Data insights in digital advertising and the role of operators

This report is based on a brand survey by Ovum on behalf of Synchronoss

Summary

In brief

Telcos and mobile operators are looking to leverage and monetize their data insights and analytics capabilities, which they see as valuable assets. Digital advertising is a target sector and some early-mover telcos already participate. Conspicuous examples include Telefonica, SingTel, and Verizon, but there are others, either actively pursuing or assessing the opportunity. Ovum conducted a survey with more than 300 brands in the US, France, and the UK to explore their usage of big data in digital advertising, along with their perception of telco assets in this domain. The survey findings reveal that there is an opportunity for telcos and that they have not missed the digital advertising boat. Although telcos are not dominant players in digital advertising, brands place high value on the quality of telco data and its potential to enhance targeting. Telcos that properly leverage their data assets can earn a place at the digital advertising table, complementing and, in some cases, providing an alternative to other data sources.

Ovum view

- **Telcos are second only to social networks as the best original source for data.** Brands in the survey thought that social networks were the best original source for customer data insight (77%), but telcos were in second place (67%), and ahead of digital media companies, chat app platforms, and device manufacturers.
- **Google and Facebook are dominant partners – but telcos are in the frame.** Most brands today go directly to Google (59%) and Facebook (52%) for their digital advertising needs, which is not surprising as these two are major, established forces in this domain. But what is more surprising is that one in four brands also partner directly with a telco that specializes in big data and mobile advertising. This indicates that telcos with the right capabilities can play a role in the digital advertising value chain.
- **Satisfaction levels with current partners could be better.** Less than a quarter of brands in the survey are completely satisfied with the depth and quality of customer data insights provided by their current digital advertising partners. This does not cast the best reflection on current, dominant partners like Google and Facebook, and suggests other players including telcos could step in and up the game.
- **There is money to be made – digital advertising spend is set to rise.** The vast majority of executives who participated in the survey expect their firm's total annual digital advertising and mobile advertising budgets to increase over the next two years. This is consistent with Ovum's forecasts, which predict total revenues from online digital advertising to reach $158.6bn at the end of 2021, with mobile internet advertising accounting for $134.2bn.
- **Brands are willing to pay a premium for assets that enable better targeting.** Another persuasive finding that points to a need for deeper targeting is the fact that six out of 10 respondents said they would pay more for data insights and analytics that support enhanced targeting.
- **But many brands are still in the dark when it comes to telco data assets.** Lack of awareness is one of the major factors behind brands in the survey not using telco

data assets. At the same time, almost half of brands were not aware of the range and breadth of data insights that telcos can provide.

Recommendations for operators

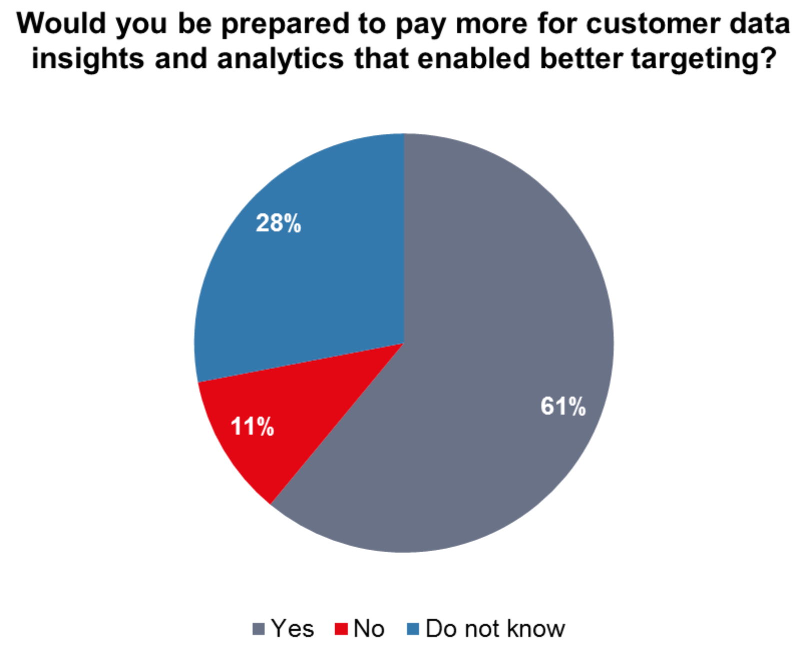
- **Raise awareness.** Telcos must be proactive and make brands aware that they have data assets that can enhance digital advertising – and also impress upon them exactly what data sets are available.
- **Build relationships with agencies.** The survey reveals that many agencies do not leverage telco data to support client campaigns. Telcos need to reach out to this part of the advertising community, and build relations that will turn agencies into champions of telco data.
- **Draw attention to the quality of your data assets and educate the market.** Telcos should do more to promote what is unique about their data insights, especially given that brands deem them one of the best original sources for data. Brands in the survey place high value on the overall quality and depth of telco data, and when it comes to individual classes, they particularly prize location data and network intelligence.
- **Ensure that your data is sufficiently broad and deep.** Brands have a strong appetite for a wide range of data insights, both for their current and future digital advertising needs. Moreover, preferences varied by vertical; for example, respondents from the travel/transportation sector showed the strongest preference for real-time location data.
- **Raise the quality bar and make the assets you have even more compelling.** Telcos have a reputation for quality data that is a point of differentiation that they need to build on in order to maximize competitive advantage. Brands in the survey said the value of data insights would be increased by more precise location information, enhanced data analytics, and a more integrated view of customers.
- **Champion data privacy and educate brands.** Brands in the survey want to employ enhanced targeting, which means consumer data privacy must be handled with even greater care. However, due to a number of factors, the majority of brands in the survey did not have data privacy front of mind, which could create problems going forward. Mobile operators in particular have knowledge and experience in data privacy matters, and are in a good position to educate and support brands on this front.

