

Experience smarter media

Connected Content Consumers Are Now in Charge of Your Brand:
Bringing Science to the Art of Marketing

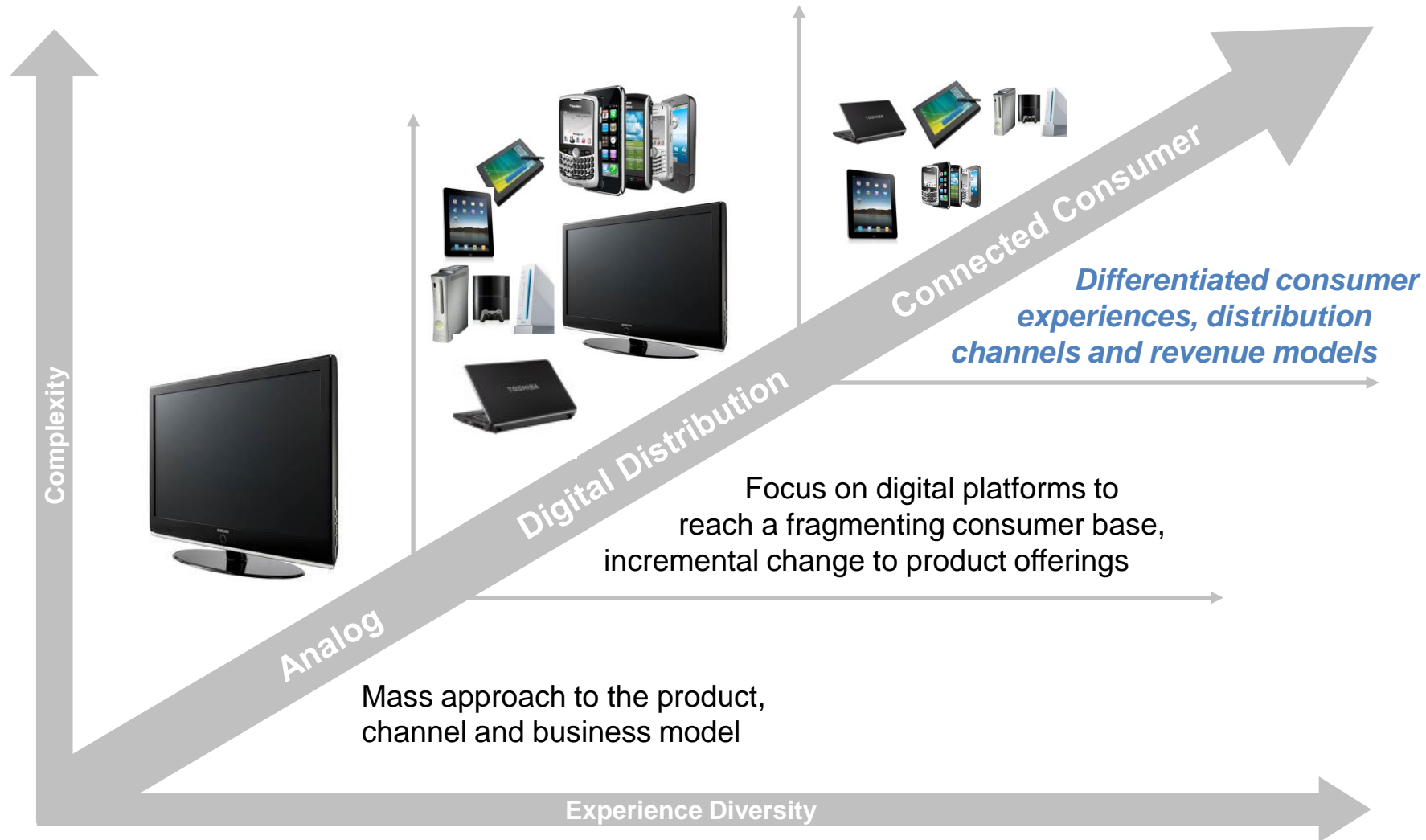
Jeff Smith *VP of Communications Sector Solutions, IBM Software Group*

