

# The Brandtech Group: on AI, marketing and the metaverse

**David Jones (DJ):** We're going to help brands solve their biggest marketing challenges through technology and what technology has enabled.

**Lawrence Burns (LB):** Advertising has become a lot more complex and a lot more fragmented and in many ways Brandtech is helping solve those problems.

DJ: Nobody really fully understands just how AI is going to completely disrupt and change all facets of marketing. The good news is, we have a nine-year head start.

LB: We haven't yet had a \$100 billion advertising company and I think that's Brandtech Group's opportunity.

DJ: What we've got to do is just make sure that we don't squander this lead.

**Claire Shaw (CS):** Hello and welcome to Invest in Progress, brought to you by Scottish Mortgage. I'm Claire Shaw, an investment specialist in the team. In this podcast, we take you behind the scenes to hear the conversations that take place between the Scottish Mortgage managers and the visionary leaders of some of the world's most exceptional growth companies. This is the last episode of season two, so, after listening, don't forget to check out the rest of the episodes from this season as well as season one on your favourite streaming platform.

As we are a UK investment trust, we can only market Scottish Mortgage to certain audiences and in certain jurisdictions. Take a look at the podcast description to ensure this content is suitable for you. As with any investment, your capital is at risk.

Over the years, we've all become familiar with phrases like fintech and biotech as technology creeps into every facet of our lives. But how about the term brandtech? This is a relatively new term and it means leveraging off technology for marketing purposes. It's also a phrase that's been trademarked by the company featuring on today's episode.

The Brandtech Group sits at the intersection of many exciting trends, the dramatic growth in mobile use and the impending revolution in augmented reality and artificial intelligence. With the development of these trends comes a number of frustrated global companies looking for brand and tech-literate partners to help them keep up. That's where the Brandtech Group comes in, helping the world's biggest brands do their end-to-end marketing better, faster, and cheaper using technology.

Before we welcome founder David Jones onto the podcast, I'm here with Scottish Mortgage manager Lawrence Burns.

So, Lawrence, the Brandtech Group is providing digital marketing services to global brands. To some, that may sound quite vague or hard to conceptualise. So, in very simple terms, what is the value proposition for customers of Brandtech?

LB: I think if you take a step back and look at the challenge brands are having today, it is that advertising has become a lot more complex and a lot more fragmented. In many ways, Brandtech is helping solve for those problems.

We're not all watching the same handful of television channels where you can buy a 30-second advert or a spread in a magazine. The ways of reaching consumers have become more fragmented and complex because of technology. You have a range of different social media platforms, different ways you can advertise on those platforms with text, banners, videos, adverts.

We're using algorithms to adapt those adverts in real time, to personalise those adverts. You're having to connect with influencers around the world, working with them on TikTok on Instagram. You're even having virtual interactions through gaming and in virtual worlds like Roblox.

So, put simply, Brandtech's proposition in my view is to say to brands, we can help you simplify and leverage the benefits of technology to do marketing, and this will be one of David Jones's phrases that I'm sure he'll use, cheaper, faster, and better. That, I think, is what they're offering brands as a partner to deal with the complexities of technology.

CS: Lawrence, when I think of advertising, I'm always inclined to think about annoying, irrelevant adverts that are going to pop up and interrupt whatever I'm doing. However, as you say, ads are becoming increasingly sophisticated, targeted, and more immersive. Our guest today, David Jones, has arguably been a pioneer in that shift in strategy. So it'd just be interesting to get your take on that old-world advertising strategy and tactics versus the new world and David's role in that transformation, if you like.

LB: One of the promises of using technology really well with advertising is that you move from advertising being a tax on the consumer experience to it being some form or mix of utility, service, and entertainment. That, I think, is possible with some of the new developments we're seeing in technology.

I think, why David Jones, is because he brings an interesting combination of two things. The first is, he is in many ways an industry insider. He was the CEO of one of the large traditional advertising agency companies. So he has a wealth of experience. He has an incredible range of networks and existing contacts.

And he's done the unusual thing of leaving what is quite a comfy position behind and going and becoming an entrepreneur and starting something from scratch. I think he has that entrepreneurial mindset and he has a view and has had a view since we first met him many years ago of how advertising is changing and how it needs to be different.

I think it's quite unusual, when you look at some of the new companies that have come in different industries, to have someone that has that level of industry experience yet is trying to do things very differently and has a view that actually the future looks much different from the past. That combination is unusual and, I think, helps him navigate that industry particularly well.

CS: Perfect. Thanks, Lawrence. Well, with that, I will now hand over to yourself and David and we will catch up at the end.

LB: So, David, I want to start by saying thank you so much for joining us on this podcast. We really appreciate your time.

DJ: It's my pleasure, Lawrence. Good to be here from a snowy New York.

LB: Well, envious. It's been a long time since I've had a snow anywhere near Christmas, so there's always a plus side to it. I wanted to just begin because, fascinating as Brandtech is as a company and what it's doing and how it's changing the world of advertising, it'd be great for our listeners just to get a feel for, in your own words, explaining what Brandtech does and how it's changing advertising, just to set the scene for us.

