STRATEGY - MARKETING - TECHNOLOGY

THE KINGS OF NOTHING

Reclaiming Strategic Power in the Age of Algorithmic Marketing

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Introduction

The successful marketing enterprises of the future will be defined by mastery of highly-expressive **data activation** at the **pre-action** / **pre-bid** levels in a way that produces meaningful **data from data**. AI makes it easier. But it's not a differentiator. In 2019, I wrote a viral article stating that Beeswax's Bid Manager was more important to the future of marketing and advertising than Publicis Groupe's $3.95 billion acquisition of Epsilon (https://shorturl.at/kiSHS). This was because the former was the ideal archetype of the **expressive** pre-bid solution while Publicis made the best move at the post-bid level. Since then, effective pre-bid has crushed other approaches to the always-on-marketing operating systems when it comes to producing high company valuations. What I had not revealed until now was that my team and I shared with Beeswax both the vision and crucial data-activation specifications around which they created a machine that was significantly more expressive than Xandr (AT&T). My reason was strategic, to advance the industry. So, this isn't a tactical paper about ads. It's about developing the next-generation platform to be able to compete in any industry in the world.

My motivation is simple. Big Tech has its place. But complete monopolization is not optimal for the consumer, marketer, or content publisher. In addition to holdco executives, institutional investors and industry stakeholders ought to find this useful, as the theme herein is based on what moves the needle at the all-important data level. The financial opportunity is staggering. PwC projects advertising spend to reach **$1.4 trillion by 2030** (1). Dentsu forecasts more than 75% of it to be allocated to algorithmic decisions (2). Consequently, the power continues to shift away from the marketer and agency, and to the tech firm. But trends can be altered by changing the conditions. It's a matter of vision and strategy.

There is a story in Greek mythology that demonstrates the importance of simplifying complexity. King Minos of Crete keeps the Minotaur - a half man half bull creature - in the Labyrinth, which is an enormous maze that is designed so that anyone who enters becomes hopelessly lost. Athens is required to send young men and women as tribute to Crete, where they are sent into the Labyrinth and eventually killed by the Minotaur. Theseus volunteers to go as one of them to kill the creature and end the tribute. But he faces two problems: 1) defeat the foe, and 2) find his way out of the Labyrinth. Ariande gives him a ball of thread and holds one end outside the entrance while Theseus holds the other side, unwinding it as he walks. After he defeats the Minotaur, he simply follows it back out. The thread doesn't make him a better fighter, but it changes the nature of the problem by giving him direction.

M&A transactions and corporate restructuring are in and of themselves not strategy, although they are often mistaken for it given the capital investment. These are tactics. Strategy simplifies complexity into 1-2 high-leverage moves, which create an asymmetric advantage that is defensible. There is no formula for it. It's a matter of pattern recognition. The trap is to try to solve tomorrow's challenge with yesterday's solution. Sure, Google won the search game by introducing 'page rank' as a variable. But that moment has passed. It's now a tactic. The opportunity is to identify the next source of asymmetric advantage.

Holdcos have invested significant resources into becoming orchestrators of tech. But they are on the receiving end of the strategic pressure, having to conform to the agenda set by others. AI will make it possible for Big Tech to automate core agency businesses such as creative and data consulting. Therefore, inaction carries accelerated consequences, setting the stage for more forward integration of the value chain. Of course it's necessary to partner. But competitive strategy is about acting systematically to upgrade one's own capacity rather than being subject to someone else's intent.

Enterprise Performance: Past and Future

In the analog world, the advertising holding companies had a clearly defined operating system: agency consolidation and media-buying leverage. By acquiring multiple agencies to build large groups, they created billions of dollars of buying power and used this to negotiate lower prices for media for their advertiser clients. The competitive environment was clearly defined, and they were the kings of the hill.

The digital world is a different strategy space. Wall Street still looks at the holdcos as a discreet segment from an investment point of view for the purpose of risk balancing. They are mature stocks that carry lower beta coefficient values than Google and Meta, meaning both lower upside and risk. But finance is not economics. From a strategic point of view, they're part of the same market as Big Tech. Therefore, having the highest performing Holdco stock is a tactical indicator, not a strategic one. To illuminate this, it is useful to review the scorecard of the past 2 decades. Doing so will also demonstrate the business impact of market-leading data activation capabilities.

