

Beyond advertising

Choosing a strategic path to the digital consumer

Media and Entertainment



IBM Institute for Business Value

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Beyond advertising

Choosing a strategic path to the digital consumer

By Saul Berman, Bill Battino and Karen Feldman

Today, the distinctions between advertising and marketing have blurred, as new forms of communication combine the ROI-characteristics of direct marketing with the brand characteristics of traditional advertising. With digital consumers increasingly in control of their media experience and advertisers shifting their spend to more interactive, measurable formats, companies must move beyond traditional advertising to combine granularity of targeting and measurement with cross-platform integration. To adapt and succeed – especially in the current economic environment – content owners, media distributors and agencies need to build a new set of capabilities now: cross-platform innovation, greater insights, open collaboration and digital processes.

Digital formats such as social media, online video, mobile communications, gaming and advanced TV enable companies to simultaneously meet transactional and brand-building objectives. Four primary trends are blurring the boundaries between traditional brand advertising and direct marketing:

- *Consumer adoption of new distribution formats* – Consumer behavior has changed forever: They are more digital-savvy, willing to provide personal information in return for perceived value, and increasingly ready for permission-based advertising.
- *A shift in advertiser spending* – Spending is moving from traditional advertising

toward *measurable, interactive marketing*. Combined with spending contraction in the new economic environment, this requires smarter advertising, and doing more with less.

- *Digital migration of platforms* – Traditional boundaries are fading, creating opportunities for innovative business models for content platforms.
- *Emergence of new capabilities* – Game-changing moves, by both new entrants and existing players, are driving new types of industry innovation, challenging existing business models and accelerating the pace of change.

In response, media and entertainment (M&E) companies need to start moving beyond traditional advertising: the scenario of the future is *consumer centricity*. Becoming consumer centric requires a combination of granularity – the ability to target and reach desired consumers while measuring results – with cross-platform integration.

Yet content owners, media distributors and agencies have not sufficiently responded to these changes, partly due to significant hurdles. For example, new format uncertainty (as with advanced TV and mobile) continues to hinder investment decisions, and companies will need to plan for the future based on their current capabilities, priorities and evolving format maturity.

Similarly, to avoid the inefficiencies of increasing fragmentation, cross-industry standards are critical across formats, processes and especially metrics. Putting these in place will depend on effective cross-industry collaboration. In addition, media and entertainment companies must overcome significant internal challenges, particularly siloed operating models that limit their ability to deliver cross-platform campaigns and a “data glut” that fails to provide real insight.

Regardless of where M&E companies focus first as they move toward consumer-centric marketing, they must start now to experiment with new models and develop strong capabilities across four areas. These capabilities can ready participants for the future while delivering efficiencies now:

- *Creative* – From media-centric development to cross-platform innovation. This requires experimentation across platforms and broad participation in the creative process.
- *Insights* – From disparate data to greater insights. The future requires insights to be seamless and more granular, leveraging tools such as integrated campaign dashboards to enable decision making.
- *Collaboration* – From proprietary models to open collaboration. A new set of partnerships is needed across the evolving ecosystem to exploit opportunities, enable scale benefits and deliver efficiencies.
- *Workflow* – From manual and analog to automated and digital processes. New tools and applications can deliver end-to-end processes, from automated micro-versioning to digital inventory optimization.

This report highlights findings from our 2008 IBM global advertising research and extends the findings of our 2007 research documented in “The end of advertising as we know it,” where we identified major advertising trends that have played out even faster than we had anticipated.¹ Here, we will revisit key change drivers, create a vision of the future of advertising as part of consumer-centric marketing, define required capabilities and recommend specific actions to help M&E companies prepare for a future that is radically different from the past.

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Shifting demands and enabling forces

To compete in the new era of advertising will require a fundamental change in media and entertainment companies' capabilities. Our study findings show that four trends are raising the bar for consumer-centric marketing: consumer adoption of new distribution formats, a shift in advertiser spending, the digital migration of platforms and the emergence of new capabilities due to game-changing moves by both new entrants and existing players.

Consumer adoption of new distribution formats

“Consumers can no longer be considered ‘the audience’ – they are simultaneously readers, editors and marketers, especially the younger demographics.”

– Lead M&E Analyst, global research firm

The influence of digital-savvy consumers

Consumers are adopting digital content services faster than previously anticipated, with varying levels of engagement. As introduced in our 2006 report, “The end of television as we know it,” the M&E industry serves two types of audiences: those who enjoy media in more traditional ways and those who are more media-involved.² Their combined influence is contributing to the growth of consumer-centric marketing (see Figure 1).

Massive Passives, about 65 percent of the overall population, are most interested in maintaining their existing content experiences and tend to skew older.³ Massive Passives are least likely to participate in innovative types of media consumption, yet this segment is the “cash cow” expected to keep delivering a large portion of revenues.

The remaining 35 percent represents a faster growing segment that is much more tech-savvy and typically younger than Massive

Survey methodology

To continue tracking both end-user consumer behavior and leading industry expert opinions about advertising, the IBM Institute for Business Value used two primary forms of research: an online consumer survey and one-on-one interviews with industry professionals. The online survey was conducted during the third quarter of 2008, generating 2,800 responses from six countries: Australia, Germany, India, Japan, the UK and the U.S. The respondent group was split 50/50 male/female, proportionately reaching demographic and economic groups age 13 years and over.

To assess industry strategies, over 70 one-on-one sessions were conducted with global participants across the advertising value chain, representing the following types of organizations:

- Content owners (broadcasters, cable networks, publishers, online media companies)
- Media distributors (cable/satellite operators, telecommunications providers, new media entrants)
- Agencies (creative services, media services, direct marketing)
- Advertisers (varying in size and industry focus)
- Research organizations/analysts (industry research analysts, representatives from industry associations)
- Advertising enablers (ad networks/exchanges, software providers).

