

Mobile Advertising ~ Because I'm Worth it

This whitepaper is an extract from:

**Mobile Advertising
Strategies & Forecasts
2008-2013**



. . . information you can do business with

Mobile Advertising – Because I'm Worth It

Introduction

Advertising is an essential ingredient of communication: letting the world know about the availability of a product. And as each successive mass medium has arrived, humanity has sought to place advertisements in it. There is advertising before films at the cinema (and in many cases, product placement within the film itself); US network television has been ad-supported since its inception. Likewise, the internet was envisaged as a key means by which advertisers could reach out to, and interact with, their target audience: after a false dawn in the late 1990s followed by the dot.com crash in 2001, online advertising has indeed flourished, most notably through the online search giants Google and Yahoo!.

Contemporaneously, an additional medium was gaining mass audiences alongside the Internet, although it was not immediately perceived as offering a significant opportunity for advertisers. The mobile phone was simply just a means of making voice calls when away from the home and office: until, that is, the onset of person-to-person SMS (Short Message Service). From a humble beginning, SMS has now become a run-away success.

In addition to SMS, various other mobile services have gained in popularity: ringtones, games, videoclips and – most recently – streamed and broadcast video and full track downloads. Combined, these different types of content provide an enormous opportunity for the advertising industry.

Mobile Advertising Delivery Channels

Juniper Research divides mobile advertising into the following seven key categories:

- SMS Advertising
- MMS Advertising
- In-Content Download Advertising
- On-Portal Advertising
- Mobile Internet Advertising
- Idle-Screen Advertising
- Mobile TV and Video Advertising

One point worth making is that a mobile advertising campaign may utilise a number of different channels within the mobile, including idle-screen, mobile TV campaigns, display advertising and SMS. Furthermore, the most successful campaigns will not merely utilise these different channels, but will integrate mobile within a campaign across multiple media to increase brand awareness.

Key Drivers for Mobile Advertising

While adspend in the mobile environment is still extremely limited when compared to the vast budgets set aside for television, cinema, magazine and indeed Internet advertising, the medium clearly presents a significant opportunity for advertisers and operators alike. The following section lists some of the key drivers within the mobile market which are increasingly attracting the attention of the leading brands.

Personal

The mobile phone is a highly personal device. Within a typical household newspapers, televisions and desktop PCs are respectively read, watched and browsed by a number of individuals: on the mobile phone, calling, texting and browsing is overwhelming confined to its owner. When the advertiser sees the click-throughs have come from a certain handset, that advertiser can be confident that all clickthroughs from that handset have also come from a specific individual – not the case with clickthroughs via the desktop PC.

Increasing Mobile and 3G Penetration

In developed markets, the mobile handset is ubiquitous. In Western Europe, mobile penetration exceeded 100% in early-2006; in Eastern Europe, the mark was reached at the end of 2007. The mark has also been reached within a number of middle-eastern countries (e.g. Israel), Asia-Pacific (e.g. Australia, Hong Kong, Singapore), while the penetration rate is lower in the Americas, it continues to rise steadily: US penetration passed 80% in mid-2007. Globally, the mobile subscriber base totalled around 3 billion at the end of 2007.

Of equal importance to the growth of the overall subscriber base is the increasing penetration of 3G services, which enable many of the more attractive forms of mobile entertainment, including mobile TV, video, on-line games and full-track music. Furthermore, content which is more attractive to consumers is also more attractive to advertisers, providing additional opportunities including pre-roll and post-roll mobile TV commercials and richer in-content advertising.

Improvements in Handsets

Recent enhancements to handsets have not only benefitted consumers, but also provide greater opportunity to advertisers. These include features such as MMS support, WAP 2.0 browsers and hi-resolution screens.

Opt-In

The advertising model on mobile is increasingly being designed around a model under which consumers will actually opt-in to advertising services if they are sufficiently convinced by the value proposition. Thus, instead of spending budget on television advertisements which consumers seek to avoid, advertisers have the option of spending on advertisements which consumers have elected to receive.

