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Transforming The Advertising Eco-System Through Multi-Channel Personalization

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"Customers buy for their reasons, not yours," said Orvel Ray Wilson, best-selling author and marketing guru.

In spite of increasing market awareness around targeted and relevant advertising, multi-million dollar advertising budgets are routinely squandered. Click-through rates and sales conversion rates on interactive advertising are still sub-optimal and well below the intrinsic potential offered by the medium. What if every ad is not an interruption but a relevant, targeted and carefully orchestrated campaign optimized for that specific customer context? Can interactive advertising make the transition from a nuisance factor and a necessary evil to a compelling engagement platform?

There is significant opportunity to improve ad conversion rates on Internet, mobile, IPTV and other interactive media by delivering a customized experience based on deep customer insight extracted from a 360 degree view of the customer. With deep customer insight, publishers and ad networks can deliver more targeted advertising, enjoy increased CPM / CPA rates and advertisers can realize better and faster ROI.

What is this deep customer insight and how does it help? Let us look at some examples.

The business executive from Japan who just landed in Spain receives an advertisement on video MMS on the best Japanese cuisine options around the hotel that he had booked using mobile broadband.

The user searching for a 60" HDTV and browsing HDTV offerings on his computer gets targeted ads on mobile with coupons from electronic retailers. He is exposed to a 30 second HDTV spot on IPTV from a manufacturer running a special promotion.

A feature phone user who has been searching for high end smart phones is exposed to an orchestrated campaign of a specific manufacturer's smart phone ads on IPTV and display ads on broadband. The frequency is capped and rationed over time to avoid over-exposure.

In every one of the aforementioned examples, the probability of customer engagement, click through and conversion is 3-4 times higher than the standard ad exposure and there is a win-win for all parties involved including the advertiser, publisher and the consumer.

Who has access to this deep customer insight?

More than any other entity in the advertising eco-system, the telecommunications service provider is in an unique position to understand the customer, his intent, interests, needs and preferences. Service providers are sitting on petabytes of data containing information about every subscriber including buying habits, payment preferences, travel locations, browsing, behavioral and consumption patterns.

However, despite a lot of talk about using customer data as a "strategic asset," providers have made little progress on monetizing this goldmine and leveraging these insights. How can the service provider transform from a passive observer to an activist visionary who can redefine the advertising value chain?

Collect and Collate the 360 View

The telecom provider needs to assemble a holistic view of the subscriber across channels, services, devices. While several CRM, e-commerce, business intelligence and billing systems have fragments of this data, establishing a subscriber database of record

Overall global mobile revenues are predicted to reach over $1 trillion around 2012.

that has the full customer profile is a critical first step. There are multiple techniques around constructing this ranging from a loosely federated approach combining distributed customer databases through key mappings to centralizing customer data into a master system. The right approach is dependent on the complexity of the OSS/BSS landscape, the quality of data in current systems and business / IT maturity of the provider.

Tracking online browsing behavior, monitoring application downloads and gathering usage patterns on mobile devices are key aspects of the 360 degree view and the extent to which this can be captured and persisted is dependent on privacy laws that vary widely by state and country. Nevertheless, assembling this data this will require interfaces to deep packet inspection systems and network probes. Providers need robust IT strategies to collect and manage this information effectively and also be in compliance with state laws and regulations

Extract Customer Profiles and Insights:

Subscriber profiles needs to be constantly updated and refreshed to reflect the most current needs of customers. These should be regularly summarized and analyzed to generate:

- Usage Profiles by Service
- Browsing Profiles and Interests by Channel
- Advertising Activity Profiles
- Opt-In Profiles by Channel
- Payment and Billing Profile

Providers also need to continually segment their subscriber base by leveraging these rich profiles and through correlating common activities and interests across the customer base.

For example, usage profiles detail services used by the subscriber - voice, data, SMS, MMS, music downloads, VOIP, IPTV, online gaming, chat, social networking etc. - and the depth of usage for each service including data related to number of ad exposures, content genre viewed vs. downloaded, favorites, broadband and 3G download preferences etc.   Correlating this with subscriber dimensions - age, gender, region and other demographic data- can deliver key insights. Triangulating this further with recent and real time context can provide intelligence on “top-of-mind” issues for a subscriber and in framing his crucial interests and needs in a certain time window.

Share Insights with Advertising Eco-System

Telecom providers can share these subscriber profiles and insights with the advertising eco-system – publishers, ad networks etc. - to increase effectiveness of targeting and sharpen the relevance and context of advertising in the consumer experience.

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There is a wide continuum of the role of the provider in the advertising value chain but they can be broadly summarized into three key strategies:

1. Insight as a Service: In this mode, the service provider shares insight as a service, “on demand” in real time and on request from downstream systems owned by ad networks and publishers. The advertiser relationships and the actual targeting are managed by the ecosystem and the business model is typically based on revenue share from increased uplift through better targeting.

2. Ad Decisioning as a Service: In this mode, the service provider manages the metadata for the ads and also recommends the right ad to the right

customer at the right time on the right channel. Advertiser relationships are managed by the eco-system but the Telco has a deeper footprint in the ad value chain and manages the entire process of translating data to insight to an “ad decision” for any specific customer context. Business model is based on performance – i.e. increased uplift through better targeting – and /or transaction volumes related to number of ad decisions.

3. Ad Placement as a Service: In this model, the provider directly contracts with advertisers with the promise of delivering more targeted audiences. The provider primes the entire advertising value chain from managing contracts, making advertising decisions in real time and in actual ad placement. In channels where it has full control (Like IPTV), the Telco may place the ads directly (assuming addressability as a technology is full baked in IPTV and has buy-in from broadcasters) and in channels where they are dependent on third parties (like off portal mobile web pages), they may serve the ad as a service that will be consumed by the publisher. The business model can be based on impressions served, audiences delivered and specific audience engagement metrics.

Service providers have a unique opportunity to change the game and offer a new channel for advertisers who are increasingly looking for higher and measurable ROI, more “bang for the buck” and reaching specific and targeted audiences. They are also well positioned to exploit several adjacent business opportunities around third party coupons and promotions. A whole range of industries including retail, CPG, financial services and Insurance are looking for ways to better reach end consumers and the telecom provider can evolve to be that channel of choice. However, to fulfill this promise, providers need to focus on a number of strategic initiatives.

1. Today, most service providers are in the very early stages of experimenting with advertising business models. This line of business needs fresh perspectives on the intricacies and dynamics of new media, advertising and content partner relationships. Telcos may want to consider external hires from the media /advertising industry to ramp up the domain expertise required to navigate these unchartered waters.

2. Most existing BSS / OSS systems do not support the capabilities required for large scale subscriber profiling and real time decisioning. Telcos need to invest in new competencies (some of this can be outsourced to strategic IT providers) to manage this effectively.

3. New subscription models and incentives may have to be offered to increase opt-in and subscriber engagement. The advertising business model cannot be a stand-alone initiative and will require close collaboration with the mainstream lines of business. Management incentives need to be re-aligned with this strategy to maximize the probability of success and ramping up this nascent but high potential business model.

CSPs have a unique opportunity to offer a new channel for advertisers looking for more “bang for the buck”.

Advertising can be the next multi-hundred billion dollar opportunity for telecoms to compensate for the increasing commoditization of connectivity. Providers of mobile, IPTV, and broadband can become the preferred channels for advertisers to enable contextual personalization. If telcos play their cards right, they can be at the epicenter of this transformation. Will they?