

Service Provider Develops New Revenue Stream from Advanced Advertising

Executive Summary

CUSTOMER

U.S. provider of communications, data, and entertainment services

INDUSTRY

Service Provider

CHALLENGES

- Traditional TV ad revenue is declining
- New ad types carry potential privacy concerns
- Difficult to assess technology options

SOLUTIONS

- Identified advanced advertising services with US\$1B revenue potential
- Developed plan to maximize revenue while respecting consumer privacy
- Developed optimal architectural roadmap based on financial and technical feasibility

RESULTS

- Thousands of targeted ads successfully delivered in trial
- Improved communication within government
- 65 percent greater efficiency for targeted ads
- Viewers 32 percent less likely to tune away from targeted ads
- High consumer acceptance of targeted ads
- Company positioned for leading role in advanced ad services

Background

The client, a major provider of communications, data, and entertainment services in the United States, is continually looking for innovation and growth opportunities for its pay-TV subscribers, who make up most of its customer base.

In late 2008, the company was evaluating new services to pursue as part of its growth strategy. Revenue from television ads was declining because of the overall economy, and online advertising was taking share away from TV advertising.

The company had been exploring the potential of advanced advertising and data services to generate growth. These services include targeted advertising (in which certain groups or individuals see ads specifically tailored to them), and interactive advertising (which lets viewers order products by clicking on commercials).

The company had the assets to provide advanced services and play a prominent role in a new advertising ecosystem, but it needed help identifying and understanding the optimal architecture for delivering these services. As a longtime Cisco customer, the company turned to the Cisco® Internet Business Solutions Group (IBSG) for help assessing the opportunities and risks associated with various offerings.

Challenges

- **Identifying Services and Potential Revenue Sizing:** There are many types of advanced advertising and data services, each with its own implications—capability requirements, information requirements and sensitivities, and revenue opportunities. Given the numerous potential services and business models, the company needed guidance to help it decide which ones to pursue.
- **Privacy Concerns:** There is uncertainty about market readiness and consumer acceptance of new forms of advanced advertising and related services. Because targeted advertising is based on customer



Cisco Internet Business Solutions Group (IBSG)

“The target has been, is, and will continue to be a moving one as technology, regulatory environment, and business models evolve. [Cisco IBSG’s] work was helpful in clarifying the state of play related to each of those axes and boiling down the complexity to help us make choices The dedication and responsiveness of the IBSG team members and the quality of the work was first rate.”

Senior vice president of strategy for the client, a provider of communications, data, and entertainment services

information such as location, age, and buying patterns, the company needed a way to use that information without upsetting customers.

- **Technology Options:** There were a number of architectural (technology solution) options, with varying levels of capabilities and cost. The company needed to understand the comparative costs and benefits of architectural options before it could decide on the best way to enable services. For example, one way to deliver personalized TV ads is by sending individual signals to each home; another method sends the signal to many homes but inserts tailored ads from the set-top box.

Solutions

To help the service provider evaluate advanced advertising and data services, Cisco IBSG looked at numerous use cases and outlined the capabilities required for each, possible ways to handle consumer information, and the size of the revenue opportunity. IBSG presented the company with a framework for comparing the different revenue opportunities so it could formulate its strategy:

- For service identification and potential revenue sizing, Cisco IBSG identified key services in the new growth area with revenue potential of US\$1 billion annually. These services included targeted advertising, interactive advertising, and consumer data services such as personalization and productivity tools.
- Cisco IBSG developed an approach for the company to maximize revenue while respecting consumer privacy and providing choices to consumers. The underlying principle was that the company could capture maximum revenue by fully understanding information needs and sensitivities, then providing all of the services that consumers would find acceptable.
- This exercise helped the company better understand market drivers for consumer privacy, identify criteria for information needs and sensitivities, and categorize group services based on information criteria.
- To address the challenges presented by multiple technology options, Cisco IBSG developed an optimal architectural roadmap for the underlying technology and delivery mechanism based on strategic implications, market readiness, financial costs and returns, and technical and operational feasibility.

Results

The company’s advertising sales division completed a market trial of addressable advertising technology in 2009, successfully delivering

thousands of ads. It is also trialing and expanding dynamic video-on-demand (VoD) advertising capability. These trials incorporated Cisco IBSG recommendations on how to respect consumer privacy concerns while creating incremental revenue and efficiencies in advertising services.

The trial was based on delivering different ads to various household groupings, based on information that could not be identified with any specific individual, and with consumers' consent. Results of the trial showed 65 percent greater cost efficiency for advertisers from sending ads only to relevant groupings rather than to all viewers. Also, viewers who received targeted ads were 32 percent less likely to tune away than recipients of untargeted ads.

Another group related to the customer is developing and testing advanced advertising capabilities, including dynamic ad insertion into VoD programming, and interactive advertising in Enhanced Binary Interchange Format (EBIF). Its request-for-information advertising represents the first time interactive TV ads have been used across multiple national cable broadcast operations centers and multiple cable operators' footprints.

With regard to privacy, the company achieved positive results in its trial, measured in terms of consumer acceptance. Households in the trial were notified in advance of the program, and were offered multiple ways to opt out by mail, by phone, or online.

Cisco IBSG's study identifying opportunities and technical and information requirements has helped the company make business decisions and develop plans and processes.

Next Steps

The advanced ad and data services capability enables the company to play a bigger role in the media and entertainment ecosystem. By relying on its existing assets—network infrastructure, consumer information, and relationships—the company is positioned to take on a central role in the multimedia advertising value chain.

Given the successful results from the initial trials, the company is preparing for a full launch and scaling of addressable and interactive advertising services. Planning is also under way for development and trial of additional advanced ad and data services.

More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco/go/ibsg>.



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