

Mobile Location-Based Services

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Business models for LBS shift to freemium and advertising

Mobile location-based services (LBS) are gradually achieving mainstream market acceptance. Popular service categories include mapping and navigation, search and information, social networking and entertainment, recreation and fitness as well as tracking. Mapping and navigation is the leading segment in terms of revenues and the second largest in terms of number of active users. Despite continued growth of active users driven by rising adoption of smartphones, revenues for mapping and navigation services are only growing slowly as competition from free and low cost services has intensified. White-label navigation developers are now working with mobile operators to create unique localised offerings and attractive service bundles. Some navigation service providers are focusing on freemium apps where the core turn-by-turn navigation service is free and users have the option to purchase additional content and features. Usage of search and information services is growing fast as more subscribers adopt mobile Internet services and handsets with improved capabilities. Local search is now the leading LBS category in terms of unique users. The popular social networking services are also experiencing rapidly growing uptake from mobile users. Increasingly, these services add various forms of location support.

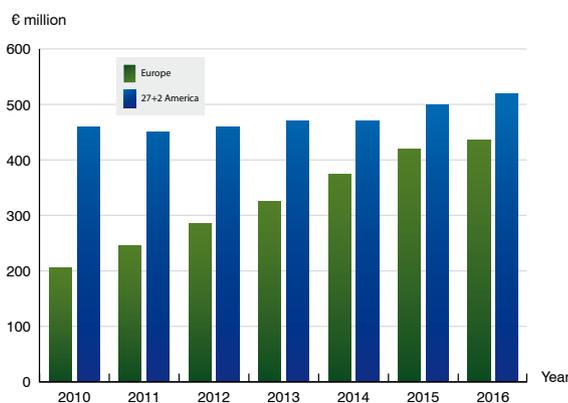
Berg Insight estimates that the number of active users of location-based services and apps more than doubled in 2011. At the end of the year, about 20 percent of mobile subscribers in Europe are frequent users of location-based services. In North America where adoption of smartphones and GPS-enabled handsets is higher, an estimated one third of all handset users now access location-based services regularly. However, the significant growth in usage and number of active LBS users have not yet resulted in substantial growth in revenues. Total LBS service revenues in the EU 27+2 reached € 205 million in 2010 and Berg Insight forecasts LBS revenues to grow to about € 435 million in 2016. In North America, revenues are forecasted to grow from US\$ 620 million in 2010 to an estimated US\$ 710 million in 2016.

Ad-funding is already the main source of revenues in many consumer LBS categories. Notable exceptions include the mapping and navigation as well as tracking service categories where ad revenues now account for less than 10 percent of total revenues. Along with ►

► increasing usage and a maturing advertising ecosystem, ad revenues will grow both in absolute terms and as a share of total revenues also in the mapping and navigation segment. Many actors in the mobile value chain show great interest in location targeted ads. Although location can be a very valuable targeting attribute for some brands and campaigns, many other attributes are available that can be more relevant. Moreover, several issues – such as user privacy and pricing of location data – need to be resolved before location-based ad campaigns can leave the trial stage and contribute significantly to overall revenues.

Historically, mobile operators have been key partners and the main distribution channel for app and service developers. Operators have had a unique position with a direct relationship with a large user base, allowing them to market services, pre-install applications on new handsets, present links to services from their portals and handle end-user billing. This central role is now being challenged by the rising smartphone ecosystems such as Android, iOS and Windows Phone that in many cases integrate key location-based services and give developers access to location data, distribution channels in the form of on-device app stores as well as billing and advertising solutions for monetisation. Developers can also access location data from numerous independent Wi-Fi and cellular base station location database providers. These location services are well suited for a range of consumer-oriented services primarily targeting smartphone users.

Many operators are now opening their location platforms to third party developers and location aggregators that play an important role as intermediaries between mobile operators and developers. Network-based location data is valuable for developers and third parties that need to locate any device, not only GPS-enabled smartphones, without the need to install a client app that collects location data on each device. Most operators' location platforms have a limited capacity and operators therefore maintain relatively high prices for each location look-up. This is a justifiable cost for services where a successful location look-up adds significant value and the developer can charge their customers accordingly. This is the case for a range of enterprise and B2B services including asset tracking, workforce management, authentication and fraud prevention.



Mobile LBS revenue forecast, € million (2010–2016)

This report answers the following questions:

- What is the current status of the European and North American mobile LBS market?
- How are free navigation offerings affecting the market dynamics?
- What are the mobile strategies of search engines and directory publishers?
- How is location technology used by mobile social networks and communities?
- How is GPS-technology altering the conditions for tracking services?
- Which operators have introduced branded location-based services?
- How is location being used to add value in mobile advertising?

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About the Author



André Malm is a senior analyst with a Masters degree from Chalmers University of Technology. He joined Berg Insight in 2006 and his areas of expertise include location-based services, personal navigation services and wireless M2M markets.

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