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A Major Transformation

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A Major Transformation

Abstract

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[These customers] don't spend much money with you now/aren't big spenders in the category with your competitors and, for whatever reason, lack the capacity to increase consumption in your category in the future....If you can avoid recruiting them into your program from the beginning, do so. In many cases, however, until they have joined the program, you have no way of assessing their value....The goal is to starve them out of the program quietly but effectively. - loyalty consultant Richard Barlow, October 2000

When they were written, those comments were meant to be provocative, even controversial. Today, however, the reasoning they represent is conventional among marketers. At their most politically correct, they speak of a "customer-centric approach." In the words of one writer, "all employees of a company, from the CEO on down, must continually ask themselves what would they like if they were a customer of their company." But as the two quotations above suggest, cold winds of change are pushing executives toward tough decisions as to which customers really count and how to talk to them as personally and as customer-centrically as is practicable. Marketers increasingly use computer technologies to generate ever-more carefully defined consumer categories-or niches-that tag consumers as desirable or undesirable for their business. Increasingly, too, they use computer technologies to vary the content and the scheduling of messages they send to people in different niches.
We argue strenuously, strenuously against the naive sentimentalism on the part of companies that insist "We love all our customers and we love all our customers the same."

—advertising executive quoted in Advertising Age, March 1995

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When they were written, those comments were meant to be provocative, even controversial. Today, however, the reasoning they represent is conventional among marketers. At their most politically correct, they speak of a “customer-centric approach.” In the words of one writer, “all employees of a company, from the CEO on down, must continually ask themselves what would they like if they were a customer of their company.” But as the two quotations above suggest, cold winds of change are pushing executives toward tough decisions as to which customers really count and how to talk to them as personally and as customer-centrically as is practicable. Marketers increasingly use computer technologies to generate ever-more-carefully defined consumer categories—or niches—that tag consumers as desirable or undesirable for their business. Increasingly, too, they use computer technologies to vary the content and the scheduling of messages they send to people in different niches.

This book is about how the movement of databases to the heart of marketing communication is beginning to affect the media, advertising, and
society. Media and marketing practitioners recognize that their businesses will come to be centered on data-driven relationships with customers whom they care about and who care about them. In the twentieth century, Americans came to think that just about all members of their society had access to certain kinds of knowledge about products—their existence, their ingredients, their range of prices, how they might be used, and what public images their sellers wanted to associate with them. Now, however, there is an impetus to make that common access disappear. Marketers' new goal is to customize commercial announcements so that different people learn different things about products depending on what the marketers conclude about their personalities, their lifestyles, and their spending histories. To help marketers do that, media firms will increasingly deliver different advertisements, different programs, and even different parts of programs.

At first glance, the idea of such customizing may not seem at all objectionable. It might, in fact, seem to benefit individual consumers. Some advertisers will give certain consumers great discounts. Some media firms will vary news and entertainment programs to match what certain consumers like, so they will tune in to the ads, which themselves will be appropriately personalized. Optimistic executives insist that such customization will "satisfy [the] difference and diversity" of the American population. 3

Yet this book's tour of the industrial logic behind the activities makes clear that the emerging marketplace will be far more an inciter of angst over social difference than a celebration of the American "salad bowl." Advertisers want consumers to worry that they will not get desirable discounts and media materials unless they offer up information that will help the advertisers to customize persuasive messages specifically for them. Advertisers also want customers to know that to be favored with the best deals they must reveal attributes and activities that make them especially valuable to particular advertisers.

At times, individuals may be happy to get what they want when they want it. Over the long haul, however, this intersection of large selling organizations and new surveillance technologies seems sure to encourage a particularly corrosive form of personal and social tension. Audiences will quite logically assume—in fact, they may even be told—that the customized advertisements, entertainment, news, and information they
receive reflect their standing in society. They may be alarmed if they feel that certain marketers have mistaken their income bracket, their race, their gender, or their political views. They may ask themselves if the media content that friends or family members receive is better, more interesting, or more lucrative than theirs, and whether the others have lied about themselves to get better material. They may try to improve their profiles with advertisers and media firms by establishing buying patterns and lifestyle tracks that make them look good—or by taking actions to make others look bad. Such responses to the new importance of niches should not be considered social paranoia. They will flow directly out of the developing logic and structure of database marketing. There already is resistance to these developments, and there may well be more. Yet the competitive factors shaping database marketing and the media technologies connected to it are so strong that social criticisms will not derail them. Instead, the public rhetoric about data-driven personalization in marketing will likely be ever more rosy. Marketing and media executives are already proclaiming that it will increase attention to particular customers and therefore reduce their chances of experiencing bad service and identity theft. I will show, however, that, by emphasizing the individual to an extreme, the new niche-making forces are encouraging values that diminish the sense of belonging that is necessary to a healthy civic life.

