

# Catalyst Reports: Fundamentals of Mobile Marketing



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## Abstract

This white paper is intended to provide an overview of the mobile marketing options available to marketers today. It is designed for the person who wants an entry level perspective on the platform. In its pages we will discuss:

1. **Mobile Terminology**
2. **The Basics of How to Think About Marketing**
3. **Mobile Statistics**
4. **Mobile Marketing Options**

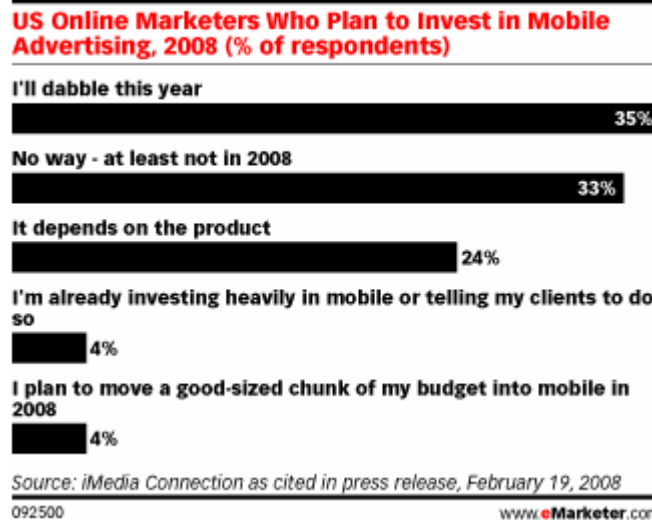
Ultimately, this document is meant as a starting point in your pursuit of greater understanding of emerging media options, in this case mobile. After reading, you should have some idea of how to proceed to explore digital marketing for your brand.

## Introduction

Little known fact: In his farewell address, President George Washington predicted that 1797 would be “the year of mobile.” Every year since, pundits have been telling us that mobile’s big time debutante cotillion is definitely next year.

OK, so some of that isn’t true. But for about the last 5-7 years, people have been promising that the year of mobile is only months away. And every year they have been wrong. Mobile marketing is still in its infancy.

eMarketer recently cited the following data based upon a press release from iMedia Connection:



In short, the data show growing interest, but that perhaps we are short of the proverbial “tipping point.” The same

eMarketer report predicted the following mobile marketing revenues for the next several years:

<b>US Mobile Advertising Spending, 2007-2012 (millions)</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Mobile message advertising*	\$810	\$1,470	\$2,380	\$3,060	\$3,830	\$4,500
Mobile display advertising**	\$34	\$85	\$186	\$327	\$453	\$541
Mobile search advertising***	\$35	\$107	\$242	\$531	\$910	\$1,484
<b>Total</b>	<b>\$878</b>	<b>\$1,663</b>	<b>\$2,808</b>	<b>\$3,917</b>	<b>\$5,194</b>	<b>\$6,525</b>

*Note: numbers may not add up to total due to rounding; \*spending on placement in text messages, includes direct spending on message campaigns as well as spending on promotional coverage of end-user messaging costs; \*\*spending on display banners, links or icons placed on WAP, mobile HTML sites or embedded in mobile applications such as maps or entertainment services (eg games or video); \*\*\*spending on sponsored display ads and text links that appear alongside mobile search results, as well as spending on audio ads played to mobile phone callers making a directory inquiry*  
 Source: eMarketer, March 2008

092634 www.eMarketer.com

So mobile is just beginning to cook. Or so says me. Some define 2007 as the “year of mobile.” In other words it already happened. I am not poo-pooing the observations of these visionaries. But by my definition we are still waiting for mobile marketing to truly go mainstream. True, some big brands did try mobile in 2007 and that is a significant development. ACNielsen reported that 23% of mobile users (58,000,000) saw a mobile advertisement in March 2008, which is surely significant.

I define the “year of mobile” as the one in which we see big time activity. Not the odd SMS program, not an SMS CRM adjunct to an email program, not a small ad buy. But by mobile actually being used by lots of big brands view as a real tool rather than as an experiment. When a packaged good reports that they can attribute 80,000 cases to mobile, or an automaker reports 8 points of improvement in awareness and purchase intent, that will be the year of mobile for me.

## Are You Ready?

People point to a lack of common standards across phones. To the prevalence of old phones being used – phones with limited data functionalities. To limited usage of data services like SMS among people outside their Teens. And a bunch of other things.

What’s interesting about these “reasons” is that a lot of them just aren’t true. A little later I’ll outline the data, but the fact is that most Americans 18+ have a cell phone, and more than half do something other than make calls on it. And mobile technology adoption appears to be more abrupt than gradual. American Idol got teens in America texting in a season. iPhone and its clones are doing the same thing to Internet access via a phone.

So, in short, I reject the idea that the consumer isn’t ready for major mobile market efforts. The problem is that most of us – us mainstream marketers, people who don’t know what CDMA stands for without visiting Wikipedia – don’t know what to do with mobile. What might work. How it really fits into the lives of our non-13 year old consumers.

## Bad Evangelism

And like many technologies, its evangelists haven’t succeeded in finding easy ways to dimensionalize the potential impact of mobile marketing yet. I want to emphasize that I am indicting myself here as much as anyone else, but digital people as a group positively suck at explaining the marketing import of things.

Look how we explain a simple thing like RSS:

*RSS (Really Simple Syndication) is a family of Web feed formats used to publish frequently updated content including, but not limited to, blog entries, news headlines, and podcasts.<sup>[2]</sup> An RSS document (which is called a "feed" or "web feed"<sup>[3]</sup> or "channel") contains either a summary of content from an associated Web Site or the full text. RSS makes it possible for people to keep up with Web Sites in an automated manner that can be piped into special programs or filtered displays.<sup>1</sup>*

In short, we explain one confusing technology by referring to others, and focus on the first tiny efforts instead of using big programs as our case studies. By the time the big brands are doing things, most of us have moved on to the next thing.

