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THE FUTURE OF ADVERTISING: WHAT YOU SHOULD KNOW

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EMPOWERED AGE, EMPOWERED CONSUMERS

We live in an empowered age with empowered consumers. Technology has become a slingshot enabling each of us consumers to defeat Goliath, the big companies and marketers. Consumers have god-like power, able to see, hear, discover, and uncover almost anything through all of the devices available today. In fact, today's smartphones have greater processing power than all of the computers in the first space shuttle.¹ This power is used in myriad ways, and it fundamentally and forever changes the way advertising is done. Digitization, as well as globalization and demographic shifts, are requiring us to replace old models of thinking about communication and advertising. These old models were rooted in one-way, push communication, controlled entirely by advertisers and marketers, neatly packaged and clearly defined ad units and channels, with a goal of bombarding consumers with a message until they believe it and buy our product. That's certainly not true anymore. Brands that aren't authentic, transparent, honest, respectful can be destroyed-- very efficiently-- with the slingshot of technology.²

Given this reality, the future of advertising is a scary and intimidating subject for many. If we weren't smart enough to respect consumers before, there's certainly a business case to do so now. Years ago, professor and author Philip Kotler said that marketing is about understanding and meeting consumer requirements. That's even truer in the future, for advertising as a subset of marketing. The goal of this chapter is to prepare you-- yes, you-- to help reinvent the future of advertising. Lofty? Perhaps-- but important and necessary for both your job prospects and the success of the brands you'll work with. The chapter introduces new models of thinking, guided by a few fundamental principles: delivering utilities and services, as opposed to a message;

reaggregating audiences, as opposed to segmenting them; and facilitating self-marketing, as opposed to bombarding and outspending. And the overarching concept we all have to embrace? Change.

IT'S NOT ABOUT A MESSAGE ANYMORE

Let's start with the first major change. The reality is this: people don't want to see your stupid message. It's not about a message anymore. If you think advertising is telling a story about a product without any substance, you're in trouble. We need to stop "advertising" in a traditional sense, pushing out our pre-packaged messages to overwhelmed target audience segments, and start offering utilities, services and experiences. We need to think in terms of acts, not ads. How can we provide consumers with convenience, unique value, social value, incentives, or entertainment? A quintessential example of this is the Nike+ app, first launched in 2006, which works with special chips in runners' shoes to help track, get motivated for, and improve their runs. The app monitors metrics such as speed, distance, and calories burned, provides daily workout recommendations, and enables runners to share and compare metrics and photos with friends, select and stream music. Nike has credited the app with driving growth of 30% in its running division.³ Nike+ has now expanded beyond running to measure all activities and spurred the launch of the Nike FuelBand, a wearable device.

Another example of utility is the Amazon Shopping app that scans the barcode on any product in any retail store and then compares the price to Amazon. Initially launched as the PriceCheck app, it also provided extra discounts for consumers who used PriceCheck in a store but then bought from Amazon instead.⁴ A final example is the Inspiration Corridor, a personalized digital window shopping experience provided by Klépierre, a European specialist in shopping center

properties. It scans a consumer's outfit and then not only generates customized product recommendations based on real-time availability within the mall, but also enables the consumers to create a shopping list of the items they like and shows users where to go to shop for them.⁵

Each of these utilities, services, and experiences meets a consumer need, adding value to their lives and giving them something in exchange for their time. And in a hyper-fragmented world, the biggest gift a brand can get is positive attention. That attention can be won, not with a traditional message, but with incredible daily utility.⁶

REAL TIME DATA ANALYSIS AT SCALE

Being able to add this service and utility, of course, is rooted in understanding and meeting consumer requirements. How do we know what these consumer requirements are? Fortunately for us, empowered consumers in this empowered age are using the tools at their disposal and telling us what they want. And that's driving major change in research and targeting. Research is even more important now than it used to be, but it's done very differently. For example, we can release a movie on YouTube six to seven months before it's released in theaters, edit it based on reactions, and cut trailers for different audiences based on who reacted to what. Advertising is borrowing the minimum viable product concept from the world of startups. The focus of the minimal viable product is speed; there are no bells and whistles. It's released into the marketplace and iterations are made quickly, based on real usage and data, rather than waiting for years to realize something is wrong. Similarly, minimum viable advertising focuses on speed, taking controlled risks, and optimization. We can create a mini version of a

commercial or a beta version of an app, share it with six different audiences, analyze how it's received and used, and optimize from there.