A market opportunity up for grabs

Brands will pay more for data that enables better targeting

Digital and mobile advertising continues to grow strongly and there is an appetite for data insights that enable enhanced targeting. This is evidenced in the survey; moreover, the majority of brands (61%) said they would be willing to pay *more* for data insights and analytics that support enhanced targeting. This is shown in Figure 1. A further 28% said they did not know whether they were willing to pay more, which presents a further opportunity. Given the right evidence and incentives, this group might also be prepared to pay for better insights.

Figure 1: Brand readiness to pay a premium for capabilities that enable enhanced targeting



Source Ovum; survey respondents (N = 319)

Most brands still have a lot to learn about mobile advertising

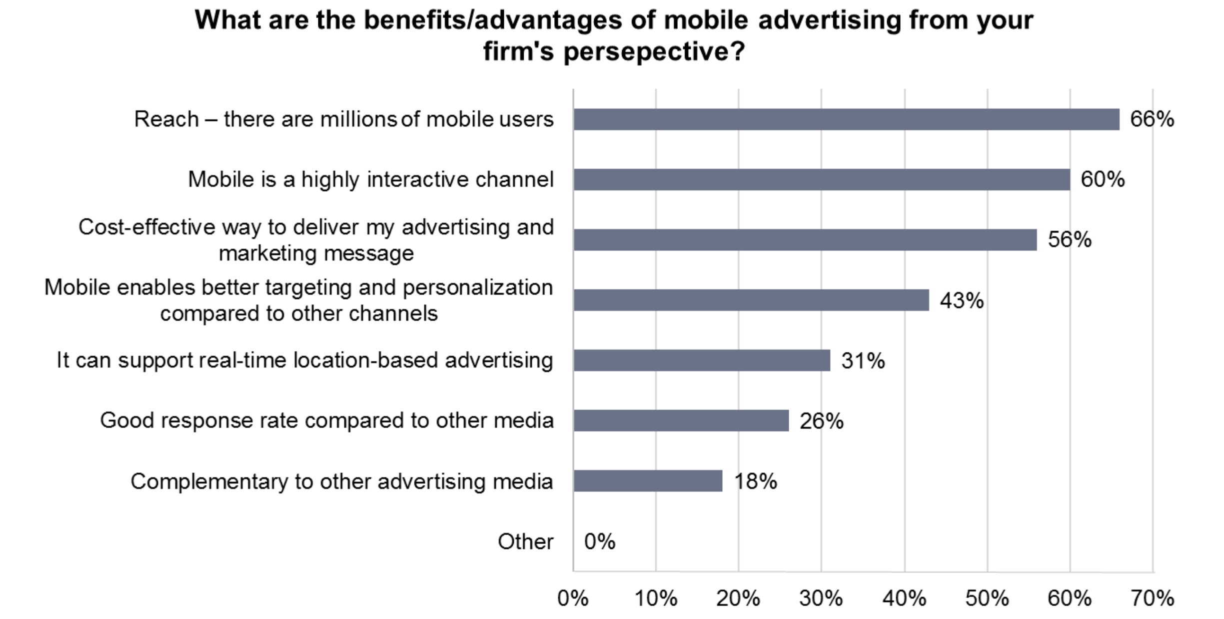
While digital advertising overall is a maturing sector, mobile advertising is still relatively new for many brands. Just over one in four brands in the survey considered themselves to be very experienced (27%) in mobile advertising, with the rest further down the learning curve, saying they were either somewhat experienced (48%) or not very experienced (26%). Given this level of inexperience, telcos should not fall into the trap of thinking that they have missed the boat.