## Gimme Real Proof

Most brands want real proof before they leap into something. Because a dollar spent on something unproven is a dollar that can't be spent on one of the proven tactics that propel sales.

And real proof is not some fourth tier teen brand collecting 3,500 opt-ins for a mobile program. And most marketers are busy – too busy to spend a day or a week researching something like an emerging media channel.

This white paper is intended to explain mobile in a single place and to talk about the various marketing options available, and how a brand might use them. If you know the 13 ways that 3G is better than 2G, this isn't for you. But if you are looking for some plain English and strategic ideas, I hope you find this a beneficial read.

## PART ONE: HOW A MOBILE PHONE WORKS

The World's mobile infrastructure is basically a vast network linking walkie talkies. The signal for your phone travels from a sender via a cell tower near them, to the main network. If the call is to a land line, it then enters the land line system. If the call is to another cell phone, it travels through a phone network until it reaches a tower near where you are. Your phone detects it and presto! you're talking to Mom.

The towers themselves are distributed across the country in varying levels of density. This is why you get a good signal in some places, and a bad one in others.

### How the System Knows Where You Are

When you turn your phone on, it essentially listens for a signal from nearby towers. It responds with a signal of its own that tells the closest tower as well as other nearby towers where you are.

That's how your calls can find my 510 area code phone when I am in the 212 area code. And how you can retain a phone number from one area code even if you move to another area.

### Jumping from Cell to Cell

Essentially, when you are moving while on a cellular call, the phone is communicating with two towers when you are nearing the edge of one cell and entering another. If all goes well, the new tower will pick up your transmissions before the other tower drops your transmissions. This is called a handoff. When

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<sup>1</sup> First two sentences of the Wikipedia definition of RSS as posted on March 28, 2008

your calls are dropped it's often because of a failure in this process, for example that two cellular areas are not juxtaposed together.

### All Towers Are Not the Same

We've all heard about cellular companies making towers look like palm trees and other ambient objects to better blend into the environment. But all towers are not the same. Macrocells are large service area cells. Microcells offers smaller coverage areas. A cell provider might add microcells in very populous areas or along a major freeway to help mitigate issues with network capacity. Picocells are still smaller transceivers that serve a very small area like the floor of a high rise. Not all are towers, BTW.

## PART TWO: SOME OF THE LANGUAGE OF MOBILE

Let's talk terminology for a minute. Mobile has a lot of lingo. The Mobile Marketing Association offers a 57 page glossary of mobile terms. And I encourage you to download it for reference. But here's the two minute drill of the stuff you'll probably hear and read most often.

**APPLICATION:** The software that enables an action.

**APPLICATION PROVIDER:** Provider of an application. So, for example, Vindigo provides a great number of applications to its users.

**ARPU:** Average revenue per user. This refers to the amount of money a subscriber generates for a carrier. This would include, for example, the monthly charges plus the carrier's share of 3<sup>rd</sup> party services like ringtones and the like.

**BLUETOOTH:** A system that allows a mobile user to send and receive data over a short distance. Blue tooth is empowered through a special chip.

**BREW:** Literally Binary Runtime Environment for Wireless. Open source application environment for Mobile. Works with both CDMA (think:"old technology") and GSM (think "new" technology). Supported by less phones and carriers than WAP.

**CARRIER:** The company that provides phone service to the consumer. ATT and Verizon are carriers.

**CLICK TO CALL:** By clicking on a link on a mobile Web Site, the user automatically initiates a call. Ideal for direct marketers.

**CHURN:** The percentage of people who leave one carrier and transfer service to another. For perspective, the following churn rates were provided on the Motley Fool Web Site ([www.fool.com](http://www.fool.com)) for the stated periods:

Monthly Churn Rates	<u>03/06</u>	<u>06/06</u>	<u>09/06</u>	<u>12/06</u>	<u>03/07</u>
ATT	1.9%	1.7%	1.8%	1.8%	1.7%
Verizon	1.2%	1.1%	1.2%	1.1%	1.1%
Sprint Nextel	2.3%	2.4%	2.8%	2.7%	2.7%
T Mobile	2.7%	2.9%	3.0%	2.9%	2.6% <sup>2</sup>

<sup>22</sup> "Wireless Smackdown" from The Motley Fool, 6/15/2007

**CLEAR AND CONSPICUOUS NOTICE:** An FTC standard that governs how charges, instructions, and other critical brand information must be communicated. This is relevant to the marketer, for example, as a standard by which costs of a piece of premium content, like a ringtone, must be disclosed.

**DECK:** A deck is basically the portal or walled garden provided by the carrier that offers content to the user. Content could include news, sports, weather, or opinion – essentially anything that a web portal offers. Decks also offer content for sale, like wallpapers or ringtones.

**G, as in 1G 2G 3G:** G refers to generation. 1G is the first generation of mobile phones and technologies. 2G, the second, 3G, the third. G1 generally means analog technologies. G2 means more advanced services AND data services like web browsing, etc. 3G refers to high speed data transmission. From a marketer's perspective that means data services that are "always on" and that allow transmission of video and other heavy bandwidth content.

**MMS:** Literally Multimedia Messaging Service. These are messaging services using multimedia, including photos, video, and audio.

**MVNO:** A company that provides service to customers using another company's network. For example, Boost Mobile has a direct relationship with customers, but does not have its own network of signals and towers. Instead, it leases bandwidth from Sprint.

**NUMBER PORTABILITY:** The ability to retain a phone number as you transfer service between carriers. Years ago, one of the disincentives to changing providers was that you lost your phone number. No more.

**OFF DECK AND ON DECK:** Carriers provide access to certain content within their portals or walled gardens, while internet access lets consumers buy content outside those gardens. So, for example, if you look for ringtones on your phone, the first place the carrier will want you to search is within their portal. Content on the portal is "on deck." Content available on the web, by contrast, and not within the walled garden of the carrier is called "off deck."

