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11 Cracking the Consumer Code: Advertisers, Anxiety, and Surveillance in the Digital Age

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Critics have noted that a central strategy of the modern advertising industry centres on working for consumer trust while evoking consumer anxiety. They point out that ads aim to stir their targets' deepest angst about love, social acceptance, and success, and to then tie solutions to certain products and services. They also realize that in addition to playing on consumer anxiety, they must achieve successful sales by gaining consumers' confidence that the products will do what the ads say they will.

While certainly important, the long-standing critical focus on ad content's relation to anxiety and trust takes attention from two other strategic aspects of consumer-related trust. One relates to the media that carry the ads. Advertisers and their agencies must have confidence in the ability of those companies to place commercial messages in front of the right consumers at the right times. The second key area of trust involves audiences that the media firms try to reach. Ad executives must have confidence that substantial proportions of the target public will actually pay attention and look at the commercial messages as a prelude to being persuaded.

Critical observers of the ad industry take for granted advertisers' ability to ensure both these activities. They consider it obvious that over the past century, a phalanx of research companies has evolved to give the ad industry confidence that media firms generally do reach their audiences and that large numbers of people do attend to commercial messages. During the past few years, however, these two precepts have come under fundamental challenge, particularly when it comes to advertising aimed at the home. Advertisers look with consternation at the escalating number of technological and legal roadblocks that anti-ad enthusiasts have been erecting to mass marketing in the digital world. Media planners face spam filters, pop-up filters, new anti-ad laws for cell phones, and ad-skipping buttons in personal video recorders. Marketers fear that these instruments encourage increasing proportions of the public to abrogate an implicit contract with media firms that promises attention to ads in return for free or discounted media material. By extension, some fear that the new circumstances will make electronic media firms unable to ensure that ad messages actually reach their audiences.

Advertisers are engaged in a welter of rhetoric and actions that reflect a hope that they can 'crack the code,' in the words of one executive – that is, figure out ways to use media and audiences to achieve the product attention the advertisers need. This essay melds 'contextualist' and 'resource-dependence' perspectives into a framework for identifying activities that will bring the most changes to marketing in the digital world, and for understanding their social implications. The activities are customized media and interactive television. They trace back to a couple of longtime initiatives to grab consumer attention, product placement and direct marketing.

At first glance these businesses may seem unrelated to one another and peripheral to mainstream advertising. A closer look, however, reveals a converging strategic logic towards encouraging what might be called *customer relationship media*. The aim is to fundamentally change the ways advertisers reach out to consumers through media at home and even out of home. At heart, they involve surveillance of consumers in the name of trust. Moreover, the activities actively encourage new forms of consumer anxiety under the rubric of customer satisfaction.

Analysing Strategic Institutional Change

Organizations engage in strategic changes when they depart from customary activities to reshape basic relationships with their environments. As sociologist Andrew Pettigrew (1985) points out, attempts to track the logic, trajectories, and social implications of these activities are vulnerable to two traps. One is the dilemma of trying to see everything about the organizations that are being studied and getting muddled in irrelevant areas. The other, opposite, predicament involves trying to explain complex changes by focusing on only one or two influences and so appearing mechanistic.

To avoid these difficulties, Pettigrew makes a persuasive case for

what he calls contextualism. This view insists on keeping the focus on the organizations' strategic activities in relation to their environment. It posits, however, that the exploration be carried out by examining the multiple organizational, social, economic, and political influences that ignited and structured the changes.

Pettigrew usefully points to the importance of multiple dimensions of context on organizations. Especially important is his suggestion that prominent strategies to face complex new environmental challenges often evolve from organizational activities that have not seemed at all central. A corollary to this idea is the possibility that seemingly unrelated responses to the challenges by different organizations might actually share a strategic logic – that is, assumptions by their creators about the best ways to move forward. If leaders across the industry begin to recognize these commonalities, and if technologies allow the interpenetration of the activities, the level of change within the industry may well be profound. So might be the social implications of that change.

This perspective has proven central to an understanding of the way media and advertising executives have been responding to the increasing ability of audiences to eliminate ads to the home. What Pettigrew's approach does not provide, however, is a framework for understanding specifically what about organizations and their environments to study. Here a resource dependence perspective is useful.

According to the resource dependence perspective, major goals of organizational leaders are avoiding dependence on other organizations and making others dependent on them. The general picture, one which meshes with the contextualist framework, is of decision makers attempting to manage their environments as well as their organizations. Power, in this view, is equivalent to the possession of resources. Emerson (1962: 32) adds that 'influence [perhaps a better word is leverage] is the use of resources in attempts to gain compliance of others.' It is through this struggle over resources on several organizational and interorganizational levels – and across time – that industry strategies develop.

Media organizations must depend upon entities in their environments for resources that help production, distribution, and exhibition. Those entities might demand substantial recompense for their help, especially if other organizations are competing for the same resources. Firms must cope with such demands by exchanging their own resources. They also try to manage their dependence on organizations and publics in their environment so as to be flexible in getting resources.

Advertisers and Resource Dependence

Advertisers occupy a key role in this institutional struggle. The reason is that in many media industries advertising money is most directly responsible for the solvency of producers, distributors, and even exhibitors. The interconnection of advertisers, ad agencies, media-buying companies, and market research firms in supporting production, distribution, and exhibition in media industries underscores that advertising should be seen as an industry in itself, rather than a single type of organization. The captains of the ad industry are huge marketing communication conglomerates (MCCs) such as Omnicom, WPP, and Publicis, which hold under their umbrellas several ad-agency networks, media-buying firms, public relations companies, and various kinds of research outfits. While advertisers put up the money to proclaim their products and services, ad agencies, buying companies, research firms, and increasingly, MCCs, often set the agenda for using the funds.

Advertising involves payment for calling attention to a product, service, or need. Whether the subject is Coca Cola, a cleaning store, or the United Way, the goal of advertising is straightforward: to persuade people to purchase or otherwise support the product, service, or need.

It is in the need to get audiences to believe in these stories and the sales messages that underlie them that advertising storytelling and audience trust intersect. As Anthony Giddens (1990) points out, a trusting public is a critical resource for sustaining the organizations of an institution. To keep their authority within the institution, these organizations need to continually convince the public of the soundness of the basic values and activities. At the same time, the resource dependence perspective points out that the limits of pursuing public trust can go only so far. Organizational leaders come to realize that while public allegiance is important, they must meet other demands on them that often conflict with the public's perceptions of its interests. Organizations may sometimes need to surreptitiously betray public trust to meet other resource goals. Advertisers, for example, will put the best public face on a product because revealing its flaws may lead to economic loss.

