



## Exposing ISP Resource Abuse

## Resource Abuse

Known to many as “spam,” but what is really taking place is Resource Abuse and the root of the problem is causing far more damage than just unhappy customers.

ISPs provide access to the largest content delivery system in history. This system is superior in so many facets, and yet contains one major deployment flaw. **In every other media outlet, like, television, radio, print publications or parcel services, the channel is compensated for access to their resources and their customers, when a third party chooses to inject an unsolicited message.** It is that very compensation that controls access and limits abuse. More importantly, this compensation supports the operation and continuous improvements of the resources delivering the message. **In fact, in 2004 alone, U.S. marketers purchased \$263B (\$521B World Wide) in services to deliver their message, a party in which ISPs were not privy to**

While all other channels control abuse through means of revenue generation, ISPs are caught in the middle as they expend endless resources attempting to control commercial content. Additionally, the near zero cost of entry attracts content of no value or relevancy to the majority of recipients. From a marketer’s perspective, this is a fantastic opportunity as they use the service provider’s operation free of charge to reach an enormous market. **From the perspective of the ISP, this is resource theft** and from the perspective of the end-user, it is a violation of personal space and content overload, as they are bombarded with undesirable messages. Let’s not be misled, however, into associating spam with legitimate marketing, some of which is desirable by a large consumer segment.

**Spammer vs. Legitimate Marketer**

	<b>Spammer</b>	<b>Legitimate Marketer</b>
Association Concern	None	Highly concerned
Budget for ad creation	Little to none	Yes
Budget for ad distribution	Little to none	Yes
Reputation Concern	None	Highly concerned
Target marketing effort	None	Always

Clearly, there is a wide contrast between the two. **The legitimate marketer is highly concerned with whom they are associated and whom they intend to engage, while the spammer has little concern for either.**

Legitimate marketers conduct extensive research on placement and message delivery. Additionally, due to the costs of production and distribution, they focus on targeting only interested parties; otherwise, the effort would be a waste of advertising budget and resources.

Spammers, on the other hand, only need a minuscule response from an ad campaign. As they have no concern for reputation, they spend next to nothing on creation or market research. They distribute their message aimlessly because **current ISP infrastructures have no mechanism to stop them from abusing their resources.**

Surprisingly, many ISPs are aware of the parallels between themselves and other distribution channels. **More alarmingly, is how most ISPs are not aware or don’t feel their infrastructure either deserves or is capable of demanding resource compensation.** The fact is, demanding compensation forces respect, which in turn builds value for the entire channel. While it may seem evident, there is a connection between cost, professionalism, media stature, message relevancy and consumer acceptance.

ISPs offer a more personal and precise distribution channel than ever before. **The reason for the channels great demand is its many major marketing advantages over all of its competition.** Let's take a moment to expose the opportunity and the ease in which ISPs can change their model.

### Advertising Media Market Opportunity

These were the revenues on the table for 2004. **ISPs were not even in the game.** In 2004, the advertising spending in the U.S. exceeded \$263 billion dollars. Approximately 90% of this spending went toward the "media buy" (or "distribution.") **See the chart below.**

<b>2004 EXPENDITURES OF NATIONAL ADVERTISERS <sup>1</sup></b>	
<b>Media Type</b>	<b>Budget in \$(000,000)</b>
Four TV Networks *	\$16,458
Spot TV	10,943
Cable TV	15,628
Syndication TV	3,949
Radio	4,427
Magazines	12,121
Newspapers	7,762
<b>CONSUMER MEDIA SUB-TOTAL</b>	<b>71,288</b>
Direct Mail	52,240
Yellow Pages	2,135
Internet	7,062
Other National Media	33,269
<b>TOTAL NATIONAL</b>	<b>\$165,994</b>
<b>2004 EXPENDITURES OF LOCAL ADVERTISERS</b>	
<b>Media Type</b>	<b>Budget in \$(000,000)</b>
Local Newspaper	\$39,173
Local Television	14,670
Local Radio	15,352
Yellow Pages	11,900
Other Local Media	16,610
<b>TOTAL LOCAL</b>	<b>\$97,705</b>
<b>TOTAL EXPENDITURES</b>	
TOTAL NATIONAL	165,994
TOTAL LOCAL	97,705
<b>GRAND TOTAL</b>	<b>\$263,699</b>

**ISPs should not underestimate the inherent value of a customer base at a local level.** For ISPs thinking of themselves as a local business unit, it is very important to note that 38% of total expenditures (\$97.7B) went directly to local media distribution.

