

Mobile Advertising Outlook

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Growth Potential

As we learned from the Japanese Internet Advertising Association reports, mobile advertising is already a reality in Asia. Although mobile marketing is not nearly as advanced in China, cell usage is exploding there with about 35 billion text messages sent each month in a country where about 426 million people have cell phones.

From our interaction with online advertising networks and solutions providers, we understand that mobile advertising also is more advanced in Europe than it is here in the United States. Most of Europe is ahead of us in the adoption of text messaging, reportedly because of the availability of cheaper cell phones. A recent study by the Mobile Marketing Association states that mobile phone users in Britain are sending more text messages than ever before – 103 million per day on average – in a region with only 60 million people.

Similarly, Latin Americans are leapfrogging ahead as they jump straight on to mobile phones rather than investing in costly LAN phone infrastructure. And advertisers are taking notice of the growing number of Spanish-speakers using mobile phones. The number two carmaker, Toyota, spent \$10 million on a mobile campaign targeting Hispanic cell phone owners to watch funny hidden camera clips on their phones featuring the 2007 Camry.

As people become more reliant on their cell phones, it is expected that mobile marketing will become more prevalent. According to The Pew Internet & American Life Project: 52% of adults have their cell phones turned on 24/7; 30% percent of adults say they want to Web-surf from their cell phones; and 47% say that mobile maps and driving directions are a must on the next phones they purchase.

A statistic related to the extremely popular TV singing contest, *American Idol*, seems to be one of the most commonly quoted indicators of explosive

growth cited in the industry. According to CTIA – The Wireless Association, 21 million viewers voted for their favorite singer via text message in 2004 followed by more than 50 million viewers doing so in 2005. But Americans have only recently begun to adopt texting as a common means of communication. In 2003, ABC allowed text-message voting during the Academy Awards, and it was a disaster.

According to the business intelligence group, Informa Telecoms & Media, worldwide mobile ad spending is expected to reach \$870 million by the end of this year. A variety of industry prognosticators believe that mobile marketing will be worth \$10 billion by 2010 in the U.S.

Furthermore, 43% of U.S. marketers are using or about to use mobile marketing in the next 12 months, according to Forrester Research. And nearly 90% of major brands plan to market through mobile phones by 2008, according to a survey by Airwide Solutions.

According to a presentation given by the Interactive Advertising Bureau's Mobile Committee, 2006 is the year of mobile testing. Approximately 30 to 40% of major brands and agencies are requesting mobile components to their ad spends, and 5 to 10% of interactive budgets are being allocated to mobile interactive going forward. A Coca-Cola marketing executive recently predicted that by 2010, 50% of their marketing spend will be mobile.

So even though Americans are currently behind the curve when it comes to mobile marketing, we can expect that consumers – and thus marketers – in the United States will soon follow the rest of the world by going mobile.

Mobile Ad Formats

The most popular form of mobile ads is text messages, which are displayed via mobile search. Advertisers also are experimenting with coupons sent via cell phones as well as video and display ads interwoven with downloads or streaming from cell phones or other handheld devices connected to the Internet.

Coupons are big business in the online world with many an online shoppers searching for the word “coupon” plus the product they want to buy before actually buying it in order to find quick savings by way of a simple digital

coupon code. With redemption rates of paper coupons at only 3%, advertisers are hungry to save on distribution costs by moving toward digital coupons, which the marketer only pays for when someone prints out the coupon or uses the code. Google recently announced that it would start to offer local coupons to lure people into using Google Maps.

According to executives at online advertising company, MIVA, pay per text has taken hold in the U.K. where users can request a text message of a phone number when calling directory assistance or have directory assistance send the number automatically. Phone numbers and special-offer text ads are sent when directory assistance is asked for a keyword such as “travel.” Advertisers are paying upwards of \$1.50 per text ad in the MIVA network.

In 2004, CTIA – The Wireless Association introduced cell phone short codes, which are 5-digit numbers that cell phone users dial to send their message instead of a standard 10-digit number. Anheuser-Busch, Dove Soap and Daimler-Chrysler have dabbled in running short code campaigns to get customer feedback via cell phones.

