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The Efficacy of Wireless Advertising:

Industry Overview and Case Study

Overview

The adoption of wireless mobile devices is showing phenomenal growth. International Data Corporation (IDC) forecasts that there will be one billion wireless phone users across the world by 2003. While DataQuest/Gartner predicts that of the 900 million mobile phone users they envision in that year, 80% will have Web-enabled devices.

This explosive growth heralds the arrival of wireless as a primary communication medium offering exciting new advertising and sponsorship opportunities and demanding that wireless become a carefully considered part of the overall marketing communications mix.

Recent messaging programmes are delivering very positive results and evidence that:

- Wireless users are very accepting of advertising that is delivered within the context of relevant, value-added messages that match the user's profile.
- Wireless is an efficient vehicle for building brand awareness because it has the ability to deliver highly targeted, time-sensitive messages to captive audiences. Brand awareness can also be significantly increased through leveraging recognizable events and activities.
- Wireless messaging campaigns are uniquely tailored to appeal to a wireless user's interests and preferences thus delivering strong brand recall and click-through rates.

Wireless Fits the Way We Live

The widespread adoption of mobile devices is occurring, in large part, because these devices fit the way we wish to live. Consumers want unrestricted access to services and information wherever they are. Mobile devices help fill many consumers' need to be always connected, always informed.

In order to have access to around-the-clock messaging services, particularly at reduced cost, users appear willing to accept advertising messages. A March 2000 Strategis Group survey of 500 wireless subscribers found that 77% of users said they would be willing to receive advertising on their handsets to reduce or eliminate other charges. The Strategis Group study "U.S. Wireless Portals, Strategies and Forecasts" also revealed that 34% of wireless users are interested in wireless portal services, and that a majority of those interested would be willing to receive advertising in return for discounted monthly fees.

In addition to being receptive to advertising messages, consumers are responding enthusiastically to one of the most important wireless trends for advertisers: Short Message Service (SMS).

Short Message Service (SMS) – The “Killer App”

SMS is a flexible, easy-presentation technology that allows short messages to be sent to and from mobile devices. Already popular in Europe and Japan, SMS use was primarily spurred on by teens exchanging messages amongst themselves. The technology is spreading like wildfire around the world.

According to Logica, the global volume of SMS will increase by 170% per year. By the end of 2002, it's estimated that North Americans will send 10 billion SMS messages per month. The projected speed of growth in SMS surpasses that for Internet usage during the next three years.

With mobile users depending more heavily on receiving alerts and other notifications via SMS, an extremely effective ad medium has emerged for advertisers. The effectiveness of SMS messaging lies in its ability to deliver highly targeted, time-sensitive messages to captive audiences. In addition, sponsorship opportunities can effectively leverage recognized events and activities to enhance brand awareness.

The wireless explosion represents a new way to reach a growing audience. For advertisers the consumer-driven adoption of SMS delivers the first wireless "killer app."

Wireless Catches Advertisers' Attention

"Wireless is the next plateau for our industry."

Rich LeFurgy, Chairman, Internet Advertising Bureau

Ovum, an independent research and consulting company, predicts that by 2005 wireless advertising revenues will reach more than \$16 billion worldwide and will account for 20% of overall Internet spending, while the Kelsey Group predicts that wireless ad revenues in 2005 will hit \$17 billion. What is it about wireless that has advertisers interested?

Analyst firms predict wireless messaging programs will prove to be extremely cost-effective. Based on the ability to develop highly targeted information, wireless response rates are often compared with those of direct mail. However, preliminary results indicate that wireless programs have much higher response rates than direct mail at a lower cost per lead.

According to Forrester Research, this unique ability to deliver highly targeted messaging is so valuable that it may command as much as \$30 CPM, as compared to Web portal deals that are now as low as \$1 CPM. As Ovum states: "The market for mobile advertising not only exists; it has the potential to be a high-value market, capable of commanding rates two to three times higher than those of the fixed Internet."

Wireless offers advertisers a unique means of delivering value and growth that is driven, in part, by advertisers who quickly learn and understand consumer wireless behavior. At this critical juncture, advertisers have the opportunity to add value and interest in wireless messaging and can therefore shape its use and become a catalyst for widespread wireless Web adoption. Advertising, promotions and sponsorships for wireless are not just inevitable, they will play a vital role in the evolution of the wireless environment.

