



Interview with

JOHN BATTELLE

NEW MARKETING IN THE NEW NORMAL

Social Media and the Evolving Brand Conversation.



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Peter Hopkins: Hello and welcome to our ongoing series on the new normal. I'm Peter Hopkins; I am cofounder of BigThink.com. Today it is a pleasure to welcome John Battelle with us. He is a true new media guru of every sort; he has played every role one can play from entrepreneur to analyst, to commentator, to author, to scholar. And I think his perspectives are perhaps as rich and as diverse as anyone's. So it's great to have him here.

For a little background on John, he is the founder, chair and CEO of Federated Media Publishing. Federated Media happens to be partners with Big Think, and I think this will be a very interesting conversation because we've been very much in this new age together and has been great to learn from them and to work with you guys. I should also give a little bit of praise on some of the other things you have done, as I was saying before we started—what an incredible and varied background.

Currently, you are also executive producer, program chair of the Web II Summit; you're "band manager" with BoingBoing.net; you maintain your own blog—search blog, which focuses on search engines and that universe. You were the Bloomberg Chair in Business Journalism at UC Berkeley's Journalism School, and you were also one of the founders of *Wired* magazine, among awards in all manners of other projects. So a truly great background, and it is a pleasure to have you here, John.

John Battelle: Thank you for having me. It's great to be here.

Peter Hopkins: So let's start and think about this new normal when it comes to marketing. Let's start with perspective from the consumer, orient us to how the consumer has changed their approach, to how they relate to and engage with companies.

John Battelle: I think this began—in terms of being able to put a pin on the map, if you will—I think it started about a decade ago with Search. That's, you know, a little minor obsession of mine. I wrote a book about the rise of Google

and its impact on culture. But what Search offered the consumer at scale was the ability to declare an intent and have the world organize around that intent in a fraction of a second. That changed the expectations of all of us in terms of how responsive we expect a brand to be. And it turns out that most companies, large or small—we're not that responsive as Google, which created a gap between an expectation and a reality that I think is starting to be filled now. And I think that the new marketing is all about figuring out how to fill that gap, how to be in conversation with a customer at scale. It is a very difficult thing to do, but the tools that are coming up now on the Web are starting to allow marketers to do it.

Peter Hopkins: Now you used a very interesting analogy when we were speaking before we started. You were saying this can kind of almost be analogized or summed up around the experience of a consumer entering the store with their personal device, be it the iPhone or the Droid or whatever they are using right now. Walk us through, give us a sense of, okay, they've come into this store, they've got this device, they're there to buy something, and I think the example you used was The Gap. Excuse the pun. What happens? Orient us to that.

John Battelle: So the scenario which seemed five years or so ago as quite science fiction is very real now. You see in almost any retail establishment, particularly one where someone is standing in line, the people are staring at their phones, right? So if they're waiting at Starbucks, they're staring at their phone. If they're in a large retail establishment, like The Gap, they may be looking at their phone trying to figure something out, seeing what their friends think of this shirt, or texting someone and saying, "Have you bought these pants?" Or so on. So taking a picture of something and sending it to their wife, "Do you want this?" You know. So we're already now in the mode of using our connected devices to give a sort of ambient layer around our physical interaction in a retail location.

What I think is going to be quite likely in the very near future, and when I say near future, I'm thinking one to five years—in that time, right? Is that when you walk into a store, you will have on your person a connected device as you do

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now. This device will be instrumented in a certain way where you have told the device, when I come into a zone where I like the place where I am, say on Facebook I liked Gap, right? I have therefore given that place permission to essentially consider my walking through the door the equivalent of a search query. So you walk through the door, you may as well have put a search query into a search engine and now you expect a response. So now you expect a response.

So I walk through the door, and a response is going to come to my phone. If I look at my phone, the screen's going to say, "Welcome to Gap, John. We see here you were here two months ago and you bought—how are those two pairs of pants working out? You know, you haven't bought anything for your daughter, and she is now 12. Why don't you consider these? Your friend Mary was here two days ago, and she bought these things. Would you consider those for your wife, Michelle?" Because of all the things that the store and the brand knows about you, it can start to respond in a way that is holistic to who you are as a person. That goes well beyond that. Right? It knows your whole purchase history. It may have a recommendation, a deal with Amazon in terms of sharing data where it can suggest other things that you've bought outside of Gap. Right?

It will possibly create an offer for you based on sophisticated algorithms that understand who you are and what you might respond to. And, by the way, all this information should be in the mobile devices of everyone who works at the store. So when they interact with you, they know who you are, they know what you might be interested in; and you will know that they know and that will be okay with you. Right?

So you're coming in, everyone knows who you are. You're interacting in a sphere of information and data that is pertinent to you. And all of this comes together because of the things that right now we're starting to do. We've created as a culture a set of signals that are very, very powerful that live online, and they live there forever. And I think the first and most important of them was Search. But there's purchase intent; there's who I am; there's who I know; there's certainly where I am right now, my location. And there's what's happening, what's going on, right? And there are very important

companies in each of those spaces that have popped up in the last ten years. And we know their players; they are Twitter, Facebook, Google, and now the newer players like Looped and Gowalla and Foursquare.

But it's very interesting to watch all of those signals start to come together to change how marketing works.



Peter Hopkins: Now this is a good moment to pause for a second. I want to tell the audience that, if you have any questions for John, please Twitter them because we are going to be segueing to your questions in a few minutes. And I say that now because you have just laid out a pretty provocative view of the future. One that takes information gleaned through our day-to-day activities and our interactions with the Web, and uses them as a way of informing how business and consumer business specifically deal with us. Orient us, from the perspective—that’s what the consumer has to expect. What does the business—what do businesses have to do to make that work? To make that intention seem genuine, legitimate—because at first blush, it’s a little frightening, and you can imagine people at home thinking, my God, this is big brother ****.

