Marketing in the Broadband Era

Bharat Rao
Department of Management
Polytechnic University

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Marketing in the Broadband Era

- Impact of Broadband
  - How does broadband change anything?
  - What does it mean for marketers?
- What is the Role of Customer Experience?
  - A conceptual model
  - Role of customers
  - Emergent business models
- Wrap-Up & Discussion
Marketing in the Broadband Era

- Impact of Broadband
  - "Broadband" = 200 kbps in last mile (FCC, 1996)
  - Multiple potential broadband delivery channels
    - broadband cable, DSL, direct satellite, and broadband wireless
  - Multiple potential end interfaces
    - PCs, TVs, cell phones, appliances
  - Large # of Users
    - Upto 46 million subscribers will have high-speed Internet access by 2005, and generate revenues in excess of $15 billion (Forrester Research, 2000)
Even faster

The Bell’s fight back

- Ultra-fast fiber optic cable to door*
  - Joint standards announced May 2003
    - Verizon, SBC, Bellsouth
  - Nationwide rollout in 10 yrs
  - 20 times faster than DSL/cable
  - HDTV, video-phone, VOD apps

* Source: BusinessWeek June 30, 2003
Home Today
Separate devices, little home networking

INTERNET

MASTER BEDROOM
DIGITAL STB

CHILD'S BEDROOM

HOME OFFICE
PC

Digital STB

VCR
DVD PLAYER
RECEIVER

DSL-TELCO
SATELLITE
TERRESTRIAL
DIGITAL CABLE
Does Broadband Change Anything?

- How is broadband different?
  - It expedites the creation, adoption and use of multimedia applications
  - It takes us closer to the notion of instant interactivity
  - Shifts marketing emphasis from a broadcast model to a interactive and personalized model
Does Broadband Change Anything?

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Does Broadband Change Anything?

- Expedites the creation, adoption and use of multimedia applications

- Content
- Communications
- Commerce
Does Broadband Change Anything?

- Expedites the creation, adoption and use of multimedia applications
  - Content
    - high quality entertainment - audio and video
    - interactive television
    - interactive gaming
    - interactive program guides
    - high-quality digital photographs
Does Broadband Change Anything?

- Expedites the creation, adoption and use of multimedia applications
  - Communications
    - VoIP
    - Video conferencing
    - Video-on demand (VOD)
    - Data sharing capabilities @ Consumer & Business Levels
Does Broadband Change Anything?

- Expedites the creation, adoption and use of multimedia applications
  - Commerce
    - Video catalogs
    - On-line customer service and support
    - Collaborative and group buying applications
Does Broadband Change Anything?

- Expedites the creation, adoption and use of multimedia applications
  - Broadband consumers
    - Spend 55% more time online
    - Are more likely to spend money online
    - Those who do, spend an average of 91% more than narrowband users ($400 vs. $209)
    - Greatly increased the number of Web sites they visited (58% more sites) compared to when they used a dial-up connection; and

Source: Excite @Home Broadband Study, October 2000
Does Broadband Change Anything?

- Expedites the creation, adoption and use of multimedia applications
  - Broadband consumers
    - Are much more likely to watch movie trailers (46% broadband vs. 18% dial-up)
    - Are much more likely to watch streaming video (58% vs. 30%)
    - Much more likely to listen to streaming audio (52% vs. 31%)
    - Much more likely to get software on demand (48% vs. 30%).

Source: Excite @Home Broadband Study, October 2000
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Does Broadband Change Anything?

- Takes us closer to the notion of instant interactivity
  - Instant access to a movie or a music single through the PC or TV set (Sony, AOL)
  - Detailed restaurant review on the cell phone or PDA at a busy street corner (DoCoMo, Vindigo)
  - Hybrid push-pull models of advertising and marketing (location, context, time-specific)

Instant Interactivity → Instant Gratification
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Does Broadband Change Anything?

- Shifts marketing emphasis from a broadcast model to a personalized model
  - Consumers decide the terms of the interaction
    - The revenge of the remote control
  - Linking “windows of opportunity” to transaction capabilities
    - Embedded marketing
  - Target Market of 1
  - Customers as collaborators
Broadband Marketing Implications

What should businesses do?

