

Mobile Advertising - 2020 Vision

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Who is the target audience for this paper?

1. Operators embarking on a mobile advertising strategy
2. Brands/Advertisers wanting to engage more effectively with their consumers
3. Industry players who can help shape the future of mobile advertising

Acision
Innovation Assured

Acision is a member of the Mobile Marketing Association and provides communication solutions to over 300 network operators and service providers globally, with technical expertise in messaging and real-time data extraction.

OgilvyOne
worldwide

OgilvyOne is a global leader in interactive marketing, and has 115 offices in 56 countries. OgilvyOne is a subsidiary of WPP, one of the world's largest communications services groups. OgilvyOne is a top 5 interactive agency based on aggregated revenue and has 150 digital specialist companies.

Introduction

Is it thought leadership or merely wishful thinking to be writing about what mobile advertising will have become in 2020? Currently mobile advertising is an embryonic market and the industry has just embarked on defining industry standards, developing business models and providing limited information about the consumers to ensure a targeted user experience which delivers value¹. The road to 2020 is fraught with unknown hazards and challenges but the potential of mobile advertising remains clear. The alliance between Acision and OgilvyOne, which combines the global leaders in mobile messaging and interactive marketing, believes that capturing and sharing this vision will act as a catalyst towards the evolution of mobile advertising.

Predicting the future is not an exact science. Who would have forecasted that VHS would be the market winner in the battle of home video recording in the 1970s? Betamax was reputedly a much better technology. But it was the whole product offering from VHS which was more convincing – there was a bigger choice of hardware at a lower cost, the tapes themselves were cheaper and more widely available and as such there were more movies to rent. Ultimately the consumers, or individuals, made the decision. The VHS example highlights the need for an efficient technology solution supporting a complete ecosystem, a clear value proposition for individuals and the need to continually evolve the system. The same will be true for mobile advertising.

The journey towards 2020 is one which is characterized by transformation. The three main areas affected are:

1. The advertising agency will transform from one which is industry led, namely by the brands, to one where the individual is brought more into the communication process.
2. The consumers will evolve from those having advertisements pushed to them, to being able to select what information is allowed to reach them.
3. Different types of mobile operator will be formed. Operators will no longer be the linking pin we know now who are able to provide all the infrastructure, services and want to control the end user experience, competing with each other. There will be operators who decide to specialize purely in the infrastructure and will provide this capability to those who have decided to focus solely on the services.

Mobile advertising in 2020 will be mobile directed advertising. It is about collaboration and individual control. The mobile device will enable the individuals to decide where, when and on what screen they would like to receive their chosen advertisement. Advertising will move away from creating campaigns which are forced upon particular consumer categories and instead will transform to engage in constant conversations, where both parties participate.

¹ More information can be found in the Acision whitepaper located on our website:
“Only the mobile operator can transform mobile advertising beyond its current nascent state.”

What is the futuristic landscape and why is mobile advertising in 2020 much more than targeting billions of pre-qualified consumers?

Mobile advertising in 2020

Mobile advertising in 2020 will be mobile directed advertising which is selected and chosen by the individuals themselves. Individuals and not consumers; consumers remain a group or type of person which conforms to a pre-defined segment by the brands. Individuals, on the other hand, are fully independent, they may let you know them or part of them but they will never let a brand own them. It is the individual who will be the pivotal player in the mobile advertising domain of the future and the mobile device will be a technological representation of them. The mobile phone will transform from being seen as a new personalized channel to receive advertisements on; to a device which will orchestrate where, when and how selected advertiser's information will be delivered.

The mobile device will evolve into a data conductor. What was pure fiction in the film *Minority Report* where electronic billboards are personalised as an individual is in close proximity to them may well be possible by using the technology contained within your mobile device. Near Field Communication² (NFC) allows a rudimentary interpretation of this already and as we progress to 2020 this will become more advanced.



Instead of the billboard changing as an individual walks past, a personalised, relevant advertisement will be sent directly to their mobile device. The car will have different meanings depending on the individual's preferences – for one it could mean purchase, another it could be rental or finally it may mean accessorise.

The time when humans become the ultimate mobile device through integrated chip technology in the body is hopefully a long way off yet.