Mass marketing alone is no longer viable. To reach increasingly fragmented audiences requires approaches tailored for new platforms, new offerings and new experiences.

Passives. It consists of two types of users: about 15 percent we call Gadgetiers (early adopters of the latest multimedia devices, such as video-enabled PDAs and slingboxes, and quick to embrace digital content) and the other 20 percent are Kool Kids (those under age 24).

Both types want to own the latest gadgets, devices and content services, and are willing to pay for services they deem valuable. They are adopting and using new digital content services at a high pace, taking control of media formats. However, Kool Kids are “cash poor” and “time rich” while Gadgetiers are relatively “cash rich” and “time poor” – as a result, Kool Kids are more likely to accept ad-funded models (free content in exchange for viewing advertising).

The implication? Mass marketing alone is no longer feasible. Reaching these diverse segments requires niche offerings and context

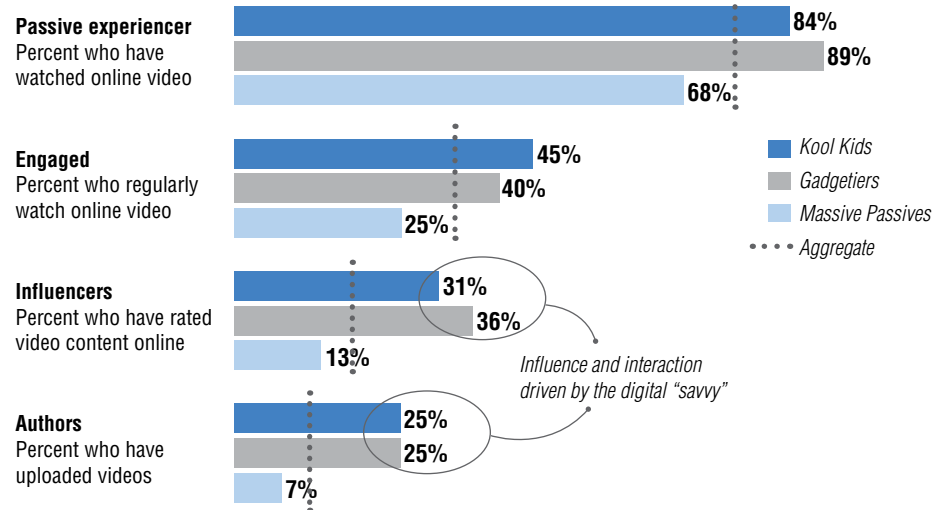
via approaches that are tailored for new platforms, new offerings and, increasingly, new experiences. At a time when advertisers need to do more with less, closer collaboration among advertisers, agencies and content owners can reduce cost while constantly tuning campaigns to achieve desired campaign outcomes.

Willingness to trade information for value

Despite privacy concerns, a sizable number of consumers are willing to provide personal information; for example, details about themselves, their lifestyles or content preferences. But in exchange, they seek perceived value: free content, air time minutes or travel/discount points, to name a few.

This finding held true by consumer segment as well as across countries. Sixty-five percent of both the Kool Kids and Gadgetiers segments were open to trading information for a reward, as were 51 percent of the Massive

FIGURE 1.
Digital content interaction with online video.



Source: 2008 IBM Digital Consumer Survey. Total responses = 2800 across six countries: Australia, Germany, India, Japan, UK, U.S.

Passives. Comparing countries, respondents with online access in India had the most people willing to exchange personal information (72 percent), with the U.S. ranked lowest (45 percent), partly due to higher media coverage about privacy issues.

The implication? A strategy of permission-based marketing, tailored by geographic market and segment, can help avoid privacy concerns while providing valuable information about consumers.

Expectation of integrated messaging

Increasingly, consumers are ready for integrated messaging. While just 17 percent of Massive Passives in our survey reported a preference for consistent, integrated messaging across devices, this feature was desired by 24 percent of Kool Kids and 36 percent of Gadgetiers, suggesting a positive correlation between the number of devices owned and the desire for integration across devices.

At the same time, 74 percent of marketers currently say they employ integrated marketing campaigns and consider integrated marketing their number one priority.⁴ Yet marketing campaigns are not truly integrated today. While some cross-platform deals occur, it is still not possible to execute a campaign across individual platforms (for example, television, print, online and mobile) and there are limited capabilities – such as integrated dashboards – to verify that the right consumer was reached with the right message across platforms.

The implication? M&E companies can reach consumers through convergence across devices from both a content and associated messaging perspective, but only by addressing barriers related to cross-platform audience tracking and comparability.

A shift in advertiser spending

“I think what you are seeing right now is clients demanding to see where their dollars are being spent... Media buying is basically efficiencies and costs... If you can prove that you can buy more efficiently than somebody else, that’s how you’re going to win the business.”

