

Today we are going to talk about the mobile internet revolution that is happening all around you, and discuss the implications for you and your company.



## **The Mobile Internet Revolution is Here...How will You Play?**

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We are approaching the “tipping point” for mobile internet, as characterized in the Malcolm Gladwell book by the same name.

Once we pass this point of inflection, we will see tremendous growth in the number of users as well as the number of things that these users do with their mobile devices.

Mobile marketing will fast become an opportunity for companies to reach their customers and prospects in new and effective ways.

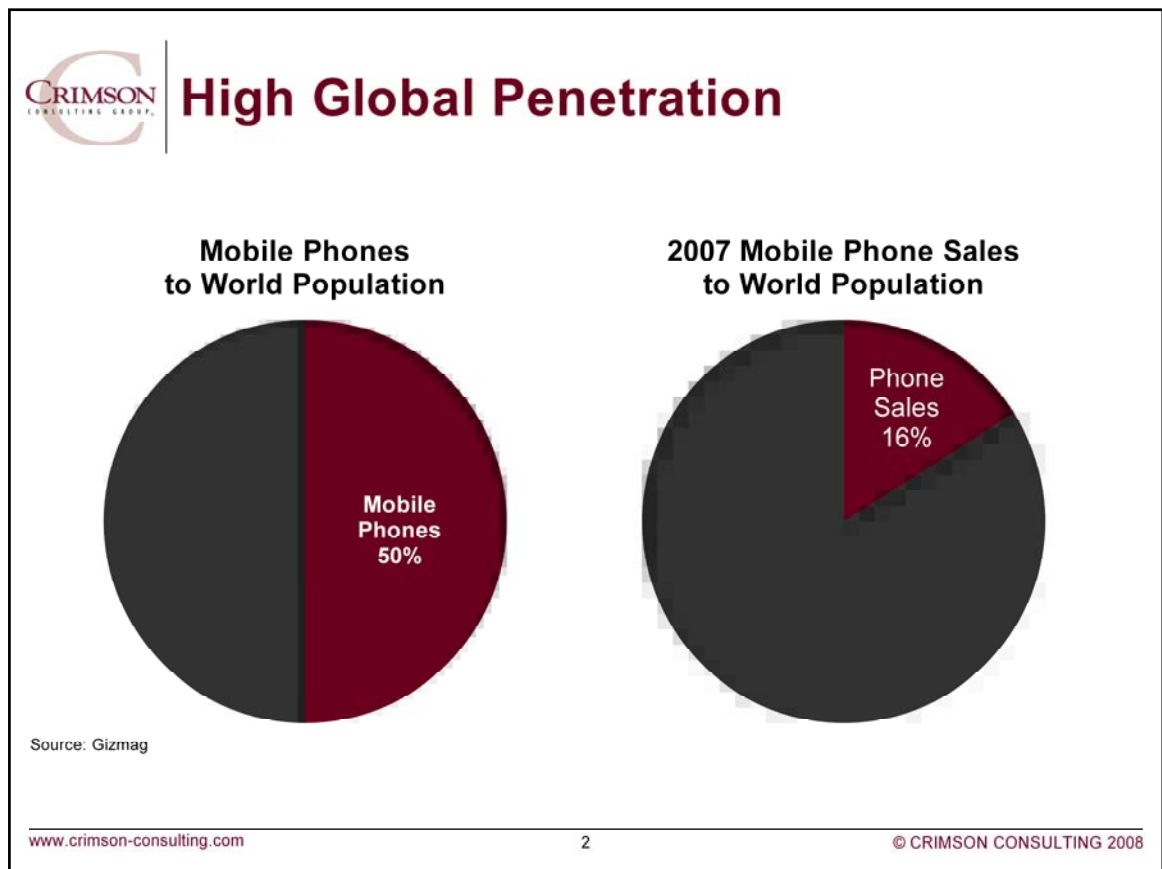
Although we are still at the early stages, wise companies will launch experimental programs now to position themselves for success as the mobile internet takes hold.



## **Join the Mobile Internet “Revolution”**

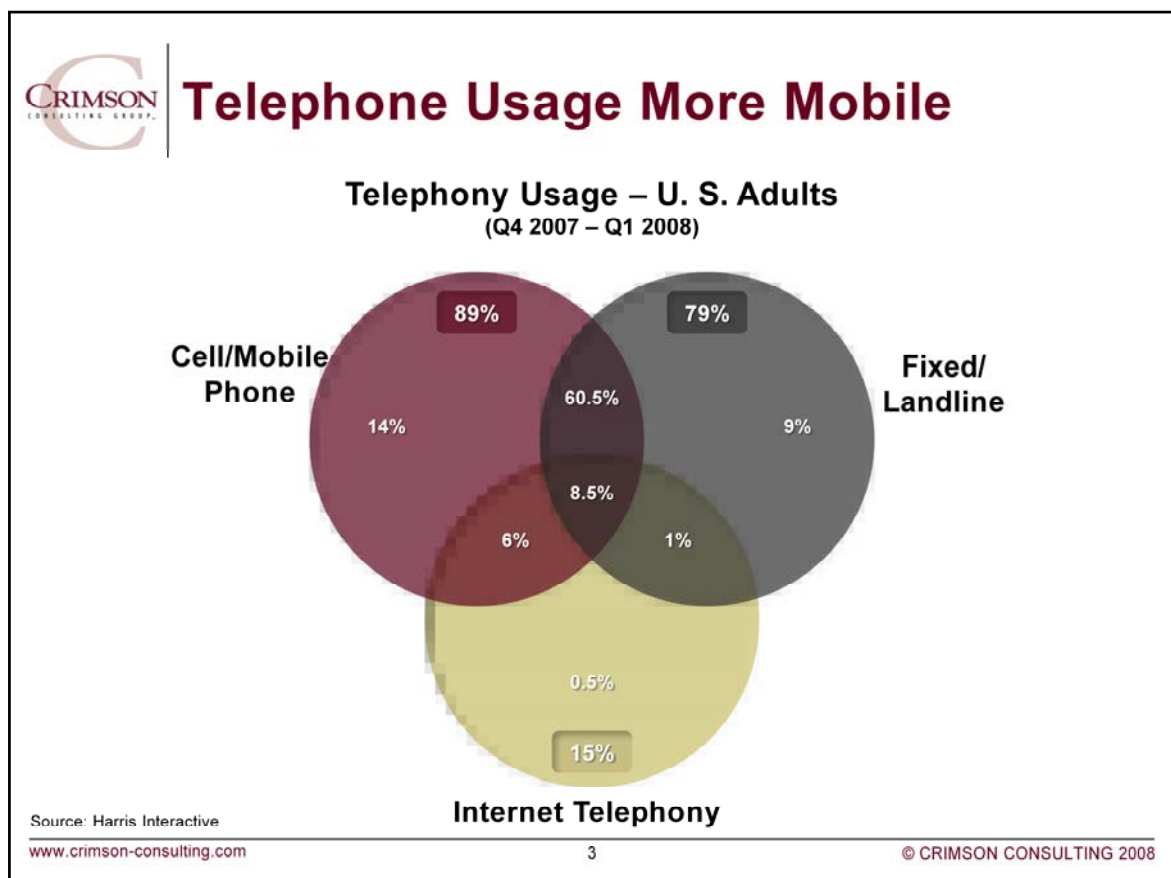
- Approaching the “Tipping Point” for Mobile Internet
- Will Change Everything for Many Players
- Mobile Marketing = Opportunity
- Start Now

We are already at a point where there is one mobile device for every two people in the world, and where the number of devices sold last year amounted to one-sixth the world population.