Customer = Content = Brand

- Companies must be more than **customer-focused**: they must be **customer-obsessed**
- Customer-obsessed company focuses strategy, energy, budget to *enhance knowledge of customer engagements* – prioritizing over maintaining traditional competitive barriers
- Companies that master this corporate-wide shift in thinking – **IBM**, Best Buy, Amazon – *thrive in a world of constant disruption*, because their customers know and trust them
- Companies that ride current model and attempt to lock in customers are doomed

Sources: [Digital Survival: Brands Must Be Customer-Obsessed, MediaPost News](#)
[Competitive Strategy In The Age Of The Customer, Forrester Research](#)

Migration to Connected Consumer Era: Industry Inflection Point



Technological advances disrupt traditional revenue streams



Record labels saw revenue declines of 40 percent
from 2000 high: ~ 95 percent of music consumed is pirated



Newspapers lost 85 percent of classified revenue
from their print editions between 2005 and 2009



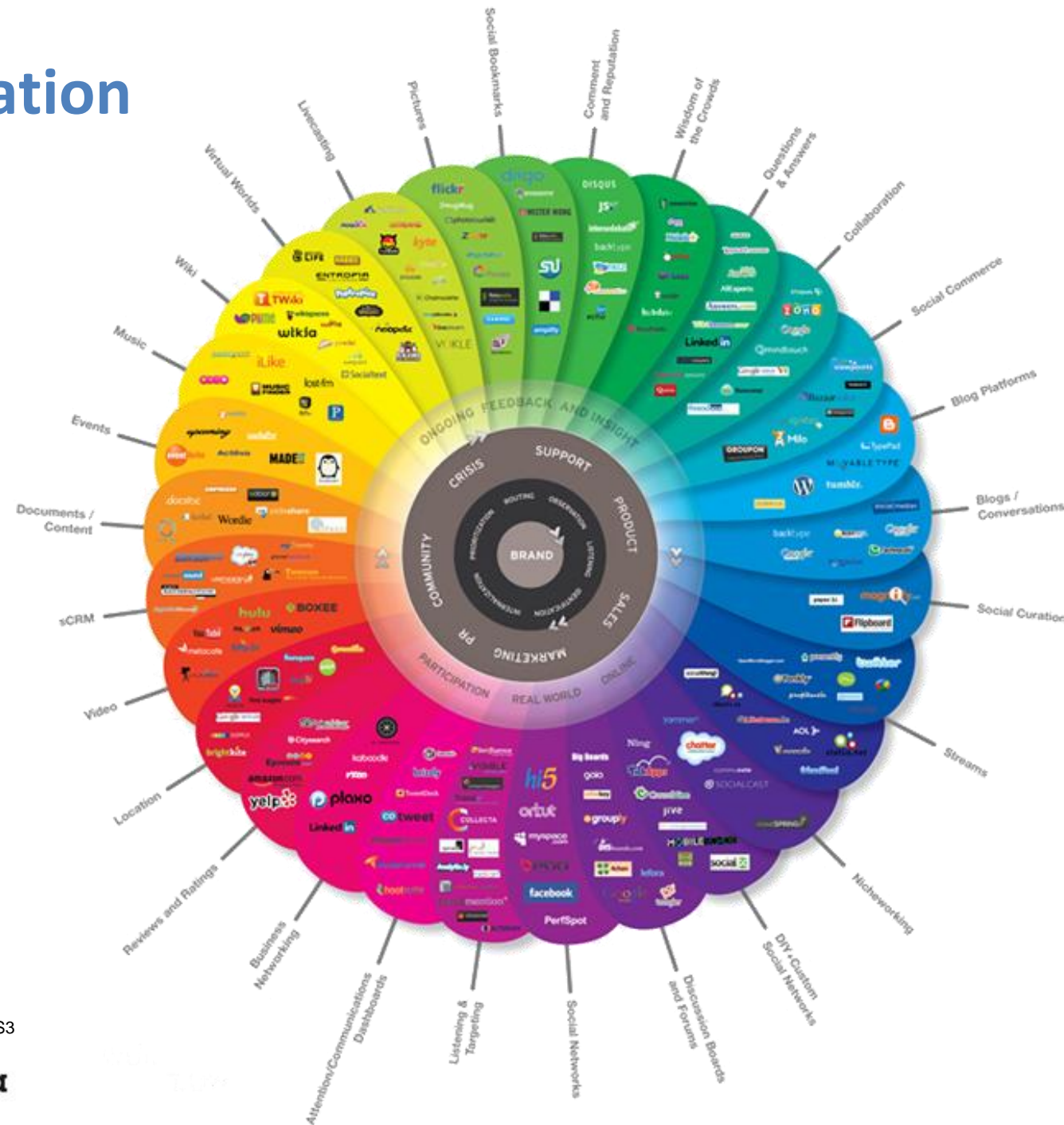
Physical DVD sales are down 25 percent
from their peak in 2004