DJ: Yes. So, look. Simplistically, we're the world's number-one digital-only marketing group. We're also the world's leading generative AI marketing group. Today we're 7,000 people. We work with eight of the world's top ten global advertisers, 49 of the top 100. We were named by Fast Company as one of the world's most innovative companies.

But in essence, what we do is, we help the world's biggest global brands do their marketing better, faster, and cheaper using technology. We help them connect content, data, and media using technology. Obviously I can unpack all of that, but that's a headline.

LB: Maybe in a nutshell, if I'm a brand today, why am I going to Brandtech? What problem are you solving for me in the 21<sup>st</sup> century?

DJ: So, look. I created the company in June 2015, as you know because you were one of our founding investors. Back then, the big challenge brands were facing is, the mobile phone had arrived. It has totally disrupted all marketing. You went from a world where brands made three or four TV commercials to a world where suddenly they needed hundreds of thousands of assets for the digital and social channels.

You went from a world where you had to get that content from expensive advertising agency creatives to a world of the creator economy with everyone able to create content. You went from a world where you had a real lack of data to enormous supply of data and ability to connect that to content to make marketing perform better. Finally, people were transacting and shopping more and more online.

My clients were saying to me, look, David, we need help. The big agency groups are great at advertising and brand but don't really get tech. The tech platforms have an amazing tech platform, but they're only ever going to recommend their tech platform and the brand piece isn't the bit that they specialise in. We really need somebody who is expert in both brand and technology.

So we basically came in to help brands. We said, look, we're never going to buy traditional ad agencies and traditional media companies. There's an entire industry that does that. We're going to help brands solve their biggest marketing challenges through technology and what technology has enabled.

LB: I suppose in some ways what has been fascinating about your journey is that it obviously comes from the traditional advertising world. You were CEO of a publicly listed... One of the big advertising agencies before starting Brandtech. You had that ringside seat of how advertising was changing from an incumbent perspective. It'd be just interesting to understand how that role informed what you wanted to do differently and informed in many ways what you've gone on to build.

DJ: Yes. So, look. It gave me a great understanding of branding, of global brands and what global brands needed. I'd started my career at the holding company I was at, Havas, launching Australia's first-ever digital agency back in 1998. So I'd also seen the enormous speed of disruption that the Internet had brought to marketing.

I just believed that it was going to be easier for me to solve my clients' problems building something from scratch rather than changing something that was legacy. It's always very hard, changing legacy businesses. So I said, look, we're not going to focus on the bit that ad agencies and holding companies do very well. We're going to acquire high-growth, highly disruptive companies that solve our clients' biggest pain points.

So they were things like in-housing. We bought Oliver, the only company in the world that builds in-house content studios for brands. Another big pain point was influencer marketing. We bought collectively one of the world's top three global influencer marketing companies. Another big pain point was social media and gaming. We bought Gravity Road, TikTok's digital agency.

So we put those companies together end to end and integrated them into our platform. We were then able to deliver cutting-edge, digitally enabled marketing solutions to our client partners but, really importantly, at global scale. I would say that was one of the really unique things about us and it's why we raised the money to build the company and make the acquisitions.

We weren't the only people in the world to be expert in brand and tech, but most people who were doing it were doing it in one city or in one vertical. We believed you needed to be able to do it end to end globally. Otherwise you were just creating another problem for a global brand.

LB: And maybe if we just stick back with that transition period when you left that role of CEO of a public company in 2014 to found Brandtech, what was going through your mind then in terms of... What were the hardest challenges of making that leap? Because in many ways you left an incredible job to go and start and build something from scratch. So I'm just curious. What was toughest about that decision? What was toughest then about implementing it?

DJ: I think the thing that most people would find hardest is, you go from a world where you're the CEO of a listed company, you're flying around in first class, you've got three assistants, huge amounts of resources, and suddenly you're sitting on your own and you have none of that and you're down the back of the plane and in the middle... I think if those things are important to you, it's probably hard to make the leap.

But I'd watched my dad have a successful career in the textile industry, but at the back end of his career, when the textile industry was declining, he wasn't having a great time. It was like, note to self, don't be a senior executive in a declining industry.

I think that plus just the... I could just see that my clients needed something that didn't exist. They had a choice. Work with a big global company who doesn't really get state-of-the-art tech-enabled marketing, but it's easy because they're everywhere, or go around the world and assemble individually.

Who's the best influencer agency in the US? Who's the best in London? Who's the best in Paris? Who's the best at e-commerce? Who's the best at social media? And creating something where you had absolute best-in-class marketing, but it was a total nightmare to run and manage and it wasn't global.

I just believed that I could build that solution for them and I think, honestly, the fact that today we work with eight of the world's top ten and 49 of the top 100 says something about the need that they had for that as well.

LB: And you've talked publicly about your vision for advertising. You've described it at one point as being the post-advertising world. It might be helpful for our audience to understand a bit about that vision and more details of what

advertising looks like as we continue to see the impact of technology, as you were alluding to, and really the increasing complexity and the ability for everyone to be able to create content. Just what does that world look like that you've envisioned and is seemingly coming to fruition as well?

DJ: Yes. So, look. We talked about being the first group for the post-advertising world and the reason we called the group Brandtech is, we believed that advertising would become a less and less important part of how brands connected with people and traditional advertising even more so. Obviously, if you look back to 2015 and what percentage of overall spend was digital versus traditional and where we are today.

