

Monetizing Knowledge Practice

Winter 2007

Monetizing Knowledge:

Generating Revenue through Brand
Extension



www.edgewater.com

EXECUTIVE SUMMARY

Edgewater Strategy Services believes many organizations have the opportunity to develop new revenue streams by unlocking the value of their content, data and brand. Keys to unlocking this value include:

- Assessing the expertise and knowledge the marketplace ascribes to a brand and capitalizing on the sale of that knowledge and expertise outside of existing operations;
- Identifying knowledge gaps in the marketplace and exploring how proprietary internal data can be extended or packaged to fulfill a general market need;
- Examining existing client relationships for opportunities to enhance them with data and analytical services;
- Determining if proprietary data or knowledge can support recurring purchasing or resource allocation decisions in the general marketplace; and
- Evaluating whether other non-competitive industries need data and analysis about the demographic or market segment an organization understands intrinsically.

In this whitepaper, Edgewater presents three brief case studies of organizations that have generated new revenue streams utilizing one or more of these tactics and identifies the key indicators of an opportunity to generate new revenue from existing knowledge or data. The case studies also describe the market for knowledge services, discuss the typical elements of a knowledge services product portfolio and review key best practices and insights learned.

ORGANIZATIONS HAVE OPPORTUNITIES TO GENERATE NEW REVENUE STREAMS BY EXTENDING THEIR BRANDS

Markets are increasingly driven by information. Whether it is data or analysis about client needs, consumer preferences, market dynamics, or future developments, organizations increasingly demand more insight in order to gain competitive advantage in their respective markets.

Edgewater believes many organizations, those already in the information services industry and those entirely outside it, have developed knowledge, content, data, or brand assets which can be leveraged to feed this demand for insight and create new revenue streams. An organization may have opportunities to generate revenue from knowledge when it sees one or more of the following key indicators:

- A market is inefficient because of large gaps in knowledge, data or standard measures and definitions
- Data, expertise or information is fragmented, opaque or difficult to collect
- Proprietary data or knowledge could clarify and support recurring decisions in the general marketplace
- De-facto Brand Pre-eminence causes the market to ascribe values to a brand outside its core business
- Multiple constituencies depend on an organization as a central broker of goods or services
- Rapid structural changes and vast uncertainty about the future exist in an industry or a new industry is experiencing rapid growth

During the Edgewater executive roundtable, Monetizing Knowledge through Brand Extension, Edgewater strategists and roundtable participants discussed the experiences of organizations that created new businesses by extending their brands after recognizing one of the key indicators above.

LEARNING FROM EXPERIENCE: AARP SERVICES, LUX RESEARCH AND MILLWARD BROWN

AARP SERVICES: LEVERAGING BRAND AND KNOWLEDGE TO FILL A MARKET NEED AND FURTHER THE SOCIAL MISSION

Identifying the opportunity

Shereen Remez from AARP Services described how the organization recognized a market need existed for more and better information about the preferences, desires and needs of 50+ consumers, a population who represents nearly 50% of total consumer spending and yet is consistently ignored or misunderstood. AARP Services realized it had brand and knowledge assets it could leverage to fill this knowledge gap in the market:

- AARP has conducted hundreds of thousands surveys of age 50+ consumers each year, collecting information about their preferences, lifestyles, attitudes, consumer behavior, etc.
- AARP's brand is broadly perceived to have both significant strength and stature.
- Edgewater interviewed senior executives at leading corporations to assess the need for 50+ research and advice, and found that 92% of organizations interviewed identified a need for research or would look to AARP for more information.

Defining the Opportunity

AARP Services had knowledge assets along with the brand strength and credibility to fill a general market need, and by pursuing this opportunity it could further its social mission and generate a new revenue stream. AARP Services worked with Edgewater to develop a business plan for a research and advisory business that would be the leading source of data, analysis and advice about the 50+ market. AARP Services believed that by providing market research and analysis to marketing executives, it could drive change in marketing and advertising practices and enable corporations to better serve the needs of people 50+.

Finding the Right Partner

While AARP Services had many of the key assets needed to create this research and advisory business, the business model was new to the organization. They had a lot of experience with consumers through their

vast research of members and prospective members, but no experience in developing and selling commercial market research. Edgewater advised AARP Services to pursue the business as a joint venture with another commercial partner. Edgewater conducted a search for AARP Services to identify an organization with complementary strengths. After a thorough evaluation of potential partners, AARP Services, with Edgewater's assistance, was able to negotiate an agreement with The Kantar Group, a wholly owned subsidiary of WPP that controls that manages a large group of leading research companies such as Millward Brown and Research International. The two organizations combined their expertise and assets to jointly build a profitable organization in a manner consistent with their vision.