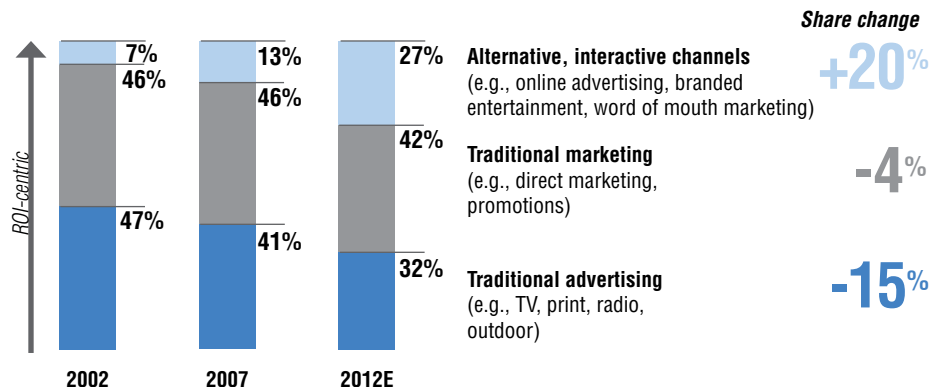
– CEO, major agency holding company

In the last ten years, advertisers continued to follow their audiences and shift investments into more interactive, measurable formats, such as the Internet and mobile, branded entertainment (product placement, event marketing, word of mouth) and custom publishing – which are expected to gain 20 percent share of overall spend, even in this strained economy.⁵ This shift will be at the expense of traditional marketing, such as direct marketing and promotions, and traditional advertising formats such as TV, print and radio.⁶

Figure 2 highlights this trend for the U.S., and the shift was found to have global impact. A recent global survey found that 63 percent of respondents planned to increase advertising spending in *interactive/online marketing* channels, compared to 65 percent who expect to decrease *traditional advertising* spending and 59 percent who plan to decrease spending in *traditional marketing* channels.⁷

Why is this happening? Some advertisers are following their audiences’ migration to new channels. Others face new finance pressures to prove their advertising ROI, especially as they compete for more integrated advertising and marketing budgets.

FIGURE 2.
U.S. advertising and marketing share (2002 – 2012E).



Source: Veronis Suhler 2008 Communications Forecast; IBM analysis.

And, increasingly, a new brand of Chief Marketing Officer is comfortable with – perhaps even demanding – digital, measurable formats.

The implication? Not only do advertisers expect truly innovative, breakthrough campaign alternatives, they also require the ability to analyze campaign results to prove the value of spending, now more than ever.

Digital migration of platforms

“Increasingly, there is no distinction between digital and non-digital platforms, there is no distinction between ROI and brand. All platforms will become digital going forward, and all communications with a consumer need to be considered as an opportunity to drive both awareness and a call-to-action.”

– CEO, global advertising agency

The ongoing format migration to digital means less distinction among format objectives. Historically, platforms were clearly aligned with either transaction or brand objectives. For example, door-to-door, phone, direct mail and promotions could address transaction objectives like targeting, ROI, measurement and response. In contrast, platforms like TV, print, outdoor and radio made it easier to address brand objectives such as “marrying” the messaging to quality content.

New digital formats – such as social media, online video, mobile, gaming, branded entertainment and advanced TV – can be used to simultaneously address both transaction and brand requirements: a move to what we call “brands-actional” advertising.

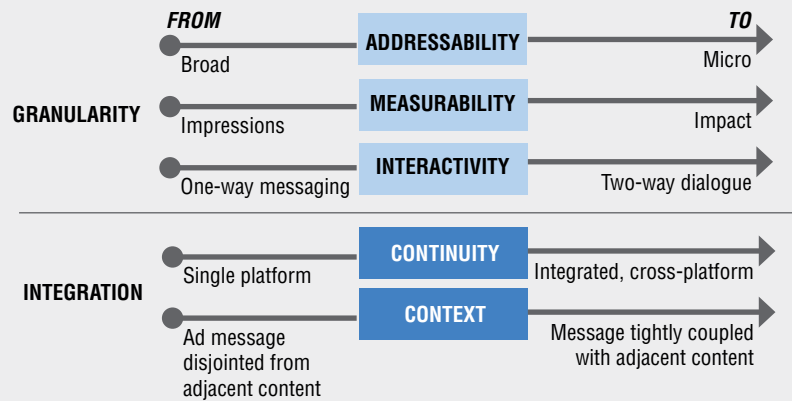
The implication? Participants that previously focused on delivering *either* ROI-driven marketing *or* brand-oriented advertising to the market can now cater to both sets of objectives. Those that have mastered brand messaging can partner or acquire ROI metrics and skills. A greater share of the overall marketing communications “wallet” is up for grabs, but participants need to be able to deliver a dual set of capabilities to marketers (see sidebar, “The importance of improving both granularity and cross-platform integration”).

The importance of improving both granularity and cross-platform integration

Improvements to both granularity and integration are critical for the success of M&E companies (see Figure 3). **Granularity** enables the delivery of desired components to support ROI-driven advertising, which implies the ability to target and interact with desired consumers while measuring response and impact. **Integration** enables the delivery of messaging to consumers in compelling, innovative ways across platforms, particularly as the industry faces significant fragmentation.

FIGURE 3.

The five components of IBM's consumer-centric marketing model.



Source: IBM Institute for Business Value.

Granularity has three main features:

- **Addressability** entails identifying and targeting consumers to the group or individual level, based on any combination of distinguishing attributes (for example, location, demographics, affiliation, past behaviors).
- **Measurability** links **who** saw a particular message (based on defined segmentation/ targeting criteria), and **what** specific action then happened in response (product awareness, intent to purchase, point-of-sale confirmation of purchase) mapped to specific marketing objectives.
- **Interactivity** depicts the difference between “speaking to” and “communicating with” a consumer.

Integration has two primary aspects:

- **Continuity**, ranging from single platform (broadcast television only) to integrated, cross-platform messaging to consumers (“360 degrees” of personal communications that may simultaneously span social network, mobile, search and cable television with unified tracking against a singular set of goals).
- **Context**, ranging from an ad message that has little to do with the media or content in which it is placed, to a message that is tightly coupled with the emotionality, sensitivity, pace and genre of the content in which it is placed.