In 2011, I wrote the *Ad Waste in Media* paper, which went on to circulate throughout the industry. In that more technical piece, I took a stand against the curated and third-party data craze of the time, with slogans such as "it's all about audience" at its center and wasteful M&A activity with astronomically overinflated valuations. I pointed out that that in order for data to be economically viable and effective at scale in algorithmic marketing, it must be within the decision algorithm and not an overlay atop it. This is the pre-bid layer. My thesis is that this distinction has been central to the divergence in growth and market capitalization between companies that have accelerated and those that have fallen behind.

At that time, I began my vision quest into the depths of data optimization to figure out how the problem could be solved. This piece builds on that work and provides the answer I have held in reserve. Therefore, holding companies that adopt the prescription in this paper can reenter the great power race.

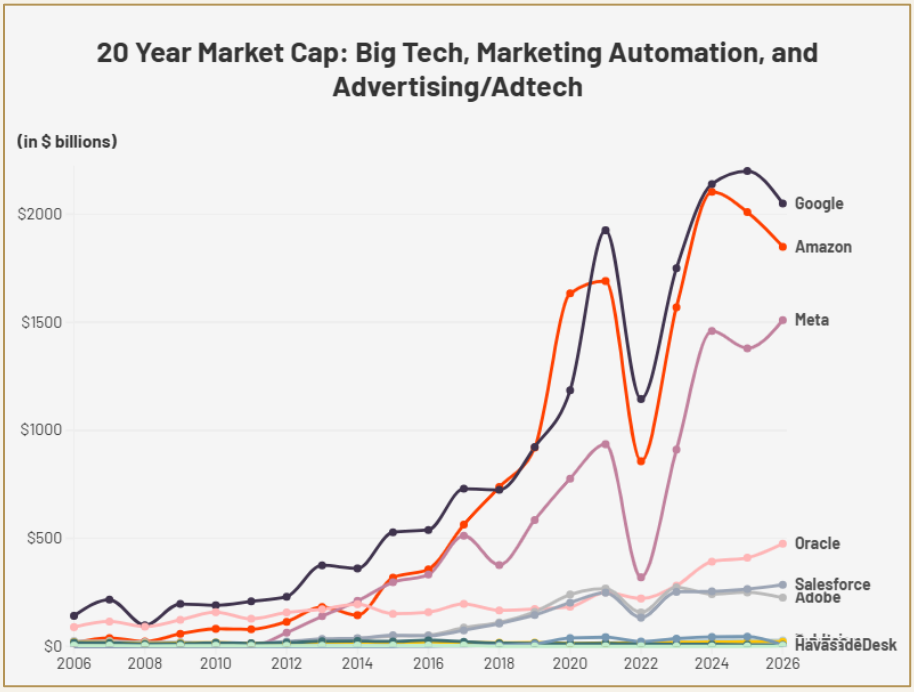
The Scorecard: A Macro View of the Past

Contrary to popular narratives, media, technology, and marketing (covering AdTech, et al) has not been that fragmented at any point in the past 20 years since RTB (real-time-bidding) made its debut. The money has continued to flow through a small group of prominent firms, meaning the market has been relatively consolidated the entire time. But two things have changed:

1. Market capitalization, and:
2. The relative strategic power among the major players.

Figures 1A, 1B, 1C and 2 present financial data for a representative set of important companies, and was compiled from three sources: the MacroTrends Securities Valuation Archive, the Statista Corporate Valuations Database, and the Euronext Amsterdam Securities Exchange Registry. These charts illuminate a significant portion of the story of the past 2 decades. The remainder of the paper uses this as the backdrop to prescribe the solution.

Figure 1A: Google, Amazon, and Meta are far ahead. The marketing automation firms - Adobe, Oracle, and Salesforce are 1 to 2 levels below. The holdcos are practically invisible.



Figures 1B: After removing Google, Amazon, and Meta, and rescaling, Adobe, Oracle, and Salesforce dominate among the rest, and the holdcos and The Trade Desk start to become visible.

