



Consumer/Media

SO MUCH IS BECOMING TOO MUCH

Two Stanford University students have developed a multi-year study called the Marriage Pact. The students designed an experiment and an algorithm to radically shrink the dating pool and provide participants with **one** dating match based on core values and compatibility rather than the essentially unlimited matches offered by other dating apps. The students are trying to provide one solution to what psychologist Barry Schwartz, in his 2004 book, called “the paradox of choice.” Since 2004, we have moved into an era of more products, more media and essentially more choices for everything. This era of almost unlimited choice now has its own acronym – FOBO, or fear of better options. For more than two decades, we have written about a dynamic that we call the New Industrial Revolution. One aspect of the New Industrial Revolution is the global transfer of capabilities, allowing nearly anyone, anywhere to start a business and sell products or services globally. Among other things, this has resulted in an almost endless number of product possibilities. Another previously identified dynamic, the Battle for Consumer Time, has led content producers and distributors to flood the video market in the hope of gaining consumers’ attention. But what happens when there are too many products to sift through, too much music to listen to and too many shows and movies to watch? It appears we have reached that point, and the oversupply is, curiously enough, creating even more products and services. But it is also creating changes to consumer behavior and will change the way some consumer-facing businesses operate. (*Vox*, 7/11/19)

TAKEAWAYS

- The New Industrial Revolution and the Battle for Consumer Time have led to an overwhelming amount of products and media from which to choose.
- There are now so many reviews to help with product and media decision making that they are actually contributing to the overload and indecision.
- The overload has become so significant that it is starting to change consumer behavior as it relates to deciding what products to buy and what media to consume.

IMPLICATIONS

- Trust in product reviews decays.
- Services offering trusted product and media curation have significant tailwinds.
- Companies with the most accurate recommendation engines gain market share. Good data sets are essential.
- Offering fewer product stock-keeping units (SKUs) will be seen as a positive.
- Monobrand, which are trusted for one kind of product, benefit.
- Customer service and assistance become more important to customers.
- Spending on influencer marketing increases.
- Simplicity rules.
- Being at the top of search results becomes even more valuable.

The New Industrial Revolution Leads to So Many Products

For more than ten years, new technologies and the Internet have allowed individuals to become their own designers, marketers, producers and vendors of products. First, sites such as eBay and Etsy allowed individuals to set up their own virtual stores. Big retailers followed, and now Amazon, Walmart, Target and Wayfair are among those that have marketplaces that allow individuals or manufacturers to list items on the heavily trafficked e-commerce sites and then ship directly to the consumer. One result is that a search, for example, for “foundation” on Amazon’s beauty products section results in 200 pages’ worth of products. A search for “hangers” on the e-commerce leader results in more than 100,000 options. **One hundred thousand options, for hangers** – this is the New Industrial Revolution in action. The New Industrial Revolution also made it easier and less expensive for direct-to-consumer (DTC) companies such as Harry’s, Bonobos, Casper and Glossier to add their products to the global marketplace. All of this led to the global manufacturing industry’s output increasing 75 percent between 2007 and 2017. It also led to 25 percent of 201 Amazon Prime Day shoppers claiming to be overwhelmed by the number of product options, according to a study by Zoovu, a marketing platform. (*Atlantic*, 5/24/19; *Yahoo*, 6/27/19; *Bloomberg*, 7/11/19)



“I don’t know—none of these cookies offer an engaging brand narrative.”

The Reviews Industrial Complex

With so many product options, reviews have become a popular and sometimes necessary way to help make purchasing decisions. People may inquire of other users about product recommendations on their preferred social media site, such as Facebook, Twitter or Snap. They may trust the recommendation algorithms on the e-commerce sites themselves. Or they may look for impartial reviews from media and online sites. This has led media publications, including but not limited to *The New York Times*, *USA Today*, *Buzzfeed*, *Gizmodo*, *The Verge*, *Popular Science*, *CNN*, *New York* magazine, *Business Insider*, *CNET*, *Digital Trends* and *The Daily Caller*, to offer product reviews and often even to offer online links to purchase those products. Additionally, there are review publications, such as *Wirecutter* and *Reviewed*, as well as online sites, such as *Tom’s Guide*, *BestProducts.com*, *BestReviews.com*, *Reviews.com*, *OutdoorGearLab.com* and *TechGearLab.com*, that have joined the traditional review sites, such as *Consumer Reports* or *Kelly’s Blue Book*. Google has started generating its own in-house shopping suggestions when people look for things like “best dishwashers,” adding another layer of product recommendation. (*The Ringer*, 6/13/19)

