

# Business Analytics Capstone Framework for Strategy

Akash Agarwal

04 May 2020

# Problem Statement

# Problem Statement—

Describe the Problem Adblockers present to GYF

- The increasing popularity of Ad blocking software poses a threat to GYF's revenues. Since 70% of GYF's revenue comes from ads, any rise in the ad blocking software's popularity might be harmful to the company.
- If GYF is unable to display ads to the customers, the companies posting the ads will have no reason to put the ads. Thus resulting in termination by the companies and loss of revenue to GYF.
- To maintain profitability, GYF might have to charge the customers which may result in decreased usage of GYF's services and loss of customer base which will eventually lead to losses.
- Both GYF and the companies that post ads will have to invest in finding ways to tackle the ad blockers which might result in increased expenses.

# Problem Statement—

## *Application Exercise 1 – Research Methods and Tools (Optional)*

- Since we are already aware of the problem, it would be suitable to use **Descriptive research** to solve this problem. Using descriptive research will help to study the exact extent upto which the adblockers have affected GYF in particular.

After analyzing the results from descriptive research, we can use **Causal Research** to see what changes might solve our problem.

For example: We can check whether customers are willing to pay if we offer to remove the ads.

- The tools that can be used are **Surveys, Pricing Analysis and Mobile Data Analysis**.

**Surveys and Mobile Data** will help us decide whether the customers really find ads to be obtrusive and also whether customers are ready to pay for the services etc. They'll also help to identify the exact needs of customers

**Pricing Analysis** might help to decide which option would be suitable: charging the customers or paying the adblocking companies to get white listed.

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Describe your proposed strategy

A single strategy is not sufficient to tackle this problem. So a multiple strategy approach is recommended. The following strategies can be adopted in the order of their preference.

- Before adopting a strategy, data should be collected on whether the ads are really obtrusive and the current impact of adblockers on GYF's services.
- Our first aim must be to make the ads as less obtrusive as possible. Since the companies that place the ads are also the stakeholders, it makes sense to collaborate with the companies to make the ads less obtrusive and more creative. This must be our main priority because the users do not hate ads in general, they only hate obtrusive ads.
- After making the ads unobtrusive, a survey can be conducted to target the users who use adblockers to ask them to opt for a 7 day trial where we place those unobtrusive ads and get their feedback on whether such ads are acceptable.
- It is also important to make the users realize the need for placing ads. This can be achieved by explaining the users as to how is GYF able to provide all its services for free to its users.
- If these trials fail to provide a desirable result, an analysis must be conducted on the most feasible solutions out of the following 3 options : Charging the customers vs Paying to get whitelisted vs Paying anti adblocking companies. In the end we must choose the most economic option of the three.
- Although it would not be a good idea to pay the adblockers to get whitelisted since there is a chance of some other adblocker that might block our content. This should be adopted only as a short term solution.

# Strategy

## *Application Exercise 2 – Hiring a Team Leader (Optional)*

- I would hire Peggie Prospect for the job because apart from having excellent academic scores, she also has prior experience in the relevant field and that experience might come in handy to save time and money in our strategy application.
- Although she scores a bit low on the cognitive test, the other test parameters show promising prospects. She already has knowledge in what kind of work is expected from her. This might save the valuable time and money that would have been lost in training her to get acclimated to her role.
- References are not a great indicator of employee performance. Hence it is advisable to ignore it since both the candidates scored nearly similar on the reference scale.



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# Effects and Measurement

# Effects

Describe the anticipated effects of your strategy

The following are the anticipated effects of the strategy adopted above

- The first effect would be on the employees. They will have the added task of analyzing the current threat of the adblockers and they also have to prepare the survey questions.
- This effect is not measurable and is of less significance to the final result since adblocking has not much to do with the condition of the employees.
- The next effect might lead to an increase in customer satisfaction and decrease in the amount of adblocking software in use.
- The results of the survey might shed light on the existing customer satisfaction and help us use those parameters to study the extent of strategy's success.
- If we start charging the customers, we might expect a decrease in the number of users who use our services thus decreased revenues.
- From Financial Standpoint, charging the customers might increase or decrease the revenue depending on the number of users who quit.
- If the customer satisfaction increases, the publishers might be willing to invest more in advertising on our platforms.

# Effects

## *Application Exercise 3 – Designing a Deterministic Optimization Model*

- The optimization model suggests that we must invest as follows
  - **20000** dollars for internal **soft skill**
  - **45000** dollars for external **hard skill**
  - Zero dollars for anything else.
- The final optimized increase in productivity is **43500** dollars

# Measurement

Describe the anticipated effects of your strategy and how you will measure them

The anticipated effects can be measured in the following terms

- The customer satisfaction can be assessed from the surveys conducted
- The revised ads which are less obtrusive can be tested on a sample of users and the effect of those can be measured through the surveys. This can also be measured by the decrease in the use of adblocking software in the corresponding groups.
- The revenues can be measured by the traditional ways.
- The added factors of subscription charges can also be used in revenue measurements.