I think with the explosion of ChatGPT 3.5 and everything happening in generative AI subsequently, that's even more the case. So we just had a fundamental belief that you could do your marketing better, faster, and cheaper using technology. That was why I built the company and what we set out to build and generative AI has put that on steroids. It's pretty incredible, what you can do today. This technology is only going to get better and better, if you look at the progress it's made in the last 12 months.

Similarly, to your point about complexity, there was a time where it was relatively straightforward. You'd make a few TV commercials, a bit of press and posters. Then the Internet came along and you had to do some banners. Literally, today you're creating hundreds of thousands... Brands have millions of assets live in market. Not only do you have all of the different platforms, but they're all constantly changing. They're changing their algorithms. They're changing what they do. It's become unbelievably complicated.

I think that's one of the biggest needs for a modern brand today. Just help me make this simple. Help me with the complexity of modern marketing. Then you layer on top of that cookies going away and all the complexities around data and obviously, as I said, the explosion of gen AI. We will look back in ten years and think, wasn't it simple in 2024 when we just had to do this? Because I think that's the other rule of modern marketing. It will get more complex. There will be more messages. It will be more difficult with each passing year.

LB: And what does that complexity mean if I'm a company that has a brand today? Does that make it more likely that I need to do more advertising and more help outside of my organisation or does it lend towards insourcing? How has that balance been developing because of some of those themes that you've been talking about?

DJ: Well, look. We own Oliver obviously, the world's number-one in-housing company, built and run the new studio for Unilever, have many big, successful in-house content studios. I think in-housing is probably the fastest-growing subset of marketing if you look at the last five or ten years and I think it's all about

brands wanting to take back control, about brands wanting to solve... Gartner said that content was going to be the biggest bottleneck in marketing over this decade and so far they've been right.

I think generative AI will help us solve that, but the volume of content and the speed of turnaround just mean that the old traditional legacy model just couldn't keep up. So I think you've seen a huge acceleration of in-housing and our belief is that actually AI and generative AI is way too important to outsource and that actually plugging and connecting generative AI to in-housing is going to be the best model in the future.

LB: Maybe we could talk a bit more about AI because I think what's striking is, you've been a thought leader on a range of new technologies from AI to the Metaverse. When you first came to us at Scottish Mortgage in 2015 with the idea for the business, machine-generated content was one of the core pillars that you were talking about.

That was back in 2015. Why did you think back then that AI was going to be so big in marketing? Has the fact that you saw it with that many years in advance versus when other people were thinking about it helped you to stay ahead and to develop the right tools for the brands even as everyone is now clamouring towards it?

DJ: Yes. So, look. I think on the first one, why did we think... As you said, machine-generated content was one of our founding verticals. I think humans just always completely underestimate how disruptive technology is going to be. Just a stupid, simple example. I was on a plane with no Wi-Fi last week and it was really annoying. If you'd have told me ten years ago I'd have had Wi-Fi, I'd be like, don't be stupid, we're not going to have Wi-Fi in planes.

I think it's just the golden rule of technology. If I look at when I launched Australia's first digital agency in 98, none of us believed that we would watch TV commercials on computer screens because the Internet was too slow. So I've always taken this to, well, this is what it's like now, but it's clearly going to be dramatically better.

For me, it was just logical and is logical that... And it should probably be called augmented intelligence, not artificial intelligence, in the sense that it's not that it's going to replace everybody in the marketing industry, it will change a lot of jobs, but it just augments what we're able to do. I've always believed from day one that we would have technology that would allow us to do marketing much better, faster, and cheaper.

So what that's allowed us to do is to get a real head start. I think we've made seven or eight investments since back in 2015 and probably the most significant of those and, I would say, one of the key things that that head start has allowed

us to do is, it has allowed us to be in a space today where we have genuine, tangible products.

Pencil has been creating ads using AI since 2018. It's the only company in the world that has been creating ads using AI. Everyone obviously jumped on that bandwagon a few months ago. What that means is a billion dollars of media spend through the platform and a billion dollars of learning, over a million ads created across 5,000 brands. That has given us a head start and we have a product that we're able to put in market immediately.

The thing we're constantly hearing from our clients is, we have these great presentations from you and your competitors. You guys immediately can put something in market for us and we've got results within a week or two. The other people are still talking about it. One of our large clients said, we've got 32 live projects with you and we haven't done anything with anyone else yet. So it's given us that head start.

Obviously the slightly annoying thing is, everybody now has been doing generative AI for a decade, honestly, but I think you do a quick Google search and you'll find the vast majority of them haven't been. We talked obviously back in 2015 and, in fact, I think one of the big trade publications said, will the Brandtech Group replace and put traditional agencies out of business because of their belief in machine-generated content?

Back in 2019 I did an interview with Forbes where I said, look, I think nobody really fully understands just how AI is going to completely disrupt and change all facets of marketing. I talked about the intelligence economy and it's exactly what's playing through now. So I'd say the annoying thing is that everybody has now discovered this, but the good news is, we have a nine-year head start and we're seeing enormous growth and traction with generative AI.