“Niche envy” has two meanings. One meaning pertains to competitors, who may envy the “quality” of other competitors’ customers. The other pertains to consumers, who may envy what they believe are their friends’ better profiles, which may get them better treatment from media companies, from stores, or even from manufacturers. Both meanings suggest that somehow the marketplace is deeply involved in defining an important basis for belonging in society.

It may seem strange to associate the marketplace with a sense of belonging. Yet it has long been true that the marketplace is more than an arena in which people can buy stuff; it is the hub of social life. The complex, industrialized American marketplace is no exception. It is hard to think of any part of life that is not continually affected by it. The Christmas season stands out as an example. Over a century and a half, it has been fashioned
by the market into a period of near-frantic consumption. The holiday's approach signals the year's most important selling season. As the news media remind Americans every year, economists see Christmas shopping as a barometer of their society's fiscal health. Yet the social influence of the modern retail system also permeates the most mundane activities: trips to buy food, journeys to shopping malls, visits to websites such as Amazon and Expedia. Many of these experiences are pleasant, though not all of them and not for everyone. Some individuals feel as if they will break out in hives even at the thought of going to a mall. Perhaps these same people cringe every morning as they delete email blandishing products from loans to erotica. They may mutter angrily when, upon coming home, they carry third-class postal mail directly to a wastebasket. More serious damage—both emotional and material—is caused by market fraud and defective products. Blatant negligence and irresponsibility are other areas of concern. For example, in 2004 critics accused America Online of sloppy oversight of customer records after an employee stole its database of 30 million subscribers and sold it to "spammers" for $100,000. While AOL denied that its information-handling procedures were sloppy, observers predicted class-action lawsuits by clients who felt abused.4

Over centuries, intricate mechanisms have been put in place to regulate relationships between sellers and buyers. Large bodies of law on fraud, negligence, and restraint of trade set the basic boundaries of corporate activities and consumer resistance. Complementing them are rulings by government commissions that aim to keep the marketplace socially acceptable and predictable. All these matters are open to negotiation and struggle. Companies and industry groups hire expensive lobbyists in order to influence what the law says is acceptable. They also try to persuade government officials of the benefits of letting the industry regulate itself. Nonprofit advocacy groups, less well funded, try to ensure that new developments in technology, competition, or corporate policy do not allow companies to make "end runs" around what has become a social norm: the public's right to a competitive, honest marketplace that is available to all comers, with open access to information about products.

The norm has not quite been matched by the facts. That honesty in the sales arena still needs policing is an idea widely shared through jokes about used-car dealers, web warnings about identity "phishing,"5 and news reports about price fixing by major merchants. The openness of the
marketplace gets much less attention than its probity. As with honesty, the record is mixed. Marketers often succeed in hiding information about pricing strategies that might affect profit margins. A pants manufacturer who sells the same slacks through J. C. Penney and Brooks Brothers under different names is unlikely to advertise that fact and indeed might prohibit J. C. Penney from disclosing it. Then, too, certain classes of people have traditionally been favored with advice about the availability of products aimed at them and their lifestyles—direct marketing to the very wealthy by means of personal visits, letters, and special DVDs is an example.  

At the same time, a strong case can be made that it was fortunate for the twentieth-century consumer that public access to information about goods and services became relatively open—one might even say relatively "democratic"—even as industrial power took greater control of shopping. For historical reasons that I will discuss in chapter 2, most Americans today find it possible to learn about the existence, the nature, and the pricing of all sorts of products, even those not intended for them. Government regulation has been of some importance here; think of the ingredient-labeling requirements for foods. The two most important democratizing vehicles for consumers' awareness of products, though, were the large department store and advertiser-supported media.  

