned this. You know, it's

gumming up pages. And not only is it gumming up pages, but it's opening the door to some pretty serious issues.

So for the user, some of the issues are latency. Again, just the time needed to load the ads and the content. It's frustrating. Second is data usage. It's a pretty legitimate concern. What is being collected? Who has access to it? You know, the privacy issue that we hear talked about a lot. And then lastly, you know, the advertising world works hard to make sure that there are KPIs on exposure, but let's face it, sometimes it's just too much. So there's a high exposure.

On the publisher side, you know, again, all of these calls, all of this tracking, if all of that stays advertising focused and is used to better advertising, that's one thing. But there's the potential for data leakage and corporate espionage that is not talked about very much, but it's very easy to track what users are doing on a corporate network, for example, and to get a pretty good idea of what's happening at a company. And then malware, obviously, is a big issue as well.

So at Secret Media, we did a little research. We crawled the top 100 websites around the world. And we wanted to measure what was happening with the content and the ads. What we found is that the average online article, 80% of the bandwidth was used for the ads and 20% for the content. And this is less than 140 characters, so [chuckles] I did that on purpose.

So that brings us [to], you know, the bottom line is that publishers have lost control of their pages, clearly. And that brings us to ad blocking. So about a year ago, we did a study with JW Player. They are one of the top video platforms in the world. They have a huge footprint. And we were focusing on measuring the time spent that was un-monetized. So I believe Jason gave a number on the number of uniques in the U.S. we're blocking. What's interesting is that the time spent is far higher than that. So what we calculated was that 26% of time spent was unable to be monetized. That's a big number, especially for video, where CPMs are very high.

What does that mean? Where are we going? Again, we've only seen ad block rates increasing linearly, but increasing. And I think they will continue to do so. What will this number look like in the future, is a big question.

Well, a pretty good look is what's happening in Germany. So Germany is a very privacy-focused culture. They are very averse to what they see as an invasion of their privacy that comes with all the tracking around ads. It's where Ad Block Plus was formed. And generally, the market for ad blocking in Europe and Germany especially is about two years ahead of the U.S. So that's a pretty good look at—if we project ourselves in the future—this is a great look at the numbers we could be looking at.

So, how do we restore this virtuous cycle? And I believe it is a virtuous cycle. I think we get back to the value that all of these three actors are getting from digital advertising and advertising generally. You know, the point and why an advertiser pays a publisher in the first place is to reach people. And they want to reach people in a positive way. They are not paying for a poor context. They are paying for a quality context.

So I think today, when we think of the user perspective, you know, how many people would love no ads? Okay, I see a few hands. I think most of us have felt like this before, right? [laughter] Yeah. If we could have a world with no ads, that would be great. But that being said, how many of us have seen an ad that informed us and entertained us? Hands? I see a few, yeah. Ads can also be informative. And that's the point, right? The advertiser is not seeking to annoy us. They are seeking to tickle us, inform us, entertain us.

And the difference between the two is context, right? How is the ad served? To whom? In what context? And so, where do we go from here? Others have mentioned this—the market really needs to focus on the user. You know, publishers, I think, spend a lot of time thinking about the user experience, tinkering with the look and feel, but I don't think I've ever heard the term *user ad experience.* And I think that user experience and user ad experience really need to be combined. They are one and the same today.

Part of treating the user well is not deceiving them. And I think Jeff mentioned this. But not only can native ads be blocked, they also to some extent, you know, deceive and betray the trust of [the] user. If journalists are being paid to write something, then that's no longer a bias-free piece of information.

Whoops. There we go. So at Secret Media, our mission is to help publishers build a balanced level of monetization. So as many before me have mentioned, you know, over the years, the technologies, everything I've showed you, all those lines of code, all those ad server calls, all of that has been increasing and increasing the number of ads and trying to maximize the revenue per page, per user. And we've passed the tipping point, right? We're way over.

And the idea at Secret Media is that we allow a publisher to rebuild this equilibrium. And this equilibrium isn't new, right? If we think back to print journalism, which I don't really remember, but my parents told me about, [chuckles], you know, those full-page spreads filled with ads didn't work. They were thrown into the trash or used on moving day, right, to pack the china. So the over-exposure to advertising not working—it's an old story. It was true of print, and it's true today.

So our goal is to recreate this virtuous cycle, allow publishers to maintain their revenues, but to do so with a focus on the user. And actually, I liked the slide that Jason put up that showed all of the calls and all of the actors on

any given page. You know, he mentioned that users didn't mean to do that or didn't realize all that was happening. I would go so far as to say that most publishers don't either. And they don't realize everything that's being loaded on their pages.

And so our goal as a company is to give publishers the tools to see what's going on, on their pages, and to curate the ad experience that they want to give their user, so that it really is a sustainable ad experience.

