FRICTION FATIGUE

WHAT THE FAILURE OF ADVERTISING MEANS FOR FUTURE-FOCUSED BRANDS

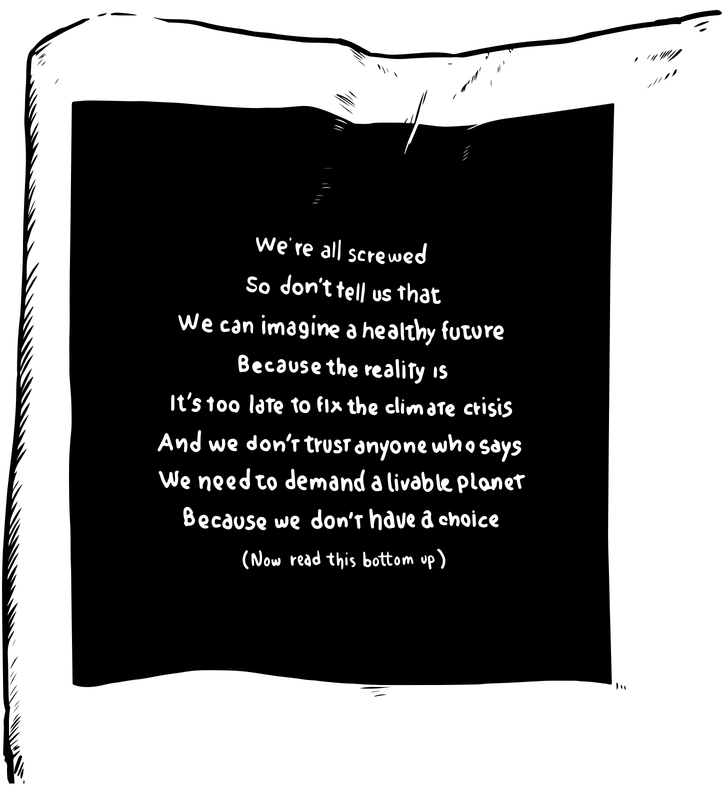
PAUL DYER

INTRODUCTION

When people talk about brands that are defining a new era for marketing, Patagonia is often top of mind. Their purpose-driven approach, coupled with an empirical commitment to putting people and planet ahead of profits, while still making profits, is a standard bearer for young consumers, in particular. One of their most recent campaigns, *Buy Less Demand More*, debuted in late 2020 and literally called on consumers to buy fewer clothing items. The campaign explains that consumers can help protect the earth if they buy fewer products that are longer-lasting, made from recycled materials, and can serve multiple purposes. Of course, these attributes describe Patagonia's products.

Patagonia is also notoriously stingy with advertising, preferring instead to spend its marketing resources on purpose-driven programs that benefit the environment. Perhaps this is why it caught my attention when the company, which is beloved by social media power users, ran the *Buy Less Demand More* campaign as a print ad in *The New York Times* and via OOH (out-of-home) placements as well.

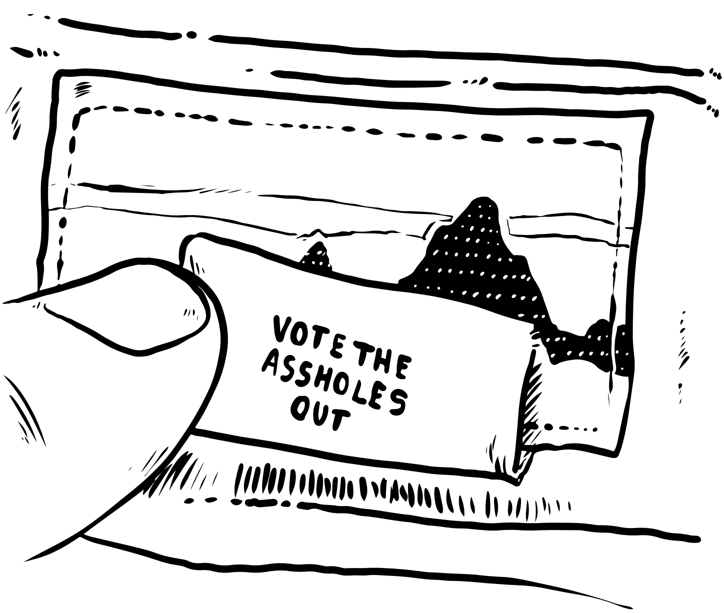
The ad, which was remarked on by an article in *Fast Company*, consisted of a reversible poem that can be read both top-down and bottom-up to reveal different messages.[1] After seeing the campaign, I asked our analytics team at Lippe Taylor to evaluate the social media response—expecting to see a wave of sharing and conversation about it. Somewhat surprisingly, the response to this extremely clever campaign was relatively limited. All told, the nine news articles about the campaign were shared a combined total of 881 times according to Newswhip, and people authored just 221 tweets about it. Most of this commentary came from people in the advertising industry who expressed admiration at how clever the copy was. Here's what it said:



