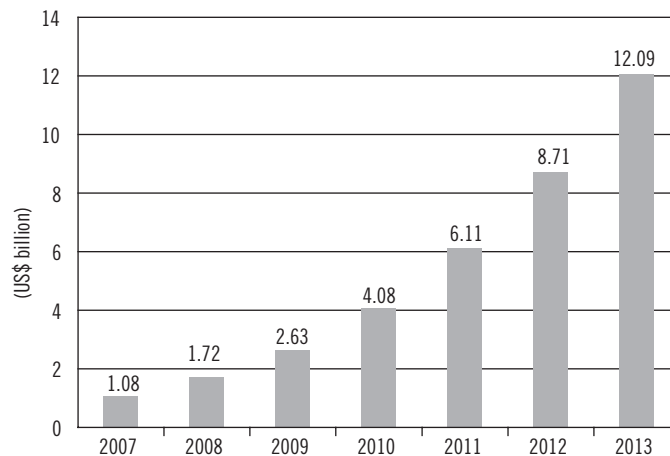


Executive summary

In the last 12-18 months mobile advertising has turned into something of a ‘Gold Rush’. Throngs of wannabe mobile advertising companies are looking to get a slice of the action, attracted by the promise of endless riches. The truth at present is closer to the fairy tale of the ‘Golden Goose’ than the infamous Gold Rush in the mid 19th Century.

The mobile advertising industry will be worth US\$1.72 billion in 2008 rising to US\$12.09 billion in 2013, according to Informa Telecoms & Media forecasts. However, this is a tiny proportion of both the mobile and the advertising markets; only 1.29% of the total global mobile revenues and 2.2% of the total global advertising spend in 2013.

Global mobile advertising spend, 2007-2013



Source: Informa Telecoms & Media

Therefore, mobile advertising will not generate the revenue injection the mobile industry has sought following the slow uptake of data services globally. While Informa maintains that mobile advertising will at some stage generate the telephone number figures freely bandied about by the mobile industry, this will be after a period of sustained consolidation that will engulf the mobile advertising industry over the next 12-18 months due to a big-brand spend that will not be sufficient to sustain every player in every section of the value chain.

Over the last 12 months, the mobile advertising industry has concentrated too much on overcoming the short-term issues rather than creating a long-term strategy. It is measurements that will form part of a mobile advertising campaign’s arsenal, and the mobile operators will develop a database on consumers for the advertising industry. The processes engaged in the value chain will gradually come together, which means that the focus should be on either end; the brands and the consumers. Brands clearly are not seeing enough potential return from mobile at the moment to warrant significant investment.

Chapter 7

Business models, value chains and the players

The mobile advertising value chain remains largely in limbo as players jostle for position and experiment with business models. This has been the case for the last 24 months and is likely to remain so for the foreseeable future.

However, the major players are starting to assume a more dictatorial role by looking to consolidate their position in the value chain through the acquisition of leading mobile advertising companies and technology providers. The major players include mobile operators, such as Vodafone, Sprint Nextel, NTT DoCoMo, and Internet search companies and hardware-cum-software providers like Yahoo!, Google, MSN, AOL and Nokia, as well as the leading companies in mobile advertising, which include the likes of Amobee, Admob, Third Screen Media, 4th Screen Advertising and ScreenTonic.

The strategies of these companies, and others, will be explored later in this chapter, but it is clear that there is something of a free-for-all within the mobile advertising market as companies look to gain not only a foothold but also a competitive edge over their competition, while assessing who is their competition and who is their ally. These are muddy waters in which to operate. It is not so much a value chain, rather a business conundrum.

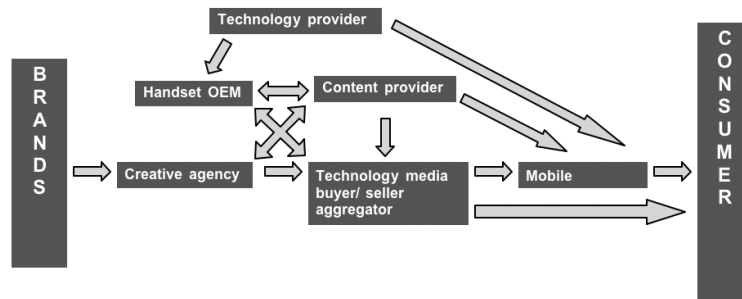
The mobile advertising value chain

It is virtually impossible to gain a sound understanding of the mobile advertising business models until an understanding of the value chain has been attained. The most commonly published value chain has six main links prior to the serving of an ad to the consumer. The role of each segment will be discussed later in this chapter; however, as the market gradually matures, and consolidation within the value chain gathers momentum, the chain is set for a major revamp.

