

Thinking strategically about the interactive advertising industry

The Interactive Advertising Bureau and Accenture look to the future

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Dealing with uncertainty in the advertising industry

New technologies, devices and media consumption patterns are altering the trajectory of the advertising industry's growth and expansion.

The digitization of content and communications has changed the face of almost every industry. Arguably, however, none has experienced the stomach-churning uncertainty—the mix of unprecedented opportunity and threatened extinction—of the media, entertainment, broadcasting and publishing sectors.

That transformational uncertainty applies especially to the advertising models by which those industries have traditionally supported their business strategies.

The challenges of monetizing digital advertising are profound, both for marketers and for those companies offering the advertising channels themselves. All companies face the difficult task of bringing a new business model online while still maximizing profitability from the old model. They also live in a more volatile consumer and business world—one with dramatically shorter lifecycles for products and services.

New technologies, new devices, new media consumption patterns—all these are altering the trajectory of the industry's growth and expansion in real time. Given the uncertainty produced by unproven business models and technologies, how can companies make sound—or at least defensible—strategic decisions about advertising that can generate profitable growth?

Anticipating different scenarios

The Interactive Advertising Bureau (IAB) and Accenture recently teamed on a strategic planning initiative to ask, and answer, that very question. Based on current trends and market drivers in the interactive, digital advertising marketplace, both online and mobile, how can the IAB best prepare itself to serve its member companies?

Thinking and planning in an informed way about the complex interactive advertising marketplace is critical to the IAB as well as to the 375+ media and technology companies it represents—companies which collectively are responsible for selling more than 85 percent of all online advertising in the United States.

To assist the IAB in thinking strategically about its future, and the future of the interactive advertising industry in general, Accenture employed a four-part methodology:

- 1. Engaging in detailed analysis of the marketplace involving secondary and primary research, as well as analysis based on Accenture and IAB experience.**
- 2. Interviewing key members of the IAB staff and board.**
- 3. Conducting an in-depth scenario planning session.**
- 4. Synthesizing the research and planning results, and working with IAB to validate key recommendations.**

Call it a “methodology for dealing with uncertainty.” In an environment where the future is even more unknowable than usual, all companies in interactive advertising need to be engaging in similar kinds of scenario planning, so they aren't caught off guard by the unexpected.

Because of this strategic planning project, Accenture has enabled the IAB to make more informed decisions about how to help the interactive advertising marketplace grow, and how to increase both interactive's share of total marketing spend and its member companies' share of total marketing spend.

About the IAB

The Interactive Advertising Bureau (IAB) is comprised of more than 375 leading media and technology companies who are responsible for selling 86 percent of online advertising in the United States. On behalf of its members, the IAB is dedicated to the growth of the interactive advertising marketplace, of interactive's share of total marketing spend, and of its members' share of total marketing spend. The

IAB educates marketers, agencies, media companies and the wider business community about the value of interactive advertising. Working with its member companies, the IAB evaluates and recommends standards and practices and fields critical research on interactive advertising. Founded in 1996, the IAB is headquartered in New York City with a Public Policy office in Washington, D.C. Its website is www.iab.net.

The IAB has six core objectives:

- Fend off adverse legislation and regulation.
- Coalesce around market-making measurement guidelines and creative standards.
- Create common ground with customers to reduce costly friction in the supply chain.
- Share best practices that foster industry-wide growth.
- Generate industry-wide research and thought leadership that solidifies interactive as a mainstream medium.
- Create countervailing force to balance power of other media, marketing, and agency trade groups.



Looking to the future

The goals of IAB's strategic planning initiative

For IAB, getting out in front of the momentous changes within the advertising industry had become an imperative if it was to serve its member companies effectively. According to Randall Rothenberg, IAB's president and CEO, "By 2009 it had become abundantly clear that the media industry was going through change that certainly qualified as disruptive. Interactive technologies had matured to the degree that we were seeing a significant transfer of the attention and budgets of marketers and agencies from non-interactive to interactive media."

That trend, combined with the economic recession, has created unprecedented pressure on media companies, especially those with significant operations in the offline world. Because both incumbent media companies as well as what one could call "digital natives" are IAB members, IAB felt compelled to do several things to help address industry pressures. Says Rothenberg, "One was to figure out what we could do to help

"digital immigrants" (companies rooted in the offline world but with some online assets) speed their evolution to the digital marketplace. Second was to help the digital natives mature at a faster pace so they could become more capable of serving the needs of agencies, marketers and consumers."

The IAB is a "big tent" organization. Unlike other associations, which represent industry segments defined by a discrete distribution medium (magazines, newspapers, radio, etc.), IAB's members include such diverse sell-side players such as search advertising specialists, social media, digital video distributors, online networks, brand-name news providers, and more.

Notwithstanding their differences, many of the challenges faced by member companies are very similar. So, says Gina Kim, IAB's director of industry services, "We wanted to cut through the tensions between these sectors to see if we could establish some common

ground on which the IAB and its members could operate for the next five years or so."

Jonathan Busky, IAB's director for outreach and education, adds that the association's members are extremely diverse, including magazines, newspapers, television networks and stations, interactive pure-play portals, search engines, and first-party publishers and networks. "So with a strategic planning and visioning process, we wanted to gain more insights into what is likely to happen across those diverse segments. What is likely to happen to these kinds of companies? How might their revenues grow or shrink? What are their new revenue sources likely to be? What kinds of services will they require as they change, and how can IAB change to more effectively meet their needs? How will we be able to finance those services? These were some of the questions driving our strategic inquiry."

Understanding current media and consumer trends

Thinking about the future depends on understanding the past and the present, since that past–present trajectory is a key input to dealing with multiple potential futures.

