



BMO Capital Markets' Dan Salmon on Ad Technology and 2016 Trends

BY JAY SEARS

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RUBICON PROJECT ARCHIVES



Jay Sears, Senior Vice President Marketplace Development of Rubicon Project discusses ad technology and 2016 trends with BMO Capital Markets' Managing Director Dan Salmon.

(Editor's Note: This is the first installment in a three-part series. Go [here](#) to read what Cantor Fitzgerald's Youssef Squali has to say about ad technology and 2016 trends.)

YOUR NAME: Dan Salmon

YOUR COMPANY: BMO Capital Markets

YOUR TITLE: Managing Director

SEARS: What do you read to keep up with politics, art and culture?

SALMON: Wall Street Journal, The New York Times, Drudge Report, Foreign Affairs, Rolling Stone, Economist

SEARS: What do you read to keep up with friends?

SALMON: College friends' email list and Facebook

SEARS: What do you read to keep up with the advertising technology industry?

SALMON: Adexchanger, Advertising Age, [Jay Sears' interviews on MediaVillage](#)

SEARS: What's your favorite commercial of all time?

SALMON: I'm not a big gamer, but the publishers make some of the most fun ads. Plus all things are better when [Nate Dogg \(RIP\)](#) is involved. Close runner up is [a reminder of Super Bowl spot cost inflation](#).

SEARS: With regards to advertising automation, what are the three biggest trends you expect to impact companies in 2016?

SALMON:

1. The industry-wide "benefits" of ad blocking. It helps support pricing across the ecosystem by constraining supply growth and disproportionately impacts low quality publishers with low quality ad experiences. Thus it disproportionately benefits premium publishers with better ad experiences.
2. The growth of header bidding and the re-evaluation of basic infrastructures for traditional digital programmatic.
3. The continued push for transparency in all of its forms, be it less opaque vendor contracts/relationships, fighting bot traffic or increasing viewability.

SEARS: With regards to advertising automation, what are the three most overblown topics that you wish would just go away?

SALMON:

1. \$\$\$ amount estimates for the impact of ad-blocking; they tend to estimate the amount of ads blocked and then assume an average price, and thus total dollars lost. This fails to account for the fact that even if ads are being blocked, the marketer may still generate a better ROI in a given channel versus alternatives.
2. Trying to "define" programmatic. So much time is wasted on this. At its broadest, its basic automation and data applied to decision making; at its most narrow, it's real-time algorithms and data feeds in an auction environment.

SEARS: Tell us your coverage universe.

SALMON:

COMPANY NAME	COMPANY TICKER	RATING AND PRICE TARGET	YEAR INITIATED
Google	GOOGL	Outperform, \$825 target	2010
Facebook	FB	Market Perform, \$105	2012
Disney	DIS	Market Perform, \$110	2013
21 st Century Fox	FOXA	Outperform, \$33	2013
Time Warner	TWX	Market Perform, \$73	2013
Netflix	NFLX	Market Perform, \$115	2015
Yahoo!	YHOO	Market Perform, \$34	2011
LinkedIn	LNKD	Outperform, \$280	2012
CBS	CBS	Outperform, \$58	2013
Viacom	VIAB	Market Perform, \$44	2013
WPP plc	WPP-LN	Market Perform, £14	2009
Omnicom	OMC	Market Perform, \$77	2008
Nielsen	NLSN	Outperform, \$53	2013
Alliance Data Systems	ADS	Outperform, \$340	2009
Twitter	TWTR	Market Perform, \$32	2013
Publicis Groupe	PUB-FR	Market Perform, €55	2009
Interpublic Group	IPG	Outperform, \$25	2008
The Match Group	MTCH	Outperform, \$18	2015
Pandora	P	Market Perform, \$11	2015
Acxiom	ACXM	Market Perform, \$22	2009
MDC Partners	MDCA	Market Perform, \$20	2008
Chegg	CHGG	Outperform, \$10	2014
TubeMogul	TUBE	Market Perform, \$15	2014
Harte Hanks	HHS	Outperform, \$5	2008
Rocket Fuel	FUEL	Market Perform, \$5	2013

SEARS: The majority of ad technology companies has not performed well in the public markets. Of the poor performers, what are the commonalities between them that have contributed to this weakness?

SALMON: Failure to transition to more visible, more self-serve-oriented delivery models or to incorporate deeper integration with the clients' first-party data.

SEARS: A smaller handful of ad technology companies has performed better than the rest. What are the commonalities between them that have contributed to this relative strength?

SALMON: Self-serve delivery models, first-party data integration, cross-channel functionality and (increasingly) tying more directly to third-party shopper data sources.

SEARS: Do we live in a “tale of two cities” where Google and Facebook win almost everything, advertisers are dictated to and other media companies fight for the scraps?

SALMON: No. Both have massive audiences and data resources, and Google has the dominant third-party ad tech business in DoubleClick. But neither makes premium content and both will continue to increase their partnerships and compensation to media companies and other creators as brand budgets increase as a mix of their revenue.

SEARS: Please answer the following statements “yes” or “no.”

SALMON:

STATEMENT	Yes or No	Optional
Google will remain a dominant company for the next 10 years	Yes	
Google will remain a dominant company for the next 20 years	Yes	
Amazon is a data company	Yes	All major internet companies are data companies at their core
Facebook will remain a dominant company for the next 10 years	Yes	
Facebook will remain a dominant company for the next 20 years	Yes	
Chinese Internet companies such as Alibaba will become active buyers and/or investors in US based Internet companies in the next two years	Yes, sort of	More often as equity investors or content co-financiers than outright buyers of US based internet companies
Yahoo! is dead	No	
Less than 20 companies on the "Lumascap" are of a material size and these companies will behave as the consolidators of the group.	Yes and No	The number that is material is possibly smaller, and not all will be consolidators. Some will continue to be consolidated themselves by large Tech/Telecom companies
Ad technology is not well understood by investors	No	It's much better understood by the investment community than common consensus suggests
The impact of ad automation to date has largely been in digitally traded media, however impacts of automation will be felt across the entire \$600 billion worldwide media market over the next five years including the out of home and television markets.	Yes	And it will be felt beyond the "media/advertising" market and within the total "marketing" ecosystem, which is well-over a \$1T in size
Ad automation will start to materially impact media trading in the \$70 billion US television market in the next two years.	No	If material means "at least 20%" then its likely 3-5 years, even using the most broad definitions of programmatic
Ad automation improves (or can improve) the direct trading relationship between a media company and an advertiser—by improving efficiency (workflow) and effectiveness (leveraging data).	Yes	But there are plenty of cases where implementation is clunky and the experience doesn't yield the expected benefits

SEARS: If you could go to the airport right now with friends or family and fly anywhere in the world for vacation, who would you take and where would you go?

SALMON: Parents, sister's family, goddaughter's family. Winter is coming, so somewhere warm.

SEARS: If you could create an endowment to fund any existing non-profit you designated, what lucky non-profit organization would that be?

SALMON: [Giving Opportunities to Others](#), a charity I helped found with friends 15 years ago.

SEARS: What is your favorite restaurant in the world?

SALMON: My mother's kitchen.

SEARS: Thanks, Dan!

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Jay Sears

Jay Sears was Senior Vice President Marketplace Development for Rubicon Project, where he worked with management and business unit heads across the company to expand Rubicon Project's market -- and across the media owner and adver... [read more](#)

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