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A Brief History of Advertising

Advertising as a Market

The world of advertising is a market through which advertisers can send messages to influence consumers' behavior.

The good news from researchers is that the market for mobile advertising will exceed a gazillion dollars by 2010. So all we have to do is figure out where we are on the value chain, what portion of the economics it will receive, and what share we'll command. Add a few numbers, and voilà, we can figure out how much of that gazillion dollars is ours. Right?

The challenge is that the market is too nascent to make simple linear projections and assumptions. We must be mindful of the difference between *emerging* and *steady state* markets when building our business strategies.

A quick look at the basics of any stable market provides a useful context for reviewing the history of media advertising because it clarifies the basic participants in any market as well as the implicit needs and contract between them.

Markets emerged in history as soon as people wanted goods that other people had. When a particular need became common enough that it didn't make sense for any one person to knock on doors looking for the item, markets emerged. It began to make more sense for buyers and sellers to get together at a given place and time. This setup is what the ancient Greeks called the *agra,* although certainly markets existed before then (see Figure 1.1).

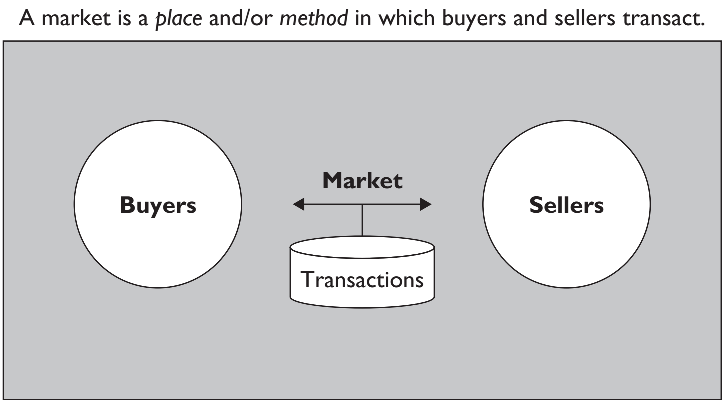

Figure 1.1 The Agra 101

The Agra

Let's say we live in an old fishing village and are getting tired of eating fish. We know edibles grow in the more fertile soil inland, so we pack up some flounder and go for a walk. Sure enough, we find a village of farmers who appear to be sick of vegetables. Ah, room for a deal!

So now we're carrying some flounder and a mess of fennel and luckily come upon a village of basket weavers. The rest of the walk suddenly becomes less cumbersome, and we arrive home pretty excited.

The next day, our neighbors take the same walk, and the following day a basket weaver shows up at our fishing village. A week later, someone proposes that we all meet Saturday at noon, somewhere in between our villages.

Soon enough, lots of other villages show up with all kinds of stuff—so many that finding what we want is getting tedious. So someone recommends organizing the stalls into categories of sorts: tools down aisle one; households on aisle three. The following week someone shows up selling gyros. Some things never change.

At some point, a seller notices that a lot of people who show up at the market are posting messages on a board. It was an effective way to circulate, expose, or advertise stuff—like the next time Socrates would be in town (see Figure 1.2).

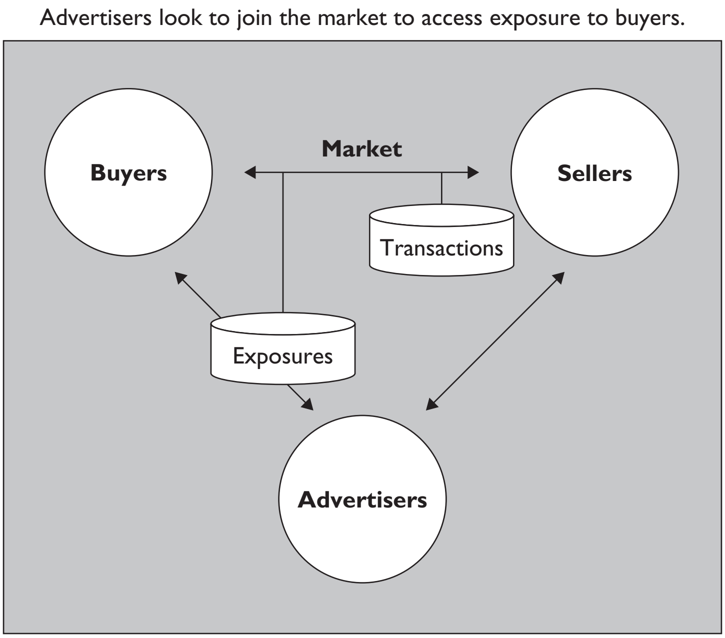

Figure 1.2 The Agra 102

At a basic level, marketing is still pretty much the same. The modern-day supermarket exhibits many characteristics that are the same as those seen in the *agra.* They both share the same goal—organizing goods to facilitate the transaction for both the store owners and the shoppers. And since a lot of people are walking through, it is also an opportunity to communicate information.

Think about the elegance of the modern food market and the way it organizes thousands of products. If we want to run in and get eggs, we know where to go. If we don't know what to cook for dinner, products are arranged to encourage browsing and discovering. Our needs are satisfied.

And it works for store owners, too. People want a huge variety of things at attractive prices. The store owners need to influence customers to buy many items to maximize the profit of each visit. By controlling the shopping experience effectively, store owners can maintain profits with low product margins.

And because so many people are schlepping through the store, the owners can sell advertisers exposure to the customers.

In a stable market, everyone wins. Their needs are met.

Markets Are Made

Markets weren't thrown out of the Big Bang. The market for abdominal exercise machines did not always exist, as hard as that is to imagine. It was made.