It is hard today to imagine the enormous change that department stores brought in people's awareness of the world of trade when they replaced itinerant peddlers and small merchants. At the most basic level, these predecessors of today's shopping emporia allowed people from a wide range of circumstances to see an enormous display of merchandise offered at publicly posted prices. Advertising-supported mass media reinforced this accessibility. Anyone who chose the same magazines, newspapers, radio stations, and television channels as anyone else would see or hear the same commercial messages, many of them announcing sales. Moving across advertisements and stores, steady customers, would-be customers, and cultural voyeurs were able to learn about various products' components, their uses, and the range of prices at which they would be available. These features and others would also let consumers in on the social meaning that the company wanted to attach to the product—for example, whether certain clothing was intended for casual, business, or evening wear, whether for the frugal or the indulgent shopper, whether for the trendy or the traditional, or whether for the full-figured, petite, older, or younger woman.
Many consumers' encounters with advertising were elements of a symbiotic relationship that emerged in the twentieth century among consumers, marketers, and media firms. Marketers were able to present products and their "personalities" to huge audiences. Media firms received money from marketers to help them create materials that would attract people to advertisements. Consumers received entertainment, news, and information free or at costs far below what they would have to pay for commercial-free media. As the historian Daniel Boorstin notes, in the process they were also inculcated with the idea that they were linked to millions of other people who were also sharing these same products and lifestyles. One reason this worked was that marketers felt they had the better part of the bargain—and indeed they did, as I will explain in chapter 2. An equilibrium developed among advertisers, media, and audiences that allowed consumers access to a remarkably predictable marketplace culture. Underlying that equilibrium, and infusing that culture, was a mindset that became known as "keeping up with the Joneses." Marketers told consumers that feeling an almost painful envy of what others had was the American Way. Phrased most positively, "keeping up with the Joneses" meant "Large numbers of Americans live a great life by getting the latest products that everybody wants—and you should too." Over the course of the twentieth century, "keeping up with the Joneses" became deeply enmeshed in American society.

Now the equilibrium has begun to falter. Marketers know that American consumers are using "pop-up killers" and digital video recorders to avoid advertisements in sponsored media. Simultaneously, consumers are using the internet and other new media to learn more than marketers want them to know about products, prices, and alternatives. Targeting of audience segments emerged in the 1970s as a way for advertisers to cope with the media fragmentation. Targeting has not, however, stopped audiences from trying to evade commercials. Marketers have come to believe that discouraging that activity will require more than trying to derail ad-zapping equipment. It will require building up customers' loyalty to particular firms so that they will look forward to seeing and hearing about those firms' products and services. With that in mind, marketers and their media allies are developing technologies that will enable them to go beyond targeting. Invoking the nineteenth-century economist Vilfredo Pareto, they have developed a new mantra: "Focus 80 percent of your efforts on the
20 percent of customers who provide 80 percent of your profit."\textsuperscript{10} That dictum took on great interest in the 1990s under the rubric of customer-relationship management (CRM).

Customer-relationship management is based on the idea of cultivating "best customers" through direct mail, telemarketing, in-store selling strategies, and loyalty programs. For example, Bloomingdale's, a chain of department stores, uses a CRM system called Klondike to feed data about its 15,000 "most valuable" patrons straight to the chain's call center or to the sales floor of one of its stores. Klondike's database brings together records of transactions, promotion histories, basic household information, and even photos of customers. Live links to point-of-sale terminals help salespersons to offer customized services and suggest merchandise. According to the marketing magazine \textit{Direct}, "when the store hosts one of its 'girls' night out' specials, a sales rep can be alerted that a given customer is particularly desired at the event, and can be fed information about it. That information is printed on the customer's receipt, too."\textsuperscript{11} This is crucially different from the twentieth-century notion of consumer envy. It suggests that marketers have much more direct power over consumers than they once had, and that now consumers must work with marketers—even work to attract them. It suggests that people increasingly identify with niches rather than with the broad American middle or upper-middle class—and that they ought to do so. It also suggests that the best way to gain access to the good life is to release information that establishes one's desirability as a customer.

