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ADVERTISING

Tearing up the creative process

AP PHOTO

A controversial Protein World advert displayed in an underground station in London. Traditional advertising methods are being threatened by a seismic shift to the digital and mobile ad landscape

By Matthew Garrahan

Unsuspecting visitors to the French Riviera this week might have been surprised to discover that the advertising industry, which gathers here every year for the Cannes Lions festival, is facing a big upheaval.

The rosé was flowing, the music at beach parties was thumping and A-List talent that included Channing Tatum, Gwyneth Paltrow and Will Smith were on hand, dispensing wisdom on stage to the thousands of executives who came from all over the world to this celebration of advertising creativity.

But away from the parties and awards, advertising agencies, media buyers and the holding companies that own them are slowly waking up to a future that has been upended and reshaped by two technology companies.

The bulk of spending by brands on digital advertising is going to Google and Facebook. Combined, they accounted for 75 percent of all new online ad spending in 2015, according to the Internet Trends report published this month by Mary Meeker of Kleiner Perkins Caufield & Byers, the US venture capital fund. In the US, 85 cents of every new dollar spent on digital went to the two companies in the first quarter of 2016.

> **Digital is fast becoming advertising's biggest source of revenue and will eclipse television in the US next year**

This matters because digital is fast becoming advertising's biggest source of revenue. It will eclipse television in the US next year, according to eMarketer, the research firm, with the lion's share likely to go to the digital duopoly of Facebook and Google. Executives in Cannes put a brave face on what this might mean for their industry but the consequences of two companies becoming the gatekeepers for most digital advertising are profound.

Google and Facebook compete in some areas such as digital video advertising but are present "across every part of the food chain", according to one ad executive. This seismic shift to a digital and mobile ad landscape effectively controlled by two companies has wide repercussions for agencies, media buyers, publishers and the brands that want to sell more products.

Advertisers like the targeting they get with Facebook and the trove of data it has on its 1.6 billion users, just as they like the efficiency of Google search. But they are worried about a concentration of market power in two companies that not only own the playing field but are able to set the rules of the game as well.

Facebook and Google "are hegemons" that could soon be taking campaigns away from television, says Brian Wieser, analyst with Pivotal Research. Paul Frampton, chief executive of Havas Media Group UK, says they are "black boxes" that have too much power. "They don't give agencies or the brands access to their algorithms and the data being mined are for Google and Facebook - and not for the brand."

The two companies have unwittingly had an impact on print advertising revenues, which have tumbled in the UK and the US in the past six months. The Financial Times reported this week that UK newspaper executives have had discussions about pooling resources to form a single ad sales operation, partly because so much print spending has shifted to Facebook and Google.

There have been similar discussions in Cannes with the aim of creating a "third block" of television advertising inventory to rival the might of Facebook and Google. Talks are at a very early stage but have centred on owners of television networks pooling inventory, according to people who have been briefed on the discussions.

Sir Martin Sorrell, chief executive of WPP, the world's largest marketing and communications group, says one possible block of inventory could be formed by the acquisition of Yahoo by AOL, the dial-up pioneer owned by Verizon. An alternative, he says, would be the proposed alliance between traditional media owners such as 21st Century Fox, News Corp, Comcast, which owns NBCUniversal, and other groups. The idea had come from Group M, the media buying agency that is part of WPP. "It's a thought," he adds.

Advertising executives used to have a simpler life. They won a client's business, created a campaign and bought media time on television or space in print magazines and newspapers.

"People didn't know how good the old days were until they were over," says one agency chief executive. "You

Advertising: Tearing up the creative process (continued)

could go away for two and a half months to ponder what the campaign should be and then go to some exotic place to shoot the commercial."

