Podcast

Customer first thinking.

Decoding the Future

An Interview with Mitch Joel, Founder of Six Pixels Group, and Digital Seer

Mitch Joel:

Mitch Joel is one of Canada's foremost experts on digital marketing and a renowned podcaster, speaker and author.

Most traditional businesses are just now getting used to the idea of a mobile-first world where people spend six hours a day immersed in digital media. But as the digital economy starts to take over, businesses will have to be ready for even more tumultuous change.

A new wave of disruptive technology is coming. It will usher in a post-digital age of continuous connectivity and transform how society functions: what's been called the 4th Industrial Revolution. AI-powered smart speakers, streaming services, messaging platforms, apps, mobile commerce, 5G-connected devices, virtual and augmented reality, blockchain – all converging to transform how people live their lives.

No wonder IDC is forecasting over $1 trillion in digital transformation spending this year, an increase of 18% over 2018, as businesses frantically try to upgrade and modernize their infrastructure and systems. But most businesses remain "digitally distraught", as IDC puts it. New ways of connecting with customers means new ways of doing business – hard to pull off if the C-suite can't see past the next earnings report. Digital transformation is not for the "faint of heart", IDC warns. It takes an enterprise-wide commitment to change. It requires an inspiring vision of how to create an unforgettable customer experience. And it means rewiring the business to become more agile, collaborative, daring, innovative. In other words, it means acting more like "digital natives".

Since the number one goal of digital transformation is almost always to improve the customer experience, marketing should be leading the way. Yet, according to Forrester, that job is usually handed to the CIO, who's more likely to be thinking digital-first, not customer-first. Which is why efforts at digital transformation generally run aground: siloed mentalities, timid goal-setting and risk aversion get in the way of being customer-obsessed. To act like a "digital native" demands an inquiring mind and a constant itch to defy convention.

Those attributes perfectly describe Mitch Joel, the Montrealer who's made a name for himself as a digital expert specializing in decoding the future, as he puts it. He built his reputation as a trailblazer in the early days of the digital revolution, dating back to the start-up of his digital agency Twist Image in 2002, which he later sold to WPP.

Mitch writes a popular blog called "Six Pixels of Separation" which he started 16 years ago and produces a weekly podcast by that same name. He's also written a couple of best-selling books, the second of which, "CTRL ALT Delete", was about "the evolution and reboot of business". So it was natural that digital transformation would be the main subject of our conversation. But first I wanted to know – how did he go from being a music journalist and publisher at the start of his career to becoming a renowned digital seer?

Mitch Joel (MJ): I think that when people said like, "Like, how did you go from the music industry into digital," I think that they're sort of missing some components, right? I started off in journalism and writing for publications and magazines. The internet was sort of just coming online and sort of just starting to show signs that there could be music type of publications in digital format, but I then went on to actually publish physical magazines. Again, this was still prior to everything being a web browser that may be aware of connectivity. And my role there wasn't just to write those but to actually publish. And as a publisher, it wasn't just, you know, the content, the editorial content, but it was the advertising side, as well. And I was responsible for all the ad sales and positioning and sponsorships and doing events and things like that. And it really was more of a, I would say, media-based, marketing-based project and it was, you know, in the music business, but that was sort of more of a role. It was more of a marketing and media-based position. You know, from there, I helped publish and edit a magazine that was looking at entrepreneurs and what people were doing locally here in Montreal. That led me to a very early moment of running sales and advertising for one of the only search engines at the time prior to Google, a metasearch engine. That led me through to being involved in a mobile content start-up and this is before there was even interoperability, let alone a mobile web browser or apps or anything sort of smart related to a phone. That then led me back to doing a record label that then led me into Twist Image, which was a digital agency. So the arc always had to it a media marketing component and then some level of entrepreneurship whether it was being a sole entrepreneur or an intrapreneur. So I don't see the sort of acts or the leaps as being leaps so much as progressions through just the evolution of technology and media and marketing and advertising in terms of my own sort of general perspective of it. And you're right. Like, I think the real reason why I was moving outside of the music business was their lack of adopting, you know, what I saw as the web. I mean, back, you know, when I was doing this it was primarily in Canada, though I was dealing with a lot of international artists, as well. But, you know, back then, you know, Our Lady Peace was very aggressive and embracing online community. They had something called Cracks in the Pavement and it was sort of like a group where they were interacting with their fans, the very early days of some bulletin board services and online chat forums and stuff like that. But beyond that, there was a real sort of like, "You know what? It's a fad. It's not gonna work. It's not gonna happen." You know, the Napster thing happened with file sharing until it became this sort of corrosive relationship where both sides I think were offside. Every industry to me at that point was facing disruption. It was just a question of when and how much.

