



MOBILE AD HYPE: BELIEVE IT OR NOT

## Inventory not sold out, but progress trends upward

Colin Gibbs

Story posted: January 27, 2007 - 6:00 am EDT

Like an Angelina Jolie adoptee, mobile advertising has come under a glaring spotlight in its early days.

Sprint Nextel Corp. attracted attention last fall when it became the first tier-one carrier to sell ad space on its wireless Web navigation pages, and both Cingular Wireless L.L.C. and Verizon Wireless have eagerly-if trepidly-followed suit, sticking their toes in the wireless advertising waters. Respected national newspapers have pounced on the trend, running high-profile stories about what the Wall Street Journal called "the next Internet Gold Rush."

Meanwhile, wireless executives are quickly adopting the vocabulary of online advertising companies, throwing around terms like "inventory" and "pay-per-click."

Much of the attention seems justified: Powerhouse corporations including Proctor & Gamble, Burger King and MasterCard are pouring money into mobile, which has become a dedicated line item in many company's advertising budgets. Third Screen Media, one of the first pure-plays into the mobile marketing waters, has struck some impressive deals, working with major brands and traditional advertising giants to target consumers through their mobile phones. Enpocket is gaining traction, powering Sprint Nextel's effort, and AdMob-which serves as kind of clearinghouse connecting advertisers with publishers looking to sell space on WAP pages-served its 500 millionth ad in November, less than a year after launching service.

Analysts are getting caught up in the hype, too. Mobile marketing spending boomed from \$45 million in 2005 to about \$150 million last year, according to Ovum, and is expected to explode to nearly \$1.3 billion by 2009.

But content publishers and application developers are urging industry insiders to take such projections with a grain or two of rock salt.

Half full or half empty?

"I'm not as bullish on wireless ads as everyone else," said Fred Ghahramani, co-founder of AirG, a Vancouver, British Columbia-based developer of social-networking applications, which boasts more than 10 million users worldwide. "We're not fulfilling our inventory; we're not even close."

AdMob has gained a foothold largely by delivering marketing messages from smaller advertisers-the average cost of a campaign is between \$5,000 and \$10,000-in developing markets. In the United States, though, where the market depends more on major corporations and mammoth advertising budgets, wireless publishers are discovering that space on the wireless Web doesn't necessarily mean money in the bank.

"It's an early market, and the trouble with early markets sometimes is that there's a whole lot of hype and dust. It's hard to see the substance," agreed Louis Gump, vice president of mobile for The Weather Channel Interactive and chairman of the Mobile Marketing Association. "We have a ton of inventory, and we aren't selling out. On the other hand, we had a really great December with respect to the percentage of inventory we're selling.

"It isn't moving as fast as the most optimistic reports would have you believe," Gump continued, "but it's moving much faster than the most pessimistic."

#### WAP challenges

Much of the challenge, Ghahramani said, is that WAP ad sales are sometimes seen as simple one-off transactions, where real estate is sold primarily based on the size of an ad and the traffic a particular site draws. And because wireless—at least so far—is far less conducive to one-click shopping than its computer-based counterpart, an ad's efficacy is more difficult to measure, and therefore difficult to monetize.

While mobile advertising companies tout page views and ad impressions, the most important statistic for a sales-targeted ad is how much revenue it generates. And AirG is currently seeing a fulfillment ration of "about 1 to 2 percent," Ghahramani reported.

So instead of simply selling placement, publishers and advertising agencies should sell marketing campaigns that compel users to learn more about a product or service. And they should expect to spend plenty of time in front of media buyers before closing any big deals.

"The mistake everyone is making is applying online business models to mobile," he opined. "It takes a long time to sell (wireless) ads. It's not easy."

#### Assuaging customer fears

Of course, much of that sales process involves assuaging potential advertisers' fears that mobile ads may be seen as intrusive, and creating targeted campaigns that deliver messages and content users want to receive. There's no doubt that companies are beginning to allocate big dollars to wireless ads, but those funds will be pulled back in next year's budgets if mobile marketing campaigns fail to resonate.

"I think a sense of rational thought needs to get promulgated" in the wireless advertising space, Ghahramani said. "There's money to be had, but (advertising) needs to be thought through. It needs to be creative."