



Brands need People ^{and} People need Brands

**How social analytics benefit consumers
while protecting their privacy**

Xtract Ltd. White Paper
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Executive Summary: With the help of new social tools, consumers get information on exactly those products and services they are interested in without receiving any ads that do not interest them. Using these tools, the consumers can decide, what information they want to reveal to the advertisers and what to keep private.

For marketers and advertisers, this is a unique opportunity. They can concentrate on promoting their products and services to those who have already shown interest to them. This makes many new business opportunities arise both in mobile and online markets.

Transformation of marketing

Shopping is sometimes a daunting experience. You need to go through many stores until you find the products you are interested in. And because of mass marketing, you are being spammed with advertising of which only a small part interests you.

This applies to most online services as well. To find products of interest, you need to browse through loads of web pages. And all over the web banners are presented that are of little interest to you. A typical banner response rate is less than 0.5%¹. This means that over 99.5% of all advertising you see online is uninteresting!

What if all the advertising and marketing you receive would be relevant to you?

Only now companies are having enough information on the purchasing behavior of their customers and information on the social interactions of the customers to efficiently target advertising to them. This coupled with intelligent analytics and the growth of raw processing power gives a unique opportunity to help both the companies and end users.

Online, this means that every banner ad you see invokes your interest. There would be much less advertising than currently, but the ads would make more sense. On mobile phone, you would

receive text messages of exactly those services you are interested in at the right moment when you would need them.

In the end, marketing is about improving the experiences of the customers. As Alan Michell wrote in the book *Right Side Up*, "*If marketing were seen as a thing in its own right, would anybody want to buy it?*" The answer to this is, of course no².

The purpose of marketing is to inform users about products. Or, as Alan Moore puts it on his blog³, "*People need brands and brands need people, the skill is to enable the right brands and the right people to meet at a point where they need each other the most.*"

Making marketing smarter is part of a larger trend of using more intelligent, measurable methods. In addition to marketing, it can be applied to

"The skill is to enable the right brands and the right people to meet at a point where they need each other the most"

¹ See, for example, research my MarketingSherpa: <https://www.marketingsherpa.com/barrier.html?ident=30829>

² The quote is originally from <http://communities-dominate.blogs.com/brands/2007/09/bb-ab-before-bl.html>

³ See, <http://communities-dominate.blogs.com/brands/2007/11/the-network-is.html>

problems in sociology and federal policies as well. This is presented convincingly in the book *"Super Crunchers: Why thinking-by-numbers is the new way to be smart"* by Ian Ayres.

Making advertising relevant and useful

What does this mean for the end user? Better quality information on products they are interested in! The better a marketing message is targeted, the more contented its receiver is and the more relevant it is.

In an ideal world, there would be no mass marketing. Instead, companies would use micromarketing to target very specific customer groups. Micromarketing makes it also possible to target the long tail customers. Micromarketing differs from niche marketing in that it enables a company to target a large number of very small niches.

Micromarketing requires methods to measure the behavior of customers and to have means of directly reaching out to the customers. Mobile phones and online services provide a natural domain for witnessing customer behavior, grasping their social interaction and understanding their interests.

In general, data driven approaches provide huge benefits to companies. Currently the typical success rate of advertising campaigns online is less than 1% and even on mobile 1-6%. Nick Fuller states⁴ that response rates for cold (mobile) campaigns are in the 3-6% range while campaigns using client's own customer data fare much better with response rates ranging between 1.3% and 20%⁵.

By using social advertising, the rate of success can be increased to 29% or even more. The methods to reach this include targeting Alpha users (see sidebar) and considering the word-of-mouth effects in the social circle of users.

⁴ Nick Fuller, Chair, DMA Mobile, see <http://wirelessfederation.com/news/sms-growth-continues-as-mobile-market-takes-off/>

⁵ For more comments on the benefits of social advertising, see <http://communities-dominate.blogs.com/brands/2008/02/6-feet-of-junk.html>

Targeting the Alpha users

Alpha users are the influential people in a social network. By marketing products to the Alpha users and then letting them spread the word for products and services, far less marketing to the other users is required.

Targeting the Alpha users benefits also them, since the Alpha users are interested in new products and enjoy informing others about them.

Alpha users usually have strong links to their many friends and central position in the social network. Being an Alpha user does not necessarily mean being an early adopter, since the primary description of an Alpha user is to have influence on other people. However, Alpha users typically adopt products or services among the first ones in their own social circle, and recommend the products to others – assuming they are interested in that product or service in the first place.

Alpha users do not necessarily communicate more than other customers. Although being an Alpha user tends to correlate with larger volumes of communication, the nature of the communication and their position in the social network is what matters the most.

