

Mobile Marketing & Advertising: Challenges and Opportunities

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This research explores the current mobile marketing and advertising market, evaluating methods companies are using to effectively leverage it as a platform to enhance brand awareness and increase sales effectiveness. The report examines the leading suppliers to the mobile marketing industry and analyzes how their products are impacting the way consumers opt-in to cell phone-delivered marketing messages and increasingly use their phones to search for, and even purchase, products and services.



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Mobile Search Vendors Looking for Business Model that Clicks

Mobile search technology vendors are doing a lot of soul searching these days over which business model will ring up the highest revenues from marketers looking to target consumers via mobile phones. The so-called “white label” mobile search technology providers say their model is best because consumers and advertisers are accustomed to the white bar that enables browser-based keyword searches. Meanwhile, other vendors say a text message-based business model will be preferred by mobile marketers. So far the end-user consumer is still undecided.

The time is now for vendors to deliver the killer app that everyone can't live without because Mind Commerce expects mobile search campaigns, especially localized search, will be the future breadwinner for wireless marketing campaigns. We forecast a sea change in the spending distribution of all of the mobile marketing subcategories and mobile search will dominate the \$19 billion marketplace (see Figure 1) by 2012. By then there will be widespread consumer adoption of more sophisticated mobile devices that enable live GPS and mapping functionality and more precise local searching of several categories, especially retail locations. Mobile search will be the preferred consumer choice for finding neighborhood malls, Big Box retailers, restaurants, auto dealerships, gas stations, and other on-the-go locations.

While Google and Yahoo currently afford the best venues for mobile search and lead generation opportunities, companies are not ignoring the potential of niche search players, such as JumpTap and 4Info. Compared to Google and Yahoo, JumpTap and other white label search vendors claim to generate higher revenues for the mobile carrier by sharing a greater percentage of ad revenue dollars and by giving better placement in

search results to the carriers' billable content (such as ring tones). Jumptap's innovation is to group search results into categories, such as news, local, and sports, based on keyword search terms. Competitors such as 4Info afford mobile search consumers the advantage of immediate results sent via text message alerts when an event occurs that includes their search term.

In its report "***Mobile Marketing & Advertising: Challenges and Opportunities***," Mind Commerce predicts that mobile search will be the dominant platform for marketers to engage consumers with branded communications but they should not ignore the potential of WAP and, most certainly, mobile text-based messaging. Many vendors, including traditional yellow pages publishers, telecommunications companies, newspaper publishers, and loads of newer, smaller technology start-ups are scrambling to dominate mobile search because of its powerful potential to reach a mass audience who is looking for specific products and services. Many carriers are partnering with mobile search specific companies (such as InfoSpace, JumpTap, and Medio Systems) while the established pure-play Web search companies (such as Google, Yahoo, and MSN) are launching their own mobile solutions. Consumers already conduct mobile searches and receive mobile text messages primarily to obtain information instantly and conveniently and (more importantly for marketers) they are *responding* to what they find.

Google Dominates Mobile Search and Content Aggregation

Google, MSN, Yahoo, and America Online dominate the mobile search and content aggregator supply side and Mind Commerce expects that Google will emerge as the dominant search platform. The ruler of Web search accounted for nearly 52% of all searches in a given month, according to Hitwise, compared to 16% for Yahoo. The

company has generated a lot of interest in its mobile search efforts, particularly with its Android project. But it was already a search engine powerhouse and there is no reason to doubt its dominance in the mobile search arena. Yahoo will likely be its closest competitor but it will need the backing of more telecom carriers to succeed. Google has the mind-share and branding dominance to lead consumers to use their phones more for mobile search and Web browsing. It must, however, prove that the power and scope of its search capabilities are easily transferred to handsets and that advertisements will not be an intrusive interruption in search functionality.

Yahoo is hoping to surpass Google by opening up its mobile platform so outside programmers can develop new applications that can be planted on Yahoo pages accessed on handsets. The mini-applications, known as widgets, will likely attract more mobile users and, subsequently, advertisers. Yahoo is also unveiling a redesigned home page for mobile phones that will include more content and enable visitors to designate the material that they want highlighted. And at the International Consumer Electronics Show in January 2008, Yahoo released an upgrade to its “Go” software that is supposed to make it easier to surf the Web on mobile phones. All of this bodes well for Yahoo’s future but it will still have a tough time outmaneuvering Google in persuading programmers to develop mobile applications for its platform.

Mind Commerce attributes its \$19 billion forecast to several mitigating factors that will accelerate spending in the near term:

- Venture capital – We expect many of the key suppliers mentioned in this report to receive additional cash support to grow their technological

capabilities and enhance their brand awareness among potential advertisers.

