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Marketers Interested in Small Screen

By [MATT RICHEL](#)

Forget the 30-second spot on a 50-inch high-definition TV. How about a three-second message on the tiniest of screens?

Television-style advertising is coming to a mobile phone near you. It is part of a broader push by marketers to create a new generation of "up close and personal" ads by delivering video, audio, banner displays and text clips over a device carried by most American adults.

Marketers said they were particularly excited about the prospect of eventually using cellphones, many of which are equipped with global positioning systems, to send ads to consumers based on their location. With that information, marketers could, in theory, send pitches from retailers to cellphone users who might be in the vicinity of a store.

Cellphone-based marketing could be "the silver bullet we've been looking for in advertising for a long time," said Laura Marriott, executive director of the Mobile Marketing Association, a consortium of wireless carriers, ad agencies, technology companies and advertisers.

But ads on cellphones pose serious concerns, say consumer advocacy groups. Critics argue that Madison Avenue, having plastered ads on all kinds of empty spaces - like billboards, building facades and the sides of buses - may soon be intruding on a gadget that has become as common as a wallet.

"This is part of the creep of advertising into every nook and cranny of our lives," said Gary Ruskin, executive director of Commercial Alert, a nonprofit consumer group. "This is advertising right in your face."

The wireless carriers say the risk of losing customers is a strong incentive to keep down the marketing noise. It is illegal for carriers to sell phone numbers to telemarketers. And in their contracts with content providers, like CBS Sports and other channels, the carriers can keep out advertisers who send unsolicited messages.

By law, carriers are not allowed to divulge information on a subscriber's location unless that individual gives permission. One idea being floated by carriers and advertisers is to offer consumers incentives, like reduced monthly phone fees, if they agree to receive ads.

For now, mobile marketing is still rudimentary. But that is expected to change quickly, with phone-based ads incorporating more sophisticated graphics and videos this year.

Some marketers have already started to send simple text ads to cellphone screens when consumers use Web browsers on their phones to visit certain Internet sites. Other marketing campaigns urge consumers to use their phones to send text messages to advertisers to receive special offers.

In March, [Verizon Wireless](#) and [Sprint](#) Nextel plan to test how consumers react to short video ads on their phones. But the carriers, fearful of upsetting customers, said they were not planning to deploy this broadly.

ESPN, the sports network, which offers a service that sends scores, text stories and video highlights to cellphones, plans to start running short video clips later this year from advertisers like Visa USA, [Nike](#) and [Hilton Hotels](#). Other companies starting tests or full-blown campaigns - with video, banner ads or full-screen images - include [American Express](#), [Microsoft](#), and Pepsi, among other major brands. The size of the mobile phone advertising market was only \$45 million in 2005, but is expected to grow to \$1.26 billion by 2009, Roger Entner, a telecommunications industry analyst with Ovum, a market research firm, said.

Jon Raj, vice president of advertising and emerging media with Visa USA, said he expected to see many new ad formats that could combine the text, video and the location-based nature of the phone.

"Unlike the computer, or a magazine or television," he said, "the phone is a piece of you."

That quality, which makes mobile marketing so powerful, could also make phone ads widely disliked and force carriers to use them very cautiously, said Edward Snyder, a financial analyst and co-founder of Charter Equity Research, where he covers the cellular phone industry.

Jeffrey Nelson, a spokesman for Verizon Wireless, said the company had "no immediate plans" to send video ads to cellphone screens widely.

Another limiting factor is phone technology; only a small fraction of phones can play video, though many can use browsers to surf the Web and display some content.

The wireless industry and some advertisers say they have spent several years figuring out how to deliver unobtrusive messages. The carriers have adopted a voluntary code of conduct developed with the Mobile Marketing Association, which permits sending commercial messages only to consumers who agree to receive ads. For instance, a consumer must send a text note asking for information or click on a banner ad for the full pitch.

"This has to be approached delicately because there's a fine line between adding value to a customer and intruding," said Pragnesh Shah, vice

president of product innovation at Sprint Nextel. Still, Mr. Shah said he saw enormous potential in delivering advertising on a device that is always on and carried everywhere.

One example of mobile advertising is a brand campaign for Visa USA, begun in September, in which consumers send a five-letter text code to receive weather reports. The reports come back with a banner: sponsored by Visa. The credit card company has also signed a contract with ESPN to have three-second animated images run before phone users receive ESPN sports updates.

Also in September, Microsoft started sending mobile ads to its business customers, showing the Microsoft Office logo when customers viewed certain Web pages from their handsets. Other companies are sending banner ads that direct consumers to call, say, a hotel, in one click.

And last summer, MasterCard International sent text messages to consumers who searched for restaurants on their handsets, offering them the chance to win free lunches at restaurants in their neighborhoods.

In theory, ads could be made even more personal. A message might say: "Use this card in the store coming up on your left and you'll get x-percent off," said Michael Lao, MasterCard's vice president for global media and new channels. But this futuristic feature would be possible only if carriers developed a system in which subscribers could choose to be tracked.

Web publishers are also getting into mobile marketing by selling advertising space next to the content they deliver to cellphones. In December, for instance, the Weather Channel started its first mobile advertising campaign, coupling weather reports with small banner ads for American Express.

The Weather Channel is one of more than 40 content producers working with Third Screen Media, a company with offices in Boston and New York that helps Web sites, advertisers and carriers integrate marketing for cellphones.

Thomas J. Burgess, the chief executive of Third Screen, said his customers' mobile ad budgets had risen from an average of \$20,000 for a campaign a year ago to \$150,000 to \$250,000 today. He said the company had just signed its largest deal ever, a \$1.6 million contract for a one-year campaign with an entertainment industry advertiser that he declined to name.

One reason for growing interest in cellphone ads, Mr. Burgess said, is the relatively high rate at which customers click on banner ads on mobile screens. The click-through rate is around 4 percent on phones, compared with 1 percent on the Internet, he said.

Mr. Burgess attributes the higher response rate to a greater ability to aim ads at particular consumers based on factors like time of day and the kind of handset they are using.

Ujjal Kohli, chief executive of Rhythm NewMedia, a start-up in Mountain View, Calif., which is developing video advertising technology, said he had hopes that mobile marketing, by being very personal and intimate, could solve some of the frustrations advertisers have with consumers ignoring television commercials - no matter how big the monitor.

"The tiny screen may be the answer," Mr. Kohli said.