Zeta Global Holdings Corp. ZETA | Call on June 28, 2022 | 35 min read

Chief Financial Officer, Chief Data Officer, and Chief Technology Officer at Zeta Global

Bio:

Tegus and Zeta Global have partnered to answer commonly asked questions from investors. All questions are answered by members of Zeta Global's senior leadership team.

This call is a one-on-one conversation with a company's management team, facilitated as part of Tegus' corporate access program. The contents have been reviewed by the company and any material information is publicly available.

Disclosure:

Before we begin, I would like to refer everyone to Zeta's investor relations website at www.investors.zetaglobal.com where you will find links to the company's SEC filings, along with other information about Zeta.

I'd also like to remind everyone that statements made on this call may contain forward looking statements regarding our financial outlook, business plans and objectives, and other future events and developments, including statements about the market potential of our products, potential competition, and revenues of our products and our goals and strategies.

These statements are subject to risks and uncertainties that may cause actual results to differ materially from those projected. These risks and uncertainties include those described in the company's earnings release and other filings with the SEC and speak only as of today's date.

Head of Investor Relations at Zeta Global

My name is Scott Schmitz and I am the Head of Investor Relations at Zeta Global. It's good to be on this call today. The purpose of this call is to give the market a better understanding of who Zeta is and our competitive differentiation. Joining me on the call today is Chris Greiner, Zeta's Chief Financial Officer; Chris Monberg, Zeta's Chief Technology Officer; and Neej Gore, Zeta's Chief Data Officer. Gentlemen, thank you so much for joining me.

I think the best way to start is with Chris Greiner. Can you level set everyone with a high-level overview of who Zeta is, what problem does the company solve, and what's the competitive differentiation? And then we'll get into the details.

Chief Financial Officer at Zeta Global

Absolutely. Thank you, Scott. Zeta exists to serve marketers. We help them do it in a much more efficient and effective way. If you think about a marketer's role every single day, that marketer wakes up asking themselves really 3 primary questions: who am I going to reach today, how am I going to reach them, and once I do, what is the right way to get them to engage.

And they do that over a series of use cases. Marketers and brands are looking to acquire new customers. They're looking to keep their existing customers. But not just keep them, they're looking to also further monetize and grow them. Those are the 3 different use cases that Zeta helps them solve for.

But we do it in a much more efficient way. If you think about the whole marketing landscape, it's extraordinarily complex. For a marketer to do what I just described, they have to work with dozens and dozens of different vendors ranging from vendors that help them get and piece together different disparate data sources that are often times more third-party based and probabilistic. So you don't really know exactly, but instead think you know the audience you're going after. They've got to stitch together multiple different vendors to build that profile. They have to work with a number of different vendors to build audiences. And then they have to work with vendors to orchestrate and then activate to those audiences.

Activate is the industry's way of saying once I've determined who I need to reach, what digital channel do I think that they're going to exist on that's going to get them to engage. That's really costly, it's very complex and it takes a lot of resources and dollars to piece together.

Where Zeta is able to come in is we're able to do all of that on the Zeta Marketing Platform. Our customers get the benefit of one of the most vast and diverse data sets. That data is never sold. They are able to access it through our platform. Through the platform, they are also able to access our AI and our software that allows them to leverage that data to build audiences.

And they're able to activate from those audiences. They're able to reach all digital channels, omni-digital channels ranging from e-mail to programmatic ad display, to connected TV, to messaging all the way down the stack, all in a single platform. And later we'll get into a lot of the detail about what makes that easier for marketers and much more cost effective.

We're able to drive a verifiable ROI because the Zeta data that customers use is based upon identities, real individuals that you can follow their buying journey all the way to completion. So our ability to not just build audiences that are known, but to build audiences that are definitive.

And the ROI that's created allows us to get access to the seller much more quickly, but also build and expand upon our relationship through upselling and cross-selling more channels and more use cases and more volume over time.

I know we'll get into much more of the details behind what makes the data unique, what makes the software differentiated and what makes the activation much more impactful as we get into more and more details from Neej Gore, our Chief Data Officer; and Chris Monberg, our Chief Technology Officer. Scott?

Head of Investor Relations at Zeta Global

Perfect. That's exactly where I want to go next. So let's start on the data. Neej, over to you. Can you describe the sources of Zeta's data and how durable is the data? What makes it unique?