An appreciation for the profundity of the changes underway in interactive advertising is especially important. Rothenberg notes that one has to look to other extremely disruptive periods in other industries for analogous experiences.

"The media and advertising industry is going through a period analogous to the early years of the automotive industry," says Rothenberg. "From roughly 1885 to 1910 there were thousands of small car companies starting up across the U.S., all competing based on different technology foundations, including steam, electricity and internal combustion. And companies came from all different heritages—shipping, wagons, bicycle manufacturing and so on."

Over the next couple of decades, based on the natural winnowing of the marketplace—through the advantages of certain operating efficiencies and business models as well as consumer preferences—the industry settled on a dominant technology and a winning business model. "That," says Rothenberg, "is the same kind of competitive process that we wanted to understand better within the interactive advertising industry."

In this first phase of work, Accenture worked with IAB to conduct secondary marketplace research and analysis, looking in particular at two categories of trends: first, trends affecting current technology, media and consumer behaviors; second, trends in the online advertising market.

In the case of the first category, new devices and technology developments, new consumer behaviors and new competition all add up, as noted, to

major structural changes occurring in today's media ecosystem. These trends can be understood, on the one hand, as a shift in media supply and, on the other, a shift in media consumption. (See Figure 1.)

From the supply side, computing and communications platforms are becoming ubiquitous and commoditized. Cheap storage, bandwidth and processing power are now the norm. As IAB's Rothenberg explains, the adaptation of ever-increasing computing power, driven by Moore's Law, to the media industry has given companies capabilities really unforeseen only a few years ago.

New analytics technologies are giving companies the ability to target far more granular customer segments than ever before, even down to city blocks and neighborhoods that are demographically distinct. "This," says Rothenberg, "produces a closer understanding of consumers and the ability to target

	Demand		Supply	
	Advertisers	Agencies Creative & Buyers	Networks Transaction Intermediary	Publishers Inventory Owner
Concentration	Low	High	High	Low
Key Players	<ul style="list-style-type: none">• Thousands of brands across several verticals• GM, Coca-Cola, Bank of America, BP, Sony	<ul style="list-style-type: none">• Hundreds of small agencies operating in a few conglomerates• Omnicom, Publicis, WPP, Saatchi & Saatchi	<ul style="list-style-type: none">• Aggregators of ad avails or of content publishers• Google, Yahoo, AOL, Microsoft	<ul style="list-style-type: none">• Hundreds of sites with wide variety of audiences and sizes• Hundres more social sites, app developers, game publishers
Key Needs	<ul style="list-style-type: none">• Understand ROI of ad spend• Education on new ad markets and their effectiveness for brand	<ul style="list-style-type: none">• Consistent results in new markets• Service clients simply and repeatably with reliable perf data	<ul style="list-style-type: none">• Standardized creative, B2B interactions (sales, settlements)• Pricing and segmentation strategies	<ul style="list-style-type: none">• Creative standards• Regulatory support• Optimization data• Evangelism within Demands side of chain

Figure 1: Shifts in media supply and demand

them with relevant offers that they will want to interact with. It's the relevance that matters first."

From a device perspective, innovation is accelerating because of a combination of pervasive wireless infrastructures, powerful hardware, appealing devices and user-friendly apps and interfaces. The new mobile devices hitting the marketplace are easy to use and offer real-time access to rich media. These devices will alter the way people in both the developed and developing world will consume media and other digital services.

From the demand or consumption side, the use of interactive media is growing, fueled in particular by social networking applications, user-generated content and the use of online and mobile platforms for communications, video, gaming and other multimedia applications. It's not just the use of a single device or platform generating growth

of online consumption, either: it's the use of multiple devices, even concurrently—from TVs to computers to mobile devices.

The nature of competition itself is changing as well. The convergence of the media, entertainment, communications and high-tech sectors, for example, has rewritten the rules of the game. Retailers are another new and major player—creating mobile apps and getting into the video streaming business. As big-box retailers enter the digital world, they are altering the presumptions and boundaries of the industry.

What do these trends mean for the interactive advertising industry? Several implications are important. Most obviously, we are likely to see the expansion of traditional ad sales functions into new platforms, and the continued expansion of targeted ads, perhaps sold independently of content. The definition

of "advertising" also is changing, as marketers experiment with appeals that go outside of the box of formatted display ads and video spots. Online brand marketing is already disrupting the value of advertising agencies, and further industry shakeups are imminent.

Fragmentation of multiple kinds will occur. Because barriers to entry in the creation and distribution of digital content are low, the industry is likely to see the continued growth of smaller, more independent publishers. The fragmentation of a consumer's usage and attention across multiple devices and platforms means that new metrics and measurement methodologies will also be required to measure the impact of a marketing campaign across multiple media and devices. The importance of OEMs and platform providers is likely to increase given the need for usage metrics—measurements into which such companies have the best transparency.

