Mobile Advertising and Marketing

Who will be the real winners in the mobile advertising race? As digital channels transform advertising, the mobile handset is becoming increasingly attractive for individualised marketing.

This report in the VAS Research Series gives first-hand insights into the latest development in advertising and marketing in the mobile space.

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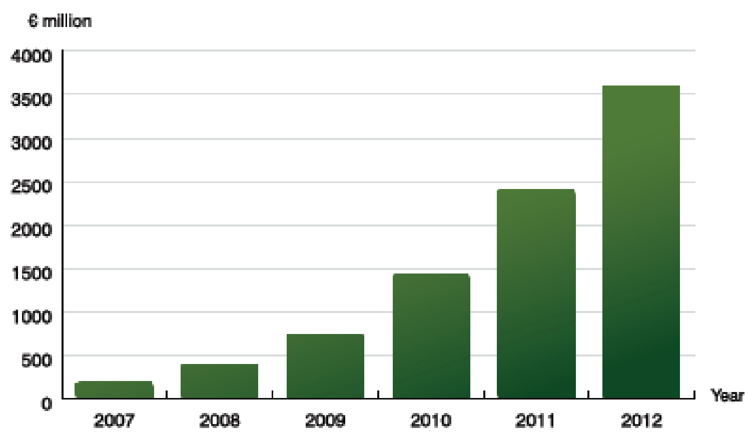

Mobile advertising revenue forecast, € million (Worldwide 2007–2012)

BERG INSIGHT

OVERVIEW

Over time marketing and advertisement activities transform as new digital media streams emerge. The first major digital transition took place when advertisement extended from broadcast media such as television and cinema, also called the first screen, to the PC Internet, referred to as the second screen. In the last couple of years we have seen an expanding transition into the third screen represented by the mobile handset. What distinguishes this new channel from digital predecessors is the ability to influence consumers at the very moment they are ready to take action, thus closing in on the last mile of transaction.

Brands and marketing agencies play a key role in the nascent mobile marketing ecosystem. Their decisions on the distribution of advertisement spending ultimately decide the total monetary value of mobile marketing. Global advertisement expenditure in 2006 was approximately € 303 billion (US$ 435 billion) and global Internet advertisement expenditure reached € 18 billion in 2006. The year-on-year growth rate was reported to be 26 percent in H1-2007. Online media consumptions today accounts for 21 percent of overall media consumption, hence it is not difficult to realize why Internet advertisement is the fastest growing advertisement media.

In the last 12 months there has been an increase in the momentum around mobile advertisement. As the market is starting to move mobile operators are now partnering with mobile advertisement and content stakeholders to build competitive new business models. An important note is also that free content has never wiped out paid-for content in any other media channel and the most probable scenario will probably be a mixture of the two business models in the mobile channel.

SMS is currently the most widely used messaging vehicle for mobile marketing. Overall the worldwide SMS traffic increased with approximately 50 percent to more than 620 billion messages in the first quarter of 2007. However, only a small fraction of messages consists of commercial messaging. Another emerging marketing channel within mobile is the mobile Internet. Historically advertisement has played a critical role in driving the mainstream adoption of PC based Internet services. The service areas that are beginning to take off on the mobile Internet are very similar to the online world and consist of search, communities and web mail services. In addition, more and more mobile operators all over the world have in the past several years introduced location-based services in their service portfolio. Berg Insight believes that the ability to target consumers based on their position will have a significant effect on the way that companies advertise, not just in the mobile medium but it will also impact on their entire advertising strategies and channels. The technologies are already here to enable the offering of such services.

The shift of advertisement expenditure into new digital channels is a very complex process where traditional thinking clash with new, innovative and unexplored advertisement and marketing territory. The mobile marketing ecosystem is very multifarious and far from being mature. Since the mobile advertisement channel is still fairly new there are a number of new ventures entering the market space. The supply side is consolidating with major corporations positioning themselves to take substantial market shares on this emerging marketplace. Still there are formidable barriers – primarily the lack of popular mobile media channels – that threaten to divert marketing expenditure to substitute digital channels.

Berg Insight estimates that mobile channels will account for 0.8 percent of the total digital advertising expenditure worldwide in 2007. By 2012 the share for mobile media is expected to have reached 7.5 percent, while at the same time the digital advertising market more than doubles in size. In monetary terms, the value of all mobile channels combined is forecasted to grow with a compound annual growth rate of 79.8 percent from € 192 million in 2007 to €3,606 million by 2012.

Key Questions Answered

- What changes in the mobile industry and end-user behaviour are required before mobile advertising can become a multi-billion Euro market?

- How are Google, Microsoft, Nokia and Yahoo positioning themselves to become leading mobile advertising networks?

- Who are the remaining independent mobile advertising providers and aggregators following the recent merger and acquisition spree?

- How are the traditional players in the advertising industry approaching the mobile channel?

- What are the initial experiences from mobile marketing campaigns?

- Which advertising formats will become most successful in the mobile environment?

- How is the ad-based revenue model going to impact mobile search, location-based services and social networking communities?

- What long-term effects will the rise of mobile advertising have on the telecom industry?

TABLE OF CONTENTS

ABOUT BERG INSIGHT

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To date they have provided analytical services to hundreds of clients in 50 countries on six continents. Customers range from many of the world's largest mobile operators, IT companies and telecom vendors, to venture capitalists, technology start-ups and specialist consultants.

Present focus areas are wireless M2M, location-based services and mobile VAS.

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