

Advertising the Future

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Two Ways to Predict the Future

“Books will soon be obsolete in the schools...It is possible to teach every branch of human knowledge with the motion picture.”

Thomas Edison, 1913



Fortune Magazine 1959:

Last Fall, Westinhouse demonstrated a simple, plug-in wall panel that could heat, cool or provide light by electroluminescence... panel room lightling should be moving swiftly by the mid-Sixties.

The Best Way to Predict the Future, Is To Extrapolate Analogies From The Past

Tomorrow's Rail and Oil Barrons:

“The key man in the new power elite will be the one who can best program a computer, that is, the person who makes best use of the available information and the computer's skills in formulating a problem... Some persons (primarily computer programmers) claim the richest man in the world in the year 2000 will be a computer programmer. This may sound outlandish, but few really good programmers laugh when they consider this assertion.”

Paul Baran, writing in *Law and Contemporary Problems*, Spring 1969

and stay consistent with known business and cultural practices

Limits on the Future

I) Cultures Change, People Remain The Same

**“Better Late Than Never”
Livy 10 A.D.**

**“Everything comes to those who wait”
Rabelias 1548**

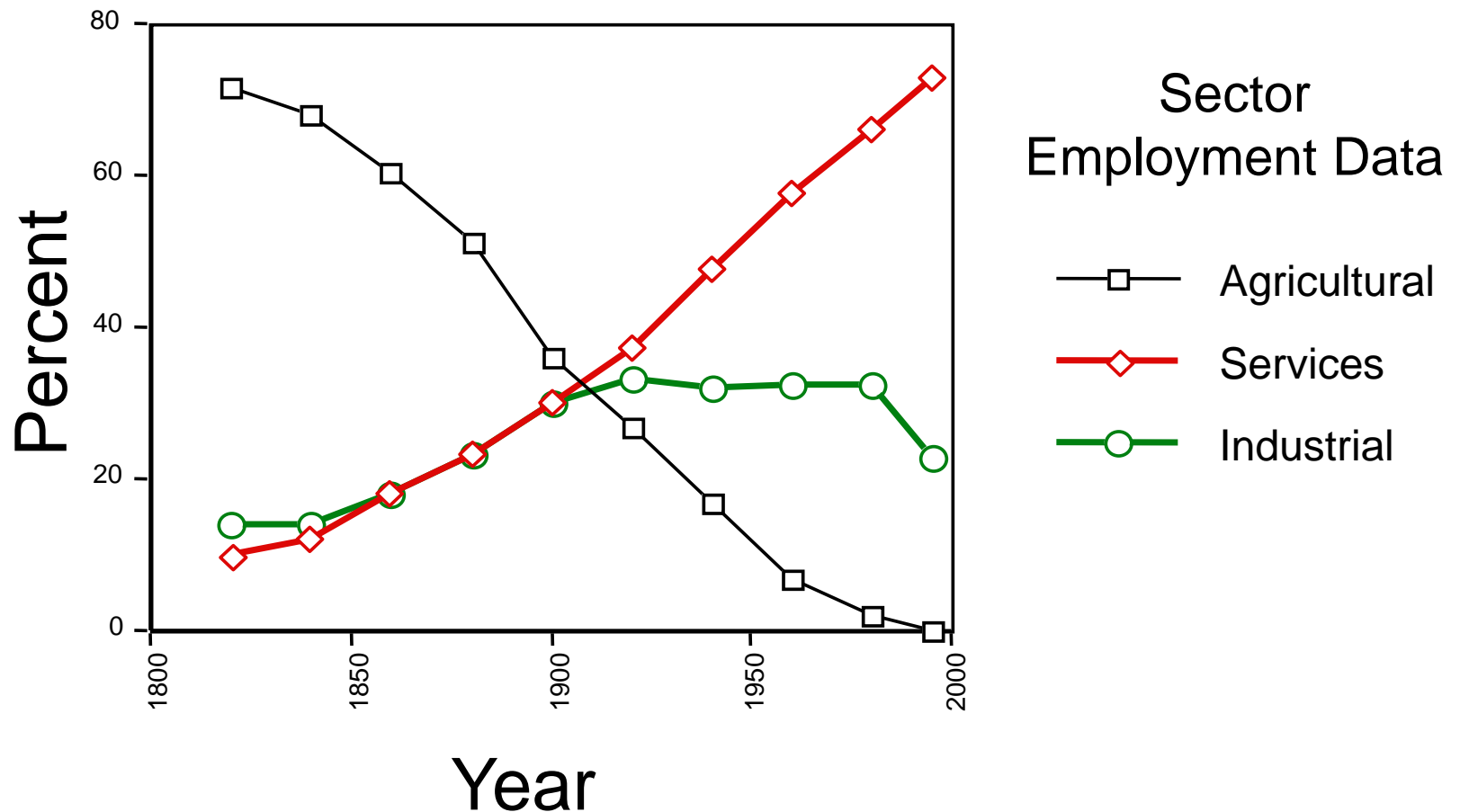
**“If you’re there before its over, you’re on time”
Mayor Jimmy Walker 1931**

