

Daniel Newman: Rob Tarkoff, welcome back to the Six Five Summit. So pleased to have you back for our second year. It's great having you last year, and I think this discussion is going to be even better.

Rob Tarkoff: Thank you. Great to be here.

Daniel Newman: So how you been? It has been a while. I've had the chance to tune into a number of your updates, enjoy them each quarter, but they're a big group format, so I don't get a lot of time to have these types of one-on-one conversations, so really glad. You've been doing well, been anywhere yet? Here's the big question of the day. It's early June. Have you left California in the last year?

Rob Tarkoff: I did one time to take my middle son to college back in Maine, which was an adventure. It was very strange being on a plane after not having been on a plane for a year, and previous to that, probably was on the same seat on United every week for about 10 years, so it was a big, big change. But no, it's good. It's good to be vaccinated. I'm really grateful that I was able to get that done, and frankly, just focused on getting the rest of our employee base and their families vaccinated in locations like India, where we have a lot of employees who've been struggling.

Daniel Newman: Yeah. I appreciate what a lot of large companies like Oracle are doing to try to accelerate, participate, and get our lives back into a state of normalcy. I mean, there's so much influence, I mean, what, over hundreds of thousands of employees. It just gives you guys the opportunity to really make a significant dent in the progress, especially around the world. As we've seen, this pandemic has not been kind to other parts of the world, and at times, was not kind here.

So let's talk about something more positive though, now that we are on the backside of this, customer experience. So as I mentioned, you lead these updates, you lead that business for Oracle, and this topic is not going away. Long before we were working from home, and the pandemic, and we started talking about digital transformation and changing the customer experience, we hear the term. Talk about where this is all headed.

Rob Tarkoff: Sure. And great thing about the pandemic is, since we're working from home, you hear all the noises from your neighbors too, so if you hear the leaf blower in the background from my neighbor, sorry about that. But customer experience has been a topic for a long time. We know we've been talking about the importance and that oftentimes, it's more important than the product or service itself, but it's now become really a C-suite priority, because particularly during the pandemic, it really had this massive transformative effect on companies.

I remember my first time really experiencing this in pandemic times when I ordered something from DICK'S Sporting Goods, who happens to be a customer, so I'm happy to talk about this. And that was the first time I had experienced

curbside delivery, and it was just such a seamless process. Everything was preloaded on the app, they knew exactly who I was, my goods were waiting there, and I thought, wow, I don't even remember what I bought at DICK'S. It was probably something for paddle tennis or something, which I love, or pickleball.

But it was just the whole experience, the end-to-end experience, knowing who I was, delivering the great service. Now, it's a C-suite priority, it's differentiating companies. No industry is immune. It's accelerated in importance, no doubt, and especially as people have been juggling the work-life balance, and trying to think about how to deal with being a consumer at the same time that they're working and raising their family. And it really put emphasis on the point that every interaction matters now, particularly in a post-pandemic or emerging from the pandemic, digital-first world. And it's just become such a relevant topic, so we're pretty excited to be in this industry, in this market, delivering the kind of solutions that we are.

Daniel Newman: Yeah, and I don't see this topic changing anytime soon. I think there's a ton of influence from what's going on around us. I'm going to talk to you a little bit later about some of the structural changes that are going on with some companies that are taking big steps to privacy. This, of course, is going to have a big impact on how companies are able to collect and manage and utilize data. But I got to ask you, Rob, here's a question for you, and by the way, I do think I have some answers for this, but I want to hear yours, so with all this CX, all this investment, all this data we hear about, why in the world are we still getting so many bad or irrelevant ads? And-

Rob Tarkoff: It's like you buy the Nike shoes and the ad follows you for the next three weeks?

Daniel Newman: Yeah. I mean, I get bad ads, I call for customer service, they still seem to not have a clue what I'm ordering or why I'm calling. And you would think with all this data, all this tracking, and by the way, many of these privacy rules newly implemented, if at all, at this point, there still seems to be a huge disconnect.

Rob Tarkoff: Well, it's actually a great topic and something that we're extremely invested in right now, which is the fact that streamlining the customer experience across all the touchpoints is easy to talk about and articulate, hard problem to solve. And there's a couple of issues that, in our opinion, stand behind the fragmentation and the proliferation of this fragmented world, where it feels like oftentimes, experiences aren't connected. You get an advertisement, an audience at a market and campaign, just at the time you had a really bad service experience, bad timing. Shouldn't the company know that I've got an inquiry or a case if I'm B2B or a service request that's being escalated? Why don't they have the knowledge to suppress the campaign?