John Battelle: Yeah, yeah. Well, we’re already there. People just don’t know it. I mean, I think if the veil were lifted in the context that was out of context as to how much information we leave scattered about the Web, and how much information we leave scattered about any kind of digital infrastructure, including your Safeway card, which you slide through, or your Kroger’s card, depending on where you are in the country. You slide through the checkout. It’s nice that you get, you know, 15 cents or 20 cents off a gallon of milk. That’s the benefit that you see from the card. On the other side of the equation, the benefit from that card is a pattern recognition at scale that allows marketers to understand how to stock shelves, how to coupon, how to market to you, what kind of a customer you are, what to put on that receipt that ends up in your bag, how to direct market to you. So from the point of view of us as consumers, we may not be aware of all the information that we are leaving, and this is something that has become now a congressional issue recently, and we as a society have to have a conversation about how we are instrumenting that.

But to get back to your question about the companies. Traditionally, companies and their marketing organizations, and their agencies in support of their marketing, have been very siloed in their approach. They’ve been task oriented. So in that example of The Gap, what we’re talking

about are customer service— direct customer service, CRM, customer relationship management, which is a relatively new practice. Response marketing, or direct marketing, which is another practice. Above-the-line promotion, which is another practice. And perhaps there was a lot of above-the-line brand marketing that affected my decision to walk into the store in the first place. And perhaps when I’m there, there may be more—on the phone, on the device, in the store, in-store promotions. There’s a very large suite of different marketing practices that traditionally have been quite siloed within a marketing organization that come together in that instance.

We, as marketing organizations, are not particularly good at thinking about things in horizontal context. We usually think about them as silos, and they don’t talk very much to each other. Customer service very rarely speaks to above-the-line brand marketing. But in that scenario, they really start having that conversation. And I think there’s no better example of that than Twitter, where all of a sudden, the brand becomes alive and people are complaining, and someone needs to respond and that response is public media. And public media is—that’s what above-the-line brand marketers do is public media, right? But here’s a customer service rep responding on Twitter. So who owns it? And there’s a grand conversation going on now in agencies and in large marketing organizations about who owns social media. Right? And my answer is always, yes, everyone owns it. And what you need to do is train people into it and use it for each of your specialties and communicate through it.

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RISKS AND REWARDS OF A SOCIAL MARKETING STRATEGY.

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Peter Hopkins: Well, let's start there because marketers and companies have tended, up until very recently, to err on the conservative side. There was a way of doing business; they did it for a long time, and it worked very well. So no one could blame them for being deliberate and cautious as they entered this new space. You've just talked about a radical new engagement, one that lacks a lot of the controls that they used to have. Speak first and foremost to a company that is just beginning this new engagement with this new media. How should they think about the risks and the rewards? And how do you control the risks to maximize the rewards?

John Battelle: Well, I think the first thing certainly, that I say—and we get at Federated a lot of questions—exactly this question is, don't worry about whether or not you have a conversational or social media marketing strategy because you already do. Right? Just go and put your brand or put your product or put your service into a search engine at Twitter or Facebook or Google, and you'll see people talking about you. Everyone's talking about you already, and if they're not, you're dead, so be happy they're talking about you. And if you like what you hear, good for you. And if you don't like what you hear, what are we going to do about it?

So you already have a social marketing strategy. It may be that your strategy is to not engage. Okay? But that has to be seen as a strategy because everyone else is engaging. Right? So the next step is, if you're going to join a conversation, how do you join it in a way that adds value? Right? You don't want to run into the middle of a cocktail party, scream, "My products are great!" And then run out. Everyone's going to be like, who was that guy? Right? You have to understand what you bring to the party. Right? And what you have to say. This is a new set of skills. So if we, for decades as marketers, have essentially said, "Hey, I know you really like that program, but I'm just going to interrupt you for a bit, and I'm going to tell my story, and hopefully, I'm going to tell my story in the grammar of the program. In the sort of same way that Oprah has captivated you over the last ten minutes with the heartwarming story of the boy who overcame great consequences. I'm not going to tell you a story about my minivan,

and then we'll get back to Oprah." Right? That model of "pardon the interruption," right, doesn't translate very well to social media. The model is I'm waiting, I'm listening, I'm waiting, I come in, and I have something valuable to say; I come back and I get a response and I respond back. It's a conversation.

That set of skills, the conversation set of skills, is not a natural set of skills for most marketers because they've gotten so good at building that beautiful 30-second spot or that great two-page ad spread. Right? Or all those vertical silos of direct response or customer service or CRM or whatever it is. Search marketing became another silo, by the way. So how do you create skill sets in being a conversationalist? And my answer to that, without going on too long, is you need to get the skills of a publisher. Great publishers understand how to create platforms, or brands, for conversations and how to leave them. Right? That's what all great publishing brands, medial brands do. That's what Big Think does; I hope it's what I do at Searchblog; it's certainly what *Wired* did, or the industry standard or *Make* magazine. And so, that's a new set of skills, and it's one that you'll see a lot of really great brands doing. Nike's doing it; American Express is doing it; Proctor & Gamble is doing it. And I think that answer is to start to understand how to be a leader of a brand of a conversation. At least understand how to join it and add value to it. That's where you can start. After a while, you may actually want to build a platform for a conversation.

Chapter 4

THE SHIFTING CONVERSATION.

