

A woman with long dark hair and bangs is shown in profile, looking down at her smartphone. She is wearing a light-colored, textured knit sweater. The background is a soft-focus outdoor scene at sunset or sunrise, with mountains and a crowd of people in the distance. The lighting is warm and golden.

The Balancing Act:

Getting personalization right

May 2014

Presented by:

YAHOO!

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Introduction

If you ever attended a Build-A-Bear Workshop, purchased a Sleep Number bed, made a mix tape or patronized Pandora (the music service or the charm bracelets), then you have experienced the power of consumer customization first-hand. The idea of tailor-made content and advertising has segued to the online world in the form of customization (what consumers choose to read or view) and personalization (how technology responds to those choices, using the reader's profile to guide and enrich their online experience).

Moving beyond individual click history, personalization also factors-in online activity typical of the reader's demographic cohort, incorporating content outside of narrow personal interests that reflects broader peer group concerns and location-specific information. Online personalization: consumers are intrigued by it, Yahoo is championing it, and now advertisers are refining it.

Both digital customization and personalization increase the relevance of content, which enhances its value, in turn improving the consumer experience and deepening online engagement. In a sense, when consumers provide feedback, they become co-creators of material through their explicit customization choices and implicit activity profile.

Competing in a fragmented online environment

There are more than half a billion live websites operating today (43 percent hosted in the U.S.) and competition for consumer attention and dollars will intensify further as web sites continue to proliferate.ⁱ

To succeed in this fragmented arena, advertisers will need to look beyond traditional measures such as reach and frequency, toward more contemporary and relevant metrics such as effective and engaging reach. Personalization is the pathway to advertising nirvana—placing the right ad in front of the right consumer at the right time, driven by the right data.

“...I just prefer to make my own choices on what I deem worthy of my attention.”

-- Personalization Study Respondent

Yahoo has made a considerable technology investment to generate the kind of personalized content experiences that engage consumers, providing a compatible communications and advertising canvas pleasing to buyer and seller alike. The size of that canvas is broad indeed. Yahoo serves more than 800 million visitors in a single month across its web propertiesⁱⁱ and serves 40.6 million individual, personalized PC homepages globally every day.ⁱⁱⁱ

(Figure 1)

Figure 1

Yahoo's take on personalization

Need to know + Want to know + Choice



1. WHAT I NEED TO KNOW

- Editorial-driven content experience consumers want
- Delivers on FOMO (fear of missing out)

2. WHAT I WANT TO KNOW

- Implicit driven content experience based on personalization algorithm

3. BUT GIVES ME CONTROL

- Explicit opportunity for feedback

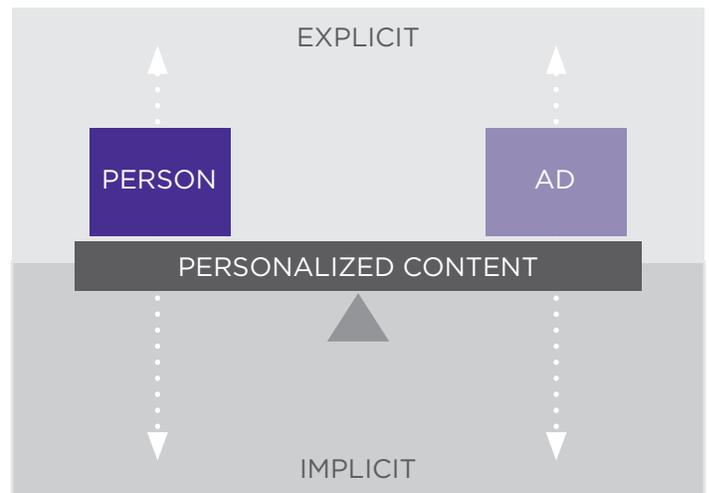
1. Content personalization

“Personalization gives each user a concierge online experience. It’s the web, ordered for you.”

-- Mike Kerns, SVP
Homepage and Verticals, Yahoo

Content personalization represents the fulcrum balancing the consumer “need to know” with their “want to know”. Consumers self-direct their online journey by opting-in to areas of interest (what they want to know). Informed by those surfing trends, demographic and other profile information, advanced algorithms present people with additional useful information (what they need to know). Similar to the comfortable equilibrium of human balance, personalization results in a more inviting content environment when the need and want to know strike a balance.

