

Mobile ads move up the media agenda

by Adam Woods [Media Week](#) 06-Mar-07

Advocates of mobile advertising see it as a rich new revenue stream. However, some media figures are sounding notes of caution. Adam Woods reports.

The great and good from the world of mobile were gathered in Barcelona last month for the 3GSM World Congress, the annual, and rapidly growing, global mobile extravaganza. UK representatives from Group M, Carat and others were among the 55,000-odd who migrated to Catalonia for a glimpse into mobile's future and, with the Barcelona Congress Centre devoted to multimedia content, advertising was inevitably on people's minds.

Announcements such as Yahoo!'s unveiling of a mobile display advertising platform in 19 countries helped fan the air of expectation at the conference. Clients lined up by Yahoo! already include Intel, Nissan, Pepsi and Procter & Gamble Asia Pacific.

Meanwhile, Vodafone chief executive Arun Sarin, who at last year's 3GSM announced a search tie-up with Google, ruminated in his keynote speech on the importance of mobile advertising standards.

One might almost imagine mobile advertising was on the verge of an imminent explosion, which market researcher Informa Telecoms & Media believes stands to make it an \$11bn (£5.6bn) industry by 2011. But those whose job is to make that happen are more cautious.

Nitzan Yaniv, vice-president for business development at ad-funded mobile content specialist Amobee, says: "Most people at 3GSM acknowledged that 2007 is the year for investment, and 2008 will hopefully be the year when it starts to pick up critical mass."

Recurring themes included the need to standardise formats and technology, the role of ad-funded content and the very real question of who will provide the inventory, with Sarin himself acknowledging that the network operators must work hard to cement their natural lead in the market. Others have been having similar thoughts.

As Zed Media managing director Greg Grimmer recently put it in these pages: "The endgame is by no means clear."

"Whether Nokia, Vodafone or News Corp will turn out to be the 'media owner' in this sector is yet to be decided," he said, adding that existing web operators could yet emerge as the cornerstone of the mobile internet.

It is worth remembering why a mature mobile advertising channel is worth the effort of setting up. Aside from the fact that network operators badly need growth in the face of flattening revenues, mobile advocates believe this is a platform that offers enough engagement and penetration to make most traditional media look strikingly limited.

Mark Slade, managing director of mobile media sales agency 4th Screen Advertising, says: "Mobile can be much more than any other advertising channel."

He highlights mobile's targeting potential as its key strength, explaining: "Some operators will soon have location-based services tied into the ad-serving and they have a huge amount of data about what people do on their portals, so you will have more ability to target than on any other channel."

The mobile industry is a vast, slow-moving thing, but in these relatively early stages, the will to develop an advertising model seems to be in place, as do the market conditions required to make it a success.

Mark Brandon, chief operating officer of participation media specialist Siren, says: "A lot of the planets are coming into alignment. Everything, in terms of access and user numbers and audience, in the broadcast sense of the word, is moving in terms of a mobile advertising play or series of plays."

The new web players

The major web players are working hard to create a position for themselves in mobile. Google, Yahoo! and Microsoft are all trying to ensure minimum erosion of their web footprint in this comparatively new space. The media world is also hitching itself to the bandwagon as fast as it feasibly can; networks have been actively recruiting to pollinate their existing agencies with mobile expertise.

Omnicom's Diversified Agency Services group, for example, bought into San Francisco-based mobile marketing consultancy ipsh!, assigning ipsh!'s European managing director David Patton to educate its UK staff.

In late January, WPP executed a similar strategy, taking a 2.5% slice of mobile search and advertising agency JumpTap. "We have a play where we are going to go out to their different agencies and start to launch campaigns," says JumpTap vice-president of marketing, Eric McCabe.

Many agencies currently outsource their mobile activity. Agency.com is open about its partnership with Enpocket, but others hand their specialist partners NDAs in the hope that clients will not see the join.

However, not all agencies are as serious about the opportunity, according to Jason Carter, managing director of interactive at Universal McCann. "I'm sure every agency can wheel out a mobile specialist, but I know most tend to use contractors or part-time staff," he says.