Sophisticated population databases are central to the new approach. Marketers increasingly examine their own files and files they buy or rent to determine whether current or potential consumers fit their requirements for desirable customers. If consumers don't fit those requirements, marketers can move in one of two directions: They can push the consumers away physically and electronically, or they can encourage them to provide data that attest to their value. To be favored with good deals and products in the new marketing world, a customer not only must allow surveillance but also must show evidence of his or her value. The financial-services firm Morgan Stanley said as much in a 2004 letter encouraging its "most valued clients" to reveal the separate assets they and relatives have deposited with the firm by collecting them into a "household relationship." The reward for doing this would be special benefits, the letter said.
The flip side would be punishment: "The Household will be reviewed annually to determine if it still continues to qualify for tiered benefits. Households that do not maintain the required balances for benefits programs may be downgraded or removed from those programs." The letter did not specify what those requirements are, which left open the possibility that it might vary by person. This example is merely the tip of a huge iceberg of emerging customer-marketer interaction. Marketers' increasing desire and ability to discriminate among individual customers on the basis of their contributions to the bottom line has become a badge of honor, an indication that they are following through on the potential of the digital age. Encouraging themselves and the public with such terms as "relationship," "permission," and "loyalty," marketers are already beginning to tailor advertisements and offers in ways that speak to each customer's unique combination of income, sex, age, geography, and lifestyle (and, more cautiously, race). They are beginning to link profile-driven content, product suggestions, and prices to various forms of interactive media at home, at work, outdoors, and in stores. The aim is to surround attractive customers with personalized commercial blandishments at times when they are optimally effective and in ways that can't be ignored.

National survey research conducted by the Annenberg Public Policy Center indicates that most American adults have a sense that niche-building activities are taking place, and that the information they offer up to websites and stores has consequences. They admit that this makes them nervous, and they overwhelmingly disagree with the statement "What companies know about me won't hurt me." At the same time, the Annenberg surveys show, American shoppers don't have a clue about how marketers use data on them, or even that such niche-building activities as differential pricing are legal. As marketers' new approaches to customers get more coverage in the news media, and as more and more people learn about them, a number of questions that in the past were hardly asked become more relevant:

- What ethical and practical issues arise when advertising and editorial matter are tailored to individuals on the basis of media firms' necessarily incomplete ideas about them?
- What is the social significance of executives' newfound insistence that consumers are morally obligated to pay attention to advertisements in return for the free or discounted media material they receive?
In a society concerned with getting the best deal as well as with keeping personal information private, how should public policies respond to social divisions that are bound to grow as people envy the data files that enable their peers to get seemingly better prices, seemingly better service, or both?

One reason there is little social debate about such questions is that the concerns they reflect have become realistic only during the past few years, as database technologies have gotten more sophisticated. Just as important, though, is that until recently the only people paying much attention to database marketing were executives carrying it out and privacy advocates worrying about it. Led by groups such as the Electronic Privacy Information Center and writers such as Robert Harrow, Daniel Solove, Peter Suber, Simson Garfinkel, and Oscar Gandy, privacy advocates have drawn attention to ethical and practical issues related to the accumulation and the use of personal information about customers. However, the use of databases in marketing communication also raises other issues. Critical observers of commercialism have only begun to get a handle on the quickly evolving scene of advertising, direct marketing, product placement, in-store displays and salesmanship, public relations, catalogs, and online selling. One reason they have hardly discussed the use of databases is that they have not developed a vocabulary for doing so, or even a map of the scene. For much of the twentieth century, advertising was the part that stood for the whole of marketing communication in popular writing and even in academic writing. This was influenced by top advertising executives’ efforts to position their work as historically mainstream. In the nineteenth century, advertisements were certainly a common feature of the American landscape. Also common, however, were the sneaky blandishments of the carnival barker, the news-controlling shenanigans of the publicist, and the insistent claims of the door-to-door salesman. As they sought respectability in the early twentieth century, advertising practitioners didn’t want to be associated with those activities.

Of course, the advertising business wasn’t as nearly pure as Ivory Soap. Around 1900, the curative claims of ads for patent medicines were prominently questioned. Major publishers began to refuse to accept such ads, and the 1905 Pure Food and Drug Act was intended to get rid of the most dangerous patent medicines (which routinely contained alcohol, cocaine, and even arsenic). Despite some amelioration, advertising in general retained its reputation for playing loose with the truth. Advertising
executives knew it, but they also knew that they had important sources of goodwill among consumers. For one thing, advertising’s support made newspapers and magazines inexpensive. For another, advertisements in periodicals and on billboards were a window on the consumer cornucopia that the industrial revolution had created.

Increasingly elaborate and beautiful advertisements, sometimes in color, depicted a broad menu of consumer products. By the 1920s, overt selling through print advertising (and radio advertising) had become taken for granted as part of American life. Particular advertisements—for example, those for Cadillac and Jordan automobiles, Listerine mouthwash, and Woodbury soap—drew the public’s attention to those who created advertisements. The advertising business strove to act modern and to introduce Americans to modernity.