A lot of this is because each of these worlds in customer experience, advertising, marketing, sales, service, have been completely disconnected. And it's not just disconnected from a data perspective, and we'll talk about that a little bit later,

but disconnected from a process flow perspective, thinking about an end-to-end flow. So one of the things that we realized early on is that the game is changing in CX. It's less about point applications. I mean, if you look at the LUMAScape, it went from something like hundreds of marketing applications in 2011 to, I think it was 8,000 in 2019 or 2020. So there's been this massive proliferation of point solutions, massive fragmentation, nobody thinking about the end-to-end flow.

So what we're doing is, we're thinking about a couple of key elements of the end-to-end flow. First, what is the process that you want to orchestrate, and what customer awareness should you have? So that is thinking a lot about advertising, marketing, and selling as just different points along a journey. Why not unify those flows? Why not unify the application experience behind that, and also collect, enrich, normalize, and really activate data to help you across all of that? That's one. Two is, we're thinking differently about AI and machine learning. We've talked about, in the past, that AI has really failed in CX. It's been implemented and delivered in a very siloed fashion. It's not contextually aware of what industry you're in, what's the dialogue, what are the patterns of interaction in that industry? And so, that's been a big part of it too. AI can really help us as we streamline a lot of these flows to help our frontline employees who are serving customers be better at their jobs.

And then I think the third piece is just thinking about the architecture. Again, we're seeing everybody rush into this market, CX is a big priority, valuations are up during the pandemic as a result of this focus on pulling forward the future in digitization, digital transformation. But it's still a problem of connecting the touchpoints together so that you can really get this unified view of your customers, and not just transactions, but intelligence about them, what their behaviors are. So sorry for the long answer on this, but it's just sort of a multi-prong set of problems as to why the ad follows you around even after you've purchased.

Daniel Newman:

But I think you made a great point. There's a lot of headless, a lot of solutions that aren't unified. There's still a lot of building out the data. You talk about full customer journey. Well, I would argue not everyone understands what that is just yet. And it's fluid too, so when you finally do understand it, it continues to change, and each time that happened, it's not just like you flipping a switch. You don't just change the gear, and now, all of a sudden, it's going to be right. You have to continually train and learn. And I want to come back to that AI point, but Apple made probably the biggest splash with the IDFA announcement. Company has really zeroed in on privacy as a differentiator, at the very least, privacy for its own benefit, but in the best case, privacy for the entire ecosystem's benefit. I guess that'll be seen in time, who it's really for.

But we also have seen GDPR, the proliferation of that, and all of these things together are basically saying, we're acknowledging that privacy at a larger scale is going to be important. And frankly, I feel a lot of companies have been sort of building their CX state on rented land. Data has been sort of a... It's a commodity. You can get it as you need it. Oh, we want to target this group, we

want to target this group. Sure, just open the checkbook, buy access to the data, run it through your system and start pounding people across platforms, right? But it's changing. Talk about how you envision companies navigating this changing landscape, especially this death of a third-party cookie.

Rob Tarkoff:

Yeah. I mean, there's so much commentary today and wading in about what the design goal and the real philosophy behind the privacy change is. Is it about protection or consolidation of power and influence? I won't wade into that right now because I think time will tell. But the reality is that third-party cookies, at some point, as a targeting mechanism, as an addressability currency, if you will, going away, and brands are going to have to rethink the way they interact with their customers and find the customers who are most valuable. And I think there's a few things that are obvious here. First is that the concept of, I love what you say, building a state on rented land, the idea that the open web allows you to just buy audiences and identifiers, and be able to address whoever you want without really thinking about your own first party data, has really gone away.

You can still buy audiences. You can do that. It's important, but you also have to think about your own ecosystem of customers, your own first-party relationships, and how good you are as a brand at capturing not only the transactional information, but all the context around those transactions so that you can properly guide customers, whether they're repeat customers who buy a lot and you want to get them into a loyalty program so they can build credibility with the brand, whether it's about really thinking about how you address your customers on multiple channels, albeit the email and advertising. A lot of the world is moving towards registration-based, or reg-based IDs, as we call it, which puts a premium on companies really creating a way for their customers to identify themselves and interact.

There's new 2.0, 3.0 identity solutions coming out from different providers. We will participate in that. We will both be a provider of our own identifiers, because Oracle is in a unique position in that we don't own a media. We don't own a DSP. We're not biased in terms of where you monetize. So there'll be a lot of that. And then I think overall, there'll just be more walled gardens, to be honest. We'll move away from Google and Facebook owning 90% of the internet spend to, I think a lot of brands will be thinking about, what's the walled garden they can create around their own customer base, and how do they use their first-party data to enrich and strengthen those relationships? So I think that we're moving from sort of a lazy, I can always buy the audience, to, wow, I really need to invest in things like CDPs and first-party data and first-party data enrichment tools, because that's how I'm going to differentiate.