However, what will change in 2020 is that it will no longer be the advertisers and media agencies deciding which consumer segment to target via which channels based on their demographic and usage profiles. Instead we will see individuals identifying brands which match their own needs or interests and granting them permission to reach them. In many ways, each individual creates their own digital cog which powers the selection of brand information. It will be much more than advertisements which, if they match the digital cog, can be received.

² Near Field Communication or NFC, is a short-range high frequency wireless communication technology which enables the exchange of data between devices.

Successful brands in 2020 will be those which collaborate with individuals, include them in communities and rating of their products or services. Converting advertisements into purchases will be driven more by peer advocacy than the power of an advertising campaign. How have my immediate friends and family rated this? Or in a broader context how does my wider online community rate this? Building communities and interaction will be the underlying attributes of this transformation from merely campaigns to a constant conversation. It is worth noting that advertisers in this context are more than today's global brand names. They can be small, medium enterprises or even individuals themselves through community based peer advertising: the e-Bay of the future.



Technology developments will enable day to day objects to become hyper-connected. The interactive table in the bar will provide local advertising for taxi companies, offer integrated mobile payment mechanisms and individual promotions.

What does it mean for the key stakeholders and what characteristics will become apparent?

Advertisers and Media Agencies

From a mobile advertising point of view, brands/advertisers are yet to come to the party. Within their budget for advertising there is no separate line item for mobile. It is dependent on the individual advertiser (or their media agency) as to whether they are innovative and daring enough to utilise some of the online internet budget and divert that to mobile advertising.

According to Informa Telecoms & Media, Proctor & Gamble, the world's largest advertiser, believed to be spending around USD 6 billion on advertising in 2008, has a meagre USD 10 million allocated for mobile advertising. That is only 0.17% of its overall advertising budget.

Metrics and Measurement

Hesitation by advertisers to fully participate in mobile advertising is in part due to the lack of measurement and metrics to prove the effectiveness of a campaign. For mobile advertising to deliver on its promise, it is essential that advertisers can be provided with reassurance of real measurement metrics; not only as to the relevancy of pre-qualification for the consumer target audience but also as to the effectiveness of the campaign itself. In the advertising world the required metrics revolve around reach, frequency, relevancy and ROI.

Work is underway by the GSMA and other organisations to establish industry agreed metrics for the mobile channel. Additionally it is important that the mobile metrics can be easily included into the advertisers' dashboard as to how that channel performs in comparison to other more traditional ones which they are used to. Having separate reports and information will only compound mobile's segregation.

With the establishment of industry agreed metrics, the next development along the way to 2020 will be that Reach will be overtaken in terms of Value for advertising measurement. Currently the number of people or Reach achieved by a campaign is one of the key success criteria. In time this will change to the Value of the advertisement. This Value could be the ratio of converted purchases or the like.



Interaction between the devices (TV and mobile, for instance) can increase the purchase conversion rate.

Preferences

In order to achieve this transition from Reach to Value it is essential that more is known about the audience. Here we will see a greater reliance on preferences. Profiles will be garnered through a wider dialogue with the end users. Although some information can be gathered from the operator's network and existing knowledge databases this needs to be supplemented. Information about someone's preferences and desires provides a window into their purchasing behaviour.

Although someone may like cars it may well be only a particular brand of car. Knowing this information is critical. These links between individuals and their preferred brands can be called vaporframes³. They are the invisible links that connect the brands we live with together. With vaporframes it becomes really clear where one's dependencies and loyalties lie.

Facilitated advertising

The greater the understanding about individual's preferences and way of life will translate into a deeper relationship between the brands and the individual. Facilitated advertising is breaking down the barriers between the brands and the individuals who will purchase and

³ The concept of a vaporframe is defined in "The Communication Ideal" which is available to download: <http://www.everysingleoneofus.com/communication-ideal>

use the products/services. Some brands are already making this step through the creation of communities. Nike, for instance, encourages this interaction and will benefit from the closer relationship giving it an edge going forward with its product evolution and advertising.

The Advertising Agency

The advertising agency has always added the greatest value when it offers deep insight into the composition, needs and motivation of a specific target audience.

As audiences have fragmented, the channels to reach them have multiplied, and digital technology has increased potential to gather ever-deeper levels of individual data. As well as offering the means to measure the effectiveness of communication efforts as never before.