A Road Map for Successful Wireless Advertising

As with all advertising mediums, wireless must be evaluated in light of reaching the right audience, with the right message, at the right time. Successful advertisers are those who successfully deliver value to the consumer. With wireless, consumer value is built on the ability to deliver messages that are tightly targeted and personal. Wireless offers the opportunity to target messaging like never before.

Due to the highly personal nature of mobile devices, messaging programmes can take advantage of consumer-defined preferences to delivery highly targeted, timely and relevant information. However, it is also this personal aspect that requires careful handling when targeting consumers for certain

campaigns. Consumers are increasingly sensitive to unsolicited information, particularly as it hits closer to home. To ensure the capability for targeting is not misused, advertisers should take responsibility to target users judiciously and deliver content that is considered a value-add. In addition, to confirm that wireless messages are welcome, one key element is clear. The concept of opt-in must come to mean that a consumer has control over the messages he or she receives.

The personal nature of wireless devices also allows for the developing communities of like-minded users. Through this community building, simple brand awareness transforms into strong positive associations. Community building will also increase the amount of time spent sending and reading messages and will therefore increase ad exposures.

Judicious targeting, delivering value-added content, maintaining opt-in policies and nurturing of communities are just a few key components to developing an effective wireless campaign. As a nascent industry there are still some unknowns, but positive results from marketing trials are starting to emerge. A case study of one such programme follows.

QUIOS/ENGAGE CASE STUDY: ***Quios Euro 2000 SMS Alerts Service***

Campaign Overview

In June of this year, Quios, an online community offering services to mobile phone users worldwide, conducted a programme delivering wireless message alerts to Euro 2000 fans. Euro 2000, the European soccer championship tournament, is a huge event with the top 16 teams competing in 31 matches in eight cities. While millions of fans attended the matches, millions more were unable to attend. Quios captured this opportunity to communicate with these fans about their favorite teams with SMS alerts delivered to fans' mobile phones. These wireless alerts provided real-time notification each time a goal was scored as well as notification of the final score. The alerts were sponsored by Sega Dreamcast, Grolsch Beer and Sports.com. An example of one such message is "Belgium – Sweden : 1-0, 37' Soetemans, Brought to you by Sports.com." By the end of the campaign, more than 35,000 registrants in over 100 countries received a total of 2.5 million alerts.

To gauge the success of this programme, Quios enlisted the help of Harvey Research to measure the success of this wireless advertising initiative. User response to this innovative venture provides some telling indicators for the future of targeted wireless advertising.

Overall, Harvey Research's survey of the Euro 2000 SMS Alert recipients indicates that users are enthusiastic about this type of targeted messaging. Highlights of the study's results include strong sponsor recall and click-through rates, suggesting significant potential for building brand awareness. In addition, study results also point to extensive word-of-mouth promotion among users. This viral marketing component helps make this program a very efficient advertising vehicle.

With strong brand-building capabilities and efficient message delivery, wireless advertising has the critical components to achieve widespread adoption among advertisers seeking a highly targeted, cutting-edge medium.

Research Methodology

In July, Harvey Research conducted an email survey among users of the Quios Euro 2000 SMS Alert service. The objectives of the study were to determine the level of satisfaction and the effectiveness of the service.

The statistical universe measured in this study is derived from e-mail lists provided to Harvey Research by Quios. Harvey employed probability-sampling techniques to assure projectability of the data to the total population within known tolerances. In this case, the statistical information within the report may be accepted as accurate within a tolerance of ± 3.8 percentage points at the 95% level of confidence. Of the 500 respondents to this survey, 51% were from the U.K. and 49% were from the Netherlands.

Key Findings

The above data points to significant brand-building as a result of the Quios SMS advertising programme. The majority of respondents report viewing sponsors in a positive light, recalling having seen specific sponsor messages, telling their friends and family about the service, and many actually clicked through to sponsor Web sites as a result of the messages.

A number of key findings point to the success of this initial programme as well as the significant potential for future wireless advertising programs:

Satisfied users. Of the 500 respondents, 79% were satisfied with the services received. Ninety-two percent of users found the system easy to use (very easy to use through somewhat easy to use.) These results indicate that through the use of value-added content and relevant messaging, wireless users are accepting of sponsored messages.