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Peter Hopkins: Now one of the most interesting observations I've heard in regards to this is the shifting terrain of the actual enterprises and entities that support this approach. In the old world you had the brand; you had the media agency; you had the outlet. And they had a certain set of designated roles; it was fairly well understood. But now, you've said that these roles are shifting. So how does a brand company who has relationships and partnerships of this kind of old-school variety—how does it understand the relationships between these pieces of the puzzle to begin to execute once it makes this set of decisions about how it thinks about its conversational strategy?

John Battelle: Well, everyone's sort of getting into everyone else's knitting a bit right now. I don't know a high-quality media company. And by media I mean a creator of content, a creator of community and platform and conversation that doesn't have a service organization now attached to it that understands how to make media in concert with a brand. That may seem quite threatening to an agency who says, "Wait a minute. I'm responsible for having the conversation with the brand about media." But there are different skill sets. Agencies are extremely good at understanding what the brand's business is, what its goals are, what the right story for the brand is that needs to be told, and determining where that story should be told.

Publishers and media companies, and I run one so I'm going to say this, right, but you know, like FM are very good at telling stories and engaging with audiences, listening to audiences responding back, and having that ongoing discussion and conversation known as publishing. Right? So I really see that there is a class or a group of companies that are very good at being, you know, almost agencies to publishers and a very great class of companies that are very good at being agencies to brands. And the two need to work very closely together. Right? But there are going to be inevitable times when they conflict. And it happens all the time. I'm on the board of the IAB, the Interactive Advertising Bureau, and every year at their conference for the past three years, there's been the Reese's Peanut Butter Panel. That's what I call it,

where you have a couple of agency guys and a couple of big media guys and they yell at each other for about 40 minutes, and then they shake hands and go off and do business, you know. But it's true. We're getting into each other's business.

And at FM, we work very directly with clients. Directly with, for example, American Express or Chrysler, but we also work very directly—very closely with their agencies. They're really good at things we just couldn't possibly imagine doing. And I think we're very good at things they don't want to do. So it's about how do you figure out working well together, and the rules are not black and white for every situation. It depends on each client, each set of agencies, and the goal that you share.

Peter Hopkins: Now speak to that—these considerations in the context between, you know, your work with the actual publishers and the content creators, you know. One thing I've found in our experiences, particularly where we have worked alongside some more old-school, mainstream media outlets that have entered the new age, there's this ethos and this sensibility about the editorial and publishing divide when that is itself shifting in ways that I think can be accommodated and can uphold great values, but ones that frighten them. You know? How do you talk to publishers, particularly of that old mindset, to explain this can be done in new ways? And what are the parameters that define a good conversational media campaign that respects the underlying integrity of the information, yet also brings in the brands that are supporting it in a much more integrated way?

John Battelle: That's a great question, and I frame it in something that I've spent a lot of time thinking about and talking about over the last decade. I frame it with this premise. Any great publication, and I love that word even if it's an old baggy word. Oh, publications are dead; publishing is dead. You think of it as print, I think of it as a thriving community engaged in some shared passion, right? So any great publication is a conversation in the main between three parties. That which I—those who underwrite it and care about that topic just as passionately as anyone else, those are called market-

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ers. Those folks who create the stories and tell the stories—those are the authors, or the content creators are producers. And the publishers, who are the people who create the platform and maintain it and care for it. Right? What's interesting is then that that model was absolutely, you know, solid as one model with very clear lines in the sand between the marketers and the publishers and the editors and the journalists or the creators of content. And they wouldn't talk to each other, no way. But that was the publisher's job to talk to the marketers. Right?

Now, when you get to a model as we have in the last five years, where a company like Big Think can come out of nowhere, right, and essentially gain a large audience through just creating great content. How do you have a conversation with the other piece, right? Do you need to hire that whole group? Do you need to hire 40 people to manage ad operations, and, you know, it's a very big part of the media business is the media business and not the content itself. Right? And so I think it's okay as long as it's transparent, as long as it has integrity, as long as it's disclosed to allow the marketer to be a part of the conversation because, at the end of the day, they're a very important part of the conversation, but they've got to get the grammar right. They've got to get the idiomatic part of the language right. And that's all of our jobs. It's all three parties' jobs to get that idiom right.

So I use the example of *Wired*. When we launched *Wired*, the advertisers who supported us in the first two years were so excited about the concept of the magazine that their ads started to feel like the magazine. Now it's a thin line between trying to fool a reader into "Hey, this is *Wired* editorial," and "No, this is an ad that understands the grammar of the population that reads the magazine." And we made sure, you know, we didn't do the advertorial stuff, but the ads sprang to life with six colors and had the same energy and the same general verbiage and enthusiasm and optimism about the story that the editorial did. And that's why they worked.

And so I think what you want to try to do in conversational media is say, "Yes, I'm here, and I'm from Jet Blue, but I have a right to have a conversation as well, and I'm going to talk about some of our products and services, and it's going

to be labeled as such. And if you're interested, come and join me." And that's the key. Make sure people know, invite them in, and offer something of value. That exchange will be honored, and your brand will increase in value.



Peter Hopkins: Now, you talk about a very interesting dynamic, one that we've been a part of, which is this kind of three-way between the ultimate publisher, that kind of intermediary role, the honest broker that FM plays and then the brand, and then, of course, obviously, the audience. I'm curious, when you speak to the brand and try to give them a context of what it means to speak in the grammar of a given publication to a given audience, what are the analogies, what are the terms that you use? Is it about convincing them that this is like grassroots social organizing? Is this about having a customer service mentality and orientation? What's that channel back to them to explain how they mediate and frame their message?