We need to appreciate that it is our job to build and maintain markets. There can be people who want hats and people who want to sell them, but if the mechanism for the transaction is a single store up in the Gaspé Peninsula of east Quebec, well there won't be much of a market, will there?

When an emerging market is surrounded by lots of hype, it's easy to fall into the psychological trap of feeling entitled to extracting its inherent value. We technologists fall into this one easily, particularly those of us who lived through the recent bubble economy.

Let's talk about ring tones. Worldwide sales topped $4 billion in 2004, with over $300 million in the United States.[1] Who would have thought?

In 2007, analysts expected an 8 to 10 percent decrease in U.S. ring tone sales. And margins were tanking. What happened?

Well, it could be that ring tones were a bit of a fad, but it is equally important to acknowledge that no one has been minding the basic store to create an effective market. Have you ever tried buying a ring tone, or accessing any content on your cell phone for that matter? It is not exactly easy. And now you want to add advertisements onto the purchase experience! Oh my: It takes us (hold on, let us check . . .) nine taps to find the place to get a ring tone, and (wait . . . hold it, there are a few "stores" here apparently . . . um . . .). Now hold it: You now want to push us an ad? I don't think so.

Demand can be there. Supply can be there. But if the market doesn't make it easy to buy, then the market doesn't clear. And we can blow opportunities to bring advertising into our business models if we don't satisfy the basic needs of the core participants trying to buy and sell.

All steady state markets share basic characteristics:

- A market brings together buyers and sellers.
- A market is organized to facilitate a transaction between them.
- When *and only when* a market meets the needs of the participants, it can be an effective forum for communication.

Buyers or sellers form the fundamental nucleus of any market, and if their needs are not met, the market will unlikely be able to sustain an advertising model.

We evaluate the mobile market against these basic requirements in Chapters 3 and 4.

Historical Background

Advertising is complex and various, so it makes sense to base our strategic thinking on a good grasp of basic concepts. It's helpful to take a quick look at the history of advertising, as it plumbs some important themes that will help us develop our mobile strategies.

A Short History of Media Advertising

> *Come, buy of me; come buy, come buy, buy, lads,*
> *or else your lasses cry.*
>
> —*A Winter's Tale,* Shakespeare

Very early ads were probably as simple as shouts in the agra—peddlers announcing their goods to the crowds. All the essential elements were there: buyers looking to buy and sellers looking to sell; a market facilitating the transaction; a format for the messages to buyers.

But in time, technology offered alternatives to shouting the message. The printing press and paper are early examples. It has never taken long for advertising to find its way onto any medium that technology has come up with.

As consumerism became more formalized in seventeenth-century Europe, newspaper ads emerged in the great centers of Paris and London. They were quite popular, and as early as the 1680s, ad-only shopping guides appeared in London. Outdoor advertising became so prevalent that King Charles II stepped in with likely the first gesture of government regulation. Apparently, he outlawed any banners that blocked the all-too-scarce London sunlight.

Although we love European history, we want to focus on the development of advertising in the United States. After all, where better to learn than from a place where the cultural mantra is, "I advertise, therefore I am."

In 1704, a wealthy plantation owner wanted to sell his estate in Oyster Bay, along the Gold Coast of Long Island, New York. To sell it, he had to let people know it was for sale—simple enough. But this seller was shrewd enough to realize that the bigger the market, the better his chances were of getting a good price. So, he bought some space in the *Boston News-Letter* and announced that his house was for sale. As far as we know, this may be when it all began here in what is now the United States:

> *At Oyster-bay on Long-Island in the Province of N. York, There is a very good Fulling-Mill, to be Let or Sold, as also a Plantation, having on it a large new Brick house, and another good house by it for a Kitchin and work house, with a Barn, Stable, and so on, a young Orchard, and 20 Acres clear Land. The Mill is to be Let with or without the Plantation: Enquire of Mr. William Bradford Printer in N. York, and know further.*[2]

There were a lot of implicit considerations, but he likely didn't sweat the analysis in any formal way:

- Are the people who read the *Boston News-Letter* the sort who might be interested and capable of buying my property?
- Will they be receptive to my message?
  - Will they notice?
  - Will it annoy them as a distraction from their basic reason for buying the newspaper?
- Is it worth spending the money for the newspaper ad versus other options?

So: Mr. Printer printed a print ad with print on paper to purchase Printer's place.

Twenty-five years later, Benjamin Franklin began publishing the *Pennsylvania Gazette,* which included pages of "new advertisements" (see Figure 1.3). Very quickly, printers and advertisers began to experiment with new devices and treatments such as headlines, illustrations, and advertising placed next to related editorial material.

These new advertisements apparently caught on like wildfire. Franklin's *Gazette* even included ads for Paul Revere brand dentures. And personal ads showed up as well, including this gem from the "I Saw You" genre:

> *A tall, well-fashioned, handsome young woman, about 18 with a fine bloom in her countenance, a cast in one of her eyes, scarcely discernible; a well-turned nose, and dark-brown uncurled hair flowing about her neck, which seemed to be newly cut; walked last new years day about 3 o'clock in the afternoon, pretty fast through Long acre . . . and near the turn into Drury Lane met a young gentleman, wrapped up in a blue roccelo cloak, who she look'd at steadfastly. He believes he had formerly the pleasure of her acquaintance: If she will send a line direct to H.S. Esq., to be left at the*

JAMES BURD,

For BARBADOS directly, The SHIP INDUSTRY, William Rankin, Commander;

CHRISTOPHER MARSHALL,

For LONDON directly, The SHIP BROTHERS, William Muir, Commander,

For LONDON directly, The SNOW AMPHITRITE, James Young, Commander;

For LONDON directly, The SHIP CROWN, Michael James Commander;

BENJAMIN RAWLE,

JOSEPH SIMS,

JOSIAH DAVENPORT,

JOHN WALLACE,

GEORGE SMITH,

PHILADELPHIA: Printed by B. FRANKLIN, POST-MASTER, and D. HALL, at the NEW-PRINTING-OFFICE, near the Market.