Figure 2



Technology is the enabler of ecosystem equilibrium. Sophisticated algorithms drive and calibrate content personalization for a more fulfilling, sticky user experience. The best personalization engines combine implicit feedback derived from user behavior (what I read, what I click, what I share) and explicit feedback (what users

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choose to like or actively vote on). (Figure 2) Optimally, when technology adapts to this feedback, the result is not an obvious response, but rather an unexpected change in the form of a happy surprise or an “aha” moment.

How do consumers feel about personalization? Most consumers are not only aware of online personalization activity, they believe it brings relevance and efficiency to the content experience. *The Balancing Act*, a proprietary Yahoo study with 6,000 respondents, discovered that almost 60 percent of consumers are aware that personalization happens to written material online, while two-thirds understand that personalization also impacts what they watch and listen to online.

Personalization enhances individual engagement, utilizing collaborative and content-based filtering to create tailor-made online interactions. Through the use of a sophisticated algorithm, the Yahoo next-generation content personalization platform shapes more than 100 million individual home pages each month^{iv}, driving up time spent online and overall satisfaction.

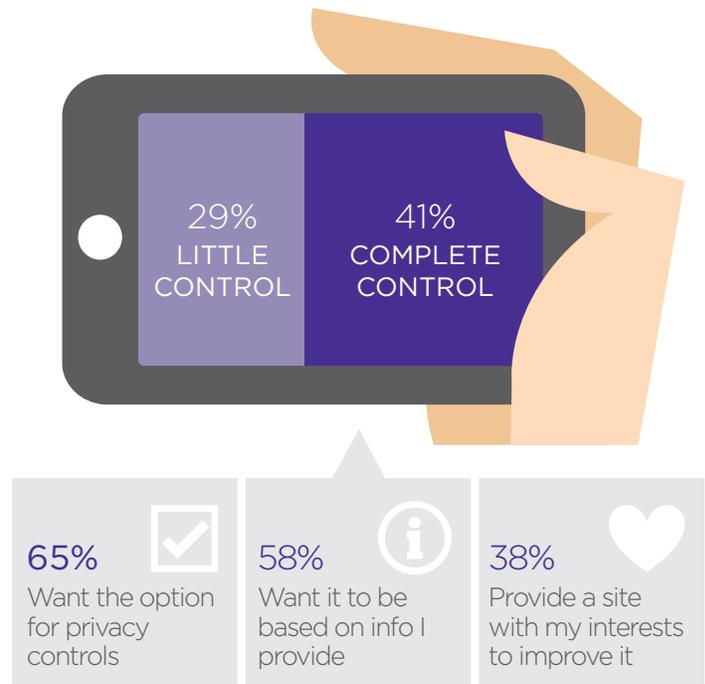
Consumers demand content control

This consumer awareness comes with several caveats: more than 60 percent of online users wanted to know why, what, and how websites selected the content personalized for them. Control is critical to consumer acceptance of **personalization**, be it a little control (29 percent of consumers) or a lot (41 percent of consumers). (Figure 3)

Figure 3

Explicit choice & control must balance the technology of personalization

What consumers look for when it comes to content personalization



Web site visitors choose to exercise control over personalization through a variety of mechanisms. Almost two-thirds would like the option for privacy controls. Just over half (58%) want personalization based only on user information they proactively provide. Yet another group (38%) will specify their individual interests so that the site can personalize content.

We hear our users on the need for control. While Yahoo leads with a personalized experience, we encourage our users to tailor their online experience through a variety of privacy tools we offer on our own platform. Users can shape their profile through our [Privacy Center](#).

Consumers indicated they were comfortable if sites collected basic demographic information (46 percent),

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topical and personal interests (48 percent), and the preferences users set by liking/disliking specific stories they read (54 percent) as a basis for personalization.

Balancing act: consumer control and content curation

Today's web experience has entered an age of enduring engagement, enabled by [personalization](#). Maintaining equilibrium as the new content ecosystem emerges is a delicate balancing act. It requires the ability to offset the wishes of Me (64 percent of consumers don't want web sites to have too much personal information because they are unsure personalization will deliver the promised targeted experience) with the concerns about We (40 percent of consumers don't want to miss content that other people are seeing, often called FOMO or fear of missing out).

Despite a desire for control and some privacy concerns, fully 78 percent of consumers expressed a desire for some kind of content personalization, with the majority (62 percent) interested in viewing a mix of algorithmic and curated content for a unique experience.

This desire for personalization varies depending on the category of the content. Leading categories for personalization include those content areas most closely aligned with consumer passion such as entertainment (60 percent of those surveyed felt personalization technology would improve this content); followed by lifestyle (55 percent), sports (54 percent), news (48 percent), autos (43 percent) and finance (41 percent).

