The future of advertising is happening now

by Manoranjan Mohapatra, CEO, Comviva

With the advent of digital media, the very nature of advertising itself is changing. The alpha user approach, now established as a norm for advertising in the Internet social networking world, is moving into the mobile advertising space. Mobile devices allow a two-way conversation with customers and could represent the next frontier in advertising. Mobile operators and service providers possess significant capabilities and assets giving them unique advantages in terms of reach, collaboration, and analytical capabilities. But they need to work within the overall advertising ecosystem to effectively monetise these assets.

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As users migrate to new screens for content and information, advertising and marketing need to shift as well. Brands are rebalancing their traditional marketing channel mix, optimising the brand's digital footprint and directing attention, as well as budgets, to digital media. Digital channels now constitute a sizeable share of the media mix for several brands, which is reflected in the narrowing gap in advertising spend between broadcast and digital media. Informa forecasts mobile advertising revenues will register 47.7 per cent compound annual growth between 2008 and 2013, generating US$12.1 billion in revenues. According to conservative advertising industry estimates, mobile advertising is expected to grow to Rs.500 crores by 2011 in India.

Globally, the media landscape has evolved into a complex and dynamic conglomeration of both traditional and interactive media that seek to serve the needs of today's fast-paced consumer lifestyles. The proliferation in channels, brands and screens signals a rapid evolution in media consumption patterns and an end to absolute domination by a single medium.

Studies from several countries show that consumers spend a large amount of time on digital media to source information and entertainment, as well as to communicate, collaborate and engage in a variety of social interactions. The proliferation of media (from yesterday's print, radio and TV, to today's web, cellphones, podcasts, GPS systems, video games, PDAs and more) and the concurrent fragmentation of audiences are transforming the dynamics of the advertising industry. Old structures and ways of working persist but are fundamentally challenged by newer, more dynamic, more innovative

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alternatives. However, it is becoming abundantly clear that although the central goal of advertising is still the same – to persuade consumers to purchase a product or service – the media environment in which advertising is placed is changing, and, as a result, the nature of advertising is changing as well.

The power of a medium to reach out to customers and strengthen the relationship between the brand and the consumer is of central importance to marketers. Previously, advertisers could construct a consumer archetype and push information about their brand via a 30-second commercial with reasonable certainty that it would reach 80 per cent of adults. This traditional one-to-many advertising model loses its effectiveness when choices are infinite and audiences diffuse.

Viral advertising campaigns are the dream of any marketer. User to user communication is far more effective and punchier than a brand to user communication. The first thing that is needed for a viral marketing campaign is an 'alpha' user – a user who is socially active and has great social networking potential – recognisable from the heavy volume of outbound SMS, data and voice usage. Having alpha users as the crux of a campaign ensures the best return on investment (*ROI*), as a popular viral campaign is highly cost-efficient and tends to be more successful due to the status of the alpha user as a highly sociable and widely liked individual. In the Internet social networking world, the alpha user approach is well established as a norm for advertising.

We will now see the alpha user approach moving into the mobile advertising space, as operators understand the behaviour of their subscribers. By analysing usage behaviour, operators are able to identify people who are highly 'connected' and who regularly visit social networking sites both off-deck and on-deck and who frequently communicate by voice, SMS or email. The mobile is a perfect medium for a viral marketing campaign and it is likely that mobile-based viral marketing promotions will grow steadily in the next 12 to 18 months.

The act of consuming media online has become synonymous with the act of producing media. Content and formats once controlled by media broadcasters and distributors are moving towards an open market for delivery systems. Digital channels allow users to prosume (simultaneously produce and consume) content. In a multi-screen, media-rich world, consumers can no longer be considered 'the audience' – they increasingly control the media experience and are simultaneously readers, editors, marketers, media producers, programmers and distributors.

Until now, the online medium has dominated interactive advertising. In most emerging countries, however, consumer adoption of digital mobile telecommunications outpaces the Internet. With over 4 billion mobile users globally, rapid advances in wireless technology have made mobile devices the next frontier in mobile advertising. The always-on, personal, portable and actionable qualities of the mobile as a marketing platform enable brands to construct meaningful, interactive exchanges between the consumer and the brand. A large majority of customers use their phone for at least one data service, including text messaging, games, email, mobile Internet, instant messaging, ringback tones and video downloads - indicative of a broad range of advertising inventory and a scalable market for mobile advertising. Compared to other channels, the mobile medium enables advertisers with distinct benefits to reach consumers.

The mobile phone provides brands with a cost-efficient medium to target users, ensuring better ROI on campaign investment. In addition, mobile advertising has a much greater chance of cutting through the clutter and reaching the eyeballs of its target audience than advertising campaigns carried out over traditional media. According to Kevin Clancy, an advertising industry expert, the average ROI of television advertising campaigns ranges between 1 per cent and 4 per cent, while the ROI from targeted mobile advertising campaigns is as high as 300-400 per cent. Compared to Internet advertising, the absolute cost of mobile advertising campaigns is higher. However, the average click-through rate (*CTR*) for mobile is superior, increasing the overall cost-effectiveness for brands. According to Informa's estimates, the average CTR for online adverts is below 0.5 per cent, whereas the CTR averages 4 per cent on the mobile web with several targeted campaigns yielding results as high as 7 per cent to 12 per cent.

