FSG OUTLOOK

The Future of Media & Marketing

By Gerard Smith

As media and marketing have evolved together, the future of one has to be considered alongside the other. Over the last hundred years or so, during three overlapping phases of mass marketing, an ecosystem has developed in which media and marketing have provided each other oxygen: the media by attracting large, passive audiences to content, presented in formats suited to advertising; advertisers by paying the media to ‘talk to’ potential consumers who in turn accept these interruptions as the price for subsidized or free content. In the ad market, it’s all about eyeballs (or ear holes), with prices generally determined according to the Liberace principle – that more is more. This particularly applies when the eyes or ears belong to a young adult, but more about that later.

Infrastructural change has defined and enhanced each of the phases of mass marketing, but the defining change of the fourth phase, the Information/Communication revolution, seems destined to create substantial challenges as it de-couples media from marketing.

Phase	Strategic Characteristics	Defining Infrastructure	Dates (approx.)
1. Fragmentation	• High margin • Low volume • Geographically limited markets	• Incomplete railroad network • Incomplete exploitation of telegraph • Political and economic instability	To the 1880s
2. Unification	• High volume • Low margin • Incorporation of the whole nation in a mass market	• Railroad and telegraph network complete • Political stability • Economic cycles	1880s – 1950s
3. Segmentation	• High volume • Value pricing • Demographic and psychographic segmentation	• Rise of commercial television • Recognition of financial value of brands • Emergent globalization	1950s – 1990s
4. ?	• ?`	• Information/Communication revolution	1990s –

(Adapted from *New and Improved - The History of Mass Marketing in America,* Richard Tedlow, 1996.)

Media and marketing companies have thus far responded to the phase 4 world using a phase 3 perspective, where the internet is another medium – for media companies an additional format for content, and for marketers, an additional opportunity for advertising.

The assumptions for the longer term baked into this ‘incremental’ view are that as the internet matures it becomes less entropic, and consolidation takes place; fewer, branded (i.e., trusted) media outlets remain, many in multiple formats, funded by a mixture of subscriptions and advertising; advertisers learn to adapt campaigns to the digital world, and a new equilibrium is reached.

There is, however, a more radically disruptive view in which mass media and mass marketing as currently conceived face obsolescence. The extreme prognosis is that mass media companies are simply early casualties as the Information/Communication revolution hastens a more fundamental transition, beyond media and marketing, to a re-engineering of capitalism itself:

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We are living in a period of "disruptive capitalism" because we have changed more than the companies we depend on as consumers and employees. Today, we have all become history's shock absorbers, struggling to reconcile our new needs with the demands of an exhausted business model. A chasm has developed between organizations and us.

The Support Economy, Shoshana Zuboff, HBS professor of business administration, 2003.

The internet

The catalyst for this critical disruption is of course the internet, where information is easily, directly, and for the most part, freely obtained. This radically alters both the economics of 'content', and the way that it is absorbed.

For media:

- In form and function, particularly on mobile devices, it is less suitable for the interruptive, 'push' model of advertising (long timelengths, large formats).
- It has taken away classified advertising, an important revenue stream for newspapers.
- Beyond classified and other information-based 'instrumental' advertising (fine for insurance, hopeless for perfume), evidence of online *display* advertising effectiveness is sketchy, to say the least.
- And a potentially unlimited supply of online inventory has caused the price of advertising online to drop dramatically from the price in traditional media (analog dollars to digital dimes).
- Schemes to increase the value of advertising by providing richer information about individuals (as Facebook does for example) raise concerns about privacy, and can quickly drive users away.
- So for legacy media, reinventing traditional forms to fit the technology also involves a new business model, as content is less supportable with a model based on advertising (notwithstanding that most websites, for now, are based on this).
- Legacy media are also increasingly dependent on an ageing legacy audience, even online. This is critical – as those in the cohort most engaged with the internet and related new technologies are not held back by having to unlearn old habits but, at the same time, nor are they a loyal audience that will 'migrate' from an old format.
- The most successful (largest audience) online news sites are aggregators of content largely produced by legacy media, whose long-term viability is in doubt.
- For online-only content providers, the long-term sustainability of a model based on ad revenue is therefore uncertain, as few will survive behind a paywall.
- Ironically, the problem of overcapacity – long the blight of manufacturers – has come to media.

