HOUSE OF LORDS

Select Committee on Communications

Corrected oral evidence: The Advertising Industry

Tuesday 14 November 2017

4.35 pm

[Watch the meeting]

Members present: Lord Gilbert of Panteg (The Chairman); Lord Allen of Kensington; Baroness Bertin; The Lord Bishop of Cheltenham; Viscount Colville of Culross; Lord Goodlad; Lord Gordon of Strathblane; Baroness Kidron; Baroness McIntosh of Hudnall; Baroness Quin; Baroness Stowell of Beeston.

Evidence Session No. 6 Heard in Public Questions 52 - 59

Witnesses

I: Tobin Ireland, Co-Founder and Chief Executive Officer, Smartpipe Solutions; John Kearon, Founder and Chief Executive Officer, System 1 Group plc.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Tobin Ireland and John Kearon.

Q52 **The Chairman:** Welcome to Mr Ireland for our next evidence session in our inquiry on skills in the advertising industry. We will be joined shortly by Mr Kearon. The first question will be from Lord Gordon.

Lord Gordon of Strathblane: I noticed you were sitting in the audience while this question was raised with the previous participants. I want to specifically focus on your own experience. You have benefited from tax incentives from the Welsh Government. Would you like to tell us what they were and whether they could be replicated elsewhere?

The Chairman: Perhaps you could also introduce yourself.

Tobin Ireland: My name is Tobin Ireland. I am the co-founder and chief executive of a company called Smartpipe. We are a four year-old company with 50 employees now, I think. Our head office is in London but our product and engineering outfit is in Cwmbran in Wales, where we have about 30 product and technology experts in the data and advertising industry. Our company is in the advertising sector but we are coming at it from the deep tech side of things. I was formerly the head of strategy and business development at Vodafone, where we were trying to work out how to partner with the advertising ecosystem from a corporate perspective with our data, and how to keep our data secure and privacy-compliant in the network in the future of a GDPR-focused ecosystem.

Our company started four years ago through the acquisition of a small company in Romania—eight engineers and two commercial people. We had some choices to make in January 2014 about whether to continue to build out the company in Romania—there is great access to talented engineers and linguists in Bucharest—or to move and grow the business somewhere in the UK. We looked at London—our business is split between experienced people who have had careers and lives in London, and it is difficult to move everyone with their families—or somewhere else in the regions. We looked at Northern Ireland. We found out about the Welsh Government grants to relocate into Wales. Overall, the decision was made based on convenience and proximity to London.

The next thing we did was look at the access to talent. We spent a lot of time with the universities in Cardiff, in the University of South Wales, Bristol, where I went to university, and Bath, looking at the talent pool around entry-level engineering and data scientist jobs, and being comfortable that we would be able to build a team of 50 to 100 engineers and data scientists in Cwmbran. The grant was very attractive at the time for an early-stage company. We had one of the last ones; it was about £986,000 spread over three years on a matching basis for job creation. For every employee we hire we get a discount on their salary for the first three years. The Government have been very patient with us because sometimes you are a little behind plan and sometimes you are ahead of plan. The overall decision not to do it in London was cost-based as well.

The cost of building core engineering talent and big teams in London is often prohibitive—not just the cost of the talent but the cost of the office space. There is no real need in our business to have any client-facing activity from the product and engineering team because we are building this global technology platform.

It was a good choice for us. One of the questions which may come up today is whether we would choose the same thing again, four years in. I think we would, but as our company is growing, we are now looking at whether or not it is the only place we should be building engineering talent, whether we should also have a hub in Europe or China, and how we spread our engineering resources across these different locations. Access to talent has been very good. We have good engagement with the universities down there. A lot of it has been self-driven, though. We did not get as much support as we would have been grateful to receive from the Welsh Government or from Finance Wales in terms of building our business. We have done it with local partners, such as Acorn Recruitment, and through hiring good employees who have built their own culture and community of people who want to join our company.

Do we feel as if we are in a cluster? Not really. We are in Vantage Point in Cwmbran, which is a 20-minute walk or an eight-minute drive from the train station into Newport. We are the only technology company in that facility. It was given to us as a choice of a tier 1 facility because the Welsh grant did not want us to go into Swansea or Cardiff. The business bank has now changed its policy and it is building more of a cluster into Cardiff and Swansea. One of our questions is: is it the right environment for us to build out? The office space is very high quality but there is not much of a "scene" around it; there is no restaurant, gym or other companies. There is no real buzz about it, so I do not think we feel we are in much of a cluster. Our cluster is broader than just South Wales because a lot of our employees come in from Gloucester, Bristol and Cheltenham. One of my big bugbears was £6.70 on the bridge every day for employees. It is quite a big cost.