You Can't Fight Human nature

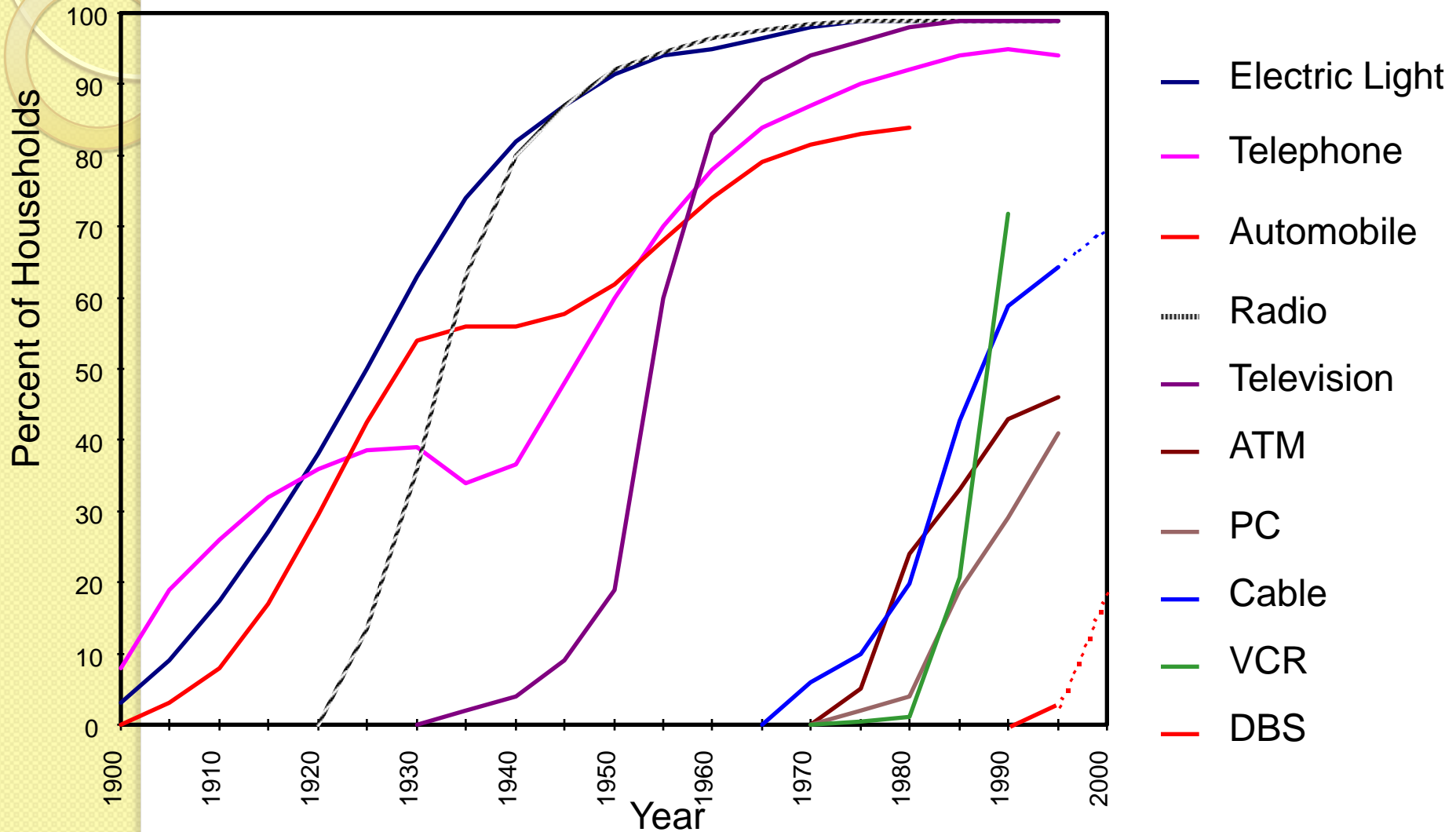
- Procrastination
 - FAX
 - FedEx
 - versus
 - Schedule Preventative Maintenance
- Madness of Crowds
 - Tulip Mania
 - Internet IPOs
 - Chartreuse in 1998
 - versus
 - Customized Newspapers
 - Eccentricity and Marginalization
- Community
- Self-worth
-
-

Limits on the Future

- 1) Cultures Change, People Remain The Same
- 2) “You Can See A Lot Just By Looking”- Yogi Berra



Adoption Rate Curves



Innovation Diffusion

Example:

CD Player
MiniDisk
CD Player

vs. Vinyl
vs. CD Player
vs. MP3

◆ Relative Advantage:	CD Player ↑	MiniDisk ⇔	MP3 ↑
◆ Compatibility:	CD Player ↓	MiniDisk ↓	MP3 ⇔
◆ Complexity:	CD Player ⇔	MiniDisk ⇔	MP3 ↑
◆ Observability:	CD Player ↑	MiniDisk ↓	MP3 ⇔
◆ Trialability:	CD Player ↓	MiniDisk ↓	MP3 ↑
◆ Social Acceptability:	CD Player ↑	MiniDisk ↓	MP3 ↑
◆ <u>Regulatory:</u>	<u>CD Player ↑</u>	<u>MiniDisk ⇔</u>	<u>MP3 ↓</u>

Total

Fast

Slow

Fast

Key: ↑=Positive, ↓=Negative, ⇔=Neutral, Relative to Alternatives

Limits on the Future

- 1) Cultures Change, People Remain The Same
- 2) “You Can See A Lot Just By Looking”- Yogi Berra
- 3) Money Doesn’t Grow On Trees

Money Doesn't Grow On Trees

Median Family Household Income ~ \$40,000, or \$4.50/hour

Median Family Discretionary Income ~\$5,000, or \$0.50/hour

Special Events

- ◆ Doctor's Visit- \$200/hr
- ◆ Plane to CA- \$50/hr
- ◆ Disney -\$20/hr
- McDonalds- \$20/hr
- ◆ Cellphone- \$15/hr

On The Edge

- ◆ Private School- \$10/hr
- ◆ Nice Dinner- \$10/hr
- ◆ Starbucks Latte- \$10/hr
- ◆ Auto- \$10/hr
- ◆ Long Distance- \$6/hr

Cheap Date

- ◆ Video rental- \$2/hr
- ◆ Hotel or Apt - \$2/hr
- ◆ PC- \$1/hr
- ◆ ISP- \$1/hr
- ◆ Book- \$1/hr
- CATV- \$0.25/hr
- Newspaper- \$0.25/hr

Money Doesn't Grow On Trees

U.S. Advertising Spending-

~\$280 Billion/ year

+ reasonable assumptions

Can Support an Enterprise Burning

\$0.30/person/hour (\$0.60 for SuperBowl, Seinfeld)

Not clicks, not CPM, not Database Mining, but “DPH”

For Internet (30 Million people, on 1 hour/day)

~ **\$ 3 Billion/ year** - (\$2 B according to Internet Advertising Bureau)

?Will this be enough to power the web?

Past Drivers of Advertising

- Mass Production
- Nationwide Transportation and Distribution
- Excellent, immediate communications
- Disposable Income
- High literacy rates, common language
- Passive, one-way media



Sponsorships



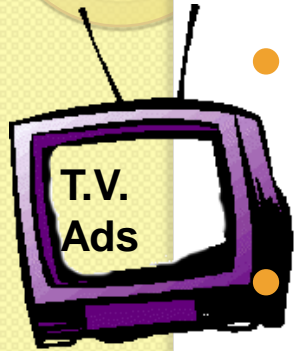
Big Brands



Print
Ads

Which Past Drivers will change?

What New Drivers will emerge?