Chief Data Officer at Zeta Global

Yes, certainly. So about 80% of Zeta's data comes from our owned and operated assets. So many times, people think of us and they think of Disqus and say, oh, Zeta's data comes entirely from Disqus. It's actually not true. We actually have a number of assets that contribute to our Identity Graph, our identifier graph and our signal graph.

So Disqus is one of the sources. Disqus is the largest commenting platforms on the open Web. We also have our owned and operated publisher network. You're probably familiar with some of the acquisitions that we made last year that are highly trafficked publishers that have login systems built in.

We also operate one of the world's largest MTA environments. An MTA is a Message Transfer Agent. It's the infrastructure technology, that makes the handoff to your inbox, to your Gmail or your Yahoo inbox. The MTA is actually what operates that and through that we send over 6 billion e-mails a month.

We also own and operate our own DSP through which we see the bid stream. And we also see a very unique view of the open Web. And on top of that, we also derive a lot of the data assets ourselves that are derivatives from all of those products together.

If you think of the 3 lenses of identities, identifiers and signals, all of these assets contribute in a meaningful way to build out the asset. And there is no one capability that this entire graph is built on. It's actually quite distributed. No single source contributes more than 40% to the overall contribution value of any of those 3 areas - identities, identifiers or signals.

And we stitch it all together at the center using a technology service called the Zeta Identity Graph service. And that service is constantly creating linkages and breaking linkages between a digital identifier, another digital identifier, potentially an off-line

identifier. And that happens in perpetuity. So that's really the root of how our Identity Graph comes into play.

We were ready for the deprecation of the third-party cookie last year. When it didn't happen, we continued to be ready. I think we're going to be even in a better place when it foreseeably will happen in next year, in '23. And that said, what I will say is that our Identity Graph and the way we have built the Identity Graph is built around the construct of a persistent ID.

Cookies are not actually at the core of what we do. Our ID is persistent and it actually transcends over many different kinds of linkages. And again, the intention is to create as many durable linkages as you can and then to stitch an identifier graph on top of those linkages so you know how to access people.

Identifiers will change over time. RampID and UID2 are two of the newer identifiers that are gaining some adoption in the market, there's others. And then last but not least, you need to be able to connect the signal graph. And through Disqus and through our publisher network and through our bid stream, we see a tremendous amount of signal value in terms of what types of pages individual consumers are actually reading and what the value of those pages really means.

Head of Investor Relations at Zeta Global

Great. So a number of things to dive into. The data is often described as opt-in. What exactly does that mean? And at a high level, Zeta has 235 million U.S. adults in its graph. How does it get opt in on that many people?

Chief Data Officer at Zeta Global

Right. That's a great question and a great point of confusion that I'll hope to clarify today. So the first thing is that there are different levels of consent on the Internet. There is the consent that you receive when you visit a website. So when you agree to the terms of service just by interacting with the website.

And then there's a deeper level of consent when you actually sign up for a service and you click through their terms of service and you say, I agree to receive marketing. I agree to let you use my e-mail for marketing and so on and so forth. So our network of 5 million websites enable us to have consent to actually monitor Internet traffic in those specific individuals across the open Web.

By nature of you interacting with those websites, we are actually able to collect consent to monitor your behaviors online. This is no different than what you'd find with an Amazon or Facebook or Google. You're actually giving them consent in the exact same way.

There's a deeper level of consent for us. So when you actually interact with modules on our websites that we own and operate, as an example, you make a comment on Disqus or you sign up for one of our owned and operated properties and newsletters that are

contained therein. In that workflow, you are typically giving us the ability to send you e-mail marketing as part of an e-mail marketing channel that we operate.

If you think of receiving your favorite bank card offer in your e-mail inbox with all the points that come with it, that's because a consent was collected at some point and the marketer in that case, very well likely could have been Zeta, has been given permission to e-mail you an offer on behalf of an advertiser.

So that's a deeper level of consent. So we see 235 million Americans across our footprint for monitoring across the open Web. And we see many, many signals across this group of individuals every single month because our network is very, very big. The deeper level of consent is a subset of that 235 million Americans.

I think last check, we had about 100 million people that were actually consented to receive email marketing. But that smaller subset is who we can actually leverage when we want to talk about e-mail as a channel for actually acquiring users.

So e-mail is one of the channels that our customers use on top of programmatic, on top of CTV, on top of social, on top of their own first-party data to actually acquire, grow or retain customers and that's a deeper level of consent. But our ability, even on the anonymous web traffic, and this is very important, when you will actually consent on a website to Zeta's terms of service, we're able to stitch that anonymous browsing behavior back to a known individual.