The term is relevant to the marketer because carriers prefer consumers to buy on deck, because they get a cut. Carriers do not get a cut of off deck sales, so third parties, like ring tone makers, often prefer offdeck sales. At the same time, third parties also vie for placement on deck because on deck sales can be an important source of volume. In the US, a greater percentage of content is sold on deck versus in Europe and Asia. US carriers make more effort to keep sales on deck, and US consumers seem to be less aware of off deck content.

**OPT-IN:** Purchases via mobile phone typically require an opt-in process in which the buyer must confirm their willingness to be charged.

1. **Single opt-in** refers to a process that makes a person confirm their understanding of purchase when an item is ordered.
2. **Double opt-in** adds the extra step of requiring the user to confirm a purchase by responding to an SMS message they receive after making their purchase
3. **Triple opt-in** (which is now uncommon) requires the user to respond to TWO SMS messages before they are charged.

Carriers demand opt-in purchase confirmations because of the potential for confusion and their desire to avoid billing disputes with their customers.

**PAYG or PAY AS YOU GO or PREPAID:** All three terms refer to phone service that is purchased by consumers as an alternative to having a credit card account with a carrier. Pre-pay helps people too young to have credit, or with bad credit, or whose bill payers want to control their monthly phone expenses, get some cellular service. All major carriers offer PAYG programs

**PREMIUM SMS:** Premium Text Messaging refers to special programs that require an additional fee to subscribe. Examples of Premium Text subscription campaigns are:

1. **Sports alerts: MLB, NFL etc.**
2. **Weather alerts, jokes, stock quotes, horoscopes, etc..**
3. **Trivia.**
4. **Mobile coupons.**
5. **Interactive TV shows and voting such as Idol.**

Standard messaging rates always apply along with premium charges.<sup>3</sup>

**RINGTONE:** The sounds you hear when your phone rings. Can be anything from a basic ring, to a section of a song, or dialogue. There are three basic kinds that offer three different levels of fidelity:

1. **Monotone:** The most basic variety, reproduces the basic melody of a song.
2. **Polytone:** More closely approximates the actually instrumental melody of a song.
3. **Truetone:** A real sample of a recording.

Older phones tend not to be truetone enabled. Newer phones use true tone compatibility as a selling point.

**RINGBACK TONE:** A “ringtone” that plays to the caller when calling a phone.

**SHORT CODE:** A short code is a set of four numbers that substitutes for a full ten digit phone number in mobile. Marketers like short codes because they make it easier for consumers to respond. The most famous short codes in America are the four digit contestant numbers that Idol uses to collect votes from ATT subscribers. Instead of dialing 1-866-IDOLS02 (1-866-436-5702), for example, users simply text VOTE to a number like 6766. Short codes can be great for use on highway billboards, where you are relying on someone to remember 4 digits like IDOL versus 1-800-555-1244.

**SMS:** Short message service or “text”. It is a “short” message because a text cannot have more than 160 characters.

**WALLPAPERS:** A graphic that serves as the background for a phone screen. Wallpapers are a popular form of personalization content, and many consumers are willing to pay for attractive ones.

**WAP:** The most common application environment.

Those are some essentials. And I promise not to use even these very often in the rest of this document. I promised plain English.

One term that is tough to avoid is “data services”. This is used to refer to non-voice functions that a phone may offer. Data can take many forms, from text to audio to video to a Flava Flav wallpaper. A game is a data service. While data services makes it sounds like we're talking about business applications, it really refers to anything other than voice that a phone transmits or receives.

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<sup>3</sup> Directly adapted from the glossary of the Mobile Marketing Association.

## PART THREE: THE FACTS OF MOBILE

There were 177 Million mobile telephone customers in the US in 2007.

### Use of Data Services

Of those 177 Million, the following statistics outline their usage rates of different cellular data services:

	<b>Percent of Users Who Use the Service Now</b>
Send and receive text	35%
Take photos	28%
Play games	22%
Access the Internet	14%
Send/receive email	8%
Perform searches	7%
Send and receive IMs	7%
Play music	6%
Record video clips	6%
Get mobile maps	4%
Watch video	2% <sup>4</sup>

In addition, many consumers have stated their intent to use more data services in the future.

	<b>Percent of Users Who Don't Use a Service Now But Plan to In the Future</b>
Get mobile maps	47%
Send/receive email	24%
Perform searches	24%
Play music	19%
Take still photos	19%
Record video clips	17%
Access the Internet	16%
Watch video	14%
Send/receive SMS	13%
Play games	12%
Send/receive IMs	11% <sup>5</sup>

So mobile campaigns can certainly achieve critical mass in many categories so as to warrant the effort. But the data also point to likely explosive growth over the next 1-2 years.

Age continues to be a key predictor of digital usage. While the information is somewhat dated, research from the Pew Internet and American Life Project show that teen usage of SMS, for example, is more than eight times higher

<sup>4</sup> The Mobile Generation (2007) from the Aspen Institute

<sup>5</sup> IBID

than that of seniors.

	Percent of Demo				
	<u>13-17</u>	<u>18-29</u>	<u>30-49</u>	<u>50-64</u>	<u>65+</u>
<b>Use SMS</b>	<b>89%</b>	<b>85%</b>	<b>65%</b>	<b>38%</b>	<b>11%<sup>6</sup></b>

Note that the teen number is from 2005, while the rest are from 2008. I just didn't find a 2008 number. So you should assume that all the teen figures are perhaps 5 to 10 point higher today.

As SMS is the most developed data service in the US, figure for many other technologies like ringtones and wallpapers are even more age skewed.