Launching Focalyst, Results and Lessons Learned

Pursuing a very aggressive timeline in order to best take advantage of the market opportunity, AARP Services and The Kantar Group launched their new joint venture as, Focalyst, Powered by AARP Services, in 2005. Focalyst (www.focalyst.com) collaborated with Edgewater to hire the organization's management team, define pricing and packaging of their initial offering and establish the research and events organization. Focalyst has already signed a number of large consumer brands as clients and began to deliver its research and advisory services. Shereen attributes keys to this success as:

- Following a tested business model and utilizing Edgewater to advise in the development and execution of the strategy and
- Recognizing AARP needed to look outside their organization for the strengths and skill-sets required to operate this new business.

LUX RESEARCH: STRATEGIC BRAND EXTENSION DECISIONS DRIVE NEW REVENUE

Identifying the opportunity

Peter Heber of Lux Research shared the strategic decision process that led Lux Capital, a \$100M venture capital firm with established leadership in nanotechnology, undertook to identify the opportunity to build a franchise in nanotechnology information and services. Lux Capital had built the pre-eminent nanotechnology brand and had developed strong knowledge assets in the process:

- Investor in nanotechnology-related startups (Lux Ventures I & II)
- First introduced Wall Street to nanotech
- Advised worldwide governments on nanotech.
- Founded principal nanotech trade organization (NanoBusiness Alliance)
- Founded/built media JV with Forbes (Angstrom Publishing)
- Published The Nanotech Report, first research report on commercial and investment implications of nanotechnology

The rapid changes brought about via advances in technology had created a knowledge gap that Lux Capital identified and had an opportunity to fill by extending its brand and leveraging existing knowledge assets.

Creating the offering

Lux Capital spun-off research activities into a new organization, Lux Research, Inc., and partnered with strategic and institutional investors. The vision of the new organization was to be the world's pre-eminent business advisor on emerging technologies (nanotechnology), with the goal of helping clients make better decisions to profit from cutting-edge technologies by tapping into the analysts' unique expertise and unrivaled network. Lux worked with Edgewater's Ken Allard, who took on the Chief Operating Officer role, and drove the product development, recruiting and staffing of the organization.

Building on their research business success and sustained brand strength, Lux continued to extend the brand into an events business (Lux

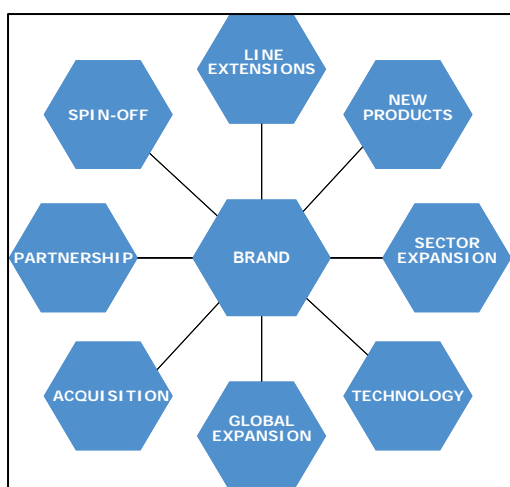
Executive Summit) and a financial product (Lux Nanotech Index) which has become the de-facto standard index for nanotech.

Results and lessons learned

Lux Research is now the recognized global leader in nanotechnology information and services, and has more than 20 blue chip clients including Hewlett-Packard, Lockheed, GE, Becton-Dickinson, Air Products, Eastman Chemical, and Baxter, and has developed a proprietary database, research services, tools and methodologies. Peter recognizes that bringing in experts to advise in the creation of the business and hiring staff with Research & Advisory Services background were keys to the success of this venture. He also identified the following challenges which need to be pro-actively addressed to ensure continued success:

- Reputation risk
- Brand confusion in marketplace
- Question of independence
- Organizational relationships and incentive structures

MILLWARD BROWN: A RESEARCH EXECUTIVE'S PERSPECTIVE



Identifying the opportunity

Mary Ann Packo of Millward Brown shared a variety of brand extension examples from her career in the research industry, and offered the following Brand and Knowledge Extension Model depicting the eight tactics that are commonly applied in the research & information industry to extend an existing brand or knowledge asset:

For example, Ms. Packo described the international expansion initiative she undertook at NFO which was an effort to leverage National Family Opinion

(NFO)'s proprietary data & knowledge assets, namely their consumer panel and panel management tools, to develop a European revenue stream. Instead of simply launching an NFO business in Europe, they instead chose to partner with a strong regional player, forming a 50-50

joint venture company with Ipsos, a recognized leader in European research, creating Ipsos-NFO Europe. After analyzing the situation, NFO had determined that Partnership was the most appropriate tactic to apply in this initiative.

