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dialogtech The Evolution of Ifbyphone

Calls Are the New Click: Entering the Next Era of Call Monetization

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Executive Summary

A shift is underway in tech and media worlds: Companies are increasingly embracing phone calls as a lead form for paying advertisers. Clicks and impressions, despite a sexier image and a decade of media adoration, aren't as highly valued by many businesses as a ringing phone.

This notion of calls as currency has accelerated in the smartphone era, which has fused search with a phone. Calling a business post-engagement is intuitive for mobile users, who possess greater levels of immediacy and commercial intent than their desktop counterparts.

For these reasons and more, BIA/Kelsey predicts an explosion in commercially-oriented call volume to businesses. Mobile search alone will drive 73 billion calls per year by 2018. This blessing and curse means a flood of inbound leads, but also a dire need to manage them.

These are key reasons behind BIA/Kelsey's estimate that $64.6 billion is spent annually across media on localized ads to generate calls to businesses. BIA/Kelsey data also indicate that 66 percent of small businesses value phone calls highest among incoming lead forms.

This is especially true in high-value local verticals such as professional services, home services, and any business that closes sales over the phone. And beyond SMBs, several enterprise verticals likewise live and die by phone leads, including complex purchases.

That translates to an opportunity for any ad tech or local media companies that already sell marketing services. Positioning advertisers to capture high value phone leads more effectively, and see clear ROI from them, will be a huge opportunity in the coming years.

These call monetization components continue to develop, including location targeted ad placements, call recording, keyword tracking, sentiment analysis and several other areas of call monetization. These will be ripe areas for development in the coming years.

This report examines the gravity of the call monetization opportunity, and what is being done today to capture it. What are best practices? What's still missing? And where will value be unlocked in the coming months? The phone call is the new click.

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The Age of Smartphones

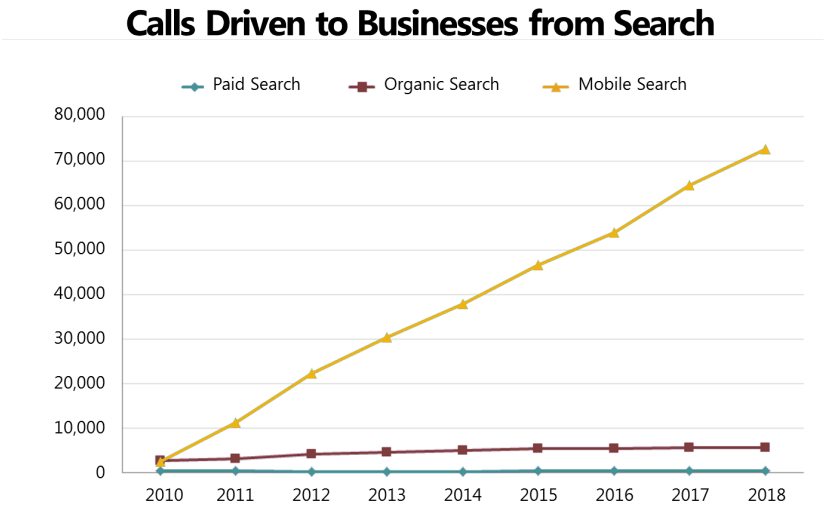
Over the past half-decade, no other area of tech innovation has captured more interest, investment and airtime than mobile. Since the iPhone's 2007 introduction, smartphone penetration has catapulted to 72 percent of U.S. mobile subscribers.

In this smartphones era, user behavior is evolving in step with the device. Smartphones' portability and location awareness drive on-the-go use cases. This in turn maps to higher degrees of immediacy and commercial intent than at-home "lean back" desktop computing.

Not only is there high commercial intent but the device itself – where 25 percent of search happens – is coupled with native dialing capabilities (i.e., a phone). This has launched a new mobile use case that begins with a mobile search and leads next to a phone call.

For these reasons and many more supporting data throughout this report, BIA/Kelsey projects that calls generated to businesses from mobile search will reach 73 billion per year by 2018, a 42 percent compound annual growth rate.

