Mobile Advertising - Challenges and Opportunities for Marketers

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INTRODUCTION

The rapid increase in the usage of mobile phones and other mobile devices by Indian consumers has created a new channel for marketing. In India there are over 850 million mobile subscribers and the number is rapidly increasing day by day. This has paved the way for many companies of goods and services in the country to do their sales promotions through the mobile phone platform. Mobile advertising is facing several challenges with regard to the interest of the mobile users.

With the potential intimacy and rich context offered by mobile, however the true potential lies in the acknowledgement that mobile is a unique channel on to itself and a significant opportunity exists in advertising. With the number of mobile phones exceeding 6 billion globally, and smart phones taking a majority share, mobile is the most ubiquitous digital medium.

Mobile advertising is a rapidly growing sector providing brands, agencies and marketers the opportunity to connect with consumers beyond traditional and digital media directly on their mobile phones. Today, mobile phones can be utilized for much more than just making and receiving calls. Besides voice services, mobile users have access to data services such Short Message Service (SMS),also known as text messaging, picture messaging, content downloads and the Mobile Web. These media channels carry both content and advertising. The mobile phone is an extremely personal device. One mobile phone typically has one unique user. This makes the mobile phone a precisely targeted communication channel, where users are highly engaged with content. As a result, the mobile channel delivers excellent campaign effectiveness and response levels compared to other media. Mobile offers a number of new opportunities to marketers to engage directly.

CHARACTERISTICS OF THIS MEDIUM

The following Characteristics of this medium can be summarized as follows:

Reach: As the penetration is expanding rapidly, this medium provides instant reach. In India there are 300 million mobile subscribers by 2008 and growing substantially. Particularly rural areas where internet penetration has not occurred, mobile phones have made inroads.

Immediacy: With possibility of building interactive features in mobile advertising, it may prompt a mobile user to act immediately. As a result it provides a chance to convert the message into transactions very fast.

Mobility and ubiquity: Mobile is carried everywhere hence it provides unmatched mobility and access.

Interactivity: New generation of mobile phones have interactive capabilities which enable mobile advertising to build in such features for mobile user involvement. It facilitates unobstructive two way communications.

Intimate and personal: It is possible for a marketer to send personal, relevant and useful messages. It is very effective for promotional activities like sending m-coupons or special discounts. Real time trigger such as billing trigger, voice application trigger, location service trigger can be used through SMS alerts.

Multiple touch points: As newer generation of mobile phones and such similar devices offer multiple mobile delivery channels like web browsing, audio /video streaming, live audio/ video and download, messaging, voice etc. Multiple touch points can be used to reinforce message and lead a user from awareness to action stage relatively quicker than traditional medium like advertising.

Targeting: a marketer can undertake precision marketing or precise targeting by analyzing mobile user profiles through vast storehouse of knowledge.

TYPES OF MOBILE ADS

Mobile advertising received on mobile handsets are of the following types:

• Mobile web banner

- Mobile web poster

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- SMS (short messaging services)advertising
- MMS (multimedia messaging services) advertising
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- Advertising within mobile games and mobile videos
- During mobile TV receipt
- Full screen interstices which appear while a requested item of mobile content or mobile web page is loading up
- Audio advertisements that can take the form of a jingle before a voicemail recording

RESEARCH DESIGN

The study is descriptive and analytical and it considers the views of mobiles users and finally the secondary data was obtained through articles, journals, periodicals and manual of telecomm regulatory authority of India and websites.

LITERATURE REVIEW

A study done by Heinonen & Strandvik (2007) showed that mobile channels are perceived to be more personal than traditional and e mail channels. This creates high expectations for the relevance of marketing communication messages. A consumer expects messages to be personal and of high interest and this makes the disappointment greater when they get undesired messages. Mobile advertising may even step over the line of discretion and invade consumers' privacy because of the personal nature of the mobile device. Li et al (2002) discusses how negative reactions like irritation arise through intrusion advertising. The channel influences consumer responsiveness to marketing communication by being perceived as either disturbing or acceptable (Abernethy 1991). If the consumer considers marketing communication via a channel as disturbing it may negatively affect the attention to and perception of the message. In contrast, the channel may also enhance the acceptance of the marketing communication if it is perceived as appropriate for the specific marketing communication. Also, some consumers may perceive the channels as neutral, i.e. it is neither disturbing nor accepted.

