Sector RoadMap™: content personalization in 2013

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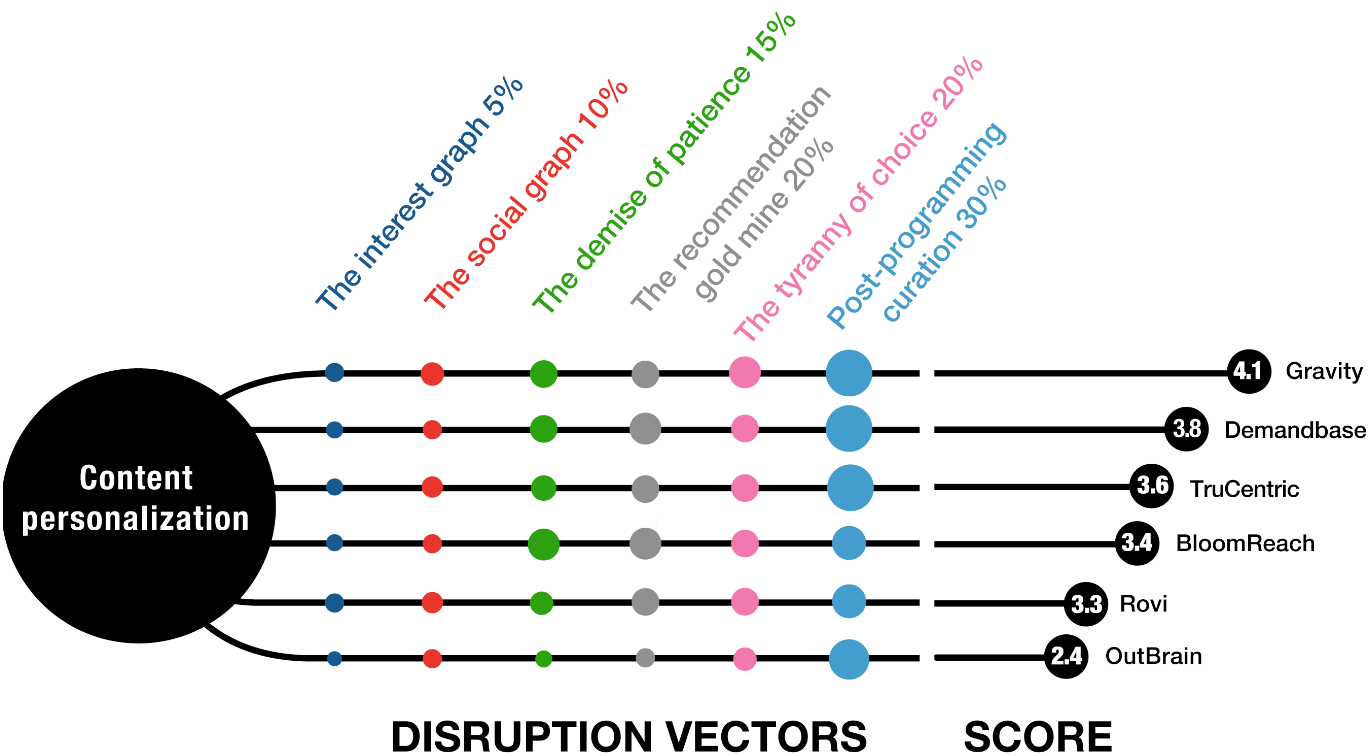
Executive summary

Content owners, whether they are publishers, retailers, or marketers, are always looking for new ways to deliver a unique experience to their customers. We call this content personalization. Website customization and promoting the most popular or contextually relevant items are tried and true practices. Retailers like Amazon have long been using collaborative filtering, anticipating interest by comparing purchases across different buyers. But now, cost-effective big data analysis allows content owners to study behavioral and social media data. Because of that, new personalization pioneers are emerging.

The key technologies and trends in personalization — that is, the disruption vectors that smart companies will drive and ride to success — over the next 12 to 24 months are led by a collection of technologies that we call post-programming curation. These technologies use the best of behavioral tracking, collaborative filtering, audience targeting, and dynamic content presentation. Would-be personalization leaders will have to accommodate what we call the tyranny of choice and avoid too much temptation from the recommendation gold rush. Impatient audiences will be a disruption, but it will take tech vendors some time to properly exploit users' social and interest graphs.



Source: GigaOM Research, April 2013

In this report we look at a variety of personalization-technology vendors with different specialties. Key highlights include:

- A newcomer, Gravity, and Demandbase, a company that specializes in B2B marketing, appear well positioned to take advantage of personalization disruption vectors.
- Another new player, TruCentric, is applying customer valuation and merchandising techniques to content personalization in an intriguing fashion.
- More-established recommendation engine and content promotion networks like Rovi, Outbrain, and Taboola and ecommerce specialist BloomReach are also on the twenty-first-century personalization RoadMap.