Notice that \$7 billion was spent in Internet marketing, where ad placement is considered ad delivery. Comparatively, there as \$52 billion spent on direct mail, where nearly all revenue goes directly to the delivery channel. In these channels, costs make targeting a serious business. **Regardless of where the message originates, it is ultimately the responsibility of a local carrier, offering their services, to deliver the message. The dichotomy between these models is that the ISP not a valued entity in the delivery chain.** Conversely, the following table reveals the ever growing value marketers place on consumers via direct mail.

<sup>1</sup> Universal McCann  
 \* ABC, CBS, NBC, Fox

**Advertisement distribution costs via US mail <sup>2,3</sup>**

Year	Postage Cost (M)	Cost/GDP (%)	Pieces (M)	Avg ad mailings per person	Avg postage per piece	<b>Avg delivery cost per person</b>
1890	66.26	0.51	4,005	54	\$0.02	<b>\$0.90</b>
1900	107.7	0.58	7,130	79	\$0.02	<b>\$1.20</b>
1910	230	0.65	14,850	137	\$0.02	<b>\$2.12</b>
1920	454.3	0.5	-	-	-	-
1930	803.7	0.89	27,887	193	\$0.03	<b>\$5.56</b>
1940	807.6	0.81	27,749	179	\$0.03	<b>\$5.22</b>
1950	2,223	0.78	45,064	254	\$0.05	<b>\$12.54</b>
1960	3,874	0.77	63,675	302	\$0.07	<b>\$18.36</b>
1970	7,876	0.81	84,882	355	\$0.10	<b>\$32.97</b>
1980	19,412	0.7	106,311	399	\$0.20	<b>\$72.79</b>
1990	40,490	0.7	166,301	569	\$0.27	<b>\$138.45</b>
1998	57,778	0.68	197,943	623	\$0.32	<b>\$181.86</b>

Comparatively speaking, as primitive and sluggish as postal mail is, it is an extremely lucrative advertising channel. Through the proper selection and application of current technology, ISPs can overcome the stigma of their inability to control information irrelevance and overload (better known as spam.) The result of this would allow the ISP to **offer far more benefits to their customer, the marketer and the entire value chain in exchange for new profitability.** Here are just a few of the many benefits:

**1) Consumer:**

- a. Personal Value Control™ results in respect.
- b. Commercial content is well targeted.
- c. Commercial overload is eliminated.

**2) Marketers receive:**

- a. Real-time feedback regarding the success of their efforts.
- b. The ability to modify message delivery dynamically.
- c. Highly competitive delivery costs to reach a target audience.

The delicate value chain balance made possible by the dynamics of Personal Value Control™ will result in ISPs taking part in multi-billion dollar annual market. This will result in ISPs making conscious technology decisions to broaden their customer base, as well as deliver richer content for the advertising industry.

<sup>2</sup> Recycleworks.org

<sup>3</sup> School of Information Management and Systems at the University of California at Berkeley

## Location - Location – Location

**Who wants advertisements?** For many, ad perusal is downtime, it's enjoyable, it may even be a brief and entertaining escape. Ask the question, **“Would it be best to eliminate all unsolicited advertisements from daily life?”** Now, relative to your favorite magazine, are the advertisements within this publication offensive? Some might actually say the ads rival the content. Remarkably, these very ads were unsolicited! They were not asked for, but some were absorbed with the same intensity as the featured editorial. This is the result of well-targeted advertising, where the marketer has spent their resources wisely and has selectively chosen their distribution media.

At first glance, it may appear the advertising budget is the only thing that keeps a company in check when determining when and where to advertise. That is partially correct - while budget plays a major role in selecting the proper location for ad placement, so too does the media type, the demographics, and status of that media type. There are two ends to the spectrum. Poorly placed advertising can be ineffective or even damaging, while proper placement embraces the target audience and may even be recalled as informative.

