

2 Years Ago, Blockchain Was Hyped as a World Changer. So What Happened?

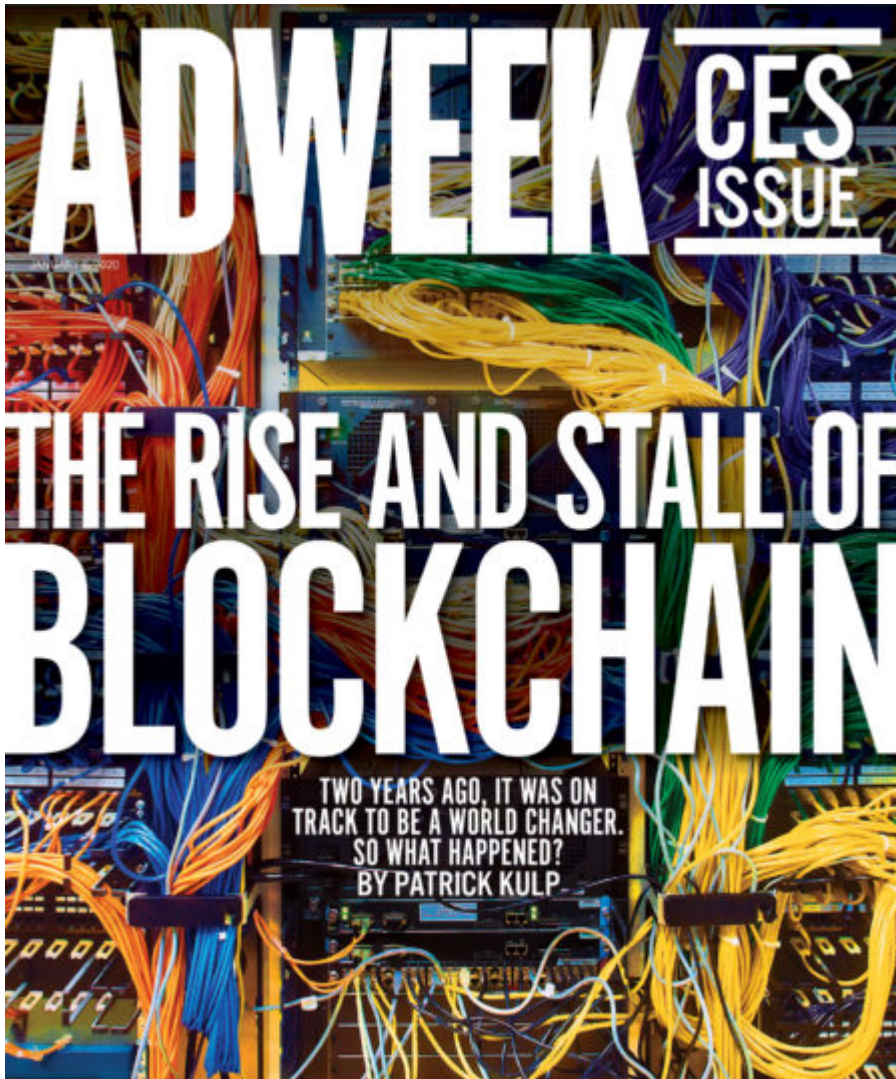
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7 hours ago
Key insights

When Ken Brook founded the blockchain ad-tech startup MetaX in early 2017, the notion of applying the decentralized ledger system behind cryptocurrency to the ills of digital advertising was still relatively novel. A prolonged rally in the price of bitcoin had brought buzz to all things blockchain, and the company received plenty of early attention. Other startups soon followed in droves.

But the transparency and security promises that the tech promised failed to materialize. Some blame the lack of technical infrastructure and the fact that even to this day, many people are at a loss to explain exactly what blockchain is and even conflate it with bitcoin. Others suggest the established ad-tech order was naturally resistant to such subversion.