Stephen Shaw (SS): Right. And it almost continues today. Companies, it seems to me, are still, I would...maybe resistant is too strong a word, but not certain how to make this leap, this move to digital transformation. Is that your observation or are you seeing companies embracing change and pursuing different business models as a result of what's going on? What's your read on what's happening out there?

MJ: I don't think I would agree with that statement. I think that every business is aware of disruption and trying to figure out their position in it or they're very cognizant that the industry needs to be disrupted. The perfect example would be that I was speaking to a business associate who's involved in the shipping business and the fact that the brokers still maintain the relationship as an intermediary, it's somewhat absurd. And they don't look at it and go, "Isn't that great?" They look at it and go like, "This needs to be Uberized. It needs to be sort of opened." And so even in some of the most traditional businesses, that the smarter executives see the opportunity for disruption. And I think the vast majority of them...you know, you also have to understand my perch. You know, my current perch is that I do 50 to 60 public speeches every year all over the world, B2B, B2C, small, medium and large businesses across a myriad of industry, some hyper-regulated, some, you know, more open to consumer disruption and direct-to-consumer brands. And I can tell you that I don't ever stand up in front of an audience and get off stage and feel amazed at how unknowledgeable or how unaware of the disruption they are. If anything, it's more question of how fast can they move and at what velocity. So I think that everybody feels it and sees it. It's just more a question of, "Do they wanna lead? Do they wanna fast follow? Do they wanna wait for the industry to change or are they succumbing to industry changes?" If you look even at the... You know, I think the alcohol business is really interesting because if you think about moderation now, if you think about cannabis and cannabis-infused, if you think about the battle between the water and sugary carbonated drinks, if you think about the sort of dry January that we just faced, these are brands that tell amazing stories and know how to target very specific audiences. But at the end of the day, the industry is shifting beneath their feet and that's regardless of regulation and the sensitivity of it because it's a controlled substance, to a certain degree. So if you think about it, these aren't people who are resting on their laurels not knowing what to do. They're trying to enter new markets and figure out new markets. At what speed, at what velocity, is the question, but they're not oblivious to it. They're not not adapting. They're not not doing it. Sometimes the industry just changes. Like, if you have a group of individuals like millennials who suddenly just don't drink that much, and moderation is that they're very...or that there are other alternatives, be it cannabis or others, that's not the fact that they're not adapting or they're not being innovative. That's an actual...an industry that's been turned completely upside down by the change of consumer behavior. And that's more of the area to me that I think brands are definitely paying a lot of attention to, that consumers have these expectations because of other industries and platforms that they've used. And yeah, I just see it, like, people are very understanding of this and really trying to figure out what their pole position is. (10.22)

SS So beyond figuring out how they pivot, what are the factors that slow down digital transformation or adaptation? Is this really a matter of disrupting the market or adapting to the market and moving at the speed the market is moving at, which seems to me the biggest challenge companies have?

MJ I think that there is, you know, how disruptive do we wanna be is a very strategic question. I think, you know, what is our core business? How is it operating? What does the sort of road map look like for it versus industry trends and where things are going? I think it's a question of, do we make the investment or do we let others make the investment and we adopt their technology? I think these are all fair and smart strategic perspectives for brands to take. And I don't think there's one answer that says, "They're doing this. They're doing that." And I've always said that the one beautiful thing about digital and the facilitation of it and again, the velocity of the adoption of technology, is that it actually does empower individual businesses to make very, very specific choices that is data-backed, that has insight, and that also has the emotional understanding and sort of the nuance of humanity to make these decisions. So, you know, you guys in your business could be using Facebook as a direct response engine, and that's very, very powerful. I may be using it as a customer service engine, even though we're in the exact same industry. So could somebody make the argument, "Is one being more disruptive than the other?" I might make the argument that says, "They're both using it in a very personalized and customized way to a very specific end. One might be more effective than the other but it doesn't make the other wrong or not on case.

SS So let's talk about, well, the industry I'm in or that, in fact, you were in when you started Twist Image. You later sold it to JWT. It's kind of interesting that this...

MJ To WPP. We sold it to WPP.

SS Right, which then I think merged it all in with...combined Wunderman and JWT into one entity recently with the explanation it was trying to simplify its structure, I believe. What did you make of that move? What's your assessment of the current turmoil in the ad agency business, and what are your thoughts on how things are likely to shake out over the next five years or so?