Brands prize the reach and interactivity of mobile advertising

The most highly prized benefit of mobile advertising cited by executives in the survey is reach (66%) – the potential of mobile advertising to literally reach millions of consumers, and often segments like Millennials and Generation Z that can be hard to target through more traditional channels. According to Ovum forecasts, there were 3.6 billion smartphone connections at the end of 2016, which is set to reach 6.1 billion by the end of 2021.

Forty-three percent of respondents also believe that mobile enables better personalization and targeting than other channels. This is a big vote of confidence for mobile advertising and bodes well for another key finding in the survey: that brands are willing to pay more for data that enhances targeting. These findings are shown in Figure 2.

Figure 2: The perceived benefits of mobile advertising



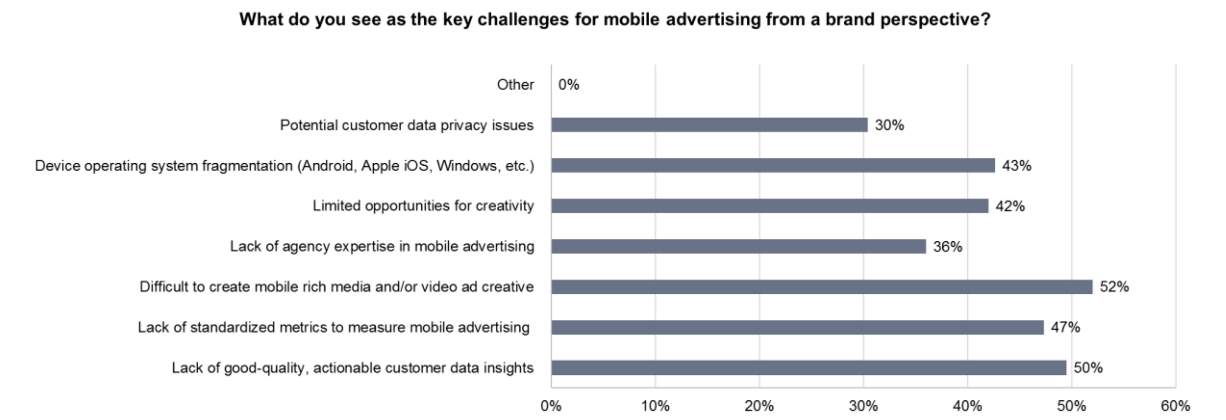
Source: Ovum (N=319)

But mobile advertising still has pain points for brands

Although brands appreciate the benefits that mobile advertising can bring, they are nonetheless alert to the challenges, as shown in Figure 3. Despite the rapid growth of mobile video, brands still seem to find it difficult to create the kind of rich media and video advertising experiences they desire (52%). The second biggest challenge (50%) is the lack of good-quality, actionable data insights. This pain point could represent an opportunity for telcos – either providing a complement or alternative to other data insights.

Interestingly, data privacy ranked as the least pressing challenge (30%). Ovum believes that this may be because only 30% of brands in the survey currently employ precise data targeting using granular data insights, and also because many are not very experienced in mobile advertising. Given the desire for more targeted data – which telcos could help to provide – brands need to be more aware of potential privacy issues. Telcos' experience with analytics and data insights means they have a good understanding of consumer data privacy and how to handle it, and as such can support and guide brands in this difficult territory.

Figure 3: The perceived challenges of mobile advertising



Source: Ovum (N=319)