At the self-promoting apex of the product-selling hierarchy were large “full-service” advertising operations such as J. Walter Thompson. They embodied the three basic functions of advertising work: creative persuasion, media buying, and market research. The “creatives” of the agency—copywriters and art directors—created print, radio, and (in the late 1940s) television advertisements based on input from market researchers and clients. Media buyers then purchased space or time for the ads.

By the late 1950s, the relationship between large advertising agencies and media firms had become routine. Because of the huge amounts of money their major clients spent on advertising, the ad agencies wielded a great deal of power over the media. Magazine publishers and television networks understood that they were obligated to deliver large national audiences who could see the ads that the agencies placed for their clients. Of particular importance were the three commercial television networks (ABC, CBS, and NBC) and the large magazine firms, including Time Incorporated, Triangle Publications, and Meredith. Though pressures for creativity, audience reach, and sales created tensions among practitioners, there was a strong predictability to the relationship between advertisers and the media.

Popular commentators accepted the advertising elite’s picture of the persuasion industry. In the 1958 book Madison Avenue, USA, Martin Mayer defined his subject as “national advertising of branded products in general media of information and entertainment.” In The Story of Advertising, also published in 1958, James Playsted Wood framed Mayer’s tale historically,
concluding that advertising as he defined it had become the central aspect of commercialism and was “ubiquitous, incessant, and inescapable.”

Reacting to the print, radio, and television commercials that surrounded them, academics in the fields of sociology, history, cultural studies, literature, and communication explored the same terrain that the advertising community and popular writers investigated, but with a colder eye. In the ensuing decades, their analyses drew a fascinating map of mainstream advertising’s work as a cultural and ideological arm of business. But they often wore blinders when it came to what advertising people called “below-the-line” marketing communication, even though it went way back to the early years of the advertising industry. A pre-World War II example is Edward Bernays’s public-relations work that complemented the Lord and Thomas ad agency’s campaign encouraging women to smoke Lucky Strike cigarettes. Another is Ovaltine’s giveaway of Little Orphan Annie mugs to listeners of the Annie radio program who mailed in Ovaltine labels. Such activities weren’t central to advertising histories.

In the 1990s, though, it became painfully obvious to many in advertising and academia that the center had shifted dramatically. The kinds of activities from which the leaders of mainstream advertising and media had tried to distance their work in earlier decades now flowed out of the biggest firms in such forms as telemarketing, guerilla marketing, stealth marketing, viral marketing, in-store displays, email, sampling, and free-standing inserts. Sales tactics were integrated with public relations in the creation of entertainment, information, and even news.

Some writers recognized the new centrality and interdependence of such activities. In 1996, Matthew McAllister noted in *The Commercialization of American Culture* that the time had come to talk about “new forms of advertising” that were influencing both new and traditional media. Four years later, Thomas Frank, in *One Market under God*, discussed public relations, e-commerce, product placement, and event marketing in addition to conventional overt advertising in his critique of “extreme capitalism.” The observers most likely to confront the changes taking place were academics or activists with specific social concerns. For example, Jeffrey Chester, head of the Center for Digital Democracy, spoke out about what he considered the anti-democratic features of privileged media domains (“walled gardens”). Alex Molnar of Arizona State University’s Commercial Education Research Unit took aim at product placement in schools.
Yet a coherent map of the world of marketing communication is still to be drawn. The perspectives of critics often do not overlap. They also do not fit into a coherent explanation of the evolving relationship between traditional advertising and other forms of marketing. Looking to advertising people for enlightenment is of only limited help. Though knowledgeable about particulars, they are often hard pressed to come up with nuanced explanations of the changes that are occurring in their business and the reasons for them. However, advertising people understand that the very structure of their industry is changing drastically, almost traumatically.

