Advertisers Get a Trove of Clues in Smartphones

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The millions of people who use their cellphones daily to play games, download applications and browse the Web may not realize that they have an unseen companion: advertisers that can track their interests, their habits and their location.

Smartphones, like the iPhone and BlackBerry Curve, are the latest and potentially most extensive way for advertisers to aim ads at certain consumers. Advertisers already tailor ads for small groups of consumers on the Web based on personal information. But cellphones have a much higher potential for personalized advertising, especially when they use applications like Yelp or Urbanspoon with GPS to identify a person’s location, right down to the street corner where they are standing.

Advertisers will pay high rates for the ability to show, for example, ads for a nearby restaurant to someone leaving a Broadway show, especially when coupled with information about the gender, age, finances and interests of the consumer.

Eswar Priyadarshan, the chief technology officer of Quattro Wireless, which places advertising for clients like Sony on mobile sites, says he typically has 20 pieces of information about a customer who has visited a site or played with an application in his network. “The basic idea is, you go through all these channels, and you get as much data as possible,” he said.

The capability for collecting information has alarmed privacy advocates.

“It’s potentially a portable, personal spy,” said Jeff Chester, the executive director of the Center for Digital Democracy, who will appear before Federal Trade Commission staff members this month to brief them on privacy and mobile marketing. He is particularly concerned about data breaches, advertisers’ access to sensitive health or financial information, and a lack of transparency about how advertisers are collecting data. “Users are going to be inclined to say, sure, what’s harmful about a click, not realizing that they’ve consented to give up their information.”

For now, advertisers are using a wide lens to survey people’s behavior on phones, aiming at people by city rather than by specific neighborhood or street.

And while they collect specifics about how someone behaves on the mobile Web — for instance, that someone bought a “Hot N Cold” ring tone after seeing an ad for it, then watched a Miley Cyrus video on TMZ.com — they use that information to categorize that person as a pop-culture fan, and then show a movie ad.
Advertisers are eager to use the information for much more specific targeting, however. An advertising system could know, for instance, that someone is 27 years old, male, a New England Patriots fan (which NFL.com can track), plays Blackjack, travels frequently between Boston and New York on weekdays (which applications using GPS can track) and uses a 3G iPhone. That would make him attractive to a host of advertisers, like the Delta Shuttle or a Las Vegas hotel, whose ads would appear while the consumer was browsing the Web on his phone.

“Everyone’s in an arms race to find out more and more about their users,” said Eric Bader, the managing partner of the mobile advertising firm Brand in Hand. Even application developers are handing over information about their customers to marketers. Dockers San Francisco, a brand of Levi Strauss, for instance, is beginning a campaign this week that will run on applications like iBasketball and iGolf. It will show a model wearing khakis, and the iPhone customer can shake the phone to see the model dance.

Dockers will start by tracking how long people shake the ad, and then “if it does make sense to do follow-up with these consumers, we’ll do that,” said Jonathan Haber, the United States director of Ignition Factory at OMD, the media agency directing the campaign. “We dig in, specifically, with these application developers and owners to get information about usage behavior.”

It’s not just behavior, but also data about income, or even whether you have children, that mobile advertisers consider. A company called Acuity Mobile, whose clients include the MGM Mirage and Harrah’s Entertainment, lets clients use consumer data, including, potentially, income, to determine what kind of offers clients should see.

“One person who does not spend a lot of money with your brand might get a lower-value offer, like a free dessert in Vegas, versus a free buffet” for a high roller, said Alan R. Sultan, the president and founder of Acuity Mobile.

Applications that use GPS can offer even more specificity, including Loopt, Yelp, Urbanspoon, Where and almost any iPhone application that shows the pop-up box saying it “would like to use your current location.” Several firms are experimenting with a program called AisleCaster that can offer specials based on a person’s exact location in a supermarket aisle or mall.

Advertising systems can track not only the location of the phone, but also that person’s travel pattern: uptown New York to Nob Hill in San Francisco, for instance.

For now, systems like Quattro are using broad city-level categories while trying to sell to advertisers like Amtrak. “You don’t want to necessarily go down to location-level stuff like specific street corners, because it wanders over into really creeping out the user privacy-wise,” Mr. Priyadarshan said.

For now, there are not enough people using smartphones to make it worthwhile for advertisers to use highly specific criteria. But as more people switch to smartphones, that will happen more frequently. The smartphone market in North America increased 69 percent in 2008, according to the research firm Gartner. Google, Palm and BlackBerry are all introducing their own application stores. Despite the amount of data in the market, as long as advertisers don’t use personally identifiable information, there is no current regulation or law that governs how closely advertisers and application developers can track mobile phone users. Opting out of mobile targeted advertising is difficult, and that’s assuming consumers are even aware how closely they are being tracked.

“I didn’t know they were doing that, although I’m not surprised to hear it,” said Jordan Penn, 32, an affordable-housing developer in San Diego who has downloaded about 12 apps to his iPhone. “It doesn’t really concern me any more than all of the other tracking that goes on when you access the Internet.” Paul M. Schwartz, a law professor at the University of California, Berkeley, and an information privacy law expert, said tracking by advertisers was problematic. “People should be allowed to trade most kinds of
information for value as long as the terms are fair,” he said. “They’re not fair now.”

Mike Wehrs, the chief executive of the Mobile Marketing Association, said the trade group was updating some of its self-regulatory principles, for example, suggesting that applications e-mail their privacy policies to subscribers rather than asking them to read a policy on the small mobile screen. “I agree there’s more that can be done,” he said. “One thing about mobile, it’s an amazingly fast-moving industry.”