Symbiotic Partnership: Directory Service Providers Could Be Trusted Digital Brokers for SMEs

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ABSTRACT

As the digital revolution continues to pervade all aspects of modern business life, transcending traditional industries and geographical boundaries, new frontiers in the digital world are being created.

For large corporations, a Website, social media presence and digital communications with customers are commonplace, but for small and medium enterprises (SMEs) creating an online presence and developing digital communications is less common and for many it is a daunting task.

For business owners and executives of SMEs the key challenge is: how to break through digital frontiers while making sure their core business succeeds? The answer could come from a traditional trusted business partner: the Directory Service Providers (DSPs).

INDUSTRY OVERVIEW

Directory services have been widely used by local businesses and consumers for decades. Traditionally, SMEs relied on directory service listings as a way of marketing to prospective customers. This model worked well for many years. However, with the advent of the Internet, smartphones and social networking, traditional directory services were replaced by online searches, advertising and digital marketing services.

For the Directory Service Providers, this shift resulted in the traditional print listings business coming under intense pressure, and the growth rate of digital listings not being enough to compensate for the decline in print revenues (refer to figure 1).
To understand the business challenges that DSPs are facing, we need to start by looking at how the shift began.

In the last decade, as consumers moved to online searches, large organizations and SMEs alike progressively opted to either reduce their reliance on print directory services or cancel their annual print subscription in favor of online marketing and advertising. Communications Service Providers (CSPs), realizing the declining potential of directory services, began selling off their stakes in the directories and yellow pages businesses. It began with the sale of Yell by BT in 2001, followed by several other sell-offs such as AT&T selling its majority stake in its Yellow Pages business unit in 2012 and, more recently, Telstra selling 70% of its stake in Sensis. The striking feature of these deals is the erosion in DSP valuations. Sensis, valued at AUD12 billion in 2005, was valued at only AUD650 million when Telstra sold its stake. BT’s sale of Yell saw the same fate when it gathered only GBP2.1 billion, barely half of what it was valued at less than six months before the sale. While, AT&T, in late 2011, took a whopping USD2.9 billion write-down on its Yellow Pages business, reflecting the unit’s declining value.

Demand for greater online presence and changing consumer behavior necessitates the development of new digital strategies. As a consequence, limited marketing dollars are being redirected from print media to digital. According to several studies, digital spend is forecast to dramatically increase as SMEs seek to attract and better serve consumers. The challenge for SMEs is how to successfully navigate the digital world with the limited resources at their disposal. While for DSPs, to remain relevant they must support SMEs through this digital transformation journey.

**THE DIGITAL MARKETPLACE – A DAUNTING CHALLENGE FOR DSPs**

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Along with market challenges, DSPs face organizational and operational challenges. They have built up large and expensive IT assets like CRM, fulfillment and assurance systems, and Billing platforms - all housed in costly data centers. These systems are largely antiquated and don’t have the flexibility to support the new services the marketplace is demanding.
THE BUSINESS OPPORTUNITY FOR DSPs

While DSPs are struggling to establish a niche in the digital value chain, SMEs are facing an even bigger challenge -- that of navigating the digital marketplace and serving customers better while maintaining profitability.

For SMEs to succeed in the online marketplace, at a minimum they require a website, and many of them need shopping cart capability, payment platforms to facilitate online transactions and online chat and other capabilities that address customer queries.

Once these basic digital capabilities are established, the challenge for SMEs shifts to digital marketing, where both Search Engine Optimization (SEO) and Search Engine Marketing (SEM) enable the SME to effectively promote their capabilities and help differentiate from competition. In addition, the SMEs have to dedicate additional resources to ensure the ongoing and regular management of the online presence is maintained. All of these steps can be difficult for an SME that doesn’t have technical experts that are part of their core business team, like a dental practice or a retail store.

Non-technical SMEs need a partner they can trust to provide them with guidance and services to successfully make the transition. Further challenges faced by SMEs are highlighted in figure 2.

According to a recent report, spending on maintaining online presence was increasing year-over-year, with small businesses in the UK spending an average of GBP3,029 per annum. For DSPs, who provide the online maintenance for SMEs, this represents an opportunity to grow revenue in new value-added services.

Another report shows that only 16% of small businesses in Australia are utilizing the Internet to the fullest, and that nearly 35% of small businesses have almost nil Internet exposure.

SMEs need a partner who understands these challenges and can help them navigate through the available options. Whether an SME requires guidance in establishing an online presence or managing its online environment, there’s a significant opportunity for the DSPs to step in and manage the SME’s online requirements and simplify their adoption of digital technologies, enabling the SME to focus on its core business.

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Figure 2: Online challenges for SMEs in the digital frontier, Wipro Analysis

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Directory Service Providers are ideally placed to partner with the SMEs and become their ‘digital broker.’ The opportunity is for the DSPs to use their long-standing relationship with the SMEs to develop innovative solutions that enable SMEs to participate and succeed in the digital marketplace (refer to figure 3). By doing so, the DSPs can remove the need for the small businesses to invest in digital skills and resources.