Nonetheless, mobile has begun to find its way onto the media agenda, if only relatively recently. "Judging by the response we are getting from agencies, it does seem to be turning now at last," says 4th Screen's Slade.

"Six months ago, there was very little interest. Last year was about mobile-specific companies running mobile advertising campaigns - content companies, handset manufacturers. This year we are getting interest from the major brands. They are looking more to trial than to run major campaigns, but clients are starting to ask questions of their media agencies and there is a bit of budget being allocated."

JumpTap's experience is a similar one, according to McCabe. "The budgets are definitely going to be small this year, so it is a question of whether we can create some test-beds and case studies and things."

The challenge, he adds, is in demonstrating the value of mobile as a medium for non-mobile-related advertising. "Our initial clients have been more the mobile content providers, the people who know the person with the phone is their customer. I would like to see more of the traditional, non-mobile brands. We will start to see people who are familiar with online marketing, and then more of the local-type advertisers who are looking for really targeted leads."

Convincing case

One difficulty is that familiarity with online inevitably sets up a direct comparison between the two platforms and Slade is not sure mobile advertising has built a sufficiently convincing case to knock its more established cousin off the schedule - at least, not yet.

"Everyone is trying to work out what the difference is between running a banner ad on WAP and running it online," he says. "Where's the benefit? At the moment, it is difficult to answer those questions for a lot of brands. You can argue that it is one-to-one and engaging and gives better cut-through and reaches a specific audience, but we have to get the message right."

Inventory has also been sorely lacking, given that the operators themselves control the larger part of mobile internet traffic and, until recently, rarely offered their portals to third-party advertisers.

In that regard, significant changes are afoot. In November, Vodafone sealed a partnership with Yahoo! to offer display ads on its Vodafone live! portal and around its games, television and picture messaging services. Meanwhile, Google provides search to Vodafone, T-Mobile and 3, though it has not yet extended the service to incorporate sponsored links. Many see search as the most likely banker from among the various mobile advertising options - not least because it invites interaction without coming on too strong.

"In the mobile world, you are constantly worried about interrupting the customer and not being intrusive, so search is a good answer," says JumpTap's McCabe.

Rumours abound of a secret plot among a handful of the world's leading operators to build a common mobile search engine from scratch, rather than share much-needed revenues with an expensive partner. Either way, advertising opportunities are sure to multiply fast from what are now fairly humble beginnings.

Video idents

"If you are a brand and you want to run a banner campaign across all the operators, you could just about do that now," says Slade. "Although you would almost have to create a microsite for all the operators, so the consumer didn't have to face the data charges of going off-portal."

The cost of on-portal advertising has put off many curious advertisers, with video idents being offered for an eye-watering £150 CPM in some instances. But data charges to consumers are the major reason why the mobile internet remains a marginal channel in the public's eyes. It is ironic that consumer cost should be an issue, given that many believe the likely way forward for mobile advertising is to carve out an audience with generous amounts of ad-funded content.

"Bringing brands on board is about more than just advertising, it is about using the advertising revenue to reduce the cost to the end-user and ramp up data usage," says Amobee's Yaniv.

As mobile TV uptake rises and subscription packages become standard, the true appetite for video content via mobile will be easier to evaluate.

"The first stage is to get an audience for this stuff," says Universal McCann's Carter. "Historically, there haven't been big audiences, even on the portals. People might go on and read the football or check the news, but that is all going to change when the services really start to arrive. The likes of ITV and Channel 4 are developing products and once the audience starts using those, the advertising opportunities will come very fast."

Universal McCann recently ran a trial for Microsoft, gauging responses to pre- and post-roll advertising when distributed with free content. "The responses have been really positive," says Carter.

"People appear to be accepting of advertising if they know it contributes to the content, a bit like the ITV model. There was also evidence that, as the advertising got more targeted, there was greater recall."

