The End Of Advertising As We Know It

CMOs Should Shift Billions From Ad Interruptions To Branded Relationships

by James L. McQuivey and Keith Johnston
May 2, 2017

Why Read This Report

People love to hate advertising, yet this annoying feature of modern life has funded the global economy more effectively than any other source. But that's changing. Society doesn't need advertising like it used to. People have less time for interruption-driven media. At the same time, they are putting more trust in intelligent agents to guide their decisions. This report outlines how top CMOs will unravel the final threads of advertising as we know it, taking as much as $2.9 billion away from display advertising in the next year.

Key Takeaways

Advertising Has Been The Best Way To Do What It Did
Advertising shaped culture, delivered product information, and powered the economy. But digital tools have arisen that do what advertising does, often better. The ad model has begun to fray.

Major CMOs Will Unravel The Threads Of Ad Interruptions
Top-spending CMOs already complain that display ads don't do what they're paying for them to do. Meanwhile, as consumers embrace interruption-free experiences, marketers will move billions of display ad dollars to build customer relationships.

Join The Switch From Ad Interruptions To Intelligent, Conversational Relationships
Consumers are ready for deeper relationships with the companies that matter to them. There are clear steps to take today, including embedding personality in your brand's current conversation.

The End Of Advertising As We Know It

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by James L. McQuivey and Keith Johnston
with Sharyn Leaver, Jeremy Swire, and Rachel Birrell

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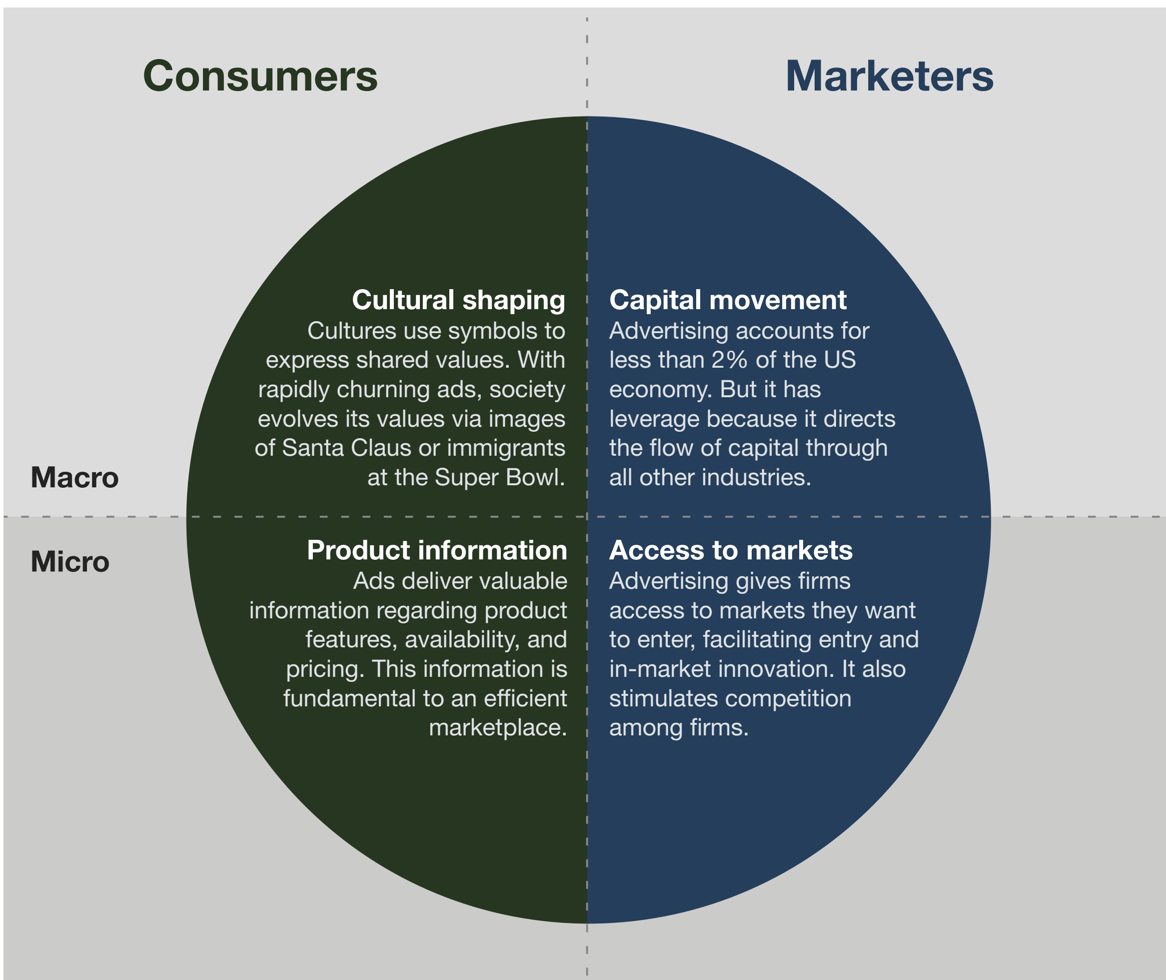
Advertising Was Awesome — Necessary, Even — While It Lasted

Advertising has been essential to modern life. It achieved this critical role because of its ability to reach customers, acting as a fast-moving, responsive system through which thousands of companies and millions of consumers could negotiate shared commercial interests in as close to real time as each era's technology permitted. Advertising did more than help sell products; it also played crucial economic and societal roles for both companies and consumers (see Figure 1). Over time, advertising's power spawned an entrenched system that interconnects marketers, media agencies, publishers, and technology companies — which all depend on each other's trust in advertising to thrive.

