Presentation to the Media Institute
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It’s an honor to be among you, our friends, colleagues, competitors – friendly competitors! - here in the nation’s capital.

I particularly want to thank Patrick Maines and his staff at the Media Institute for your quarter-century-plus of fierce devotion to the First Amendment. We are living in a period of stress against the principles enshrined in the First Amendment, the likes of which we have not seen for nearly one hundred years, since the era of the “Palmer Raids” and the government inquisition against political radicals. Your work, Patrick, is our work, and we cherish you for it. Your voice and leadership will be sorely missed inside the Beltway.

Ah, but who is this “we,” you ask? Although we know and have worked with many of you, although we have been here, tucked away in a series of cubicles in or about the environs of Venable LLP, for exactly 10 years, we – the IAB – are the best-kept little non-secret in Washington. We have rarely tooted our own horn, preferring to keep our focus on our nearly 700 member companies and their issues.

As a result, I suspect many of you believe the industry we represent – the advertising-supported digital media sector – is still a young, vibrant, growing, immature, full-of-beans little upstart, just waiting to blossom into a real industry of consequence on the national and international stages.

Well, I’ve got some news for you: While we are indeed young, vibrant, growing, and full-of-beans, we have blossomed, we are of consequence, and we consist of much, much more than just a handful of technology giants in Silicon Valley. Let me give you a few choice facts to help you put the digital advertising industry in perspective.

First, digital advertising accounts for more advertising spending in the United States than any other medium. In 2015, marketers spent $60 billion to advertise in digital media – nearly 33 percent more than marketers spent on broadcast television, the second largest medium. Indeed, if current trends continue – and they will – we expect that digital media in 2016 will account for more U.S. ad spend than the broadcast and cable TV industries combined.

Advertising, of course, is simply following eyeballs. This year, Americans will spend five hours and forty-three minutes per day consuming information on digital devices, according to the research firm eMarketer. That compares with 4:05 spent watching television, 1:27 listening to the radio, and 28 minutes reading print media.

No wonder the compound annual growth rate for digital advertising spend – 17 percent per year over the past decade – far outpaced U.S. current dollar GDP growth of 3 percent over that same period. We are the only advertising medium to experience double-digit growth every year (save for the recession year of 2009) during the last 10.

This growth, it’s safe to assume, will continue, as media consumption habits in the U.S. – and around the world – continue to evolve. As recently as 2013, mobile media usage was equal to desktop. Today, it exceeds desktop usage by more than a third, and we are seeing 100 percent year-on-year growth in mobile advertising revenues, which now account for 35 percent of total digital ad spend.
Digital video represents a similar story. For the first time this past year, consumers who watch Hulu, Netflix, Amazon Prime, YouTube, and other streaming video services say they are more likely to watch original digital video content than primetime television shows. Let me translate that: A new generation, brought up on “House of Cards” and “Transparent” and “Smosh” is now acculturated to turn to digital video entertainment first among video alternatives.

Led by these “digital original” consumers, “the number of people leaving cable each year outweighs those joining, and has done so since 2013,” according to The Economist magazine. The financial services firm Cowen & Company projects that U.S. digital video ad spending will triple by 2020, reaching nearly $30 billion – larger than today’s cable TV industry.

When you add all this up, the economic contributions are breathtaking. Five years ago, in a study for the IAB, Harvard Business School Professor John Deighton concluded that Internet advertising is the hub of an interconnected industry responsible for 5.1 million jobs, present in every Congressional district in the United States. This Internet advertising ecosystem, he said, contributed $530 billion to the U.S. economy, almost double the contribution from four years before, and accounted for 3.7 percent of GDP. Sole proprietors and very small firms contributed 375,000 of those jobs. There were 35,000 full-time jobs in mobile app development alone.

We are currently in the process of updating the research with Professor Deighton, and will be releasing updated information early in 2017.

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Underlying this astonishing growth and economic contribution is another reality that is so real, so present, that it tends to get overlooked. To put it in the form of a question: If the money is following the eyeballs, why, then, are the eyeballs coming to digital media?

