

EXECUTIVE SUMMARY

Enhancing the Appeal of Mobile Advertising

Rewards and privacy protection — Key to reaching young consumers

Mobile advertising can appeal to more teens and young adults by offering preference based ads, a simple sign-up process and increased control over personal information to address privacy concerns — along with rewards and incentives.

Introduction

In Fall 2009, Alcatel-Lucent Market Advantage conducted end-user research using our Youth Lab to gauge general receptivity to mobile advertising and determine the viability of a permission and preference-based mobile advertising service. Teens and young adults in eleven countries around the globe were exposed to a mobile marketing service that they could willingly opt-in to offering personalized and interactive text- or multimedia-based (SMS/MMS) dialogue messages based on their stated preferences.

Our study focused on the following primary objectives:

- Explore overall appeal to advertising with a focus on mobile advertising receptivity
- Define ideal service parameters and gather feedback on key aspects of a successful advertising-supported opt-in service – mobile advertising SMS/MMS dialogue including:
 - Rewards
 - Personalization based on stated preferences and profile
 - Frequency of advertisements
- Learn more about consumers' privacy and permission requirements for mobile ads
- Determine brand preferences to specific retail categories.

Key research findings

Receptivity for advertisements on mobile phones ranks lower compared to traditional advertising (television and print media). Perceptions of mobile advertising still inhibit uptake, in particular 79 percent of young consumers cite privacy concerns as well as the ease of starting or stopping the service. (73 percent)

If their mobile carrier offered mobile advertising SMS/MMS dialogue service, nearly half of respondents would be more likely to remain loyal.

Our research showed that a successful implementation of a mobile advertising SMS/MMS dialogue service requires permission, advertisements that are highly targeted to match user interests, privacy control over profile elements, relevant rewards and a very simple sign-up process.

Ninety percent of global youth studied already subscribe to a short message service (SMS), and 74 percent use multimedia message services (MMS) offered by their mobile operator. This broad popularity provides extensive reach and untapped opportunity for a well defined mobile advertising SMS/MMS dialogue service.

Warm Response to Mobile Advertising SMS/MMS Dialogue Service

Worldwide, 54 percent of global youth would sign up for the SMS/MMS dialogue-based media service, with greatest enthusiasm in Latin America where two-thirds of respondents would subscribe. Young adults (18 to 25 year olds) expressed a greater interest in a mobile advertising dialogue service as compared to teens (13 to 17 year olds). Sixty one percent of young adults indicated they would definitely/probably sign up for a mobile advertising dialogue service compared to 46 percent of teens.

Permission and preference key to appeal

According to our findings, it is crucial for companies to obtain permission before sending ad-supported messages. The great majority (81 percent) of young consumers found it extremely or very important to ask for their permission before sending. Seventy-six percent find it important for the ads to be based on their interest and preferences.

Globally, over half of young consumers would subscribe to the mobile advertising SMS/MMS dialogue service.

Key insights regarding personalization and frequency include:

- Seventy-five percent would be willing to answer three or more questions to provide a foundation for these personally relevant ads.
- Eighty percent find it acceptable to update their preferences at least once a month. This level of receptivity to share and update profile information provides a cornerstone of dynamic preference data management.
- If permission is sought and ads are delivered according to user preferences, almost two-thirds of young consumers said they would be happy to receive at least two ads per day from a single brand.

Acceptance fostered by offering personal control and relevant rewards

Globally, privacy is the most important aspect of mobile advertising, followed closely by the ease of starting and stopping ads. These privacy concerns that have inhibited mobile advertising adoption can be mitigated for most consumers by providing permission controls and the ability to delete a user's profile.

When ads from their favorite brands are delivered through mobile advertising SMS/MMS dialogue service, most consumers are more likely to make purchases from that brand.

Generally, respondents are most willing to share their age, gender, country and interests, and they are at least willing to divulge information about income level and the expected timing of purchases.

Nearly a fifth of respondents indicated they would not need a reward in order to receive advertisements. Twenty-eight percent would be interested in credit or discounts on their service plan, such as extra or free minutes or data services. Another 15 percent are interested in other types of coupons or gift cards in return for receiving ads.

Consumers in Latin America indicated the highest likelihood to increase the numbers of ads they receive if given additional rewards. On the whole, just over two-thirds of respondents would be motivated by additional rewards to increase ads.

Figure 1. A regional snapshot of key research findings

	Global	Europe	North America	Latin America	Asia Pacific
Appeal for Digital Dialogue SMS/MMS (top 2 box - likelihood to sign up)	54%	53%	44%	68%	48%
Most preferred reward to encourage sign up (free data service such as SMS, MMS)	26%	26%	22%	25%	27%
Top measure for addressing privacy issue (you control permission on who has access to your profile information)	78%	71%	81%	88%	83%
Brand loyalty (likelihood of purchasing products/service from preferred brands using Digital Dialogue SMS/MMS)	63%	56%	54%	82%	69%
"Stickiness" factor for mobile operator (impact on likelihood to continue using mobile provider if they offered Digital Dialogue SMS/MMS)	48%	42%	38%	59%	57%

Positive effect on consumer loyalty

When advertising from consumers' favorite brands is delivered through a mobile advertising dialogue service, most respondents say they are more likely to make purchases from that brand. In addition, nearly half of consumers would be more likely to stay with their current mobile carriers if they offered a mobile advertising dialogue service. In Latin America and the Asia-Pacific region, the service could have an even greater impact on consumer retention.

In addition, nearly 50 percent of young consumers would be more likely to stay with their current mobile carrier if it offered this service. This promises to have a positive effect on churn reduction in this highly competitive segment.

Conclusion

The receptivity of mobile advertising SMS/MMS dialogue service varies by region. To increase the appeal of a mobile advertising service, operators need to learn the best ways to simply and easily obtain subscriber permission to deliver personally relevant ads, offer clear and measurable value in exchange for receiving mobile advertising, and most of all, provide consumers with permission controls over their personal data and service use.

Delivering relevance, value, ease of use and subscriber control will be important to securing wider spread adoption of this mobile advertising service.

About the Market Advantage program and Alcatel-Lucent research initiatives

This research is part of a broader initiative by Alcatel-Lucent to characterize the impact and potential benefits of telecommunications services globally. The Alcatel-Lucent Market Advantage program is an exclusive resource, working with service providers to analyze and identify new market opportunities, drive demand with effective marketing programs and speed the development of profitable new services.

For more information on this study or how Alcatel-Lucent is working with service providers and stakeholders globally to better understand consumer needs, please visit www.alcatel-lucent.com/map.