

BusinessWeek

The Sell-Phone Revolution

Stay tuned for a message from your cell phone, which seems to know an awful lot about you

Catherine Holahan
April 13, 2007

Teri Miller has four kids—three boys and a girl, ages 5 through 13. She is 34, works as a hairdresser in Sarasota, Fla., and recently vacationed in Las Vegas. Most important, she doesn't mind strangers knowing all this—even if they use it to sell her things. Simply by sending a text message to a number she saw on a Las Vegas billboard in February, Miller gave Adidas (ADDDY) and a marketing outfit, MOVO, all the information they needed to hawk basketball shoes to her over the phone.

They knew Miller was in Vegas, since she responded to the billboard offering information about National Basketball Assn. All-Star game events nearby. Her phone number gave away her hometown, indicating an allegiance to the East Coast All-Star team. The payoff came when Adidas sent Miller a text message about the sale of 200 pairs of limited-edition All-Star basketball shoes. Tipped off, Miller lined up outside an Adidas store in Vegas with hundreds of others. "We got there really early with our big ol' cup of coffee," says Miller, "and of course the line was out the door." She bought two pair for her eldest boys.

Advertising is about to get very personal. Marketers are taking tools that they already use to track your Internet surfing and are preparing to combine that information with cell-phone customer data that include not just the area where you live but also the street you're standing on. The aim is to target the exact person who is most likely to buy a product at the precise moment they're most likely to buy it. It's the ad industry's dream come true: a perfect personalized pitch. For privacy advocates, though, this combination of behavioral and geographic targeting is an Orwellian nightmare.

HUMBLE BEGINNINGS

Campaigns that combine Web data with location information to target ads from nearby businesses to individuals are just a couple of years away, mobile marketers say. Already, mobile services use area codes, Zip Codes, and even Global Positioning System (GPS) data to return results for nearby businesses in response to a search for, say, coffee shops. The next step is to serve an ad for a steaming cup of java on a mobile Web page just as the cell-phone Web surfer is passing a Starbucks (SBUX). Within five years, online ad networks such as TACODA and Specific Media Inc. plan to apply behavioral techniques—using surfing data—to target ads to broadband-enabled digital

television. It's not hard to imagine the day when multiple TVs tuned to the same channel in the same household will serve up different ads. "There is no question behavioral targeting will be a major component of television," says Dave Morgan, TACODA's founder and chairman.

Early efforts at such hypertargeting are modest for a good reason: Phone companies are wary of abusing customers' privacy, and major brands are waiting to see if Web-phone ads catch on. Marketers and phone services are also sorting out Federal Communications Commission rules limiting the use and release of customer data, including location information.

On Apr. 2, the FCC released an order requiring mobile marketers to obtain express consent from the customer before carriers release information. Traditionally, permission grants are part of the fine print, often overlooked, for activities such as casting a text message vote, receiving mobile updates such as sports scores, or downloading a GPS map program. FCC rules already require marketers to make it easy to "opt out," usually by replying to a text with "No" or "Stop."

'WALKING TIVOS'

Of course, similar rules apply to e-mail. And one look at the spam-strewn Internet landscape shows how quickly the phone situation could deteriorate, particularly as more services allow unlimited text messaging for a flat rate. A study by M:Metrics, released on Mar. 26, found that most people who receive a phone text message don't think they gave the company permission to contact them, even if they sent an "opt-in" message.

Still, marketers are starting to plumb the potential. Medio Systems Inc., a mobile marketing firm that provides the default search engine for phones served by Verizon (VZ), T-Mobile, TELUS (TU), and Amp'd Mobile, is using data from cell-phone Web searches and browsed pages to deliver ads to mobile sites. Carriers such as Sprint Nextel (S) anticipate delivering ads based on users' near-exact location. "We have not yet gone with a GPS-specific advertisement, but I suspect we will eventually," says Alana Muller, Sprint's director of wireless data marketing.

The objective for advertisers, obviously, is to cut through the cacophony of sales pitches. By some estimates, the average plugged-in individual sees 3,000 to 5,000 ads of all types each day, depending on where he lives. Most of that gets tuned out. "I think people are becoming walking TiVos," says Omar Tawakol, chief advertising officer of Medio Systems. Early research on mobile-phone pitches indicates that about 5% of consumers who see targeted ads respond to them. That sounds small, but fewer than 1% of people click on conventional Web ads.

Phone targeting has one big advantage: Unlike TVs and computers shared by members of the household, most mobile phones have one user. Any mobile Web data that are collected help build a profile of a unique individual. Mobile carriers also can leverage data from service contracts and billing logs.

What's more, cellular networks are able to locate callers to within 50 to 300 meters by triangulating signals, something the fcc requires them to do for 911 calls. Providing the carrier has consumer permission, that could be matched up with, say, a hip fashion boutique that has purchased an ad for women ages 15 to 25 who have surfed the Style.com Web site in the past month.

All told, marketers will spend just \$3 billion worldwide on mobile ads this year, according to an Apr. 10 report by ABI Research, an industry research group. But that's expected to grow to \$19 billion by 2011 as more users surf the Web via handset. Many marketers eagerly await the day when carriers release location information to them.

Many citizens, of course, are hoping that the vault remains shut. Marc Rotenberg, executive director of the Electronic Privacy Information Center, says consumers expect privacy with their cell phone and won't react well to location-based marketing. "Any advertising that causes someone to flip open their cell phone and see an ad won't be a wondrous moment," says Rotenberg. Marketers such as Medio's Tawakol are quick to point out that most ads will appear on mobile Web pages and not as text messages. He also notes that marketers don't have, or even want, customers' names, because brands want to reach highly selective groups of consumers, not just Joe Schmo.

The bigger concern for many mobile users may be that advertisers will simply know their phone number. The industry is ostensibly developing guidelines that keep users from being barraged with messages—restricting, say, how often an advertiser may contact the same consumer in a month. But that cat may be out of the bag: Mobile-phone users who received unwanted messages already have filed lawsuits against marketers.

If you're feeling spammed, of course, the whole appeal of targeting is turned on its head. Now you're angry—and it's personal.