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PWC'S GLOBAL ENTERTAINMENT & MEDIA OUTLOOK

The kidtech is all right

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BY DANIEL GROSS

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by Daniel Gross

What does a former rap DJ from County Tipperary know about the digital content consumption habits of children? Dylan Collins, CEO of London-based startup SuperAwesome, is developing the infrastructure that enables companies to engage with the fastest-growing group of Internet users: the under-13 set. With offices in New York, Chicago, London, and Los Angeles, the rapidly expanding (and profitable) company says it is the largest "kidtech" company in the world. In the digital marketing arena, user-tracking is the norm and users freely offer information about themselves and their viewing and consumer habits. But the largest social media platforms don't allow kids to register for their services. And a host of regulations and practices limit the ability of marketers to gather information on the youngest Internet users, and impose penalties on those that violate the rules. SuperAwesome, founded in 2013, has developed tools and services that help the largest kids' brands — Mattel, Cartoon Network, Hasbro — engage with kids in digital formats safely, anonymously, and in compliance with an expanding array of regulations. In the firm's Manhattan office, Collins explained to *s+b* how SuperAwesome, ranked by *Financial Times* as


Dylan Collins

Photograph courtesy of SuperAwesome

the number one technology growth company in the U.K. in 2018, intends to travel a path to maturity.

S+B: How did you get into kidtech?
COLLINS: I started my first company while I was at Trinity College Dublin. Demonware built the tech that allowed gamers on PlayStation and Xbox consoles to play against one another. It was acquired in 2007. Next, I founded a social games company, Jolt, which was acquired by GameStop in 2009. Then I began making angel investments in technology and media companies. A couple of my investments had been in the kids space. And I started to see what was happening there.

S+B: And what was happening?
COLLINS: It was clear there was going to be a huge structural shift in the kids media space from TV to digital. And at the same time we had the emergence of digital privacy laws for children. It started in the U.S. in 2011 with COPPA, the Children's Online Privacy Protection Act. Europe has followed the U.S. with the GDPR [General Data Protection Regulation] and the children's digital privacy law, GDPR-K (the *K* is for *kids*). These laws, which have now effectively become a global standard, mandate that any child under the age of 13 must have a completely anonymous experience with a digital service. But this audience was getting the least investment from the biggest and most profitable technology companies in the world. We saw that and thought, "This is insane. Someone's got to build this solution. We've got to build safeguards." So we started the extremely humbly named SuperAwesome to build a suite of technology [tools] that could be used by content owners and brands operating in the kids digital media ecosystem. Ads, social engagement, authentication — all wrapped in a privacy layer that keeps kids completely untracked and anonymous, and prevents companies from capturing data on them. That was in 2013. Now, virtually

"These laws mandate that any child under the age of 13 must have a completely anonymous experience with a digital service. But this audience was getting the least investment."

every [child-focused] company you've heard of uses some or all of our products to enable its digital engagement with kids.

S+B: You speak as if you've had the field to yourself.

COLLINS: It feels like Silicon Valley only really discovered that children existed about 24 months ago. Children under 13 are now the fastest-growing Internet audience in the world. And every day, according to UNICEF, 170,000 kids around the world go online for the first time. The kids digital media niche has quickly morphed into the biggest privacy-based digital media market in the world.

S+B: How big is this market?

COLLINS: From an ad perspective, the total dollars spent in marketing to kids is about US$4 billion to $5 billion a year just in the U.S. and the U.K. About 80 percent of that is now deployed on TV, and only 20 percent on digital. By contrast, in the adult media space, about 60 percent of the marketing is spent on digital. But digital marketing aimed at kids is growing at about 25 percent per year. In other addressable markets such as Europe, India, and China, there are no precise figures. But I think it's reasonable to say that the total global market is about $8 billion to $10 billion. And as the market gets more mature, budgets will go beyond advertising, into social, content development, and more sophisticated digital behavior. That's why we have built out many different tools, for example, safe content management, parent portals, and age gating.

S+B: Age gating?

COLLINS: Age gating is [putting] technology in place *in front* of the piece of content. It rolls out anonymous technology if the user is under 13 and a regular adult-tracked version if they are 13 or older. In fact, more and more of our technology is getting baked into the actual content.

S+B: So your customers are primarily advertisers and brands?

COLLINS: Brands realized that kids have shifted away from television, but they can't use Google or Facebook to reach them. So that immediately brings brands into contact with the content owners and publishers. A toy company will come to us and say, “Hey, we need to reach a huge number of kids in a digital environment, at scale, and in multiple countries. We have to be completely compliant.” They plug into our platform, which is integrated into hundreds of [child-focused] apps and sites and destinations. We’re able to turn on kid-safe advertising and appropriate content, and at vast scale. At this point, we are one of the biggest revenue drivers for kids’ content producers in the world.

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But the ad platform is only the beginning of the journey. These companies have to figure out how to [approach] community and engagement with kids. They can’t point 8-year-olds to Facebook pages or Instagram. So we’ve got a platform that provides social tools that allow them to interact with kids, but in a completely moderated environment.

