

## The Changing Nature of Advertising

by Mark Rudolph

Okay. I'm going to do something a little different. I'm going to ask you to engage to get started.

Okay?

I'm going to deliver some lyrics and when I pause you fill in the next phrase.

Okay?

Come and listen to my story about a man named Jed

A poor mountaineer, **barely kept his family fed,**  
And then one day he was shootin' at some food,  
And up through the ground **come a bubblin' crude.**

Oil that is, black gold, **Texas tea.**

Well the first thing you know **ol' Jed's a millionaire,**  
The kinfolk said, "Jed move away from there."  
Said, "Californy is the place you ought to be."  
So they loaded up the truck and they moved to **Beverly,**

Hills, that is. Swimmin' pools, **movie stars.**

That doesn't really have anything to do with my topic. I just wanted to loosen you up.

But wait. Maybe it does.

What is good advertising? What does advertising do? And how does it work?

Well, that little ditty by Lester Flatt and Earl Scruggs is advertising.

It tells a story.

It engages its audience with emotion, in this case humor, but it can also use, joy, anger, fear, sadness, surprise, disgust, excitement. The important thing is to engage.

It's bold. It takes chances. It stands out.

And it gets its target audience to take an action.

In the case of the song, it aims to get you to tune in.

In my case today, I've aimed my story at a highly targeted analog audience for a specific purpose. To get you to pay attention.

In a 2007, a study by Yankelovich, the consumer research company, showed that the average person sees 5,000 ads per day. Today that number is closer to 10,000. Online. Offline. Everywhere you look and everything you do. You probably think that's exaggerated. In a 16 hour day that's ten ads a minute.

How can that be true? Well, it is an average and some people spend more time in front of their screens than others. But also, we have become very good at avoiding or blocking ads, either physically, technically, or psychologically.

But wherever we are, advertising has always worked at getting better at finding us, targeting us, and tempting or informing us to do something. To take an action. And that's nothing new.

At its core advertising is by somebody somewhere trying find us, to get us to do something. That isn't going to change. How we do it is changing all the time.

So how did we get here.

Advertising dates back as far as we can see. The phenomenon of drawing attention to a skill or good that is available for barter or purchase is an integral part of being a social being. As integral as telling stories and the basic exchange of goods and services.

## **SLIDE 2**

Papyrus was used to send messages and draw attention to shops in ancient Egypt; bamboo flutes melodiously attracted buyers to candy sellers in ancient China; frescoes promoted goods and services in Roman times.

## **SLIDE 3**

Also—signboards in Europe advertised shops during the Middle Ages when most people were illiterate; town criers or hawkers drew attention to sellers of produce; and there were hand bills, which like all these categories have a modern iteration. The basics of advertising are pretty much the same as they have always been.

We just get to use more sophisticated tools today.

Here are a few highpoints in our more recent advertising journey.

#### **SLIDE 4**

1476. William Caxton tacked notices on church doors to sell books. That's where you sold books. That's also where the readers were.

#### **SLIDE 5**

16th century. Gazettes started in Venice and spread throughout Europe. Leading to newspapers.

1836 *La Presse*, the Paris newspaper, relied on paid advertising to lower its subscription price, which increased its circulation, which increased the value of its advertising. They were soon copied. Right up to the present.

#### **SLIDE 6**

About the same time, US billboards appeared in New York. P T Barnum was quick to see the value. We were on the move. Out of home advertising would find us there.

### **SLIDE 7**

1892. Sears send direct mail in the form of 8,000 postcards which found us in our homes and netted 2,000 new orders. Wouldn't we like that response rate today, where it hovers around 1%?

### **SLIDE 8**

1920's to 1940's. Radio and TV. The FCC authorized commercial broadcasting on July 1, 1941, and the Bulova Watch commercial became the first continent-wide TV ad in the US. The ad was seen by about 4,000 people.

### **SLIDE 9**

Then boom! 80 years later we stand at 125 million television households in the US. And nearly 2 billion TV households worldwide.

