Beyond advertising: Choosing a strategic path to the digital customer

*Moderator: Ragna Bell*

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**Ragna Bell:** Hello. My name is Ragna Bell. I'm the Media and Entertainment Lead at the IBM Institute for Business Value.

As part of our ongoing research into the future of media and entertainment and especially advertising, IBM surveyed more than 2,800 online consumers globally and conducted 70 one-on-one sessions with global industry executives. Based on this research we released a new study that creates a vision of what advertising and marketing will look like in the digital age.

With me today is Saul Berman. Saul is the IBM global leader for Strategy & Change Consulting Services and an expert in strategic issues facing media and entertainment companies. With more than 25 years of consulting experience, Saul has worked with senior management to develop and execute business strategies, fusing business and technology insight.

Saul, thank you for joining us today.

**Saul Berman:** Happy to be here.

**Ragna Bell:** The title of the study is Beyond Advertising. What do you mean by that? And what is driving this need to move beyond what we know as traditional advertising?

**Saul Berman:** Well, as you may know, we did a paper last year entitled “The End of Advertising As We Know It.” And in that we talked about a series of trends that we thought were going to radically change the role of advertising and the way it works and the placement of advertising. In that we talked about consumer control increasingly, of what advertising may protect, where they protect of it and when they protect of it.

We talked about changes in the creative nature of advertising and where creativity would come from, not just from the traditional ad agencies but from content owners and individual consumers as well, or tribes of people as we call them.

We talked about changes in the measurement system and the need for new measures that would cut across these panels, these platforms. And we talked finally about transparency and the opening up of the advertising inventory.

We see in our most recent consumer research some trends continuing that we think will shape and redefine advertising in the future, and the nature of this paper is to address those trends and give our clients and interested parties insight as to where advertising and marketing go in the digital age.
More specifically to your question, what we identified from our consumer research this year that’s included in this paper is that the rate of consumer adoption of the new digital distribution platforms and content sources is actually accelerating beyond our expectations.

We’re also seeing, particularly with the economic downturn, a shift in advertiser spending which we think is both cyclical due to the economy and more structural in terms of a long-term movement away from traditional advertising placements to more interactive marketing type placements and more platforms in the future.

Third, we see this digital migration of these platforms in general moving from analog to digital. And fourth, we see the emergence of a series of new capabilities which we think are going to be important in this new age.

Ragna Bell: So how do you then describe that future vision? What do you think are the key components of how advertisers are going to seek advertising in the future?

Saul Berman: Well, two main elements we see that are shaping that, what we call granularity and what we call integration.

When we say granularity, we think we’re going to move from broad to micro segmentation and addressability of advertising. So rather than searching for broad audiences, we’re going to several micro-audiences to get to the reach we want.

We’re going to move from impressions to impact. So we’re going to have a change in measurability, as we suggested last year. And we’re not going to measure impressions but we’re going to measure transactions or results or click-throughs, some indicator of real activity.

We’re going to move from one-way messaging to two-way dialogue where the consumer will increasingly give us their feedback and participate in discussion about the product or services with us and help us to shape the offering. So those are the components of what we call granularity. So that’s shift number 1.

Shift number 2 is the concept of integration, that the scenario of the future will have us move from single platforms to integrated cross-platforms. And our consumer research this year showed that the consumers are increasingly looking for continuity in the messaging that targets them on a cross-platform basis. We think this will be very important in the future as will the context of the advertising. The ad message will no longer be disjointed from the adjacent contents or what the individual is looking for, but it will be tightly coupled with the adjacent contents. So, increasingly we will see content that is with advertising that’s relevant to the scene in the content, relevant to the subject in the content, and the advertising is placed around that if not integrated into it.

So as we look at the future, we look at both of these issues, granularity and integration, and we think the future vision doing both of these things will move us towards what we call consumer centricity.

Ragna Bell: Great. Different industry players will respond differently to this. Do you see any of them, such as agencies, content networks and media distributors, delivering this vision today? Or where do you think each one of these are?
**Saul Berman:** Well, we think different groups within each industry are moving there in different ways. We don’t think the real model we’re talking about of granularity that really produces insights and ROI, return on investment, driven marketing and advertising and the cross-platform integration exists really in any one place today. But as the formats continue their migration, the distinct value of these propositions in brands and the direct response advertising will start to converge and will end up with consumer-centric marketing.