Yahoo gets personal

The personalization equation at Yahoo integrates the need

to know (editorial-driven content), with the want to know (technology-determined content), and places consumers at the controls by giving them the opportunity to provide feedback.

Consider the example of the home page of a California-based sports enthusiast, who receives system suggestions on teams to follow based on location, sport or marquee players. The sporting experience is further enriched when the fan goes mobile via smartphone, following teams on a Yahoo sports app that delivers game news and information faster, with up-to-the minute player stats and scores. (Figure 4)

Users can cherry-pick their favorite teams and sports, and choose whether to see news based on their preferences or trending developments. The app successfully merges the need to know, with the want to know and places it under the consumer's control for an ultimately personalized content experience.

Figure 4

Yahoo's take on personalization

Understanding sports is about passion but also about FOMO

USER FEEDBACK



Selecting
what I want

Viewing what I
want to know

Viewing what I
need to know

2. Advertising personalization

The online community is becoming more demanding of advertisers as well as content providers. Yahoo researchers discovered that consumers don't have a problem with online advertising per se. They do, however, have a problem with overly intrusive advertising they perceive as lacking relevancy during Internet browsing or application use. Consumers appreciate ads that create an open and reliable digital experience. About two-fifths (42 percent) of consumers want publishers to work with brands that "make it safe to click" and 35 percent prefer ads from trusted companies--all factors that "make advertising better".

Currently, consumers don't feel ads are relevant regardless of platform. In particular, there remains significant opportunity as targeting capabilities are ramping for mobile. Just 37 percent of consumers found Internet ads

relevant while browsing on their PC, an even more modest 30 percent did so while using a smartphone, and only 27 percent felt ads associated with mobile apps were relevant.

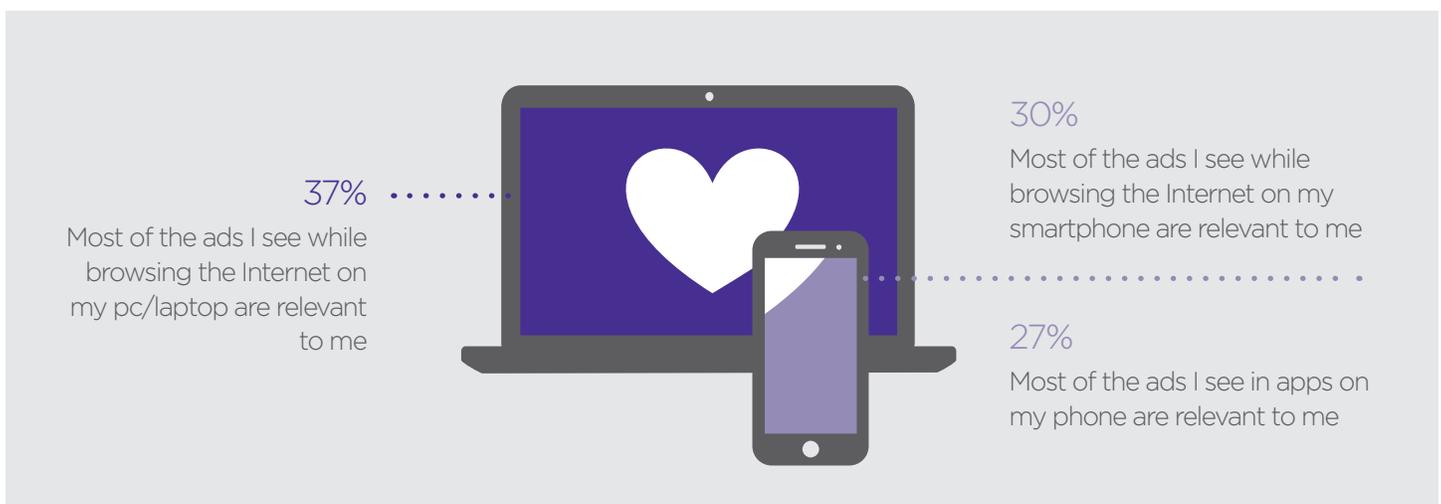
(Figure 5)

In 2013, for the first time total digital media time spent outpaced time spent with TV among US adults--with mobile accelerating the shift.^v Smartphones have become more than just devices; they have embedded into the DNA of daily lives, handling tasks and moments for consumers.^{vi} As a result, personalized ads need to respect the unique integration between mobile device and human user. That said, there is much work to be done on the mobile front. A relative newcomer to the connectivity world, mobile offers huge opportunities, but requires sophisticated personalization capabilities to capture and make sense of the data in order to enable its full value potential.