Trends in online advertising

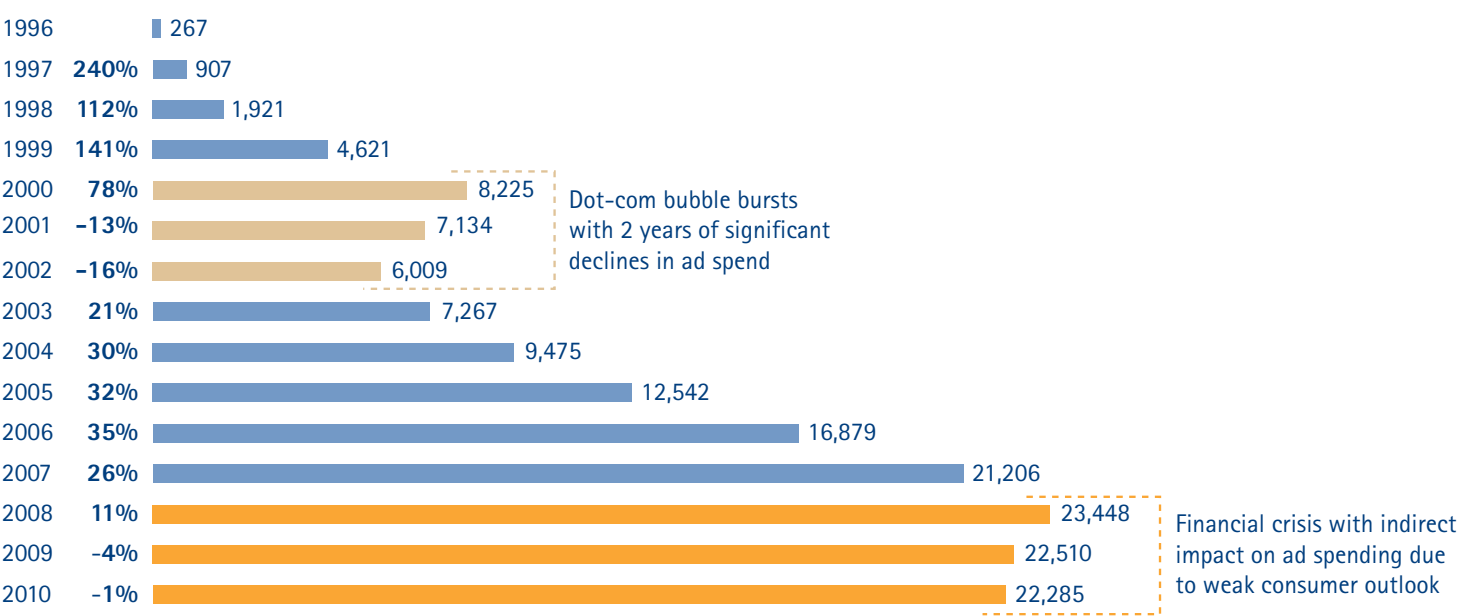


Figure 2: Online advertising spend and year-on-year growth rate, U.S., 1996-2007 (US\$M), (Source: IAB, Accenture analysis)

The recession has obviously had a negative impact on consumer spending, and recovery is happening slowly. Because of the strong correlation between GDP growth and ad spending, the industry is currently experiencing a glut in inventory. Another factor is the low barrier to entry for new online sites and blogs that sell ads. The result is that too many impressions are chasing too few ad dollars, resulting in declining CPM prices.

However, with history as a guide, a rebound in ad spending is likely. Historically, ad markets have recovered after downturns in similar ways. This is only the second downturn to have online advertising in play, but history shows that more traditional ad markets have behaved similarly—shrinking during the downturn and then rebounding during the recovery. (See Figure 2.)

Ad spending on major media types is expected to bounce back in 2011. However, online is the only media type with significant growth projections for ad spend. (See Figure 3.)

One important insight gained by a comparison of consumer and corporate behaviors is that a significant misalignment exists between the way consumers spend their media time and where marketers now spend their ad dollars.

Figure 4 compares media usage in U.S. households with ad spending across all media types. Although Internet usage now exceeds even time spent watching TV, ad spending continues to be skewed toward TV and newspaper channels.

What do these trends mean for marketers and advertisers? Perhaps most important, traditional CPM-based business models are no longer adequate to the complexities of multi-channel advertising. Efforts must be made to

attract brand advertisers online using more effective data, metrics and research.

The presumption of consumers that everything online should be “free” continues to have negative implications for the growth of the content and advertising industries. This is especially true for content that does not typically have a “paid” component, like much of the Web.

Innovation will be necessary to overcome these challenges. Companies must make expanded use of targeting as a CPM lifter, for example, and should pursue the increased use of video and other rich media embedded in a display. Innovation in business models is also necessary—for example, creating “tiered” display markets, focusing on the creation and marketing of premium placements.

