

Advertiser, Forget the PC, Pick Up the Phone

It has been predicted that by 2008 more people around the world will access the Internet by using their mobile phones than by using computers. While this may already be the case in Japan, other countries such as the United States lag far behind. Will the mobile phone really come to dominate the PC, and if it does, what are the implications for advertising?



M I L L W A R D B R O W N ' S P O V

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A recent study conducted by AVENUE A/Razorfish in the United States interviewed Web 2.0 super-users who sought out content that was edgy and personally relevant on video sites, social networks and blogs. In contrast to their intensive use of the computer, these tech-savvy, connected consumers made little use of the capabilities of their mobile phones. Just over half of those interviewed had taken photos with their mobiles and shared them online. The majority, had never used their phones to watch video, listen to music, or check weather, news or sports headlines.

Texting is also less prevalent in the United States than elsewhere. A 2006 survey by the Pew Internet & American Life Project found that just over one-third (35 percent) of U.S. cell phone owners use text messaging. This picture is very different in other countries. In the U.K., a mobile is as likely to be used to text as to call. In Japan, where the mobile phone is THE communication device, e-mail, not SMS, is used for messaging within the country.

Depending on where you sit, mobile advertising seems to have the potential to become either a minor sideshow or the future big top. Which one will it be? To help answer this question, I asked three experts, Melissa Ross, Peter Foster, and Jorge Alagon to review the state of the art in their regions (Asia Pacific, Europe, and Latin America, respectively). Their feedback gives some clues to the future of mobile advertising.

The Asian Experience: Mobile Is Now

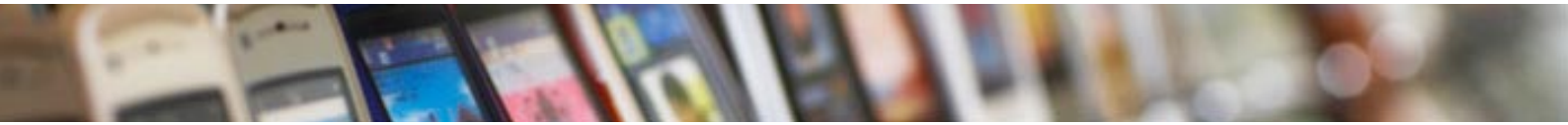
Nowhere apart from Japan is there such an array of mobile phone capabilities: from sonic tones that repel mosquitoes, to iris recognition for security, and increasingly, the ability to watch live TV. *Keitai*, as mobile handsets are known, are sold to parents by virtue of satellite tracking, alarm signals and educational applications for their kids; to teens by virtue of high-end music and video players; and to young adults by virtue of Cameron Diaz and Brad Pitt. Phones here are so far ahead of those in other countries that Apple reportedly won't release the iPhone until 2008 in order to play catch-up with local technology.

Mobile has over 100 percent penetration in the 16 to 54 age group, with as many people accessing the Internet through phones as from PCs. In fact, due to single computer households and limited privacy, teens almost exclusively access and download Internet content through their handsets. The number of 3G users topped 45 million at the end of last year, with the majority of mobile access devoted to infotainment applications, browsing mobile mini-sites and phone-based e-mail (*Cellphone Edge*, 2006).

What may be surprising to those outside Japan is the fact that this technological infrastructure has not yet translated into advertising yen. "Digital" advertising (mobile plus PC) still only accounts for

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about 8 percent of total spend. What is more encouraging is that spending on mobile advertising did increase by over a third last year (*Dentsu, Feb. 2007*). Mini-sites using iMode technology are effortless to load and navigate, and most mobile portals offer advanced services including RSS feeds, blogging and news search. One in three companies in Japan manages permanent iMode sites, with many running associated mobile campaigns (*Nikkei Advertising Research Group, March 2007*).

Teens in Japan almost exclusively access and download Internet content through their handsets

But it is QR (quick response) code technology that propels mobile marketing into a different dimension in countries like Japan and Korea. These codes are everywhere, even on T-shirts, receipts and business cards. Point your *keitai* at a movie poster to receive session times and locations, scan it over a sandwich for detailed nutritional and sourcing information, or direct it toward a picture on the escalator handrail to get promotional vouchers for local hair salons. Most handsets also contain chips that allow them to be used as train tickets or credit cards. QR codes transform traditional platforms such as outdoor, print and packaging into far more effective mechanisms for prompting and tracking consumer response.

