

New digital product development within the advertising industry

Lessons and Implications

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Publication date:
2019

Document Version
Publisher's PDF, also known as Version of record

[Link to publication from Aalborg University](#)

Citation for published version (APA):

Tyliszcza, D., Turcan, R. (Ed.), & Gulieva, V. (Ed.) (2019, Sept). New digital product development within the advertising industry: Lessons and Implications.

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New digital product development within the advertising industry: Lessons and Implications

This article discusses the development process of the new digital product within the advertising sector and its implications on daily business operations. There is evidence that the development of new non-digital product and new digital product differs with regard to specific phases undertaken throughout the whole process. This article visualizes different stages of the process, elaborates the difference between the product types, and discusses the application of the service to the Danish market.

This article is based on the research project carried out by Dominika Tyliczszak as part of her Master thesis at Aalborg University, supervised by Prof. Romeo V. Turcan. The study was conducted as an in-depth case study analysis of new digital product development at Cheetah Digital. The study findings are particularly applicable to the advertising industry, especially when talking about companies offering email, SMS, push, and loyalty services.

Digitalization: recent years development

In recent years, the digitalization of a product or a service grew substantially. The fierce technology-driven competition resulting from the emergence of the Internet of Things and Smart Industry 4.0 led many companies to the adoption of digital products on the side of the physical ones. In specific cases or particular markets, the shift from the non-digital to digital good is paramount. This can be seen even now, as big shop chains such as Tesco or Marks & Spencer close their physical branches and move to the digital marketplace.

Nonetheless, these are not the only changes applying to the market. Interestingly, digital disruption is conducted across all sectors and industries. This revolution brings big innovations, for example, Artificial Intelligence in travel, Virtual Reality in gaming; but also something that many can overlook, such as deep digitalization in advertising. The latter is insofar important as it propels all other industries, their demands and selling power. Thus, the investigation of the advertising industry and connected with it development process of the new digital product seems to be important to better understand the mechanisms and premises dictating the further emergence of the sector.

Learnings from the case: new digital product development

Cheetah Digital offers new digital product development campaigns, especially email or loyalty campaigns created on behalf of big companies. Cheetah Digital has extensive knowledge and experience

in new digital product development working with a variety of clients, such as Williams-Sonoma, Hilton, Bass Pro Shops, American Eagle, and Atlantis the Palms. Some Cheetah Digital' clients are involved in B2C activities, while the others, such as American Express, engage in B2B activities. Choice of digital products relies on the decision makers employed by the customers; these are often Data Marketers, CMOs, and VPs of Digital. They are in charge of making decisions regarding the implementation of digital campaigns. Regarding the competition, Cheetah Digital is challenged by such names as Salesforce, IBM, Oracle, Adobe, and Mailchimp.

While working on the case, it became evident that specific phases of the development process of the new digital product are quite different from its non-digital counterpart. The results from these findings are illustrated below.

The development process of new digital product within the advertising industry consists of nine main phases (blue tiles) with one additional which occurs only when necessary (light blue tile). Some supportive elements arise during specific stages (such as market research and updates). Interestingly, one of these supportive elements (process accelerator) is constantly present and can be used in any of the main phases.

As data analysis points out, the process of developing new digital product differs significantly from the development process of the non-digital product. It becomes particularly prominent, when comparing the basic characteristics of digital and non-digital

goods. While a physical product is characterized by its tangibility and long-term manufacturing, the digital product is embedded in its online presence. Therefore, the essence of the digital product is seen in the difficulties to evaluate work put in writing the codes. Additionally, this type of product can be developed relatively faster, as it does not require manufacturing physical parts and instead its individual elements can be progressed simultaneously. It is much easier to adjust specific characteristics and features of a digital product during or even after the emergence process, as it operates on a more flexible basis. This is valid also for the post-production element, in which some updates can be easily and

relatively quickly performed.

