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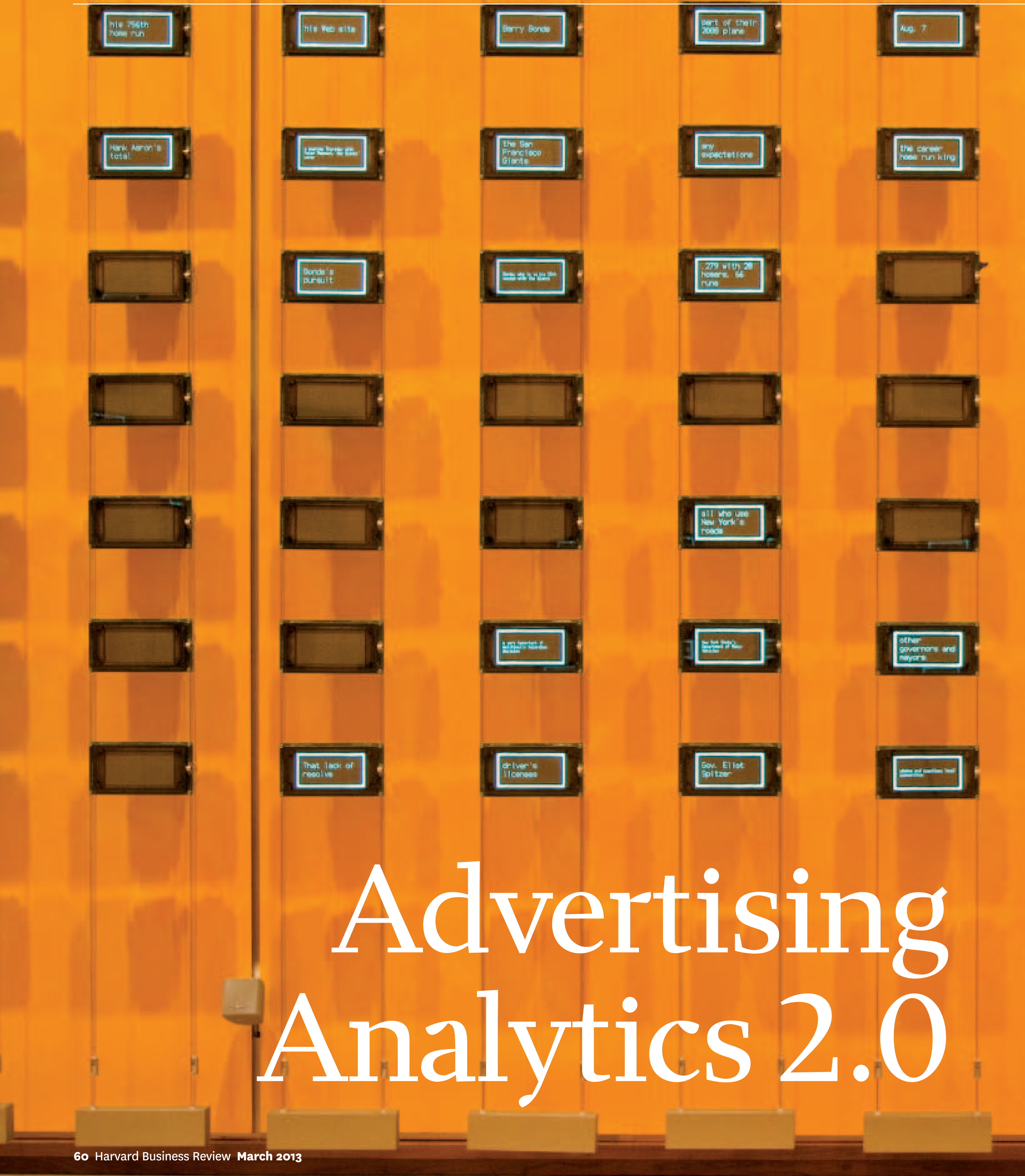
The Future of Advertising

ARTWORK The Office of Creative Research (Ben Rubin), ***And That's the Way It Is,*** 2012, six-channel video projection, 120' x 42'; images and text from news broadcasts, primarily those of Walter Cronkite, on the facade of the Belo Center for New Media, University of Texas at Austin

Spotlight



Advertising Analytics 2.0

ARTWORK The Office of Creative Research (Mark Hansen & Ben Rubin)
Moveable Type, 2008
Vacuum-fluorescent display screens, each 8" x 5", *New York Times* building lobby; sentences and phrases that have appeared in the *Times*

Marketers now have an unprecedented ability to fine-tune their allocation decisions while making course corrections in real time. *by Wes Nichols*

ONE OF OUR CLIENTS, a consumer electronics giant, had long gauged its advertising impact one medium at a time. As most businesses still do, it measured how its TV, print, radio, and online ads each functioned independently to drive sales. The company hadn't grasped the notion that ads increasingly interact. For instance, a TV spot can prompt a Google search that leads to a click-through on a display ad that, ultimately, ends in a sale. To tease apart how its ads work in concert across media and sales channels, our client recently adopted new, sophisticated data-analytics techniques. The analyses revealed, for example, that TV ate up 85% of the budget in one new-product campaign, whereas YouTube ads—a 6% slice of the budget—were nearly twice as effective at prompting online searches that led to purchases. And search ads, at 4% of the company's total advertising budget, generated 25% of sales. Armed with those rich findings and the latest predictive analytics, the company reallocated its ad dollars, realizing a 9% lift in sales without spending a penny more on advertising.

That sort of insight represents the holy grail in marketing—knowing precisely how all the moving parts of a campaign collectively drive sales and what happens when you adjust them. Until recently, the picture was fuzzy at best. Media-mix modeling, introduced in the early 1980s, helped marketers link scanner data with advertising and decide how to allocate marketing resources. For about 20 years, everyone gorged on this low-hanging fruit, until the advent of digital marketing in the late 1990s. With the ability to monitor every mouse click, measuring the cause-and-effect relationship between advertising and purchasing became somewhat easier. Marketers started tracking a consumer's most recent action online—say, a click on a banner ad—and attributing a purchase behavior to it.

Combined with a handful of time-honored measurement techniques—consumer surveys, focus groups, media-mix models, and last-click attribution—such outmoded methods have lulled many marketers into complacency. They mistakenly think they have a handle on how their advertising actually affects behavior and drives revenue. But that approach is backward-looking: It largely treats advertising touch points—in-store and online display ads, TV, radio, direct mail, and so on—as if each works in isolation. Making matters worse, different teams, agencies, and media buyers operate in silos and use different methods of measurement as they compete for the same resources. This still-common practice, what we call *swim-lane measurement,* explains why marketers often misattribute specific outcomes to their marketing activities and why finance tends to doubt the value of marketing. (See the exhibit "Get Out of Your Swim Lanes.") As one CFO of a *Fortune* 200 company told me, "When I add up the ROIs from each of our silos, the company appears twice as big as it actually is."

Today's consumers are exposed to an expanding, fragmented array of marketing touch points across media and sales channels. Imagine that while viewing a TV spot for a Toyota Camry, a consumer uses her mobile device to Google "sedans." Up pops a paid search link for Camry, as well as car reviews. She clicks through to *Car and Driver*'s website to read some reviews, and while perusing, she notices a display ad from a local dealership but doesn't click on it. One review contains a link to YouTube videos people have made about their Camrys. On YouTube she also watches Toyota's clever "Camry Reinvented" Super Bowl ad from eight months earlier. During her commute to work that week she sees a Toyota billboard she hadn't noticed before and then receives a direct-mail piece from the company offering a time-limited deal. She visits local dealerships' websites, including those promoted on *Car and Driver* and in the direct-mail piece, and at last heads to a dealer, where she test-drives the car and buys it.

Toyota's chief marketing officer should ask two questions: How did this combination of ad exposures interact to influence this consumer? Is Toyota investing the right amounts at the right points in the customer-decision journey to spark her to action?

Data Deluge

Seismic shifts in both technology and consumer behavior during the past decade have produced a granular, virtually infinite record of every action consumers take online. Add to that the oceans of data from DVRs and digital set-top boxes, retail checkout, credit card transactions, call center logs, and myriad other sources, and you find that marketers now have access to a previously unimaginable trove of information about what consumers see and do.

The opportunity is clear, but so is the challenge. As the celebrated statistician and writer Nate Silver put it, "Every day, three times per second, we produce the equivalent of the amount of data that the

About the Spotlight Artist
Each month we illustrate our Spotlight package with a series of works from an accomplished artist. We hope that the lively and cerebral creations of these photographers, painters, and installation artists will infuse our pages with additional energy and intelligence to amplify what are often complex and abstract concepts.

This month we feature art from the **Office of Creative Research,** a New York–based multidisciplinary group that explores new modes of engagement with data. Its practices borrow from both the arts and the sciences.

View more of the artist's work at **o-c-r.org.**

Idea in Brief

The days of correlating sales data with a few dozen discrete advertising variables are over. Many of the world's biggest companies are now deploying analytics 2.0, a set of capabilities that can chew through terabytes of data and hundreds of variables in real time to reveal how advertising touch points interact dynamically. The results: 10% to 30% improvements in marketing performance.

The move to advertising analytics 2.0 involves three broad activities:

- *Attribution* quantifies the contribution of each element of advertising.
- *Optimization* uses predictive-analytics tools to run scenarios for business planning.
- *Allocation* redistributes resources across marketing activities in real time.

Implementation of analytics 2.0 means building the required infrastructure and entwining it in organizational culture, strategy development, and operations. Any company can begin that journey; businesses that don't will be overtaken by those that do.

Library of Congress has in its entire print collection. Most of it is…irrelevant noise. So unless you have good techniques for filtering and processing the information, you're going to get into trouble."

In this new world, marketers who stick with traditional *analytics 1.0* measurement approaches do so at their peril. Those methods, which look backward a few times a year to correlate sales with a few dozen variables, are dangerously outdated. Many of the world's biggest multinationals are now deploying *analytics 2.0,* a set of capabilities that can chew through terabytes of data and hundreds of variables in real time. It allows these companies to create an ultra-high-definition picture of their marketing performance, run scenarios, and change ad strategies on the fly. Enabled by recent exponential leaps in computing power, cloud-based analytics, and cheap data storage, these predictive tools measure the interaction of advertising across media and sales channels, and they identify precisely how exogenous variables (including the broader economy, competitive offerings, and even the weather) affect ad performance. The resulting analyses, put simply, reveal what really works. With these data-driven insights, companies can often maintain their existing budgets yet achieve improvements of 10% to 30% (sometimes more) in marketing performance.