This approach to research is very different than asking consumers what they think in focus groups. As the Google mantra goes, "data beats opinion." The future of advertising is working with real time data analysis at scale based on actual consumption and behavior, not hypothesized consumption and behavior. It's data-driven marketing that can be used to fuel much faster decisions. In the old research model, research could be used justify taking a long time to make a decision. If you think (and act) that way today, the opportunity has already passed. We have extremely powerful measurements and predictors of intent now. Each search we perform, Facebook post we like, email we get or send, and location service we accept paints a more vivid and accurate picture of who we are and what we want. Real time analysis of this large amount of data can predict and preempt our desires and needs. Google Now, for example, is an intelligent personal assistant designed to give us what we want before we even know it. It can predict our journey to work and tell us to leave early if traffic is disrupting our normal route; it knows what sports scores we want to see when; it can provide lists of restaurants near us or forecasts for cities to which we're traveling.⁷

REAGGREGATION VS. SEGMENTATION

The future of advertising is all about getting the right information, at the right time, in the right way, to the right person. This means moving away from segmenting audiences to reaggregating audiences-- putting them together one at a time, borrowing from different buckets of traditional demographics such as age or race, using that powerful data discussed earlier. Connecting with the right individual is a radical departure from what we have traditionally done, bombarding

segments of irrelevant people in hopes of reaching more people that we want than people we don't want. Think of it this way: while traditional media started with a cow to get a steak, this is starting with mincemeat and building to a hamburger.⁸ Consider Google search -- each user gets individualized results and ads tailored to that search. We are building to a more mass audience, one dispersed hyper-relevant user at a time. And because we have better measurements and predictors of intent, we can pretarget based on these predictions of needs at a specific time. eBay recently announced launched a predictive targeting tool enabling brands to target, not just current parents or parents of newborns, but expectant parents.⁹ Going a step even further, imagine receiving a special offer for a favorite restaurant when your friends are close and your calendar is free, or coffee shop recommendation when you're sightseeing and it's about to rain. We have the ability to arbitrage information, gleaning data from social media and other sources that enables us to tailor our approach and tell different people different stories, depending on their needs and the features, utilities, or services of a brand that would be most relevant to them.

FACILITATING SELF-MARKETING

The concept of understanding a consumer so well that you can provide relevant utilities, services, information or experiences even before she knows she needs them, rather than targeting a 30-second ad to a large group of people that probably includes some relevant consumers, reflects a massive shift in mindset. We have to earn consumers' attention, and that starts with providing a superior product or service. In the old days, you could take a product that was slightly subpar, create your message, outspend the competition and become known for certain things. Today a superior product with less advertising is likely to beat a subpar product with more advertising primarily because we are marketing products to each other-- we talk to

each other, look at review sites, ask our friends, share on social networks, and create word of mouth. That's a huge change. Marketers used to be in charge of marketing, but in the future, Chief Marketing Officers will become Chief Facilitation Officers, focused on providing consumers with superior experiences and opportunities to easily share those through our own networks and those of our friends. That's what self-marketing is. The good news is, if you have a superior product or service then your advertising can scale by nurturing loyalty and getting people to co-create and co-distribute your advertising. As noted in a recent New Yorker article, "If you build a better mousetrap, people will soon know about it."¹⁰ If you don't, however, just trying to shout your message louder than your competition isn't going to work. In age of transparency and authenticity, people will see that your brand is nothing but a big fat marketing budget.