Figure 1.3 *Pennsylvania Gazette* advertisement.
Source: Ben Franklin, *Pennsylvania Gazette* (January 2, 1750), www.earlyamerica.com.

bar of the Prince of Orange coffee house, the corner of Pall Mall, intimating where she can be spoken with, she will be informed of something greatly to her advantage.[3]

True to his industrious reputation, Franklin began printing the first American magazine ads in the publication, *General Media,* in 1794. We guess the concept of new media isn't as new as we might have believed.

Soon many publications were selling access to their readership. Advertisers, the buyers in this market, now had to make more decisions: Where should I put my money to optimize getting my message across? How should I design my message to be most effective?

The needs of both buyers and sellers here aren't as simple as they seem. If the *Pennsylvania Gazette* reached 400 homes and was the only game in town, advertisers would just go to Ben's office. But if the circulation started getting really big and other newspapers and magazines started popping up, should poor Ben have started knocking door-to-door to see who might want to advertise?

And if we were looking to advertise snuffboxes in Philly, my decision making would also have gotten a lot tougher with all that new market and media activity. If there is only so much money to spend, we have to think about where to spend it.

Thanks to the industrial revolution, printing presses became capable of printing ten thousand pages per hour. The 1850 U.S. Census listed 2,526 newspapers and more than 600 magazines, and both increased nearly fivefold 30 years later. Which ones were read by users of snuff? Don't ask us.

In any market, there comes a point when things get complex enough to warrant having a service provider. And in many cases that takes the form of an intermediary whose expertise helps keep the transactions flowing.

Such was the case in Philadelphia, where in 1843, the first advertising agency was established. Agencies got business from advertisers, wrote ad copy, and decided where to place the ads. Many of today's largest agencies (e.g., J. Walter Thompson) were there from the beginning.

Advertising Becomes a Business Model

We can thank Frank Munsey, or blame him, for packaging all this into what today we'd call an "advertising business model." He dropped the price of *Munsey's Magazine* to ten cents and the cost of yearly subscriptions to one dollar, driving the business with advertising revenue instead of with newsstand sales.

The innovation here is a subtle but a true milestone. What Munsey did in 1893 was expand the view of advertising from supplemental revenue to a fundamental role in the business model. He appears to have been the first person to look at circulation as a core business asset: how many exposures the ad vehicle generates. In fact, before the end of the 1800s, magazines weren't really seen as businesses in the modern sense: "A publisher started a magazine because he had something to say."[4]

Munsey's gamble worked, so many magazines followed. The great race for circulation ("eyeballs" if you lived through the recent Internet bubble) began. *Ladies' Home Journal,* nearly 50 pages per issue (impressive, with all due respect to Martha and Oprah), reached a circulation of one million by 1900.[5] Heck, there were only 16 million households in the whole country back then.

The advertising business model became entrenched in that first decade of the twentieth century. In 1909, advertising made up over two-thirds of total magazine revenue, and media companies became focused on growing their circulations.[6]

Advertising as a Formal, Dynamic Industry

Advertising had gotten to be serious business by the close of the century. In 1882, Procter & Gamble Company spent a stunning $11,000 advertising Ivory soap—which, by the way, is so pure it floats.[7]

If a market emerges between the sellers of the circulation exposures and the buyers interested in messaging to those exposures, then it becomes critical to define and track the currency being traded. Thus in 1914, the Audit Bureau of Circulations formed to standardize the auditing procedures and definitions of paid circulation.

Beyond Print: Media Becomes Virtual

And in this period, technology once again spurred the development of a new, *radically* new medium. At about the same time that Munsey dropped the price of his magazine to invest in circulation, Guglielmo Marconi validated James Maxwell's electro-magnetic wave theory by creating a device that actually created and received the waves. The following year, in 1844, Samuel Morse transmitted the first telegraph message, "What hath God wrought!" In our minds, the answer to that famous question is obvious: a new advertising medium, essentially the first virtual medium.

Less than 30 years later, a Long Island real estate firm bought the first radio ads in history—15 spots for $50 apiece, thus dispensing with the oft-touted theory that pornography historically drives new media technology. It appears Long Island real estate led the charge for both newspaper and magazines. Those first radio ads were famously effective and word spread.

Total advertising spending reached $2.1 billion in 1929, not a good year for most industries.[8] That's around $25 billion in today's dollars and an amazing amount when you consider the total U.S. gross national product (GNP) was $104 billion, according to the U.S. Department of Commerce.

Only $10 million was spent for radio advertising at that point, but the new media was here to stay.[9] And while radio was finding its stride, technology was in the background stirring the pot once again.

Back in 1927, Philo Farnsworth essentially invented video, as one of the first offshoots of the new relativistic science. Prior to that, the Newtonian engineers were creating moving images by spinning disks and mirrors, which was likely pretty cool, although we wouldn't want the likes of a Baird Falkirk in our media-entertainment center (see Figure 1.4).