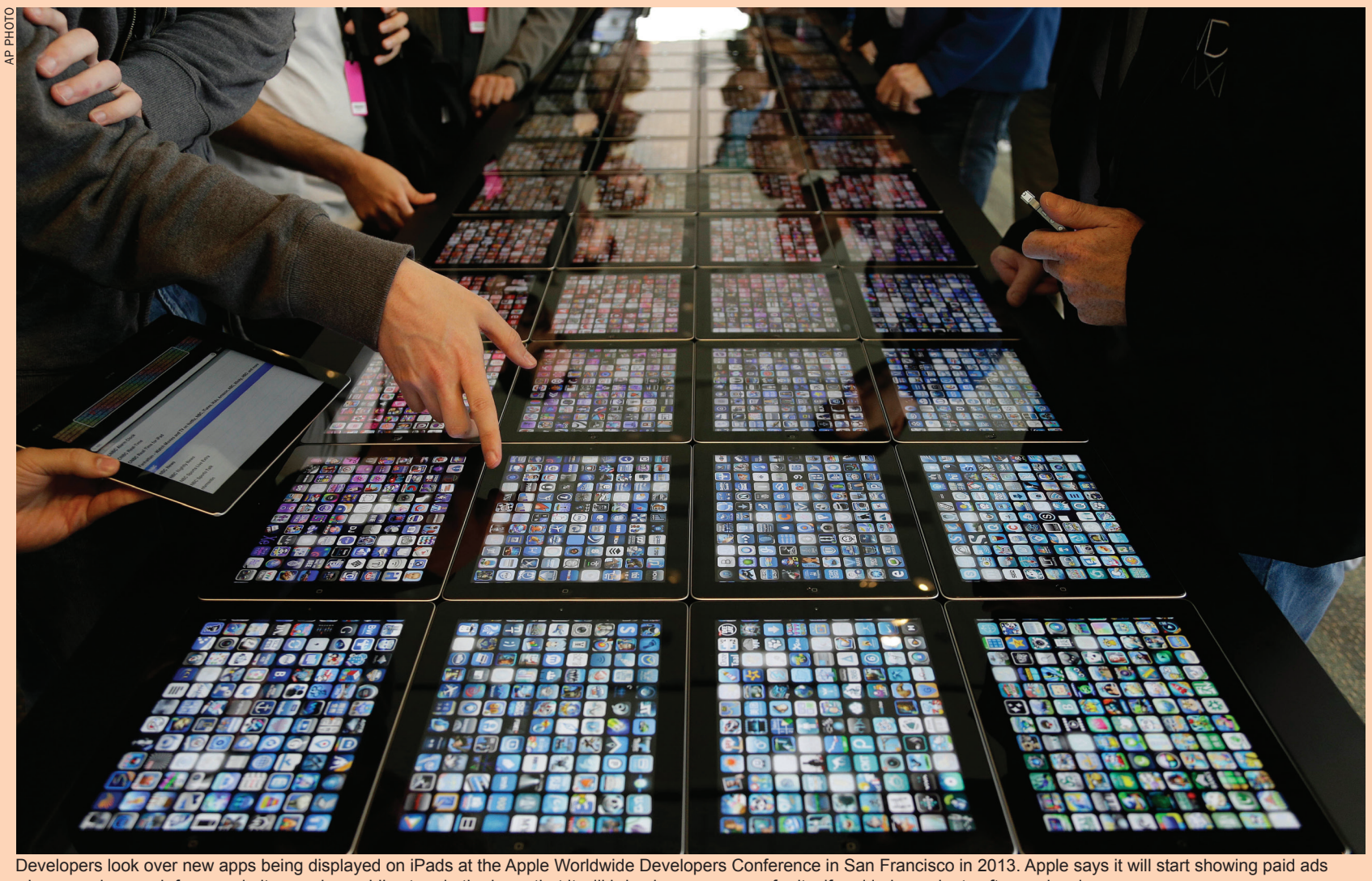
In the days before the internet, brands could simply "bark at the audience," and the "conversations" with consumers that brand managers talk about were decidedly one-way. Agencies now talk about brands connecting directly with consumers, creating what Keith Weed, chief marketing officer of Unilever, calls a "path to purchase."

On Facebook, this might be an ad in its news feed for a car that involves the viewer entering personal details or booking a test drive - anything that moves the viewer closer to a purchasing decision.