Despite substantial marketing potential, research on mobile advertising and particularly through its most successful application, short message service (SMS) is still embryonic. In a comprehensive survey concerning consumers' experiences of direct marketing channels in Finland it was found that consumers perceived direct marketing channels differently compared to each other. (Finnish Direct Marketing Association, 2002) The experiences of mail order, Internet and email experiences were more positive compared to other direct market channels such as telemarketing and door-to-door sales. 80 % of the respondents had positive experiences of mail order, 77% had positive experiences of Internet and email as marketing channels and the corresponding number for SMS and WAP was 65%. For telemarketing and door-to-door sales the number of positive consumers was down to 30% and 25% respectively. Concerning satisfaction with information received, there seemed to be differences between the channels. The study also indicated that consumers have considerable less experience of SMS messages compared to mail order, Internet and email.

The most influential model for comparing media is probably the ARF (Advertising Research Foundation) model first published in 1961 (Harvey 1997). This model was created as a response to the need in the advertising industry to compare different advertising media (Harvey 1997). The model contains six stages or hierarchical levels of advertising effects. The original model contained the following levels; vehicle distribution, vehicle exposure, advertising exposure, advertising perception, advertising communication and sales. The first two levels indicate measures of potential spread of the media among consumers and have been the most used factors in the marketing communication industry. Advertising exposure refers to the number of consumers exposed not to the media as such but to the particular commercial or ad. The fourth level, advertising perception is the first level to include a consumer reaction, i.e. the number of consumers noticing the advertising. The next level,

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advertising communication, could measure how many consumers in fact receive something of the content besides only noticing the communication. These two levels have been the least studied and understood in the advertising industry, which has focused on the two first levels and the last, sales that are easier to measure. As the model is considered to be a hierarchical model there is something of a black box in the knowledge of consumer response, which is one of the objectives of the current study. The direct marketer may record a pull or response rate in sales of, for example, 2 % compared to response rate of 8 % in marketing campaign but have no information about the reason for the difference. The problem is accentuated on one hand when new media have evolved and on the other hand when customer relationships have come into focus instead of only campaign sales. Harvey (1997) argues that the advertising communication level needs more attention. In this model responsiveness would relate to the levels advertising perception and advertising communication, which have been the least studied aspects. In a new edition of the model the Advertising Research Foundation (ARF) included new digital media and created eight hierarchical levels of media performance; vehicle distribution, vehicle exposure, advertising exposure, advertising attentiveness, advertising communication, advertising persuasion, advertising response and sales response (Informed 2001). The three first are essentially retained from the original model as well as the last level. In this model our responsiveness framework links to advertising attentiveness, communication and persuasion.

According to the descriptions of the new model (Informed 2001) advertising attentiveness is considered to be a measure of the degree to which those exposed to the advertising are focused on it. Advertising communication refers to information retained by the consumer after exposure to the message. Advertising persuasion measures shift in attitudes and/or intentions produced by the communication and advertising response is other consumer response than purchasing. This would for example, include click-through, lead generation, mail response and coupon redemption.

Our responsiveness conceptualization closely relates to the attentiveness level but carries over to the communication and persuasion levels in the sense that we assume that they are closely related. As a consequence the study attempts to examine the relationship between marketing/ advertising efforts (through mobiles) and the consumers' responsiveness in terms of impact on their purchase decisions.

New media in the digital economy have created potentially powerful tools for direct and interactive marketing. Traditional marketing communication strategies have been based on the interruption logic (Godin 1999) where the consumer is forced to momentarily pay attention. Permission marketing was introduced as a new managerial approach in marketing communication. It has been argued that firms benefit from getting consumers' permission to be contacted (Marinova, Murphy and Massey 2002). Permission from the consumer would resolve the difficulties to get access to the consumer. Permission is, however, not necessarily a guarantee that the consumer pays attention; it is only a door opener and gives an indication of the consumer's potential interest areas.