We can take it all the way back to a person with a first name, a last name and a postal address, and that gives us the unique ability to take your online behavioral signals like, let's say, you're shopping for a car, combine it with other off-line signals, like, let's say, for example, you have 3 children in your household.

Let's say, we also want to combine that with the types of places that you've been visiting. You've been visiting Chuck E. Cheese, let's say, as an example. So you might be a really good candidate for a minivan, right? You might have young children in your family.

It's the ability to take behavioral data to be able to take sentiment-based data, so the types of offers you respond to, the ability to take your visitation and transaction data and all really unify that around a profile and let the machine learning determine what is the best type of offer or initiative you should be part of or program you should be part of. And all of that gets stitched directly into our platform and is delivered through the technology.

We don't disintermediate the data from the technology. It's all part of the way we go to market. And so if you use our marketing solutions, you get this amazing benefit of the data and the Identity Graph that comes with it, but you can't really separate them out. You can't buy the data separately, you can't license the data or anything like that. You have to use our marketing solutions to get access to it.

Head of Investor Relations at Zeta Global

So just to press on the opt-in piece a little bit. So when a consumer comes to website and they log in, do they realize they're opting into the Zeta data cloud? And what's the regulatory risk that forces Zeta to do something to make that more known or restrict Zeta from collecting data?

Chief Data Officer at Zeta Global

Yes. It's a good question. I think consumers generally understand that there's a value exchange taking place. So to the same extent that they know they're accepting terms of service from Google or Facebook, they realize that their data is going to be used for marketing in some way.

The value exchange is typically threefold. The publisher or whoever is serving the content is typically getting higher engagement and getting more adoption from their end consumers. The consumer is generally getting some free content, right? They're actually benefiting by getting free content.

And then the provider of the engagement tool, in this case, it would be us, whether it's our SSP or it's our publisher network or it's Disqus, we're typically getting access to data. So that's the basic value exchange.

And if you look at a company like Google, something very similar happens there. When you interact with YouTube, you know that data is going to be used in other YouTube channels like the YouTube DSP or YouTube SSP, you probably don't know that explicitly as a consumer unless you're a technologist.

But the notion that you're providing data for the purposes of marketing and that marketing is going to be used to give you some kind of personalized experience in some channels, that's typically understood by consumers. And I think it's very similar to what we do. It's very similar to what other large, large players in the ecosystem that are really making the rules are also doing. So we're in the same boat there.

Now in terms of will things change, I believe that the U.S. will continue to be an opt-out environment, so you're naturally opted in and you have the opportunity to opt out. In Europe, they've taken a different direction where you have to explicitly opt in.

Here, the notion of changing the entire ad dynamics from opt-out to opt-in would be very challenging. And so the nice thing about our business is that if regulations change and if rules become either more lenient or more strict, we have the ability to get new terms of service in front of consumers at our leisure.

We actually have a touch point with consumers where they actually interact on the open Web on those publisher sites as they're interacting with our modules, as they're actually interacting with e-mails that they've opted into. So those are a serious advantage for us because if things change, we can actually get new terms of service, we can get new permissions.

And we can really stay up to date with current legislation more quickly than other folks can. And candidly, if you don't have access to consumers and you're just doing this kind of fully behind the scenes, you're going to possibly lose all of your data at some point. So we're certainly not in that boat. And we're more in the camp of where you'd find with a Google or a Facebook in terms of updating those kinds of terms of service based on what happens in the market.

Head of Investor Relations at Zeta Global

Great. How do I think about the data graph and the Zeta ID relative to other alternatives in the market, specifically UID 2.0 and RampID? What's the difference between those?

Chief Data Officer at Zeta Global

Let's go back to the initial concept I mentioned. So there's this concept of identifiers. So UID2 and RampID are identifiers. And then there's a notion of an identity like a person, right, an actual person with a first name, a last name, a postal address.

Identifiers are essentially data decorations on an identity. So over time, you're going to get more identifiers that will show up. There'll be some identifiers for the authenticated web. There will be some identifiers for the unauthenticated web. Those are ways that you actually reach a consumer when you want to actually find them on the Internet.

It's more important and one level deeper than the identifier as a notion of an identity where you have the notion of a person that you can persist over time. So we have our own identities in our graph. And through our identities, we have our own identifiers as well, but we are 100% on board with using other identifiers as they come up.