Unilever is the world's second-largest advertiser, spending several billion pounds a year and owning brands that range from Dove and PG Tips to Marmite and Persil. "We used to show a great ad on a Thursday on television and when you were walking down the aisle at Tesco on a Saturday morning you would see Persil and put it in your shopping trolley," he says.

The company and its peers are trying to use data to target their campaigns better, aware that, in an age of digital video recorders and on-demand viewing, fewer people tune in to watch live television at a set time. It recently ran a "programmatic creative" campaign in Brazil for Axe, the men's deodorant known as Lynx in the UK, which automatically drew from 100,000 vignettes to create a short commercial individually tailored to the viewers watching. The ads ran on desktops and mobiles and were compiled automatically using data stored on each user's device.

AP PHOTO



Developers look over new apps being displayed on iPads at the Apple Worldwide Developers Conference in San Francisco in 2013. Apple says it will start showing paid ads when people search for apps in its popular mobile store in the hope that it will bring in more money for itself and independent software developers

"Technology gives you the ability to be much more specific to an individual," says Mr Weed.

Facebook holds a trove of data on its users, including their interests, location and other variables, which partly explains why so many advertisers are flocking to the platform. "Facebook believes the most important thing is identity in ensuring ad effectiveness," says Ben Winkler, chief digital officer of OMD, a media agency that is part of Omnicom. "That is key to performance because that's [Facebook's] strength... they know who you are and so much about you."

Google's proposition is different, he adds, with most of its business coming from online search. "Google believes identity is secondary to intent. What's important is what you want right now because advertising products and services fulfils a want or need." They are different approaches but complementary, Mr Winkler says. "The reality is they are both right, which is why we use both."

There are other consequences to the advertising industry's move towards more data-driven targeted ads - namely that the creative aspect requires more work. "The creative process in advertising is being blown up," says Jim Stengel, the former global marketing officer of Procter & Gamble, the world's biggest advertiser.

"It's definitely more work than it used to be," says Mr Weed. "But we have always targeted. The reason why we have a portfolio of ice-creams is because we have targeted different groups of people. We've always done it and now we have a greater ability to do it."

Even with automated processes, assembling the component pieces of a campaign aimed at multiple different demographics is more complex than a single television commercial or print ad.

"If we are going to go beyond the mass market of yesterday to mass customisation, that's going to be a challenge in content creation," says Mr Weed. However, he has little doubt that mass customisation is the better approach. "It has to be better for the future of brands."

Opinion is divided over whether the data-driven services offered by Facebook and Google will hit the agencies that used to provide that information to their clients. They own their platforms, they can set the price and, increasingly, they can offer other useful services.

"The agencies are the ones who are going to be cut out of the equation the most," says one senior ad executive. "If buying [a campaign] is as easy as going to Facebook and Google and you can target a particular demographic, then why do I need a media buying agency?"

Media buyers argue that even with Facebook and Google's dominant position the advertising landscape is complex so brands need all the help they can get.

"Marketing managers are leaning on their agencies more than ever," says one agency executive.

There are other digital options beyond Facebook and Google. Snapchat, the messaging app, is becoming an alternative option for advertisers and had a big presence in Cannes this week.

"It's beginning to challenge Facebook and Google, particularly in the US," says Mr Frampton. Having more distribution options is better for clients and it leads to better creative work, he says. "Freedom of choice to work with multiple partners leads to smarter thinking and better ideas."

Despite their size and scale, both Facebook and Google have limitations, he adds. "A lot of the content on YouTube isn't where brands want to be. Facebook is a social environment which may not necessarily be the best place to give a brand bottom line impact."

Waiting in the wings

While the industry grapples with how to handle the digital duopoly there are other technology companies that could have an even bigger impact on their marketing and sale of consumer goods. Amazon is reportedly planning to produce its own brand of consumer goods products, such as snacks and washing powder. It has worked with consultants to create brands that it will sell on its online store alongside items from established consumer goods companies, such as Unilever.

It is also stepping up its push to be part of the "internet of things" by teaming up with manufacturers to offer its Prime customers automatic reordering via "Dash Buttons". For example, a consumer places a laundry detergent button next to their washing machine and can press the button to order a fresh supply when they are running out.