Despite its immense power over the media system, advertisers are in most cases dependent on media producers to deliver their ads to the right number and kind of people. Advertisers also depend on media firms to lead audience members to believe that the presence of commercial messages is legitimate and ought to be a taken-for-granted fact of life. In turn, advertisers depend on their audiences to trust the basic importance of advertising and the need to attend to it.

But advertisers' need to cultivate public attention, trust, and legitimacy by relying on other institutional actors raises the following question: What strategic actions toward media firms and its audiences would ad industry firms take if they perceived that a fundamental breakdown in the organizational actors' ability to satisfy advertisers' needs is leading to a major failure in the advertising industry's reason for being? This paper sketches early conclusions in an ongoing project that aims to address this and related issues. Following one of Pettigrew's exhortations, the emphasis here is on the ongoing (historical and contemporary) context of change. Specifically, the paper focuses on the ways that the forces influencing current strategic changes by the ad industry towards media and audiences developed through the decades. The findings suggest a sobering trajectory regarding advertisers' exploitation of trust, surveillance, and anxiety to ensure attention to their messages in the evolving digital environment.

A Breakdown in Trust

No one can fully assure attention to commercial messages. From the beginning of the first sponsored domestic electronic medium, radio, stories in the trade and out were of people talking, visiting the kitchen, or using the bathroom during commercial breaks. An extreme example of audience inattention in *television's* early days relates to the wild popularity of Milton Berle's program. It seems that so many people flushed the toilet simultaneously during the sponsors' segment of that show that the water pressure in some cities actually dipped noticeably (see Barnouw 1970).

Advertisers tended to view this sort of distraction as nothing new. They knew that for centuries newspapers and magazines could not guarantee that their readers would actually look at, let alone read, every print ad when they turned pages. Similarly, advertisers understood that radio and television stations and networks had no way to force people to stay in their seats when the commercials came on. Advertising agencies, in fact, saw garnering people's attention through compelling ads as one of their primary challenges.

Reactions by advertising practitioners to the remote control during the 1980s and 1990s reflected a mixed sense of blaming themselves and the television industry. Ad executives who looked to their own industry argued that audiences simply did not find commercials interesting enough. They exhorted creative types that making commercials that people would want to watch would go a long way towards meeting this technological challenge. Others blamed the television industry for creating so cluttered a TV environment that viewers would try to escape it now that they had the technology to do so.

The rise of digital interactive media in U.S. homes during the 1990s added a new spin to the problem of ad skipping, which some in the ad industry saw as potentially far more dangerous than the earlier analogue technology. Many in the ad industry began to worry that the digital world was generating a different level of consumer anger towards commercial messages in domestic media. More important, they worried that it creates a different level of ability to act on that anger and so sever the ad industry's basic bonds of trust in mass media organizations and audiences.

Two angles of attack were especially disconcerting. One involved attempts to get rid of unwanted Internet advertising, especial pop-ups and spam. The other involved the presence of personal video recorders that allowed viewers to ignore commercials. Both seemed to foreshadow a new era that would encourage consumers to eliminate, not just ignore, ads.

Pop-ups are magazine-like ads that thrust themselves onto a person's computer screen before or after a person views a web page. Nielsen/NetRatings estimated that from the first to the second quarter of 2002, the number of pop-up ads grew from about 3.9 billion to nearly 5 billion impressions (Hansen and Stefanie Olsen 2002). Spam, a direct descendent of commercial junk mail, imposes itself into an Internet user's e-mail in-box without prior permission. Various web-auditing firms estimated that in 2003 over 40 per cent of all email fit this characterization.

Mainstream marketers distanced themselves from spammers, insisting that there is a big difference between the e-mail they send to known customers (even if the customer hasn't asked for it) and the barrages of messages that spammers supposedly sent to anyone. At the same time, mainstream marketers justified their active use of pop-ups as a vehicle that helped to sponsor the websites that their target audiences visited. The broad marketing industry watched in consternation, however, as angry technologists and nervous Internet service providers (ISPs) developed technologies that promised eventually to disable all pop-ups and eliminate all unwanted e-mail, not just spam.

Free distribution of 'pop-up killers' was already common on the web by 2003. In that year, AOL announced that it would no longer accept such ads for its 34 million customers and would give its users software to block pop-up ads on other websites. A prior champion of this ad form, AOL changed its tune in a bid to hold onto subscribers who were in danger of leaving for Internet service providers such as Earthlink that had less commercial clutter. (Earthlink had earlier begun promoting pop-up blocking as a feature of its service; see Hansen and Olsen 2002 and Hansell 2003.)

Spam was a harder creature to kill, but it was also a more expensive one for ISPs to carry. AOL also trumpeted its presence at the forefront of trying to eliminate spam, which it defined as 'unsolicited bulk e-mail' (see http://www.aol.com/info/bulkemail.adp). In early 2003, the company won a major $6.9-million judgment against a firm accused of sending more than a billion junk e-mail messages promoting sexually explicit websites to AOL customers. A website announcement of its victory promised more court activity and added that it would improve its automatic spam mail filters (Weiss 2003). In the popular press and among Internet specialists, better filters meant a better Internet life. Direct marketers saw the situation quite differently. They understood that preventing unsolicited contact of people via the Internet posed a danger to them and to legitimate advertising. Traditionally, after all, much salesmanship depended on reaching out to new, unsuspecting contacts. Increasingly, technology specialists such as Paul Graham (2002) were promoting techniques such as Bayesian filtering which, they hoped, would expunge from their e-mail boxes not just unsolicited bulk e-mail but all commercial messages.

Efforts to technologically disable web ads and commercial e-mail were not the only activities that distressed marketers. They also became nervous that digital technology could fundamentally disrupt media attempts to deliver messages to consumers at the centre of the marketing world: network television. At issue was what the digital video recorder, also called the personal video recorder (PVR), would do to television advertising. Essentially a Linux-driven computer with a large hard drive, the PVR is like a VCR in enabling its owners to record programs and view them at other times. Unlike a VCR, the technology marketed to the public by TiVo and Replay is connected to an updatable guide that made finding programs across more than one hundred channels easy. Also unlike a VCR, in some versions made by Replay (and in hacked versions of TiVo) it allowed viewers to skip ahead thirty seconds at a time without at all viewing what was skipped. That, advertisers knew, would be commercials. In fact, Replay used its PVR's facility for skipping over commercials as a selling point in its ads.