Introduction and catalyst

A new way of finding and using digital content is emerging. It's less dependent on the editorial guidance of human programming and instead increasingly organized around audiences' preferences and behavior, to the extent that no one user's web experience is the same as another's. Content for each individual is determined by everything from social contacts and type of web browser to browsing history. Even a Google search result is personalized based on dozens of metrics.

This explosion of content availability and consumption brings a host of challenges and hurdles for audiences and content providers alike. Consumers are at risk of becoming paralyzed by the tyranny of choice. In other words, there is so much choice that there is effectively no choice at all. Content owners must fight to retain their time-poor and choice-rich audiences in an increasingly fragmented world of content abundance.

Throughout the first few years of the new millennium, the debate around how to solve this problem focused on the respective roles of curation (the human) and technology-driven recommendations (the software algorithm). Personalization has long been a component of the web, with its origins back in the original internet portals such as Lycos, Yahoo, MSN, and AOL. But in those early days of the web, personalization meant customization by humans — a clumsy manual experience. Now personalization is dynamic and intelligent, continually learning from users' behavior, location, and contacts. The emergence of vast new audience data sets such as the social graph, the interest graph, and real-time user analytics have provided the foundations for a new wave of personalization tools and services. In short, we have now entered the era of personalization.

Disruption vectors

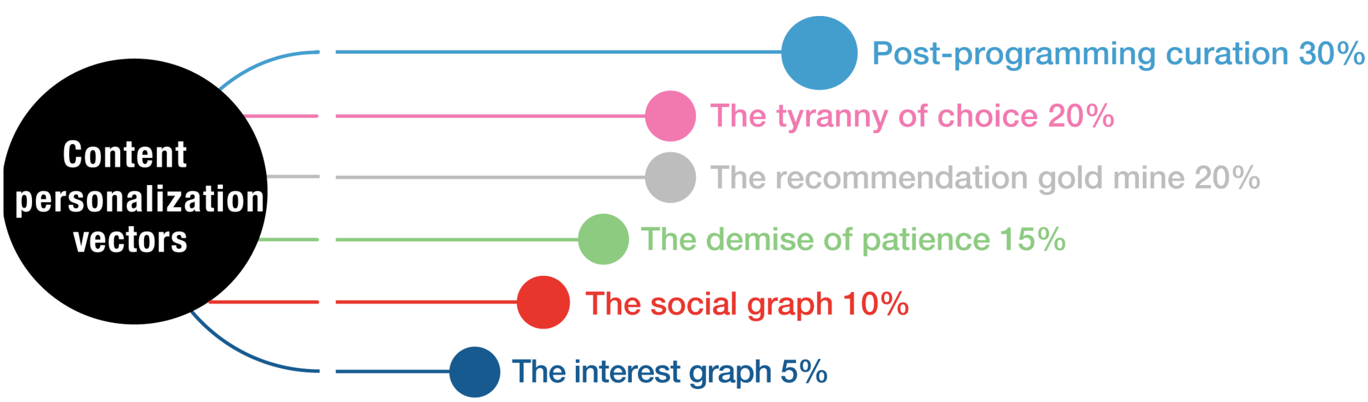
In order to assess the emerging personalization space, we have identified six competitive areas that we call disruption vectors. These are areas where the key personalization vendors will strive to gain advantage. These disruption vectors will shape how consumers discover content and information, realigning the interplay among curation, recommendation, and personalization.

Personalization is characterized by a diverse range of approaches and solutions, from analytics-driven algorithmic solutions to sophisticated mashups of consumers' personal graphs. Because the personalization challenge transcends consumer media, marketing, and ecommerce, this report analyzes vendors from all of these verticals. All vendors in this report are affected to some degree by the same disruption vectors, and all of them address the same fundamental challenge of delivering highly relevant content to the right audiences.

We have weighted the disruption vectors in terms of their relative importance to one another. These vectors are the areas in which companies will successfully leverage large-scale disruptive shifts to gain market success in the form of sustained growth in market share and revenue. These are the disruption vectors that will shape the content-personalization market over the next 12 to 24 months and beyond:

- Post-programming curation
- The tyranny of choice
- The recommendation gold rush
- The demise of patience
- The social graph
- The interest graph

We discuss these vectors in more detail in the following sections.



Key: Vector weighting sums to 100 %

Post-programming curation

Content programming remains a central tenet of the web, but it is no longer the hegemon. Rather, it now faces the algorithms of search, social discovery, and recommendations head on. To find content, audiences rely more on links that surface in social timelines and search results than they do on a content provider's carefully constructed channels and headers. Post-programming curation, then, is not the end of curation but instead the emergence of alternative curation tools. In the words of Upworthy's Eli Pariser, "We are witnessing a passing of the baton from human gatekeeper to algorithmic gatekeeper."

