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 blur 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 spend* – 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 move beyond traditional advertising: the scenario of the future is consumer centricity. Becoming consumer centric requires a combination of granularity – the ability to target 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. Investment decisions are being hindered by new format uncertainty; the lack of cross-industry standards across formats, processes and especially metrics; and significant internal challenges

including siloed operating models that limit delivery of cross-platform campaigns and a "data glut" that fails to provide real insight.

Enabling consumer-centric marketing

No matter where M&E companies focus first as they move toward consumer-centric marketing, they must start now to test new 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 1).

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: creative, insights, collaboration and workflow.

- *Creative* – From media-centric development to cross-platform innovation. This requires experimentation across platforms and consumer 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 – such as peer

FIGURE 1: **Beyond advertising: Evolution of business models.**

Insights ↑	**ROI-driven advertising** • Direct digital messaging to micro level • Granular audience profiling, targeting and measurement	**Consumer-centric marketing** • Integrated, contextual campaigns • Bridges advertising and marketing formats • Enables addressability, measurement, interactivity for desired consumer
Level of granularity	**Traditional advertising** • Legacy processes, brand and transactional structures • Siloed sales and delivery • Traditional measurement	**Cross-platform reach** • Integrated broad portfolio of marketing and advertising assets • Enhanced consumer engagement • Breaks through traditional clutter
Impressions ↓	Single platform ← ***Degree of integration*** →	Integrated cross-platform

Source: IBM Institute for Business Value.

collaboration between cable companies or content collaboration with ad networks – 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.

Our full report highlights findings from our 2008 IBM global advertising research and expands on trends identified in "The end of advertising as we know it."[1]

As the industry heads toward consumer centricity, participants are taking divergent evolutionary paths based on their legacy stronghold positions. How quickly any company reaches consumer centricity will depend on its starting point, business mix and its ability to innovate. Most 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 new models along both dimensions now to sustain and protect their revenue in the future.

Reference

[1] 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=a1000062P

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How can IBM help?

• ***Business Model Innovation:*** Capitalize on opportunities enabled in new, interactive formats while also protecting core revenues
• ***Advertising Workflow Transformation:*** Re-design of processes, organization and supporting technology infrastructure to support new advertising models
• ***Advertiser/Audience Analytics and Reporting Integration:*** Design and integration of data from disparate sources to enable more granular profiling, targeting, delivery and analysis
• ***Advertising Inventory Optimization:*** Improved inventory management capabilities to maximize existing inventory and drive increased yield

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