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Future Digital Advertising Trends: Finding a Balance Between Privacy and Personalization

By

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As consumers spend more and more time online and using mobile devices, they leave an extensive data trail that can be captured; that information can be used to their benefit but might also be perceived as invasive. Technology advancements, such as data mining, are becoming more sophisticated and are delivering detailed personal information to the advertiser. Retailers, both off and online, such as Target, Safeway, and Amazon, will be inclined to maximize their sales by manipulating the data and targeting individuals. This has not always been the case—in the last twenty years advertising has shifted dramatically with the advent of the Internet and has shown some ability to take advantage of the information so far; this trend will continue exponentially over the next decade. The advertisers, capable of collecting vast amounts of data over a wide range of activities with the help of a middleman such as Google, will need to resist the short-term appeal of over personalization in favor of respecting the privacy—perceived or real—of the consumer, thus balancing the competing interests of the consumer and the advertiser.

Without self-restraint, the advertiser will face backlash from an older generation and indifference from a younger, more technologically aware generation.

1991 was a big year for technology, as well as for the future of advertising. It was the year that the first web page was created, but it was also when the first content based search protocol, Gopher, was born. It wasn’t until 1993 though, that the first widely downloaded and public web browser, Mosaic, was released (Howe). Although the shift in technology occurred over a more drawn-out twenty-year period, the last decade has seen the most significant changes in both the Internet and advertising. Near the end of the 20th century, America Online (AOL) and Yahoo! offered a way for consumers to use multiple applications and databases, while giving themselves the opportunity to assume full
control of what the consumer viewed (McCracken). These web portals represent the start of Internet advertising at its most basic level.

As AOL experimented with a simple square ad on their home page and within their portal, they would learn the effect that the Internet could have on the ad world and would make a decision to move away from pursuing subscription revenue in favor of ad revenue (Lafayette). As a free site, they relied solely on advertising to remain profitable.

“In 2003, online ad revenue for AOL, Yahoo! and Google was $5.1 billion combined; by year-end 2005, that figure stood at $11.9 billion, more than doubling” (Taylor 32). In a similar move, Yahoo! held a meeting in 2007, in which company executives argued that more attention and money should be focused on online advertising and reasoned that consumers spend 17% of their time online, but only 6% of ad spending is online (Lafayette). Both AOL and Yahoo!, the most popular web portals, understood the need for advertisers to move toward online advertisements and took advantage of this knowledge by placing basic ad slots on their portals.

These ad slots and the focus that AOL and Yahoo! were placing on them, came at the same time as the arrival of both TIVO and Replay-TV (Ulanoff 55). The end of the 1990’s signaled not only a shift from print to digital, but also a shift from television to digital. All of a sudden, TV networks, as well as the advertising and marketing firms that usually advertised with them, were in a panic. Everyone was suddenly struggling to find a new way to get their products viewed by the audience that was now able to skip their commercials (56). In 2007, Kathleen Kayse, the executive vice president of sales and partnership alliances at AOL said, “the pervasiveness of broadband is really pushing agencies and clients to consider all their options in the media space, and we want AOL to
be at the forefront of their consideration set when they’re thinking about their video assets" (Lafayette). Both AOL and Yahoo! took advantage of technology advances in DVR in order to increase their own ad revenue. This technology gave online advertising the push it needed to head down the path that has lead to today’s massive online advertising industry.