So we are integrated with RampID. We're integrated with UID2. These are not competitive to us in any way. Again, it's more important to understand the notion of an identity, not the identifier because an identity will tell you things about that person's off-line world. It will allow you to stitch other data into their profile, like where they spend money using their Visa card.

It will allow you to stitch in data from other sources. And then the identifier is how you actually reach them when you want to deliver some marketing to them. And whatever the best coverage you can get, your own identifiers, other identifiers, that's all fair game and I think they should all be considered when the outreach programs get launched.

Head of Investor Relations at Zeta Global

So when I think about all the sources of Zeta's data and how the graph is built, how difficult would it be to replicate for someone else? How difficult is it to build an identity graph?

Chief Data Officer at Zeta Global

Yes. So I'll just go back to what I mentioned earlier. We operate a social network. We have our owned and operated properties. We have one of the world's largest MTAs sending over 6 billion messages a month. And we have a whole suite of on-site personalization solutions that we deliver in market.

There are many companies that do one of these things or even part of one of these things, it is very hard to do all of these things within one umbrella. So if you look at our competitors, you look at Salesforce, Adobe, Oracle, you even start to venture into the walled gardens, they do not do what we do. It would be very challenging for someone to replicate the ecosystem we've created and the way we've stood it up.

Candidly, because some of the assets just don't exist readily. You can't just go from zero to six billion e-mails overnight. You have to build a real business around that and we've been doing it for many, many years now. So it would be very challenging. Not impossible, but challenging.

Head of Investor Relations at Zeta Global

Perfect. That's a good overview of the data. So I want to switch gears and then get into the software and AI layer. And so Chris Monberg, I'll turn it over to you for a couple of questions.

I think the term artificial intelligence in general is probably overused and maybe misunderstood or can encompass a lot of things. Can you give us an overview of what is Zeta's AI and the software platform that underpins the Zeta Marketing Platform and why it's different?

Chief Technology Officer at Zeta Global

Sure. You're right, AI is broadly used and people want to say things like do you have the best algorithm? And the answer is there is no best capital A algorithm in the market. AI is about outcomes at the end of the day. In order to get those outcomes, you need a lot of tooling in place.

So things like the underlying data model, how quickly we get access to the data that you're modeling in real time matters a lot. And as you look at some of the legacy clouds out there, the way they've built on legacy databases, they've got a 20-year-old Oracle database back at the server room they're running these campaigns off of, they can't readily get all the data out of that to score in real time to make an outcome.

The second piece is having a closed loop ecosystem. And Neej talked about our properties and the way that we're able to see consumer behavior across the web. So when you model something and you get an outcome, maybe on an online situation, make it simple, it's just a click. And that virtuous feedback loop comes back, you know if your model is good or bad.

Neej said on this earlier, but it's really vital to our business, we don't sell data. If you do, you're not really incentivized to have great data. You're incentivized to have a lot of it. At Zeta, because we're driving outcomes, we're incentivized to have very good data. We talk about how much we have because it's something that's very easy to get our heads around, but it's how well it works in our ecosystem.

And we use this term signals to differentiate between the raw data and something that's been abstracted away through the use of artificial intelligence. Those signals are what our customers are taking action on and ultimately getting better outcomes, driving things like lower cost of total ownership.

Last bit is this is a lot of years of investment. We have patents that we've built up over time, been working on this space for 10 years now. And a machine learning tooling, so an environment where data scientists can rapidly test out new ideas. They can even deploy them into production with low risk or no risk to see how well they work in production is the name of the game for us.

You have to be able to iterate really quickly as you learn new things throughout the system and as new business opportunities come up. So the agility and intelligence that we create is part of how we work. So that infrastructure on our product called MLHQ is a big piece of observing these models, how well they're working to drive understanding of intent and then ultimately have one click to create activation.

Last thing I'll say on it, Scott, is you can model data however you want, and people do it all over the world. And so there's this concept of a system of insights, a system of engagement. If you give data to a data scientist that just graduated out of Stanford, they're going to create some insights. We don't know how well they're going to work. It's really hard to back test it because they don't have historical data. And it's nearly impossible for them to activate it.

So that whole AI system that's generating data is generating insights that are connected to human beings, that Identity Graph that we were just talking about, so you can activate it in one click. And that's very different than the way the market has been thinking about it because you have had very disparate systems in sites and then trying to go pure marketing. There's no translation between the two.