Different products and services have their own Alpha users. That is, people have a specific domain of expertise in which they are the influential ones.



In this small network, Alpha users are marked with pink color. By targeting the Alpha users, one may reach quickly all the (green) nodes in the network.

New services to benefit customers

Better analytics has even the power to transform user experiences and to create completely new services to respond to customer needs.

One example of this is Blyk, a new free mobile operator in the UK aiming for 16- to 24-year-olds. The users get a free allowance of phone calls and in exchange, they receive advertising that is targeted to them.

As Pekka Ala-Pietilä from Blyk states, *“Mobile advertising when done right is not viewed as advertising at all ... it becomes a service to the end user.”*⁶

On the web, companies are already starting to market customers with the most relevant content. Companies such as Amazon recommend products to users that they are interested in. Even whole business models are based on serving customers with the content they are interested in, such as Last.fm⁷, which plays you only the music you have shown to like.

In a way, social and behavior-based tools make marketing easier than it was before, since it enables selling people only the products they are interested in. Michael Lombardi puts it well: *“It’s much easier to sell ketchup to someone with a hotdog and French fries than to sell a bathing suit to someone in an igloo.”*⁸

Google has been effective at tailoring content for their customers. If you have a Google email account, you may notice that the ads you are being shown are related to the content of messages you receive. However, Google doesn’t take the social network of the users into account.

To obtain reliable understanding on what content customers are interested in requires combining the

behavioral advertising⁹ with information on the social network of users⁹.

Finding the influential users interested in your products is important for building strong brands and creating a community around them¹⁰. To best reach those who have a natural interest for a product, the products and services should be marketed to the Alpha users of the social network. This makes the message spread most effectively.

Respecting the customer privacy

Naturally, when handling customer data, their privacy needs to be taken seriously. In other words, you have to respect the customers or they will leave you¹¹.

Companies need to inform the customers about how data collected on them is being used. The end users have doubts and concerns about how their data is being used. They want to be sure that nobody can abuse their data. And they don’t want the advertising systems to reveal to other users anything about themselves that they consider private.

Guidelines for social analytics

Below is a list of five topics to consider when planning social analytics. These provide a good base for bringing the benefits of effective marketing to the end users without losing their respect.

1. Provide simple opt-out

It is important to let the users be in control on how the data on them is being used. This is why it is good to provide users a simple method to let

⁶ See, “What does it take for an ad funded mobile operator to succeed?”, <http://www.slideshare.net/inkeunsong/nokia-world-2007-blyk-mobile-advertising-465197/>

⁷ To try out Last.fm, visit <http://www.last.fm/>.

⁸ See, the comments for “What’s Next for Marketing? Reality Mining”, http://www.mpdailyfix.com/2008/03/whats_next_for_marketing_reali.html

⁹ More information on this can be found in our previous white paper “Social Advertising Intelligence – How to reach consumers with active advertising”. You may obtain it by visiting <http://www.xtract.com/sai-whitepaper-download/>

¹⁰ Some example cases of how to target the influential users have been collected by the Word of Mouth Marketing Association, see: <http://www.womma.org/casestudy/>

¹¹ This is originally from Mobile Marketing paper by Cambridge Marketing Colleges, where it was presented “if you do not respect the customer, they will not want to engage with you”. See, <http://www.marketingcollege.com/upload/52438%20MobileMktngMaster.pdf>.

“You have to respect the customers or they will leave you”

them state that they do not want to receive unsolicited marketing or advertising. In other words, provide users an *opt-out* method.

A company may also specifically ask the users to grant the right to send them marketing messages, for example, when signing up for a service. This is called *opt-in*.

Large companies such as Yahoo and Google have recently started to offer their customers simple *opt-out* methods for targeted promotions.¹²

In many countries sending messages to customers who have not opted-in to marketing messages, is illegal. So it is important to understand the local laws and keep a user data base with information on what content can be marketed to which users and what are the appropriate permission levels¹³.

2. Inform users on data usage

Another important guideline is to always inform the users on how the data on them is being used. An example on how to do this well is the Google Privacy Channel¹⁴, where the users are told about how Google protects their privacy and how to choose the best privacy settings.

Another example is the Amazon book recommendation service, where for each recommendation, the system tells the user, why the product was recommended to them and offers an option to not receive similar recommendations in the future. See the box “How Amazon Recommends Products” for more on this.

¹² See, “Google, Yahoo allow users to opt out of targeted advertisements”, Domain-b.com 2008. Available at: http://www.domain-b.com/infotech/ebusiness/20080809_google.html

¹³ “Could do better...”, Database Marketing 2004. Available at: http://www.dmarket.co.uk/pdfs/dm_feb_04.pdf

¹⁴ The Google Privacy Channel, <http://www.youtube.com/googleprivacy>

How Amazon recommends products



Amazon provides end users more value by recommending them products that could be of interest to them. For each product, Amazon tells why it was recommended to them and allows one to remove items from the browsing history so that they won't be receiving similar recommendations in the future.