Long-distance telecommunications revenues declined 80 percent
in the first decade of this century

Brand conversation is happening ...

... with or without you.



You can choose to engage.

Source: TheConversationPrism.com Brian Solis & JESS3

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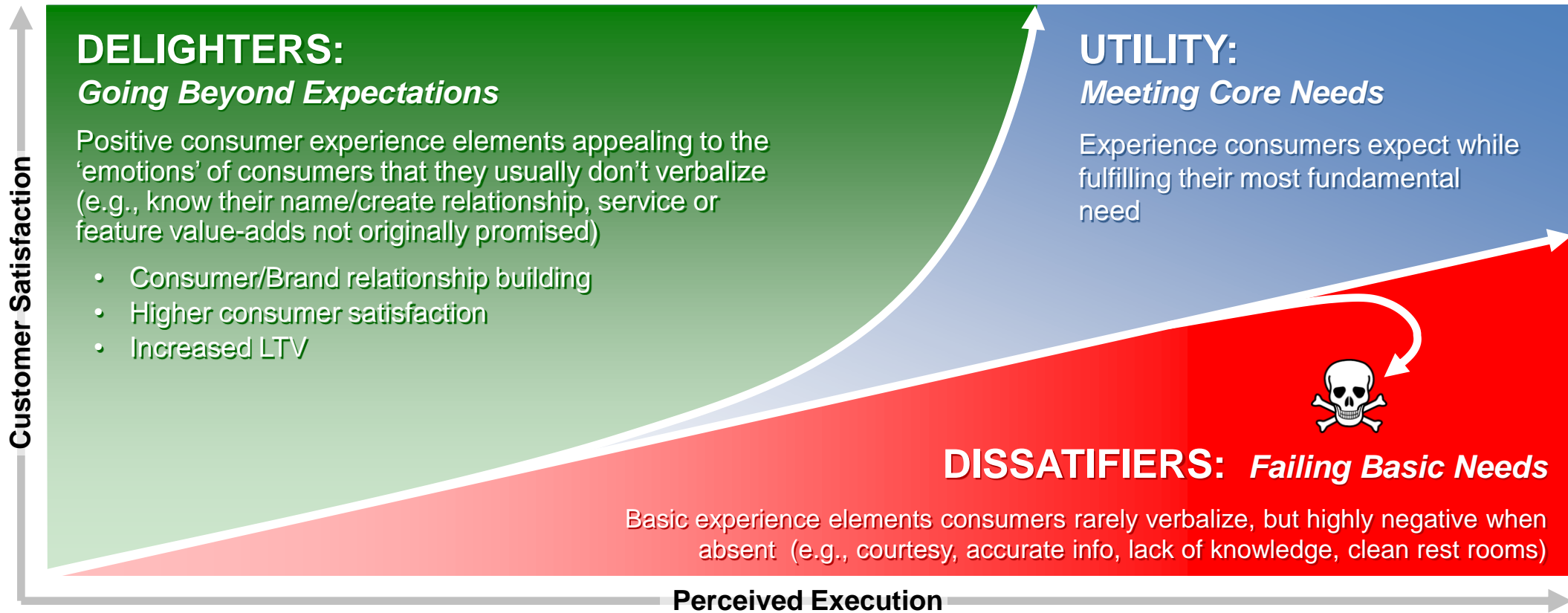


