

9

The Magic 8 Ball

People can foresee the future only when it coincides with their own wishes, and the most grossly obvious facts can be ignored when they are unwelcome.

George Orwell



Consumption is at the heart of the economy and, it follows, marketing and advertising. But what happens when the way we consume changes fundamentally? We asked a panel of future-thinking researchers, practitioners and commentators some specific questions around this premise and here is what they had to say.

9.1 Technological Transformers

By Professor Wolfgang Henseler

Professor Henseler is Founder and Managing Creative Director of SENSORY-MINDS, a design studio for new media and innovative technologies based in Offenbach, Germany. He is also a Professor for Digital Media and an expert in digital transformation, user-centricity and user experience and the Dean for

Intermedia Design (the design of smart objects and the Internet of Things) at the University of Pforzheim/Germany, Faculty for Design.

His future view kicks off at a point where HAL 9000 meets The Truman Story. A place called Internet 4.0.

When we embrace Internet 4.0, we stand at an evolutionary pivot point for commerce. If we look at Amazon and their corporate vision to be the most customer-centric company in the world, we can see that we're closer than we think. Amazon's core attributes, like fast, simple, convenient, best usability, utmost user experience, already display the characteristics of a new type of marketplace. When Internet 4.0 starts to work well, it won't be just about the products anymore. It will be about the distinctiveness in service excellence that will make marketplaces relevant to users. Technology stops being the end game, it becomes the means with which we can best solve our problems.

As our retail and commerce system moves towards a foundation of user-centred thinking, it becomes interesting to look at the biggest manipulators of direction. History shows us that it will be a battle between enterprises and regulators. On the one hand we have the enterprises that run the IoT platforms where user data is gathered, analysed and converted into relevant products or services. On the other hand regulatory institutions will (sometimes belatedly) try to control the social, moral and ethical borders as enterprises keep nudging outwards, especially regarding artificial intelligence combined with algorithmic decision-making. When things start to think, AI regulations may be the only way to prevent future algorithms from manipulating us on their own. Welcome to HAL 9000.

So, can we rely on Hollywood and HAL 9000 to show us what the possible consequences might be for us humans? Yes and no. It's true that people will not be able to distinguish between real and artificial, this is happening now. Even in our current 3.0 digital world, the majority of users aren't aware of what kind of data they share and how this data is being used to manipulate them. Companies that are able to run user-centric systems in combination with artificially intelligent decision-making will lead the charge for a new wave of consumption. They will create a user-centred paradise where customers will have the best user experience they can imagine, even experiences they didn't imagine. But like all types of paradise it will be painful to leave, just like in the movie *The Truman Story*. It's hard to give up the things that make your life easy.

This new model of retail is based on consistently meeting people's needs before they are voiced; an outsourcing of wants and needs almost. In an Internet 4.0 marketplace that operates perfectly (or close to perfectly) we could see a much more sustainable usage of resources for creating products or services, and less inefficiency in production, marketing and logistics. Shops displaying rows of products aren't the most efficient means of distribution. But it's about more than consistently meeting people's needs, algorithmic influence will inspire people with products and services in a way that is satisfying for the customer. This requires a pretty complex understanding of the human customer. The Internet 4.0 enterprise will need to pre-empt and solve a human problem in an unexpected way.

And we're closer than you think. Companies like Amazon, Google or Alibaba are pretty much aware how beneficial user-centricity, user experience and using IoT technologies to solve human pain points, can be for their economic growth. The rest of the enterprises or governments are on their way to understanding digitisation; some have already built their big picture of what digitisation will mean to them and how to transfer this vision into reality. I would say that most of the companies are between 3–4 on a scale of 10.

Measurement becomes even more important in this new retail context. The traditional Customer Satisfaction Index will no longer be enough to measure the complexities of the new system. A new index will be required that predicts user behaviour based on user-centric principles using algorithm as its base—the Situative Relevance Index (SRI). Successful companies will combine IoT technologies with user-centric thinking. They will stop relying on self-reported happiness as a measure of success and start to incorporate deeper measures of service, function and relevance. These deeper SRI measures will also start to inform robo-advisors and smartbots.