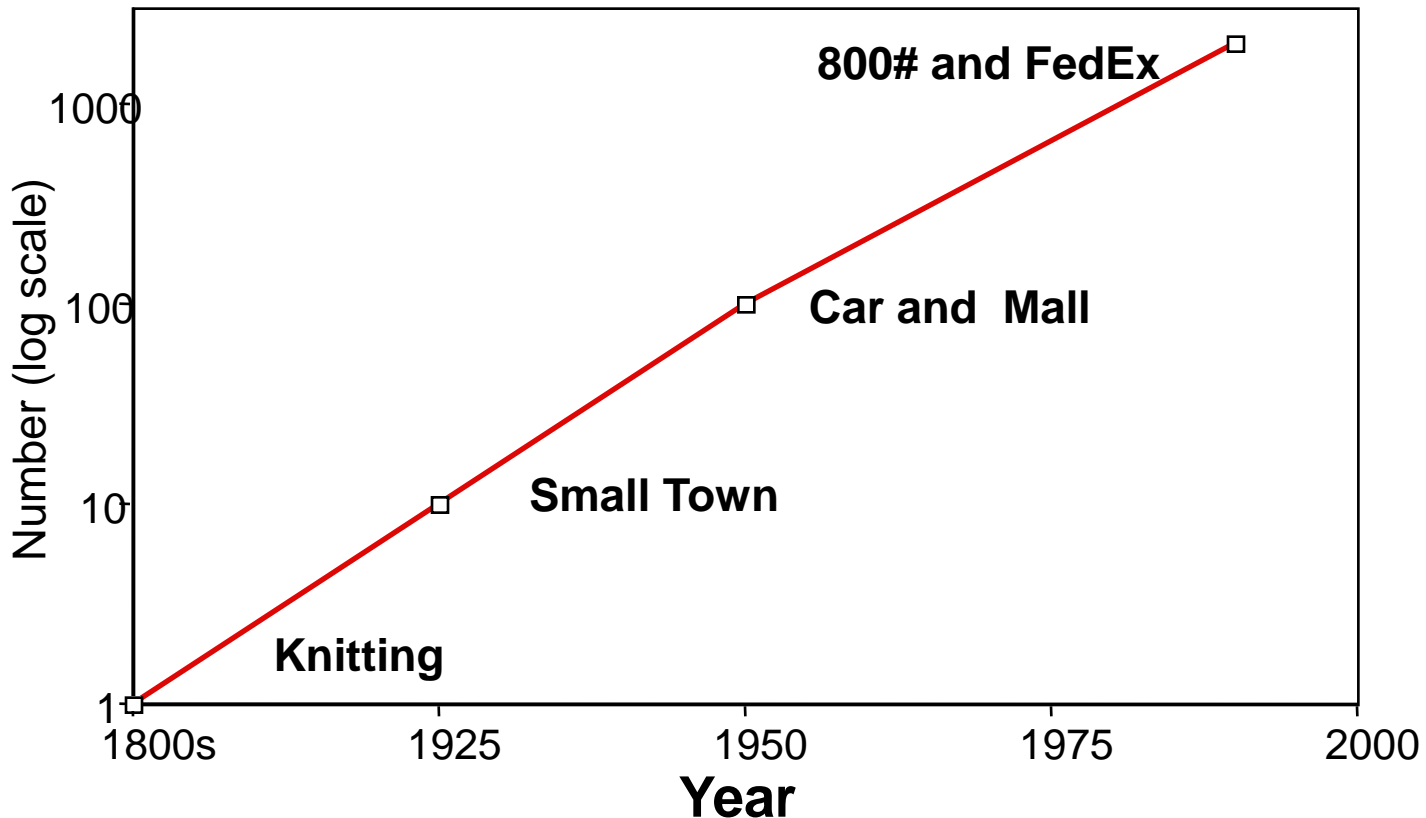


Major Trends Affecting Advertising

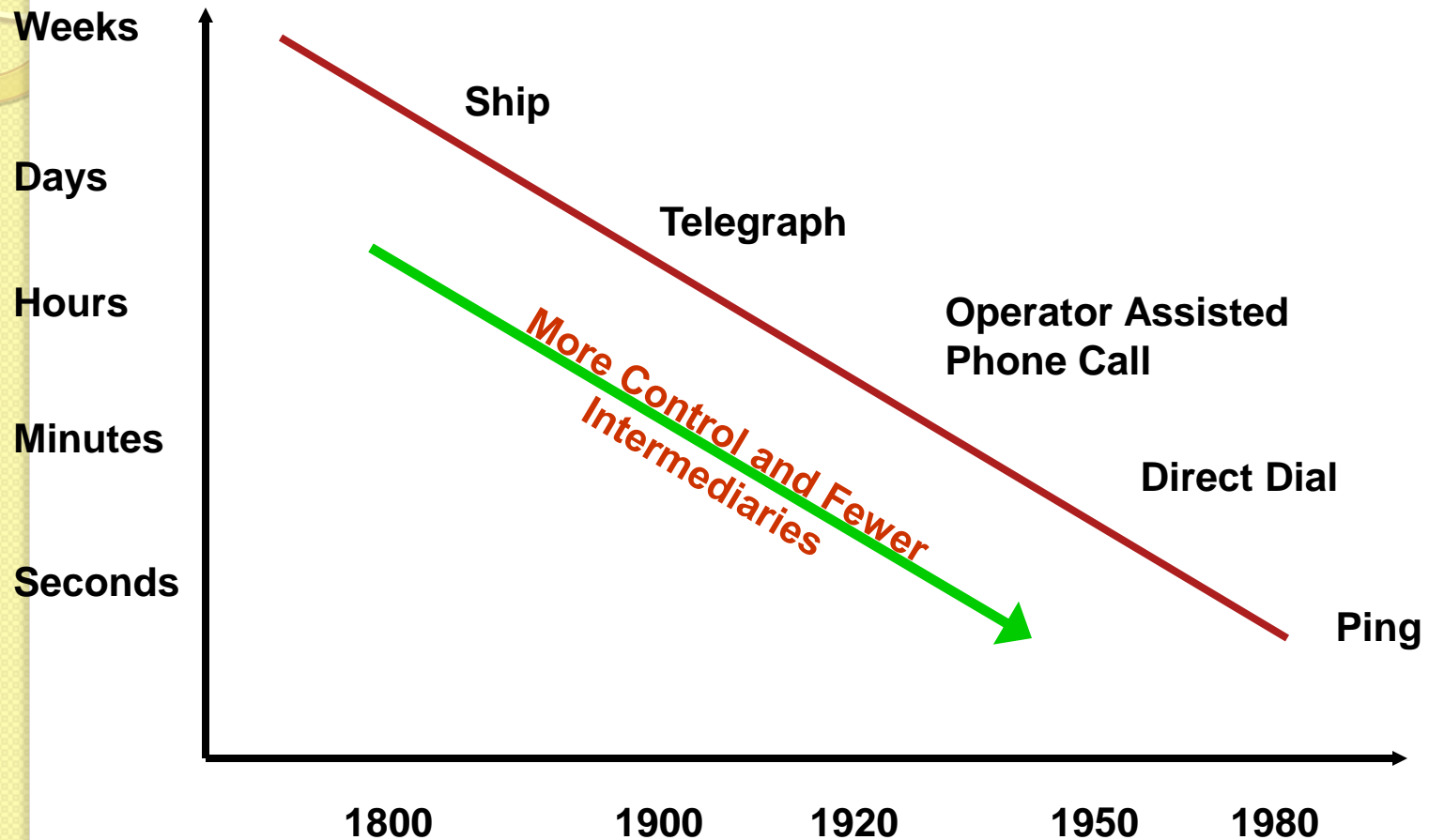
- Greater Choice, Greater Control, and Fewer Intermediaries
 - The ATM Society
- Information Translucency
- Audience Fragmentation
- More Messages and Less Time