Frequency Capping

In addition to being able to target advertising at specific individuals, various technologies have now been developed to enable frequency capping – preventing an individual from receiving a certain advertisement on any more than a specified number of occasions. This is clearly important, as over-exposure to an advertisement is likely to limit or even reduce its effectiveness, and enables that individual to receive alternative advertising instead.

Advanced Targeting

With most traditional media, advertising cannot be targeted to specific individuals. Advertisers know that a certain type of individual reads the Economist magazine or watches The Jeremy Kyle Show, and the advertising around that content can be roughly tailored to that target audience; but as the audience for a given piece of content expands, so tailoring becomes more difficult. For programmes such as Coronation Street (in the UK) and NCIS (in the US) reach is good, certainly; but the “one-to-many” nature of broadcast delivery means that advertising is uniform. This is not the case with mobile advertising. Because of the high levels of personal data that can be made available to operators and service providers about the nature of their mobile customers, advertisers are able to target specific individuals and groups of individuals to receive their campaigns.

Response Rates

One of the beauties of advertising on mobile handsets is that response rates can be measured with particular exactitude. Advertisers can establish not only how many people clicked through their ads to a home page, but which people; if customers choose to opt-in to ad-funded content, further levels of granularity become available: they can establish their age, sex, ethnicity; what content they are surfing; and, based on these factors, deliver targeted advertising on a per individual basis.

Instant Measurement

A further benefit of mobile advertising is that most mobile advertising networks and advertising applications providers offer platforms enabling live campaign measurement and tracking facilities, allowing brands access to detailed metrics as to how their campaigns are progressing.

Value for Money

A number of service providers are now arguing that, given the richness of data offered by the mobile environment, and the fact that specific targeting enables far higher response rates, then initial CPC (cost-per-click-through) and CPM (cost per thousand impressions) rates have been set at too low a level, and that consequently operators and service providers could have cost themselves revenue. The response to this is that, given that mobile is a nascent medium for advertising, and that rich media content usage is still comparatively low, then it is difficult to sell inventory at too high a starting price. Conversely, as more advertisers become interested and as more inventory becomes available, mobile is likely to become still more desirable and, with networks such as AdMob allowing advertisers to bid for slots, the bid prices are likely to rise.

The Walls Are Coming Down

Until recently, operator strategy had been to robustly defend their on-portal content, simply by making it difficult (and in some cases impossible) for their customers to browse for content on exterior WAP sites. Gradually, operators have realised that sustaining the “walled garden” approach was in many ways counterproductive as, given the comparatively limited amount of content on-deck, and the exceedingly poor way it was marketed to consumers, customers were simply not accessing any mobile content. Operators then offered a kind of “halfway house” approach – permit off-deck access but charge prohibitive amounts for off-deck browsing and content downloads. This attitude still exists amongst a number of operators – but is changing.

The Growth of Mobile Social Networking and Web 2.0

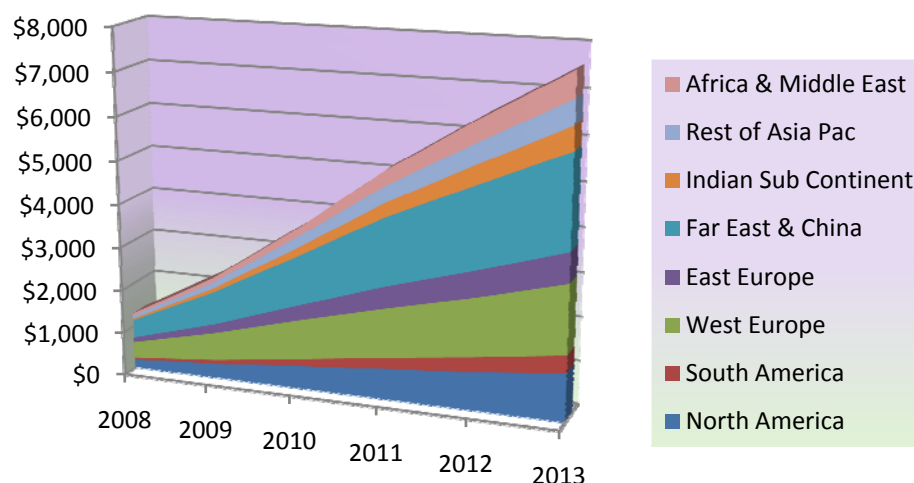
Social networking sites first achieved mass appeal in the fixed Internet. Cyworld, perhaps the first truly mass social networking site, was launched in 1999 and passed the 20 million user mark in its home market of South Korea in early 2007, indicating that by that point more than 40% of the country’s population were members; globally, mySpace – founded in November 2005 – has risen from 10 million accounts in March 2005 to a staggering 300 million accounts in March 2008. While mobile has yet to approach these numbers, a number of social networking sites now boast more than a million subscribers, including Cyworld Mobile in Korea and the off-portal site itsmy.com. In the fixed environment, most networking sites (with the exception of dating sites) are ad-supported; in the mobile environment, although some branded sites charge a nominal fee for membership – in effect, the mobility premium – they are largely reliant on advertising for revenues. But more than that; the high levels of granularity of personal data than they publicly offer presents a major opportunity for those advertisers. In short, mobile social networks need advertisers, but advertisers need mobile social networks.

