

# **Mobile Marketing & Advertising: Challenges and Opportunities**

**[ Sample/Excerpts ONLY – Not Full Report ]**

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*Businesses worldwide are embracing mobile phones as a viable channel to target consumers with their brand messages. Fueling this trend are improvements in mobile technology by leading cellular service providers, an increased consumer adoption rate of mobile phones, and a growing niche market of vendors that supply mobile search, messaging, and marketing services.*



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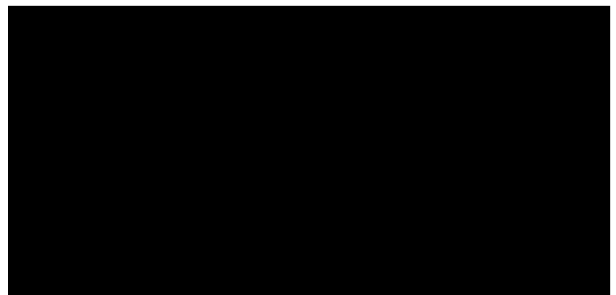
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## **Section 1 The Rise of Mobile Marketing**

### **MOBILE BECOMES VIABLE MARKETING CHANNEL**

Businesses worldwide are embracing mobile phones as a viable channel to target consumers with their brand messages. Fueling this trend are improvements in mobile technology by leading cellular service providers, an increased consumer adoption rate of mobile phones, and a growing niche market of vendors that supply mobile search, messaging, and marketing services. Couple that with the powerful ability of mobile marketing to reach target demographics throughout the day instead of just when they're in front of the television or a computer and you've got a potent advertising platform with numerous possibilities to increase brand awareness.

But the mobile marketing space today, particularly in the U.S., faces many inherent challenges, including consumer reluctance to accept intrusive advertising on their hand-held devices and the small screen size of the devices. But despite these hurdles, mobile marketing and advertising is poised to accelerate worldwide as the number of mobile subscribers grows and marketers of well-known products and services increasingly understand how the medium can enhance customer equity and brand awareness.



## **FEW VENDORS WILL DOMINATE MOBILE MARKET**

This report delves into the untapped potential that awaits marketers who are ready to embrace mobile as a platform to acquire and retain customers. 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. Our research finds that those companies that are ready to incorporate mobile as part of their advertising and marketing efforts will reap the rewards of increased consumer profitability. How to get there is accomplished by exploring some key questions throughout this report:

- What is mobile marketing and advertising?
- What is the mobile marketing opportunity worldwide?
- Who are the key suppliers to the mobile marketing industry?
- What are the critical success factors for future mobile marketing business models?

**MOBILE MESSAGING AND MOBILE SEARCH GENERATE INTEREST**

The success of mobile marketing is rooted in the many reasons why consumers enjoy using mobile-based data services, including Web browsing, text messaging, watching television, and listening to music. The Mobile Marketing Association (MMA), the main trade body, defines mobile marketing as “the use of wireless media as an integrated content delivery and direct response vehicle within a cross-media marketing communications program.” Messaging is likely the most profitable part of the mobile universe, followed by mobile search, but marketers should understand the differences between the messaging formats before allocating resource dollars to each:

**Short Messaging Service (SMS):** SMS is a widely used vehicle for sending text messages of about 160 characters, depending on the handset and network. SMS messages can be sent from one handset to another or from a PC to a handset and vice versa. Every mobile phone manufactured today supports SMS and consumers can subscribe to services that deliver news, sports, weather, and other content directly to their phone via SMS. SMS supports common short codes (CSC), which are four to six-digit phone numbers to which cell users can send text messages and then receive information, such as coupons or other marketing initiatives.

**Multimedia Messaging Service (MMS):** MMS enables mobile consumers to send and receive multimedia messages, including pictures, audio and video, along with text to other mobile subscribers.

**Mobile Instant Messaging (MIM):** MIM enables cell phone service subscribers to reach others without a phone number and in real-time.

**Mobile e-mail:** This includes services that send e-mail from computer servers to handsets.

### **MARKETERS DIFFER ON THE BEST MESSAGING PLATFORM**

Marketers differ about which messaging platform is better for particular branding objectives but they agree that mobile messaging, as a whole, offers an incredible opportunity to reach and target consumers. Mobile direct response messaging, after all, affords higher conversion rates than direct mail or even e-mail marketing initiatives. The Internet Advertising Bureau has estimated that 95% of text messages are opened, in contrast to 25% of e-mails sent via the Internet.

Aside from direct response messaging, 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. Wireless Application Protocol (WAP) is a technology platform used to create Web sites that can be accessed easily from handsets. WAP enables users to access video and streaming audio, and supports banner ads.