This next example clearly depicts two relationships. The first compares ad costs to ad quality. It is expected that as ad budgets increase, the quality of the ads increase. However, in this example (the Super Bowl) the statistics become more clouded each year as to which content the viewers are tuning in for, feature or advertisements.

**2003 American Super Bowl Ad Statistics**<sup>4, 5</sup>

Viewers (US Only)	135 Million Americans
Number of countries tuned in	220
Average cost to air a 30 second spot	\$2.1 Million
Number of spots	60
Expected revenue	\$155 Million

Many of the 135 million viewers tuned in with the expectations of being entertained by the ad content. At an average price of \$2.1M/30second spot, this media channel yielded an approximate \$150M in distribution revenue. ***This event debuted a number of interactive ad concepts, which for delivery, required ISP network infrastructure.***

These examples bring to light a very important point: consumers are not opposed to advertising. ***What consumers are opposed to is being forced to wade through irrelevant, undesirable content. They want to be in control. They want to view what suits their desires, their tastes, and their sense of entertainment.***

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<sup>4</sup> Adage.com “ABC Nears touch down in Super Bowl Ad Sales”

<sup>5</sup> NBC11.com

## Resource Compensation Control™

**Advertisers and marketers are continually reaching for more resources and customers.** As customers are given more media alternatives, the advertisement market becomes more fragmented. In an effort to attract and retain customer attention, advertisers are focused on clouding the perception between entertainment and advertisement. These efforts are increasing both the use of dynamic real-time interaction, along with the use of more sophisticated digital multimedia. In turn, these efforts are increasing the resources required to deliver the designed experience. **Making available such resources without added cost is neither prudent nor expected.** The last thing an advertiser would want is for a technology limitation to inhibit the delivery of the expected user experience. **Therefore, continuing to ignore the needs of the very industry that supports every other media distribution channel, will simply transfer the opportunity to another supplier.**

For ISPs, this is an entirely new market; however, Resource Compensation Controls will give way for **ISPs to provide a superior service to both their customers and to unsolicited advertisers.** A process that will remove the ISP from the commercial content management game empowers the marketer to create instant consumer engagement. Done properly, today's bottom line burden will be tomorrow's asset. The basis of this model is nothing new to legitimate marketers, as they expect to pay for viable message distribution. In fact, they plan for it, design for it, and budget for it. For example, even during a year of economic challenge, in 2001, direct and interactive marketing accounted for a total \$195 billion. Of these costs, approximately \$50 billion went for direct mailings and, due to success, the numbers continue to grow.<sup>6</sup>

Let's review **the benefits** of correctly implementing a Resource Compensation Control™ system :

- ❑ **Placing a value on your services protects your business from resource abuse.**
- ❑ **Keeps solicited and personal messaging flowing at no cost.**
- ❑ **Financial deterrent controls untargeted irrelevant mailings**
- ❑ **Works uniquely per/users and per/network, regardless of status or stature, to define what their time and resources are worth, thereby forcing bulk mailers to consider these costs before sending a message.**
- ❑ **Supports infrastructure reinvestment increasing the value of services to all parties.**
- ❑ **As the Clear Channel Effect™ takes place, the value of your customer base is increased as they become more focused on applicable messages.**
- ❑ **The value of your business has demographic depth versus being based on (# of customers) x (monthly access fees).**
- ❑ **Instantaneous consumer/marketer engagement builds brand respect and is a superior benefit over all other ad distribution channels**

Without this level of control, to the legitimate email marketer, a customers' attention is worth little due to the association and frustration factors of competing spam, pop-up ads, and the many other irrelevant unsolicited offers. Legitimate advertisers do not want to be associated with trash and the frustration caused by it, so they hesitate to use the medium in fear of damaging their solid reputation. However, Resource Compensation Control™ addresses every portion of the value chain in a positive manner. **End-users are given total control over their personal value - this controls unsolicited irrelevant content. Media providers are released of the continuous cost burdens previously associated with the problem – and now instead are compensated for their services. The legitimate commercial sender is now offered valuable access to a channel previously dominated by irrelevant content.**

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<sup>6</sup> DMA "Direct Marketing Sales And Advertising Expenditures Increase Despite Challenging Year"