

Will Ads Pay For Wireless?

Mo Marshall & Galen Gruman

AT ISSUE: The Internet's ad-based revenue model has proven untenable, leaving many in the wireless industry wondering whether consumers will be the ones to pay for m-services. Yet early ad trials among wireless users show promising results, and new-media ad agencies such as Lot 21 report recently invigorated interest by would-be wireless advertisers. Can advertising really foot the bill for broadly used mobile data services?

Galen says:

Yes, if done right. I'm not suggesting advertising will foot the entire bill: Consumers will certainly pay directly for discrete services, such as \$1 for a ringtone, 75 cents for a movie ticket service fee, or maybe even \$2 to have critical data updated frequently, such as stock prices or flight information during volatile times. And consumers will likely pay a nominal fee, such as \$5 per month, to get basic "wireless Internet" services added to their cell-phone subscription plan.

But I don't believe consumers are willing to pay another \$30 per month for a wireless Internet service provider on top of their phone charges or to have more than a couple of data services that require monthly subscription fees. The costs of wireless data will add up too quickly, killing demand. Remember how the Internet didn't take off until the pricing was predictable and cheap? Even cell phones for voice required predictable, low costs to gain wide acceptance. Wireless data will be no different.

So why advertising? After all, it's by and large failed on the Internet, another realtime-data-oriented medium. Certainly, banner ads, pop-ups, and the like will fail in wireless. You can usually ignore them on the desktop, but on a wireless device, they'll be either annoying or totally missed — either way, they won't work.

But there is a form of advertising — the sponsorship model, in which the advertiser is the deliverer — that will work. People will let, say, Fidelity Investments sponsor their stock feed, giving Fidelity an ongoing presence on your phone and PDA in a clear but unobtrusive way. Similarly, a Travelocity could sponsor travel updates, including links to its booking services and strategically placed text such as "Travelocity Flight Up *s*" in the content it is sponsoring.

This form of contextual advertising, where the advertiser is delivering

something the user actually wants, will work, providing revenue to content and application providers. That'll be especially true in the early days of wireless data, when users aren't yet sure what value to place on m-services and thus avoid out-of-pocket investments wherever possible.

Mo says:

I agree that some strong advertising models are emerging in wireless. Most compelling is the highly targeted advertising that content providers, especially in the youth market, are developing. Take Saw-You, for example; this U.K. wireless flirt-and-meet service gets teens and young adults to provide extensive personal information on themselves so that users can "pick up [their] mobile phone and SMS anyone [they] see without knowing their mobile phone number or email." Based on this kind of detailed information, some content and service providers will be able to target ads so effectively that they're not even perceived as advertising.

The problem is, these kinds of examples are rare. That means that although users might not be put off by the few highly targeted ads they receive, they'll still be exposed to the tens, possibly hundreds, of untargeted ads coming from far less discriminating services each day. And these unwanted ads will eventually ruin the model for everyone.

That takes us back to square one: Consumers will pay for what they consume (on top of their flat-fee plan for wireless access, that is).

I talked to the president of wireless advertising network vendor Profillum recently, and he argued vehemently that there was no way consumers would be willing to pay a cent for wireless content.

But I don't buy that. U.S. consumers simply want to know they're getting a good deal on what they're paying for. If you give them Internet content for free one day, they're certainly not going to pay for it the next. But if you give them competitively priced wireless content and services from the get-go, they'll pay. I'm not talking about \$2 charges; I'm talking about low-cost fees that mirror traditional per-minute phone charges, say 20 cents for a view of realtime traffic conditions, 50 cents to order a taxi pickup, or 10 cents for a horoscope.



Each issue, Editor-in-Chief Mo Marshall and Executive Editor Galen Gruman debate a key question facing mobile strategists. Send us your views or submit a question at editors@mbizcentral.com.