1 Jeff Beer, "Patagonia's Reversible Poem Ad Is a Check on Runaway Black Friday Cyber Monday Spending," *Fast Company*, November 30, 2020, https://www.fastcompany.com/90580854/patagonias-palindrome-poem-ad-is-a-check-on-runaway-black-friday-cyber-monday-spending.

See how, when you flip the script, it's delivered in a way that even the haters have to smile at? The copy is truly a work of genius, and it was very likely produced by the advertising industry. However, the idea behind it is not an advertising idea. It's an Earned Creative idea—something that *Fast Company* naturally wrote about because it's inherently engaging.

Earlier in the year, Patagonia had a similarly Earned Creative idea that was admittedly more partisan in nature but didn't have any advertising support behind it at all. The brand printed a hidden message in its shorts during the 2020 election cycle. Flipping up the tag that was placed in the rear of the shorts revealed a hidden message that read, *Vote the Assholes Out*. Related marketing materials explained that "the assholes" were politicians who denied climate change.



Patagonia can make this call to action because it's a brand that lives its purpose. Not only does the brand donate a portion of all profits to environmental charities, but it has also designed all of its products and business practices with sustainability in mind. This commitment to living its purpose has earned Patagonia a special place in the hearts of young consumers: YPulse found that Patagonia was the number fifteen "cool" brand among millennials in 2020.[2] These consumers readily pay a premium for Patagonia's products because of the mission the company is on.

It's telling, therefore, that the brand's hidden clothing tags sparked engagement and excitement among its consumer base that was an order of magnitude greater than the response it received for its advertising campaign—despite the ad campaign being brilliant enough to garner hundreds of endorsements from advertising professionals. According to the same data sources, the hidden tags were mentioned 19,734 times. This time, the conversation centered on the message, and not everybody agreed. In fact, rather than having the ad industry talk about the clever copy, the hidden tags spawned a much more polarized conversation, which is exactly what Patagonia was going for.

Whether you agree or disagree with its message, the hidden tags are an excellent example of frictionless marketing. Rather than interrupting people, it was entirely unobtrusive, hiding there in a new pair of shorts. But it contributed to a societal conversation, aligned with a purposeful mission, and added to the customer's experience. In other words, it was everything that advertising isn't. That got me thinking: how might I borrow a page from Patagonia's book for this one? So here goes:

2 "Young Consumers Say These Are the 15 Coolest Clothing Brands of 2020," YPULSE, March 11, 2020, https://www.ypulse.com/article/2020/03/11/young-consumers-say-these-are-the-15-coolest-clothing-brands-of-2020/.

Advertising is merely broken
So don't tell us that
We should imagine better marketing
Because the reality is
It's not too late to fix it
And we don't trust anyone who says
It's over for Big Advertising
Because we don't have a choice
(Now read this bottom up)

Top to bottom is what the Big Advertising industrial complex would have you believe. Bottom up is closer to the truth.

The fact is, people have been foretelling the death of advertising for a long time. Despite my general disagreement with how Big Advertising conducts itself as an industry, I'm also a realist. My clients are marketers at big brands with big budgets who need to reach and influence millions of people. Until recently, it was simply not realistic to think any of the other fledgling arrows in their quiver could deliver the kind of impact they needed. So what's changed?

AMAZON GOT US HOOKED ON FRICTIONLESS

For more than two decades now, Amazon has increasingly come to define consumer expectations. They've done this largely because they have offered the consumer a better experience. In fact, "customer obsession" has been a key pillar driving Amazon's strategy from the beginning, and that customer means the consumer. In fact, the list of quotable quotes from Jeff Bezos about customer-centricity is longer than we can recount here:

"Our goal is to be earth's most customer-centric company"..."If you're

> *competitor-focused, you have to wait until there is a competitor doing something. Being customer-focused allows you to be more pioneering."…"Determine what your customers need and work backward, even if it requires learning new skills."…*The list goes on, but the theme is the same.