A willing and interested user base. Eighty percent of respondents said they would use the service again for future events. This indication that after having experience with the programme respondents are willing to participate in the future, points to the value of having an established user base.

Strong sponsor recall. According to the study, 64% of study respondents recalled seeing a message from Grolsch, 61% recalled Sports.com, and 57% recalled Sega Dreamcast. These are excellent recall rates, particularly in light of recent research regarding recall rates for banner advertising. According to Market Facts TeleNation, 48% of Web users never even look at banner ads much less recall specific advertisers.

High click-through rates. Survey results indicate that, as a result of the sponsorship messages, 14% of participants visited the Grolsch Web site, 16% visited Sports.com, and 10% visited Sega Dreamcast. According to NetRatings, click-through rates on banner ads have fallen to less than 0.4%. And according to Jupiter Research, only 12% of Web users had ever visited a Web site as a result of any television ad, and only 7% had visited as a result of a radio ad. The click-through rates for the Quios programme are not only much higher than those of banner advertising, they are even more impressive given that this particular programme required users to go to a PC and copy the URL to click through to a sponsor's site. Furthermore, click-through rates for the Quios programme were higher for sponsor sites that were more relevant to the content supplied. For example, Sports.com received more site visits than Sega Dreamcast because its offerings are more closely tied to the sports content in the alerts. This further supports the importance of relevant messaging.

Great viral marketing potential. It's clear that this programme has great word-of-mouth potential. Seventy percent of respondents said they recommended the service to their friends and family. In addition, the real-time nature of the programme will also increase the campaign's reach. The total number of impressions and users will likely be much higher than originally anticipated.

Sponsorship is generally well received. Twenty-five percent of respondents indicate that they had a positive impression of the sponsors, while 72% were unsure. In the open response section of the survey (question 8, below) it is clear that not only did sponsors receive direct benefit (i.e. Web site

traffic and/or purchases), users overwhelmingly formed positive impressions about the sponsoring companies.

The Wireless Road Ahead

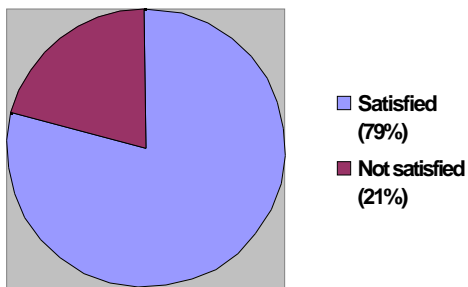
The Quios/Engage Euro 2000 SMS Alert initiative was one of the first of its kind and as such is at the forefront of current understanding of the new medium. The wireless market is racing ahead at light speed with new developments and companies emerging each day. As with every new industry, before wireless advertising becomes mature there will inevitably be bumps in the road. However test efforts such as the Quios/Engage Euro 2000 SMS Alert Study provide valuable feedback to help guide the journey. Those companies that understand the wireless environment and the importance of careful targeting and community development will find themselves at the head of the pack in what promises to be a fascinating and substantial industry.

APPENDIX

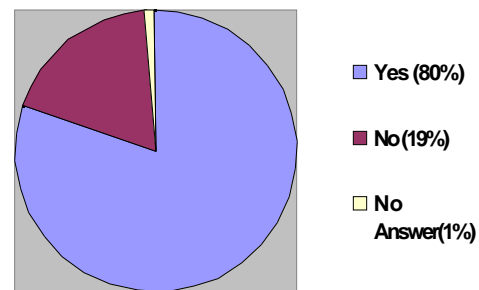
QUIOS/ENGAGE EURO 2000 STUDY

Summary of Survey Data (500 respondents)

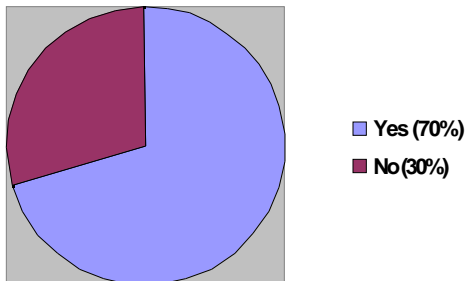
1. Which of the following best describes your level of satisfaction with the Quios Euro 2000 SMS Alerts service?