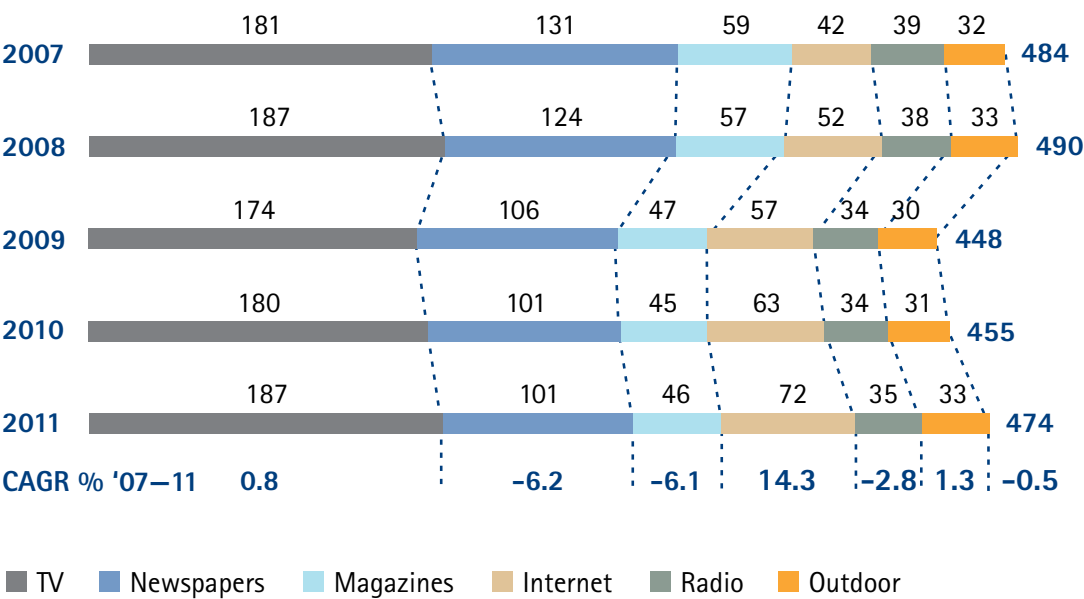
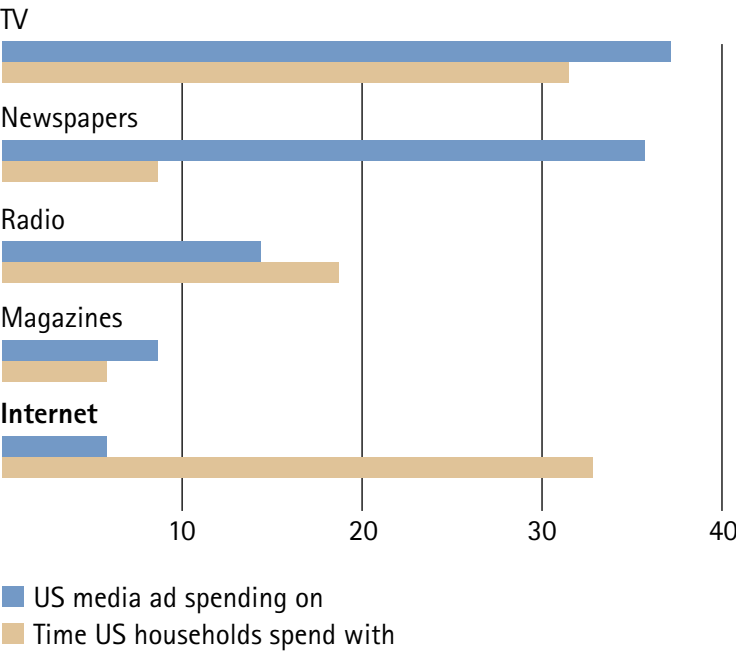


Figure 3: Global advertising spend (US\$B), by media type (Source: ZenithOptimedia and Accenture analysis)

Companies must also be willing to tune their business models for mobile devices and usage. Consumers will have enriched and improved “print-like” experiences through more effective mobile devices, digital readers and tablet PCs such as the new iPad. Figuring out mobile advertising is going to become ever more essential to the industry. The opportunities for more targeted and relevant ads via mobile devices (especially using location-based data) are too great to pass up.

The most pressing need for marketers and advertisers is better analytics. The complexities of tracking consumer media behaviors across multiple platforms and making sense of them is daunting, to say the least. But companies that can solve those complexities will have a distinct advantage over their competitors.

Figure 4. US media ad spending vs. consumer media behaviors (%) (Source: Forrester North American Technographics Survey, online panel; AdAge spend metrics; MorganStanley analysis)





Tapping into executive knowledge and experience

Accenture then worked closely with IAB board members and the executive team to begin considering what these trends mean for the industry as a whole, and IAB in particular.

Interviews confirmed the basic presumptions gleaned from market research and Accenture analysis. For example, the challenge of delivering ads across platforms was a prevalent concern about board members. As one executive put it, one important question for the long term is how to change the industry model so that delivering to a big screen, small screen or any screen is not the hurdle anymore. "We need to be able to reach our customers wherever they are, seamlessly—in the living room, the health club, the office, the desktop, or on your ride home with your mobile device. We have a monstrous consumer base; so isn't it crazy that an advertiser out there can't use a mechanism to reach this audience?"

Insufficient metrics are, as one interviewee noted, another problem that will only get worse over time unless the situation is addressed. "The ad effectiveness solutions are ten years old and known to be highly flawed," this executive noted. "We may find a proactive approach more beneficial than waiting for the inevitable."

An executive from one ad network added, "If beer manufacturers gave all credit to the last ad seen, they'd spend all their money on neon signs in bars. Of course they don't—but we as an industry haven't figured out better standards."

Yet dealing with the intricacies of client relationships and moving the industry toward better solutions is very

difficult. One interviewee noted the challenge of having junior ad agency staff interacting with their more senior clients, trying to get them to see the shortcomings of traditional media metrics approaches. "You have these young planning folks making decisions based on information sources their clients have name recognition around, and all they're trying to do is make the client happy. No 24-year-old planner will take on their client and try to explain the shortcomings of the current systems. So maybe the problem starts at the client side, with better client education. Clients continue to ask for good decisions based on faulty sources."

The ecosystem is also crowded and, at times, unruly. "So many agencies and clients," said one interviewee. "Even within each particular agency you have an innovation group and an activation group and a buying group. We'll often have to call on three to four groups within an agency. By the time you get through that process and build consensus as a publisher, you can understand why clients are frustrated."

Companies that run, manage and resell ad inventory have, of course, a different perspective—one that often expresses concern about whether the ecosystem can simultaneously support the interests of advertisers and publishers. "There should always be standards that help all participants," said one executive. "I don't think it's reasonable to expect that if agencies want to arbitrage media, that the

publishers will be able to do anything about it. The regulations or standards to limit that will never take hold. What is it about our industry that makes agencies want to do that? There is such inefficiency around how media is sold, how definitions are created, etc. Agencies are fixing the problem for the customer because the industry hasn't solved it for them."

The idea of differentiated pricing models to account for premium pricing has strong support among IAB board members. "We are bound to keep prices high for our premium inventory," one executive noted. "We do that by not running on networks and by tiering our inventory and selling it through different sales teams. But we fear our peer group has gone big into discounting and will be stuck at lower prices. That would be great for us when the market comes back."

