



MORE is better than less.

## Dear Friends:

“The Age of the Customer” is upon us, along with emerging technologies whose goals are to meet its many demands. Media companies, charged with embracing these technologies, must now reevaluate their ability to make the most of them. This issue’s feature discusses the technological changes that are in the works and the significant organizational changes that must surely follow.

Our fall calendar of events includes Breakfast with MFM/BCCA, October 24 in Atlanta, Georgia; the 2017 BCCA Media Credit Seminar, November 7 in New York, New York; and the Szabo Holiday Party, December 9 in Atlanta.

Best wishes for a fine fall season,

Robin Szabo, President  
Szabo Associates, Inc.

## Tech Brings Shake-Ups for Marketers, Media, Agencies

Revolutions create a cascade of changes, which can shake the very foundations of societies. The Industrial Revolution marked a major turning point in world history, influencing almost every aspect of people’s lives. The predominantly agrarian, rural societies of Europe and America became industrial and urban as factory workers created textiles and other goods, the steam engine transformed transportation, the telegraph transformed communication, and banks and industrial financiers gained prominence.

In our June issue, we characterized the Internet of Things (IoT) as the next Industrial Revolution, based on the opinions of industry experts. They assert that connectivity is the new way of the world, fulfilling its promise to greatly transform the way we live, work, and play. Emerging IoT technologies—engagement technologies that create profoundly different virtual, physical, and digital experiences, insight technologies that convert the promise of personalization and predictive analytics into reality, and supporting technologies that drive greater levels of speed and efficiencies—will converge to make this truly the “Age of the Customer.” These technological developments will in turn spur major organizational, structural changes among marketers, media, and agencies.

### Technological Change.

**Cognitive Computing.** One word we will hear many times in the coming months is “cognitive”—cognitive technologies, cognitive computing, cognitive insights, cognitive engagement, and more. In its “2017 Tech Trend Report,” the Future Today Institute

lists cognitive computing as one of the emerging technology trends that will influence business, education, politics, government, education, and society in the coming year.

Cognitive computing systems use natural language processing and artificial intelligence in order to understand our intentions. One of the best known cognitive systems is IBM’s Watson platform, which super-charges the human ability to think through complex problems. In 2011, Watson was pitted against two champions on television’s Jeopardy. The supercomputer destroyed its human opponents. Today, Watson is assisting doctors, scientists, engineers, lawyers, and other professionals in their work.

Late last year, IBM launched the Cognitive Horizons Network, a collaborative network dedicated to accelerating the field of cognitive computing. Artificial intelligence researchers at member schools will share resources and work together on cognitive problems. In the meantime, reports the Future Today Institute, Watson is learning how to read and interpret medical images, a job previously reserved for highly-trained radiologists. IBM is also developing advanced data-centric supercomputing systems that will embed computing power everywhere data resides in a system, driving new insights at very high speeds. This year, the company will make a big push into a number of fields, including finance, journalism, retail, and healthcare.

According to Maria Winans, CMO, Watson Marketing, Watson Commerce, Watson Supply Chain,

—continued on page 2

## Tech Brings Shake-ups—

—continued from page 1

“the cognitive era will make 2017 a watershed year for marketers. It requires embracing data in previously unseen ways to deepen customer connections and fuel strategic growth.” Winans says that the biggest challenge has been finding ways to mine “dark data,” data in unstructured forms such as images, natural language, and video. She estimates that 88 percent of all available data is dark to most organizations. In our last issue, we reported that an Apple-owned company, Lattice Data, applies an AI-enabled interface to turn dark data into structured data, making it usable for processing and analytics.

Cognitive technologies enable the correlation and analysis of data of all types from practically all sources, structured and unstructured. The potential for marketers is huge, as they will be able to gain awareness of feelings, motivations, and behaviors of customers and, in turn, elevate the entire customer experience.

*A Better Bot.* In our last issue, we identified chatbots (a program designed to simulate conversation with human users, especially over the internet) and intelligent agents (software that assists people and acts on their behalf) as the most conspicuous examples of AI technology. We can take those examples a step further: a semi-autonomous agent that works on any platform where brands are present.