While most DSPs have extended their service offerings beyond print to include digital marketing and a variety of online capabilities (including Website design, Website hosting and search optimization), these offerings must be broadened and enhanced and their time-to-market accelerated to differentiate DSPs from online search engines to support their long-term success.

**DSPs AS TRUSTED DIGITAL BROKERS FOR SMEs**

For DSPs to become the SMEs’ digital broker they will need to adopt a multi-faceted transformational approach including:

- Partnering with advertising networks;
- Reselling third-party capabilities; and
- Developing key competencies in new digital marketing services (see figure 4).

DSPs also need to focus on reducing their SME clients’ operating costs and simplifying their antiquated processes by integrating a wide range of enabling technologies and services (see figure 5).

**RECOMMENDATIONS: THE WAY FORWARD FOR DSPs**

*Figure 3: DSP–SME relationship, supplier to a trusted partner, DSP offerings vs value to SMEs, Wipro Analysis*
Transformation for DSPs has to be business-wide, from product development, simplification of processes and customer experience (refer to figure 5). IT is also a key aspect of DSP transformation. DSPs’ IT needs to change from a cost center to a business enabler with a greater focus on application rationalization and the use of cloud-based services. This trend, which we call the Variabilization of IT, converts the fixed IT infrastructure cost to pay-as-you-go business assets. Variabilization offers increased flexibility, scalability, faster time-to-market, higher resource utilization and greater control over IT spending.

Variabilization’s benefits result from cloud-based configurations, such as Infrastructure-as-a-Service (cloud-based storage, hardware and servers), Software-as-a-Service (moving CRM, MIS and invoicing systems into the cloud) and Business Process-as-a-Service (making critical business processes accessible through the cloud across devices). In addition, DSPs should focus on moving to a managed services delivery model with their IT suppliers which provides several advantages, including service level agreements (SLAs) to ensure quality of delivery and outcome-based agreements where the cost is often tied to business results.

Leverage Customer Intelligence and Analytics

Analyzing and measuring the effectiveness of digital marketing campaigns in real time provides SMEs with insights into brand loyalty and customer acquisition, retention and satisfaction. DSPs can play a vital role in supporting SMEs’ decision-making process by providing access to real time analysis and information about consumer behavior and competitive/market intelligence.

DSPs possess a vast amount of data about SMEs and consumers such as – location, contact information, Web presence, search volumes etc. This valuable market intelligence can provide competitive insights into critical business decisions including digital marketing and advertising campaigns. Utilizing analytics, DSPs will be able to offer SMEs detailed analyses of competitive activity at a local level, leading to innovation in products/services offered by the SMEs and better customer engagement.

A reference case-in-point is Yellow Media Limited, Canada. According to media reports, Yellow Media transformed its databases and IT systems to combine information from databases with social media and other online services to create an accurate and all-inclusive source of data available on Canadian businesses. Today, Yellow Media boasts 7.3 million unique visitors to its network of websites, reaching 26% of Canada’s online population every month9.

Develop a platform to support localized promotions

The proliferation of smartphones and wireless data technologies has resulted in increased mobile Internet usage for search, social networking and video viewing. This creates a burgeoning opportunity for DSPs to deliver targeted advertising and promotions based on subscribers’ location, tweets, social media behavior and other geographical digital signatures.

Competitive advantage that DSPs have over global search, ads and social networking companies, like Google and Facebook, is owing to their knowledge of local market, a localized sales force and their established partnerships with SMEs. DSPs should focus on leveraging these strengths by creating platforms to facilitate localized promotions. SMEs can utilize these platforms to take advantage of location-based services, maps and other digital marketing technologies including augmented reality, digital signage and mobile coupons. For example, leveraging social media analytics to understand customer behavior and combining this information with the subscribers’ location data to develop targeted offers like discounts that can be delivered instantly as mobile coupons or in-app advertisements. Creating a platform to deliver such customer preference and location-based promotions and advertisements, will provide near-instant conversions and value realization that drives business growth for SMEs and, in turn, for DSPs.

CONCLUSION

While most large corporations are proficient in the art of multi-channel digital marketing, most SMEs have yet to overcome the challenge. DSPs are ideally placed to help SMEs, but only if they rapidly increase their transformation from print to digital media.

Increasingly, the relationship between client and supplier is changing with more emphasis on suppliers that can enable transformation through a deep insight of industry trends and a set of broad capabilities supported by best practice methodologies. As DSPs embrace the challenge faced by SMEs and embark on their digital transformation journey, finding companies that can be trusted partners and advisors will be critical to DSPs’ success.
ABOUT WIPRO

Wipro Ltd. (NYSE:WIT) is a leading Information Technology, Consulting and Outsourcing company that delivers solutions to enable its clients do business better. Wipro delivers winning business outcomes through its deep industry experience and a 360 degree view of “Business through Technology” - helping clients create successful and adaptive businesses. A company recognized globally for its comprehensive portfolio of services, a practitioner’s approach to delivering innovation, and an organization wide commitment to sustainability, Wipro has a workforce of 140,000 serving clients across 60 countries.

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