Daniel Newman:

It's funny you say that, and I'm going to come back to CDPs in a minute. You keep saying things, and I'm like, "Oh, I got to make that note. I'm going to come back to that." But you mentioned the creating your own walled gardens. It's just funny. We've actually really come full circle. Early days, I joined Twitter probably 12 years ago, and I started blogging, and I remember we used to try to actually

build communities on your blog, and you would have people register and they would leave comments. And it went from having your own media, your own comments, and then you started... There was things like discuss and live fire, which became these social commentary boards. And then basically, you notice, at some point, the real-time engagement of a company on its owned properties went away.

Everything was, we need to either publish, A, to tier-one media, we want to become native advertisers on other people's bigger platforms, or B, we want to add and build all of our community on third-party social platforms. And basically, we all sort of relinquished control of our audiences, very few enterprises. There was that whole era of brands rising as the next media company, and we all sort of... Yeah, we still have a blog, but we write on our site, and we publish on everyone else's, and then we promote it on everyone else's site. And you're seeing it coming full circle now. You're going, "Huh, those companies that maybe stuck with it a little bit built a real community, have that loyalty, may be in a better position right now," because we're moving away from that third-party capability of just buying an audience all the time, especially a quality one. So loyalty, I mean, just quickly, because I got three or four more questions for you, but loyalty, you mentioned it a few times. Where are we with that?

Rob Tarkoff:

Yeah, so we've made a big investment in this. We did an acquisition in 2019 of a company called CrowdTwist that really helped us build what we think is a really robust loyalty solution, not only because it has great loyalty features, the gamification, the points rewards, concierge-level service for your most valuable customers, but because it's a first reference application that we've built natively on our Unity CDP product. And the benefit of that is, not only can you look at transactional behavior to drive loyalty engagement, you can look at everything else, dwell time, service history, marketing interactions, advertising interactions. Everything that we collect into our CDP becomes a source of what we call derived intelligence. And I love this term. One of my teammates coined it, because a lot of CDPs today are about, oh, I'll give you customer 360. It's like, here's all the transactional information. You hand it to a marketer or a CX professional, and they say, "What do I do with this?"

And really, what's interesting about loyalty today is, you need to be available to understand, what are the triggers that drive loyalty? It's not just a purchase behavior, but what are the things about time between purchases, and average order size, and propensity to churn, and all of these things that are derived attributes about a customer, that if you can manage or architect an experience that maximizes the interaction value across those derived attributes or those metrics, you'll create more loyal, more high-value customers. So there's sort of this interplay or interchange between loyalty applications and the derived attributes that are fueling that, that we think is a really interesting opportunity for customers. Again, totally agree with you on this shift. This was sort of my past with running a community company when I was CEO of Lithium. It's really thinking about the first-party interaction and your own owned audiences, that's

become back in vogue now, and that's making loyalty that much more important.

Daniel Newman: Okay, I got to do a little time capsule. Lithium bought Klout, right?

Rob Tarkoff: We did, yes.

Daniel Newman: Okay, and you were there when that happened?

Rob Tarkoff: Yes, yes.

Daniel Newman: God, I remember Klout Scores. Those were awesome, the Klout Score. I think [crosstalk]-

Rob Tarkoff: Yeah, it was a-

Daniel Newman: ... maybe-

Rob Tarkoff: It was a great way to demonstrate your value on a third-party platform. But increasingly, we've seen this with the third-party platforms. It was sort of why Twitter never really became a serious customer service tool, is that the algorithms just amplified all the noise, that it was hard to turn it into, really, a serious business, customer service network. The industry shifts back and forth between rented properties and owned properties, and I think we're heading towards owning your own experience a lot more today than we have in the last couple of years.

Daniel Newman: We were a legend in the early social era. I mean, Klout was... It was everything to the early influencers. I mean, now we hear about Instagram and TikTok and all, but in the early days of influence and knowing, I mean, wow, nothing had more cachet than a big Klout Score.

Rob Tarkoff: Yeah, and we were a very early machine learning application. Before, everybody was talking about AI and ML. We were using it in ways that were pretty innovative at the time to really determine influence and how to build a model around that, so it was a fascinating time.