Figure 1: Call Volume to Businesses Explodes



(BIA/Kelsey 2014)

Drilling Down on Mobile Calls

Google data support BIA/Kelsey projections by showing high call volumes resulting from mobile search. It reports 70 percent of mobile searchers have used click-to-call to jump from search result to a phone call, and about half reported doing so "always" or "frequently."

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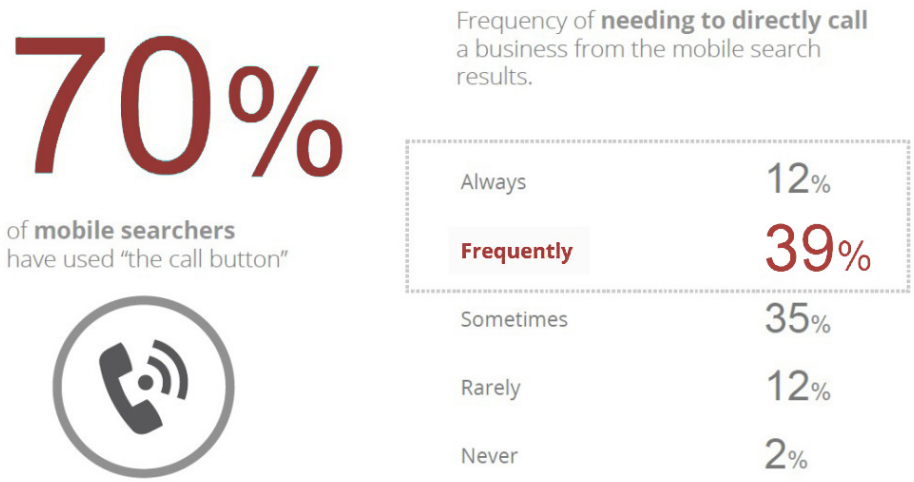
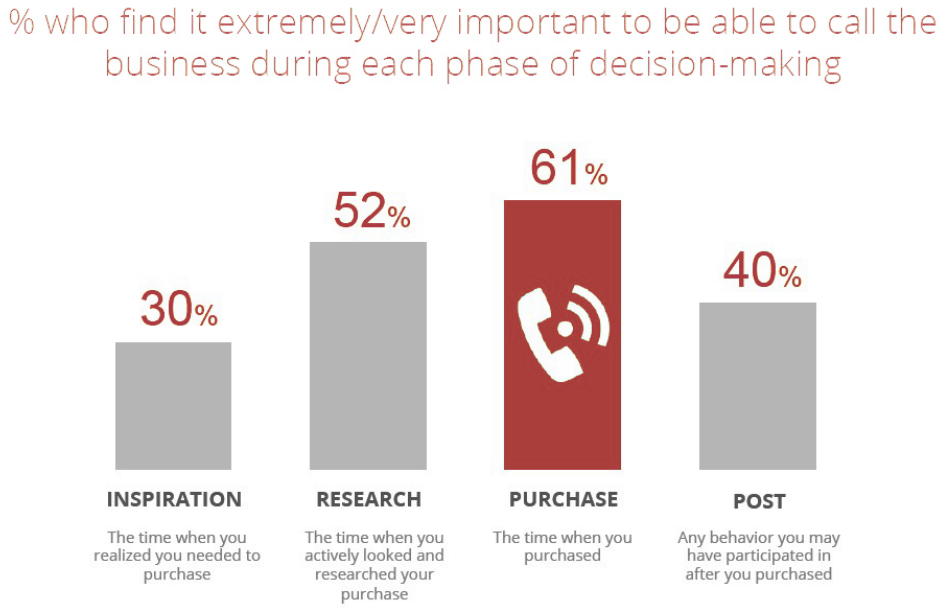
Figure 2: Mobile Search Drives Calls



(Google, 2013)

Equally important is the stage of the "purchase funnel" in which calls happen. This can indicate quality (read: high conversion rates) in addition to quantity. Mobile search is generating quality calls based on the relevant purchase stages in which they occur.