John Battelle: You know, we—well, what we have found actually works the best is a brand to find the kind of content and the content producers that they really are aligned with. Now, this is a skill brands already have. Agencies, in particular the media agencies of brands, are really good at finding content that fits with the brand, right? It complements the brand. So what we'll do is we'll find content creators that fit or complement the brand. And I don't mean they talk about the brand, or they shill for the brand, or they're saying, "Buy these shoes, they're great!" You know? It's rather, the brand wants to be associated with the kind of conversation that these people are leaders of, right?

And then what we've done—and we pioneered this in 2006 and it's now quite common practice around the Web—is we've actually created advertising units that run the content from those selected creators in the ads. Right? And so, imagine McLuhan is smiling in his grave because the medium is in fact the message. The media buy becomes a distribution channel for content that is valuable to the audience that the brand has decided that they want to speak with. So a brand like, oh, I don't know, Milkbone, will pull together a bunch of content about loving your dog, right? Which it's easy to find on the Web—people love to talk about their dogs. And they'll distribute it through a media buy around a bunch of sites. And the response to that kind of advertising is much higher because Milkbone is adding value by saying, "Hey, we know

you're a dog lover because you're on this site that's about pets or about dogs or whatever. Here's more." Right? And so by associating with content producers, while at the same time not undermining their integrity or credibility by forcing them to write about your advertising campaign or your product, that's how you can start to essentially become a patron to the creation of community. And all patrons to the creation of good communities accrue benefits to their brand.

And to my mind, when you're in that scenario where anyone in any retail location, or online, can shop and compare on price, and basically you have to have a price within a very narrow band of everyone else. What matters is, does your brand add value in other ways, right? So if your brand is adding value by making someone's day a little bit easier—Intel does this with Life Scoop—which is a site for people who aren't as techy as you and I might be, or anyone watching on a webcast—but here's how to use technology and make your life easier, we're going to help make your life easier. That means the brand feels a little more valuable for helping someone, you know, through their day using technology. And this is over and over again. I think Nike's one of the fabled examples of this in that they identify communities of runners as key people who were influencers in the purchase of shoes. When someone's running ten miles a day or forty miles a week, and I happen to be a weekend warrior, I'm going to ask that person what shoe I should buy, right? And if that person is a member of the Nike, you know, Nike running community that Nike created five years ago, six years ago now, you know, they're very, very loyal to Nike. And they're going to say buy Nike. Right? And I think people are starting to—brands are starting to realize that becoming you know, connected—Open Forum in American Express is another great example of this. You know, I mean it's just a fantastic example of the same thing. You know, pulling resources for a small business, helping a small business succeed, making it your mission to make your customer successful. Those customers become very, very loyal to you, and in a business like American Express, loyalty is everything, right? You know, every time you open your wallet, there's three choices, which one are you going to take out? So.

Chapter 5

ALIGNING CONTENT WITH BRANDS.

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Peter Hopkins: In a way, does this take us back to a previous era between the relationship between the individual and the media content and how it's supported? I think back to what my parents were watching, branded television where the brand was really an active patron. It was on the podium of the game show, it was announced by the announcers. Do we need to think about it in those terms? And what is the change of minds we need on the part of the consumer to make this all work?

John Battelle: You know, not necessarily. I think allegorically, but not necessarily, literally. Right? You know, in the early days of television, you know, you'd have the guy light up and say, "Chesterfields are the greatest! I'm smoking one right now." And I'm not sure that doesn't cross particular lines. If it's a pain endorsement, right? And things differ, you know, I mean, there are different—a journalist would never do that. Perhaps someone who ran an entertainment site would do that, right? But I think, at the end of the day, it's about the brand creating an environment where it gets credit for the value it's creating and adding. And so sometimes that environment may be much more up front. This is the Nike Running Club, okay? This isn't the Running Club, underwritten by Nike. Right? Nike as a brand has permission to do that. American Express as a brand has permissions to do Open Forum, right? But there may be other executions where it makes more sense to stand a bit in the background. To add this value and say, this is a service. And I think it just depends.

And again, we as social creatures are very finely instrumented, right? I mean millions of years of evolution to get to the instrumentation of being able to have a sophisticated conversation and to read each other very well. So it's not just one or another thing. It's having the skills to understand what the appropriate balance is, and that is as sophisticated to my mind, if not more, as the creation of a gorgeous 30-second spot for television, which is a production involving scores, if not hundreds of people, and certainly, often, millions of dollars. Right?

So when you start to think about doing the same thing online, we can't pretend that it isn't going to be as com-

plicated. But it's also going to be a lot of fun. And by the way, I think the nice thing is that the more you invest into creating platforms for conversations, the more they pay you back. And I can give you tons of examples for that, but I'm sure there's other questions that have been asked that we should get to.



Peter Hopkins: Well, yeah, let's segue to the questions that you crowdsourced from your audience on Searchblogs, and then we're going to have some other ones coming in from Twitter.

John Battelle: I should say thank you to everybody on Twitter and Searchblog who took the time to respond.

Peter Hopkins: To dive in—and some of these are great questions. Let's start out with one from Sunji Maharaje. He writes: "John, have companies been slow to embrace this new marketing normal? What innovative marketing ideas will evolve, which will shape how marketing is done on social media?" Let's start with that first part. Do you think that it's been—do you think that it has kept a pace of companies who have embraced this as quickly as they've should?

John Battelle: I think it depends on the industry, right? And much of this really has to do with policy, regulation. Right? The first, in my experience and I think in the experience of a lot of companies, that are what you might call "native". We consider FM a native company, and we started in 2005, and we watched the conversations springing up on the Web, and we kind of went to where there was a lot of it, and we tried to bring it together and make it make sense so that we could connect marketing to those conversations in a way that was a native.

