



EXPERT OPINION:

From experiment to enterprise scale

The media ecosystem is undergoing a business transformation as it moves toward an era in which audiences can access any content, anywhere, anytime – and with full interactivity. In conjunction, advertisers are driving agencies and media owners towards “multi-channel impact based advertising” with a demand for measurable results across multiple media and channels. Advertisers are no longer happy to pay big bucks for 30 second spots with ambiguous results. They want clear and tangible marketing ROI and proof that advertising dollars are being translated into impressions, leads and revenue.



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Communication service providers (CSPs) have been quick to recognise that trend, and have been alert in acknowledging the potential to generate revenue from advertisers through exploiting the wealth of customer data within their reach. In fact, we have seen many examples of successful business models being launched, many on mobile platforms and yet these all have one thing in common: they are on a significantly smaller scale than the enterprise scale of advertising funding which has been practised by the broadcast industry since commercial television began.

So should CSPs look to the broadcast world for opportunity and guidance? Given that broadcasters are currently seeing dramatic declines in advertising revenue it is a good question but the answer is definitely yes, for two reasons:

1. Size of the addressable market. While mobile advertising and online attract much attention, and indeed are growing rapidly, there is little doubt that traditional media – broadcast, cable & satellite – will have the largest share of global advertising revenue for some time to come. It will remain the media of choice for an advertiser to relay a brand’s message to a mass audience. Online and search will grow as an additional complementary channel but, on a global basis, it will be some time before mobile advertising becomes more than a small portion of the US\$500bn+ advertising market.

2. CSPs need to make this a business, not an experiment. Broadcasters have industrialised the business processes and platforms that

enable them to manage and monetise the relationship with advertisers and partners. This is an absolutely vital area for CSPs if they are to scale this domain – and a far cry from the spreadsheet-based approach we see in many companies today.

The market drivers behind the opportunity

The entire advertising value chain faces a number of transformational changes which in turn drive opportunity for CSPs.

Linear to non-linear: It is expected that 20% of video consumption will be in a non-linear mode in the next three years. The media industry needs to understand and adapt to how advertising can be made effective in a commercial-zapping environment, and at the same time be relevant and targeted to the customer.

TV to cross-media: With the proliferation of media channels and fragmentation of a single customer’s attention span, advertisers want to deliver 360 degree impact across multiple media, including broadcast, cable, online and mobile.

Mass advertising to addressability: The industry needs to be prepared to deal with the spectrum of new opportunities potentially unleashed by the ability to micro-target ads to customers.

Sample-based metrics to census-based metrics: The traditional representative survey measure of effectiveness is slowly but surely being supplanted by census-based data on ►

“Advertisers want clear and tangible marketing ROI.”

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actual programme and ad viewing. The ability to get impact data at a unique household level creates a whole new set of possibilities – and disruptions – with respect to advertising business models.

A stark choice for CSPs

The big advantage CSPs have in the new order is that they represent the entity closest to the customer – be it through cable, satellite or IPTV – and enjoy a special privilege, one of knowing the profile of the customer and more importantly how the specific customer is consuming – or rejecting – the content and the advertising. The CSP has the unique ability to observe millions of customers, billions of monthly interactions across multiple media and glean meaningful consumer insight that can help make advertising relevant, targeted and actionable.

The choice is simple – leverage this insight to derive business value in a future disaggregated broadcast value chain, or transport the content with none of the revenue reward. Granted, there are some significant issues to address around privacy but these will be resolved by the party most committed to this business – and CSPs would be well advised to lead, not follow in this regard.

Recommendations for CSPs

In order to monetise customer insight and convert it to a significant business opportunity, CSPs need to approach advertising as a key business venture. They need to firmly establish their place in the value chain by leveraging two key competencies:

1. Leverage the ability to target

Most CSPs in developed markets have already started making significant investments in building a single customer view across multiple channels, understanding consumption patterns and gleaning critical insight that can be leveraged in real time for advertising decisions. This trend will continue as CSPs learn to refine the single customer view to provide ever more clarity and insight. More extensive use of Deep Packet Inspection technologies holds the promise of even greater opportunity for real-time targeting.

To get maximum value from these technology investments, however, will need a more open

approach to innovation. The most successful CSPs will be those which form strategic alliances with the upstream advertising ecosystem and collaborate with external technology partners to build a world class, next generation IT infrastructure for understanding consumer insight and delivering targeted advertising.

2. Leverage the ability to monetise


The advent of next generation network capabilities in the form of service delivery platforms and real-time rating and charging capabilities gives CSPs the means to deliver, rate, charge and track consumption of adverts to individual consumers and to associate these with specific content. These platforms form the fundamental capability to monetise transactions in advertising-funded business models. In order to effectively exploit those capabilities, CSPs need to learn an important lesson from broadcasters and begin to manage the media ecosystem as a business in line with its scale, complexity and demands. Critical and non-trivial investments are required in people, software, infrastructure and business processes to allow advertising to become “industrialised” in two key domains:

a) Automating advertising settlements

Linkage of rating and charging platforms into the enterprise financials backbone for automated processing of accounts receivable and payable is essential to handle the volume of settlements to be processed as these business models evolve. As revenue share agreements become more complex and more commonplace existing manual methods of reconciliation will become an expensive liability. An Enterprise Class financial back office will also be a critical requirement for audit compliance.

b) Effective partner management

If CSPs are to become viable as a principal go-to-market partner for the advertising community they need to invest to become quicker and easier to contract with, more flexible to partner with and more scalable at on-ramping new partners.

The road to advertising revenue is as much about excellence in managing partners in the B2B domain, as it is about excellence in content delivery in the B2C domain. 

“An Enterprise Class financial back office will also be a critical requirement for audit compliance.”

VanillaPlus Jargon Buster

B2B = Business to business

B2C = Business to consumer

RoI = Return on Investment