### **MOBILE SEARCH WILL BE DOMINANT MARKETING PLATFORM**

Mind Commerce expects 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 messaging. Many vendors,

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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. What is a better medium than a cell phone to advertise a restaurant, for instance, to someone looking to call a place for take-out dinner?

### **CONSUMERS FLOCK TO MOBILE SEARCH FOR SPECIFIC TASKS**

Consumers are indeed flocking to mobile search services to accomplish specific tasks, such as finding a map for directions or a business address. The key here is that mobile search, like yellow pages, is a highly localized marketing opportunity that businesses realize can successfully attract consumers in specific demographic regions. Mobile search vendors are still sorting out the best way to make their services fast and convenient to use. And there are, indeed, many potential consumer uses.

**[ For more information, see Full Report ]**

## **Section 3 Mobile Marketing Vendor Shakeout**

### **SUPPLIERS PROVIDE DIVERSE SET OF OFFERINGS**

The supply-side of mobile marketing is a mosaic of telecommunications carriers, application and content developers, and mobile search solution providers all jockeying for a leadership position as their revenue potential from advertising and marketing continues to grow.

But their greatest hurdle remains the target consumer, who phone companies covet and believe will lose should they begin placing sponsored messages on their mobile devices. No matter how often people check their e-mail or surf the Web on their mobile phones, consumers are just starting to use their phones for functions other than calling. But only 10% of nearly 2,000 Americans surveyed by JupiterResearch said they have ever received a text message from a business. The slow consumer adoption of branded text messages, however, is not stopping vendors in the mobile marketing and advertising space from further developing their wares and partnering with others to get the job done. Consider these tidbits from the last 18 months:

- In a sign of how buoyant the mobile advertising market is in Europe, Yahoo announced in January 2008 that it is teaming with T-Mobile to serve targeted display advertising on the wireless carrier's Internet service, Web 'n' Walk, in Britain. Yahoo previously struck a similar deal with Vodafone. But Yahoo seems to be behind in the mobile search sector as both T-Mobile and Vodafone have selected Google as their mobile search partner. T-Mobile is also a

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member of the wireless coalition that Google formed last year to develop its “Android” open mobile platform.

- In May 2007, America Online bought Third Screen Media, a mobile advertising broker.
- Social networking Web site MySpace recently introduced a free, sponsored mobile version for all U.S. carriers, calling into question the future of premium MySpace services available via AT&T and T-Mobile. The new service enables users to send and receive text messages, comment on postings, and search for friends. Parent Fox Interactive Media said it will eventually introduce more targeted campaigns based on user registration data, as well as local ads based on GPS data.
- Mobile search and information services provider UpSnap announced it will distribute advertising from Millennial Media, a mobile advertising provider, to customers using UpSnap’s mobile technology.

### **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.

Figure 7 shows the Mind Commerce perspective of the mobile search and content aggregator vendor landscape based on how we perceive each vendor’s current market position on two critical factors:

- *Technological Prowess and Market Execution* – This factor considers the vendor’s current ability to develop its mobile application technology either through increased venture capital funding, acquisition of a similar technology provider or other means. It also

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takes into account its level of execution of this technology in the marketplace via marketing and sales activities that promote its brand and enhance its consumer “mind share.”

- *Consumer Awareness and Satisfaction* – This factor accounts for the current state of the vendor’s brand awareness among consumers and their overall satisfaction with the supplier’s service.

Figure 7 helps visualize the current mobile search and content aggregator landscape by plotting where each vendor sits relative to one another and who will likely emerge as the leaders in this space. Mind Commerce has rated each vendor on a scale of –10 to +10 for each factor to pinpoint the vendor’s position on the grid.