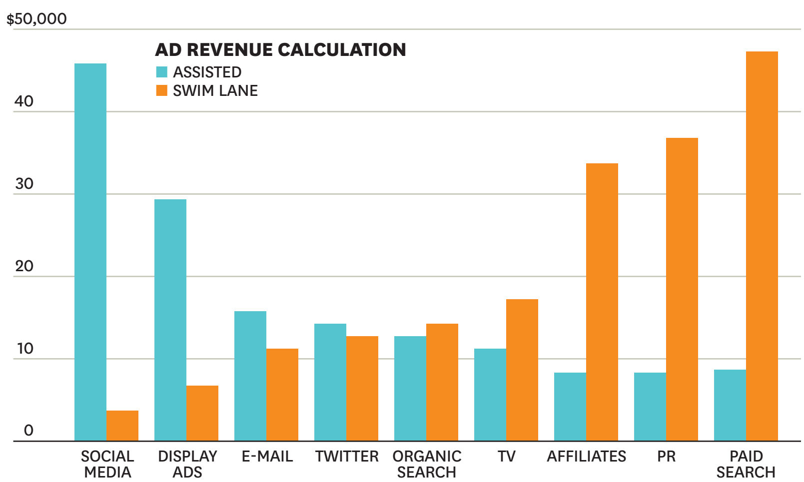
Drawing on the pioneering mathematical models developed by UCLA marketing professor and MarketShare cofounder Dominique Hanssens, our firm provides analytics 2.0 solutions to many large global companies. The models quantify cross-media and cross-channel effects of marketing, as well as direct and indirect effects of all business drivers, and the software employs cloud-computing and big-data capabilities. The cases we present in this article are drawn from our client companies. Numerous other firms—such as VivaKi, Omniture, and DoubleClick—have emerged in recent years to meet the growing demand for advanced analytics.

The Move to 2.0

Powered by the integration of big data, cloud computing, and new analytical methods, analytics 2.0 provides fundamentally new insights into marketing's effect on revenue. It involves three broad activities: *attribution,* the process of quantifying the contribution of each element of advertising; *optimization,* or "war gaming" by using predictive analytics tools to run scenarios for business planning; and *allocation,* the real-time redistribution of resources across marketing activities according to optimization scenarios. Although those activities

Get Out of Your Swim Lanes

Marketers commonly measure the performance of each of their marketing activities as if they work independently of one another—so called swim-lane measurement. This may result in significant over- or underattribution of advertising revenues because ads in one medium can exert a powerful influence on, or assist, those in another. Swim-lane measurement ignores those assisted effects. Data analysis of one campaign revealed that swim-lane measurement grossly underestimated the revenues attributable to social-media marketing and display advertising while overestimating PR and paid-search revenue.



are described in this article as sequential steps, they may occur simultaneously in practice; outputs from one activity feed into another iteratively so that the analytics capability continuously improves.

Attribution. To determine how your advertising activities interact to drive purchases, start by gathering data. Many companies we've worked with claim at first that they lack the required data in-house. That is almost always not the case. Companies are awash in data, albeit dispersed and, often, unintentionally hidden. Relevant data typically exist within sales, finance, customer service, distribution, and other functions outside marketing.

Knowing what to focus on—the signal rather than the noise—is a critical part of the process. To accurately model their businesses, companies must collect data across five broad categories: market conditions, competitive activities, marketing actions, consumer response, and business outcomes. (See the exhibit "Optimizing Advertising.")

With detailed data that parse product sales and advertising metrics by medium and location, sophisticated analytics can reveal the impact of marketing activities across swim lanes—for example, between one medium, say television, and another, social media. We call these indirect effects "assist rates." Recognizing an assist depends on the ability to track how consumer behavior changes in response to advertising investments and sales activities. To oversimplify a bit: An analysis could pick up a spike in consumers' click-throughs on an online banner ad after a new TV spot goes live—and link that effect to changes in purchase patterns. This would capture the spot's "assist" to the banner ad and provide a truer picture of the TV ad's ROI. More subtly, analytics can reveal the assist effects of ads that consumers don't actively engage with—showing, for example, a 12% jump in search activity for a product after deployment of a banner ad that only 0.1% of consumers click on.

This insight translates directly to any advertising that consumers encounter but may not specifically act on, including TV ads, social-media placements, PR, online or outdoor displays, mobile ads, and in-store promotions. Think of the billboard ad on our Toyota buyer's commute. The ad itself probably didn't cause her to drive to the dealership and purchase a car. But it may have nudged her to look at the direct-mail piece when it arrived, which ultimately inspired the visit to the dealership—a complete customer journey we can now measure. It's difficult or impossible to quantify such assist effects at an individual level, particularly when they involve off-line ads, so analytics 2.0 works by exposing those effects. It uses a sophisticated series of simultaneous-equation statistical models that reassemble various interrelated effects into a view that accurately explains the market behavior.

The hazards of simplistic swim-lane measurement were personal for one of our client's marketing executives. Early in his career, at a high-profile e-commerce company, the marketing team presented to finance some campaign results that had been generated using traditional analytics methods:

ADVERTISING MEDIUM	ESTIMATED RESULTING REVENUE
DISPLAY ADS	$40 MILLION
PAID SEARCH	$50 MILLION
SEARCH ENGINE OPTIMIZATION	$40 MILLION
E-MAIL MARKETING	$30 MILLION
TOTAL	**$160 MILLION**

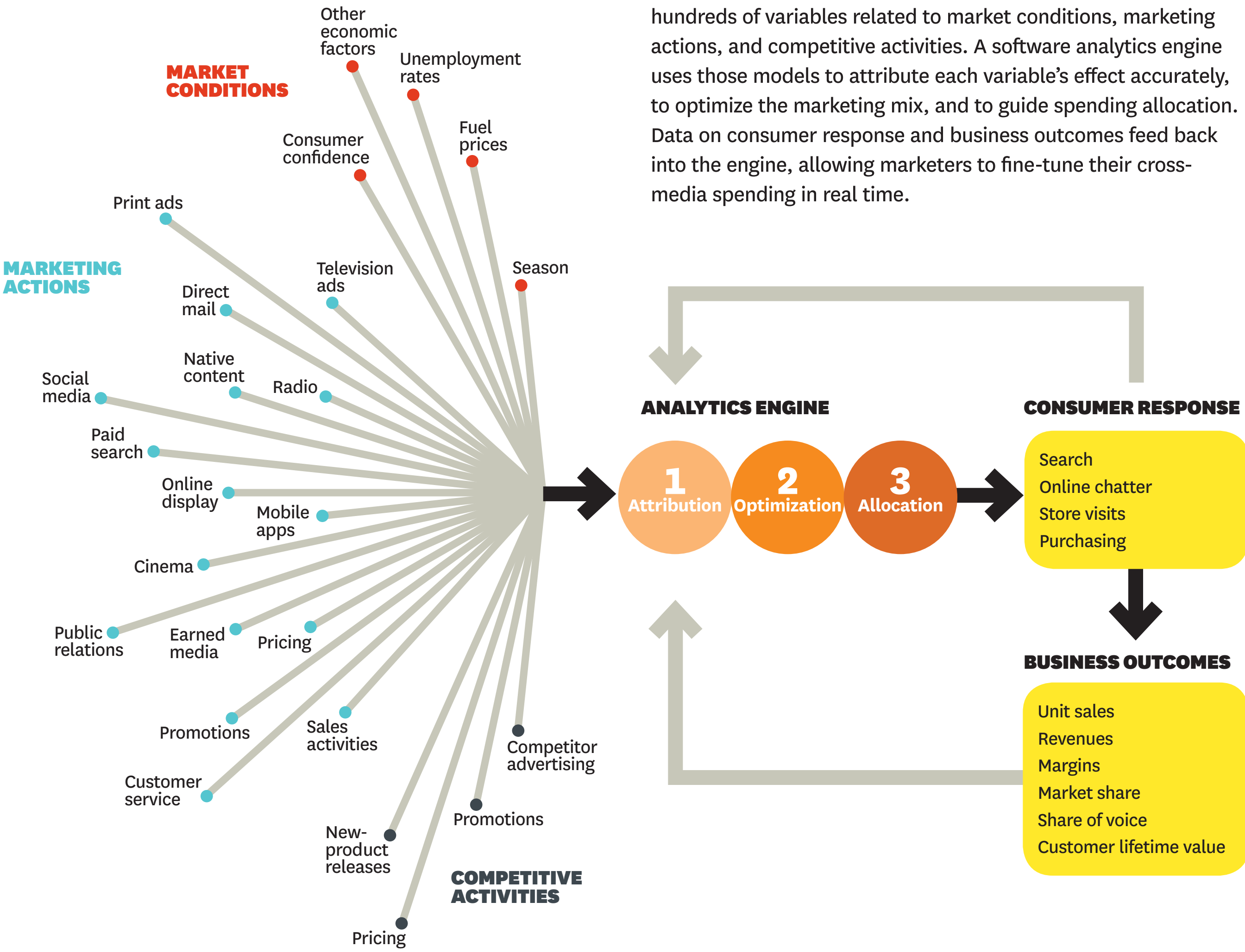
Things quickly became awkward when finance pointed out that the business unit had generated only $110 million in revenue, $50 million short of the reported total. The discrepancy arose because, lacking good data, leaders in each swim lane claimed the same bucket of revenue.

That lesson stuck with this executive as he set out to help solve the industry problem of incorrect attribution. He eventually joined a consumer technology company that has enthusiastically embraced analytics 2.0. There he created an analytics platform to reveal how the company's advertising and sales force activities interacted.

Examples like these necessarily distill the complexity of analytics 2.0. In actual analyses run by a large company, statistical models may account for hundreds or thousands of permutations of advertising and sales tactics, as well as exogenous variables such as geography, employment rates, pricing, season of the year, competitive offerings, and so on. When you analyze every permutation of an ad campaign according to those variables, the complexity of the task and the necessity for cloud computing and storage become clear. You also realize that such analyses allow you, for example, to instantly see how a new TV ad affects consumers' online search patterns—and then to change your keyword-search

Optimizing Advertising

Statistical models that reveal the effect of advertising on consumer behavior and business results must account for hundreds of variables related to market conditions, marketing actions, and competitive activities. A software analytics engine uses those models to attribute each variable's effect accurately, to optimize the marketing mix, and to guide spending allocation. Data on consumer response and business outcomes feed back into the engine, allowing marketers to fine-tune their cross-media spending in real time.



bidding strategy to buy up relevant words as the ad is running. They might also help you identify Facebook's actual effect on both short-term revenue and long-term brand equity.