### **SLIDE 10**

The 1980's brought cable and satellite TV. That's when I entered the picture. Advertisers were given choices with targeted TV channels to reach special interest groups. At CNN for example, we could offer a worldwide ad buy to those very few luxury brands like Chanel, Rolex or Cartier that could profit from such

exposure. An ad exec, a client of one of my colleagues working for a major ad agency, polled her fellow passengers in the first class cabin of a flight between Frankfurt and New York. “Who among you have watched CNN in your hotel rooms?” To a person they raised their hands. She said, “That’s it! That’s my audience.” And made a major ad buy as soon as she got back home.

We could sell the USA feed, the Latin America feed, Europe Africa Mideast Feed, Asia Pacific, and a South Asia feed. Any combination, or all of it. For a global luxury brand, that’s a cornucopia of choice.

But that was analog. At a time of twelve channel cable systems, and satellites with only sixteen transponders—the mirror-like devices that reflect signals back to earth—and when we had fewer satellites than today. That distribution network made for scarce real estate. And CNN was the only channel with worldwide distribution.

That advantage lasted for about five minutes.

Because the conversion from analog to digital provided something completely new.

## **SLIDE 11**

In 1992, the Internet brought us the Worldwide Web. The Dot Com boom. And bust. Banner Ads. Rotating banner ads. Keywords. And Search.

When the internet was new, Google used TV to reach its market. Here's their first ad.

## **SLIDE 12**

Today Google doesn't need TV any more. Google Search dominates with a 92% market share. Making for 8.5 billion searches per day.

Google Analytics has a 90% share of online data analytics. And it's free.

Providing real time reports with only a five second lag. 69,000 companies are using it.

## **SLIDE 13**

In the 2000's, mobile ads first made an appearance in Finland with Nokia. iPhone smartphones. Apps. Social Media. User Generated ads. FaceBook. Google. Apple. Big Data. Hypertargetting. Geo-fencing. Highly-targeted, highly-personalized ads.

The pace of change clearly intensified.

Every tech company involved in distributing ads accumulates data points on each individual user. For 2 to 3 billion users, that's trillions of data interactions which, among other things, power those personalized ads that find each of us wherever we are, doing whatever we are doing.

## **SLIDE 14**

Global Ad revenue is projected to be about \$842 billion in 2023.

Digital Ad Spending's share is \$585 billion, or about two-thirds. Google controls 80% of US internet ad sales which is 30% of global internet ad sales, and Facebook another 24%. Okay, that's a lot of numbers.

What it means is this.

## **SLIDE 15**

The most prevalent and most powerful advertising category in the world today is digital online advertising and two companies control more than half of that market.

According to Statista, a market and consumer data company, 92% of all companies are active on social media and four out of five of us—the consumers—expect that presence of any company we do business with.

A long time before hi definition digital tv rolled out and became the standard, I remember at the bi-annual TV festival in Cannes, for years, NHK, the main Japanese broadcaster, displayed at their booth, a high definition digital program of, among other things, tennis matches where you could see the fuzz on the ball, and alpine meadows where you could distinguish individual blades of grass shivering in a breeze. Tremendous detail. Year after year.



Though the picture was clear. The business model wasn't.

What's the real benefit, everyone asked? Well, the answer came, you'll be able to use your remote to click on a shirt or a watch or some such product and buy it. At the time that seemed like pure fantasy, an unnecessary complication of the shopping experience, and I remember thinking, "That'll never work."

But now we take that functionality for granted.

## **SLIDE 16**

Amazon provides what's called Closed Loop Attribution wherein the advertiser can enjoy full funnel marketing capabilities.

What does all that mean?

Each purchase provides data that informs the marketing and sales process which provides more sales which provides more data to further fine tune the sales and marketing efforts which result in more sales and more data. And on and on.

Amazon delivers the content, meaning the visual representations of products for sale, which connect to the pricing and inventory and location data as well as your payment instructions and all of your data, activated with your click. Or your voice. And that is a big deal.

And of course everything you do from the moment of your first electronic activity, comprises a part of your individualized, though anonymized, data set. Your individual ID. Everything you do.

Each time you provide your data to anyone, it is available for purchase by data brokers, and then it's anybody's guess where it ends up. Yes there are laws. But there isn't a global enforcement mechanism yet.

