Walking the Mobile Advertising Tightrope

SurfKitchen's Exploration of the Opportunities and Challenges Presented by Mobile Advertising

The following insights are based on SurfKitchen's industry roundtable, which brought together representative from across the mobile advertising value chain including; tier one mobile operators, advertising agencies, mobile technology vendors and media and analyst commentators.

Changing Communications Landscape

The wireless communications business sits at a crossroads. The wild successes of its 20-year history—worldwide coverage, reliable service, affordable technology and widespread consumer adoption—have seeded an enormous market for voice communications. But voice revenues, although still 80 percent of carriers' revenues, have plateaued. Mobile operators are now focusing their engineering might on developing data-centric media services to revitalise those slowing revenues.

The advertising business is also facing challenges as key target audiences change their media consumption habits. Declining newspaper circulations, 'time shifted' TV viewing and increasing Internet usage is acting to blunt the effectiveness of advertising mediums, while acting to fragment audiences.

The timing, then, couldn't be better for a marriage of such data services with advertising, which has continually evolved and become relevant to new media, whether it was in print, on TV or online or, now, wireless.

An Attractive Proposition

Mobile phones or PDAs now commonly accompany users throughout the day and provide a vast array of options that enable users to communicate, express their personality through their devices and organise their lives.

This ubiquity has allowed operators to become the custodians of arguably the most influential communication medium available to advertisers. Such a situation provides the opportunity for theoretically limitless market segmentation and a level of user interactivity unmatched by other mediums.

This unrivalled personal and timely communication, combined with the wealth of information that operators have collected on their subscribers, makes advertising through mobile devices attractive to brand owners and presents a potentially significant revenue opportunity to operators. While the industry is yet to pinpoint the revenue potential of mobile advertising, analyst commentators forecast that the industry has the potential to command USD11.5 billion by 2011 (Strategy Analytics, 2007), making the opportunity on paper too great for advertisers and operators alike to miss.

Road Blocks to Adoption

But the path to better revenues, margins and user experiences has its potholes. For the operators, the question arises whether the revenue opportunity represented by mobile advertising is strong enough to mandate that they pursue its development. Given the significant investment operators have made to cultivate their core assets - network infrastructures and subscriber data – they are unlikely to provide access to these assets to brand owners before the tangible financial incentive for doing so is clarified. This concern is further compounded by advertising agencies, which are planning against neutral revenue potential for the medium to guard against unrealistic expectations resulting from excessive hype.

Aside from the uncertainty on future revenues, operators are unsure whether they should share the branding spotlight with advertisers. Some suggest operators shouldn't relinquish control over the delivery of their brand at the device level, otherwise they might risk having their brand undermined.

While operators are weighing the benefits (and the more confident believe "build it and they will come"), other issues may blunt mobile advertising's adoption. Some observers question whether mobile devices and services under development are mature enough to offer a compelling mobile Internet experience that would include advertising. Commentators agree that simply deploying data content services – such as mobile TV – will not stimulate mass data service adoption. To spur the levels of data service adoption required to secure operators' future growth, they must ensure that service access is as easy and seamless as possible for their subscribers.

Enabling technologies such as On-Device Portal (ODP) applications have proven particularly apt in increasing subscriber service adoption by providing a launching point for subscribers to find data services. These portal applications present the user with a clear, easy to navigate user interface that helps build consumer confidence in accessing data services and critically, stimulates repeat use by timely content updates and transparency into billing. Orange Group for example, enjoyed a near doubling of data Average Revenue per User after deploying its Orange Downloads ODP on its Signature devices. Critically, the portal, which was developed and deployed by SurfKitchen, also stimulated a 30% increase in repeat usage and led to a 30% rise in the use of the operator's complementary WAP portal. These statistics are testament to how ODPs encourage subscriber data use by concentrating on the user experience and in turn, increase user confidence in alternative data access methods.

Given the success of solutions such as ODPs in stimulating service adoption, operators such as Maxis (Malaysia) are now consolidating their 2G and 3G content services – from music and ring tones to mobile TV – onto a single, integrated portal application designed to encourage use through minimal clicks access.