So, first with blogs, but it was tech and business. And the brands we worked with were tech and business. They were native too. So it was much easier to work with a large technology brand or a large business brand than to work, honestly, with a P&G or a Unilever or a financial services brand, which has a thicket of regulation about anything that they might say publicly. Right? And CPG brands, consumer package goods brands, are very conservative generally, and they do not want to take a step, you know, they don't want a Tylenol moment. They don't want—they're very, very conservative. They have a lot of regulations about the products that they put into the marketplace. So they don't necessarily want to speak without thinking. So they were slower to come. So different industries

came at different speeds.

I think what we've seen now, you know, here we are in 2010, is there really isn't an industry that I can think of that hasn't committed to, at the very least, figuring this out. Almost all of them are experimenting in some way or another. They're buying media in conversational contexts, so at least they're putting their media in blog networks or on Facebook. But I am seeing a few things that perhaps could be accelerated. For example, when Facebook came out with this engagement ad model, which I think is a very smart model, and it's obviously doing very well for Facebook. One of the things that you essentially could do and probably the easiest thing you could do is you build the page for your brand, then you buy some Facebook engagement ads to get fans for our page. And this worked very well. For reasons that I think has to do with who we are as human beings. I'm going to see a brand; I'm going to pick on, you know, Kraft Mac and Cheese, right? I love mac and cheese. My kids love mac and cheese. If I see an ad that says my friend just became a fan of Kraft mac and cheese, wouldn't you like to? I'll be like, sure. I touch that thing once and boom. I'm a fan, and all of a sudden, the fans go from 10,000 to 400,000 with an ad buy, and everyone celebrates and pops champagne because the ad campaign worked. Well, no. Not until you figure out what do you have to say to these 400,000 people from now on, right? Now what are you gonna do? Now you have to have a conversation with them. Now you need to act like a publisher and understand how to talk to them. And that, as we discussed before, is a new set of skills.

So I think we're getting—and by the way, I'm not singling out Kraft; this is a made-up example. I'm sorry to my friends at Kraft if that actually rang through, and I hit a nerve. But at the end of the day, that's sort of just an example of a practice that I have noticed in the past year with traditionally conservative brands. But I really don't see any categories now where, you know, people aren't really seriously thinking about how do I join this conversation. This is the subject of my next book actually. It is—I'm calling it *The Conversation Economy*, which is how do we do this at scale? There are so many barriers because of the way that companies are tradition-

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ADAPTING TO THE NEW MARKETING NORMAL.

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ally organized. And there are so many barriers in terms of those instrumentations of how do we interact with brands? Is that going to freak me out when I walk into Gap and all this stuff happens to me? Is it going to be like Minority Report, which was just creepy the whole time? Right? Or is it going to be more like this whole process adds value to my life, and I benefit from it and I feel like I'm in control? That's the kind of future I want to help build. I don't want the creepy Minority Report future. Right?



Peter Hopkins: The next question focuses, actually, it keys off of something you were just talking about. Jollie Baba asks, “What’s your feeling about the supposed lessening popularity of banner ads?” And you kind of spoke to some of its evolution in the context of Facebook. What is—this was supposed to be the foundation of the whole Web economy, and it is taking a backseat in certain ways, and it’s being rethought by FM and others.

John Battelle: I think that’s the key. No real estate, you know, in an experience should be marginalized. It just shouldn’t. And I think we went down a rathole chasing something called the click-through rate in the last 10 years that essentially marginalized at the top, on the side. This is where the advertising goes. And that’s the stuff you don’t pay attention to much. Every so often, something catches your eye, and you actually are interested in that car, and so you click on it. And you are one of—you know, the average click-through rate for CPG is about .06. So you’re one in, not even doing the math—a lot of people who don’t ignore it, and one person out of 10,000 or 100,000 actually click on the banner. And it turns out that people who do click on banners are a very clicky kind of group. They’re not necessarily reflective of the entire population you might be interested in as a marketer. So, but we chased that metric—

Peter Hopkins: I’m upset, by the way.

John Battelle: We chased that metric for ten years because it was the only thing that we really felt like we could measure a return on investment. But my view is no part of an experience should be marginalized. It should all add value. And this is the sort of revolutionary message of Google in 2002, when Adwords came out and essentially the ads were almost as relevant, if not more, than the content. So the content is the organic search; the ads are the paid links, but the paid links had an algorithm in them that said they’d disappear if they weren’t valuable and relevant. Right? If they didn’t offer up something that was interesting to you that you then clicked on, and again the click was important in the context of search. You’re looking

to click when you are searching. So that’s the context. You’re not necessarily looking to click when you’re in consumption mode or in engagement with content mode.

But I think that it’s—a responsible marketer sees that the real estate or the permission that they get to be part of a media experience online is to create value and not simply to be relegated into a third rail. Right? And so, yeah, we’ve done a lot of work on figuring out ways to add more value, you know, both programmatically as well as when you are in those boxes—how do you put something in those boxes that is contextually valuable to the experience on the page?

Peter Hopkins: And let’s hit that because every Web surfer knows the experience of being just slapped in the face with some massive invasive ad. They hate it; they’ve quickly tried to click off of it. What is—that presumably may be the wrong way. What’s the right way? How can marketers use that space that does contextualize it, adds value and also draws attention and adds significant investment?

