

Economic Recovery – Discovery

Advertising: The Time is Right

The economic downturn is shrinking household budgets, forcing changes in spending habits. Primary research carried out by Alcatel-Lucent shows that consumers globally don't want to get rid of communication services. Instead, they are looking for cost-effective ways to keep their key services. One example is by accepting advertisements in exchange for lower service fees. This offers a potential source of new revenue for operators.

Mobile advertising: an opportunity

Mobile advertising acceptance varies greatly by region. As the figure shows, consumers in Latin America, China and India are the most willing to accept advertising in exchange for reduced service fees and consumers in emerging economies are more willing than developed economies.

Current conditions

The consumer confidence index has hit its lowest point since mid-2004 in G5 nations:

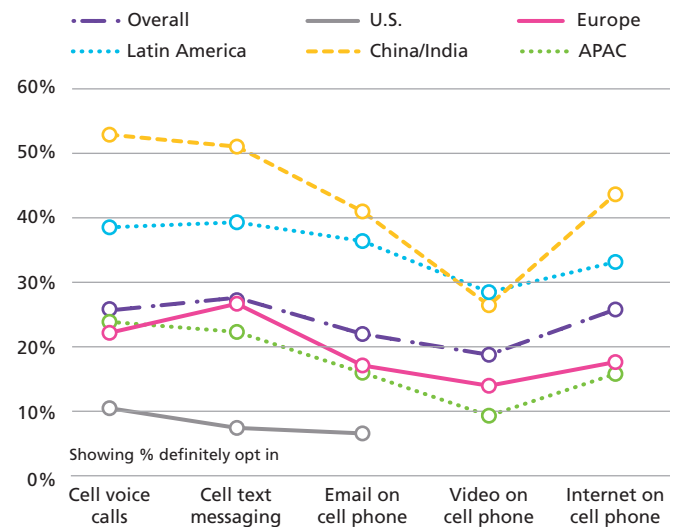
- Globally, consumers are increasingly concerned about savings and job losses — and rising inflation.

Communications service providers worldwide are still on a stable footing:

- Their free cash flow numbers are solid, despite a decrease in Q3 2008 (compared to 12 months earlier).
- Overall revenue of \$2 trillion USD is still expected in 2013 (increasing from \$1.7 USD trillion in 2008).

Note: G5 nations include USA, Britain, France, Russia and China
Source: Infonetics Research, May 2009

Figure 1. How likely would you be to opt into receiving advertising if you can get a 30% reduction in the cost of the following services?*



* "Video on cell phone" and internet and Cell phone" not asked in U.S.

Source: Alcatel-Lucent Market Advantage research

The targeted advertising advantage

Globally, 53% of consumers are more willing to accept cell phone ads, if the advertising is customized to their interests and geographic location. This is highest in:

- Emerging economies: 80%
- Latin America: 82%
- China/India: 74%

Advertising growth trends

A recent *Heavy Reading* study on next generation advertising indicates the vast majority of service providers believe advertising will be an increasingly important source of incremental revenue. Almost 50% of the service providers surveyed are already selling advertising on at least one platform, while most of the other 50% are either in the planning stages or already beginning to offer advertising services. Furthermore, 50% of advertisers believe telcos will be important members of the advertising value chain within 5 years.

Expanding the market

As mentioned previously, consumers in emerging markets may be more likely to accept advertising. Research suggests this is due to greater price sensitivity. However, it also shows that consumers in developed economies continue to resist mobile ads — even during a downturn.

These findings raise questions about how to expand the advertising opportunity globally. Are privacy and identity concerns the basic issues operators need to resolve to reach consumers in developed economies? These concerns are key for a successful advertising venture, and important for additional studies.