LB: So, when I think about Scottish Mortgage, we'd had investments related to AI, Nvidia going back to 2016. We'd talked to thought leaders, including yourselves, that had told us that this was an area we should be trying to learn quite a lot about. But at least for us, our perspective has been that, certainly since the release of ChatGPT and what you've seen from generative AI, probably the pace of progress has gone ever faster than we would have thought.

So I suppose I'm just curious. If you go back to that original model, how has the pace surprised you at all that you've seen? Has it been as you would expect? Has it been faster? Has it been slower?

DJ: Look. I think the explosion of ChatGPT 3.5 in October-November 22 was a real tipping point. I think... Look. There was lots of talk about Web 3.0, NFTs, etc. I think one of the big learnings... And obviously blockchain hasn't gone away and it may well come back to surprise us all, but I think one of the big learnings was ease of



use. Anyone could go on ChatGPT 3.5 at the time, put something in, and it came back and it was instantaneous. You needed no... I think that's what just ignited the mass usage and obviously that kicked the snowball off.

When you have every single one of the world's biggest tech platforms obsessively trying to create something and improve something, the snowball effect that that has on the world is just enormous. So I think it's not a surprise in the fact that it happened because I think we've always believed this was going to happen.

Exactly when it happened... Yesterday Microsoft went past Apple as the world's most valuable company in the world and that's all on the back of generative AI and AI. Five years ago, most people probably wouldn't have predicted that. We really are still at the start of something. We haven't even started to see the disruption that this is going to bring not just to marketing and business but to the world.

LB: And I think that in itself becomes the interesting thing, which is the pace at which some of these tools continue to get better. So trying to think out on a long timescale... So you were talking about machine-generated content in 2015, but in 2024, trying to think out five or ten years ahead... Those tools are going to get better and more powerful. Those machine-generated adverts are going to get even more effective.

I think you mentioned some of the acquisitions in the space. You recently acquired Pencil, a generative AI company that's built on OpenAI's large language models. Can you talk in a little bit more detail about the acquisition and what that has brought in terms of the capabilities for Brandtech and its clients?

DJ: Yes. So, look. I think there was no one else out there. We were looking at the market and I met Will, the founder, because he knew that we had a passionate belief around AI. He obviously had launched his entire business on that back in 2018. We convinced him that doing that at global scale with the world's biggest brands would be a really exciting future.

Our focus is obviously enterprise and we launched Pencil Pro, which is the enterprise product, which solves a lot of the issues that big global companies have. Small B-to-C companies are less worried about copyright and what's happening with their data and various things like this because they're often in survival mode whereas the biggest global companies... Copyright is unbelievably important to them.

The fact that they don't want their data being mixed with their competitors'... There's a number of things and Pencil Pro does that. But I think it's just given us the only genuine product in the world that has six years now of not just media

spend but proven data. That allows it to be predictive. So, at every stage when you're using Pencil, you can start off and ask for insights around a brand.

On every insight you get, this billion dollars of media spend, this dataset gives you a prediction. Green means we've done something like this before and it worked, blue means we've never done anything like this before, and orange means we did something like this before and it didn't work or the dataset basically believes this won't work. Interestingly, marketers tend to gravitate towards blue because I think everyone thinks their next marketing campaign will be better than the last one.

Then you get into literally picking, what do you want to create? Do you want to create a packshot, a TikTok, an Instagram, a YouTube, etc.? The AI literally, after you've done a very quick population, generates ideas. You can interact with it and say, no, not that, how about add this, take this away?

The thing about it is, and I think this is very true of generative AI today, it's not that what it does is remarkable. A group of humans could do exactly the same thing. But it's the speed with which it does it, the ability to create such an incredible volume of content that you could never do in a human-only world.

What we're also seeing, though... Not only can we create content ten times faster, but we're seeing 2X the performance on it. I think it's better. Obviously it is cheaper, but on one of our major clients we're seeing 161% ROAS increases, return on ad spend, on Instagram and TikTok. On another client, we're able to produce every piece of content between 1.5 and ten times faster. And that's now, if you think where this is going to be in 12 months versus where it is today.

LB: Yes. That's fascinating. I suppose the other thing... We've talked about thought leadership and getting on different things early. You've made a range of interesting investments as you've built up Brandtech Group. It would be good to take a step back and explain how those fit into the overall business model as you build up links and stakes and acquisitions.

DJ: Sure. So, look. We had a minority investment strategy. To be clear, the core part of what we do is obviously acquiring the ten companies we've acquired and integrating them and scaling them globally. That's our day jobs. But we always believed that investing in really interesting tech would give us expert knowledge, would give us a step up.

So, for example, we were the first external investors in Niantic when they spun out of Google back after summer 2015 and a year ahead of Pokémon Go, which obviously defined AI. We invested in Pinterest three or four years ahead of their IPO. We invested in Gfycat four or five years before they sold to Snap.

So we've always done this and I think our radar is, what companies do we think our brand clients are going to want to spend their money with? I think one of the

reasons we've been pretty successful is, by definition, these companies have typically been able to do pretty well because they are companies that brands want to spend a marketing dollar with. We've got a fairly good radar for that.

I think we've also seen from our clients that they've gone, well, look, if you've invested in those guys, you clearly believe in them, so we should be looking at them. So, as an investor, we've not just been, obviously, cash, which is important, but we've been cash but added value, being able to connect them into the world's largest brands and advertisers.