The prospect of Amazon, the world's biggest online store, selling its own goods and circumventing the traditional purchasing process has sparked plenty of reflection and anxiety.

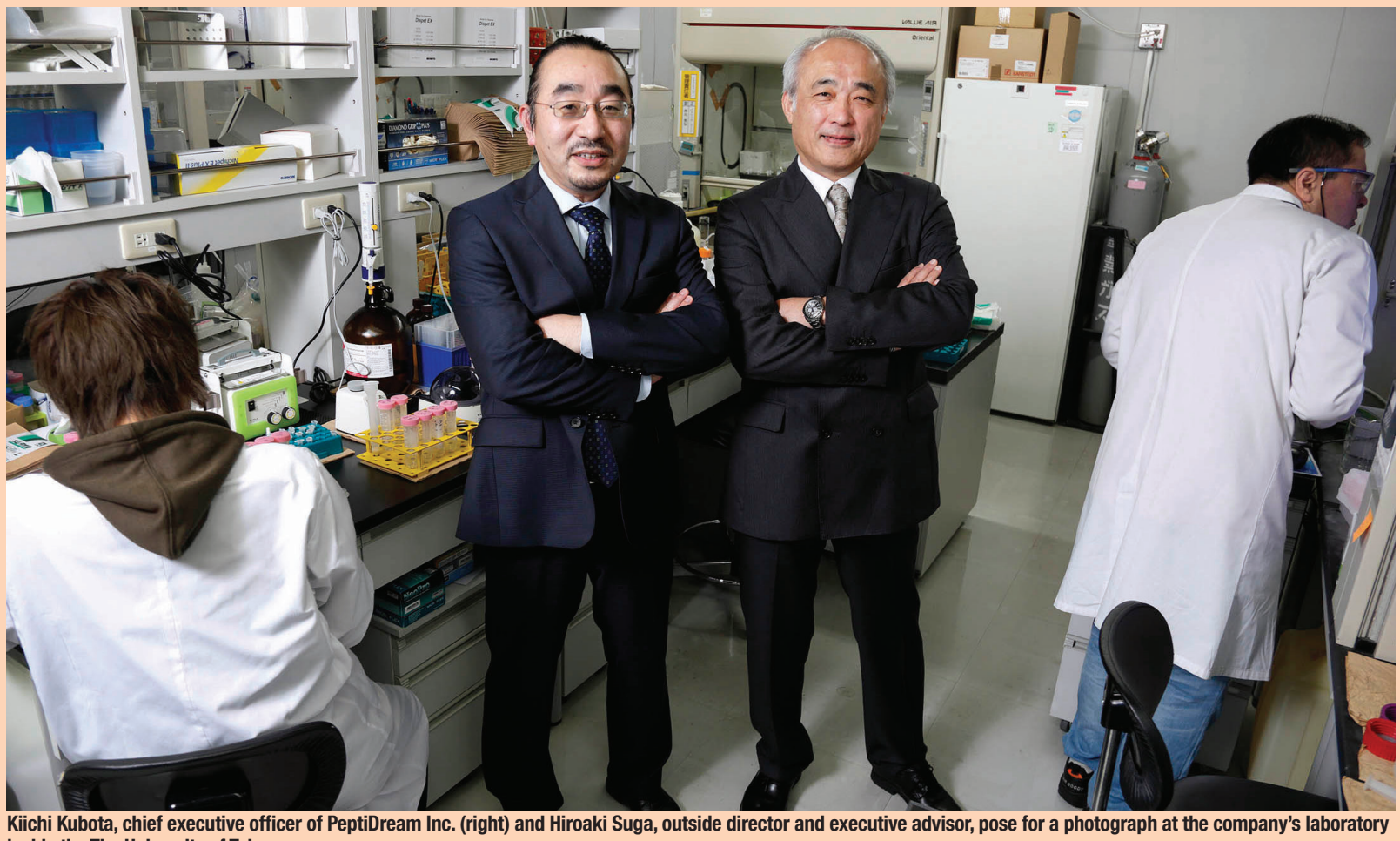
"Clients are terrified," says one senior ad executive, pointing to Amazon's scale, market power and ability to sell and deliver its own products quickly and efficiently. How will brands and the companies responsible for marketing and selling them possibly compete?