Both TiVo and Replay tried to assure advertisers and media firms that they were not fundamentally out to destroy commercials. Others disagreed strongly. They pointed out that the sales rate of branded PVRs was increasing and that home satellite firms and cable systems were beginning to integrate unbranded versions into set-top boxes. They noted Tivo's admission that 60 per cent to 70 per cent of people watching via its technology were skipping commercials. And they admonished that whatever accommodation advertisers would make with PVR firms, it would undercut the by-then traditional approach of mounting fifteen or thirty second commercials within shows.

Jamie Kellner, chair-CEO of Turner Broadcasting, warned that PVRs were destructive to the TV business, contributed to lower ratings, lower ad revenue, and fewer quality programs for TV distributors. 'What drives our business,' noted Kellner, 'is people selling bulbs and vacuum cleaners in Salt Lake City. If you take even a small percentage away, you are going to push this business under profitability' (Friedman 2003: 13). Agreeing, a Hollywood talent agent urged marketers to understand that they could no longer present ads through home-based electronic media in traditional ways. 'The genie is out of the bottle,' he asserted (Friedman 2003: 13).

A New Strategic Logic

Clearly, traditional commercial forms in traditional media still represent by far the most prevalent approaches in the first decade of the twenty-first century. Nevertheless, advertising practitioners firmly believe that the genie *is* out of the bottle. They insist that new digital technologies that allow for the elimination of commercials mean they must be prepared to use new ways to ensure that consumers attend to their electronic solicitations in the home. Increasingly, they are turning to alternatives to standard advertising as instruments to force consumer attention. As these separate sets of activities develop, they are coming together in an industry strategy for reaching the public that holds new implications for information privacy and ad-induced anxieties. To understand the trajectory of this strategic change it is useful to sketch the background of two approaches from which these activities evolved: product placement and direct marketing.

The Rise of Product Placement

As one firm involved in the business defines it, 'product placement is the process which integrates an advertiser's product into movies and

TV shows for clear, on-screen visibility' (MMI website, March 2003). The description might have added that radio had audio versions of this 'clear' placement. During the first four decades of that medium, from the 1920s through much of the 1950s, many programs integrated the sponsors' products into skits, jokes, songs, and other material that was part of the entertainment. Television entertainment programs of the 1950s continued this activity. The reason for it was straightforward. In those days, advertisers owned the programs, their ad agencies produced the shows, and they were quite happy to allow their stars to show the audience that they cared about the product.

As commercial television moved away from radio's mode of full sponsorship towards the selling of scattered sponsorship spots beginning in the late 1950s, the direct connections between the program content and advertisers was loosened considerably. Some avenues for product placement remained. Game shows paraded prizes that their producers had traded for a mention and cash. Also notable was the Ford Motor Company's provision of vehicles to prime time dramatic programs in exchange for the publicity. Through much of the 1980s, though, the three major television broadcast networks did not allow producers of prime time programs to present products in exchange for cash. One reason was network executives' fear that when added to the time for traditional commercials, product insertions would exceed the maximum time for commercials that the broadcasters had announced in response to pressure from the Federal Communications Commission.

It was the success of product placement in movie theatres during the 1980s that got television producers thinking of re-introducing the form to the home tube. In 1982, *E.T.: The Extra Terrestrial* jump-started the lucrative modern placement business when the film increased the sales of Hershey's Reeses Pieces after the candies made up a key plot point. (Mars had refused to pay the producers' asking price to get M&Ms into the movie, so the firm had then approached Hershey). Research companies began to audit audience recall of product placements much as they assessed commercials. The 1988 movie *Crocodile Dundee II*, for example, included the prominent handling of a Nikon camera. An exit survey of audience members included questions about the presence of Nikon and Cannon, even though only the first was placed in the movie. Nikon, which was held by a cast member in the film, had an overall recall level of 48 per cent. The recall on Cannon, which was not in the film, was 10 per cent (Sharkey 1988).

Such findings excited marketers, who were looking for ways to get their products to stand out in a cluttered ad environment. With an increasing number of film companies integrating products into scenes to help defray costs, television producers (whose firms were often owned by the same conglomerates) moved to do the same. They were pushed into doing it by a confluence of factors: substantially higher production costs; program licence payments from the TV networks that no longer covered production costs (due to lower real ad revenues); and increasing uncertainty that they could find profits in the local and global syndication markets. They could get away with it by the late 1980s and early 1990s. One reason was that the National Association of Broadcasters abandoned its code that included limits on prime time commercial length. Another was that federal administrators of the period did not care to regulate commercialism and sympathized with the television industry's difficulties in making money in a multi-channel era.

By the early twenty-first century, product placement had become a business that ranged widely across all forms of television. The Big 4 broadcast networks (CBS, NBC, ABC, and Fox) were deeply involved, especially in 'reality' programs such as *Survivor*. According to *Advertising Age*, the activity was most fine-tuned on cable TV, especially cable networks heavy on sports programming. A growing number of cable networks were 'aggressively exploring ways of integrating sponsors' messages directly into programming as part of more complex media packages that also include ... traditional 30-second commercials' (Fitzgerald 2002: 518).

The Fox SportsNet's *Best Damn Sports Show, Period*, for example, became what *Advertising Age* called a 'laboratory for new sponsorship efforts.' That included converting the talk show's studio into a lemonade stand to promote Mike's Hard Lemonade. In another product promotion within the program, hosts Tom Arnold and Chris Rose described Dockers pants as 'stain proof' and used this as comedy material in the talk show. The Dockers jokes aimed to appear to be spontaneous, but they actually were part of Docker's media buy (Fitzgerald 2002).

It all seemed very much like the early years of television, except that the strategic purpose had changed drastically. Although some cable programmers intent on selling traditional time slots scoffed, others acknowledged that the surge of advertisers' interest in product placement was part of their attempts to learn how to place their products in front of consumers when cable and broadcast TV networks could not reliably present commercials to them. *Advertising Age* concluded that 'advertisers and networks are scrambling to integrate commercial messages into programming to blunt the effect of sophisticated replay devices, like TiVo, that allow consumers to skip over commercials more easily' (Fitzgerald 2002: 518).