John Battelle: Right. It’s a tall order. You know. And we have experience both at the OPA, the Online Publishers Association, the IAB, and in my work at FM with lots of different formats, and people are always hoping that maybe we’ll find a format that is our analogy to the 30-second spot or the two-page magazine ad. You know, why is it that when you turn the page, and you get a two-page ad, and you linger on it for half a second before you turn the page again—why is that less intrusive for some reason than the ad that’s sort of in front of you before you get to that piece of content at the New York Times, right? I don’t know. It just is. And so, therefore, it is, right?

But I’m not a fan of that either as a consumer, of the—you know. I think we are in the context online of declaring our intent and expecting a response back from it to be an answer to that intent that she satisfies our original declaration. Right? That call and response is something we do not wish to be interrupted. However, if the marketer understands that declaration of intent and can offer something of value that is connected to that intent, I may then choose a path to go down

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with that marketer. Which is why I think it's incredibly important that marketers understand the user journeys through content as well, if not better, than publishers do. Again, why I think marketers need to have the strengths and the skill sets of publishers and work closely with them to understand how the consumers of publications, the consumers of media, whether it's video or audio or text, or all three, work their way through various content journeys and how marketers can add value along the way either by underwriting similar content and saying, "This is brought to you by...," which is, by the way, what HP is doing here. I mean, which is true.

Peter Hopkins: That's exactly right.

John Battelle: Or by offering its own or by putting offers along the way that make sense, right? There is a journey that happens along a personal finance site, let's say, where someone comes on the site for the first time and wonders what a 408(k) is. And reads an article about a 401(k), and through that understand something about the stock market and then decides to understand—I don't know what a bond is. And so they want to read about what a bond is. There's a journey that someone may go on to discover through personal finance through a particular site, a personal finance site, where they are basically, through their declarations of what they're interested in, telling the publisher more and more about themselves. At some point as they move down that journey, they are going to be marketers who can add value in various ways. Hey, you may be ready now for an American Express card. You may be ready now to meet a broker from Charles Schwab. Right? But it's understanding that journey at the point at which people are ready for that message and stepping back if they declare they're not and being respectful. It's that back-and-forth, and that dance that is a conversation, just like we're having here, that marketers need to be good at. And believe me, I say this all the time, we're in fish with feet phase. Right? We're in a shift. It's not that what we're doing right now is what's going to inhabit the earth. It's that we are sort of building these weird creatures and trying them out and we're saying, okay, gills are out and lungs are good,

and I don't know if the fins are going to work, and it's going to crawl around, and say gosh, it's kind of dry out here, we got to figure out a way to, you know—I mean, I could take this—but anyways, you know, we should be patient.

You know, for the first 15 years of television, ads weren't that elegant and didn't tell such great stories as they do now on television. Right? So let's be patient with ourselves, but let's keep experimenting and keep trying and learning and measuring and asking questions and expecting that we are going to fall on our face every so often.

Peter Hopkins: Right. And that should be front of mind for marketers. They should have this experimental sensibility as they go about this. And how do they reconcile that with the fact that there's some serious dollars at stake? They're putting their brand on the line and a lot of money in certain cases for what may ultimately amount to an experiment.

John Battelle: I think it's important that you at least, when you do things like this, there are traditional metrics that everyone has to perform by, particularly online—there's CPM metrics, there's ROI metrics, and KPIs, which is key performing indicators, you know, how did this campaign perform? Did I pay a reasonable cost per thousand impressions to get my brand in front of a certain number of people who were the right audience and so on and so forth?

It's my belief, and I believe this very strongly, that you can both buy media and with the dollars you spend buying media, which is putting your ad in a media environment, you can also build media. You can build earned media over time. And so, essentially, I believe that's what HP is doing right now. They are building these conversations going on right now that are going to be forever, they're going to exist, right? And people will come and people will actually—maybe they won't listen to this particular interview, but they'll be listening to a lot of your interviews over the course of God knows how long. And HP won't be paying for that exposure of underwriting this and their brands at the top and around and so on. They're going to earn more media over time. They are both buying and building an ongoing media conversation. And I think that

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that's a smart move.

So you can experiment that way and make sure that your CPMs all back out into, you know, a fair impression. And then you should measure over time as you're getting some more organic and earned value out of that.

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Peter Hopkins: All right. I want to turn to a question from Anita Campbell. This is one after my own heart as a content creator. She asks, “What I’d like to hear you talk about is the place that handcrafted premium content has in today’s world of banner ads and outfits like Demand Media and Mahalo, which put together a ‘Made for Search Engine Content’ that is very generic, not at all helpful to the reader, but tends to get a lot of search traffic. Is that the future?”

John Battelle: Yes and yes. You know, I’m an eternal optimist, so I never believe in a scenario where high-quality, high-value conversations, journalism, content creation, are going to be upended by a flood of cheap, easy stuff. And the reason is this: the cheap and easy stuff is cheap only in that it costs little to make, right? You can write three paragraphs on how to file a patent that are a really good three paragraphs, right? And you could probably get someone to write it for \$20 who is a patent attorney—well, maybe not an attorney, but maybe a paralegal—who wants to make a few bucks on the side. And he’s going to give you three paragraphs with links to the patent office and a beautiful little piece of content, and this is what Demand does, and AOL is doing it too, and others. And it is perfect for consumption by a search engine. And when I put in “how to file a patent” into Google, this page comes up. And it’s surrounded with ads about patents, and if I click on one of those ads, boy, does that page make money. Right? It might make two or three bucks every time someone clicks on one of those links. That’s a great little piece of content to answer a very specific question. But after I’ve consumed three paragraphs, I may want to watch a conversation with an intelligent interviewer and a patent attorney who is talking about all the nuances of patent law and prior use and, you know, brand collateral and all this stuff that’s involved in patents that, you know, I may want to go deeper; I may want to go richer. As a matter of fact, I’m certain I will. Anyone who wants to consume that little three-paragraph box of info may also want to consume premium content. It’s not either, or. I believe that both live well together, and over time we’ll probably see the two combine in some interesting ways.