Remember, brand destruction is incredibly efficient now. A lack of understanding of consumer needs and requirements can go very badly, very quickly. An early example of this was the Chevy Tahoe crowdsourcing campaign in 2006. In an effort to facilitate self-marketing, Chevy invited consumers to create and post their own Tahoe ads using assets provided on the website. Ads condemning the SUV for its low gas mileage and impact on the environment quickly appeared on the Tahoe website and across the Internet.¹¹

Facilitating self-marketing requires that we recognize that the activities to promote brands have to be done differently. We can't just take a parity product, make two \$250,000 television spots, and tell the world about how great we are. Outshouting and outspending competition used to be an effective strategy for short-term sales, at least, but it's not good enough anymore. We have

to provide substance, utility, service, or experiences for people to talk about and self-market, as Nike, Amazon, and Klepierre all did in the earlier examples.

A CONVERGED ERA

In order to provide this better mousetrap that people want to self-market through their networks, we need to think beyond traditional product categories. In every category, opportunities and threats are coming from outside it. When the iPhone came out, not only did it pose an incredible threat to a phone company like Nokia -- which didn't take it seriously-- but also to every mapping company and every gaming company on Earth. The new advertising for the iPhone is focused on photography, like ads you might see for Canon or Nikon. This is pretty dramatic if you think about the traditional practice of benchmarking and market share against competitors in your specific category (phones, for example). It doesn't make sense anymore. We need to reinvent, look outside the category, think like a consumer who doesn't see categories the way marketers traditionally have.

Doing so provides an opportunity for advertising to broaden itself and become more important. It's no longer about messaging happening one place, design happening somewhere else, and other distinct silos of research, product, media, measurement, etc. It's all merging together. Social media is a prime example of this; it spans traditionally separate media, creative, public relations, and digital teams. Understanding and meeting consumer requirements effectively invites this collaboration. Volvo recently won the Design and Promotion and Activation Grand Prix at Cannes for Life Paint, which cyclists can spray on clothes, backpacks, and other items to make them more visible to cars at night. Packaging, product design, communication, and digital teams collaborated on the innovative idea, which was designed to promote the Volvo XC90's

safety features, particularly the Intellisafe technology which includes a detection system for pedestrians and cyclists. The London agency also created an online film and a website aggregating tagged Instagram images from users and directing people to retail outlets. This goes far beyond what we traditionally think of advertising and meets a very real need of helping both cyclists and drivers save lives.¹²

BRANDS AS THE ULTIMATE NAVIGATION DEVICE

In an empowered age, with an empowered consumer, with apps like Amazon's instantly enabling us to find the lowest price, do brands still matter? Consumers, armed with their slingshots and god-like power, are incredibly well informed, increasingly skeptical, and increasingly unwilling to be bombarded into submission-- purchase-- by an advertiser's message. They can easily look beyond a logo and investigate the real value of a brand.¹³

However, a brand is far more than just a logo, and our purchases aren't solely or even primarily based on logic. We can indeed access vast amounts of information, but our ability to find out so much information about so many brands can be overwhelming. We wrestle with the paradox of choice, in which the presence of choice might be appealing but can actually be debilitating.¹⁴ An expectant mom can spend hours online investigating products information, trying to identify the softest, most well-reviewed washcloths at the best price for her bundle-of-joy-to-be, but is that a good and desirable use of her time? Brands do still matter. They are the ultimate navigation devices, a shortcut to an idea about who that brand is and what it stands for. Volvo has always stood for safety, but technology enables the brand to express that in entirely new ways. Strong brands move beyond function and create narrative, embody human characteristics and personalities, and evoke emotion and attachment in people. They build over time, becoming

more fleshed out in a consumer's mind with each interaction and experience. Technology and digital media provide more opportunities to connect, share, and have those brand-building interactions and experiences.¹⁵ Think back to the Nike+ app. The utility it provides not only helps motivate consumers to purchase Nike shoes in the first place, but also helps them feel good about the purchase afterwards, combatting potential regret from not buying a different shoe through the ever-growing value Nike+ offers.