Specifically when it comes to AI, we invested early on in Automat, who did AI chatbots, in Elsy, who did AI media planning, in AI Foundation, who built AI Mind Twins, in Crossing Minds, who were doing AI data, in CreativeX, who were doing AI control of content and measurement.

So it's been a core part of the business from day one and I think it's also helped us understand today... If you're one of the world's biggest global brands, how should you be implementing AI? What do you need to be doing? How should you be setting this up for the future where it's clearly going to be hugely disruptive?

LB: And I suppose there's two parts to that. Part one is spotting these really interesting companies early. It's about investing and partnering with Niantic even before Pokémon Go, for example, in the augmented reality field. Then I suppose the second one is getting them to want to partner and be invested by you. It'd be interesting, exploring both of those.

Presumably that's a very different proposition, particularly the second one, if you're a large advertising agency, both in the speed that you would move but also in the attractiveness of partnership versus someone like yourself.

DJ: Yes. I think Pinterest... From opportunity to the cheque having been written, it was five days. I think a big company typically would find it hard to move at that speed. I think the other thing as well is, as you know well, most great companies... You're trying to get in. They don't need the money. The companies who typically, well, certainly pre-2022, who were desperate for money... You probably don't want to be investing there.

And the good companies, they're picking who's coming in. Because we had this unique ability, not just to put money in, but to have real expertise on what do brands want by way of platforms, where do they want to spend their marketing dollars? But also, spotting the companies before other people do. Post-Pokémon GO and AR becoming a thing was obvious, but at the time most people thought VR was going to be the thing, not AR.

When we were talking to Pencil, we were the only people talking to them about acquiring them because ChatGPT hadn't exploded yet and no one else was really

thinking this was going to be a thing. I think if you get in early and your radar's good, the hardest time to get into a company... It's probably not that easy now to do a lucrative investment in OpenAI, that's not really a secret anymore. But all those people who got in five, ten years ago are having a great time.

LB: I think one of the points there that resonates with us quite strongly, you were saying about the reputation you'd built up as investors, as owners of businesses, as good partners. Because the reality is that a lot of people that run interesting businesses, or are involved or investors in businesses, they talk to each other. And if you build up a reputation as being an unhelpful investor or partner, quite quickly that gets around and suddenly it becomes much more difficult to invest.

Or at least much more difficult to invest, as you were rightly saying, in the most attractive companies where, as you said, they don't have to take your money. I think that ends up being a really material point. If you get to the point that you have, where you've built that reputation, it becomes a completely invaluable asset.

DJ: I agree. Honestly, it's exactly the case with Baillie Gifford. I think you guys had the most incredible reputation when we were talking back in 2015. And these may be a few years out, but you've been 20 years investors in Amazon and Alibaba. You seem to spot every big thing, not just a couple of years before it happened, but decades. Again, the other comment I would make is if today you look at our company, \$1 billion in revenue, lots of big brands, it's quite easy to go, well, that's obviously a thing.

But you guys looked at a PowerPoint deck, where I said this is what I'm going to do if I get some money. I'm going to go off and put these companies together and build something that's going to disrupt marketing and create a brand-new model. Having the ability to spot things like that, that's going to work, it's critically important, and I would say it's exactly what Baillie Gifford did when we had our very first conversations. And you believed in the crazy idea I had, which has turned out to not be so crazy after all.

LB: That's all credit to you and your team and what you've built. It's been fascinating to see it scale. I think as we're on the big areas that you've been interested in, it would feel wrong not to talk about the metaverse. Again, that's an area where I think you've in some ways been a thought leader. There's been some very interesting blog posts you've written on it. We've talked, we met up the last time in Edinburgh about Scottish Mortgage being invested in Roblox, as one element or version of the metaverse.

How are you thinking about the potential impact of the metaverse today? And should you think of it as not entirely separate from some of the things we've been saying on AI? Because in many ways, lots of the tools of AI make the abilities and capabilities of the metaverse even stronger as we go forward.

DJ: My soundbite is the metaverse is only dead to people who aren't paying attention. I think one of the things that happened, human bundle together, like metaverse, Web3, NFTs, blockchain, Bitcoin. Obviously they're two very different things and a lot of the issues around NFTs and Web3 came out of the unbelievable complexity and just the lack of ease of use. If you look at the metaverse side, and I'm a huge Roblox fan, we did an idea that was named by Fast Company as one of the World Changing Ideas from McCain, who make a huge percentage of the world's French fries.

But I think it underscores the potential for the metaverse, so we were able to get basically McCain have a mission to create 100% of their French fries from sustainably regenerative agriculture farmed potatoes. They wanted to find a way of telling this to people in an interesting way. Obviously we could've done a super boring TV commercial of helicopter shots over giant farms, but we created on Roblox the Farms of the Future.

We allowed people to come in, to farm, to make fries, etc. Over 30 million people came and visited. They were spending 15 minutes learning about regenerative agriculture. We had over 25 million regen potatoes harvested. It was just a way of getting the communication to people that you could never have done through a traditional TV commercial. I think you're seeing a number of really successful experiences, not just on Roblox, I think the CEO of Fortnite, who invited the 700 million people who were daily playing across all of these platforms.