In the era of post-programming curation, content owners need to achieve relevancy more than ever before. They must start by assuming that audiences are most likely to leave as quickly as they arrive, unless they can be hooked in with relevant content. This is of course the key opportunity for personalization vendors. The tactics with which these vendors address the challenge vary markedly, but most make use of behavioral data, contextual analysis and collaborative filtering, audience segmentation, and dynamic programming.

Most often using a combination of site analytics and tracking user-level behavior via first-party cookies, algorithms enrich the understanding of a user's immediate behavior with that of the user's broader behavior and characteristics on a site. This type of collaborative filtering requires a learning period in which a content owner's user data is analyzed before recommendation patterns emerge.

As stated above, though these fundamentals are consistent, personalization vendors have different approaches. Outbrain and Taboola have both built proprietary recommendation algorithms that predict what content users are likely to want based on their on-site activity. They then use this information to power content-recommendation widgets embedded on publisher web pages. These algorithms combine an understanding of user behavior patterns and relationships among content types. Rovi, meanwhile, takes the content analysis to a deeper level, maintaining an extensive and proprietary database of content metadata with granular tags and descriptors.

While Outbrain, Taboola, and Rovi are predominately focused on analyzing the behavior of audiences on a customer's own property, Gravity's collaborative filtering also tracks a user's behavior across the broader web by additionally leveraging the social graph and interest graph. Finally, Demandbase uses IP analysis to present content based on assuming what company a visitor works for.

Some vendors provide consulting to enable clients to develop effective targeting and segmentation strategy. Others provide support as a value-add to the core service. This sort of support — free or paid — is more than just a crucial asset in the early stages of working with a personalization vendor. It also enables the client to tap into macro expertise that vendors have developed from working across marketplaces.

Vendors such as TruCentric and Gravity can take targeting a step further by enabling clients that require user logins to associate broader behavioral data with their internal CRM systems. Privacy concerns mean that this typically has to be done by passing along a unique but anonymous identifier to a user. This approach also enables the vendor to maintain a detailed understanding of the user's preferences, even across different devices and if a cookie is deleted.

Some vendors also provide sophisticated segmentation tools, enabling near-infinite segmentation, right down to the individual user level. Demandbase uses segmentation and targeting to drive predictive analysis. Such an approach enables clients to understand the likely behavior of specific target segments.

The way in which content owners use personalization vendors is as diverse as the methodologies those vendors employ. Recommendation widgets such as those of Outbrain, Taboola, and nrelate are the most common form of implementation. This contained, native approach delivers content owners the benefits of recommendations without having to seriously impinge on their broader content and programming.

Other vendors enable clients to go deeper by plugging directly into their content management systems (CMS). This approach enables clients to go as far as delivering entirely personalized content experiences based on the preferences and behaviors of an individual visitor, leveraging their same core content assets. Gravity and TruCentric operate on a Software-as-a-Service (SaaS) basis, enabling clients to integrate their technology with their own platforms and processes to deliver invisible personalization. Gravity also gives clients the option to access its APIs. BloomReach takes a different approach, taking snippets of ecommerce clients' data, reordering this content, and then creating new, optimized pages using a client's style sheets.

The tyranny of choice

Content providers of all kinds, be they publishers, retailers, or B2B marketers, must deliver highly relevant content and at the same time ensure they cut through the general content clutter of the web.

Online audiences are exposed to an unprecedented volume of content and choices of destinations. But so much choice becomes overwhelming, to the point that there is really no choice at all. Audiences often simply do not know where to start or how to navigate their way through the bewildering array of content.

This tyranny of choice is obviously an opportunity for personalization vendors, but it is also a major disruption vector. Online audiences are increasingly defaulting to the paths of least resistance. This means relying on Facebook timelines and Twitter feeds to guide them through the daunting mass of online content.

In the rush to personalize to the specific needs of the visitor, a website can go too far and end up achieving the opposite of its intentions. For a B2B marketer, for example, what Demandbase call the "zero click website" might be the holy grail of targeted and personalized information. But meeting a visitor's needs in such precise terms on a news site can actually lead to an abrupt, single visit, thus reducing stickiness. Similarly, an online shopper who only sees ultra-relevant shopping results misses out on the opportunity to browse other items and potentially increase basket size.

An additional concern is that if all that a visitor sees is highly tailored content, an ever-tightening "filter bubble" will emerge. In this scenario the user will see less and less of the website's broader content assets, which means a narrow user experience. At best this leaves the user engaging with a very narrow strip of the website's content assets; at worst it will result in a dissatisfied user looking elsewhere for a richer, more-diverse content experience.

The vendors that understand the most about an audience's broader behavior will be best-placed to mitigate the filter-bubble threat. They will do this by delivering content and recommendations that are relevant not just to the current viewing session but also to the broader interests of the visitor. Conversely, those vendors that profile purely on the on-site session of the visitor are the most vulnerable to disruption.