Figure 3: The Importance of Calls



(Google 2013)

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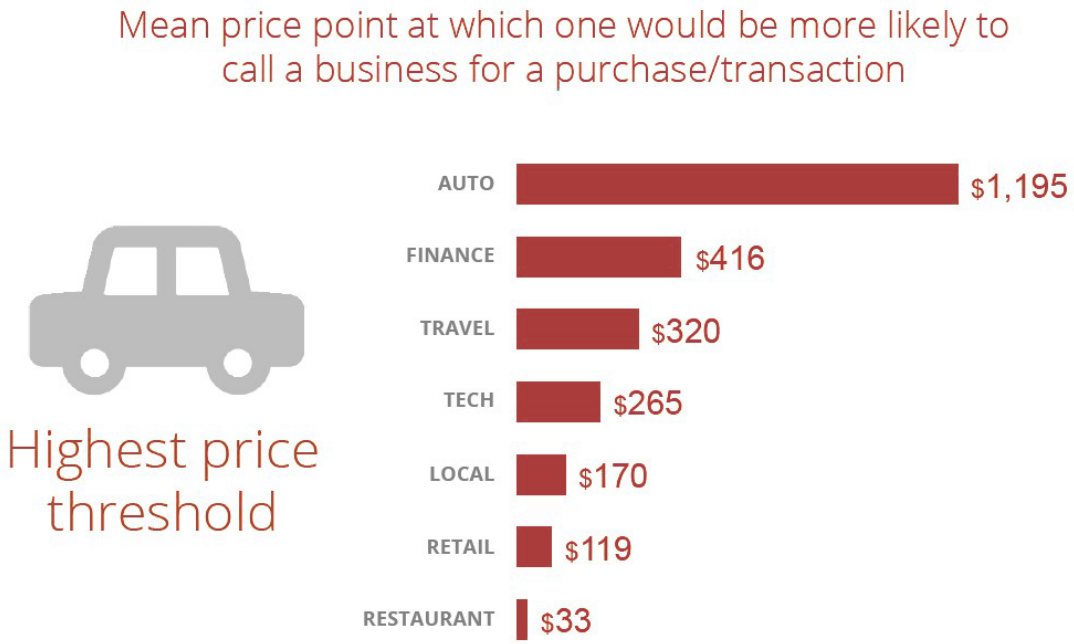
We also can quantify conversions in dollars that can be expected from search-driven mobile calls. While this unfolds differently by vertical, we can see how calls command high price points for considered purchases.

Figure 4: Price Threshold for Calls



(Google, 2013)

Advertiser Interest Aligns

The smartphone's tendency to drive phone calls is well aligned with its appeal to businesses. Many businesses want the phone to ring. It's a tangible and manageable lead form.

This is supported by BIA/Kelsey data that peg incoming phone calls as the lead form businesses value most. The firm's Local Commerce Monitor™ survey reports 66 percent of SMBs rate phone calls as a good or excellent source of leads – more than any category.

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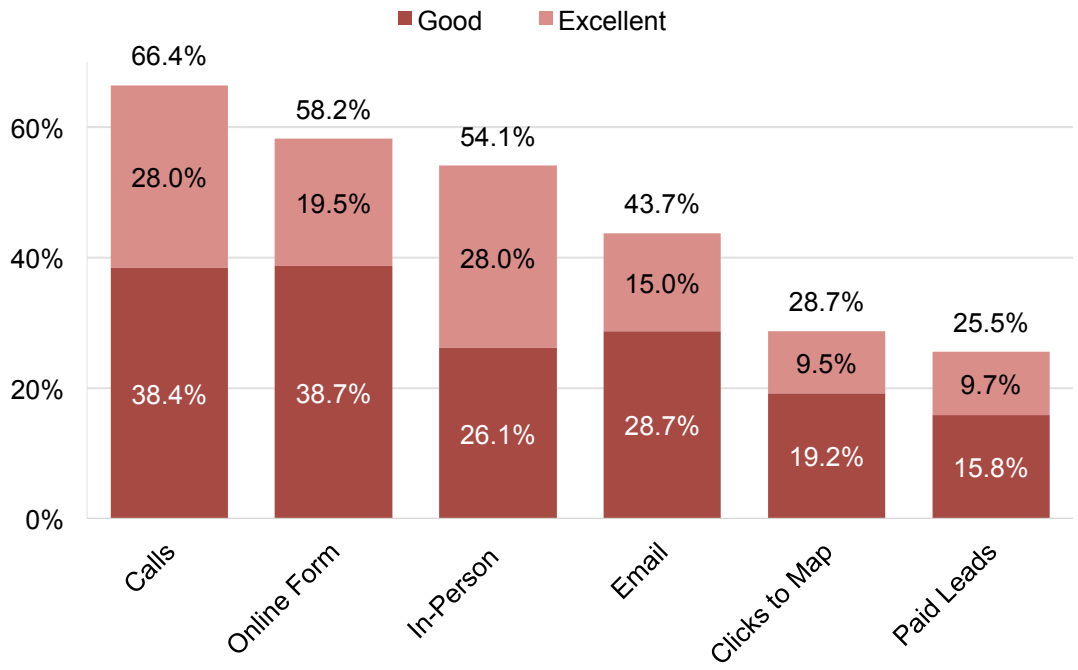
Figure 5: Quality Assessment of Select Lead Sources