Optimization. Once a marketer has quantified the relative contribution of each component of its marketing activities and the influence of important exogenous factors, war gaming is the next step. It involves using predictive-analytics tools to run scenarios for business planning. Maybe you want to know what will happen to your revenue if you cut outdoor display advertising for a certain product line by 10% in San Diego—or if you shift 15% of your product-related TV ad spending to online search and display. Perhaps you need to identify the implications for your advertising if a competitor reduces prices in Tokyo or if fuel prices go up in Sydney.

Working with the vast quantities of data collected and analyzed through the attribution process, you can assign an "elasticity" to every business driver you've measured, from TV advertising to search ads to fuel prices and local temperatures. (Elasticity is the ratio of the percentage change in one variable to the percentage change in another.) Knowing the elasticities of your business drivers helps you predict how specific changes you make will influence particular outcomes. If your TV ads' elasticity in relation to sales is .03, for example, doubling your TV ad budget will yield a 3% lift in sales, when all other variables remain constant. In short, analytics 2.0 modeling reveals how all driver elasticities interact to affect sales. (See the exhibit "How Ads Interact to Boost Sales.")

War gaming uses the actual elasticities of your business drivers to run hundreds or thousands of scenarios within minutes. In a typical war-gaming process, team members define marketing goals (such as a certain revenue target, share goal, or margin goal), often across multiple products and markets. Crunching the vast database of driver elasticities, optimization software generates a set of most-likely scenarios along with marketing recommendations to achieve them. The software also can test specific what-if scenarios: For instance, how will sales of our midsize pickup truck in Denver be affected if gas prices climb 5% and we launch a combined TV and online campaign promoting a $300 rebate?

At Ford, marketing communications director Matthew VanDyke leads a cross-functional team involving IT, finance, marketing, and other functions. The group is tasked with optimizing Ford's $1 billion in advertising spending. Using advanced analytics, the team routinely runs thousands of scenarios involving hundreds of variables to gauge the probable effects of different ad strategies under a range of complex circumstances. The analyses incorporate insights from the attribution step, allowing Ford to predict from one scenario to the next how changes in advertising investment in one medium are likely to affect ad performance in others, and how exogenous factors might influence outcomes.

For example, as consumers' interest in fuel-efficient vehicles has grown, Ford's marketing science manager Mike Macri and his team have used war gaming to quickly assess which markets will be receptive to creative messages about fuel efficiency and have redirected advertising resources accordingly via their agency partners. Indeed, these war games are driving several current cross-media campaigns for Ford.

Predictive analytics also allow Ford to war-game changes in media planning and purchasing, both nationally and locally. For instance, it discovered that the company's overall digital spending, though appropriate, was overemphasizing digital display and underinvesting in search. In addition, before the firm used war-game scenario planning, national and local marketing budgets were treated separately and rarely coordinated. It had been difficult for Ford to determine, for example, how much it should provide in matching funds to dealer groups, whether consumer incentive levels differ among the various cars and regions in its portfolio, and how boosting social-media spending and reducing traditional media buys would affect sales to young drivers. War gaming allowed Ford to predict how those scenarios would play out before actually making changes. The result: Shifts from the national budget to local budgets have produced tens of millions of dollars in new revenues, with no net change in the total ad budget.

How One Company Attributed, Optimized, and Allocated

Electronic Arts (EA), one of the world's largest software gaming companies, creates some of the best-known titles across all gaming platforms, including *Madden NFL*, *Battlefield*, and *Sims*. EA faced challenges that are common in creative industries: high volatility; high-risk, high-reward development cycles; short product life cycles; a premium on creative quality; and a reliance on hit products. Like other creative businesses, EA also relied heavily on intuition in its decision making.

Senior VP of marketing Laura Miele and head of decision sciences Zachery Anderson recognized several years ago that although relying on traditional analytics and instinct in its marketing had served the company adequately, its advertising performance had fallen off. One reason, they surmised, was that the company's tech-savvy core audience was spending more time online, beyond the reach of EA's traditional marketing efforts. In that new environment, they wanted to answer questions about a variety of strategic issues, including the company's investment strategies, marketing activities, cross-media and cross-channel efforts, and the effect of online initiatives on in-store sales.

The company ultimately decided to retool its marketing analytics by applying the attribution, optimization, and allocation framework to its entire game portfolio. EA had been measuring advertising performance using traditional methods such as customer surveys and media-mix models, and it had been attributing year-to-year and title-to-title variations in sales to creativity in advertising and game quality.

In the attribution step, the analytics engine homed in on hundreds of EA's business drivers, including advertising, reviews, sales data, pricing, game quality, distribution, and online chatter. The exercise uncovered several important

Marketers are also using analytics 2.0 to run what-if scenarios for advertising new-product launches, ad buys in markets where data are limited, and the potential effects of surprise moves by competitors. For instance, as a global consumer electronics company client of ours was preparing to launch a game-changing product in an emerging market where historical sales-marketing data were scarce, it used advanced analytics to review advertising behavior by competitors and accurately predict their spending for upcoming releases. Using those predictions and optimization scenarios, the company successfully entered the market with a much clearer understanding of the strategic landscape and adjusted its plans quickly to address new competitive dynamics.

Allocation. Gone are the days of setting a marketing plan and letting it run its course—the so-called run-and-done approach. As technology, media companies, and media buyers continue to remove friction from the process, advertising has become easier to transact, place, measure, and expand or kill. Marketers can now readily adjust or allocate advertising in different markets on a monthly, weekly, or daily basis—and, online, even from one fraction of a second to the next. Allocation involves putting the results of your attribution and war-gaming efforts into the market, measuring outcomes, validating models (that is, running in-market experiments to confirm the findings of an analysis), and making course corrections.

At one of the world's largest software companies, senior management realized that it needed more accountability and precision in its marketing, as allocation decisions had historically not been based on scientific analysis. To understand which marketing activities were driving leads to its website, resellers, and retail partners—and thereby generating sales—the marketing leadership team used analytics 2.0 to reveal how all its marketing components interacted.

By using models that ultimately accounted for hundreds of variables, the company quantified the precise combination of ads that most effectively stimulated software trials, which activities by resellers generated the most profits, and how advertising in one product category influenced purchasing in other categories. With those insights, the firm reallocated marketing dollars for its various B2B and B2C products. Shifts between off-line and online spending, as well as investments in brand building, have boosted revenues by millions of dollars incrementally.

This company's analytics 2.0 system has gained credibility with executive management, is now driving minute-to-minute allocation decisions, and is be-

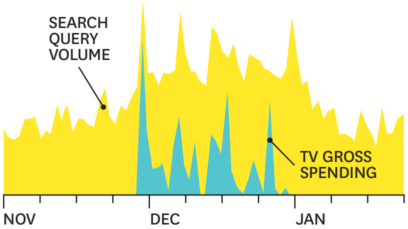
facts. First, in-theater advertising, a tactic favored by the organization, was underperforming. Second, the effect on sales from search, digital, and online-video advertising (such as YouTube) was significantly greater than believed. Finally, EA discovered that the "flighting" of its advertising—that is, the timing of campaign tactics and the intervals between them—was suboptimal.

Then EA moved to the optimization phase, war-gaming hundreds of advertising scenarios for collaborative review by people in marketing, finance, operations, and other functions. This optimization process led to an allocation plan, to be executed by EA's agencies and channel partners, that shifted ad investments from TV to search and online video, as well as a new flighting schedule for the holidays.

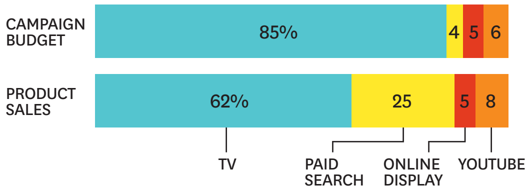
Before the analytics were deployed, the campaign for previous versions of *Battlefield* allocated about 80% to television and included very little paid search, social media, or online video. The increased budget for *Battlefield 3* reflected big shifts in allocation: to only 50% television, with significant spending in both online video and paid search. These changes helped to make *Battlefield 3* the most successful launch in EA's history. Shifts in the marketing budget alone accounted for an estimated 23% increase in EA's sales of *Battlefield 3*, compared with previous versions of the game.

How Ads Interact to Boost Sales

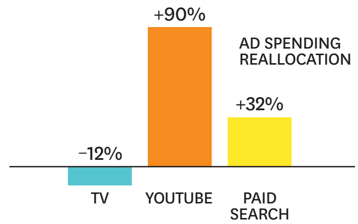
In this holiday campaign for a consumer electronics product, online searches on the manufacturer's name spiked in direct response to TV advertising.



Analytics revealed that the company could have made better use of cross-media effects on retail traffic. Although just 15% of its campaign budget went to digital marketing, digital accounted for 38% of the product's retail sales.



Measuring cross-media, cross-channel effects drove significant reallocation recommendations that ultimately generated 9% more revenue with the same budget.



ing rolled out globally. As a result, the firm's advertising ROI has nearly doubled over the past three years.

Five Steps to Implementation

Analytics, once a back-of-the-house research function, is becoming entwined in daily strategy development and operations. Executives who were pioneering early digital marketing teams 10 years ago are advancing to the CMO office. Already wired for measurement, they are often amazed at the analytics immaturity of the broader advertising industry. These new CMOs are taking more responsibility for technology budgets and are creating a culture of fact-based decision making within advertising. Technology consultancy Gartner estimates that within five years, most CMOs will have a bigger technology budget than chief technology officers do.

Technology is necessary but not sufficient to move an organization to analytics 2.0. In our experience, these initiatives require five steps, which can be implemented even by small companies:

First, embrace analytics 2.0 as an organization-wide effort that must be championed by a C-level executive sponsor. Often, pockets of resistance to new analytics approaches crop up, as they challenge closely held beliefs about what works and what doesn't. Senior-level buy-in is essential to help promote clarity of vision and alignment in the early stages.

Second, assign an analytics-minded director or manager to become the point person for the effort. It should be someone with strong analytical skills and a reputation for objectivity. This person can report to the CMO or sit on a cross-functional team between marketing and finance. As the project expands, he or she can help guide business planning and resource allocation across units.

Third, armed with a prioritized list of questions you seek to answer, conduct an inventory of data throughout the organization. Intelligence that is essential to successful analytics 2.0 efforts is often buried in many functions beyond marketing, from finance to customer service. Identify and consolidate those disparate data sets and create systems for ongoing collection. Treat the data as you would intellectual property, given its asset value.