The recommendation gold rush

The personalization marketplace already has some big success stories, including Outbrain, which has raised millions of dollars of investment and serves hundreds of leading media company clients across the globe. Such success always attracts competition. The personalization marketplace is no exception, with recommendation widgets showing the effects the most.

The incumbent vendors like Taboola and Outbrain owe their success not just to driving increased engagement for clients' audiences but also to generating publisher ad revenue. In addition to delivering recommendations for other stories on a client's site, these vendors recommend stories from external content partners. Partners pay to have their content surfaced on the recommendation widgets, and a portion of that revenue is shared with the publisher client. This double-dip business model is understandably appealing, and what we call a recommendation gold rush is taking place, with a host of new vendors entering the fray.

In theory more competition should mean better products, better choice, cheaper pricing for clients, and ultimately better audience recommendations. Unfortunately there is a very real risk that the recommendation gold rush will engender a race to the bottom, not just in terms of supply side pricing but also in terms of user experience. Currently recommendation widgets too often get lost among the bottom-feeders that occupy the remnant page inventory of publishers (see Figure 1). Positioned right at the bottom of pages with sponsored ads and affiliate links, recommendation widgets already run the risk of looking like low-value space fillers.

Of all the vendors, those offering recommendation widgets are the most vulnerable to the likely recommendation backlash. The vendors that are least exposed are those such as Demandbase, TruCentric, and Gravity. These vendors enable clients to deliver invisible personalization.

Figure 1. Recommendation widgets get lost in remnant-page real-estate bottom feeders

Source: Mark Mulligan/GigaOM Research

The demise of patience

A result of the tyranny of choice is the demise of patience. With an oversupply of content, audiences are not only overwhelmed with content choice but are also in a position of power over the content suppliers. Their allegiances to content destinations must be earned and fought for on the part of the suppliers. Online audiences are becoming ever less willing to give content destinations more than one chance to get a recommendation right. For personalization vendors this should be pure opportunity, another problem to help clients solve by surfacing relevant content and recommendations. But for those vendors with content vendor ancillary revenue streams, such as Taboola and Outbrain, there is a tension.

Whatever the marketing spin such vendors might give, the quality of the content recommendations they provide is not always of a sufficiently high caliber. For example, a link to a story about “5 exercises you don’t do but should” on a *Forbes* article about U.S. economic policy is not exactly relevant or context-aware. The recommendation gold rush may sate the appetites of ad sales teams, but it does so at the expense of editorial oversight. In doing so it poses a very real threat that audiences will become as immune to content recommendations as they are already to sponsored links. Those recommendation vendors who rely most on recommendation widget products are the most vulnerable to the coming recommendation backlash.

The social graph

The mainstreaming of social networking and the emergence of the social graph has created an important data input for personalization tools. But the social graph has not been embraced by all personalization vendors. Indeed, a divide has emerged among vendors that leverage observed behavior on one side and those that use deep analysis of users' personal data on the other. It is a dichotomy of the anonymous and the highly personal, of macro and micro.

Facebook's social graph gains strength from its vast base of heavily active users and their connections. Twitter's connections are more anonymous but might better indicate interest, and Google is attempting to map a graph across all of its properties. Each offers varying access to data via API.

But this reliance on third-party data creates a platform-dependency risk or, more specifically, a vulnerability to the issue of who will eventually own the social graph. Should any one of the major social networks scale back the amount of data they are willing to share or start to charge for access, personalization vendors that leverage the social graph may find themselves unable to compete effectively.

When they're on social networks, people most often behave in a way they want others to see. In other words, they want to be perceived as reflecting their personalities and preferences. Additionally, people's networks of contacts on social networks are rarely a definitive guide of an individual's preferences. People build their contacts from diverse social, academic, and professional circles and only share interests with portions of each subgroup.

As we previously identified in the GigaOM Pro report 'The discovery democracy: how social discovery is transforming the world of entertainment," social discovery and recommendations are blunt instruments at best. Social's fire hose approach to discovery further pollutes the quality of the data from the social graph.

As more of the world's online population spends more of its time on social platforms, so the quantity and importance of social data will increase. Personalization vendors that do not have social-graph capabilities will not necessarily be at a disadvantage, but they will inherently have a narrower remit. However, this must be set against the context of the quality and utility of social data. Those vendors that heavily leverage social data will need to develop ever-smarter ways of filtering and making sense of the social graph to remain relevant, such as comparing patterns across different networks and matching social data with customer data.

The interest graph

A more recent trend to emerge from social behavior has been the rise of the interest graph. The interest graph refers to the data social networks collect on people's interests and — to a lesser degree — their visits to other sites. It's in many ways a recalibration of the social graph. As transformational as the social graph has been, marketers and content providers alike are increasingly finding themselves coming up against the limits of its usefulness. In the earlier days of the internet, most social platforms were inherently interest-focused, such as topic-specific discussion groups and forums. Now that mainstream social networks have established their reach, they are able to focus on the next stage of building interest groups within them, such as Google+ Hangouts and Facebook Likes.