Creating the offering

Ms. Packo presented four additional cases in which a different tactic was applied to grow revenues:

- At NFO, Sector Expansion was applied to an opportunity identified in the Yellow Pages industry, a sector under heavy competitive pressure. NFO identified it could replace the historically fragmented custom research purchased by individual yellow pages providers with a more cost-effective syndicated audience measurement service that leveraged its panel research know-how.
- At The NPD Group, Technology & Spin-off tactics were used to leverage a PC tracking software tool the organization had created. Since this tool could also track internet usage, NPD realized the macro trends and rapid structural changes being driven by the internet presented a significant business opportunity, and they formed a special SWAT team to develop an Internet measurement business around the software. In addition, because the potential was so great and additional capital would be required, NPD brought in VCs and spun the venture off into a separate organization, branded as PC Meter. The PC Meter evolved into Media Metrix, a publicly-traded organization with more than \$100M in revenue.
- At Media Metrix, New Products & Acquisitions were used to drive incremental revenue streams. Media Metrix had a pre-eminent brand association with the Internet, and leveraged that brand position to develop multiple branded product line extensions related to Internet knowledge and understanding. In addition, they acquired complementary Internet measurement players – Sifo, Relevant Knowledge and AdRelevance – to continue to build out the product offerings, and eventually merged with Jupiter to combine Internet analyst research with

Internet measurement, creating a new information organization business model.

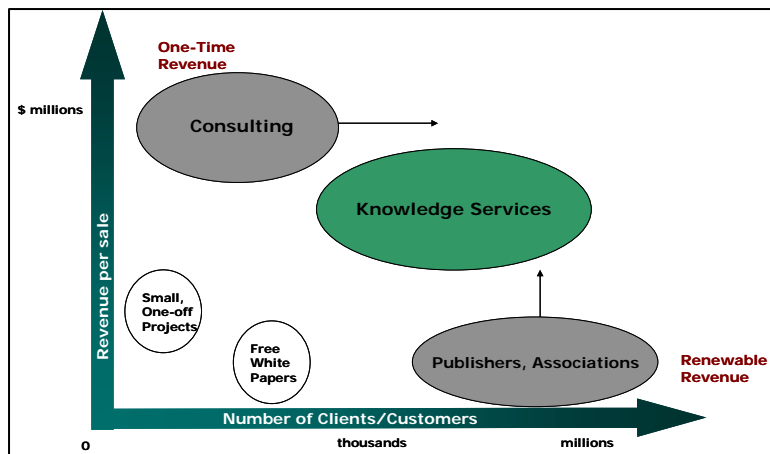
- At Millward Brown, Packo is implementing a Total Brand Extension strategy which utilizes all the tactics in the model as elements of a new brand construct used to help frame both internal and external strategies and developments. The key to this new brand construct was to understand the client's decision making cycle, and providing information and services which clarify and support recurring decisions through every aspect of that cycle.

Results and lessons learned

While the ultimate success of each of these initiatives differed due to macro economic trends or other factors, in each of these cases an additional opportunity to leverage the brand and knowledge assets was successfully launched. A key lesson learned from these experiences is to really think about what can be leveraged and being flexible as to the tactic to apply, as it may not always be the obvious answer which is most profitable in the long run.

DEFINITION OF THE MARKET FOR KNOWLEDGE SERVICES

RECOGNIZING THE SWEET SPOT OF PREMIUM-PRICED RENEWABLE SERVICES



Organizations who offer products comprised of proprietary data and analysis occupy a category in-between consulting and publishing. While trying to leverage as much of their past work as possible, consulting firms typically develop a custom offering for each new client. Consulting projects are highly confidential and frequently are limited to working with only one client amongst a

group of competitors, and are priced individually at a high cost that reflects the fact the work cannot be resold. McKinsey and Edgewater are typical organizations in this category. Publishers are at the opposite end of the spectrum. They offer products that are available to everyone,

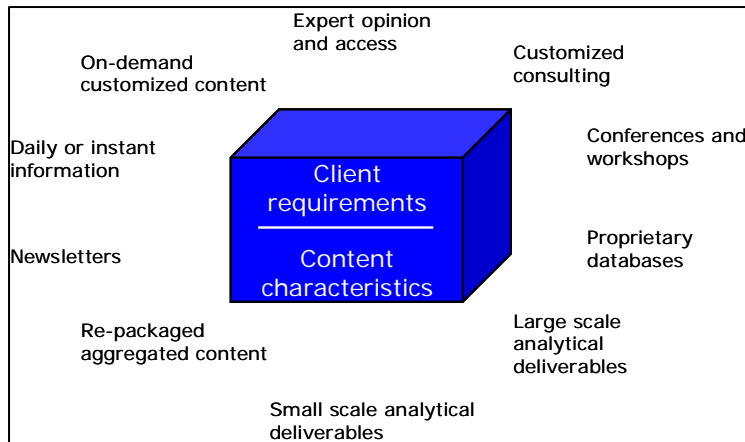
business or consumer. The content is exactly the same for all buyers, and the price point is low, from less than \$1 to hundreds of dollars for newsletters. They generate revenue directly from subscriptions and from advertisers who want to reach their audience.