Direct Marketers

Paralleling the growth of product placement on television in the 1980s and 1990s was a very different advertising business from image-oriented product placement: direct marketing. Split into two rather distinct trades around the 1920s, 'image' advertising and direct advertising had developed different cultures. As late as the mid-1970s, the elite of the ad world looked down on 'direct' work. They associated it with the selling of shoddy or quirky mail-order products – breast enlargers and Ginsu knives – by preying bluntly on the audience's anxieties about being left out socially. Image-ad practitioners mined the same psychological tactics, yet they saw themselves as doing it much more subtly than direct marketers, via campaigns that enhanced the long-term reputations of brands.

A common example of direct marketing was an ad in a magazine that encouraged a reader to write for a free catalogue. Another was a set of coupons mailed to the home. In both cases, sales could be tracked by the company giving the discounts. Direct marketers saw their ability to get clear feedback from their work as the heart of what they did. Mainstream agency people typically revered ads that encouraged their competitors and their audiences to wonder at the imagination that made them. Direct marketers snickered at that meaning of creativity and scorned prizes for it. They argued that kudos should be awarded only for campaigns that demonstrably increased sales. That, they contended, was something mainstream advertising had a hard time doing because it was often impossible to draw a causal link between a commercial message and a consumer's purchase response.

Despite these marked philosophical differences, by 1982 fifteen of the top twenty advertising agencies had bought or started a direct-marketing capability (*Advertising Age* 1982). It was primarily their clients' growing interest in computer-guided targeting of niche markets that brought them to look at direct practitioners with grudging respect. A Dun and Bradstreet executive saw the changes as paralleling the multiplication of U.S. media channels and the distribution of audiences across more outlets than ever. The traditional hallmarks of direct marketing – precise audience identification, individualized media communication and speedy full-satisfaction order fulfilment – meshed constructively, he said, with the new technologies (MacDonald 1983: M9). Futurist John Naisbitt (in Pagnetti 1983: M9) was even more blunt. 'Direct marketers are at the forefront of where everybody is going to be,' he predicted in 1983. 'We can all learn from them.'

The range of direct work grew wider in the 1980s and 1990s than ever before. The number of TV commercials that invited viewers to use 800 numbers and credit cards to buy products by mail increased dramatically, especially on cable. Cable and independent outlets were also vehicles for longform ads called infomercials. Taking the infomercial one step further were shopping channels that invited immediate purchases by phone twenty-four hours a day. Still, while TV-based platforms for consumer responses were especially visible in the 1980s and 1990s, it was via the mail and the telephone that most targeted advertising took place (see Turow 1997: 129).

Direct marketers' penchant for dividing consumers fit with the movement towards increased specificity about audiences in mainstream advertising. Nielsen TV audience data; MRI and Simmons syndicated data on demographics, psychographics, and purchasing patterns; geodemographic extrapolations from database firms Prizm and Conquest – these and other storehouses of information were scavenged by ad, promotion, and publicity people as well as by direct tacticians. In direct response work, as in standard advertising, public relations, and event marketing, the focus was on reaching out – signalling – to a particular population with certain categories.

Where the direct-response business diverged from the mainstream, and where marketers saw its greatest possibilities, was in the connections that its practitioners could make with their targets. The 800 number and the personal computer made it much easier than in the past to link up with potential customers quickly. The technologies also made it easier than before to track the 'pull' of an ad (Delay 1980). On a cost-per-thousand basis, this approach was clearly more expensive than using magazines or network television. Direct practitioners insisted that what they lost in efficiency of reach would be more than made up in the careful selection of people likely to act on the sales pitch. The trick was to get good lists of likely prospects.

That in itself was not a new challenge. Companies were purchasing names for marketing purposes in the nineteenth century (see Rapp and Collins 1990: 110). The computer's ability to store and sort the names of millions of people and their characteristics, however, moved the list business – now called the database business – into overdrive. By the

1990s the buying and selling of names and information about them had become a major industry. Broadly speaking, direct marketers used two resources for name gathering: universal databases and transactional databases. Universal databases are compilations of information on every individual and household in an area, even an entire nation. Inferring buying interest from a range of demographic, psychographic, and broad lifestyle information was often helpful as a starting point. Yet many direct practitioners of the 1980s and 1990s followed the long-held dictum of their business that led in a different direction: the best predictor of future behaviour is actual past behaviour. This proposition underscored the importance of transactional databases. A transactional database is a list of people who explicitly responded to a particular marketing or fund-raising appeal. Marketers would often purchase names from other marketers with products that reflected compatible lifestyles. So, for example, names of men who paid for season tickets to sporting events might attract a company trying to sell sports memorabilia. Similarly, a frequent-flyer list would likely draw a hotel chain with an eye on the business traveller.

Increasingly into the 1990s, however, advertisers began to believe that as important as prospecting for new customers was, marketers should pay more attention to the customers they already had. The reason was the finding that a high percentage of a company's profit comes from repeat purchasers and that it costs several times more to get a new customer as it does to retail a loyal one. The key to believing that it was worth the effort lay in recognizing a repeat customer's lifetime value. Such value was clearly evident to airlines, whose frequent flyer programs were emblematic of the new approach. Similarly, upscale store and hotel chains saw the utility of keeping updates about their customers and contacting them on regular bases.

As the 1990s progressed, manufacturers of inexpensive 'package goods' – diapers, cereals, soups, inexpensive cosmetics, over-the-counter pharmaceuticals – also moved towards tracking and wooing individuals one on one. Enormous competition for shelf space in supermarkets and department stores forced executives from even the largest manufacturers to find ways to explore the hypothesis that repeat customers, properly handled, could help keep brand prices up and niche brands on the shelves. The idea was that if a marketer could identify loyal consumers of corn flakes as people whose habits made them likely to buy a range of the firm's products over a large number of years, using direct channels to establish relationships with them might well be worth the cost.