The importance of reviews over the past few years has also led to some issues. Product recommendations coming from algorithms may be not only irrelevant but also mildly detrimental to the consumer. The same Zoovu study of Amazon Prime Day shoppers found that 30 percent of those shoppers were frustrated by irrelevant product recommendations. The importance of reviews can also lead bad actors to try to game the system. According to Which?, a UK-based consumer watchdog, hacked Amazon accounts are being used to post forged product recommendations. One customer said his account had been compromised and abused to leave 2,552 reviews on several products. Which? also claims some sellers are taking advantage of a feature called “product merging,” which is designed to collate reviews of similar items under a single listing. Some vendors are merging old or unavailable products with new products with new product listings to transfer positive reviews between them. In one instance, Which? found a smartwatch with 938 reviews that date back to 2011 for a product that came out in January of this year. The issue of fraudulent reviews is now getting the attention of some American legislators. Reps. Frank Pallone (D, NJ) and Jan Schakowsky (D, IL) have written to Amazon CEO Jeff Bezos with concerns about “fraudulent and deceptive product ratings and

reviews on Amazon's online marketplace," and inquiring as to whether or not Amazon has been profiting from the practices. (*The Ringer*, 6/13/19; *Yahoo*, 6/27/19; *Newsweek*, 7/5/19; *The Hill*, 7/9/19)

Where We Go from Here

Influencers Benefit, at Least for Now

The overwhelming number of products and reviews online has helped give rise to the influencer industry. Trusted influencers, those who are seen as authentic, can engender very loyal followings, making them a trusted source for product recommendations. In one example, James Charles, an American makeup artist and YouTuber with almost 16 million followers, visited England and so many people came to see him that it led to gridlock and even abandoned cars. The influencer marketing space was worth \$2 billion in 2017, and the average spend on influencer marketing has increased 2.9 times over its full 2017 average, according to RhythmOne, a digital advertising platform. Almost half of Americans have bought something based on the recommendation of an influencer, according to Toluna, a research firm. However, the same research found that a little more than 30 percent of American consumers don't trust influencer recommendations. (*Guardian Weekly*, 4/12/19; *AdWeek*, 5/6/19; *ZD Net*, 6/14/19)

Curation and Simplicity

For consumers, being presented with fewer options can be appealing, and for companies, being seen as trusted curators can make them very successful. One company utilizing this model is Trader Joe's. The retailer, which tops consumer rankings as their favorite place to grocery shop, sells many fewer products than most of its competitors. Another company that has grown using this model is Stitch Fix. The online retailer's service uses a blend of personal stylists and algorithms to choose five

clothing and accessory items to send a customer at a time. The customer pays for those they keep, and sends back the rest. In its most recent quarter, revenue increased 29 percent and the number of active customers rose 17 percent. Stitch Fix's keep rates (the percent of items customers keep) in its women's business hit a record high in the first quarter of 2019. (*Atlantic*, 5/24/19, *Fortune*, 7/15/19)

Numerous other companies are attempting to benefit by limiting assortment and offering simplicity:

- At retailer Naadam's store in SoHo (NY), the e-commerce-first company sells only one item, a \$75 cashmere sweater.



"We need to rethink our strategy of hoping the Internet will just go away."

- Starbucks is going to stop selling newspapers and a number of food items in order to declutter stores and remove some products. The company has also recently cut down on the number of merchandise items for sale, such as mugs.

- Under Alex Keith, the chief executive officer of P&G beauty, the brand has cut SKUs and honed its assortment. P&G is now rolling out a

similar SKU-reducing strategy for Pantene.