FIGURE 1 Advertising Played Four Crucial Economic And Societal Roles



Digital Has Already Disrupted Advertising; Now The Whole Model Has Begun To Fray

At first, digital offered CMOs a new and exciting way to advertise, introducing real-time measurement and accountability. But behind the scenes, digital has slowly introduced alternatives to do many of the things that advertising used to do for us. Think about it. The internet — especially with the advent of mobile — has disrupted:

› **Capital movement.** Advertising stimulates what economists call the velocity of money — the rate at which money turns over in an economy.[1] Advertising can still do that. But today, in-app purchases, Kickstarter campaigns, and Venmo transfers dramatically decrease the distance between an invitation to spend money and the act of spending money, making it more convenient and, on balance, more secure than before. And this makes spending happen more frequently, helping increase the velocity of money and feeding the economy.

› **Access to markets.** Advertising used to be a necessary way to reach out to buyers. Today, digital provides advertising, sure, but it can also cut out the advertising middleman altogether. Half of what Amazon sells actually comes from thousands of other companies.[2] Fifteen million users visit Indiegogo each month, funding projects from 223 countries.[3] Apple has paid thousands of its App Store developers more than $60 billion since 2008.[4] These robust platforms not only give these merchants, entrepreneurs, and developers access to markets, they also "publish" information to the market — features, service conditions, and pricing — which stimulates competitive innovation.

› **Product information.** Ads were the default mechanism for communicating product feature, availability, and pricing information. Not any longer. This is the underpinning of the age of the customer: Consumers now have as much or even more information about products and services than companies do.[5] Thanks to Facebook reviews, online comments, YouTube unboxing videos, and Twitter rants, consumers don't need advertising to tell them what a product does, where to get it, or how much it should cost. Ads *can* do this. But they are no longer required.

› **Cultural shaping.** "Plop, plop, fizz, fizz," was a cultural touchstone that advertising spawned four decades ago, but today the cultural conversation evolves more rapidly on Pinterest and Snapchat than it ever could have in the world of advertising. Celebrities, politicians, and cultural movements fight continuously evolving wars, using symbols as weapons and connecting as directly as possible to as many people as possible — and all at lightning speed, sometimes with advertiser involvement but not necessarily.

CMOs Will Unravel The Final Threads Of Ad Interruptions

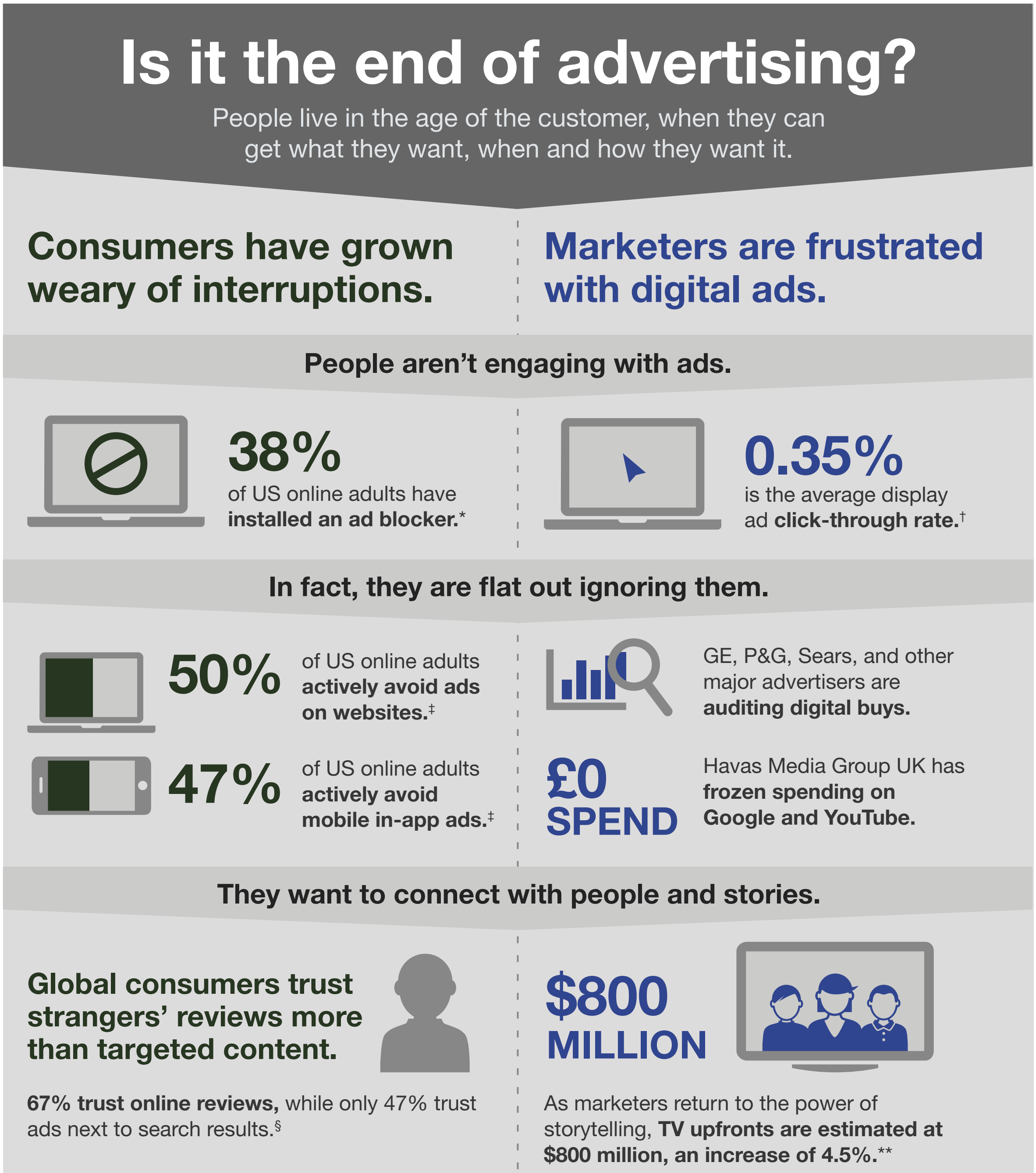
It's true that just because our economy and our culture no longer have the same need for advertising, that doesn't mean we'll abandon it easily. Indeed, media industries and advertising agencies have spent the past 50 years putting vast systems and practices in place to serve CMOs; these have withstood the pressure caused by digital so far. But the biggest-spending CMOs have already looked ahead and seen three forces that are pushing them to think and then do the previously unthinkable: move significant budget away from display advertising, starting this year.[6] Following them, we expect many more CMOs to do the same, openly admitting that (see Figure 2):