I think today, over 3 billion people are gaming, it's hugely growing. The metaverse is going from strength to strength. I'm personally not convinced that in the short term we're ever going to get to a world where everyone's sat wearing headsets. Again, we get back into the blur between Web3 and metaverse, but I think particularly if you look at some of the case studies on Roblox, some of the things going on around Fortnite, Minecraft, I think there's some really, really interesting stuff in and around the gaming space and metaverse.

But I think the big learning, as well, is metaverse is a vertical in the way that e-commerce is a vertical and social media is a vertical. But generative AI is a horizontal and I think that's why it's different. It changes everything. You could decide to do social media or not do social media. You could decide to be in the metaverse or not be in the metaverse. There's a lot of things you could make a decision as to whether you do this or not because it is a vertical, whereas generative AI is a horizontal and it will change every aspect of everything we do.

LB: Who do you see in this post-advertising world, where do you see either today or the potential for competition? Presumably it's less the exiting advertising agencies getting their act together, in part because of the innovator's dilemma that they face. Which has a slightly different nature in every industry, but has

certain commonalities as you go through them. Is it technology companies finding new ways to help serve brands? Or do you see it as being actually, it's other versions of Brandtech Group, of bright people coming up and building something new from scratch?

DJ: The reason companies get disrupted is not because they're poor, it's because they're successful. Big legacy businesses are making a lot of money doing something and this new thing, A, doesn't make as much money and, B, probably undermines and disrupts by business. The most famous example being Kodak, who invented digital photography, but somehow managed to go out of business.

I don't think the challenge really comes from the legacy businesses. In fact, I would say I think they've got a real problem on their hands. Because when you have 100,000 employees and technology can now do so much and you don't need 100,000 employees, it's kind of hard to see your way through that. I think we're going to see amazing things going on with all of the platforms. And interesting, from a selfish perspective, Pencil basically aggregates and augments all of the different AI tech platforms. So, the better they get, the better Pencil gets.

And it's in much the same way as one of the questions we would often get was you're doing all of this content in digital, but why don't clients do that directly with Meta or Google or TikTok or Instagram? I think the answer to that is most clients want someone objective creating the content. It's hard to imagine that one platform is going to create content that will perform so much better on another platform that someone must move all their spend there. So, there's an objectivity that comes with it.

Also, it's not something that we have seen the platforms, certainly in Web2, want to do. It's not their core business. Their core business is we're TikTok or we're Instagram, how do we create content that has people really engaged with the platform, and then we can get brands to come and advertise? It's not how can we create that content for brands?

My guess, we'll see how this all plays out. Someone is going to build a 100 billion valuation company in the marketing sector that hasn't existed before. If you think about sales, the way sales was done pre-Salesforce is it was a lack of systems and process and technology, and Salesforce has come along and pretty much every major organisation works with them today and they've built a multiple-hundred or billion-dollar company. I think exactly the same thing is going to happen with marketing.

I thought that in June 2015 when I created the company, but I think that generative AI has made that even more probable/certain. I think the key thing is how do we and I ensure that we're that company? We're a long way off that

today. We're super ambitious, but we're not the only ones who have seen that prize. I think we will see a number of competitors launch. I think it's the new that's more concerning than what's out there. And what we've got to do is just make sure that we don't squander this lead.

LB: As you said, by keeping your ears close to the ground and being able to partner with some of these new companies. That's in one way ensuring you don't get disrupted, you end up working with them, whether it's Pencil or whatever comes along next. Can we talk a little bit about just trying to help our listeners understand how you think about the size and scale of opportunity from here? Perhaps putting it differently, if it was a helpful framing of what Brandtech Group needs to do to get on that trajectory of building that first \$100 billion digital marketing company?

DJ: I think there's two things. I think the first one, we have a phenomenal product in the content space, but this is about more than just content. We're doing some really interesting and great stuff in and around data, with our data companies, 55 and DP6. We have Gravity Road, one of our other companies, who's created a TV commercial for Hotel Chocolat, predominately using generative AI. That is doing brilliantly in all of the key research metrics in terms of creative effectiveness.

This is an end-to-end play and I think what I am obsessive about, so big picture, number one, how do we become and ensure we are the world's number one generative AI marketing company? Honestly, I think we can claim to be it today, but we're in mile one of the marathon. So, just go hey, we're the number one. Look, we've got real products and all this spend and we're way ahead, but it would be a bit like stopping and celebrating and opening the champagne after mile one of the marathon.

Then that's literally about how do we now take all of this proven success we have and just scale that massively. That is the obsession. My mantra is the case studies, press releases. It's super easy to announce some great, made-for-press partnership or some great thing you are going to build. But that old Henry Ford quote, no one builds a reputation on what they said they were going to do. And we've got some amazing case studies and it's about getting out with those and fighting through the noise. I think there's an enormous amount of noise at there. There's a lot of people who genuinely are new to the space, but are talking a good game.

My analogy is it's a bit like speaking French. If you speak fluent French, someone who speaks crap French, you think speaks crap French. If you speak no French, you think someone who speaks crap French speaks good French. So, I think it's about ensuring that the perception matches our reality. And doing a lot of front-foot comms to ensure that's the case. You obsessively scale and drive generative

AI through every facet of our business. And just move that from an overall percentage of what we do, to being the vast majority of what we do.