Figure 5

Ads currently don't resonate well with consumers: they're lacking relevancy, across devices

Agreement with statements about ads



The value exchange principle

“Personalization is simple: give the consumer more of what they care about and less of what they don’t. It’s about surfacing value for users and advertisers alike.”

*-- Patrick Albano
VP Sales, Mobile, Social & Innovation, Yahoo*

In the choreography of digital ad personalization, advertisers take the lead, shaping offerings based on consumer input. The most sophisticated ad personalization programs even allow consumers to select the product categories and ads they consider most relevant. Success relies on the publishers who help advertisers strike the correct match between person, place and thing that translates into consumer engagement.

The 3 “Musts” of Personalized Ads

Consumers are very clear about what works (and what doesn’t) in personalized ads, which distills into three prime directives:

- 1. KNOW ME**
Target what I like and who I am as an individual
- 2. SPEAK MY LANGUAGE**
Make ads resonate, sound like a trusted brand
- 3. VALUE MY TIME**
Give me better ads with more useful information

Thankfully, consumers have grown to trust advertisers more and are now willing to cooperate and help advertisers implement personalization as long as their personal boundaries are respected. Roughly two-thirds of consumers find it acceptable or are neutral to marketers using online behavior and information to craft better ads, whether that information derives from browsing behavior

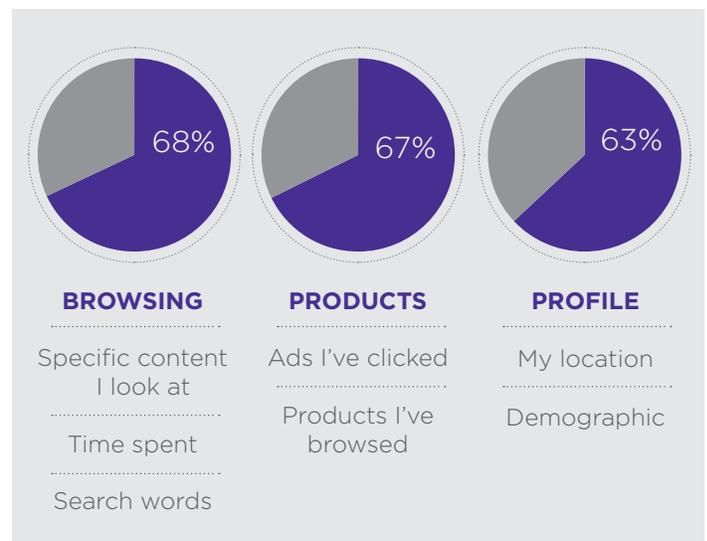
(68 percent), product research (67 percent) or personal data (63 percent). People demonstrate a willingness to share information, as more consumers begin to recognize the value and self-benefit of allowing advertisers to use their data in the right way. This concept of value exchange for personal data is starting to come to life through personalization. (Figure 6)

On the upside, consumers are taking heed of personalized ads and seem to actually prefer them. More than 60 percent of consumers said they were aware when ads were tailored to them and believed they could differentiate between personalized and traditional ads. More than half of consumers studied actually preferred personalized ads.^{vii} Even more Internet users agreed that digital ad personalization was important, including 67 percent of people using email, 44 percent of social media actives and 40 percent of mobile phone users.^{viii}

Figure 6

About two-thirds of consumers are okay with marketers using online behavior and information for ads

I find it acceptable/neutral that publishers gather the following types of information for advertising



Ads that Adapt, Interact, Engage

Personalization represents the ultimate in consumer dialogue. Instead of advertisers pushing product, they participate in an adaptive online experience, interacting with the consumer, building a relationship with the brand. In *The Balancing Act* study, consumers favored ads that featured categories, products and brands they loved. Other ad personalization techniques that strengthened consumer engagement included suggesting stores or activities near their location, incorporating treasured characters into the graphics, blending seamlessly into the editorial content and reflecting activities appropriate to the time of day (Figure 7) In fact, twice as many consumers described such personalized ads as more “relevant to me”, than general ads. (Figure 8)

Figure 7
Advertisers have various ways of using data and personalizing ads to achieve better engagement



Why Personalized Ads Work

Generalized ads may inform consumers, but people want more, much more from the online ad experience. Consumers preferred personalized ads, finding them

more engaging [54 percent], educational [52 percent], time-saving [49 percent] and memorable [45 percent] than general ads. (Figure 9) In addition to enhanced relevance, personalized ads can prompt consumers to become more involved as well. About half of survey respondents agreed they would be more likely to interact with personalized ads than general versions.

