

Founded by MIT Aeronautics and Astronautics Scientists, DataXu is an Open, Neutral Platform that Enables Marketers to Understand and Engage Consumers through a Simple to Understand, Industry First Real-Time Multi-Variate Decision System

**Business Services
Big Data
Marketing/advertising**

**DataXu
281 Summer Street, 4th Floor
Boston, MA 02210
857.244.6200
www.dataxu.com**



**Mike Baker
CEO**

BIO: Mike is a serial entrepreneur and investor who has made DataXu a leader in digital marketing management solutions. Before DataXu, Mike was a vice president at Nokia, where he created and ran Nokia Interactive. He came to Nokia through its acquisition of pioneering mobile media company Enpocket, where he was the founding investor and CEO. He has also been executive vice president at CMGI and Engage Technologies, early internet IPOs. Along the way,

Mike was a corporate partner at a venture capital firm, and a telecom and media lawyer in Washington, DC. An angel investor in over 20 companies, he is currently Chairman of the Board of Nexage, a mobile advertising solutions provider.

About DataXu:

DataXu was founded by MIT aeronautics and astronautics scientists who wrote the combinatorial language that guided NASA's Mars mission plans. These scientists – joined by co-founders with extensive digital media and consumer electronics expertise – examined potential commercial applications that would benefit from a system that could make real-time decisions. They knew that a huge opportunity existed in marketing, being disrupted by the consumer digital lifestyle and big data, but still operating with manual solutions based on intuition, as well as an inefficient supply chain.

The founding team recruited the smartest people they knew to create DataXu as it is today – an open, neutral platform that enables marketers to use 'rocket science' in a simple UI to understand and engage consumers in a digital world. DataXu is proud to have created the industry's first and only real-time multi-variate decision system to bring science to the art of marketing. And its' work has just begun!

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Baker, what was the concept for DataXu when it was founded, and where are you today?

Mr. Baker: The concept when we founded DataXu was to bring data science to the art of marketing. DataXu was founded out of the labs at MIT. Professor Ed Crawley and his PhD students were creating new combinatorial math methodologies. These techniques were used to solve complex system engineering and data management problems, and we were originally proven for aerospace purposes within the aerospace department of MIT. The idea behind DataXu was to take these techniques and technologies and apply them in a completely different field, the field of marketing, which is undergoing a very disruptive change as consumers adopt a digital lifestyle. What is interesting about the digital lifestyle is that it creates vast amounts of data that can be used to personalize media and advertising to the benefit of both the consumers and the advertisers who are trying to more effectively engage consumers. Today, DataXu is thriving. Our technology has been rated number one for algorithmic optimization in the field of marketing, and we are in the midst of a global expansion.

CEOCFO: There are many companies that are in the data analytics arena; what is it about your system that is better, faster, and

Mr. Baker: What we figured out is that proving marketing ROI is a problem that has not been solved to date. Advertisers still do not know the true cost needed to acquire a customer. What DataXu has been

able to do for the first time ever is to join data modeling, which typically is involved with in-depth analysis and other forms of regressions. When you take those models and apply them directly to the execution of marketing investments, a CEO and the CMO and the enterprise can understand how best to allocate their portfolio marketing investments to help increase sales for better ROI

CEOCFO: Could you give me an example of a common occurrence that you are able to track and make a difference?

Mr. Baker: We work with a packaged goods company whose goal is to drive shoppers into the grocery store where their packaged goods are sold. In the past, this company used the newspaper and the freestanding insert with coupons to promote store footfall, and ultimately, purchases. The problem is that with print advertising, circulation is declining, and the cost of print is increasing, which is undermining the return on investment of the traditional shopper-marketing program. Using DataXu, this packaged goods company was able to take its monthly investment in shopper marketing to target digitally across mobile devices, PCs, and video displays, within specific zip code clusters around individual stores across the entire United States. In doing so, they were able to increase the overall efficiency of their marketing investment by over twenty percent in terms of the cost it took to drive up in-store sales.

CEOCFO: Are you able to work with virtually any kind of product or service, or are there areas that you programs and technologies work better in than others?

Mr. Baker: We have chosen to go to market by focusing on digital marketing initially. This is because digital data can be extracted and manipulated and put to work much more easily than it can in traditional channels like TV and in-store signage. Today, we are primarily focused on digital marketing including mobile phones, interstitial video displayed on computers, and computer banner ads.

This is where our focus is today, but we are also examining digital signage in store, as well as things like overall TV investments and their effect on the digital behavior of consumers. Today our focus is on places we can measure clearly in real time, which tends to have a focus on consumer digital experience.