Yeah, I'll leave you with this last slide. This is our bet—that we can decrease the ads by a factor of ten but maintain the value. Thank you.

Q&A Session:

Jeff Jarvis: Um, so I have a nutty idea, which is that if we're going to reset the definition of quality in journalism, that we should be doing that ourselves in media, and that might even mean that we create our own ad blocker. Right? That says, "Here's the standard we hold to. We're good. There's a little moral hazard here, but we'll help you block all the crap that's out there." Is that an insane idea, first? But secondly, more important is, how would you define quality advertising versus junk advertising? Jason, why don't you start?

Jason Kint: I'll start and I'll turn to Jed. I don't think it's a crazy idea at all. I've heard it. It's the type of idea I lean into. It's very nuanced, because the semantics alone of ad blocking say something very different than what it really needs to be. But if it's something that actually protects the consumer experience, absolutely, because the thing that we also need to really come to grips with here is that, we're talking about an issue that comes from the wider web, too. And it's a tragedy of the commons issue. So an individual company…. And much of our members, they hate when I talk about this problem, because most of our members consider themselves premium publishers. They don't think they are the problem, but it doesn't matter. As long as some other site is out there creating a bad experience, there's going to be a need for the ad blocker. So, why not, yes, actually rise…?

Jeff Jarvis: What is the definition of quality? What's the definition of junk? Define one or the other for me.

Jason Kint: For me? It actually delivers on the value that the advertiser expects and delivers on what the consumer expects, so it actually informs, entertains. It's part of the overall experience. That was a great point by Diane. And it's not going to actually distract from the experience. And so privacy, security and performance are the three buckets that we look at, and it delivers on all those things.

Jed Hartman: So this is a gray area. We saw the hands raised for how many people have an ad blocker or use an ad blocker. And I imagine those

are the people that would not want to see ads. But if asked, how many people here would like to have free food all the time? Can I see a show of hands?

Jeff Jarvis: If you work at Google.

Jed Harman: That's right. That's pretty good, though, right? Or free mortgage or rent or pay no taxes. That'd be great. All of that, we'd all love that stuff, but it's not realistic. However, in the world of the web, there is a legal technology solution to getting what you want. It's like you can run out of a bill in a restaurant not illegally, and that is a challenge. So we need to make sure we ask the consumers, what is the definition of a good ad? So we ask the consumers. And it's not true for every website, by the way, or every brand. So one company blocking ads and creating one white list makes no sense, because different users of different generations have different thresholds. So you ask them and then you take that into serious consideration while cleaning up your ad experience. But you don't do exactly what they said, because that's once again saying, "Would you all like free food?"

There's a quid pro quo on the web that's, "I'm gonna borrow your eyeballs just for a minute, and I'm going to give you a couple-hundred-million dollars a year in free content." And that's the quid pro quo. And so there is something to that there. So you have to ask the consumers, and they define what a good ad is; however, there's times you can't give them all of it, but you have to get pretty close; otherwise, they will never come back to your website.

Jeff Jarvis: So Diane, how is your…? Pass the mic down if you would. If you're saying, "We're going to show the ads again, and we're going to be good to consumers," how are you defining that fundamental relationship in respect to the consumer?

Diane Vickroy: Yeah, so first of all, as Jason mentioned, most of our publisher clients are premium publishers, and they are not the issue. And they are very concerned about treating their users with respect and carefully. And so our technology, yes, allows us to serve the ad through the ad blocker, but a lot of them do so very carefully by configuring, you know, a certain number of ads, by setting limits on what they push through, etc. But it really can be configured, and it can be…. Our goal is to make it as curated and seamless as possible for them to say, "Let's test in this space."

You know, today, ad block users have no ads at all. They are in a completely blank zone. And so what we put back, we put back little by little, and we see what's an acceptable amount. And most of our publisher clients are surprised, but they have zero negative user feedback. And it's because they are not abusing the users. They are maintaining their business.

Jed Hartman: There's one other reason, I believe, that helps what you do and others that are inserting ads, such as us, is ad blockers, the largest one, Ad Block Plus, a user pays them to block ads and then they actually don't. They block ads except for from publishers who pay them. So they lie to the consumers to extort money from the publishers. It's a wonderful business model. But what that means is, the largest ad blocker is training users that if you have an ad blocker, you will see some ads.

Jeff Jarvis: Are you forced to pay them?

Jed Hartman: I would not pay them, no, but I don't judge. The 90-day earnings can cause people to do certain things, so I don't judge others necessarily, but no, we do not pay them, nor would we pay them at all. But my point is, for businesses such as yours, they're made easier by the ad blockers, in a sense, who are training users to see some ads. So ad blockers aren't perfect. They are a little bit of a strainer and [it] allows you to reinsert ads without sounding off an alarm.