(BIA/Kelsey, 2013)

Drilling down a bit further, it's clear that this value assessment is highest in categories that close new business over the phone, for example appointment-based services. It's also notable that businesses' affinity for calls maps to high-value business categories.

Specifically, calls are rated highest within local verticals such as financial services, home services, and professional services (lawyers, doctors). These categories place a high value on new customer acquisition, underscoring the business opportunity to drive phone leads.

Businesses that have complex or variable products sets tend to assign higher value to calls. These include high value categories like insurance and auto repair, where human contact is often required. Though these are SMB data, the concepts apply to larger companies too.

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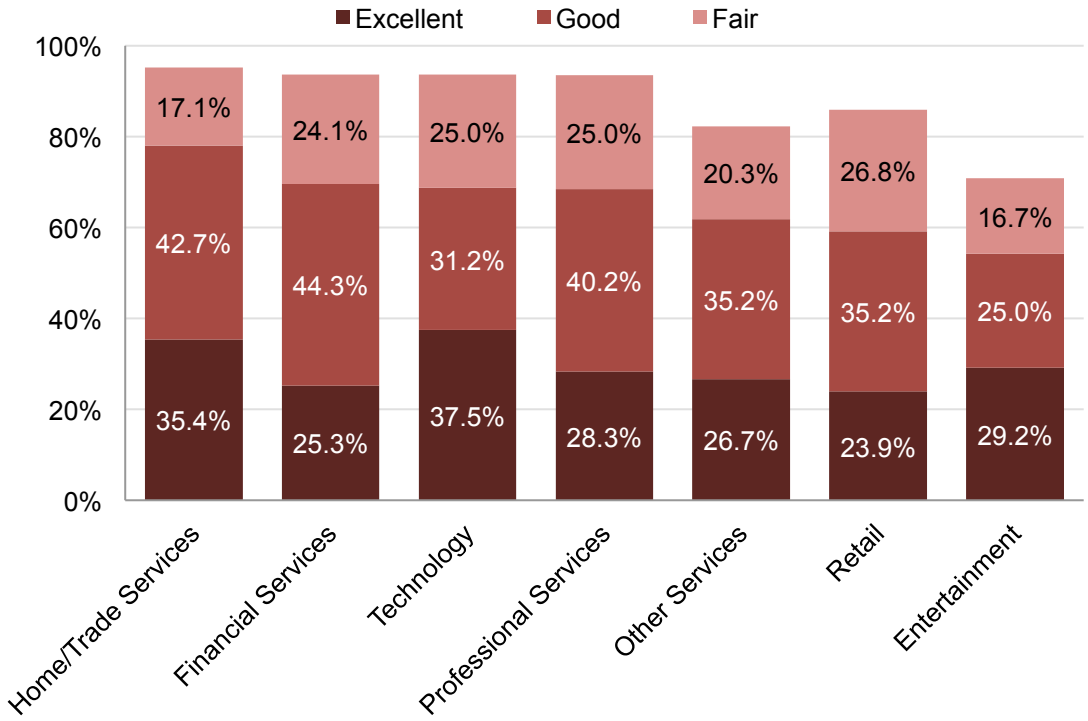
Figure 6: Quality Assessment of Select Lead Sources: The Vertical Breakdown



(BIA/Kelsey, 2013)

A $65 Billion Market

The alignment of user behavior and advertiser interest – each explored in respective sections above – compels opportunities to channel mobile users towards businesses. Call monetization is therefore an area where BIA/Kelsey sees sizeable opportunity and growth.