› **Display advertising never worked like we pretended.** CMOs know this already, but nobody wants to talk about it, even though advertisers wasted $7.4 billion on poor-quality ad placement in 2016 alone.[7] Digital accounts for a third of all ad spend in the US because it's supposedly so effective.[8] Yet display-ad click-through rates hover around 0.35%; only 40% of ad spending is viewed by a real human; and ad blocking is rising around the world.[9] The advertisers most likely to feel this pain are the ones who spend the most, which is making them look closely at the effectiveness of their ad buys. No wonder that P&G began 2017 by publicly declaring it would hold media and agency partners to a higher level of accountability and transparency.[10] "It's time to grow up. It's time for action," said P&G Chief Brand Officer Marc S. Pritchard. Calling them out is step one; pulling dollars away follows thereafter.

› **Consumers have options for getting what they want without interruptions.** Interruptions have worked for a while now and still do in the digital age. Google made $79.4 billion last year by interrupting search results; Facebook made $26.9 billion in ad revenue by interrupting social interactions.[11] But interruption only works if consumers spend time doing interruptible things on interruption-friendly devices. Once they can get what they want without leaving themselves open to interruptions — whether through voice interfaces or AI-driven background services — they will feel even more hostile to ad interruptions than they claim to be today.[12] That means the 38% of US online adult users already trending toward computer-based ad blocking and ad avoidance will continue to expand — not out of hostile consumer intent, but out of casual indifference to advertiser interests.[13]

› **Astonishing, actionable data can unlock more insight and value.** Sophisticated CMOs have spent this decade investing in tools and systems that let them see with pinpoint precision into the lives of their customers across all phases of the customer life cycle, not just their ad exposure. Affinio gives marketers visibility into the preferences and tastes of target customers in real time. Mattersight uses insight extracted from recorded voice calls to direct the right customer to the right customer support agent based on the conversation patterns that each prefers. This rightly compels CMOs to ask: Why deliver a marketing message when I can instead deliver product value? As Stephanie Shore, CMO of MOO, told us: "One of marketing's newer roles is making the product great first. Think of the product itself as one of your primary marketing touchpoints and make it delightful. If you think the problem is not having enough money to shout the same message 20 times, think again and talk softly."

FIGURE 2 Is It The End Of Advertising?



Source: *Forrester Data Consumer Technographics® North American Consumer Technology, Media, And Telecom Survey, Q1 2017 (US); †Google AdWords Industry Benchmarks; ‡Forrester Data Consumer Technographics North American Online Benchmark Survey (Part 1), 2017; §"Global Trust In Advertising Report," Nielsen, September 2015; and **Media Dynamics 2016 Upfront Report

Enter Intelligent, Conversational Customer Relationships

Disaffection with existing advertising solutions, dwindling consumer tolerance for interruption, and a new awareness of the power of real-time customer data all point in the same direction: CMOs will go beyond merely talking to customers by building meaningful relationships with them. This is not the tired CRM of keeping customer information and transaction histories in multiple databases; rather, it's a relationship that is high-frequency, emotion-rich, and hyperconvenient.[14] This won't be as hard as you imagine because you have (we hope) already started moving in this direction under the guise of becoming a contextual marketer and because (see Figure 3):[15]