- Mobile E-commerce – Mobile search advertisers will be attracted to the subsequent incremental revenues from e-commerce thanks to improved “browse to buy” features enabled by more sophisticated mobile devices adopted by consumers who see the benefits of shopping and making purchases on this platform, such as using mobile search to buy an item for less than what they find while in a retail location.
- Point-of-sale and coupon opportunities – Mobile content providers will make it easier for advertisers to serve relevant coupons to handheld devices as consumers search for local merchants or engage in searches for product information while at retail locations. Retailers will, in turn, embrace mobile coupons for redemption at the point-of-sale.

Figure 1: Projected Global Spending on Mobile Marketing by Subcategory, 2008 to 2012

	2007	2008	2009	2010	2011	2012	CAGR 2007 to 2012
Direct response (text messaging)	0.74	1.65	2.43	3.22	3.88	4.97	46.4%
Display	0.23	0.45	0.75	1.33	1.78	2.23	57.5%
Mobile video	0.35	0.98	1.44	2.11	3.05	3.57	59.1%
In-game advertising	0.09	0.29	0.54	0.89	1.06	1.26	69.5%
Mobile search	0.19	0.53	0.64	2.05	4.83	7.07	106.1%
Localized search	0.09	0.39	0.54	1.82	3.39	6.02	131.8%
Total Spending (\$B)	1.6	3.9	5.8	9.6	14.6	19.1	64.2%
Source: Mind Commerce, 2008							

About the Report

Overview

Companies are increasingly embracing mobile phones as a viable channel to target consumers with brand messaging. Mind Commerce's latest report, "Mobile Marketing & Advertising: Challenges and Opportunities," forecasts that spending in this medium will grow to \$19 billion by 2012 from about \$1.6 billion today. Fueling this growth are improvements in mobile technology by leading cellular service providers, increased consumer adoption of mobile phones, and a growing niche market of suppliers of mobile search, messaging, and marketing services.

This research explores the current mobile marketing and advertising market, evaluating methods companies are using to effectively leverage it as a platform to enhance brand awareness and increase sales effectiveness. The report examines the leading suppliers to the mobile marketing industry and analyzes how their products are impacting the way consumers opt-in to cell phone-delivered marketing messages and increasingly use their phones to search for, and even purchase, products and services.

Key Findings

- 2008 will be a breakthrough year for mobile spending as marketers worldwide move from disillusionment over their expected return from this platform to the realization that mobile can enhance consumer brand equity
- The current mobile advertising and marketing universe is beset by a whirlwind of activity in which, by mid-2009, Mind Commerce expects will be dominated by a few key mobile marketing suppliers
- Mobile search is playing an increasingly important role in helping cell subscribers navigate the mobile Web. Marketers are allocating their mobile dollars to algorithmic search (which enables results to be listed in order of relevance) and sponsored search, which includes ad placements.
- Current trends point to U.S. consumers adopting mobile messaging and search more readily than European cellular subscribers.
- The U.S. is still far behind many other global markets likely due to the strong landline system and slower migration of consumers to mobile. In addition, wireless networks and handset manufacturers remain a highly fragmented industry in the U.S.
- Mobile ad networks are engaged in a competitive front to win premium inventory and offer it to high-profile brands. Advertisers demand increased reach of the networks for them to make it as part of the regular marketing budgets of Fortune 500 brands.

- Mind Commerce forecasts significant changes by 2012 in terms of spending distribution of all of the mobile marketing subcategories - mobile search, particularly localized search, will dominate.

Key Benefits

- Learn the different forms of mobile marketing and which subcategories will excel in the long term
- Examine the mobile marketing vendor landscape and discover which vendors will survive the supplier shakeout
- Understand the critical success factors that will drive future mobile marketing business models
- Grasp the dizzying array of mobile marketing spending forecasts and know where to allocate future marketing resources

Target Audience

- Marketing and advertising executives
- Mobile telecom carriers
- Mobile technology suppliers
- Yellow pages publishers
- Media content providers

Companies Discussed in Report

- **Mobile search and content providers:** Google, Yahoo, MSN, Enpocket, ICrossing, Go2, Whitepages.com
- **Mobile advertising networks:** DoubleClick, Greystripe, AdMob, Third Screen Media, Millennial Media
- **Mobile telecom carriers:** Nokia, Verizon, T-Mobile, AT&T, Nextel, U.S. Cellular

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Single-user \$ 495 Company-wide \$ 995

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