Farnsworth's innovation soon became television as we know it today. Initial experimental broadcasting began in the late 1920s, albeit thwarted by the Depression and then

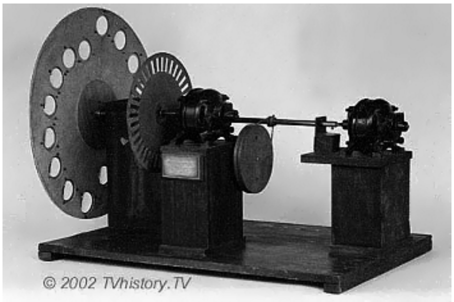

Figure 1.4 1926 Baird Falkirk—a new medium emerges.
Note: This 1926 Baird Falkirk is, believe it or not, an early television.
Source: www.tvhistory.tv, *courtesy:* Steve McVoy Collection.

World War II. In 1929, the first television broadcast—2 inches tall and 2 hours long—was pulled off on one of these contraptions by RCA in New York City. Well, okay, the action was about as compelling as Andy Warhol's infamous film, *Sleep,* but how about that character development (see Figure 1.5)?

After the end of World War II, television exploded in the late 1940s, likely in part because the American psyche was focused on reversing the feeling of wartime deprivation.

Figure 1.5 Felix the Cat—the first commercial TV broadcast. The first public television broadcast took place in 1929. This two-inch image of Felix the Cat ran for two hours.
Courtesy: David Sarnoff Library.

The first TV advertisement aired in 1941 before a baseball game. A Bulova watch spanned a map of the United States: "America runs on Bulova time!" The spot cost $9 ($125 in today's dollars) for 20 seconds.[10] Although that certainly seems like a good deal, it's important to remember that this wasn't Super Bowl 2007. New media needs to prove itself.

But the promise of the medium was clear—television was gaining consumer attention, and it allowed for great creativity in the messaging format. And this is the magic combination. While the 1941 Bulova commercial may seem a bit lame by today's standards, it was radical in its integration of multiple design elements—image, copy, voice, music.

Advertisers were attracted not only to the reach of the medium but also to its very nature. After all, it's more about attracting attention than gaining mere exposure. And again, as soon as advertisers became comfortable with the new medium and started to invest steadily in TV ads, the need for measurement became clear. Accordingly, in 1953, the Advertising Research Foundation officially accepted ACNielsen's machine-based ratings system for TV.

Television penetrated U.S. households faster than any prior technology. To expand that reach deeper into tertiary markets that often had problems receiving a broadcast signal, cable TV technology was developed as early as the 1950s.

So at this point, advertisers could spend money to communicate their message in many different ways—through newspapers, magazines, radio, and television. It got complicated. So the value of agency services became more evident, and together with the postwar explosion of TV came the emergence of the modern superagency.

And this coincided with the development of the social sciences. So, while the basic objective of advertising is simple—to persuade people toward a specific behavior, such as purchase—we began to see the application of rigor to that objective.

The *art* of persuasion evolved quickly to become the *science* of persuasion. This development really picked up speed after World War II. Social psychologists investigated how to persuade people without making them feel manipulated. As Dr. Ernest Dichter, president of the Institute for Motivational Research put it in the late 1950s, the agency "manipulate(s) human motivations and desires and develops a need for goods with which the public has at one time been un-familiar—perhaps even undesirous of purchasing."[11]

The next innovation in the history of media advertising was cable television. Although cable had been around since the 1940s and 1950s, it did not reach its stride until quite a bit later. In the 1960s, cable became more than expanded reach with the introduction of alternative programming content. Because the cable signal was direct into each home and not uniformly broadcast, it was possible to offer selective programming by interest—movie channels, sports channels, and so on. People could choose and subscribe to whatever interested them. And cable became a hot advertising medium in the 1970s.

But once again, concurrent with a new media establishing itself by figuring out what it was distinctively good at, technology was in the background getting ready to rear its head once again. The impact of the Internet was seminal in many ways. We focus on this radical transition in the history of advertising in Chapter 2.

Other Emerging Media

At this stage in the history of advertising, we are all transfixed and infatuated with the phenomenon of paid Web search advertising. But other interesting stuff is going on from which we might learn something.

Fairly recently, film studios have come to see their reach as a monetizable asset of interest to advertisers. The classic example is Steven Spielberg's 1982 movie *ET.* The movie was a huge success, and the product placement of Reese's Pieces as ET's favorite candy significantly increased sales for the Hershey Company.

By 2001, products started essentially *starring* in movies such as *The Fast and the Furious* together with humans. Blog comment-reviews are telling:

> *OMG!! I now have a new favourite movie.*
>
> *that was the best movie i have ever seen. . . . and it has the car that i would like to one day own for myself, the mitsubishi evo.*
>
> *THAT MOVIE WUZ OFF THE CHAIN . . . THE CAR I LIKED WUZ HAN'S EVO.*
>
> *Great movie and Love the music and Cars*

It's hard not to LOL . . . A plot summary from Wikipedia is equally telling:

> *After O'Conner loses his* ***Mitsubishi Eclipse*** *to Toretto in a race for "pink slips" and then loses it again when they are confronted by Tran, O'Conner tries to gain the trust of Toretto by working on repairing and upgrading a burned out* ***Toyota Supra*** *to hand over to him.*[12]

Product placement has also entered the world of video games. And why not? Nielsen recently reported a 12 percent shift away from TV viewing in young males. So, advertisers aren't supposed to notice? It is their job to follow the eyeballs. Accordingly, it is hard to miss signs for Best Buy, Burger King, AT&T, and, yes, Old Spice when playing *Need for Speed Underground 2.*

And so here we are, for better or worse. . . . Anything consumers see is a potential advertisement, from race cars to the human body (see Figure 1.6).

Database Direct Marketing: The Emergence of Engagement

While traditional media have been competing for the attention of American consumers in the face of economic progress, women in the workforce, and increasingly busy lives, an often overlooked parallel trend has developed in advertising—direct marketing. It represents the refinement of the art of persuasion to the concept of *engaging* the consumer.