In his article in *Media Post Online Spin*, “The Rise of Autonomous Agents (and the End of Advertising),” Josh Engroff predicts that the recent AI developments by Google, Amazon, Microsoft, and Facebook, along with the growing demand for automation and personalization in all areas of life, will impact media and advertising in the years to come. Citing the inefficiency of indirect advertising as indicated by the rise in ad blocking, over-the-top advertising, and time-shifting, Engroff suggests that ads are not necessarily the best way to target an audience.

Enter the “MeBot,” fully equipped to be your great negotiator by virtue of giving it everything useful to the job: some personal financial data and authority to access your credit card and checking account, as

examples. From there, your MeBot learns your product and service preferences, buying history, replacement cycles, as well as external factors, such as the end of your car lease, and solicits offers directly from relevant brand bots.

Done right, everyone—consumers, advertisers, agencies—benefits. “Done right” includes the requirements of scale and privacy, says Engroff, meaning bulletproof technical and financial reliability. The list of companies that could accomplish both is very short, he says, and four of them go by the initials GAFA. That would be Google, Apple, Facebook, and Amazon.

*GPS-based search engine optimization.* Location-based navigation among search engines and mobile device makers is gaining momentum, according to the online marketing experts of Metamend. The technology enables user searches to retrieve locally targeted results. Additionally, since wireless internet devices are becoming equipped with GPS technology, the user’s physical whereabouts can be tracked. The intent is to benefit the user with more relevant convenient results, and the marketer with users more likely to become customers. Additional benefits, says Metamend, are increased impulse buying (“Come in within the next 30 minutes and receive 20% off your meal!”), one-to-one relationship marketing, efficient direct marketing, psychological nurturing to build loyalty, and increased return on investment.

According to Metamend, GIS (Geographic Information System) latitude and longitude coordinates within websites will soon be a necessity for everyone conducting commerce via the internet. Aligning marketing efforts with this method of commerce will involve implementation of a professional SEO (search engine optimization) campaign for the website, including the ability to continually extrapolate information from website statistics and apply the results into marketing equations.

*Video.* Video viewership inside mobile apps has been going down, and the trend is expected to continue. “Outside of social platforms,” reports Sahil Patel of *Digiday*, “people are more likely to watch mobile video on the web versus apps—and publishers are adapting.”

With the exception of TV broad-

casters, big publishers, and pure video companies such as HBO, fewer publishers are investing time and money on video apps, according to video tech firm JW Player. Many publishers rely on social media for reach, but still want to get viewers to watch video on their own sites. According to Dave Otten, CEO of JW Player, the good news for publishers is that mobile devices are getting better and faster. In an interview with *Digiday*, he said, “Today, your phone has the equivalent computing power of a laptop in 2010.”

Advertising and marketing budgets are flowing freely to agencies creating video and the platforms distributing it. According to Amy Webb of the Future Today Institute, while TVs that connect to the internet are nothing new, the penetration in average households and the availability of streaming apps that bypass the standard list of cable and public broadcasting channels has increased.

“Cutting the cord” is now extending beyond cable subscriptions to include internet services, says Webb. According to Pew Research, 13% of adults used only their smartphones to connect to the internet last year, and only 67% of adults had home broadband connections. WebRTC, a real-time communications technology, powers Google Hangouts, which enables smartphone users to connect to articles they are reading on a desktop or tablet. Because WebRTC works from the browser (Firefox or Chrome), it is part of another trend, connected machines. Peer-to-peer technologies enable computers to communicate without the need for a third-party operator. For the first time in history, says Webb, no technical knowledge or specialty equipment is required to broadcast the news.

*Conversion metrics.* Editorial and business decisions are substantially influenced by metrics. Unfortunately, they are neither easy to find nor easy to understand for many working inside content organizations. The Future Today Institute predicts a sea change this year with regard to transparency in metrics, with publishers and advertisers questioning the validity of metrics that they, personally, cannot verify.

