

BMS: Marketing seminar

Marco Palombi – ocrampal.com

Exponential times, Net/Web and innovation

September 8, 2009 – Paris, France

Who I am

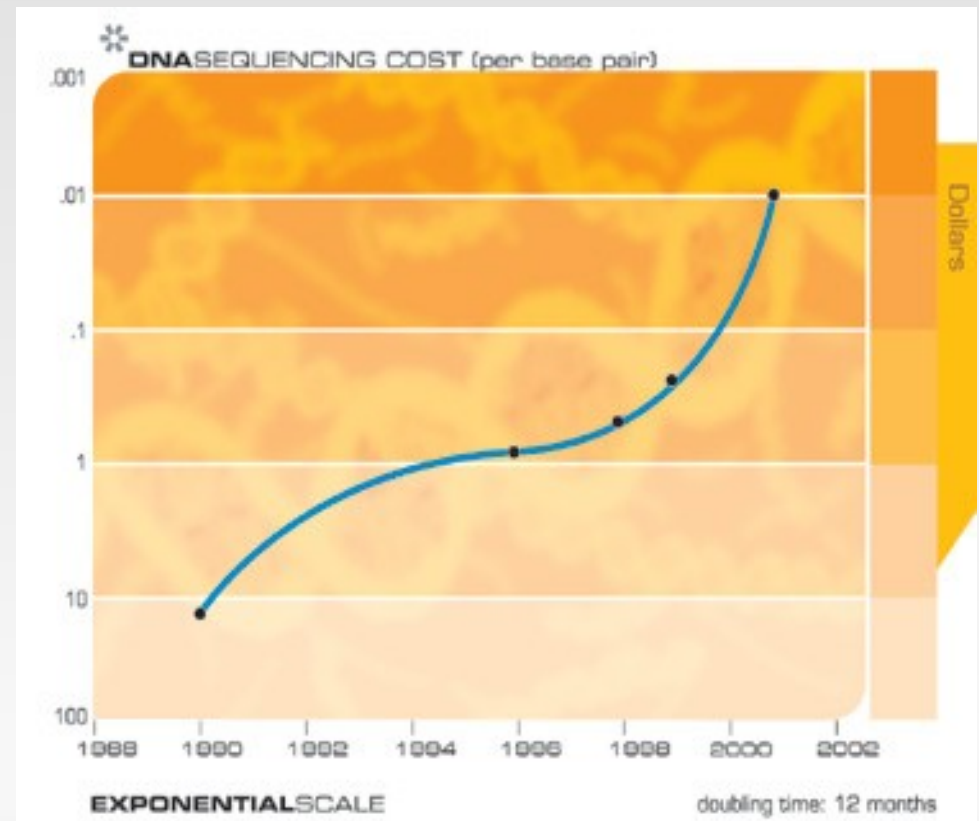
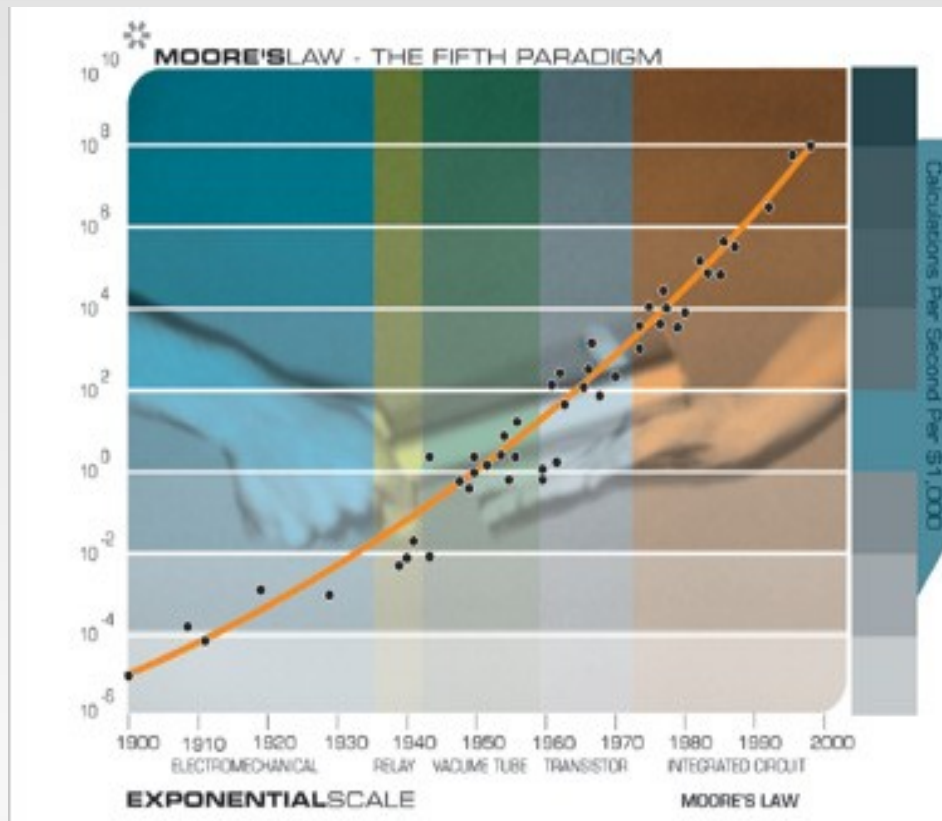
- 2008/Present: exploring innovative Artificial Intelligence Bio-inspired technologies
- 2007: created 1generation.net, a not for profit network with the objective of fostering entrepreneurship - Italy.
- 2006: sold Tipic/Splinder to the Rizzoli Corriere della Sera Group; Tipic/Splinder, was the largest community and blogging site in Italy with more than 6 million unique users per month.
- 2002/04: Member of the Board of the Jabber Software Foundation - US.
- 2001: founded Tipic Inc. in order to further a vision to help make the Web come alive - US/Italy.
- 1998/00: founded Let's TV, a Web-based digital television network for businesses; sold to Euphon S.P.A. - Italy.
- 1995/98: Sales Director, South America at Comau SpA (FIAT Group) - Brazil.
- 1993/95: McKinsey & Co. - Italy.
- 1991/93: Procter & Gamble - France.
- 1991: Computer Science Semester at Harvard University; received Engineering degree, cum laude, from the University of Naples, Italy.