The Chairman: When does that finish?

Tobin Ireland: That is finishing next March, I think. Our office in London is next to Paddington Station but it is £180 for a return ticket to Newport unless you go after 10.30 in the morning, which means it is not really worth going. In the early stages of a company when you are trying to build a culture and a team, these silly things matter in terms of the amount of time we can spend with each other and how you make things happen. That is a little bit of history.

The Chairman: That was a very comprehensive answer. Thank you for that. Can I ask Mr Kearon, briefly, to introduce himself? Welcome. You have just arrived but we are only into the first question.

John Kearon: Hello, everyone. Apologies. The queue outside is fantastic. I am John Kearon, CEO of System 1. We were called BrainJuicer until 1 April this year—no joke. Hopefully, it will become apparent why and I will give some thoughts on how advertising in Britain might make a bigger global impact. I started the company in 2000—millennium madness—and 17 years on we are a public company on AIM and I am loving it. It is a fun job.

The Chairman: Thank you, and welcome. Lord Gordon, the question is with you.

Lord Gordon of Strathblane: Continuing with the question I asked Mr Ireland, at the beginning I think you said you were one of the last to benefit from Welsh grants.

Tobin Ireland: I may or may not be accurate. When we applied for the grant we knew that that scheme was coming to an end. There may be a new scheme now. We have a very positive relationship with the Welsh Government.

Lord Gordon of Strathblane: I was expecting the answer yes to that question. It is clearly possible for either devolved Governments or local authorities with adequate powers to attract businesses by the right incentives.

Tobin Ireland: I believe so. It depends on the type of business. Our engineering and product team do not have to talk to partners or clients. It can all be done in an environment where you are on the end of the phone. We have to have our commercial and sales organisation in London—close to Heathrow, to be blunt. We spend a lot of time flying around the world. There are certain roles we know we should not put in Cwmbran and should put in the regions or in London. As a whole, I do not see any reason why not, to be honest with you.

Lord Gordon of Strathblane: Picking up the negatives, you mentioned the lack of restaurants, gyms and this, that and the other in the immediate vicinity. Clearly, people trying to build a cluster should bear in mind the overall environment.

Tobin Ireland: Yes. I do not think we are in a cluster is the honest view. I think we were promised a cluster. It is a beautiful office and has a nice lake next to it, but it is not a cluster of tech industry.

Lord Gordon of Strathblane: Do you think the Welsh Government hoped it would be the start of a cluster?

Tobin Ireland: We had a choice between a tier 1 and a tier 2 enterprise area and we chose the money, and that was linked to going to Cwmbran rather than going to Swansea, Cardiff or Newport. One of the questions is how long it takes to build a real cluster and a real environment where there are multiple companies hiring the same type of talent, the same people and feeding off each other a little bit. It does not feel like that for us in our environment in Wales.

The Chairman: Was it the stated intent of the Welsh Government to create a cluster?

Tobin Ireland: I think so, yes.

Q53 **Baroness McIntosh of Hudnall:** Both of you have businesses which, as I understand it, do not employ very large numbers of people.

Tobin Ireland: We are about 50 now.

Baroness McIntosh of Hudnall: Mr Kearon, how many?

John Kearon: Two hundred.

Baroness McIntosh of Hudnall: Medium, but significant. When you are employing people, what level do they come in at? Where do they come from, with what kinds of qualifications? Specifically, we are interested to know whether you expect people to come with a conventional academic set of credentials, and/or skills that are already embedded, or do you take people in without those things and train them to do what you need them to do? That is the first part. The second part is: how do you go about your recruitment? Where do you look? Do you expect people to come to you, or do you go out searching for them? Do you have a policy as far as diversity and inclusion is concerned? How do you evaluate how successful you are? Nothing much then.

John Kearon: Nothing much. On part one: for us, mainly graduates fresh from university. Our particular approach to market research, marketing and advertising is based on behavioural science, which changes pretty much everything I was taught at Unilever when I started. Rather than hiring people with existing experience in the industry, where we have to unlearn—which is quite a painful process sometimes—it is much better to get bright, sparky, interested grads with any degree. It does not really matter, as long as they have an interest in psychology, human behaviour and the media. That seems to work extremely well.

We have 18 offices in 12 countries. It tends to be America, UK, Singapore and China. We are trying to create three hubs. We have found with graduates—you talk about clusters—that they need a sense of camaraderie, starting as a group. That is more important, almost, than where it is, so they have a sense of being part of almost a year-group, as in a university. It tends to be graduates rather than not because you need a certain amount of academic ability. It tends to be 2:1s and firsts.

Baroness McIntosh of Hudnall: Can I ask whether that tends to mean that your workforce is quite uniform in terms of its profile? Or are you able to diversify by other means?

