Digital has to be both consumers

The challenges faced by marketers as digital media, mobile and data accelerate are driven by important shifts in the location of power and control of value. **Michael Bayler** examines the role of information in marketing, questioning a number of problematic assumptions and providing pointers for the way forward

TO WHAT extent, as the population of digital space has exploded, can we truly say that business has benefited from being massively "joined up, accelerated and turned on its head"?

My own work in sectors that have suffered from the corrosive impact of the unfettered web – in particular music, advertising and film – has led me to believe that, ultimately, certain industries are exposed to the commoditising effect of the online revolution in direct relation to their relative vulnerability to information.

HOW POWER BEGAN TO MOVE TO THE CONSUMER

Let me explain by giving you some context, in the form of a little history.

Long ago, when Facebook was a glint in nobody's eye, the packaged holiday business began to be, as we called it, unbundled. And a small but determined form of consumer power entered the market, nourished by a new depth and richness of information and propelled by equally new computing technologies.

Gigantic brochures would thump onto doormats everywhere soon after New Year as their production shifted from laboured cut-and-paste to database and desktop publishing, joined by the introduction of an often-forgotten interactive tool, the call-centre.

Consumers, thus equipped, began to tweak the rules, swapping the jet-ski for the karaoke or perhaps the extra bedroom for the beachside location.

The package holiday business always relied entirely upon a rigid framework of services: a tightly-wound value chain made up of volume, discount and perhaps above all, minimal management costs. A well-oiled, while rarely luxurious, production line of sea, sun, sand and sangria. Introduce customer choice and you introduced cost, complexity and care. Above all, you all threatened the value chain itself.

The industry eventually bowed to the pressure, and you could feel a new choice, flexibility – perhaps even a kind of humility – enter the picture.

From direct access to airline and hotel booking systems, through the explosion of budget flights, across to opinion sites like TripAdvisor, information has, on one hand, utterly transformed the consumer experience of travel, and on the other, blown away the structure, margins, security and predictability of the industry. (Note, by the way, that it was the in-parallel obsessive unpicking and reassembly of the air travel value chain that enabled Stelios to pioneer the wafer-thin margins that launched easyJet.)

We live so close to this transformation that we can lose track of its importance. Let's back up a little and ask: what is actually happening here?

HOW INFORMATION DISRUPTS MARKETS

Web 2.0 was never just about the now-familiar list of enabling technologies and entrepreneurial (often social media) success stories and spectacular crashes. Its crucial intervention was to shift not merely the language of value, but first the distribution, and most compellingly, the very creation of significant amounts of value, from business across to connected consumers.

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Let's examine how information, driven by an explosion of processing power and connectedness, has transformed the business environment and replicated the case of package holidays across all kinds of sectors.

Imagine a vice – the sort you find on a workbench. A big one, with connected consumers on one side, and the new technology giants, such as Google and Facebook, alongside the more prominent Web 2.0 suppliers, on the other.

good for and brands

These two sides have, since the late 1990s, evolved an entirely symbiotic relationship: I give you a steady flow of transformational innovations, you give me your attention, your advocacy and your loyalty. The more you give me, the more I'm able to invest in the next wave of transformational, empowering services.

Google – the company that overturned the $500bn business of advertising – launched with the simplest of web pages, whose white background and single search box epitomised pure consumer-centricity. It was an obsession with consumer value – then mostly unconditional, somewhat altruistic, certainly magical – that built the house of Google. And its explosive constituency of millions upon millions of daily users rewarded it in kind.

Over time – and it's happened very, very fast – the two sides of this vice have pulled together, exerting an irresistible and destructive pressure on the industries caught between them. Music has attracted most of the publicity – often because of the celebrity of its artists.

But looking more closely, we see that all media-related business, marketing services, healthcare, banking and financial services, real estate and plenty more have felt the cold breath of information on their necks. Most recently, retail has been suffering from "showrooming", where consumers browse in comfort, then use smartphones to get instant price comparisons with ecommerce sites. No sentimentality there, then.

SQUEEZED VALUE CHAINS BECOME UNSTABLE

Imagine classic value chains – they look like a line of boxes with a point at the consumer end – being squeezed in the same way as we saw the package holiday being unbundled.

Under this increasing seismic pressure – this is the important part – bits begin to pop out of the value chain. And the problem with value chains is that they're rather like dominoes. Once one piece goes down, the fragility of the structure takes over.

What happens next is that the sector in question, under pressure from all that information, devolves from being a stable value chain, or set of value chains, to becoming a hostile ecosystem. Relationships are disrupted, margins are eroded, logistics are pulled apart. Uncertainty hits hard. And who likes uncertainty? Not investors, for a start.

And while it's the chain that's broken up, of course it's the value that falls away, like old cement, as the bricks of previously robust business models are prised apart by information wielded by empowered, joined-up consumers. Empowered by who? The Goliaths of the online era: the technology giants.

HOW MOVEMENTS IN POWER PROFOUNDLY IMPACT VALUE

Category killers such as Google, Amazon, eBay, Expedia and, more recently, Facebook share one crucial, rarely recognised attribute. They each provide connected consumers with a different "sense-making window" into the chaotic cultural and commercial ecosystems that the web has created in unpicking, one by one, the industries most exposed to the corrosion of information. In a sense, they enable consumers to construct their own personal value chains.

The technology giants are the market-makers – indeed, the king-makers – of the entire online economy. They have taken the lost commercial value of the fractured value chains that information deconstructed and flipped it across into the willing, not entirely complicit, hands of billions of connected consumers.