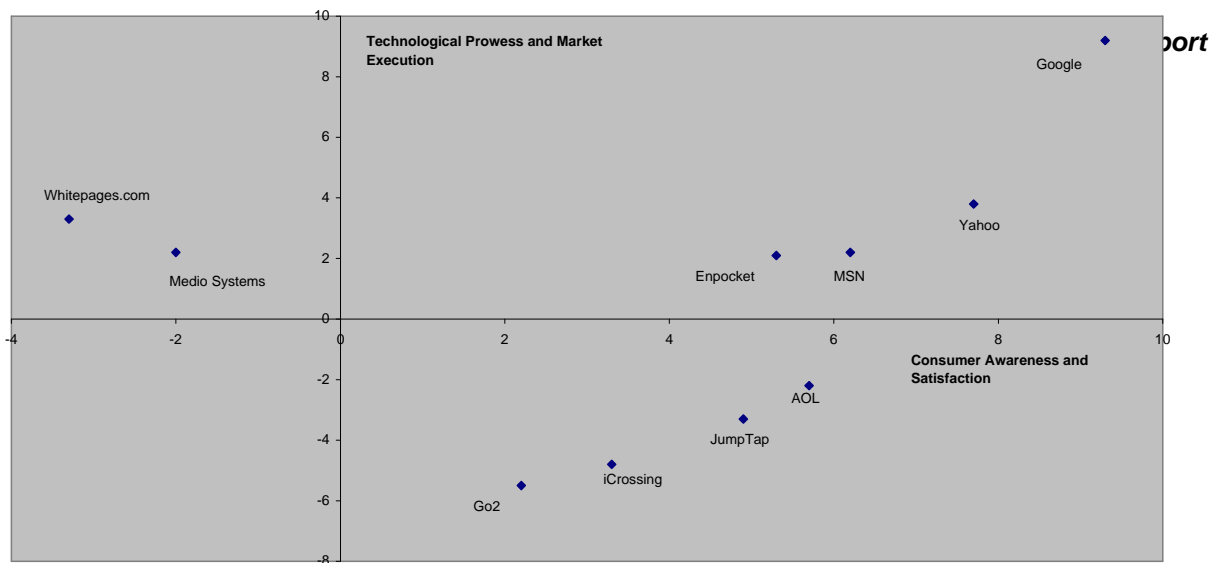
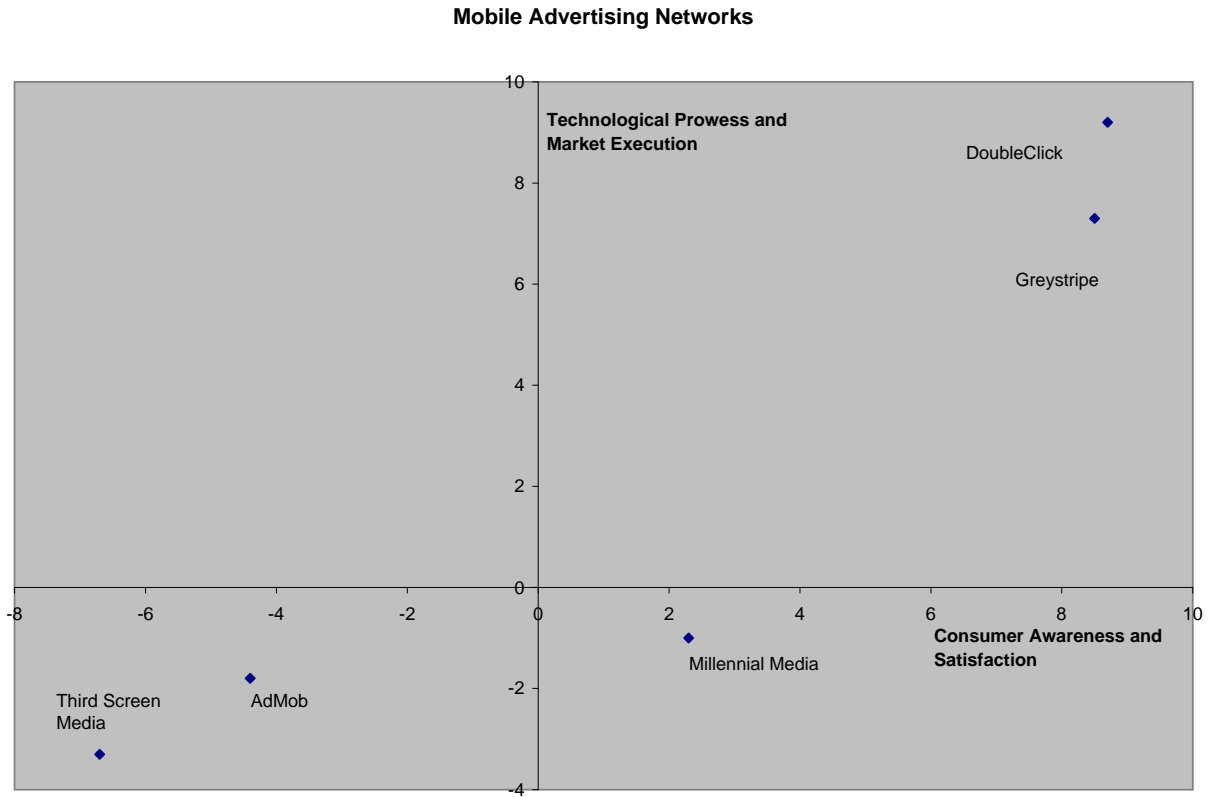


Figure 7: Mobile Search and Content Aggregator Vendor Landscape, 2008  
Source: Mind Commerce, 2008

[ For more information, see Full Report ]

Figure 8: Mobile Advertising Network Vendor Landscape



Source: Mind Commerce, 2008

[ For more information, see Full Report ]

## **Section 4            The Mobile Marketing Forecast**

The global wireless marketing and advertising market is expected to skyrocket in the next few years as marketers learn how to harness its potential to reach consumers in a targeted, less intrusive manner. Meanwhile, software developers will continue to improve ways to track a consumer's mobile behavior and couple it with a goldmine of demographic and purchase data that help advertisers serve up the most relevant pitch to the right cell phone subscriber (and at the right time). So just what is the future potential of this still nascent industry?