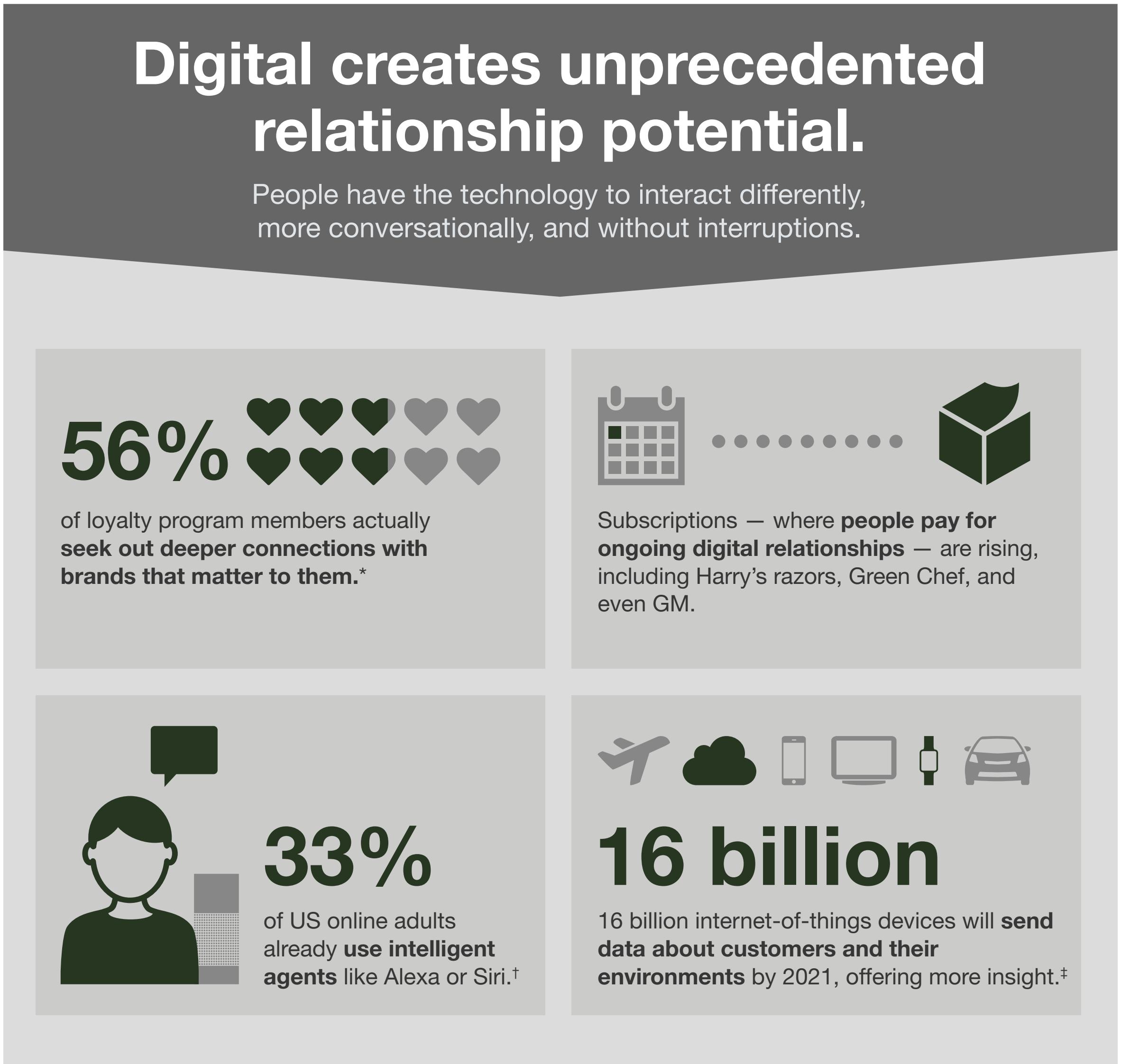
- **Consumers are ready for deeper relationships.** True, a defining characteristic of the most empowered consumers is that they are more able to switch brands than ever before. Yet that doesn't mean they *want* to abandon the brands that matter most. The rejection that some companies are seeing is specific to them. A majority of US online adults who belong to a loyalty program still tell us that they actively seek out connections with — not messages from — brands that matter to them.[16] And they want those connections to make them feel special: 59% like getting offers and services that are reserved for an exclusive set of customers.[17]

- **Your customers say they'll pay for more effective relationship outcomes.** The best relationships not only help people get the products and services they value but also make the delivery of that value even more convenient — a convenience that people today are *more* willing to pay for than they were even a decade ago.[18] Proof of this comes in the dramatic and surprising rise of subscription services, where people sign up and pay a premium for relationships that deliver basics like Harry's razors, Green Chef meals, or even GM cars.[19]

- **The technology to make relationships continuously relevant is rising fast.** Mobile devices put a brand within a customer's reach 24x7. Now, voice interfaces are making those devices even more practical and more apt for building ongoing relationships. Already, 33% of US online adults say they use early intelligent agents like Google Now or Cortana.[20] More than 6 million US homes have an Alexa-enabled device, and we estimate another 20 million will have one or something like it by the year's end.[21] These tools will make it possible to interact with customers more frequently and at a lower cost for both customer and company.

- **You don't have to own the device to build the relationship.** It's not the devices that make CMOs salivate: it's the rich, conversational customer relationship that such a set of tools can create.[22] That's why marketers at companies like 1-800-Flowers.com and Patagonia aren't waiting for a purpose-built device or even a voice interface but have deployed focused chatbot experiences to engage new customers on their websites.[23] Telcos and banks are doing the same in their apps, replacing cumbersome menus with simple, voice-operated chatbots. Chatbots are immature, but the fact that even today's clumsy conversations work tells us that as conversational interfaces of every kind improve, marketers will deploy them.

FIGURE 3 Digital Creates Unprecedented Relationship Potential



Source: *Forrester Data Consumer Technographics® North American Retail And Travel Survey, Q4 2016 (US); †Forrester Data Consumer Technographics North American Consumer Technology, Media, And Telecom Online Benchmark Recontact Survey 2, Q3 2016 (US); and ‡"Ericsson Mobility Report," Ericsson, November 2016

Intelligent Agents Will Accelerate Relationship Building

Advertising won't disappear anytime soon. Some might argue that a big cut in digital ad spend like the one we're predicting would only be a temporary salvo in a war fought between industry players that ultimately need each other too much to inflict any real harm. But that logic only applies until a new interface arrives that marketers would prefer to spend their money on, a means of connecting with consumers that is more personal, more effective, and more essential than web, mobile, or any other technology: intelligent agents.[24] Very swiftly, these agents will reduce the amount of time spent in interruptible media, becoming powerful emotional bridges for conversing with customers more regularly.[25] By 2025, the most advanced consumers — like the 23% who are currently in our Progressive Pioneers segment in the US — will live lives *entirely* directed and assisted by intelligent agents.[26] At that point, marketers won't withhold dollars from digital ad ecosystems solely for negotiation leverage but for the far more important goal of reaching customers via these powerful new connections. That money will be spent among three different kinds of intelligent agents:

› **Digital platforms will provide persistent personal assistants.** A collection of devices and sensors, paired with cloud-based AI and delivered through multiple user interfaces, will enable 24x7 support from a persistent personal assistant (PPA).[27] That PPA will access your data from every possible source — calendar, email, search history, media use, etc. — and will eventually have permission to monitor your conversations, your surroundings, and your well-being to anticipate moments where you need its help. This is what Alexa and Siri aspire to be, but it's just as likely that WhatsApp or WeChat will scale up a PPA service. When the dust settles, only a few digital platforms will have the power to make PPAs real and no brands will have the power to create their own PPAs.[28]

› **Task-specific agents will provide on-demand expertise.** Your PPA won't have all the intelligence or expertise necessary to help with every task, but it won't need to. Just as you know which phone number to call when you have a medical need, your PPA will know which task agents can address your medical concerns or answer your home construction questions. Plus, your PPA will know which specific task agents you have approved for specific needs, such as booking a blood test or a hotel room. Task agent providers will often be startups or evolved versions of the digital intermediaries like Airbnb, Lose It!, or Mint.com that already offer aggregated digital solutions today.[29] Just as brands have to figure out how they are represented in these current aggregators, they will have to do the same with these task-specific agents.

› **Branded agents will ride along at the customer's invitation.** Brands' battles will involve earning permission to insert their branded agents into the PPA's default process for resolving your issues or answering your questions. They won't have the neutral perspective of a task-specific agent, but they will capitalize on the connection the customer has with the brand.[30] Marriott's branded agents may come in three or four flavors, depending on whether you're booking a room in London, traveling for pleasure, or trying to resolve a billing problem. These branded agents will work to earn such trust and satisfaction that the customer then tells the PPA to "invite the Marriott vacation agent" into the pantheon of agents that can respond when the PPA proactively identifies a travel-related conversation.

Recommendations

Embed Brand Personality In The Conversation Now

As CMOs watch intelligent agents rise, advertisers will spend less time worrying about the loss of their cherished advertising institutions and more time getting excited about the chance to build contextual, conversational, agent-driven relationships with their best customers today — relationships that accumulate an emotion-rich history with the customer. These steps, if taken now, will confidently make a place for brands in their customers' digital consideration set years from now, when branded agents are a mainstream mechanism for staying connected to consumers rather than just an up-and-coming one — and when whatever new relationship technology we've yet to envision takes over. To prepare for that future day using today's technology as a starting point, smart CMOs from brands of any size must:

- **Focus on experience-driven relationships.** We've made this prediction before and stand by it: Digital makes building experience-rich relationships with customers necessary, even if the agent technology doesn't yet exist to turn those experiences into branded conversations.[31] These experiences go beyond providing mere product information to supporting your customers' lifestyle ambitions. Not every product can do this, and not every brand will have permission, but those that can and do, must. Chick-fil-A's virtual reality campaign may feel gimmicky now, but by creating reasons to digitally interact with the brand outside of TV ads and billboards, the firm's taking a step in the right relationship direction.

- **Increase investment in branded content.** Display advertising doesn't invite a relationship with the customer the way branded content — including native advertising — does.[32] Nor does it suggest topics of conversation the way content can. Let your brand tell its story. Today, companies develop a content strategy and then promote it, monitoring and measuring the conversations it generates. In the future, however, branded agents will make the content part of the conversation, morphing in response to the user's questions and level of engagement. But you can't fill a branded agent's dialogue with content if you don't take the time to develop content creation as a skill.

- **Focus on agent partnerships to get customer access.** Domino's was an early partner with Amazon's Echo platform, but even relationship master Starbucks saw that it could strengthen its relationship with customers by adding an Alexa skill. Joining these ecosystems early, while they're still being shaped, lets brands experiment with their role as well as learn from the data they collect. There are three models for this: open, partnership, and autonomous, depending on the brand loyalty, digital commitment, and data skills a company has.[33]

› **Make the branded agent personality consistent with the brand.** In the future, your branded agent will sound — and eventually look — different than other brands' agents. You needn't wait for tomorrow to build this into your brand personality. When consumers hit just about any website today, they get a popup image of an operator: "Hi, I'm Amy, can I help you?" Replace these neutral, sympathetic images with branded versions of the same thing. Progressive should replace generic images with pictures of Flo offering to help; Flo's casual style should grace any chatbot interface; and, eventually, Flo's voice should be synthesized to speak through Amazon Echo and Google Home in a way that connects the user to the personality of the brand.

What It Means

CMOs Will Shift Billions From Bad Ads To Better Relationships

CMOs, we're telling you things you already know, things you have whispered to us. Advertising, specifically digital display advertising, is broken and needs to be fixed. But if we just tell you how to fix it, we're not doing our job — because thanks to the rising devices and consumer behaviors we've described, advertising of all flavors is fundamentally insufficient for building the deeper, more meaningful customer relationship that digital now beckons you to try to build. Rather than drag out the pain of pressuring the advertising business to change, we want you to rip this bandage off in a way that will make you better off by 2020 than you would be otherwise. We don't expect a complete vote of no confidence in all of advertising or even in digital advertising, on which you will still spend billions. But if we can persuade the top 10 US advertisers to shift just 10% of their ad budgets to branded relationships, it will cut $2.9 billion from the current ad business — a decline of 1.6% for this year in a display market that's growing faster than that overall.[34]

We won't lie to you: This will be painful for many advertising services companies and technology platforms that rely on misspent ad dollars. But it's a necessary and inevitable shift. Set this in motion. Pull dollars away from the waste; invest it in future customer relationships; and, by 2020, you will trigger major, welcome changes in the ad world.