Incremental Associated Revenues

In addition to revenues from advertisers, mobile advertising provides the opportunity for operators to earn revenues from greater data usage as users click through to, and browse, advertiser sites, or else respond to advertisements by SMS.

The Market for Mobile Advertising

Juniper Research estimates that total annual adspend on mobile services will exceed \$1 billion for the first time during 2008, and that over the course of the year it will reach \$1.3 billion, rising to nearly \$7.6 billion by 2013. This represents an average annual growth rate of 42%.

Figure 1: Total Mobile Adspend, By Region, 2008-2013

Source: Juniper Research

The two largest regional markets in 2008 in terms of total adspend are the Far East & China and Western Europe, although these shares will decline by 2013 due to faster growth in the Indian Sub Continent.

Order Full Report

Mobile Advertising: Delivery Channels, Strategies & Forecasts, 2008-2013

This whitepaper is taken from Juniper Research's report entitled "Mobile Advertising: Delivery Channels, Strategies & Forecasts, 2008-2013"

This eagerly anticipated mobile advertising report provides the most comprehensive examination of the mobile advertising market to date. Focusing on 7 key advertising delivery channels, SMS, MMS, In-content download, on-portal, mobile internet, idol screen and mobile TV; this study analyses the opportunities for each channel and explores the strategies that have thus far been adopted by many members of the mobile advertising ecosystem. By using a scrupulous research methodology we provide market projections for eight key global locations and present the data in easy to understand tables, diagrams and charts for each of the 7 advertising channels, providing a complete analysis of the market for global mobile ad-spend up until 2013. In addition, the report includes an extensive section focusing on key players in the mobile advertising value chain and provides vital strategic recommendations for brands, advertising agencies, content providers and operators.

For more details on this report visit the website www.juniperresearch.com or phone +44 (0)1256 830002.

Juniper Research Limited

Juniper Research specialises in providing high quality analytical research reports and consultancy services to the telecoms industry. We have particular expertise in the mobile, wireless, broadband and

IP-convergence sectors. Juniper is independent, unbiased, and able to draw from experienced senior managers with proven track records.

About the Author

Dr Windsor Holden is Principal Analyst with Juniper Research. He is responsible for developing Juniper Research's report portfolio and designing a forthcoming range of market intelligence services focusing on the mobile content market. He is also the author of a number of recent reports including: Mobile Gambling: Casinos, Lotteries and Betting (4th Edition); Mobile TV: Opportunities for Streamed & Broadcast Services (3rd Edition) and Mobile User Generated Content: Dating, Social Networking and Personal Content Delivery.

Previously with Analysys, Dr Holden has written extensively on mobile content, emerging telecoms markets and digital TV. He is also a regular conference speaker and a former Research Fellow of the Institute of Communication Studies, University of Leeds.

Publication Details

Publication date: April 2008

For more information, please contact: Michele Ince on michele.ince@juniperresearch.com

Juniper Research Limited, Wakeford Farm Business Park, Pamber End Tadley, Basingstoke, Hampshire RG26 5QN England

Tel: +44 (0)1256 830002/889555

Fax: +44 (0) 8707 622426

Further whitepapers can be downloaded at <http://www.juniperresearch.com>