Not all product categories are created equal when it comes to personalization. Seventy percent of consumers desired personalized retail ads, with roughly half of online readers expecting to see personalized ads about technology/telecommunications, consumer packaged goods and finance.

Surprisingly, only about one-third of consumers desired personalized ads for cars or entertainment options. Getting even more granular on the topic of personalization, more than half of consumers thinking about finance expressed a preference for ads tied to life events such as changing jobs, buying a house or having a baby.

“We live in an on-demand and customized society, where we as consumers control how we consume content, which in turn means we also control how we consume advertising. Personalized ads is the only way for marketers to have that one-on-one conversation with new and existing customers, and relevancy within the ad is the only way consumers will let marketers in.”

-- Joe Licari
Director, Advanced Creative Specialist

Online Personalization — The Next Generation

Trust. Relevance. Connection. This coveted trinity of brand and consumer association is the hallmark of advertising personalization.

Personalized ads outscored general ads on every key dimension Yahoo measured, including brand connection, ad enjoyment, interest in the advertised products and services, and trust in the companies and brands featured. On a cautionary note, consumers view personalization

“gone bad” (e.g. the jeans you just bought following you around the web) as tantamount to digital stalking, and can seriously erode brand image.

Personalized content delivered similar results, credited by consumers with saving time, deepening engagement, achieving an enjoyable experience and aiding discovery.

Figure 8

Advertising personalization would bring heightened relevance, create trust, and develop deeper connection

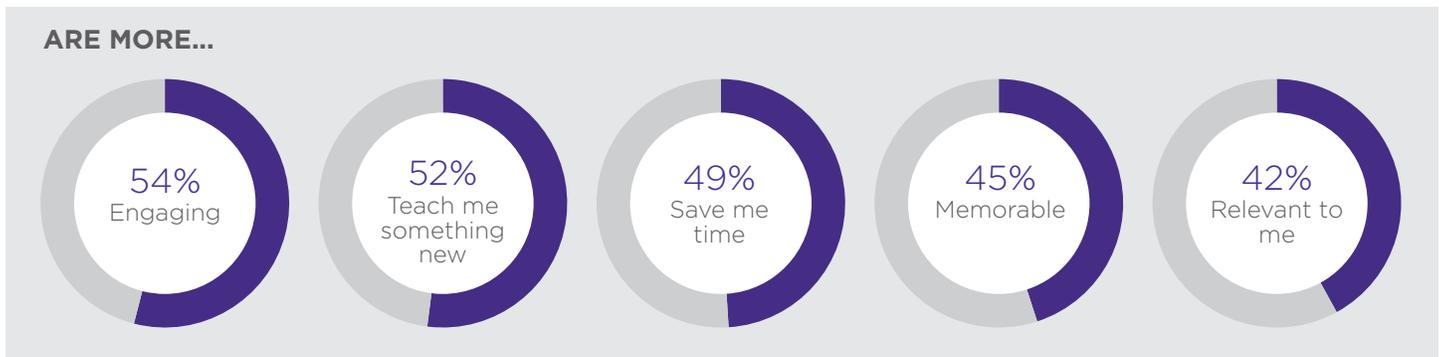
Why would you interact with it?

	Personalized	Not Personalized
The ads are relevant to me	64%	32%
I'm interested in the products or services being advertised	54%	36%
I am curious about the advertiser/product	50%	38%
I like the advertised brand/product	48%	34%
I trust the companies/brands that I see advertised	39%	26%
I feel connected to the brands that I see advertised	37%	20%
I enjoy the ads	35%	23%

Figure 9

Advertisers have various ways of using data and personalizing ads to achieve better engagement

Compared to general ads, personalized ads...