Head of Investor Relations at Zeta Global

So as we think about that system of insight or system of engagement and where that data is stored, I think a lot of that ends up being in a CDP or Customer Data Platform. Ecosystem changes like IDFA and the deprecation of third-party cookies are forcing more companies to do more with their own first-party data as well as look for alternative sources. They're storing that data in a CDP. So can you talk about Zeta's CDP specifically, what is it and why it's differentiated?

Chief Technology Officer at Zeta Global

Yes. Absolutely. So this is the moment that we were born for. Zeta's CDP is the foundational layer of the platform. The platform has a data and identity layer. And then above that would be insights. Those 2 things combine to make up our CDP.

The reason I say we're born from this is because from the beginning, the access patterns we created for the platform, always stored data purposely but in context of the human being that was interacting with it. And that was done in a compliant way that can be easily audited in a way that we even keep track of identity management and hygiene rules.

So here's an example. You bring in data from source A and maybe it's a store. You bring in data from a digital campaign. Our system can combine that data, but we keep record of where those pieces of data came from. And we also make sure to flag anything that could be considered a compliance risk because these days if you're going to hold on the data even in a CDP world, you have a risk management project in front of you.

So it's critical that CDPs can do that for you. The other thing I wanted to say about the infrastructure is that single view of the customer has been around for a long time. The way that you're able to get data into that single view has been historically very hard.

So 4 years ago, you were working with the marketing cloud and saying, I want to bring in new data to model Chris Monberg. And that means they have to go call a DDA to make a new table or change the technology in the background. Because we abstracted data behind data services instead of directly with the database itself, it's annealing. It will fix itself. It will accommodate any data you throw into the system with complete traceability. So that becomes the very foundation of what we call the Zeta Marketing Platform.

Today, a lot of people are getting in the space. And what we found is that the space continues to mature. Forrester and the CDP Institute both put Zeta in the most mature bracket for CDPs. And the way they look at it is up to the right includes everything that builds that way.

Maybe today we can talk more about the dynamics that are happening in the CDP space. I anticipate that all CDPs today are going to have to grow up into the right, which means they have access to things like marketing automation. They've got things like identity resolution, even enrichment because most of them were born out of niche needs.

They were a tag manager and they thought a CDP acronym would give them bigger market share, but they're still very anemic solutions. We even see some of our bigger competitors building CDPs to simply make their own constellation of services work together because they didn't have that foundational data and identity layer that was built on modern technology.

Head of Investor Relations at Zeta Global

Maybe expand on the competitive space. Who does Zeta compete against most often in the CDP world? And why are we winning?

Chief Technology Officer at Zeta Global

Great. So there's a lot of competitors out there and there's a lot of maturity of buyers out there. I would say in the marketing automation space more broadly, people are looking at the Salesforce, Oracle and Adobes of the world. And all three of them have made announcements that they are building CDPs. Some of them have done a stutter step in building that CDP out. Some of them haven't.

In all of those scenarios, it is a new offering for these organizations. It's not built on their fabric that I was talking about earlier. And so they have strengths in different areas. The reason that we are winning is because our CDP is at the core of what we do. It is on the inside.

And so marketers want to buy in the technology that they can grow with. When they see our CDP, they see something that checks all the procurement boxes, which is often run through an RFP process, but we're very quick to market and much faster than our competitors. So we'll get a proof of concept going the same day.

It's a SaaS-based solution. So we turn it on, we can figure out, we can start showing somebody a CDP with data cloud, data and insights in it on hour one from when they reach out to us. And that's a big differentiator. It allows them to imagine what else they can do. We can show them how they can activate across channels. We can show them how easy it is for them to upload their own data into the system. And then they have one view of both customers and prospects, which, for them, it will be the first time they see that.

The market is very bifurcated. You have prospecting software and you have growth and retention software. At Zeta, it is one stack that keeps that data separate behind the scenes, but the UI you can garner insights between both of them, but also activate between both of them across the channels we have mentioned to market to those individuals on.

Head of Investor Relations at Zeta Global

Got it. So the other thing that can get confused is the difference between a CDP and an ESP. So can you explain the difference between the two? Do companies need both? And how does Zeta go to market in those 2 areas?

Chief Technology Officer at Zeta Global

So this really came to light during the continued digital transformation that was accelerated by COVID, where people were looking at their technology investments and

they noticed in the Venn diagram are the overlap and features between all of these different tools was just too heavy.

They were paying for segmentation to create audiences in like nine different places. And the worst practice, most of those places didn't know what the other technologies were doing. So there are some core jobs to be done. Those are often defined inside the envelope of the CDP.