Digital product: reasoning behind implementation

Implementation of the digital product, especially one in form of service, is challenging. The digital character of the product is related to certain disadvantages. Although the digitality of a service allows for amendments during and after development process, there is evidence that each time a change occurs, the workflow of the product amends. Ed Federici, CTO of Cheetah Digital, explains it like this:

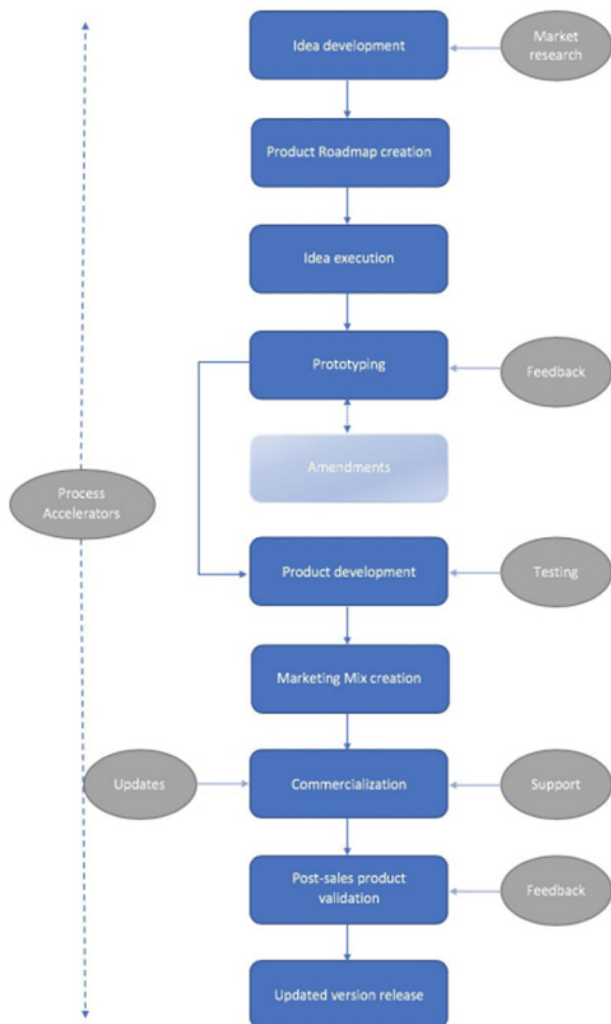
“...it’s something like zero sum game; we can’t do two things at one time with the same resource.”

The importance of cost-efficiency has to be always taken into account when considering development and implementation of a new digital product. Every alteration in the product leads to specific trade-off. This trade-off can be understood from different perspectives. It can indicate lack of time or technological capacity, but also lack of financial or human resources, as Michael Murdza, VP of Product Management, Cheetah Digital, pointed out:

“...it’s a constant prioritization game between what customers want, what the industry is asking for, what can get your product superior competitive advantage.”

On the other hand, there are significant opportunities related with the implementation of digital products. Primarily, the financial results are expected to improve. Digital product has the task of generating profit and granting the existence of the company developing it. This is also true for the firm implementing digital good, as it would expect ROI to grow by releasing each of the campaigns.

Additionally, the element of innovation is brought into the play, as it grants specific advantage against competitors. Especially nowadays, when there are countless features used for creation of email and SMS, the flexibility of development unique and personalized messaging may be perceived as crucial. It should be mentioned that these expectations are formed by not only Cheetah Digital but also its cli-





ents.

Application to the Danish market

The importance of understanding how the advertising industry oversees the development process of new digital products is insofar important, as it allows the companies to create better product proposition, which in return will bring more promising clients. Nevertheless, it should be noted that specific new digital product is not necessarily relevant to certain industries or business sectors. For example, the mobile wallet may not be necessarily interesting for B2B clients but will be appealing for B2C retailers, such as H&M or Elgiganten. Another example of a company that may be more active in adopting digital products is Salling Group, which owns such brands as Bilka, Netto, and Føtex. This is an example of a business that may want to implement different digital products across its brand regarding the current situation experienced by each of them. Some may want to implement such features and products as email campaigns or SMS campaigns, whereas the others will focus rather on enhancement or creation of a loyalty program.

The need for more digitally embedded advertising on the Danish market is even more evident when the newest studies are taken into consideration. It is a time of digital revolution for the country, which becomes more and more appreciated and recognized in the international environment. Thus, it can be advised for many Danish companies to become more visible digitally, especially in terms of mobile marketing. Internet retailing, aka e-commerce, is forecasted as the key driver of the market for the next years.

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