In the end, board members affirmed that the responsibility for success ultimately lies with them. Content is still king, and so it's up to content companies to make their own success. "We battle pricing pressure every day with our products," said one executive. "At the end of the day I really believe that strong branded content will continue to be more valuable. If you're vulnerable to commoditization because of the weakness of your content, so be it. Strong brands and strong content will still command a premium."

Contemplating the future: Multiple scenarios



Figure 5: Advertising industry market drivers for the IAB-Accenture scenario planning sessions, with current status noted for each sliding scale

Armed with information about trends, as well as with perspectives from media and advertising industry executives, Accenture and IAB then worked together, using scenario planning techniques, to envision the multiple paths that the industry might take. Scenario planning has become an important tool in recent years in strategy sessions where the business environment is especially complex and uncertain.

Strategic planning often errs when it presumes a too linear environment, or one with overly simple cause-and-effect relationships. Given the market situation detailed earlier, it is important to consider multiple chains of causality, and therefore multiple futures with which a company or industry may need to deal.

However, no contemplation of the future can take place without some narrowing of the field of market drivers. In the case of the interactive advertising industry and IAB in particular, Accenture and IAB worked to narrow the list of key market drivers to five:

- 1. Content ownership:** Will large publishers drive content creation? Will smaller, amateur publishers be aggregated?
- 2. Buy/sell centralization:** Do networks and buying agencies control the majority of the market? How efficient is the market for ad space?
- 3. Measurement and metrics:** Will more standard targeting and impact measures be adopted? Will measures apply across platforms and/or screens?

4. Profile management: Will user profile/behavior data be shared among sites/platforms?

5. Spend and use alignment: Will interactive brand and direct response ad spend grow to match use?

Imagine a sliding scale for each of these five drivers, as shown in Figure 5. The possible scenarios for the future of the interactive advertising industry are based on where different industry players and observers feel each driver would be characterized on each of those spectrums. The figure represents the current state of these drivers, as analyzed by the IAB and Accenture. While one's position in the market may affect one's perspective on this positioning, IAB and Accenture attempted a balanced approach reflecting IAB's diverse membership.

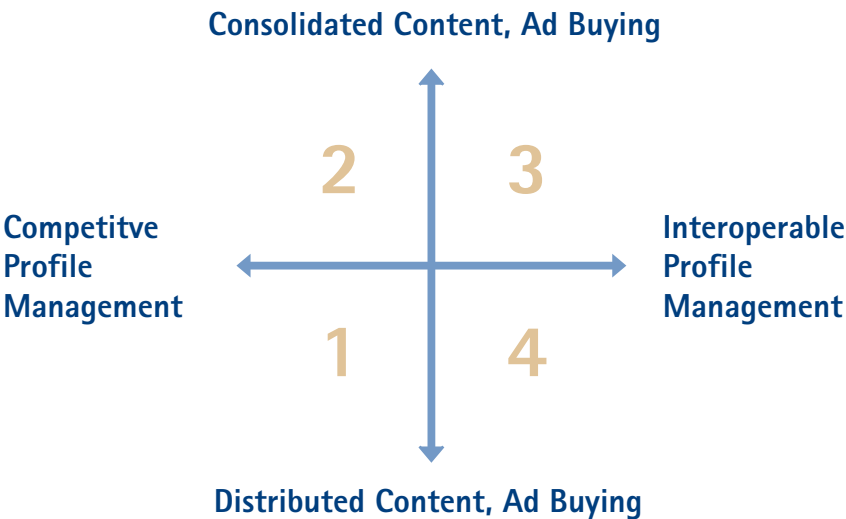


Figure 6: Four potential scenarios reviewed during IAB scenario planning

With content ownership, the key variable is whether content is likely to be distributed or consolidated among fewer players. Similarly, for the buy/sell variable, the contrast is between a distributed or centralized environment.

Measurement will be driven largely by whether standards will eventually take hold, whereas profile management is a matter of the extent to which interoperability and cooperation will rule the marketplace, or whether the management of customer information will remain competitive. Government regulation and the handling of consumer privacy issues will also have a strong impact on interoperability and data sharing.

Finally, the alignment of spend vs. use is a matter of whether use outpaces spending (as today), or whether those

two variables begin to come into harmony. It is largely a lagging indicator that is driven by movement in the other four.

IAB and Accenture used discussions about these market drivers to develop, in a first phase of planning, four different scenarios for consideration. For each scenario, the Accenture and IAB planning teams applied knowledge of industry trends against complex chains of causality to characterize that future. The team also considered what IAB would have done to help create this future, as well as what its role would be moving forward should this potential future come to pass. Figure 6 plots these scenarios against the drivers noted earlier. (See the sidebar on page 15 for more information about these four scenarios.)

An important insight arising from this part of the strategy program was that leaders must work hard to encourage true, open collaboration when those participating in the program are such strong competitors and, therefore, primarily focused on pushing for the success of their particular business or segment.

Scenario planning requires a great deal of cooperation among participants. When competitive dynamics are so strong, those running a scenario planning exercise must take the time to educate participants about the value of open brainstorming. Contemplating a future where your particular segment loses market share is no easy task, to be sure. But to take positive steps toward ongoing viability, it's important to understand all potential paths forward.