For marketers:

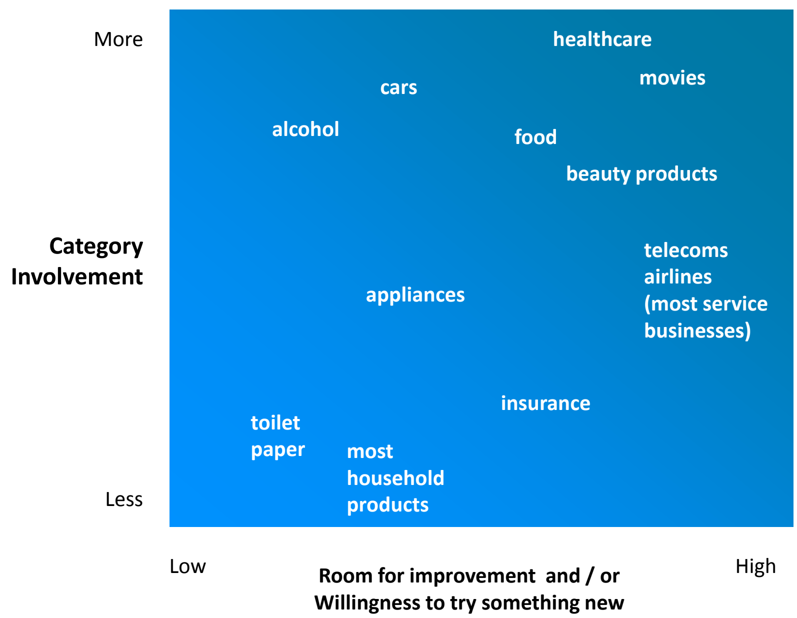
- It was originally thought that the internet would make advertising more 'targetable', but people (especially young people) don't seem to want information as much as they want to talk to each other.
- And for all the marketing punditry that trumpets the need for 'conversation' and 'engagement', it is hard to imagine many normal people wanting a conversation with a marketer, at least not a polite one. Conversation by definition requires intimacy, to which the model of mass marketing is diametrically opposed (even in its segmented phase 3 form).
- The other hoped-for opportunity for marketers is of course 'word of mouth', whereby their brands are talked about – consumers themselves becoming the advocates (movies have long operated on this basis). This might be possible, but it does not apply equally across categories, and even where it does, implies a better mousetrap model of marketing where product enhancement that people talk about may be a better investment than a new ad campaign (see below). Marketing becomes so deeply integrated it ceases to be distinguishable as such.

The Better Mousetrap model of marketing

This is illustrated in the schematic below, Categories clearly differ in terms of consumer involvement – for example there are magazines devoted to cars, fashion, wine, food, travel, even cigars, but none for most household goods. Involvement affects how intrinsically likely people are to talk (using word of mouth in the broadest sense), and is represented on the y axis.

The other key influence on word of mouth is the extent to which people are satisfied (and therefore looking for something new / better/ improved) and/or the extent to which they are willing to try something new (we may be perfectly happy with what we eat for example, but because we do it so much, we are always interested in trying new things). This is the x axis.

The combination yields a notional position in the receptivity 'space', which will influence the most effective strategy for creating word of mouth. In the top right, if a worthwhile product idea is seeded, the natural category momentum should do the rest (either positively or negatively), whereas at the opposite extreme, in the bottom left, emphasis will be much more on generating interest in the messaging per se (have you seen that ad/clip/website/toilet paper blog? etc.), or changing the frame of reference, so that what was dull and uninteresting becomes worth talking about.



The upshot is that in categories in the top right quadrant, marketing might be effectively prosecuted through product improvement and innovation (and word of mouth), but those in the 'southwest' face a more challenging future.

Incremental shift or radical change?

- How will the media consumption habits of the cohort most immersed in the internet/social media and least immersed in legacy media change as its membership ages? Will external forces – principally technology – be stronger than the lifestage forces? What can the past tell us about this? (See below.)

