

Media & Entertainment

The capabilities to drive high performance in the digital advertising industry

By Emily M. O'Halloran

Emily O'Halloran is a senior executive and the Digital Advertising lead for Accenture.
emily.m.ohalloran
@accenture.com

The digital advertising industry is currently experiencing impressive growth. Internet advertising revenues around the world now exceed \$45 billion and are on a trajectory to reach 21 percent of the market by 2012.

Last year, the industry also experienced a frenzy of acquisitions and investments as companies jockeyed for leadership positions and competitive advantage. New ad formats are emerging as well, with the goal of better engaging the consumer and improving the effectiveness of brand advertising. Mobile advertising has become a hot topic for discussion, exploration and investment.

In short, the future looks very bright for digital—a technology that can deliver advertising that is:

- Results-based and measurable
- Rich, varied and interactive
- Targeted effectively at desired consumer segments
- Attuned to consumer desires to control media experiences

At the same time, because digital advertising is a relative newcomer on the scene, many companies are struggling to understand how to assess value, how to measure progress and how to benchmark performance. Accenture's 2008 Global Digital Advertising Study sought to answer these critically important questions about digital performance, standards, return on investment and keys to success.¹

In general, the quest for high performance frames this year's study. We surveyed executives of digital media organizations, traditional firms and media services companies about the attributes of high performance and which of their peers they believe will rise to the top of the digital advertising industry.

We began by asking these executives about their perceptions of who the high performers are likely to be as the digital advertising industry matures. Our findings should serve as a wake-up call for many of the traditional players in the industry, because the survey results reveal a certain lack of confidence in the ability of some of those firms to sustain their current performance over time. For example, one of the traditional companies that is near the top in terms of total advertising revenue ranked 15 out of 17 in terms of the executives' perception of the company's ability to achieve high performance in the digital era.

We also asked respondents to think about keys to achieving high performance in digital advertising, phrased in terms of a list of attributes related to strategy, technology, business performance and culture. What are the attributes most important to success? Which of these attributes do they feel is most in need of upgrading at their companies if they are to compete effectively?

These two questions led to the emergence of three capabilities that are seen as most important to overall success in digital advertising and, simultaneously, most in need of attention: workforce talent; applied business analytics; and investments and business development.

Workforce talent: Raising the bar on recruiting and culture

The task of finding and managing talent has become more complex and challenging than ever before. Once-familiar talent pools are drying up as new ones are rapidly opening. In the digital marketplace, the talent challenge is especially severe. It's a new area that is growing at a double-digit rate, leading to a shortage of available talent. Companies are

¹ For the complete research report, "The Capabilities to Drive High Performance in the Digital Advertising Industry: Results from the 2008 Accenture Global Digital Advertising Study," see www.accenture.com/2008DigitalAdvertisingStudy.

witnessing a battle for top talent and a decrease in retention rates as employees move more fluidly from one company and opportunity to another.

Accenture believes that digital leaders need to be thinking about several things when it comes to developing and managing talent.

- **Consider core versus noncore skills and capabilities and expand the scope of outsourcing.** Carefully consider the company's core focus: which strategic capabilities are essential to develop internally and which are better sourced elsewhere? In our experience, traditional companies are often superior when it comes to understanding which capabilities they need to own within their own workforce and which they can outsource.
- **Focus on developing the right culture for success.** On the other hand, traditional companies have something to learn from new media when it comes to culture. The newer companies are, at least for now, enjoying more success when it comes to using an innovative culture to attract and retain top talent.
- **Analyze the current workforce based on capacity for repurposing.** Workforce analyses must consider the extent to which workers currently focused on traditional aspects of the business can be retrained for the digital age.

Applied business analytics: Leaders refuse to live without it

Our digital advertising study found that executives clearly believe that the increased capability to make more sophisticated measurements is a primary value point of digital advertising. Companies are awash in a flood of data about customers. They need to determine whether they have the requisite IT capabilities related to business intelligence and customer analytics to react to this data as it comes in, and use it to target customers more effectively.

As the leaders in digital advertising embrace more powerful, forward-looking techniques such as predictive modeling, forecasting and optimization, they are relying on sophisticated IT tools. But they are also making sure they abide by four fundamental factors:

- **Leaders who "get it."** When it comes to analytics, effective executive leadership pushes to create a fact-based culture that extends throughout their global enterprise, even to suppliers and other business partners.

- **People who love numbers.** For companies to excel at analytics, they need employees who are data savvy or who can quickly become so. Clearly, this calls for hiring, training and rewarding for analytical skills.
- **Processes that revolve around facts.** High performers when it comes to analytics work toward a "single version of the truth"—not the clashing views of the same metrics that bog down other companies.
- **Technology to capture, sort and make sense of the data.** New technologies are available that can plow through enormous databases at speed. Much of the necessary analytical software is available too.

Investments and business development: Leaders are bold and selective

This research confirms and strengthens Accenture's view that, as the digitization of content and Internet-originated business models expand into other forms of media such as television, a significant industry shake-up is occurring—one greater, even, than the online revolution. There will be two particular consequences for participants:

- A threat to the survival of incumbents—primarily traditional media companies and advertising agencies—that do not embrace new technologies and business models.
- Huge new opportunities in the digital advertising sector for service and media providers with experience in delivering digital content and access to deep customer insights.

These consequences will, in turn, create a wave of change in advertising models. Our research and experience suggest that the high performers of the future will be those who are both bold and selective in their acquisitions and in the development of new business and operating models needed to succeed in a digital environment.

Accenture believes several imperatives are foremost when it comes to the investments and developments needed to achieve and sustain high performance in digital advertising.

- **Invest in more sophisticated customer segmentation capabilities.** The most important areas for focus are in customer understanding and developing sophisticated, appropriate customer segments for targeted advertising.

- **Effectively manage the transition to a performance-based environment.** One of the biggest shifts in the advertising industry today is the move toward performance-based advertising. Industry players must provide more assurance to their clients that customers driven toward one of their advertisements will be quality leads.
- **Carefully analyze the buy-versus-build question.** Because of the speed necessary to get out in front of the marketplace in critical areas of digital advertising, such as social networking or mobile, companies must engage in detailed analysis of what capabilities they can realistically develop internally and which they need to grow through acquisition or other means.

The advertising industry—and, indeed, any company that sells or purchases advertising—is currently experiencing one of the most disruptive periods in its history. But companies that get it right—through the mastery of technology trends, the adoption of more sophisticated analytics, the ability to develop more nimble and collaborative business and operating models, and the capability to attract, develop and retain top talent—will have an edge in attaining and then sustaining high performance in the years ahead.

Outlook Point of View
October 2008, No. 1
Copyright © 2008 Accenture
All rights reserved.

The *Outlook Point of View* series offers insights about leading trends and innovations across all industries.

David Cudaback, **Editor-in-Chief**
Craig Mindrum, **Managing Editor**
Jacqueline H. Kessler, **Senior Editor**

For more information on *Point of View* and other *Outlook* publications, please visit our website: <http://www.accenture.com/Outlook>

Accenture, its logo, and High Performance Delivered are trademarks of Accenture.

This document makes reference to trademarks that may be owned by others. The use of such trademarks herein is not an assertion of ownership of such trademarks by Accenture and is not intended to represent or imply the existence of an association between Accenture and the lawful owners of such trademarks.

The views and opinions in this article should not be viewed as professional advice with respect to your business.