The unimaginable happens

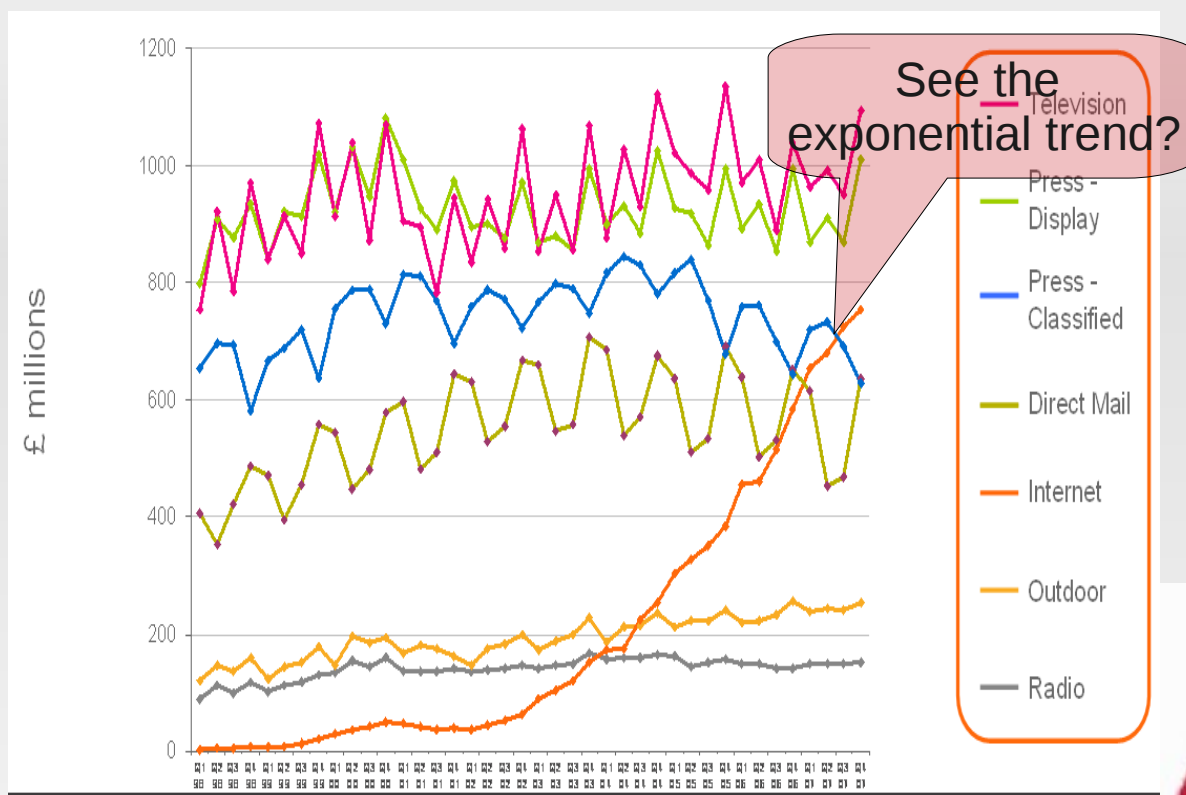
- It's 1994: very few (crazy?) people would have thought that in 15 years:
 - Search for anything, mapping systems, encyclopedias, news, education, games, etc. would be freely available to anyone anywhere
 - People would meet on-line and start a business or get married
 - Open source free programs would run most of the Internet
 - There would be free calls and video conversations for anybody
 - You could start your own site (blog) and eventually become famous
 - You could compare prices of any product and order on-line
 - You could organize your own travel on-line without physically going to a travel agent
 - Physically going to the bank would be a thing of the past
 - You could have your entire music library, all your photos in your pocket
 - Some companies could be created with ZERO MKT cost, and only word of mouth