John Kearon: The diversity by other means—and it is all appropriate skills—is we have a creative network of well-known, award-winning creatives. They come from every background. The market researchers, the consultancy part of the business, tend to be narrower than a total population. When it comes to creativity, a degree is much less important because they have demonstrated, over the course of however long their career has been, an ability to do great creative work. It is what is appropriate. For the consultancy, it is quite academic; it is applying behavioural science to statistics and proving the effectiveness of advertising. That requires a certain level of intellectual competence and capability.

Baroness McIntosh of Hudnall: Mr Ireland, your workforce is of a rather different nature, I would have thought.

Tobin Ireland: Yes, we have different pockets of experience and skills. On the commercial side, the business we are trying to build has to do large deals with network operators and the advertising ecosystem. It tends to be more successful people who have relationships and experience and some credibility in that industry. We can usually identify and handpick the people from the industry who we think would be a great addition to our team. We have two people in Moscow, two in Mumbai, one in Dubai, one in Singapore, one in Hong Kong and one in Miami. That is a completely different experience because they are part of a very small, global technology company, on their own, working remotely and trying to engage with the mother ship—more entrepreneurs, but with very good local knowledge of their market. There is a huge amount of global diversity in that side of the team.

In the engineering function, engineers are strange beasts. You can find amazing engineering talent coming straight out of university, you can find them in a PhD programme, or having already worked in industry. Network engineers are a very rare breed in the world of telecommunications. That is a very fine skillset. There are probably only 100 to 200 people in the world who really understand how these networks work. That is a very rare skill for us.

Baroness McIntosh of Hudnall: In the world?

Tobin Ireland: Probably, yes. People who know how Vodafone builds its network, for instance, have a very rare skill. We need people who have done that sort of thing. Out of the 30 people we have in Cwmbran, four are graduates straight out of university; I would say out of the next 30 that we hire, perhaps, 10 to 15. They have been very successful hirers into the team—I hope they are not watching. It is about fit, aptitude and ability rather than experience. The technology moves forward quite quickly, so you do not need people with years and years of coding experience, you need them to be able to learn fast about the new techniques and the new languages.

In terms of diversity, out of the eight most senior people in the company, four are women. My co-founder is a woman. We do not positively discriminate trying to redress the balance. Our head of engineering is a woman and we have two other female engineers. They are a great addition to the team because it can get a bit "blokey" and a bit "down there" sometimes. As a small company, we have to focus on the quality of the engineering talent and not positively discriminate to build a more diverse culture. It takes us a long time to find the right people—probably a little longer than it would if we were in London—but we work with a great network of local agents who help us and we go directly to the universities. Employees referring some of the people in their communities is quite a strong source. It probably takes us a little longer than average to find people to fill the seats, and we raise the bar quite high.

Baroness Quin: I want to follow up on what has been asked. When you talked about the number of graduates you have at Cwmbran, what were the skills of the non-graduates? Was there any kind of common skill you were looking for?

Tobin Ireland: Apologies. When I said "graduates straight out of university", I think out of 30 we have one gentleman who is not a graduate.

Baroness Quin: The other people were graduates but they had other experience.

Tobin Ireland: It tends to be a company filled with professional graduates. We are looking at apprentice schemes and entry-level jobs. One of our challenges will be being big enough and ready enough to on-board them and give them a good enough experience. We are working at twice the pace we need to, at this stage, and you do not have time to train people and make sure you are crafting a programme for them; you need people to sit down and start writing code and building products. Over time, as we get larger, we will have earlier outreach on that, and we will be building more operational, marketing and administration roles that could lend themselves to non-graduate recruitment.

Q54 **Viscount Colville of Culross:** We have been reading and hearing about how the move to media advertising has benefited Google and Facebook, particularly, and how they have become very dominant in the market, particularly in areas such as classified advertising. Do you fear they are too dominant and, therefore, their dominance is at the expense of innovative, smaller companies starting up?

John Kearon: It is a trend. It is an exaggerated trend. It probably goes under the heading of "we overestimate things in the short run and underestimate them in the long run". There will be a recalibration. It is a trend. It is a rush to look cool by big clients to adopt digital. To give the Committee the proportionality, in terms of effectiveness—what advertising achieves for clients—the Institute of Practitioners in Advertising has done some great work. Traditional media—TV, print and radio—is about 11:1 versus digital, yet the budgets are now becoming 50:50. It is massively out of proportion to the effect they should be achieving.