	Percent of Mobile Using Demo			
	<u>18-29</u>	<u>30-49</u>	<u>50-64</u>	<u>65+</u>
<b>Take a picture</b>	<b>82%</b>	<b>64%</b>	<b>42%</b>	<b>22%</b>
<b>Played a game</b>	<b>47%</b>	<b>29%</b>	<b>13%</b>	<b>6%</b>
<b>Send/receive email</b>	<b>28%</b>	<b>21%</b>	<b>12%</b>	<b>6%</b>
<b>Use Internet for News Weather Sports or other information</b>	<b>31%</b>	<b>22%</b>	<b>10%</b>	<b>6%</b>
<b>Record a video</b>	<b>34%</b>	<b>19%</b>	<b>8%</b>	<b>3%</b>
<b>Play music</b>	<b>38%</b>	<b>16%</b>	<b>5%</b>	<b>2%</b>
<b>Send/receive IMs</b>	<b>26%</b>	<b>18%</b>	<b>11%</b>	<b>7%</b>
<b>Get a map/driving directions</b>	<b>18%</b>	<b>16%</b>	<b>9%</b>	<b>2%</b>
<b>Play a video</b>	<b>19%</b>	<b>11%</b>	<b>4%</b>	<b>2%<sup>7</sup></b>

Race is also a predictor of digital behavior. African American and Hispanics tend to use cell phones more and are quicker to adopt data technologies. They also tend to use such technologies more frequently. See below:

	Percent of Mobile Using Demo		
	<u>White</u>	<u>Black</u>	<u>Hispanic</u>
<b>SMS</b>	<b>53%</b>	<b>68%</b>	<b>73%</b>
<b>Take a picture</b>	<b>56%</b>	<b>57%</b>	<b>71%</b>
<b>Play game</b>	<b>23%</b>	<b>36%</b>	<b>35%</b>
<b>Send/receive email</b>	<b>17%</b>	<b>19%</b>	<b>25%</b>
<b>Access Internet for News, Sports, and other info</b>	<b>18%</b>	<b>27%</b>	<b>22%</b>
<b>Record a Video</b>	<b>15%</b>	<b>21%</b>	<b>30%</b>
<b>Play Music</b>	<b>13%</b>	<b>27%</b>	<b>30%</b>
<b>Send or receive instant messages</b>	<b>14%</b>	<b>26%</b>	<b>27%</b>
<b>Get a map/directions</b>	<b>12%</b>	<b>12%</b>	<b>20%</b>
<b>Watch video</b>	<b>9%</b>	<b>10%</b>	<b>17%<sup>8</sup></b>

Men tend to adopt new mobile technologies slightly faster than women, but the differences are small.

Note that the teen number is from 2005, while the rest are from 2008. I just didn't find a 2008 number. So you should assume that all the teen figures are perhaps 5 to 10 point higher today.

<sup>6</sup> 2005 Teens and Technology Report (for 13-17) and 2008 Mobile Data Access Report (for all other data) from the Pew Internet and American Life Project

<sup>7</sup> Mobile Access to Data and Information 2008 – Pew Internet and American Life Project

<sup>8</sup> IBID

Note finally that some of these numbers are going up a point or two PER MONTH. Digital technology adoption goes faster than the process of publishing white papers.

One of the key trends in mobile usage, in addition to use of the applications listed above, is the growth in users of mobile for social media. Major social networks like MySpace have mobile offerings, and new mobile only social networks have been launched as well. Wikipedia lists the following as major mobile social networks:

- **Jumbuck**
- **AirG**
- **Mocospace**
- **Bluepulse**

Also according to Wikipedia, the first two listed above have agreements with specific carriers, while the second two work across carriers.

GPS navigation will likely drive enormous growth in the already brisk pace of growth in mobile social, as location based communities can freely develop.

## PART FOUR: WAYS TO THINK ABOUT MOBILE AND MOBILE MARKETING

When I research a new technology, I try to find an analogy to help put aspects of it into understandable “buckets”. So, using SMS is like... or selling ringtones is like....

### Mobile is Not Like PCs

The biggest mistake I have made, and I’ve made it for years, is to think about the phone like I think about PCs and the Web. I have erroneously tried to categorize mobile apps and technologies as analogous to aspects of using the Internet with a laptop.

This is absolutely wrong. Phones are absolutely different. How?

1. **A phone is personal.** It’s more “yours” than a computer that someone shares with their parents or roommate or other students in the library. You carry it with you everywhere. Thus, personalization – of making it yours – is more of an option, and more attractive to the user. It is worth the effort.
2. **A phone is fashion.** A desktop is more akin to a doorknob than a cell phone. It sits somewhere. It doesn’t go with you. Except for the couple of percent of Apple users, it really isn’t expected to be fashionable. OK, there are now PCs being designed for looks, but most are still putty color. A laptop is an appliance. It does things for you. Like a refrigerator. Or a TV. A sexy laptop can be a status symbol for a geek, but generally people keep a computer for a lot longer than a pair of Vans. And if I am really fickle, I can get a novelty faceplate.
3. **A phone is a badge.** It is a form of self expression. Is that overstatement? I don’t think so. Look how Samsung sells the Juke, their music phone:



Now look how Dell sells a laptop:

 <p><b>Inspiron Laptops</b></p> <p><a href="#">Continue</a></p> <p>Starting Price ..... <b>\$499</b></p> <p>As low as <b>\$15/month<sup>1</sup></b></p> <p><a href="#">Apply</a>   <a href="#">Learn More</a></p> <ul style="list-style-type: none"> <li>• Lowest <b>memory</b> prices ever - only \$50 per GB for faster performance!</li> <li>• Show your colors with one of our customizable Inspiron laptops</li> <li>• Go Anywhere Wireless options for advanced mobility</li> <li>• Experience Life in Hi-Def with multiple entertainment features</li> <li>• Simple and Smart Services with RoadReady™ laptops</li> </ul>	 <p><b>XPS Laptops</b></p> <p><a href="#">Continue</a></p> <p>Starting Price ..... <b>\$999</b></p> <p>As low as <b>\$30/month<sup>1</sup></b></p> <p><a href="#">Apply</a>   <a href="#">Learn More</a></p> <ul style="list-style-type: none"> <li>• Lowest <b>memory</b> prices ever - only \$50 per GB for faster performance!</li> <li>• Designed for performance with the latest laptop technologies for entertainment, mobility and security</li> <li>• Sleek, head-turning designs with premium laptop materials and finishes</li> <li>• <b>First-Class Service</b> Guaranteed. We guarantee quick access to the best technicians Dell offers for home computers</li> </ul>	 <p><b>Gaming Laptops</b></p> <p><a href="#">Continue</a></p> <p>Starting Price ..... <b>\$1,799</b></p> <p>As low as <b>\$54/month<sup>1</sup></b></p> <p><a href="#">Apply</a>   <a href="#">Learn More</a></p> <ul style="list-style-type: none"> <li>• Aim true with Hi-Def laptop displays optimized for gaming</li> <li>• Overclock your XPS M1730 experience with a Core 2 Duo Extreme processor</li> <li>• Maximize your visual impact with the latest laptop high-performance graphic technologies</li> <li>• Accelerate your Game with Dell's Exclusive AGEIA PhysX Mobile Technology™ (available for XPS M1730 only)</li> </ul>
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Different, huh? Now phones have brand names like Chocolate. And they are deliberately designed to be