MJ Yeah. So, I mean, I'll give context first. The context was we had started a digital agency here in Canada called Twist Image that had offices in Montreal and Toronto. We sold that business to WPP about five years ago. And after the WPP sale, we were sort of looking for a strategic home, one that would allow us to really grow. And that strategic home happened to be the development of a new global agency called Mirum. Mirum was the combination of, I think, seven or eight agencies that were very similar in services but geographically very, very different. The core of the other agencies were primarily agencies that were acquired or then put in through underneath JWT Walter

Thompson. But Mirum operated really as its own entity and became a really... And so it is really successful business. It's close to 3,000 employees in over 25 countries. It really, really is something. If you look at the sort of Gartner, you know, quadrants and that sort of thing, you'll see where it sits in power, how they've grown. And I left the business in July of 2018. So I left almost prior to Martin Sorrell leaving WPP and I left prior to this Wunderman Thompson consolidation and definitely before, you know, Mark Read took over CEO as WPP. So I'm really looking at it more as... I'm trying to create context because I don't have any inside information. I'm looking at it really as anyone else might see reading Ad Age or Strategy. Like, I don't have any insights beyond what I see in the media. And I see two things. I think that, you know, Sir Martin Sorrell leaving to do S4 Capital and the acquisitions that he's done at MediaMonks. I think it's really interesting the fact that he's looking for both production, digital production, and what he's done with programmatic. And I think that those two areas of programmatic on the media side and providing, you know, real scale of production... It's MightyHive or MediaMonks are both the acquisitions that is putting to S4, are really, really telling of where the industry is going. I think that that really does provide a good lighthouse to what clients want. Why? Because clients are bringing a lot of stuff in-house and they're building very strong in-house teams. I don't believe that in-house will be also production. I still think production will be an outside source, much like it was for agencies, by the way. Agencies very rarely have production houses. They would outsource that, as well, and it was a flow-through back to the client. So I think that that's a very strategic play because these production companies have gotten much more creative and much more strategic. I also think that that's a sort of white space that in-house and bigger brands are gonna want to outsource to still. On the programmatic side, while people are bringing the programmatic stuff inside, I think that this presumption, it will be correct that they'll push that back out to people that just really optimize on technology and the ability to do it at scale. So I think that's a really interesting play and a good indication of where the world's at, especially if you think about the sort of consultants coming in, your Accentures and Deloittes of the world, to the PWCs because they're speaking at the CEO level. They're offering, you know, a mass amount of services. And it was a pennies-on-the-dollar play as the holding companies were struggling to do these acquisitions and build out those services. And, again, brand and CEOs know they have to own the brand. They have to own the strategy. They have to have a bit of say on the creative and not just outsource that. On the WPP side and Wunderman Thompson, I think that's the reaction. It's how do we consolidate? How do we optimize? How do we bring full service into a new perspective? You know, when I look at the Wunderman Thompson announcement, which just came the other day, you know, it does feel a little bit to me at least the position that JWT had with Mirum. So it's more upscale because Wunderman obviously does have a lot of digital experience and acumen, but I did feel that it's a similar look to what JWT plus Mirum looked like, which is right. It's the correct thing to show to demonstrate to the world and based off of where the stock is and the sort of general public's taste for agencies in general, these types of consolidations are gonna happen. These are big $30 billion public companies that need to demonstrate to the marketplace how they're gonna react to consultants and in-house teams. (17.10).

SS So how do you see the agency world restructuring itself over the next few years then?

MJ Like I said earlier, I think the model how it shakes out looks more like what Martin Sorrell is building with S4 Capital and I'm not being an apologist for him or an evangelist for him. I don't really know him at all. I never met him. But I do see what he's doing as a very key indicator. So Kenna might be in a place and I don't know your business well enough to comment, that it's sort of data-driven, so, of course, you still sort of have that place at the table and that ability to deliver if that's what you do, and, again, I don't know the business well enough to make a comment on any of your work, I just don't know it. But I do think that this ability to truly provide quality production at speed and scale with a price and margin that's more sensitive to the current marketplace, coupled with the ability to "content it" in terms of how it's positioned, where it goes from brand safety to using digital to optimize that to programmatic, whatever it might be, I like that. I like the... I do like the ability to move brand higher up to the C-level to the real sort of CEO, which is, again, the play that the Accentures and the consultants are playing. I'm being repetitive because I think that the model is pretty evident for now. We'll see how it shakes out as the media platforms figure themselves out. I mean, it's a strange world. We came from a world of three network TV stations, and if you weren't on at 8:00 PM on a Thursday, it was very hard for your brand to get traction in the marketplace to a duopoly of Facebook and Google. That's strange. And, you know, they're saying the third horseman, it looks like, will be Amazon, which shows a sort of real slant towards commerce and real conversion or direct response or direct consumer brands versus this sort of, "Let's just tell the world how great our product is." So that shift, you know, the shift towards first-party data, which is also core to what you're seeing with the sort of production companies and the data companies, brands having access to their own first-party data, that's a trend that's not gonna go away. That's what's leading to the success of the DTC brands.