Exponential times

- Social media revolution? (video 5 mins)
- The evolution of technology is now exponential



Some data



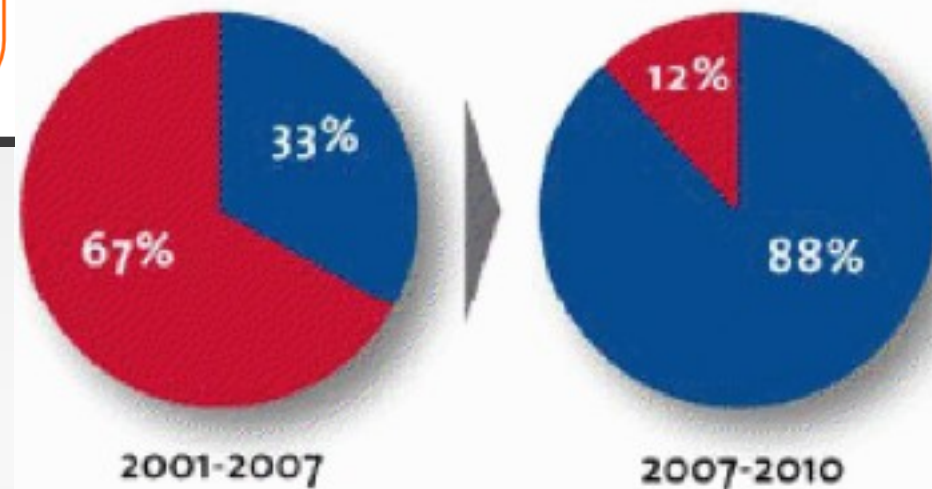
- Rapid growth of Internet Advertising
- Internet surpasses TV in UK in 2009:
- Online spending grew 4.6% to £1.752bn in the first half of 2009, while TV spending shrank 16.1% to £1.639bn (BBC)

Sept. 8, 2009

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- Database & Information, B2B Online Media, Consumer Online Media, and Interactive Marketing Services. In other words, it will be coming mostly from the Web.
- traditional publishing businesses such as newspapers and magazines

TRADITIONAL MEDIA V. GROWTH SECTORS



Traditional Media Growth Sectors

SOURCES: ABM; CEIR; EMARKETER; FORRESTER; IAB; JACK MYERS REPORT; MPA; AND OUTSELL

Evolution of Net/Web

- 1994-01

- The Net/Web is like broadcast, only using a different technology (Example: Yahoo).
- Companies establish their on-line presence through web-sites.

- 2001-09

- The Net/Web is social; let people create content, meet and do business on-line.
- Social media (Example: Facebook, LinkedIn)
- companies extend their product and service offerings on-line.

- 2009-XX

- The Net/Web merges with the physical world, it is now the **back-bone of human interactions**.
- Companies do most of their business on-line.

Examples

- Communities:
 - <http://diybio.org/> DIYBIO: Biology for citizen scientists
- Open Source projects:
 - www.mozilla.org We are helping make the Net a better place
- Start-ups:
 - <https://www.yammer.com/> Connect and share with your coworkers
- Content:
 - www.makezine.com Technology on your time

How the Web transforms Mkt

- Marketing was “formalized implicitly” for a broadcast medium
- The Net/Web is NOT broadcast, it allows for people to communicate and express their opinions.
- You do not control the message about you (like on TV), people talk about you. You cannot control these conversations.
- Implications: Broadcast vs the Web – how should Mkt evolve
 - Conversations
 - Communities and Networks
 - Viral phenomena