I do not think it challenges reason to posit that the popularity of the Internet is due to one transcendent value: diversity.

Like all great revolutions, the Internet revolution has been undergirded by a purpose. Its aim has been to enable people around the globe to communicate with each other, to share ideas, and to improve their lives – intellectually, economically, emotionally, and esthetically.

Now that the Web is a common presence in our daily lives, we often lose sight of what these technologies have wrought. By tearing down barriers-to-entry in both content creation and distribution, interactive technologies make it possible for an individual to publish a national “magazine,” make a documentary film, record an original symphony, even program a television network, and seek audiences around the nation and the globe, with the applications that come built into a laptop computer or are available in the cloud. Thousands of small retailers and sites devoted to niche hobbies, ethnic minorities, sports teams, politics, "mommy blogs" and myriad other interests — as well as local businesses, such as your neighborhood car dealer and grocer — depend on the ad-supported Internet. Never has speech been more open, available and varied.

Freedom of speech, diversity of thought, access to the means of universal communication, the opportunity to speak truth to power – these are the way societies grow. They are the underpinnings of economic competition, for reaching people with and attracting them to new commercial ideas is the stimulus to all innovation. In turn, that competition – competition among economic actors, and competition in the marketplace of ideas – assures that neither a single dominant economic power nor the state itself can control all the levers of society.
In all advanced societies around the world, advertising has been a central contributor to assuring such freedom and diversity of expression and economic action.

This fact has been well documented in every major history of media in the United States. As Princeton Professor Paul Starr wrote in his Pulitzer Prize-winning history, “The Creation of the Media,” "American journalism became more of an independent and innovative source of information just as it became more of a means of advertising and publicity.”

The virtuous circle that links freedom to advertise to freedom of the press to freedom of expression to economic freedom is the reason that Article 19, the influential NGO, says: “The right to freedom of expression covers any kind of information or ideas, not only contributions to political, cultural or artistic debate but also mundane and commercially motivated expressions.”

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The real reason I wanted to come here today is to explain to you that all this freedom of thought — and all the financial freedom that has attended it — is threatened. In fact, it’s been threatened almost from the beginning of the advertising-supported Internet. Some of that threat derives from governmental action, and some from private action. It’s vital that you be aware of all of it.

For the better part of the past decade, a chorus of activists has been pressuring the Federal and state governments to regulate the delivery of Internet advertising. Their rationale, according to the most persistent among them, an FTC gadfly named Jeff Chester, is that “our ‘virtual’ identities may be composed of discrete and disassembled bits of information about ourselves: what we like to read, watch, buy; our problems and concerns (such as health or our children’s education) or our political interests, but they are very much living aspects of ourselves.” Because “the goal of interactive marketing is to…get individual consumers to behave or act in ways that favor or reflect the marketer’s goals,” government has an obligation to regulate it.

Numerous Congressional, State, and regulatory bodies paid heed. Over the years, IAB has been involved in numerous efforts to quash breathtakingly broad regulatory and legislative initiatives that would have trampled over the First Amendment, and run roughshod over the diversity of speech championed by the ad-supported Internet. There was a New York State bill that promised explicitly to extend Government control over virtually all consumer research that had a Web component. There was draft legislation in the House that would have made it illegal for Hispanic advertising agencies to target Spanish-language ads at Latino consumers. There was an FTC rule that would have singled out blog-based book reviewers for enforcement actions to which newspaper and magazine reviewers never would or could be subject.

While all these proposals had the laudable and necessary goal of protecting user “privacy,” all of them extended the definition of privacy beyond historical norms, subjecting to Government oversight any and all “data” that is used to underpin the functions of the Internet —even if that data cannot compromise an individual’s identity, let alone cause him or her any harm.

