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Mobile advertising

The next big thing

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Illustration by Claudio Munoz



Marketers hail the mobile phone as advertising's promised land

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ADVERTISING on mobile phones is a tiny business. Last year spending on mobile ads was \$871m worldwide according to Informa Telecoms

& Media, a research firm, compared with \$24 billion spent on internet advertising and \$450 billion spent on all advertising. But marketing wizards are beginning to talk about it with the sort of hyperbole they normally reserve for products they are paid to sell. It is destined, some say, to supplant not only internet advertising, the latest fad, but also television, radio, print and billboards, the four traditional pillars of the business.

At the moment, most mobile advertising takes the form of text messages. But telecoms firms are also beginning to deliver ads to handsets alongside video clips, web pages, and music and game downloads, through mobiles that are nifty enough to permit such things. Informa forecasts that annual expenditure will reach \$11.4 billion by 2011. Other analysts predict the market will be as big as \$20 billion by then.

The 2.5 billion mobile phones around the world can potentially reach a much bigger audience than the planet's billion or so personal computers. The number of mobile phones in use is also growing much faster than the number of computers, especially in poorer countries. Better yet, most people carry their mobile with them everywhere—something that cannot be said of television or computers.

Yet the biggest selling point of mobile ads is what marketing types call "relevance". Advertisers believe that about half of all traditional advertising does not reach the right audience. Less effort (and money) is wasted with online advertising: half of it is sold on a "pay-per-click" basis, which means advertisers pay only when consumers click on an ad. But mobile advertising through text messages is the most focused: if marketers use mobile firms' profiles of their customers cleverly enough, they can tailor their advertisements to match each subscriber's habits.

In September Blyk, a new mobile operator, launched a service in Britain that aims to do just that. It offers subscribers 217 free text messages and 43 free minutes of voice calls per month as long as they agree to receive six advertisements by text message every day. To sign up for the service, customers must fill out a questionnaire about their hobbies and habits. So advertisers can target their messages very precisely. "Britain is the largest, but also the trickiest European ad market, so if it works here it will work everywhere," says Pekka Ala-Pietila, chief executive and one of the founders of Blyk.

Last year America's Virgin Mobile tried something similar with its "Sugar Mama" programme, which offers subscribers the choice between receiving an ad via text message or viewing a 45-second advertisement when browsing the internet in exchange for one free minute of talk time. Those who spend five minutes filling out a questionnaire online get five more minutes. Sugar Mama is proving popular: at the end of August Ultramercial, the company that manages the scheme, reported that Virgin Mobile had given away more than 10m free minutes.

Vodafone, a big mobile operator based in Britain, sees mobile advertising as a potentially lucrative source of additional income. For the time being, most of the ads on its network are still text messages, although it has begun displaying ads on Vodafone live!, its mobile internet homepage, through which subscribers access the internet and download videos and music. Vodafone is also running several pilots, says Richard Sagers, the head of its mobile advertising unit, in which subscribers receive free content in exchange for viewing ads. Earlier this year, subscribers in Britain were given the option of downloading footage from "Big Brother", a reality-TV show, in exchange for viewing a promotional video clip. The firm has also offered free video games punctuated with ads to customers in Greece, and free text messages to Czech students who agree to accept ads in the same format.

Most mobile advertising strategies now rely on text messages, since few customers have taken to more elaborate services that allow them to download music, games and videos and to surf the web. Only 12% of subscribers in America and western Europe used their mobiles to access the internet at the end of 2006. Most people think mobile screens are too small for watching TV programmes or playing games,

although newer models, such as Apple's iPhone, boast bigger and brighter screens.

That is not the only problem. While consumers are used to ads on television and radio, they consider their mobiles a more personal device. A flood of advertising might offend its audience, and thus undermine its own value. Tolerance of advertising also differs from one market to another. In the Middle East, for example, unsolicited text messages are quite common, and do not prompt many complaints. But subscribers might not prove so open-minded in Europe or America.

Another hitch, says Nicky Walton-Flynn of Informa, is that operators have lots of databases with information about their clients' habits that would be of great interest to advertisers. But privacy laws may prevent them from sharing it. Moreover, advertisers, operators and middlemen have not agreed a common format for this information, nor worked out how to share the revenue it might yield.

Some think these obstacles will confine mobile advertising to a niche for years to come. But others see a whole new world of possibilities, as more people use their phones to access the internet and consumers grow used to the intrusion. Mobile phones, some of which are now equipped with satellite-positioning technology (see [article](#)), could be used to alert people to the charms of stores or restaurants they are walking or driving past.

Tying ads to online searches from mobile phones is another potential goldmine. A subscriber typing in "pizza" for instance, could receive ads for nearby pizza parlours along with his generic search results. Such a customer, mobile operators hope, is likely to be more grateful than annoyed by the intrusion. What could be more relevant than that?

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