The major unit of the “advertising” industry is now not an agency but a holding company, such as U.S.-based Omnicom or Interpublic, Paris-based Publicis, or London-based WPP. Each of these companies has under its umbrella a dizzying number and array of firms, including ad agencies, media-buying operations, public-relations firms, branding and identity firms, research consultancies, and firms that engage in such previously marginalized marketing communication activities as direct marketing and promotion. Like Russian nested dolls, some of the conglomerates’ firms—for example, WPP’s venerable J. Walter Thompson agency—are themselves large conglomerates. These conglomerates do not privilege advertising agencies as the prime movers in marketing communication; sometimes, a branding agency or a “buzz marketing” subsidiary takes the lead in guiding a client. In 2005, when the heads of WPP, Omnicom, and Interpublic acknowledged this development, it made the front page of the trade magazine Advertising Age.21

The changes on the media side are just as rattling. The copywriters, art directors, researchers, media planners, and media buyers of the national advertising establishment no longer focus on radio stations, magazine, and three television networks. They now focus on huge media conglomerates (Viacom, CBS, Disney, Sony, Time Warner, News Corporation, Clear Channel), which have under their wings movie firms, magazines, radio stations, television networks, and concert venues that seem willing to work with agencies on marketing communications activities that they would have shunned not long ago. Beyond the conglomerates are fragmented in-home media worlds (with VCRs, DVDs, and telephones) and fragmented out-of-home venues (from supermarkets to doctors’ offices) that are natural targets for all sorts of marketing communication. And if these new developments were not enough to place huge pressures on advertising
practitioners to bring coherence and predictable equilibrium to the changes, the rise of the World Wide Web, with its spam and its interactive advertisements, began to bring whatever was left of the traditional model of the mainstream advertising industry crashing down.

In 2004, Scott Donaton, the editor of Advertising Age, told his readers that it would be necessary to "rewrite the definition of the word advertising" as part of a larger effort by marketers to "confront and release their historical biases" and "redefine their world." Donaton did not say what that new definition would be, but he was clearly tapping into a consensus that new realities with huge implications for the business of selling were emerging.

Many in the business press have described the situation, or parts of it, in ways that reflect Donaton's suggestion of a sharp break with what went before. According to one Advertising Age columnist, "the business of advertising is under extraordinary pressure," and fundamental "cracks in the foundation" of audience research may help bring the entire house down unless fundamental changes are made. An article in Fortune titled "Nightmare on Madison Avenue" claims that "the best way for Madison Avenue to begin is to let go of the past." The vice president of a major research firm describes the expansion of ad-skipping consumer technologies as transforming the habits of mainstream consumers. Bringing many of these concerns together, a writer for the British trade journal Marketing writes: "Earthquakes are sudden and violent. But long before they happen, there are shifts observable in the tectonic plates beneath the earth's surface. So perhaps it is time to get ready for marketing's own earthquake."

It is important, in trying to understand what is taking place in the advertising system and what its implications are for the media and for society, to take views expressed in the business press seriously. But is a metaphor of fundamental break—an earthquake, an explosion, a letting go of the past—really the best way to think about what has happened and where things are going? Writings on the ways organizations and industries face complex new challenges point to a very different approach. They suggest that the best way to understand how advertising executives are planning the industry's future is to see how they are rethinking their industry's past. As I will
show in chapters 2 and 3, features of marketing communication that many speak of as new—product placement and certain aspects of direct selling, for example—have been around for many decades. Today's media and marketing communication executives are re-imagining them as they confront new challenges.

One fundamental challenge they face has to do with the trust of consumers. Trust, Francis Fukuyama notes, is belief that an actor is involved in "regular, honest, and cooperative behavior, based on commonly shared norms."27 Anthony Giddens points out that a trusting public is a critical resource for sustaining the organizations that make up institutions such as the government or medical system.28 To keep their authority, these organizations must continually convince the public of their competence, integrity, and benevolence. Giddens might have added marketers and the media to his examples. It is an article of faith in marketing that customers or prospective customers believe that a product or a service should work as advertised. But practitioners of marketing communication insist that consumers' perceptions of integrity and predictability are also critical. A "personality" that stands for trust in the minds of relevant audiences is, they say, what ultimately constitutes a successful brand.