› **Google and Facebook will lose the most, most quickly.** By some reports, these two companies are absorbing all the growth in the US digital ad market — as much as $5 billion of ad spend growth in a single quarter.[35] Their growth comes because their interruptions are the most useful to advertisers. But as interruptions shrink, these massive aggregators will feel it most deeply. Stay tuned for the long-term effect, as a shock to these two companies will shock the entire economy, not just the ad business. In the long run, their success will depend on their ability to own the PPA.

› **Premium pricing will soar for the remaining interruption-based ad experiences.** Not all interruption opportunities will disappear, of course. The ones that remain will be scarce and will therefore increase in value. This will be easiest to see in TV ads, as we already know from the Super Bowl. But all publishers will work to create live, linear experiences that are conducive to interruptions, like USA Today does when its tech columnist regularly hits Facebook Live. Few such experiences will rise above the noise, but those that do will be worth the premium that marketers pay for them. Expect the rise of deliberately outlandish celebrities who orchestrate moments rich with live, titillating antics that audiences can't look away from.

- **Distributors and aggregators will take over the contextual ad model.** You'd hardly know that Amazon is one of the most important advertising channels on the planet, because it doesn't feel like one. As generic interruption models wane, contextually appropriate interruptions like those Amazon provides — basically, a search engine that is connected to the products you actually want — will increase in importance. The same will be true of digital intermediaries like MapMyRun, which helps explain why Under Armour bought it, giving the company a chance to place its brand in context- and relationship-appropriate moments that far exceed what plain display ads can do.
- **Multibranded product categories will consolidate.** Distribution and shelving concerns largely dictated the proliferation of consumer goods brands: Church & Dwight's goal has been to cover as much of the vitamin, condom, or toothpaste aisles as possible with its brands. The same is true for bigger rivals P&G and Unilever. But as more and more of these product decisions are made with the help of (or directly by) PPAs, the proliferation of brands will serve as a confusing liability rather than an asset. Expect multibrand houses to consolidate brands, even as they continue to vary each brand's SKUs to satisfy changing consumer tastes.[36]
- **Consumers will pay for more stuff.** Gone is the argument that content wants to be free. People are paying to be Overstock.com Gold members; they also pay for cloud storage, premium Fitbit accounts, and to receive cash via PayPal. As advertising diminishes, people will find themselves paying for even more services, content included, though it will often be subsidized — as when people get Amazon Prime Video for being Prime members. The upshot: As advertising goes down, wannabe disruptors must make sure the thing they're offering is worth paying for.
- **Marketers will invest in fulfilling the brand promise, not just making it.** CMOs focused on relationships will not just move dollars to high-tech customer connections like agents. The smartest will put some freed-up budget into employee training and product development. Marketing-led training won't be about policies designed to make the company efficient; instead, it will focus on making employees customer-obsessed brand ambassadors, skilled at reinforcing the brand promise. Employees who can't represent the brand will be paid to leave, Zappos-style. Other CMOs will also take on product responsibilities, just as the Kraft Macaroni & Cheese product line reports in to marketing. This helps the company respond to consumer concerns about product quality more rapidly than a traditional structure would.
- **Matchmakers will emerge to broker introductions to new brands.** Reaching new customers in this environment will be tricky since their connection to preferred brands will be so deep. Some strongly connected brands will recognize that they have become a new kind of advertising channel because their honest, data-driven recommendation of a partner brand will carry so much weight;

we call them matchmakers. Some brands will make this matchmaking service a primary role of their brand, the way Trunk Club matches clothing to customers. Expand that service to include any product a customer could want, put AI behind it, and you have a matchmaking service of the future.

› **Mom-and-pop retail will resurge with an Uber-like model.** Although big-box retail locations are closing down left and right, Amazon is building small stores across the country because the warehouse approach to convenience can't compete. And it could never build the relationship we're promoting here. We predict the return of the mom-and-pop retailer, the corner store of yesteryear where local entrepreneurs served their communities with local knowledge and personal care. Tomorrow's mom-and-pop store will use cloud-based intelligence to continuously analyze the needs of individual customers, spitting out targeted recommendations and connecting via APIs to manufacturers and distributors to order product, manage deliveries, and handle customer care concerns. A new kind of franchisor will arise that equips these stores with the right tech while letting them manage the look and feel of their own store. Just like Uber lets drivers own their cars and manage their lives, this new model will do the same for thousands of small, community-focused retailers across the country.

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Supplemental Material

Survey Methodology

The Forrester Data Consumer Technographics® North American Online Benchmark Survey (Part 1), 2017, was fielded in February and March 2017. This online survey included 58,000 respondents in the US and 6,011 respondents in Canada between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 0.4% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed and plus or minus 1.3% of what they would be if the entire population of Canadian online adults had been surveyed. Forrester weighted the data by age, gender, income, region, and broadband adoption to demographically represent the US and Canadian online adult populations. The survey sample size, when weighted, was 58,000 in the US and 6,011 in Canada. Ipsos Observer fielded this survey on behalf of Forrester. Survey respondent incentives include points redeemable for gift certificates.

