

How advertising will be changed by telecoms

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Telecoms open shop on Madison Avenue, but will brands buy?

Many companies have transformed and realigned their focus with great success. Avon transitioned from peddling books door-to-door to **marketing** beauty products. Wrigley started as a soap and baking soda company. IBM originally sold massive mainframe computers and calculators.

Now, telecom companies are making similar pivots into a lucrative industry. The battle *du jour* about customer data and powering the \$100 billion global mobile **advertising** business.

Wireless carriers are in a great position to provide mobile ad services because of their intimate connections to hundreds of millions of customers. They might be able to finally fulfill **digital advertising's** promise of delivering the right ad to the right person at the right time. Wireless carriers have troves of personalized data, powerful distribution platforms and many of them produce their own content. Also, telecom is one of the largest ad spend verticals. The industry understands the challenges that big **brands** face on mobile because it shares many of them.

The next powerhouse **digital** ad platforms may come from telecoms. The race to vertically integrate will challenge industry players like Apple, Google, Facebook, Microsoft and niche players. However, deep pockets do not guarantee success. Large and bureaucratic companies may find it especially challenging to innovate, pivot their focus and develop new competencies. In fact, history is littered with failed transformations: Saatchi & Saatchi with management consulting, Cosmopolitan with yogurt and Allegis with its foray into travel.

Through recent acquisitions, aggressive product development and wider industry partnerships, telecom companies are building sophisticated adtech products. Will **brands** respond favorably to the new big box shops on Madison Avenue — or shut them out?

Why adtech?

Competition in wireless is fierce. The U.S. oligopoly is dominated by Verizon and AT&T, with 33 percent and 34 percent market share, respectively. Sprint and T-Mobile each have approximately 16 percent, according to [Statista](#). Market saturation is inevitable with more than

207 million Americans already using a smartphone. Growth rates in the U.S. are expected to be in the low single digits for the rest of the decade, [Statista reports](#).

As the industry has matured, **innovation** has withered. Wireless carriers have launched, but have yet to realize runaway success in connected home products, smart watches or virtual reality devices. While some players like AT&T look for success in the content distribution space (e.g. through its streaming content service U-Verse and by purchasing DirectTV), others are making a play for an even loftier prize — monetizing the customer data profile.

Traditional adtech companies are presumptively in the best position to satisfy **brand** demands for better mobile ads. Google, Yahoo and Microsoft have all been in the adtech space since the inception of online **advertising**. However, according to a recent [Accenture](#) study, more than 73 percent of respondents said that **digital** ads do not match their personal interests or preferences. This finding highlights a big opportunity for wireless carriers because the data they possess is hyperpersonal, available in real time and geo-tagged.

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The mobile phone has become life's remote control. From mobile banking, appointment scheduling and bill paying to meal ordering, video watching, online shopping and photo sharing, no single device in a person's life knows as much about us as the smartphone. But carriers have traditionally been more of a utility and not an application innovator — they did not have inherent competencies to monetize content.

If a wireless carrier can capture just a fraction of the U.S. mobile ad market, it could outperform the competition. The opportunity is massive and **brands** are taking notice.

Investments

Many global wireless players have already invested in mobile adtech. [SingTel](#) from Singapore, [Telstra](#) from Australia and [Telefonica](#) from Europe have been building adtech capabilities for some time. Global **brands** have been responding favorably.

Brands can utilize SingTel's mobile ad solutions to connect with their global audience. "The **digital advertising** business is about scale," said Mark Strecker, chief executive officer of [Amobee](#), a SingTel company, in a [WSJ](#) interview. Through acquisitions, the company is enlarging and expanding its mobile **advertising** footprint.

However, there is potential for conflict of interest in the industry. Competing **brands** may need to transfer customer information and other data to telecom platforms in order to run campaigns. As a result, telecom ad platforms would control the distribution and messaging for another **brand**.

American telecom companies have now entered the fray. Verizon recently started building its own mobile adtech stack with AOL as the centerpiece. AOL and mobile ad network [Millennial Media](#) provide Verizon with a robust mobile video ad solution. This is synergistic, as Verizon

makes a large proportion of its revenue from data plans, and video is the largest source of data usage. According to a Juniper [study](#), mobile video currently accounts for about 60 percent of IP traffic in the U.S., with this figure expected to catapult over 70 percent in the next few years.

Verizon will benefit from an increase in mobile video consumption regardless, but it will also benefit from the ads it runs and sells alongside video content. There is a clear business case for Verizon to monetize mobile video. Verizon also has top-quality user data that **brands** can leverage for enhanced mobile engagement.

But will **brands** be open to running ads on a network that is controlled by another **brand**? Specifically, telecom and related industries might be wary because, unlike other media, on mobile, vast amounts of customer data is transferred between platforms. As a result, some advertisers might proceed with increased caution to ensure that their customer messaging and anonymized data is fully controlled.