A key pillar of Amazon's customer obsession has been **frictionless commerce**, which stems from a commonly taught microeconomics concept called frictionless markets. In frictionless markets, economists theorize about a world where transaction costs are eliminated, including things like the time required to consider and conduct a transaction as well as the actual costs to complete it. The idea is that friction caused by transaction costs decreases the volume and quality of transactions overall. By removing this friction, people will be willing to engage in more transactions. No wonder that Amazon has embraced this theory—their philosophy from the beginning has been about dominating their share of total transactions in the economy (the company famously waited fifty-eight quarters after its IPO before making a profit—all in pursuit of market dominance at all costs—even if it meant losing money).

In 1999, Amazon filed their one-click-buying patent and aggressively defended it or licensed it to others. Without the need to reenter shipping and billing information, not only did customers flow through checkout faster and abandon their carts less often, but this tech was also extended to products like Dash, which allowed one-touch reordering, Amazon Pay, which lets other websites automatically process purchases using payment information stored with Amazon, and the Echo, which allows voice ordering. Combined with two-day delivery through Prime, Amazon's frictionless shopping experience was quickly adopted by households across the country. By 2019, more than four in five American families had a Prime subscription.[3] Even in brick-and-mortar retail, recognizing the value of a frictionless in-store experience, Amazon created physical stores where customers can simply walk out (with their products in bags or backpacks) without waiting in lines, having already paid via in-store sensors and touchless payment technologies.

This idea of a frictionless commerce experience has come to define consumers' expectations overall when using their devices. Therefore, with every passing year, the deliberate interruption of advertising becomes more and more jarring in an otherwise frictionless environment.

BEING ON THE FRONT OF THE CURVE—NOT AHEAD OF IT

In an interview with *Fortune* magazine, Steve Jobs once said that "things happen fairly slowly."[4] This may seem like an un-Jobs thing to say, but he continued by explaining, "These waves of technology, you can see them way before they happen, and you just have to choose wisely which ones you're going to surf. If you choose unwisely, then you can waste a lot of energy, but if you choose wisely, it actually unfolds fairly slowly. It takes years."

The same can be said about significant changes in marketing and media. Much like with social media, digital analytics, and influencers, big trends do not happen overnight. Rather, they marinade and gain force slowly at first. Taking trends too seri-

3 "82 Percent of US Households Have an Amazon Prime Membership | DigitalCommerce360," https://www.digitalcommerce360.com/2019/07/11/82-of-us-households-have-a-amazon-prime-membership/.

4 "Steve Jobs Speaks Out," https://money.cnn.com/galleries/2008/fortune/0803/gallery.jobsqna.fortune/13.html.

ously when they first emerge can be a waste of resources. Waiting too long, however, can be the reason for getting left behind.

I've made my career not by being a futurist but by identifying the right time to take trends seriously. I was a recognized leader in social media marketing starting in 2007—several years after the futurists started blogging about it but at the right moment when innovative companies could create value from social media marketing. Four years later, I was on the front of the curve for digital analytics as I led the largest data science and analytics team in the industry. Then, somewhat paradoxically, I was again on the front of the curve for earned media's return to prominence in 2016.

In all of these cases, the most important theme is not being the first to predict something but having the patience and the context to determine when the right time for a trend to influence decision making occurs. IBM's Simon was the first smartphone with a touchscreen, but it was Steve Jobs's 2007 release of the iPhone that came to define the category.[5] No doubt Jobs had tracked with the technology evolutions for years, and he timed his masterpiece perfectly.

I am not the first person to foretell the death of advertising—not even close. So why, after years of futurists and disgruntled creatives alike making similar claims about the death of advertising, am I writing about it? Because even before the pandemic, which greatly accelerated these trends, a confluence of events made it clear the time has come for brand marketers to leave Big Advertising behind. I will explore each of these in greater detail throughout the book, but to give a sneak preview, five important trends gathered critical mass in the years between 2015 and 2020:

5 Doug Aamoth, "First Smartphone Turns 20: Fun Facts about Simon," *Time*, August 18, 2014, https://time.com/3137005/first-smartphone-ibm-simon/.