<sup>9</sup> From the Samsung Web site.

<sup>10</sup> From the Dell Web Site.

absolutely sexy. Check out this new model from LG, the VX9400:



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4. **They are unique.** With PCs, I pick form (laptop or desktop), screen size, speed, and graphics card. Possibly color. And of course I am speaking generally here. With cell phones I get colors, camera or no, size, orientation, color or no, Internet or no, Qwerty keyboard or no, different data capabilities, positioning (is it a smart phone, a music phone, a texting phone, etc.) – the list goes on. I get to pick “my phone” versus the PC I can afford or need.
5. **They are cheap.** Throwaway, or almost. Lots more people can come up with \$49 or \$99 or \$149, or even \$299 than can come up with a thousand dollars or more. I can get the small Sanyo S1 for nothing from Nextel. The new Mac Air will set me back more than \$2,000 when I get all the add-ons that I need. Maybe a better term than cheap is affordable status.
6. **They are aural/visual.** The PC web is changing fast, but it is still dominated by text content.
7. **They are tiny.** Supremely portable. The new Mac Air requires a bag to schlep it around. Or an interoffice envelope. ;-) Even the Asus EEE microcomputer is a bit big to take to the malt shop with you. Or wherever the kids go these days.
8. **They are full of secrets.** Features that morons like me will never find. Driven by SMS language that is largely unintelligible by the older set, and constantly evolving/malleable. Secrets are sexy. Secrets let me show off.
9. **Everything costs money with mobile.** And people seem to be fine with that. While riding the train home this week I spoke with a young woman who had a Bayonne ringtone. I asked what she paid and she said \$2 or \$3. I also asked her if she had ever downloaded a song online without paying for it and she said “I never pay for songs.” So what made her willing to shell out \$3 for 11 notes of a song, but not willing to pay 99 cents for the whole song on her computer? “Because this is my phone.” I am not saying it was profound from a debate club standpoint, but it certainly says something sociologically.

## The Car Analogy

I haven’t found a perfect analogy yet, but right now I use the car. It’s not cheap, but it fulfills a lot of the other criteria listed above. And if you think about cell phones like you think about cars, it makes what sorts of marketing

<sup>11</sup> From the LG Web Site.

people are willing to tolerate more telegraphic.

1. I do not want to hear an ad every time I turn it on.
2. I don't want it covered with ads.
3. I don't want it to be like a Model T – any color you want as long as it is back.
4. I want a new one. More or less constantly.
5. I might want an Eddie Bauer branded interior, if it's nice. Just like one might want a Black Eyed Peas wallpaper or something.
6. I might want to watch a video if I am in the back seat.
7. I don't want to feel like someone else is driving when I use it. Just like I don't want heavy handed marketing adjusting my phone features or getting in the way of what I want to do.
8. I am willing to buy XM just like someone might be willing to pay Boost to get music pumped to their handset.
9. I am willing to pay for GPS just like a \$10 data package including map access might be very nice and worth the price.
10. I want it to offer my sort of utility. Good mileage or 50 cubic feet of cargo room or whatever. Just like my life is better suited to a Treo than a Chocolate.

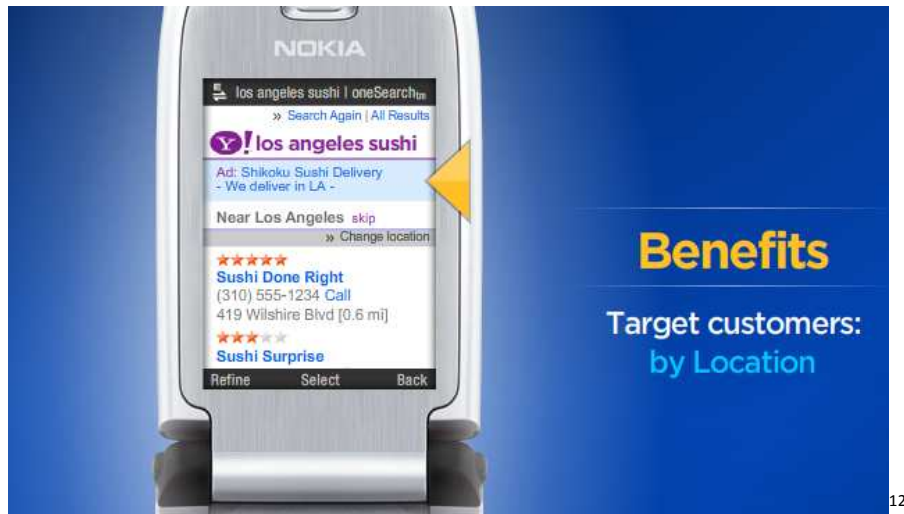
It's not perfect, but it works for me. You may find a better one. But throughout the rest of the document I'll use this analogy to help set some logical parameters for marketing activity on the mobile device.

## STEP FOUR: LEARN YOUR OPTIONS

Mobile is not like TV, where you have basically three options: :30s, :15s, and product integration. The breadth of data services is remarkable and growing almost daily. Here are the biggies, and a few example ways you can use them.