We believe that by using the information retrieval and filtering capabilities of mobile agents and location information about the user, there exists a good opportunity for value-added services to be provided to the end-users. This also brings about a new way for cellular phone service providers to achieve competitive advantage by competing not only on the basis of price and packaging, but also on the basis of the set of value-added services that they provide to their clients. In order to overcome the input/output limitations brought about by mobile devices, the system should be free of user's intervention. To that end, we propose to use mobile agents for provisioning context-aware advertisements to mobile users. Schilit and Theimer first introduced the concept of context-awareness in the project Active Map in which they took advantage of the location concept to define the context as people, object, and the changes that occur to them. Dey and Abowd stated that a system is context-aware if it uses context to provide relevant information and/or services to the user, where relevancy depends on user's task.

Krishnamurthy (2001) also proposes a conceptual framework for managing online advertising using the permission marketing approach. Permission marketing requires the consumer to participate in the programme by giving the permission and the information for continuing the relationship. The interest in this participation arises from the balance of benefits (message relevance and monetary benefits) and costs (personal information, message processing costs, privacy costs) for consumers.

One of the main challenges and opportunities for mobile advertising companies is to understand and respect the personal nature of the usage of mobile phones (Barwise & Strong 2002; Heinonen & Strandvik 2003; Barnes & Scornavacca 2004; Jelassi & Enders 2004). The key is to use interactive wireless media to provide customers with time and location sensitive, personalized information that promotes goods, services and ideas, thereby generating value for all stakeholders (Dickinger et al. 2004). The mobile advertising relevance can be influenced by the contextualization (Kenny and Marshall, 2000; Yuan & Tsao 2003) of advertising messages. Barwise & Strong (2002) take up the flexibility, and time-based nature but also the fact that the small screens restrict the length of the message.

Barnes (2002) stresses the interactive nature of mobile advertising and the ability to use contextual information to target the messages to individual receivers, in other words to personalize the message. Location-aware advertising messages are creating five to ten times higher click-through rates compared to traditional internet advertising messages (Ververidis & Polyzos 2002).

OPPORTUNITIES & CHALLENGES

Significant business opportunities await those pioneers who launch early mobile marketing endeavors. The platform is new and exciting, consumers are increasingly making use of mobile interactivity, and strong growth in adoption will continue for the next several years. At the same time, advertisers on mobile devices must be cognizant of the newness of the platform, which presents a number of both technical and market challenges. Considering both the opportunities and the challenges in advance of launching a mobile campaign will be critical to ensuring that the effort achieves its goals.

Opportunities

The key opportunities around mobile advertising into three broad categories: driving response and brand relationships; delivering more personally and locationally relevant messages; and timing efforts to gain early experience in a dynamic and growing market.

Drive Response and Brand Relationships

Mobile campaigns typically see strong consumer response and click-through rates. This is sometimes attributed to the novelty effect of an interested early adopter user base, and a platform still in its early days. However, strong response rates are also driven by a relative absence of clutter on mobile screens; relatively few ads presented make the ones that are more likely to attract attention.

Deliver More Personally and Locationally Targeted Messages

Mobile interactivity is more than simply the PC-based Internet on smaller screens. Beyond TVs or even PCs, mobile handsets are highly personal devices, and mobile media will be highly personal as well. Delivering relevant, desired, valuable information on mobile devices has the potential to move consumer relationships with brands to a new and very deep level. Adding the location component further increases potential relevance, as mobile interactivity creates unique opportunities to reach people at home and away, enables new ties between advertising and geography,and potentially activates other marketing campaigns, whether online, on TV, or in the real world.

Gain Early Experience in a Rapidly Expanding Market

The third compelling reason to launch a mobile advertising initiative early lies in the invaluable learning and experience to be gained from the effort. Advertisers that launch early mobile campaigns build knowledge bases that will stay relevant as adoption and opportunities grow. They stand to gain an understanding of how the mobile platform, and mobile users, compare to their counterparts on the PC-based Web. Finally, mobile campaigns today create opportunities to develop ongoing relationships with both mobile content publishers and with mobile media consumers, again positioning advertisers strategically as the market evolves.

CHALLENGES

Balanced against the opportunities, marketers must also take into account key technical and market challenges that mobile advertising faces today.