Now in terms of where people are and in terms of them getting there today, as we say, we have a ways to go in this process at the present time. Media distributors like Google or many of the telco are focused on ROI-driven models and they’re looking to expand upon that. Content owners like BBC or NBCU are focused on building out cross-platform capabilities and they’re working towards integrating messaging and marketing services across those different lines of business, those different platforms. But they tend to still run them as separate businesses within their organization, which makes that a challenge.

We believe advertising agencies, sit in the middle, also have a lot of the necessary data and insight potential to make this happen. But they too, while they’re moving in both directions and trying to put the package together early on, and they too suffer from the internal institutionalized organizational models and traditional ways of doing business which makes this hard for them to accomplish to date.

Over time we see elements that are coming from all three places. Over time we see it all coming together. The question is how, when and where.

**Ragna Bell:** So what do you see as the main challenges or hurdles in moving towards consumer-centric marketing?

**Saul Berman:** Well, the industry has a number of hurdles that it continues to face as it moves in this direction, not the least of which is the fragmentation of the market. You know we have a large number of suppliers by different media type and really we’re talking about trying to drive cross industry standards, across different formats with consistent measures. That’s certainly a challenge.

Another is just the format uncertainty itself; particularly in today’s economic environment there are questions about advanced television, when will it happen, when will Internet protocol television happen, how far will mobile go and how fast. These platforms are needed to develop the hyper-targeting or micro-segmentation that we alluded to. But we don’t know what’s going to be the right format, we don’t know what’s going to be the standard. We know the markets are already fragmented. So those are challenges in terms of our participants deciding where to go.

We also suffer, as I alluded to in the previous comment, from siloed operating models, whether it be in the media companies themselves, whether it be — and some even the distributors of media that have different vertical silos, where they differ on platforms, though they may package them together in a triple-play or quad-play for the consumers, they still have siloed operating models. And whether it be the ad agencies, whether it be the media companies or whether it be the media distributors, we continue to see this as a challenge. And while many of them are working at overcoming it, it’s still a barrier.
And finally, we have lots of data; we call it a data glut. We don’t have enormous amounts of information at the present time; we have enormous amounts of data. And really the challenge is how to get these data shared across the different elements of the value chain and across the different platforms and get real strong analytical or smart tools applied to it so that we can create real-time insights, real-time actionable information that enables us to tailor the advertising and marketing messages in the right place at the right time for the consumer that wants to receive those messages as opposed to the consumer who’s having unwanted messaging bombarded to them.

**Ragna Bell:** So what is it that companies should be doing to move forward, especially given the current economic environment?

**Saul Berman:** Well you know as we said in one of our other papers, succeeding in the new economic environment, you’ve got to do more with less in this environment. And you’ve got to be more careful with your assets and how you use them and deploy them, get more from them, as well as you need to be careful with your costs. But it’s also an opportunity to grow for the future. It’s an opportunity to build the platform of the future.

So we say here are some of the things you should be doing to build to that future success when we come out of this recession.

One, you should be moving your creative from media-centric development to cross-platform innovation. You need to be creative in terms of the messaging and the way you communicate that messaging and the way you visualize that on a cross-platform basis rather than designing it for individual silos today.

You need to solve this data problem. You need to move from anonymous household measurement with broad reach to integrated, greater insights across platforms – granular individual measurement, contextual targeting, baskets of metrics and really a holistic dashboard.

You need to move on the collaboration front. You need to get over this idea of we have to do everything ourselves. We have to get over this idea of proprietary models. And you have to move into an era of open collaboration both with your business partners and sometimes with your competitors in the ecosystem because you’re all going to gain from sharing that data and gaining the insights from it.

And finally you need to move from what’s been the traditional manual, aging analog workflow and processes and do an automated and digital era where your processes increasingly are automated, where they can have micro versions, where you have end-to-end platform integration, and really with the ultimate of objective of combining both efficiency and effectiveness.

And as I say today, there’s nothing more important than being more effective with your assets and building for the future. Now is the time to do it. The winners will be the people who move quickly.

**Ragna Bell:** Many thanks for sharing your insights into the future of advertising and IBM’s Beyond Advertising study.
That was Saul Berman, global leader for Strategy & Change.

To find out more about IBM’s Beyond Advertising study, visit us on the Web on ibm.com/services/gbs/beyondadvertising.

Thank you.