We start to see that in a data-driven retail economy, it's no longer about (big) data. It's about the information in the data, and the machine learning competence we develop to use it for real-time algorithmic driven decision-making and situative relevant predictive services. Like so many commodities, the value is less in the raw commodity. The more we learn about how to process and use data as a commodity, the greater its value becomes.

The next 5–10 years will see an extraordinarily fundamental shift in how, what and where we buy and build things. The winners will be the ones who master extracting the value from data for user benefits the fastest.

9.2 The Problems

By Bob Hoffman

Bob is the author of four Amazon #1 selling books about advertising. He is also one of the most sought-after international speakers on advertising and marketing. He has brought us The Ad Contrarian blog since 2007. Bob has been the CEO of two independent agencies and the US operation of an international agency. In 2012 he was selected 'Ad Person of the Year' by the San Francisco Advertising Club. His commentary has appeared in the BBC World Service, The Wall Street Journal, MSNBC, The Financial Times, The Australian, New Zealand Public Broadcasting, Fox News, Sky News, Forbes, Canadian Public Broadcasting, and many other news outlets throughout the world.

His dystopian future is equal parts entertaining and frightening.

To whoever finds this,

It's been six years since I was arrested and held in this camp.

I often wonder what my wife and daughter think. One Tuesday evening I didn't come home. Do they think I deserted them? Do they think I'm dead? I guess by now they've gotten used to the idea that they'll never see me again.

I don't know how many people there are here but it seems like thousands. I've been told that there are dozens of these camps here in California and hundreds throughout the country. But we don't get news here so every rumour carries more weight than it probably should.

I never expected to be imprisoned. I had always been a rules-following, tax-paying, wage-earning citizen who didn't make trouble. How I got here is a story that would never have been believed before The Problems began.

Back in the early 2020s there were two trends in our country that seemed to be unrelated but as we now know somehow merged to create the situation we find ourselves in.

First there was deep political polarisation. The left kept getting lefter and the right kept getting righter. Although it was a period of unpleasantness, it really didn't seem unusually dangerous. There has always been a tenuous balance between right and left here in the US and this seemed to be just a mildly more intense strain of the natural disease of politics.

The second, seemingly unrelated, factor was the rise of what was called 'data-driven marketing'. The marketing industry believed that by having more information about us they could communicate with us in a more persuasive fashion. To get more information, they developed technology to follow us in our everyday activities. It was called 'tracking'.

They tracked what we read, who we corresponded with, what we said in our correspondence, where we went, and what we did. At the time we didn't think much of it because in return for tracking they provided us with some very useful and, frankly, fun and interesting stuff. We didn't really foresee how this could go wrong.

There were several companies back then that were particularly good at tracking and had collected a very large amount of information about people. The two most successful were called Google and Facebook. They had information about every person in the country. For the most part they kept their information private and it didn't seem to have much effect on our everyday lives.

I guess we might have foreseen that sooner or later there would be a rupture in society. History has an unambiguous lesson about governments: sooner or later every one of them is overthrown and replaced. I don't know why we thought we were exempt from this.

In any event, when The Problems arose and the major political parties collapsed, The Caretakers stepped into calm the turbulence. In order to root out the troublemakers, The Caretakers confiscated the records of Google and Facebook and all the other marketing companies.

There must have been something I wrote or something someone wrote about me that raised a red flag. Maybe it was my injudicious musings about all the data that was being collected falling into the wrong hands. And here I am.

I'm going to bury this now in the hope that someday it will be found. If you find this, please try to locate Janet and Nina Hoffman in San Francisco California and tell them I'm okay and I love them.

