

Summary

Executive summary

The mobile handset is a unique device in many ways and just the fact that over 3.7 billion active SIM cards are distributed across the globe shows how widespread the technology has become. People use the mobile to make phone calls, send messages and e-mails, browse the Internet, make payments or transfer money, watch videos and listen to music. This creates a wealth of opportunities for marketers to develop advertising and other forms of marketing that target consumers via their mobile handsets.

Yet there are some key challenges that must be overcome before mobile advertising becomes a flourishing industry. One of the major and critical focus points must be to drive consumer usage through new content and services experienced via the mobile channel. Stakeholders must learn from other digital channels but must work against replicating service experiences since mobile as a media contains totally new usage patterns. Capturing the mobile subscriber attention and develop a repetitive behaviour is essential. By placing attention on the consumer experience and developing consumer centric solutions that match consumer needs the mobile as an advertisement channel will succeed. Other supporting factors that will have an impact will be handset capabilities like display quality, battery time, user interface and GPS location.

There is a wide range of channels and formats for mobile advertising. Messaging and banners are the largest in terms of revenues today but it is widely believed that mobile search, communities and social networks and various location-based services will become significant in the future. Other potential channels include mobile applications such as games, idle screen and video advertising. Berg Insight sees a massive potential in the idle screen concept for mobile advertising but also recognises that this form of advertising is still in a very early stage. If the mobile handset can be turned into a commercial billboard when in stand-by mode there would be few other media that could match it for advertising.

The mobile marketing and advertising ecosystem is highly fragmented and complex, which is typical for an immature industry. Many companies try to find their place in the value chain and get a piece of the market. Much of the activities carried out are still on an experimental stage and actors are constantly looking for new business models and services that could generate revenues. Most firms specialized in mobile advertising are relatively small, venture capital funded actors. The advantages small firms have are the flexibility and the ability to in a short time switch strategy, which is particularly beneficial at this stage. The wireless telecom industry players have a key role in the mobile advertising industry. Handset manufacturers have strong consumer brands and the mobile operators have direct relationships to the mobile subscribers. Different operators and handset manufacturers have adopted different strategies to develop the market. Blyk is in the forefront with its ad-funded network, which is being used as a model in the industry. Major mobile operators such as Vodafone and Telefónica have taken various initiatives to deliver adverts to their subscribers. Nokia also has big aspirations to become a leading force in the industry and the Internet industry players Google, Yahoo, Microsoft and AOL have also joined the race.

Berg Insight estimates that the total value of the global mobile marketing and advertising market was € 855 million in 2007. The present economic downturn will restrain the mobile advertising industry as marketing budgets decrease and advertisers put their money on proven channels. Nevertheless Berg Insight believes in a positive market development, primarily in Asia Pacific and ROW. Growing at a compound annual growth rate of 38.7 percent, the market is forecasted to be worth € 6.1 billion in 2013 – corresponding to 10.4 percent of the total digital advertising market. As the digital convergence blurs the differences between devices the definition used for mobile advertising is that it is the digital media exposed on a mobile handset screen.