What to do about it

- Learn what the available technologies can do for you today
- Think about what new technologies can do for you in the future and get ready for them
- Open-up and join the conversation
- Set-up platforms to facilitate the conversations
- Give incentives to all the stakeholders interested in your products/services
 - Be part of the conversation, do not stop it
 - Explain your point of view and how you are contributing to society
 - Sponsor communities and Networks (Do not own them)
 - Sponsor DIYBio and the likes

A possible future of the Net/Web

- Augmented reality:
 - <http://www.chemicalwedding.tv/cyclopedia.html>
 - http://rossdawsonblog.com/weblog/archives/2009/09/video_of_bruce.html
- Actigraphy:
 - <http://www.apple.com/ipod/nike/>
 - <http://en.wikipedia.org/wiki/Actigraphy>
- Artificial Intelligence with user at the center

Interview

Thierry Pennel

Innovation and corporations

- Some caveats:
 - I do not have a strong record in innovating within corporation, except for middle management “innovations” at Procter&Gamble, with clients at McKinsey and at Fiat.
 - I actually left the corporate world because I felt restrained by it, and started innovating from the outside.
 -

What's happening

- Cost of distribution is much lower thanks to the Internet and so is the cost of “Mkt”
- In general, costs to create companies are much lower in almost any industry
- Access to information is ubiquitous and corporations do not have an advantage on that
- Access to capital is available to start-ups
- Access to high profile people is achievable by a start-up. Corps are not regarded anymore as the goal for a lifelong career.
- A company can be created as part of a Network
- Ideas are becoming more important than “money” in many industries

Example: Media industry vs. WEB

- **1994: Illusion - The Web “starts”**
 - Some Media Companies start pouring money into it.
- **2000: Delusion - Dot-com crash**
 - After loosing Millions, they decide that the WEB is NOT a good investment.
- **2002/06: Not interested**
 - Start-ups grow and start taking advertising money away from the media industry
- **2006/XX: Fear and attack**
 - Media industry attacks Internet companies

- **2008/XX: Many media company companies fail or consolidate**

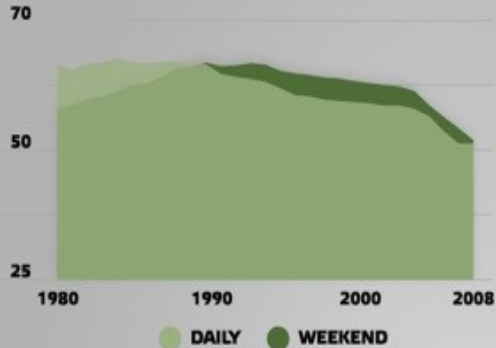
Example: Newspaper industry

STOP THE PRESSES THE DEATH OF THE NEWSPAPER INDUSTRY



TOTAL PAID CIRCULATION:

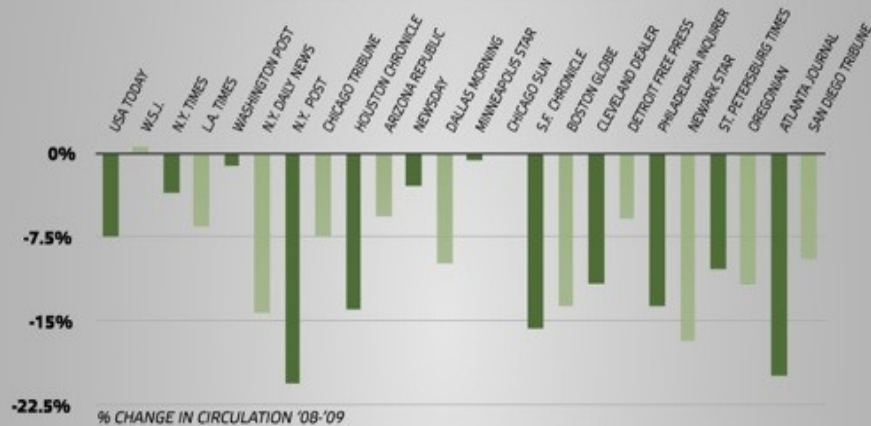
NUMBER OF NEWSPAPERS CIRCULATED IN MILLIONS



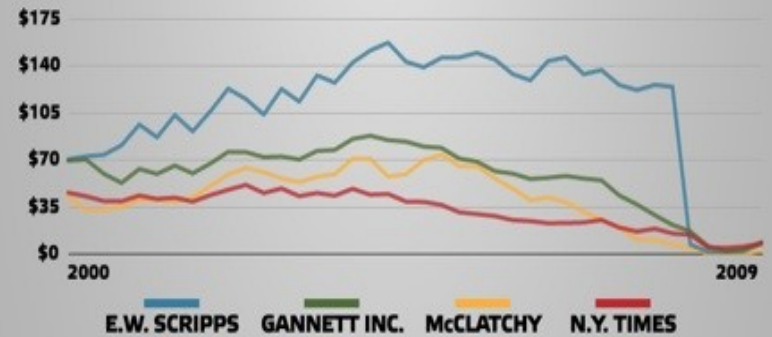
THE FACTS:

- 1 On February 27, 2009, The Rocky Mountain News printed its last edition, just two months shy of its 150th anniversary.
- 2 Barclays Capital projects US newspaper advertising revenue will decline 22% in 2009 and another 10% in 2010.
- 3 Year to date there have been 13,636 newspaper employee layoffs and buyouts while 2007 saw an estimated 16,000.
- 4 In the worst quarter in modern history for American newspapers, advertising sales fell by an unprecedented 28.3% in the first three months of 2009, plunging sales by more than \$2.6 billion from the prior year.

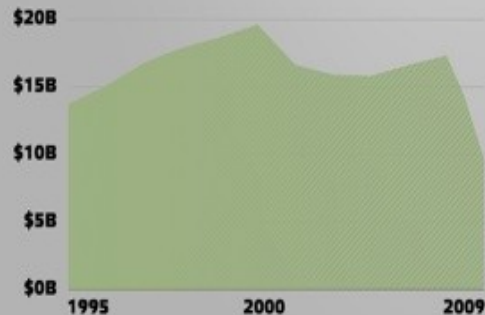
AMERICA'S TOP 25 PAPERS:



STOCK PRICES OF MAJOR NEWSPAPER PUBLISHERS

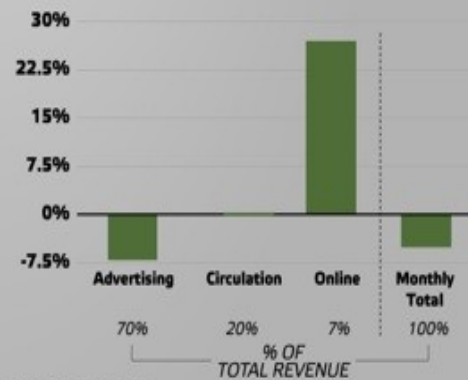


EXPENDITURES ON NEWSPAPER ADVERTISING:



NEWSPAPER REVENUE SOURCES:

% CHANGE YEAR OVER YEAR



SOURCES: NAA.ORG / BLOOMBERG.COM

Example: E-Diplomacy in the US

- ... the State Department launched a wiki in 2006 to enable employees located all over the globe to exchange information. Called Diplopedia, the Web site now counts nearly 9,000 articles and 2,000 contributors.
- **"It's better to launch and learn and be a bit more entrepreneurial, without worrying that the stakes are too high,"** says Richard Boly, State's director of eDiplomacy. His office was formed in October 2003 to improve the department's ability to communicate and share information among embassies and offices around the world. **"Agencies can't be afraid of small failures. If we had tried to think in advance of all the challenges that could have been, we might never have launched" these services,** he adds.
- So a particular Web 2.0 initiative is formulated from the ground up and gains support from leadership. Then what? The efforts' own evangelists must coax their colleagues to participate, emphasizing how the tool or service can make their jobs easier. **Rather than "paving the cow path" by simply moving existing processes online,** Boly says, initiatives should offer employees a more productive way of doing things.

Structural “issues” faced

- Have to face investors scrutiny which is very short term (quarter)
- Organizations are vertical and functional not open to the external networks
- Forecasting is linear, based on the extrapolation of the past

What to do?

- Rethink your business, think about how you could do everything faster, leaner and meaner, and then rethink again!
- Do not base your survival on the assumption that regulation will save you, in the short term it may, but in the medium/long term you'll be out of business.
- Reward risk taking from within.
- Keep hiring young people and listen to them.
- Foster entrepreneurship in the extended network.
- Start innovative projects using the WEB, expect possible false starts and failures, but keep trying until it works. Think like a start-up.
- Get the top management understanding of what you are trying to achieve and their full support.
- Consider failure as a learning experience. Next time the team will not repeat the same mistakes.

Further readings

- Books:
 - The Clue Train Manifesto
 - Here Comes Everybody
 - Everything Is Miscellaneous: The Power of the New Digital Disorder
 - The Wisdom of Crowds
 - The Singularity is Near
 - The Third Wave: Alvin Toffler
- On-line resources:
 - TED: <http://www.ted.com> Ideas worth spreading
 - EDGE: <http://www.edge.org>
 - Umair Haque: <http://blogs.harvardbusiness.org/haque/>
 - O'Reilly Radar: <http://radar.oreilly.com/>