Digital advertising is thriving: Seize the opportunity

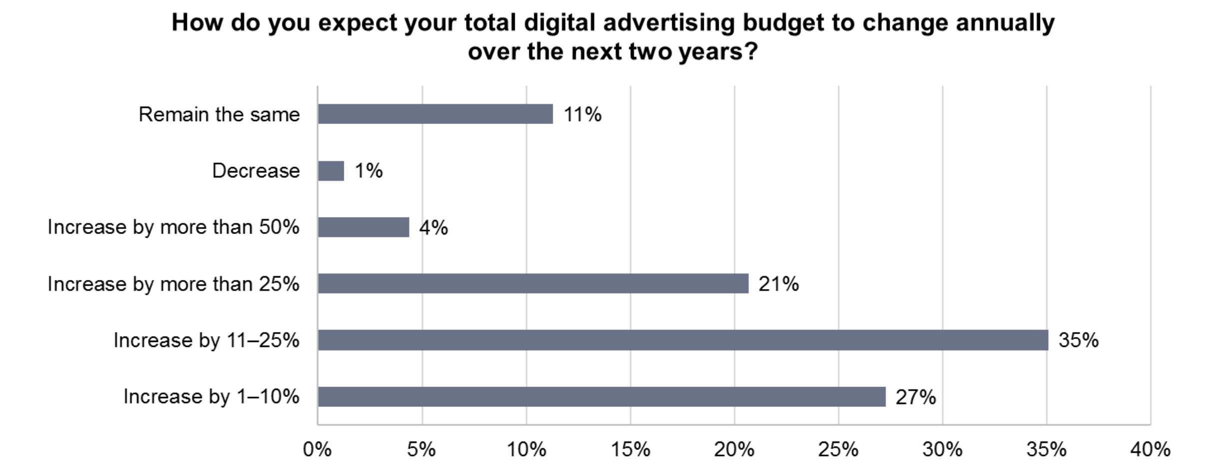
Digital advertising is on the rise and there is money to be made

The digital advertising market is experiencing very strong growth. Ovum forecasts that global, total revenues from online digital advertising will grow from $126.4bn at the end of 2016 to $158.6bn at the end of 2021, with mobile internet advertising accounting for $64.1bn and $134.2bn, respectively. Moreover, there are other elements of the digital advertising mix not captured in these forecasts; for example, out-of-home digital media advertising, mobile messaging, and application-based advertising.

Survey points to healthy digital advertising budgets

The vast majority of executives in the survey expect their firm's total annual digital advertising and mobile advertising budgets to increase over the next two years – consistent with Ovum's global forecasts. Some 35% of respondents expect that total annual digital advertising spend will increase by 11% to 25% in the next two years, 21% expect it to rise by more than 25%, and 4% are looking at punchy increases of more than 50%. This is shown in Figure 4. Only 11% expect budgets to remain the same, while a tiny 1% anticipate a decrease in spend.

Figure 4: Anticipated change in total digital ad budgets over the next two years



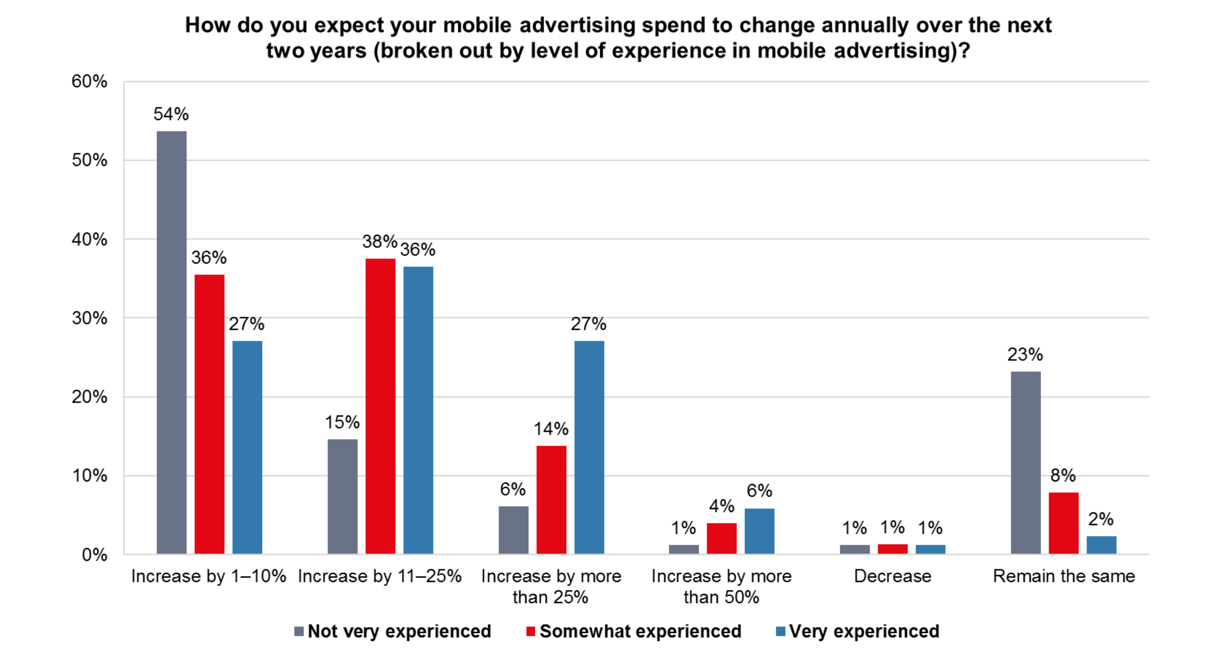
Source: Ovum (N=319)

