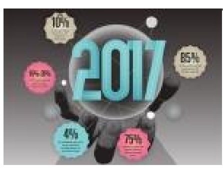
MARKETING'S NEXT FIVE YEARS: HOW TO GET FROM HERE TO THERE

If Marketing Had a Five-Year Plan, Here's What It Would Be and What You Can Do to Prepare

By Matthew Creamer. Published on October 08, 2012.



Imagine five years out. It won't hurt, we promise.

Even the worst-case forecasts have our economic malaise nearing an end by then, a dreaded lost decade coming to a blessed conclusion and a true recovery taking shape with low unemployment and revitalized consumers.

Once again the ad business will be growing. But a new media and marketing order will be taking hold. In measured-media terms, in 2016, the furthest year forecast by eMarketer, TV will still own the biggest piece of the marketing pie (36 %), but just barely. Online advertising, at 31%, is sure to be hot on its heels. Further behind but growing fast will be

The rise of mobile, coupled with an evolving, more web-like TV market will present a vastly different communications landscape. Rising to the challenge will entail many changes in old processes, from compensation to measurement. Whether you're ready depends in part on what you do now.

What follows is a program for how the ad industry and its leadership can take on the most pressing challenges and be ready for the problems of the future. Some of these are old, nagging concerns that have been kicking around for years or even decades. Others are just now taking shape. All are crucial.

BE RELEVANT ON CONSUMERS' MOST IMPORTANT DEVICE

By 2017, 85% of the world will be covered by 3G mobile internet and half will have 4G coverage, according to Sony Ericsson. Three billion smartphone users will contribute to data traffic that 's 15 times heavier than today's. For more and more consumers, the most important screen will be the tiny one in their pocket.

Personalized and data-soaked, context and location aware, the phone is the window into the consumer's soul that marketers have been looking for. Whether brands are invited in depends on whether marketers understand what consumers want and need in a mobile environment. By any measure, they're not moving fast enough.

To put it bluntly, there needs to be more ad spending on mobile, which now comprises only about 1% of budgets, according to a recent study from the consultancy Marketing Evolution. Based on ROI analyses of smartphone penetration, that figure will be about 7%. In five years' time, that number will need to be in excess of 10%.

Rex Briggs, CEO of Marketing Evolution, said marketers shouldn't be scared off by the current options for mobile advertisers, which many find to be creatively, um, challenged. "The formats are there but there is a lot of room for improvement," he said. In his study, for instance, there weren't even enough location-based campaigns to break into a separate category. That's not good because, as Mr. Briggs said, "what makes mobile unique is that it's mobile."

Of course, advertising is just part of the question and possibly not the most important part. Using mobile devices and platforms to offer consumers real utility and convenience -- and not just interrupt them -- is where the battle will be won. Inspirations here are Nike , with its Nike + and Fuelband platforms, Tesco's virtual subway store in South Korea and Starbucks. The coffee chain has dabbled in every big mobile trend and bet heavily on innovations in payment systems, recently handing off its credit- and debit-card transaction processing to Square, a mobile startup in which it has taken an equity stake.

TO DO: Up your mobile spend now so you can test and benchmark in the future. (CPMs are favorable at the moment.) But don't forget mobile threads throughout the whole consumer experience. Mobile is not just about ads, and it's certainly not about interruption.

BIG DATA COMES TO THE TV SCREEN

With apologies to cable cutters and death-of -the-30-second-spot prophets, TV remains the best way to tell a brand

The TV market is inefficient, not ineffective, said Dave Morgan, founder of Simulmedia, a startup that 's trying to make TV more data driven. "There are a lot of ads going to wrong people, too much frequency for heavy TV viewers and not enough precision for micro-targeting campaigns."

Mr. Morgan said that now 1% or 2% of TV advertising is data-denominated, with guarantees of GRPs and sales attribution. In five years, when as many as 75% of set-top boxes offer direct, second-by -second viewing data, that number should be more like, 15% to 20%. With real knowledge of who's watching what and when, advertising's biggest medium will change. For a glimpse of that world, look to Allstate's addressable TV push for a relatively niche product, renters' insurance, designed to be seen only by renters.

This kind of stuff is game changing and will put new demands on every part of the marketing supply chain. First of all, marketers can think differently about how they use TV. With more granular data about who is viewing their ads, those micro-targeting approaches begin to make sense and that will impact not only the marketing mix but also business strategy and product development. Agencies will need to shore up consumer insights and creative processes to deal less in overly emotive anthems and more in clear propositions for well-honed customer segments. And the buyers and sellers that populate the TV market will need to populate their ranks with analysts who speak the language of data. In 2017, TV will be less about checking GRP boxes and making sure the eighth season of "Cougar Town" is teeming with ads and more about meeting business objectives.