The proposition presupposed getting information about those heavy users, and marketers were increasingly adopting a variety of methods to gather data about those they called their best customers. They were asking for information from consumers on sweepstakes forms, mail-in rebates, product-registration cards, and in-box coupons, as well through 800 numbers and at events aimed at their target audiences. According to a study commissioned by the Direct Marketing Association, by 1994 two-thirds of the leading retailers in the United States were using databases to build customer relations and store traffic by collecting and linking customer data with transactions (*Advanced Promotion Technology Vision News 1995*). Among package-goods firms, the ten most highly committed consumer database builders in 1995 were marketing giants: Ralston Purina, R.J. Reynolds, Quaker Oats, Gerber, Philip Morris, Dowbrands, American Tobacco, Kraft Foods, Sara Lee, and Kimberly Clark (*Progressive Grocer* 1995).

Keeping customers, direct marketers said, requires establishing 'dialogues' with the firm's consumers (Peppers and Rogers 1993: v–vi). The aim was to reinforce repeat purchasing with signs that the company was tailoring its activities to their needs and those of the people like them. 'What we're seeing are major attempts by package-goods companies to find a way to make this kind of relationship marketing work,' admitted a direct practitioner in 1993. 'Efficiency is the challenge – can we make it work so that it's profitable?' He also said: 'Package-goods marketers … are enthused about the possibilities of database marketing, but no one has yet cracked the code (quoted in Freeman 1993: 52).

'Cracking the code' became the Holy Grail for advertisers and their agencies. A major attempt became known as loyalty programs. Loyalty programs involve firms giving customers increasing rewards or discounts based upon their increasing business with the firms. A subset of customer relationship marketing, the basic assumption of loyalty programs is, as one *Ad Age* writer put it, 'that companies must discriminate among customers.' The writer quoted an expert who put the issue bluntly: 'We argue strenuously, strenuously against naïve sentimentalism on the part of companies who insist 'We love our customers and we love all our customers the same.''

This emphasis on individual differences leads to two corollary assumptions. One is that marketers should reward their very best customers. The second is that they should push away, even alienate, those who are less valuable.

Airline frequent flyer programs pointed the way, with American Airlines being the first, in 1981. The customers that an airline wants most to cultivate are naturally the ones that had the most business to offer. Airline computers single them out for special treatment by all employees who deal with them. They are given low-cost upgrades to First or Business Class, special reservations phone lines, special check-in counters, priority baggage handling, and private airport lounge privileges.

It is a lesson not lost on hotel, telephone, car-rental, banking, supermarket, electronics retailer, and even packaged goods companies with loyalty programs. 'Points' alone, loyalty experts agree, will not be enough to bind customers to a company. As one marketing trade writer put it, 'they are a means of assembling customer purchasing data, which can then be used to build real CRM.' That raises another assumption of loyalty programs – that customer loyalty cannot be secured without directly or indirectly eliciting personal information. 'Once these consumers have offered their contact information and some basic purchasing data,' the writer continues, 'the trick is to build a true loyalty program that incorporates customer-based segmentation with different strategies for each segment. A firm must also devise a progression of strategies that will change as the consumer matures' (Levey 2003b: 5).

Despite evidence that consumers hate some loyalty programs and critiques that some are simply not carried out well enough to instil devotion, the numbers and types have increased (Cyr 2003). A model that U.S. consultants have heralded is the cross-company Nectar loyalty marketing firm in the United Kingdom. With affiliates such as Ford and the Sainsbury supermarket chain, Nectar has managed to encourage millions of Brits to give up information about themselves for various purchase-driven rewards. Sainsbury creates purchasing segments from the customer demographic and shopping cart data that it feeds into a company-wide database. One, for example, is the 'Foodie' – an affluent consumer who enjoys serving and eating unusual premium foods. Another is the 'Starter Family,' less well off with one or two working adults and at least one small child.

Members of the groups receive incentives in the store and by mail that tie the rewards they get for increased shopping to the store's categorization of them. Foodies receive serving suggestions and mailings with images of gourmet-style products. Company executives believe that targeting this audience with cents-off coupons would be a waste. Instead, the company redesigned some of its private-label products to appeal to Foodies by creating elegant designs and covers on some of its lines. Starter families, by contrast, receive messages touting healthy meals that are easy to prepare. As consumers assumed from the collected data to be more cost-sensitive, they also receive ads that contain more price-based incentives (Levey 2003a).

An aspect of loyalty programs, and of relationship marketing generally, is trying to communicate with customers across a variety of venues and media. As the web grew in popularity, it became a place to connect interactively with loyal customers. Although building websites was de rigueur for marketers at the start of the new century, general agreement emerged that e-mail was the best way on the Internet to keep in touch with consumers, reward them with coupons, and send them to appropriate parts of company websites.

For large marketers, however, this approach raises problems about the digital age. One is the clutter caused by spam; customers might ignore or filter all commercial e-mail because of it. Another problem relates to the nature of the medium. Loyalty marketing as practised through postal mail, e-mail, product websites, infomercials, and telemarketing calls still stands at the psychological and physical periphery of media to the home. The context in which they appear is not associated with audiovisual news and entertainment that compels both attention and interest.

Reading through marketers' trade discourse and listening to them talk about the subject at industry meetings revealed a strong air of futility among some that any new technique or combination of techniques can make CRM and loyalty marketing a persuasive aspect of Americans' media lives. Those observers wonder why consumers would embrace alternatives to the thirty-second television commercial. Marketing consultant Erwin Ephron (2003: 30) has suggested acidly that many consumers would recognize the contradictions inherent in CRM when it came to consumer trust: '[H]ave you noticed how torn advertisers are between their warm and fuzzy strategies to build "relationships" and "trust" with consumers, and their hard-edge database and pricing programs to squeeze profits out of them? When "trust" is mouthed as a marketing strategy, God save us. It's as naive as it is cynical.' U.K. marketing expert Alan Mitchell (2003: 40) has similarly asked, 'how many CRM, product placement, point of sale, or viral messaging programs really offer big wins for consumers?' Clearly implying that few programs do, he contends that 'in the absence of alternative win-wins, the old model, creaking as it is, will probably remain superior.'

In March 2003, Rance Crain (2003), the editor-in-chief of *Advertising Age*, captured the nervousness swirling around advertisers' approaches to consumers and media in an editorial titled 'urgency of change is touted but marketers favor safe bets.' He noted that network and cable TV were raking in lots of money for traditional commercials even as marketing executives were saying that 'if the new model [based on nontraditional ways to reach consumers] isn't developed, the old one will simply collapse.' He ended his piece, however, with the observation that 'Some of our forward thinkers preach radical change. The reality is that forces embracing the status quo are fighting a very effective rear-guard action.'