Japan's vast neighbor is also starting to recognize the potential represented by the mobile market, with nearly half a billion Chinese subscribers and a

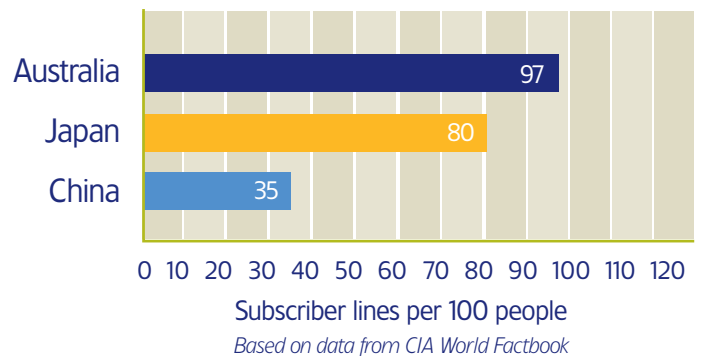


growing "data culture" amongst the younger groups. However, there is little branding focus here, with mobile ad companies (both ad-serving and search) reliant on service providers selling content such as ringtones, graphics and games, and search and barcode software not yet preinstalled into handsets. Spam is another issue, with local advertisers far less reticent than their Western counterparts to push SMS messages and WAP links onto consumers who will quickly tire of this mobile bombardment.

The risk in China is speeding unchecked down the mobile marketing route, alienating both users and advertisers along the way. In Japan it is about easing off the brake, so that conservative marketers aren't left stranded too far behind the fast-moving technology.

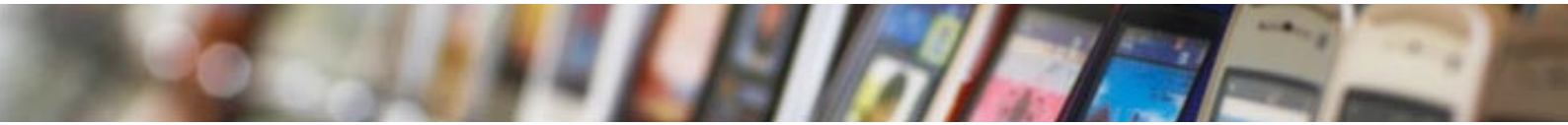
Melissa Ross is Communications Planning Director at MediaCom in Tokyo.

Focus on Asia-Pacific



A European Perspective: The Time Has Come

Until very recently, Europe has been several steps behind Japan in the mobile marketing arena. We now see the gap beginning to narrow, but it is the actions of operators and marketers that will determine how quickly it will actually close. While mobile penetration in western Europe is ubiquitous, with markets such as the U.K. having 100 percent penetration (i.e., more phones than people), the technological capabilities provided by the mobile operators are relatively limited. In Europe only a few advanced handsets come with the capacity to receive location-based marketing. Access to QR technology is similarly limited. Therefore, much of mobile marketing in Europe has been limited to fairly primitive approaches such as "text & win" promotions.



Meanwhile, digital marketing spend has been growing year on year across Europe, outperforming other media channels. In the more digitally advanced northern European markets, such as the U.K., France, Germany and the Netherlands, the digital platform is now a mainstream channel, accounting for between 10 and 12 percent of total advertising spend. However, spend on mobile initiatives only represents a small piece of the digital marketing cake, probably between 2 and 5 percent, and therefore accounts for less than 1 percent of total marketing spend.

Early mobile Internet experience (via WAP) has been plagued with problems of access, speed and cost. However, Forrester estimates that by 2010, 68 percent of U.K. mobile users will subscribe to 3G services, up from around 10 percent currently. As a result, many believe that the time has finally come for marketing via the mobile handset. As phones with Internet capability and 3G are increasingly available in advanced markets such as the U.K., and the cost of mobile Internet browsing falls, mobile operators are beginning to open up their networks to provide new services. For example, the U.K.'s big five mobile networks have just announced the PayForIt system, which turns handsets into digital wallets.

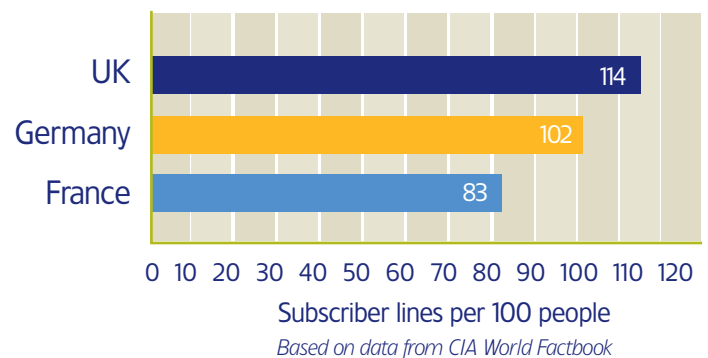
Western Europe's mobile content market, which includes games, music, data and information, is growing at an exponential rate. Its value is predicted to treble from €3.3 billion this year to €9.1 billion by 2010 (Jupiter). Clearly, mobile operators want to benefit from this new revenue stream. Online media owners benefit as well by extending their reach and increasing their ability to deliver multi-platform campaigns. Sky Sports has successfully launched a subscription service for live football on the O2 and Orange networks in the U.K. The ability to broadcast advertising via mobile TV and streaming video is set to be an interesting platform for delivering mobile content beyond news and weather.

Europe, it seems, is poised to follow Asia's example when it comes to adoption of mobile technologies and, with them, the opportunity to communicate

directly with consumers. In fact, given the difference in client and agency culture, we might expect marketers in Europe to be quicker to exploit the opportunity than the Japanese will be.