For agencies this new era means dramatic change. Ideas become more important than specific media channels, and need to be capable of flourishing in many different media contexts. Pushing messages out to unwilling consumers is replaced with producing ideas and content that individuals will seek out and incorporate into their own world. Agencies need to be constantly on the look out for new ways for the brands they represent to be relevant and helpful to their target customers. The primary responsibility of the agency is to articulate a big idea or even better a big idea^{L™4} that a brand can stand for and to use this common ground with individuals to build a trusted relationship.

Collaborative advertising

True collaborative advertising can now flourish. The barriers between the brands and the individuals who use their product/services in their day-to-day lives have now been blurred. Brands will be shaped by the intrinsic needs of the individuals instead of merely testing or sampling their ideas on a focus group. Here the individuals lead the way.

The reason behind the drive towards this is that when people are part of the commercial conversation, the effectiveness is undeniably greater. This is a radical step but one which will happen gradually over time. Advertisers which currently focus their brand perception and how to market it will be naturally worried about what may happen to their brand by allowing this open collaboration to take place. However, in terms of brand perception in the market place, understanding advocacy amongst peers and user experience enhancement opportunities would appear to considerably benefit from this collaborative type of approach.

Consumers

It is broad consumer segments which epitomise mobile advertising today. The foundation for mobile advertising is that it should be targeted and relevant. After-all the advertisements are being received on the end user's most personal of devices. The ubiquitous nature of mobile phones, which are always with us and normally always turned on, offers the promise of being able to send targeted advertisements based on behavioural preferences, usage patterns and location, wherever we are and at any time of the day.

Currently this promise is not being met. The information needed to be able to provide this level of targeting is fragmented. In many ways mobile advertising today is semi-targeted. That

Successful advertisers will be those who build a big idea^{L™} that a brand can stand for and use to build a trusted relationship with individuals through engagement and collaboration.

⁴ Ogilvy's philosophy of the big idea^{L™} is where all brand communications are part of an overarching aspirational thought. This provides consistency in positioning and tone while allowing maximum creative freedom for the individual disciplines that express the brand. Big Ideals are platforms for big ideas.

is to say that there is a level of information being gathered be it from behavioural patterns or supplemented through interaction.

Global Opt-in

The evolution of preference management will resolve this over time. An accelerator of this will be the nature of mobile advertising. Currently this varies across the world. Some countries require individuals to opt-in to receive mobile advertising and others have the opposite view that unless people opt-out advertisements will be sent. Our prediction is that the opt-in model will prevail globally.

It is through the agreement to receive advertisements that the supplementary information needed to make the advertisements more relevant and targeted can be achieved. The opt-in scheme provides individuals with more possibility to control their mobile advertising experience.

Peer Advocacy

There will be a greater involvement between advertisers and consumers. One manifestation of this, which will be led very much by individuals, is that of peer advocacy. This is something which has been driven by the social networking sites.

There is nothing more powerful in advertising terms as personal recommendation. One can recommend to another that something should be used, engaged with or bought as easily as recommending that should be avoided. This concept is already gaining momentum in the online world, for instance, most people will check Trip Advisor before booking into an unknown hotel to see what other people have said about the establishment. This is very powerful, even comments from a total stranger can affect your decision.

Peer advocacy in the future will develop to include monetizing these recommendations. It will progress beyond good citizenship to share recommendations or cautionary notes into a mechanism which is rated. The influencers will be incentivised through financial rewards, for example, where they have clearly contributed towards a converted purchase.

Going forward, people's buying behaviour will be driven not only by the effectiveness of the advertisement but by the peer advocacy surrounding that particular item or brand.

Brands targeted

The transformation from brand led advertising will be driven by individuals selecting what brand information is allowed to reach them.

Each individual will have a digital cog which matches the needs of the individual to their brand affiliation in their vaporframe. This digital cog is essentially the mechanism which controls which advertisements are received by an individual. In some ways this is advancement on inventory management but from the individuals' perspective. The ease to which this digital cog can be re-adjusted ensures that the brands being targeted have a higher propensity to match the ever changing needs of the individual.

It is this pulling of specific marketing material which will define the future of mobile advertising.