Organizations who sell proprietary data and analysis have qualities of both these models. They generally target a fairly broad market that has at least 500 to 1000 potential buyers, usually a specific buying center in a given industry or a job function that cuts across multiple industries. They generate the majority of their revenue from annually renewable subscriptions to data, proprietary analyst research, decision support tools and other membership-based services. They supplement the renewable product revenue stream with other services like events, speaking engagements and methodology-based consulting.

To date, most organizations that offer knowledge-based products do so as their core business. Edgewater has seen many organizations not in the information services industry struggle when conceptualizing new revenue opportunities, finding it difficult to contemplate leveraging their knowledge assets outside the context of their current operations. Consulting firms frequently squander opportunities by publishing “free” white papers, passing up opportunities to offer benchmarking services, normative databases and for fee events. Publishers frequently opt for small one-off consulting projects. Organizations outside these industries don’t realize the power of the data assets they’ve built. However, as discussed in this white paper, Edgewater believes many organizations which serve businesses and consumers have an opportunity to leverage knowledge-based content, data or brand assets to create new revenue streams. Both AARP Services and Lux Capital are examples of organizations that found assets to be unlocked within their traditional business models.

TYPICAL ELEMENTS OF A KNOWLEDGE SERVICES PRODUCT PORTFOLIO

MATURE AND OPTIMIZED KNOWLEDGE BUSINESSES ULTIMATELY OFFER A MIX OF VARIOUS TYPES OF CONTENT AND SERVICES



As we saw in the example of Lux Research, knowledge-based businesses may begin serving clients by offering newsletters or research notes, and then extend their brand into other areas such as expert opinion and access, conferences and workshops, proprietary databases, etc. The figure below illustrates the typical elements of a mature knowledge-based businesses.

However, it's not just "what do you want to deliver" or "what do you have" that determines your product mix. Edgewater recommends knowledge-based businesses consider factors such as: What are the characteristics of the content? What is required to deliver it effectively? How will the clients ultimately use the content? As an example, pricing oriented information requires more short-cycle content than strategic best practices; operations benchmarking can handle much longer timelines for content delivery than commodities activity.

KEY BEST PRACTICES & INSIGHTS FOR MONETIZING KNOWLEDGE THROUGH BRAND EXTENSION

UNDERSTAND THE DECISION CYCLE OF YOUR TARGET CLIENTS

Organizations can fill knowledge gaps in a wide variety of ways. The key to success is to understand the decisions that target buyers need to make and to give them the assistance they need to make them. Millward Brown's Total Brand Extension strategy is a good example. The strategy uses a wide range of tactics to provide the best and most relevant information for clients. The key to this process is first understanding the client's decision making cycle, and providing information and services which clarify and support recurring decisions through every aspect of that cycle.

“IT’S NOT ABOUT REPURPOSING”

Generating new revenue by leveraging brand and knowledge assets is not about “repurposing” – some keys to keep in mind are:

- People are rarely reusable;
- Different buyers have different needs;
- It is not easy to repackage data and or published content; and
- Sales channels are rigid, usually full, and slow to respond to change.

This was reinforced by the examples provided by Lux Research & AARP Services, which both looked to outside partners or new staff to provide the expertise required to successfully create new products that leverage their knowledge.

CONSIDER BRAND EXTENSION DECISIONS CAREFULLY

As seen in the case of Lux Research, it is possible to improve and strengthen your existing brand through successful extension in knowledge-based businesses, but there are a number of factors such as brand risk or brand awareness, which should be carefully considered when making this decision. It is not always necessary to use a brand if there is a better approach to address the market. For instance, when NFO was looking to expand into Europe, it took the decision to brand its new entity “Ipsos-NFO” since Ipsos was a more recognized brand in that region. Another example was seen in the AARP Services case, where in order to mitigate potential issues with respect to independence & objectivity, it was determined more appropriate to use the AARP brand in a tagline (“Powered by AARP Services”).

ABOUT EDGEWATER

Founded in 1992, Edgewater is an innovative technology management consulting firm. We provide a unique blend of premium IT services by leveraging our proven industry expertise in strategy, technology and corporate performance management. Headquartered in Wakefield, MA, we go to market by vertical industry and provide our clients with a wide range of business and technology offerings.

To learn more, visit www.edgewater.com or call 800-410-4014.