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## History

*Advertising has us chasing cars and clothes, working jobs we hate so we can buy shit we don't need.*

—Tyler Durden, *Fight Club*, 1999



## Edward Bernays

It's a cold day in New York City in December 1918. World War I has just ended. Twenty-seven-year-old Edward Bernays ducks into a local drugstore to buy a Coca-Cola. As he sits at the pharmacy counter and enjoys his soft drink, he contemplates the new career he is about to begin. Edward is on the verge of a vocation that will impact the very product he's enjoying—in addition to countless others that sit on the shelves of that drugstore and many other stores in the years to come.

Edward, the nephew of Sigmund Freud, has just completed an assignment working for the war effort as a part of the Committee on Public Information, a group that was instrumental in promoting the American dream of democracy across the world. After many failed attempts to enlist and help out with the war effort, flat-footed and nearsighted Edward finally landed a chance to serve. He managed to secure an interview after his dogged pursuit of Ernest Poole, the head of the Foreign Press Bureau of the US Committee on Public Information. During his tenure with the committee, Edward worked with companies such as Ford, International Harvester, and many other American firms to distribute literature on US war efforts to foreign contacts and by posting US propaganda in the windows of 650 American offices overseas.

Edward's contributions to the Committee on Public Information helped make American citizen's perception of what had been an unpopular war much more positive. He used techniques he had successfully mastered in prior endeavors, including promoting a play called *Daddy Long Legs* and working with a touring ballet called *Ballets Russe*.

As a result of his work, Edward was invited to travel with Woodrow Wilson and attend the Paris Peace Conference in January 1919.

During his time abroad, Edward witnessed firsthand how powerful propaganda could be in influencing the general public's belief systems. This experience further convinced him that one could indeed shape the behavior of the masses by understanding what instincts and symbols motivate individuals. Edward explained, "The impact words and pictures made on the minds of men throughout Europe made a deep impression on me. I recognized that they had been powerful factors in helping win the war. Paris became a training school without instructors, in the study of public opinion and people."

And as it turned out, Edward's schooling and realization couldn't have come at a more opportune time.

## The Problems of Production

Although the United States had left the war in a state of euphoria—and with the status of being the most powerful, richest country in the world—the country was facing several problems. American companies had perfected the practice of mass production primarily out of necessity to keep up with the demands of the war effort. Now that the war was over, they needed a way to maintain their prominence with this new capability. As such, they needed to address two problems, the first of which was that *these companies needed someone to buy their products*.

Before the ability to create products in mass was perfected, purchasers of goods were not referred to as consumers. This word comes from the Latin term *consumo* and means to "eat up completely." Prior to the war, people bought only what they needed, primarily locally. Only the very wealthy participated in conspicuous consumption. Therefore, the definition of what an individual needed had to change to support mass production.

Consumerism and the concept of a consumer were invented in part to support and perpetuate the mass production cycle. Richard

Robbins, in his book *Global Problems and the Culture of Capitalism*, explained it this way<sup>1</sup>:

[T]he consumer revolution of the late nineteenth and early twentieth centuries was caused in large part by a crisis in production; new technologies had resulted in production of more goods, but there were not enough people to buy them. Since production is such an essential part of the culture of capitalism, society quickly adapted to the crisis by convincing people to buy things, by altering basic institutions and even generating a new ideology of pleasure.

The second problem was that *in order to mass produce something, choice must be limited*. Henry Ford is famously quoted as saying the following when discussing the Model T in 1909: “Any customer can have a car painted any color that he wants, so long as it is black.”

For mass production to work, a product had to be standardized; nothing could be handmade, and everything had to be manufactured via machines and molds. The product’s assembly must permit workers with low skill levels to operate assembly lines where each worker does one task over and over again. For instance, a Model T assembly worker might spend every day putting the same screws into the same part of the vehicle chassis.

The introduction of variety or choice would require time to retool a very expensive process, or even more daunting—to create a whole *new* assembly line to take on the new work. The technology at the time simply didn’t exist to support the concept of choice.

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<sup>1</sup>Richard Robbins, *Global Problems and Culture Capitalism* (Boston: Allyn & Bacon, 1999), 210.