It seems clear that many in the ad world see traditional media approaches as rear-guard actions, activities that will necessarily fade as they are proven less and less successful. Crain, Mitchel, Ephron, and others acknowledge that many in the marketing establishment are groping for perspectives that will allow them to trust that the emerging mainstream digital media environment is a vehicle for their commercial messages. These sceptics point out that no common roadmap to those perspectives has evolved.

Converging towards Customer Relationship Media

A roadmap is, however, emerging. It is developing out of the seemingly disparate activities of product placement (with its emphasis on mainstream audiovisual media) and direct marketing (with its emphasis on databases and interactivity). Advertisers are experimenting with activities that aim to insert themselves unfiltered into their desired customers' domestic lives in ways that encourage consumers to accept surveillance and relationships tailored to their personal characteristics. Two labels are increasingly central to marketers' discussions of the evolving ad world: customized media and interactive TV. Though the activities to which the labels refer increasingly overlap, ad-industry practitioners associate them with different ad vehicles and aims. Moreover, technological drawbacks now make it impossible for all the activities associated with each label to take place across all ad platforms.

Nevertheless, discussions of the labels share a strategic logic about the best ways to address marketers' declining trust in traditional media's ability to stop audiences from eliminating or abandoning ad messages. The logic can be parsed into three propositions that bring together the traditional goals of product placement and direct marketing. First, a firm must reach wanted consumers in the main stream of their media activities in ways that make them feel connected to the company and its products. Second, the connectivity must encourage consumers to give up information that can help the company fine-tune discriminatory sales pitches. Third, the selling environment must be structured to make sure that they pay attention – or at least do not eliminate – their commercial messages.

Taken together, the labels and the programs to which they refer point strongly to marketers' interest in the evolution of all home-based information, news, and entertainment vehicles into what might be called customer relationship media. A look at major assumptions underlying discussions of the programs underscores this interest. It suggests, too, that in the emerging digital world, the social message linking product placement to surveillance-driven CRM will be an exhortation to 'feel special, and anxious.'

Customized Media

Customized media are those that apply the concepts of loyalty programs to help themselves and their advertisers gain the fidelity of desirable audience members. Such media vehicles already exist, though with highly varied degrees of sophistication. Perhaps surprisingly, of the traditional print and electronic industries the magazine business was the quickest to adapt to growing advertiser interest in customization during the 1980s. Until recently, customization seemed a procedure that television and radio could not achieve.

In the vanguard of print media was a venerable agricultural business periodical, *Farm Journal*. In 1982, the invention of a new computer-driven binding system enabled the company to put together customized contents to match the special farming needs and interests of each of its 825,000 readers as noted in a database gathered in periodic telephone surveys. Advertisers had the option of matching their ads to the individual subscriber profile. Three consumer magazines, *Games*, *American Baby*, and *Modern Maturity*, soon followed *Farm Journal*'s lead, though not in quite so ambitious a manner. In *American Baby*, for example, the Gerber baby food company ran different personalized ad messages in the magazines for mothers of two- to three-month old infants and mothers whose babies had reached three to four months.

Signs that the industry was really moving in a new direction came when Time Magazines, Inc., the nation's largest publisher, made a

decision to enter the business of selective binding and imaging. At a premium price, an advertiser could specify that its ads should go to certain individual subscribers and not to others, depending on the advertiser's needs and the information about the readers in a Time Magazines database. Moreover, using ink-jet printing technology, the advertiser could alter on-page copy to reflect the information in the database.

The operative phrase is 'at a premium price.' Even by 2003, producing truly separate versions for different audience segments, let alone individuals, increased costs dramatically. The costs were so high that advertisers were typically loath to support editions that were tailored to individuals or niche segments. Nevertheless, in an era where they had to offer advertisers something special to compete with television and radio, magazine firms – and newspapers – increasingly share the assumptions of loyalty programs. They realize that they need to entice desired customers and create databases that can aid in understanding readers, and in selling them to advertisers. Increasingly, they are turning to their own branded websites for customizing relationships with their readers – and readers' relationships with their advertisers. There they are finding television networks that are doing the same thing.

Discovery Networks, a cable network conglomerate, created a hybrid between a traditional loyalty program and one that points towards future possibilities. The company aimed to sell its branded merchandise, find out a lot about potentially high-spending viewers it can promote to advertisers, and reinforce loyalty to its channels and merchandise via a tailored e-newsletter. Discovery used its brick-and-mortar store loyalty program to get e-mail addresses; it adds to those people by asking customers at point of sale if they want to receive a free Discovery e-newsletter. During Christmas 2002, the newsletter program went on hyper-drive, increasing distribution from once or twice a month to once a week, and refocusing the creative effort from product offers to attention-getting special promotions. In line with the discrimination logic of loyalty programs, Discovery differentiated between products and promotions that customers saw depending on the recency of their store purchases, their frequency of purchases, and models of the amount of money they would be likely to spend. For instance, someone who had never ordered would see a cheaper item than the person who had ordered multiple times. 'If you show that person a product that's selling well with others [like them] and it's $9.99, it might do better than a $200 telescope,' an executive explained (Oser 2003).

A more common tack of media-based loyalty programs has been to focus on seducing web users to trade their data for useful personalization features. CNN.com, for example, exhorts users to 'personalize your CNN.com page experience today and receive breaking news in your e-mail inbox and on your cell phone, get your hometown weather on the home page and set your news edition to your world region' (CNN.com 2003). Such customization allows the site to cultivate a relationship with its audience and to develop data about audience members' interests and movements that it can use for targeting ads.

Using a somewhat different approach towards the same ends, the *New York Times* tries to cultivate loyalty by encouraging users to sign up for a 'news tracker' service, which sends them e-mail when articles are published on particular topics. Armed with registration, user-interest data, and information about readers that the *Times* purchases from database firms, the company touts a technology to force ads in front of desired consumers through 'surround sessions': the ability to 'own a consumer visit to nytimes.com' by having targeted visitors receive ads almost exclusively from one advertiser during individual sessions on the site (Taylor 2003).