Diane Vickroy: Yeah, I would say that the ads that ad blockers let through are mostly text links, so again, any rich media is gone, and there's a lot of publishers who can't maintain a bottom line with text links.

Jeff Jarvis: Marcelo, is this a problem in Brazil?

Marcelo Leite: It is starting to be. It is starting to be, yeah. It's not as big as in the U.S., but we're starting to get some. I think that if you look at the 62% of Germany, we are far, far away from that. It's close to 10-15% or so.

Jeff Jarvis: One more point then. What I'm going to do is, I'm going to run around, because it's so hard to get out. As well, I'll throw the microphone around since we only have kind of one. So come up with your questions and start yelling at me in a second. One response to this, if we're going to listen to what consumers say, if we're responsive to them…. Jason, you and I have had a lot of online conversations about privacy and data. If I argue, which I do, that we have to know people as individuals and serve them better and understand what their desires are and give them greater relevance in both content and advertising, there's a privacy question that comes up, which is one, so we have to do this respectfully.

But the other question is, we don't know our users very well at all. Google knows where I live and where I work. My local newspaper does not know where I live and where I work. And [it] gives me the same products to look [at] as everybody else in the market. So, are we getting to the point where we are going to be able to get our first party data? Are we going to get data from Facebook and Google? Are we going to get better at analyzing data to understand how to have a relationship with people as an individual and serve them relevance across both content and advertising? Do you see your

members heading that way or will you still think that's too complicated for little, old us?

Jason Kint: I see our members heading that way. There's certainly a rush to an understanding of the value of first part data versus third party. Third party data, there's no scarcity whatsoever. That's the real issue there. It goes beyond the privacy element. It's actually the market itself. There's no scarcity in auditing of the quality of the data. That page I showed you with the 400-plus tags, the biggest circle on that page was Live Ramp, which is a division of Axiom, which is the biggest data broker. And so there's no limits on that right now.

And so, yes, they're going there, but I would caution anyone to think that this is a solution to ad blocking. When the IAB put out their LEAN standards, which was a nice acronym, but also I thought a really good framework for attacking this issue back in the fall. The one practical example that was mentioned was we needed more data so we could deliver better and more relevant advertising, so we wouldn't serve an ad to somebody that made a purchase. That is a really bad direction to go if you think that's going to solve ad blocking, in my perspective.

Jeff Jarvis: You think getting that data would be bad?

Jason Kint: Arguing that we need to have more and more ubiquity of data through the entire ecosystem and the open internet so that we can better serve targeted ads.

Jeff Jarvis: But those data, when you go to Amazon and you look at those boots, those boots follow you around for three months even after you bought those boots. [laughter] That's stupid advertising! Is there anything wrong then if we make the advertising smarter? It says, "OK, you bought the boots, I'll leave you alone now."

Jason Kint: We want the advertising to be smarter, but the issue that we have with digital that we have to recognize is that most digital advertising is direct response advertising. Meaning, you're trying to retarget somebody and get them to click. There is no real cost to it at all, because you're not paying for it. So you've almost moved the equivalent of your direct mail business in your mailbox to digital. And it's the equivalent of junk mail. That is what we're dealing with.

Jeff Jarvis: Yes, it is. Yes.

Jason Kint: And so we need controls on that, and that's the issue.

Jeff Jarvis: Yes.

Jason Kint: There's no cost to it.

Jed Hartman: Targeted and creepy are cousins.

Jeff Jarvis: Yeah.

Jed Hartman: And when you crawl, but you know it, you know, it's like porn, you know it when you see it.

Jeff Jarvis: I wouldn't know.

Jed Hartman: You know creepy when you see it. You simply do. So with data, anytime you go towards something creepy, users don't like it. The other thing, the code needed to collect data helps to gum up an ad page, right? So the smarter your ad, the slower your ad by definition. So you have to watch it, because you can't…. This is a premium website. I appreciate the nods that premium websites aren't as much of a challenge, but we are. Our chief technology officer showed me a year ago the 500 pieces of code per page. And he was only responsible for 150 to make the site work, so the rest were mine. So we built a latency tracker to find out which ads are heavy, and we kicked those ads off the site. But it's everyone's problem, without a doubt.

Jeff Jarvis: Questions, arguments, statements, whatever you like.

Anna Gallegos: Hi. I'm Anna Gallegos. I'm a graduate student at Texas State University. And I use two ad blockers at any given time. I've noticed that websites like Forbes.com you're not able to actually access any of their articles if you do use an ad blocker. So I was wondering why more publishers don't do something like that, and if they would do something like that if it would erode trust with their readers.

Jeff Jarvis: We're going to get an answer to your question, but I first want to ask you, do you ever feel any little glint of guilt about taking away revenue from the journalists of the world? [laughter] As a journalist, I've just got to ask you, do you?