CEOCFO: When you do the analysis, what do you then provide to your client on your levels of service and levels of involvement?

Mr. Baker: We are a software company, so we provide software and services in a cloud-based solution. Our customers can use the software themselves, or have us provide professional services to complement the solution. This software starts by measuring the investments. You cannot optimize what you cannot measure, so most enterprises have the problem of getting good normalized data that measures both the investments they are making and

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- Mike Baker

the outcomes, so that is step one. Step two is to form data models that demonstrate which investments are correlating to success in terms of the key performance indicators defined by the enterprise or the marketer, and then step three is our optimization technologies, which shift the budgets in real time to the investments that produce the greatest return. Many of our customers are new to a data-driven way of working, which is, safe to say, the trend of the future, and so we help them go from beginner to expert by providing the services needed along the way.

CEOCFO: How many of your clients are surprised or even shocked with what they find?

Mr. Baker: I think that most clients are definitely surprised by the immediate ability to show return on investment, which takes about a

month after launching DataXu. Many clients are surprised at how easy it is to cut out the middlemen involved in advertising and marketing. Enterprises have traditionally relied on multiple layers of agencies and service providers to manually perform the work that our platform does automatically. Our clients are also surprised at the immediate cost savings, which is important to CEOs and CFOs in an economy that is going sideways. The only way to raise profitability is to be smarter about costs. The first way is to show the immediate cost savings without affecting sales. The second milestone in our deployment is to then increase marketing effectiveness, and we increase the actual sales once we realize the efficiency needs. That takes longer and requires more work.

CEOCFO: How do you reach potential customers?

Mr. Baker: We reach customers through two means. One is a direct sales force, selling to the CMO and VP of advertising. The second means is through channel sales through the enterprise agency. Agencies often times are hired by the brand to manage media efforts. Today, they are doing that largely in a manual fashion, and

we provide them with the tools to more cost effectively service the brands.

CEOCFO: What has surprised you most as the business has grown?

Mr. Baker: What has surprised me most is how little enterprises are using their own customer data. Traditionally, business has been a fair amount of applying and perfecting the customer database, and leveraging that for things like direct mail pieces and outbound calling. In contrast, the new type of data available to businesses, which comes from digital devices, is not only entered into the enterprise without correcting, but it is not organized appropriately to make insights out of it--much less take action. We are in a dramatic transformation within the business of marketing, to being data-driven and customer-centric in contrast to a

media-centric legacy, where agencies and certified partners hold the data. In this new way of working, the enterprise itself is competing using data and analytics, and developing capabilities to not only plug the information into existing customer information depositories, but most importantly take tiny actions.

CEO CFO: Would you tell us about your mobile (global?) reach?

Mr. Baker: We are operative. We have a large service footprint across Europe, including Germany, Poland, and Turkey. The market for what DataXu does is called programmatic marketing, and it has developed in the US initially and then secondarily in Europe. It has now actually spread to Brazil, where we see tremendous growth in the consumer markets and the use of digital. We are in the process of establishing operations across Asia with key operating regions being South Korea, Japan, and Southeast Asia.

CEO CFO: Is the strategy behind your work more global or more opportunistic?

Mr. Baker: We have actually followed our customers' leads. Many of them are U.S. multinationals, and they have a desire to operate in a globally efficient manner and view the US as a preview ground to understand how to better use data and analytics for smarter marketing. They then move to apply the learning to Europe and Asia.

CEO CFO: How is business?

Mr. Baker: Business is good. Over the last three years, we have had over 100% growth year over year, and we are in a market that is currently about a five million dollar market, and it is projected by William Blair, the bankers, to grow to over 14 billion in three years. It is a very robust market, and there is no surprise that with the focus on ROI and efficiency, the modern enterprise now focuses on marketing.

CEO CFO: What is ahead for the company?

Mr. Baker: What is ahead for DataXu is to continue to develop close, strategic partnerships with large consumer marketing enterprises, and

as we do this, we are expanding from one product and one engagement to multiple products and ongoing engagements. We have even begun to move from improving ROI in the digital media investments to doing so offline and online in a more global, optimal basis.

CEO CFO: Why should investors and people in the business community pay attention to DataXu? What makes you a special company?

Mr. Baker: We are a special company because we are applying real data science and technology to the world of digital media. It is a market space that will grow from a 200 billion dollar adjustable market to 500 billion dollars over the next 8 to 10 years, and the keys to the kingdom are in the data analytics, where companies like DataXu are leading the charge with big data to make marketing smarter.

The logo for DataXu features the word "Data" in a blue, sans-serif font, followed by "Xu" in a red, stylized font where the 'X' and 'U' are connected.

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