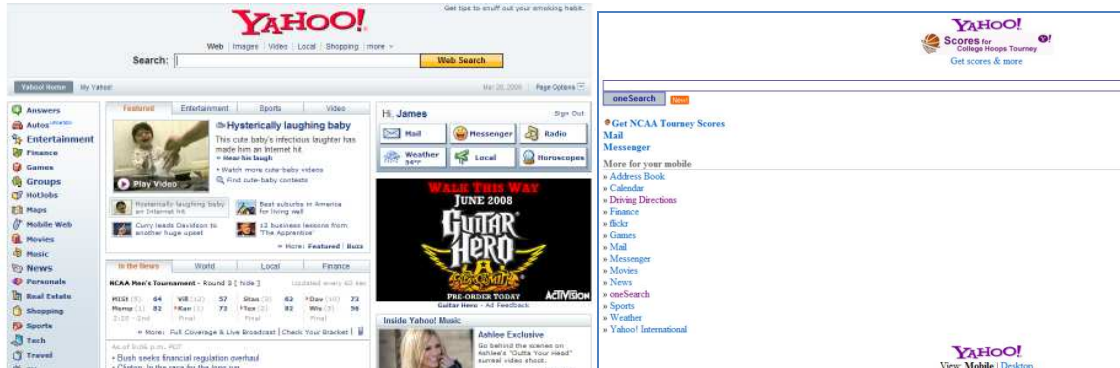
### Mobile Search

Mobile search works much the same way as web search, placing prominent paid search results in results. Mobile search is an ideal option for retailers because mobile searchers are more likely to be ready to buy than someone using a PC. They are out and ready to walk in your door.



<sup>12</sup> From the Yahoo Mobile Search Demo

One key consideration before you do this is that you need a mobile friendly site to send people to. It will likely be a “dumbed down” version of your regular site. Less graphics. More succinct text. Here’s a side by side comparison of Yahoo and Yahoo Mobile for example:



Making your site mobile friendly means that you need to consider several differences between mobile and PC browsing:

1. **Screen size = That screen is a lot smaller and browsing a wide, long, and complex page becomes rather difficult**
2. **Browser compatibility = there are more major browsers for mobile than PCs**
3. **Page Weight: The networks that support mobile phones distribute web content more slowly than a high speed PC connection. Heavy graphics are generally a no-no for mobile.**

One really important thing to consider is that mobile web browsing varies dramatically by handset. If you have an iPhone, you may have a very distorted view of what is possible for a typical mobile user to do and browse online. You don’t pinch and pull most phone screens to navigate and enlarge content. You use arrow keys and inch about the page.

Another key consideration is that unlike in web search, there are vastly fewer sponsored search positions in Mobile. You’re either a top bidder or you are invisible.

Mobile search is purchased on a pay per click basis just like web search. Pay for performance.

## SMS

Texting is by far the most popular non-voice usage of cell phones, and for this reason many companies have started their mobile efforts there. The first “S” in the acronym SMS stands for short, and that’s because a text message must be 160 characters or less in length. To give you an idea of what 160 characters means, see below:

*When in the Course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth,...*

That is 160 characters. So succinctness is critical in SMS.

You can use SMS in a variety of ways:

1. **Develop a text CRM program that stays in touch with consumers in short SMS bursts.**
2. **Sponsor text messages delivered by publishers, for example Wall Street daily recaps.**
3. **Offer a promotional message stream through SMS.**
4. **SMS summary of new headlines available on your site.**
5. **Offer SMS as a way of capturing email addresses and phone numbers for later marketing.**
6. **Use SMS as a way of gathering feedback, votes, or other perspective from users and prospects.**

The possibilities are tremendous, and you will be amazed at what you can fit in those 160 characters.

But you have to be sensible about it. An SMS is very intrusive. If your messages are incessant, you'll tick people off quickly. Think of it as analogous to a city putting a stop sign next to every driveway, so you have to stop your car 10 times per block. The nuisance of unwanted SMS messages could be like that.

## Premium SMS

SMS can also be a revenue stream for certain types of businesses. "Premium SMS" charges consumers an extra fee in addition to "normal" monthly SMS charges for certain services. Dating services, horoscopes, psychic readings, stock tips, and other banal or profound bits of information are delivered via premium SMS. The money can be staggering. Premium SMS dating, for example, charges 50 cents per SMS text as you meet another cell user. My suspicion is this is more relevant to those looking for horizontal dates, given that exchanging 5 messages with someone would cost you \$2.50, 10, \$5.00, 20, \$10. My understanding is that there are millions of people paying for premium SMS services. Even a daily horoscope is going to set you back \$15 a month, so the money to be made can be very impressive.

If you are getting into the dating game, note that your options to advertise your service on TV are limited. Most networks and stations will only run your ads in overnight dayparts. This is because of the connection between premium SMS and sex-oriented properties.

## Ringtones, Wallpaper, and Other Bling

Ringtones and wallpapers and games are also enormous businesses. Perhaps not relevant to most marketers, though offering free ringtones and wallpapers might be a very compelling promotion. The financial math in these businesses is nothing short of fantastic. Assuming you negotiate rights well, a short clip of a popular song will sell for \$1-\$3, for what is ultimately a bunch of electrons. Not surprisingly, the major media companies are all over it. Murdoch's News Corp owns 51% of industry leader Jamster, and other media giants like Lagardere are also active in this space.

Ringtone companies generally have a bad reputation. Part of this is due to marketing practices that entice young (<18) people with free ringtones, with tiny print that indicates that by accepting the ringtone you are enrolling in a pricey monthly subscription. Not all companies have engaged in these practices by any stretch, but those that do have soured some media outlets to their buys and have piqued regulator scrutiny of the market.

Also, a prime target of ringtone and game makers and sellers is teens, so the content tends to be...non politically correct. For example, Lagardere's Cellfish.com site offers 261 videos keyworded "sexy".<sup>13</sup> Now, to be fair, the site offers thousands of tones and screens and videos, but these are often the ones that hit the news whenever politicians wish to assure us of their moral concerns. Which seems to occur around election time every two years.

