



## WASTE NOT, GROW NOT

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*I don't intend to use this newsletter for re-purposing my blog posts. However, I'm traveling and one of the blog posts absolutely blew up last week, so I thought I would reproduce it here for those who don't follow the blog. My apologies to those who read it online.*

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There's a restaurant in my neighborhood that's very popular.

You can go there any evening about 7 pm and I can predict with absolute certainty that every table will be occupied, and there will be 80 people. But I can never predict which 80 people it will be.

It's the same with toasters. I can tell you with absolutely certainty that tomorrow there will be 1,500 toasters sold in the United States. But I have no idea who will buy them.

Also tomorrow there will be about 500,000 t-shirts sold (I'm making these numbers up.) But who's going to buy them? No idea.

Marketers used to deal with these uncertainties in a reasonable but wasteful way. We would use experience and knowledge of the market to anticipate the type of person who would be most likely to eat at a restaurant, purchase a toaster, or buy a t-shirt. Then we would direct advertising at these *types* of people.

Because we used mass media, this media strategy had the *disadvantage* of being wasteful. Most people we reached would *not* be in the market for, say, a toaster.

But it also had three advantages: First, we would reach just about everyone who *we thought* would be looking for a toaster. Second, we reached an awful lot of people who *we did not think* were interested in a toaster, but were. And third, it reached just about everyone who would *someday* buy a toaster.

Advertising has changed. Now we believe we can predict exactly who will be buying a toaster tomorrow. We believe we can identify not just the most likely *group of people*, but the *actual individuals*.

All we have to do is follow them around the web and find out where they've been, collect the data and soon we'll know when they're ready for a toaster.

The idea is to make *individual targeting* so precise that it replaces *demographic likelihoods* as the basis for media strategy.

So far this has been a spectacular failure. Each of us is currently inundated with dozens, if not hundreds, of online messages a day – banner ads, emails, social messages, etc – that

are assumed by marketers to be particularly relevant to us and reflective of our individual purchasing needs and behaviors. We pay almost no attention to any of them. They are essentially invisible.

The math tells the story. A generous number for display advertising is that it generates 8 clicks in 10,000 exposures. A generous number for Twitter interactions is 4 engagements in 10,000. It's hard to get much closer to zero.

We are thinking like direct marketers, not brand marketers. We are ineffectually using "precision targeting" to try to engage the perfect individual, and by eschewing mass media we are harming our brand in three ways.

1. We are not reaching those within our target segment who are *not* active on line or whose data we *haven't* mined.
2. We are *not* reaching the *unexpected* toaster buyers, of whom there are legions.
3. We are not building a brand. Mass media advertising may be "wasteful" by the nearsighted standards of digital and direct marketers. However, some very wise people have pointed out that the nature of what we call "waste" may, in fact, be *the very stuff that brands are built on*.

Think about it this way. In 2002, Apple spent tens of millions of dollars in mass media to advertise the iPod. There were hundreds of millions of people who were exposed to iPod advertising who had absolutely no interest in an iPod. After 14 months, advertising had reached hundreds of millions of people, but Apple had sold only 600,000 iPods.

Many marketers would call the enormous amount of money that Apple spent promoting the iPod to the uninterested "waste." But was it?

Today hundreds of millions of people who had no interest in an iPod own iPhones. Isn't it more than likely that the iPod advertising of 2002 had *significant impact* on the iPhone buyers of 2007 and beyond?

- Didn't it make the Apple brand more appealing?
- Didn't it raise interest in mobile devices, particularly Apple mobile devices?
- Didn't it set the stage for the phenomenal success of Apple in the mobile device category, that made Apple the most successful company on Earth?

Or think about it this way. Why have almost all the brands in your supermarket been built with "wasteful" mass media advertising and none with the "precision targeting" of online advertising?

Understanding business is understanding that markets don't move in straight lines, people don't think in straight lines, advertising doesn't work in straight lines.

If you're a brand marketer and you want to grow, you have two choices. Be wasteful or be invisible.

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## Speaking This Week

On Tuesday (March 1) I will be speaking in London at the UK newspaper industry's annual "Shift" event. More info [here](#).



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