Mobile Advertising: The Service Provider Revenue Opportunity

EXECUTIVE SUMMARY

As wireless handsets evolve into more sophisticated multimedia devices used for both work and play, advertisers are keen to explore opportunities for brand and product marketing delivered to mobile users. Right now, mobile advertising is still in the very early stages of development, but progress made to date has been impressive: Globally, mobile advertising revenues totaled roughly $1.4 billion in 2007, the vast majority of which came from messaging. Short codes, also known as CSCs, are a major driver, but other formats and approaches, often incorporating multimedia content, are also being explored. Given the purpose-driven nature of mobile usage, we anticipate that highly personalized or location-based search is likely to be an important format for advertisers.

Mobile advertising revenues are expected to grow tenfold over the next five years, with various estimates ranging from $10 billion to $15 billion for 2011. Heavy Reading estimates a more conservative revenue growth for mobile advertising, but it is certainly true that service providers and technology companies are aggressively targeting this space. Similarly, venture capitalists are pouring funding into the mobile advertising sector, and established online giants such as Yahoo! and Google are increasingly becoming involved with mobile services. Yahoo! is showing mobile display ads in 16 countries today, working with leading carriers, while Google has adapted its search technology to be compatible with mobile phones and has launched its own platform for mobile devices, Android.

Mobile Advertising: The Service Provider Revenue Opportunity defines and examines the value chain for mobile advertising and analyzes the potential benefits and challenges for mobile ad market participants, focusing on the key issues relating to mobile network operators. The report evaluates the various mobile advertising formats available today and provides a realistic, analytic perspective on the evolution and growth of this market.

The report also includes an overview of the mobile advertising ecosystem and analyzes the market positioning of key participants in the mobile ad value chain, including advertising agencies, content aggregators, ad networks, search providers, network operators, technology suppliers, and mobile content optimizers.

Mobile Advertising: The Service Provider Revenue Opportunity profiles and analyzes 25 companies that are emerging as significant forces in the mobile advertising ecosystem and analyzes their likely roles in shaping this critical market sector. For a list of companies profiled and analyzed in this report, click here.
Excerpt 1: The Mobile Advertising Value Chain

Note: Companies are classified based on their primary orientation. Various vendors listed offer multiple solutions, and certain products could also fit into additional boxes. Source: Heavy Reading

Mobile advertising offers some significant advantages over other media, but also has some limitations. This means that mobility may be well suited to certain kinds of advertising and marketing objectives, but will generate poor responses in others. Before selecting mobile as an ad medium, advertisers, vendors, and carriers will need to identify the objectives of their ad campaign, the requirements of the creative products and cost, and the responses required.

Excerpt 2: Strengths & Weaknesses of Mobile Advertising

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>LIMITATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aimed at individual, not family</td>
<td>Handset capabilities limit visual impact and features</td>
</tr>
<tr>
<td>Ubiquitous presence</td>
<td>Limited data rates could affect delivery speed,</td>
</tr>
<tr>
<td>Interactive, can directly complete transaction</td>
<td>quality, and impact of ad</td>
</tr>
<tr>
<td>Can leverage other media, such as billboards</td>
<td>Formats/approaches still undetermined</td>
</tr>
<tr>
<td>or TV advertising</td>
<td>Device/technology platforms vary, making it</td>
</tr>
<tr>
<td>Multimedia platform: audio, video, text, games</td>
<td>difficult to reach a mass audience and offer</td>
</tr>
<tr>
<td>All-digital environment enables detailed usage</td>
<td>a consistent user experience</td>
</tr>
<tr>
<td>metrics, personalization, and targeting</td>
<td>Mobile usage very bursty and purpose-driven,</td>
</tr>
<tr>
<td></td>
<td>very low tolerance for advertising</td>
</tr>
</tbody>
</table>

Source: Heavy Reading

With ever-increasing competition in the wireless market, carriers need to explore new revenue-generating services. At the same time, they are confronted by consumers with finite disposable incomes and limited willingness to spend more on communications. Also, given the expanding
universe of digital options for consumers in the communications and entertainment arena, carriers will face real challenges in diverting discretionary income to additional mobile services.

Advertising offers a twofold opportunity for carriers. First, it could create a very significant revenue stream for them, if they can leverage the opportunity. Second, it could help subsidize and even fund the creation and promotion of new data services, helping drive new mobile behaviors from consumers. In time, those services will yield incremental subscriptions and perhaps even lead to pay-per-use services, which could create yet another lucrative market for carriers.

Report Scope & Structure

Mobile Advertising: The Service Provider Revenue Opportunity is structured as follows:

Section I is an introduction to the report, with complete key findings.

Section II provides an overview of the mobile advertising industry, discussing the market status, trajectory, and key issues for the industry overall.

Section III explores and analyzes the mobile advertising value chain, providing a guide to the structure of the industry and the role and capabilities of major players in this space. It also analyzes key vendors in each category, assessing their relative market strengths and weaknesses.

Section IV assesses the opportunity for carriers in the mobile advertising sector and forecasts the mobile advertising revenue opportunity through 2012. It also includes a list of recommendations for service providers looking to succeed in this market.

Mobile Advertising: The Service Provider Revenue Opportunity is essential reading for a wide range of industry participants, including the following:

- **Suppliers of technologies that enable mobile advertising services:** How will the growing interest of wireless network operators in mobile advertising affect your business? Where are the new opportunities for market growth? Are your products and marketing messages in line with network operator plans and expectations? Is your company clearly and correctly aligned in the emerging mobile ad value chain?

- **Mobile network operators:** What is the realistic revenue potential from mobile advertising for your organization? What types of technologies will your company require to maximize that revenue potential? How will ongoing changes in the mobile ecosystem affect your plans and your ability to tap into new revenue streams efficiently and profitably? Which technology suppliers are in the best position to deliver the products you need?

- **Mobile content providers and mobile advertising enablers:** What role will mobile network operators play in the emerging mobile advertising ecosystem? Will network operators be partners or competitors for mobile advertising revenues? Which operators are likely to be most aggressive in trying to tap into the mobile advertising market?

- **Investors:** How will the development of mobile advertising affect the overall advertising ecosystem? Which technologies and companies are emerging as the most likely leaders in this new environment? What role are mobile network operators most likely to play in the mobile advertising business, and how will that role affect other players in this sector?

Mobile Advertising: The Service Provider Revenue Opportunity is published in PDF format.