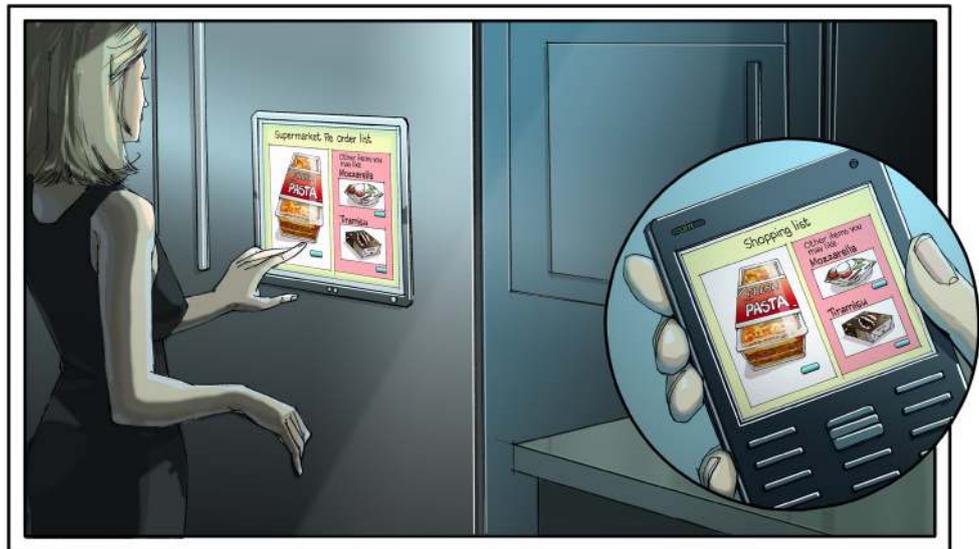
Mobile advertising in 2020 for the consumer is very much about the individual being in control of their own user experience.

Serendipity

Humans can be creatures of habit. It is easy to get stuck in a rut and not be open to new ideas or solutions. By having a future where individuals select only the brands that they are familiar with or ones which their peers have recommended could stifle innovation in the market. How will new comers to the market ever be included in a vaporframe or being included in a digital cog to be requested to send marketing material?

There has to be an element of serendipity. Admittedly this should not develop into a futuristic name for spam. As part of the digital cog there needs to be an element which captures interests or recommendations from others which can expand to your vaporframe. Instead of a friend waiting to see you or call you to tell you about a new experience or product which they have found, they should be able to immediately push this information to you which is then accessible via your mobile device.

It is all about developing levels of trust and having the power to grant access to either friends or even allowing some trusted brands to include information into the recommendations area.



Recommendations can come from trusted advertisers (for instance your supermarket) either onto a household screen (such as the front of a fridge) or directly to your mobile device.

Mobile advertising in 2020 is very much about the individual being in control of their own user experience through collaboration and recommendations in terms of peer advocacy.

Mobile Operators

Currently from a mobile operator perspective mobile advertising offers the promise of a new revenue stream. Mobile advertising for the operators is still a new phenomenon currently. Some mobile operators are gingerly entering the market place with predominately single channel solutions focusing on for instance WAP banners or SMS push campaigns. There are still many operators for whom mobile advertising is not on their radar screen. They are currently immersed in dealing with the exponential growth of mobile subscribers and therefore quality of service and

availability of their core network services is more pressing. However, for other operators who are facing declining ARPU in countries where the battle to market share has been fought and mobile penetration has exceeded or is almost exceeding 100% their focus has been turned to other ways to generate revenue. Here mobile advertising becomes a consideration.

Ad-supported models

As well as the promise of providing a new revenue stream it was touted that mobile advertising would allow operators to offer new services free to their subscribers, with advertising subsidising that cost. Although this may happen in a limited number of cases, it is more likely that the future of mobile advertising will allow for ad-supported models instead of completely ad-funded scenarios. This is equally relevant for social networking; more will be available via an ad-supported model.

Currently the revenue flowing over the mobile channel in terms of advertising dollars is still very small compared to the operators other revenue sources, for instance, SMS. According to eMarketer, in 2007 the global spending on mobile advertising totalled USD 2.7 billion. Although Informa Telecoms & Media predicts this is set to increase to become a USD 12 billion industry by 2013 there will not be sufficient revenue generated by mobile advertising for ad-funded models to become the norm.

Mobile advertising in 2020 offers both advertisers and individuals a more holistic experience.

Inventory

In order to secure any mobile advertising revenue mobile operators need to be able to provide inventory to the brands and media agencies. For advertisers to be able to select the target audience the operators need to provide information about their subscribers (inventory).

However, for effective targeting to be possible, especially relating to pre-paid subscribers this additional information will need to be supplemented. This can be gleaned through subscriber portals, opt-in schemes or through dialogues to gain information about preferences.