LB: Should the financial profile, the financial characteristics of building a brand technology company for the post-advertising world, presumably that's better financial characteristics than the previous business models, given the interjection of technology and, again, your ability to do not just for your clients but for yourself, more with less.

DJ: Yes, completely. The EBITDA profile of the generative AI marketing company is better than the EBITDA profile of the digital marketing company. It goes without saying, we will be able to do more for less. And by doing that, we will be more profitable. I think overall, it's great news.

LB: Is there an element, as well, from the viewer's perspective, the user, the consumer, that also where you get to is advertising that because it's hyper-personalised, is more accurate, more relevant, less annoying, more engaging? And very different from the advertising over the last few decades, where a lot of the time it can be a nuisance, it's interrupting you, and it starts to become actually helpful.

DJ: That's a great point. I think one of the other reasons we called the company Brandtech is ad tech had just done some of the most annoying things that you could possibly do. Why would somebody possibly want to be followed around the internet by a pair of sneakers or trainers that they'd already bought? Not only is it done because they're the last person who's going to buy a second pair, but it's also really annoying.

I think at a big-picture level, people don't hate brands. What they don't want is messages from brands they're not interested in or messages from brands talking from a way that's not relevant. Every single person has product categories and things they're passionate about. Every single person has brands and ads and communications that they love. I think yes, absolutely, we have the ability to get to what I call the perfect market.

Which is brands are only communicating with people who either are users of their brand or want to be. If they're doing that, they're not wasting money. The platforms aren't annoying people by carrying messages which people don't want to see. And the customer is getting messages from brands that they're interested in and that know how to talk to them. I think we have every ability to get to that world and generative AI technology will allow us, hopefully, to remove a lot of the incredibly annoying things that advertising has done historically.

LB: Great. That does sound like a better world and a very different one. Thank you so much, David, for your time. Really appreciate it, as always. It's been fascinating to hear through all that Brandtech Group is doing and how it's been both early and



continuing to drive and change the world of artificially generated marketing. So, thank you so much for your time.

DJ: It's a pleasure, Lawrence, great to chat.

CS: Lawrence, that was a pretty diverse and eclectic range of topics covered in that conversation. Everything from Pokémon GO to creating experiences on Roblox for McCain fries, to the metaverse and AI. I think listeners will find it very though provoking and interesting.

But as you know, in this season we finish off every episode by asking the managers the same five questions about this investment case. The first one we always ask is how did you come across the Brandtech Group?

LB: Scottish Mortgage first met with David Jones in 2015, almost ten years ago. At this point, as David alludes to, the Brandtech Group, or You & Mr Jones, as it was called when we first met him, was really a vision or a PowerPoint presentation. But what stood out for us was he had thought about the challenges of advertising that really matched with what we were seeing from some of the big tech platforms that we were investing in. That helped us triangulate some of the issues he was raising, we could see them playing out from a different angle.

Then what David really offered was someone that had a huge amount of credibility, given his background, and was providing a solution to a problem that we were seeing from the technology side and we're also seeing from some of the brand companies that we invest in. And so, Brandtech started out, actually, as one of the earliest investments Scottish Mortgage has made. But as we fast forward those nine years later, today it stands as one of our larger and more mature private company investments.

CS: Lawrence, we chatted a little bit at the start about David leaving his role of a CEO of an established ad company, to building a company from scratch. That definitely takes a particular mindset, a particular set of character traits. I'm interested, from your perspective, what is it about David and his vision that stands out for you? We invest in founder-led companies, but I'm really intrigued to get into what is it about David that really stands out?

LB: I think the first point is to go back to what you've said and what we've touched on a couple of times. It's that combination of industry insider with a visionary, entrepreneurial mindset that's really interesting. And that's both interesting and unusual because what we find across different fields is that when you talk to someone that's an industry insider or you talk to someone that's an expert of an industry, they're normally not the first people to spot big change.

Because they've seen it for many, many years, it's always worked a certain way, it's hard to see those inflection points, which don't occur very often in industry. They do to us because we look at lots of different industries that are exhibiting

change. And they have a lot of sunk capital in the way things used to be done. They've been successful because they're good with the current system. All of that makes it hard to have that combination.

And what stood out was the fact he had that in-depth knowledge, but at the same time, he had quite radical visions for how advertising was going to change. We alluded to it a bit on the call. It was about seeing that machine-generated content in 2015 was going to be a thing. Now even today, that sounds a little bit radical, but it sounds a lot less in the world of ChatGPT. But he was there very, very early.

I think as we got to know him over the period of investing, what we were seeing again and again was that, one, David was having interesting thoughts about the world that we found helpful for us to understand, and was getting involved a lot with companies that we were interested in, as well, and interested in learning by. All of these things, I do think point to an individual that, again, has that very unique mix of credibility of the industry expertise, but a clear, prescient vision of what our future can look like, and building an organisation towards that possible future.

CS: Lawrence, Brandtech is certainly not the only company involved in this digital marketing space. I'm interested, what do you think is their competitive edge?

LB: I think on the first layer of that, we covered that a bit in the podcast of the edge versus some of the traditional advertising agencies, where there's an innovator's dilemma. That goes back to David alluded to Kodak, we'd alluded a little bit to looking at how the auto industry is struggling to adapt to the electric vehicle revolution.