Based on discussions at recent conferences, advertisers seem to be getting more interested in the concept of mobile marketing, especially as the technology for m-commerce (paying for a product through a mobile phone) comes closer to reality. Currently, a company called Bango enables payments via mobile phones through a deal with PayPal. But even if viable m-commerce is a while off, advertisers are still interested in gathering rich data about customer behavior by being able to track if a recipient opened a coupon, when they used it, and what they bought with it. And, of course, companies such as JumpTap, are springing up to challenge Google in becoming marketplaces for this new, “third-screen” ad inventory.

Mobile Growth Along With Social Networks

Much of today’s growth in online activity is driven by social networking sites such as MySpace and Facebook, as well as other social media companies such as YouTube. For example, LiveUniverse, a network of social networking sites, generates more than 50 million pageviews per month and is positioning itself to grow through the acquisition of more social networking sites. And now the mobile phone industry wants to tap into the success of online social networking.

Early in November 2006, the start-up Loopt, a GPS technology company, launched a new social networking service with Boost Mobile, a subsidiary of Sprint Nextel and one of the nation's biggest youth-oriented phone companies. Boost's 3.8 million customers are mostly under 25 and therefore are most likely interested in creating groups of friends and keeping track of them using a combination of text messaging, pictures and Loopt's GPS technology to find out when their friends are nearby – which they've dubbed "social mapping." Loopt's service has a Mapquest-like graphic that updates every 15 minutes to pinpoint friends and indicate whether they are available to talk or text. The service costs \$2.99 per month with the first month free.

Another mobile marketing success story – that of mobile technology company AirG – also is linked to the popularity of social networking. AirG sets up social networks on its mobile platform and says they have had success in sending mobile promotions to its base of users. Although it took them five years to reach 5 million users, in the last eight months their subscribers have jumped up to 10 million. AirG's display ads and ad-sponsored games (advergames) enable them to capture detailed demographics, which in turn, they claim gets them a more than 28% response rate to their mobile campaigns. As an example of their targeting capabilities, AirG points to customized promotions targeting their significant Hispanic demographic. They are able to find Latino males in New York City who are single and send them an appropriate promotion or coupon electronically.

There is precedence for mobile social networking as about 1.4 million mobile customers logged onto MySpace using the wireless web this past September, according to Telephia, a wireless research firm. As we've already seen on the Web with MySpace, such mobile networking is viral and it gives advertisers a way to target the young demographic that currently uses such services.

Obstacles to Growth

Although the enthusiasm for mobile marketing is clearly evident among advertisers, technology adoption is holding the market back. While Americans own 200 million cell phones, marketers wonder if all these people are using even the simple functions on their phones. According to eMarketer, more than 75% of U.S. teens from 15 to 17 own a cell phone, yet only 36% ever send or receive a text message. Such lack of adoption is one

of the reasons why advertisers are hesitant to dive into the market in the United States.

In order to avoid a consumer backlash, advertising “content” must be valuable to the end user, meaning that targeting is essential. Although mobile industry mavens promote the new advertising medium as highly targetable, there is one catch. Telecommunication companies are hesitant to reveal details about their users. Most phone companies are sitting on the sidelines waiting for the right business model before jumping in and also are worried about getting permission from their subscribers before letting loose advertisers on them.

In addition to being relevant, the ads must be unobtrusive and not obstruct the mobile users’ process flow. So in order not to force the user to wait by viewing ad content before the content they are really looking for, advertisers must display their ads with content. Given the small size of mobile screens, this represents a challenge.

Other issues that could hamper mobile marketing growth, which were discussed during the IAB’s Mobile Committee meeting include: (1) the lack of standardization of technologies as well as in the size of ad creatives; (2) lack of industry/agency education; (3) advertisers waiting for competition to make the first move; (4) limited inventory; (5) choosing which content should be mobilized; (6) finding the resources to build mobile applications/services; and (7) lack of ROI data to justify mobile advertising investments.