## The Opportunity

Edward and others in his industry saw both of these problems as an opportunity to apply the principles of propaganda in a completely new way. They believed that propaganda could serve to move society from one of need to one of *want*. Furthermore, they believed that using the right symbols, words, and influences could convince consumers to buy the products that companies were creating.

Edward knew that he couldn't use the word *propaganda* itself because it had been tainted by the Germans during the war. So he opened up a *publicity direction* office, which became what we now all know as public relations. This new office's charter was to *create* demand for the products companies were already making—and to find ways to expand a product's reach to new consumers.

Edward believed that if they approached customers the right way, those working in *publicity direction* could actually adjust the customers' preferences—and get them to consume what an industry was already creating.

One example of this approach is the way in which Edward handled American brewers. The brewers hired him after prohibition was repealed in 1933 to put themselves in a stronger position than liquor makers.

To create demand for beer among those who usually indulged in alcoholic beverages, Edward touted beer as the “beverage of moderation.” It was an attempt to distance it from distilled liquor and set it apart as distinctive. He persuaded beer retailers to cooperate with law enforcement to ensure that their product was used responsibly, and he published evidence that beer was not fattening and had a caloric value equal to that of milk.

To expand the product's reach to new consumers, Edward told homemakers that beer would make for richer chocolate cake. He told farmers that brewers were major buyers of their barley, corn, and rice and told laborers that beer was the one alcoholic beverage

they could afford. In addition, he published booklets and wrote letters claiming that beer was the favorite drink of the ancient Babylonians and the monks of the Middle Ages, as well as of George Washington, Thomas Jefferson, Patrick Henry, and the Pilgrims.

Edward's work affected products across the board, from hairnets to automobiles to cigarettes to even people. Politicians called on his services to help them move their campaigns forward. His approach was always similar: make people want to consume the product as it was presented or how it could be manufactured.

Edward primarily used the printed word to persuade individuals that they needed to buy a product. The advertisements were directive: they told the consumer *what* to buy.

- “Isn’t it time you gave yourself a Christmas Gift?” (advertisement for a Colt revolver)
- “Christmas morning she will be happier with a Hoover” (advertisement for Hoover vacuum)
- “How Television Benefits Your Children”; “Own a Motorola and You Know You Own the Best” (advertisement for Motorola television set as a advertorial)
- “For a better start in life, start cola early” (advertisement for the Soda Pop Board of America)

And the approach was very effective: companies did succeed in getting individuals to buy what the company could manufacture.

## The Rise of Mass Media

Edward Bernays and his cohorts' efforts received support from an invention whose advancement was just as important as mass production at the time: the rise of mass media.

Before the early 1900s, most people got their news and information via word of mouth. They heard about things when they

visited the town square or from a sparsely distributed network of newspapers when they were out and about buying the things they needed. Technology to send messages cheaply wide and far didn't exist.

But the introduction of new disruptive technology in the early 1900s—such as the telephone, radio, movies, and television—greatly enhanced people's ability to send information, entertainment, and news directly into the household from a central location. Those who were able to afford to do this had a set number of channels, and these discrete channels allowed them to closely control what was said and how it was said.

However, not everyone had this luxury. Only large players with deep pockets could fund the entertainment and information to distribute across these channels. As a result, channel owners needed the advertiser to help support their endeavors. A symbiotic relationship developed—a long-standing institution of which we've begun to see fractures only recently.

The kind of control and distribution power that mass media held was perfect for sending the advertisers' messages intended to drive consumer demand for a given product or service.

## **Keeping Up with the Joneses**

The country that came out of World War II was one composed of citizens who were accustomed to skimping by to support the war effort. Once the war was over, people had the money to spend on things they wanted—and the freedom to do so. The economic and societal environment of that time helped move the consumerism trend forward. Creating consumer demand continued to evolve in a way that further bolstered the burgeoning industry of public relations and advertising and reinforced the belief that advertisers were in charge. The consumer was a pawn, willing to purchase what was created as long as it was positioned with the right spin.