As the 21st century advanced, the web portal model, favored by AOL and Yahoo! became relatively obsolete, replaced by search engines. With search engines came more multifaceted, personalized, and effective ads. Overture, which was the first company to provide pay-per-placement ads within a search engine, “led the way in 1998 when it figured out how to make money from search by charging advertisers to be included in a directory of paid-only links” (Pethokoukis 15). Overture partnered with AOL, Yahoo!, MSN, and Lycos and served more than 80,000 advertisers in 2002. Although Overture was the sales leader, “privately held Google was close behind” and was up to $300 million in 2002, double their revenue from the previous year (15). When Google became public in 2004, it was already a well-known search engine that had more potential than AOL and Yahoo! could possibly imagine (“Our History”). This advertising allowed for much more advertiser control—never before could ads be as specifically targeted as search engines allowed them to be. While web portals are pay by view, search engines differ because they are pay by click. The advertiser pays a fee to the search provider every time the ad is clicked on (Pethokoukis 15). Advertisers were given the ability to target the consumers who were actually interested in their product. “The practice of sponsored search advertising—where advertisers pay a fee to appear alongside particular web search results— is now one of the largest and fastest growing source of revenue for
web search engines” (Feng, Hemant, Bhargava, and Pennock 138). This phenomenon took the place of advertising within web portals as the most significant and successful way to advertise online.

Although search providers were then considered the best form of online advertising, data mining opened the door to even more personalization and targeting of consumers by advertisers. Advertisers now had, at their disposal, large amounts of data and were posed with the task of turning that data into useful information (Greengard 19). Google has been seen as the earliest and most effective company using data to improve advertising. Google has access to large amounts of consumer data and personal information, and has used that information to help advertisers successfully target a specific audience. Every person has an online profile that gets created based on his or her search history, consumption patterns, and social interactions (Greengard 19). As individuals click through websites and interact with friends online, everything they do is being tracked by data collection methods, such as IP addresses, cookies, and web tools. Google and other search engines, as well as other websites, sell this information to advertisers so that more targeted ads can be created.

This idea was taken further when social media took a sharp upward turn in recent trends. Today, Facebook, Twitter, Pinterest, and other social media sites maintain the center of attention for many teens and young adults alike. Social media has become a way of life for many and was the clear next step for advertising as well. Everyday, more than 900 million people log on to Facebook to check their newsfeed and more than 150 million people are scanning their Twitter feed. LinkedIn has also claimed more than 160 million users today (Aquino 40). Those social media sites know everything about a
person, from their work history, to their relationship status, their friends, their family, and their likes and dislikes; it is the ultimate online profile for advertisers. The implications of this social data are endless but will undoubtedly lead to even more personalization, if not over-personalization.

Facebook is also currently placing ads on people’s newsfeeds. Every day, a newsfeed post labeled as “Featured” will be displayed on an individual’s newsfeed (Moscaritolo 1). These featured stories will only be shown to the viewer if he or she has liked that page or if one of their friends has liked that page. In the latter case, an ad will appear under a line that says “your friend liked that page”. As an example, if an individual “liked” Rosetta Stone on Facebook, he or she might receive an ad for Rosetta Stone with a note that says, “You are seeing this because you like Rosetta Stone. A sponsor paid to feature it here” (Moscaritolo 2). The idea behind these sponsored ads is that an ad is more likely to spark someone’s interest if they see that a friend of theirs has already liked it and is already interested in it.

Companies are not only using the data to create more targeted ads, but are starting to use information that they can find about their products, such as likes, dislikes, and suggestions to improve those products, so that they appeal even more to the consumer (Aquino 40). This new trend has been called social analytics and will be a growing trend in the next year. Social analytics allow companies to improve products based on social opinion. Basically, content will become fully user driven in the future (Aquino 40). Last year, Wal-Mart created @WalmartLabs, a unit that has the capability of combing through social media conversations to find retail trends. WalmartLabs’ purpose is to help Wal-Mart utilize and interpret the trends that are on social media and learn more about Wal-
Mart’s customers (Aquino 42). Other companies have used a more direct route and have asked customers what they think of recent products on their Facebook page or through their Twitter handle.

Although social is still a huge trend and will continue to be in advertising, mobile has become even more relevant recently, as it provides previously unattainable information about the consumer to the advertiser—the consumer’s location. Mobile has many components that have changed the playing field for advertising. First, mobile applications create a new medium for ads to be displayed on and second, location based advertising has been made possible.