The answer is not immediately obvious but those concerns and other worries about Facebook and Google did not stop the industry partying in Cannes this week as if its life depended on it. Which, perhaps, it does. "It doesn't feel like an industry that is under serious threat, but it is," says Mr Frampton. "The agency model is being heavily disrupted."

Google and Facebook are the new advertising kingpins and Amazon is waiting in the wings. Ad men and women know how to tell stories but it is unclear how their own will end.

SCIENCE

Failed guitarist seeking life's roots makes USD3b drug firm



Kiichi Kubota, chief executive officer of PeptiDream Inc. (right) and Hiroaki Suga, outside director and executive advisor, pose for a photograph at the company's laboratory inside the The University of Tokyo

Tom Redmond, Nao Sano

WHEN he realized he wasn't going to make it as a guitarist, Hiroaki Suga set out to find the origin of life, and ended up creating a new way to develop medicines.

Many years spent fiddling with the building blocks of the universe - combining molecules to form compounds - led to Suga developing an enzyme that opened the door to a faster method of discovering drugs. PeptiDream Inc., the company he co-founded, has inked deals with many of the world's biggest pharma firms, and shares have surged more than nine fold since listing in 2013.

"Everybody comes to PeptiDream," Suga, 53, said in an interview from his office deep in the main campus of the University of Tokyo. An electric guitar hangs from his wall. "Everybody probably accepts now that the technology we developed is very, very smart, very efficient," he said. "I might go back to looking for the origin of life after I retire."

PeptiDream is part of a handful of Japanese biotech ventures that have grown into billion-dollar companies, which also includes Sosei Group Corp., the drug maker that now accounts for about 14 percent of the Mothers Index of smaller shares, and Euglena Co., which is trying to make jet fuel from algae. Like Euglena, it originated within Japan's equivalent of Harvard, where Suga is a professor. In fact, PeptiDream is still based there today.

The path to becoming a USD3.2 billion company started when Suga's lab developed an artificial ribozyme, which he named flexizyme for its "promiscuous" ability to help amino acids couple to form peptides. Libraries of peptides - proteins made from a small number of amino acids - had been used by health-care companies for years to facilitate drug discovery, but they hadn't been effective because they were unstable.

Armed with flexizyme, the self-described research heretic Suga turned conventional wisdom on its head by making new libraries of a different type of peptides, often shaped more like a hula hoop than the spaghetti-type ones employed in the past. The steadier structure made them better at blocking the interactions between proteins that cause many diseases, according to Suga.

"People thought I was crazy, because it's a very difficult thing to do," Suga said. "I spent 10 years on this. I had many failures, but then I had two successes but they weren't really useful, so that means failure for me. And then finally I came up with this flexizyme prototype, and I thought 'this is it.'"

Enter Kiichi Kubota, the business brain and co-founder who runs PeptiDream today. Together, they nailed down patents on the technology and worked on ways to make the process of discovering "hits" - the starting point for developing drugs - more efficient. By reducing the number of steps, the company cut the average time needed to discover them from about three days to four hours, according to Patrick Reid, PeptiDream's chief science officer. That also lowered the potential for human error, he said.

> This is one of those weird things where someone has something special that nobody can imitate. And it's patented.
>
> BRIAN HEYWOOD
> CEO OF TAIYO PACIFIC PARTNERS LP

The Peptide Discovery Platform System has had strong interest from big pharma. Already, 16 of the most established names in the industry have signed agreements to work with PeptiDream to find hits for various diseases. The system can help discover drugs for pretty much anything, from cancer to neurological disease. Three firms, Bristol-Myers Squibb Co., Eli Lilly & Co. and Novartis AG, have gone a step further by licensing the technology to use in-house. PeptiDream's revenue rose to 2.5 billion yen ($24 million) in the fiscal year ended June 2015.