Specifically, the firm estimates that $64.6 billion is spent each year on advertising that is placed with the intention of driving phone leads. This includes ads in newspapers, radio, TV, Yellow Pages, and any advertising that's targeted to reach audiences in specific locales.

How that will happen is the key question. And the answer lies in the developing forms of call monetization at many points along its value chain. This opens up the art of pay-per-call, tracking, routing, management and a growing suite of functions we'll explore next.

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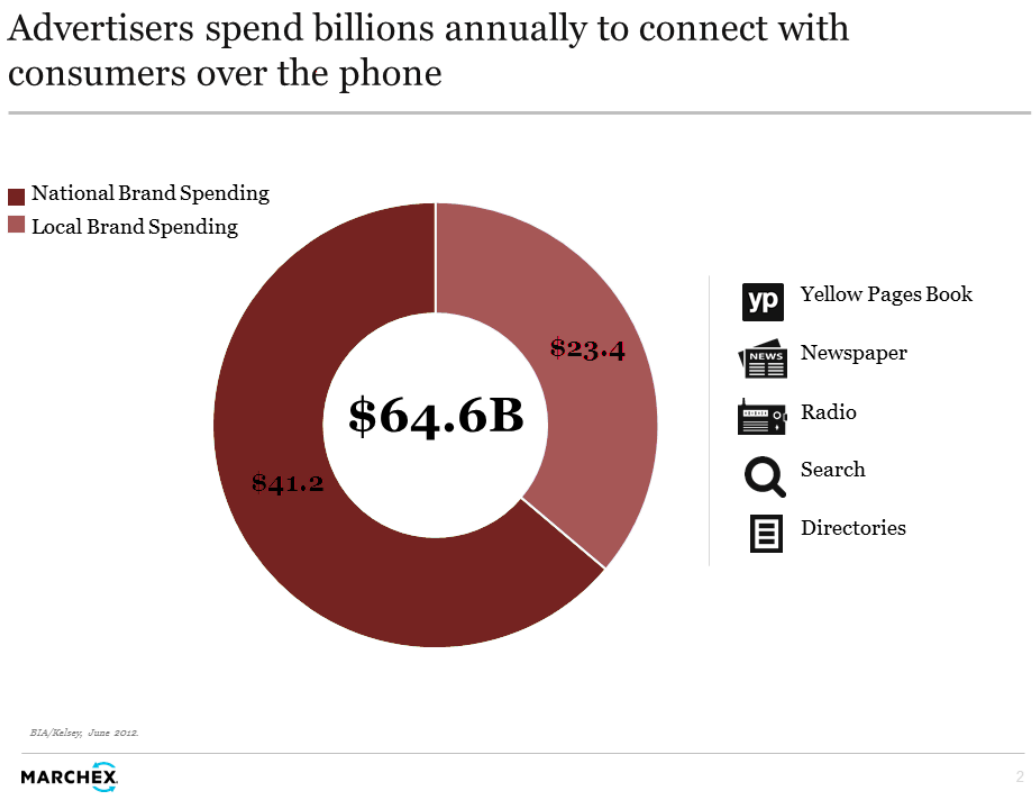
Figure 7: Media Spend to Drive Telephone Leads



(BIA/Kelsey, 2013)

Call Monetization: The Main Course

So far we've detailed the massive market opportunity in driving calls to businesses, and introduced terms like "call monetization" and "call based ad market." But what exactly do we mean by call monetization, and what comprises the call based ad market?

"Click to call" – and its monetization structure "pay-per call" – is the most common association with call monetization. Google's work in this area has driven the phrase into the mainstream consciousness (as can happen when Google enters new areas).

There are other components meanwhile developing to unlock value in call monetization, such as call tracking and analytics. There's predictive modeling to determine caller intent and route calls accordingly – for instance to an automated system versus a live person.

These are all important and growing areas we'll detail in the sections below. It's important to see how they come together in a "whole is greater than the sum of its parts" manner. As these areas develop, they are fusing together in more holistic ways.