1. Consumers started migrating to ad-free and ad-light content subscriptions.
2. Michael Bloomberg provided a shockingly conclusive demonstration that advertising is no longer as effective as it once was.
3. The DTC (Direct-to-Consumer) revolution proved that brands can be built with very little advertising investment.
4. Changes in privacy policies and regulations delivered a crushing blow to Facebook's advertising platform.
5. Mass media organizations began to publicly divorce themselves from Big Advertising.

We'll look at these each briefly now and then in greater detail throughout the book.

A NOTE ON RESEARCH AND CITATIONS

I've included original and secondary research throughout this book. In some cases, the work was done by analysts at Lippe Taylor using proprietary methodologies. In addition to licensable tools like Helixa, Newswhip, and Brandwatch, our team also leverages internal technology that was developed by our own data science team. For this book in particular, we also partnered with Pollfish to execute a national consumer survey—the *Friction Fatigue Report*. Pollfish is a research partner whom we do a great deal of work with. They enable us to conduct fast consumer research at scale—often surveying hundreds or thousands of people in less than a day.

For the *Friction Fatigue Report*, we surveyed 400 people each in five different age demographics, for a total of 2,000 people overall, to understand the kind of marketing they responded to. It is a statistically representative survey in every age demographic.

In other cases, I'm simply citing research that was published in trade, business, or consumer media. This research includes annual reports like the Duke Fuqua School of Business's annual CMO survey,[6] PwC's Customer Experience Report,[7] and the Reuters Institute's Digital News Report.[8] I've made all of these resources and more, along with an explanation of various concepts from psychology and academia, available at FrictionFatigue.com.

There are also many examples and anecdotes that are provided from my personal experience and individual conversations with industry leaders. Some of these are available on the Damn Good Brands podcast,[9] where I interview C-suite leaders including chief marketing and communications officers, as well as founders, CEOs, and presidents. Wherever possible, I've done my best to credit the original source of an idea or statement.

CONSUMERS OPTED FOR SUBSCRIPTIONS OVER ADS

The cage match between consumers and advertisers, with media outlets as their octagon, dragged on for several years in the 2010s. Consumers grew increasingly irate as media outlets desperately protested the use of ad blockers. What began as Wikipedia-style appeals asking consumers to support their journalism led to media outlets deploying technology that could sniff out ad blockers. When they were detected, readers were confronted with angry messages demanding to be white-listed—as if their news site wasn't the target of the ad blockers all along. In the

6 Duke Fuqua School of Business's Annual CMO Survey, https://cmosurvey.org/about/cmo-insights/.

7 PwC's Customer Experience Report, https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series.html.

8 Reuters Institute's Digital News Report, https://www.digitalnewsreport.org/.

9 Damn Good Brands podcast, https://lippetaylor.libsyn.com/.

Friction Fatigue Report, which was conducted by Lippe Taylor's analytics team in support of this book, we found that 62 percent of people with ad blockers installed would simply leave a website rather than turn off their ad blocker.

Meanwhile, behind the scenes, advertisers were pressuring media outlets to find a solution, but in the end, it was always going to end badly for advertisers. Stuck between a rock and a hard place, media outlets finally doubled down on consumers—pushing for subscription revenue in exchange for ad-free or ad-light experiences. Spotify, Netflix, and YouTube are the biggest winners to date, but plenty of other content providers, media companies, and platforms make up the long tail. Advertisers are now faced with a world where over a hundred million people have decided to pay for premium content subscriptions simply because they're sick of ads. It's hard to imagine any other product or service in history where people paid money every month to avoid having the product in their life.

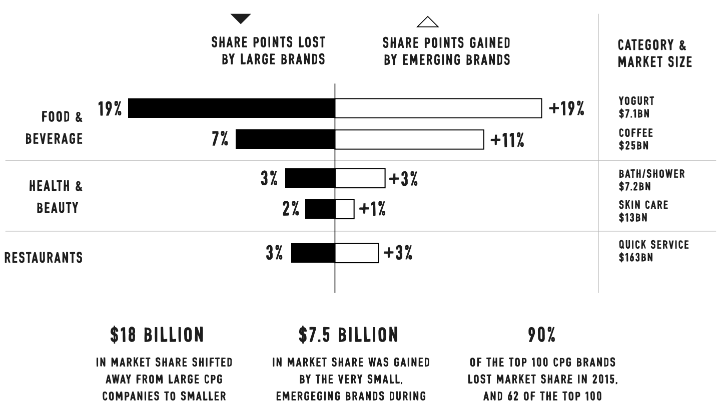
MICHAEL BLOOMBERG SHATTERED THE ILLUSION OF ADVERTISING EFFECTIVENESS

The greatest campaign ever conceived by Big Advertising has been perhaps to convince marketers of its own greatness. However, it was one of their own that shattered the illusion.