Applications are difficult for advertisers to break into, but have been successful in some cases such as workout apps, games, or news apps that contain pop up ads or small banner ads. Some of these ads even include short online video advertising. Currently though, it is hard for advertisers to get into applications, and the space for advertising is limited. Online, iPad, TV, and print ads all have much more flexibility in terms of advertisement size, while the mobile phone is still relatively restricted. Because of this limitation, a more promising path for ads will be a focus on and utilization of location services for mobile phones.

Smart phones, which came about in the past decade and have been improving ever since, have become an important advertising tool. With these improvements, come faster and more accurate location tracking. At the most elementary level, cell phones have always been designed to track our location. Cell phone carriers have used the services to route incoming calls to the closest cell phone tower to give the best reception. In 1996, Enhanced 911 (E911) was established to more effectively track calls placed to 911. It
E911 was executed in two phases: the first phase required service providers to supply emergency services with the location of the cell tower so that they could track the call to within a mile (Biever). The second phase required that all manufactured mobile phones be able to process 911 calls and enable location services to obtain an exact location (Biever). With this came GPS—finally a way for service providers to capitalize on E911 in a lucrative way. 

Since the introduction of GPS and location tracking, location-based services have become useful for more than just emergency assistance and directions. Today, advertisers utilize those services to know exactly where a consumer is at all times. On a crude level, advertisers are now able to send a coupon to a customer that is about to walk past one of their stores. Currently, Starbucks customers are able to pay for coffee with their smart phones and can store their Starbucks card on their phone as well (Kats). Sending coupons to their customers based on their location is not far off for the coffee conglomerate. Although this version of mobile advertising might be standard by year-end 2013, there is clear potential for more advanced applications of location services that may lead to more effective advertising.

**Case Studies**

*Mobile Advertising*

Although some companies are headed in the right direction with mobile advertising, nothing has scratched the surface yet of what location-based services can do for advertising. Nike+ Running is one of the most popular fitness applications in the app store today. The application tracks the user’s runs (monitoring speed, distance, and
calories burned) and gives feedback during and after each run. But, what if this application was used as more than just a workout tool? Utilizing location-based services for advertising within their application is the next step for Nike+ Running. The challenge is to integrate advertising into the application in a way that is effective for the advertiser and does not seem overbearing or intrusive from the point of view of the consumer. Advertisers should be worried about backlash from the consumer as mobile advertising pushes the boundaries of consumer privacy. In an attempt to maintain a balance between privacy and effective advertising, Nike+Running could notify users of sale items that would be pertinent to them (based on their running trends) when they are close to a Nike Store. Discounts and coupons could also be made available through the application and would allow consumers to checkout using the barcode on the application. This proposed component of Nike+Running is an effective use of location-based services to improve Nike Running mobile advertising.

Second Screen Advertising

Although second screen advertising utilizes mobile technology, it does so in a very different way. The term second screen generally refers to a second device that allows a viewer to interact with the content they are consuming on television. Seen as the most innovative use of second screen so far is Xbox’s SmartGlass. According to a Mashable article released in late October, SmartGlass will allow users to start watching a movie on Xbox 360, and then use SmartGlass to resume playing that film on a Windows 8 tablet (Warren). It is simply the most effective way to transfer data from one screen to another. SmartGlass will also allow users to control their Xbox system remotely via their phone or tablet (available for both Android and iOS). Even more impressive and more in
tune with the nature of second screen is the program’s ability to provide an interactive experience to the user while they are watching a movie. “If you’re watching a movie or TV show, the cast members of that program will be part of the tablet experience. You can then browse through an actor’s filmography or learn more about his or her background” (Warren). Specific details from the movie may also appear on the user’s tablet.