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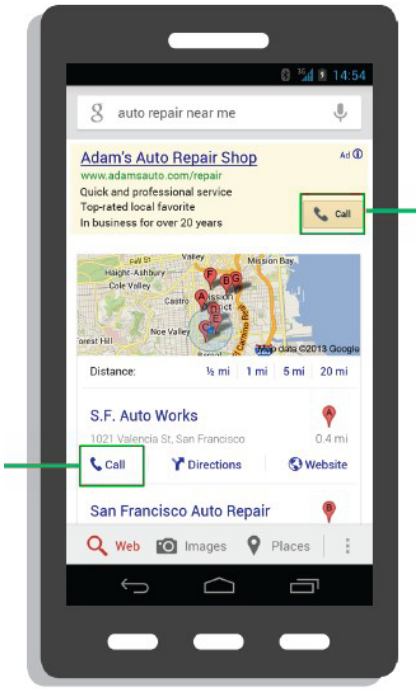
Pay-per-Call

Pay-per-call has existed for years in traditional media such as newspapers and Yellow Pages. Dedicated metered numbers track and attribute calls back to a given ad campaign, or even a given placement within a campaign. Advertisers can often be charged per call.

Today, call tracking not only measures calls, but "call quality" based on variables like call source, keyword spotting and other factors described in the following section on call analytics. At more basic levels, call frequency and duration can be proxies for quality.

Pay-per-call has evolved in step with digital media like search. As noted earlier, search's high-intent use case aligns with the consumer need to make phone calls to qualify purchase decisions. Search also supports and co-exists with calls as a "lower funnel" user activity.

Figure 8: Click-to-Call



Call Tracking and Analytics

In the age of big data, advertisers expect a clearer sense of advertising ROI. Call analytics help achieve this by scoring incoming call quality. This is especially true when it comes to national brands that field high call volumes and need to measure high levels of detail.

The craft of call analytics itself has evolved over the past decade as providers have improved measurement tactics for qualitative aspects of incoming phone leads. That can include things as simple as call duration, as well as a growing list of more sophisticated indicators.

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A caller's gender for example can help determine if ads are reaching target demographics. Other attributes such as hold time, voice inflection and a litany of factors can map to prototypes that have been established for quality calls within specific business categories.

Once a given business defines these quality metrics with the help of a call analytics provider, it can sniff for those desired criteria. Businesses can then be billed only for calls that meet those standards. For example, call centers can determine weak leads or even "call spam."

Call spam includes things like telemarketers. Telmetrics has reported that it blocks 22 million spam calls per month in North America. This results in part from telemarketers shifting their targets from consumers to businesses, due to "do not call" regulations.

Besides using call tracking to clarify ROI for advertisers, it can also be used to improve and optimize marketing strategies that led to those calls. In other words, attributing conversions to ad campaigns can help advertisers optimize and iterate ad tactics on an ongoing basis.

In search marketing for example, purchases or appointments made over the phone can be tracked back to individual search campaigns. That includes things such as keywords, ad groups, geographic targeting and other search marketing variables in a given campaign.

And on an ongoing basis, the intelligence gathered from call analytics can enable predictive modeling to route future incoming calls in optimal ways for a given organization. This brings us to the next key component of the call monetization picture: call routing.

Call Routing: Helping SMBs Manage

Much of the same technology that goes into analyzing calls and determining quality can also be used to route those calls optimally. In other words the ability to pre-determine call quality in some cases can save valuable time as a function of where it's routed.

This brings the discussion beyond just marketing to operational efficiencies like productivity and sales close rates. Warm leads can be routed to the best reps. This has led to converging functionality for operational and marketing platforms for enterprises a la Salesforce.

And like CRM systems, this usually plays out as hosted cloud based platforms that manage routing and other functions. Invoca is a company addressing this opportunity along with others that include DialogTech, which sees the product suite as four legs of a stool.

"Tracking the call is not enough," said DialogTech CEO Shapiro. "You need tools to route that call to the optimal party to close a sale; and a third set of tools to manage the call once it's routed. The last leg is outbound customer notification. If you're running a business engaging customers by phone, we think you need all four."