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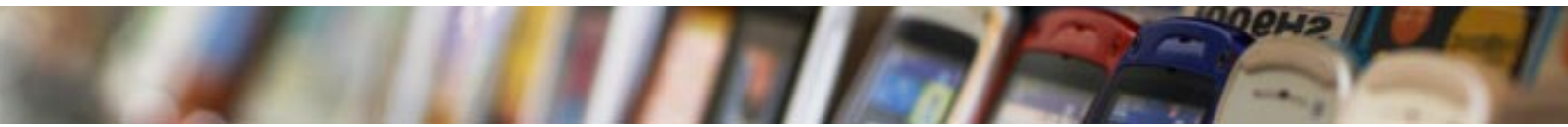
Focus on Europe



The Latin American Outlook: The Future Is in Sight

With its promise of interactive and personalized messages to a mass audience, mobile marketing shows great potential in Latin America, where mobile phones have greater penetration than land lines. In Argentina, Chile and Colombia, more than 75 percent of people have a mobile phone, while in Brazil, Mexico and Panama the penetration has reached the 50 percent mark.

But very few Latin American marketers are actually tapping into mobile marketing's potential. Most activities are SMS-based, such as "text & win" promotions, subscriptions to daily text messages on a relevant topic, or voting poll partnerships with TV shows. Branded SMS advertising is almost nonexistent, confined to reminding users of certain events like department store sales or air-time promotions. By contrast, the content-download business is good and a plethora of vendors advertise their ringtones, pictures and games in traditional media (primarily TV and magazines). Interactive outdoor using Bluetooth has been tried here and there with some promising results.



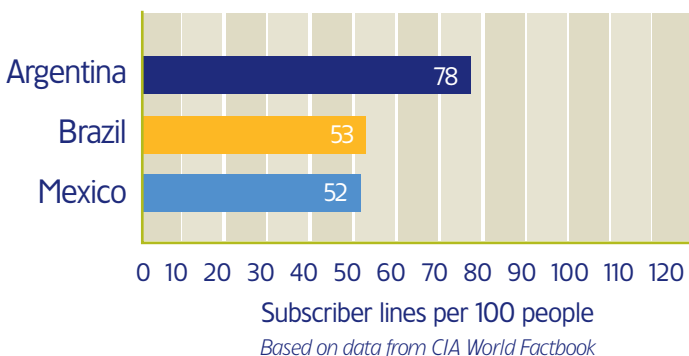
Latin American advertisers, seemingly hesitant to embrace the phone as a “push” medium, have instead worked hard on creating trendy and interesting content items to seduce customers into interacting with their mobiles. Perhaps marketers have been put off by the intense negative reactions to mobile spam, matched only by reactions to online pop-up ads. “I’d hate to receive advertising on MY mobile,” said a 37-year-old male consumer during a recent focus group in Mexico. “It’s a violation of my privacy!”

While a third of Mexico City mobile users dislike the idea of advertising messages on their cellular phones, half of them believe it’s a very good idea to receive advertising messages IF they opt in and receive free air time as a reward. Not surprisingly, there is one company in Mexico offering just that. MoviDirect (www.movidirect.com.mx) partnered with Movistar and since 2006 has offered targeted SMS ads, awarding one minute of air time to the user for each ad viewed.

Even if marketers do find ways to attract consumers to their content, the mobile phone infrastructure remains poorly developed. QR code technology and IC chips are unknown and unavailable to Latin American users. None of the major networks have made public any plans to launch these in the near future. Most mobile networks in the region have yet to migrate to 3G, so broadband access and mobile TV are very limited. GSM is the standard, so web navigation is an expensive and not very pleasant experience. Still, Yahoo! Mobile launched its services in Argentina, Brazil and Mexico last February, hoping to capture the incipient advertising budget.

Jorge Alagon is Vice President of Marketing Sciences and R&D for Millward Brown Mexico.

Focus on Latin America



Looking to the Future

Today technology is changing faster than our ability to keep up with it. It is obvious from these reviews that each region differs dramatically in terms of the mobile technology and content to which people have access. What is implicit is that as people become familiar with a new capability that offers them something relevant, they will adopt it. Around the world, human nature — unlike mobile phone infrastructure — is far more similar than different. The basic needs for information, entertainment and connection are the same. Technology that facilitates these needs will be embraced. Before too long those U.S. Web 2.0 super-users may find themselves picking up the phone instead of opening their laptops.

Are advertisers missing out if they do not have the opportunity to test what the leading-edge mobile technology might offer? I do not believe so. Most content accessed so avidly by home computer users today — online video, social communication, news and entertainment — can easily transfer to the phone given the right technology. In a world where people are increasingly mobile, it seems inevitable that this type of content will follow. Advertisers who learn how to engage consumers online may find themselves well positioned for this mobile future, provided they remember that mobile advertising needs to pull, not push.

To read more about the future of the mobile phone, visit www.mb-blog.com.