This year, brands and publishers are pushing to tap into the raw data collected by Facebook, YouTube, and others rather than relying on the numbers they submit to measurement firms, which usually come in the form of generalized reports about campaigns. According to Garrett Sloane in his article for *Ad Age*, “Survival Guide 2017: Get Raw Data, Not a Raw Deal,” advertisers increasingly want these third party measurement firms to plug in directly to verify reach, engagement, and audience data for themselves. Measurement expectations among both platforms and marketers are expanding beyond reach and frequency to include the individual who viewed the ad and how often the individual viewed the ad before making a purchase.

### Structural Change.

The revolutionary technological changes of today will necessitate significant structural changes for marketers, media, and agencies. Industry players, without exception, must increase their level of understanding and sophistication about the ways that people engage with content and with each other. At the heart of an organization’s success now are ability, adaptability, and agility.

*Staff.* Customers’ demand for

relevant, personal content means that creative talent must have the aptitude and nimbleness to craft work for new platforms. Facebook Live and Instagram Stories, as examples, are popular ways for users to share content and for brands to engage with customers. Additionally, new streaming technologies with faster connection speeds will enable advertisers to launch real-time campaigns for their products.

Since the expectations of consumers are dynamic, media companies and advertising agencies will expand their staffs to include marketing technologists and data scientists to keep up with the constant change. As the number of tekkies rises, the number of CMOs may drop. In his article in *Media Post’s Connected Thinking*, “2017 IoT Predictions,” staff writer Chuck Martin opines that as many as 30 percent of chief marketing officers may exit because of their inability to muster the blended skill set needed to drive digital business transformation, design exceptional personalized experiences, and propel growth. Martin also predicts a doubling of business-head turnover as CEOs come to terms with what is required to move their companies forward in a customer-led, digital-centric industry.

Tom Davenport, an independent senior advisor to Deloitte Analytics, believes that marketing will likely

become highly automated by 2025. In his article for the *Wall Street Journal*, “Marketing Automation to Replace Mad Men?,” he says that “there will likely be substantially fewer people on the marketing team of the future.” While professionals will still be necessary to ensure that campaigns and promotions are creative and generate value for the business, Davenport believes that they will also oversee a large number of automated systems that will have taken the place of humans in many marketing activities. Marketing activities and decisions are increasing far more rapidly than marketing budgets or the numbers and capabilities of marketing staff, says Davenport. As a result, marketers face pressure to do more with less.

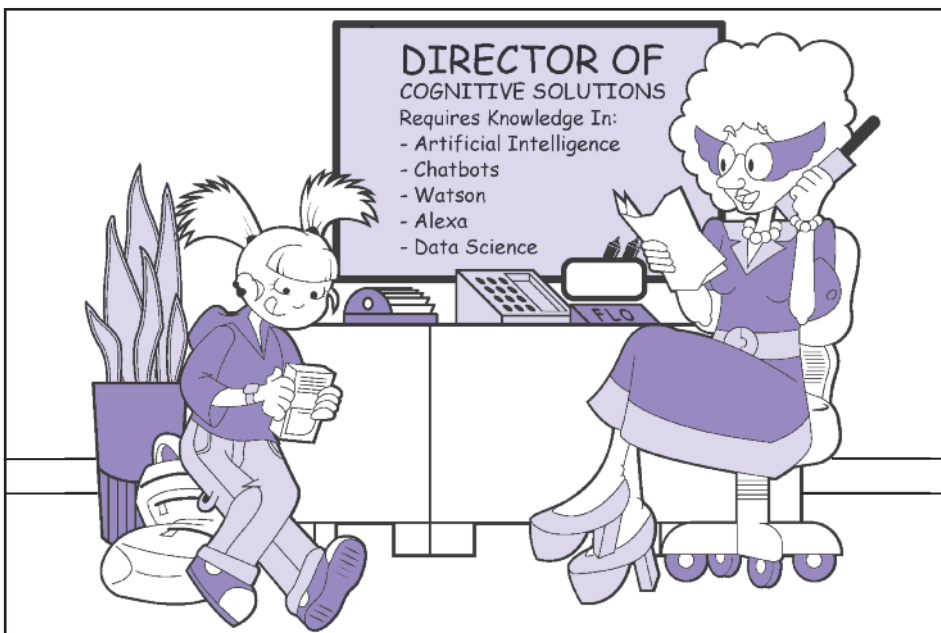
Already, automation is critical in the digital advertising arena, where thousands of real-time decisions must be made in one day. Marketing automation involves analyzing large amounts of customer data using software that incorporates data mining, statistical algorithms, business rules, or some form of artificial intelligence.