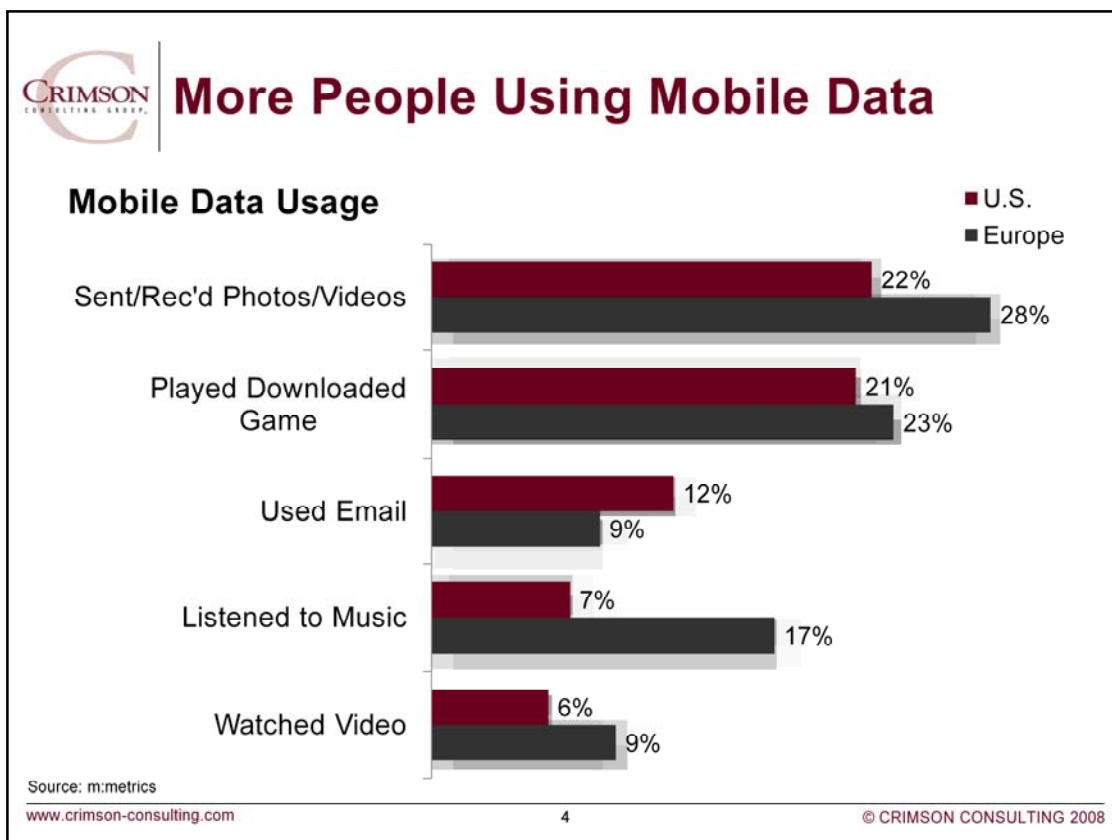


We are also seeing that more people are going mobile-only. In the United States more people have mobile phones than have landlines (89% versus 79%) and there are more calls from the mobile-only users than the landline-only users.

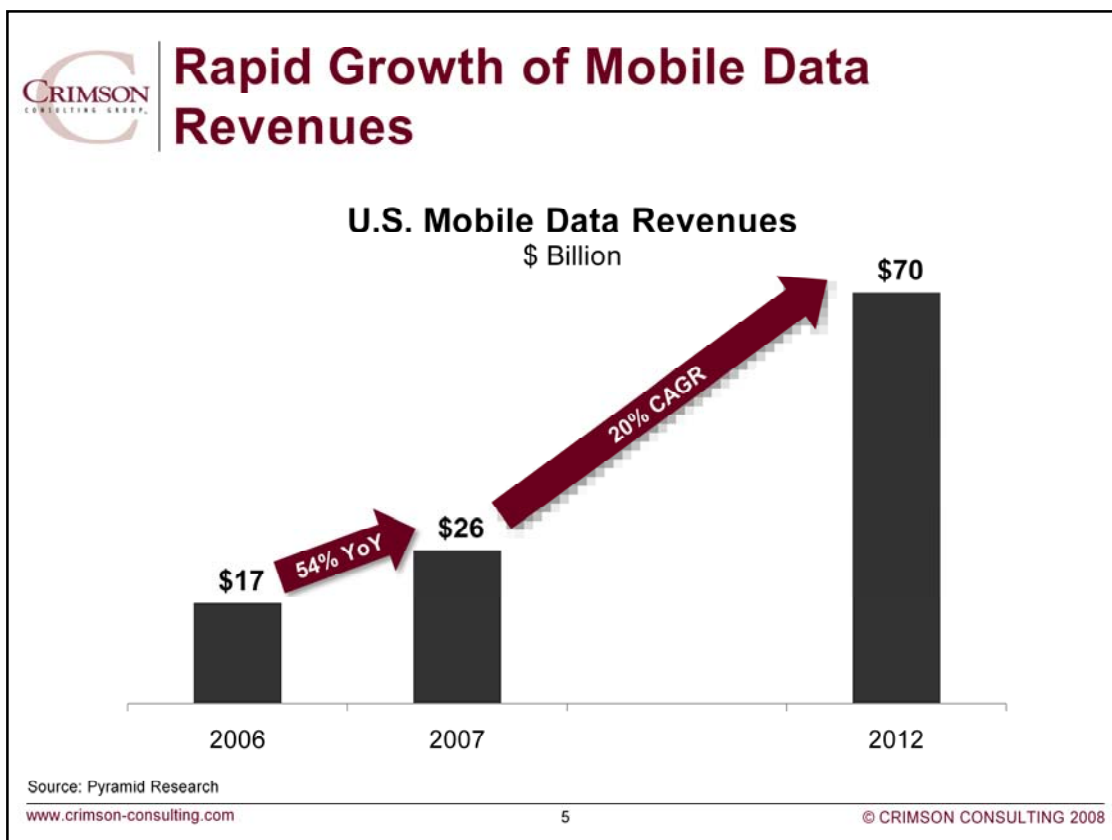
VoIP phones still represent a small part of the overall usage pattern.



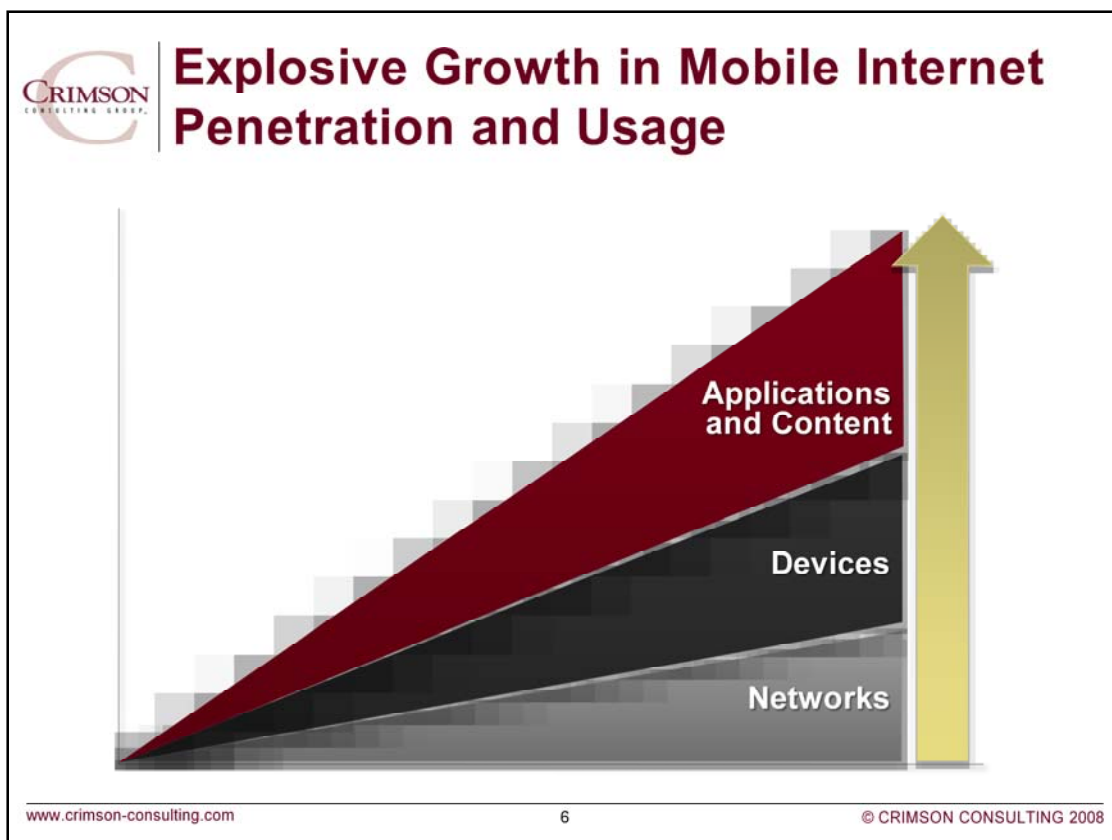
More and more people use mobile data services such as photos and videos, downloaded games, and email – although the United States still lags usage in Europe in many of these categories.



As a result of these shifts, U.S. service providers are enjoying rapid growth of mobile data revenues, having grown by 54% from 2006 to 2007. And projections call for continued fast growth of mobile data revenues, on the order of 20% per year, for the next five years or so.