That would be data onboarding, the ability to understand an individual, probably groups of individuals as well as segmenting the audiences and then the ability to push that data out somewhere. That's the most bare bones definition on the CDP. Just so happens that you need to be able to do all of that to do any marketing job.

So if you had an ESP last year or 2 years ago, I would hope you could do all of those things. Or if you were using a DSP, I'd hope that you could do all of those things. The reality of the market is that you can and cannot in varying degrees.

So at Zeta, we've taken the approach that if you want something to do just pure first-party data management, we have an answer to that, it's called a CDP that is part of the Zeta Marketing Platform. And as I said earlier, it's the core of that data marketing platform.

If you would also like to do something like e-mail marketing, with one toggle, turning from white to green, will turn on e-mail marketing, which gives you the ability to understand those users, segment them, reach to them in our channel. If you want to turn on SMS or display or CTV, it follows the exact same path.

The reason we built it that way is because we believe that the current CDP environment, this big wave we're in, is answering or is an attempt to answer marketers' biggest pain points: their data is disconnected and it doesn't work and service what they're trying to do. But we believe that the modern marketing cloud, the one that's going to win, has to have connectivity in its core and has got CDP at the center.

That CDP also needs access to a proprietary set of data and identity to do its job. And so I don't see a path forward where the leading marketing cloud in the world doesn't have ability to control data, model around individuals, both known and prospects or customers and prospects, and enrich it with that identity graph from, like I said, a proprietary data source.

Head of Investor Relations at Zeta Global

You talked a lot about the Zeta Marketing Platform, which in 2019 was rebuilt. Can you tell me what that entailed? What's the architecture of the platform and how does it compare to other offerings in the market?

Chief Technology Officer at Zeta Global

Yes. Sure. It's very different. So it wasn't rebuilt in 2019 per se, it took a long time to build it. But Neej and I worked on building this business for years and brought it to market at Zeta at an enterprise level that meets the needs of what I think modern enterprises are expecting.

The big differences are the data model which its purpose built around 3 canonical data types that are interrelated. We are very mindful of an identity graph being central. And we are very mindful that AI isn't an add-on.

And I don't want to take any swings to competitors, but we can all go buy an AI company and bolt it on to the side, being like going and buying a big battery and putting it on the side of my Oldsmobile. You can do it. I don't know how else it's going to actually make your car drive or if it's going to work very well.

We want to make sure that those data access patterns were set up from the beginning to automate jobs and provide more performance outcomes through either insights, or day in and day out, there's optimization of campaigns, whether it's like send time optimization or a bidder in an algorithm, we want one workbench with access to all the data identity to make sure that happens.

We build a services-based solution, which all modern technologies are with a Lambda architecture. These are all very generic terms these days. The opportunity for us is that the big competitors out there did not.

They are sitting on 15-year-old acquisitions or 20-year-old acquisitions that were built the way technology was built 15 or 20 years ago. And think about the cell phone that you had 15 or 20 years ago versus the cell phone you had today, technology has just changed and the expectations of that technology has kept pace in marketing as well. There just wasn't a big enterprise level player in the market yet.

To be in the enterprise space, you need more than just a bare bones solution. You have to mature your services and technology and data to a point where you can anticipate the needs of big organizations that are either progressive or clunky and service their needs to drive outcome regardless of what the requirements are.

Head of Investor Relations at Zeta Global

So that's the second leg of the stool if we talk about data, software AI and then the third would be activation. So Chris Monberg, maybe sticking with you. Can you talk about the competitive advantage of having everything in one platform? I know you've talked about it a little bit, but how important is it to be able to activate directly in that same platform versus using another vendor?

Chief Technology Officer at Zeta Global

Yes. So in marketing, everybody says, oh, I want a single view of my customer. I want to know what they go through. And when I go talk to CMOs and increasingly CEOs that care about their consumers at this level, they admit they have no idea what their consumer is going through. They don't know the consumer experience.

And it's really simple. They've got 10 different teams trying to get the best performance from their team as possible, trying to hit their KPIs. But they're working in isolation. So programmatic is working different than the retention team. And that makes it really hard for attribution. It really makes it hard to understand what levers they're pulling on.

Truthfully, there's a ton of waste with it, just an astronomical amount of waste. And as consumers, we experienced this. I would be shocked if somebody reading this doesn't have a credit card with a company and still gets direct mail from that company saying you should sign up for this credit card. Or take the example, maybe it's an airline or something that you flew on yesterday and they are offering you a new flight today. They just are very disjointed.