This technology transitions clearly into the next step for advertisers—a focus placed on developing a similar multi-screen experience that can also incorporate advertising. Today, 70 or 80 percent of viewers are using their smartphone, tablet, or laptop while watching television (Hockenson). Mediamind has developed a program that will send the user advertisements that coordinate with the television show that they are most likely watching (based on their tweets and search history) on their mobile phone or tablet (Hockenson). One study found that “35 percent of people who used tablets while watching TV looked up information online about the program they were watching” and “a quarter of tablet owners said they researched coupons or deals for products they saw advertised on television” (NPR Associated Press). The future of TV advertising will revolve around a second or third screen in the future and Hockenson makes a point of asking, “what’s the point of an engaging second-screen tie-in if it doesn’t drive a sale?” (Hockenson). One example of a successful utilization of second screen for advertising could be an ad developed by ESPN to air during a sports game—this ad would encourage viewers to download their application by offering a promotion in which consumers can purchase discounted tickets to the game of their choice via the application. The promotional code would be on the ad itself, but the discount would need to be accessed through their application, ESPN Scorecenter. This ad concept would drive viewers from
the TV to their smartphones or tablets and would increase application downloads and views, a clear benefit to advertisers who have ads imbedded within ESPN Scorecenter.

**Social Advertising**

In the future, social advertising will advance just as mobile advertising will. It will involve much more than personalized advertising on a Facebook newsfeed and advertisers will track far more than they are currently tracking. One example of this could be a partnership between Facebook and Amazon—Amazon would be able to tell, based on Facebook activity, when an individual is planning a trip, getting sick, or needs a gift for a wedding, birthday, or baby shower and will subsequently fill their Amazon cart appropriately. A notification on Facebook could alert the individual that their cart has been filled and is ready for him or her to view.

What if an ad could combine all three of these case studies—utilize location-based services through mobile technology and use second screen advertising in conjunction with social media to increase both product interactivity and engagement? Although it has not completely employed the available technology, Popchips’ “Year of Pop” campaign aimed to do just that (Hockenson). This campaign uses photo and video taken at PopChips’ point-of-sale areas over the course of the year that will be condensed into a thirty second clip created to air during something like the Super Bowl. PopChips will publicize the ad and encourage people to go online and watch the video to look for themselves within the clip. Some consumers will find this appealing, yet others will feel spied upon when they find out that they have been videotaped without their knowledge or consent. When they see themselves, they will most likely share the video with their friends through social media (Hockenson). This campaign is only scratching the surface
of what will come in the future, but is a good example of how advertisers must proceed with caution, as data becomes an even larger part of advertising than it is in this particular campaign.

**Critique**

Advertising revolves around maintaining a balance between effective ads for the advertisers and a feeling of control and privacy for the consumer. Data collection has led to much more relevant ads, but there are also many privacy concerns that need to be considered.

Today’s data collection system is based on an opt-out model, which means that consumers must manually manage whether their data is being collected or not. The process is hard to understand and even harder to control (Greengard 19). “Data collection firms rely on loopholes and devious methods to circumvent cookie-blocking tools built into Web browsers and privacy tools” (Greengard 19). It is commonly argued that the inability for consumers to control the data that is being collected on them is a clear breach of privacy.

In the past, advertisers did not know if their ads were effective or not. The technology was not available to track views and purchases, and the advertisers were left poorly served. With the data tracking that technology is now capable of, advertisers are demanding more from the middleman. They understand the relatively unlimited possibilities that lie ahead, and expect the data collection firms to deliver. The problem is, with more data, advertisers can step further and further over the line and consumers may feel violated. If this trend continues, and advertisers exhibit no self-restraint, overly invasive ads will lead to consumer backlash.
Although most consumers will reject advertising trends, there are significant generational differences between Generation X and Generation Y. Generation X, usually considered to be the baby boomers, did not grow up with the technology that is available today, while Generation Y, individuals born from the early 80’s to the late 90’s or early 2000’s, has. Growing up in a digital environment has “led to young people developing a natural aptitude and high skill levels in relation to the new technologies. In contrast those older people who grew up in an analogue world are portrayed as always being behind” (Jones). Research suggests that ten years can make a big difference: Generation Y is far more prepared for success in today’s technological world. Unfamiliar with the Internet, unprepared to survive in the technology boom, and uncomfortable with the lack of confidentiality they contain, Generation X will revolt against these advertising trends. If advertisers do not show self-restraint in terms of personalized data tracking and targeted ads, this generation will reject the advertisers and the ads they have created as invasive and a breach of privacy.