Mobile advertising: Experience and spend go hand in hand

Perhaps surprisingly – given the growth in smartphone adoption and usage – the survey respondents expect stronger growth in digital advertising budgets over the next two years, than in mobile advertising. This may be because of some of the challenges mobile advertising poses to brands in the survey (see Figure 3), which includes the lack of good-quality, actionable customer data insights.

Ovum believes the more cautious approach to mobile advertising spend is also a reflection of the fact that many brands in the survey lack experience in mobile advertising. There is a clear link between brands' experience in mobile advertising and their expectations for budget allocation; for example, 54% of firms with the *least* experience in mobile advertising expect the *smallest* increase range for their mobile advertising budgets, or for such budgets to remain the same (23%). This is shown in Figure 5.

Figure 5: Anticipated change in mobile ad spend over the next two years



Source: Ovum (N=319)

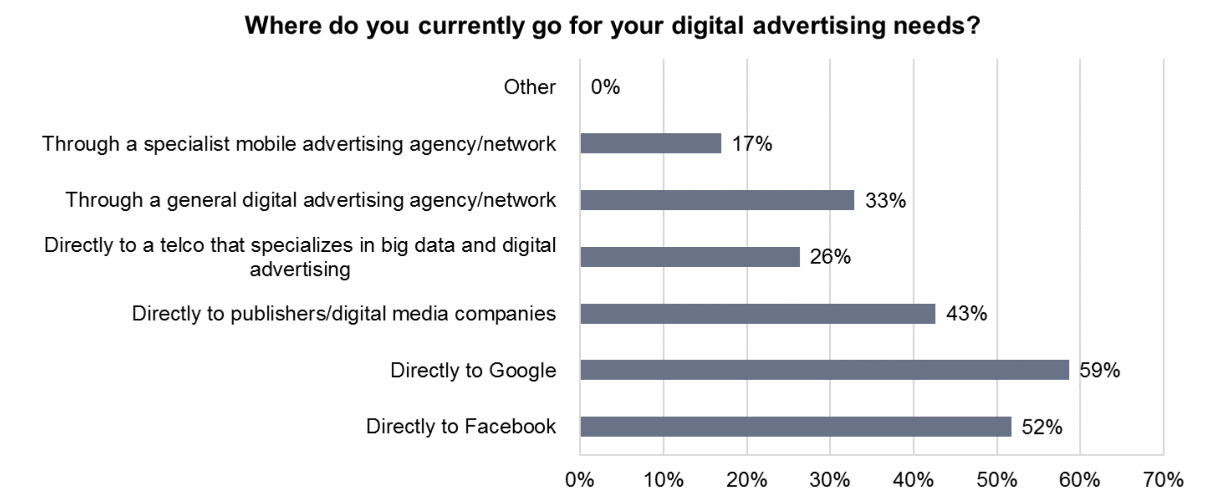
Digital advertising partners: Room for maneuver

Facebook and Google are go-to partners for digital advertising

But operators with the right expertise are firmly in the frame

Most brands today go directly to Google (59%), Facebook (52%), or digital advertising agencies for their digital advertising needs, as shown in Figure 6. But one in four brands also said that they go directly to a telco that specializes in big data and mobile advertising. This lags behind the established heavyweights, but in our view this is to be expected given that telcos are still relatively new to digital advertising. At the same time, the survey also reveals that many brands are not aware that telcos have data assets that can be used to support digital advertising, which means telcos are not even on the radar and are therefore missing out.

Figure 6: Current partners for digital advertising



Source: Ovum (N=319)

Satisfaction levels are solid rather than stellar

The majority of brands in the survey are fairly satisfied (73%) with the depth and quality of customer data insights provided by their current digital advertising partners. This is a solid enough response, but in Ovum's view it could be better, as the ultimate goal should be to leave brands completely satisfied. This was only the case for 22% of brands in the survey, while 6% were dissatisfied. These findings do not reflect well on the dominant partners for data insights – predominantly Google and Facebook.