The potential of the interest graph is clear: Site analytics and internal customer data only tell a company so much about its audience. For example, without the additional context of the interest graph, a retailer is unable to tell whether a customer ordering a pair of trainers is taking up running and therefore likely to be interested in other running equipment. Vendors that mine the interest graph — Gravity being one example — can put a single event into the broader context of a visitor's interests by setting it against an analysis of the websites and articles that he has been consuming in general and en route to that specific event.

Personalization vendors that rely purely on contextual-content analysis and collaborative filtering, such as Outbrain and Taboola, are currently unable to benefit from the growing impact and influence of the interest graph. But just as with the social graph, the interest graph is far from flawless. Interest graphs based too heavily on Liking or favoriting are susceptible to the same public-behavior inaccuracies noted earlier. Some people actively avoid Liking a page, because they do not want to be associated with it. Others do the opposite, because they want people to associate them with that interest. This Liking of cool new bands, art-house films, and award-winning novels is a behavior that Gravity refers to as "peacocking."

Both types of artificial interest behavior are in theory entirely surmountable challenges, and Gravity and others use apply weightings and other such approaches to dilute their impact. But there is a further, more-problematic issue: the Like and follow trajectory. Liking or following is still an emerging behavior, which means that the data is not yet representative of overall consumer interest. Additionally, the sorts of interests that social networkers are going to follow are ones that they have a particular affinity with or interest in. The less exciting, more mundane interests will feature much less prominently, even though they may account for a majority of a user's online behavior.

In the long run the distinction between the social graph and the interest graph will blur beyond importance. But that process will play out over at least a couple of years, probably more. So for now the two remain distinct and complementary personalization data inputs.

Other disruptive clouds on the horizon

In addition to the key disruption vectors, we have identified a further series of market disruptions on the horizon that are longer-term but nonetheless set to shape the long-term face of the content-personalization marketplace:

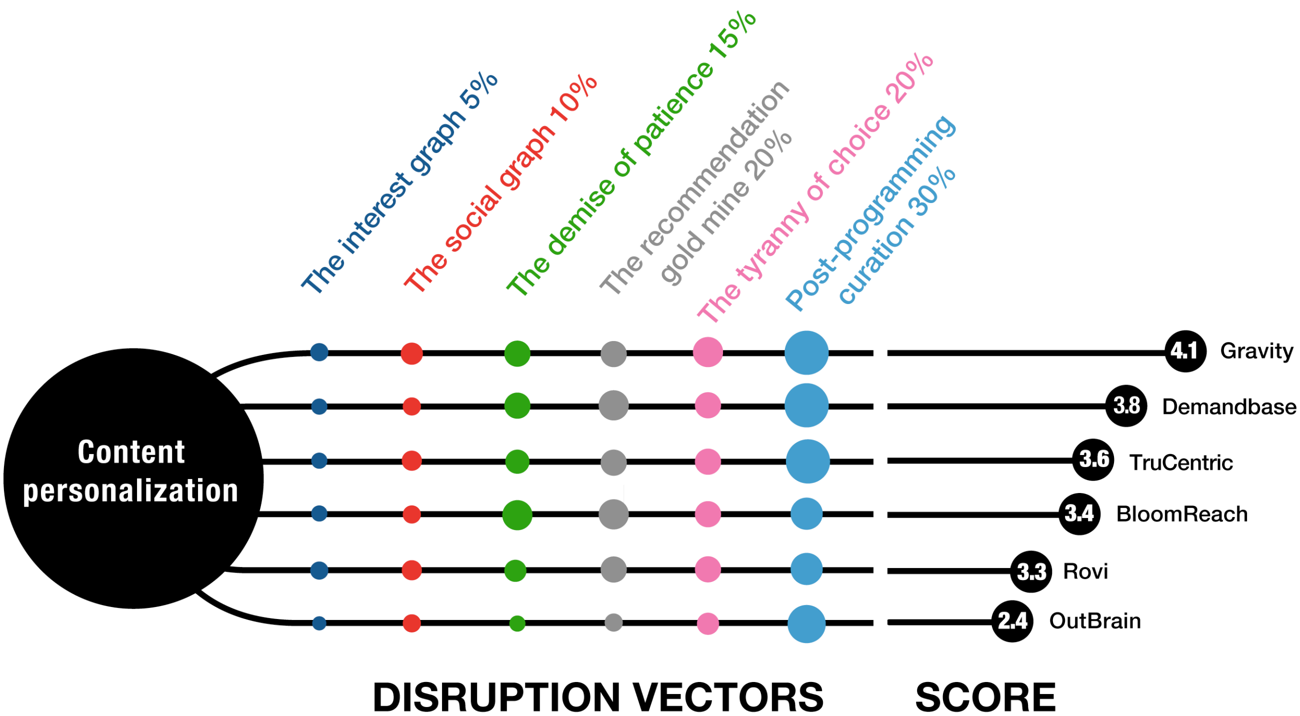
Ecosystems without walls. The battles for the social and interest graphs are part of a larger emerging ecosystem war with Facebook and Google, the principle protagonists. The traditional ecosystems of the digital entertainment world are shaped by hardware (e.g., iTunes and the iPod, Amazon and the Kindle, Sony and the PlayStation). However, those battle lines are being redrawn, with Facebook and Google creating ecosystems without device or hardware walls. Instead they rely on log-in details and user data to define the boundaries of their ecosystems. Decisions about the control of internet users' graphs are part of much-broader strategic moves, and as such, personalization vendors that leverage social data will find effects of their platform dependency shaped by factors far beyond the scope of personalization and recommendation. Content personalization is little more than a skirmish in the epic battle of the social platforms.