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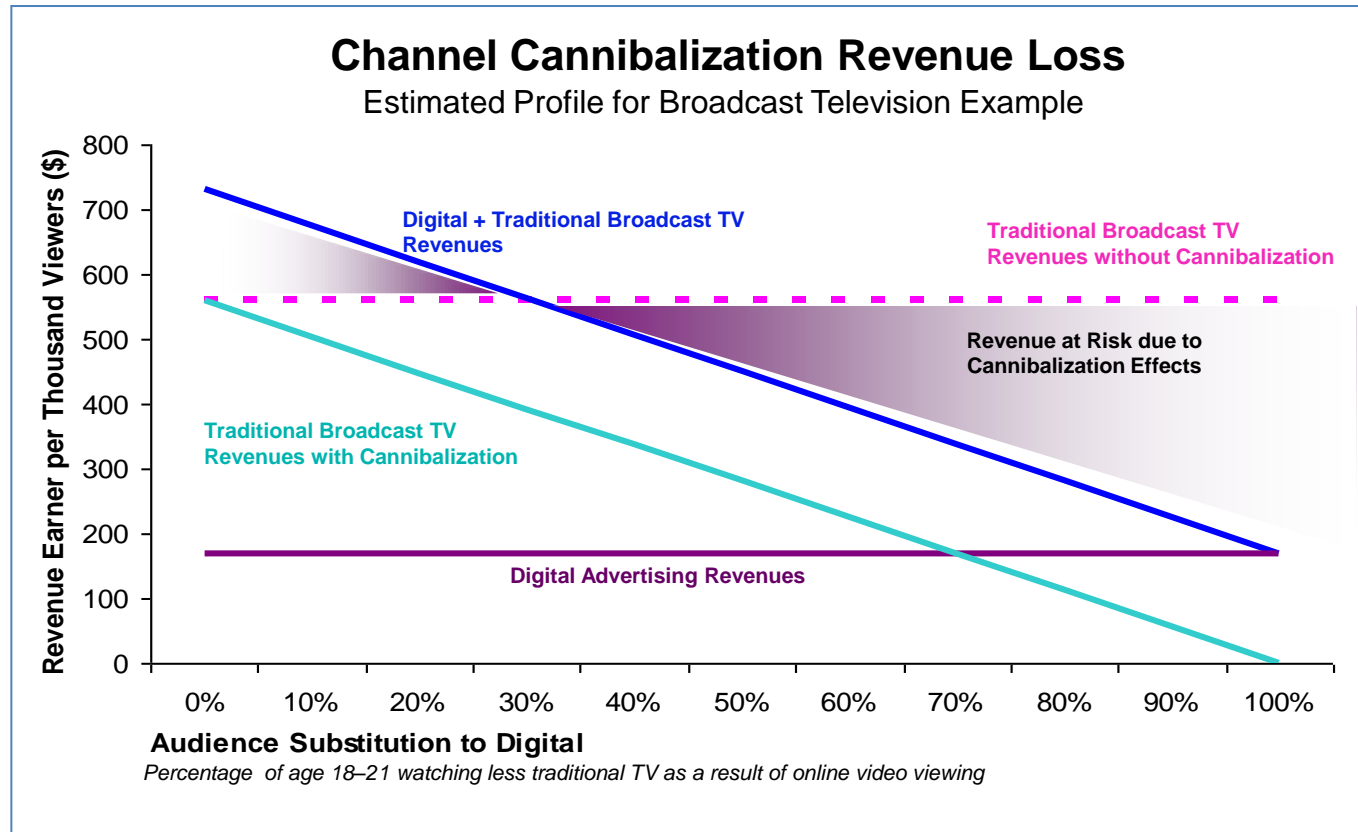
Brand

The path to *Brand Fanaticism* is through recognition of individual content consumer 'emotion' and personalized treatments in the form of delighters



Adapted from the Kano model

Looming gap threatens 70 percent of broadcast revenue



- Today most people watch both traditional broadcast TV and online video
- As people grow more comfortable with online video, they will reduce broadcast TV viewing and traditional advertising revenues will decline
- As cannibalization grows, a larger portion of revenue is at risk

Source: UBS Global: Can Pay TV Benefit from Online Video?; Bloomberg report; IBM analysis

Note: Scenario is based on 2009 data. Cannibalization percentage calculated by people watching digital video who don't watch traditional TV. Calculations assume average price point between high-end and lower-end online video models.