Placing bets

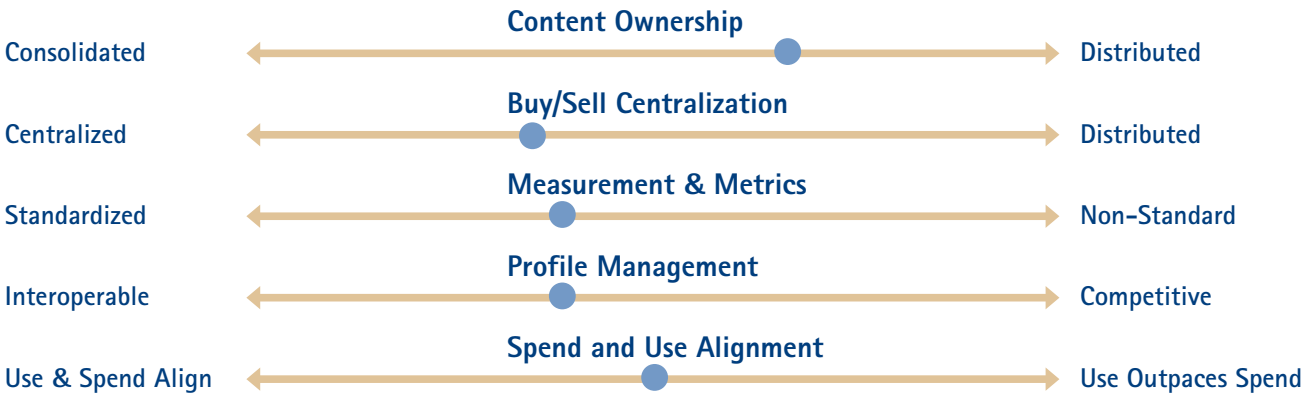


Figure 7: The most probable scenario that emerged from planning sessions

Following the consideration of multiple potential futures, which did IAB and Accenture eventually judge to be the most likely evolutionary path? (See Figure 7.) It's a future not as consolidated and integrated as Future #4, but also not as distributed or chaotic as Future #1 (see sidebar.)

Content creation and ownership is largely distributed in this future. Content creators come in all sizes, with relatively low barriers to entry, though the larger publishers still provide market leadership. Ad buying has become largely consolidated through an exchange model, and many relevant metrics around ad purchasing and impact have become standardized, enabling the exchange to operate effectively. An exchange model means that advertising inventory is bought and sold through a platform, but it does not imply a specific type of business transaction (e.g., auction, RFP).

Better interoperability is one of the distinctive characteristics of this

environment. In fact, profiles are managed such that interoperability can take place not only across brands and sites, but also across devices—much as one can now set up a phone to log on to the same accounts as your PC and television. This interoperability has been created by incenting users to opt in to a shared profile through value-added services.

IAB is likely to have a more proactive role in shaping this future—helping to push for standards for interoperable profiles, for example, as well as more clearly defined and embraced definitions for metrics. The IAB also potentially could play a role in creating an independent ad exchange to encourage growth, especially growth of the interactive marketplace.

In general, the IAB saw during this scenario planning process the importance of its role in encouraging successful business models and in highlighting developments that can be successful in bringing brands and audiences together.

Probable future: More touch points, better data, deeper complexity (see Figure 7)

- Content creators come in all sizes, with relatively low barriers to entry; large publishers still lead the conversation
- Ad buying is largely consolidated through an "exchange" model
- Many, but not all, metrics around ad purchasing and impact are standardized, allowing for the exchange to operate well
- Interactive spend is trending well, with less of a lag
- Properties incent users to opt in to profile sharing via added services

How did we get there?

- Created standards for interoperable profiles, metrics definition
- Created/Encouraged the creation of an independent exchange

Future 1. All for One, but Not One for All

The first possible future contemplated by the scenario planning team was one where content ownership, as well as buying and selling, remains extremely distributed. Because of low barriers to entering the online media marketplace, smaller organizations are able to create new brands that quickly draw attention and online traffic. As this happens, the larger players fail to reach out, cultivate relationships and then aggregate these smaller players to help consolidate content.

The somewhat chaotic market environment in this scenario means that measurement continues to be a challenge. With too many players and platforms, non-standard metrics proliferate. Discussions with IAB staff and Board members during the scenario planning process revealed a significant amount of consternation in the area of metrics. In the online world, important concepts such as "engagement" do not yet have much science and rigor behind them. How are companies to

measure the "effectiveness" of an ad? Do they measure the click to purchase or should they also seek more complicated metrics such as what might have influenced that purchase? This scenario presumes that this situation does not get markedly better in the near future. Each site or each exchange continues to have a different view of what effectiveness and engagement mean.

Future 2. Big Islands

This scenario is in many ways the antithesis of the first. Here we see a great deal of consolidation in terms of content ownership, with major enterprises ("big islands") buying up smaller content providers. That consolidation then drives centralization of the buying and selling process, with standardiza-

tion creating a simpler way to transact deals across far fewer properties. With this power comes less incentive to move online, so this scenario finds the balance of brand spending not going online.

Several implications arise in this

scenario. Publishers, especially large online publishers, remain in a strong position. The need for a middleman role of ad networks goes down considerably because the environment is less complex. It becomes easier for a major brand to go directly to a few sites and capture a major portion of the market.

Future 3. Chain Gangs

This scenario presumes a content ownership and buying/selling environment that is even more distributed than in Future #1. This situation leads to multiple chains of smaller destinations linked by common profile recognition. The huge number of players involved, and the failure to agree to common metrics, makes ad buying difficult. Individual sites and applications compete for

smaller pieces of the pie, and the industry as a consequence grows at a slower pace.

This future presumes a strong commitment to innovation from a content, device and consumer perspective, but the innovation is individualistic and isn't ultimately driven by a common sense of what's best for the industry.