Fourth, start small with proofs of concept involving a particular line of business, geography, or product group. Build limited-scope models that aim to achieve early wins.

Fifth, test aggressively and feed the results back into the model. For instance, if your optimization analysis suggests that shifting some ad spending from TV to online display will boost sales, try a small, local experiment and use the results to refine your calculations. In-market testing is old hat—what's new is getting the cross-media attribution right so that your testing is more effective.

When businesses have multiple sales channels such as retail, online, value-added resellers, or multiple products and geographies, analytics 2.0 may become more complex than internal teams can handle. That's when vendors with specific analytics and computing capabilities are needed. But any company can begin the journey and build much of the required infrastructure for analytics—and the culture of adaptive marketing—in-house. The challenge is as much organizational as computational. Either way, the writing is on the wall: Marketing is rapidly becoming a war of knowledge, insight, and asymmetric advantage gained through analytics 2.0. Companies that don't adopt next-generation analytics will be overtaken by those that do.

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Wes Nichols is a cofounder and the CEO of MarketShare, a global predictive-analytics company headquartered in Los Angeles.

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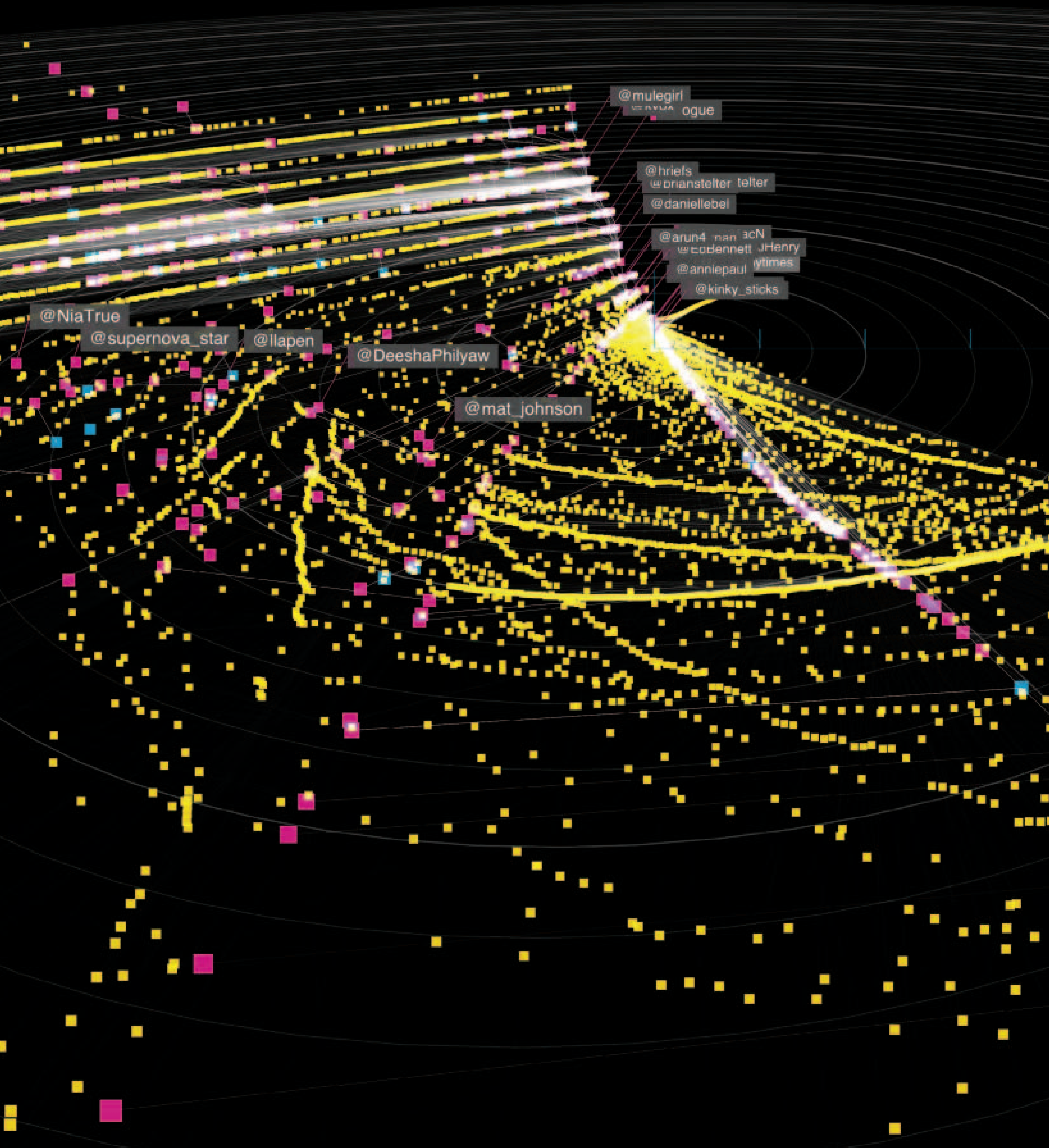
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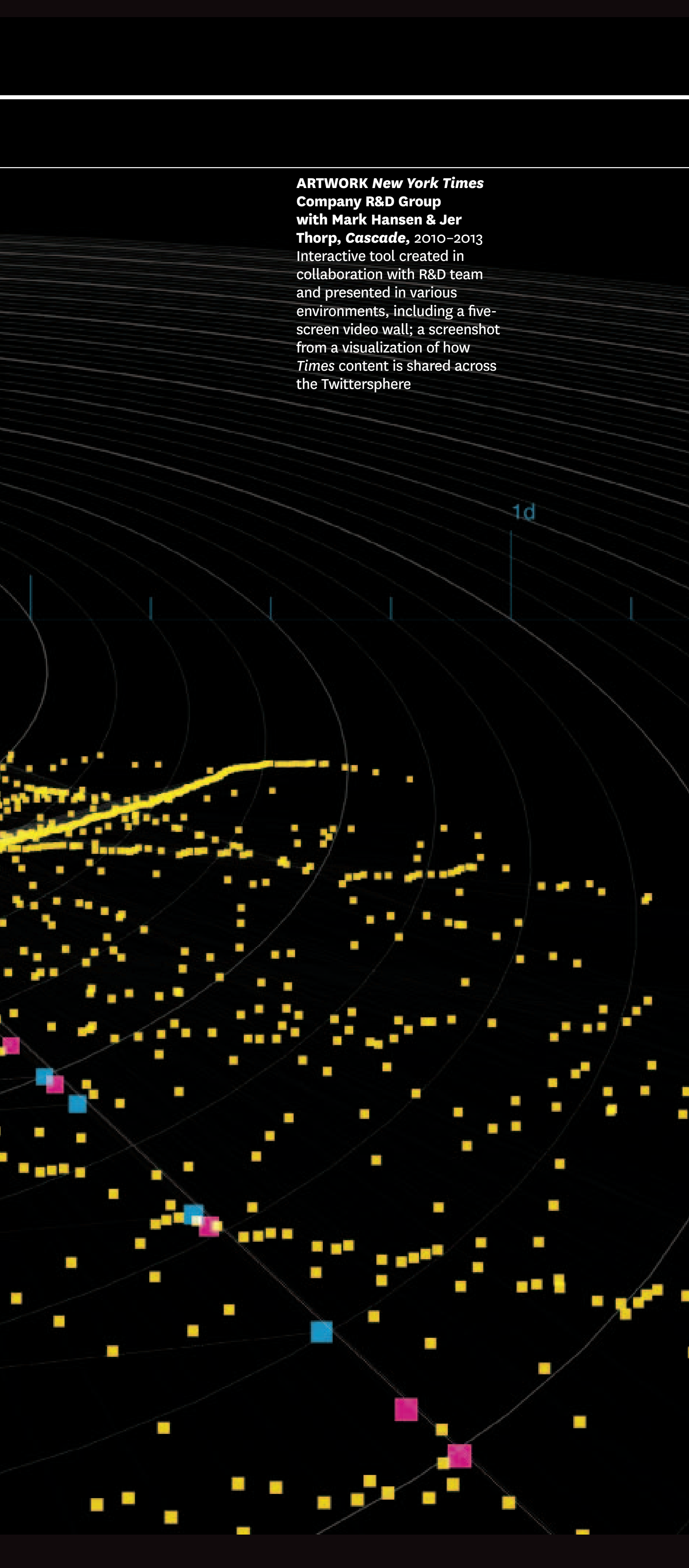


ARTWORK *New York Times* Company R&D Group with Mark Hansen & Jer Thorp, *Cascade,* 2010–2013
Interactive tool created in collaboration with R&D team and presented in various environments, including a five-screen video wall; a screenshot from a visualization of how *Times* content is shared across the Twittersphere

Sunil Gupta is the head of the marketing unit at Harvard Business School.

For Mobile Devices, Think Apps, Not Ads

by Sunil Gupta

Like most professionals, I carry a smartphone. Although I use it frequently for e-mailing with colleagues or texting with my family, I also use its apps to find information or to entertain myself. And as I navigate its 3.5-inch screen, I routinely encounter something else: a growing stream of itsy-bitsy advertisements.

When I click on the app for the online magazine *Slate,* for instance, I see a banner—smaller than my pinkie—for something called Bingo Rush, with little stars and the word “free.” What is Bingo Rush? I have no idea. At the bottom of the *Huffington Post* app is a tiny rectangle that says “Scratch and win with Adidas.” What can I win? I’m not sure; the ad can barely accommodate five words. On my Sudoku app is an ad for BMW—no, wait, it’s Audi. (The photo is so small that it’s hard to tell.) When I give it a tap, the Sudoku app disappears, and my screen goes blank while my phone struggles to load whatever Audi intends to show me next. Before it appears, I’ve lost patience and switched to a different app.

These balky, Lilliputian ads represent the state of the art in mobile advertising—and they don’t work. Few people click on them. In surveys, four out of five people report disliking them.

Many companies are betting that with some tweaking, mobile ads will become an integral part of their communications strategies. Indeed, one of the most celebrated media graphics produced in the past year is a slide showing a side-by-side comparison of how people consume media (mobile now accounts for 10% of time spent with media) and where advertisers spend their money (mobile accounts for just 1%). Over time, some observers argue, these numbers will converge. Driven by that logic, mobile ad budgets in the U.S. are expected to increase from $2.3 billion in 2012 to almost $11 billion in 2016.