People such as Marc Pritchard, chief marketing officer of P&G, and Keith Weed, CMO of Unilever, have finally woken up to the fact that they may have overdone it. They acknowledge this. They acknowledge it pretty broadly. They have also been very vocal in criticising the opaque and, frankly, fraudulent practices of claiming to put out ads online and they are not seen by anybody. It is like any new industry; everyone is prepared to take some risks and chances to learn how this new medium works. It is becoming more grown-up; it is becoming more sensible. The facts are asserting themselves. Procter & Gamble has cut its online budget by about 30% this year and seen no ill effect whatsoever. It will recalibrate. These things are exaggerated and then sense prevails in the long term. Do I worry about them? Only in that it is pushed and sold pretty damned hard. Those companies have quite an American culture, not surprisingly, and they are very good at that, but it is not nearly as effective as they claim. There is data around to show the power of traditional. You can also use digital.

Last comment: the notion of digital versus traditional is probably going to disappear in the same way that everything called e-commerce and e-this will disappear. It is just film. If it is a film then whether it is on terrestrial TV or online it depends how much it costs you to reach one million or 10 million people. It is just a cost. It is a false distinction, in the long run, the whole digital versus traditional, as if, somehow, people consume it differently or it has a different impact. No, it does not. Film is, generally, more powerful than print because you can tell a story and make people feel something.

Baroness Stowell of Beeston: I have a supplementary to the last question, if I may, on your recruitment. One of the things I was interested in is your retention rate for the people who come to work in your industry. We hear a lot about millennials not necessarily staying in the same place for long. Do you find you are able to hang on to people, or are they turning over quite rapidly?

Tobin Ireland: We have probably turned over about 10 people out of the 50 over the growth of the company. Most of the time that is because, as the company has grown, the skillsets have not turned out to be the right fit. There are probably only one or two individuals who decided they would like to go and work somewhere else, and there is one case of an engineer who had a job offer somewhere else who we had to retain here.

Baroness Stowell of Beeston: You do not see it as a particular problem?

Tobin Ireland: Engineers want to work on interesting engineering challenges, so they stay as long as the work is still challenging, they are doing new stuff every day, you are managing them well, giving them a good environment, feeding them pizza and turning the lights on. Generally, the work and the challenge drives retention. You will lose their interest if their specialty or the work is becoming less interesting for them. It is still very exciting to work in a start-up company that has a lot of future potential, and that is a big draw. One of the benefits of being in a cluster in Wales is that we are one of the few companies that has global ambitions and is building something that is incredibly exciting, so we have strong retention around the topic of the work that we are doing. It would probably be harder in London because there will be more people trying to poach them.

The Chairman: Did you want to add something quickly, Mr Kearon, and then we will move on?

John Kearon: A quick comment. We tend to take 10 graduates in London, 10 in New York and we are just starting in China and Singapore. Half of them will stay for five years or more and half will move on. I remember someone saying, "Once McKinsey, always McKinsey". I think it is good for companies to deliberately, almost, over-recruit, make them part of the culture and then do not worry if they move on. They move on, but hopefully they move on feeling good about the company. One other comment: everything is relative. In China people will leave a job for about $500 more because it has become a thing in China where everyone shares what they earn, which would never happen in Britain. It is a question you are never allowed to ask. Trying to retain staff is a much bigger problem in China than it is in the US or the UK. That is cultural, I guess. You have to be aware of that. You adapt; you give lots of little awards and give people a sense of progress.

Q55 **Lord Allen of Kensington:** I am afraid my declaration is going to take longer than the question. I am chairman of Global Media & Entertainment, advisory chairman of Moelis & Co and I own ITV shares. I was struck by the words you used, "opaque" and "fraudulent", in relation to the sector because we have just heard that, frankly, the sector can cope with and handle itself in terms of self-regulation. The Committee would love to hear your view on whether, if there was self-regulation, how that would work. If not, what regulation needs to be put in place?

John Kearon: The world's largest advertisers, effectively, are taking on that role and are using their wallet to try to get Google, Facebook et al to deliver the product they are selling. It is almost basic commercial law. "You have sold us this—which is so many impressions—you have to prove that you are doing it". That is proving harder than you might think. Yes, there is evidence of Facebook restating its figures, et cetera.

Lord Allen of Kensington: Is it fair to say it has been getting worse over the last decade, or is it becoming more obvious?

John Kearon: Again, this is classic behavioural science. We have to separate the sense of things. The sense is that it has got worse because it has grown. That part of the ad budget has gone from 5% to almost half. Inevitably, it seems as if it is a bigger problem. No, I think it has probably been that problem all the way along and now it seems to be sorting itself out, very slowly.

Baroness Kidron: I am going to build on that because that was the area I was going to ask about. First, I would like to know your views about the idea of the Competition and Markets Authority coming in and doing a review, or Ofcom taking an interest in the digital arena. Are the biggest advertisers in the world the right people to battle with the platforms, or should there be another framework? Would you mind answering that? Then I will ask another little question.