Whatever the reason, in just two short years, it's clear that blockchain fatigue has set in. Major advertising conferences where the topic had previously prompted hours of breathless panel discussion now rarely mention it in their agendas. Investor funding for blockchain startups dwindled nearly by half, from \$4.65 billion in 2018 to an estimated \$2.71 billion in 2019 (excluding cryptocurrency sale fundraising, which fell even more). One of the most prominent blockchain startup incubators, ConsenSys, has struggled and laid off workers. And in its just-released Emerging Jobs Report, LinkedIn noted that blockchain developer—last year's No. 1 emerging job—didn't

even make the list in 2019.



And MetaX, which once aimed to get the entire online ad industry on board with its blockchain registry, has pivoted its mission to peddling auditing tools less reliant on conventional blockchain, which it no longer mentions on its website. In fact, as the hype cycle exhausted itself, Brook came to believe marketing the company around the buzzword had almost hurt more than it helped.

“People just started to get numb to being approached with the latest blockchain solution that’s going to change the world,” Brook says. “They started to become skeptical, even if you had legitimate open-source technology that worked.”

Blockchain was once the province of techno-anarchists who dreamed of using it to disrupt governments and big banks. Its

more fanatical proponents even envisioned it forming the foundation for an entirely new type of internet with no central authority, toppling oligopolistic Big Tech in the process. Now it's connected with more mundane missions like rooting out retail scams and tracking food production lines.

"There's disappointment everywhere that it's taking so long," says Gartner analyst Avivah Litan. "It is partly a hype issue, but there were reasons that it was so hyped, because it is a pretty revolutionary technology."

The startup rush

Jeremy Epstein, then head of marketing at social media firm Sprinklr, first recognized blockchain's revolutionary potential while reading up on bitcoin in 2016. "I had this epiphany one day, and I was like, 'Oh, my god, this thing is like a tsunami 60 miles off the coast, and no one knows it's coming,'" he recalls.

His time at Sprinklr coming to a close, Epstein began to carve out a niche as an expert consultant at the intersection of blockchain and advertising, pumping out three self-published ebooks and hundreds of blog posts on what he felt marketing executives needed to know about the tech.

Epstein's enthusiasm caught the attention of an ad-tech veteran named Donny Dvorin. The two began to chart the growth of the mar-tech/blockchain sector in quarterly roundups of its various startups, presented in the famously chaotic visual style of investment firm Luma Partners' ad-tech industry reports, LumaScape. The number of companies grew from 22 in mid-2017 to 415 in its most recent edition last year, spanning everything from in-game advertising and digital billboards to content marketing and social media.

But none of those hundreds of startups has yet managed to realize any of blockchain's lofty promises, according to Epstein.

“Honestly, it’s been a little humbling for me because I sort of ... staked my professional reputation on the fact this would happen,” he says. “No one’s really done it in any meaningful way.”

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DAVID JONES former Havas
CEO and founder of brand tech
investment fund You & Mr. Jones

“I think [blockchain] has enormous potential, and really, what’s going to determine how significant that potential is, is much more about tangible products and use cases rather than press releases and hype—and very much to do with the platform and ecosystem that grow up around it.”

There are plenty of possible reasons analysts and experts give for this failure: No widely accepted universal infrastructure emerged for companies to come together, and industry professionals had a hard time wrapping their mind around the concept.

Furthermore, some ad-tech actors have an interest in maintaining the opaque status quo, whether to lean on impression numbers inflated by bots, hide special deals given to certain publishers or obscure tacked-on fees, according to Dvorin and others. “There are companies—I’m not going to name names of specific [demand-side platforms] or whatever—that don’t want this technology to succeed,” Dvorin says.

There is at least one startup that Epstein thinks looks promising, though, and that’s Brave. “[It’s] the one story in this whole space,” he says. (Dvorin is now Brave’s head of

sales, and the company sponsors those industry reports.)

Founded by JavaScript inventor Brendan Eich, Brave began as an ad-blocking browser but morphed into an insular ad-based economy built on blockchain. The system rewards users who interact with ads and publishers who display them through an incentive structure called the Basic Attention Token.

Brave announced last month that it had doubled its adoption in 2019 to a total of 10.4 million monthly active users. It counts The Washington Post and The Guardian as paid publishers and has sold ads to brands including Vice Media and Twitch.