The government helped, too. To encourage spending, the government began doling out cheap money via the GI Bill to anyone that wanted a house. Suddenly, the American dream was within most people's grasp. Cities and towns everywhere began building affordable housing. Transportation systems were constructed to and from the city that made it easy for families to move out to the suburbs.

This was a society where people lived near others "like them"; in this way, neighborhoods truly did represent the groups in which they *decided* to live. Block parties were common, kids played with their neighborhood friends, and the influences of social hierarchy impacted which products and services people chose to buy.

The avenues through which these consumers received information were very closely controlled. In those days, you couldn't skip through commercials, you had very few channels, there was no Internet, and you spent substantial time with your neighbors. It was easy in this type of situation (which lasted well into the 1990s) to create an environment that made people feel as though they had to "keep up with the Joneses"—in other words, buy the things their neighbors were buying. It was practical for companies to view this society through a wide lens of demographics and segmentation—and to use these divisions to appeal to the various audiences.

Based on social pecking order, work's structure and rhythm, and a desire to fit in, the next big thing depended largely on placement and whether the right group or person liked it enough to make it sell. Use the right promotion, change a tagline, increase or decrease the price, and you could watch the numbers of units sold go up or down almost instantly.

## **Product Was Tangible; Information Was Scarce**

Unlike today, another important difference back then was that people were mostly buying *tangible* items. They were *products*, and you had to *visit the store* to purchase them—an undertaking that

required quite a bit of effort and commitment. Consumers needed to understand the features and functions of the item they were buying to ensure they were selecting the right product for them.

This meant that consumers were influenced by what they saw others doing, reading, or using. It required no effort to find out what books your friends or colleagues thought were interesting because you could see them carrying the books around. You could tell what music they were listening to because the record sleeves were mobile advertisements for the artists they contained.

Consumers didn't have many resources of information available to understand the difference between products, and what they did have was scarce, was hard to obtain, and often came with an associated cost either in terms of time or money. They relied heavily on feature and function comparison to determine which product or offering was most appropriate to them. The commitment to making a purchase was therefore far greater—and the consequences of making a “choice” all the more critical.

As a result, consumers were forced to rely heavily on what they saw in mass media—and what the store's friendly salesperson told them about any distinctions between available products. It was a marketer's job to get consumers to the store and the salesperson's task to establish a relationship with them. The retailer garnered the consumers' trust and advised them in selecting the right choice based on their needs.

In this distribution model, one that the seller highly controlled and maintained, sales was the quarterback, responsible for moving the consumer across the goal line. And the marketing department was the cheerleader, the creator of utopian messages about how a product or brand could make life better. The process was simple: whatever company did the best job at promoting its unique functions or features won. Consumers bought the product because of a halo effect around this set of features and functions. They truly believed that they would attain some higher order by buying a

product, that they would fit in with their neighbors, have more free time, be a better wife or mother, or achieve whatever their goal or perceived unmet need happened to be.

## **Population Was on the Rise**

Starting with the baby boomers (those born between the years of 1946 and 1964), people began to receive better educations. This meant higher-paying jobs and a growth in home ownership, a mass production economy's dream. The demand for things such as diapers, baby food, furniture, and appliances skyrocketed as more and more people purchased homes and welcomed new additions to the family.

Around this time, companies perfected the distribution methods they used to get products into stores. Marketing departments could begin to see firsthand the direct impact their efforts had on the buying behaviors of the consumers they were targeting. They could look at what had worked before, model it, and use this historical reference to predict future consumer purchases. This type of economy made it possible for giants like Walmart to refine the supply chain. They were able to measure exactly how much product to put on the shelves and what to price it at and could predict how it would sell.

These were the golden years of marketing and advertising. Run a commercial that a cereal helps with weight loss and watch the product fly off the shelf. Introduce a new toy with just the right message, and it becomes the must-have item of the holiday buying season. Present an advertisement about what success looks like and influence the trends in boardrooms across America.

## **Customization and the “Experience Economy”**

However, fractures began to appear in this mass production model's framework as we moved into the 1990s. Companies such as Dell made it possible for consumers to build a computer exactly the

way they wanted it. The Internet threatened to turn us all into basement-dwelling, sun-avoiding, online shoppers who never wanted to venture out of our homes for fear of being cut from the tether of our online connections.