Tobin Ireland: The market is only 10 years old. I look at it from a mobile technology perspective rather than a desktop. Ten years ago less than $1 billion worldwide was spent on mobile and now it is $180 billion. The problem has got bigger as the market has grown, but it is a very immature environment still. There was a springing up of thousands and thousands of advertising technology companies all trying to grab a piece of the pie between the money that a brand spends and the money that a publisher sees—15,000 companies in the US. That consolidation is happening today. Advertising is very simple. It is about brands spending money to contact consumers through content and publishers. In the middle there is a big group of companies, called "ad tech" companies, which are all fighting with each other for margin and market share. That is the real thing happening at the moment.

We are not at rest now, in the industry. There are massive trends towards consolidation on the demand side and the tools that the agencies and the brands are using to buy their media. There is massive disruption on the publisher side where the publishers are looking at the exchanges in the supply side platforms and saying, "Look, we're not getting value for money here". There is a huge amount of quite rapid change going on in the ecosystem, as it stands. That is driven by commercial reality rather than by regulation. I do not think that process has finished yet. To get to a world where the ecosystem is not obsessed with profitability and the market capitalisation of ad tech companies but thinks about the value that brands and publishers are getting and, as a data company, the value of data in that ecosystem to drive more relevant advertising for everyone, a lot of changes will happen in the next two or three years, anyway, from a commercial perspective but then also stimulated from GDPR and regulation, which I think is a very good thing for the industry. The use of data in advertising is one of the frontiers of the changes of the economics and the changes of the behaviours between the different players in the industry.

John Kearon: I would say two very simple constructs. From a regulation point of view, it is basic commercial law. If a company offers something and puts forward a good, they have to deliver that good. It is that simple. It is not a global thing and, therefore, the UK cannot have an opinion. If it is bought in the UK, you need to deliver the thing that you have promised for the price, et cetera—simple. The existing framework should cover it. That is one, and I think that is straightforward, to be honest. The other side of it, which Tobin has referred to, is profitability. It is a different perspective. This is not regulation; this is just understanding—and I think that is where the UK has an edge, by the way, in the world—an understanding of how advertising really works and what sort of advertising produces greatest profitability. Again, the Institute of Practitioners in Advertising, the IPA, are the world leaders in this. This is not generally adopted. The UK has a real edge. To put it into numbers, $660 billion are spent making and airing advertising globally every year. If Adland was a country it would have the 19th largest GDP in the world, just behind Saudi Arabia and ahead of Switzerland. According to those who care about these things, about a third of all advertising is literally wasted. You may as well have set fire to the money.

Baroness Kidron: There is a title for our report.

John Kearon: Let alone the time and talent that goes into that.

Tobin Ireland: Media and data, although controlled by these large, media agencies which are global companies now, are very granular and small decisions made by a 25 year-old media planner who is trying to book a $50,000 campaign for Dove, or something, and he is going to choose which buying tools to use, which media targeting to use and which data to use to do that. Facebook and Google, the duopoly, have earned their market share by providing better tools, better data and a better environment, which drives higher performance advertising. That is why a higher percentage of the media spend is going on to Facebook and Google channels. It does not mean there is not an opportunity to compete with that; it means that the bar is pretty high in terms of how that is organised. One of the unexpected and, I believe, unanticipated implications of GDPR regulation is that it is easier within a walled garden environment to ensure that you are GDPR-compliant than it is between multiple parties in the third-party, open ecosystem. There are changes at a product level that all ad tech companies need to make, but it is easier for Google to do that within its walled garden and easier for Facebook to do that. They still have to change things but it is easier for them to do it.

Baroness Kidron: I am sorry to interrupt you, but I am aware of the time and I wanted to pick up one thing you said earlier, John. You said you mainly have behavioural scientists. There is this idea of regulation, and I take your point about business practice, but there is also something around ethics, is there not, in this opaque world in which we are being nudged to do things at a behavioural level. I wonder whether you could, briefly, say something about that, because I am interested in parties outside the players—whether there is room for any regulatory oversight or a third party who may not be looking just at the bottom line.

The Chairman: Very briefly, please.

John Kearon: Legislating for ethical behaviour is a mighty tricky thing in any walk of life. Yes, would it not be lovely, even if it was advisory—the Rowntree approach to business? Perhaps there is a place for it, even if it does not have legal teeth.

Baroness Kidron: Thank you very much.

Q56 **Baroness Quin:** We have been asking people giving evidence about access to talent, whether it is from the UK, the EU or internationally, generally. Has either of you felt that there is a skills gap in terms of UK students and graduates, as compared with students and graduates from the EU or overseas? If so, in which areas are there gaps?