In late 2019 and early 2020, Michael Bloomberg spent over $500 million on advertising in his pursuit of becoming the Democratic presidential nominee. That amount was almost $200 million more than all his other competitors combined. At any other time in history, the sheer heft of advertising spend would have at minimum guaranteed the candidate was among the front runners. Yet, Bloomberg crashed out of the race just four months after entering. For him to have spent so heavily and failed so greatly, when many considered him to be a reasonable choice, provided conclusive evidence that advertising is simply not as effective as it used to be.

DTC BRANDS PROVED YOU DON'T NEED ADVERTISING

The good news for marketers is that despite the imminent demise of their biggest weapon, plenty of evidence suggests you can still build great brands without advertising. In fact, for brands that are trying to reach millennials and Gen Z, it could be argued that an ad-light marketing mix is most effective already. According to data gathered by CircleUp, large CPG brands in the Food & Beverage category lost 19 percent of their collective market share, totaling more than $18 billion, to emerging brands between 2011 and 2015. Other categories followed suit with Beauty, Personal Care, Fashion, and Home Goods leading the charge. Overwhelmingly, these brands lacked the resources, the relationships, and the desire to follow the traditional advertising playbook.



Source: Euromonitor International, Wells Fargo Securities, QSR Magazine, Statista, Boston Consulting Group, all as consolidated by CircleUp in 2018

In fact, many of the brands you think of as being massive successes with millennials and Gen Z fall into this category. Glossier, Zara, GoPro, Krispy Kreme, Sriracha, Trader Joe's, Kiehl's, and Lululemon are all examples of brands that were famously built without advertising.

Their success laid bare three important takeaways. First, that traditionally held beliefs about advertising being the only path to brand building were incomplete. Second, that entrenched brands had left themselves vulnerable by overinvesting in advertising at the expense of innovation. Third, that the consumer group with the most up-and-coming purchasing power had a preference for brands that marketed themselves differently.

FACEBOOK'S GOLDEN GOOSE GOT COOKED

It's hard to recall at this point how many scandals Facebook and its founder have endured—leading some to apply the "Teflon" label to the social network. However, the Cambridge Analytica scandal set in motion a series of events that would ultimately end with calls for reform across both sides of the aisle in Washington, DC, and a massive blow to the company's advertising platform dealt by Apple.

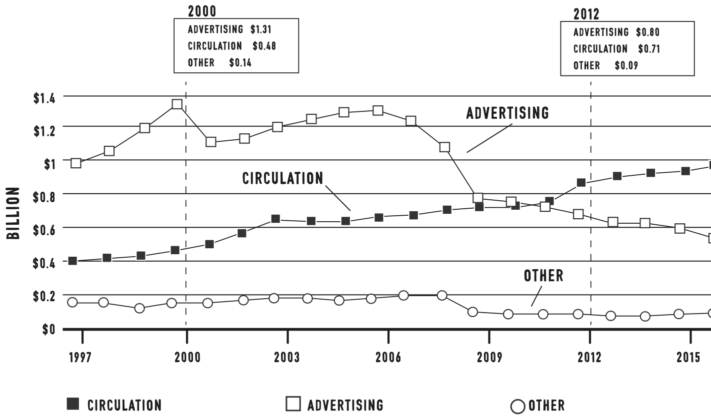
Until 2020, the relentless march of "performance marketing," which relied so heavily on Facebook's ad platform, seemed almost destined to dominate the marketing world. Now, with Google signaling the demise of third-party cookies and Apple's latest move allowing iPhone users to opt out of Facebook's pixel tracking, there's no doubt that Facebook's ads are going to become much less effective.