Smart marketers *will* embrace mobile as a communications platform—but the best use of the new medium won't look anything like the current generation of tiny display ads. Historically, that's a familiar scenario. Whenever new media emerge—consider television in the 1940s and 1950s and the World Wide Web in the 1990s—there's a period of fumbling while marketers try to repurpose ads that worked in the old media. That's why early-1950s TV commercials featured narrators reading what were essentially radio advertisements, and why 1990s websites were filled with static display ads taken directly from print campaigns. Neither effort was effective. New media require new methods of advertising, and those evolve over time. The same will be true of mobile.

The best way for marketers to communicate through mobile will be with apps. Apps will trump traditional ads in part because consumers don't perceive them as advertising—they value them for their functionality and thus don't find them intrusive. For marketers, apps will also be attractive because they're actually more cost-efficient than traditional ads, and they sometimes create entirely new revenue streams.

If you observe how people use their smartphones, and if you look beyond calling, e-mailing, and texting (activities that aren't particularly conducive to advertising), you'll see that apps dominate. Users spend, on average, 82% of their mobile minutes with apps and just 18% with web browsers. They download about 40 apps to their phones (out of more than a million available) and regularly use about 15.

Smartphone apps fall into five categories:

- Games and entertainment, which, according to one study, account for 42% of time spent on smartphones;
- Social networks (especially Facebook), which account for another 31% of smartphone time;
- Utilities, including maps, clocks, calendars, cameras, and e-mail;

ILLUSTRATION: JAMES GRAHAM; PHOTOGRAPHY (RIGHT): PAUL BROWN/REX FEATURES

How an App Drives Revenue

Tesco's Home Plus lets commuters in South Korea shop for groceries via life-size photos of store shelves displayed on the walls of subway stations.

Shopping on the go...
Commuters use a smartphone app to scan the QR codes of the groceries they want to buy and to have delivered to their homes.

...means more sales
Within three months of the system's rollout, registered users of the delivery service rose by 76%, and revenue increased by 130%.

Idea in Brief

Although smartphones are ubiquitous, "mobile advertising" can be a hollow phrase. People simply don't like ads on their screens.

Instead of buying tiny banner advertisements, smart marketers will create apps that enhance consumers' lives.

Effective apps will do at least one of the following:

Add convenience. Banking apps, for example, let people pay their bills online.

Offer unique value. Commuters can use an app to order groceries while waiting for their trains.

Provide social value. Apps on Facebook and other sites let users send gifts to friends.

Offer incentives. Apps that give away mobile minutes, for instance, can entice customers.

Entertain. Companies can capitalize on the popularity of mobile gaming by devising games focused on their brands.

These strategies will help marketers reach customers and build long-term engagement with them.

• Discovery, including apps for Yelp, TripAdvisor, and Flixster;

• Brands, such as Nike and Red Bull.

The challenge for brand marketers is clear: If smartphone users spend most of their time with apps but regularly use only about 15, and if few of those 15 are for branded products, the marketing real estate on users' mobile screens is constrained indeed. How can marketers reach and engage these consumers?

Instead of buying tiny banner advertisements, marketers should create apps that add value to consumers' lives and enhance long-term engagement with their brands. To do so, they need to understand how and why users choose apps. My research reveals five strategies that can help them succeed.

1. Add convenience. Most airlines have mobile apps that allow customers to check in and to monitor their flights' status. Most banks have mobile apps that let people track their bank balances and pay bills. ESPN's app lets sports fans check scores. Of course, people can also do these things on desktop computers or from a mobile browser, but the smartphone apps function more quickly and smoothly, so most customers prefer them. And every time a consumer uses one of these apps—or even glimpses it on the screen while swiping to find something else—it increases her exposure to the brand.

Convenience apps can give marketers a great return on investment, but they face three constraints. First, although they can strengthen relationships with existing customers, they aren't very effective at acquiring new customers. Second, established brands with large customer bases have an inherent advantage in using these apps to drive retention and engagement; such apps aren't a viable alternative for every company. Third, as more and more companies build convenience into their apps, they will find it harder to differentiate themselves on that basis.

2. Offer unique value. Some apps take advantage of mobile capabilities to do things traditional desktop computers can't. In South Korea, where the UK-based retailer Tesco has a grocery delivery business called Home Plus, the chain plastered the walls of subway stations with life-size, high-resolution photos of products on store shelves, complete with QR codes that can be scanned with a smartphone. This allows consumers to shop and arrange for delivery while waiting for their trains. Within three months of the system's rollout, the number of registered users of Home Plus had increased by 76%, and revenues had increased by 130%. After a decade of badly trailing its competitor E-Mart, Home Plus is

Why Mobile Ads Don't Work

Display ads function well in print and on desktop computers. But there's a growing consensus that they just don't work on mobile devices. Here are three reasons why:

People Don't Like Them
Surveys show that people find mobile ads more intrusive than desktop ads, because mobile is a more private venue. In fact, fully one in five say that mobile ads are "unacceptable."

There's No Right Side
PC users are conditioned to find ads in the right margin of the screen—they appear that way on Facebook and in Google search results, for example. But mobile screens are too small to have a usable right margin, so ads pop up in unexpected places.

The "Fat Finger" Effect
Advertisers closely track how many users tap on an ad. But many of those taps are inadvertent, because the ads are tiny—so it's difficult to judge an ad's effectiveness.

now closing the gap in overall market share, including offline sales. Since it was launched, in April 2011, the app has been downloaded more than a million times, and the company is now expanding its virtual stores to bus stops.

Nike, similarly, has capitalized on mobile's distinctive abilities. In 2006 it unveiled Nike+, an app (originally for iPods, now available for most smartphones) that works with a special chip in runners' shoes to monitor speed, distance, and calories burned. Although the app itself is free, people must buy either a sensor-equipped Nike sneaker or a shoe-mounted sensor in order to use it. Nike credits the app with having driven growth of 30% in its running division as of 2012, and it has expanded Nike+ to include apps and accessories that track other activities, from playing basketball to sleeping.

> Consumers don't perceive apps as intrusive advertising—they value them for their functionality.

Neither the Home Plus app nor Nike+ feels like a traditional marketing communication—and that's exactly the point. Mobile users don't want ads; they want apps that deliver unique benefits.

3. Provide social value. Facebook added its billionth user in October 2012; its app is one of the most used in the mobile world. Yet Facebook, like other social media companies, has struggled to monetize its user base through advertising. Marketers question the effectiveness of ads on social media sites, because ads interrupt the user experience of connecting with friends. Activities that enhance connections among friends are a different matter.

Social gifting is a case in point. As Reid Hoffman, a cofounder of LinkedIn and a partner at the venture capital firm Greylock Partners, has observed, it draws on three hot trends: gift cards, social networking, and mobile shopping. Consider two examples: Since its November 2011 launch, more than 300,000 people have used the Swedish start-up Wrapp to give their Facebook friends promotional gift cards available from nearly 100 major retailers. (In all, more than 2.2 million cards have been sent.) And in September 2012, three months after acquiring the mobile social gifting company Karma, Facebook announced the rollout of features that let users send their friends gift cards for Starbucks coffee, Magnolia Bakery cupcakes, and other goods.

4. Offer incentives. The basic concept is familiar; many firms use short-term promotions and other incentives to entice customers to buy their products or to "like" them on Facebook. To win a spot among the handful of apps on a consumer's mobile phone, however, marketers need to come up with especially creative incentives.

Coca-Cola did so with a recent promotion in Brazil. In March 2012 the company began installing special devices in venues such as beachfront kiosks—bright red machines that look like soft drink dispensers and bear the Coke symbol and the phrase "Refil de Felicidade" ("Refill Happiness"). After downloading a mobile app, consumers—typically teenagers—can hold their phones up to one of these machines, which will "dispense" 20 megabytes of free data credits while an image of a Coke bottle being filled up appears on the screen.

5. Entertain. Recall that smartphone users spend more than 40% of their app time playing games, and that the figure for tablet users is even higher. This represents a huge opportunity for savvy marketers.

Red Bull is one company that has capitalized on the opportunity. Instead of creating an app focused on its brand, it devised several mobile gaming apps, including Red Bull Kart Fighter, Red Bull X-Fighters, and Red Bull Air Force. For an energy drink company, building games requires a new and very different set of capabilities, and it is more complicated than simply buying banner ads. But the effort is paying off: In all, the games have been downloaded about two million times to date, and whenever a customer hits "Play," he's engaging with Red Bull.

The fact that creating apps demands completely new skills will probably turn out to be a plus for many companies. As Angry Birds and similar apps became overnight sensations, thousands of computer programmers entered the industry as freelance app designers. (More than 275,000 developers have registered to build apps for the iTunes store alone.) Despite the hype, many are struggling; as the *New York Times* recently reported, "only a small minority of developers actually make a living by creating their own apps." As a result, developers' fees are often far lower than those of ad agencies. So apps are not only the most effective way to reach mobile consumers; they're also more cost-efficient than many traditional ad campaigns.

DESPITE THE UBIQUITY of smartphones and the hours many of us now spend each day with our heads bent over a small screen, sophisticated marketers will realize that "mobile advertising" is often a hollow phrase. People simply don't like ads on their mobile devices. Even location-based ads that entice customers through context-specific discounts are merely serving a short-term objective, not engaging customers for the long run. Marketers will get better results by communicating with consumers in a format that enhances their lives and offers long-term value. In the coming years, creative minds may find new vehicles for achieving these aims. But for the time being, apps are the best way to win the hearts and minds of mobile consumers.

HBR Reprint R1303D

"Since you asked, no, the moat hasn't been effective at all."

CARTOONIST: P.C. VEY

Spotlight

ARTWORK The Office of Creative Research (Mark Hansen & Ben Rubin), *Shakespeare Machine,* 2012, 37 blades display fragments of speech from the Bard's plays that appear and then dissolve, 21' x 17', Public Theater, New York City

You can make ubiquitous advertising acceptable—even welcome—to consumers.

by Jeffrey F. Rayport

Advertising's New Medium: Human Experience

Last summer the London-based beverage giant Diageo devised labels for its Brazilian-market whiskey that turned the bottles into a conduit for custom video. Timed to hit shelves for Father's Day, in August, the labels enabled a gift giver to scan a code and upload a video message for Dad to the cloud. Dad could scan the code with his own phone to receive the recorded good wishes. The videos promoted the brand, tightened social bonds, and allowed the company to reconnect with both giver and recipient for future promotions—events, tastings, offers, and the like. Diageo transformed the most mundane form of advertising—a label with a logo—into an open-ended personal messaging system that could be woven into consumers' lives.