Growing Choices Over Time

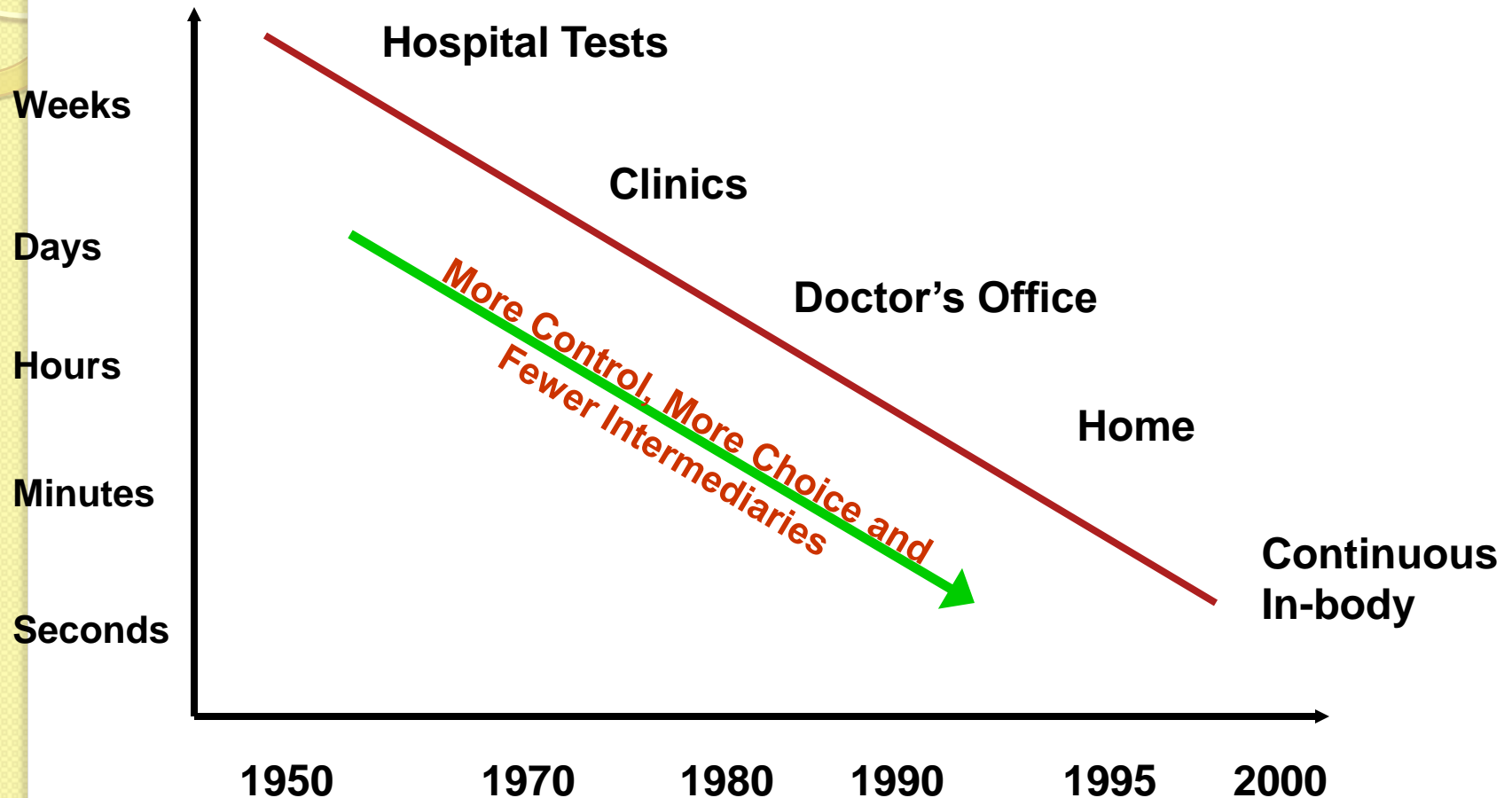
Sock Choices For \$10



Cross-Atlantic Transmission



Medical Testing



Greater Control and Choice, Fewer Intermediaries

Currently -- Medical, Financial, Communication,...

Soon -- Military, Insurance,

Lastly -- Government, Education, Transportation, Entertainment...

- Timing and Duration Under Customer Control
 - Inappropriate Ad Venues
- Authority Figures Play a Weaker Role
- “Hollowing” Out of the Middle
 - High End High Touch or Self-Serve Reliable Convenient

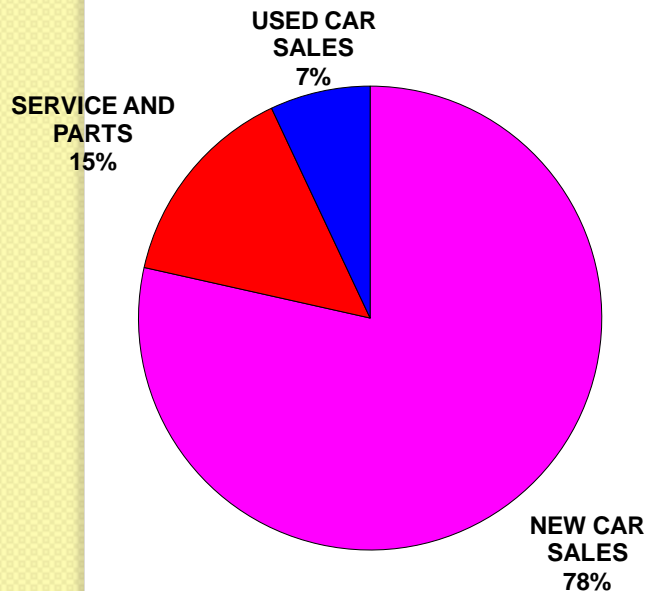
Information Translucency

- Dealer profits
- Corporate jet flight plans
(www.airlineinfo.com)
- Consumer goods - prices and features
- Financial Information and Transactions
- Medical Advice and Best Practices