"These guys are different," said Brian Heywood, chief executive officer of Taiyo Pacific Partners LP, which holds a 5 percent stake in PeptiDream despite being generally suspicious of biotech shares. Heywood says that PeptiDream doesn't burn funds like some of its peers and is cash-flow positive. "This is one of those weird things where someone has something special that nobody can imitate. And it's patented."

Not only that, PeptiDream kept part of its discovery for itself. Its system can create three types of drugs - peptide therapeutics, small-molecule medicines and what's called peptide drug conjugates. The first is mostly used for extracellular medicines, while the second, which are smaller, can permeate the cell. PeptiDream's partnerships cover only those two.

The third, PDCs as they're called, are envisaged as a kind of smart drug. The peptide part will be used, for example, to home in on a cancer cell, which the conjoined drug will then attack. This contrasts with conventional treatments such as chemotherapy that kill other cells as well as the cancerous ones, resulting in hair loss, nausea and other symptoms. Reid and his team are focusing on this area within the company.

"We carved that out," Reid said. "The market is growing very rapidly. It's one of the most rapidly growing areas of therapeutics."

Analysts, who are predominantly bullish on the stock, say one risk for PeptiDream is if big pharma starts to lose interest. They point to Pfizer Inc. canceling an agreement in 2013, and how shares tumbled on the news.

"They have several partners, but we don't know if the contracts will be extended indefinitely," said Kiyokazu Yamazaki, an equity analyst at Ichiyoshi Research Institute Inc. who rates the shares a buy. "What people evaluate highly isn't their creation of drugs in-house. It's their contract revenue."

Shares surged 175 percent from November to a peak at the start of this month, capped by a 14 percent jump on June 3 after PeptiDream raised its annual profit forecast by 84 percent and said it got a second licensing payment from Novartis. The stock has tumbled more recently but even after the decline, it trades at 166 times earnings and 37 times book value. PeptiDream posted profit of 1 billion yen in the 12 months ended June 2015.

The company moves to a new building near Tokyo Bay next year. Professor Suga remains an independent director and adviser, while his lab has moved on to other pursuits. His 8.6 percent stake is worth about $278 million, and he says he's bought a house and filled it with guitars.

Kubota, the president, now spends half his time talking to investors, and says he hopes Suga will win a Nobel Prize for his discovery one day. Meanwhile, across the corridor, Reid's at work testing the boundaries of the new world of peptide drug conjugates.

"We've developed a once-in-a-generation hit-finding platform," Reid said. "It's like sitting in a stack of gold every day." **Bloomberg**

Congo volcano brings farmers rich soil but eruption threat

Christin Roby, Goma

HACKING away in the midday sun, 49-year-old farmer Daniel Lazuba remembers vividly his life before one of Africa's most active volcanos erupted 14 years ago.

"All of this was corn before," he said as he pointed to rows of new banana trees pushing up between black stones. "My cabbage seems to be growing better than ever these days, but in this area, I still have to start from zero."

Traumatized farmers like Lazuba are slowly returning to fields decimated by the 2002 eruption of Mount Nyiragongo in eastern Congo. Flowing lava flattened more than 30 percent of the city of Goma, 20 kilometers away. Nearly 150 people died, and 400,000 fled into neighboring Rwanda.

Now farmers returning to their fields find increased harvests from the rich volcanic soil, but there are signs that Nyiragongo will erupt again.

One farmer, Patrick Tamoini, said his harvests have risen over the past two harvests since he returned to his patch of land a short walk from the volcano's base. The 41-year-old pockets more than USD100 a month after taking care of family expenses, more than double his earnings before the eruption, he said. The average per capita monthly income in Congo is nearly $32 a month, according to the World Bank.

AP PHOTO

In this March 29, 2010 file photo, a resident walks past banana trees near the base of Mount Nyiragongo, one of Africa's most active volcanos, in Goma

But returning to the fields wasn't easy.

"The pain of what I lost kept me from coming back for such a long time," Tamoini said. "With this level of production, I'm glad I finally did."

The chemical makeup of volcanic soil makes for lucrative farming conditions, say researchers at the Goma Volcano Observatory.