Despite enriching this information it can be argued by the brands that information collated across a country would be more valuable than having data from each of the individual national operators. Currently media agencies have to negotiate deals with each of the operators instead of having just a single access to all the mobile users in that particular country.

As we progress down the road to 2020 we will see a shift in this aspect of inventory management. Firstly we are likely to see mobile operator group wide consolidated inventory becoming available. Global operators such as Vodafone or Telefonica should be able to collate their inventory data and have a parameter for country being available.

However, it is the second step which will be more powerful from a brand perspective. Although we acknowledge that there are global brands, Coca Cola, Nike to name a couple; these brands do not buy advertising on a global basis. They buy at a national or country level. Therefore it is when the mobile operators within a particular country are able to consolidate their inventory across their entire subscriber base that the revenue from mobile advertising will increase dramatically.

Operator segmentation

Segmentation will start to take place within the operator domain. In the future we will no longer have the behemoths which are responsible for all aspects of the mobile service. This segmentation has already happened in other industries. For instance, in the UK the rail network has been broken down into different companies who manage the rails and infrastructure to those which manage the trains and service. The same is true for the airports. No longer does one single organisation manage the terminals, baggage logistics, catering and planes. In fact there is a separate company – SITA.aero which manages the entire IT infrastructure.

It is this level of segmentation which be introduced within the mobile operator domain. Some operators will gravitate towards providing the services whilst others will excel at being the bit pipe and provide that capability to the service companies. What does that mean for mobile advertising in 2020?

This operator segmentation should ultimately be a positive transformation for the future of mobile advertising. It will enable the operators to excel at what they deem to be their core capabilities. For those concentrating on supplying infrastructure this will mean that their efforts and budgets can focus on the required technology requirements to make channels such as broadband or other multimedia rich channels such as IPTV a success. Going forward the sheer cost involved in rolling out these new technologies may not have to be recouped from charging the end user more for a particular service but governments may well start funding this implementation.

The service focused operators will be able to secure the capabilities required for delivering the services at a non exorbitant rate and therefore be allowed to concentrate on establishing the commercial agreements and seeking new innovative offerings to attract and retain their subscribers.

Operators will continue to play an important role in the evolution of mobile advertising but the scope of their roles will change in line with their own strategic ambitions.

Technology

The majority of these transformations require the supporting technology to advance, without which mobile advertising in 2020 will not come to fruition.

Network evolution 2.5G to 4G

The 2.5G and 3G networks provide adequate capabilities for the mobile advertising which is currently in use. However, this isn't to say that improvements cannot be made. Setting the user experience aside, the speed at which some data is displayed via the mobile internet is still sluggish. Therefore the possibilities of the ultimate user experience on IPTV or video on demand is still limited.

Although it is believed that the future capabilities of wireless are inherent in 3G it requires the adoption of 4G to make a difference in terms of data speed and hyper connectivity. 4G networks will be based on Internet protocol (IP), the standard used for sending data over the Internet and other packet-switching networks. This means that unlike today's 3G networks, which are circuit-switched with an overlay of data carrying capabilities, 4G networks will be entirely packet switched. This will allow 4G networks to deliver data throughput to mobile users as high as 100 megabits per second (Mbps), with, it's hoped, an evolutionary path to gigabit speeds.

In addition to the speed, 4G networks will feature a higher level of security than existing wireless technologies provide and better implementation of quality of service (QoS) techniques for ensuring smooth flow of time-sensitive data, such as video and voice.

Ultimately with 4G wireless, the user shouldn't see any difference between the wired or wireless network, and will have multiple options for connectivity. It is hoped that in-car connectivity, consumer devices, combination of applications, technology and devices, all of these should act together. What this means for mobile advertising is potentially momentous.

The hyper-connectivity concept which is all about multiple connections, wire-line and wireless together within one subscription which is tied to the user not the device or network being used, allows mobile advertising to easily cross the boundaries between devices. This will allow us to decide which screen we would like to receive the advertisement on: the mobile device, the screen on the back of the airline chair, in the game which we are playing or e-book which we are engrossed in, etc, etc. With the bandwidth being IP, it will mean that the request for advertisements is from the mobile device but the delivery to the chosen screen will utilise the most relevant technology. This should provide the underlying requirements for mobile directed advertising.



