

Personalization Can Work... But Will It?

By *Tim Young, Editor in Chief*

Personalization is a wonderful idea. Who doesn't value the ability to customize a user experience? We can mix our own paint colors, even at big-box home improvement stores. We can create our own ingredient combination at pretty much any burrito joint or sandwich shop. We can name our own price on travel websites.

Customize. Personalize. Press a fiery-hot brand into the hides of everything around you.

People like personalization, and communications service providers are in a unique place to provide them just the sort of personalization they crave.

Mobile companies are the best at this. A mélange of optional services, third party apps, device choices, and accessories make cell phones the custom street-rod for the 21st century everyman (and everywoman. And everyteen.)

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Granted, there are still a million hurdles for providers to overcome in this realm, and a wide variety of OSS and BSS tools are out there to help them do it. Providers can do far more with the customer data they have readily available to them that would enable them to customize pricing and service options, and even information on improving advertising, packaging, the sales and support experience, and a host of other elements related to customer satisfaction, retention, and acquisition.

Furthermore, location-based services demonstrate a great deal of opportunity, but it doesn't seem to be the providers who are really driving the innovation in this area. Which seems to be an ongoing problem, doesn't it?



However, even with these shortcomings, mobile providers are still worlds ahead in the realm of personalization than their stationary cousins in the telco and cable world.

At the end of 2009, I recall a flurry of discussion in several advertising and entertainment publications (like AdWeek and The Hollywood Reporter) on how the Comcast-NBC Universal deal could change the face of advertising. A story appearing in The Hollywood Reporter by Brandweek's Steve McLellan from early December 2009 outlines how the union of the two companies could create just the sort of environment in which ads could be specially tailored for consumption by specific users targeted based on a wide array of demographic characteristics.

The keyword here is "addressability" — the idea that an advertiser could buy a national TV spot that would run only in homes that fit a certain profile for maximum impact—and it's something that advertisers have pinned their hopes on for some time.

However, talking about the heavy potential of addressable advertising is still a somewhat academic exercise. Parks Associates, an advertising analyst firm, released a report in Q4 of 2009 that estimates the value of addressable ads at less than \$50 million in 2009, and only slightly better in 2010. However, the same report, by research analyst Heather Parks, says that the market could hit \$2 billion in 2012 and top \$4 billion before the end of 2014.

Of course, it also bears mentioning that the aforementioned Comcast-NBCU deal is still stalled in regulatory review, and may remain so until sometime in 2011, some experts predict. Even so, there seems

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to be no signs that the Obama administration will kill the deal or that a strong enough legislative or judicial movement against the deal will block its eventual approval, especially if the companies agree to comply with net neutrality. Still, if that deal will be catalyst for massive growth in addressable advertising, then that growth may be a ways off, yet.

But there are other catalysts to consider.

Project Canoe is and has been proof for some time that cable providers are serious about, at the very least, the concept of and promise of targeted, personalized advertising. Recently, this ambition has borne fruit, as it was announced at the end of June that Canoe had rolled out clickable interactive advertising backed by paying advertisers that are hitting several million TV screens. While Canoe was hardly forthcoming with additional details, this could potentially demonstrate the opening of a widespread, interactive, two-way advertising experience hitting the TV sets of millions of subscribers.

While not specifically targeted, this interactive component is another aspect of what could make service provider advertising a special experience, unlike scattershot messaging coming from other

sources. CSPs possess the level of access and the wherewithal to see that the ads get to the right consumer, and that the specific consumer can immediately interact and personalize the ads.

Which is something I've noticed web-based video providers like Hulu already doing.

If I've decided to catch up on *Last Comic Standing* or *Burn Notice* (and yes, that Michael Weston does seem to be phoning it in a little this season, but I digress) on a lazy Saturday morning, Hulu often gives me a choice of two or three different ad experiences. I'm going to hear about the Buick LaCrosse whether

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I want to or not, but I must admit that it's at least slightly nice to be able to choose whether I hear about the vehicle's fuel efficiency or its luxury finishes.

In addition, every ad is tagged with a clickable "Is



Click this ad for more information

this ad relevant to you” message which, ostensibly, provides information that can be used to customize my advertising experience later on. Granted, I tend to have a pretty high threshold for relevance before I ever click “yes”, but when I do, I’m sure it gives Hulu plenty to go on.

And that is all done without the level of access to my information that service providers possess. Time Warner Cable is party to enough information about my usage habits to provide me with one heck of a customized, personalized ad experience.

But there is a limit to the degree of personalization subscribers generally appreciate. We’re all familiar with the complaints about Facebook’s “instant personalization”, and concerns about the privacy violations that may or may not result from Facebook’s policies on user data.

If, then, a social networking site created for and largely populated by users from a generation accustomed to and, to an extent, desensitized to phenomena like data-mining and privacy concerns (after all, the entire point of the site, for many, is to share intimate life details with strangers or near-strangers...) is still under scrutiny over possible

privacy violations, it’s enough to give CSPs whose customers are less accustomed to such openness some serious pause.

However, if CSPs can find the balance between personalization and privacy, and can figure out ways to create incentives for consumers to pay any attention to the advertising to which they are exposed, there is a wealth of money to be made.

Comcast’s recent numbers celebrated an uptick in local ad revenue, and the company rejoiced. Ad sales had dipped under the weight of a sagging economy, but rebounded by 24% in Q1 of 2010. Great news!

However, digging a little deeper, it looks like the raw number for ad revenue is around \$360 million. While no small amount, the aforementioned figures for addressable ad potential mean that these numbers could not only grow, but could explode under the proper circumstances.

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