

# RCR Wireless News

## Excess inventory clouds mobile advertising space

Providers both big and small struggle to fill screens

Colin Gibbs

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It's no secret that advertising dollars are finally coming to mobile. But for now, at least, it's the high-profile publishers that are bringing in the cash.

How big mobile advertising will be depends on whom you ask. The Kelsey Group predicts the U.S. market will grow from \$33.2 million this year to \$1.4 billion by 2012, marking an impressive compound annual growth rate of 112%. Several other market research firms peg today's global market at \$2 billion to \$3 billion, exploding into a \$14 billion market by 2011, and ABI Research claims the space will generate \$19 billion by 2011.

Not to be outdone, IDC stated in a February report that "The potential actually exceeds the hype" for wireless ads.

It's true that while mobile advertising is in its infancy, it does appear to be a viable space. Established corporations like Procter & Gamble, Adidas and The Coca-Cola Co., among countless others, are already spending big bucks in mobile, and AdMob said last week it delivered 673 billion—yes, with a 'B'—ad impressions to U.S. mobile users in September alone.

And those numbers are just a start. While the year started slowly, advertising spend has exceeded expectations for many established content providers.

"The ad market has really taken off; we are seeing extremely strong numbers in our ad business," said Louis Gump, vice president of mobile at The Weather Channel Interactive. "Frankly, it was a little slow in the first quarter of the year. But it screamed in Q2, we had a record month in August, and another in September."

### Small players struggling

But smaller mobile publishers have yet to enjoy that kind of success. Advertisers are buying up space on TWC, ESPN and other high-profile wireless Web sites, but lesser-known sites are still awash in excess inventory—even if those sites are wildly popular among young mobile users. AirG, for instance, recently surpassed the 20 million-customer mark, delivering its social networking offering in 10 languages and across more than 100 mobile operators. But despite the attractive demographics of its user base, the Vancouver, British Columbia-based startup is struggling to sell more than 10% of its ad space.

"The last year's been good," said AirG spokeswoman Allison Johnson. "We're definitely getting a lot more interest, but we're still not selling anywhere near all of our inventory."

The unfamiliar startups create a compound problem for advertisers and brands looking to leverage the new medium. Not only must they learn about mobile advertising, they then need to identify the publishers with whom they'd like to place their ads. So mobile marketing startups are hoping to bridge the gap between advertisers and smaller publishers with excess inventory on their hands.

“What you’ll see is that the better-known entities are out there not having as hard of a time selling their inventories, whereas the new companies are having a little bit of a harder time because it’s a new medium for advertisers,” said Chris Arens, director of marketing for Ad Infuse Inc., a San Francisco-based mobile marketing startup. “That’s the biggest struggle in what we’re trying to do right now. Not all the (mobile) traffic is going to what has historically been the big online giants. That’s just an education issue.”

Ad Infuse last week hosted an educational summit in New York with panelists from both wireless (Pete Distler, general manager of Sprint Nextel Corp.’s mobile ad business) and interactive advertising (Maria Mandel, executive director of digital innovation at Ogilvy Interactive). Another event is slated for London in November; more will follow next year.

Not all sunshine at the top

Of course, it isn’t just the new players in mobile that are having a hard time turning ad space into dollars. AOL has moved aggressively—and, thus far, successfully—into mobile, recently launching an overhauled wireless portal and a new mobile search application. And the company’s acquisition of mobile marketing pioneer Third Screen Media helped spark a flurry of merger and acquisition activity in the space. But even AOL is being forced to swallow much of its valuable inventory, according to Scott Falconer, executive VP of AOL Mobile.

“Third Screen is selling our ad inventory; we’re able to do targeted advertising based on category of content, geography, carrier, handset and time of day,” explained Falconer. “Certainly, I can say that like the rest of the industry, a majority of the inventory is not sold.”

The glut of inventory contrasts with recent statements from Vodafone U.K. and the U.K. portal ITV Mobile, both of which claim to have sold out of their inventories. But those claims may have more to do with limited space in the early days of mobile marketing than with an overwhelming demand from advertisers.

Arens doesn’t expect mobile ad spend to increase in the next few months as advertisers and brands tinker with how best to exploit the new medium. But it appears that 2008 may be the year when mainstream advertisers truly begin to invest in mobile campaigns. How successful those investments are will likely be indicative of the mobile advertising’s long-term potential.

“What we’re seeing by looking at our pipeline is that it’s a three-month life-cycle from proposal” to deployment, Arens stated. “Q1 of ’08 is looking to be a pretty good quarter for us, with a number of six-figure deals within that time frame. It’s looking like ’08 is going to be a pretty good year. I have a feeling that Q4 (2007) is going to be more of a testing ground for these types of programs.”