SS Right, of course. Given the controversy over the state of digital advertising over the last few years, ad fraud, brand safety concerns, the ascendancy of ad blocking, the lack of supply-side transparency, a fractional click-through and declining click-through rates, and so on and so forth, is digital advertising truly well or really just hanging on for now? And how does digital advertising overcome declining rates of public favourability?

MJ I think that we, at a macro-level, discount the power of advertising. We like to look at micro-situations and know this is the sort of world as we know it. But again, advertising is big business. I mean, we forget it is a very, very big business. It's experiencing what some would call flat. Others would say that maybe they'll be a five to four or three percent increase, but you're talking about, you know, over $1 trillion, depending on who you ask. You're talking about being half a billion in the U.S. You're talking about... If it's gonna be half a billion, let's just look at the U.S. economy and say it's half a billion as an overall industry. My question is and always has been, okay, it's half a billion, but that's not the beginning, middle, and end. That half a billion, what does that impact on the GDP because that's what is ultimately, what pushes sales of every company. Whether you're B2B, B2C, small, medium, or large, it's your ability to connect to a customer and sell. We know that if you don't do that and you're gonna open up a business and you don't do any of this stuff, there is no clients. It's very hard to gain traction in the marketplace, no matter what type of advertising you're doing. But advertising has to be done at some level. Is digital a problem? Of course, digital is a problem. It's a problem because the technology was never meant to be a media entity. The technology was meant for it to share information. (21.38)

SS You mean the web.

MJ Yeah, yeah. The internet. I mean, it was never created to do this stuff that it's doing now. And so what happened is, over the years, we sort of cobbled together technologies in a MacGyver kind of way with, you know, chicken wire and duct tape and paper clips. And suddenly as the money started flooding in, because that's where the eyeballs and the attention was, the stabilization happened. And so I just think we're in a moment of stabilization where we're looking at things like, "Well, if you're gonna spend millions of dollars online and then just sort of splatter it everywhere and suddenly your ad shows up, you know, on a site that's advocating hate crimes or racism or something political that isn't aligned with your brand values, I don't think it's necessarily fair for the brand CEO, brand safety. "This is the fault of the publishers". I think it's a collective problem. I don't think it would be very hard for publishers and media companies to pick and choose the exact sites and types of pages they wanna be on with very clear indications of it not being aligned with specific types of content. Mistakes will happen, absolutely, but they don't do that. They're just saying, "We're gonna use programmatic to solve our problem." And when the technology can't be perfect, because it's not, there's a sort of screaming of what it is. On the platform side, you know, a Facebook view is not a YouTube view, is not a Google view, is not an AdWords ad against a YouTube pre-roll. They're very different types of media formats. And again, to blame the platform for that, I don't think it's fair. I think brands have to be very cognizant of where they're putting their message. They have to be very specific about it. And they have to understand what that media actually is. What does it provide? What does it look like? What is the view? Is Facebook, you know, completely absolved of responsibility? No. When they come out and say things like, “Thirty percent of these videos may not have been viewed,” that’s a problem. These are problems. But this is why we had infrastructures like the IAB as an example that I was, you know, very happy to be on the board of in both Canada and Quebec. I felt that the importance of creating ad standards for better consumer experiences in low times was very important, that those ad standards so far enough to really include the full transparency of what a view is. There was just too many hands in the pie to get an actual recognition of what it was. And on the other side of it, I can tell you as a publisher of traditional print magazines, I don’t necessarily know how much the brands and publishers and media companies really want transparency. I think these companies love saying, “We have a million views, and for every million views there’s three people who might have even seen that more.” I mean, that was the classic magazine line. Even distribution of 40,000 and it’s three readers per issue. And let’s not talk about what’s in the dumpster outside the recycling bin at the end of every month for the magazine.

SS I think, wasn’t the issue, Mitch, that you talked about programmatic advertising. The ecosystem has growing so complex with so many players and so many data handoffs, with so many people taking a slice of the pie that... And this is because I’m reading is or have heard that, you know, 25 cents on the dollar really results in exposure, that 75% is waste and that was Mark Pritchard’s complaint, of course, back in 2017 when he first raised this issue that the efficiency of the system was being challenged, I think he was saying.