The need for new capabilities stems not only from the pressures of new market entrants, but also innovative legacy players who recognize the need for greater effectiveness, accountability, efficiencies and new business models.

Emergence of new capabilities

“I fear technology players entering the media space – they are not hindered by the same legacy barriers that plague traditional advertising participants.”

– Head of Digital, major content network

Game-changing moves by new entrants and existing players are forcing great change in M&E companies' capabilities. Some new components (such as ad options and vertical advertising networks) have been widely accepted and are becoming “business as usual.” At least initially, several M&E plays met with success, while others are still experimenting:

- Google began offline and online platform development, including search, display, mobile, gaming, TV and radio, thus raising expectations for efficiency and effectiveness in the advertising buying/selling process. After arguably limited success in offline content owner acceptance, it is beginning to make strides with recent partnerships such as a multi-year advertising, research and technology partnership with NBCU, and with Hallmark Channel giving advertisers online tools for targeting, delivering and measuring television ads.⁸
- France Telecom augmented its IPTV offering with exclusive rights to soccer programming. By the end of 2008, its subscriber base grew to over 1.7 million in Europe, with a significant share of the French IPTV market.⁹
- HULU, the joint online video venture between Fox and NBCU, had widespread

acceptance, and audience penetration numbers that far surpassed initial expectations. Now its challenge is to develop a model that enables online video to be monetized, so the industry avoids the pitfall of trading analog dollars for digital pennies.¹⁰

- CANOE Ventures aims to make addressable interactive TV advertising a national reality by aggregating the cable operators' industry, which has been plagued by fragmentation and, as a result, has low overall ad share.

The implication? These and other kinds of experimentation are raising the bar for capability requirements and re-setting the expectations of consumers and advertisers. While it is clear that not all ventures will succeed, marketers are getting comfortable with new entrants' offerings that deliver effectiveness, accountability, efficiencies and new business models – and will increasingly expect legacy players to provide comparable services and capabilities.

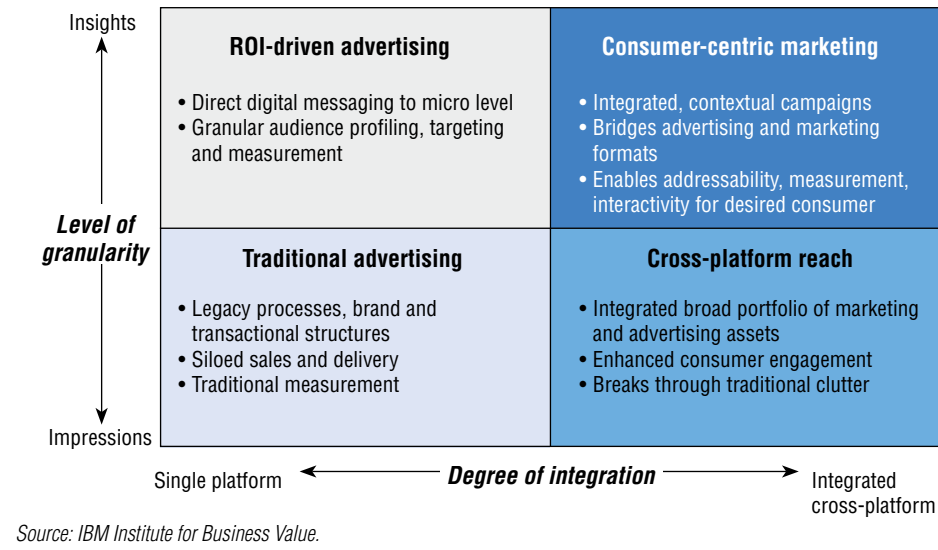
Charting a path to the digital consumer

Evolving business models

By combining elements of granularity – from impressions to insight – and cross-platform integration, four distinct business models will continue to evolve over the next five years (see Figure 4).

- *Traditional advertising* – This represents the legacy approach, with its reliance on: a single platform, mass-oriented approaches to measuring desired audience reach, and impressions-based measures such as cost per thousand (CPM). It is based on transactional structures and processes, including

FIGURE 4.
Beyond advertising: Evolution of business models.



siloed ad sales and delivery, and typically measures advertising results based on the number of impressions delivered.

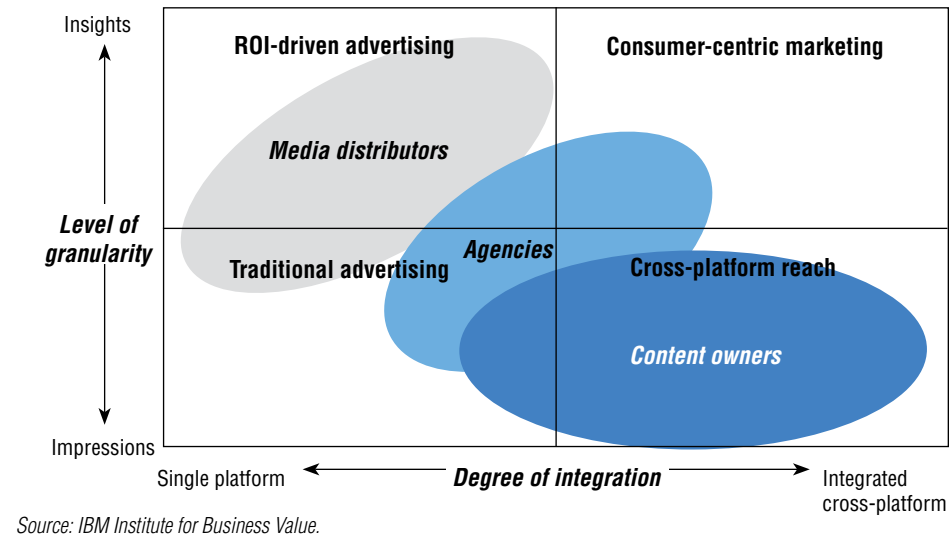
- *ROI-driven advertising* – Companies focused here, like Telefonica and Google, will use granular audience profiling, targeting and measurement to enable efficient and effective ad campaigns. Insights obtained through greater granularity can enable delivery of direct digital messaging to the micro level and a deeper understanding of audience response and, therefore, potentially higher ROI.
- *Cross-platform reach* – Companies focused here, like the BBC and Fox, aim for higher levels of integration. A broad, integrated portfolio of marketing and advertising assets can break through traditional clutter and improve consumer engagement.