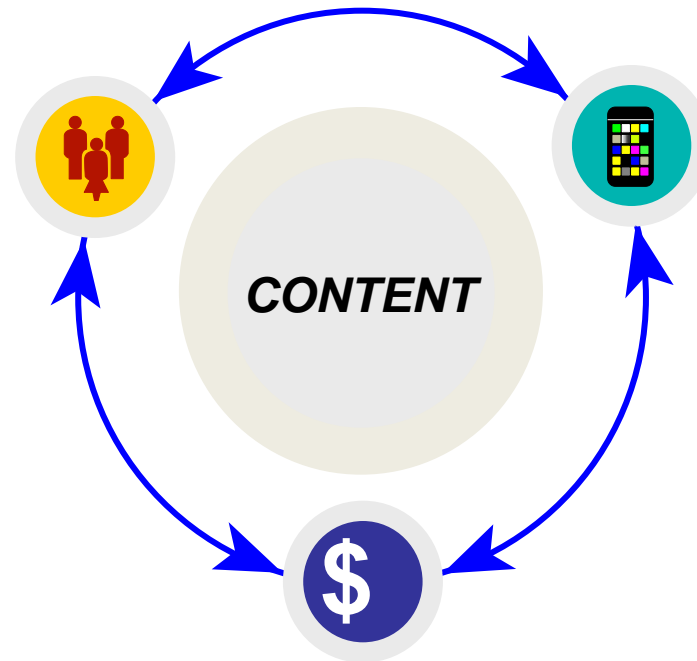
Shift in business focus is critical

ENHANCE THE CONSUMER EXPERIENCE

Create new services and products leveraging partnerships. Use real-time analytics to offer personalized experiences.

Key strategic actions:

- Extend to other elements in the value chain to enhance the consumer experience and capture revenue share
- Deliver the social experience
- Use data to provide more value



OPTIMIZE NEW DISTRIBUTION PLATFORMS

Deliver content across all consumers' devices in a seamless and integrated manner. Enable expansion into new markets and repurposing of existing content.

New platforms include:

- Gaming consoles
- Smartphones
- Internet TVs
- Mobile music players
- Tablets and e-readers
- Notebooks
- E-toys