- Will the development in mass marketing be circular rather than linear? Will the fourth phase be a return to 'phase 1' – an era of fragmentation? (Something like this already seems to have occurred in the music industry, and some parts of the markets for food and beer.)

- Will the online world inexorably continue to devour our time and attention, or will incipient concerns about privacy and particularly security erode its advance?

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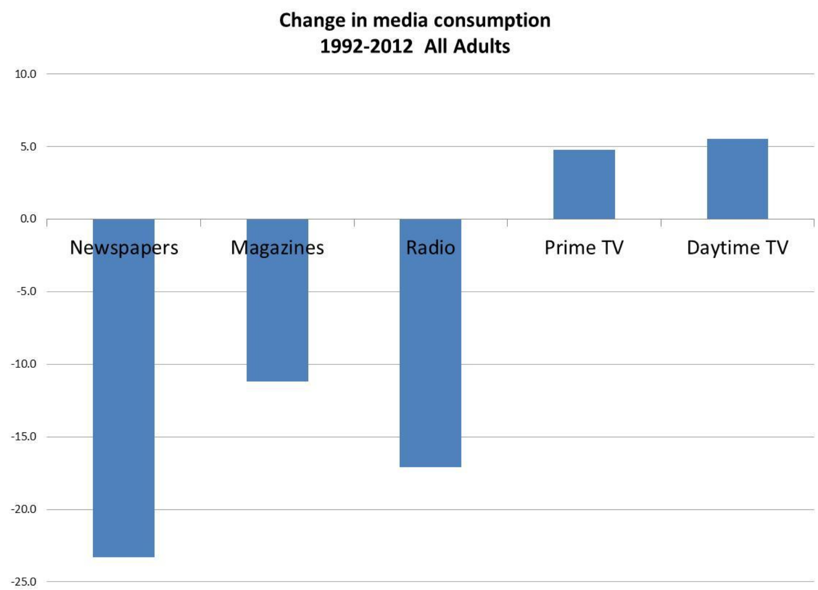
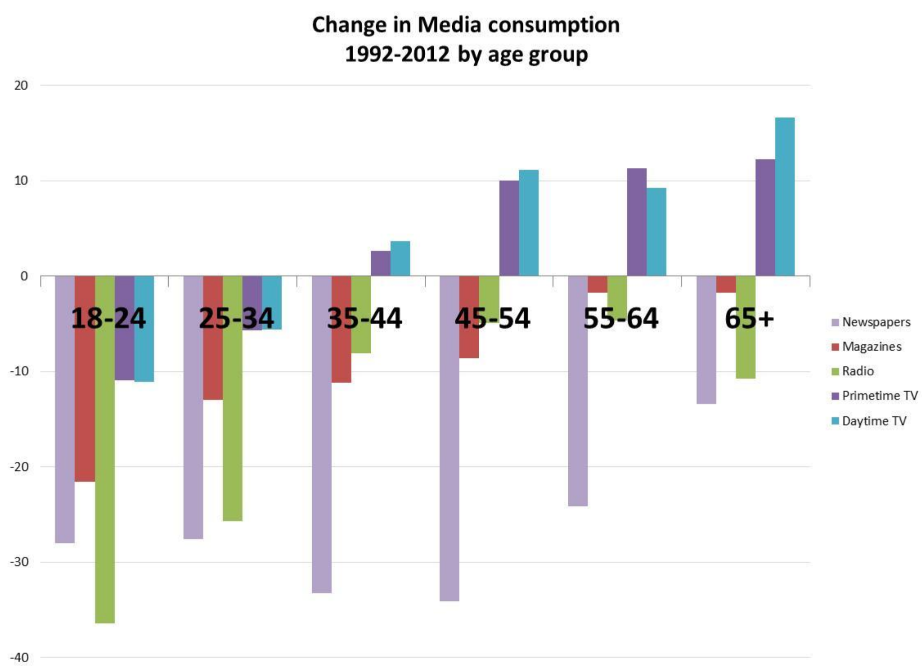
Originally written as an FSG essay in 2010, updated with data from 2012.





Source: Kantar Media