Add to this the mounting list of reasons why consumers distrust the company, including a July 2020 movement for advertisers to boycott Facebook for its refusal to monitor hate speech. Although Mark Zuckerberg was quick to diminish the impact of this movement to the company's investors, it wasn't the short-lived boycott that should have them worried. In fact, although many of the more than a thousand brands who boycotted were publicly swearing allegiance to the issue being protested, behind closed doors they admitted to being curious whether going dark with Facebook ads would have any impact on their business. The boycott provided cover for an industry-wide experiment that left many marketers realizing they could in fact decrease their use of Facebook ads for strategic reasons going forward.

MASS MEDIA DIVORCED BIG ADVERTISING

In 2017, Ev Williams, Twitter co-founder and now CEO of Medium.com, wrote, "We're trying to fight the dark forces of advertising that are destroying our minds and democracy." Williams considers his company Medium.com to be on the vanguard of journalism's war against Big Advertising. However, the war has been raging for many years, and its greatest warrior has been, without doubt, *The New York Times*.

In the year 2000, *The New York Times* made $1.3 billion or 70 percent of its revenue from advertising and 25 percent of its revenue from consumers. In 2012, those fortunes reversed with consumers accounting for the largest share of the company's much diminished revenues. By 2020, consumers accounted for fully 70 percent.



Source: New York Times Company

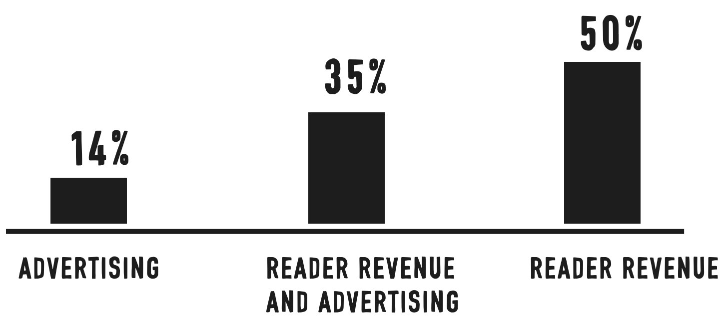
The path to get there was long and arduous for the iconic newspaper. In fact, it could be argued that New York University marketing professor Scott Galloway's 2008 coup saved the company. Galloway had partnered with activist hedge fund investors to raise $600 million and acquire enough shares to bully his way onto *The New York Times*' Board of Directors. The stock price by that point had dropped from the mid-$50s at the turn of the century to $17 per share, and Galloway was there to wake the company up.

He urged the company to shut off Google's free pillaging of its news content, pivot to digital over print, and double down on subscription revenue over advertising. Two years later, the stock price had further sunk to $3.50 per share, and Galloway exited the Board.

However, the seeds he planted took root, and over the next ten years, *The New York Times* became a beacon of light in the beleaguered media industry. In January 2020, a landmark report from the Reuters Institute, which studies trends in journalism, found that 50 percent of publishers believed reader revenue would be the MOST important revenue stream going forward, compared with 14 percent who said advertising would be (the balance of people said a mix of reader and advertiser revenue). In the same report the following year, subscriptions from readers were identified as the number one revenue focus going forward.

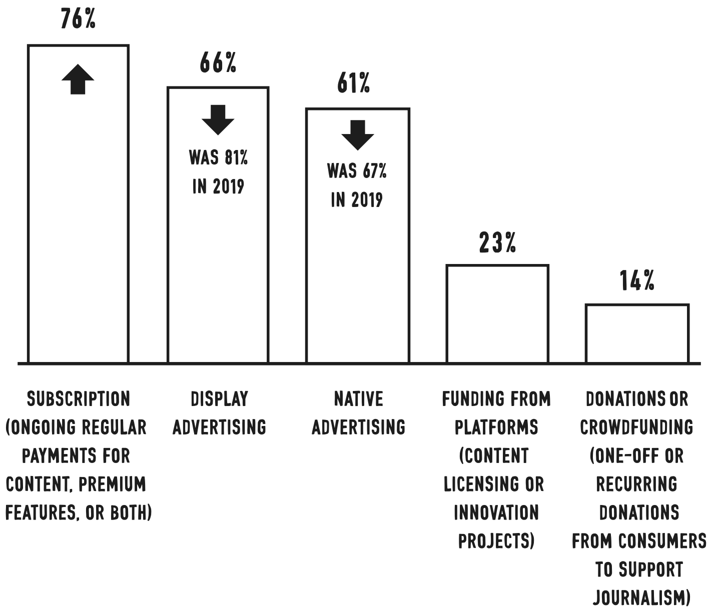
MAIN REVENUE FOCUS IN 2020

RESPONSES FROM DIGITAL LEADERS FROM 32 DIFFERENT COUNTRIES



Source: Eduardo Suárez, "How to Build a Successful Subscription News Business: Lessons from Britain and Spain," Reuters Institute, February 2020.