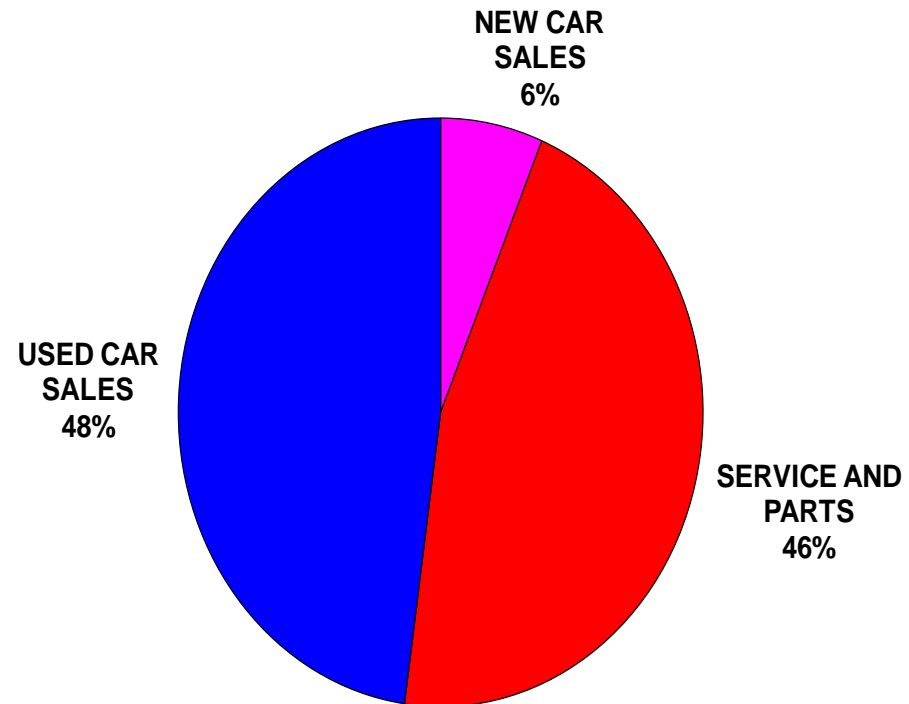
Automotive Translucency

As consumers have access to more information about new car prices from the internet and other sources profits on new car sales plummeted for dealers

Dealer profits 1985



Dealer profits 1995



Information Translucency

ExDealer profits

No Haggle Pricing & Dealer Consolidation

Corporate jet flight plans

Cookies & Web logs

Consumer goods - prices and features

Bundles & Confuseopoly

Financial Information and Transactions

Chat Room & Misinformation

Medical Advice and Best Practices

Authoritative & Charlatans

Example: Wireless Price Check, Auction and Advice

Information Is the New Product

with Brand Implications and Opportunities

Audience Fragmentation

- Global Reach- All Special Interest Groups Viable
- Automated Language Translation
- Rising Non-monetary Exchange
- Content Separated from Distribution

Return to Clans and Guilds
Tragedy of the Commons
Weakening of Social Compact

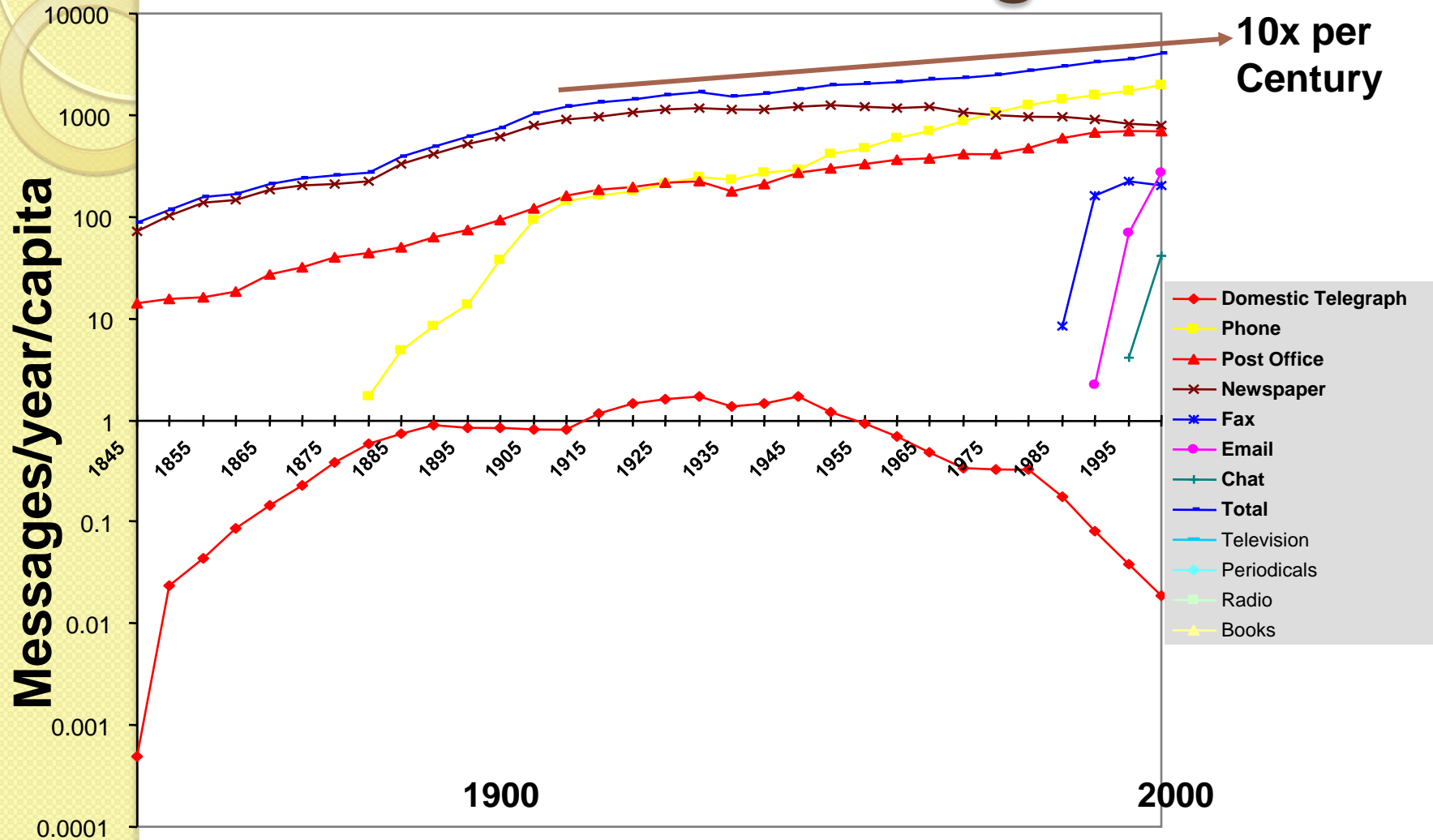
Compromise and Society

"All government - indeed every human benefit and enjoyment, every virtue and every prudent act - is founded on compromise and barter."