MJ Yeah. But I felt that that was a cop-out for the brand. Brands love throwing everybody else under the bus and I just didn’t appreciate that or agree with that comment. I just didn’t. I think that the brands have a responsibility to know where their ads are, to know where they’re putting them, and if they feel like that it’s not the right place they have a full right to pull it, but to do it and be all in on it and then say, “Oh, I can’t believe what’s happening on the platform.” So, the media supplier side is, to me, the same thing as when brands blame the agency for a creative that was completely inappropriate as if they had nothing to do with it. They’re complicit in it. They’re buying it because it’s cheap. Why did they buy it? Because it was cheap, fast and easy to do. And for them, all they were looking for is eyeballs and reach. That’s their model of it, their traditional thinking. Could they have stopped and said, “Look, we have this product at P&G. We want to put it in the top 100 influencers and we’re gonna vet them and make sure they’re the right ones,” and that’s what... They could have done that, but they went for the cheap, easy, fast way. And when it didn’t work or blew up in their face or they were publicly shamed for where it was placed, how it was placed, what happened, or if they wanted money back. “Facebook screwed us. This person did that.” It’s very easy to publicly say those things to fight for your money back or to fight against a misplaced thing because the work wasn’t done on the front end. So all I’m responding back to is I’ve seen those arguments from him and from many other brands. And being on the agency side and I’m sure you can appreciate this too, it’s very easy to lay blame and absolve yourself of any responsibility when actually the full responsibility is on the brand because if the brand doesn’t choose the path in the first place, now the problem doesn’t exist. (26.45)

SS So let’s look at this from the consumer viewpoint, the user viewpoint. People today feel they’re bombarded by ads. They feel creeped out by the retargeting. They’re concerned about data surveillance and unauthorized use of their personal data as we’ve certainly seen in the headlines over the last year or so. The web is not a good experience today for the majority of people, at least that’s their opinion or point of view on it. And even Tim Berners-Lee, you know, recently said, “It’s at a tipping point,” that he’s actually calling for a total reboot, that he believes now it should be decentralized, and that people should have their own personal online data store. I think he’s starting a whole platform around that idea. Is he right? Does the web need a reboot? And, if so, that will, in fact, challenge the very business model we’ve been talking about for the last number of minutes.

MJ So there are two divergent thoughts there. The first thought is Tim Berners-Lee and the argument could be made, and

I've met him and I had the pleasure of talking to him about a handful of times, is that Tim Berners-Lee never wanted the commercialization of the internet and that's sort of something we alluded to earlier. His whole ideal was that it was an information share.

SS A collaboration platform, yeah.

MJ Yeah. I mean, that it really wasn't created for any kind of commercialization of which he also didn't benefit from any of that. I mean, I'm sure he did his speeches and helping out Google and other things like that. And, again, I'm not denouncing the value of Tim Berners-Lee and what he did to change the world. It was absolutely incredible. But, of course, he's saying that because that's the internet that he created and wanted. It just went in a different direction and often the inventor doesn't know what their invention is or for or how it changes and more. So him saying that isn't anything new. He's been saying that from day one. It was completely always meant to be a decentralized place where people can share information and store information and for easy access to it in a very equalized fashion. So there's no surprises of his comments currently. They're just exasperated because of other things, whether it's, you know, breaches of technology, privacy issues, fake accounts, trolls, others, and it's become so big and powerful but that's the perspective of it. So that would be my sort of first comment to Tim Berners-Lee. No surprise. He's always wanted the web to be open, equalized and accessible to all. It's a place to share communication and information. On the side of the consumers and sort of revolting with ad blockers and stuff like that, you know, I'm prepared to call bullshit on that. I really am. If you look at Facebook's Q4 quarterly earnings for 2018, they beat revenue expectations based on increasing their user base. We're talking about 1.5 billion people who are using Facebook every single day in December, 7.7 billion people on the planet. Like, that's pretty amazing. That's a 9% increase, almost 10% increase, double digits year over year. You're looking at a world where they were seeing some stagnant growth in both the U.S. and Europe. It had been fairly flat, but then suddenly in that quarter, in the quarter where they had the most controversy, the worst news, the most all this other stuff, it suddenly picked up to where it was prior to that. And on top of that, you're talking about, of course, the 3 billion people who are using either Facebook, Instagram, WhatsApp or Messenger, all owned by Facebook. And 2.7 billion out of a 7.7 billion population is astounding. And the revenue was completely up. It was close to 17 billion for the quarter and the stock jumped over 6%... In the worst most volatile times where all those things you said and clearly they have been said and clearly they are true. And if you look at the stuff that's happening, privacy concerns, safety issues, scandals, third-party data breaches, fake news, bogus account, public outrage, governments, I mean, all that stuff in that moment in time, we have to be able to also sit back and acknowledge that they seem to be either in their own orbit or be doing better than ever. And so my question back is I think consumers say one thing and do another or maybe consumers aren't saying that at all. Maybe consumers are like, "I like Facebook. It's a place where I get the information I share. I'm sort of, you know, able to cackle with my friends about stuff that's going on." And the only people who are really raising up these flares and flags are media pundits and journalists who wanna sort of pick at, pick at, pick at this. And, you know, I'm not being a Facebook apologist. I'm just saying that the market is not responding in the way that we say consumers are responding. If this were the case, we would see a decline in revenue. We would see brands pulling back. We would see people pulling back. And we've seen this historically with digital platforms that people don't like and/or trust. We've seen it. I mean, they just go away. They disappear very quickly. That's not the case here. And so I think there is a fair question around what type of digital economy do we want? But we can't sit here and go, "Consumers are raging against the machine," when clearly the results don't show that at all.