And there is a dark side.

All you have to do is Google: Data Breaches.

### **SLIDE 17**

It's spooky. The largest: Yahoo 2013 to 2016: 3 billion users compromised. Other companies which have been hacked include: Home Depot, My Space, AdultFriend Finder also known as Ashley Madison, Marriott, Adobe, eBay, Equifax, Target, Capital One, LA Unified School District. This year the Minneapolis school district. Recently 23andMe which stores millions of our DNA records. Even our local YMCA has been a target.

The most powerful example is the Exactis breach in 2018, not as well known, which impacted 340 million people. They're a Florida marketing firm that collects and sells data. The FBI found the firm held data on nearly all US citizens. Including name, age, children, addresses, political affiliations, pets, income,

credit rating and more. The most complete collection of data ever compiled.

Which allows cybercriminals to execute social engineering attacks.

Oh. Then there's your car. It can gather 25 megabits of data per hour, including your biometrics, your home energy usage, if electric, and even your

conversations—think OnStar, GM's in-vehicle communication network, and like systems. Car companies aren't information companies. So what do they do?

They sell that data to data brokers. That business is estimated to be worth up to \$800 billion by 2030. So if you're planning to rob a bank, don't talk about it in the car.

Recently California Governor Gavin Newsom signed Senate Bill 362, known as The Delete Act, which directs the California Privacy Protection Agency to create a new tool by January 2026 to direct data brokers to delete your personal information. The FTC has begun fining major tech companies for “failing to protect consumers' data.” And the EU is getting very aggressive in regulating data privacy with their Digital Services Act.

Here in Indiana until we catch up legislatively, it's a good idea to change those passwords. Use two step authentication. Or biometrics. And maybe rethink what you post on that dating site.

## **SLIDE 18**

My Alexa smart speaker now tells me when it's time to buy something because based on my history I'm probably running low—that's part of a \$40 B market already. Voice shopping.

I began starting my days awhile back by asking, "Alexa, start my day." She tells me time, weather and runs through my flash news briefings while I brush my teeth. Last year I lost my voice for awhile. It caught me by surprise, and one day I woke and spoke in a raspy WHISPER, "Alexa, start my day." Alexa answered by WHISPERING, "Okay. The time is etc..." And when I stopped laughing, I marveled at how well she was getting to know me.

The business of advertising is to find us where we are, doing what we are in the habit of doing. And to get us to take an action that is to the benefit of the advertiser. But promoted to be to our benefit. If those two benefits come together then you have a successful and trusting exchange which may lead to brand and/or product loyalty. Just as subscription is the holy grail of all services, so is repeat purchase the holy grail of all products.

## **SLIDE 19**

Let's take a second to look at this slide from The Federal Reserve. The top line shows that with the exception of World War Two, advertising's percentage of US Gross Domestic Product has held fairly constant over the past hundred years.

Traditional advertising has fallen since the advent of digital distribution and the internet. Print has fallen off a cliff. TV and Radio are essentially flat to no growth. Digital continues to rise. Because digital means the consumer is in charge and can create his or her own playlist, or viewing or listening schedule, anytime and anywhere. Unlike linear TV or radio, or print publications which are superseded by events the minute they're published, digital is real time, dynamic and controllable by the user. Today's consumer expects this choice. Advertisers follow their consumers.

Now. Thinking requires energy. We are energy efficient through evolution. Nobel Laureate, Daniel Kahneman, the behavioral psychologist says, "Thinking is energy intensive so we ration it. As swimming is to cats, we can do it but we'd rather not."

## **SLIDE 20**

So the less we have to think and the more we can rely on habit, or recommendations from people we trust, the more likely we are to make a decision to take an action. About half of our behavior is habitual.

If you are an astute marketer, you take advantage of that human tendency. That's another way of finding us where we are. Psychologically.

We can probably all remember a time when the term social media didn't exist. Today, 60% of the world uses social media. That's 4.8 billion people. Average daily time on social media is about 2 1/2 hours. That's where you're most likely to find the consumer.