The Forrester Data Consumer Technographics North American Consumer Technology, Media, And Telecom Survey, Q1 2017 (US), was fielded in January 2017. This online survey included 4,505 respondents in the US between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 1.5% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed. The data was weighted by age, gender, income, broadband adoption, and region to demographically represent the online adult population within the US. The survey sample size, when weighted, was 4,505. Ipsos Observer fielded this survey on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

The Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US), was fielded in October 2016. This online survey included 4,585 respondents in the US between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 1.5% of what they would be if the entire population of US online adults (defined as those online weekly or more often) had been surveyed. Forrester weighted the data by age, gender, region, income, and broadband adoption to demographically represent the US online adult population. The survey sample size, when weighted, was 4,585. Lightspeed GMI fielded this survey on behalf of Forrester.

The Forrester Data Consumer Technographics North American Consumer Technology, Media, And Telecom Online Benchmark Recontact Survey 2, Q3 2016 (US), was fielded in June 2016. This online survey included 4,515 respondents in the US between the ages of 18 and 88. For results based on a randomly chosen sample of this size, there is 95% confidence that the results have a statistical precision of plus or minus 1.5% of what they would be if the entire population of this market's online adults (defined as those online weekly or more often) had been surveyed. The data was weighted by age, gender, income, broadband adoption, and region to demographically represent the online adult population within the US. The survey sample size, when weighted, was 4,515. Lightspeed GMI fielded this survey on behalf of Forrester. Survey respondent incentives included points redeemable for gift certificates.

(Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.)

Endnotes

[1] Higher velocity corresponds to higher growth, and by stimulating short-term spending, advertising moves money and increases opportunity for growth. Source: "Velocity of M1 Money Stock," FRED, March 30, 2017 (https://fred.stlouisfed.org/series/M1V).

[2] Jeff Bezos has stated that nearly 50% of products sold on Amazon come from third-party vendors. Source: Jeffrey Dastin, "Amazon doubles deliveries in 2016 for third-party sellers," Reuters, January 4, 2017 (http://www.reuters.com/article/us-amazon-com-sellers-idUSKBN14O137).

[3] Source: "About Us," Indiegogo (https://www.indiegogo.com/about/our-story).

[4] A third of that — $20 billion — was paid in 2016 alone. Source: "App Store shatters records on New Year's Day," Apple press release, January 5, 2017 (http://www.apple.com/newsroom/2017/01/app-store-shatters-records-on-new-years-day.html).

[5] Consumers now have control of information, price, and location, three variables that used to be squarely in the hands of producers and distributors. See the Forrester report "Winning In The Age Of The Customer."

[6] Our digital marketing forecast still holds because it's based on current CMO intentions and behaviors. However, should the right CMOs read and act on our advice in this report, the assumptions under the forecast will change and future forecasts will reflect that. See the Forrester report "US Digital Marketing Forecast: 2016 To 2021."

[7] Due largely to ad transparency problems in the adtech domain, advertisers waste billions of dollars each year. See the Forrester report "Poor Quality Ads Cost US Marketers $7.4 Billion In 2016."

[8] As we wrote in January 2017, even though US digital marketing spend will account for more than half of all ad spend by 2021, the most mature digital marketers are slowing their spend, moving money from communications to experiences, and shifting budget from media to technology and data. See the Forrester report "US Digital Marketing Forecast: 2016 To 2021."

[9] See the Forrester report "Forrester Data Report: Ad Fraud And Viewability Forecast, 2016 To 2021 (US)."

[10] At the beginning of 2016, P&G Chief Brand Officer Marc Pritchard took the stage at the IAB's annual leadership meeting and called the digital advertising ecosystem to account. Source: Jack Neff, "P&G Tells Digital to Clean Up, Lays Down New Rules for Agencies and Ad Tech to Get Paid," AdAge, January 29, 2017 (http://adage.com/article/media/p-g-s-pritchard-calls-digital-grow-up-new-rules/307742/).

[11] Google ad revenues totaled almost $79.4 billion in 2016. Source: "Form 10-K," United States Securities And Exchange Commission, December 31, 2016 (https://www.sec.gov/Archives/edgar/data/1652044/000165204417000008/goog10-kq42016.htm).

Facebook ad revenue totaled $26.9 billion in 2016. Source: "Facebook Reports Fourth Quarter and Full Year 2016 Results," Facebook Investor Relations press release, February 1, 2017 (https://investor.fb.com/investor-news/press-release-details/2017/facebook-Reports-Fourth-Quarter-and-Full-Year-2016-Results/default.aspx).

[12] We've described marketers who get this as having a postdigital mindset. Instead of asking how to interrupt a customer, they ask how they can help their customer get what they need, whenever and wherever they need it. See the Forrester report "Thriving In A Post-Digital World."

[13] Thirty-eight percent of US adults who use a computer indicated that they use "ad-blocking plug-ins/extensions (e.g., AdBlock, AdBlock Plus, NoFlash)" on a computer. Source: Forrester Data Consumer Technographics North American Consumer Technology, Media, And Telecom Survey, Q1 2017 (US).

[14] The best digital players learned long ago that a digital customer relationship is earned by turning these three crucial keys: frequency, emotion, and convenience. See the Forrester report "Brief: The Future Of Voice Control Goes Far Beyond Dictation."

[15] Contextual marketing is already a step beyond traditional marketing in that it uses customer data and insights to make marketing interactions more contextually aware and to respond in ways that are more relevant. Some marketers who practice contextual marketing, like those at Nike, have gone beyond it to build branded relationships with customers of the type that will eventually become intelligent, conversational relationships. See the Forrester report "The Power Of Customer Context."

[16] Fifty-six percent of US online adults (18+) who belong to a customer loyalty program agreed with the statement, "I seek out loyalty programs of brands that I like." Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).

[17] Fifty-nine percent of US online adults (18+) who belong to a customer loyalty program agreed with the statement, "Getting special offers or treatments (such as preferential customer service) that are not available to other customers is important to me." Source: Forrester Data Consumer Technographics North American Retail And Travel Survey, Q4 2016 (US).