SS Well, it's tough to complain against free and now, right?

MJ I'm just saying that you cannot say that this information about privacy, all the stuff we've talked about with the challenges and bad news, bad, bad news of the Facebook world is completely in our faces all the time and the reaction isn't, "I don't wanna be their customer." And they do have other options.

SS But I think they're facing... For example, the figures I saw this week, I saw this week a demographic decline. I mean, they're not attracting millennials anymore. They're not attracting a youth population.

MJ It doesn't show that. It doesn't show that. And what they're doing through acquisitions on either the Messenger, Instagram, and WhatsApp side is they're making up for there and I think we all know what happens, which is it sort of dumps into the other canoe eventually.

SS Right. But you touched on privacy and, of course, GDPR had a lot of headlines. There's copycat legislation now on this side of the world, California being, I guess, the first at the table. Is the impact of that going to be the curtailing of the use of third-party data, impact on cross-device, identity resolution, data appends? All of that's gonna be affected. Is that ultimately... And we talked a lot about advertising earlier and spending dollars on digital advertising. Is that, and you talked about this earlier, going to drive brands toward the creation of their own audiences, their own first-party data, maybe a focus on customer relationship management instead of purely acquisition, acquisition, acquisition? What's the impact that you see ultimately on marketing strategy and where brands go in the face of this significant change?

MJ I think it's going to be all of that and none of that depending on the businesses and what they want for outcomes. I just don't know that there's gonna be a sort of zero-sum, this is what's gonna happen across the board. I think they are gonna be certain businesses that are gonna be challenged to get first-party data and they're gonna have to create some form of alliance or leveraged partnership. I think we can even look at companies that have access to tremendous first-party data, Facebook being a great example, and yet they're still purchasing a ton of third-party data on top of it to layer it up. I don't even think we're factoring in the fact that all these breaches and hacks over the years have created a very robust data set within the dark web. I wouldn't be surprised to see a lot of the major platforms or brands or advertisers leveraging that dark web data, believe it or not, to at least cross-reference and maybe then destroy but to validate a consumer. I think that there's a whole level of surveillance capitalism that's happening now that's gonna evolve beyond just the sort of free models of Facebook and Google, but into physical retail spaces where they've got cameras. They got artificial intelligence. They have loyalty programs or ability to truly understand. They've got the random access data of mobile devices to truly understand the environment and what's happening. These worlds are all converging. I mean, there's no doubt that you can look at any industry, B2B, B2C, to see how this plays out. So I think it's all of that and it's none of that, depending on the type of brand, the type of business, and where they see the growth, opportunity, and potential. It's just a reality of it. Some people are gonna get very aggressive in building direct relationships with their consumers and building more and more type of digitized products and services that they can leverage and build the data set while others will create partnerships on the label or just rely on third parties to help, you know, supply an added layer of information. I think the hope is on the consumer side that to a certain degree there's a level of protection. Obviously, everybody wants that. There's nobody that doesn't want that. And I think on the brand side, there is definitely an amazing moment in time here to be a voice of reason, to say, "This is what we're doing with data. This is what we're doing with information. This is your data. This is your information. My role is to just make your experience with me as customized and as personal as possible with your permission, with your full knowledge of what access I have and what I'm doing." We've been the Wild West here. We're kind of close to two decades of this, and I think we tend to assume that the Wild West is just the way of the world. Historically, if you look at these types of evolution, there is a sort of formalization, a more modernization of it, to create a better place so that it's not the Wild West. I don't think anybody... And I think people that are benefiting from it financially probably like it and love the chaos of it, but I think at a greater extent, if you speak to real senior executives who are really trying to build quality products and services, they don't want their consumers to have no idea who they are or how they're doing it. That's not how you build relationships. Relationships are built on trust. And data and trust are now hand in hand and they're part of a greater conversation about what's gonna make this possible.