Bob Hoffman
Spring (I think) 2027

9.3 Hope After AdTech

By Augustine Fou

Dr. Fou is an independent cybersecurity and ad fraud researcher who helps clients identify and remove fraud impacting their marketing campaigns. He is an industry-recognised thought leader in digital strategy and integrated marketing. Dr. Fou was the former Chief Digital Officer of Omnicom's Healthcare Consultancy Group, a US\$100 million agency group serving pharma, medical

device, and healthcare clients. He has also served as SVP, digital strategy lead, at McCann Worldgroup/IRRM Worldwide. Dr. Fou taught digital strategy at NYU's School of Continuing and Professional Studies and Rutgers University's Center for Management Development. He started his career in New York City with McKinsey & Company.

Augustine takes us through the fall and rise of AdTech.

Everything looks bleak right now.

Most people in digital AdTech may not agree with the statement that things look bleak right now. But then again, the people of Pompeii didn't see Vesuvius coming either. Not only is a crash coming for AdTech, but I think the crash is necessary. The digital marketing that we are doing now is not marketing at all. It is a gargantuan waste of money based on a layered-cake of ignorance, false assumptions, misunderstandings and conflicts of interest. The current vested interests are so deeply rooted that small incremental fixes will not turn digital marketing around; it will take a complete crash and do-over to fix digital marketing.

Why so pessimistic? I have studied digital marketing since the very beginnings of the public internet in the mid-1990s. I am a scientist by training, so I look for evidence, not opinion, to prove or disprove hypotheses. By looking back, we can start to see why digital marketing is in such a bad place now.

According to data from Pew Internet over the past 20 years, in the years since 2013, US internet and mobile usage appear to have plateaued. But the digital ad spend continues to move upward at an increasing rate. Digital ads are supposed to be shown to humans, when they visit websites and use their mobile devices. How did digital ad spend shoot up so much when human usage has already flat-lined?

Let's consider the basic law of supply and demand. Over the past 25 years, ad budgets have poured into digital from other advertising channels like TV, print and radio. Yet even with this unprecedented surge in demand we have seen overall decrease in average CPM prices. Despite the large influx of dollars into digital, CPM prices went down because supply grew even faster than the demand. With the rise of the ad exchanges, cyber criminals were also able to automate their fraud and drive unprecedented scale. Marketers, eager for larger volumes of ads to buy—to increase their reach and frequency—gobbled up this drastic increase in the number of available impressions. What they didn't realise at the time was their ads were being shown to bots, not humans.

This massive increase in supply absorbed all the dollars shifting into digital, and it was completely disconnected from human usage of media. Marketers became addicted to buying enormous amounts of ad impressions at artificially low prices. It's literally like crack cocaine, there was no going back. This addiction actually caused marketers to spend more money on fake ads which further increased their wasted ad spend and reduced their real outcomes. It wasn't until P&G cut US\$200 million from their digital ad budgets that they saw it was entirely wasted. There was no change in business outcomes. The harm doesn't even stop there. The fake, inflated volumes, as well as fake bot-clicks are recorded in analytics. So digital campaigns are being optimised using completely erroneous analytics.

The catalyst for a crash is already visible—privacy regulation. GDPR (the EU's General Data Protection Regulation) and CCPA (California Consumer Privacy Act) are both starting to take effect. With these new laws, companies can be fined for the illicit collection and trade of private and personal information. The enforcement of these regulations may interpret, '...the list of sites that a user visits', to be personal information; and setting tracking cookies without consent to be in violation of the law. This means that practically all of AdTech would be illegal because its very foundation is built on collecting behavioural data, setting cookies, and being able to deliver targeted ads to individual people (identified by cookies) based on such information.

If enforcement of these regulations kicks into high gear and violations are successfully prosecuted, some AdTech companies will be fined heavily. This may trigger a cascading effect of companies going bankrupt, which in turn means larger aggregators upstream from them will also fail to make timely payments. And this starts the cycle which takes down the current 'AdTech industrial complex' as we know it now. The AdTech companies that were based on surveillance marketing will blow up and go away.

