
Mass customization to mass personalization -
inflection points in the advertising business



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Dear Colleagues,

The moment of inflection has arrived – Kleiner Perkins announced that based on their analysis, advertisers are spending more on Internet ads than they are on television advertising. Clearly the ad business has left the “Mad Men” era far behind – but what trends should we be thinking about now?

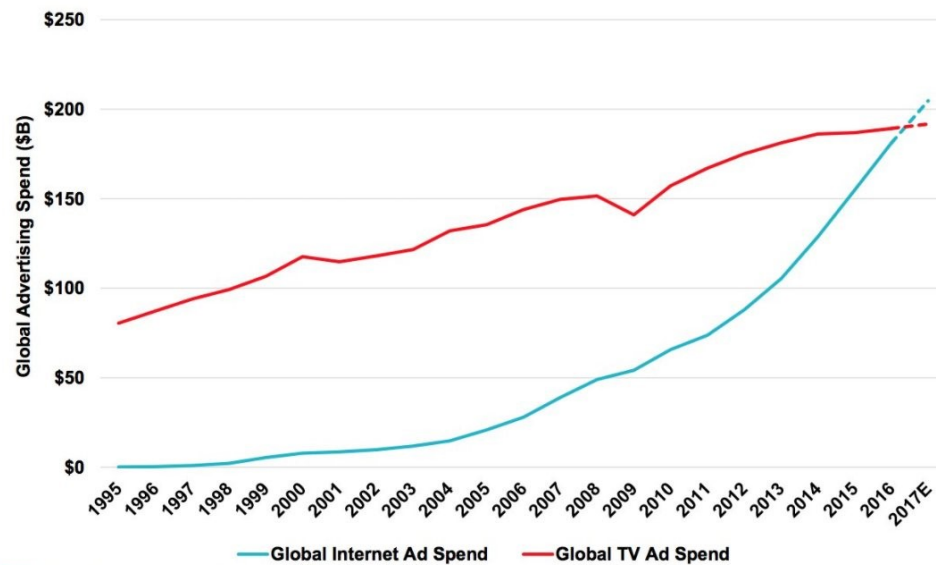


The Internet attracts more spending than TV - an accelerated push for mass personalization

While this is interesting in and of itself, there are unintended consequences to the rise of Internet ad spending. Television was a ‘mass’ medium – large audiences could be aggregated and pitched a common message. The Internet, in contrast, is a splintered place. It is entirely possible for advertisers now to target ever-smaller niches of potential consumers. Phil Kotler anticipated this in a well-known 1989 article “[From Mass Marketing to Mass Customization](#)”, and the trend has been picking up speed since, with the latest variant being “mass personalization.”

Advertising \$ =
Internet > TV Within 6 Months, Global

Internet vs. TV Ad Spend (\$B), Global, 1995-2017E



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Source: Zenith Advertising Expenditure Forecasts (3/17)

KP INTERNET TRENDS 2017 | PAGE 14

The shifting bargain between advertisers and their target audiences - are we headed for a major backlash?

The bargain consumers made back in the days of conventional TV was that they would watch ads in order to get access to programming. It was pretty inefficient – nobody knew exactly what ad prompted what later buying decision, but that was about all there was. Today, the bargain has changed. In exchange for information

about all there was. Today, the bargain has changed. In exchange for information about you, big Internet players (you know the usual suspects) give you goodies for free. The data collection makes a lot of people uneasy.



For instance, **Unroll.me**, a company that promised consumers an easy way to unsubscribe from mailing lists was blasted by users after the *New York Times* revealed that it had sold information about users' Lyft receipts to rival Uber. The more or less unlimited collection of user information by information brokers (of which Unroll.me is a tiny player) has attracted the attention of government watchdogs. Indeed, the FTC made a strong

recommendation that there be **greater regulation** of what companies could collect and share about their users.

Under pretty creepy scenarios, a person could find themselves discriminated against for personal habits or interests by firms buying information about their Internet behavior. Such tags as “smoker in the house” or “diabetic interest” could conceivably be used by companies to make decisions as to which individuals they would do business with or not.