The Internet helped spawn something that came to be known as the *experience economy*. Consumers started expecting more from brands than just a good product. In fact, getting a good product was only the starting point; they wanted something more, something different. The Internet provided access to information about different products and services that consumers had never had before.

Mass media was not affected negatively by the experience economy; if anything, most mass media players were bolstered. In these early days of the Internet, it was expensive to capitalize on this new channel, just as it had been during the introduction of radio, television, and movies. Most of the information was still tightly controlled and delivered via large corporate websites or aggregators. That's when smart companies, such as Amazon, started using service and experience as a way to differentiate themselves from others.

I remember the chief executive officer (CEO) of the company I was working for in the mid-1990s excitedly talking about how responsive Amazon was after he placed an order. He gushed about how they'd sent him e-mails that let him know when the book he had ordered would ship (back when Amazon was just an online bookstore). In the beginning, Amazon added small perks; they upgraded shipping from ground to next day or sent some type of bonus with your order. As a result, these "little things" started to permeate the buying public's psyche. The time eventually came when it was no longer enough merely to *receive* the product you ordered in good condition. Companies had to offer something better—and the easiest element to affect was their experience in receiving the product. In these early days, the Internet merely bolstered mass production channels.

Consumers now expected little perks, which gave rise to a variety of new business models. One of the most popular was that embraced by online retailer Zappos, which allowed its buyers to buy as much apparel—and make as many requests—of their customer support reps as they wished. They have a very liberal return policy, allowing consumers to “experience” their products and decide which to keep and which to return.

Not every new business had success with this approach. Webvan was a failed grocery delivery service that brought groceries to your doorstep and prided themselves on the experience they provided. Their goal was to deliver the best produce, add perks to every order and go out of their way to make sure consumers would order from them again. If Webvan hadn’t taken on too much infrastructure when it attempted to recreate an entire well-established distribution model on a low-margin business, it could be the way we all receive our groceries today. Webvan was too far ahead of the mass customization curve.

Of course, the examples cited here of companies attempting this move toward an experience economy were all taking place online. But the impact was also occurring offline. People became more willing to buy commodity items at a higher price if they were wrapped in some kind of heightened experience. Gilmore and Pine note coffee as a great example of this shift in their 1999 book *The Experience Economy*.

No matter how much some of us love coffee, it is really just a commodity. And as a commodity, it is sold at a rate of about 1 cent per cup. Once packaged, the price goes up to somewhere between 5 cents and 25 cents per cup, depending on the brand.

The price jumps again, to \$1 or a \$1.50 per cup, as it moves into the diner or the local restaurant. This increase occurs because the product, coffee, has now been wrapped in a service. A waitress or counter worker has to brew it and serve it to you in a nice clean white mug. And as companies started creating just the right experience and ambiance, the price elevates to \$2 or even \$5 per cup.

At this point, consumers are paying for much more than coffee. They are paying for the experience of purchasing and consuming the coffee.

Today, coffee can be purchased at many places, all of which offer very different experiences. The consumers who purchase the coffee from these different places are doing so to *feel* something, to tap into who they are or who they aspire to be.

Because the commodity is a critical part of that experience, it becomes something more to the consumer: it is part of the consumer's life, either as a status symbol, a comfort, or even a stance. Those who choose not to buy their coffee from Starbucks are making just as significant a statement about who they are and what they believe as the people that prefer the *Starbucks experience*.

And as important as this encounter is to consumers, it is even more important to Starbucks. The company has designed it to work in a certain way. For instance, Starbucks knows that being hit with the smell of coffee upon walking into one of its shops is crucial to its patrons. So when the company decided to add hot food to the menu, it commissioned the creation of an oven that would not allow any of the food smells to seep into the store environment. Starbucks didn't want anything to affect that coffee smell its patrons enjoy when they visit and spend time enjoying the *Starbucks experience*.

Compare that to Dunkin' Donuts, a brand whose coffee is actually secondary to its main product. Dunkin' Donuts has much more limited coffee selections, and many of its stores don't encourage the hang out model of Starbucks. The prevalent smell in its stores is the baked goods.