Then as you move on, as we talked about, the big competitive threat comes from other people that are reinventing the wheel and starting from scratch, rather than adapting. I think here Brandtech Group has a few advantages. The first is it started earlier on this journey than anyone else, so it's had time to scale its operations. It's gone global from the start. I think David's reputation, and some of the reasons I said that he's special, allowed him to attract the capital to build that out globally right from the beginning.

I think scale from operations, therefore, matters and that global nature. I think scale also becomes more interesting for advertising that it has been in the past because you have a lot more datapoints. And you can use that to generate a positive flywheel, that the more you do, the more data you get and the more you understand consumers, the more you understand what works and what doesn't work, right down to quite granular levels. And I think AI plays a part in that.

Again, we talked a bit about it. If you've done a huge number of machine-generated ads, over time those ads get better and more accurate and more

efficient. I think there's a scale, perhaps, because the data element matters more in advertising agencies today than it did in the past. And that's an advantage for Brandtech Group.

I think the other aspect of edge is really their reputation in the space. Both the organisation, but also again, David as a thought leader. That's allowing them, and has allowed them, to partner, invest and acquire some of the very best and most interesting companies out there, which we talked about. They don't need capital. They want to work with people that are going to make them better, and I think Brandtech Group brings that. That allows them to go out and plug in companies into their ecosystem, into their network, and make them better over time, to do that at a better rate and better valuations, effectively, in some ways, than competitors.

I don't think this is a winner-takes-all market, but I think there's an interesting argument that possibly this is, one, what he touched on, a market that has better financial characteristics for the players that win than the previous generation. And two, that possibly that data element leads to a little bit more consolidation going forward.

CS: Lawrence, David mentioned the enormous speed of disruption in this space. In his words, I think he said generative AI is going to change every aspect of what we do. I'm interested, how do you see this? Is this an opportunity or is it a threat? Are there other potential threats that you see for Brandtech and how do you think the company's placed to overcome some of those threats and challenges that might be on the horizon?

LB: I think in many ways the threat and opportunity here are two sides of the same coin. The opportunity is technology is radically changing the advertising industry. And people need help and Brandtech can provide that help. The threat is that that technology shift happens in a way that's not advantageous, it moves too fast, and your model itself becomes obsolete. I think when you talk about the changes in generative AI, that's the threat for a lot of companies, is that the rules of the game change and they can't adapt.

Then, what are the two things that I think give Brandtech Group good odds of dealing with that situation? The first, again, I'd probably go back to David and the culture of Brandtech Group. The heritage of this company, in many ways, is seeing that the world was changing and adapting to it. So, they've done that once, when it wasn't in David's interest to see it. I think the fact that you've had someone that has spotted a lot of trends a decade ahead of time, gives you some confidence that they should have the right characteristics to see what's coming down the track. At least as well as anyone else, if not better.

The second element I think here is that their approach to investing in companies is a way of gaining skillsets and perspectives and a way of learning. I think that's

helpful to ensure they stay on the right side of disruption. That if they see something interesting, they're not likely to bury their heads in the sand, but are likely to partner with them and see how they can leverage that technology and skillset, and make it part of their strength.

I think we've seen a very diluted version of this, but it's a similar thing. That one of the things beyond the financial returns of companies that we get, is a huge ability to learn and to triangulate for what we're seeing in the world. I think they have an even better opportunity, and it's not just the ability to learn from the companies they invest in, but to plug them in operationally and benefit from what they're actually doing. I think that will hopefully allow them to navigate what is a very fast-moving space.

CS: Then Lawrence, as a final question, we look for companies that are addressing large and expanding market opportunities. That either have or are building a really strong competitive moat and have that visionary founder or leader. When you pull all that together, how do you describe the scale of the opportunity for Brandtech Group from here?

LB: If you take a step back, global advertising is an industry that's worth about \$750bn a year. So, it's a really big industry that they're part of and targeting. The question is if Brandtech Group can be one of the key companies helping companies and brands leverage technology to do marketing faster, cheaper and better, they have the potential to facilitate quite a large part of that very, very large number.

I do think David's observation is interesting, that we haven't yet had a \$100 billion advertising company, but the market's large enough to potentially support that. And so, I think if you have the right model, the right execution and a bit of luck, then it's plausible that one can exist. I think that's Brandtech Group's opportunity and I think it's the opportunity of how technology is changing industries in ways that are allowing these new companies to emerge.

CS: Thank you, Lawrence, for those insights. That brings us to the end of season two of Invest in Progress. Thank you to Scottish Mortgage Managers, Tom Slater and Lawrence Burns, to all of our guests this season, and of course our listeners. This season we've covered everything from companies pioneering carbon removal and personalised cancer vaccines, to companies that are fundamentally changing how we eat and travel.

You can listen to season one and two on all major platforms. And if you're interested in learning more about how to invest in Scottish Mortgage, then visit [scottishmortgage.com](http://scottishmortgage.com). You've been listening to Invest in Progress, thank you for joining us.

Please note EBITDA stands for earnings before interest, taxes, depreciation and amortisation. This calculation is one way to measure a company's overall financial performance.