- Ingrain variety and choice as critical product or service attributes (multi-channel loyalty)
- Provide core value proposition and syndicate or outsource the rest
- Develop personalization capabilities so that consumers can program their “variety profiles”
- For low-involvement products and services, figure out innovative ways to deliver value
- Integrate customer knowledge across interfaces
Broadband Marketing Implications

- Dis-aggregation of content, context and infrastructure elements

Source: Rayport and Sviolka, 1994
Customer Experience

Towards a conceptual model

- Driving Forces
  - Dis-aggregation of content, context, and infrastructure elements of industries (Rayport and Sviolka, 1994)
  - Disruptive innovation (Christenson, 2000)
Customer Experience

Customer experience in the broadband context refers to the value chain that ranges from:

- The creation of unique and marketable content
- The tools, techniques and infrastructure of experience delivery, and
- The ability to read, react, and interact with consumers in a very personalized fashion
Creating the Experience
- Producing Original Content
- Syndicating of Existing Content
- Re-packaging and Versioning Content
- Identifying the Niche and Value

Delivering the Experience
- Setting the Context
- Matching Content to Context
- Connectivity with End-customer
- Delivering through Multiple Channels

Customizing the Experience
- Personalizing to End-customer
- Fostering Community Interaction
- Collecting Customer Feedback
- Learning from Customer
- Co-Creating with Customer
- Reinforcing the Experience Package
- Refining the value proposition

Figure 1: Delivering Experience in the Broadband Era
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Customer Experience

Creating the Experience

- Licensing fees for digital content up to $1.5 billion in 2004 (Borzo-WSJ, 2000)
- Digital content creation and licensing
  - music, movies, software, consulting, games, multimedia entertainment
  - Atom Films case (short movies)
- Rise of syndication (Werbach, 2000)
- Versioning of content (Varian, 1998)
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Customer Experience

Delivering the Experience
- Matching content to context
- Ownership of delivery channels
- Bundling and delivery of content under brand umbrella (NTT DoCoMo case)

Content Sources
- Integration

Brand or Packaged Service

Distribution Infrastructure
- TV
- Web
- Phones
- Appliances
Customer Experience

- Customizing the Experience
  - Personalization
    - Amazon.com
  - Push and Pull Models
    - Broadvision vs. Netperceptions
  - Impact of Communities (Hagel and Armstrong, 1997)
  - Learning, co-creation and knowledge management (Prahalad & Ramaswamy, 1999)
  - Customer-centric models of innovation
    - epinions.com, iQVC
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Figure 1: Delivering Experience in the Broadband Era
Impact of disruptive innovation

- New ways of reaching customers
  - Viral marketing, modeling group behavior, collaborative filtering
- New distribution models
  - Napster, ScourX, Wireless delivery
- New technologies
  - Integration of sense elements, VR (Digiscents)
- New revenue models
  - ASPs, syndication, versioning
Figure 2: The Role of Customers in the Broadband Era

- **Customer as Content Provider**
  - Creating Original Content
  - Identifying New Content Trends
  - Signalling to Content Producers
  - Creating New Product/Service Niches

- **Customer as Experience Enabler**
  - Creating New Contexts
  - Matching Content to Contexts
  - Connecting with Content Providers
  - Consuming through Multiple Channels

- **Customer as Forecaster**
  - Providing Individual Experience Data
  - Providing Community Experience Data
  - Creating New Knowledge
  - Co-Creating with Service Providers and Info-mediaries
Using the “customer experience” model to make money
<table>
<thead>
<tr>
<th>Add value By</th>
<th>Earn revenues Through</th>
</tr>
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</table>
| Creating Experience | Content licensing  
Content syndication  
Content versioning  
Digital rights management  
Authentication systems  
Payment Systems  
Transaction Processing |
| Delivering Experience | Access fees  
Usage fees  
Subscription fees  
Advertising  
e-Commerce transactions  
Fulfillment  
Providing distribution infrastructure  
Value-added services |
| Personalizing Experience | Concierge services  
Loyalty programs  
Advertising  
Outsourced (customer) R&D  
Market research  
Bundling and cross-promotions  
Push-pull hybrid marketing  
New product/service development |

Table 1: Sample Broadband Revenue Streams