The hype surrounding mobile advertising in recent years has attracted a multitude of companies, each of them intent on getting their share of the pie. As a technology provider within the value chain, Nokia (which now effectively has end-to-end control of its mobile advertising value chain) believes it has in excess of 100 competitors. And the same can be said for every other stage in the value chain. The value chain is becoming congested, and, as the next chapter outlines, there simply will not be enough revenues to go round.

consolidation driven by the major players threatens to oversimplify the value chain, in truth, the deluge of companies entering the mobile advertising space is increasing the complexity and creating a multi-dimensional bilateral value chain.

Figure 7.4: The multi-dimensional bilateral mobile advertising value chain



Source: Informa Telecoms & Media

In this complex environment, handset OEMs are partnering with software and technology providers to install the latest consumer-friendly applications to deliver handsets with embedded content – which in itself is a form of advertising on-portal content. Creative agencies are dealing with both content providers and technology buyer/seller aggregators, dependent on the campaign, though there have also been examples of creative agencies dealing directly with the mobile operators.

Interestingly, it is the technology buyer/seller aggregators that are adopting a central position within this multi-dimensional bilateral mobile advertising value chain, they have the same number of input channels as the mobile operator. Technology buyer/seller aggregators are fed by the creative agencies, handset OEMs and content providers, while the mobile operators are fed by the non-integrated technology providers, content providers, as well as the technology buyer/seller aggregators. And both factions have direct access to the consumer. The question is what percentage will the operator be forced to yield.

Understanding the value chain

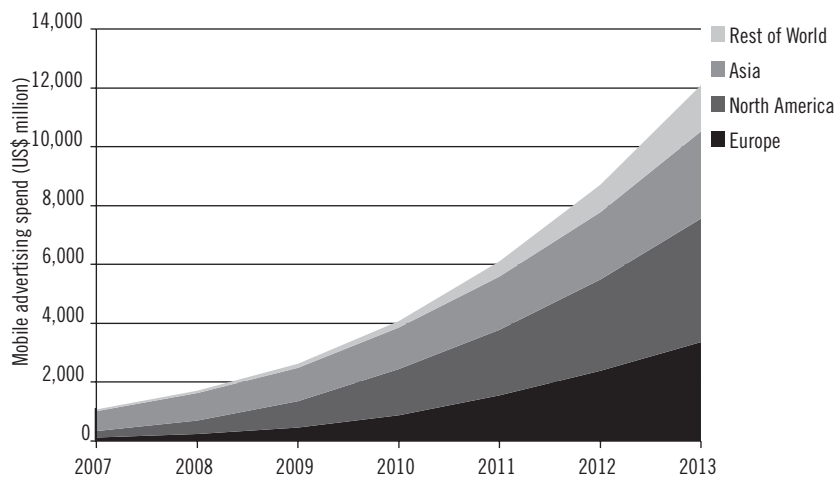
Mobile-based advertising companies such as Amobee, Admob, Third Screen Media, 4th Screen Advertising and ScreenTonic might be recognised as the companies that have really kick-started the mobile advertising industry. By focusing on creating solutions from creative design to technical delivery solutions, they have created a tier-1, first port-of-call for publishers and brands that have been uncertain as to the logistics of getting a campaign off the ground, or rather, over the air.

These companies create, buy and sell inventory in the mobile advertising space, in addition to aggregating content, delivering mobile ads and collecting and storing user data. They have

of World (Latin America, Middle East and Africa) will be worth US\$1.56 billion by 2013, with the large majority of spend coming from Latin America.

Figure 8.2: Global mobile advertising spend, by region, 2007-2013

Mobile advertising spend (US\$ million)	2007	2008	2009	2010	2011	2012	2013
Europe	128.8	231.0	465.0	877.6	1,557.8	2,382.4	3,359.8
North America	210.0	465.0	892.5	1,575.5	2,213.8	3,106.3	4,193.0
Asia	682.5	933.8	1,125.0	1,402.5	1,820.0	2,287.5	2,975.0
Rest of World	55.5	89.9	149.3	227.5	517.5	935.0	1,560.0
Total	1,076.8	1,719.7	2,631.8	4,083.1	6,109.0	8,711.2	12,087.8



Source: Informa Telecoms & Media

Mobile advertising forecasts for Europe, 2007-2013

In a region that will see spend on mobile advertising grow from US\$231 million in 2008 to US\$3.4 billion by 2013, messaging will continue to dominate mobile advertising across the European marketplace until 2012; spend on banner advertising will be worth US\$730.9 million compared with US\$641.1 million on messaging in 2012. By the end of the forecast period, messaging will be worth an annual US\$704.7 million while banner ads will be worth US\$969 million.

Although spend on messaging will continue to increase throughout the forecast period, as the spend on campaigns – and the number of campaigns – increases, as a percentage of total spend per campaign, the investment in messaging will be transferred to other mobile advertising types, such as in-game advertising and video, which offer a greater opportunity for creativity.

Spend on links remains in the shadow of banner ads. However, mobile links advertising will increase from approximately one quarter of that spent on banner ads in 2008, to approximately one third by 2013, worth US\$293.8 million.