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<sup>13</sup> The count on Sunday, March 30, 2008

Games can also be very profitable, though a key challenge here is developing a game that works on a broad swath of handsets. Companies like Thumbplay and Flycell are leaders here. One senses however, that the nav buttons on this kind of content are pressed so often that the text is about to wear off, so it can be said that they're just giving people what they want.

Mobile games appear to be an excellent tool for targeting the hard to reach M 18-34 demo, based upon recent data from M:Metrics. Roughly one third of mobile game players fall into this elusive demographic.

Not surprisingly, mobile game ad networks have risen to help sell gaming inventory as well.

## Mobile Banners

Mobile banners are graphical ads, just like web banners. They are usually purchased by CPM. One difference, though, is that banners are not sold by size – instead, the size of banners is optimized to the screen of the recipient's phone. And that's only logical. If I have a tiny screen on a tiny phone, it makes sense that the banner deployed would be smaller than on a phone with a big screen. Graphical reproduction is going to vary by device, so simpler graphics make sense for the immediate future. It is the ad server's responsibility to identify and deploy the right banner size. This may mean that you will need to develop multiple banner sizes, just like you do for web banners.

According to the MMA's North American Advertising Guidelines, the predominant ad sizes are:

Handset	Approx Handset Screen Size (pixels wide x tall)	Example Handsets	Ad Unit	Ad Size (pixels)
<b>X-Large</b>	320 x 320	Palm Treo 700p Nokia E70	X-Large	305 x 64
<b>Large</b>	240 x 320	Samsung MM-A900 LG VX-8500 Chocolate	Large	215 x 34
<b>Medium</b>	176 x 208	Motorola RAZRs LG VX-8000 Motorola ROKR E1	Medium	167 x 30
<b>Small</b>	128 x 160	Motorola V195	Small	112 x 20

<sup>14</sup>

There is naturally less ad clutter on a mobile page. You can't fit six ads and the content that the customer requested on a small screen. But there is often less graphical flexibility, meaning that gif ads dominate.

<sup>14</sup> Mobile Advertising Standards (North America) by The Mobile Marketing Association, 12/2007

A variety of different types of firms sell ad banners. Major sellers include:

1. **Carriers**, like Verizon, that sell banners on their “decks”
2. **Portals**, like Yahoo or MSN
3. **Publishers with Mobile Pages**, like ESPN or CNET
4. **Mobile Content Distributors** like Vindigo or Enpocket
5. **Mobile Ad Networks**, like AdMob

Targeting options are broadening rapidly. All of the major types of targeting are available including:

1. **Contextual**, meaning the matching of an ad to related content.
2. **Demographic**, enabling you to target by gender, age, income, and the like
3. **Behavioral**, indicating that you focus ads on people who have demonstrated certain browsing behaviors on their phones. So, for example, a car company might buy ads on phones of people who have visited car research sites.
4. **Geographic**, meaning internationally, nationally, by region, state, DMA, or even cell tower area.

Another thing to think about when you consider banners is what action are you trying to drive. Marketers can make mobile banners drive very different kinds of actions. The key options in the US, according to the MMA, are:

1. **Click through to a mobile site**
2. **Click to call**, meaning that when the user clicks on the banner, they automatically initiate a voice call from their device to the number. This will likely improve DR response rates versus communicating a telephone number that the user will have to enter into their phone.
3. **Email capture**
4. **Ability to send an SMS (text) message** or (less common) an MMS graphical message.<sup>15</sup>

Measurement metrics are impressions delivered, click throughs (CTRs), click to call rates, Email capture rates, and the like.

Mobile companies are generally pretty careful not to annoy users too much with banner ads. No one wants to see billboards everywhere when they're driving on the Interstate. Evaluate any graphical ad option within the context of what you might find acceptable. Remember, people are PAYING directly for the content on their phones, so getting in the way of utility is not something you want to do.

## Full Screen Graphical Ads

Phones now offer the user the option to download applications like games, tools, or other utilities. As part of a download, advertisers can be sponsors.

Sponsoring some applications like, for example, a game or a mapping function, may entitle an advertiser to a full screen ad. This will run as a pre- or post-application welcome screen or bumper. These within applications can drive users to other sponsored pages in the application, click to email capture, click to call, or click to send MMS or SMS. Here are some full screen ads:

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<sup>15</sup> IBID



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Because phone sets have different screen sizes, such full page sponsorships will likely require you to make more than one creative size for your message.

Consumer receptivity to ads in downloadable applications is going to vary depending upon the cost of the app, the level of intrusiveness of the marketing message, and the relevance of an ad to the application. Several studies have shown that consumers are willing to look at ads if it results in an app being free or available at a much reduced cost. For example, if an advertiser offered consumers a good game for free instead of say \$9.99 without ads, a large proportion of mobile users will prefer the sponsored game version.

Intrusiveness within mobile is the classic teeter totter marketing dilemma. YOU may want users to look at an ad for 30 seconds; the user doesn't want to look at it at all. So you need to find an appropriate balance. In determining that balance, people my age (43) or thereabouts need to recognize that the attention spans of the younger set are much shorter than ours, and that 30 seconds, while tolerable in TV, will feel like an eternity on a phone.

No one wants to pay good money for an app and see a bunch of ads every time they try to use it. But if you make the app free or discounted, people will generally be OK with it. An analogy is to the EU car rental company Sixti, that charges far less than other car rental outfits, but the tradeoff is that you are driving a billboard:

<p><b>MicroDrive from € 9,99 *</b></p>  <p>e.g. Smart, Ford Fiesta **</p>	<p><b>Mididrive from € 19,99 *</b></p>  <p>e.g. Ford Focus, Peugeot 307 **</p>
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Anyone who has seen the rental car charges for a compact in Germany will understand why Sixti is growing like a weed. It's not a ride that impresses, but it'll get you there.