[18] In 2006, just 42% of those ages 25 to 34 said they would pay extra for products — outcomes and experiences — that would save them time and hassle. By 2015, that number had risen to 55%. See the Forrester report "The Dawn Of Anticipatory CX."

[19] We say surprising rise even though it's no surprise to us. We called the rise of subscription value years ago because we know that digital easily enables a psychology of subscription-based relationships. See the Forrester report "Brief: Amazon's Digital Subscriptions Are A Sign Of Things To Come."

Source: Sharon Terlep, "Gillette, Bleeding Market Share, Cuts Prices of Razors," The Wall Street Journal, April 4, 2017 (https://www.wsj.com/articles/gillette-bleeding-market-share-cuts-prices-of-razors-1491303601); Mike Colias, "GM Tries a Subscription Plan for Cadillacs — a Netflix for Cars at $1,500 a Month," The Wall Street Journal, March 19, 2017 (https://www.wsj.com/articles/gm-tries-a-subscription-plan-for-cadillacsa-netflix-for-cars-at-1-500-a-month-1489928401); and Lora Kolodny, "The winner of the meal kit market won't be a meal kit company at all," TechCrunch, April 16, 2017 (https://techcrunch.com/2017/04/16/the-winner-of-the-meal-kit-market-wont-be-a-meal-kit-company-at-all/).

[20] Source: Forrester Data Consumer Technographics North American Consumer Technology, Media, And Telecom Online Benchmark Recontact Survey 2, Q3 2016 (US).

[21] See the Forrester report "Quick Take: Amazon Extends Its Lead By Taking Alexa Intelligent Agent Global."

[22] Conversation is the next interaction layer. High consumer adoption of messaging platforms and advances in AI have pushed conversations — in the form of chatbots — toward being a viable connector between brands and consumers. See the Forrester report "Chatbots 101: Building Conversational Interfaces."

[23] Conversational commerce of the type that intelligent agents will increasingly enable can already be found at major online retailers. See the Forrester report "Case Study: The North Face And 1-800-Flowers Embrace AI For Conversational Commerce."

[24] As consumers fall in love with the customized, proactive utilities that intelligent agents provide, marketers who prepare to exploit them will thrive, while unprepared brands will cede their customer access. See the Forrester report "The Rise Of Intelligent Agents."

[25] When we first predicted Amazon's dominance in the voice-enabled speaker category, we explained that the objective of the move was to increase user frequency. Brands can exploit the high frequency of these intelligent agent use cases to similarly benefit. See the Forrester report "Brief: The Future Of Voice Control Goes Far Beyond Dictation."

[26] Source: Forrester Data Consumer Technographics North American Online Benchmark Survey (Part 1), 2017.

Progressive pioneers are the lead segment in our Empowered Customer segmentation. They not only use technology more than other segments, they have an open, opportunity-seeking mindset. They are precisely the customers most likely to engage in advanced intelligent agent behaviors. Already, three-fourths of them use early intelligent agents. See the Forrester report "The Rise Of The Empowered Customer."

[27] You may think that privacy concerns will stop this from happening. Our own data would back you up on that. But our data and your intuition are wrong. Better said, your intuition is out of step with history — our Technographics data shows us that people said they would never shop online, use location tracking on mobile devices, and a dozen other things that they now do gladly.

[28] We hate to say we told you so, but, we told you so. In 2014, we wrote about the upcoming battle for digital platform power. The battle is still raging and the players — Amazon, Apple, Facebook, Google, and Microsoft — haven't changed much, even as they have jockeyed for position for the past three years. See the Forrester report "The Clash Of The Digital Platforms."

[29] Digital intermediaries continue to revolutionize every industry they touch. They do so by finding the information gaps in an industry and filling them for customers in a nonbiased way. That information will be crucial to the success of task-specific agents. See the Forrester report "Brief: Digital Intermediaries Rewrite Rules Of Business Again."

[30] Unlike with task-specific agents, branded agents give customers a deliberately narrow, branded view of a task, a view they feel they are aligned with due to prior experience with the brand or their perception of the brand as an aspirational experience.

[31] Experience-rich relationships are taking over from channel-based, transactional customer interactions. See the Forrester report "Start To Build Your Ultimate Customer Relationship."

[32] Branded content has become more important, but the expectations for it are only rising — both on the customer and on the brand side. See the Forrester report "How To Re-Energize Your Branded Content."

Native advertising is the specific subset of branded content that is produced to be compatible with a publisher's editorial content. See the Forrester report "Vendor Landscape: Native Advertising Technologies, Q3 2016."

[33] For a complete description of how to pick the type of intelligent agent collaboration model that's right for your company, see the Forrester report "The Rise Of Intelligent Agents."

[34] In 2015, the top 10 advertisers spent a total of $29.3 billion. Source: Bradley Johnson, "How Nation's Top 200 Marketers Are Honing Digital Strategies," AdAge, June 27, 2016 (http://adage.com/article/advertising/top-200-u-s-advertisers-spend-smarter/304625/).

Forrester calculates that nearly $180 billion was spent on advertising in 2015, making the top 10's ad spend roughly 16% of the total. For our estimates of ad spend, see the Forrester report "Forrester Data Report: Online Display Advertising Forecast, 2016 To 2021 (US), Q3 2016 Update."

[35] Source: Peter Kafka, "Google and Facebook are booming. Is the rest of the digital ad business sinking?" Recode, November 2, 2016 (http://www.recode.net/2016/11/2/13497376/google-facebook-advertising-shrinking-iab-dcn).

[36] SKUs: stock keeping units.

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