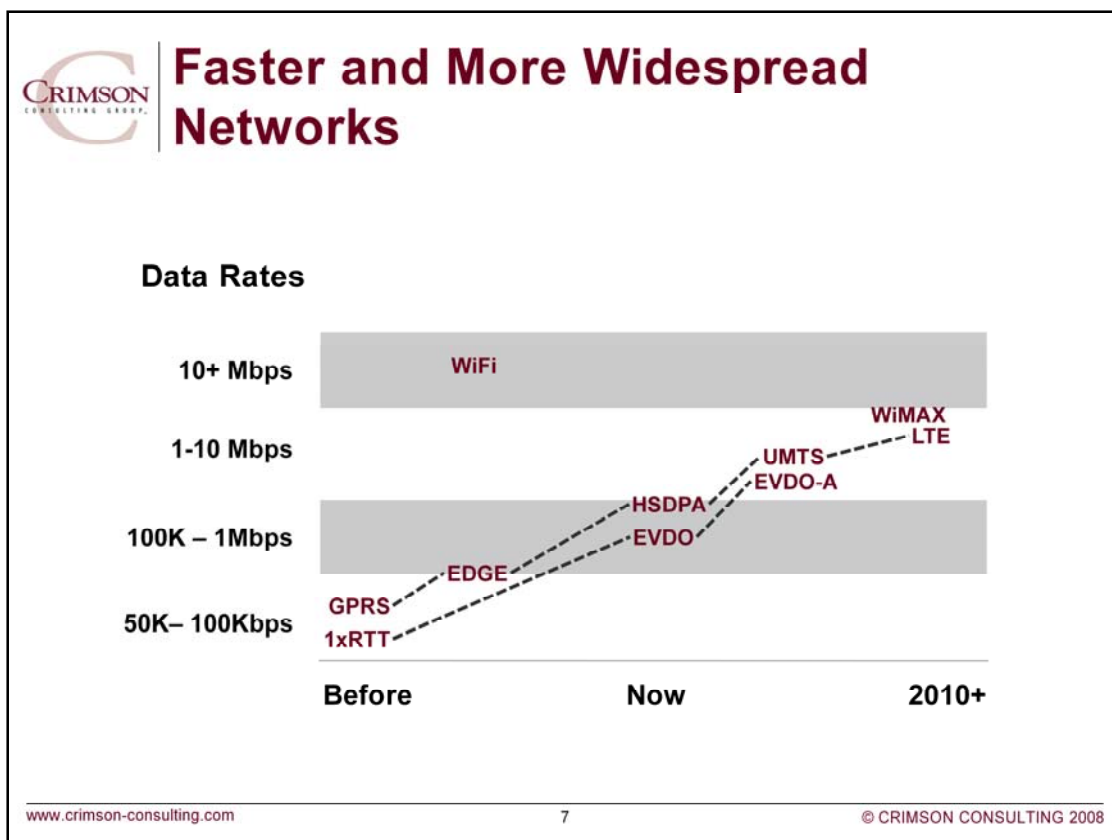
What makes this growth all the more relevant is there are several parallel trends that are causing a multiplying effect on mobile internet growth. We are seeing faster networks expanding in the U.S. and worldwide. We are seeing a significant improvement in devices, with easier and more fun user interfaces. And the applications and content for mobile devices are expanding quickly.



We can all find WiFi available at more places and with more attractive price plans. Interestingly, 54% of iPhone users' access to the internet was via WiFi rather than the AT&T EDGE network.

The service providers are building out faster networks, and have even faster technologies such as WiMAX undergoing development and trials.

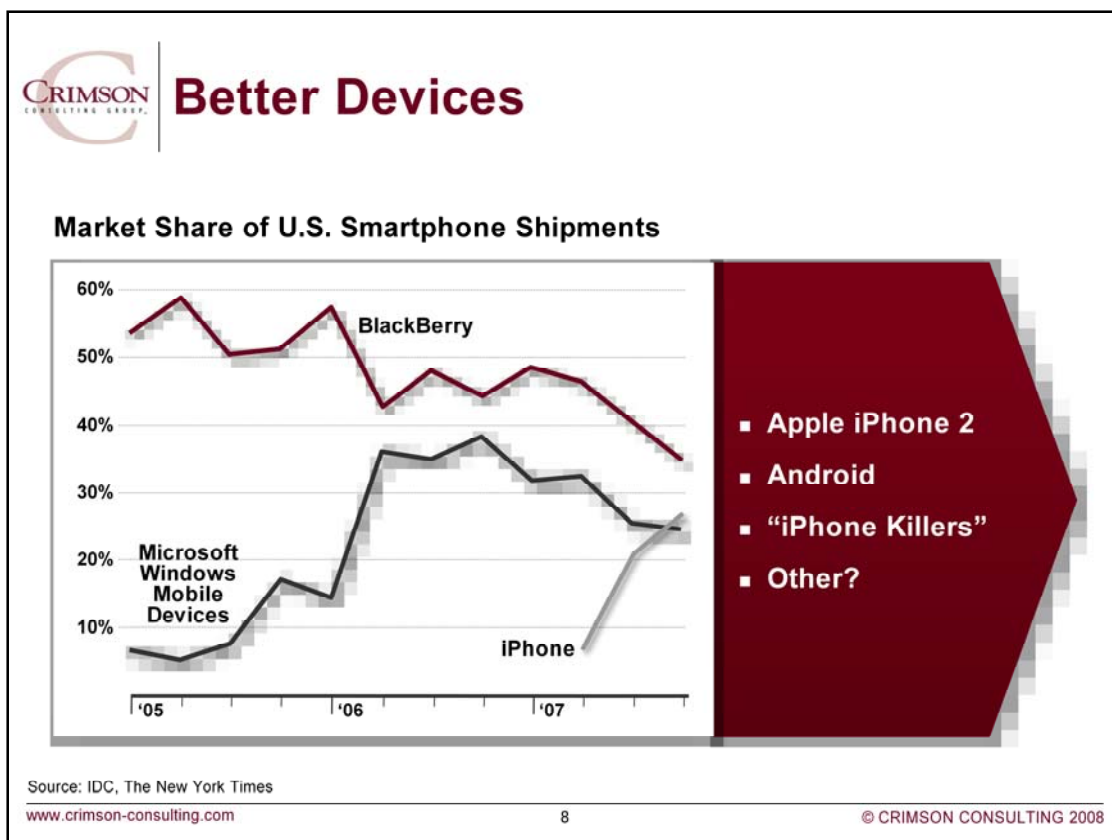
The recent announcement by Sprint and Clearwire, along with Intel and Google, to build out a nationwide WiMAX network in the U.S. will give these new technologies a kick start.



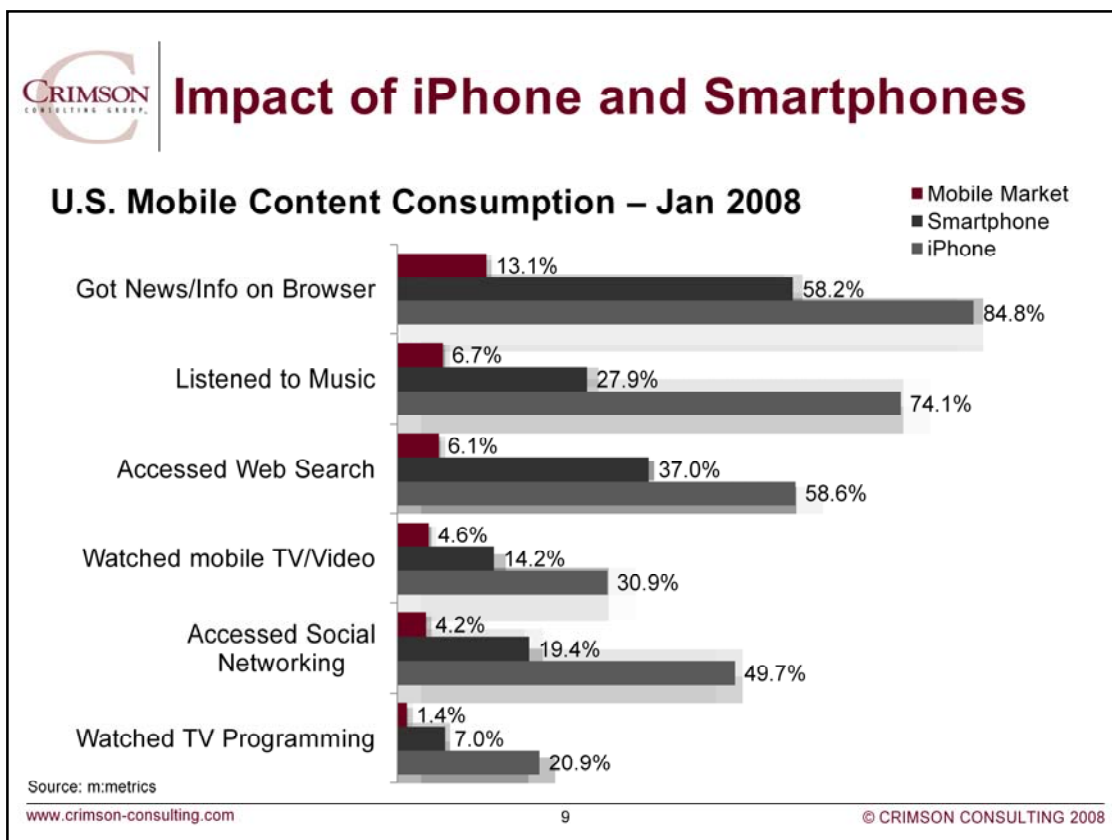
The iPhone took the mobile world by storm last year, and quickly gained significant market share of smartphones, while at the same time expanding the marketplace for all.

Apple won the love of the users, with 79% of users reporting they were very satisfied with the device, versus only 54% of Blackberry users making the same claim.