EXTEND REVENUE MODELS

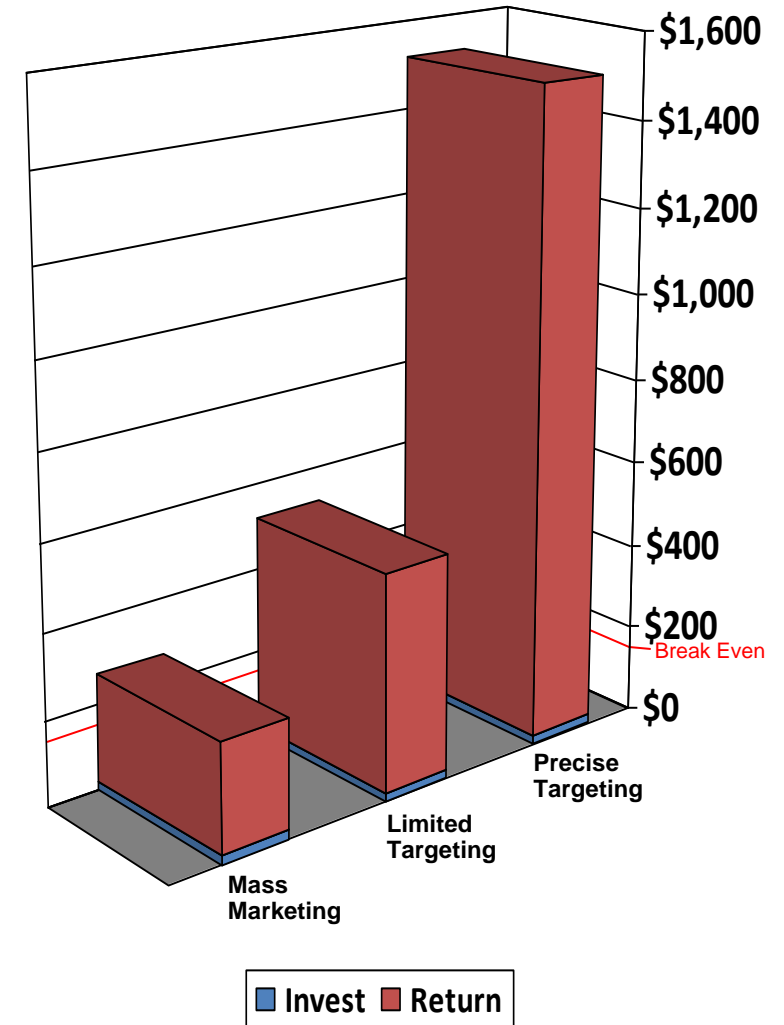
New business, pricing models strengthen core business, improve competitive position, generate new revenues faster.

Key revenue models are:

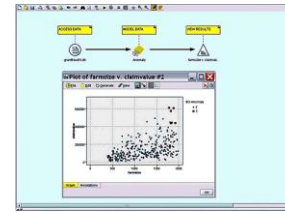
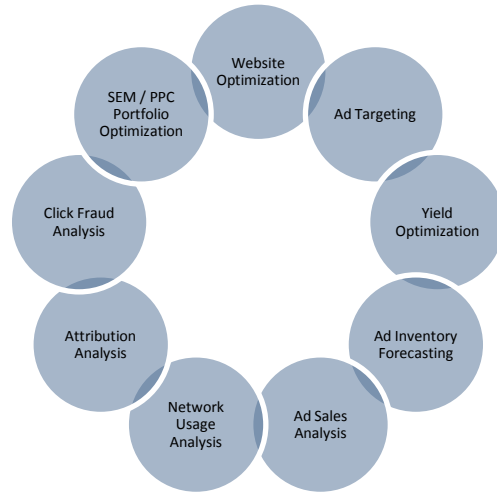
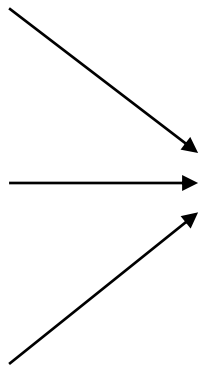
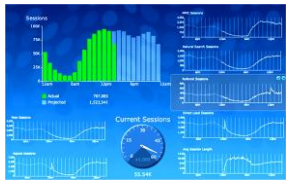
- Sponsored
- Consumer Paid
- Packaging

Case Study: Business Value of Precise Targeting

- Evaluate \$20m incremental marketing spend over 2 months
- Break-even is \$150m
- **Mass Marketing** produces \$250m return
- **Limited Targeting** produces \$500m return (today's approach)
- Foresight Marketing Budget Optimization application predicts **\$1.5b** new revenue could be stimulated with **Precise Targeting**: *messages perfectly targeted and personalized*



IBM Analytics Portfolio: Tools for the Connected Consumer Era



1 Capture:

Data collection delivers an accurate view of customer attitudes and opinions – Social Analytics, Mobile etc.