Enterprise call routing can include integrated voice response systems (IVR) that pre-qualify caller intent. It can also be more sophisticated predictive modeling that ingests data such as where calls come from, or if they've called before (existing customer, "bad" customer, etc.).

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Who Owns Call Monetization? The Organizational View

An important question that arises from all of the above is who is the call monetization, tracking, and analytics platform buyer, especially within large enterprises. The IT department has traditionally presided over platform adoption.

But cloud based platforms, hosted and managed in a SaaS architecture, have democratized powerful capabilities throughout the enterprise. So we see marketing departments and CMOs increasingly gain control of what used to be the CIO's budget.

In fact Gartner predicts the CMO will have a larger technology budget than the CIO by 2017.

"What we're seeing is that control is being placed in the hands of business line managers outside of IT," said Steve Griffiths, VP of marketing and product strategy, DialogTech. "The benefits of cloud and SaaS enable marketing and sales and support teams to operate autonomously with call monetization."

But the newfound empowerment for marketing is also a double edged sword. With autonomy comes accountability. This means greater ROI scrutiny is placed on marketing which in turn compels top notch tracking and analytics.

The reason for mentioning all this: It applies directly to the adoption and implementation of call monetization, tracking, analytics and management platforms. For one, freedom from IT makes the buying cycle less mired in approvals.

"It's one thing to do that with a hosted software platform, but whenever you involve telephony as well, that's something that's always been deeply rooted in IT," Griffiths said. "So it's exciting to see companies disrupting that whole paradigm and just putting control in the hands of the marketer."

Before getting carried away, we need to acknowledge that some aspects of these platforms remain under IT control. For example, those more related to customer service than marketing. IVR systems for example can still be in the hands of IT.

However there is a growing shift in the enterprise world to unite naturally related marketing and customer service functions. This shift will continue, as well as an overall convergence of marketing related functions into call management and monetization platforms.

Platforms like Saleseforce that have taken over operational and customer relationship functions for example are making their way to call monetization. It has natural ties to calls.

This is a smart move, not only because of Salesforce's penetration and installed base, but also due to the natural ties between customer relationship management and inbound telephone marketing. We're expecting more such convergence in the near term.

Final Thoughts: Respect the Phone Call

Call volumes are ratcheting up by virtue of macro trends in mobile usage. And businesses want calls. So consumer-business voice connections are going to explode either way. The question is how can they be driven, tracked, analyzed and most of all monetized?

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Meanwhile, phone calls are gaining newfound respect. DialogTech's Shapiro thinks it's about time. "We've looked at calls for a while as the Rodney Dangerfield of the technology world," he says.

We're still early in the evolution of monetizing incoming phone leads. And it will be a major force in the multi-headed beast that we all call "local." This includes large national enterprises and SMBs, both of which have the opportunity to capture localized commerce.

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About BIA/Kelsey

BIA/Kelsey is a market research and analyst firm that focuses on all things local. Local media is an increasingly dynamic area of ad spending, and is quickly evolving with emerging digital platforms like mobile, social and search.

Over the past three decades, BIA/Kelsey has been an authority on these developing technologies as well as their forbearers in traditional media, which continue to transform as they likewise compete for local ad dollars and consumer affinity.

Through a growing suite of products that include research reports, articles, conferences, and client consulting, BIA/Kelsey analyzes the business, financial, social and technology trends affecting local media.

Readers, event attendees, partners and clients are given the inside track on critical data, analysis, and recommendations needed to grow and transform in a rapidly evolving media and advertising landscape.

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About DialogTech

Thanks to smartphones, consumers are calling businesses to engage in conversation at record rates throughout every stage of customer journey. DialogTech provides marketing, sales, and support professionals with a single platform that enables transparency and control over every conversation, so companies can optimize lead generation, acquire new business faster, and increase customer loyalty.

DialogTech's Voice360TM platform consists of a unique suite of applications that includes call attribution, call scoring, contextual call routing, call management, and automated voice notifications. DialogTech has successfully processed over one billion minutes of voice engagements for its customers, and serves as a strategic partner to more than 5,000 enterprises, digital agencies, and fast-growing companies across a wide variety of industries.

[1] The content for this document is drawn from the BIA/Kelsey Report, *Phone Calls: The New Ad Currency of the Smartphone Era*.

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