"Lava actually enriches the soil that it initially burned," said Mathieu Yalira, the chair of observatory's geochemistry and environment department. Volcanic soil includes fertilizing elements such as iron, phosphorus and potassium, he said. In the years after an eruption, a process known as chemical weathering slowly makes lava soil more fertile than ordinary earth.

Local farmers didn't seize on those benefits right away, observers say.

"Initially, no one was coming back because they were too devastated to see their burned fields," said the chair of the observatory's seismology department, Georges Mavonga. "But within the past year, visits toward the volcano have shown new villages in areas that were uninhabited before."

He said the increase in lava soil farming may be a result of initial farmers seeing the benefits and spreading information to friends and family.

But the farmers should not get too attached to the newly fertile fields, warns the Rwanda Red Cross, which cared for many fleeing the 2002 eruption.

In February, an earthquake far beneath the surface caused rumbling noises near Virunga National Park, where the volcano is located. Since then, a new vent has appeared on the northeastern edge of the crater floor that shoots lava into the air every 30 seconds.

The Rwanda Red Cross has increased surveillance of the volcano in conjunction with the observatory.

"There are only presumptions about the next eruption, but people who study the daily life of this volcano tell us it could happen any day," said Yves Riupi, a Red Cross crisis manager who works with seismologists at the Rwanda Natural Resources Authority.

The risk of another eruption is one that some farmers, whose lives depend on their crops, are now willing to take.

With vegetation growing more than six feet tall in some places with the rich volcanic soil, farmers say they want to keep working their fields, until the volcano erupts. **MDT/AP**

ASK THE VET

By Dr Ruan Du Toit Bester

Are Dogs' Worms Contagious?

DOGS' worms are contagious, but not in the same way that kennel cough is. Dogs can't contract them by coming in contact with each other, but they can often contract them by coming in contact with an infected dog's feces. Thus, if your dog isn't on a worm preventative, it's important to be careful in areas that are frequented by many dogs.

HEARTWORM

Heartworm is the worm all dog owners fear because it is more dangerous than the others and can lead to death. However, heartworm is not contagious between dogs. If your dog comes in contact with an infected dog, he will not become infected.

If there is heartworm in your area, however, your dog may come in contact with a mosquito that transmits the disease. The mosquito contracts it from a dog that has it, so it's possible that if your dog is in contact with a dog that carries the disease, there are mosquitoes nearby that may transmit it.

Heartworm is easily prevented with a wide variety of pills and topical treatments, many of which can be purchased at your local vet.

ROUNDWORM

Roundworm is the most common worm found in your dog, and not only can it be spread to other dogs but also humans, so it's important to be very careful around infected dogs. Roundworm is spread through the vomit or feces of infected dogs. These roundworms can live in the soil for years, even after the waste is cleaned up.

Children are especially susceptible to infection because they often play in the same dirt that the dog does, and inadvertently put their hands in their mouths afterward.

Mother dogs can also pass roundworm to their puppies through their milk.

HOOKWORM

Hookworm is the only other canine worm that can also be passed to people. These are especially hard to diagnose because they're invisible to the naked eye, but they can cause extreme pain and intestinal bleeding in both dogs and people.

Hookworms can also live long times in the soil after being released from an infected dog through feces. They can penetrate skin, so dogs and humans can contract them by simply walking in infected soil barefoot.

TAPEWORM

Tapeworms are not passed from dog-to-dog either, but rather through infected fleas. Fleas ingest the eggs from infected dog feces, and then dogs ingest the infected fleas during grooming.

Though your dog cannot contract tapeworms from an infected dog, the fact that the dog is infected means that infected fleas may be nearby to spread the disease. Flea preventatives will ensure that your dog doesn't contract it.

WHIPWORM

Whipworm is the most difficult worm to remove from your dog's system once infected, and they can also live in the ground for years. Like roundworm and hookworm, eggs are released from the dog's system in their feces and can be contracted by other dogs who come in contact with the feces.

To avoid contracting worms, avoid unknown feces and give your dog yearly worm tests. Flea preventatives can help reduce the likelihood of worms, since some types are spread through fleas.

Hope this info helps
Till next week
Dr Ruan

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