The main types of ads today are Display, which is visual and simple; Video which is entertaining and complex; Mobile which is optimal for reaching us directly; and, Native, which doesn't really feel like marketing or advertising and is also called sponsored content or branded journalism and has the same look and feel of the accompanying content. (Which if you think about it, might be one reason we don't realize we're seeing those 10,000 ads per day.)

Then there's word of mouth. Probably the oldest of all marketing categories. We've used it since we could only grunt. Danger. Food. Today it's worth \$6T annually.

Word of mouth is the primary factor behind most purchasing decisions. Nielsen found that consumers were 77% more likely to buy a product if their friends recommended it.

Which brings us to Influencers. By last count there are 106,000 of them trying to carve out a niche to make money from establishing themselves as a trusted source of purchasing recommendations.

How do influencers do that? They build relationships. They tell stories. They integrate the product into the story, and show why it is a good product or service for them. If they are likable and attractive, not simply conducting a drive-by celebrity promo, and they're still accessible after their influencee buys and tries the product or service, they will build and maintain trust.

If influencers lose that trust by becoming less likable or less available, they lose their role as influencer. Social commerce is already a \$1T business. Of which Influencer marketing is already approaching \$4B.

Where are these influencers? Instagram, YouTube, and TikTok. So if you don't visit those sites you wouldn't be aware of them. That would be me. You have to get me through my smart speaker.

Where there are influencers, there are de-influencers.

## **SLIDE 21**

Think Bud Light. Beer is a commodity. Companies spend hundreds of millions of dollars to gain 1 to 2% market share. As a consequence of the recent Bud Light share loss, the company stock fell 15% practically overnight. As we are likely to purchase on the recommendation of a friend we are just as likely to avoid a brand or product if someone we trust gives a negative review.

No look at today's advertising would be complete without a little Artificial intelligence.

## **SLIDE 22**

Which isn't really futuristic anymore. AI-enabled marketing is involved with nearly half of all global advertising. By 2032 according to WPP, the major global ad agency, nearly all global advertising will be AI-enabled at a value of \$1.3T.

How does it work? As Liz recently showed us, a human prompts AI to generate text, but it can also generate images or video or music. Talented humans will make those prompts.

We can use AI to test infinite versions of a campaign.

To ringfence a demographic, a psychographic, and/or a geographic group to test creative messages and marketing tactics, and receive real time feedback.

To better personalize messages.

To better target potential buyers. Not only on a small scale but on a large scale to create multiple language tracks for global campaigns, or music sound tracks for simultaneous campaigns in different markets.

## **SLIDE 23**



Here's an example. David Attenborough speaks English then AI translates him into German **in his own voice**.

### **SLIDE 24**

And here's a look at AI-enabled personalization as imagined in the film **Minority Report** based on Philip K Dick's novel. He by the way would love this.

I'll end with a few representative examples of what's already happening.

### **SLIDE 25**

Here's Coca Cola. Calling for user-prompted AI-generated ad submissions.

### **SLIDE 26**

Unilever, one of the world's largest consumer good companies, will discover new products we didn't even know we needed. They used AI to scour the net and found over 50 songs that mentioned ice cream for breakfast. Plus Dunkin', a Unilever company, already sells ice cream for breakfast. So what did they do? They created cereal-flavored ice creams for Ben and Jerry's, another Unilever company. That's AI-enabled product development.

AI-enabled advertising is not only going to follow us wherever we go, it's going to lead us where we didn't even know we wanted to go.

And just for fun here's an AI-generated spoof pizza commercial. Prompted by humans.

### **SLIDE 27**

Advertising will remain a science and an art. It will get better at finding us. But it will still tell a story to engage us through emotion in a manner to stand out among the surrounding noise. To get us to take an action designed to benefit the advertisers by benefiting us.

### **SLIDE 28**

Well now it's time to say good bye to Jed and all his kin.  
And they would like to thank you folks fer kindly droppin in.

### **Now here comes the call to action**

You're all invited back next week to this locality  
To have a heapin helpin of "Fred and Eddie's" hospitality.

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The Changing Nature of Advertising

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