Native mobile experiences. HTML5's promise of app-free mobile experiences is beginning to appear hollow, with developers returning to the welcoming embrace of iOS and Android. So-called "native" mobile app experiences will continue to dominate mobile content consumption. The implications for personalization vendors are clear: Getting into the finite confines of a client's mobile app is even more challenging than finding available inventory on a client's mobile-optimized website.

Privacy regulation. Growing concern over users' personal data and privacy has become a corollary of the emergence of big data and the social web. Regulatory oversight and intervention can be expected to intensify, and the effects of European regulations on cookies are already being felt. Personalization vendors that depend on user data collected via social networks and cookies will be particularly vulnerable should further significant restrictions on permitted tracking be put in place.

Content atomization. Audiences are deconstructing content experiences, decoupling single elements of content from their broader context: They are clicking on a single shopping result from a price-comparison service, navigating to a single story from a Facebook link, or listening to a single track via a Twitter link. Most often the audience will only ever view the snippet of content that flies past in their timeline, RSS feed, or search result. The audience's relationship is increasingly with single pieces of content rather than a publisher or retailer. Personalization vendors will need to meet the challenge of content atomization from two diametrically opposed directions. On the more conservative side, they must continue to help keep audiences within single holistic brand experiences, and on the other side they must also innovate tools that help content owners embrace the disruption of content atomization. This includes helping content owners develop atomized content-tagging schemes and identify unique relationships among individual atoms of content. Ultimately this will lead to content owners being able to deliver content experiences where even an individual story or product profile is itself constructed from a highly personalized set of individual content components. This is the logical next step in the evolution of content personalization.

Company analysis



The companies we analyze in this report approach the personalization challenge from a diverse mix of directions and for an equally diverse collection of clients.

Despite this diversity, all the companies and their clients are affected directly by the personalization disruption vectors previously analyzed. Below is a more-detailed look at each vendor.

Gravity

Founded in 2009, Gravity is a relatively new entrant into the personalization marketplace, but it has one of the most complete product offerings. Designed for the era of the interest graph, Gravity combines sophisticated modeling of social data with site analytics and broader web behavior of audiences who are tracked through first-party cookies. Gravity also tracks a variety of additional anonymous identifier markers that enable it to monitor behavior across multiple devices and to quickly rebuild a profile if a cookie is deleted by the user.

Because Gravity enables deep integration with clients' CMS systems, it is able to power highly personalized content experiences that are tailor-made for post-programming curation. In early 2013 Gravity opened up its APIs to clients, presenting them with increased flexibility. Gravity's invisible recommendation capability affords it some protection from the threat of the effects of the recommendation gold rush.

Although publisher-focused, with high-profile clients such as Time, Gravity's platform is sufficiently flexible to also work for retailers such as Gilt Group. Gravity provides its clients with extensive analytics and support as well as enables detailed segmentation.

Gravity's core strength is also its weakness: Being so closely aligned with the social and interest graphs leaves the vendor vulnerable both to platform dependency and the methodological weaknesses of social data. Although Gravity boasts numerous processes and systems to cleanse social data, these cannot change the underlying issues surrounding social data.

Demandbase

B2B marketing platform Demandbase is a very different proposition from the other personalization vendors profiled in this report. Demandbase helps its clients reach very different objectives. Publishers dominate the client bases of most of the other vendors, and consequently personalization tactics are often focused on increasing time spent. Demandbase, on the other hand, ensures its clients (B2B marketers) help their audiences get relevant information quickly. While the consumer model is geared around capturing visitor intent, Demandbase is in the business of creating visitor intent.