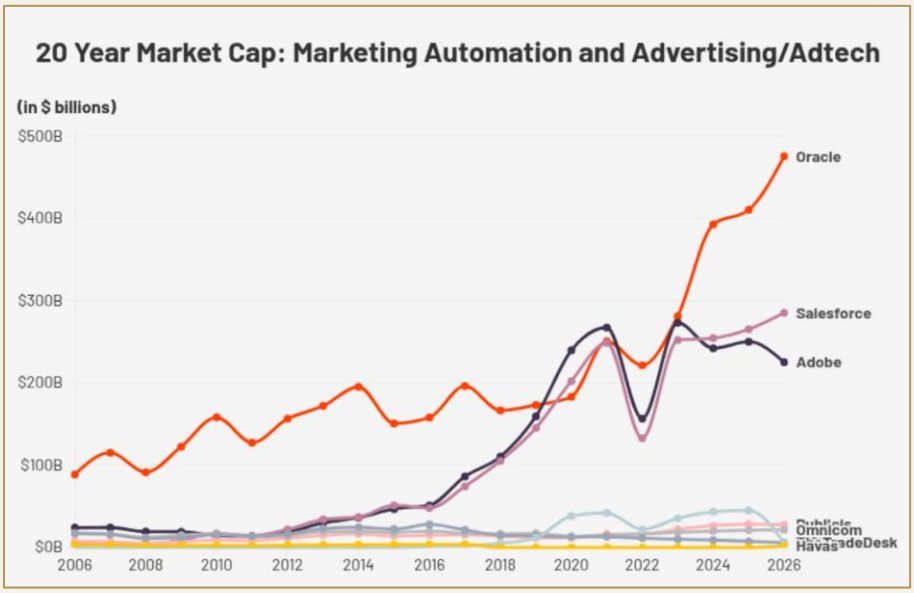
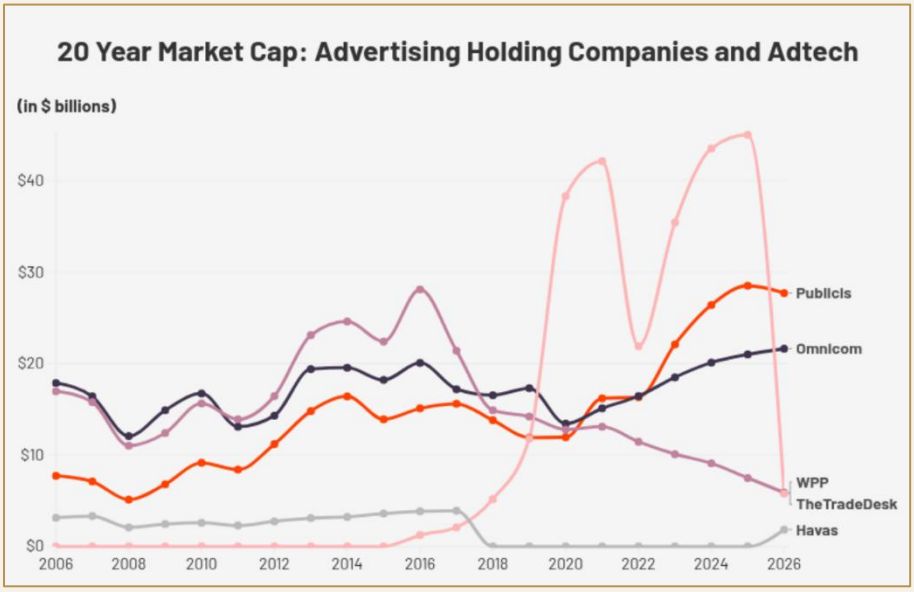
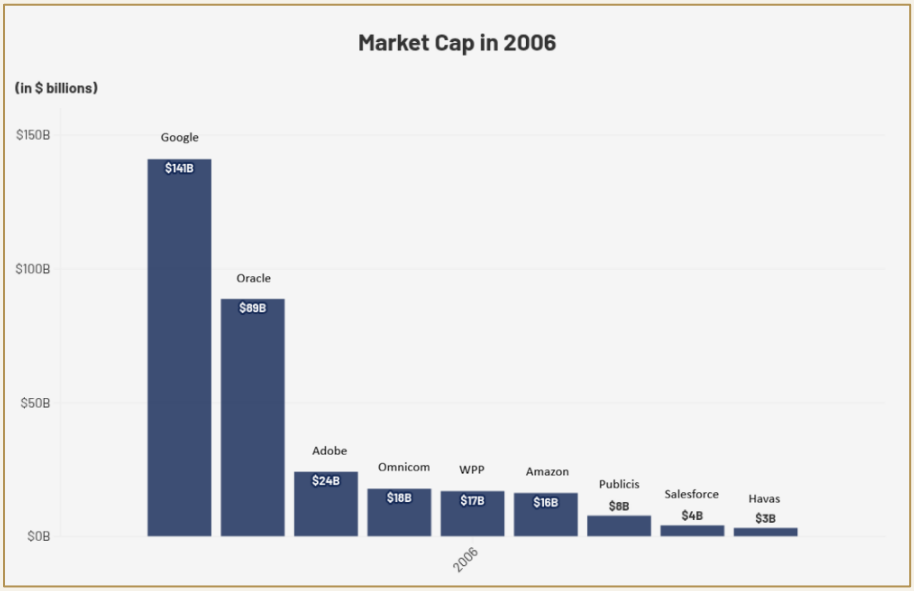