As the decade moved on, attempts to increase loyalty to marketers on the internet via personalization grew markedly. Increasingly accepted was Amazon.com's 'collaborative filtering' approach for customizing the home page of site visitors. It matched the purchases and searches of visitors who had registered to the purchases of other people who exhibited similar interests. What those interests were, how they should be categorized, and when particular suggestions should be made were determined by the firm's data-miners and statisticians. Though rather basic as a result of computing demands, Amazon's success with collaborative filtering confirmed for marketers the logic of customizing the main page based on previously learned customer characteristics. It pointed to increasingly sophisticated future website personalizations.

Personalization was also developing quickly in the web advertising arena by mid-decade. The most widespread activity was contextual advertising via search engines. Led by Google, Yahoo, and a number of other firms, the basic activity triggers specific ads to appear based on the search word a person typed into a search box. The more elaborate version involves an advertising network of ad sites that launched ads on a website that matched content of the web page the person was reading.

A variation on these approaches, practised through technologies of

companies such as Revenue Science, Tacoda, and 24/7 Real Media, is *behavioural targeting*. It uses cookies (small text files placed into individual computers upon their arrival to websites) to track the movements of users of those computers within and across a network of websites that recognize the cookies and to serve up ads to them on the sites based on their history of web activities. Such behavioural targeting typically took place without the firms knowing the identities of the people being followed, or even demographic characteristics about them. 'Adware' is a controversial variation on these activities. Practised most notably by Claria Corporation through its Gator program, the idea is to place software into a computer when the user is downloading attractive free software, such as the music file sharing program KaZaa. This not only allows for tracking an individual's web journeys, it makes possible the insertion of pop-up ads that reflect Claria's inferences about that person's interests and habits. The ads appear above the ads of the websites that the targeted individual is visiting.

Not surprisingly, adware activities have earned the wrath of website operators, who argue that companies should not be allowed to hijack their sites by placing ads atop the ones that website advertisers bought. The adware firms counter that the people who own the computers have given them permission to do just that in order to personalize their marketing information and offers. To privacy advocates, this claim of permission is what makes adware unacceptable. Claria and its counterparts claim that computer users know that when they download free software they are giving them licence to download adware, as well. Their critics retort that most people really have no idea that they have placed software into their computers that track them and report back to firms that will send them ads.

Several of these arguments were winding their way through the courts in 2005. Mainstream marketers' opinions of their validity varied greatly; Gator counted among its clients a number of major advertisers, while others refused to go near it. The logic of behavioural targeting remains unquestioned among marketers, however. Moreover, companies such as Microsoft and Yahoo are beginning to select ads for people based on combining the tracking of individuals' search or web activities with huge amounts of demographic and psychographic data they are collecting about them. Privacy advocates worry that people know little about how data are collected online, or about the factors that lead such firms to reach out to them with certain materials and not others (see Turow 2005). The companies respond that the collection of such data are noted in their privacy policies and that, in any event, people get great benefit from receiving targeted, even personalized, materials that match their particular needs.

The behavioural targeting and personalization strategies – and the debate about them – are slowly spilling out from the web across the growing range of digital media. Marketers are actively working on ways to send customized product placements, ads, and programs into PDAs, cell phones, Mp3 players, and other devices. The proposition is that surveillance of valued customers combined with getting useful materials to their consumers wherever they go is the key to maintaining loyalty in the twenty-first century.

Interactive Television

The emerging logic behind these activities has carried over to discussions of the least advanced area of electronic media, interactive television. In industry discussions, the term is quite elastic, ranging from already available video-on-demand cable, DVR, video via the internet (IPTV), transmissions to cell phones and streaming to video iPods to over-the-horizon technologies that encourage even more radical changes in the way people use TV. When it comes to the latter, advertiser and media executives have expressed consensus about the direction of major changes, if not the time it will take to see them implemented. They are pretty well unanimous that the future of television in the twenty-first century lies in presenting viewers with menus of programs that they can watch at times of their choosing – often for a small fee. Not only will the twentieth-century notion of linear network programming be challenged, but viewers will be guided into their own program choices and flows by 'intelligent navigators' that learn what they like and search for programs that fit those characteristics. Moreover, say the futurists, viewers who would like to interact with programs could do that, to change the plot, perhaps, or to find out about – and even purchase – the clothes or objects that the characters use on the programs.

Some of these capabilities are already here. Satellite firms use devices that allow viewers to interact with, and order from, programming. Television production firms hire a company that digitally places products into programs such as *Seinfeld* that have been placed into TV syndication. Comcast and other cable system owners use technology

that can digitally reconfigure commercials based on information about the neighbourhood to which they will be sent and the time they are delivered. The custom-placement of placement of products into commercials and programs of specially targeted viewers is technically possible but still expensive and unlikely now because of technical complexities as well as because so few households subscribe to digital TV. That kind of activity – and especially the personalization of commercials – may be more easily carried out on the internet, via IPTV. Moreover, the basic infrastructure for garnering the required information for this sort of product placement is developing rapidly. TiVo already minutely tracks and categorizes the viewing habits of its users as part of its service contract. The company sells the data in aggregate to potential advertisers. For its own purposes, it analyses the habits of individual subscribing households. It then recommends, and even records, programs for the households based on preferences inferred from the computer data as well as deals with advertisers who want TiVo viewers to watch those shows and commercials (see chapter 12 of this volume).

Discourse about the future of interactive television suggests a movement from tracking and customizing for the household to doing that for the individual. The goal of media firms in this interactive environment will be not only to instil loyalty to their own brands, it will be to cultivate relationships with their advertisers who, despite the subscription nature of much TV programming, will pay a substantial part of the programming freight. Product placement through sponsorship and embedding will be one step in the process. Another step, being tried by content sites such as Salon.com on the web, is to give desirable viewers discounts to content if they view commercials. A third step – emerging as the most common – is to force the viewer to watch a commercial (of around fifteen seconds) if the viewer wants to view the video. Still another is simply to give them advertiser-sponsored discounts to premium content so as to emphasize goodwill and encourage the transfer of consumer data.

Converging Social Anxiety

It is in this convergence of strategic logic that the social rub lies. The combined language of direct marketing and product placement suffuses discussions of trusted media and interactive television. The digital world marketers and media firms are building consequently has as its core the belief that success will come from seducing customers to release their personal data in the interest of rewarding relationships with media and marketers. Marketers will claim to reward consumers' distinctiveness. Purposefully or not, they may well also encourage feelings of anxiousness and anger.