## Own Applications

A variety of developers will help you create an applications specifically for your brand. Consumer receptivity to such an app will depend upon its utility. In many cases this is going to be more relevant to a publisher (like ESPN) rather than a brand. But there are surely brands that can benefit from mobile apps.

<sup>16</sup> Taken from the Hellocompany.com web site.

<sup>17</sup> From the Sixti.com Web Site.

An example would be Zagat to Go:



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One of the key marketing strengths of building an app is the opportunity to create a persistent consumer relationship versus fielding impressions. A good app will stay there on a user's phone and get used again and again. That offers hundreds – even thousands of brand interactions you can leverage to build your consumer connection.

### Mobile Widgets

Widgets have grown tremendously in popularity, and a subgroup of mobile widgets is growing strongly as well. While widgets are applications, they deserve a separate discussion because they tend to be easier to develop and because new standards are making it still easier to create compelling mobile widget experiences. Yahoo, which is the leader of widgets, offers mobile widgets in the following categories, many of which take existing Yahoo PC functions and port them to phones:

1. Local Search
2. Email
3. Photos
4. News
5. Sports
6. Finance
7. Entertainment
8. Weather

Among the most popular mobile widgets are

1. An eBay unit that makes managing auctions on the go easier
  2. A MySpace widget app that lets you stay in touch with MySpace friends even when you are away from a PC.
  3. An MTV news widget that provides highlights of MTV content on the go.
- You can advertise in many of these widgets or sponsor them for a period of time.

### Cell phone coupons

<sup>18</sup> From the Zagat.com web site.

Think of it as a handheld FSI – a way of getting coupons texted to you. A company called Cellfire is the leader in this segment, in which consumers opt in to receive geotargeted coupons. These coupons are for brick and mortar businesses like supermarkets, drug stores or pizza joints.

In brick and mortar, the customer simply shows their cell screen to the retailer to get the discount.



Cellfire currently works on some handset of the following carriers:

1. Alltel
2. Boost
3. Cellular South
4. Cincinnati Bell
5. Metro PCS
6. Verizon

Based upon the Cellfire Web Site, the company appears to be targeting four verticals:

1. CPG
2. Grocery Retailers
3. Chain Retail
4. Local Retail

Their pitch appears to be working. Ad Age reported (reprint available at the Cellfire Web Site) that P&G, Clorox, Kimberly-Clark, Del Monte, and general Mills are teaming with Kroger on Cellfire coupons as an effort to reach younger shoppers.<sup>19</sup>

<sup>19</sup> "Package-Goods Giants Roll Out Mobile Coupons" from Advertising Age March 10, 2008

## PART SIX: HOW TO BEST UNDERSTAND MOBILE

If you've never done it before, send a text. Take and send a picture. DO a web search with your phone. Experience firsthand the power of the medium.

## PART SEVEN: MOBILE AS A PART OF YOUR DIGITAL ROADMAP

It's important to know about mobile regardless of its current relevance to your marketing effort. But knowing doesn't necessarily mean doing at this moment. It's critical that you approach the entire mobile space from a strategic perspective, because as in any area of marketing, you need to develop the most effective mix of programs to meet your specific business goals.

Not enough digital thought leaders emphasize the importance of a digital roadmap for the space. The result is that many companies do what's hot or what first comes to mind rather than objectively evaluating all of the opportunities. As in any aspect of business, a dollar spent in one place means that it won't be spent in another. Mobile needs to be evaluated in this relative manner just as should any marketing strategy or tactic.

But mobile is definitely worth considering, and has reach large enough import that it SHOULD BE a part of many brands' strategies. It may at least warrant a test to determine its potential impact for you.

One thing we know is that the tools you are using today probably aren't gaining in effectiveness. You need to experiment constantly, armed with the knowledge necessary to make the best strategic and tactical choices. Unless you're selling Poli-Grip, your target is probably using the mobile phone in ways that would surprise you. If you want to understand how mobile enters their lives, do some qualitative. Ask them.

## PART EIGHT: FINAL THOUGHTS

The Mobile Marketing Association offers an excellent site chock full of valuable info and insightful ideas. It's worth a chunk of your time. Their mobile glossary, for example, is something I refer to a couple times a week. They also keep their content CURRENT, which puts them world's ahead of other sites.

If you are more of a watcher than a reader, surf over to iMedia Connection and check out this vid clip. <http://www.imediaconnection.com/content/16956.asp> The vid contains a very interesting adidas case.

If you believe that mobile is right for you, it probably makes sense to engage an expert to help you through your first programs. Someone with experience in the space can help select programs and provide crucial inputs that can make your creative more effective. They can also identify the best partners available. There are dozens of companies operating in the space. A few are excellent. Lots are very good. And a bunch really suck. Picking right can make the difference.

In sum, I can't tell you that 2008 or 2009 are the "year of mobile." But I can tell you that it's time to seriously consider a test or a pilot program for many many brands. You'll need to evaluate it in the context of other opps. But make sure you give it a serious consider.

Thanks so much for reading. Write me at [jim@catalystsf.com](mailto:jim@catalystsf.com).

## ABOUT THE AUTHOR

Jim Nichols is a Partner, Strategist at Catalyst SF. Catalyst SF is the World's first marketing Capital Firm, providing extraordinary value to clients principally through developing strategies and programs in emerging digital media. Catalyst specializes in Mobile, Social Media, Video, Gaming, and Modular Content like Widgets.

Jim's experience spans over 20 years in advertising, market research, and brand management. Some of the brands he has helped propel include ABC, 800 Flowers, Betty Crocker, Brach's, Cap'n Crunch, CBS, Chandon, Chase, Clorox, FreeWheel, Go Fish, Hidden Valley, Hyundai, Jumpstart Automotive, KC Masterpiece, Kodak, Lagardere, Liquid PlumR, Macy's, Oracle, Perfect Match, Pfizer, Register, Showtime, SKYY, Soapnet, Sportgenic, Virtual Makeover, Wachovia, and ZVue. Jim holds an MBA from the University of Chicago and a BA from the University of Pennsylvania.

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