And so, I’m not concerned about, sort of, what you

might call the top of the pyramid in terms of the high value, high production, you know, high costs of execution of content because that’s where richness and nuance lives.

Peter Hopkins: And do you think there’s a sufficient appreciation of that among the consumer base to ensure that it continues to thrive? It seems that consumers have, in certain ways, been happy to substitute, to lower value options because they are more plentiful; they’re easy to consume and they’re made for—

John Battelle: Well, now we’re getting into questions of, if you want my kind of—well it’s called Big Think, so. My big thinking on this is—let’s talk about education. Okay, let’s talk about literacy. I had three school-aged children; I’m on the board of their school; I taught at graduate-school level. I’m very interested in these questions.

As an allegory, let’s talk about food. Very good—both nutrition. We need nutrition from our information sources, and we need nutritional food. So if you look at what’s happening in the United States around the food. It’s much faster, much easier, and much cheaper to eat at a fast food place, or some processed food comes in a cardboard box and can be heated in a microwave than it is to grow a garden and make a meal and spend two hours doing it and have, you know, high-value, high-nutrient complex foods. Right? The delta between who does which is almost one-to-one in education delta. Right? Between people—and socioeconomic delta—between people who say, “I can only afford this,” and “I only have this much time,” and “I don’t really have any options that are better or know about those options.” And “I can’t afford this,” and “I know this is better for me,” and “I’m going to give it the time,” and “I’m going to spend the money.” Right? So fixing that gap, which has been the subject of a lot of conversations about food, we have that same gap when it comes to information. Right? And I think that Anita’s question gets to that. And so how do we attack or address that? To me, we have an education gap in this country and in the world that that’s where we need to focus. We’re not going to have a quick fix on this. We need to understand what does it mean

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to be digitally literate? I've advocated for years that we should teach Search literacy in grammar school. Teach children not how to find answers but how to ask questions, because the formation of a good question is one of the greatest accomplishments of mankind. Right? Just providing answers, that's a neat business. But forming a good question, that's true creativity. And so, I've gone off there.



Peter Hopkins: No. It's incredibly interesting. I think it actually dovetails with a trend that I've seen and experienced running a small media company like Big Think, in that there are advertisers and brands out there who want to elevate the conversation to terms that they think are going to help build markets in the future because information is the key to any market and a misinformed or wrongly oriented marketplace is going to do no one—not do anyone any good. I'm curious, do you see an alignment between companies like an Intel or an IBM that are talking about educating our future masses and this need to have a better, more nutritious diet?

John Battelle: I do. Absolutely. And an example comes to mind that is very recent, actually. Toyota. A lot of conversation about Toyota going on in the last three months, particularly after this—I think it was the second recall. And Toyota had some sort of institutional practices and unwillingness to share information that was really part of its culture. And it made an about-face. It saw so much information out there on the Web. So much chatter, so many negative tweets and Facebook status updates and blog posts that were, to its mind, very, very uninformed or, at the very least, didn't see the whole story. And instead of putting up press releases and stonewalling and trying to work the halls of Congress, it actually took all of that chatter and put it together on a platform and then it put its president on Digg, and it took all of that information and put it in one place and said, "Here's everything everyone is saying about us. I am now going to curate that dialogue up a level and give you our response. But I'm going to show you everything, so you know I'm not trying to hide anything." Right? And I think that's what a brand can do is, that's the opportunity, is to come in and do what great publishers do, which is take the noise, find the signal, curate it up and add value to it. Right? And so the opportunities are there for every brand to attack this problem. To add value. And by adding value—**** did it with Open Forum. You go and try to find anything about **** management three years ago on the Web; it's a mess. You're not sure—forget it. It's too noisy out there.

Now when you put in keywords around ****, you're going to find Open Forum. And you're going to find a clean,

well-lit, curated place to understand a topic that maybe you were too shy to admit you didn't understand very well because you run an architecture business, and you don't really know about cash flow accounting. Right? So it's the opportunity, I think is there. The gap that we've been discussing exists. Brands can come in and help close it and gain value from doing so.

Peter Hopkins: Now, as you were talking, another example came to mind, and I'm curious what your word of advice would be. Goldman Sachs, a member of the financial services sector—

John Battelle: Not a big marketer.

Peter Hopkins: Not a big marketer and hasn't been, and has actually taken that non-strategy. They couldn't have had a worse week. They were at the center of every, you know, type of crisis you could imagine. How would you advise, you know, with an eye toward Toyota, which seems to have done well and their sales suggest that. Is there a strategy, and can Goldman Sachs be used as an example of how one might engage, even at the point of crisis in this—because there's a lot of talk about them on the Web.

John Battelle: Yeah, there certainly is. I think the distinction is that Goldman has absolutely no pattern of ever being in the market. Right? They've never been in conversation with a large set of consumers before. Goldman has a set of clients, they're not you and me, generally, and those clients are one-to-one personal relationships. And they are a very small percentage of the populace. A large percent of the populace has heard of them and knows of them as that very wealthy bank that works with very wealthy people. Right? All of a sudden, everybody is talking about them, and they've never had a conversation with everybody.