Now the business press is full of announcements and speculation about new developments for devices – ranging from the upcoming iPhone 2, the Google Android platform, and other attempts to create “iPhone killers”




The ease-of-use of the device matters a great deal. We are seeing that users with smartphones and iPhones are far more likely to consume mobile content than the regular mobile market users. This applies to browsing, listening to music, web searches, and TV/Video. Note too the greater access to social networking on these devices.




Mobile users can now do more things with their mobile devices. The whole universe of “web services” and “cloud computing” is making it easier for users to access applications and data from any device or machine, including mobile.

And we are hearing announcements from more companies such as salesforce.com, Google, SAP, and Facebook, that are adapting their services for mobile devices or the iPhone, and giving users more reason to go mobile.



## More “Mobilized” Web Services

### Cloud Computing



#### Mobilized Apps

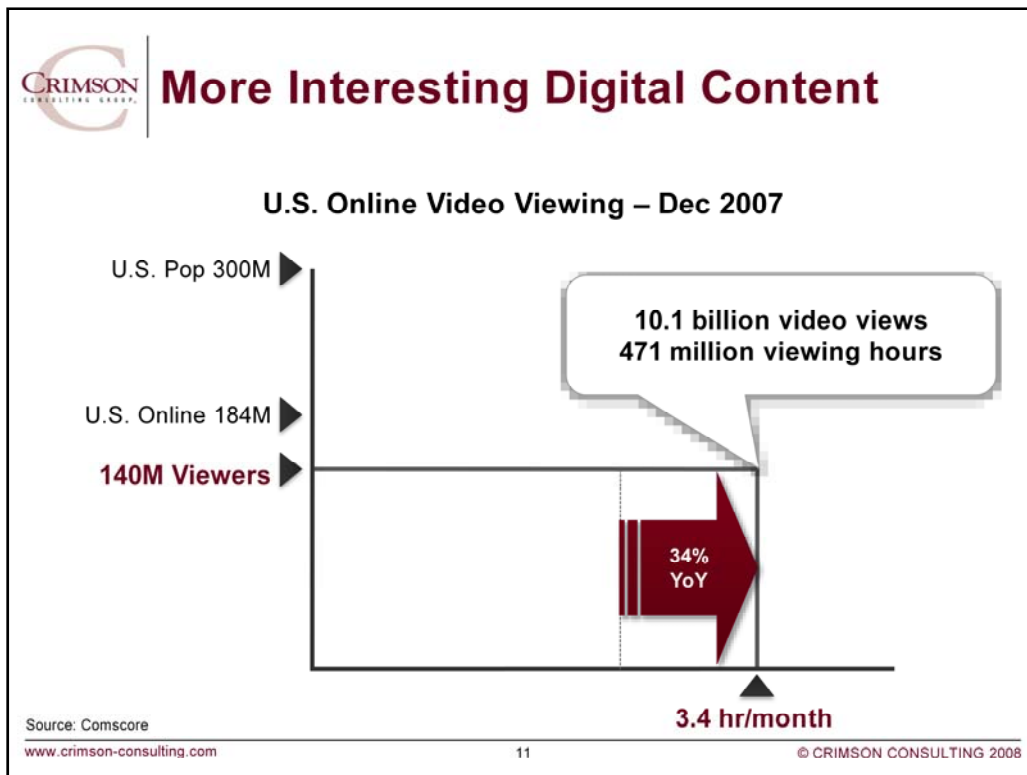
- Salesforce.com
- Google
- SAP
- Facebook
- Etc.

Source: Tim Bower  
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10

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The rapid growth of online video will also make more content available for mobile users. Last December 140 million U.S. viewers accessed an average of 3.4 hours/month of online video, for a total of 10.1 billion video views and 471 million viewing hours. This represents a 34% year-over-year growth in the average viewing, which promises to be a continuing trend that will likely carry over to the mobile internet.



At the same time as we discuss these positive trends, we need to keep in mind that there are still challenges in the mobile universe.

- There are seven different mobile operating systems, making it more difficult for companies to develop new applications
- The networks are weak relative to Europe and Asia
- Carriers are still onerous with their contracts and user lock ins
- Enterprise CIOs still find it difficult to support mobile users with their needs for data privacy and security
- And advertisers are confused by the broad array of standards and codecs, and many are holding off making buys until the choices are clearer.



## **While Need to Overcome Several Obstacles....**

- Seven mobile operating systems
- Network coverage shortfalls
- Carrier lock-ins and contracts
- Enterprise application support
- Inefficient advertising models

I believe we are at the “tipping point” in mobile internet, as characterized by Malcolm Gladwell in his book. We are seeing evidence of the three drivers he identified that spread viruses and spawn new product revolutions.

- The law of the few suggests that a handful of individuals can start the ball rolling, such as the example of Paul Revere. The high enthusiasm of the iPhone “fan boys” is an indication.
- The stickiness factor comes from all the functions that people will start to rely on from their mobile devices.
- And the power of context includes the other elements of the ecosystem that are fueling the growth – including faster networks, better battery life, more online applications, lower prices, etc.



## ... Reaching the Tipping Point

1

Law of the Few



2

Stickiness Factor



3

Power of Context



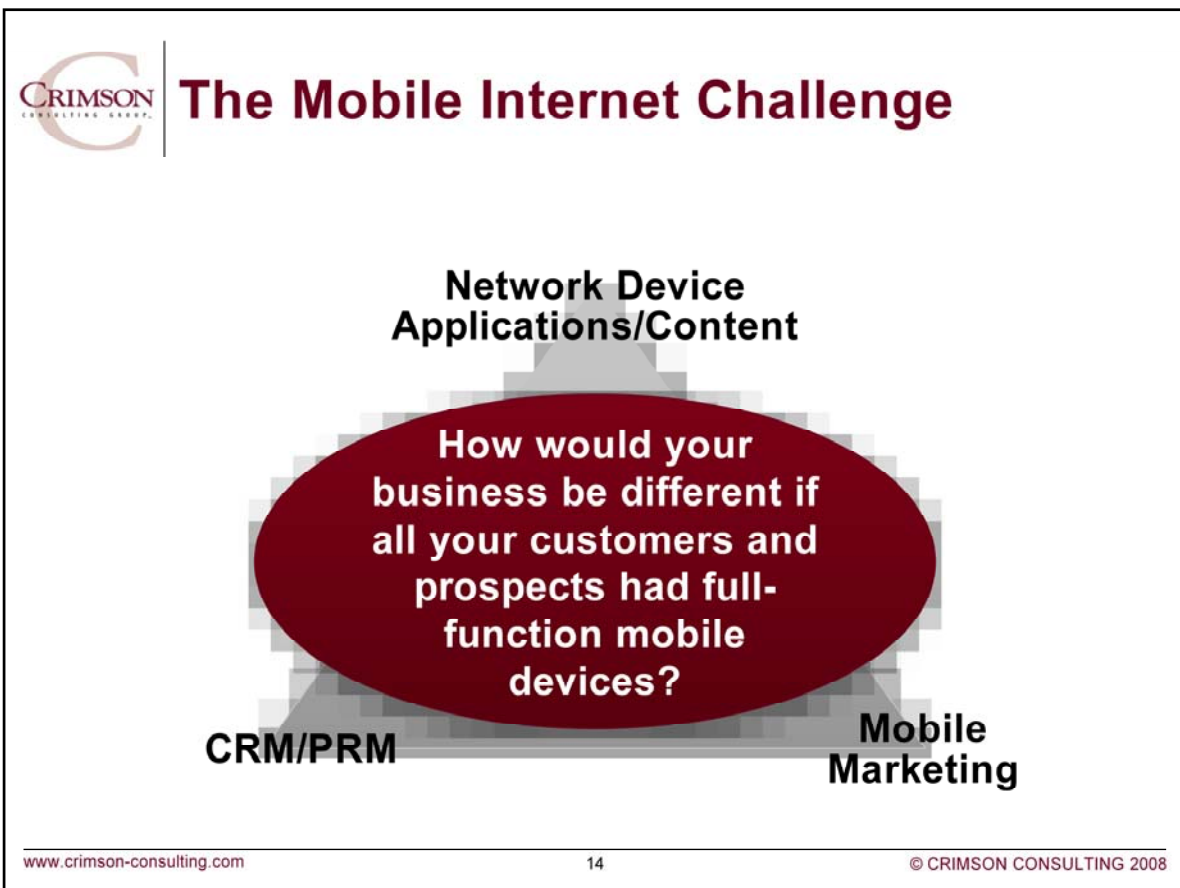
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A good “stretch” exercise for your business is to think about how would you conduct your business differently if every one of your customers and prospects (and employees) carried an iPhone or smartphone.

For companies competing in wireless networks, devices, content, and applications, the implications are direct and very real.

For just about every company or organization, there are potential new ways to provide Customer/Partner Relationship Management.

And for many businesses, the mobile internet opens up new ways to market to their customers.




The Mobile internet is both an opportunity and threat for many companies in the industry.