John Kearon: For us, briefly, almost the opposite. Generally, bright sparky people are the same the world over. The one benefit—and you notice it—of UK grads is that because they do not specialise so quickly through the school system they tend to be more interested and more open. That is helpful for us. I teach on a few marketing MBA courses, and what they teach ain't right. The more specialist sometimes the people and the more they have learned, the more you have to unlearn. If they have a general education and an open mind that is a more fertile bed for us.

Tobin Ireland: In commercial roles the UK is at an advantage because of the non-US global view of the ecosystem—the ability to look east and west and not look at it through US market eyes so much, where it is a different environment and different regulation and dynamics are at play. On the engineering side, it is hard to tell. Half of our people in Wales are UK nationals; half of them are EU nationals who were already living in Wales. Half of them are people who have come into Wales. Some of our EU residents are from Colombia, Brazil and India who just happened to have a grandparent who lived in Spain, Portugal or the UK. We do not categorise people in that way. The biggest concern is about access to that global talent pool. I do not think we will find everyone we want currently at university in Cardiff or Bristol. You want the best of the best, as said in the last session, and that is a wide pool you need to tap into. I also want UK employees who have experience and a perspective of working in a global environment to have the opportunity and experience of working overseas. We are pleased with the talent. Universities can do more with more specialist courses around data science, AI, computer science and what it means to move into a more entrepreneurial environment, but the core mathematical and computer science talent is strong.

Baroness Quin: What you are saying is encouraging in terms of UK students. Is the fact that you have also recruited people from elsewhere in the EU because those individuals were particularly talented, or is it that you see a positive outcome in having people of different country backgrounds working for you?

Tobin Ireland: We will not recruit for that but it is a good benefit to the culture of the company. Bizarrely, a lot of the people we find who are strong engineers living in Wales are from Poland, Belarus and other places—Colombia and these sorts of places. I think we are underestimating the amount of international talent there is already in the regions; it is not just a London phenomenon.

John Kearon: We recruit locally, in the French or German offices, or wherever, and then deliberately try and mix people up. It is good to have different perspectives and a bit of cultural mixing. I know one of the questions was about visas and immigration. It is anything that helps. Even if it is working abroad for a little while, that is what we need to be able to cross-pollinate and give people an experience. Young graduates want to travel and live somewhere else.

Q57 **Lord Goodlad:** I would like, if I may, please, to ask two questions about immigration, one of them very specific and the other very general. The specific one is: what would be, in your view, the impact if this country extended the visa tier system to European Union nationals? The general one is: how should our immigration policy overall better support the advertising industry?

John Kearon: If there was a way to do two-year or three-year, almost special visas, rather than it being, "I'm coming to live here", so you avoid becoming a national, that is what most multinationals, the buyers as well as agencies, need. We had a guy who started in our office in Australia two years ago who was just about ready to get on a plane because trying to get a renewal of a visa in Australia, where the immigration laws have tightened enormously over the last year or two, became an absolute nightmare. I will spare you the details. Can we avoid that? He has built a business, he now has a staff of five and, literally, he was about to have to jump on a plane because he would no longer be able to work, even though we fulfilled every criteria, et cetera. That is the pain and the reality, and it is a lose-lose for everybody. He sorted it, luckily.

Tobin Ireland: If the visa system changes, we will work within that to try to make sure that we can still maintain the right to work for our current employees and still attract the right level of talent. I do not know the specifics of the scheme, I am afraid. Generally, for a small business like ours, if we were unable to retain half the team because they had to apply for visas it would have a catastrophic effect on our business. We would probably have to relocate them to somewhere else, where they would not have the same sort of process to go through. The biggest thing for me is that our existing employees are able to stay, under whatever guise. It is not just a technical issue; it is about being made to feel welcome. The biggest feedback we had around the Brexit vote was that a lot of these people did not feel welcome any more in our culture, in our country and in our offices. That, clearly, makes it a different value proposition for them when they are making the decision to move and build their lives in our country. Entrepreneurs will find a way and companies will be built. Things will happen. Whatever the regime, we can work around it. The core principle is if you want to be a globally competitive company you need to have access to global talent and you have to provide people with international opportunities to build the business.

Lord Goodlad: That is very clear, thank you.

Q58 **Baroness Bertin:** I should declare an interest that I work for BT Group. I wanted to bring it back, briefly, to the question on diversity, and build on that. Do you think the industry, more generally, makes every effort it can and should to recruit a more diverse background of people? Let us face it, if you do not have a pushy parent or even pushy teachers then it would not even occur to you to apply for jobs, perhaps, in your company or university courses, and all the rest of it. You need to start back at schools to make an impact.