TO DO: Hire the right people so you can start thinking of TV investment as a data play, if not a direct-response channel. But do not let privacy issues slip your mind.

MEASUREMENT SHOULD FOCUS ON OUTCOME, NOT JUST REACH

What do we talk about when we talk about engagement? I have no idea and, odds are neither do you. But semantic confusion hasn't stopped the marketing business from using the word as a placeholder for describing what we really, really want from campaigns: a deeper understanding of just what advertising does.

A few years ago, an industry attempt to replace frequency with engagement failed in part because engagement suggests we know what's going on in someone's brain when they see an ad and we couldn't really deliver on that . Yet into the brain is precisely where measurement needs to go, said Ted McConnell, exec VP-digital at the Advertising Research Foundation. "What I hope you will see in digital media (online, or TV in the future) is that measures of exposure will become comparable and reliable and that measures of engagement will try to glean what happened inside a brain," he said.

Such measures would yield more insight into consumers' behaviors, ranging hovering a cursor over an ad to clicking on one to changing channels, eliminating false negatives along the way. One reference point here is how behavioral targeting uses past behavior (and all behavior represents something going on in the brain) as a way to serve up a relevant ad experience.

Don't mistake this as an argument for neuromarketing. Monitoring brain waves is better used for qualitative feedback, small sample sizes and diagnostic work.

Mr. Briggs, whose work at Marketing Evolution has tracked how advertisers have over time received less return on

TO DO: Get out of the mindset that reach and awareness are enough and don't use models that fail to build in room for experimentation with new channels.

FIX COMPENSATION PROBLEMS

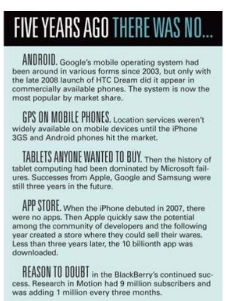
A recent Association of National Advertisers study delivered a grim finding on how agencies get paid: "New methods of compensation like value-based remuneration that rewards performance have not taken hold globally. Only 4% [of respondents] reported utilizing them." That's a depressing stat. Now here's a ridiculous one from a 4A's study: Agencies bill mobile developers at a rate less than half what account-services directors receive.

The compensation crisis has been on the industry's radar screen for years. The decline of the cushy, reliable 15% commission, coupled with the rise of procurement, has led to downward pressure on agency margins and widespread complaints about agencies losing their status as partners to become lowly vendors. Assuming we're not going to ditch the very flawed charging-for-time model, the fix is clear: a shift to performance-based compensation agreements that reward effectiveness and not time sheet completion.

Underwear purveyor Jockey International and its agency, TPN, offer an excellent model based on, as Jockey CMO-exec VP Dustin Cohn described it, "earned profits and payment on work output." Agency and client work together to determine the scope of work and metrics that determine the entire profit markup. Said Mr. Cohn: "Putting all of their profits on the line validates that the agency really believes in the client-brand and what they can do to move it forward."

Steve Blamer, former big agency CEO and compensation consultant, said it's up to agencies to become honest about profit margins and income levels. "I'm astonished at how reluctant agencies are to provide transparency around their costs." At the same time, client marketers need to be willing to pony up for deserving work. And some are not.

TO DO: Agencies, open the kimono on costs. Marketers, don't assume your agencies aren't open to new compensation programs. Both need to get on the same page when it comes to metrics. But don't be cheap.



USER EXPERIENCE IS THE NEW 30-SECOND SPOT

User-experience design is too often thought of as a digital-marketing task, ensuring that website and app development meet and ideally exceed usability standards. It needs to be something bigger -- much bigger -- if the ad business wants to remain relevant. Agencies and marketers should think about how the tenets of improving user interaction and user experience can be applied throughout the brand experience, from importation of digital assets and in-store browsing use of call centers. The idea is to get beyond ad-centric ideas that inevitably get lost in the muck of media fragmentation and message overload and to offer brands more ways to reduce friction with their consumers.

The proliferation of digital interfaces when we interact with brands offers a perfect metaphor for how the industry should be thinking about brands. Agencies of all stripes need to think about how they can integrate big-thinking experience designers into their creative and strategy offerings. Inspirations include startups such as Uber, whose brilliantly designed mobile app and fleet of friendly drivers, is taking the pain out of ordering and paying for car service in urban environments. Larger enterprises are getting it, too. Consider British Airways, which has simplified

"We have to consider the roles our brands take in consumers' lives in every capacity, not just the fleeting interactions traditionally considered," said Mathew Ray, senior VP-director of creative technology at Mullen, whose clients include JetBlue, Zappos and Google. Mullen's Experience Design practice uses nontraditional, interdisciplinary teams whose shape depend on the brand in question. "This hyper-bundled approach helps us disseminate experience design and other thinking throughout all kinds of projects."