Anna Gallegos: [laughs] I actually do.

Jeff Jarvis: But it's not enough!

Anna Gallegos: But I really hate ads and auto-play ads especially.

Jeff Jarvis: OK, go ahead. So the question again was, why aren't more sites just saying, "You can't get our content unless you do this…"

Marcelo Leite: So I think it's more on the direction of what Jason said. I mean, I think it's more on the filtering side. If you look at the past, I mean, we need to keep simple things simple, I think. Along the time, the customers always wanted to give us information for things that would add value to

them. So if they are annoyed by ads, why not say what kind of ads [do] not interest them? "I'm not interested in this product. I'm not interested in this company. I'm not interested in this type of content." Because if you do that, you can probably get to a kind of good place in the middle. I think that is starting going into a war like that. So, I mean, "If you do that, I don't give you this. If you don't do that, you'll get…" I think that is just destructive on the relationship with the customer and everything else.

Diane Vickroy: Yeah. I would just say, we've seen that be not a great idea for publishers, if you look at Alexa rankings. So we've spoken with publishers [that] say, "Yeah, doing that, setting up a hard wall or a content block has reduced the number [of] our percentage of ad blockers." Actually, what they are measuring there is the percentage of ad block users who come back, right? There's no way to measure the number of ad block users who are saying, "All right, fine, I'll go somewhere else." And we've seen a couple of sites who have set up this kind of content block. Their Alexa ratings just plummet. And Alexa, again, is a traffic measurement. So I agree with the publishers in that they should be defending their content. I'm just, again, not sure that's the [way].

Jeff Jarvis: One little factoid here is The Guardian has a membership campaign going on to get people to voluntarily give them money to do their great work. When they hit someone who has an ad blocker, they put up a message that says, "Aren't you feeling guilty now? Wouldn't you like to be a member?" And the response rate is much higher.

Jason Kint: I would just urge, I mean it's sequencing. It's sequencing and timing. So we're not at a point where the sky is falling. And so publishers need to establish their value proposition with their audience first. If you're not willing to put up a meter system yet, why would you actually just turn away all your audience until you have a chance to clean up your site and really establish your value with the audience?

Jed Hartman: Forbes, I think, was an aggressive move. The numbers, who knows? So we experimented a year ago with things like that, or just saying, "Hey, will you give us your email address so we can put you on a newsletter list?" Various value exchange communications with the user to see what they would do to turn off an ad blocker or to even keep it on. The challenge…. The reason why everyone doesn't jump into that is really two-fold. One is, right now, ad blocker usage is just trimming revenue for publishers. Because publishers are only selling half their site in advertising. So until ad blocker usage increases beyond half, it's not attacking real revenue. It's attracting low CPM programmatic revenue. So it can be significant, but it's not a hemorrhaging number. In four to five years, if ad blocker usage continues as the trends are now, it's a hemorrhaging number. So your favorite websites will get worse. OK? They will curate more than they create. They will get worse and some household names will go out of business.

Jeff Jarvis: Cats and Kardashians. The old joke is, "I don't make anything on a sale. I'll make it up on volume." That's our business model now in that world.

Jed Hartman: Yeah. And so that's…. So right now, it's not as dire an issue for publishers, but in four to five years, ad blockers hurt consumers. Right? The movie Spotlight will not exist in the future if ad blockers continue, because no content company will have that kind of investigative journalism. So turn off your ad blockers, by the way. [laughter]

Jeff Jarvis: Next.

Julio Alonso: I'm Julio Alonso. I'm from the Weblog SL, which is publisher of specialized media in Spain and Latin America. We have published a lot of technology related sites, so our rate of ad blocking is above the average for the industry. I'm a bit worried that I'm hearing some arguments that remind me of what the music industry used to say ten years ago. So, I mean, this is going to be here, I think, and it's not going to go away. So we have to learn how to live with this. I'm very interested in the idea of an industry-pushed ad blocking solution. And I think there's one feature that we haven't talked about that's important, and that's we should have an ad blocking system that does not block everything by default, but the opposite. Just start blocking whatever annoys you. And maybe add up something like the Gmail spam mechanism where the system is learning from the space of other people, and if 99% of people block one site, then that comes by default. But not just block by default, because otherwise groups that are respectful in the way they use advertising get punished by the bad guy who's like throwing 20 ads at someone. So sorry, it's not so much of a question, but I'd like to see your….

Jed Hartman: I brought that up with the largest ad blocker, and they skirted the issue. But that is—you're exactly right. The main challenge is, we can have a perfect site, we can do exactly what consumers want, and you're still ad blocked. Right? It's the nuclear approach. It's the Donald Trump approach. No ads in a at all! Not one!

[End of video.]