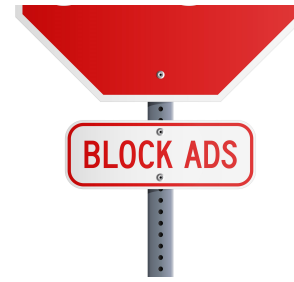
Wired magazine recently reported on a leaked memo from the Australian part of Facebook offering an advertiser access to information about teenagers – some as young as 14 – for targeted ads during moments of psychological vulnerability, such as when they were feeling anxious or depressed. An open **letter to Mark Zuckerberg**, Facebook's CEO was penned by a series of not for profit groups that want to know what the platform is doing with respect to young people's information. While legislators in the U.S. have been fairly laissez faire about all the **tracking**, those in Europe and elsewhere have not. An open question is whether we are on the brink of a meaningful backlash, or whether tracking and data utilization become just another part of business as usual.

The targeted fight back - the rise of ad-blockers

Much to the dismay of the companies who make money by selling information about individuals to advertisers, a technological revolt in the form of **ad-blocking technology** is starting to make a material difference to their model. Interestingly, the *New York Times* reports that ad-blockers



Interestingly, the New York Times reports that ad-blockers on mobile devices is most advanced in Asia, because ads (particularly those that show video or otherwise draw on data) eat into expensive data plans. One source put the “lost” revenue due to ad blocking at \$22 billion in 2015.

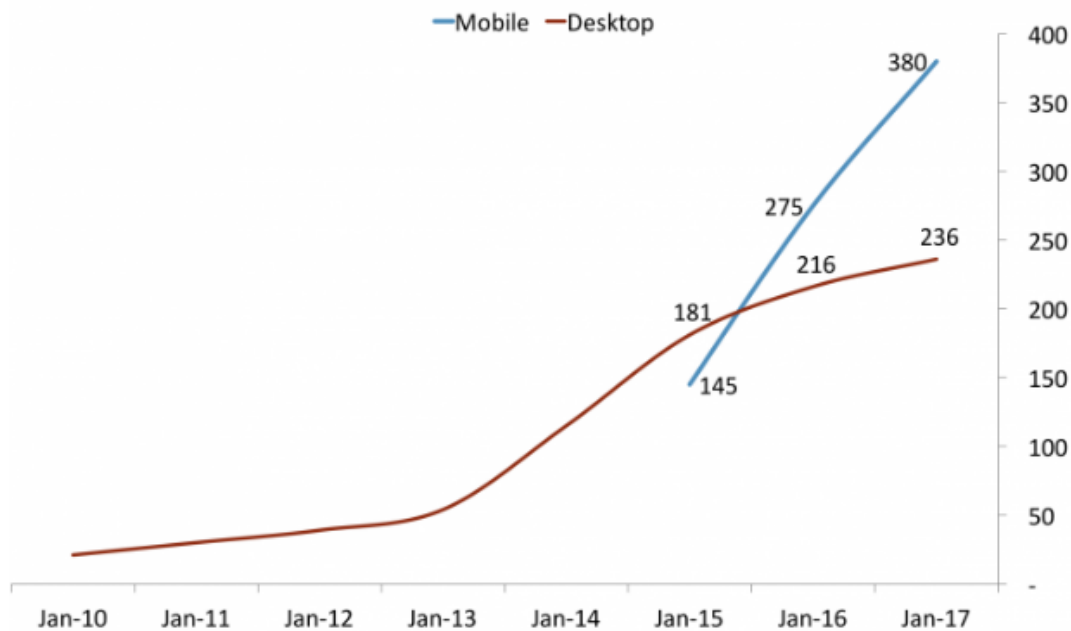


In the escalating battle between ad-blockers and anti-ad blocking technology, a statistic that I found interesting was the proportion of people who would abandon a site rather than allow it to serve them ads. According to the ad block report produced by PageFair, 90% of users reported that when they had encountered difficulty loading a web site with their ad blockers enabled. 74% of these users abandoned the site rather than ‘whitelist’ it.

The graphic below shows the trends with respect to ad block adoption, according to Business Insider. This of course raises the question – if so many millions of people don’t want to see your ads, what are you doing wrong, key advertiser?

Global Ad Block Adoption

In Millions



Source: PageFair, January 2016

BI INTELLIGENCE

Business Insider suggests that one solution might be to “create and serve ads that people might enjoy”. Well, that’s an idea.

Meanwhile, is advertising the next big thing Amazon plans to disrupt?

Merchant **John Wanamaker** famously said (back in the day), “half the money I spend on advertising is wasted; I just don’t know which half”. Even with all the new tools in the digital marketing toolbox, **measuring ROI** continues to be a challenge.