- *Consumer-centric marketing* – Companies using this model would employ broadly integrated, contextual campaigns that bridge advertising and marketing formats, and enable addressability, measurement, interactivity and “know-me” messaging for desired consumers. In the next five years, we expect these leaders to arise in earnest and take a disproportionate share of market value.

M&E players are choosing divergent paths

Though the industry is heading toward consumer-centricity, participants are taking divergent evolutionary paths based on their legacy stronghold positions (see Figure 5). Many companies are now focused on one of three business models: traditional advertising, ROI-driven advertising or cross-platform reach, but firms are not yet delivering consumer-centric marketing experiences.

FIGURE 5.
Beyond advertising: positioning of industry participants.



- *Content owners* – To retain existing audiences and market share, this group is primarily focused on cross-platform reach, including offering opportunities to package advertising formats across both traditional and new media platforms. Specific emphasis is put on premium content placement so marketing messages are highly relevant to the associated media content. For example, NBCU partnered with Nielsen in mid-2008 to create its Total Audience Measurement Index (TAMI) across PC, mobile and TV.¹¹ And, in 2008, Turner Networks implemented a strategy to place television commercials in contextually relevant slots, based on program content.¹²
- *Media distributors* – To grow advertising market share, media distributors have taken advantage of their direct access to consumers and knowledge of their behaviors, focusing on delivering insights, including granular measurement, interactivity and more sophisticated targeting – typically on one specific platform such as TV, online or mobile. For example, cable, satellite and telecommunications providers are focused on audience profiling and targeting. Several companies, like Rentrak, TNS and TiVo, are focused on delivering census-level measurement through set-top box data to track how many consumers actually view a commercial.¹³
- *Agencies* – To assist their advertising clients, agencies are just starting to focus on both granularity and integration through parallel efforts to deliver client-centricity across individual agency units while focusing on delivering ROI-centric marketing. For example, to exclusively serve its Dell account, WPP created an integrated agency – now known as Enfatico – in which Dell plans to invest US\$4.5 billion over three

The path to consumer-centric marketing will be as unique as each industry participant – a legacy M&E company should consider its legacy strengths and how best to adapt its business model to preserve or increase market share in a changing environment.

years.¹⁴ And Publicis launched VivaKi, a cross-agency initiative that draws upon the digital operations of its individual businesses and includes a technology arm tasked with creating tools and crafting partnerships to more easily run digital marketing campaigns at scale.¹⁵

How quickly any company reaches consumer centricity will depend on its starting point, as well as how much legacy business is at risk. Most companies will likely start by focusing either on deepening their ROI capabilities, or driving cross-platform integration, rather than both.

But even companies picking a more deliberate, gradual strategy need to explore and experiment with new models now to sustain and protect their revenue in the future. The lessons of the music industry demonstrate the critical need for core players to think more broadly about where in the advertising value chain they could successfully compete and what capabilities they need to build (see sidebar, “Capitalizing on lessons from the music industry”).

Significant hurdles to overcome

The pace of change from M&E participants has not kept up with the changes in demand from advertisers. M&E companies – whether content owners, media distributors or agencies – have primarily focused on either granularity or integration instead of aiming for the essential dual set of capabilities. But before they can achieve this and reach the desired end-state of consumer centricity, M&E companies need to overcome significant hurdles to win in this economic environment, including: new format uncertainty, fragmentation, siloed operating models and data glut (see sidebar, “Consumer-centric marketing: A view of the future”).

- *New format uncertainty.* Particularly in the new economic environment, there are questions about the growth of new formats like advanced TV and mobile, and about new functionality, such as hyper-targeting across platforms. As a result, those in the industry must decide how best to allocate budgets according to their own priorities and capabilities, considering the current maturity level of each format.

Capitalizing on lessons from the music industry

Advertising industry participants can’t afford to emulate the music industry, whose traditional players are expected to lose nearly 35 percent of value between 2003 and 2012, with revenues for the period forecasted to drop from US\$12 billion to US\$8 billion.¹⁶ Such losses are largely attributed to digital migration: as traditional physical sales declined, digital music sales rose 69 percent year-over-year from 2003 to 2007.¹⁷

Although traditional players have suffered, the migration to digital music has benefited many of those downstream in the industry. Among this group are manufacturers of digital music players, wireless providers offering downloaded ringtones and ringbacks, concert promoters and even innovative retailers that offer to set up and provide other services related to consumers’ in-home entertainment experiences.

Understanding this value shift and recognizing the growth areas in today’s music business offers useful lessons to M&E companies facing similar digitization challenges: 1) Doing nothing virtually guarantees the loss of value, 2) Traditional players must find ways to monetize the new experiences their customers are seeking before new entrants do, and 3) There is significant opportunity in enabling the consumer – beyond the value of the content alone – through value-added services, hardware and software offerings.