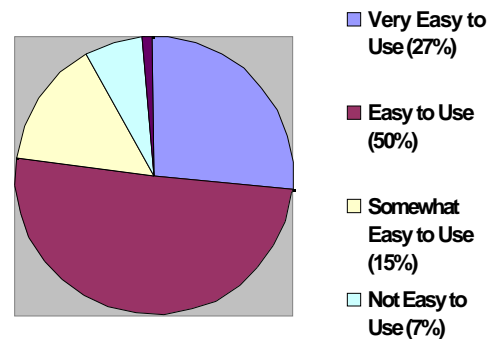
2. Would you use the service for future events?



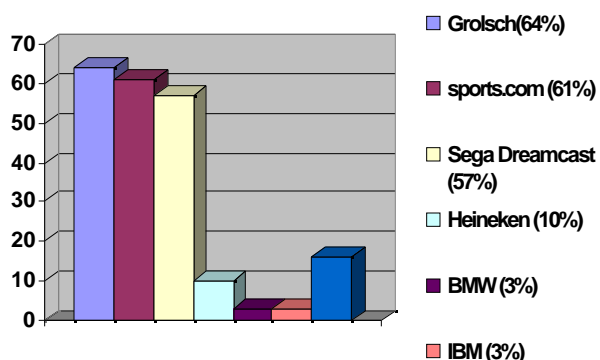
3. Did you recommend the service to friends and/or family?



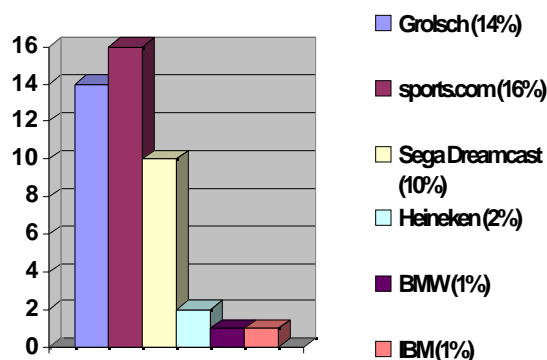
4. Which of the following best describes the ease of use of the Quios Euro 2000 SMS Alerts service?



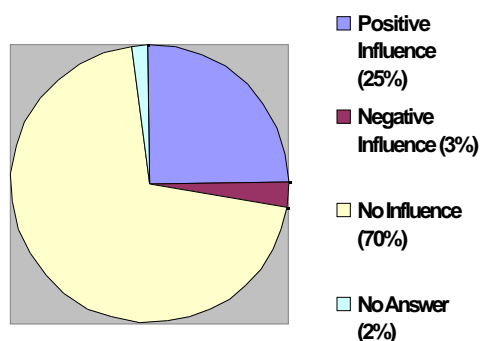
5. Which of the following sponsors do you recall seeing a message from while using the Quios Euro 2000 Score SMS Alerts service? (Note: IBM, BMW and Heineken were decoys.)



6. Which of the following sponsor's Web sites did you visit as a result of seeing a message while using the Quios Euro 2000 Score Alerts service?



7. How did the sponsorships of this event influence your perception of these companies?



8. How will the sponsorship of this event encourage, influence or change your future purchasing decisions?

(This is a random sampling with key themes highlighted.)

- **Direct impact on perceptions and behavior.**

"I will buy more at these companies." –Netherlands

"I will be more willing to buy products from the sponsors." –Netherlands

"I usually visit the sites that are named in the messages and sometimes I buy something if there is a good offer." –Netherlands

"It could in some cases have a positive effect on making up my mind about where, how and with what company I will buy my goods." –Netherlands

"I will have more interest." –Netherlands

"It will influence me when making a decision to buy products that I have less knowledge of." –Netherlands

"It is a way to learn the names of the companies you hear or see every time so if you have to choose, the brands you know best will probably be the ones you buy." –Netherlands

"It makes the products produced by the sponsors have a higher profile in my mind when thinking about related products." –UK

"Strong sponsorship generally creates a good (or bad) image on the goods they are advertising or selling. Generally you associate the sponsors with the events. The Euro 2000 made everyone keen on football, which encouraged me to look at the Sega Dreamcast site to see if they did a football game. I think it's always important to have the right backing with the right event." –UK

"If I can't decide I might choose these companies." –UK

"I did think about visiting the sites, but I just never had the time. The names on my phone did make me want to find out more." –UK