Daniel Newman: Which by the way, when you take out third-party cookies and you take out certain access to data, that entire business model, much like I was talking about with community, all comes full circle. How do we reach people? Who do people listen to? So while I maybe in jest, somewhat, talking about a legacy application that had early influence, this is becoming relevant again. It's kind of like my teenagers wearing clothes that were stylish in the '90s again. It's like, I thought we got rid of that.

Rob Tarkoff: Well, if you stay in business long enough, it all comes around again, so pattern recognition becomes important.

Daniel Newman: It is, and I recognize those turquoise colors and those stonewashed jeans. So let's talk a second about CDPs, because I write about them a lot, I talk about them a lot in my Forbes column. Oracle is amidst, adopting, adding, growing its platform, and of course, it's amongst a set of companies that have really turned their eye in this direction. Talk a little bit about where you see the opportunities and challenges around CDPs, especially through the eyes of the enterprise.

Rob Tarkoff: It's interesting. A lot of companies today enter the CDP inquiry process or acquisition process, having a lot of failed data lakes that internal IT has tried to build, or trying to build robust, transactional data warehouses that really don't offer them, again, any perspective or insight on consumability of the information. That's the big issue, is, if I collect all these data points and bring in all these behavioral signals and transactional signals, how do I really turn that into something that's useful for my industry? And one of the things that we've put a lot of emphasis on, which I think is different than a lot of players in the CDP space, is building a schema by industry. So if I'm in financial services, I have a set of attributes about my customers that I care about that are very different from in retail, or high-tech, or utilities, or manufacturing.

So how do I build on the fly, a schema that I can update in real time so that I can really understand what matters to the customer in my industry? So if you think about a typical B2C case, very different than a typical B2B case, if you think about how I want to grow the top 20% of my customers to get three times more wallet share, are very different than reach and frequency of addressing a broad base. So we put a lot of emphasis in making it easy for customers, not only to ingest and normalize and run at scale, and the benefit of Oracle, and you know this well, is, with our core technology, our Oracle Cloud Infrastructure that Clay and his team have built and our underlying database technology from the ADW and all the core underlying database capabilities, we built something that's highly secure, highly scalable, can take in lots and lots of profile information, data points can, on the fly, build schema by industry, and then really help us make that schema consumable by the apps.

And that's the last piece that we've differentiated, is because we have a suite of CX apps, our CDP schema are purpose-built to be consumed by these apps. So how does an email, marketing application, or an advertising application, or sales or service, how do they consume those derived attributes in a way to change a flow or change a process on the fly? So again, it's really about thinking about the end-to-end flow, and I keep coming back to that because that's where I really think the industry is going now. It's moving away from CDP as another fragmented, bespoke application to thinking about it as an engine that powers all of your applications, is purpose-built to be able to deliver information that's consumable and actionable by those applications in real time.

Daniel Newman: Yeah, the graph would need to look a little bit more like a web than a bunch of lines. And what I'm saying is that the CDP is at the center and you're pointing to an email app, or a social customer service app, or whatever app you're pointing towards, they also need to talk to each other. That's the big thing, is the CDP, it's

really creating this, like you said, flow, but it's really this interoperability. It's having the APIs or the, like you said, the schema that is interacting, and it's sort of concurrently updating all the applications, because it goes back to that first topic, right? Why am I calling customer service, and I did 50 things on the internet, but they somehow don't have a clear view of what I've done, or what I'm needing, or the problem? Why do I have to provide so much information as an identifier of either myself or my order for them to help me?

I mean, I get that you need me to prove it's me, but even that... I'm calling from a phone number. Okay, I mean, I guess spoofing technology, but yes, I mean, the odds of someone spoofing you because they're upset that their \$19 scarf didn't show up, I just don't think that's the kind of things we need to be hyper-focused on. By the way, there's technologies to detect that as well. So overall, the point is, is it can be done better. I got a couple minutes left with you, Rob, and I want to go back to one thing you mentioned, and then I got a little fun factoid for everybody out there. But you said something earlier, alluding to AI has failed, or has failed so far, or isn't living up to the hype. And by the way, you're not the only person even at the summit that has alluded to this, but I'd love to know why you're saying this.

Rob Tarkoff:

Look, we've done some experimentation. We're still in the experimentation phase with machine learning's ability to impact in meaningfully sustainable ways, the application experience, the interaction. We know that the models work when you have the right data set to train it against, but a lot of it has been in the implementation of it, part of the reason for the failure. And I think of that as, again, in every industry, you have to have the ability to speak in the customer's language, so unless you really understand the context, the dialogues, the vernacular of that industry and make it natural... A great example of this is the company Hermes, the parcel delivery company in the UK, not to be confused with Hermès, who makes the scarves. And-

Daniel Newman:

I almost asked you.