Verizon has already started walling off its garden in a bet to go head-to-head with Google and Facebook. According to a [Digiday](#) source, “Verizon has been notifying partners that they are cutting off agreements for their precision insights product.” By restricting third parties from its data trove, and instead using the data to power AOL’s ad platform, Verizon will funnel more dollars into its coffers.

*Will **brands** be open to running ads on a network that is controlled by another **brand**?*

Despite the promising outlook, telecom companies could still face an uphill challenge. For example, Verizon was recently reprimanded for using “supercookies” without customer consent. Supercookies can be used to track and store personal data even if a consumer has deleted their traditional, browser-based cookies. Many e-commerce publishers use supercookie data packages and uniquely tailor messaging, onsite ads and content to wireless carrier customers. This recent occurrence brings to light some privacy challenges that telecom companies will face and issues that **brands** must consider when working with them.

Sprint also has made an important play in mobile with its acquisition of mobile ad platform [Pinsight Media](#). The company focuses on processing and uncovering consumers’ insights and behaviors in order to provide enhanced **branded** experiences. Sprint is now able to monetize hundreds of apps while layering on data about Sprint subscribers to propel performance. The company combines demographic data with **social** and mobile interests and behavioral insights.

Product development

More proof that wireless carriers are advancing in mobile adtech can be seen in their launch of various content services. Wireless carriers are vertically integrating to control not only data and ad platforms, but content and content distribution, as well. These content services provide an entry point for wireless carriers to enhance their clout in the mobile ecosystem.

Verizon launched “go90,” an ad-supported app geared toward millennials. T-Mobile launched

“T-Mobile TV,” a subscription service content portal. Sprint launched “SprintTV,” a free premium content service focused on mainstream entertainment properties. These services highlight new ways that wireless carriers are attempting to create new content offerings to then monetize.

Other examples of wireless carriers expanding into mobile **advertising** include the emergence of online/offline programmatic video buying. AT&T, together with its DirectTV unit, partnered with [Videology](#) to offer cross-screen programmatic video ad solutions. AT&T’s goal is to take some of the precision from online **advertising** and inject it into the traditional television market. It remains to be seen if cross-platform programmatic commercial buying will make the leap to the mainstream.

Some agencies have just started to purchase certain types of television inventory programmatically, but if agencies can achieve scale with online and offline bundled solutions, this approach may prove to be more appealing than siloed ad buying platforms.

Industry partnerships

In addition to investments and services development, wireless carriers are forming major global partnerships with each other in order to own a piece of the mobile ad ecosystem.

Sprint and Telefonica started a joint venture to provide advanced ad solutions for global **brands**. The partnership is unique in that it spans across Europe, the U.S. and Brazil. The venture can be leveraged by **brands** for large-scale global access to customers. Many global telecom partnerships are fluid and subject to change. This is especially true given industry consolidation, and the complexity of global data usage and associated privacy laws. Many big **brands** have shied away from partnering with companies that have the potential to generate controversy regarding data privacy.

***Brands** see mobile adtech as the key to closing the loop on mobile data and targeting.*

Other mobile-centric industry partnerships focus on content acquisition and ad distribution. Verizon has been acquiring new, high-quality video inventory to bolster its “go90” app. Through its partnership with Hearst, Verizon has added content from AwesomenessTV, Rated.com, SeriouslyTV and recently acquired Complex Media. Despite a recent deal with Publicis Groupe to run \$50 million of go90 inventory, it is unclear if **brands** will consider this new **digital**-first content as premium. It also remains to be seen if go90 will attract enough users to make the app viable in the long term.

Verizon is also expanding its mobile footprint through its global partnerships with Microsoft. The telecom titan will monetize much of the tech giant’s display and mobile inventory across top destination sites, including the MSN Homepage, Outlook Mail and Skype.

Outcomes

Given dwindling opportunities for further industry consolidation in mature markets, many

telecom companies in these markets are looking for new revenue streams to bolster growth. **Brands** see mobile adtech as the key to closing the loop on mobile data and targeting, and Google and Apple already benefit from cross-device capabilities. Wireless carriers may have an even greater capacity to provide value because of their intimate relationship with customers.

For **brands** and agencies, more competition in the space may mean better pricing and more advanced targeting, but perhaps less **brand** control. How comfortable will **brands** like Comcast, Disney and Dish be, running their **brand** campaigns on a wireless carrier's ad network? This remains to be seen.

Brands and advertisers are cautiously optimistic. Adtech heavyweights, have, for some time, promised an environment in which the right person is targeted with the right ad at the right time. So far, the industry has not achieved its goal — but there is a big opportunity for wireless carriers to improve the state of mobile **advertising**.

If they do, this could be a win-win-win. Consumers win because they get ads that are better suited to their interests and are hopefully less intrusive. **Brands** win because they can connect with customers in a more individualized and organic way. Finally, wireless carriers win because the revenue potential is massive, and they can drive further rapid **innovation** and potentially provide better inventory at varied pricing.

Telecommunication companies may be opening up shop on Madison Avenue, but it remains to be seen if their presence will improve the industry and propel **brands** on mobile.

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