Wireless networks will see a growth in traffic, but are losing power to device and content players, such as the Apple iPhone deals, and are experiencing an end-run on their walled gardens.

Device makers are seeing new markets but also facing new competitors. Apple, Danger, and HTC were not on the radar screen a few years ago. Who is next?

Content players and media companies are seeing growth of new media and markets, but also facing the end of Digital Rights Management and a decline in paid subscriptions.

Search providers such as Google are great at giving users everything they want on a computer but so far fail to meet need of what they most want on a small screen.

 <b>Mobile Industry Participants = Threats and Opportunities</b>		
	<b>Opportunity</b>	<b>Threat</b>
<b>Wireless Networks</b>	Data Growth	Smaller Revenue Share
<b>Device Makers</b>	Higher-Margin Devices	New Entrants
<b>Media Companies</b>	New Media Leadership	Decline of Old Media DRM Loss Uncertain Ad Models
<b>Application Developers</b>	New Markets	Decline of Old Markets
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Some big-name companies are jumping on the mobile bandwagon.

Quicken Online, the financial software developer, will create SDK applications for the iStore as are game makers Electronic Arts, Sega, and Namco.

BMW announced that its new campaign for the X6 crossover would feature a mobile site for iPhone users. The automaker was one of the first to include an Apple adapter in its vehicles.

L'Oréal Paris recently launched its own site devoted to iPhone users. "The iPhone offered the best way into a mobile strategy," said the company in a statement.



## Some Big Names on iPhone Bandwagon – New Business Models






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16

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Consider as well the role that mobile devices will play in the payments system. Juniper Research predicts that by 2011 there will be 470 million handsets enabled for secure mobile payments and we will see \$11.5 billion in mobile payment transactions in the “physical” world.



## Predict \$11.5B in mPayments by 2011



By 2011:

- 470m handsets enabled
- >50m mPayment users
- \$11.5b physical mobile payments

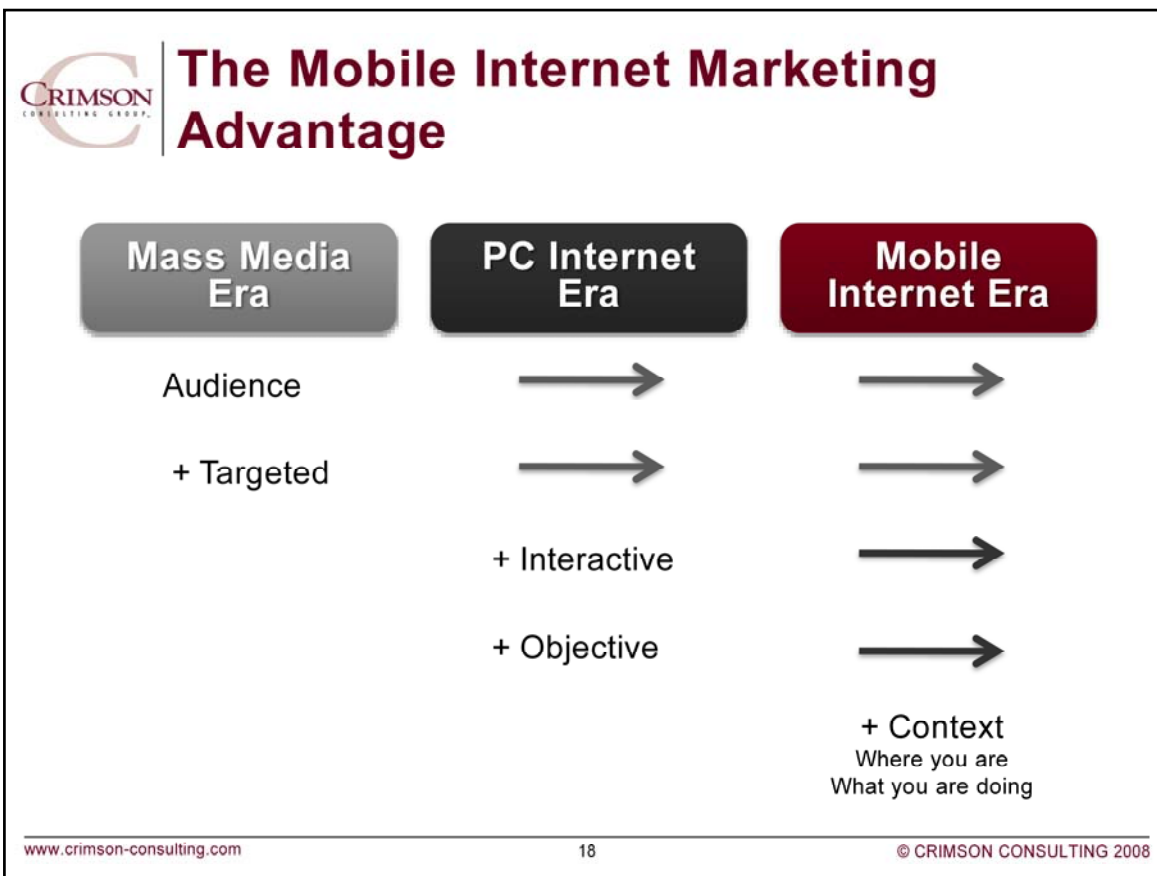
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17

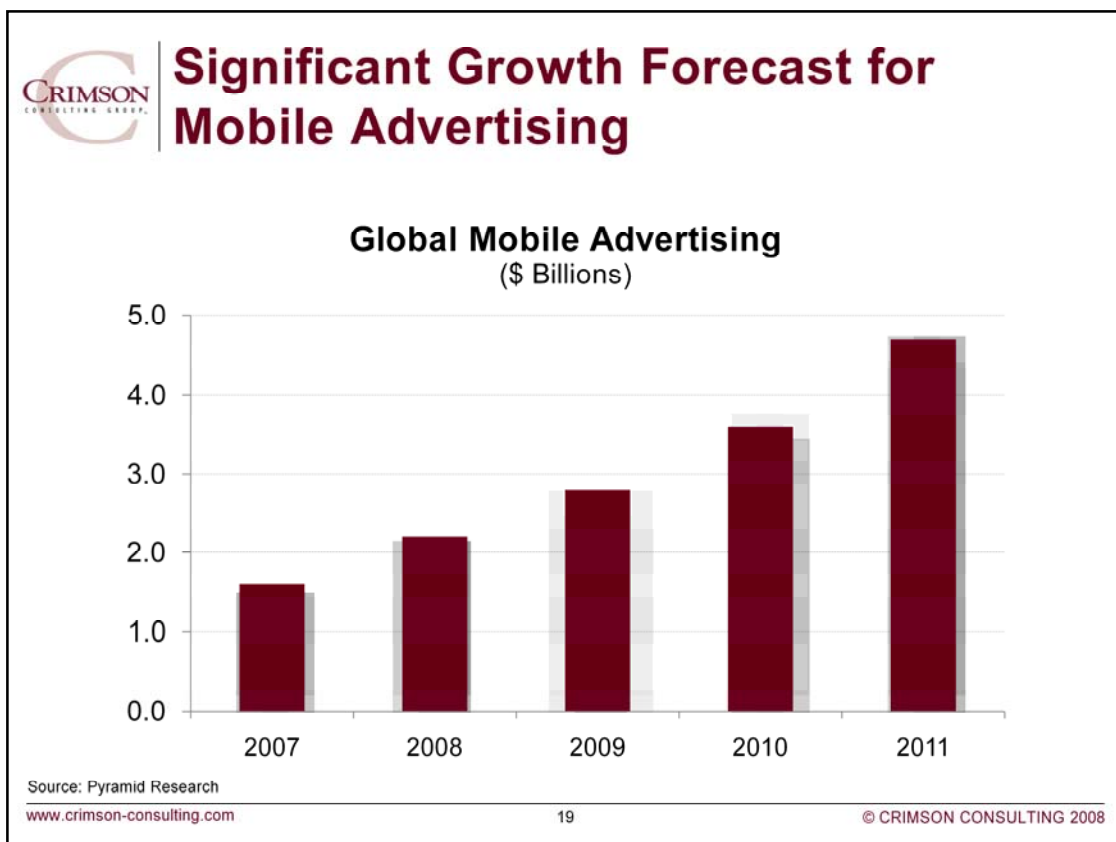
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The PC internet era brought advertisers large audiences (“eyeballs”) and even more effective targeting than mass media, but also the potential for interactivity such as “click to learn more” and “click to buy”, and could tie marketing to a customer objective such as a search.

