

Mobile industry sees boom in high-tech targeted ads

February 27 2014, by Katell Abiven



This file photo shows pedestrians walking past an advertising board in central London, on August 22, 2012

You are strolling past a cafe when a discount coupon flashes up on your smartphone, tempting you to go inside and purchase a drink.

But as you're about to open the door, a rival offer pops up on the screen from a competitor across the street promising an even steeper discount, valid only for the next 10 minutes.

As advanced [mobile networks](#) gain the capacity to analyse each user's data, interpreting his or her surroundings and habits, spending on personalised publicity is expected to boom.

Improved location and personal data-based advertising could generate as much as \$44 billion (32 billion euros) a year in revenue by 2017 for network operators, according to a study by mobile network technology group Syniverse, published during the February 24-27 World Mobile Congress in Barcelona, Spain.

Indeed, research house Gartner Inc. predicts that global mobile advertising will grow from an expected \$18 billion this year to \$42 billion in just three years, helped in part by geolocation-based publicity drawing in smaller, local advertisers.

For now, geolocation-based advertising exists only in a "very limited way" and has yet to reach its potential, said Mary Clark, head of marketing at Syniverse.

She suggested operators could already make inroads by sharing data about their customers with brands, so long as they withhold information that could identify individuals.

"The operators have a very valuable relationship with their consumers and they have data that is very valuable about their consumers," Clark said.

The issue boils down to a question: "How do they leverage them while still maintaining the trust with their consumers and the relationship that they have?"

- Advertising with benefits -

First, operators must stick to the rules, said Tom Loozen, communications analyst at research house Accenture, notably allowing users to opt in or out of being tracked for the purpose of receiving [mobile advertising](#).

Secondly, such advertising should bring some benefit to consumers.

Accenture conducted a small study asking consumers whether they would mind telecommunications operators using their location data to provide specific advertising such as discounts, Loozen said.

"You don't get all sorts of vouchers and coupons but you actually get one for McDonald's when you're in front of a McDonald's, for Zara when you're in front of a Zara store," he said.

"People responded very positively to that."

Consultants PricewaterhouseCoopers tested a variety of such scenarios with consumer panels in Brazil, China, Britain and the United States.

It found the location-based smartphone discount coupon concept was acceptable to 80 percent of those questioned in Brazil and 58 percent in the United States.

But other techniques were not so popular.

The idea of receiving a voucher from a competitor trying to entice you away from a rival was accepted by only 20 percent of those polled in Britain, and 56 percent in China.

Privacy concerns

The variety of scenarios tested—from a smartphone suggesting you enter

a certain store on your way home to buy milk because it estimates you have run out, to the shoe shop that knows in advance what model you like—illustrates some of the developments envisaged by the sector.

"It is not only where you are and when it is but it is also almost like predicting what your state of mind is," said PricewaterhouseCoopers mobile telephony analyst Daniel Eckert.

For now, many customers are reluctant to reveal too much about their personal data.

A study by Orange in France, Poland, Spain and Britain found 78 percent of clients believed their Internet or mobile services held too much information about their habits and preferences.

There is hope on the horizon for advertisers, however.

"The younger people are going to be more apt to share because honestly they don't care as much. They are so used to it," said Eckert.

Stephanie Bagdhassarian, analyst at Gartner, agreed.

"The young generations accept it more if they see value in it, for example if revealing their location gets them a free cappuccino when passing by Starbucks."

MasterCard revealed in Barcelona one way people might benefit from letting their smartphones give away their location.

Under a partnership with Syniverse, MasterCard announced it is developing an opt-in system in which a person's card will be enabled for payments while abroad only when his or her smartphone is in the same region.

The idea is that if your [smartphone](#) and your card are in the same place at the same time, then it is most likely you, and not a fraudster, trying to make a purchase.

James Davlouros, vice president of strategic alliances at MasterCard, said the goal was to avoid the frustration of having your card blocked abroad. He said an estimated four out of five of such refused transactions are actually legitimate attempts to make purchases.

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