Many brands are in the dark when it comes to telco data

Almost half of brand respondents (48%) were not aware that telcos are a source of a wide range of data insights. This is an untapped opportunity and telcos need to be proactive in making sure brands know about the depth and range of telco data insights available, and how these data assets can benefit digital advertising.

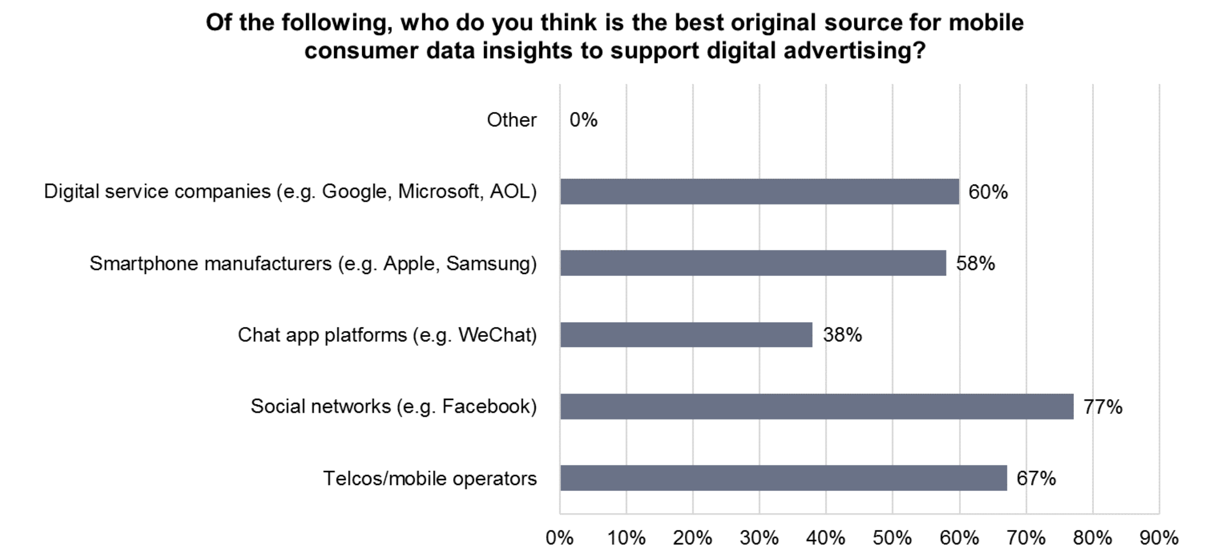
But once enlightened, brands are interested in using it

The survey showed that once brands become aware of the range of telco data insights that are available, a good many are interested in using them to support their digital advertising objectives. A third of respondents (33%) that had previously not known about telco data assets, but during the survey process became aware of them, said that going forward they would be "very interested" in using telco data. Sixty percent said they would be "somewhat interested," which should be viewed as an opportunity. "Somewhat interested" suggests a mind that is open to persuasion, and that with the right argument could actively embrace telco data to support their advertising needs.

Telcos ranked highly as a best original source for data insights

Brands in the survey thought that social networks were the best original source for customer data insight, which is not surprising given the extensive user insights that players like Facebook can leverage. What is perhaps more surprising is that operators were ranked in second place ahead of device vendors, digital media companies, and chat app platforms, as shown in Figure 7. This endorsement represents a major boost for operators given that most remain uncertain about whether to build a data-as-a-service business selling data and insights to verticals such as the media sector.

Figure 7: Ranking of best original sources for consumer data insights



Source: Ovum (N=319)