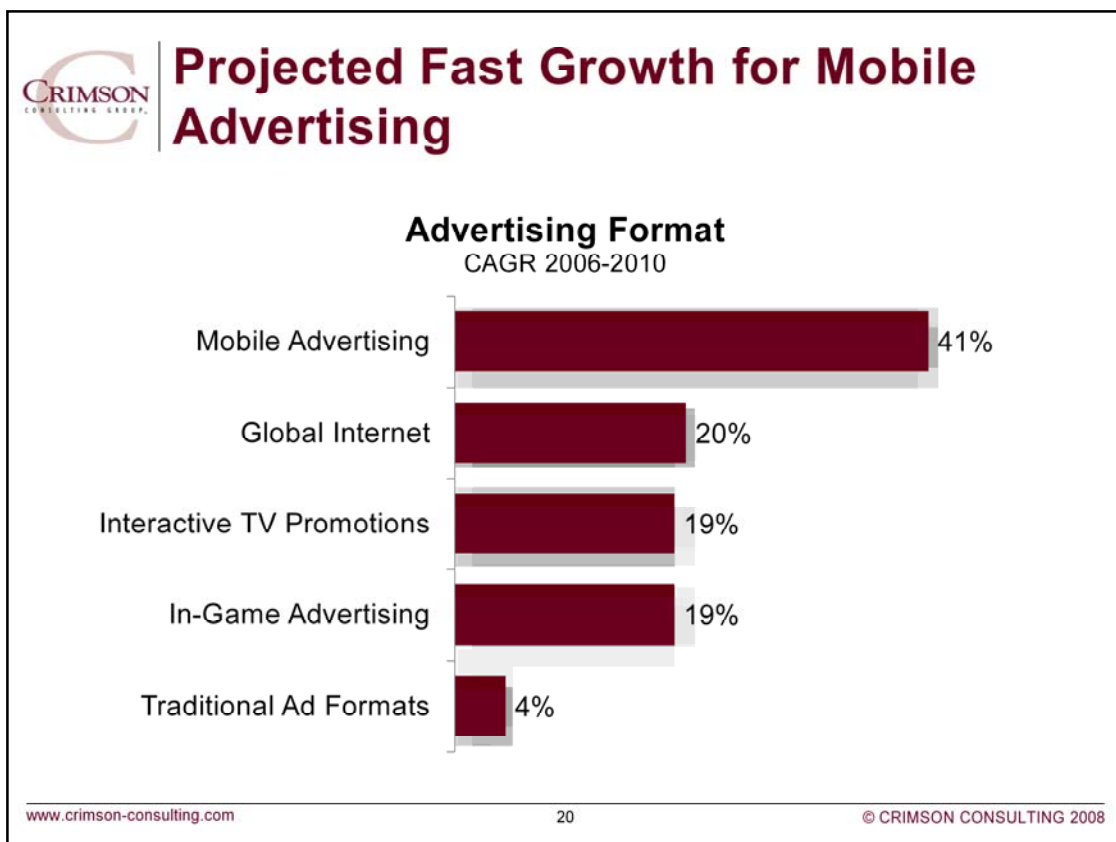
The mobile internet brings all those advantages plus even greater context such as the physical location of the user and what he or she is doing at the time, which will create exciting opportunities for “ambush marketing” – getting your message in front of the customer just as he was about to buy from your competitor.



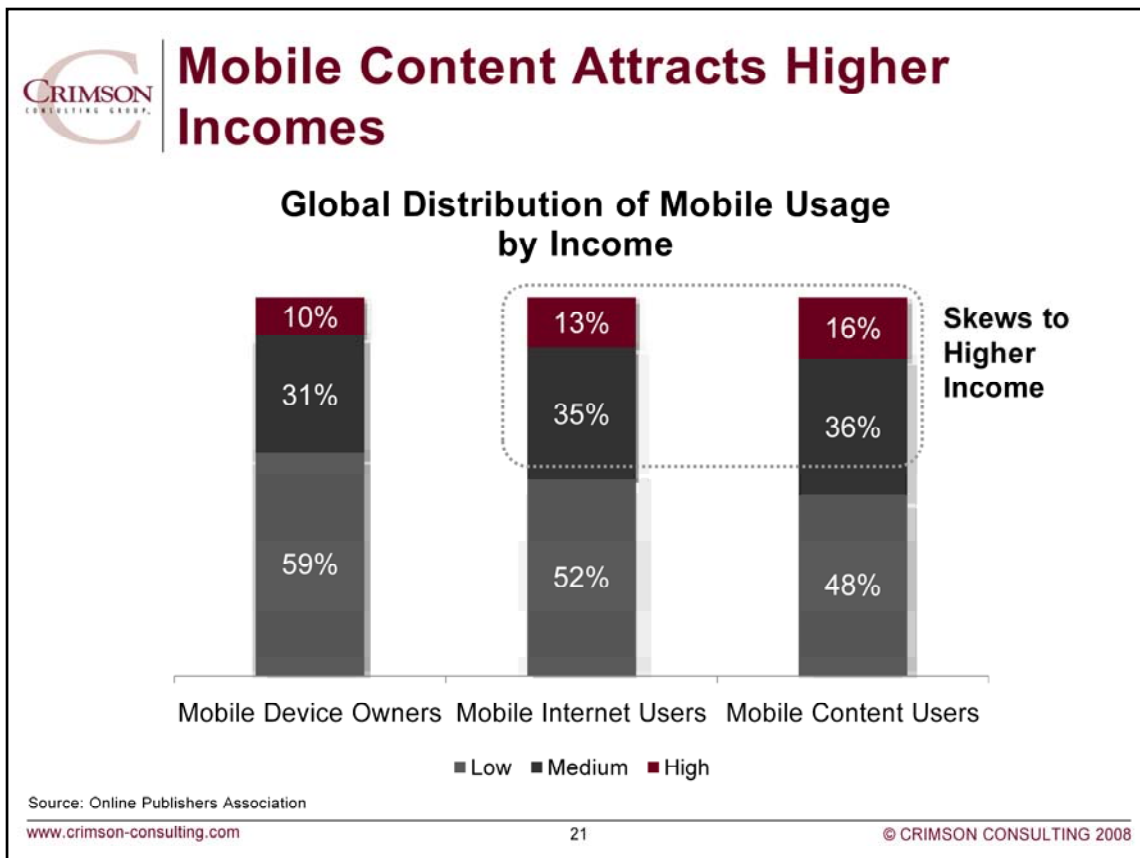
Mobile advertising, while small compared to other forms, is becoming big enough to matter in the next few years.



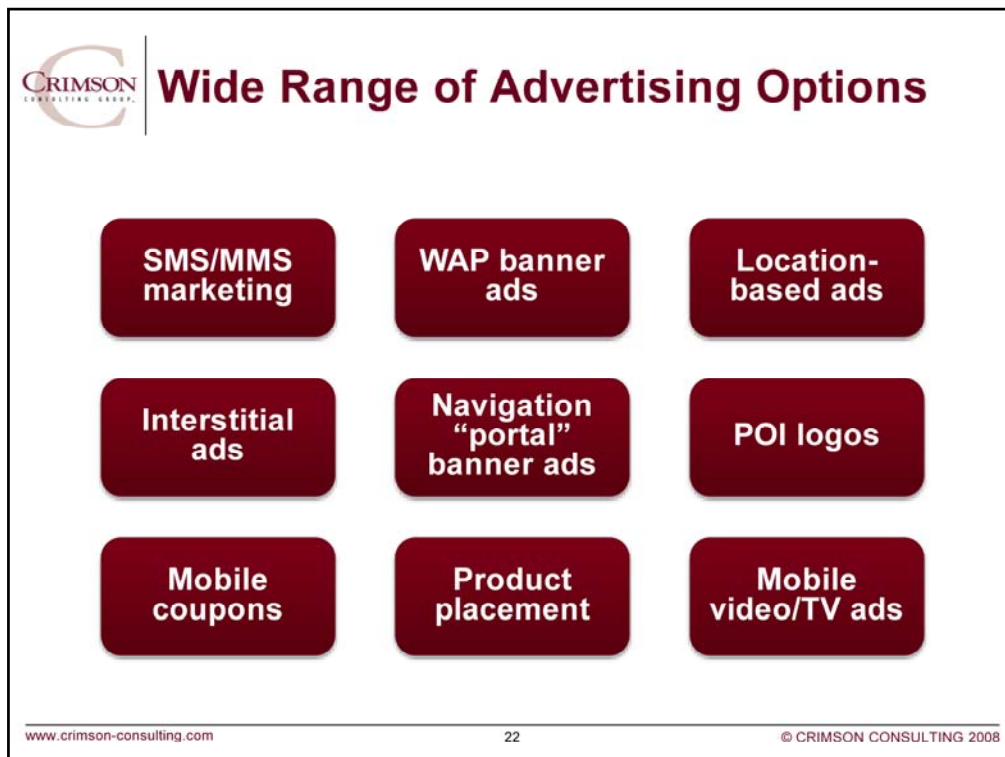
Mobile advertising will enjoy a healthy growth rate of over 40% a year, which is a faster pace than internet advertising, and other new forms of advertising.



What makes Mobile Internet advertising even more attractive is that it skews to the higher income users. 52% of mobile content users are in the mid or high income bracket versus 41% of all mobile device owners.



Advertisers that want to go mobile face a wide range of choices of forms, some of which will be successful and some of which will prove to be ineffective over time.