Consumer-centric marketing: A view of the future

Mary, the EVP of Advertising and Marketing Services for a major content network, is talking with Paolo, CMO of her top client, a Caribbean cruise operator. What used to be a simple discussion about delivering a specific demographic with a 30-second TV ad at a fixed price, now required a very different discussion.

Based on Paolo's campaign objective of improving brand awareness and generating leads, Mary develops a portfolio of advertising and marketing services across TV, online video, social networking and mobile. Still with her client, she reviews inventory availability for each platform and prices the portfolio dynamically, integrating customized research and analytics into the proposal.

Paolo accepts the offer and they quickly agree on ROI measurements and metrics to track, thanks to the consistent, industrywide standards developed by the "Cross-Media Ad Consortium" which her network joined last year. Her network also leveraged an automated system to capture and report "who" viewed what, as well as what action resulted across platforms.

Mary and Paolo spoke next with the ad agency. All agreed that to reach Paolo's multiple target audiences – honeymooners, retirees and young families – they had to create extensive content micro versions by platform: a 30-second TV ad, a 20-second online video pre-roll and a 10-second mobile ad placement. Mary was comfortable that this could be delivered cost effectively since the agency had established automated micro-versioning capabilities and workflow systems supporting the development process.

In their weekly review a few months later, Mary and Paolo reviewed the integrated campaign dashboard and agreed that things were generally going well. With benchmarks and results automated, they quickly identified where the campaign fell short – the dashboard indicated "red" for online ads targeting honeymooners. They had agreed on contextual placement following tropical vacation scenes – but click-through response was below target, challenging their ability to meet ROI objectives. Later that day, Mary worked with her online team to put through placement changes. Otherwise, Paolo was satisfied that the campaign was on track.

- *Fragmentation.* Large numbers of suppliers exist by media type, particularly in newer advertising formats, which creates buying inefficiencies and incompatibility. M&E companies should drive cross-industry standards related to *format* (consistent set of ad formats within and across platforms), *processes* (for ad buying, selling and methods of measurement) and *metrics* (consistency in what defines a "click," a "view" and the like).

Standardization of metrics is particularly important within interactive formats, where limited standards exist today; for example, among online video destination sites. Even traditional Internet advertising formats, such as display, lack agreement among suppliers and buyers regarding measurement methodologies.
- *Siloed operating models.* There is limited cross-platform integration of campaign support tools, processes or organizations to enable the selling, tracking or delivery of integrated, "know-me messaging."

For example, while there are numerous campaign support providers, most only serve a particular advertising or marketing platform (linear broadcast TV, cable TV, newspaper). Very few providers can enable cross-platform support to include inventory forecasting, dynamic pricing, packaging, delivery and reporting. Even if enabling tools did exist, many participants have siloed structures that would hamper their use, with separate groups handling digital advertising deals and traditional advertising deals.

Four new capabilities have become essential: cross-platform innovation, greater insights, open collaboration and digital processes.

- *Data glut.* Enormous amounts of information exist, but are difficult to access given the lack of consistency in data structures, metrics or analytics. Ongoing fragmentation and limited consistency among suppliers within an industry or across platforms make comparability analysis very difficult. The use of data analytics is rising, but is not yet used enterprisewide to create insights that allow realtime responses. Companies will have to understand how sophisticated (or “micro”) targeting will become for each platform – which will depend, in part, on finding each platform’s point of diminishing returns to the industry.

Four capabilities to enable consumer-centric marketing

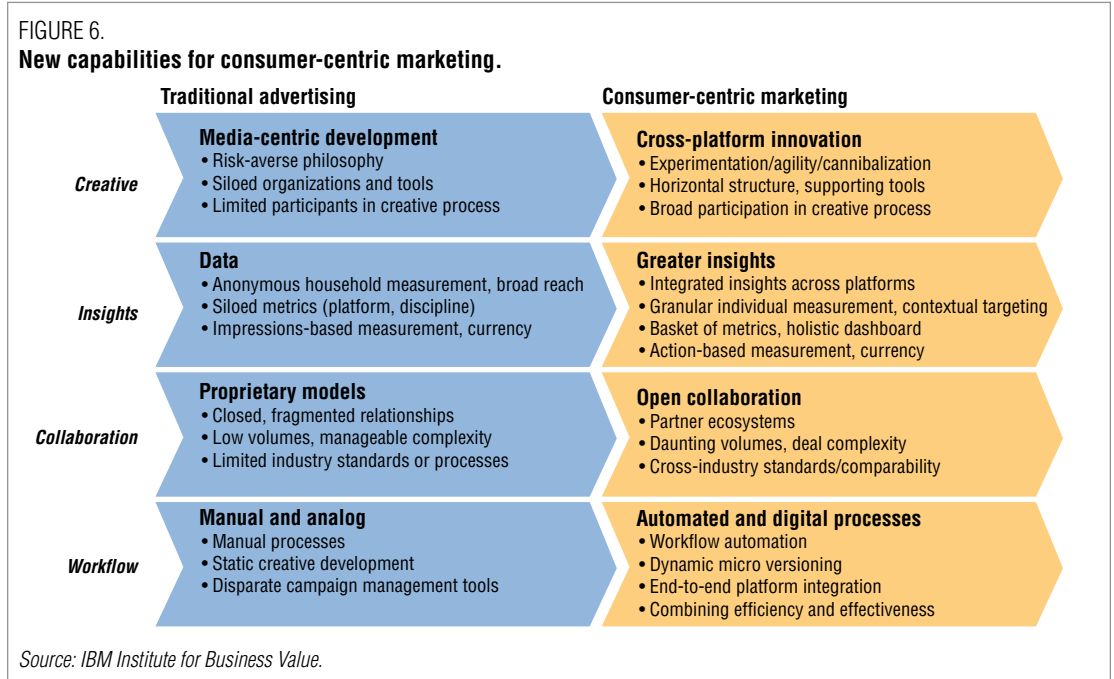
Regardless of the chosen path, being competitive and overcoming substantial hurdles will require a fundamental change in capabilities.