I think they are at a point right now where they need to make a decision. Do they want to become a brand that has an ongoing conversation with a much larger group of people, or do they not? My gut tells me, they do not. That they are not

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that kind of a brand, and so they'll probably play this the way large, safe, generally non-consumer-facing companies play it, which is they're going to have a public relations crisis group that's going to do this, that, and the other thing, and they'll, you know, meet out the public apologies and the, you know, whatever.

The other thing is they were involved in a bunch of stuff that, more likely than not, we're never going to know about, right? So it's not like they can actually publish the facts of here's why, you know, like Toyota did, here's how you saw, you know, put the thing in. They're not going to actually show that. The sausage getting made behind Goldman Sachs may not be sausage that anyone's ever going to see.

But they did—they have a—it is a pivotal moment. If they wished to pivot and become a consumer brand, this is actually an opportunity. As you know, all of those financial services became banks, commercial banks, in order to take TARP funds and then pay them back as Goldman Sachs did in eight months. I don't think that they want to become a commercial bank brand like Wells Fargo, right? If this had happened at Wells Fargo, I could imagine a very different strategy because Wells Fargo is a mass-consumer brand or Bank of America or Chase or something.



Peter Hopkins: So what's—in our last couple of minutes here, John, look to the future. We got a question from Twitter, from rdoublez, who asks, "How does media facilitate conversations around brands in the next five years? What's the next step after we've evolved to a real-time mobile location-based Web?" So give us your outlook. Standing on a cliff looking out on the horizon, you know, what are you seeing?

John Battelle: This is my MOLARS acronym no one's picked up yet. Mobile Local Real Time Social. I think we, as consumers, will expect to circle back to where we started. That our presence somewhere in a social setting, which essentially means outside in public, will be responded to in a way that makes sense to who we are, what we want, where we are, who we know. And those brands which respond to that in a way that feels right, and "feeling right" is about as clear as I can be. When you have a conversation with someone you know, you feel right about it. You feel good about it. When you have a skeezy one, you kind of want to leave it. But you want a good conversation to come to you. So, in the context that the question painted of mobile and local: I expect that we will, as consumers, simply presume that we have the option to engage at any moment in any context when we are in public.

Additionally, I think we have to presume that we have figured out that, as a society, how to instrument our relationship to the commercial world. We are very good at instrumenting our relationship to the corner drugstore, to the hardware store, the pizza joint where you take your family on Friday nights. We know the owners, we have a social relationship with them, the people who come in and out of the doors of those local businesses; we know them as our neighbors. We have a very well instrumented commercial life in that kind of venue. We do not have that kind of an instrumented social life with large brands. And my prediction is, we will, very shortly.

Peter Hopkins: Now, we've got about two minutes remaining, and I'm going to ask you a question that actually summarizes a lot of the user questions we got. And users were really keyed into. What does the future look like as it relates to the

big boys who are currently the players? The Googles, Microsoft is almost, you know, off the table—

John Battelle: Oh, no. No, they're not off the table. I don't think they're off the table. They're coming right back on that table.

Peter Hopkins: They're coming right back on that table, well, that—

John Battelle: They might even own it.

Peter Hopkins: Yeah, then let's speak to that. The way the questions were framed was how does Google relate to Facebook and Twitter? What's the shifting ground between these three? Microsoft is not even mentioned by many of the users. But you think that that is missing perhaps what's to come. Summarize the future in the context of these big boys and how it relates to that.

John Battelle: Yeah, this is one of my favorite subjects is handicapping the—handicapping the big players in the Internet industry is just a lot of fun. You know. And there are so many sites that do a far better job than I ever could, and I'm in all of their debt because I read everything they write. But I also talk to a lot of these people, and I interview them, as you do, onstage at various conferences that I run. And so taking ten seconds on each.

I think Google's biggest issue right now is that Google has been a pencil search. Really good search. And so they do one thing, and they do one thing very well, just like a pencil search. In the last three years, they have decided they do about seven or eight or maybe ten or fifteen other things. Operating systems, office suites, mobile platforms, energy, you know, calendars, photos—you name it, they do it now. What does Google mean to a consumer is a very interesting question. They have an Achilles' heel; they are an algorithmic engineering driven company; they are not quite good at social.

Facebook has come along and really owned the



signal of who I am and who I know, and have declared in the last week with their announcement last week about the Open Ground that they want to spread the information that, you know, about who you are and who you know to the whole Web. And, by the way, the whole Web includes everything mobile. And, therefore, includes everything local. That is a very big power play that I think threatens Google. So Facebook, however, is a very young company that has yet to face the kind of scrutiny that Google's been over three times over in the last ten years.

Microsoft has an extraordinary installed base which you cannot underestimate in terms of we all use it every day, one way or another. And a lot of leverage both in terms of cash, engineers, and relationships, and they don't like losing. So never take them off the table; the things they're doing with Bing are very interesting.

And then Twitter. I think Twitter—are we almost out of time?

Peter Hopkins: We're going to wrap in a minute. So—

John Battelle: I think Twitter is just a great signal of what's going on in the world right now. They hit critical mass and they're really the one to watch.

Peter Hopkins: John, I cannot thank you enough. Tremendous insights and a really, I think, clear vantage point on what's to come.

I want to thank the audience for joining us; this has been another installment of The New Normal. Again, I'm Peter Hopkins, cofounder of BigThink.com, and I want to thank you all for tuning in. Good day.

John, thank you very much. Really appreciate it.

John Battelle: That hour went very quickly for me.

Peter Hopkins: Yeah, it was terrific. Awesome, I think we covered a lot of good material.

John Battelle: We sure did, we covered a lot of ground.

Peter Hopkins: Yeah we did. Great stuff.