SUBSCRIPTION IS NOW CONSIDERED THE MOST IMPORTANT REVENUE STREAM, AHEAD OF ADVERTISING



Source: Nic Newman, "Journalism, media, and technology trends and predictions 2021," Reuters Institute, January 7, 2021.

Around the same time, in corporate earnings calls across the media industry, CEOs of media conglomerates were announcing their strategic shift away from Big Advertising. As media companies start to prioritize their audiences over their advertisers, they will seek a different kind of partnership from brands. And advertising and media agencies that were accustomed to bullying both publishers and consumers alike will be forced to reckon with the realization that nobody really likes their ads.

WHY DID I WRITE THIS BOOK?

First of all, I've had the previously rare experience of being a marketer inside of PR firms, and I certainly consider myself more of a marketer rather than a publicist. I earned my MBA from the McCombs School of Business and as a consultant have spent far more time with marketing clients than PR. I've always had a foot in both worlds, though. In fact, I've been recruited by both the largest PR firm and the largest advertising agency in the world. And although these two disciplines are clearly merging, in my career I've erred on the side of PR firms because social media marketing is my true passion, and I believe the PR skillset is best suited for leading social media work.

In my time on the forefront of social media marketing, I've seen social media lead to extraordinary good in the world. Problems have been solved by remote collaboration. People have become more educated by learning from their peers. Patients with rare diseases have reached diagnoses and accessed lifesaving treatments only because social media exists. Billions of people have become more connected to friends, developed passions and hobbies, grown closer to distant relatives, and sought entertainment without being couch potatoes.

I've also seen social media do significant harm. The wave of Kardashian-inspired beauty expectations popularized by Instagram comes to mind. More seriously, social media has spurred political discourse to become more divisive than at any time since the Vietnam War. And major media outlets have become entangled on a hamster wheel of clickbait and low-brow journalism.

It's too much to blame all of these woes on advertising. But it's not an exaggeration to say that advertising and the advertisingsupported content model is the single greatest force that enabled this state of affairs.

I was one of the earliest social media strategists to find a foothold, leading one Lippe Taylor interviewee to refer to me—favorably, I think—as a grandfather of social media marketing. Like most grandfathers, this perspective has given me context and perspective on how various market forces have influenced our world today.

I wrote this book as a meta-exploration of the seemingly disparate trends that are combining to wreak havoc on brand marketers at established companies and market-leading brands. It breaks down these trends along with their root causes and explains how this next generation of consumers is rewriting the rules for their relationship with marketing and media. It then offers a framework for how brand marketers can navigate the internal and external challenges facing them to find sustainable growth for their brands.

Finally, by exploring the ramifications of these trends, the challenges and pressures facing brand marketers today, and the expectations consumers have, a new framework for how to proceed will be clearer (to be discussed at length in Chapter 6). If I do my job in this book, brand marketers should go away with an updated mindset for approaching the here-and-now of marketing; but short of that, at minimum they'll gain a framework for making decisions amid the current disruption.

As a result, they might refine and optimize their existing marketing plans, or they might embrace wholesale changes in how they operate by putting the customer—that is, the ever-evolving consumer—first.

For years now, clients have relied on me to interpret data and help identify the trends that are worth acting on versus those that aren't. The truth is, although I'm a zealot for data and analytics, there is an element of gut and intuition that plays into this because in most cases, you're looking for a white space. Often, the data can tell you what *is* happening or what *isn't* happening. Sometimes it can even tell you where the proverbial puck is going. But the data will never be able to tell you if there's a different game being played down the street. That's where you need strong intuition and interpretation of trends in context. Timing is perhaps the most important aspect of intuition. Make a change too soon and you could someday be proven correct, but you will miss the window of commercial viability. The same is true of waiting too long. Timing is everything, and right now is the time to get serious about replacing advertising with a new, frictionless approach to marketing. Let's begin by looking at the state of affairs in today's media landscape and how it got to be consumerized.