Demandbase's core personalization methodology is also highly distinct from the other vendors assessed here. Its central personalization data input is the visitor's IP address, which is mapped against a proprietary database to identify the company of the visitor. Site analytics and visitor profiling is then used to help drive further personalization and to help predict intent, with clients using Demandbase's platform on an SaaS basis. Demandbase thus empowers its B2B marketer clients to build sites that are highly personalized and targeted, fully leveraging the capabilities of post-programming curation.

Given the B2B nature of Demandbase's offering, the social and interest graphs are largely irrelevant to it. This affords it protection from the accuracy vagaries of these data sets, but it also restricts its ability to benefit from their growing influence.

TruCentric

Like Gravity and Demandbase, TruCentric allows clients to plug their CMS and other systems directly into its SaaS platform. And as with both of those other vendors, this means that clients can deliver highly customized content experiences that are less vulnerable to the potential impact of the recommendation backlash.

TruCentric lacks the extensive social data capabilities of Gravity, and it does not have the same depth of self-serve analytics. It does, however, have solid interest graph capabilities and is additionally able to build sophisticated segmentation models. This is coupled with A/B testing capabilities.

TruCentric's lesser focus on social data means that it is not as well-placed as Gravity to benefit from the ever-growing social data sets. It is also less vulnerable to the social data tap being turned off and to the potential polluting effect of poor social data.

BloomReach

BloomReach approaches personalization in a different way from the other vendors assessed here. BloomReach's key personalization input is the data from its Web Relevance Engine (WRE), which tracks daily consumer interactions and semantically interprets the products and services across the web. This data is used to dynamically update the websites of clients in the retail, travel, and listings verticals. Unlike Gravity, TruCentric, or Demandbase, BloomReach does not plug in directly to a client's CMS but instead takes snippets of website information, including tags, images, and metadata, and uses the site's style sheets to dynamically reconstruct new, optimized web pages. Also, unlike Gravity or TruCentric but in a similar manner to Demandbase, BloomReach's personalization is geared toward creating and converting purchasing intent by creating more-effective user experiences.

BloomReach's focus on helping ecommerce users get more-relevant shopping results positions it well against the demise of patience. Its natural distance from the publishing sectors also means it is unlikely to be impacted much by the recommendation gold rush. But the fact that BloomReach does not integrate deeply with client-site platforms limits the amount that the vendor can do in terms of analytics and user segmentation.

Rovi

Rovi is the elder statesman of entertainment metadata and recommendations. Unlike most of the other personalization vendors in this report, Rovi works predominately with video and music content companies. Rovi's core data inputs are a proprietary database of content metadata with multiple, highly granular tags and descriptors for each piece of content, with a combined team of data processors and media analysts working on data processing and analysis. Rovi then puts this data through a series of algorithms. This content-analysis methodology, however, means that Rovi is not able to power post-curation programming experiences. Instead it enables its clients to deliver highly relevant music and video content recommendations.

Rovi has recently embarked on a strategy to build out its recommendation capabilities and is in the process of incorporating social data and collaborative-filtering functionality. Until that process is completed, the relative lack of these capabilities in the current Rovi product portfolio means that the company is currently not well-placed to benefit from the social and interest graphs — both of which are arguably more relevant to music and video than most other forms of content.

Outbrain

Outbrain is probably the highest profile and most successful of all the personalization vendors. It has hundreds of top-tier media clients across the globe, including CNN, Fox, Sky, and the *Guardian*. Its widget is installed on 100,000 websites and blogs and reaches 181 million unique visitors in the U.S. and 364 million globally. With its ubiquitous recommendation widgets, Outbrain has spearheaded the personalization marketplace and post-programming curation among online publishers.

Yet despite all of these indisputable assets, Outbrain is also highly vulnerable to many of the disruption vectors identified in this report. Outbrain's highly visible success has been a key driver of the recommendations gold rush, with a swathe of me-too services entering the market. Both its business and those of its clients are a threat to competitors, in that Outbrain is taken so seriously that it's putting its logo on its recommendation widgets. It also recently acquired analytics provider Visual Relevance in order to boost its analytics capabilities.

Outbrain's content recommendations are largely based on collaborative algorithms and do not leverage the social and interest graphs, which means it is unable to create that broader understanding of the visitor. However, this means it is also not affected by social data quality issues.

Outbrain's greatest vulnerability lies in the key reason for its success: its business model. Outbrain maintains a vast network of content providers that pay to have their content surfaced in Outbrain's recommendation widgets. Because Outbrain pays publisher clients a percentage of the click-through fee for these content recommendations, it has been able to establish a strong foothold, generating proven additional advertising revenue for publishers.

The pitch to publishers is that their audiences will go elsewhere on the web anyway but that with Outbrain, publishers at least get to monetize that behavior. But this double-dip business model creates a conflict of interests for Outbrain. The content in its vast content-provider network is inherently going to have quality issues, to such an extent that Outbrain recently introduced stricter editorial guidelines, purging a quarter of its content providers in late 2012. Quality will, however, always be an inherent issue in a model where content providers pay to have their content surfaced, skewing results toward marketing-led content and away from editorially led content.