So getting to your question, the advantages of a platform like this is the left hand always knows what the right hand is doing. If you want to communicate with somebody to get a local, optimum in display, anybody who's worked in any other channel will know that immediately.

And then you create very comprehensive experiences that are orchestrated around consumers in a pretty empathetic way. Like understand that you don't want to berate a consumer with something and you could test and do testing and control so you make things better and better for the people you're experimenting with.

And then attribution is one sheet of paper. So if you work in a typical marketing organization today, for you to build an attribution model across e-mail and programmatic, I'll use those 2 channels. Good luck, you have to go get the attribution data. That's going to take you a couple of weeks of time to get engineers to build the jobs to drop into a place then to pull it in.

You're going to have to get identity onboarder, and good luck with that. Again, that's going to take a week, two weeks. And then you have to get it to an environment where you can start building attribution models and hope the data is clean and consistent across all of those pieces.

Then finally, let's say, a month later, you have an attribution report. It's a month old, and everything's changed. The weather has changed, the kids get out of school. Like consumer behavior and sentiment, it's all changed.

With Zeta, if you want to see an attribution report, you click on the attribution tab and it pulls all of the data in real-time from the analytics part behind all of this across all of those channels, it will show you the overlap of them, the primary journeys that led to those outcomes.

So having all channels on one place where acquisition and retention marketing comes together, not because it's the same person within an organization running those campaigns, but because it's about the same consumer is a necessary shift in the market. And while Zeta was very early to embrace this, I am confident that every other marketing cloud will have to move this way. And fortunately for us, it will take a long time to get there because it's a philosophical way of building business, but marketers expect it.

This is the way of the future. Consumers demand more. We've got way too many options to be mistreated by a brand. And so this is going to be an imperative for I think CEO and CMO that's thinking about building a new engagement strategy.

Head of Investor Relations at Zeta Global

Is it the complication of the stack causing me to get the direct mail for a credit card I already own? Is it just too complicated to solve that? I mean marketers must know that's happening?

Chief Technology Officer at Zeta Global

No. It's being buried under 1,000 tons of investments that they've already made. So no, if we wanted to build a stack, we could do it. It takes years to do, don't get me wrong. This isn't something you do in 6 months. Over the course of several years with a clear mind of what you want to build, you could build this stack again.

It's that every organization out there has made. Well, I think the stats are different depending on who you talk to, but one I read recently is the average enterprise has 128 technologies they're using to engage with consumers. Those are not connected. Those are not mindful.

There's also an organizational change that our customers talk to us a lot about, which is, hey, I've got this new way of doing business. I want to reshape my organization to work in a new way. I don't need somebody to write SQL queries anymore to do segmentation because why would you need to have that kind of level of technical expertise? So what does that person do going forward? How do you reshape the organization to understand humans more purely?

So they've created a very convoluted and complicated ecosystem that they're just buried under, and that's the way organizations have grown through the last 20 years. The most progressive marketers out there are saying enough is enough. We want to create a path to get us out of there, and you don't do it on day one.

Another point that Zeta is very proud of is we want to wrap around an existing technology ecosystem and help our buyers get more out of whatever they've invested in already. So if they've got an SMS provider they really like, we want to wrap around it, which we do and help them garner more information so that the e-mail team knows what's happening in SMS. And then over time, like we see with all of our RFPs and all of our deals, our

customers say, oh, man, why am I doing programmatic over here when I can be doing it with Zeta as well.

Head of Investor Relations at Zeta Global

Got it. Okay. I know we talked about e-mail, but maybe Neej, back to you quickly on CTV, which is one of the faster-growing channels for Zeta. Can you talk about the differentiation of Zeta's offering in CTV and why that's getting so much traction?

Chief Data Officer at Zeta Global

Yes. So let me describe it in 2 ways. So there is the CTV of today and the needs of today and then there's going to be the CTV of tomorrow. So CTV is by and large an upper funnel channel. So it's meant to replace linear TV with a more addressable approach.

But typically, you don't see an ad on your TV and then immediately go and make a conversion. Now people are trying to close that loop and make it smaller. But the challenge today is that most people want to figure out how they interplay CTV with linear, right?

So you're seeing linear ads. Do you want to double down on the people that see the ads? Do you want to actually find the incremental audience from people that don't see the ads? That's a CTV problem of today. We're very good at that. We have an incredible view of the CTV landscape, how to make auction bids correctly, the prices of those bids and then figure out how the upper funnel performance indicators actually worked.