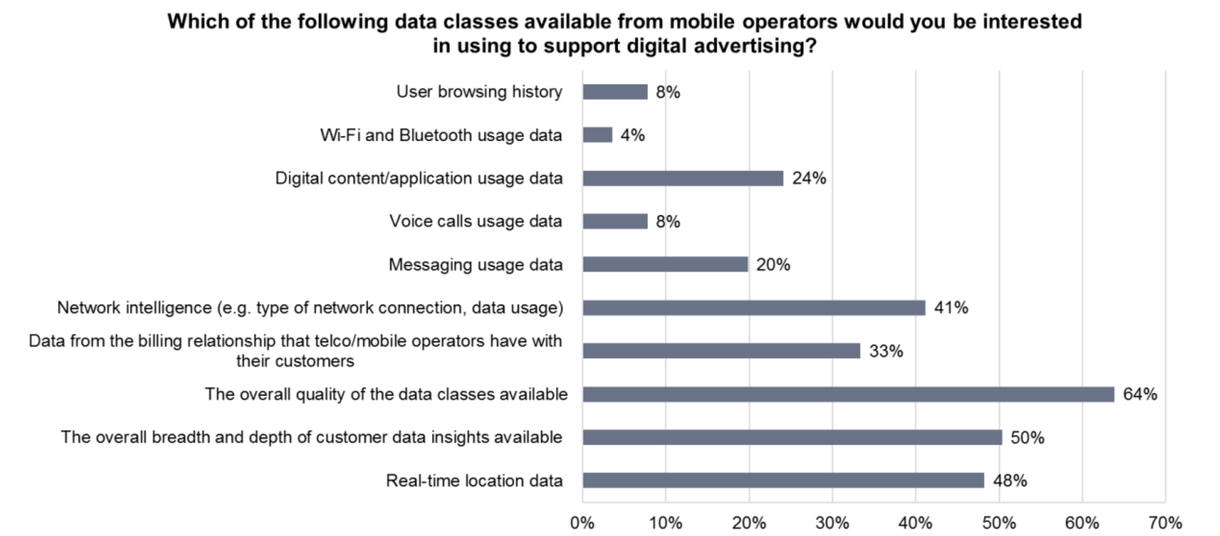
Telco data sets: The whole is valued even more than the parts

For brands that know about and are using telco data assets, the most compelling aspect is its value as a whole rather than constituent parts, although these are valued. Brands in the survey were most drawn to the overall quality of telco data (64%), followed by its depth and breadth, as shown in Figure 8. When it comes to individual data classes, the cuts that generate the most interest are those that are unique to operators: real-time location data, network intelligence, and data from billing. These unique data assets are a potentially powerful point of differentiation for telcos compared to rivals in the data economy.

Data needs differ across verticals, so be prepared to support them

There were some variations by vertical in terms of which individual data class a particular industry was most interested. For example, respondents from the travel/transportation sector showed the strongest preference for real-time location data (52%) while executives from media and entertainment brands were most drawn to data about content/application usage (60%). This underscores the fact that different sectors will often have different data needs, which telcos must ensure they are able to support.

Figure 8: Interest levels in operator data assets



Source: Ovum (N=141)

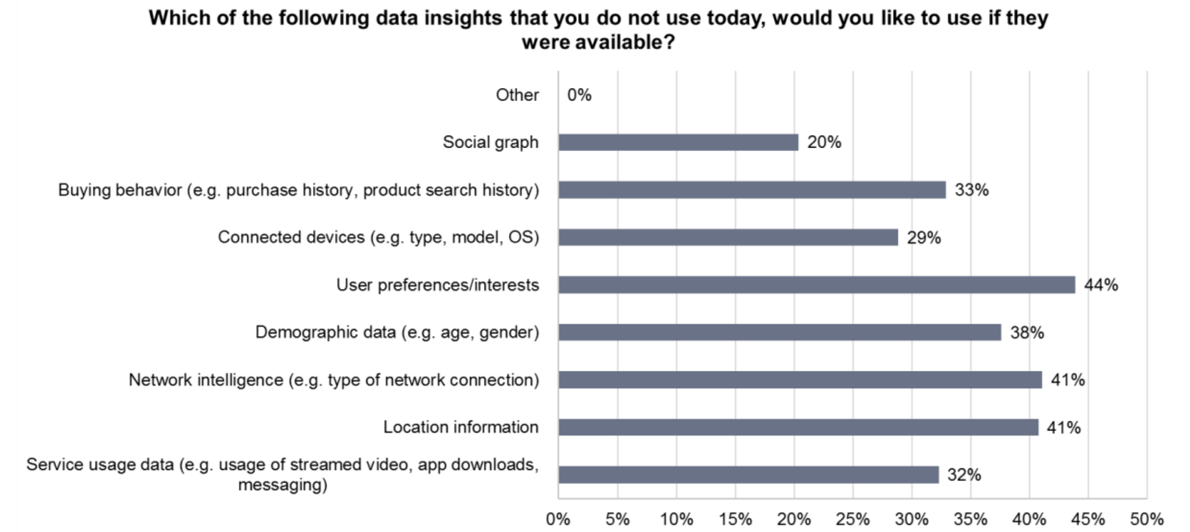
Looking ahead

An appetite for a wide range of data insights going forward

A key finding from the survey is that brands are interested in a wide range of data insights to support their future digital advertising needs, as shown in Figure 9. Brands in the survey were most drawn to user preferences (44%), location information, and network intelligence data (both 41%), of which the latter two classes in particular play to telco data strengths. There were once again some variations across the different verticals in the survey. For example, media and entertainment brands have the most pronounced interest in network intelligence data (51%) going forward.