Edmund Burke (1729-1797)

Speech on Conciliation with America, 22 March 1775.

The Flood Of Messages



Source: Historical Statistics of US, Jupiter, AT&T

More Messages and Less Time

- Triage
 - Ads are first to go
 - Remote Control
 - Do not call lists growing
 - Shorthand :)
- Multi-tasking
 - During Ads
- Brand Power Increases
 - Short hand substitutes for lack of time
 - Share Ad weight ; toy licensing, candy and cake, ..
- Peer Group Reliance
 - Not Mass Media

How Will Advertising Survive In this New Environment?

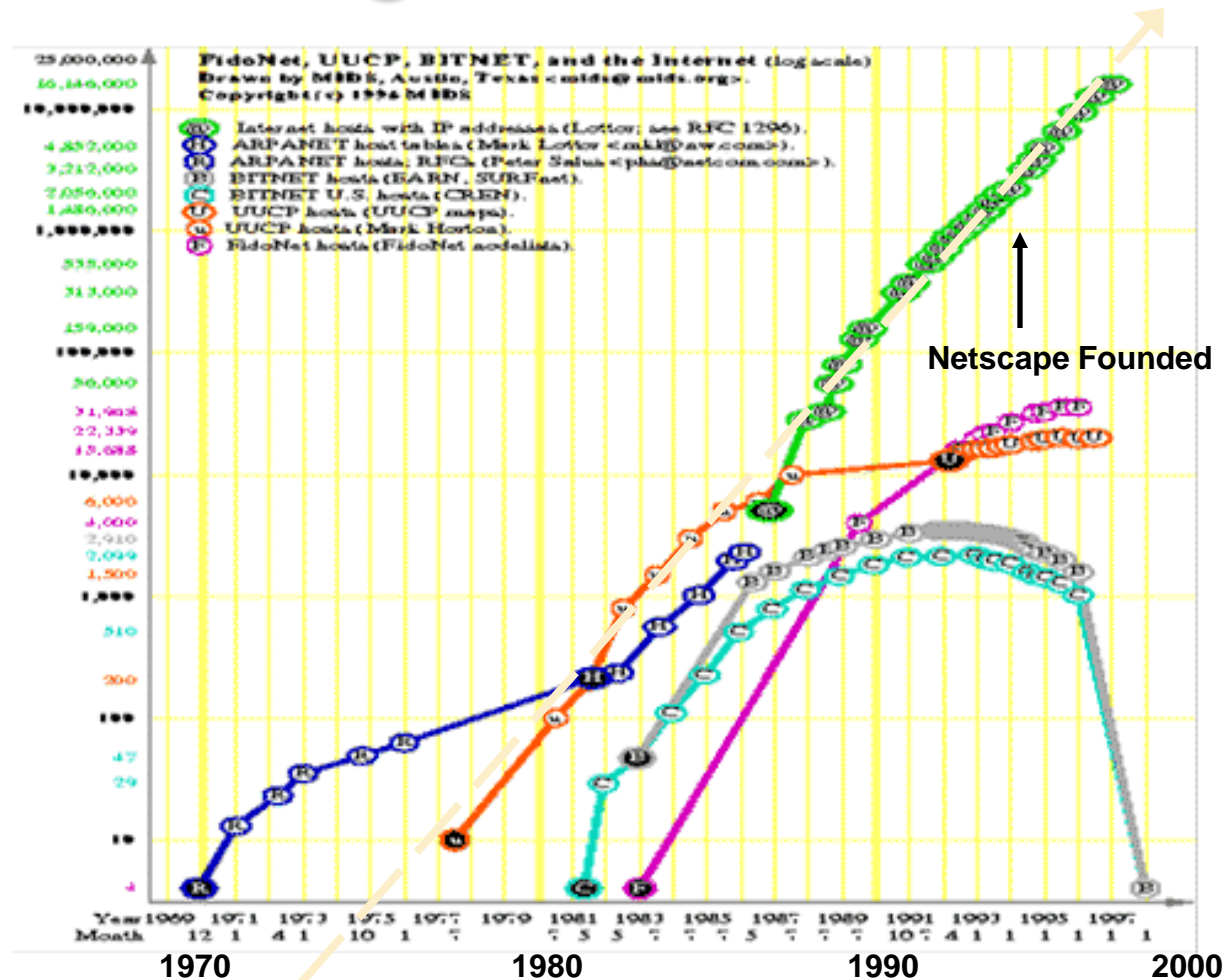
The Future of Advertising

- Informational Role of Advertising Declining
- Brands Get Bigger, Broader and Fewer
- Appropriate Ads become Integral to Products and Services
 - Fewer conventional ad placement opportunities
 - Advertising to machines as well as people
- Most Ads will be Created by Customer groups, with help from suppliers