Often a brand's personality is depicted through stories. In the case of a magazine advertisement that details the joys of a Ford Mustang or a television commercial that extols Pond's cold cream, the ad creator's goal is to suggest a story that bespeaks the product's usefulness for the audience. Of course, to do that, the advertising people must have thoughts about the audience, particularly as it relates to the product they are selling. Using research data to help them imagine the audience's characteristics, a creative team can concoct a sales pitch. Moreover, marketers see the choice of a media environment as crucial to the cultivation of consumers' trust. The goal is to present a product in a media environment (a specific magazine, network TV series, or cable network) that the intended audience believes will deliver the news, entertainment, information, or education they expect. Marketers expect that this media trust will make it easier to get the audience to accept their messages. Despite their power over the media system, advertisers have long been dependent on media producers to deliver their ads to the right number and the right kind of people. Advertisers have also depended on media firms to lead audience members to believe that the presence of commercial messages is legitimate and to be taken for granted as a fact of life.
Marketers recognize that an important reason consumers look for companies and brands they trust is to avoid risk. At its most basic, risk means the possibility of buying shoddy merchandise or wasting time with bad media products (for example, a boring movie or an unexciting video game). The digital media environment has brought new concerns about consumers' unease. One risk of going online is that you may be bothered by advertising that you don't want. Another is that you may be giving companies personal information that you wouldn't want them to get.

As Oscar Renn and his colleagues have noted, risk can be conceived as both "a potential for harm" and the "social construction of worry." How people understand a potential danger plays a large part in determining that phenomenon's importance as a topic in their society.

Today many marketing and media firms are struggling with strategic management of the public's perception of risk and trust. Their goal is to persuade desirable customers to trust them with personal information on the understanding that it will bring those customers benefits that, people complain, are often lacking in today's marketplace: good service, customized suggestions, and low prices. As I will show in chapters 6 and 7, activities connected to this strategic management involve a balancing act that can have alarming consequences for consumers.

One part of the balancing act involves the perception of risk. Firms have a strong interest in reducing customers' fear of the web so that they will shop online and share information with trusted commercial sources. At the same time, consumers' fear of the marketplace serves to keep the already powerful firms on top. Calibrated and pitched correctly to the right customers, marketing causes people to place their trust in a known retailer, manufacturer, or media firm rather than in a new firm that wants their business. The message is "better to give Comcast and Bloomingdale's the information they want in order to be treated right than to share it with new firms that might offer better deals but are relatively unknown and so shouldn't be trusted."

But even the largest and most reputable firms develop strategic logics—assumptions about how to move forward in the uncertain digital environment—that undermine customers' trust as they promise to enhance it. They do that by increasingly using, or planning to use, customer information for profiling designed to lead to customized advertising, content, and pricing. These are activities about which, Annenberg research shows,
the overwhelming number of customers who give firms information have little understanding. Executives hesitate to tell customers what they are doing, for fear of increasing customers' sense of harm and losing their confidence. As a result, large portions of the population are moving into a new age of media and marketing with high levels of nervousness about firms' knowledge about them, but with no understanding of the real costs of giving up personal information, or even of the kinds of data many companies have and can legally use. In this book, I will explore how we got to this point and where media and marketing seem to be going. I will examine the new industrial logic that is emerging as media and marketing executives try to meet fundamental challenges, the activities that are emerging as a result of the logic, the social implications that seem to flow from them, the resistance that individuals and organizations are attempting because of their social concerns, and how firms are responding to these reactions.

In chapter 2, I will begin to put the current feeling of crisis in the advertising industry in historical perspective. I will show that anxieties about consumers' power to evade advertising are leading marketers to urge Americans beyond “keeping up with the Joneses” and into a new era of thinking about social desire and what they must do to get what they want. I will investigate the conditions that led to this transformation, its relationship to the feeling of crisis that advertising and media practitioners feel about their work, and the strategic logic that has led them to turn to areas of the business that mainstream advertising personnel had looked down on in previous decades.

In chapter 3, I will trace the roots of product placement and direct-response advertising. Direct practitioners, whose job it is to draw specific replies to an ad, were the acknowledged kings of marketing communication until the 1920s. The importance of product placement was much recognized in moviemaking and in broadcasting through the 1950s. Both businesses continued to serve clients vigorously after their most celebrated periods. Yet the sense of their centrality to marketing communication declined among mainstream media and ad executives. It was restored in the 1980s and 1990s, when mainstream approaches based on image advertising didn’t seem to offer solutions to many of the problems of the
digital environment. Marketers then turned to direct-response advertising and product placement, which were newly rehabilitated and which were trendy for other reasons. As these activities moved the new imperatives of marketers forward, it became clear that marketers and media practitioners were pressing for the most profound transformation of media and marketing's relation to American life in more than 100 years.