This is a far cry from advertising as we've known it—ubiquitous but often poorly targeted, intrusive, ignored at best and actively rejected at worst. Today consumers are drowning in irrelevant messages delivered across media from the web, TV, radio, print, and outdoor displays to a proliferating array of mobile devices. Screen displays are pervasive: Smartphones and tablets, ATMs, airport check-in terminals, retail checkout machines, and information kiosks in stores and malls all carry marketers' messages. Media networks have infiltrated scores of out-of-home places in our daily lives: taxis, trains, buses, elevators, filling stations, bars, restaurants, and subways. So-called narrowcast networks, such as Walmart TV, have become media vehicles in their own right, reaching audiences easily as large as those of the leading cable networks.

In this media-saturated world, advertising strategies built on persuading through interruption, repetition, and brute ubiquity are increasingly ineffective. Seeking escape from the barrage, consumers DVR through TV spots, block pop-ups on their browsers, opt out of banner ads, and pay content providers like Pandora to not deliver advertisements. To have an impact, then, marketers must fundamentally rethink their advertising strategy and execution and expand their definition of what, exactly, advertising is.

This article offers a framework for that process. It is based on the understanding that human experience—from one's online and offline travels to social interactions, group affiliations, and thought processes—is a vast medium for advertising that can and should be approached strategically. Whether advertising works in this arena depends on how marketers conceive its purpose, how they craft and place their messages, and, most important, whether consumers welcome the messaging and invite advertisers' brands into their lives.

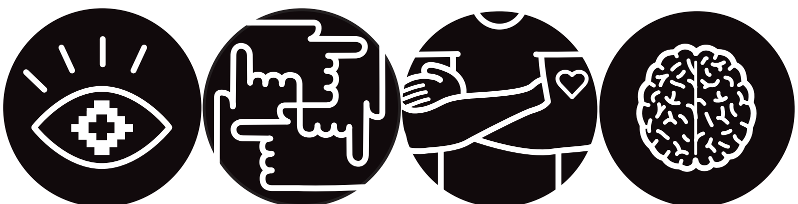
The model underlies my teaching and consulting to senior executives within the global agency and marketing services company Omnicom Group and through MarketspaceNext, a digital strategy firm. The ideas behind it have been applied in media, retail, financial services, pharmaceutical, and consumer packaged goods companies.

Be a Presence

Standard ad messaging and conventional creative executions and placement are rapidly becoming outmoded. To win consumers' attention and trust, marketers must think less about what advertising says to its targets and more about what it does for them. Rather than conceive ad campaigns with a beginning, a middle, and an end that hammer home a point, they must think about advertising—as well as the offerings it promotes—as a sustained and rewarding presence in consumers' lives.

That's still a new and disruptive idea for a discipline that remains most at home with TV spots and display ads. Nonetheless, marketers at Diageo and elsewhere are pushing advertising's boundaries. Companies like Demand Media, Skyword, and BuzzFeed, for example, have fueled the growth of so-called native content, creating both text and video that complement commercial messaging and encourage consumers to engage with it because it's more than an advertisement. Rolex links its online display ads to the World of Music—a *New York Times* survey of concerts and operas, branded with the company's iconic crown logo, that's designed to appeal to the Rolex-buying demographic. Shortly after the U.S. presidential election, Fidelity placed full-page ads in major papers that posed the question "How could the election results affect the markets?" and invited readers to download insights from the company's expert panel.

Such advertising is conspicuously different from the conventional sort. In the best cases, it has edi-



Online Ads in the Four Spheres

Online advertising technologies profoundly enhance marketers' ability to tailor advertising to a consumer's specific context.

Through real-time bidding on online ad exchanges, marketers compete in split-second auctions for the opportunity to serve an ad to an individual consumer on the basis of attributes such as her web-browsing history, social media use, purchase behavior online and off, location, and demographic profile. Having created as many as several thousand variations of an ad for a standard online ad unit, such as a banner, marketers can choose the version—in a process called dynamic execution—that's most likely to resonate with the recipient. All this happens in 30 to 120 milliseconds (sources vary), from the time a user clicks on a link or types in a URL (initiating an "ad call") to when the web page actually loads. The same technology can be extended to the mobile web and will soon reach all electronic media, including television.

ILLUSTRATION: JAMES GRAHAM

Idea in Brief

In a media-saturated world, persuading through interruption and repetition is increasingly ineffective. To engage consumers, advertisers must focus on where and when they will be receptive. This requires strategically embedding ads in four domains of human experience:

The *public sphere,* where we move from one place or activity to another, both online and off;

The *social sphere,* where we interact with and relate to one another;

The *tribal sphere,* where we affiliate with groups to define or express our identity;

The *psychological sphere,* where we connect language with specific thoughts and feelings.

Each sphere has varying levels of effectiveness for driving desired behavior such as awareness, purchase, and loyalty. Advertising successfully in each of these domains requires that messages offer value and that consumers trust and welcome them.

torial integrity and engages through relevance and value. But no matter how worthwhile your message, competing for attention simply by yelling louder across the proliferating array of media platforms is not a sustainable strategy. If human experience is a medium for advertising, how can marketers engage consumers there in ways they will welcome?

In my work, I advise marketers to approach this medium as a landscape composed of four domains: the public sphere, where we move from one place or activity to another, both online and off; the social sphere, where we interact with and relate to one another; the tribal sphere, where we affiliate with groups to define or express our identity; and the psychological sphere, where we connect language with specific thoughts and feelings.

Marketers have long placed advertising in each of these spheres, but often unwittingly or not strategically. By explicitly mapping their programs and messaging to these four domains, they can engage consumers in effective new ways. Rather than focusing first on communication strategy and marketing mix, they should begin by considering how consumers live their lives and under what circumstances they will prove receptive to messages in these domains.

The Public Sphere

Advertising in the public sphere typically engages consumers during moments of downtime when they're moving between one point or activity and the next and have attention free for new inputs. Such ads have a long history, of course; beginning in the 1920s, for example, Burma-Shave famously erected sequential signs that delivered rhyming ad messages as drivers whizzed past. More recently, Captivate Network put silent, sponsored screens in office tower elevators, and PumpTop TV put digital displays on gasoline pumps.

In the virtual realm, real-time bidding and dynamic execution enable marketers to buy online ad space and serve up any one of hundreds or thousands of variations of an ad tailored to the consumer's profile and, increasingly, location—within milliseconds (see the sidebar "Online Ads in the Four Spheres"). As the targeting of such ads improves in the public sphere, they will become less the intrusion they're considered now and more a source of welcome messages. Mobile apps and services that build on these capabilities are a powerful way to reach consumers between activities or in transit, because that's when people reflexively turn to their devices. In fact, a study in the January–February 2013 HBR ("How People Really Use Mobile") reported that consumers spend nearly half the time they're on mobile devices "seeking relaxation or entertainment."

Effective public-sphere ads follow one or more of four principles:

They are relevant in context. That is, the message aligns with the consumer's experience at the moment she encounters the ad. The online shoe retailer Zappos understood this when it placed ads in the bins used to move possessions, including shoes, through U.S. airport security. This placement connects idle time in transit with unintrusive but relevant messaging. A billboard related to your needs (a restaurant ad on an interstate) is similarly contextually relevant.

They help people reach personal objectives. IKEA, the global Swedish discount retailer, has integrated its advertising with a range of transportation solutions for customers at its Brooklyn, New York, store. The company provides a water taxi and a shuttle bus, branded and painted in its iconic blue and gold, to get from Manhattan and back, and makes it easy to reserve Zipcars—some of them branded as well—in advance of or during a store visit. The buses, boats, and Zipcars serve as mobile billboards for the brand: It's advertising conceived as problem solving.

They are branded interventions, entering the lives of consumers in targeted and useful ways when and where they're desired or needed. Consider the battery maker Duracell's initiative after Hurricane Sandy pummeled the northeastern seaboard of the United States in October 2012. Duracell dispatched Rapid Responder trucks emblazoned with the brand into devastated areas to serve as mobile charging stations, provide people with web access, and, of course, give away its own batteries.

They provide engaging, refreshing, or compelling experiences. Pop-up stores and pop-up trucks, which are surprising, experientially rich, and brand-focused, provide one example. From 2006 to 2010, for instance, Charmin placed temporary public restrooms featuring its products in Manhattan's Times Square during the holiday season, increasing brand awareness and building goodwill. Permanent branded installations, such as the six Hershey's Stores in the United States, Shanghai, Dubai, and Singapore, are another example. So are temporary acts that crop up in the midst of everyday life, including roving Starbucks employees—wearing aprons featuring the company's famous Siren logo—who ply consumers with complimentary cups of hot mulled cider on cold winter days during the holidays.

Ads in the public sphere typically address a specific practical function, but they can also exert influence in the remaining three spheres, as we'll see.

The Social Sphere

Advertising in the social sphere helps people forge new connections or enrich existing ones. It can turn social interactions themselves into carriers of ad messaging. Like public-sphere advertising, it must appear in the right place at the right time with the right message. To that end, it must be relevant in context, align with social goals, address a social need, and facilitate interaction in innovative ways.

Diageo's "talking bottles" are an example: They reinforce existing relationships while also reinforcing the brand. Indeed, any advertisement that consumers are inspired to pass along serves this purpose. Several million people have shared Procter & Gamble's comical Old Spice video ads online, delighting friends, cementing connections, and immeasurably boosting the brand.

Walmart's Shopycat and other gifting platforms advertise by addressing social needs, such as finding the right present for a friend. Shopycat generates gift recommendations for consumers' Facebook friends; it was launched in 2011 through a rollout to the 11 million fans who "liked" the retailer's page. The system uses semantic intelligence to interpret users' com-

Integrating Ads into Everyday Life

Effective advertising in each sphere of human experience depends on providing relevance and value.

Advertising Requirements	Examples
Public Sphere — Where we move from one place or activity to another in the physical and virtual worlds	
Is relevant in its context Aligns with consumer goals Provides utility Is engaging, compelling, and refreshing	Zappos ads in airport security bins Charmin pop-up facilities Duracell Rapid Responder trucks
Social Sphere — Where we interact with and relate to one another	
Is relevant in the social context Addresses a social need or solves a social problem Facilitates social interactions	Diageo whiskey label codes Walmart Shopycat Nintendo Wii parties for young moms
Tribal Sphere — Where we affiliate with groups in order to express our identity	
Addresses individual desires for self-expression or identity Performs as a social signal or a status marker Provides a form of affiliation Empowers the individual	Oakley branded products and decals Hermès, Gucci, and Louis Vuitton bags
Psychological Sphere — Where we connect language with specific thoughts and feelings	
Provides a new means of articulating ideas Identifies a brand with an action or an attribute Links a word to a pattern of thought Associates the brand with an emotion	Nike's "Just do it" Staples' "That was easy" Life is good, Inc.'s logo and motto

ments—noting, for example, that an individual did or didn't like a book or movie—and make tailored recommendations. Another form of social-sphere advertising uses a promotional event to help consumers achieve social ends. Taking a page from the Tupperware playbook, Nintendo fueled the highly successful launch of its Wii video games console by identifying women who fit the "young mom" profile and providing them with everything they needed—game consoles, catering, and event management—to host Wii parties and connect with other moms. It also unleashed a "backyard fence"–style word of mouth, online and off, that engaged a demographic that normally pays little attention to video or electronic gaming.