TO DO: Hyper-bundle. Think broadly about user experience and designing all consumer interactions as a user-experience expert would. Speaking of user-experience experts, hire some. And don't be afraid. People will tell you're treading on turf better left to IDEO, that you just make ads, not experiences. People can be stupid.

MERGE MARKETING AND TECH TEAMS

CMOs, already plunking down big bucks on analytics and automation, will be spending more money on information technology than CIOs by 2017, according to Gartner. We're headed full-speed to a world where a brand experience and a technological one are indistinguishable, where there will be little time and energy for the inefficiencies and mishaps that arise when folks from marketing and IT aren't on the same page.

The next five years should be a time of intense experimentation to recalibrate the relationship between marketing and IT. This is a call for more cross-disciplinary teams of marketing and IT pros and new C-suite roles (chief marketing technologist, perhaps?) and job descriptions. And this isn't just a conversation for tech companies. It's pretty clear that in the future every company will be a tech company as consumers become more gadget obsessed and marketers of all stripes deal with tech-enabled tools.

Cohabitation won't be easy; both marketing and IT can be obstinate. But the stakes are high. There's a tremendous need to keeping up with the customer who it's safe to say doesn't have time for your silos. And, remember, user experience will be everything in our brave new world.

TO DO: Pilot integrations of IT and marketing. Start small, with a single product or service. And don't assume a gulf between marketing and tech. The differences are smaller than you might think.

LOOSEN UP CLIENT CONFLICTS

Late last year Ad Age reported that marketers have grown more restrictive about how they interpret potential conflicts at their agencies -- and that 's not a good thing. Brands are right to expect their strategies, competitive data and intelligence be safeguarded. And client rivalries should be respected. By no means should Coke and Pepsi be housed at the same one-office agency. But often, defining client conflicts too broadly is harming agency growth and effectiveness.

As business becomes more fluid, concepts of frenemies and cooperative competitors have become more and more accepted, except, in agency conflicts. The real losers in a world where conflicts are interpreted so broadly are marketers, who are losing access to talent and, perhaps most important, choice. This is especially true of brands that need global footprints for their agencies, as there are only so many of those left.

The issue is bubbling at the 4A's. We asked 4A's Exec VP Tom Finneran to describe how the issue might be examined.

safeguards for data and confidentiality and physical separation. Finally, create an education program that might include checklists for clients so they feel comfortable.

TO DO: Agencies need to recognize the problem and form a much-needed consensus. "Right now," said the 4A's Tom Finneran, "one agency's conflict is another's opportunity," leading for little incentive to fix this problem. Don't cling to the past.

KILL THE PATENT TROLLS

American businesses were out $29 billion in legal fees last year, due to litigation costs stemming from ruthless patent trolls. Trolls are entities that are solely focused on enforcing patent rights without any plans to manufacture or market on the patent in question. For marketers and agencies, the question of liability is often a divisive one that 's dashed some partnerships, prevented others from forming, and, worst of all, stymied innovation.

The road ahead, according to Brad Gross, attorney for the Society of Digital Agencies, is a mix of "education and intolerance." First, agencies and production companies need to inform their clients of what's at stake and require that the financial risk be spread among the parties. And the intolerance? "A greater number of digital agencies and production companies are refusing to pay licensing fees when initially threatened by patent trolls," he said, "forcing patent trolls to justify their claims of fee entitlements with something other than the familiar phrase, "everyone else has paid us, so you should too.'"

TO DO: Get your legal department on board with spreading risk; piggyback on well-funded anti-troll efforts. Don't cave to trolls at first sight.

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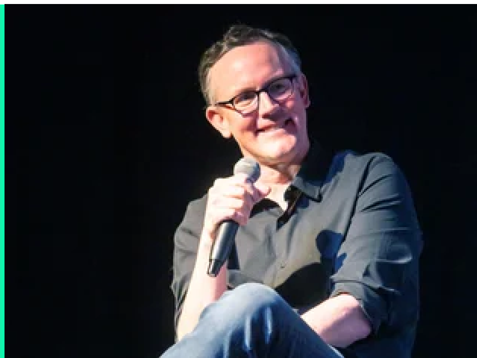

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