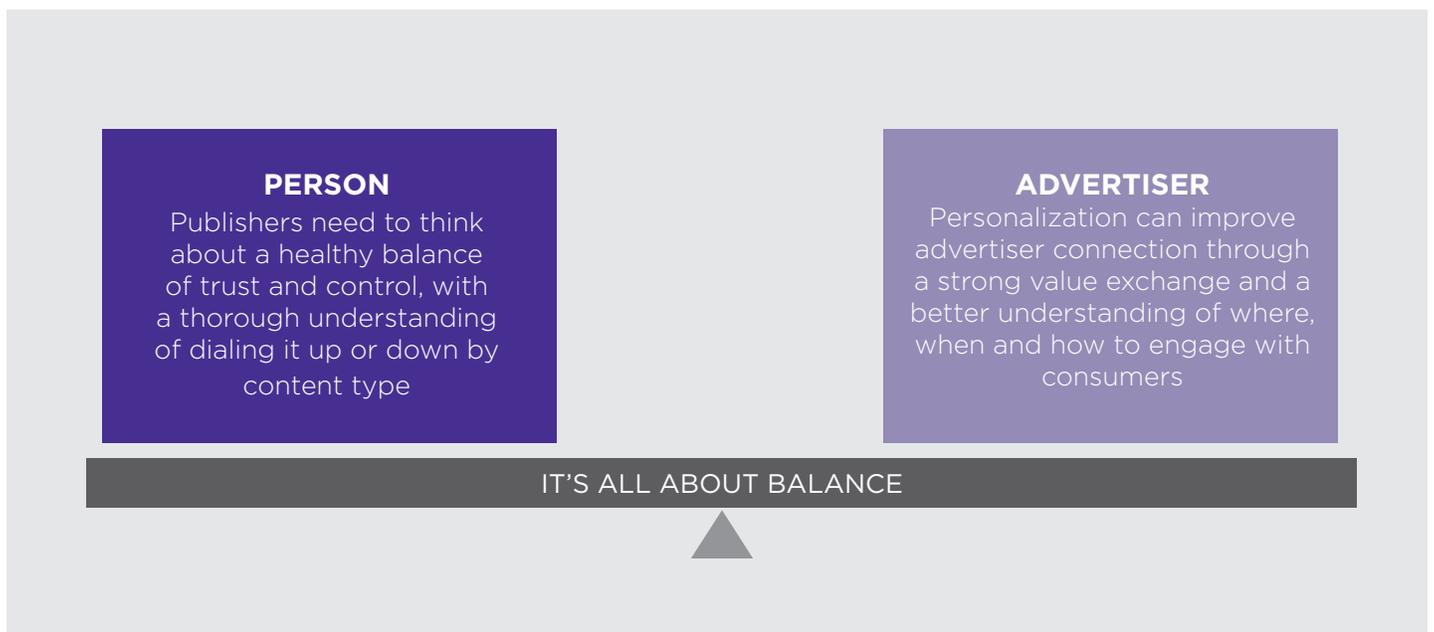
Conclusion

Consumers are looking for an adaptive online experience that implicitly understands what they want, a feedback loop that explicitly optimizes what they need and a mechanism to control it all. When the need to know and the want to know are in harmony, the digital ecosystem is in balance. As with human balance, when the system works it is imperceptible, and only when the system gets out of balance does one notice. Personalization generates greater content engagement by creating an efficient discovery process for the user.

Part art and part science, there is no one-size-fits all personalization solution, and not all content experiences deserve the same attention. General financial information, articles and product ads should reflect the consumer lifestyle, while sports and news require a combination of what the consumer wants and what editors feel they need to read to avoid “missing out”.

Above all, personalization is about respect. Personalization respects the user by granting them control and relying on transparency to build trust, through tools like those available on Yahoo’s Privacy Center. Ads that feature valuable content, rather than just sponsoring content, can help assuage underlying click anxiety. The vertical category counts, dictating the degree and type of personalization desired. Advertisers can establish themselves as trusted content partners by providing value through expertise or entertainment.

It’s time for advertisers to get personal, tap into the implicit and explicit data streams and shape a one-of-a-kind experience for online users. The benefits of personalization are irrefutable: engage the consumer and they will engage you.



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METHODOLOGY

Yahoo partnered with Ipsos MediaCT to survey 6,000 respondents ages 13-64, a representative sample of the U.S. online population, about online content and ad personalization. Yahoo Labs conducted 24 additional in-depth interviews with adults and teens to gain insight into user perceptions of ad personalization.

ABOUT YAHOO

Yahoo is focused on making the world's daily habits inspiring and entertaining. By creating highly personalized experiences for our users, we keep people connected to what matters most to them, across devices and around the world. In turn, we create value for advertisers by connecting them with the audiences that build their businesses. Yahoo is headquartered in Sunnyvale, California, and has offices located throughout the Americas, Asia Pacific (APAC) and the Europe, Middle East and Africa (EMEA) regions. For more information, visit the pressroom (pressroom.yahoo.net) or the Company's blog (yahoo.tumblr.com).

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