The circumstances are not hard to imagine. Using detailed audience surveillance, digital marketers will be able to track the media activities of their target audience in considerable detail. To ensure that they view targeted, perhaps even customized, commercials on the web or on TV, the marketers may offer audience members discounts to programming, music downloads, game networks, or a panoply of other subscription or pay-per-use activities. Some marketers may 'sponsor' particular evenings on the web, the home tube or both. They, or others, may even embed products into audiovisual material that they know from their surveillance activities that the consumer (or the consumer's parents) is thinking about purchasing. Some of the offers may be public; that is, marketers may make it clear that consumers who pass a litmus test will get more rewards than those who do not. Other offers may be private between the marketer and the individual.

Consider that Sally, a single young woman, has been searching the web for information towards a car purchase. Through the sponsorship of various audiovisual activities, Ford might have established a relationship with her so that the automaker knows her concerns about autos. Ford might also pay AOL, TiVo, and her cable TV provider (which in the future may be one company) to send information about Ford to all young women in their databases who have searched the web for cars. More boldly, Ford might pay the producers of popular television programs to have their central characters drive new Fords that change depending on the type of person or household that watches the show. Ford has decided that people like Sally would be interested in the Mustang, so that is the car she sees. Ford tells her in e-mail that the discount she will receive reflects Ford's conceptions of her style and spending ability.

Around the corner from Sally, a sixtyish widower named Jim gets none of these perks even though he might want them. Some advertisers and media firms pursue him, but these are not nearly as attractive as the ones that his son and grandchildren receive. Jim has read about the amazing discounts and sponsorships that some individuals receive, and he can't help but feel (even though he doesn't know for sure) that the ones he gets are less lucrative. Sometimes, he even lies about his age when on the web or answering a TV ad. Databases about him seem to be self-correcting, however, and he feels caught in a somewhat mysterious web of constructions about him that goes far beyond his age, gender, race, location, and even income.

Awareness of targeting activities that lead to different programs and product placements is making Jim nervous: he thinks he is being manipulated but is not sure by whom and when. When he views a news story about a local hospital's cancer centre, for example, he is not sure if it was produced in cooperation with the hospital to be sent to people like him. When his TV menu touts a special about the military, he is nervous that perhaps the databases think he is right-wing and pro-war.

Sally, too, worries increasingly about the media blandishments coming her way. She thinks it is a bit freaky that companies seem to know so much about her, and it sometimes worries her that the information might get into the wrong hands and ignite a flood of offers into her home. She too has read that marketers are privately sending different discount levels and sponsoring differently editing programs to different customers. She wonders how the suggestions on her TV menu would change if she were a lawyer, like her friend Sue, with a globetrotting reputation. And she can't help but think at times that if the trail she has left for marketers had been different, she would have opportunities that acquaintances have received but she has missed.

The point, of course, is that seemingly benign relationships in the new digital environment can quickly lead to feelings of discrimination, anger, and suspicion of institutions. Executives in charge of loyalty programs have already learned that some customers become quite angry or anxious to find that they have been categorized and treated differently from others. They have also learned that the key to managing such anger is to make the customer see tension-inducing rules as almost an interpersonal issue between company and customer. 'Failure' to get benefits or offers within the scheme would then be a private issue resulting from the rules of collaboration rather than one needing public remedy.

In the best of cases, customers try to show by their purchases that they deserve to be treated at a higher level of service. Some customers exit the 'relationship,' which because of low volume may suit the company (Turow 1997: 141–52). The approach could still blow up into public trouble, as when Victoria's Secret was accused of charging more in its west coast than its east coast catalogues (Demarrais 1997). Still, loyalty programmers believe that properly configured programs based on one-to-one interactions can keep legal discrimination in the interest of marketing a private matter. Moreover, they believe that inducing anxiety that causes unwanted customers to feel they don't belong to a consumption group is good business. Efficient marketing increasingly means 'managing' the customer roster – 'rewarding some, getting rid of others, improving the value of each of them' (Peppers and Rogers 1993: v–vi).

The upshot might well be a personal anxiety that pervades many levels of American life. The traditional mandate to keep up with the Joneses is being replaced with a twenty-first-century version in which the Wongs, Riveras, and Kowalskis are never sure how much the Joneses paid and whether media and marketers are treating them better or worse than everyone else (Turow 2006). Reflecting that anxiousness mixed with anger, one marketing executive (Ephron 2003: 30) even opined that 'brands seldom really give loyal customers the better deal.' He added: 'They're treated as hostages. I can open a BankOne Visa account and "save with a low introductory APR of 0%." But if I'm a cardholder in good standing, I pay 9.74%. AT&T sends others a check for $80 to switch, but I'm a customer so they send me a bill. I'm never certain I'm getting the right deal from the brands I'm loyally buying. Are you?'

As media-based loyalty programs gain traction, consumers will add to those suspicions concerns about the entertainment, information, and news they receive from their longtime providers. Even though they will not be able to make any sense of the firms' privacy policies, they will understand vaguely that the firms are continually collecting data about them. They will like the menus of content choices being offered to them, but they will also be aware that others – possibly even members of their own households – are being offered different program choices, or the same program choices with different kinds of content. With those differences based on the semi-secretive flow of data that the programmers and marketers take in about them, many viewers may not be sure that they are being treated fairly. Because everyone's programming menus are somewhat different, however, concerned consumers might not be sure what the best comparisons, or the right choices, are. Moreover, media firms and marketers are likely to continue the tack of managing

customer anger by framing tension-inducing provisions as an issue between company and customer rather than a social issue.

This paper suggests that is wrong. A society in which media assumptions are based on the values of customer relationship marketing is one which will breed surveillance of consumers, and, consequently, consumer suspicions of individuals, groups, and institutions. Although the examples of Sally and Jim may seem extreme, they parallel illustrations in the trade press over the years. More important, they fit the strategic logic that underlies product placement, direct marketing, and loyalty programs. So far, the drawback to accelerating this logic through customized media, walled gardens, and interactive television has had less to do with corporate will than with the development of cost-efficient technologies. Given the strong interest of media and marketing firms, there is good reason to believe that these technologies will be implemented in the decades to come. Perhaps analysis of the strategies and where they originate can help concerned citizens understand the trajectories at work so they might try to impede them.

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