### **GLOBAL MARKET SPENDING TO REACH \$19B BY 2012**

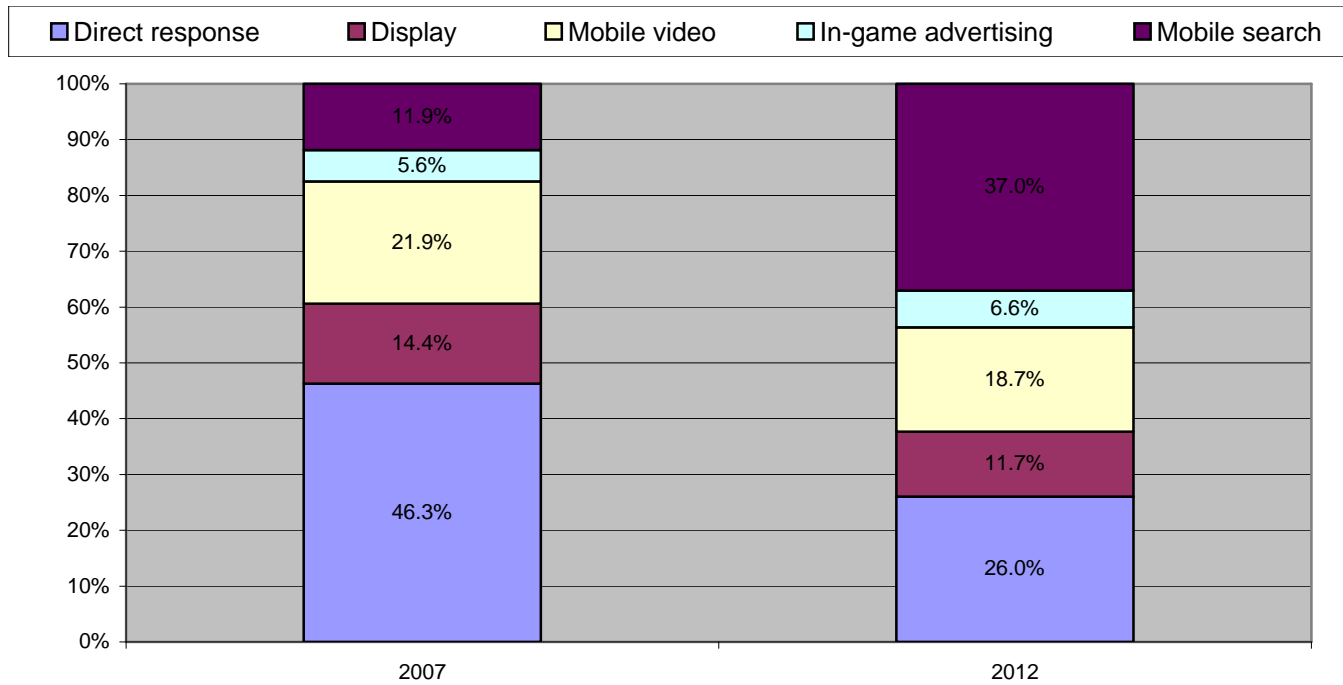
Mind Commerce estimates the world market for mobile marketing and advertising spending will reach \$19.1 billion by 2012, up from about \$1.6 billion today, for a compound annual growth rate of 64.2% (see Figure 10).

**[ For Figure 10, Table and Discussion, See Full Report ]**

Mind Commerce forecasts a sea change in the spending distribution of all of the mobile marketing subcategories. Mobile search, particularly localized search, will dominate the marketplace (see Figure 12). We expect that within five years 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, in essence, be the preferred consumer choice for finding retail destinations, such as malls, Big Box retailers, restaurants, auto dealerships, gas stations, and other on-the-go locations.

## Mobile Marketing and Advertising: Challenges and Opportunities

Share of Global Spending by Mobile Marketing Subcategory, 2007 vs. 2012



Source: Mind Commerce, 2008

Figure 12: Share of Global Spending by Mobile Marketing Subcategory, 2007 vs. 2012

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

**[ For more information, see full report ]**

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