Upon taking the position of CEO of the IAB in January 2007, my first formal action was to launch a public policy office in Washington, specifically because I saw this legislative and regulatory activity as inimical to freedom and diversity of speech. I am pleased to say that, under our Washington lead Dave Grimaldi and his well-known predecessor Mike Zaneis, we were and continue to be successful in persuading regulators and legislators that they were heading down treacherous, ahistorical paths in their misguided, overreaching ideas for regulating the ad-supported Internet.
We persuaded the FTC, the White House, and several Congressional committees that industry self-regulation would be more effective more rapidly than strict government regulation of so-called “behavioral advertising.” Together with several sister trade associations and with the Council of Better Business Bureaus, we launched the Digital Advertising Alliance, whose self-regulatory program, Your AdChoices, is one of the most effective in the history of advertising, with its icon being served over one trillion times per month. We helped get passed effective legislation against “spyware” that gets placed on consumers’ computers without their knowledge, without forcing essential digital technologies under the same regulatory umbrella.

While privacy remains an even greater, legitimate concern for Americans than ever, I am pleased to say that the threat of errant Congressional or regulatory actions appears to have subsided because of industry’s strong adherence to self-regulation.

More recently, our industry has applied the same self-regulatory model to tackling online piracy. The Trustworthy Accountability Group’s “Certified Against Piracy” program helps marketers identify sites that present an unacceptable risk of misappropriating copyrighted content and selling counterfeit goods, and remove those sites from their advertising distribution chain.

That’s the good news. The bad news is that Government threats have been superseded by private threats – including threats from within our own industry. The biggest of these threats is from for-profit providers of software that blocks ads from appearing on Web sites. These ad-block profiteers, as I call them, are stealing from publishers, subverting freedom of the press, operating a business model predicated on censorship of content, and ultimately forcing consumers to pay more money for less and less diverse information.

The best-known of these firms is a secretive German company called AdBlock-Plus. Its model is to block ads by fiat, unless a publisher pays to have its ads slide through its toll-gate – a business model that Salon said “bears more than a passing resemblance to a protection racket. Pay up, or we’ll break your windows! Pay up, or millions of Adblock-Plus users will never see any of your ads.”

AdBlock-Plus is not alone. Shine, an Israeli startup, is trying to sell ad-blocking software to mobile phone networks. It is backed prominently by Horizons Ventures, the VC arm of Hong Kong billionaire Li Ka-Shing, and run by his girlfriend. His other investments include Spotify and Facebook.

The latest high-profile ad-blocking company is a Web browser startup called “Brave.” It was launched by former Mozilla CEO Brendan Eich, whose last major investment was in banning gay marriage in California. His business model not only strips advertisements from publishers' pages - it replaces them with his own for-profit ads. I want to commend David Chavern, CEO of the Newspaper Association of America, for his leadership in flagging Brave’s actions to the FTC and calling for it open an investigation into possible unfair and deceptive trade practices.

THIS is the true face of ad blocking. It is the rich and self-righteous, who want to tell everyone else what they can and cannot read and watch and hear - self-proclaimed libertarians whose liberty involves denying freedom to everyone else.

The ad-block profiteers are building for-profit companies whose business models are premised on impeding the movement of commercial, political, and public-service communication between and among producers and consumers. They offer to lift their toll gates for those wealthy enough to pay them off, or who submit to their demands that they constrict their freedom of speech to fit the shackles of their revenue schemes.
There certainly are intelligent, well-meaning critics of advertising, marketing, and media with whom we engage, whose aim is to advance consumers’ interests through dialogue and development. The ad-block profiteers are not among them. They cloak themselves in a Halloween mask of consumerism as they attempt to impose private taxes on consumers and businesses alike. Their technologies indiscriminately obstruct competitive pricing data, information about product features, vital political opinions, site content, user options, public interest communications, and other intelligence necessary for the functioning of democratic capitalist societies.

There is a silver lining in the dark cloud of ad-blocking. The ad-block profiteers have forced our industry to look inward – at our own relentless self-involvement – and outward, to the men and women who are our actual customers. The sad fact of the matter is, the digital advertising industry has run roughshod over our own users, delivering ugly pages overwhelmed by ads that are slow to load and increase consumer distrust of the medium.

Former IAB Senior Vice President and Tech Lab General Manager Scott Cunningham put it best and most succinctly in an October IABlog post: “We messed up. As technologists, tasked with delivering content and services to users, we lost track of the user experience.”