New capabilities across four areas hold paramount importance as traditional advertising gives way to consumer centricity: We describe these capability areas as *creative, insights, collaboration* and *workflow* (see Figure 6).

Creative – From media-centric development to cross-platform innovation

Historically, the industry focused on developing creative concepts unique to media platforms, with the 30-second television commercial dominating creative focus. Innovation often occurred in silos, and high creative development costs were a significant barrier to trying new concepts.

Going forward, the starting point for innovation will increasingly be the consumer, not the media platform. As the number of participants broadens and technology keeps driving down costs, participants cannot afford *not* to experiment – advertisers are hungry for unique concepts.



Insights – From data to greater insights

Traditionally, the industry relied on panel-based, household-level measurement data, with impressions as the primary currency. Measurement was unique by media platform. Without integration of metrics, cross-platform comparability or standardization wasn't possible.

The future requires integrated insights to enable true ROI analysis, moving from anonymous household measurements and demographics based targeting, to individual and contextual targeting supported by integrated dashboards and action-based measurements. For example, significant new insights will come from set-top boxes that will enable and transform interactive targeting in areas like cable, telecommunications and satellite.

Collaboration – From proprietary models to open collaboration

Advertising used to be primarily a relationship-driven industry, with buying and selling occurring in proprietary, closed ways. Consequently, limited standards exist for processes, data structure and formats. But today, the emphasis on cross-platform delivery is growing as consumers continue to fragment, and the resulting volume of deals becomes exponentially greater.

Looking ahead, cross-industry partnerships and consistency are vital to enable benefits of scale and other operational efficiencies. As the advertising ecosystem evolves, we will increasingly see new forms of collaboration, including new ways of partnering throughout the industry value chain.

Workflow – From manual and analog to automated and digital processes

In the past, advertising was manually-intensive with limited use of automated campaign support tools. Consumer-centric marketing requires new efficiencies and effectiveness – including end-to-end digital workflow automation and standards in processes, formats and metrics – due to the increasing volume of steps required to enable new advertising formats, increased versions needed to support targeting and the continued downward revenue forecasts for the industry.

New tools and applications can help improve both efficiency and effectiveness by automating management of production development processes.¹⁸ Enhanced knowledge management and collaboration tools can enable process effectiveness and lower operating costs. Integrated campaign support tools can automate inventory forecasting, pricing decisions and cross-platform deal development. Automated, rules-based creative versioning software is expected to be heavily utilized. Finally, leaders will need to build a dynamic enterprise – a flexible infrastructure is critical in planning for and appropriately managing the ongoing change that is so fundamental to this industry.

Even as individual companies internalize these changes from traditional advertising to consumer-centric marketing, the industry as a whole will also need to collaborate to make key decisions. This is particularly true regarding establishing standards for cross-

As they aim to move toward consumer-centric marketing advertisers and content owners can start by leveraging their strengths in the creative area; media distributors can exploit their strengths in both insights and workflow.

platform metrics – a fundamental requirement to enable comparability across individual advertising and marketing platforms. Although the industry has reached consensus on standards for certain platforms (for example TV and newspaper), this new requirement is far broader.

Where to start: What can agencies, content owners and media distributors do?

While focus on both granularity and integration is required, the current economic environment will clearly impact investment decisions and influence the path forward and pace of each company. Many participants may decide to focus on those sets of capabilities that can help ready them for the future while delivering short-term benefits. Each M&E participant brings unique capabilities required for consumer-centric marketing, and needs to review its current capabilities to effectively exploit opportunities from areas of strength, while addressing key capability gaps (see Figure 7).

Agencies

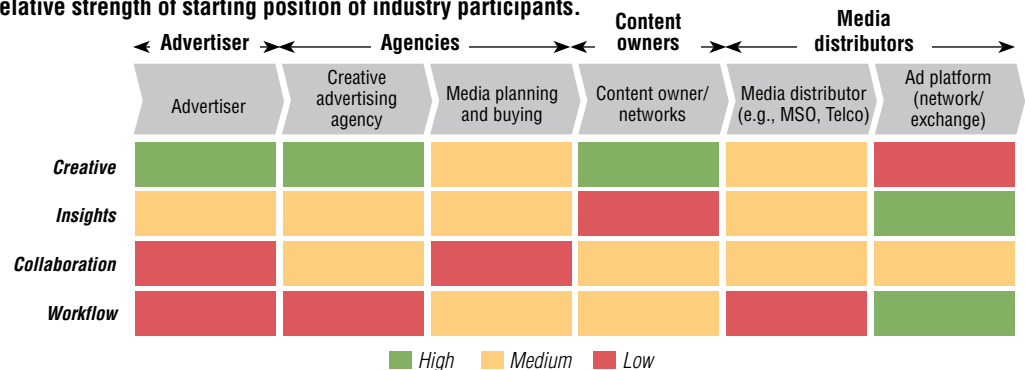
Given agencies' legacy stronghold positions, a balance between insights and cross-platform may be desired, but short-term focus may be more skewed toward leveraging strengths in creativity. At the same time, agencies may seek to penetrate the "insights space," based on the significant strength of access to broad sets of data.