Technical challenges

One set of technical challenges facing mobile pioneers relate to fragmentation of various sorts. The mobile audience is fragmented across multiple platforms, with multiple sellers, multiple carrier networks, multiple devices, and multiple business models, all of which hinder consistency of execution. In such a highly fragmented landscape, identification of a user, user session, browser, or device can pose a significant problem, hindering the ability to deliver the right ad to the right user at

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the right time. Fortunately, solutions are emerging. Mobile ad platforms that can handle the heavy lifting are becoming better established, and working with them or with publishers directly can help abstract from the complexities of the platform and reduce challenges.

A second set of key technical challenges in the mobile world revolve around measurement. For example, the state of mobile platforms makes it difficult to:

• Measure unique users against lots of polluting traffic (bots, spyders, etc.);

• Track international traffic vs. US traffic;

• Measure advertising impressions in intermittently-connected content like games or downloaded audio.

Here, too, solutions are being developed by vendors that will supply the data advertisers and agencies require to judge campaign success. Understanding available metrics from clients or potentially third parties is a key piece of homework advertisers should do when researching mobile opportunities.

Market challenges

The two key market challenges that early advertisers face relate to the supply side of the business and the need to proceed prudently where targeting and the use of consumer data is concerned. Fundamentally, supply constraints result from today's combination of a relatively finite universe of mobile media, and a still-small audience for much of that content. Time will help ameliorate both of those constraints, but it is incumbent that all players in the value chain both support and encourage carriers in their efforts to increase the popularity of mobile data. The industry can best accelerate its growth by driving new user demand for mobile content, rather than just filling existing demand from current mobile data users The second key market challenge relates to the need to balance the high targeting potential of mobile against consumers' comfort level with such targeting. Advertisers and publishers alike should be respectful of consumer privacy, and should continue to support industry efforts around self-regulation, such as the Interactive Advertising Bureau's guidelines on privacy, released in February of 2008. This extends beyond mobile display to other kinds of mobile advertising as well; consumers will repay marketers who respect their sense of privacy with regard to messaging on these highly personal devices. Targeting faces a challenge of scaling as well: although carriers can provide demographic data, such information is not standardized across carriers, nor is it available to advertisers buying outside of carrier networks.

The greatest certainty about the world of mobile media is that new business models and technology innovations will continue to change the landscape. Some things about the evolution of the market over the next five years are virtually certain, and should encourage marketers and agencies to proceed with mobile initiatives: mobile media is not going away, and opportunities to tap into mobile devices for communicating with prospects and customers will only increase.

Evolutionary steps marketers may expect to see in the near future include:

• Faster Data Connections. As "3G" data networks gain ubiquity, and carriers begin mulling a "4G" future, a major current hurdle to data usage will go away. Already, 3G users are bigger consumers of mobile data than consumers on slower mobile data connections.

• Improved Devices. Higher resolutions will compensate for conveniently small screens, and battery life will continue to improve. Faster processors will improve performance over and above network speed improvements. User interfaces will continue to become more flexible. As the chart above shows, comScore M:Metrics has found iPhone users far outpace other SmartPhone users in data consumption; as better devices proliferate, usage will increase more broadly.

• Improved Embedded Software. Handset makers will also begin including better software embedded in devices that will make their capabilities more user friendly and useful, helping further drive adoption.

• More Content, More Discoverability. In tandem with the continued increase in available content on mobile devices, expect to see enhanced discoverability, driven particularly be improvements in mobile search. This increases the availability of mobile content, and also ensures that mobile consumers can find the content they want. Ad Standards Greater standardization of mobile ad formats and campaign measurements will reduce advertiser and agency costs.

• Better Targeting Capabilities. The evolution of the mobile ad market will help ensure better targeting capabilities are offered to advertisers. Publishers and ad networks will make use of things

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like SMS surveys to learn more about their audiences, and deliver more customized, relevant content and advertising to them.

• Discounted or Ad-Subsidized Services. Carriers will likely begin offering applications and perhaps even voice minutes at a reduced rate due to being ad supported. Virgin Mobile's Sugar Mama is an example of such subsidies in the US.

• Flat-Rate Data Services. All-you-can-eat usage plans were vital to driving the first explosion of PC based Internet adoption; as mobile operators in the US move from per-minute or per-bit pricing to flat-rates, look for strong increases in data use per customer—and consequently greater willingness to respond to marketing messages.

• Better Location Capabilities. Improving access to and use of location data remains a key unfulfilled promise of mobile media. As the comfort level with location based services slowly increases, it paves the way for further enhancements in mobile media's ability to relate and be relevant to a consumer's surroundings.