IAB research conducted in 2014 found that one-third of U.S. Web users – and 41 percent of millennials - had installed ad-blocking software on one device or another. The no. 1 reason consumers used ad blockers was the fear that advertising could infect their computers or smartphones with viruses. But more than two-thirds of ad-blocking consumers also said they believed advertising slowed their access to the Internet.

“The worst ads load so slowly that they use up data plans and sap battery life,” The New York Times reported recently.

Why did we lose track of user experience? For much of the past decade, the digital ad industry, aided and abetted by venture capitalists with no long-term stake in the viability of media and marketing businesses, have been in a headlong rush to subvert industry standards, hoping they can own the single business model that can lock in proprietary advantage and lock out competitors in the $600 billion global ad industry.

The result has been breathtaking innovation – but also suffocating chaos. Multitudes of could-be formats and wannabe standards crowd screens, interrupt consumers’ activities while impeding the delivery of desired content, create supply chain vulnerabilities, and drive fears about privacy and data security.

Fortunately, there is a real way out of this conundrum. It requires this industry to embrace the founding rationale for the IAB, articulated 20 years ago by our founders. We must create new operating standards – consumer-friendly rules of the road that regulate how we will operate our sites, our advertising, and our delivery. And we must develop technical standards that will realize these guidelines effectively and efficiently.

This will not be easy. Unlike every other major medium, the Internet is a collectively owned and managed enterprise. Whereas a broadcast television network controls and maintains rigorous standards for everything a consumer sees on its channel, an Internet page is a cobbled-together assembly of parts, managed by dozens of independent businesses, each contracted individually by the publisher, ad agencies, and marketers. Some of these entities supervise the content you see; some administer and analyze the invisible data that governs, measures, and optimizes how and to whom the content is delivered.
This decentralized cauldron of innovation requires a new set of guiding principles. That is why the IAB and the IAB Tech Lab, which provides technology solutions to the advertising industry, developed the LEAN Principles.

LEAN stands for advertising and ad operations that are light, encrypted, AdChoices-supporting, and non-invasive. We believe LEAN will be as important to the future of the digital advertising industry as the first IAB Universal Ad Package was to its creation.

LEAN is the basis for a sustainable advertising ecosystem. The IAB is working to implement the LEAN standards in a rating system that will measure the user-friendliness of both publishers’ sites and advertisers’ assets. All will be graded, and their scores published. Advertisers will be able to judge the user-friendliness of their own ads against industry-wide performance norms. Ad agencies, in turn, will be able to judge publishers’ sites. LEAN ads will become a new currency – a market mechanism for the continuous improvement of digital media and advertising.

There is no better time to confront the challenges facing digital media and advertising.

We are living in a period of racial, ethnic, and religious vilification unlike anything I have experienced in my adult life. A Presidential nominee from a major party actually has called for people to be segregated and penalized on the basis of their religion. Whole ethnic groups, particularly Latinos and everyone practicing Islam, are being demonized. The same nominee has proposed changing the First Amendment so that criticism of such public policies would be subject to readier and harsher legal penalties. Even without these changes to the Constitution and our laws, a super-wealthy technology entrepreneur managed to secretly fund a lawsuit that drove an important digital gossip publication out of business.

Diversity of thought, diversity of speech, and diversity of opportunity are under attack.

Think about that when you leave here and go back to your office. Look around your workplace, and pay attention. For these are your friends and colleagues whose languages, skins, religions, and enthusiasms are under attack. Their skin is black, and brown, and ochre, as well as white. They speak Mandarin, and Spanish, and Hindu, and Farsi, as well as English. In my office, with just 70 people, they celebrate Diwali, and Kwanzaa, and Ramadan, as well as Christmas and Chanukkah.

And when they are under attack, you are under attack. For they are not only your children’s classmates, your in-laws, the parents of your future grandchildren - they are the future of the American economy. They are the future of consumption. They are the future of advertising and media. They and we together are the reason we fight for a free and open Internet, for freedom to speak, and – yes – for freedom to advertise.

For as long as we are successful in championing the freedom to say what we want, in the form we want it, to anyone, anywhere – then, no, it can’t happen here.

Thank you for the chance to be with you today.