Most rich-content advertising models do require the user to be online in the first place, though the self-explanatory idle-screen advertising allows consumers to view ads without paying for the privilege.

Honda recently ran an idle-screen campaign in Thailand that resulted in 100,000 click-throughs. As with mobile search, the model is a tasteful one, says Golan Shaked, vice-president of media at Celltick Technologies, which developed the platform Honda used. "We are out there, we are available, but we are not intrusive," says

Shaked. "We are a push medium, but we are unobtrusive, which is a very delicate line to walk."

Overall, many of the conditions for a successful mobile advertising infrastructure do seem to be falling into place. However, those who know the telecoms industry know that nothing happens overnight. What is more, the rival operators who hold most of the cards are not famous for their collaborative instincts.

Setting standards

Brandon believes the greatest danger for the mobile ad market would be the mobile industry's collective failure to standardise the technology on which its ad products are based.

"The worst-case scenario is that you have a situation like we had with interactive TV, where there would be a proprietary ad-serving technology for Orange, one for Vodafone, one for O2," he says. "The key lesson interactive TV taught us is that you need to put the objectives of consumers and advertisers first."

There are signs that the mobile networks recognise that advertising as a rare co-operative moment. Vodafone's Sarin concedes that this revenue stream is not "a slam-dunk" and suggests operators could miss the boat if they do not agree robust, advertiser-friendly, universal standards.

"We need to rapidly define the most appropriate size of banner ads on a mobile screen, the length of video ads, reporting formats and consistent commercial frameworks to make our industry easier to do business with," he said at 3GSM.

"If we go to Procter & Gamble and say 'Vodafone does mobile advertising differently from T-Mobile and Orange' we won't be able to move quickly. Frankly, we need to move and occupy this space before someone else occupies it."

Every indication points to the fact that the all-powerful mobile industry has as much to lose from a botched attempt to introduce large-scale advertising to its networks as has the media world, and maybe a lot more.

Nitzan Yaniv of Amobee nails the mood among the delegates at 3GSM: "There is appreciation for the fact that we can't take the advertising community for granted," he says.

"This is not going to work if we make it difficult for them to play ball."

REASONS WHY 2007 WILL BE THE YEAR MOBILE ADVERTISING MAKES IT BIG ...

- Network operators badly need new business models if they are to counteract flatlining revenues
- Mobile advertising has increasingly powerful advocates - Google, Yahoo!, Microsoft and others regard it as a prime battleground and Sir Martin Sorrell expects

the medium to account for a fast-growing share of Group M's revenues in the medium term

- Mobile offers compelling targeting capabilities in a time of inexorable media fragmentation elsewhere

... AND REASONS WHY IT WON'T

- Major infrastructural issues need to be resolved - standardised ad formats and business models all need to be progressed and persuasive case studies need to be established

- Network operators have a history of mutually adversarial behaviour and need to be persuaded that co-operation on standards is in the interests of all

- The numbers are not yet there - operators, advertisers and content owners need to invest in order to convert legions of mobile users into mobile internet users and consumers of mobile advertising

THE MOBILE ADVERTISING OPTIONS

- Search

Regarded as the perfect way to introduce consumers to mobile advertising without accusations of intrusiveness. Google, Yahoo! and a rumoured collective of powerful mobile players are already on the case

- Sponsored content

Paid services are not expected to deliver sufficient audience growth to create a worthwhile market, therefore many believe sponsored or subsidised content is the key to securing eyeballs, with a model not entirely removed from commercial broadcast. Rich-media services are currently some way from mass-market maturity, however

- Direct marketing

SMS and MMS are expected to be replaced by instant messaging as mobile bandwidths grow. SMS is relatively crude but well evolved, and the channel carries the larger part of mobile marketing as things stand

- Idle screen

A model that does not demand that consumers plunge into the mobile internet at their own cost. A recent Honda campaign in Thailand, through Celltick Technologies, secured three million unique impressions and 100,000 click-throughs in three weeks, delivering its impressions at an estimated 5% of the cost of their TV equivalent.