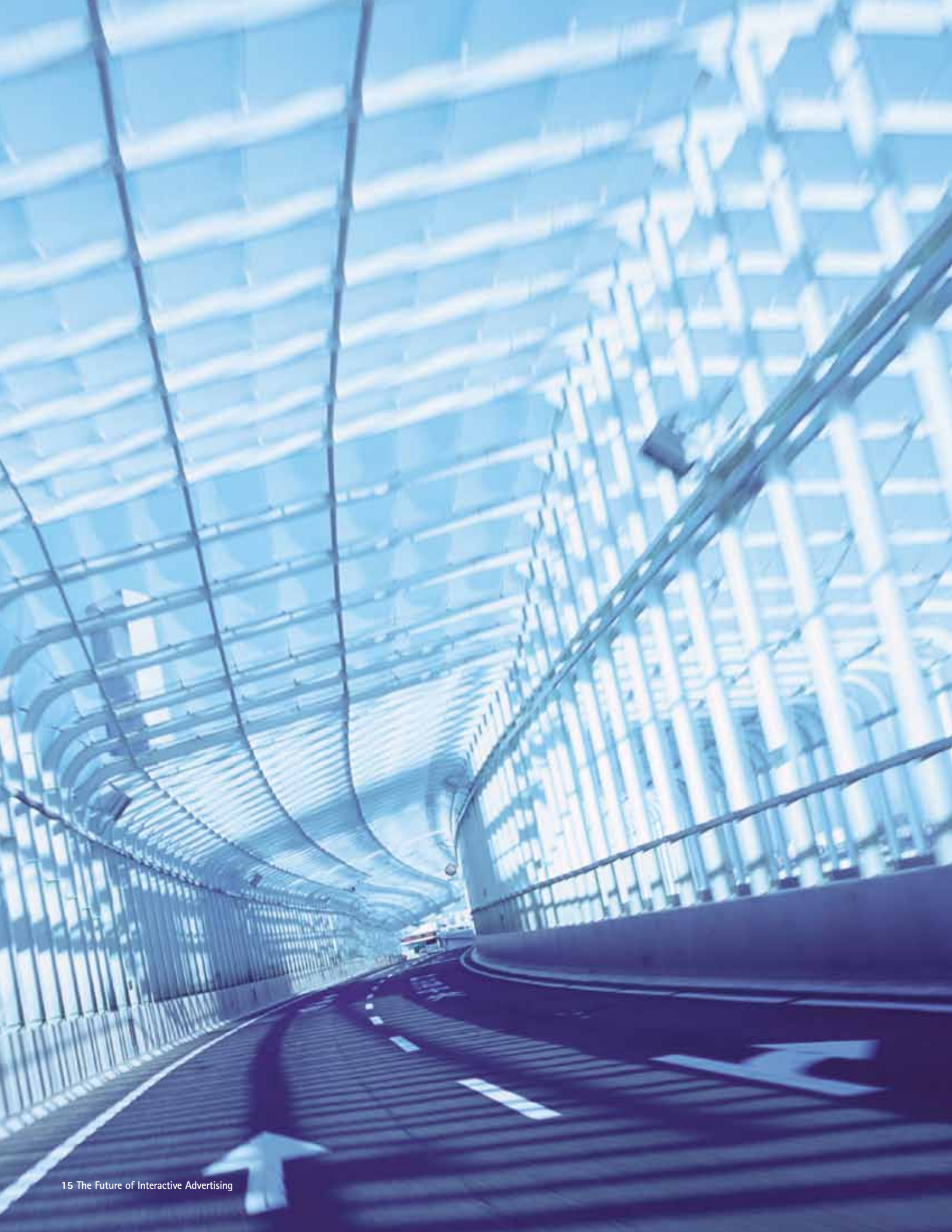
Insufficient lobbying efforts also contribute here, with the industry failing to convince legislators of the benefits of information sharing. Hence, privacy concerns dominate the discussion, leading to barriers preventing the use of consumer information that could support more targeted ads and services.

Future 4. Everybody Knows Your Name

If the first scenario was a kind of dystopia, Future #4 is more of a utopia for the interactive industry. A more consolidated and centralized environment exists, but not so consolidated that content ownership is monopolistic or oligarchic. Ad networks and exchanges are able to serve even smaller players within the ecosystem in large part because agreement on standard metrics has been achieved.

Interoperability and information sharing in this future let people manage their profile from site to site, leading to better targeting of offers. As a result, more spending has been generated from the large advertisers. A lot of the money currently going to less measurable media has come online, where companies can more clearly delineate what the value proposition is.

Discussions around this scenario began to look quite explicitly at how IAB might play a more proactive role in industry evolution. Historically, the association has waited for standards to emerge, and then put its weight behind those. But this scenario led IAB staff and members to consider putting the weight of the organization behind a standard earlier in the process, to prevent ongoing uncertainty or bifurcation of standards.



Impact

What has been the impact of this scenario planning methodology and process on IAB's thinking and operations?

According to IAB's CEO Randall Rothenberg, a number of important "a-ha's" occurred at various points in the process. "One early conversation with Accenture that stands out in my mind is when we realized that, as a trade association, we had an opportunity to use our influence in ways we perhaps had not thought through fully to that point. We have an opportunity to forge consensus around cross-industry agreements. It's a well-developed core competency. That's a power and influence that is quite rare in a trade association and probably something that is scalable." (For more, see sidebar: "About Accenture Interactive.")

This insight was especially important, says Rothenberg, because IAB was working through its budgeting precisely at that point, and it influenced where the IAB Board considered allocating resources. "Trade associations don't

necessarily think in terms of their core competencies," says Rothenberg, "so this process has been extremely helpful in getting us to think about what we're good at now, what we want to be good at in the future, and how we want to best leverage our influence."

