

# Operators' approaches to customer data monetisation in Europe and the USA are diverging due to regulation

February 2018

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Telecoms operators have enormous amounts of information about their customers and should, at least in theory, be able to extract value from it. However, operators worldwide have struggled to earn more than marginal revenue from this data. Undeterred, and aided by favourable regulatory developments, operators in the USA are increasing their efforts in the advertising market. However, in Europe, the introduction of the European Union's General Data Protection Regulation (GDPR) makes similar initiatives even less likely.

## Advertising is the obvious opportunity to develop

Advertising is an obvious way for operators to capitalise on customer data by providing it to advertisers. Operators, with their own inventory such as websites or video properties, can take a greater share of the advertising spend.

In the USA, telecoms operators can sell their customers' data (including location and browsing history) to advertisers without the users' consent. This type of data usage has not been possible in Europe, even in advance of the introduction of the GDPR. GDPR will be enforced from 25 May 2018, when European operators will have even greater restrictions on how they can use their customers' data. As a result, this is likely to limit the ways in which operators within the region can generate revenue from customer data.

### *Operators in the USA have been more active in the advertising market than European counterparts*

The table in Figure 1 highlights recent acquisitions by operators in both Europe and the USA. The only European operators with substantial activities in advertising are Telefónica and Telenor. While both companies are headquartered in Europe, significantly, both have more subscribers outside of Europe (and therefore not subject to the GDPR) than within it.

Far more significant are the activities of operators in the USA. Most prominent of these has been Verizon (which acquired AOL and Yahoo!), though AT&T has also built its AdWorks division, and Altice and Comcast have each made large deals. Cox Enterprise, owner of Cox Communications, launched COMET, a programmatic advertising platform, in April 2017.

The activities of operators in the USA were bolstered by the decision in March 2017 by the FCC not to impose restrictions on how telecoms networks could use customer data. Originally, an Obama-era restriction requiring opt-in consent from users for carriers to resell their data had been due to come into place in December 2017, but the FCC's decision meant that this ruling did not come into force.

**Figure 1: Notable advertising acquisitions by European and USA operators**

Acquirer	Target and Price (Date)	Details
Verizon	<ul style="list-style-type: none"> <li>AOL, USD4.4 billion (May 2015)</li> <li>Yahoo!, USD4.5 billion (June 2017)</li> </ul>	The AOL and Yahoo deals, now part of the Oath unit, give Verizon significant assets, both in terms of ad tech and inventory, with media properties such as Yahoo! Finance, Huffington Post and Tech Crunch.
Altice	<ul style="list-style-type: none"> <li>Teads, USD285 million (June 2017)</li> </ul>	Teads is a video advertising technology firm with revenue of USD188 million in 2016.
AT&T	<ul style="list-style-type: none"> <li>Time Warner, USD85 billion (pending)</li> <li>INVIDI, not disclosed (November 2016)</li> </ul>	<p>While not an advertising deal directly, if approved, Time Warner would provide AT&amp;T with significant advertising inventory.</p> <p>INVIDI, bought with DISH Network and WPP, is an 'addressable advertising' platform that allows advertisers to target video adverts based on "demographic or psychographic" attributes.</p>
Comcast	<ul style="list-style-type: none"> <li>Freewheel, USD360 million (March 2014)</li> <li>Visible World, not disclosed (June 2015)</li> </ul>	Comcast has built its video ad technology through acquisition. Freewheel, operating as a separate division of Comcast, also bought StickyADS.tv, another video adtech firm.
Telenor	<ul style="list-style-type: none"> <li>Tapad, USD320 million (May 2016)</li> </ul>	Tapad is an adtech firm specialising in advertising and content delivery across multiple devices. Telenor has since written down USD120 million of the purchase price.
Telefónica	<ul style="list-style-type: none"> <li>Axonix, not applicable (2014)</li> <li>Weve, not disclosed (May 2015)</li> </ul>	<p>Axonix is a mobile advertising firm founded around MobClix's technology as a joint venture with Blackstone. Axonix has since purchased Statiq for a reported GBP3.5 million.</p> <p>Telefónica took full control of Weve after it was run as a joint venture with EE and Vodafone. Weve is now an internal unit of O2 UK.</p>

Source: Analysys Mason

## The GDPR restricts European operators' ability to generate revenue from subscriber data

In contrast to the USA, European rules about customer data are increasingly restrictive with the introduction of GDPR. Personal information can only be used for the specific purpose that it was collected and with the user's explicit consent. This does not outlaw the use of personal data for targeted advertising, but its usage requires the user to opt-in.

For most operators, the GDPR is likely to restrict the usage of customer data to use cases that only utilise aggregated and anonymised data. One example of this is Orange's Flux Vision, which uses data from Orange's mobile network to build indicators around visits and population movement. Orange claimed over 70 customers, including over half of France's local tourist agencies, by 2015. A similar solution has been developed by Telefónica for Smart Steps, which provides footfall data by time, gender and age. Customers for the data in the UK include supermarkets (Asda and Morrisons) and transport authorities (for instance, Transport for London).

These European use cases are far narrower in their ambition than the customer data initiatives of operators in the USA. Each of the European examples lends itself more easily to one-off consulting projects rather than the type of recurring revenue streams that operators ideally like.

## **Data monetisation opportunities for European and American operators are diverging**

Regulations in Europe and the USA are moving in different directions. Under the US's current Republican administration, telecoms operators have more freedom in how they use their customers' data. Privacy concerns mean that operators will want to move with caution, but they will explore how to develop targeted propositions, especially those combined with television. In Europe, with limited leeway, operators can do less.

The situation may change over time – different administrations in the USA may well have a different view of privacy, and operators in Europe will, cautiously, experiment with what is possible under GDPR. However, short-term opportunities for operators to exploit customer data either side of the Atlantic appear radically different.