S+B: Many of the largest platforms sell ads against content but eschew responsibility for the propriety of the content. They argue that if they had to actually review the placement of every ad, it wouldn’t be profitable.

COLLINS: With some of the big platforms, it’s almost like comparing them to a chemical conglomerate, whose profits typically come down over the years because they have to apply more filtering and protection and environmental controls on their output. I think there is a huge change coming. And my view is that children and children’s privacy is the thing that could displace Facebook and Google and their business models. Governments have recognized this, and privacy laws are only increasing. California in 2018 passed the California Consumer Privacy Act, which says people under 16 must affirmatively opt in to allow the sale of personal information. We are moving toward a global standard for kids’ digital privacy. I think in five years, everyone is going to look back and wonder why there were fights against privacy protections for children in technology. People are realizing they do not need to track and capture millions of pieces of personal data on a 5-year-old.

S+B: **What is the proper role of the human in examining ads and content?**
COLLINS: When it comes to kids, you have to change a lot of the rules. A video platform for adults could be built on the assumption that a small percentage error rate is OK. That obviously doesn't work for a child at all. The other principle is that most platforms are based on a post-moderation concept. If you see something terrible, you can report it. You can't do that with children. You have to do *pre*-moderation. Which means that content, curation, and moderation always have to involve humans.

S+B: **So how many humans do you have, and what do they do all day?**
COLLINS: We have about 140 people, about a third in engineering, a third in sales, a third in operations. Every ad goes through a multistage review process, in which a set of human eyes actually looks at it *before* it goes through our tech and tools. For content moderation, we have AI and machine learning. Anything that gets flagged gets looked at by a set of human eyes. [The business] is very much a combination of scaling, automation, and algorithms, but also humans.

S+B: **By definition, it seems as though ads that don't track or capture consumer data would be less efficient and less impactful. How do you provide value to advertisers?**
COLLINS: Companies focus on growing communities. And that's why you see more and more companies using our social engagement and community tools, to have actual interactions with kids. Kids are more curious; they want to explore. And even without tracking, we get lots of different signals and data points. We get a lot of anonymous analytics on the actual engagement with the brand units and ad units themselves. We see from some of our social content platforms what kids are talking about on an anonymous basis.

S+B: **How many different revenue streams do you have?**
COLLINS: We have three broad categories of product: AwesomeAds, safe social,

and cloud. We have transactional revenues, licensing fees, and an SaaS model as well, which is based on usage of some of our products. Ultimately, our diversity comes from the verticals we're in: movie studios, toys, video games, food companies, sports apparel. The good news is that the move to digital and the shift to privacy are all really independent of macroeconomic conditions. So even if we have a recession, it won't suddenly make kids start watching live TV again, or slow down [development of] privacy law.

S+B: As you note, this is a relatively small slice of the overall marketing pie. How do you think about building a larger company in the context of this niche?
COLLINS: The kids space is unique. And what's going on there goes far beyond advertising. We are building an infrastructure for the next generation of the Internet. The average Internet user is now 12. Ten years ago, the average user was 24. In the digital media business for adults, you can argue that Facebook and Google have won that war. The kids space is the only sector that isn't controlled by Facebook or Google. And I think the bigger our company has become, the bigger we realize the opportunity and the mission are. Which is why we're thinking about taking the company public within 18 months. We're growing pretty quickly. We have offices in London, New York, Chicago, and Los Angeles. But we try to grow efficiently. We hit profitability last year; we'll hit more profitability this year. We're kind of old-school in that we like hyper-growth and profitability.

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S+B: That cuts against what seems to be the conventional wisdom of scaling a tech business — first worry about expansion, then worry about profits.
COLLINS: I think that's lazy management. Growth ends up being an excuse for not focusing on your unit economics. I don't want to say it's easy; it isn't. But once you start introducing the concept of gross margin to the entire company, and you explain what it is, the next step is introducing the contribution margins below

that. And then all of a sudden you're having a conversation about EBITDA. It's difficult to be transparent about financial results in a company, particularly when it's early on. But as you start growing, you've got to find ways of shifting people to that conversation.

S+B: Reading between the lines, it seems you're suggesting there's a certain amount of groupthink in the Valley that has led it to ignore kidtech. Could this company have been founded in Palo Alto?

COLLINS: The mania about data on people is hardwired into virtually everybody in Silicon Valley. Go back to Yahoo in the 1990s. It was always: "Here's free content in exchange for watching an ad." Right? And over time, as advertising became more sophisticated, that effectively became, "Hey, watch this ad while we collect your data and drop off these trackers behind the scenes." Those two things mean that it was probably always unlikely that a kidtech company was going to be born in Silicon Valley. Silicon Valley introduced the notion that more data was better, that data was an asset. What we're saying is that personal data is a liability. People are looking at this on the wrong side of the balance sheet. +

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