As Guilherme Roschke, a staff attorney at the Electronic Privacy Information Centre (EPIC), puts it in an BusinessWeek article: “The first thing is to let people know this data is being collected, and how it's going to be used. And whenever it's put to a new use, then it must be disclosed.”¹⁵

3. Protect customer information

It is self-evident, that one needs to guard tightly the customer data and have it available to only those that need it. However, performing this well requires well thought standards compliant processes, and systems with adequate access control measures. This includes automatically anonymizing user data for the purposes where it is not required to know who the users are.

¹⁵ “There's Gold in 'Reality Mining'”, Arik Hesseldahl, BusinessWeek 2008. Available at: http://www.businessweek.com/technology/content/mar2008/tc20080323_387127.htm

Some information is worth specifying completely private. These include sensitive information, such as information related to health or medical concerns, and content that the user wants to keep secret. For example, Yahoo does not keep record on sensitive topics, like specific medical conditions¹⁶.

4. Respect industry guidelines

For marketers, there are a number of guidelines that can help at defining services in a way that serves the customer needs.

For example, the Global Code of Conduct¹⁷ of the Mobile Marketing Association (MMA) defines a list of principles to follow when marketing products to users. These are divided into five categories:

1. Notice
2. Choice & Consent
3. Customization & Constraint
4. Security
5. Enforcement & Accountability

The Code of Conduct suggests, that operators should provide both opt-in and opt-out options for their customers, limit the amount of messages sent to customers and use implement reasonable procedures to protect customer information.

Often following sensible guidelines can improve the marketing campaigns. Better campaigns make the customer more pleased and increase the campaign rate of success.

Practical tips such as those in the "Code of Ethics"¹⁸ compiled by 12snap, can be quite valuable:

1. One should take the mobile device features into account when designing content,
2. avoid spamming the users, and
3. test campaigns well.

5. Let users control their privacy

Traditionally users have not been able to control how information on them is being used and what data on them is revealed to other customers and to advertisers.

With analytics, customers have for the first time the chance to define, what features they want to be taken into account when marketing products and services to them. This provides a unique opportunity for the customers to be in control of their own information and to interact with brands and companies.

6. Advertise to youth with care

One should pay special consideration on how products are marketed to children and youth. In marketing to children, special care should be taken to respect both the trust of the children and parents. Also, in many countries, marketing to children requires consent of the parents.

“Customers have for the first time the chance to define, what features they want to be taken into account when marketing products and services to them.”

¹⁶ See "Advertisers Crave Web-use Profiles", Saul Hansell, Pittsburgh Post-Gazette 2006.

¹⁷ MMA Global Code of Conduct, <http://www.mmaglobal.com/codeofconduct.pdf>

¹⁸ Mobile Marketing Code of Ethics, based on the recommendations by the Advertising Federation of Australia, <http://blog.12snap.com/wp-content/uploads/2008/06/mobile-marketing-code-of-ethics.pdf>

Xtract Social Links

Xtract Social Links is the first commercial software product for leveraging social intelligence in marketing actions. It analyses large scale mobile communication data to form the social network of customers and identifies the Alpha users. These are the most influential people within the customer base.

The Product Marketing Module for Xtract Social Links can be used to identify the customers who are likely to take up the product campaigned as well as most likely to influence others to take up the product. It can be used for efficient up-sell and cross-sell campaigns and launching rapidly new products to the market.

For further information, see:
<http://www.xtract.com/products/xsl/>

About Xtract

Xtract is the global trusted partner and innovator in **Social Advertising Intelligence**.

Xtract has the technology and competence to turn large user data into cash flow. The solutions of Xtract create accurate and automated consumer profiles for mobile and online advertisers based on social interactions, behavioral and demographic data.

Xtract operates across Europe and Asia, working with over 50 companies with intensive customer data ranging from global leaders such as Nokia, T-Mobile and Vodafone to innovative challengers such as BLYK and Fonecta. Headquarters are in Helsinki, Finland and London, UK.



Xtract Corporation Ltd.

Venture House
Arlington Square
Downshire Way Bracknell
RG12 1WA UK

Office: +44 (0) 1344 741000
Fax: +44 (0) 1344741001

Xtract Ltd.

Hitsaajankatu 22
FIN-00810 Helsinki
Finland

Office: +358 207 49 8765
Fax: +358 207 49 8769

Xtract online:

www.xtract.com
contact@xtract.com