# Measurement

## *Application Exercise 4 – Identifying Key Drivers*

The key drivers for revenue increase or decrease are

- **Customer Satisfaction** : Increase in customer satisfaction is expected to cause an increase in revenues
- **Decrease in Obtrusive ads** : This will increase in customer satisfaction which will lead to not using adblockers which will help to retain more publishers which will lead to prevention in losses.
- **Charging the customers** : This will lead to decrease in number to users but might lead to increase or decrease in the revenue depending on customer turnover.
- **Paying the adblocking companies** : This might lead to short term loss of revenue but might help in the long term by retaining publishers and decreasing losses.

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- To maintain profitability, GYF might have to charge the customers which may result in decreased usage of GYF's services and loss of customer base which will eventually lead to losses.
- Both GYF and the companies that post ads will have to invest in finding ways to tackle the ad blockers which might result in increased expenses.
- Thus we need to find a way to prevent the losses that the company might incur due to the advent of adblockers

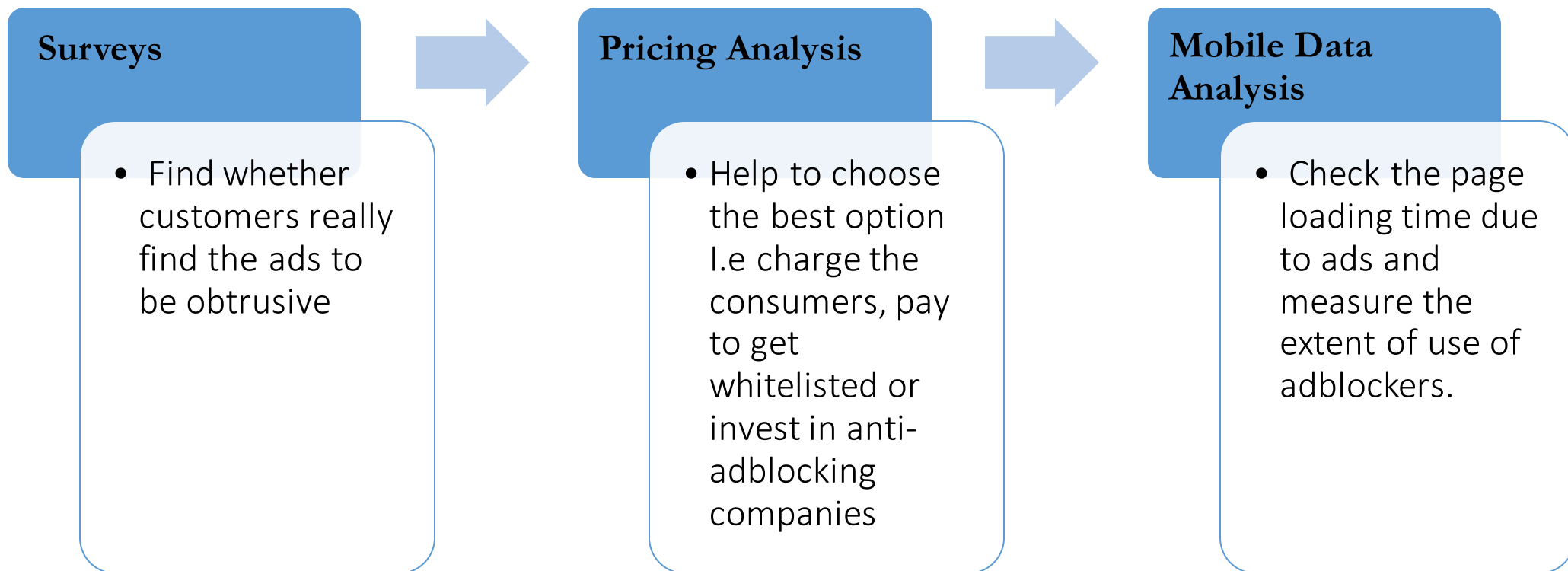
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- After analyzing the results from descriptive research, we can use **Causal Research** to see what changes might solve our problem.

For example: We can check whether customers are willing to pay if we offer to remove the ads.

- The **tools** that can be used are:



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  - Zero dollars for anything else.
- The final optimized increase in productivity is **43500** dollars.
- For optimizing the model, the objective function was to **maximize** the productivity.

**Objective function :**  $0.2 * (\text{Internal Hard Skill}) + 0.7 * (\text{External Hard Skill}) + 0.6 * (\text{Internal Soft Skill}) + 0.4 * (\text{External Soft Skill})$

**Constraints :**  $0.2 * (\text{Internal Hard Skill}) + 0.7 * (\text{External Hard Skill}) \geq 20000$   
 $0.6 * (\text{Internal Soft Skill}) + 0.4 * (\text{External Soft Skill}) \geq 12000$   
 $\text{EHS} + \text{IHS} + \text{ESS} + \text{ISS} \leq 65000$

Then I used solver to get the optimal solution

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# Conclusion

- Adblocking is a serious threat to the online advertising industry but there are ways in which this problem can be dealt with.
- A number of strategies can be applied based on the requirements like Improving ad Quality, decreasing obtrusive ads, explaining the need to place ads to the users, paying to get whitelisted, paying some anti adblocking companies, charging the customers etc.
- After analyzing the options pricing analysis will help to find out the most economical option out of the above.
- But the long term implications of paying to get whitelisted also need to be considered.