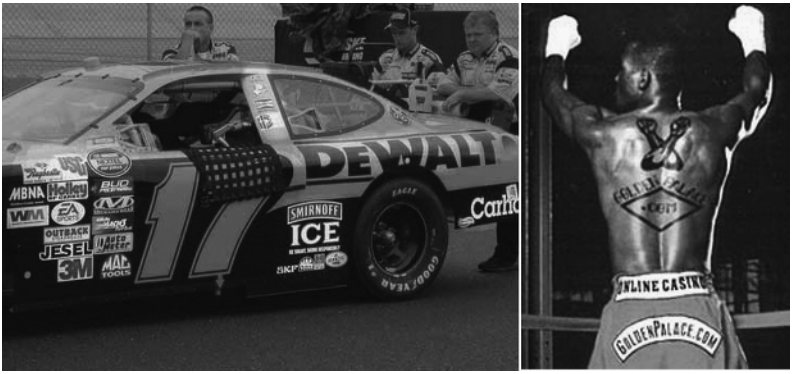

Figure 1.6 Advertising takes many shapes and forms.

As the mother-in-law says, "Every generation thinks it invented sex and Coca-Cola." Although technology has surely accelerated the possibilities of engagement, it is useful to look at what has already been done before we reinvent wheels and start spinning them.

In Venice, in the year 1498, Aldus Manutius printed the "Earth's biggest selection" of books. A lot of companies followed. We don't know about your mailbox but ours are stuffed—both the one outside our house and the one inside our computer. The basic idea is not to wait for people to notice an ad in any particular media but to go directly to them with the message, and in a more interactive way.

In fairness, it wasn't until 1961 that the legendary Lester Wunderman coined the term *direct marketing*. He later described the essential quality of the craft as "where the advertising and buying become a single action."[13]

So, you just don't message people through media and hope they will come. You hit them where they live (e.g., via the mailbox) and go right in for the kill with a call to action: "ORDER NOW and we'll send you a second auto-eject melon baller for free!"

Another key innovation here, compared with prior media advertising, was to create a direct, traceable link to the cause (the message treatment) and the effect (the sale). Direct marketing is measurable.

Mass mailings started in the 1940s, but a whole slew of creative promotional and direct response techniques really blossomed over the ensuing decades. The enhanced objective of the message format, the *treatment,* was seen as being less passive than other advertising media. This idea of active engagement evolved from advances in the science of human memory.

After all, you just don't call someone you don't know and offer your hand in marriage. You go out to dinner together and try to *engage* the person before proposing.

The mathematical science of segmentation jumped in around the 1960s, catalyzed by improving computer resources. This advancement allowed advertisers to develop treatments specific to groups with similar characteristics instead of using the same piece for everyone on the mailing list.

Reader's Digest, a genuine trailblazer here, had already developed its unified customer database well before we started using fashionable terms like customer relationship management (CRM). Their huge flat file contained a single view of a customer, including not only demographics but also a running history of every contact between the customer and the company. Providing the marketing function with easy access to this information was a profound technical database innovation. Fed into an analytics system, this information (literally billions of bread crumbs tracing the customer contact history) helps marketers figure out how best to *engage* the customer and close the sale.

Technology provided another boost with the advent of the modern database in the 1980s. The more information you can store and easily retrieve, the better you can target your message.

The Dynamic Evolution of Competing Media

In discussing the historical roots of interactivity and engagement, we have mentioned the development of newspapers, magazines, radio, television, cable, and the Internet, as well as the insertion of advertising into video games and onto our cars and bodies. And we have discussed direct marketing in this context.

But to understand the fundamental dynamics of advertising media, it's important to look at why new media emerged and how they have competed for advertising dollars. The moral of this story is that a new medium competes with established formats based on its *distinctive* characteristics and how they help advertisers reach and message consumers.

Technology is often the initial trigger, but why exactly does a medium resonate with consumers to the extent that advertisers want to jump in? It seems that all successful advertising media evolve beyond a mere technology when creativity not only grabs people's attention but also aligns with some functional or psychological consumer need.

Anyone who was ever forced to take an introductory psychology course (or forced to listen to those who have) has surely heard of *Maslow's Hierarchy of Needs*. This seminal conceptual framework laid out a pyramid of human needs, from basic food and shelter up to self-actualization and beyond—stuff like being among the first to see Paris Hilton's post prison haircut.

We can look at the evolution of media content similarly: Media have climbed the pyramid from being sources of practical information to serving as entertainment. In fact, the distinction between news and entertainment is becoming increasingly blurred.

Newspapers Inform

Newspapers had their roots in the basic sociopolitical need to communicate during formative periods in history. There are newspapers of sorts dating back to the 1400s, with basic information of real importance to people—like what warlords were expected to be passing their way. This was a pretty low readership on Maslow's pyramid, more concerned with head cuts than haircuts.

Newspapers played a central role in the early, turbulent period of American history. The purpose of newspaper content was aligned with the American spirit: freedom of the press.

> *Were it left to me to decide whether we should have a government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter.*
>
> Thomas Jefferson, 1787[14]

So the purpose of newspapers was to inform, and the role of the medium was always catalyzed during social and political transitions. Advertisements were there, but they never intruded on the objective to inform. The content was serious and its cause often noble.

Then came the first new medium—magazines. Why did it evolve to the point of interesting advertisers?

Magazines Entertain

Newspapers and magazines are both printed media, but the first obvious difference is the focus of their content. Magazines addressed a need a step or two up Maslow's pyramid of needs. In fact, this was a quantum leap, popping us to the level in the step curve we're still riding today—the human need for entertainment.