The importance of metrics

As several of the scenarios considered in this process made clear, moving the industry to more relevant metrics is vital to the growth of the advertising industry in general, and thus the digital environment—where metrics can be more precise, and where more relevant and engaging experiences can be delivered—becomes ever more important.

Accenture believes it is vital for companies to use technology to deliver a customized digital experience with a more predictable cost structure. Companies must adopt more flexible and scalable technology platforms

capable of creating a tailored experience for consumers over both online and mobile channels, and they must do it with a more predictable cost structure over time.

At the heart of digital technologies is the potential for delivering unique experiences to consumers, as well as unique capabilities to companies leveraging digital channels for sales and marketing purposes. Digital gives businesses deeper insights into consumers—their interests, needs and behaviors—which can then be translated into compelling, tailored offerings that create longer-term relationships.

Digital gives companies an opportunity to establish revenue models based on the success of relationship building. The ability to engage consumers with relevant and customized experiences becomes the basis for monetization. Instead of focusing on inputs such as

“This process has been extremely helpful in getting us to think about what we’re good at now, what we want to be good at in the future, and how we want to best leverage our influence.” Randall Rothenberg, CEO, Interactive Advertising Bureau

numbers of banner ads or page views, companies—especially media and entertainment companies—will be able to focus on relationship-based outcomes: a known quantity of consumers whose interests are well understood. Digital channels that can deliver consumers with established interests can charge handsomely for that capability. (For more, see sidebar: “Accenture Interactive.”)

Other insights

The Accenture team also helped IAB to consider the impact of advertising price pressures on the industry as a whole, and identified direct content monetization and brand experience as an important service area for the IAB. Says Rothenberg, “When this was first raised as an issue for us, our Board initially did not find it as important as it did about four or five months later.”

Also important were insights gained into the importance of mobile platforms to the future of interactive advertising. “The mobile question has been a difficult one for the industry,” says Rothenberg. “People have been predicting ‘Year of the Mobile’ every year for a decade, but not much has come of it.” Both IAB and Accenture now believe strongly that mobile interactivity is a game-changer for the industry. If you think of mobile just as pushing out ads, that’s not something that shifts the paradigm. But when you add interactivity and relationship building, using the unique capabilities of mobile, including location-based services, that begins to draw in consumers and hold them.”

Finally, IAB and Accenture began to more fully understand the close relationship between two issues: the privacy and regulatory debate on the

one hand, and the issue of competition and coopetition in the industry on the other hand, especially as the latter relates to data usage and control. Says Rothenberg, “We realized through our work with Accenture that data usage and control is actually the fulcrum on which the entire future of the media industry is balanced. One can argue about whether data usage and interoperability lead to consolidation or fragmentation, but the one thing that is not arguable is that it’s the critical fulcrum. So this has led us at IAB to more closely consider what our role is going to be in working through the implications of data sharing and control, especially as it relates to education and outreach, including legislative lobbying. The future of news and entertainment media, and the future of consumer marketing, depend on this.”

Conclusion: The future of interactive

As media companies and marketers begin to more fully understand the importance of relevance and engagement, interactive services and interactive advertising will continue to grow in importance. Many challenges remain, especially as companies deal with their traditional media models while evolving those models for a digital age.

Through its strategy program, and the scenario planning process undertaken with Accenture, IAB has taken a major step forward in helping to define the advertising industry for a new age, and in positioning itself as a proactive player that can shape the future for itself and its members.



About Accenture Interactive

Accenture Interactive guides companies on the journey toward agile, intelligent marketing. The length and depth of the journey depends on specific needs, but the goal remains the same: to help clients achieve a dramatically more flexible, efficient and scalable way of reaching customers, serving them and maintaining their loyalty.

We achieve this by:

- Placing analytics and intelligence at the core of the business.
- Moving from point solutions to integrated platforms.
- Providing complete managed services solutions.
- Unlocking value through improved customer acquisition and conversion effectiveness.
- Optimizing investments across digital and traditional channels.

Our services cover all aspects of digital marketing, marketing analytics and media management. Our methodologies and assets bring together marketing and IT—driving both organizations toward a common goal: customer relevance.

Accenture Interactive offers a single source for meeting the challenges of the new marketing paradigm with a focus on:

Digital marketing

Our digital marketing professionals help clients:

- Promote brands more effectively using the Internet, mobile and other interactive channels.
- Extend beyond online marketing by integrating additional digital channels into the marketing mix, e.g., mobile messaging.
- Design, deliver and manage compelling, connected experiences across all digital channels, seamlessly integrating them with traditional marketing.
- Incorporate real-time and automated marketing solutions.

Marketing analytics

Our marketing analytics group focuses on measuring, managing and analyzing marketing performance to improve effectiveness and optimize marketing's return on investment.

We do this by:

- Improving metrics to more effectively monitor marketing performance.
- Developing dashboards to create new levels of performance visibility.
- Enabling better business-decision making.

Media management

Our media management team helps clients measure, manage and analyze offline and online media assets so that they work in a complementary fashion. Our approach helps to improve media purchasing and trafficking. We also enable clients to identify new targeting, cross-sell and up-sell opportunities to improve the value from their media investments.

Accenture has broad experience across the media, entertainment and advertising industries. We:

- Work with more than half of the *Advertising Age* top 100 advertisers globally.
- Audit more than \$14 billion of advertising spending per year globally, more than five times our nearest competitor.
- Maintain an international presence in markets accounting for 90 percent of global media spending worldwide.

Contact us to find out how Accenture Interactive can work with your company to achieve high performance in digital marketing, marketing analytics and media management, accelerating the journey towards agile, intelligent marketing.