Amazon has had an advertising business for years, but now it seems to be approaching a tipping point. Sir Martin Sorrell, the CEO of WPP, the world’s largest advertising group has gone so far as to say that **Amazon’s foray into advertising** is what keeps him up at night. After all, if a customer is searching on Amazon for a product, it is a small step to go from search to purchase. And that can

have the effect of closing the loop that John Wanamaker so desperately wanted.

This, in turn, is affecting how advertising agencies operate - just as 30 years ago we didn't have companies focusing on social media strategies, today just a handful emphasize product placements and **advertising on Amazon**. That is highly likely to change as the company becomes increasingly important to how consumers discover products and brands. Indeed, Sarah Hofstetter of the digital brand agency 360i observed, "Amazon is the new shelf space and if you're not on it, you may be rendered invisible."

Another case of advertising showing up where you least expect it.

And, if you think being marketed to on Amazon or Facebook is creepy, what about **Burger King’s** recent invocation of the Google Home device to promote its burgers. Using the “OK Google” catchphrase to turn the device on, Burger King put it to work to describe the ingredients in a Whopper burger. Initially, the device ‘woke up’ and took listeners to a Wikipedia page where it read out the list of ingredients. Google, apparently not amused, subsequently de-activated that feature of the device. Devices that televisions can speak to and which can themselves **place orders for their owners** opens up a whole new frontier in the interactions between consumers and the advertisers who want to promote to them.

Valize - Smart Software Leads to Smart Strategy

For some time now, people have been saying that it would be great to have more tools and apps to make the innovation and growth concepts I've been working with more accessible.

Together with our software partners, **Robots & Pencils**, we are working on a concept we're calling an Innovation Operating System that will provide tools to accelerate established organizations' progress toward innovation mastery.



Whether you are looking for a structured approach to drive innovation, create non-traditional opportunities for growth in new markets, or you are interested in developing innovative partnerships and teaming approaches to drive "beyond plan" growth - Valize has proven, time tested techniques for helping you place some imaginative bets on future opportunities.

I'm happy to talk about the vision for Valize and the other tools we're creating. Drop me a line at Rita@valize.com.

How Realistic is your Growth Strategy?

Innovation teams often make the promise to deliver growth, but many struggle to achieve these ambitions. Why? Many teams are unaware of the Growth Gap - the difference between your projected growth goals and what your base business can realistically deliver.

Filling this gap often requires innovative new offerings or acquisitions. That's when things get complex. The Growth Gap Analysis imposes a structured and realistic view of the time at which revenues will, most likely, be realized. You'll be able to proactively model the rate at which new growth or cost mitigation initiatives need to develop, enabling you to reach your projected targets.

To read more about the Valize Growth Gap Analysis click to visit a newly released article in the Harvard Business Review, [How to Set More-Realistic Growth Targets](#).

Leading Strategic Growth and Change October 16 through October 20, 2017

Discovering new sources of growth and transforming organizations to stay competitive are two of the biggest challenges I find my clients face. This weeklong course, which runs next in October, covers the latest thinking on these topics, including how to manage the entire cycle of competitive advantage, how to manage growth portfolios, design thinking and inspiration from unusual places, platform (2 sided) strategies and managing organizational politics. It runs in New York City during the day for a week.

Participants bring a real organizational challenge to the program and work on it throughout the week. Click [here](#) for more information. Or drop me a line at rdm20@gsb.columbia.edu.

Recent press coverage:

USA Today

[Diversity debate divides Silicon Valley](#)

USA Today

[Alt-right finds a new hero: ex-Google James Damore](#)

Exciting news:

In May, I was invited to [speak](#) at the Thinkers50 European Business Forum. I'm delighted to be planning to attend the Thinkers50 awards program in London in November, and would be honored to have your vote! You can provide a nomination here: [Thinkers50 nominations](#)

Upcoming Events:

[Business of Software Conference](#)

September 18 - 20, 2017 in Boston, Massachusetts

[Frontiers of Digital Finance](#)

Columbia Business School
October 2, 2017 in New York, New York

Leading Strategic Growth and Change
Columbia Business School
October 16 - 20, 2017 in New York, New York

Growth & Inclusive Prosperity - The Secular Management Challenge
The 9th Global Peter Drucker Forum
November 16-17, 2017 in Vienna, Austria

As before, where there is uncertainty, there is also opportunity

Google and Facebook are certainly the dominant players in **Internet based advertising** (with 77% of the total market), according to one source. And yet, it isn't inconceivable that others could come in and pick off some of those advertising dollars. You seldom go wrong betting against Amazon, for instance.

Here's to your next advantage!

Rita

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