As Western culture began to stabilize politically, people began to be less consumed with basic survival (we're not referring to the leisure class, who—being on top—had the time to be entertained; they could always call their court jester or pay someone to paint pictures on their ceilings).

For the rest of the populace, magazines provided mass entertainment. Before then, yes, people might go to a play or a witch-burning, but magazines redefined or expanded the previous notion of *editorial content* more toward entertainment than for pure information.

Early magazines explored new content formats such as serials written by the likes of Charles Dickens. And images became content in their own right, beyond the informational sketches in newspapers.

From fiction to photography, the content of magazines had a wider editorial palette capable of expressing and evoking a wide range of emotions. This paralleled the emergence of brand marketing, and the parallel was not coincidental.

So magazines came along with a new range of capabilities to help support a business model focused more on making a profit than on the noble cause of informing society. And this had an important social context: Media, together with society in general, were becoming more commercial.

The impact on newspapers from the new medium was initially low. Advertising was new and growing at a rate such that cannibalism wasn't an issue. Demand from advertisers was higher than supply, and there was more of a focus on how each medium could be used distinctively.

Since newspaper content was initially local, it makes sense that the circulation would be good for "classifieds" and local announcements like the one advertising the Long Island estate for sale. But for selling an Amana (every housewife's dream), it made sense to use colorful, less serious, and more entertaining magazines.

Radio Sings

In the 1920s, radio emerged and competition between media for advertising dollars really started to heat up. American life had gotten very busy by the time radio came along. So now media not only had to differentiate its format, but also had to compete for consumer time. And radio brilliantly *created* incremental time for consumers.

When we are reading, we are typically singularly focused. But we can listen to radio while doing other things. Housewives (as they were called in the 1940s) could listen while mopping the floor. And when radios showed up in cars, even more free time was created. Radio was the first mobile, eyes-free, hands-free medium. Was it the birth of multitasking?

In terms of content, newspapers gave us written information; magazines added visuals, color, and entertainment. Radio added yet another vehicle to get a message across—sound.

The human voice can achieve a level of emotional pull that the written word can't quite match.

Newspapers and magazines are both printed media. But radio relies on intangible waves, not ink on paper. Radio is there when you turn it on. You don't have to go out, purchase it, and bring it into your home. And once you pay for the device, the content is free. Radio was, indeed, a very innovative medium.

And with the advent of radio, the role of the advertiser became more powerful through the new concept of sponsorship. Radio content was a lot more expensive to produce than print. And in stepping up to cover that cost through sponsorships of radio shows, advertisers gained unprecedented influence. This allowed for a lot of creative opportunity to blend messaging into editorial content to heighten the impact of the ad. No pretense of journalistic objectivity here!

Advertisers were no longer merely riding on a medium's exposure to consumers through its reach, they were shaping the very nature of the medium. And here the lines between content and advertisement were beginning to blur.

The commercial capabilities of radio scared the heck out of the established media and advertising world. There were 5 million radios in 1925, with around 20 million listeners in over 19 percent of U.S. homes. Radio advertising jumped from $4 million in 1927 to $19 million in 1929. Overall household penetration jumped to 35 percent, with 75 percent presence in cities and wealthy suburbs.[15] And beyond the burbs, radio reached out in a vital way to previously isolated rural areas, creating a greater sense of community.

How did the established print media defend themselves? The reaction was more aggressive than when magazines began to compete with newspapers. Although there was competitive tension between the newspaper and magazine communities, at least they were the same basic medium—the printed word. And initially, printing technology restrictions kept them pretty much at parity with respect to visual qualities.

The print world used its reach to discredit radio—there was lots of mudslinging. Advertising was just finding its stride, and the pie likely didn't seem big enough for three media to share. And radio caused additional anxiety because it was a very different format.

It is certainly not random choice that determined the print editorial mix at the time. Magazines, in particular, focused a lot on movies and theater, neither of which competed for its advertising dollars. It was hard to find any coverage about radio in newspapers or magazines; many newspapers refused to print radio programming schedules.

As a technology, radio was downplayed by many. Jack Woodward, in *Forum for July 1929,* attacked it as primitive, citing everything from breakdowns and static to bad programming. He predicted (and you get a sense that he hoped) it would never cut it as a consumer device.

In the same year (June 11, 1929), *Christian Science Monitor* published the editorial, "Whither Advertising." There's a definite alarmist tone to the article. It cast the radio industry, including manufacturers, in a bit of a subversive light, pointing to its plethora of advertising.

Technology helped magazines defend against radio with the advent of full-color photographic reproduction in the early 1930s. *Vogue* published the first color photo cover for a magazine on its November 15, 1931, issue. Perhaps print couldn't make sound, but it could certainly catch your eye.

So the 1930s was the great age of the picture magazine. In 1936, the venerable *Life* sold more than one million magazines in its first few weeks.[16] By the 1940s, magazines were an important part of any brand advertising strategy and maintained over 12 percent advertising market share throughout that decade.

Print and radio eventually learned to coexist by finding their distinctive "sweet spots"—magazines are visual; radio is audio. And peaceful coexistence was easy because advertising budgets were steadily increasing. Competition was not yet that intense.

TV Seems to Have It All; Competition Heats Up

The 1950s saw the impact of television. Like a bat out of hell, it flew into over 70 percent U.S. households around the middle of the decade.[17] It was a medium rich in entertainment potential, combining the sound of radio with the imagery of the picture magazine improved with motion. Just when media had started to settle down by focusing on what each did best, television upended advertising with its compelling capabilities.