Figure 1C: Only after we remove Adobe, Oracle, and Salesforce do the holding companies gain full visibility. Publicis has been the darling of this group in recent years. Interestingly, the most successful firm in so-called Independent AdTech - The Trade Desk - is also here after a sharp decline in valuation.



Finally, Figure 2 shows the relative market cap of these companies in 2006 (those that were publicly traded at the time). Back then, the #4 and #5 spots were held by holding companies, significantly ahead of Amazon, Salesforce and Meta!

Figure 2



At the time, outperforming the S&P 500 was sometimes used as evidence that the holding company model was working. But relative stock performance was a snapshot, shaped partly by the macroeconomic cycle. It doesn't establish whether they were building the capabilities needed to compete in the future.

To truly highlight the impact of pre-bid versus post-bid, let's consider two close partners, Publicis and Adobe. They work together to pitch the same clients and the former has the closer relationships on that front. So, then, why has Adobe's market cap grown exponentially more than Publicis', which is the darling of the post-bid world? Pre-action is increasingly where the strategic advantage is created.

Before proceeding, we must clearly define the vocabulary. In this context, bid and action are used interchangeably, but there is a difference. Bid refers to a specific action, which is the function of placing a bid in a real-time-buying (RTB) media auction in a decision window of less than 25 milliseconds. Action is a similar idea except that it's not RTB-specific, and refers to any algorithmic marketing response on a website, in-app, etc. Bid refers to AdTech. Action encompasses both AdTech and the much bigger space of Martech. More significant is the difference between post-bid/action and pre-bid/action, and what is meant by expressive:

- Post-bid: these are curated data segments. They are developed using a variety of methodologies and sit in databases to target consumers across the full spectrum of engagement points from websites and apps to connected TV. Epsilon gives Publicis a mature architecture that was already fully plugged in across the marketing ecosystem.

- Pre-bid / pre-action: In algorithmic advertising and marketing, this is the decision algorithm itself, which gives the targeting algorithm the instructions on what to do with each touchpoint (impression) with a consumer either in media (advertising), or in a broader sense across all touchpoints (marketing). Here, the signals that are effective change rapidly, and the level of sophistication in terms of technology and data science must be significantly greater.

- Expressive: this means that the decision algorithm produces thousands of combinations of targeting data and the activation system can deploy it rather than a handful of curated data points. The targeting logic is developed by continual analysis of the live data stream to respond to consumer behavior as it changes. Doing this makes the targeting so much more precise that significant improvements are realized in terms of **marketing-return-on-investment**. More strategically, it turns into vastly improved market intelligence, which can be converted into **high-margin products and consulting services**.

The important thing is that in algorithmic marketing and advertising, post-bid data is helpful in bracketing the campaign. But pre-bid decisioning is what really moves the needle in terms of performance, ROI, and margin.

A reasonable objection is that Adobe and Publicis are not directly comparable because the former has a broader product portfolio. But this puts the cart before the horse. Products are not a strategy. They are made possible by the core operating platform of the business. So, if Publicis, WPP, Omnicom, Dentsu, and Havas develop highly-expressive pre-bid platforms, then they would be able to imagine all manner of high-margin products for one reason: **the feedback loop**, which produces new data in real time.

Google, Meta, and Amazon have tremendous advantages in understanding consumer behavior because they interact with end users through their own data-activation platforms. Clean-room capabilities can

provide some customization, but they do not by themselves give a company ownership of the decisioning logic or the feedback loop that produces proprietary intelligence.

This is not pie in the sky. There is no need to rebuild an entire tech stack. Nor would I recommend it for a holdco. In fact, one of the biggest mistakes these firms made in the past was throwing money at the problem and trying to build in-house quasi-DMPs (data management platforms), acquire DSPs (demand side platforms) and construct their own bidders. But there was no strategy to plug them in.

