

Broadband: Is Australia ready for it?

Paul Budde and Brett Rolfe discuss the changes broadband access will bring to the advertising industry in Australia and predict who the winners (and losers) of this revolution will be.

BROADBAND must be one of the most misunderstood technology advances in some time. Essentially, "broadband" is a range of services offering Internet access speeds 10 to 20 times as fast as a standard dial-up connection. These services range from DSL and its cousin ADSL to direct broadcast satellite and cable access.

Is widespread adoption of this technology really around the corner, or is it over-hyped vapour-ware? And how will the ability to access content at these speeds affect the way advertisers can utilise the digital medium? Opinions on the subject are diverse, and debate is heating up as to where broadband is going, and what it will look like when it gets there.

Q: Will broadband access achieve significant market penetration in Australia, and if so, when?

PB: The key to success is the right price. We estimate that 20%-25% of all Internet users are ready to move to broadband access as soon as the price decreases to around \$50 a month. The timeframe for this depends on the level of competition in this market, and will be dramatically affected by pricing models.

BR: Given the sort of figures proposed for broadband uptake, the challenge over the next five to 10 years will be to develop marketing solutions that are more about targeted consumer bases, and less volume-driven. Even reaching 2.5 million doesn't compete with TV audiences, or even the narrowband Internet.

Q: What is the "promise" of broadband for marketing and advertising?



Rolfe: Broadband-specific agencies will emerge.

PB: One-to-one marketing.

BR: Broadband allows advertisers to combine the rich, immersive multimedia brand experience of TV with the interactivity of digital media. This will further blur the distinction between traditional and digital advertising from a production point of view.

Q: What impact will broadband have on other forms of advertising and promotion (both traditional and digital)?

BR: Broadband will accelerate the growth of digital advertising. In the same way that mobile advertising will become part of the suite of digital advertising tools, campaigns requiring broadband components will sit

techniques to fine-tune this info. Telcos, banks, airlines and a few others do already have some basic systems in place; retailers, oil companies and others are still a long way from home here.

There is a lot of homework to do before you can successfully apply these new technologies. Companies will also have to find the markets, technologies, etc. that fit their audience and culture.

BR: While we will see digital agencies bringing this technology to the attention of advertisers, it is necessary that the marketing managers in those organisations develop a strong understanding of the benefits of the technology. If they feel it is an appropriate space to be promot-

see it as another channel to deploy television commercials).

As broadband is purely neither of these things, advertisers would do well to listen closely to the way their agencies try to sell the opportunity. Perhaps for the first time, large mainstream creative and media agencies with a digital arm will be well positioned to put their best integrated foot forward. Conversely, we will see broadband-specific houses appear. While these may be the groups best suited to wringing the benefits from the technology, it is imperative that good working relationships be developed with both the digital (narrowband focused) and mainstream agencies that they work with to ensure cohesive strategy.

“ If you don't participate on the user's terms [Internet ads] will not work. ”

under the general "digital" banner. Hopefully, as the experience of streaming video approaches the richness of television, mainstream agencies will see the merit of working more closely with their digital counterparts to capitalise on the potential of integration—bringing us exciting, cross-media campaigns.

PB: Advertising in the old sense of the word is dead. The banner ads were the last stronghold here and together with the advertising portals they will, as such, receive their place in history. The far more targeted one-to-one approach will become the dominant force in the second half of this decade.

The process will take the rest of this decade but by that time the majority of advertising will be based on new models around the one-to-one concept. While there will always be a place for broader forms of advertising, they will become a much smaller proportion of the overall advertising budget. We can already see this trend in Internet and email marketing, from a very small base, but definitely the largest growth market is advertising.

Q: How should companies position themselves to take advantage of the marketing potential of this tool?

PB: They will have to know who their individual customers are and use sophisticated CRM

ing their brand, they will need to review their current array of agencies to ensure that the capability to develop and deploy this sort of content is present, or search for an agency to add that to the mix.

Q: What actions should advertising agencies take to capitalise on this emerging technology?

PB: They need to become the advisers to their clients on how to move forward, what is involved in the process, etc.

There is, however, some reluctance here. Some advertising companies prefer to play down broadband, as this new form of advertising will impact on their incumbent business.

While we can argue over the timing, the fact is that one-to-one communications will eventually become the predominant form of communication between buyers and sellers. It is back to the good old market place.

BR: Nostalgia aside, I think we have left the old market place behind for good. While the interactivity and choice brought about by digital technologies may give the illusion of a level playing field, it is just another chapter in the story of marketing. Broadband will be a challenge, as it will be seen as new pasture both by digital agencies (where it is an extension of existing Internet strategies) as well as by mainstream agencies (who

Q: The Internet saw a boom in both businesses and advertising that has proved to be unsustainable, leading to the rationalisation since last April. Will broadband follow a similar boom and bust path?

PB: I hope we have learned. In 1998 we predicted that the Internet shopping malls, portals and banners would not work, as they follow the classical advertising format. Advertising is a very low level of communication as it is more of a message than a conversation. Broadband Internet provides power to the users and if you don't participate on their terms it will not work.

BR: I think we will avoid the destructive pattern we have seen over the past few years purely because this opportunity comes so close on the heels of the [tech-wreck]. In this environment, it is very challenging to develop a market, which in the long run will probably lead to a robust set of offerings that do make it. On the other hand, as with all new markets, we can expect to see an array of early-movers who will be culled by the economic realities of the industry.

Q: How important is the ability to generate a satisfactory revenue stream from advertising to the success of broadband access in Australia?

PB: Critical. We estimate that the new permission-based models will constitute as much 65% of all residential broadband revenues by 2010.

BR: Broadband provides the opportunity to deliver a blend of interactivity and television-style content. The generation of this

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Budde: Broadband provides power to the users.

content (and even the adaptation of existing content to this medium) will necessitate some sort of revenue stream. Given that the public will be highly averse to paying a "content subscription fee" on top of their access fee, I think this content area will definitely be driven by advertising revenue.

Q: Which brands or industries stand to reap the greatest benefits from the marketing opportunities on broadband?

BR: One of the most exciting things for the digital advertising industry is that broadband will bring with it a group of advertisers that have spurned the Internet up to today for its lack of rich immersive branding.

We will see the automotive sector come onboard in a significant way (witness their testing of the very shallow waters of iTV). FMCG will see real opportunities, particularly in reaching the youth market with the same impact as their TVCs, causing big players such as Coke, Nestlé and Unilever to rethink their attitudes towards the medium.

PB: I believe its impact will be broader than that—it will affect all products and services. While entertainment, travel, and services in general are prime targets, it is estimated that the Internet already accounts for 25% of the decision-making process in buying cars.

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