All of this leads to Outbrain's biggest challenges: the impact of the recommendation gold rush and the demise of patience. Outbrain is effectively a bottom-of-page advertising tactic for publishers. Unless it can elevate its positioning within the physical location of a page and culturally within publishers' businesses, it will be highly vulnerable to the impact of these disruption vectors.

None of this means that Outbrain will not enjoy success in the coming years. It almost certainly will, because it is such a clear source of readily addressable revenue for publishers. But it does mean that long term Outbrain is not yet well-placed to benefit from the coming transformational changes in the personalization marketplace.

Taboola

Like Outbrain, the focus of Taboola’s business is content-recommendation widgets for publisher companies that leverage content from a network of content providers that pay to have their content surfaced in results.

Taboola spent years developing a sophisticated content-analysis methodology — originally for video — that identifies relationships among content items to deliver relevant recommendations, including observing what’s trending in social networks. But however precise the results might be, Taboola faces the exact same challenges as Outbrain: a conflict of interest arising from its double-dip business model. Just like Outbrain, Taboola also needs to figure out how it can elevate its model within publisher organizations from rudimentary ad-revenue generation to contributing to editorial strategy.

Personalization adoption and outlook

The personalization marketplace is set for strong growth over the next few years, with a vast increase in the availability of data inputs and a surge in the capabilities of personalization vendors. However, a change in mindset among publishers is going to be required for the personalization sector to fulfill its potential. Post-programming curation is undoubtedly a key industry disruption, but publishers need to recognize that sometimes you must fight fire with fire. This means more fully leveraging algorithmic curation within their sites, based on a deeper understanding of their visitors and their broader online behavior. It doesn’t mean replacing the editorial voice. Losing that voice is a widely held fear: Most vendors we spoke to stated, without prompting, that they did not want to replace editors. In truth, editors should have little to fear from algorithmic curation. These tools do not edit but instead simply help editors make better decisions by giving them more data to act on.

Most publishers are a long way from this transition, shying away from bold content-personalization strategies and limiting their engagement to ad-revenue-generating recommendation widgets. This approach can easily fall short, with recommendation widgets competing for space with other content clutter such as sponsored links and affiliate links. The net effect is to devalue personalized-content recommendations, positioning them as “remnant content” away from the core of the content experience. Publishers and personalization vendors alike must ensure that personalized-recommendation implementations are set up for success or instead simply not waste the time and effort.

This requires publishers to change the way they view recommendations. They must transition away from viewing recommendations simply as an ad-revue source and instead must take an editorial perspective. Unless content recommendations can make the business and cultural shift within publishers from the ad sales teams to the editorial teams, recommendation widgets will remain lowest-common-denominator tactics. By engendering recommendation blindness among audiences, recommendation widgets that serve up low-quality content on high-quality publishers will implicitly educate visitors that the publishers' recommendations and curation are poor too.

The personalization story is much more straightforward for commerce providers and marketers, with personalization tactics delivering clear conversion benefits. For these verticals, personalization has to meet the opposite objectives to media verticals. That is, they must make visitors' sessions as short as possible instead of as long as possible.

Even without the activities of personalization vendors, personalization will become an ever more important part of digital content experiences, driven by the likes of Google and Facebook. Thus the personalization transition is happening, with or without the express participation of publishers, retailers, and marketers. Now is the time for them to decide whether they want to get swept along with the current or instead harness the disruption to their advantage. Staying still and doing nothing is no longer an option.

Key takeaways

- Digital content experiences across all verticals are becoming increasingly personalized, and this trend will accelerate over the coming years.
- Personalization vendors provide a diverse-enough range of methodologies and specialisms to meet the needs of companies across all verticals.
- Social data volumes and quality will both increase markedly but should be considered as one input among many.
- There is a risk that the recommendation gold rush being driven by recommendation-widget ad revenue will damage the reputations of personalization vendors and publishers alike.
- Gravity and Demandbase are two of the strongest vendors in the emerging personalization marketplace, each with highly distinct methodologies and target customer bases.

About Mark Mulligan

Mark Mulligan is a digital media strategist and a leading impartial authority on digital music. Mulligan helps companies makes sense of and profit from digital content. For 11 years he was a VP and research director at Jupiter Research (later acquired by Forrester Research), where he worked with companies across digital media value chains, right up to the C-suite. Mulligan's clients have included record labels, retailers, telcos, book and magazine publishers, CE companies, and venture capital companies. Mulligan's expertise includes content strategy, media product innovation, user experience, value-chain analysis, consumer segmentation, and go-to-market strategy. He is routinely quoted by top-tier media and speaks at leading industry events. Mulligan is also the author of the leading music industry blog, aptly named Music Industry Blog.

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