Even a large team of specialists cannot create a defensible advantage without the right platform. Almost every company has some form of activation. The difference is whether the system can continuously generate new data, improve performance, and produce better customer intelligence. *Amazon DSP's Clean Room is a key benchmark*. The industry has happily adopted it as an incremental improvement that allows some customization at the algorithmic level. But if a large holding company simply integrates and resells these types of solutions, then it lacks its own operating system for today's environment. So, various tech components - from AdTech to MarTech and acquired assets through mergers and acquisitions - revolve around a hollow core with no true proprietary vision.

The natural objection is that *this sounds too complicated*. There is a certain amount of complexity, and it requires the right culture. But this is also what makes capability defensible. The relevant question is whether the advantage justifies the challenge. Based on what my teams handled a decade ago, the technical hurdle for a holding company is substantially more manageable.

Effective Data Science: A Micro View of the Past

In 2010, after I went from IBM to Havas to build one of the 5 international RTB/Programmatic trading groups, a quick assessment made 3 things evident:

1. Except for the Big Tech firms, practically every company's strategy was the same: copy Google.
2. The vast majority of AdTech firms were services companies masquerading as tech players.
3. Narratives ruled the day, rather than vetted information. A prominent example was when Admeld got NBC inventory in their private marketplace, creating significant velocity by shaping perceptions, leading to the company's acquisition by Google. On the contrary, 92% of NBC inventory was in The Rubicon Project. But they didn't have a true New York presence.

I accepted the CEO role at Toronto-based, InferSystems, based on a completely different personal mission. That firm sat atop a $6 million true academic investment by the National Research Council of Canada to devise mathematics to predict rare events in nature such as volcanoes and earthquakes. We fundamentally solved the challenge of figuring out how to make log-data work in *real-time* with a high degree of prediction power and sufficient scale. Before being acquired by Kochava, my team made scientific and technological contributions to Amazon's AdTech stack by providing the predictive data optimization to the mobile DSP, StrikeAd, which was acquired by the tech giant.

At that time, WPP led the way among the holding companies in terms of data and technology. Meanwhile, AppNexus (Xandr) was the only firm that independently productized and provided sufficient data activation infrastructure to make first-party data optimization possible in a way that moved the needle. This was not a coincidence given the strategic relationship between the two firms. This was the case even when Xander was owned by AT&T. The WPP-AppNexus coupling of that time has been a sorely lacking ingredient throughout the history of AdTech.

In 2015, the conditions were different when I launched Project Hercules. The business model was more bespoke: consulting with brands to design custom decision engines to analyze and activate their first-party data. While we had a productive relationship with Xandr, one of my top strategic priorities was to incentivize other AdTech players to provide and promote data activation highways. The crux of the matter was highly expressive data models with anywhere from 10,000 to 100,000 microsegments per campaign per day. Finding granular pockets of media inventory was what moved the needle in terms of ROI.

So, I set up a meeting with Ari Paparo - the former Google executive and founder of Beeswax. He was initially skeptical. But I respected him for remaining open minded. The feedback we got was that no one in the industry was even close to what we were doing, and not long after this, Beeswax released a programmable bidder that reflected the output we had shared. It was a win for the market.

The Trade Desk saw it differently. I discussed the matter many times over the years with members of leadership. I viewed their decision to keep a closed system with basic data activation as a conscientious one because holding companies were not incentivizing AdTech players. On the other hand, having jumped ahead of that curve may have allowed the firm to better respond to pressure from Amazon DSP.

Then the pandemic happened. Innovation appetites lost their fire. Beeswax was acquired by Comcast and Xandr eventually purchased by Microsoft, and later sunset. The Project Hercules platform was pointed in another direction - from e-commerce to sports - and will soon produce a work that challenges some of the sabermetrics in baseball analytics.

Over the years, the discoveries that were made within the fastest intellectual track in data-driven-marketing, which is RTB (real-time-bidding), have found their way into broader programmatic advertising, and beyond it, marketing automation through the always-on-platform, and media tech.

I would not architect it the same way today. Technology has advanced significantly. But the data problem is fundamentally the same. Based on this perspective, the technical challenges that holding companies face are imminently solvable. AI and agentic have altered the economics. It’s less about hardware and more dependent on software, which makes it exponentially easier from a manpower and financial point of view. But culture is king, and from it flows strategy.

The Future: A Marriage of Science and Software

The holding companies face a fundamental choice. They can develop proprietary pre-bid data science and activation capabilities that allow them to shape how algorithms create value or remain increasingly dependent on decision systems whose direction is defined by others. In an algorithmic market, this distinction will determine how much strategic power they retain. The **pre-bid / pre-action decisioning engine must be in-house**.