Let's stick our necks out and make some predictions about the future of mobile marketing.

First, we are seeing the beginning of the end for the “walled gardens” operated by the wireless service providers. Just as AOL had only a brief run as an internet walled garden before their users started to break through to the open internet, the carriers are seeing more of their users go around their controlled service offerings using their mobile web browsers.

Second, we will see more applications that consider the mobile device as the “third screen”, along with TVs and PCs. Fewer applications will be mobile-only, and instead will interact with sessions on the other screens.

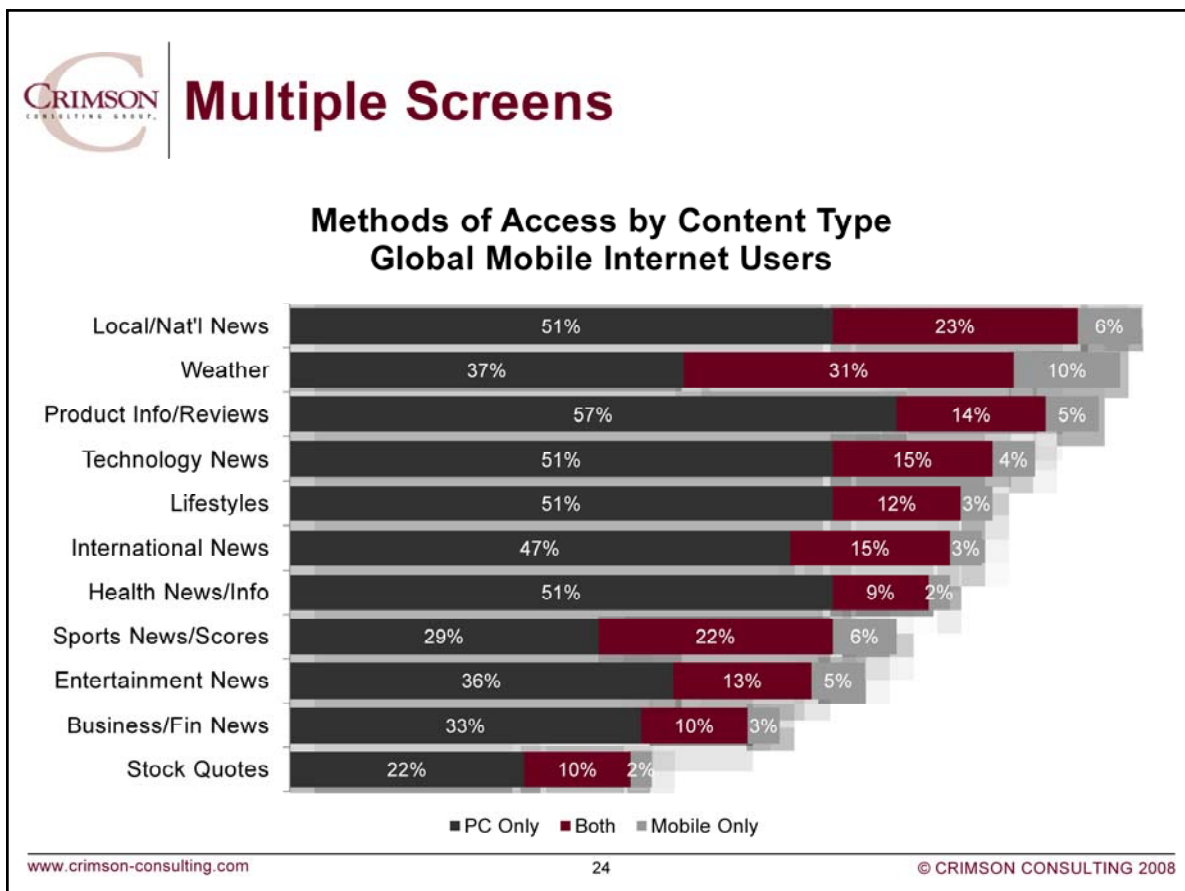


## Mobile Marketing Predictions

1. Beginning of End for Walled Garden
2. Mobile as “Third Screen”

Mobile internet will be the third screen. Many interactions will bridge across PC and TV to mobile and back. For example, we will see more mobile “book marking” for later follow-up.

This chart shows that among mobile users, few use these services on the mobile device alone, and many access them on both their PC and their mobile devices as depicted by the red bars.




Pre-roll advertising and similar models will be effective for subsidizing some media and premium content...




## Mobile Marketing Predictions

1. Beginning of End for Walled Garden
2. Mobile as “Third Screen”
- 3. Pre-Roll and Banners for “Free” Content**

... In fact, some early experiments are indicating that click-through rates for mobile banner ads are at least as good as for PC internet.




## High Click-Through Rates



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One experiment conducted by Swisscom Vodafone and the Ad Infuse agency, showed that advertising-supported video on mobile devices yielded increased total revenue, generated larger audiences, lead to higher advertising recall rates, and met with high user acceptance.

This bodes well for the future of mobile video content as well as for advertising models.



## Successful Test of Ad-Supported Video

### SwissCom Trial Results

Ad-supported versus premium channel

- High advertiser recall rates – 29%
- More first-time users – 25-30%
- Increased mobile video revenue – +85%
- Larger audiences – 8-12X
- High user acceptance rating – 80% positives

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The combination of mobile search and location based services will be powerful.




## Mobile Marketing Predictions

1. Beginning of End for Walled Garden
2. Mobile as “Third Screen”
3. Pre-Roll and Banners for “Free” Content
- 4. Search + Location Key**


Ambush marketing will be a powerful mobile matching strategy. Users will use their devices for navigation – whether powered by GPS or Google’s triangulation service.

And mobile searches will offer opportunities to redirect users to new targets.

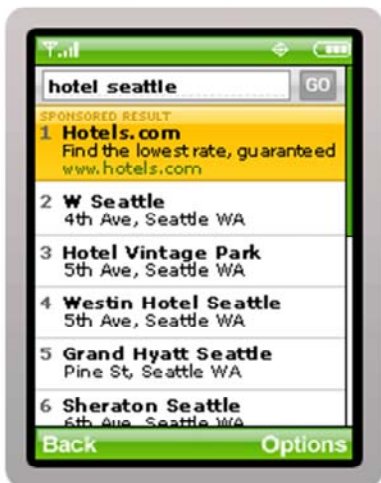


# Ambush!

*Where can I find a hotel nearby?*



Source: Google



Source: Medio Search

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29

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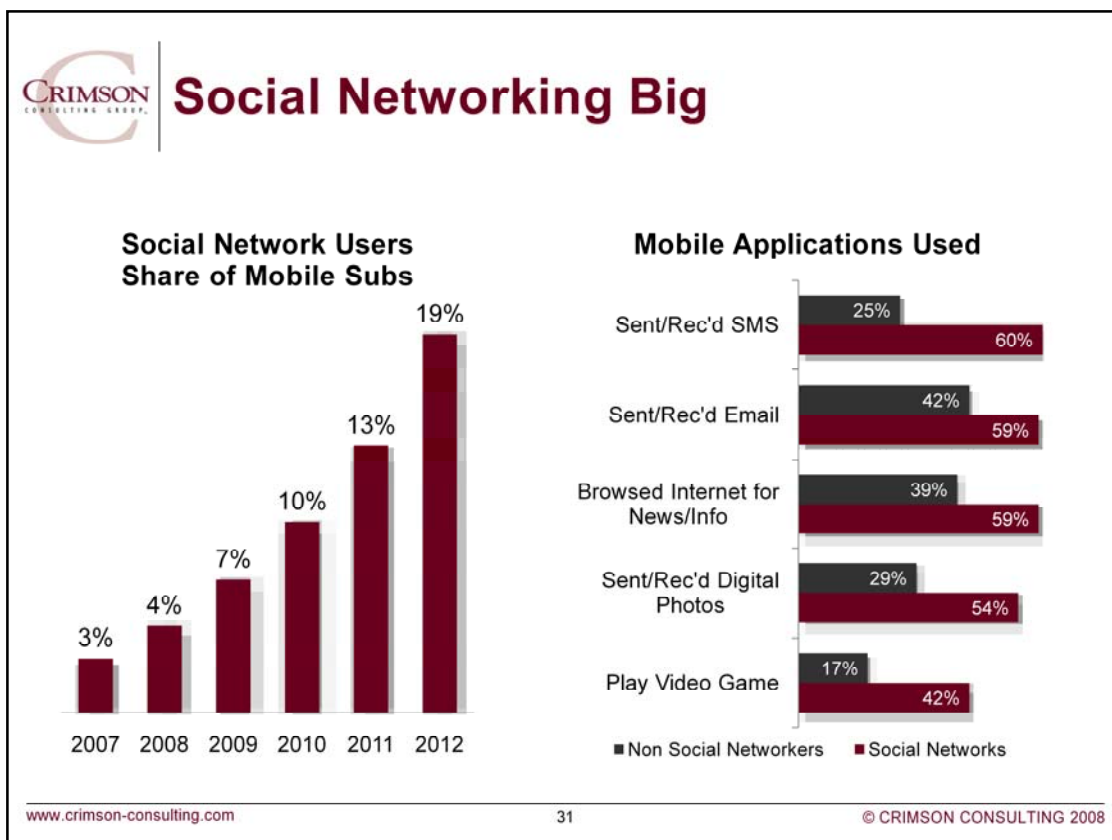
Social networking will also be a growing trend within the mobile internet.