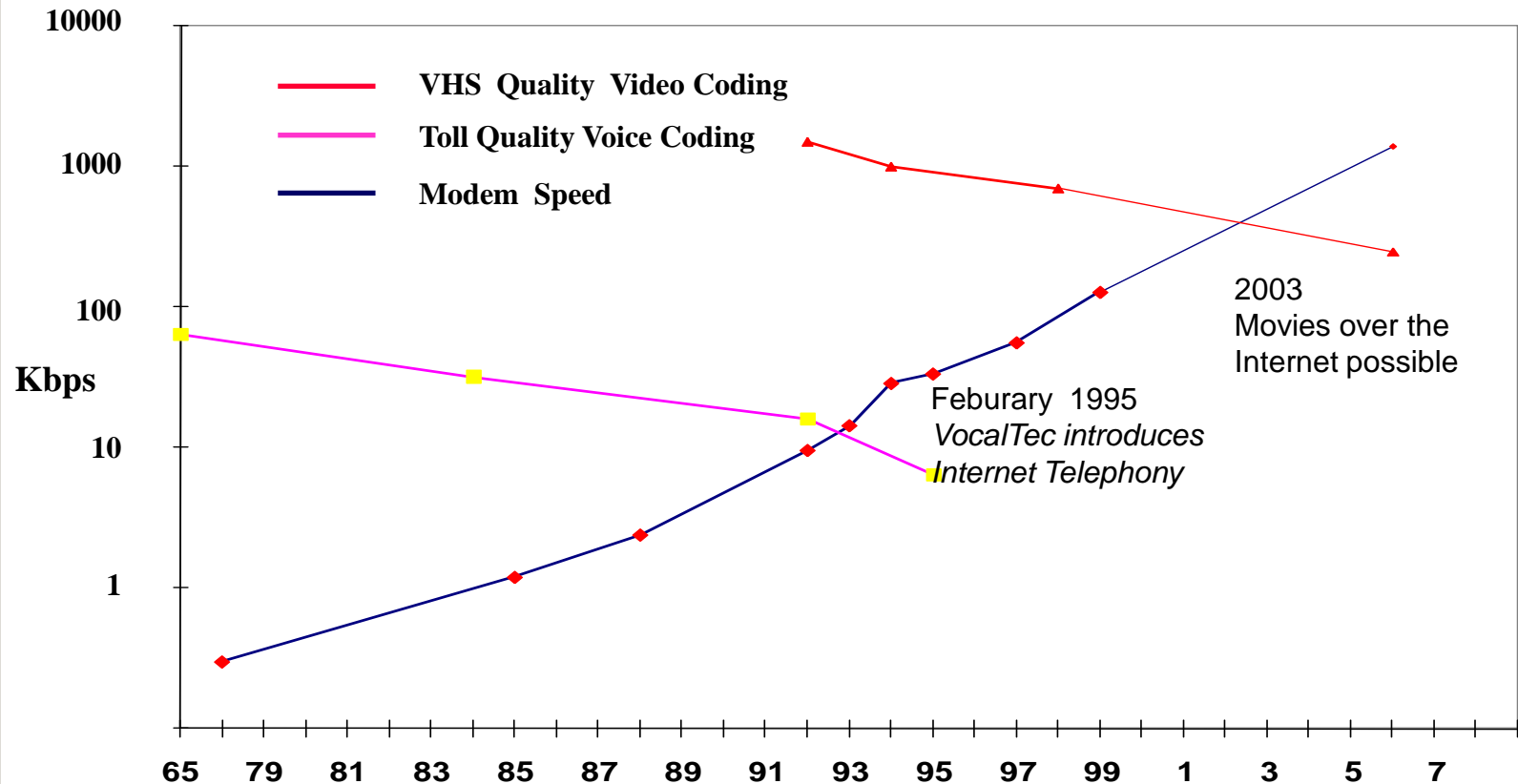


Back Up Slides

Internet Growth is A Three Decade Old, Overnight Success



Internet Telephony Freight Train



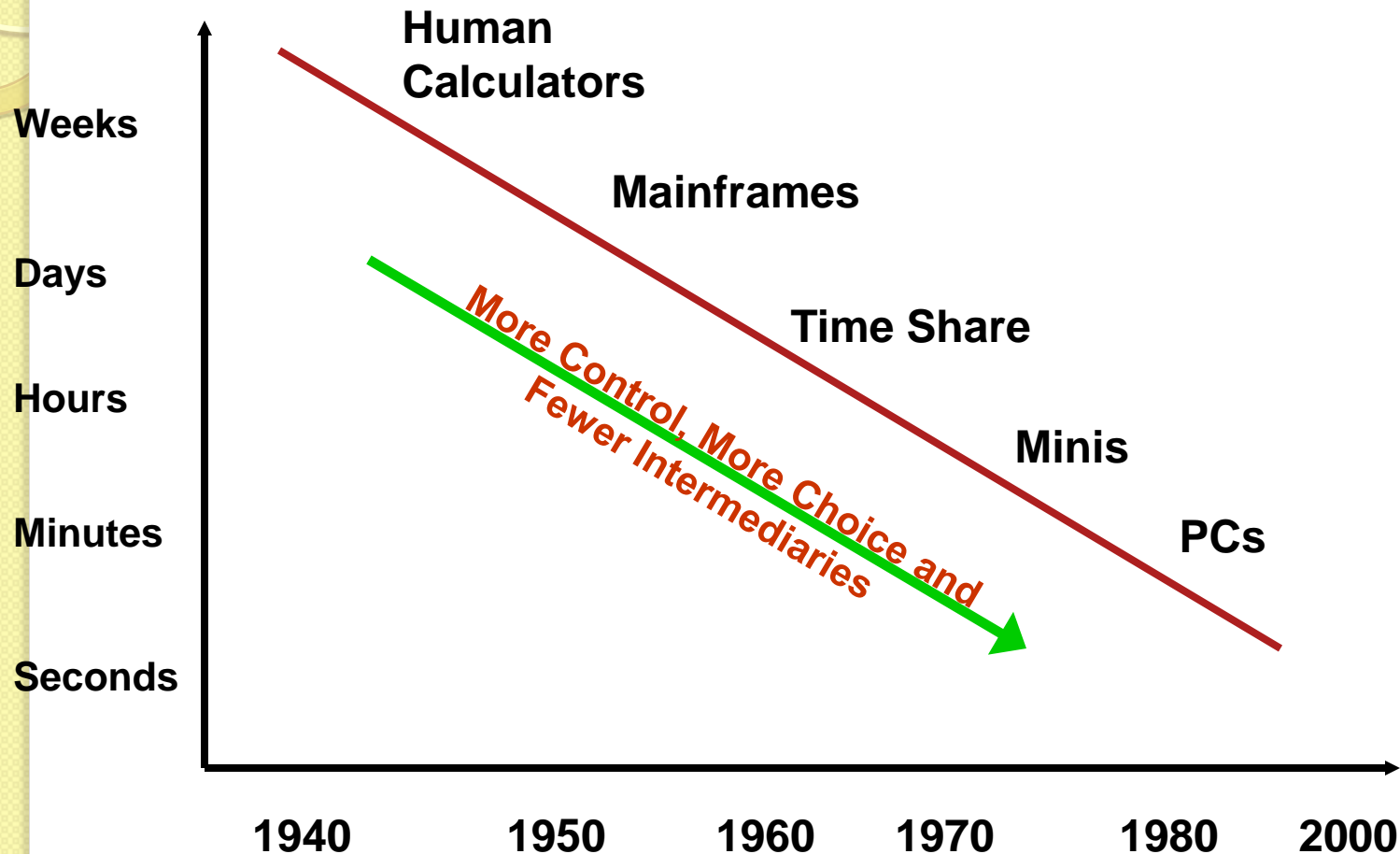
Source: ATT, Dataquest, other

Implantable Cerebrum Communicator

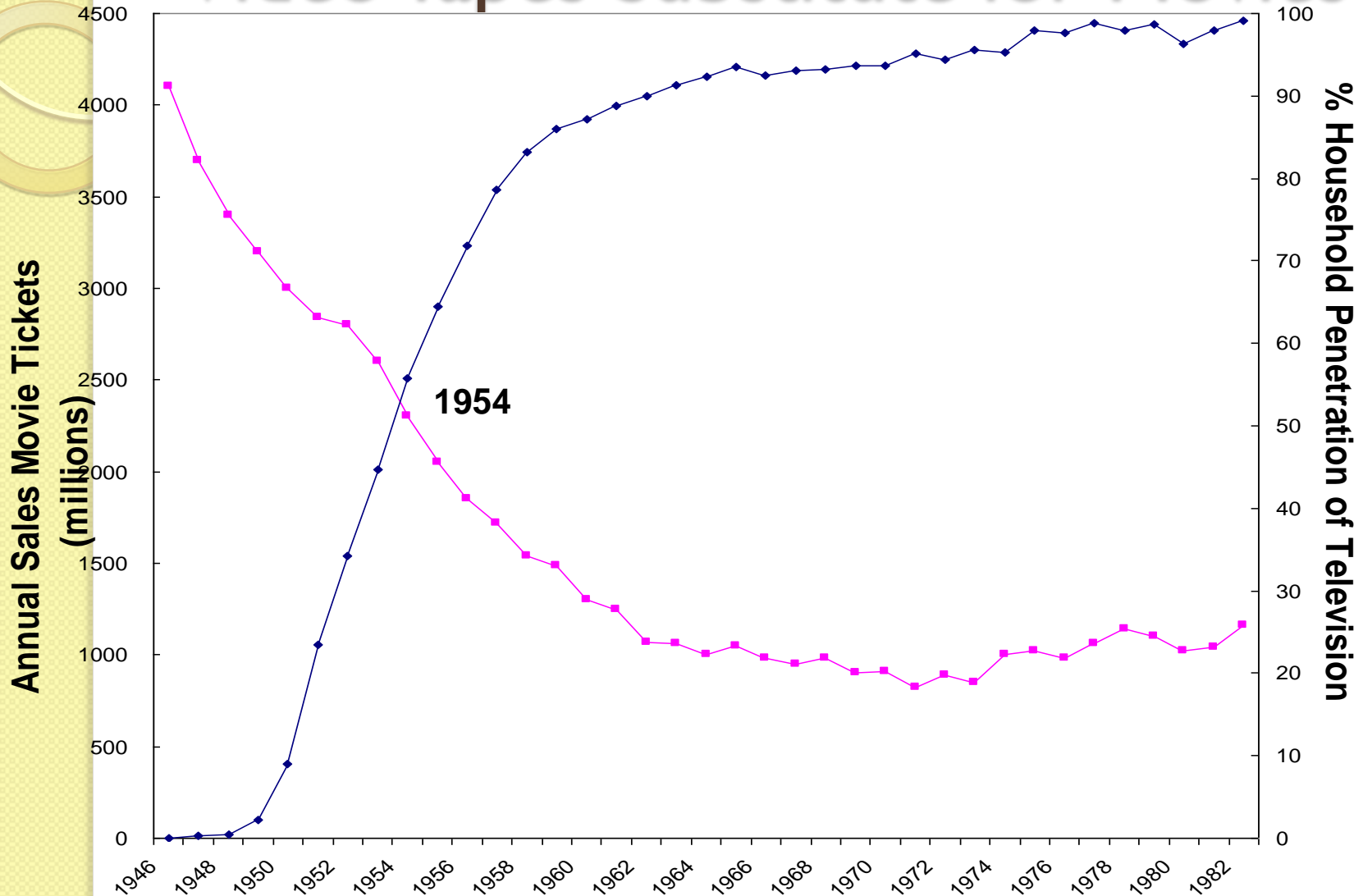


“The President’s Analyst”, 1967

Computational Time Lag



Video Tapes Substitute for Movies



Relative Cost Of Bytes

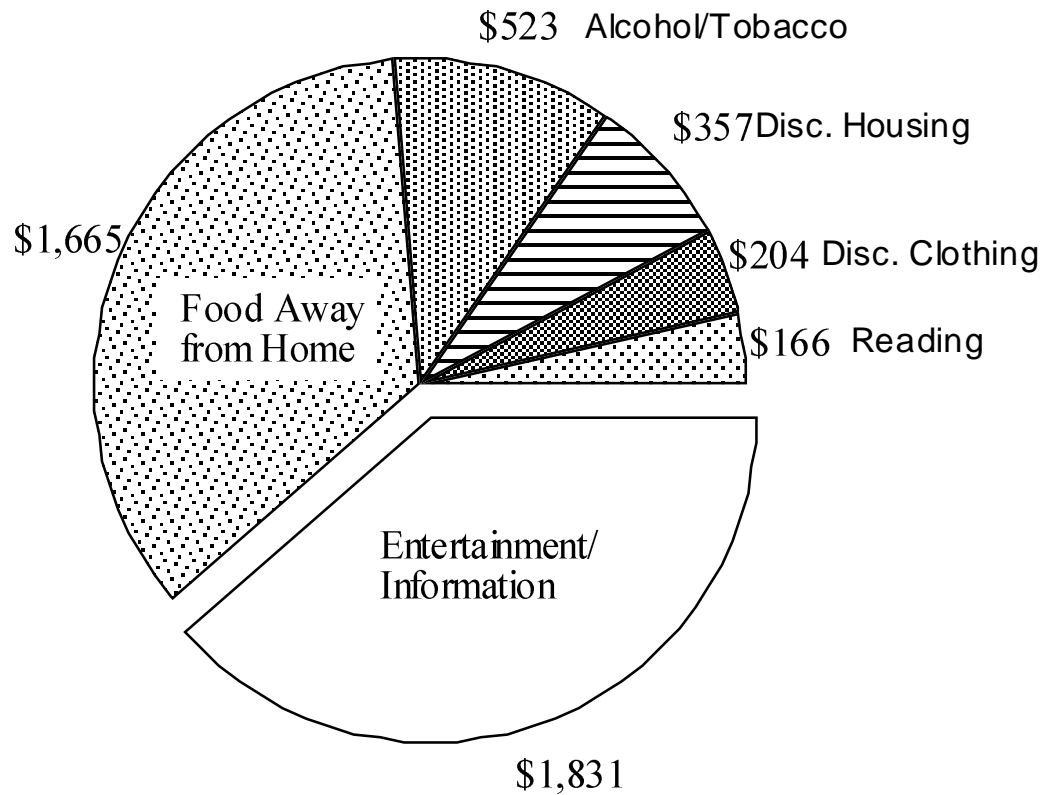
(Price/Megabyte For Transport in Average Use)

<u>Two Way</u>		<u>One-way Broadcast</u>	
Cellular	800¢	Newspaper	0.5¢
Modem Internet	5¢	CD-ROM	0.1¢
ISDN	4¢	Radio (via ads)	0.01¢
Frame(56k)	2¢	CATV/DRTV	0.0001¢
T1 (1.5 Mb)	0.5¢		

- **DirectPC Makes Economic Sense**
- **Printing On the Edge of Change**
- **Invention Required to Address Broadcast Market**

Competing for a Slice of The Pie

1993 Discretionary Income



Collision in Cyberspace