Tobin Ireland: Definitely for the technical roles and the advertising industry roles. When we put a job out there will be one female candidate and 15 male candidates. We struggle to find the applicants; it is not that we are not choosing the candidates. That goes back to schools and the number of engineers in universities, et cetera.

Baroness Bertin: Just to pick up on that, do you think the Government could do more to try to help industry to reach into schools by, perhaps, a better career system or do something more joined up and less patchy?

Tobin Ireland: I have a 16 year-old daughter, so I am also living with that other side of things. She was actively encouraged by her school not to do computer science because it was not a real subject for girls.

Baroness Bertin: That is terrible.

Tobin Ireland: An all-girls' school. That bias still exists. You can imagine how we felt.

Baroness Bertin: I am speechless.

John Kearon: Recruiting in your own image is a battle, again, so you have to be aware of it. Diversity, especially for creativity, and innovation: we are regarded as one of the most innovative research companies in the world. I love that. Frankly, I do not really much look at CVs, but it is trying to find the talent to even interview and have an assessment. We have a whole battery of assessments we have created—case studies and things that people have to do—and they demonstrate whether they have creative ability or good strategic ability. We are very happy to. They are called apprenticeships, but why not creative groups that are recognised and acknowledged as having creative skills even if they do not pursue the academic, university route? It would be very helpful to even know where to fish to be able to interview.

Tobin Ireland: There are also positive things the corporate side can do. I think Vodafone, Microsoft and BT have done "girls who code" types of academies and outreach programmes to schoolgirls to demonstrate that there are exciting and valuable careers in computer science. My fear is that it is endemic. I spend a lot of time in Silicon Valley as well, where every 10 year-old spends every school holiday at a coding camp, male or female; there is no difference. The access and how it is embedded into their schooling experience is a step change compared to what is happening in the UK.

Q59 **Baroness Quin:** On the international dimension, do you think that London will be able to continue to be the world hub, or the principal place alongside New York, for example? How big are your Brexit concerns? What approach do you think the Government should take in order to help develop new relationships with the EU and other trading partners to support the advertising industry? A small question to finish with.

John Kearon: London is no longer, I am afraid, the centre of advertising. Brazil, Latin America and other places have won many more creative awards per country. The UK, if it is all right to share it, has the potential to take a lead again, but in a different way, which is the application of behavioural science. Richard Thaler, who won the Nobel Prize two weeks ago, Daniel Kahneman and Dan Ariely are all American. The academia of it is America. The application of it is here. The leading thinkers and people applying behavioural science—everything from the "Nudge Unit", which you will all be aware of, for social policy, to applying this to advertising and marketing—are in the UK. The world knows it and comes to thinkers here. Rory Sutherland, who is one of the vocal speakers on this—he works for Ogilvy—had a lovely idea, the other lunch: we need a Menlo Park for the mind. There is a cluster, and it is here. It is changing the way the industry understands what advertising and marketing does and how it works. You probably love it when the witnesses start to banter and joust. Tobin, you said that Facebook and Google have shown that they deliver a more effective outcome. No, no, no. The main thing that delivers an outcome is the creativity, the actual piece of communication, and whether it makes you feel something. That can be online or it can be off. What Google and Facebook are doing—this is just an example—is short term, short term, short term. Because it looks mathematical, because it is all based on how many people clicked and saw, and whatever, it seems as if it is more effective because there are numbers. These numbers are not profitability; they are all proxies. Everyone gets lost in the sense that this is calculable. I can, literally, as an accountant, put it in here—it is nonsense. So much guff is talked about this, and it is not proving the profitability. That is all that matters.

Baroness Kidron: Is that not an unfair business practice, going back to something you said earlier?

John Kearon: No, it is just a stupid buyer. Frankly, buyer beware. If you choose to be blinded by the perception that these numbers are delivering an ROI—return on investment—then more fool you. No. You need to work out whether it delivers profitability and the most effective way to deliver it. That is a hard thing to do. The UK is the leading place for that sort of thinking, and that would be useful to export.

Tobin Ireland: We think that data analytics and a privacy-first, regulatory, global view of how data is used, exchanged between companies and controlled by consumers, but also used to create economic value, is an area of potential differentiation for the UK economy. The US ad tech ecosystem is locked in time or jelly for a few years because they have decided they do not need privacy regulation and, therefore, they do not have to change their products and do not have to think about new ways of processing data between companies.