When we wake up after the AdTech crash, should we drop digital marketing like a hot potato?

I don't think so. Digital marketing itself isn't bad. In fact, it could be the best and most advanced form of marketing in human history. The true promise of digital has not yet been fulfilled. It promised unprecedented measurability and tracking that no other one-way media could deliver. Note that unprecedented measurability and infinite data are completely useless when the data is wrong or generated artificially by the actions of bots.

So, until we blow up ad fraud, we are not doing real digital marketing. The true promise of digital marketing has yet to be fulfilled. That day cannot come soon enough. What are you doing to hasten its arrival?

9.4 How *Will* Brands Grow?

By Professor Karen Nelson-Field

There is no denying the scale of transformation heading our way. The experts, including our futurists, are predicting it will be extreme and wide reaching. Professor Henseler has heralded the rising importance of functionality, Dr Fou has warned of the imminent AdTech crash and Mr Hoffman gave us a clue as to why the crash needs to happen. I'm an optimist, so while I agree that all of these things will happen, I also advocate that new growth will emerge from the AdTech crash and burn. This growth will be shaped by the giant e-commerce aggregators like JD.com, Alibaba and Amazon. A very large part of our future buying will be restricted to a few players and a very large part of our advertising dollars will be assigned to them. Bricks and mortar sites will significantly diminish and the greatest physical presence of these new retailers will be the delivery drone. Our ever-increasing desire for convenience is about to step up a notch and change everything.

Amazon, Alibaba and JD.com are pioneers of, and will indisputably become best in the world at, continuous learning and real-time personalisation. Success will be predicted within an inch of its life where success means an actual sale, not brand favourability, brand recall or intention to buy. This will change everything we know about how marketers distribute and market their brands and how customers will make brand choices.

So, where does this leave brands? Will consumers really shift their trust from product brands to distributor brands? Will we be asking Alexa or Siri to order instant coffee or will we ask for Nescafe? When we start to divest ourselves of the number of consumer decisions we make in a day what, if anything, will change?

The changes we are about to see will be a fundamental disruption to the way in which we buy and sell things. A scarier thought is that they could disrupt the way we *want* things. The decline or success of a brand will now be attached in some way to the algorithmic editor. Regardless of how that actually plays out, within 10 years we will be forced to reconsider the laws of brand growth, within 20 years they will be vastly different. Consumers will still buy products, that will never change, but the parameters around penetration and loyalty as they stand today, will. And these parameters will change because the algorithms are designed to build filter bubbles around us to ensure that success is achieved. This means curation of information by the algorithmic editor will expose us to fewer product options (and given the overload of choice and information, that will probably be a relief). As such

our buying repertoires will become significantly smaller and brand switching will no longer be typical.

We will be more loyal to one because we will have been relinquished of a large portion of our consumer decision-making brain power. But don't confuse this with brand loyalty, rather, we will be loyal to the functionality of the product. Brand growth will no longer come from getting many light buyers to buy you once more, and supercharged recency planning and distribution mechanisms will replace the need for driving Mental Availability. These e-commerce platforms (and the vast associated advertising and content platforms they own) will become our main source of advertising exposure, and our attention to advertising will be even lower. Marketing budgets will be largely assigned to physical availability to fuel the ratings algorithms and many media platforms will die.

How exactly a brand grows in this environment is anyone's guess. The traditional advantages of being a big brand are disappearing with small brands already appearing on the same stage. Perhaps, there will be a longer tail of small products that are sustained within their own loyal ecosystem. And perhaps brands will no longer be needed, we will buy simply for function over desire. Although the human need to compare with others is pretty strong, so it's hard to believe that desire will disappear.

The laws of brand growth were discovered at a time when advertising exposure was scattergun and product distribution options were vast. It feels like the net is tightening and the future marketplace will turn this on its head.

We need to be open minded, just as Vitruvius was in the first century.