Hyper-connectivity will result in mobile advertising being able to easily cross the boundaries between devices, not limited to only the mobile phone.

Year of mobile

With the introduction of the smart phones, mobiles have already evolved into small PCs from which you can call, text, surf the web and much more.

There was a lot of speculation that 2009 is the year of the mobile. From our point of view it can only be the year of the mobile if and when users do more with their mobile than anything else. And here this means the majority of the population does more with their mobile not just the tech savvy few with the high end devices. It is when the mobile device is truly used for all the touch points in your life.

For the year of mobile to dawn essential capabilities such as full payment integration needs to have taken place. This will require integration with the credit card facilities and other payment mechanisms. Other evolutions such as integration with TVs and other media devices to allow

remote control of viewing or recording options whilst on the move and even the ability to use the mobile device as a projector in its own right. The true year of mobile will demand that the mobile phone transforms to a mobility device with telephony as a mere part of its full capabilities instead of the current embodiment which is telephony and peripheral functionality.

Interestingly the year of the mobile will also signify the death of the mobile phone as the majority of us currently know it. And from a mobile advertising perspective this blurs the boundaries between producing different creative and images for the different channel campaigns.

Tipping point of speed

These boundaries will continue to blur with the advancement of data speed. 4G networks are reputed to allow speeds as high as 100 megabytes per sec (Mbps). However, this will pale into insignificance when the Terabyte per second (TBp/s) is unleashed onto the general public.

This is an initiative which CERN (European Organisation for Nuclear Research) is progressing. It will take time before this is readily available in a commercial environment – the average take up rate is at least 8 – 10 years.

However, when this is a viable option then the scope of what can be achieved for mobile advertising over mobility devices is immense. There will be no latency on mobile devices which will result in a level playfield as far as creating and delivering high resolution adverts to all screens – mobile or fixed.

Mobile directed advertising

On the road to 2020 the mobile phone will have transformed into a mobility device which is even more indispensable. The mobility device will be a multi-purpose device which provides the technological representation of us. The ever sophisticated mobile chips will communicate with other hyper connected devices the specific individual requirements held in the digital cog. This data conductor could be described as Life's remote control.

The advertising will be directed by the mobility device. By this we mean that instead of advertisements being pushed via a particular mobile channel (e.g.: WAP banners, SMS or MMS) that the advertisements are directed to the chosen screen. The hyper connectivity should enable advertisements to be directed from a mobile screen for instance to the in-car computer screen or TV screen whilst you're on a plane, e-book, etc.



Mobile directed advertising allows the individual to select the screen to which the advertisement is delivered.

2020 equals mobile directed advertising

Although mobile advertising is currently an embryonic market its potential remains clear. Mobile advertising will continue to evolve, less segregated from the other forms of traditional advertising and will transform into mobile directed advertising.

The individual will pull mobile marketing information from the selected brands instead of those brands pushing semi-targeted advertisements out to an unsuspecting public. They will decide on which of the many screens in their life the advertisements will be directed to, using their mobile device. Advertisers who openly embrace the individuality of their consumers and invite them to actively participate will flourish. Mobile operators will segment allowing for companies to focus on their core competencies be it infrastructure providers which supply the capabilities for advertising to be delivered with the required quality of service or service providers which concentrate on the enriched offerings which an ad-supported model can enable.

The end result is that mobile directed advertising in 2020 will be more collaborative with the individual in control of their own advertising experience. As with VHS, the people will decide what will become successful.

Implications for Marketers:

1. Mobile is going to be a significant media channel.
2. Early adopters will benefit from low cost experimentation and first mover advantage.
3. Mobile advertising is not simply an extension of other media plans - it requires a different mindset, a distinct process and new metrics.
4. New forms or collaboration intra-company and across company are both possible and necessary in the emerging mobile space.
5. The cost of entry is currently low.

Implications for Operators:

1. Mobile advertising can unlock new revenue.
2. Inventory is a valuable asset for both mobile advertising and own base marketing activities.
3. Uptake of mobile advertising will increase where Operators are able to provide an integrated ability to access their inventory by all parties.
4. Increase subscriber loyalty by providing relevant and targeted promotions.
5. Reward your subscribers for maintaining their profiles -increasing the value of your inventory as well as ensuring their user experience is enriched.
6. Identify your strategic ambitions in relation to the mobile advertising value chain.

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