SS Well, as a longtime proponent of customer relationship marketing, I see a golden era approaching. I also came out of the direct marketing business early in my career and many of those same principles and practices are being applied on steroids today thanks to digital technologies.

MJ I totally agree. And I think that you're correct. You know, the digital space was a sort of culmination of the work that the direct marketers were doing all along. There's no doubt that that's where we're at and how it's evolved. (37.03)

SS I wanna switch gears just a little bit and talk about Amazon. You referenced them earlier. I think one fact I saw was that by 2021 they're gonna have or own 50% of all U.S. e-com, which is an amazing stat in and of itself. We've certainly heard about the sales of Echo and the use of Alexa in multiple devices over the last number of months. It's given... It seems to me Amazon used the term pole position. They've got a pole position in voice search. I think the other figure I read, more than half of households are gonna have a smart speaker by 2022. Those are amazing stats. What are the implications for marketers of the shift to a conversational interface through smart speakers and devices?

MJ If there's one area that I am full on bullish/up to my eyebrows, and it's what I call the smart audio space, I think that voice is the intuitive and natural user experience that everybody wants. I think that typing will be relegated to those who are writing, not as a form of way with which we communicate and connect. I think that anything that has any form of power component to it will have voice connectivity to it. And I think we're starting to see that in the early iterations of the Echo Auto, in the AmazonBasics Microwaves. They're $49. You know, it's Alexa-enabled, computers, smartphones, etc.. You have Google talking about a billion devices that will have this by now currently. I get very excited and bullish when I see things like Deloitte talking about 100 million smart speakers, and then I think up to 250 million. It seems very logical and obvious to me that that's the space we're going to. Of course, with it comes challenges. There's the technological challenge of how accessible it truly is for consumers and how easy it is to operate and use and we've seen challenges with that. Content, just enough stuff, so we've seen about 80,000 voice fields currently on the Alexa platform and while there's 80,000 of them it's not quite where we're at with the App Store if you compare that from to apps on smartphones, but we're not close to that. Discoverability is a massive challenge and issue. There is no Yahoo yet for it. There is no real Google for it yet. The analogy I give is when I look at voice as a future platform is it's really in the pre-hyperlink stage. It's like, you have to sort of know exactly where you're going to get there. If you want to go somewhere else, you can't just sort of click and go to it. It's not that obvious or intuitive. But all of those are hurdles that are gonna change dramatically. And the data that supports those who are adopting and using it is pretty staggering. You have something like... What is it? Thirty percent of people who have these smart speakers are purchasing through them. They're purchasing and spending a lot more because it's a lot more intuitive even than one-click shopping. All signs for me point to smart audio and interactivity, but there's a lot of layers to this and a lot of opportunities and challenges and I don't think that it's gonna be just the Amazons or Googles of the world. I think we have to pay a lot of attention to Apple when it comes to voice. I wouldn't discount Samsung nor would I discount Microsoft. The bigger challenge I think overall from the user components, it's not like the internet which is sort of open and accessible to everybody. This is owned. I mean, Amazon owns Alexa. Microsoft owns Cortana. Google owns Assistant. Apple owns Siri. So these are now people building within ecosystems that are owned by, you know, trillion-dollar valuation-based or close to it companies, and that creates another dynamic entirely. But if there's one space that I am extremely passionate about right now it's that space. (40.53).

SS Well, it speaks to the consumer love of convenience, which, to go back to Amazon for a second, that gives them a pretty interesting dominion over the household if they can create frictionless purchasing over products that don't require, and I'll use the term, a lot of discoverability. Doesn't it? Doesn't that give them an awfully good position here and basically become, get in between brands and the purchase?

MJ Amazon obviously has a real closed ecosystem here where if you're not a vendor, if you're not selling on Amazon, I mean, you're gonna be locked out of this. But you're right in the sense of convenience and ease. So, I think that that's just an intuitive part of voice. I think it's natural and I think that when it's everywhere in the home and the office, that's great. But with that comes a lot of people who are scared that these devices are listening. It goes back to the privacy problem and challenge. But I think we'll get over it. I think we'll get over that.