Until now, advertisement investment in the mobile medium has failed to keep pace with its rapid growth and potential. To address this gap, many industry participants believe that service providers must now begin to design and implement a long-term plan that integrates business strategy and operational management.

Service providers who intend to capture the mobile advertising opportunity need to reorient business models. Until now, the strategic focus of this industry has traditionally been on initiatives that maximise the share of a consumer's 'wallet'. However, in many international markets, high-speed Internet access with the advent of 3G and 4G, and traditional telephony offerings to the home and office have saturated that compartment of the consumer's wallet, compelling operators to look to non-subscriber sources of revenue, namely advertising. As a result, service providers believe the time is right to introduce advertisement-driven service models that allow operators to not only tap into new revenue streams without the limitation of available end-user wallet share but also, most importantly, to differentiate themselves from competitors.

Growing interest in off-deck content has weakened the operator's hitherto dominant position in the operator value chain. Brands today have a real option to buy advertising inventory directly from Google, Yahoo or MSN or standalone hosted application providers, such as games and instant messaging. To win the battle of shifting value chains and to capture a sizeable share of the market, operators need to build a new set of capabilities based on open collaboration, multi-channel innovation, greater consumer insights and accurate measurement processes.

An impediment to mobile advertising's growth has been the choice and the complexity that exists in the ecosystem. Mobile operators have several channels with different capabilities in terms of reach, effectiveness and sophistication which can be used for mobile advertising. The possibilities

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for mobile ad placements are just as vast in the mobile space as in the TV arena. If a company wants to advertise a blender, an ad could pop up when the user searches for a café, or users could receive a coupon for use at a café that uses the particular blender, or they could receive an SMS to enter a recipe contest. Depending on the operator's existing business model (for example a quadruple-play service provider) and the chosen mobile advertisement model, multi-channel capabilities could extend to multiple networks.

As a composite of media channels, a marketer looks at the mobile, sees dozens of choices to make, partners to consider, and formats to construct. For effective monetisation, operators need to aggregate inventories and build integrated multi-channel campaign strategies. Further, the advertiser must be able to easily cherry pick channels and ad formats, as well as timing frequency and reach of the advertisement. Some campaigns may require direct marketing push capabilities such as SMS and MMS delivery, while others may be more suited to on-portal advertising, unobtrusive offline advertising or opt-in message advertising. Implementing an end-to-end mobile advertising strategy with multi-channel delivery capabilities will enable mobile operators to build a strong position in the mobile advertising ecosystem and monetise their strategic assets. Different approaches across ad units and ad inventory may have to be tried, involving a trial and error mindset. An integrated multi-channel strategy assumes that the operator has the capability to aggregate inventories, that the key value added service applications on the network are ad-capable and that the underlying advertisement platform is equipped to manage backend workflows. These workflows will span campaign management, inventory management, business intelligence, revenue management and ad analytics.

Marketing message distribution, in terms of timing, context and relevance, rivals creative execution as an importance factor in the mobile advertising space. Across media, the more relevant an advertisement is to a consumer's interests, the more engaging and effective an advertisement will be. The same is true of mobile advertising, only it is further pronounced due to the uniquely personal nature of the medium and the relatively pristine, uncluttered media environment that it provides.

Operators possess significant unique capabilities and assets in the mobile advertising space. These include exclusive access to detailed end-user profiles, usage patterns for voice and data services, mobile web click-streams and the type of content they download, billing data and location information. Subscriber network usage patterns combined with real-time, dynamic information about subscribers, such as location, enable operators to deliver the right advertisement to the right customer.

Notwithstanding the fact that operators have a unique personal identifier (the MS-ISDN), they nevertheless lack a unified 360 degree view of the customer. Customer data available on the network are dispersed across numerous networks and applications and are often locked in siloed databases. Operators need to deploy standard-based interfaces to federate subscriber data from multiple legacy systems and integrate with third-party applications to construct the user's consumption profile on the network.

Operators need to invest in creating a strong cross-industry partner network comprising leading retail houses, credit card companies, and banks to succeed in the mobile advertising space. Data feeds supplied by these partners can transform operators into a subscriber information powerhouse and result in better inventory utilisation.

Brands need to target and then track the advertising process. Marketing requires new strategies and tools to connect effectively with consumers. Instead of being satisfied with knowing how many people are exposed to their messages, operators are working hard to determine how well their messages are received, whether they are powerful enough to generate a customer response and exactly what those responses are.

The future of advertising is happening now. The methods by which consumers absorb information and entertainment – and the ways they perceive, retain, and engage with brands and brand messages – have changed irrevocably. Empowered consumers are compelling advertisers to migrate to interactive mobile media, which allow them to build a two-way conversation with customers. Successful mobile advertising is a mix of reach, collaboration, and analytics. Mobile operators have a unique advantage in all these three, but need to work within the overall advertising ecosystem to effectively monetise these assets. ●

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