Several other possible developments of the mobile landscape are somewhat less certain, but may represent lucrative opportunities for some kinds of marketers as well. The "wild card" category over the next five years includes:

• HTML Browsers. Widespread availability of HTML browsers on mobile devices would enable consumers to access a much wider array of Web content. It would greatly reduce the need to create separate sites specifically for mobile devices.

• Rich Media Standards. Adobe offers a stripped down version of Flash (called "Flash Mobile") that could potentially facilitate development of rich applications on handsets. If Flash Mobile or some other rich app environment grows more ubiquitous on handsets, it would simplify mobile content development.

• Advanced User Interfaces. In addition to Apple's touch screen, other advanced UIs may emerge that facilitate interactivity. Possibilities include voice interfaces; gestures (e.g., pointing the device like a Wii remote); image processing; and barcode or QR code reading via camera—offered by vendors such as Scanbuy.

• Highly Localized Communication. Deployment of local data networks, which would use Wi-Fi, or Bluetooth, or possibly WiMAX, create an alternate means to deliver wireless content to nearby devices.

This report has highlighted the state of the mobile display opportunity today, and discussed some of the likely changes that will improve that opportunity over the next several years. Marketers launching mobile campaigns today are entering a world of wide-open possibilities, albeit one where success metrics and creative standards remain in their infancy.

This report has drawn many parallels between mobile display advertising today and the early days of advertising on the PC-based Web. Experience with Web display advertising provides a good foundation for understanding mobile display. As with the nascent Web, marketing via mobile today offers a chance to gain invaluable experience and get a leg up on competitors as mobile media continues to flourish.

RECOMMENDATIONS AND CONCLUSION

Marketers must pursue a multi-pronged approach today to build the competencies necessary to leverage mobile to achieve marketing objectives - especially those marketers who self-identify as newbies or who have limited experience. They must develop a tactical plan to bridge the gap. Mobile marketers positioning themselves for future success will:

• *Understand consumer behavior across screens:* Consumers are ingesting media across a growing number of screens — from portable devices such as mobile phones, eReaders, and tablets to TV screens, which will become interactive. Marketers must consider not only how consumers use these devices differently but also how they use them in parallel. Only 54% of marketing executives surveyed were leveraging data from multiple screens to build customer profiles.

• *Embrace mobile as a unique, full funnel medium:* The intimacy and contextual relevance offered by mobile devices gives marketers the ability to "get to know" or build profiles of individual customers. There is a cost associated with the opportunity. First, marketers must create holistic profiles that go beyond mobile device usage. Second, marketers must devise good reasons to engage with customers frequently.

• *Develop both strategic and tactical plans to utilize context:* The use of context is basic among advertisers today; other than information directly provided by consumers, context is primarily limited to location. Few marketers are thinking ahead to new contextual elements or how to use context to offer utility and simplicity - not just highly targeted advertising.

• *Build competencies either in-house or through strategic partners:* There's a broad range of strategic and technology competencies that marketers must build or have access to through strategic partners. Too few marketers are looking to build in-house competencies to support strategy and services development.

• *Create new business rules based on real-time data:* Vendors have touted the ability to engage with consumers in exactly their moment of need. In reality, few consumer-facing companies have the ability to act on the information that they already have — let alone information collected in real time, such as a check-in or an in-store barcode scan.

• *Work with product teams to extend the reach of marketing beyond purchase:* The definition of marketing is expanding to encompass the entire consumer journey. Mobile opens up the opportunity both to launch entirely new products and services as well as to enhance existing services, products, and consumer touch points in the channels.

• *Work closely with internal technology teams:* Future mobile services will depend heavily on infrastructure and services. Marketing professionals will need not only customer profiles but also real-time access to data in reservation systems, accounts, loyalty programs, schedules (e.g. for buses or planes), pricing, product catalogs, etc.

Long lead times are associated with building these capabilities. Marketing professionals will need multi-year services road maps and a close working relationship with their IT counterparts to capitalize on mobile opportunities in a few years' time and with nearly 300 million mobile phones, there lays a great opportunity for marketers to explore the field. Thus all the stakeholders of the industry should work towards making mobile phones a viable medium for advertisement spends in the country.

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