In chapter 4, I will show how that transformation took shape in the online environment. The internet, now the most interactive of electronic media, has become a test bed. Marketers have built on the traditions of product placement and direct response and have transformed both. Much of the time, their recipe has involved trying to take charge by attempting to inculcate a strong sense of brand trust while gathering information with which to decide whether a customer is worth engaging in customized digital relationships. I will trace the development of a database-marketing approach to consumers that includes six activities: screening for appropriateness, interactivity, targeted tracking, data mining, mass customization, and the cultivation of relationships. But in the course of ten years, attempts by marketers to exploit customer information in the digital world have led to an environment of mutual suspicion. Direct marketing to gain consumers' trust takes place while advertisers fear consumers' power and attempt to use data in more ways than they want customers to know, so as to profitably counteract their power. In that sense, trust and the undermining of trust often go hand in hand.

In chapter 5, I will show how some of the six database-marketing activities are beginning to emerge in a radical transformation of the home audio-visual environment. Influential executives are beginning to accept the basic logic of bringing a database-and-response mindset to television as much as they have accepted it online. They know that television technology is not yet advanced enough to combine screening for appropriateness, interactivity, targeted tracking, data mining, mass customization, and the cultivation of relationships in one advertising application. Cable, satellite, and even telephone companies that supply television signals are, however, testing many aspects of these activities. They are convinced that if they don't understand and apply new data-driven models, their competitors will. Up for debate is how far each of these approaches should and can go in interacting with specific members of the TV audience. A related question is whether these approaches should be dedicated to the separate
advertising space surrounding television's entertainment narratives or whether interactivity and database targeting should also apply to product integration. One way to proceed is to encourage viewers to interact with sales messages that interest them. Another is to increase the customization ability of television's commercial messages and programming by using databases to vary the contents of programs and commercials in accordance with knowledge about households and even individual viewers.

In chapter 6, I will show how firms are learning how to apply the techniques of database marketing to people on the go, particularly in stores. Major developments in the use of database marketing at the retail level are paralleling the developments in digital media charted in earlier chapters. With changes in the commercial environment, with new information technologies, and with new analytical techniques, fundamentally new ways for stores to think about and treat customers are emerging. Like the new media regime, these are built on data mining, screening for appropriateness, targeted tracking, interactivity, mass customization, and the cultivation of relationships based on these activities.

The aforementioned developments support and are supported by major changes in digital media. Retailers and their suppliers are learning to use the Internet, interactive television, mobile telephones, and other consumer-driven interactive technologies to find new customers, gather information on new and old ones, and reach out to consumers with advertisements and content rewards that are increasingly tailored to what the databases know. They aim to create customized environmental surrounds that inspire trust and return business. As part of this process, retailers are increasingly placing pressure on desirable customers to identify themselves if they want to be treated especially well. Moreover, a noted consultant stated, the word is getting out that the best customers, placed in the best niches, will get the best deals. Speaking about the incentive people have for identifying themselves to stores, he stated: “People not in the right segments will be left behind. They will not have as rewarding an experience.”

Marketers will often exploit information about customers in more and different ways than they expect. Having shown in chapters 2–6 how this activity takes place across a wide range of venues, in chapter 7 I will explore the extent and the nature of public resistance to these activities. Concerns are flowing from various quarters, and executives are parrying them with public claims and behind-the-scenes lobbying. The claims have
serious holes, but marketing and media practitioners are fortunate to have the social environment as an ally in keeping the flaws mostly hidden and the public stress levels controllable. Consumers have little knowledge about retailers' power over information, government agencies focus mostly on scams and narrow meanings of privacy, and advocacy groups' views of database marketing do not get much coverage in the popular press.

A major goal of marketers and media outlets is to persuade customers who fit a desired profile to give up information in exchange for being considered special and not having their information abused. One can imagine marketers knitting the marketing and media developments discussed in the previous chapters into an even more integrated version of database marketing. The most elaborate possibilities are not yet happening; however, the industrial logic points in that direction, and the technology is evolving to make it eminently possible.

These developments may well result in a marketing-and-media world that varies with what niche marketers put an individual in.

In chapter 8, I will step back to consider the social meaning of database marketing. Extending the idea that database marketing is beginning to engender new forms of envy, suspicion, and institutional distrust, I will argue that it works against a sense of social belonging and engagement. Finally, I will suggest ways to counter the trends in ways that encourage public knowledge and force media and marketers to be more open about how they get and use that increasingly valuable currency, personal information.