In contrast, Generation Y, or the Millennial Generation, is the first generation to grow up alongside the Internet and more advanced technology and have become desensitized to the advertisements they see everyday. As a generation, they understand more fully the effect that the Internet is having on our society and the capability for the future (Jones). Growing up in the Internet Age has affected Generation Y in a different way than it has affected Generation X. When the Sunday paper first started including coupons, it was new and exciting, but people eventually started to throw out the coupons without even looking at them because they had become too accustomed to them. Like the coupons in the Sunday paper, Millennials have become accustomed to avoiding
personalized advertising and “throwing out” the ads, even those that are geared toward them. Advertisers use of new technology is crude and basic at this time and future advertisers need to focus on improving their use of data knowledge to increase desire within Millennials.

Already posed with the challenge of maintaining a balance between effective ads and protection of privacy rights, advertisers will also need to find new ways of reaching the millennial generation. Ads need to be even more time sensitive, personalized, and based on location than they currently are in order to stay relevant among Generation Y and for advertisers to avoid wasting money, but they need to uphold a balance with the consumer in terms of privacy in order to sidestep Generation X consumer backlash.

**Process**

To demonstrate the practicality and the reality of future advertising trends and in fulfillment of my senior project, I created the case studies that are referenced above. Each ad was depicted, using Adobe Photoshop and Adobe Illustrator, and presented on an iPad. These ads were used to demonstrate the concepts that were researched and discussed in this paper. Different formats were used as they fit appropriately with each concept.

To display the proposed Nike+Running updated application, I created an iTunes application page that directly mirrored other application pages in the iTunes store (see figure 1). The application page contains a description and features of the application, as well as screenshots, suggestions for other applications, and reviews of the application. Imbedded within the reviews are various critiques as well as praises about the concept of this application, such as reviews by users concerned about privacy.
The ESPN second screen advertising campaign used a different approach (see figure 2). For this ad, I created an image of two men watching a football game, and highlighted both the ad on the screen as well as an iPhone that represented the second screen. Through the depiction, it is clear that the advertisement on the television directs the viewer to their iPhone and to the ESPN mobile application. For this case study, an iTunes application page would not have been as effective as the scene I showed to display the concept of second screen advertising.

The third case study depicted a future form of social advertising. In order to show this, two different pages were created. The first page is a screenshot of a hypothetical Facebook newsfeed showing a notification that says, “We noticed you are planning a camping vacation to Alaska and filled your cart with things you might forget” (see figure 3). Under the text is an Amazon icon, and it is clear that the notification was generated by Amazon. The second page shows the customer’s Amazon cart that has been filled with necessities for a cold camping trip (see figure 4). These case studies are examples of future advertising trends and demonstrate the effect that technology shifts have had on current advertising trends.

Throughout this senior project, it has become evident to me that the advertising world is changing drastically at the hands of new technology and will only continue moving forward. I have learned so much about not only advertising, but about the technology changes that have created these major trends and look forward to applying this knowledge in a realistic setting. I am confident that my prediction for the future and argument for a balance between privacy and personalization will serve me well as I continue into the advertising world.
Appendices

Figure 1: Mobile Advertising: Nike+Running

The app Nike+ Running is the perfect running partner. See the minutes tick by. Watch the miles unfold. Hear real-time voice feedback once you hit your stride. Get suggestions about the perfect time to buy a new pair of running shoes and what kind of shoes will best fit you and your running style.

Description

You can use your iPhone as the perfect running partner. See the minutes tick by. Watch the miles unfold. Hear real-time voice feedback once you hit your stride. Get suggestions about the perfect time to buy a new pair of running shoes and what kind of shoes will best fit you and your running style.

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Figure 2: 2nd Screen Advertising: ESPN Scorecenter

Users can type the promo code that they see on the screen to purchase discounted tickets.
Figure 3: Social Advertising: Facebook Page
Figure 4: Social Advertising: Amazon

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