The immediate implication on the business side is huge: not only do the location and control of value need revisiting, but the very nature of value itself comes into question. Asking "what business are we in now?" is rarely a frivolous comment today.

This is, again, about power. It's also about accepting that information is not intrinsically our friend.

WHAT ARE THE IMPLICATIONS FOR THE NEW ADVERTISING?

Consumers, we gather, pay for their empowerment with precious attention, and by permitting access to their data. In various forms, this gets sold to marketers, to exploit in what has been envisioned as a perfect fit between advertiser and consumer. But is it? Let's unpick this model and see who wins and loses.

The critical assumption has been that data is good for advertising, and more data is better. This needs challenging. The notion that a targeted ad is a better ad is far from proven, either in terms of industry revenues or, far more >

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It's often forgotten, but as Rory Sutherland reminded me recently, advertising was, even at its most primitive, always about a fair exchange of value. Looking at the four stakeholders of the traditional advertising model, the audience, the program producer or rights owner, the channel and the advertiser: everyone used to more or less get what they wanted.

But this was predicated on a relative scarcity of media and an ocean of available consumer attention. Today, we have an infinity of decent content vying for the connected consumer's attention. And here is where the original media guru, Marshall McLuhan, writing in 1967, has something to tell us: "All media are extensions of some human faculty – psychic or physical."

His (often misunderstood) vision of media has come back to us, now reinvigorated by the radically different behaviours of the connected consumer. By media, he meant all forms of empowering tools, not merely print, radio and television. He saw them as outbound from the consumer into the world, transforming resources that extend both our bodies and minds into the world around us.

McLuhan was living in a world of passive consumers. Fast forward to now and we see how the internet has transformed these passive consumers into active, connected ones for whom digital has become a vehicle for interactive engagement, self-expression and co-creation.

These outbound, tribal consumers now seek – and value – not just content to watch, but ownable, shareable, above all, meaningful experiences. In other words, when we move our brands into digital, social and mobile channels, the traditional consumption-based model of broadcast media can no longer be applied.

WHY IS THIS IMPORTANT?

These cultural shifts begin to explain why the new model may not be as self-evidently effective as we are led to believe. Let's look first at the consumer experience in the old versus new media environment.

Think of it this way. When interruption was just about acceptable, the ad experience was a bit like a vaguely familiar man stopping you on the street and telling you a joke. Good joke = good outcome. Bad joke = didn't matter too much. We lived to fight another day.

The so-called 'relevant' experience of targeting, mistakenly thought of as better for the consumer, is markedly different. In this scenario, a slightly unbalanced individual approaches you, again, but stands too close, blurts a message in your face as if you've known each other for years. Worst of all, he knows your name!

Chances are that with all the misplaced excitement about the targeting, the creative is also pretty awful. In this case, bad joke told by unknown nutter = very bad outcome.

As consumers, we are all well aware of just how dissociative this very common encounter can be.

THE NEW 'NEW' MEDIA

Up until Google upset the cart with search, the essential value exchange of "you get the content when you watch our ads" just about worked.

Why? Precisely because the advertising was 'aligned' with an inbound, consumption-based media model. This remained the case into the early days of online display advertising.

Fast forward to today, and while search retains its crown with 50% of an annual UK online spend that's heading for £5bn, mobile and social advertising are underperforming, both in terms of meaningful consumer engagement and hard revenues.

Let's look at this more carefully, focusing briefly on that gifted problem child, mobile.

While smartphones are everywhere and consumers are clearly open to brand-linked experiences, services and appropriate promotions via mobile, there remains a brutal disconnect between the cheerleaders of mobile advertising, the revenues that are appearing and, above all, the inability of the vast majority of mobile consumers to see value in advertising to the handset.

Smartphones already hold 50% of the handset market. And smartphones are the first – ever – rich media experience to be almost entirely outbound. They are extensions, if you like, of the hand, eye, ear, skin, mind and, of course, voice. Also of our intellect, will and expression.

This means advertising to mobile that's inbound and thus interruptive (no matter how theoretically 'relevant') tends to erode any notion of value exchange. As a result, it is tangibly, lastingly irritating in a way that even the most excruciating TV commercial never was.

As always in marketing, a dysfunctional model that fails to deliver value to the consumer, simply fails.

POINTERS TO THE WAY FORWARD

Marketing is, at its core, concerned with the creation and delivery of value, while advertising is about its communication. I'm coming to suspect that data is nowhere near as central to the communication of value as it so clearly is to its creation and delivery.

Deep consumer-centricity and data-based profiling – especially behaviourally-based targeting – are from Venus and Mars. They demand careful distinction.

Traditional consumption-based – inbound – models of advertising still have a valuable role to play in the lives of connected consumers. However, freed and empowered by extraordinary new technologies, they are increasingly disposed to use outbound media for self-expression and co-creation: these behaviours are here to stay – in fact, they are growing vigorously. If he who pays the piper calls the tune, then intelligent, sensitive alignment with consumer mode is, surely, Job One in terms of our investment in data and analytics.

Brands are now living in places where advertising finds it increasingly hard to exert influence. An always-on consumer, the social dynamic, and most recently, the explosive mobile internet and the smartphone revolution, have removed from our hands some of the key levers of power and value. Our response to this challenge must be both realistic and smart.

One thing is clear. What advertisers should be doing is aligning offers with what they want to build – recognition, empowerment and, above all, genuine mutual value.

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