"If I am in the market for any of the products I will give them consideration." –UK

"I have gone out and looked at products advertised and made purchases." –UK

"I now look at the products from the sponsors." –UK

"It will make me consider the sponsor as a potential supplier." –UK

"I would favor these brands over other brands." –UK

"I would visit the Web sites." –UK

"I like Grolsch, so the fact that it was a Quios sponsor made me realize that I wasn't the only one to like it. The fact that Sega Dreamcast is a Quios sponsor shows that they're a reliable company and hence build a reliable product. If I had to choose, I'd be more likely to buy from a company I've heard of before." –UK

"The company goes up, in my opinion, if it sponsors an event such as this." –UK

"It may persuade me to consider these products before alternatives." –UK

"I will consider buying their products in the future." –UK

"It may encourage me to buy-use products of which I have no previous knowledge." –UK

- **Awareness-building -- positive impact on perception, less perceived direct impact.**

"It will make me remember them when I see them." –Netherlands

"Not at all. However, the name of a sponsoring company will stay in your mind for a while."
–Netherlands

"When I buy something and I have certain doubt about the products I can choose from, there's a good chance that I will remember the name of one of the sponsors. This considered, I will choose the product from which the name of the producer I have heard most often in a positive context."
–Netherlands

"Perhaps it will have some influence." –Netherlands

"I'm sure I will remember the names of the sponsors, so I think it will help me make my decisions because the names will be in the back of my head." –Netherlands

"It's a way to get some public attention." –Netherlands

"We thought it was very nice of the sponsors to send us the results of the games. We didn't think any further about it." –Netherlands

"I don't think that my future purchasing decisions were influenced much, but I did get some information from the Grolsch Web site." –Netherlands

"Not in this case. I knew the products of all the sponsors for this event. It could influence me however if I do not know the sponsor very well or do not know about their new or special products." –Netherlands

"Name presence was increased, provided I knew what they did before seeing the ad." UK

"Brand recognition advantage." –UK

"I doubt it would change. It depends on who sponsors the events." –UK

"I can't see that it would – except for highlighting sites I didn't know of." –UK

"It depends on the full description viewed on SMS." –UK

"It will make me more aware of products." –UK

"Sponsorship will serve to heighten my awareness of the sponsors, but it is not likely to affect purchasing decisions." –UK

"They show that they are innovative companies through their attempts to promote themselves through cutting edge media." –UK

"Hardly at all unless it's about new product announcements." –UK

"...their involvement doesn't change anything. It just reinforces the perceptions I already had." –UK

"It's more a case of putting them in my mind than anything else, so yes, I may be influenced." –UK

"I don't tend to purchase many items on the Internet, but I would visit shops and retail outlets of the sponsors in my area." –UK

"It may influence me to look at them, but not necessarily purchase from them." –UK

- **Recognise and appreciate the benefits of sponsorship.**

"No, but it will influence my future use of services like these!" –Netherlands

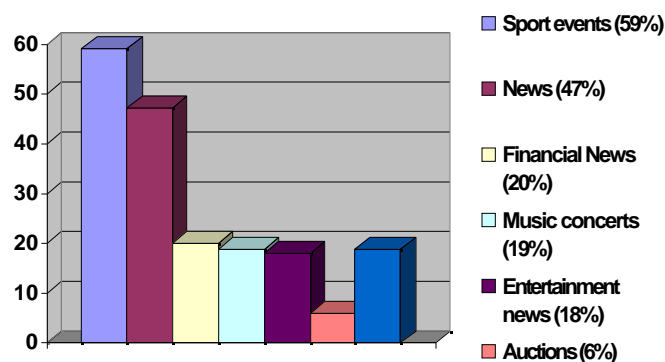
"With sponsoring it will be free of charge so it will encourage my future purchasing decisions." –Netherlands.

"It's nice to know who the sponsors of Euro 2000 were." –Netherlands

"It's good to know that buying from these companies will help your excellent service stay free. I would buy their products, knowing that this, in turn, keeps the Web free." –UK

"Sponsorship is good. There are many things that can happen with the use of sponsors. If they make an actions possible by paying – let them show their name!" –Netherlands

9. For what other events would you like to receive real-time information?



(Other responses included weather, music release information, traffic and real-time news.)