Eich thinks it helps that Brave bypassed the existing ad-tech architecture entirely, deriving its power instead from users drawn to the extra compensation. “If you’re trying to sprinkle some blockchain pixie dust on the LumaScape, it doesn’t really work that way,” Eich says.

Spreadsheet revolution

Well before blockchain-based marketing started to take off, Patrick Byrne, the eccentric then-CEO of the shopping site Overstock, had begun to quietly assemble a portfolio of blockchain investments called Medici Ventures out of a personal passion for cryptocurrency in 2014. His plan was to eventually sell the ailing, two-decade-old online retail business and focus entirely on blockchain.

That latter ambition may or may not have been shelved when Byrne resigned last August—the company declined to comment—but Medici Ventures’ chief operating officer, Joel Weight, insists that nothing has changed as far as his own division’s M.O. is concerned.

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ALANNA GOMBERT co-lead of
media and advertising at ConsenSys

"Decentralized ledger systems, zero-knowledge proofs and consensus mechanisms will fuel the future supply-chain infrastructure of media and advertising. Web 3.0 will pivot the internet to a transparent environment, and companies will need to address their business rules to adapt. The future is bright."

Weight claims that perception of blockchain tends to be tied to the volatile ups and downs of cryptocurrency prices, which he says is unfortunate because the two have little to do with one another. Medici's portfolio mostly centers on uses for blockchain outside of that financial space; its startups use blockchain for things like identity management, voting systems in various elections around the world and food-supply-chain tracking.

Applications like that just haven't been given enough time to grow the necessary infrastructure, he says. "We consider 2019 to be the builders year—2018 was kind of the tourists year. A lot of those tourists fell out in 2018 as the crypto winter hit," Weight says.

Oftentimes, systems referred to as blockchains would actually be more accurately described as distributed ledger technology, essentially restricted-access versions of the otherwise open and public tech, says Michael Crooks, a managing director at Accenture who focuses on blockchain.

The latter has proven much more useful to large organizations concerned with protecting proprietary data and has thus

proliferated more widely for uses like tracking loyalty points and internal auditing, Crooks says. “That stuff’s taking off, man. That stuff’s still moving down the road,” he says. “The thing that’s kind of slowed down, I think, is the aspect of tokenization and cryptocurrency.”

One big brand that has latched onto this more utilitarian model is Walmart. The retailer spent two years testing the scalability of blockchain technology for tracing food through sprawling supply chains before embarking on the project in earnest last year.

“To be completely honest, we went into the two initial proof-of-concept tests with mangoes and pork, being skeptical about the potential for blockchain,” says Tejas Bhatt, senior director of food safety innovations at Walmart. “There was a lot of hype around blockchain at that time, and we weren’t quite sure if this was just another shiny object.”

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SHAILLEY SINGH vp of product management at the Interactive Advertising Bureau Tech Lab

“If you look at the traditional technology curve, [blockchain] is kind of in between the tech innovators and the early adopter phase. It’s like where the internet was in 1999 or 2000—I think that’s the stage we are in.”

There were challenges along the way as well, Bhatt says—small growers who were intimidated by buzzwords, handwritten transaction notes that had to be digitized and extra caution that had to be taken when dealing with an unalterable record.

Ultimately, though, the program has been a success, allowing Walmart's food safety team to better preempt potential food-borne outbreaks. The system is on track to expand to more foods in the next few years, and the retailer is now exploring how similar tech might be used for merchandising and sourcing.

Uses like these may be closer in nature to Excel spreadsheets than a Web 3.0 or a decentralized digital utopia, but they are proving more commercially viable for the time being.

"I'm still bullish," says MetaX's Brook of the company's original goal of a public blockchain-based future for digital advertising, before it switched to distributed ledger tech. "At the same time, you have to be realistic and practical for our clients. And I don't think I can wait another five years."

<https://www.adweek.com/digital/2-years-ago-blockchain-was-hype-d-as-a-world-changer-so-what-happened/>