Suggested near-term areas of focus:

- Diversify revenues by delivering broad marketing services capabilities, integrated with traditional services, to secure relationships at the most strategic level with clients.
- Embrace experimentation with new formats/players, as well as new tools and services that can deliver and automate ROI analysis.
- Restructure the organization to deliver integrated, consumer-centric, cross-platform campaigns. This includes breaking down silos across disciplines, products and analysis.

FIGURE 7.

Relative strength of starting position of industry participants.



Source: IBM Institute for Business Value.

- Act as an “insights broker.” Create consumer-centric data structures and deliver enterprise-level, action-based, integrated, client-specific dashboards.
- Collaborate to drive cross-industry standards. Consider partnerships to complement components that may be lacking today (such as supporting platforms, granular targeting and measurement).
- Seek operating efficiencies. Embrace workflow automation, automated creative development tools and end-to-end integrated media buying platforms – doing more with less.

Key questions for agencies

1. How can we break down silos across individual agencies to deliver a consumer-centric approach?
2. In what ways can we change our business models, back-office capabilities and fee structures to take on what previously were more manually intensive and potentially more risk-oriented deals?
3. How can we leverage data to play an “insights broker” role?
4. What will help us drive efficiencies in light of legacy, siloed campaign support tools and organizational structures?

Content owners

Content owners and networks are grappling with retaining existing marketing share regardless of ongoing migration of consumers away from traditional platforms. Players must morph their roles to capture a broader market share, all while investing in the infrastructure required to deliver scalable integration and insights to the industry.

- Broaden the set of client product/service offerings to include marketing services to capture a bigger share of marketing spending.
- Develop value-added services opportunities, such as creative services, research, planning and marketing services. Design an appropriate business model (for example, selling and delivering a premium offering versus including it as part of a premium client’s contract).
- Restructure the organization to deliver consumer-centric campaigns. Enable improved coordination across products, disciplines and salesforces, and leveraging digital workflows.
- Redesign and reorganize the advertising salesforce to enable cross-platform deals and deliver flexible, integrated design using sales support tools so that both integrated deals and ROI analysis can be scaleable.
- Build the components now to deliver scalable insights. Create customer insight capabilities, build a consumer-centric data structure and adopt automated media mix optimization tools.
- Collaborate to drive cross-industry standards, consider partnerships to complement components that may be lacking today (for example, “long-tail” sales, granular targeting and measurement, and true ROI analysis).
- Seek operating efficiencies. Embrace workflow automation and design flexible integrated campaign support tools that can accommodate rapid, ongoing change. Enable teams through enhanced support systems, such as billing and financial management.

Key questions for content owners and content networks

1. How can we sustain core revenues and capture a greater share of the broader marketing wallet?
2. In what ways can we use data to prove the value of both traditional and new forms of experimentation?
3. How can we retain more influence over pricing and packaging?
4. What will help us drive efficiencies in light of legacy, siloed campaign support tools and organizational structures?

Media distributors

Media distributors are interested in increasing share of wallet, and can do so by leveraging existing consumer relationships to deliver relevancy and engagement across individual devices. Acting as an “advertising enabler” to content players in the value chain may prove more beneficial than a focus on individual advertising inventory.

- Embrace sustainable innovation. Develop approaches for continuous and ongoing new product development experimentation across formats and assets (TV, PC, mobile) – agility, experimentation and willingness to take on risk are all essential.
- Leverage unique advantages. For example, telecommunications firms can take advantage of wireless assets and location advantages for unique offerings that other competitors cannot provide.
- Consider broader integration. Identify opportunities to deliver integrated, cross-platform offers to the market quickly.

- Think radically about salesforce effectiveness, putting the right tools, partnerships and structures in place.
- Formalize targeting and opt-in strategies. Consumers will provide information about themselves in exchange for something they value.
- Collaborate to drive cross-industry standards. Industry collaboration is key, but so is cross-platform comparability. Consider partnerships to complement the skill sets that are lacking today (for example, value-added services, brand-oriented sales).
- Seek operating efficiencies. Embrace workflow automation and design flexible integrated campaign support tools that can accommodate rapid, ongoing change.

Key questions for media distributors include

1. How can targeted campaigns be delivered efficiently? How can the industry manage the complexity of enabling hyper-targeted campaigns?
2. How will we handle dynamic inventory forecasting and multiple pricing strategies?
3. What options do we have for dealing with privacy concerns and opt-in strategies?
4. How can we prove the value of granular advertising (brand and transaction)?
5. What is our plan to broaden assets to reach consumers across platforms?
6. What is our response to over-the-top content that bypasses our network?

As advertising continues to evolve, M&E companies will need to start building important capabilities that can bring efficiency and effectiveness now.

Beyond advertising: Approaching change proactively

In our last advertising report we predicted “The end of advertising as we know it.” As the pace of change accelerates, consumer-centricity emerges as the scenario of the future. Content owners, media distributors and agencies face new challenges that traditional advertising and marketing cannot address. To adapt and survive, participants need a strategy that combines a strong targeting and ROI focus with cross-platform integration. By leveraging historical relationships, content and networking, M&E companies can plan to be victors, not victims.

As participants keep an eye toward the future and navigate the challenges of the current economic environment, they need to start building capabilities that deliver both efficiencies and effectiveness now. Even those who choose not to move full speed ahead in the short term should explore and experiment with emerging models so they are positioned to exploit opportunities as they arise.

To learn more about this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. For a full catalog of our research, visit:

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Related publications

Berman, Saul J., Bill Battino, Louisa Shipnuck and Andreas Neus. “The end of advertising as we know it.” IBM Institute for Business Value. September 2007. <http://www-935.ibm.com/services/us/index.wss/ibvstudy/gbs/a1028798?cntxt=a1000062>

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