The proliferation of the medium was extraordinary. World War II was no one's idea of a good time, and Americans' appetite to kick back and be entertained was high. The war had given everyone a feel for what life would be like a step lower on Maslow's pyramid. And there'd be none of that: It was time to party.

National radio advertising sales felt it first. It reacted by leveraging what radio did distinctively compared with the upstart. While compelling, television was only capable of uniform broadcasting. Radio could be broadcast selectively, and it leveraged that capability by focusing on regional and local content and advertising.

Initially, magazines were less affected. The format of the print medium differed more from television than radio. And they had perfected the use of color. Magazines also were portable—you couldn't drag your TV set to the dentist's office.

Magazines' resilience gave way going into the 1960s. The cost of color television declined, and household penetration had reached 97 percent. But more importantly, television was winning the battle for consumer time. It was genuinely changing the American lifestyle. Reading lost ground to vegging—sitting back and being entertained without effort.

As early as 1956, television grabbed 12.2 percent of the advertising dollars, leaving magazines with 8 percent.[18] Magazines reacted by becoming increasingly focused on specialty interests, including the emerging TV star cult.

But soon television faced competition from new media. Cable, which originally was just a way to reach out to areas that couldn't get a broadcast signal, came into its own as a medium, It became a "content play" in the 1960s with the introduction of target programming. Network content started looking like one-size-fits-all.

The established networks exercised political influence, demanding that the Federal Communications Commission (FCC) regulate the industry. Regulation served as a thumb in the hole of the dike throughout the decade.

Cable TV dislodged the thumb in the 1970s, and the advertising world sat back to watch the ensuing flood of change. In 1978, the big three networks enjoyed over 90 percent prime time share, but by 1986 it dropped to 75 percent, further dwindling to 61 percent in 1993.[19]

The next competitive entry into the media game was the Internet. It is fair to say that media have not seen such a fundamentally different contender for ad dollars since television. And like television, the Internet has threatened to fundamentally change the way Americans live.

The Internet not only chased the exposure game with traditional space/banner ads but essentially invented another advertising technique by free-riding on a new form of exposure: the online search. It soon became clear how distinctive the Internet really was.

In its current state of maturity—and it is still a young medium—the Internet combines text, images, motion, and sound. It entertains, informs and is a channel for commerce. And most distinctively, it was the first medium that handed the steering wheel over to the consumer, making the experience much more interactive. And advertisers don't have to infer consumers' interests because they declare them in their Internet usage and search behavior.

Early competitive response included a fair share of mudslinging reminiscent of early radio days. Internet safety and security issues, stories of click fraud and child predators still get a lot of media attention.

But the bottom line that can't be hid from advertisers is the basic data on how we all spend our time. In 2006, we spent over an hour a day on the Internet versus 23 minutes reading.[20] The Internet has seeped into the fabric of American life, impacting our culture in a way the history of media hasn't seen since the entrance of the boob-tube.

What we have seen from Internet advertising is impressive, particularly for a medium that is barely out of its first half-decade. Yet it is important to appreciate how nascent the medium really is. In absolute size, online advertising isn't expected to surpass even radio spending until 2010, when Forrester and the like predict online advertising to hit around $26 billion. And while consumers now spend three times more hours on the Internet than on reading, advertisers are still spending six times more of their budget on newspapers and magazines.[21] New media takes time to establish itself, even if it seems sizzling hot.

Although different media have competed to be noticed throughout the history of advertising, direct marketing took a different approach. It didn't wait to be noticed, but instead interrupted our attention by going into our mailboxes. And by tracking our responses and sending additional mailings based on it, direct database marketing planted the seeds of interactivity and engagement we now see blooming in Internet advertising.

How Media Compete

History shows us that, just like people, media compete best based on things they are good at. And the winners have always competed on attributes of meaning to consumers. The dimensions on which media have competed over the past two hundred years are telling:

- The unique characteristics of the medium in terms of its potential to attract and engage customers:
  - Type of content and its creative capabilities
    - The written word; images; sound; video; direct mail pieces; user-generated stuff: how well the content type grabs consumer attention
  - A unique usage characteristic
    - The portability of magazines; the eyes-free, hands-free nature of radio that allows people to participate while doing other things; the user

control and *flexibility* of searching for stuff on the Internet
- Segmentation and specialization
  - Affinity programming of cable; specialty magazines
- Mudslinging—government intervention
  - Network's influence over the FCC combating against cable; the printed word's attack on radio

New media will likely continue to emerge. Any successful medium will compete based on its distinctive characteristics. So, when developing mobile advertising business strategies, we want to be very clear about what the medium can uniquely do for advertisers.

In Chapters 3 and 4, we explore the unique characteristics that generate excitement for the future of mobile advertising.

THE BASIC CONCEPTS AS THEY APPLY TO MOBILE ADVERTISING

We have presented basic concepts and a short history of advertising media because while we believe there is money to be made here, we believe it must be earned through hard work. *Markets are made, and that process can fail.* The window of opportunity never stays open forever, and there is no time to waste reinventing the wheel here.

What can we take away from our review of the basics and history? How can it help us get through the window of opportunity before it closes?

Summary: Basic Concepts and Media History

Markets emerge and sustain themselves by meeting the needs of their constituencies. It may only take two to tango—buyers and sellers—but advertisers often increase the value generated from the market. Advertising can be seen as a market for exposures to consumers on which to send a message.

At its most basic, advertising aims to expose its message to the market toward the end of influencing the behavior of the participants. The first gating item for ad effectiveness is to not intrude on the core transaction that generates the exposure on which the message rides. In a market, the needs of every constituency must be met. If any group—buyers, sellers, advertisers—leaves the market relationship because its needs aren't satisfied, the market as it is known will fall apart or at least morph into something else.