SS The recent layoffs at BuzzFeed provoked some debate this past week about the future of digital publishing and where that's going. And, you know, they're still...that whole industry is still wrestling with what their model is, notwithstanding the, you know, amount of money being spent on digital advertising. The New York Times has made a go at the viability of a paywall. Its digital subscriptions have grown exponentially. Does that suggest that we're headed in the direction of a subscription economy, that publishing will go right back to the beginning almost in a sense of people pay to get access to content? Do you see the free and now part disappearing around the internet and the basic business model changing?

MJ I hope so. I mean, I don't have a problem with free ad-supported. I think that that's a model too that we tend to dismiss. I just think that the sort of CPM of display advertising and sponsors wasn't really...it's not for "The New York Times" and other major publishers. That's the whole sort of, you know, physical dollars to digital pennies argument that we had been talking about for 10 plus years. But it's very, very clear that subscription models are super attractive. Look no further than Netflix and Spotify. I think the bigger question isn't necessarily streaming or subscription. I think it's the core idea of, you know, it used to be you bought a physical newspaper or it came.... you already subscribed and it came every day. That's very different than paying a nominal monthly fee to have access continuously to the entire library always and in perpetuity. I think that's more what we're looking at, right? You're not buying access to a movie. You're not buying a CD. You're paying for access to the entire library. And that's a very different model for publishers than the traditional one which was you got a physical paper every day but, you know, if you wanted to go back and you wanted to see them, it was very hard to sort of archive, collate, use the content that you had yesterday. Digital dismantles all of that. And so I think that there's a fair and equitable exchange there, whether it is ad-supported or subscription basis, that makes complete sense. And that's very workable. And I think that you are seeing a turning of the corner where people are willing to pay for access, that type of content, even if the content isn't 100% a traditional publisher. And look, people are supporting gamers and Twitch. People are supporting people via Patreon or Patreon, whatever you want to call it. People are subscribing to Razor Blades and Dollar Shave Club and Harry's and they are now launching private labels within those on a subscription basis and major...

SS They are paying for Medium, like, for content?

MJ Absolutely or consumers are paying the tip jar type of model. So I think we're seeing this sort of maturation of all of the models that, by the way, we had in the very early stages of the internet, as well. It was people weren't so sure what it was. But there's a comfort level to that. You know, you pay a monthly bill for your phone. You pay your monthly bill for your cable. You pay your monthly bill for housing and rent. I think paying a monthly bill for access to an infinite amount of content or entire library of content off of a source or publisher that you admire, respect, and like is a very, very powerful and true thing. And you're seeing growth across the board. You're seeing, you know, people subscribing to people like Joe Rogan and he may be ad-supported or whatever models he uses, but millions upon millions of people will watch one single piece of content or have access to his YouTube channel and he supports it through either... You know, in his case, it's probably more ad-supported and then ticket sales-supported for his events or Netflix shows or whatever. But those are the drivers of the modern economy, but they're not necessarily modern drivers. They're very traditional business models that we've had forever. (45.48)

SS True.

MJ I mean, The New York Times didn't want you to just buy one paper every day. They wanted you to subscribe. They wanted to deliver it to your door. Now what's changed is just the access to the content and the delivery mechanism.

Podcast

SS Yeah. And there's a very rich and immersive experience they're offering today and they're continuing to be quite innovative around that. Mitch, we're out of time. I know you have another appointment. I just wanna say this was a very compressed, condensed, and thoroughly informative 50 minutes or so. I'd love to spend more time talking to you because you've got incredible opinions on all of what's going on today. So I very much appreciate it and enjoyed the conversation very much.

MJ Awesome. I appreciate it and thank you for the time. It was fun.

That concludes our interview with Mitch Joel. As Mitch said, businesses are very aware of the digital disruption going on around them: they just differ in the urgency and scope of their response. No business can afford to turn its back on the heightened expectations of customers - but the alacrity of their response is dependent on their risk tolerance: Do they prefer to be imitators or trailblazers? First to market? Or a fast follower? While the pressure is on to adapt there is still so much uncertainty ahead that setting transformation priorities is a guessing game. The future of digital advertising – of social media – of privacy oversight – of the role of ad agencies – of content production – of distribution channels – even of the web itself - all of it is in flux. One thing is for sure: There will be more convulsive change in the next five years than in the past ten. Decoding the future is crucial if businesses want to get ahead of the coming storm. For the sake of survival, there is only one sensible response: to move forward – as quickly as possible.

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