We are already working on a global basis. Our first deployment was in Egypt, then in Indonesia, India, Russia and the Czech Republic—one European. It is all about ease of working on a global basis. It is difficult to get telco equipment into Russia and China, by the way; you have to go through lots of steps and processes to make that happen. We do not want to make a problem out of doing business with Europe and make it harder to do business than it currently is. Europe is a big opportunity for our company. We want to make sure, post Brexit, there are no barriers to facilitating and making it easy to work in Europe—this very specific thing about shipping stuff. The previous witnesses talked about talent being the major thing. I have to re-emphasise, as a closing comment, that if we do not have great people we cannot build a great company. I do not think all the great people who work for us have a British passport and work in the UK and I do not think everyone born in the UK would benefit massively from going and working overseas. It is access to talent with international experience—the best talent in the world—and existing employees having the right to stay. We would have to face moving to another location, such as Poland or Paris, if we were not able to retain our team because of these issues. We are being courted every day by Berlin and Paris with attractive offers of how great it would be if we moved to Berlin or Paris.

John Kearon: One last thing on whether London is still a hub: we were trying to come up with adverts for and against Brexit. I was trying to be equal, but the only one I could think of that was any good was for Brexit, which I am not a supporter of. The data was interesting, which is an electric guitar with a union jack on it: "17% of world music sales, 1% of the world's population. We will be all right".

Baroness Kidron: You were making a big argument that privacy first is an opportunity for a UK-US lead. Do you think that will not in any way affect our adequacy agreement? Can we be privacy first and still meet our obligations on the adequacy front to GDPR?

Tobin Ireland: Yes, it is an absolute requirement to continue and maintain the GDPR commitments. British consumers and companies deserve those protections. It is not just Europe which is concerned about how data is used and processed; it is a global phenomenon. If we go round the world, in Japan, Korea, Australia, Singapore, Canada and Latin America, everyone is moving in this direction. The US is an anomaly, which I believe is a short-term anomaly. We will stick out like a sore thumb if we take a step back on privacy and do not build a privacy first future for the data ecosystem.

Baroness Quin: Finally, do you feel the industry has the ear of government in terms of your concerns, both on access to international talent and not constructing barriers which would be unhelpful in trade for the future?

Tobin Ireland: We are a small company busy focusing on doing what we need to do, so, to be honest with you, probably not. It is about awareness and availability. We have a lot of support and engage quite a bit. There are lots of programmes not available to us yet. UKTI will not actively support us because we are not generating enough revenue yet, but we are on a plane every week going around the world doing business with the biggest companies in Japan, Korea, China and Russia. There is a small gap in terms of deciding which sectors are of strategic interest in making sure that we have a deeper level of support. I am sure I could come up with 10 other things that would be great to have, but we tend to focus on what we have to do and try to make it happen.

Baroness Quin: Do you have any thoughts on that, John?

John Kearon: I have no idea is the real answer to whether the country knows enough about the industry, but I am delighted that this exists. Hopefully, if they did not, they will.

The Chairman: We are very glad you came to give us evidence, Mr Ireland and Mr Kearon. Is there anything you would like to say to us or add before we wrap up?

Tobin Ireland: One final thought: what happens in a post-GDPR world in May next year? There is a lot of discussion in the industry—"Is it real?", "Will there be fines?" and this sort of thing. The big US ad tech companies tend to be based in Los Angeles or New York and do not understand that this is a real thing that matters to us. They have to change their product, not get a lawyer's letter or appoint a data protection officer. Meaningful change has to happen that is not ready to happen yet. There is a question about the period from when GDPR starts to when people can get their act together. The industry has no excuse for not being ready because it has been given plenty of time, but it is not ready.

The question is how the regulator will know when there is an infringement because how an ad impression gets from one side of the ecosystem to the other is complicated. We have been in this space for 10 years and every day we discover things we did not know happened. There are obviously people who are making lots of money out of ad fraud deliberately. A lot of deficient things in the ecosystem are not deliberately bad behaviour or trying to break the law or rip people off. I think it is a sign of maturity. How do we encourage the ecosystem to adopt more sensible and mature business practices? It will take some time.

John Kearon: My comment would be around the cluster idea, where I came in halfway through. The cluster I would put forward is the effectiveness of advertising and marketing, the profitability and how it works. We have an advantage in everything from the academic world, MBAs, where I think we are leading, right through to practitioners. This is where the UK, if you pooled all those involved, has an edge over the rest of the world in a massive way. It will not be self-evident to the Committee Members who are not in marketing or advertising, but the way everyone thinks marketing works—which is still taught in pretty much every university and MBA—is mainly wrong. That is a wonderful opportunity, genuinely—"a rising tide lifts all boats"—where advertising and the whole industry can have a massively positive impact on profitability and on society. People love it when it becomes part of culture. There is a revolution coming in our little world. We are right at the head of it. That is the cluster that I think could be identified and encouraged—to fan the flames.

The Chairman: That is a positive and constructive note to end on. Thank you to both our witnesses for a very interesting evidence session.