So, mobile advertising must be mindful of the basic rules of the game. We can blow it and be asked to leave the market.

Advertisers have a variety of ways to send their message to the marketplace. At its most basic, the advertisement must get exposed, so advertisers have to find out where consumers are spending their time. The history of advertising shows that technology affects where consumers' eyeballs go. Thus, advertising is constantly in flux.

Advertisers, then, are always watching consumers' media consumption. And they are also looking for new creative techniques because they want their message to be memorable. The better the impact of the message, the more effective the ad investment. So they'll also spend money testing different treatment techniques offered by the medium.

They can increase hit rate by targeting the message to be meaningful, and thus memorable to the consumer. So, advertisers invest in research and data that help clarify different consumer segments and tailor their messaging accordingly.

And, if all these variables are the same, advertisers want to reach as many people as possible, as inexpensively as possible.

New media has an inherent initial edge, at least theoretically, because its newness helps it get noticed and remembered. But this does not mean that every new medium is guaranteed budget and good times. Sellers of media are responsible to prove its effectiveness in being seen and influencing behavior.

We have seen lots of media emerge, from shouting to print to audio to electronic. Each has competed on the basis of what it does best. At a certain point, the size of the advertising budget doesn't grow as fast as new media emerge, so they eventually fight for share. The reality is that once advertisers have tested you out using marketing development or research funds, you must compete for budget with all the other established media.

In proving itself meaningful, new media have always been mindful of a few basic questions:

- What is *distinctive* about my medium, my device, or my treatment?
- Do consumers use it in any *distinctive ways?*
- How do these characteristics allow advertisers to craft and deliver compelling messages?
- How can it be used to enhance the effectiveness of other media?

We evaluate these core questions in Chapters 3, 5, 7, 8, and 9. But even at a gut level, when we look at mobile advertising from this perspective, we find good news and bad news.

The Good News

Advertisers are always looking for new places to message consumers. There are around 3 billion worldwide cell phone subscribers, and they stare at their phones a lot.

Advertisers look for targeted reach. We know a lot of demographic and behavior data about mobile subscribers. Adequate analytic software is out there to make good use of that information. If mobile search can be made compelling to users, we will know a lot more about consumers because they will declare their interest in the query.

Advertisers look for the creative capabilities of a new medium in terms of the capability to produce memorable messages. Cell phones combine sound, image, video, communication with others, and soon enough, location information.

Advertisers want to measure effectiveness to help them allocate their media budget. As we discuss later, there's progress here in mobile.

Without question, the cell phone resonates with the lifestyle, interests, and behavior of young consumers. Increasingly younger consumers own phones and are using them with great frequency.

The Bad News

Consumers aren't using their cell phones for reasons other than phone calls as much as we all hoped. And unless someone proves that consumers are willing to have their basic phone call experience interrupted with messages in exchange for lower cost or free access, then that is a problem. Research and experience suggest that the "this phone call is brought to you by . . . " advertising model resonates with only a few segments. And those are typically lower-value consumers from an advertising perspective.

But advertising messages can also ride on the device and application interface, and here is where we've seen a lot of early activity. And we'll be blunt on this one: It's the interface, stupid. People can't even find out how to turn on their speaker phone, let alone search for and download a video clip.

The current interface is a vestige of the personal computer/graphical user interface (PC/GUI) and is based on nested menus from *somebody's* (not ours!) categorization scheme. Drilling down using a small keyboard (even if it's a pretty graphical one like the iPhone) is tedious, if not frustrating, particularly when you're mobile or multitasking.

So we run right into the fundamental need of any market to satisfy consumers and vendors. We fail miserably on the basic experience of finding and using: How can we expect people to accept advertisements? We discuss the critical problem of the interface in more detail in Chapter 5.

And even if we clean up the interface, are we delivering the kind of reach advertisers are looking for? The structure of today's industry is understandable—major carriers (we will be using the terms carriers and operators interchangeably throughout the book) need to protect and leverage their investment in their network—splitting consumer reach into several mutually exclusive buckets makes it hard to hit the critical mass of reach. And the huge potential reach of mobile devices is one of the key assets we have to offer advertisers.

And have we yet made a convincing case to advertisers that cell phones allow for creativity in messaging? Have we answered the basic question: What's distinctive about the device and what can it mean to advertisers?

Ready . . . Aim . . . Fire?

It's intuitively clear that mobile advertising has some distinctive attributes and capabilities that can help advertisers get their message exposed. As we speak, advertisers are kicking the tires.

So, we know we're *ready*—but have we adequately *aimed,* and are we ready to *fire* and win? Not entirely.

Like any new medium, there's work to be done. Riding on the coattails of a bubble economy, it's easy to have a sense of entitlement to success, especially when venture capital is flowing into mobile advertising and we are writing books on the subject.

But remember: The bubble popped.

So while the trigger may be cocked, it's smart to go on to the next chapter before shooting. The road ahead is not an easy one, so bring a map with you. This is a particularly complex ecosystem, and you want to look at it carefully before you load the kids up in the car for the journey. We take a closer look at the complexities of the business environment in Chapter 6.

But the pain will be worth the gain: The reward shows promise of being valuable indeed. In Chapter 2, we argue that the Internet has combined nearly all the attributes of value to advertisers that have emerged in the history of advertising to date, with increased targeting, direct response, and engagement capabilities. And the new age of digital media has been highly disruptive to the old guard silos of traditional media. Mobile advertising will continue to build on this digital media momentum and bring both further value and disruption to the advertising world.

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