(*Glossy*, 1/29/19; *Women's Wear Daily*, 6/19; *CNN*, 7/12/19)

The Battle for Consumer Time Leads to So Much Media

The New Industrial Revolution not only provided the tools for people to start companies and make products inexpensively, it also provided inexpensive audio and video production as well as distribution options, from YouTube to SoundCloud. In 2015, we examined how all content producers and distributors joined professionals and converged toward one area of competition: The Battle for Consumer Time...and attention. Since then, these entities have released and distributed even more content in an attempt to gain market share. Consider the amount of media released in just a few areas (see [IF 3601](#), 1/20/15).

- The Rhapsody music-streaming platform adds about 24,000 new tracks each day, while Spotify adds 7 million songs a year.

- As of June 2019, there were more than **750,000** active podcasts and more than 30 million podcast episodes available.

- More than 500 hours of video are uploaded to YouTube every minute. It would take 100,000 years to watch all of YouTube's content in one sitting.

- In 2018, Netflix released 1,500 hours of original series and movies.

- In 2018, a record 495 original scripted streaming, cable and broadcast series were released.

(*Rolling Stone*, 11/30/18; *Vulture*, 12/13/18; *Podcastinginsights.com*, 6/1/19; *Marketwatch*, 7/22/19)



There is so much content that the average TV viewer now **takes seven minutes to pick what to watch**, according to Nielsen's new Total Audience Report. The report also found that among adult subscription-video-on-demand (SVOD) users, only a third bother to

browse the menu to find content, with 21 percent saying they simply give up watching anything if they're unable to make a choice out of the many options. (*New York Post*, 7/1/19; *Axios* 7/12/19)

The Recommendation Industrial Complex

When consumers know exactly what to watch, they are three times more likely to actually view the content (66 percent) than when they do not know what to watch prior to viewing (22 percent), according to Nielsen. In theory, this can make recommendations very important. According to Netflix's own research, the company has a 90-second window to help subscribers find a TV show or movie before they give up and go somewhere else. While the word "recommendation" will not be found on the Netflix app, the company uses algorithms and its vast amount of viewer data to determine how users watch, search and skip around the site in order to personalize offerings on the site's homepage. Netflix apparently prefers its algorithm over that of other users' opinions, as last year it eliminated users' ability to have a say by shuttering its five-star rating system. However, show recommendations on Netflix and other distribution sites may not be helping retain viewers. According to Nielsen, 44 percent of polled viewers said they would scan through television channels to decide what to watch when unsure, while only 26 percent said they watch shows recommended by their subscription service. For other media types, recommendations still may be an effective driver for capturing consumer time and attention. Spotify offers daily and weekly personalized playlists, including Discover Weekly, Daily Mix and Release Radar, all based on a customers' previous listening habits. They are reportedly among the most popular features on the app. (*Buzzfeed*, 12/13/18; *Vox*, 1/11/19; *NY Post*, 7/1/19)

Where We Go from Here: Random or Tried and True

Hulu thinks it may have found a clever way to help people decide what to watch. To celebrate the thirtieth anniversary of *Seinfeld*, Hulu has created a feature for the Hulu Apple TV app in which it shuffles episodes and chooses one at random, if the user so desires. While that feature is just for *Seinfeld* as of now, other third-party streaming randomizers, such as the Netflix Roulette app, offer a similar service. In the end, the overwhelming amount of content on television and streaming services might end up being an advantage for traditional broadcasters. When video-streaming subscribers don't know what they want to watch, they're almost twice as likely to tune in to their favorite broadcast television channel (58 percent), rather

than browse the menus of their streaming service (33 percent). (*Digital Trends*, 7/5/19; *Marketwatch*, 7/22/19)

The New Industrial Revolution provided individuals and companies with the tools to make and distribute products and media. The Battle for Consumer Time provided an impetus for companies to offer even more media. Now individuals are overwhelmed with

their choices, and industries and services – from recommendations to influencers – have been created to help with decision-making. However, instead of seeking help with the overload, consumers may attempt to avoid it. Consumers are launching their own way to get through the glut, counting more and more on simplicity, trusted curation, brands that offer fewer options and things they already know they like.