This means that to stay ahead of the game and satisfy brands, data providers will need to ensure that they can offer brands a wide range of data classes. For many data providers, including telcos, this will involve seeking out partnerships, as few will have access to all the data classes required.

Figure 9: Brand interest in data insights for their future digital advertising needs



Source: Ovum (N=319)

New segments beckon

We asked respondents to flag new segments that they would like to use data insights to target going forward, as shown in Figure 10. What jumps out is just how many segments brands have on their radar, with a very strong desire to reach older and younger demographics, namely pensioners and Millennials. These priority target segments arguably play well to telco data insights, which can capture a wide audience and also drill down precisely by age and other important demographics. Although social networks have extensive data insights, they are not necessarily the most precise; for example, on social networks, users can adopt multiple IDs and they can lie about their age and other factors. At the same time, while social media is a compelling platform for younger people, it is not always the most effective channel for reaching older people.

Figure 10: New segments survey respondents want to target

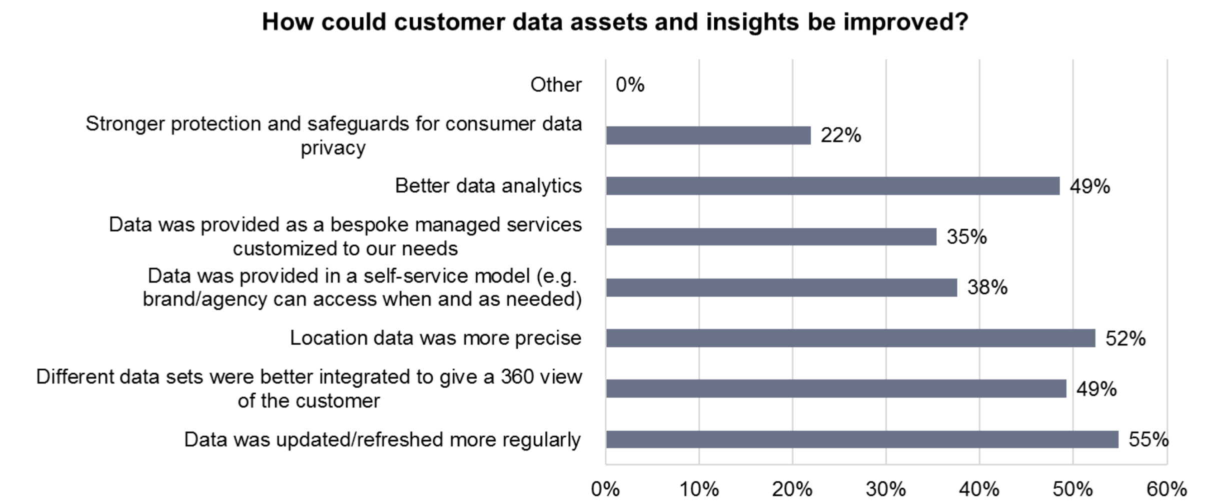
Source: Ovum (N=319)

How to stay ahead of the game

Brands view telcos as second only to social networks as the best original source for data insights. Brands also place high value on the overall quality and breadth of telco data insights. These are advantages that place telcos in a good position in digital advertising, but they cannot rest on their laurels. Telcos need to work on ways to improve their data assets further still, and build on points of differentiation that will help make them attractive partners, for brands, agencies, and other digital advertising enablers.

Brands in the survey provided feedback on factors that would improve data assets. Actions included more precise location information (52%), enhanced data analytics (49%), and a more integrated view of customers, as shown in Figure 11. Data privacy was further down the agenda, which we believe is an oversight on the part of brands that operators should look to address, particularly given the trend for more granular data insights and analytics.

Figure 11: Steps to improve data assets



Source: Ovum (N=319)

Appendix

Methodology

This report is based on an online survey of 319 brands in the US, the UK, and France. The companies were a balanced mix in terms of size (number of employees) and across a number of verticals: automotive, financial services, FMCG, hospitality and restaurants, media and entertainment, retail, and travel/transportation.

The survey was conducted among firms that are active in digital advertising, and that are already very active, plan to be active, or are considering becoming active. The interviews were with senior executives that are either the final decision-maker for an organization's digital marketing activities, are part of a team that make such decisions, or have influence over such decisions.

The analysis was enhanced by Ovum's ongoing research into and expertise in digital advertising, big data, and analytics, as well as via inputs from complementary Ovum practices and the wider Ovum industry network.

Ovum Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

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