A by-product of this empowered age of empowered consumers is enhanced expectations. Most people are now used to tech milestones where a new product or service comes out at least once a year. Marketers, on the other hand, are used to managing brands that don't change for 30 or 40 years. The rate of change, clearly, has speeded up dramatically, and brands that matter need to be more agile, attuned to consumer requirements, and transparent than ever. Consumers expect relevance, ease, respect, partnership, and connected experiences. They are skeptical of companies, having seen brands destroyed (or even participated in the process) after misleading or deceiving customers. As a result, trust is becoming a new competitive advantage and a critical component of the navigation device that a brand can be.¹⁶

WEAKNESS IN FUTURE OF ADVERTISING

Is the future of advertising all sunshine and rainbows? Unfortunately, no. One of the primary weaknesses is actually the people who create advertising. First of all, each of us has to reinvent ourselves to stay relevant. Students who come out of school are better qualified to run marketing programs in some ways, causing some executives to be terrified of the people who work for them who understand these new models of thinking. Secondly, we have to reinvent ourselves in a world where technology is exerting downward pressure on the cost and

distribution of advertising. That means that while technology (and silicon) gets cheaper, people (carbon) do not. Humans can be expensive, and through technology like programmatic advertising, some carbon is being replaced with silicon. It's increasingly challenging for advertising agencies to attract and retain the right talent because they can't afford it. Tech firms and startups, from YouTube to Google to Instagram to iTunes, are pulling talent away from advertising agencies. In fact, 60% of creative jobs now fall outside of the advertising industry.¹⁷

In addition to talent, the other major threat in the future of advertising is how all of the data we generate is used. There's a danger for marketers of being blindly misled by the mountains of data available; outliers and confounds in data can lead marketers to erroneous conclusions if, in the haste to act, the data isn't carefully screened. There's a danger for consumers of a significant loss of privacy. We are discoverable and trackable through our smartphones, and our phones can testify against us. They know more about us than we do ourselves.¹⁸ Eventually we may reach a point where there's so much data about us that we start seeing a world that's highly filtered. One person's search results already look different than another person's results for the same query, thanks to the efforts of search engines to personalize results based on our prior online behavior. There's a concern that, as Eli Pariser first described in *The Filter Bubble*, "personalization filters serve up a kind of invisible autopropaganda, indoctrinating us with our own ideas, amplifying our desire for things that are familiar and leaving us oblivious to the dangers lurking in the dark territory of the unknown."¹⁹ We could be seeing world almost completely built to extract money from us, tailored by advertisers and marketers to give us what they know we want. The connectivity that enables these personalized worlds and experiences is, certainly, a double-edged sword. Our minds are being both enriched and colonized by it.

Humans like interaction, but we may soon reach the stage of more than occasionally wanting to be private and disconnected from devices.²⁰

WHERE TO GO FROM HERE

Here's what we know about the future of advertising: it doesn't fit in the containers or mindsets of the past. There's no "message" container; it's about delivering utilities and services. There's no "segments" container; it's about reaggregating individuals. And there's no "frequency" container; it's about facilitating self-marketing. We all have to embrace change. The inevitability of this change can be hard to accept, but simply put, if you don't know how to deal with modern advertising, you won't get a job. But if you do, you will. The good news is, if advertising is about understanding and meeting customer requirements, we have many more ways to listen to customers and understand their requirements, and many more ways to reach, share, connect, and interact with them. If you have a superior product or service then your advertising can really scale because you can tell people about what others are saying about your product, and facilitate co-creation and co-distribution of your advertising. We can provide greater utility and wrap it in richer and more relevant stories, shared with the right person at the right time in the right way and the right place. Storytelling still matters. The art and craft of how we tell the story change-- through social, mobile, data, APIs enabling us to pull, process, and package information, and more-- but basic elements of what moves us as humans don't. Ultimately, remember: "In a silicon world, we are still talking to carbon life-forms."²¹

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