The Tribal Sphere

Whereas the social sphere emphasizes broad, diverse networks, the tribal sphere is the domain of more-focused social engagement; here marketers can use or help create consumers' identification with groups. Advertising that leverages tribal affiliation must suit the character and values of those involved; address desires for identity, self-expression, and membership; provide a social signal or status marker; and empower the individual.

Consider, for example, a cult brand like Oakley, with its high-performance sunglasses, goggles, and apparel, which relies heavily on tribal positioning. Not only do customers wear branded Oakley products; they also display the logo separately—by, for example, sticking decals on their cars. The brand name, detached from the product, signals inclusion in a tribe dedicated to extreme sports and athletic excellence.

Yelp and similar online sites use tribal status as a core engine of their business. Yelp is populated exclusively by user-generated reviews of offline venues ranging from restaurants to cultural institutions. Today it hosts nearly 33 million local reviews and claims roughly 84 million unique visitors a month. The leading producers of site content, however, are not a broad-based group. Rather, many reviews come from what the company calls its Elite Squad, whose members are invited to social events at restaurants, nightclubs, and museums and are celebrated as belonging to a tribe. Their strong sense of affiliation makes them powerful brand ambassadors who spread positive word of mouth about Yelp online and off.

Starbucks, too, has done major social media outreach to bolster tribal identity. Maybe its most clever move of late was to link the online and offline worlds, awarding status markers—special barista badges—to people who have become "mayors" of individual Starbucks stores by virtue of their number of Foursquare check-ins. These badges entitle their wearers to store discounts.

Tribal-sphere advertising is of course not limited to the masses. Luxury brands commonly use conventional mass media advertising while relying on their customers to deliver the most powerful ad messaging of all. Hermès, Gucci, and Louis Vuitton all depend on consumers' desire to signal their social status—their group affiliation—by showcasing logos and brand names.

The Psychological Sphere

This is the domain of language, cognition, and emotion. Obviously, all advertising ultimately operates here in one way or another. But ads optimized for this sphere are designed to insert words, phrases, or emotions into a consumer's psychological processes, where they serve as shorthand for complex concepts, inspiring action or triggering positive feelings. The principles that guide successful advertising in the psychological realm are simple: Such ads provide new ways to *articulate ideas, engender habit formation, guide reasoning,* and *elicit emotion.*

Psychological-sphere ads typically operate in one of four ways:

They use language to establish a cognitive beachhead for a brand. They may coopt commonplace words or phrases, as Staples did with "That was easy," Apple with "Think different," and Nike with "Just do it." Nike's motto is synonymous with the brand and associated with the goal of achieving one's personal best—in other words, it's both an ad and a motivator. Psychological-sphere ads may also move brands into the language, usually as verbs: Think of Xerox, Google, and FedEx. Similarly, brands may use words to identify themselves with an action or an attribute and thus "own" familiar words in a new way, as Facebook has done with "friend" and Twitter with "follow." They may coin memorable words or phrases, like Budweiser's "Whassup?" and Taco Bell's "Yo quiero Taco Bell," which took on lives of their own for consumers, reinforcing ad messages every time they came to mind. Countless consumers daily utter Verizon's "Can you hear me now?" for purely practical reasons; but each time, they reinforce both brand awareness and the implication that Verizon has the best network.

They seek to create habits. "Just do it" nudges consumers to run every day or aspire to their personal best. Alka-Seltzer's "I can't believe I ate the whole thing" was conceived years ago to train consumers to reach for the company's product after every excessively large meal.

They guide cognition. IBM has used "THINK" since its founding to inspire employees and project its values to the outside world—just as, more recently, the *Economist* has promoted "Think responsibly" and "Think someone under the table." Google's "Don't be evil," famously included in its IPO prospectus, became a mantra for entrepreneurs and consumers alike (despite some skepticism about Google's capacity to abide by it). Josh James, the founder of Omniture, a web analytics company now owned by Adobe, developed a simple phrase, "Think, go, do," as the corporate mantra and brand tagline. From a cognitive perspective, it's both inspiring and practical. And Oneupweb, a digital services company that aims to connect customers with brands in every way possible, operates according to a simple admonition: "Be relentless." It, too, advertises the brand and guides thought.

They connect a brand with a mood or an emotion. Consider the brothers Bert and John Jacobs, who had been selling T-shirts door-to-door at colleges and street fairs, with limited success. Everything changed when they created a shirt featuring a happy-looking character, Jake, and his motto, "Life is good." The shirt generated an immediate positive emotional response among their friends. Today Life is good Inc. sells some 900 items through 4,500 retail stores and more than 100 independently owned shops. Although the company's retail partners may use conventional forms of advertising, Life is good Inc. advertises only through the prominent logo and slogan displayed on the products its customers buy. It is rooted in the psychological sphere, promoting a frame of mind—optimism—captured in a phrase.

Placing Ads in the Spheres

Although advertising in the four spheres has similarities to conventional ad campaigns, it takes a customer-centric rather than a media-centric approach. Instead of focusing first on which media to emphasize in a campaign—television, web, mobile, outdoor displays—marketers should start by determining how the envisioned advertising can integrate into consumers' lives in ways that deliver value and win their trust. The notion of a conventionally finite ad campaign becomes less relevant. Advertising in the spheres is designed to establish a sustained presence that ranges from branded utility to instrument of thought.

The following five steps offer a useful framework for applying these ideas:

1. Define objectives first from a consumer's, not an advertiser's, point of view. Marketers often fail to clearly articulate their strategic goals at the outset, or the objectives they choose are vague, media-focused, or excessively broad. With a spheres strategy (and proliferating media in which to use it), clear objectives and priorities are more important

Choose the Right Sphere to Achieve Your Goals

Though advertising in any of the four spheres can promote marketing objectives, each one has varying levels of influence on consumer behavior.

LOW / MEDIUM / HIGH

	CONSUMER BEHAVIOR: AWARENESS	TRIAL	PURCHASE	BRAND PREFERENCE	LOYALTY
PUBLIC SPHERE	HIGH	HIGH	HIGH	LOW	LOW
SOCIAL SPHERE	MEDIUM	HIGH	MEDIUM	MEDIUM	MEDIUM
TRIBAL SPHERE	LOW	MEDIUM	HIGH	HIGH	HIGH
PSYCHOLOGICAL SPHERE	HIGH	LOW	MEDIUM	HIGH	HIGH

To win consumers' attention and trust, marketers must think less about what advertising says to its targets and more about what it does for them.

than ever. Is the primary goal of the campaign to build awareness? Encourage consideration? Drive purchase? Reinforce loyalty?

2. Target the campaign to create value for consumers. Each of the spheres offers specific strengths; choosing which sphere or spheres to emphasize in an advertising effort initially and as it evolves depends on determining where the consumer's and the advertiser's objectives intersect. Companies applying this model have found, for instance, that advertising in the public sphere drives awareness, trial, and purchase, and advertising in the tribal sphere drives purchase, brand preference, and loyalty. (See the exhibit "Choose the Right Sphere to Achieve Your Goals.")

3. Test, listen, and adjust ads to improve the customer experience. Like traditional advertising strategies, a spheres-based approach requires dynamic testing. Even in the appropriate sphere an ad campaign may be ineffective for a variety of reasons. Therefore it's critical to "listen" to the intended targets of a campaign with the technological and conventional tools available—from automated online behavioral tracking and monitoring of social chatter to anthropological observation of consumers in the physical world—and adjust course in real time. Facebook's Beacon, which alerted friends whenever one of them made an online purchase, caused an immediate backlash; Facebook quickly pulled it and shifted to less invasive efforts such as serving targeted online ads.

4. Evaluate an expansion strategy. Depending on results or the shifting objectives of a campaign, marketers may withdraw advertising from one sphere or extend it into additional spheres. For example, an effective social-sphere campaign may lead a loose social group to start acting like a "tribe" in which individuals express their identity through affiliation. BMW motorcycle clubs began as loose social affiliations and shifted over time into close-knit user groups, not unlike the intensely tribal Harley Owners Group. Similarly, advertising in the public sphere may produce a word or phrase association that can be reinforced and exploited with ads specifically designed for the psychological sphere.

5. Constantly look for ways to refresh the message. Consumer attitudes and behaviors are evolving at an accelerating pace. Marketers must constantly gauge campaign performance and adapt their approach in real time. This is fundamental for advertising in the public sphere, where messaging must play a useful, contextually appropriate, and value-creating role in people's daily lives, but it applies equally to advertising in the other three spheres. For example, many brands maintain their relevance in the psychological sphere by refreshing either their message (as in taglines and brand promises) or their treatments; think of the numerous times Coca-Cola has changed its logo and taglines without (in contrast to Pepsi) losing the fundamental consistency of its brand. And consider how social networks and consumer tribes morph over time; having a fresh message is essential to maintaining a campaign's relevance and value. The tagline of Twitter, an engine of tribal behaviors, has evolved from "A Whole World in Your Hands" to "What are you doing?" to "Follow your interests" to the current informative if wordy "Find out what's happening, right now, with the people and organizations you care about."

ALTHOUGH ADVERTISING woven into the context of consumers' lives is less interruptive than conventional advertising, it is also more constant. If marketers abuse the tools at their disposal, their advertising can transform from "present and valuable" to "invasive and exploitative." Thus they must not only get "permission" from the consumers they approach but also engage them with deep respect. Advertising in the public, social, tribal, and psychological spheres works only when it is welcome and useful; the moment it assaults the senses, invades privacy, seeks inappropriately to extract value, or otherwise abuses consumers, they will reject it or, worse, react with a scorching backlash.

HBR Reprint R1303E

Jeffrey F. Rayport advises corporations and private equity firms focused on retail, information, and marketing services. He is a founding faculty member of Omnicom University and the managing partner of the digital strategy firm MarketspaceNext.