Neither experience is right or wrong. However, various consumers' decisions to participate in one or the other is really a desire to say something about themselves. Starbucks knows this and makes sure nothing affects the primary tenets that are attributed to its brand experience.

To give you a little preview of what's to come in this book regarding laddering, I'll add a personal element to this example. As I shared in the book's Preface, I love to travel. I also love Starbucks. Anyone who visits my office will see both of my passions on display. I have Starbucks city mugs from the many places I have visited covering my office. By doing so, I am exhibiting something to those visiting me that's much more than a simple mug collection. I have associated myself with a certain caché to the Starbucks brand and am also expressing that I am well traveled. These mugs go beyond just a collection and tell people something about how I see myself.

The example of coffee is one of my favorites to explain how the world has changed. My business partner at User Insight had basically the same demographic characteristics as me: same gender and roughly the same age, income level, and location. But he is a Dunkin' Donuts guy, whereas I prefer Starbucks. If someone were to view us solely through the lens of demographics, they would completely miss the mark about how to market to us as individuals.

Now you may read this section and think to yourself, "I could care less about the experience of coffee." But chances are that there's something else that *is* important, some other way you choose to express yourself. Context is crucial to understanding and uncovering the lessons that laddering offers and to truly map your consumers' DNA.

Technology advances such as the personal computer, the Internet, and further advances in the ability to support mass production at higher and higher levels through globalization required companies to do something more than just offer a product. Although the experience economy was part of the answer, it was still bound by some of the old rules and was predictably measured by standard practices. After all, the Internet is really just another mass media channel, especially when the technology is expensive and the available bandwidth is limited.

The experience economy was merely the tip of the iceberg for what we are currently experiencing in the space of consumer selection and knowledge. The Internet helped support and added some level of complexity to this trend. But more than that, it actually reinforced the long-held belief that looking at what people were doing and buying could help us figure out how to affect sales, marketing, and the bottom line.

We learned that if we change the online message slightly, or even the price, we can watch sales grow. Companies ran split tests on messages and interactions; within hours, they were able to determine whether a change had negatively or positively affected their bottom line. They could have actually gained more control over how consumers entered their channels and viewed their products.

Many of the projects we signed at User Insight came from such insights and knowledge. We received frantic calls from researchers or product managers, wondering how their best performing online property was off by one or two basis points because of slight changes in the experience. We would shepherd the product through the lab, determine the root cause, and then create a course of action to remedy the problem.

The history I have shared in this chapter spans almost 100 years. The world of mass production and mass media stood true for that extended period. Marketers and product developers could rely on known facts and constants that were established during this era to determine the way forward.

Those were the “good old days” of a mere five years ago, before the world changed forever to one where consumers are highly informed and definitely in charge. Consumers today have an almost unlimited number of choices, a voice to express their frustrations and their delights, and a tendency to rely on other consumers to confirm their choices. They do not base their decisions on a brand’s marketing or a salesperson’s advice.



In this world, *what* they do is far less important than *why* they do it. And we cannot develop an understanding of *who* they are solely by looking at what's on the surface. In this new world, marketing and product development need to understand the consumer better than the consumer understands himself or herself. And the following chapters will tell you how to do just that.

### Key Points

- Mass production was initially invented to support the war effort; however, it posed a problem because consistent demand is needed to support mass production.
- Consumerism was then developed to solve the problem that mass production posed. Its goal was to incite need, which was aimed to make consumers want goods, services, and products that were previously available only to very few as a luxury.
- Limited information and few channels (mass media) allowed marketers to control the message that consumers received. Marketers used this control to convince people to buy and to influence and shape the public's perception of brands, products, and companies.
- Consumerism was further enhanced as a result of increased affluence and people's desire to fit in.
- Although the Internet promised a deeper understanding of the individual, it and the experience economy were based on a mass media model and served to reinforce the notion of consumers as groups that could be marketed to as a group, not understood as individuals.
- Today's technology and the ability to mass customize products have changed this environment forever. Consumers now want and expect to be understood as individuals.

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<sup>2</sup> Larry Tye, *Father of Spin: Edward L. Bernays and the Birth of PR* (New York: Picador, 2002), 18–19.