## Mobile Marketing Predictions

1. Beginning of End for Walled Garden
2. Mobile as “Third Screen”
3. Pre-Roll and Banners for “Free” Content
4. Search + Location Key
- 5. Social Networking Growth**

Based on m:metrics predictions, more and more mobile users will access social networking sites, and those users tend to be much more likely to use other services.



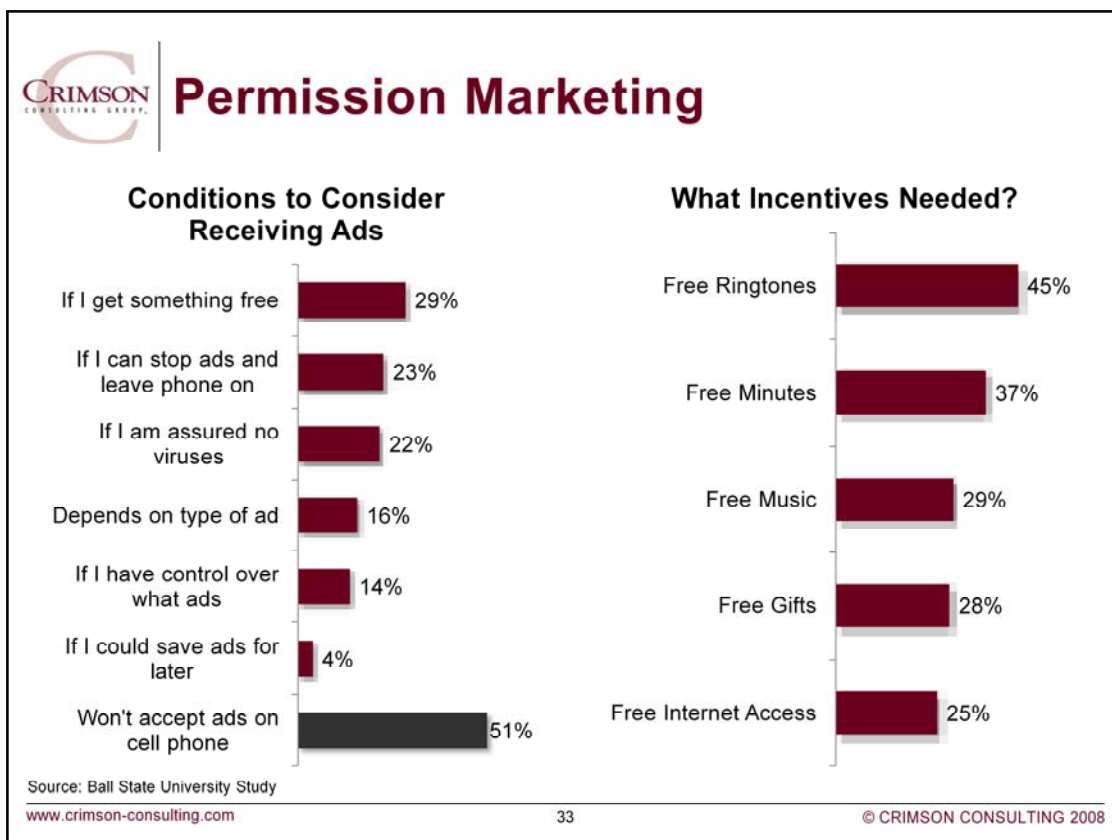
Permission marketing will be critical to enable "push" marketing such as email, SMS, and MMS to the mobile device.



## Mobile Marketing Predictions

1. Beginning of End for Walled Garden
2. Mobile as "Third Screen"
3. Pre-Roll and Banners for "Free" Content
4. Search + Location Key
5. Social Networking Growth
- 6. Permission Marketing for "Push" to SMS, MMS**

Recent research indicates that mobile users are willing to receive advertising messages if they can get “free stuff” such as ringtones or minutes.



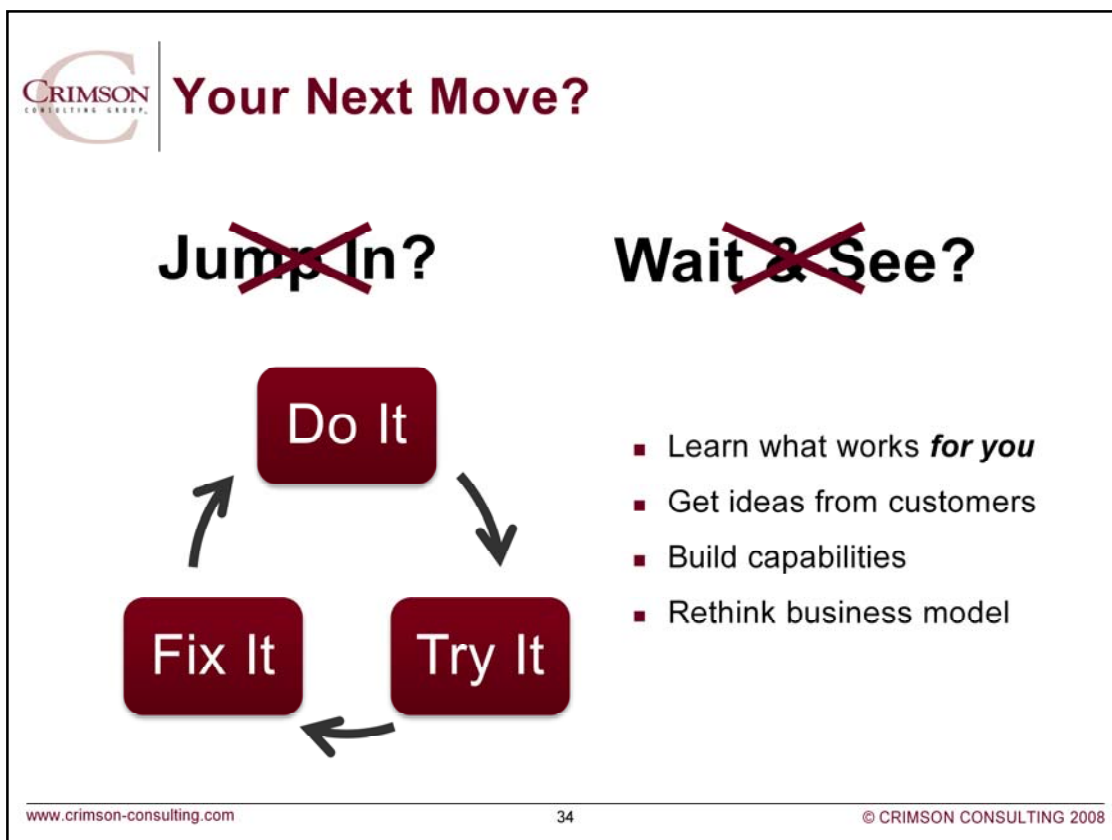
What should you and your company do now?

It is too early to jump in with both feet; there are too many uncertainties.

At the same time it is too dangerous to wait and see; your competitors may pass you by.

The best approach is to begin a program of continuous experimentation: Do it. Try it. Fix it.

Learn what works for you and your company based on customer feedback. Appoint a Mobile Czar and build capabilities.



Steven Lamont is a former Partner at Accenture and former McKinsey consultant with a 28-year track record of consulting and senior management experience in the telecommunications, high technology, retailing and transportation industries.

Prior to becoming an engagement partner with Crimson, Lamont was senior vice president of marketing and sales for NextWave Broadband, a leading mobile technology development company. Before that, he held a variety of senior roles over an 11-year period at Accenture in San Francisco. Prior to Accenture, Steven was corporate director of marketing and CMO for McCaw Cellular Communications of Kirkland, WA where he was responsible for national marketing strategies and field marketing at this pioneering wireless company.

Much of his work now focuses on the growth of the mobile internet and the opportunities this creates for service providers, applications developers, media companies, device and infrastructure developers, and advertisers.

Steven earned an MBA from Harvard Business School and a B. Sc. in computer sciences from the University of Toronto. In his free time Steven enjoys travel, skiing, and sailing.



Crimson's Mobile Services Division identifies, designs, builds, manages and goes to market with best-in-class solutions that meet our technology client's ever-increasing demand for mobility. Our philosophy is simple: clients don't have a mobile services project – they have a business need that requires a mobile solution.

Crimson has end-to-end capabilities in mobile services, from mobile strategy through competitive analysis, benchmarking, and mobile solution development. Our expert team of strategists are known for their work on dozens of high-value projects with leading companies. In addition, we have a sophisticated mobile test lab as well as a team of highly skilled mobile engineers and user experience designers.