Rob Tarkoff:

Yes, but Hermes delivers about... I think they're the second largest in the UK, behind the Royal Mail, and they did a really interesting thing. They happen to use the Oracle Digital Assistant, which is our core engine. It's more than a chat bot, but it's an engine that really delivers an automated digital interaction using specific skills by industry, and so it learns how to speak the industry vernacular. So they actually named our digital assistant Holly, and it was so good at understanding context and the relevance in the conversation, the exact things that a logistics company agent would ask you, in the right format, that customers actually sent letters to Holly of thanks, knowing that Holly was a bot. It was so personalized and so contextually relevant.

So that's just an example of when you do it well and you really understand the context that you're operating in and that customers don't mind having an automated, at least my experience, they don't mind having an automated interaction as long as the assistant is learning the things that are relevant for the

industry and speaking the industry language. A lot of it, obviously, has to do with the core technology. We're very proud of what we've built there. The team is amazing, that's been doing that. But a lot of it too, is the orientation that you take to implementation, and we're prepackaging and embedding skills by industry when we deploy our solution. And that is, again, a unified flow from the digital assistant all the way back to the service CRM systems, so you get this great experience. And this was, by the way, just one last thing, particularly relevant during the pandemic when people needed to stand up customer service centers really quickly.

Daniel Newman: Yeah, there's a lot of interesting case studies across the industry about some of the fastest transformations, whether it was setting up or turning a retail store into a shipping center. [inaudible]. They're great stories. All right, I want to tie this together. Only have about a minute left here, but I've got a fun factoid. You come from a legal background, you've dabbled in VC. Let's turn this around, not about Oracle pitching the market, but about, you guys are always in the market for acquisitions. What do you talk to? What do you see for companies that might want to pitch their apps, their ideas, in your direction?

Rob Tarkoff: Oracle is different than many buyers in that we're an engineering company. I mean, Larry Ellison takes a very active role in all of our products, particularly in the front office, in the CX space. He's very passionate about taking the fragmentation out the same way he did with ERP. I would say companies that are pitching Oracle, it's good to have a good product that's well-architected and well engineered, because that's the first thing we're going to look for. Buying a company that just has a customer base and momentum is irrelevant to us if we have to rewrite the entire product and spend years doing that. And unfortunately, that's oftentimes what happens, is you buy a company and then you have to spend the whole time building on the right technology. So if it's built on the right technology, Oracle Database, Oracle Cloud Infrastructure, any of our other core tools, that helps.

The other part of it is, what's the passion of the entrepreneur or the CEO that's running the company? Do they want to really scale something to be big and world changing? We think in terms of the long game. One of the benefits of having a company that's 40% owned by one individual is, we're never thinking of ourselves as a company that's not going to be here in 20, 30 years. We take a long view and we want to build for providing the best value to our customers with the most robust applications we can. So if you're a long game player and you want to stick with it and you want to help us scale solutions to be, really, a powerful force for good and changing our customer's lives, then that's interesting to us. So I think it's both the quality of the product and the long game, more so even than the near-term financial metrics. I mean, those are sometimes a guidepost for where to value a company, but we look a lot more at the product longevity side of things, and I think that's unique to us.

Daniel Newman: Well, Rob, the day this presentation will go live, I believe is the Oracle's next earnings date on the 15th of June. So I just want to shout that last quarter, I

went on CNBC after your earnings, and I said that the upside was pretty good. And I actually had mentioned that the price action, because I think you guys hit an all-time high, but I think you've done it very gradually. While other companies have done it like this, you've been just on a steady ascent over the last year and a half and beyond, but I'm saying... So I called it out early, so I'm going to just take a little credit here during the Six Five Summit for doing that.

But I love the assessment about the long game. I think in this world, there's a lot of companies, a lot of people looking to make the quick buck, the crypto world, the stonks of the world, but in reality, whether you're building to be acquired, I always say, even if you want to build to be acquired, build for potentially growing and becoming successful on your own, because that's only one exit and it's not a guarantee every time. So great advice, Rob. Thank you so much for spending time with us here at the Six Five Summit yet again. We hope to have you back next year. Great session. We'll see you again soon.

Rob Tarkoff: Awesome, thanks for the time. That was great.

Daniel Newman: So everybody out there, please stick with us for the rest of today's sessions. It's day two of the Summit right now, but we have three more days yet. And of course, all of our sessions that went on day one and before are available on demand, so click on those sessions, stick with us, learn, so many great experts here. But for now, I got to say goodbye. We'll see you later.