Another central concern is the need to avoid hyping the potential of mobile advertising. Many constituents cite their experiences with online advertising and its development as being instrumental in reducing their expectations for mobile advertising. Specifically, most believe that a key requirement for the medium is to ensure that it can demonstrate a measurable return on investment from the beginning. While advertisers have the tools, knowledge and mediums to precisely segment and target specific audiences, a fine balance must be achieved to avoid a consumer backlash due to a barrage of messages.

Finally, mobile advertising to date has been deployed in fragmented, small trials based on varying delivery models including SMS text blasts, banner advertisements and idle screen tickers. As a result, there is little consensus – or statistical evidence – on how best to deploy advertisements on mobile phones to affect the greatest possible impact on the target audience. This lack of consistent insight or agreement has served to compound uncertainty and has made all parties wary of committing to large scale deployments.

What the future might hold

SurfKitchen recently hosted an industry forum on mobile advertising, bringing together constituents from across the industry, including; tier one mobile operators, advertising agencies, mobile technology vendors and media and analyst commentators. While there is not yet consensus on the future size, scope or composition of the mobile advertising industry, operators, vendors and advertising representatives all agreed that the following areas would play a part.

Segmentation and context
The potentially limitless segmentation offered by mobile advertising is heralded as its key selling point, with emphasis placed on its ability to reach the highly coveted youth segment.

Mobile services offer a greater granularity of context and provide more specific targeting for advertisers by criteria such as device type, location or subscriber age. This will offer the potential to provide for advertising based on relevance and convenience and is seen as a significant growth avenue for mobile advertising, under the provisos of protecting the user experience and ensuring that subscribers do not become saturated by a multitude of messages.

User Experience
Mobile devices foster a very personal connection with their users. Mobile advertising must therefore, be relevant and in context to the service for the subscriber to ensure that it is not obtrusive. This places greater demands on the technology around advertising, including delivery of the message so as not to disrupt the service, and interactivity to ensure that the subscriber can interact with the advertiser on the move.

Disruptive entrant
The medium's formative stage leaves it open for a disruptive element to gain significant market traction in the same way as Google captured the Internet search market. While constituents do not view the entrance of a disruptive technology as an immediate concern, it is clear that a definitive advertising delivery platform will be required for the medium to reach its full potential, but the question remains as to whether it be based on current or future technologies.

International Context
The old business adage "think global, act local" fits advertising perfectly. While major companies aspire to establish global brands, the reality is that it is often not possible due to cultural differences.

In Japan, mobile advertisers are keen to go mobile because 55% of users are browsing the mobile Internet. But mobility in other markets and regions is not so high. Will this dynamic lead to a picture that varies by geography?

Conclusion

Constituents from across the mobile advertising value chain recognise that the relationship that subscribers have with their handset(s) is fragile and while mobile advertising potentially reaches the segment of one, over-saturation or the deployment of obtrusive advertisements, may prompt consumer backlash.

All parties agree that mobile advertising must be highly relevant to their target consumers and critically, must demonstrate a clear follow-through action to the consumer. A central tenant to maintaining relevance and demonstrating a clear action is to ensure that the user experience be protected to maintain mobile devices' stature as personal communications devices.

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About SurfKitchen:
SurfKitchen is focused on delivering a mobile data end-user experience superior to alternative browser based solutions. As the market leader in on-device portal applications, SurfKitchen's simple logical menus ensure easy discovery, consumption and repeat usage of mobile data services. Simplifying the end user experience improves subscriber satisfaction, encourages adoption and promotes operator brand identity. SurfKitchen's platform enables subscribers to preview and download digital content services. With regular updates provided over-the-air, operators can ensure the most up-to-date content is available for purchase on a broad range of feature phones and smart phones across Symbian, Microsoft, Java and Brew platforms. The SurfKitchen experience can be tailored according to operator market segmentation, encouraging increased customer loyalty and ultimately reducing churn.

SurfKitchen's solutions have been deployed by major operators across the world including Orange Group, Telefonica Moviles España, Maxis, Telstra, Etisalat and ALJAWAL (Saudi Telecom). This list of high profile customers, combined with SurfKitchen's unique expertise has resulted in SurfKitchen becoming the market leader in On-Device Portal Applications.

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