Concepts such as artificial intelligence, machine learning, and natural language processing are bleeding into all facets of the ad business, says Megan Graham in her *Ad Age* article, “The Next Big Job Title in Media Agencies: Chief AI Officer?” “Today, media shops can set up AI dashboards that alert them to strange patterns in their metrics,” she says, “and some agencies are looking at ways to use AI to make their internal processes more efficient and make employees happier.”

While some agencies feel that now is the time to hire a director of cognitive solutions, others may feel that it is too early to make big investments in this area. As the possibilities of AI are becoming known, agencies are grappling with the best way to bring that knowledge into their organizations, says Graham.

Another stumbling block may be agencies’ advertiser clients. In Graham’s article, PMG’s head of analytics and data activation, Dustin Engel, describes some advertisers as being excited about its future applications, some as skeptical of the hype, and some as cautiously optimistic.

—continued on page 4



Boss, her resume checks all the boxes. Only thing, she’s demanding Fridays off for play dates with her gaming group.

Collective Wisdom® is a publication of  
Media Collection Professionals,  
3355 Lenox Rd. NE, Suite 945, Atlanta, Georgia 30326  
Tel: 404/266-2464, Fax: 404/266-2165  
Website: www.szabo.com  
e-mail: info@szabo.com

©Szabo Associates, Inc. 2017. All rights reserved. Materials may not be reproduced or transmitted without written permission.

PRESORTED  
STANDARD  
U.S. Postage  
PAID  
Atlanta, GA  
Permit No. 747

## Tech Brings Shake-ups— —continued from page 3

**New agency models.** Agency margins and markups have long been a tradition in media, but now these models are being challenged. In her article for *Digiday*, “Year in Preview: Hello, zero-margin agency,” Shareen Pathak predicts that the zero-margin contract McDonald’s required of its new agency DDB may be the first domino to fall, resulting in more agreements of the sort.

Although this sounds like a kick in the slats for agencies, zero-margin deals can actually benefit them. According to Pathak, the agreements are part of a new agency-client relationship that gives smaller, unknown agencies the opportunity to win new clients while giving those clients more power. The new revenue-sharing model that supplants the old margin and markup model not only can help an agency win an

account, but also can richly reward an agency with a heavily incentivized performance-based contract. The incentives can be based on how the company performs overall, actual advertising-related key performance indicators, and even how enjoyable it was to work with the agency. Pathak further notes that an agency that operates on zero-margin and has payment terms from the advertiser of 120-plus days built into contracts incurs a financial burden that many cannot afford. On the other hand, the potential upside is limitless.

### **Left Brain, Right Brain.**

Remember the Vulcan Mind Meld? Star Trek’s Spock had the ability to exchange thoughts and consciousness with another and, as a result, the two minds became one. In a way, that phenomenon is happening in marketing.

Traditionally, we have perceived marketing as a right-brain activity, with creative people brainstorming copy, images, and slogans. Now we see the rise of left-brain marketing,

driven by data, analytics, and cognitive technologies. Loren McDonald, Marketing Evangelist/Customer Success, IBM Marketing Cloud, posits that marketing has been left-brained for years, with data applications integral for decades. The shift is accelerating, however, and he says that marketing will soon be dominated by left-brain people using machine learning and artificial intelligence for marketing decisions, targeting, creative, and conversion optimization.

McDonald likes the concept of “center-brain marketing,” which brings both left-brain technical people together with right-brain creative team members to achieve success in a future driven by machine learning.

Certainly, the coming months will bring us a myriad of new technologies that will continue to change the nature of marketing and our roles in the industry. The best advice we can give ourselves and our clients now is, “Stay tuned in to developments, and do your best to keep up!” ♦