The CTV of tomorrow is when you start thinking of CTV as a channel as part of your overall experiential marketing programs. So you may see a CTV ad, then you may receive a direct mail, then you might receive 2 e-mails, then you might receive 3 display ads. If you clicked on any of those things, maybe then you're sent to a conversion page at some point or you go to a store and you make a purchase. That whole funnel needs to be managed and monitored and CTV needs to be introduced as part of your overall omnichannel strategy.

So the only way you can do that is if you have an identity graph, you have a signal graph and you have access to the channels. And so our Identity Graph powers all of our channels. Just in the same way that people have started to put together display advertising and e-mail advertising into integrated programs, CTV will become part of that. And at the end of those programs, you have to be able to measure the efficacy of every single touch point along that journey that a consumer took.

So the future of CTV, said differently, is omnichannel. It combines upper funnel with lower funnel techniques and then adds measurement at the bottom of it to actually figure out if any of it worked. And that's where we're really set up to be successful.

Chief Technology Officer at Zeta Global

I want to add to what Neej has said. We're seeing a really interesting interplay between audio and CTV for those that listen to their Spotify or podcasts. The conversion of CTV additively directly into audio, and something we support as a business and vice-versa support audio campaign into CTV.

So you said it, it's omnichannel. We're seeing an opportunity to take native assets and give our buyers or our customers an efficiency directly from the creative, which is really exciting for us. It's a burgeoning space in programmatic more broadly.

Head of Investor Relations at Zeta Global

That's terrific. Okay. So I think that's a good overview of the kind of the three pieces of the story. So Chris Greiner, back to you. Can you talk about the revenue model? How does this all get monetized? How does Zeta go to market and make it all work?

Chief Financial Officer at Zeta Global

Yes. We've got a very interesting revenue model. We have a combination of brands subscribed to the platform that gives them access to our data cloud, that gives them access to our audience creation and orchestration software. We also have components of our revenue that's tied to helping them activate and drive impact, and that's the consumption piece of our revenue model.

Roughly 50% of Zeta's revenue is covered by the software subscription component plus a multiyear contractual commitment for the utilization component that's tied to minimum usage within those contracts, whereas the balance is tied to where those customers consume excess utilization. When you think about our revenue today, our contracts have been lengthening in duration since the time of our IPO. The average contract period would have been in the low teens number of months. As of our last earnings call in May of 2022, the average contract period now is almost at 2 years. So quite a significant increase. Over the same period of time, we've seen the average revenue per new customer also increase.

Head of Investor Relations at Zeta Global

Terrific. Last one for me and just to kind of round it out on the go-to-market. So Zeta operates a direct sales force. We've also had a lot of recent partnership announcements. Chris, can you expand on what the strategy is around our go-to-market and the importance of partnerships?

Chief Financial Officer at Zeta Global

Yes. Absolutely. We've evolved our go-to-market quite a bit since before we were public to now. We went from a generalist sales model, which was largely hunter-focused to a hunter-farmer model.

At the end of our first quarter 2022, we had 107 quota carriers. That would have been up from 100 ending FY '21. It would have been up from 72 ending FY '20 and up from roughly 57 ending FY '19. So we've made a significant increase in the number of quota carriers. We try to maintain a roughly 50% split between hunters and farmers. We're probably closer today to 60-40 hunter to farmer today, but we try to stay closely in balance.

Our hunters and our farmers are also oriented by industry vertical where they have an expertise selling into. We found that when we can speak with our customers directly about their business model in the same way that they describe it internally, we tend to do better in the selling process.

So in addition to having hunter-farmer split, we also have an industry vertical orientation. Because of that, we don't have any industry vertical concentration. We have no vertical greater than 13% of revenue, no single customer greater than 6% of revenue. So that diversity also helps from a revenue perspective as well.

In terms of partnerships, still the vast majority of our business today is done directly with enterprises, although we've been expanding our partnership ecosystem. We've expanded with Dun & Bradstreet, which both gives us access to greater small and midsized businesses through our partnership and their Rev.Up platform in addition to large enterprises that they have relationships with.

We've extended into partnerships with Snowflake, which is also designed around helping provide increased access and opportunities with their enterprise customer base, which has worked very well. And now with Amazon in the same vein.

Head of Investor Relations at Zeta Global

Terrific. I think that's a great overview. Chris, Chris and Neej, thanks so much for joining me today.