2 Analyze:

Enable real-time decision making with high performance queries

3 Predict:

Predictive capabilities bring repeatability to ongoing decision making, and drive confidence in your results and decisions

4 Action:

Unique deployment technologies and methodologies maximize the impact of analytics in your operation

Magazine Industry Case Study: Rodale

IBM Coremetrics Explore drives ad revenues and improves reporting at [Rodale Inc.](#)

- Challenge**
- Audiences like executives, content editors, subscription sales teams, and IT had too much data, rather than the data that was relevant to them
- Solution**
- **IBM Coremetrics Explore** provides easy ad hoc reporting and analysis
 - The creation and distribution of custom reports was automated
- Results**
- Search data was quickly organized, revealing hidden terms that allowed Rodale to optimize its SEO efforts
 - Advertising revenue rose as a result of content changes made by the web site editors, based on Explore reports



"More of our reporting is now nearly automated, which saves us time, energy and money. We have the ability to focus more on analysis and help drive the bottom line."

Rodale Inc.

Publishing Industry Case Study: Star Tribune



- Based in Minneapolis/St. Paul
- Direct marketing services for advertisers

Targeted direct mail for a specialty retailer.



Using a list built from predictive models, this dealer sold out its entire inventory in one weekend.

Usage Scenario

- Boost direct marketing revenue
- Boost subscriber loyalty with value-added services
- Enhance clients' overall marketing effectiveness

Results

- Star Tribune increased annual revenue by 20-30%
- Reduced design time by over 50%
- Achieved 25% increase in campaign requests
- Enhanced customer loyalty
- Increased bottom-line revenue significantly

What if ...

- Customer views a piece of episodic content on a smart phone at 7:30am every day and stops after 15 minutes. At 5:15pm, they look at the same content again for another 15 minutes.
- **IBM analytics tools** identify this usage pattern, and segment. Deduction is these are commuters who are viewing their favorite highlights or shows while in transit. However, the 28-minute segments are not optimized for this consumption pattern: Customers have to fast-forward to resume in the evening.
- **Solution:** Break episodic content into bite-sized segments that are ideally suited to the consumption preferences of this segment. This not only delights the consumer, but also presents the opportunity to put more ads around the content to drive additional ad revenue.



What if ...

- Broadcaster has an episodic show that is not a Nielsen top-rated, but maybe a top 20 show. Where do they find a time slot to drive the greatest viewership, ad revenue? Is it even worth keeping in prime time?
- **IBM analytics tools** (social media sentiment from CCI, and FB/Twitter activity from CoreMetrics) shows that the lower-ranked show has a very active social community and social engagement than the top-ranked show
- **Solution:** Market ancillary products and online promotions to the fan base on their preferred platform -- social media sites to provide a more compelling experience and drive additional revenue (without cannibalizing traditional ad revenue potential)



The bottom line: Focus beyond content to drive growth in connected consumer era

Beware of revenue shortfalls and value shifts as consumer attention migrates to digital platforms

Deliver the immersive consumer experience, leverage distribution platforms and develop flexible revenue models

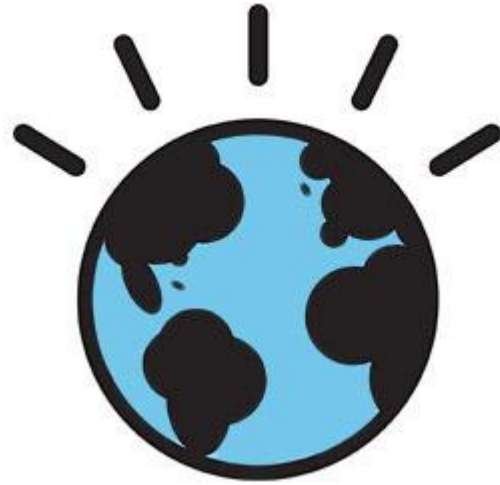
Build key enabling capabilities to effectively capitalize on all opportunities in the digital era

At the end of the day ...

- In the past, companies owned their brand, they used carefully constructed messaging and delivered it through channels of their choosing to maintain that control.
- The internet and the proliferation of digital file formats has changed all of this.
- Through social media and the ease of global communication channels, consumers have shifted the company's brand ownership away from the company and into the hands of the consumer.
- **IBM analytics solutions** give media companies the tools they need to determine how best to serve today's connected consumer.

*“Don't see yourself as a brand.
See yourself as a part of community.”*

– Will.I.am



Thank You!