One of the biggest mistakes made in this space is to ask whether the data or the AI (analytics) should be set up first. It’s a false dichotomy. But more importantly, the entire construct is rendered useless if a great algorithm’s signals cannot be deployed. It’s like having a huge oil tanker but no canal to reach the ocean.

Having a great algorithm is not a sufficient business model by itself. But it is the beginning of understanding what Holdcos actually need to demand from vendors. Without this being an organic in-house development, these firms cannot have their own vision for how execution systems ought to develop. It is not a full chess game, but rather the key opening setup.

To understand the challenge, it is crucial to sense the poker game as well. In the past, senior executives made tech vendor selection decisions based on relationships and user interfaces rather than hard data activation requirements. The reason for this was simple. The holdcos never invested in the kind of culture that can produce innovative data science. So, they could not effectively define the problem. Consequently, the DSPs kept their black boxes opaque. I knew the demand-side-platforms did not want to open their infrastructure. But we had to explore the potential because agencies had locked themselves in partnerships. In fairness, the DSPs had little incentive because holdcos offered test budgets rather than true investment in innovation. Lessons from the AdTech game theory are fully applicable to broader Martech. But without upgrading institutional knowledge, the holdcos are in a weak negotiation position.

This capability is unlikely to emerge from traditional agency structures alone. It requires an autonomous technology function with the mandate to develop predictive data optimization and activation middleware, supported by a culture that can translate scientific insight into commercial advantage. This can be an **agency technology desk** that has the independence to do what is required to rapidly build up internal capability. Such an organization must excel on two fronts: **predictive data optimization and activation middleware**. Once this is in place, buying power becomes strategic because everyone must play ball with firms that still control more than 50% of global media spend as long as they have developed the knowhow to demand the right things.

But it must be built in house. Otherwise, both the tech providers and marketers will eventually have a growing set of incentives to squeeze and bypass the agency.

This does not mean competing with Big Tech on core technology, which would be unfeasible. But holding companies possess a combination of capabilities and assets that no one else has, including:

- Historical data
- Creative
- Experience
- Scale
- Capital

Skeptics may think it’s too late. It isn’t. **Focus is the missing ingredient**.

I have deliberately not addressed the usual things that are prioritized in this space - from CDPs and data lakes to marketing clouds and agentic. These are ultimately important, but not strategic. AI is simply a commodity except for those who own the computation, unless it can be leveraged to create a valuable and defensible advantage. A decision engine does this.

Artificial intelligence has 6 layers:

1. Infrastructure
2. Data
3. Model
4. Orchestration
5. Application
6. Governance

A holding company cannot compete on infrastructure (computing). But it can do so in data by creating the feedback loop of data-from-data. It can also be strong on modeling because good AI with great data

beats great AI with bad data. Orchestration is the activation decision engine itself. Applications are just UIs and apps, which naturally become more effective if the rest of the system is in place.

In the past, the money went to media inventory. Then, the focus shifted to curated audience data. But the future is about data systems that create proprietary segments from raw streaming data. AI needs effective data logistics. Activation is the key chess piece if it is sophisticated enough to move the needle rather than a reactive move that just meets the off-the-shelf standard.

Final Word

The perspective in this paper will likely be controversial because, in the absence of strategy, firms often pursue complexity. The principle is broadly applicable, but the strategy must be company specific. That requires more than adopting prevailing trends. It takes deep immersion into the data problem.

A common description of strategy is that it's like flying the airplane while changing the engine. This matters because holding companies must continue to run their existing businesses while simultaneously building for the future, rather than waiting until it's too late. It requires thinking beyond short-term ROI calculations and tactical use cases as the sole justification for investment. Shortsighted thinking is always available in great supply. Leadership is the art of taking people from point A to B while improving the overall condition of the organization.

Optimizing ads alone is not an important enough issue for me to invest the time to write a paper. This is merely the entry point and financial justification. Building a world-class optimization and activation platform in-house is about developing both the culture and technological capability to spawn product lines that lead to high margin growth well beyond advertising.

Carrots, potatoes, and peas are commodities. But a great stew is a masterpiece. For leaders prepared to explore what this means in practice, I welcome a confidential conversation about the strategic implications, and what it would take to turn this capability into a sustainable competitive advantage.

Interested parties can reach me on Linkedin: https://www.linkedin.com/in/sunilsharmambadigitaltech/

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