BIG DATA DRIVES WALL STREET

Wall Street loves two things: big data and smarter investments. That's why Fraser Communications and their client MarketSmith—the wholly owned subsidiary of William O'Neil + Company—are bullish on Rocket Fuel.

Rocket Fuel was the number-one driver of conversions for a trial subscription of MarketSmith, and brought the cost per conversion down 40% from the previous year. This means MarketSmith's ads get smarter and more effective in real time, not next time.

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Spotlight

Creative That Cracks the Code

by Julia Kirby

A decade into an internet-driven advertising revolution, is it all over for creative? Looking at the web, you might think so. Your typical browse is thoroughly polluted by mortgage-refinancing and weight-loss ads, none of which came off the drawing boards of great art directors. Their dancing-lady silhouettes and promised "weird old tips" are the output of algorithms that will throw anything at the wall to see if it sticks.

What with ad-optimizing technologies and filter-defying product placement, search-based ad serves, real-time media bidding, and location-based features for mobile devices—all eagerly embraced by ROI-obsessed marketers—it would be easy to conclude that advertising has flipped to all science and no art. But then along comes fresh creative to show us what really sells.

In the next few pages we take a look at six campaigns that stand out because each has a clever idea at its core, an element that is new and deserves to live on. Together they provide assurance that as long as companies are selling, consumers will need persuading—and the creativity of advertising will never cease.

VARIATIONS ON A MEME
WONDERFUL PISTACHIOS

Advertising creatives have always known the power of memes, even if they didn't always use the term. For decades major marketers, with their command of the airwaves and commitment to repetition, were often the ones to launch memes. Alka-Seltzer's "I can't believe I ate the whole thing" and the Wendy's tagline "Where's the beef?" were picked up and repurposed from preschools to presidential debates.

The splintering of media channels has made it hard to claim that kind of mindshare by brute force. Add the democratization of publishing and the premium people place on discovering the new, and you have a situation where memes can start anywhere, take off like rockets, and fizzle out a week later. Whereas advertisers once spawned memes, now the better strategy may be to surf them.

So expect to see more creative in the mode of the Wonderful Pistachios campaign, which is simple enough to cycle through executions quickly and cheaply. The campaign started out conventionally, using celebrities, and was highly successful: National TV spots in its first year yielded a 233% increase in sales, and double-digit gains have followed in the years since. But now the ads include memes, such as YouTube's infamous Honey Badger and Secret Service agents partying with prostitutes.

If someone else got a popular meme rolling, why jump on that bandwagon? Because that's the appeal of memes: trying to do a creative mind one better. People don't ignore subsequent versions because they've already seen the original one—that's the reason they pay attention in the first place.

In his paper "An Anatomy of a YouTube Meme," Limor Shifman of Hebrew University analyzes 30 videos that went viral and finds major commonalities: ordinary people, flawed masculinity, humor, simplicity, repetitiveness, and whimsical content. It's the perfect recipe, Shifman concludes, for "invoking further creative dialogue." Much of that dialogue comes in the form of clever redos designed to delight particular constituencies. (Thus the ridiculously catchy dance video "Gangnam Style" was tweaked for robot lovers by a Transformers reenactment and infiltrated political circles as "Romney Style.") A major advertiser with a big budget should be more reliably able to nail the execution for its constituency—snack eaters, for example, or Lego fans. This is the opportunity revealed by the newest pistachios ads. Expect more advertisers to follow suit.

THE AD AS A GAME COCA-COLA CHINA

Plenty of advertising is already embedded in electronic games. The new wrinkle is that gaming can be embedded in ads—perhaps the only hope of engaging some people's interest long enough to get a message across.

Coca-Cola China's TV ad for the Hong Kong market invited viewers to use their smartphones to "chok" bottle caps flying across their TV screens. A well-timed waggle of the phone would catch a cap on the phone's screen, earning points (to be redeemed later for sweepstakes entries). This mobile integration was complicated: For instance, people had to download a special app to play, and the timing of the ads had to be announced in advance so that players would be ready. But it all came together and worked. The app was downloaded 380,000 times in its first month, and exposure to the ad (on TV, YouTube, and Weibo combined) exceeded 9 million views.

Electronic games started out as all whiz-bang technology and no aesthetic appeal. (Pong, anyone?) Today's gamers demand not only stunning visuals but also narrative and emotional depth. As advancing technology makes such integration more seamless, many marketers will build on this start. Some of them may be surprised at how rapidly creative talent comes back to the fore.

COLLABORATING WITH THE CROWD OREO COOKIES

It's easy to forget how long companies have been inviting ideas from "the crowd." If you're in doubt, read *The Prize Winner of Defiance, Ohio,* a memoir of 1950s America in which the author's mother writes advertising jingles for contest after contest. Years before Jeff Howe coined and defined the term "crowdsourcing," marketers knew its power.

Now that the business world has rediscovered the concept, most people celebrate crowdsourcing as a way to get fresher, better ideas. And they're right: If a company uses Tongal or a similar platform to solicit and sift through thousands of creative submissions, the odds are good that it will be rewarded with some real gems. But the quality of the winning idea is at best only half the argument for crowdsourcing. When ordinary folks sit down to think about how to advertise a product, the marketer gets more engaged customers as well as more creative options.

If you focus on maximizing engagement, you'll realize that the ideal time commitment to be asked of the crowd measures in minutes. If you expect people to spend hours on beautifully rendered creative, you've set the bar too high, because 99% of the public lacks the time and confidence to engage at all.

Nabisco's "Daily Twist" campaign for Oreo cookies is an example of getting it right. In honor of its centennial, the brand launched a 100-day series of cookie designs pegged to each day's news. It invited people to nominate news pegs every morning and to vote later in the day for their favorite designs. In the meantime, highly talented designers cooked up the creamy execution. With the bar so low for crowd participation, anyone could offer up thoughts. Sharing of Oreo's Facebook page rose by 4,400% compared with the three months before the campaign's launch. Plenty of those people also went out and bought Oreos.

JUST ENOUGH HUMOR
KIA MOTORS AMERICA

In March 2009, Kia Motors America aired a fun little ad for its Soul model car. To evoke the drab mindlessness of the typical daily commute, it showed roads filled with hamster wheels. When a Soul drove up alongside one and its window slid down, the hamsters in the car, chilling to their hip tunes, showed everyone "a new way to roll."

Kia has stuck with the hamsters since, and in every outing they're funny but not uproariously so. New research suggests that might be key to their product-selling success. (The campaign is credited with spurring multiple years of double-digit growth in Kia's U.S. sales.) According to the marketing scholars Thales Teixeira, Rosalind Picard, and Rana el Kaliouby, who used web-based facial tracking to gauge consumer responses to various humorous ads, "excessive amounts of entertainment" tend to backfire and actually reduce an ad's persuasiveness.

Timing counts, too. "Entertainment evoked *before* the consumer is aware of the brand being advertised...*reduces* purchase intent," the authors report. "But entertainment evoked *after* the consumer sees the brand...*increases* purchase intent. In this case, entertainment has a cooperating effect with persuasion."

Humor has always been part of the advertiser's tool kit, but its use has always been controversial. "You can entertain a million people and not sell one of them," observed the ad guru John Caples. Advising copywriters to avoid it, he pointed out, "There is not a single humorous line in two of the most influential books in the world, namely, the Bible and the Sears, Roebuck catalog." Still, it's hard to imagine following that advice in an era when consumers are inundated with communications and gravitate instantly to those they find most fun. As research techniques become ever more sophisticated, we're bound to see humor used more than ever—but also with more precision.

A NEW SOCIAL MOVEMENT
MARKS AND SPENCER

Ask anyone in consumer goods why his industry is not more committed to sustainability and you'll hear the same thing: because the marketplace doesn't reward us for being so. Sadly, most "socially responsible" goods cost more to produce than alternatives that leave the world worse off, and those costs translate into higher prices. Regarding the merits of passing up the greater bargain for the greater good, most shoppers remain unpersuaded.

But persuading people is what advertising is designed to do. So as marketers become more authentically committed to corporate responsibility goals, expect to see more of them using their messaging powers to change consumer attitudes and behavior.

That is what the British retailing giant Marks and Spencer is doing in its "shwopping" (a conflation of "shopping" and "swapping") campaign, which suggests that before you rush out to buy the latest fashion, you choose something from your closet to recycle. M&S will make that easy for you through a partnership with Oxfam and convenient "shwop drops" in its stores. But you might decide that you can keep wearing that old thing and you don't need a new one.

Here's a for-profit company that is not only promoting something other than the goods it has for sale, but even to some extent suppressing demand for them. It seems like madness until you realize that M&S is playing a longer game. As the UK's biggest clothing retailer, it can't afford to be irresponsible—its practices are under heavy scrutiny. If and when its customers start to value sustainability, it stands to win big. CEO Marc Bolland is determined to get there: "We're leading a change in the way we all shop for clothing, forever." He hopes the movement will catch on to the point where all stores take back one garment for every one they sell. "For us that's 350 million a year," he says. "It is a big number, but with our customers' help, we will do it."

ROBERT RODRIGUEZ
NM + TARGET FIT-AND-FLARE LACE DRESS $99.99

ADS THAT "GO NATIVE"
NEIMAN MARCUS AND TARGET

Content providers maintain an uneasy alliance with advertisers. Both sides know that ads enjoy greater attention when they are hard to separate from the content that surrounds them. And both sides need the advertising to succeed. But the content people also know their customers will balk if they feel that content has been compromised by paid marketing.

As consumers' devices and desire to filter out ads continue to advance, the degree of permissible intrusion into content keeps changing. First there were advertorials and ad copy rendered in a publication's house font (albeit discreetly labeled "Paid Advertising"). Then there was material published by "content marketers" on magazine blog networks. All along we've had product placement in films, TV shows, and games.

A recent campaign shows how far a marketer can now go to make its advertising blend in with the surrounding context. After the retailers Target and Neiman Marcus teamed up on some merchandise, they decided to advertise it on ABC's drama series *Revenge*. First they opted for a "takeover" of the program, meaning that every ad in the hour-long segment was theirs. Then, to make the most of that sole sponsorship, they hired the show's cast to perform in character in five long-form commercials. These were unquestionably ads (the Target–Neiman Marcus line was prominent in them), but by borrowing all the elements viewers had chosen to enjoy and stringing the spots into a "story within a story," the marketers made them hard to skip.

What instantly became clear is that there is a big difference between ads that travel into native territory and ads that "go native." Extra expense and tricky constraints are involved when a brand chooses to assimilate with indigenous content. But those that can move comfortably in this realm may never go home again.

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Julia Kirby is an HBR editor at large.