"Mobile geo-location advertising will be a big number in 2015"

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Summary

Mobile display advertising is growing at a phenomenal rate. It is now starting to open up business models like geo-location advertising that have been written about for years. This White Paper presents a balanced status quo of the market for geo-location mobile display advertising in the USA and Western Europe.

The overarching goals of this paper are as follows:
a. Explore current and future issues that may dampen growth and how gaps
   may be addressed
b. Analysis of emerging trends and options for advertisers as the geo-location scales
c. Overview of current pricing for delivering geo-location campaigns across mobile
   ad networks

Introduction

Location puts mobile advertising on the map, literally. The ability to identify a user's location and deliver relevant and contextualised ads in proximity with their surroundings in real-time whether using search, display, or messaging delivers a game-changing feature to the world of advertising. So much so, that the convergence of mobility, advertising and location, will make mobile the most potent media for advertising.

This convergence is creating a compelling platform for brands of all sizes to communicate with consumers. Yet the nascent stage of mobile geo-location advertising's evolution means campaigns and associated business models remain in the experimental stage, though developing apace. Part of the speed of that development emanates from the fact that mobile has already surpassed the existing online elements of tracking and measurability, by delivering end-to-end location-based accountability in real time. An ad being served to a user 200 metres from a shop with a promotion to encourage footfall into the shop is a prime example.

The most commonly used phrases for mobile location advertising are geo-targeting and ringfencing. Geo-targeting covers a geographically recognised region, such as a State or city, whereas ringfencing (effectively a subset of geo-targeting) serves ads within an identified location, such as a 500-metre radius from a retail outlet. To avoid confusion, for the remainder of this report, we will refer to mobile location advertising using the umbrella term of 'geo-targeting'.

What's happening today

Knowing something about where a person is located with a mobile device fundamentally drives geo-location. Locating a device has been achieved through technological advancements of mobile ad networks and location specialists. Accuracy of geo-targeting varies from entire States in the US, to DMA Nielsen regions, to metropolitan-wide campaigns over a designated radius, to a zip code, street and even a shop. A number of European-based mobile ad networks claim to be able to serve contextualised and relevant ads to a consumer within "feet" of the advertiser's location.

Furthermore, the ability to serve geo-targeted ads is being driven by demand from a variety of sectors such as retailers, automotive, hotel chains, restaurants, and airlines, to name a few. For example, retailers are now supplying their outlet's geo-coordinates. These can then be ringfenced by the mobile advertising service provider – either mobile ad network or operator – and can then serve the ad within the specified radius, whether 500 metres or 10 miles, based on the specifications of the campaign. The gambling industry is a consistent big spender on mobile advertising, and the sector is now exploring options for geo-targeting around live events, such as race meetings or football matches, to drive people into their outlets when a match kicks off, for example.

The accuracy to which an individual mobile device can be pinpointed varies depending on the technique used and the information available to each of the parties in the value chain. The technology can range from GPS-based latitude and longitude coordinates often shared via opt-in in application environments to ZIP codes shared by publishers based on opt-in user profiles they have collected. Today, the majority of geo-location volume is determined much in the same way as online, using the IP (Internet Protocol) address from WiFi connections to derive latitudinal-longitudinal coordinates.

Mobile wifi vs mobile operator's networks

According to mobileSQUARED research, advanced mobile markets such as the US and UK are seeing rapid uptake of mobile WiFi usage, because such technologies offer ubiquitous coverage and provide a compelling user experience. Other developed mobile nations are not too far behind. However, for geo-targeting to successfully drive commercial models it needs to have critical mass across countries embracing geo-location advertising. While IP address location look up works well online for desktops at work or at home, that is not the case for mobile. The issue with mobile WiFi is that its critical mass does not correlate with the requirements

for geo-targeting, in that the majority of consumption over WiFi occurs either at the home or in the office where users have their WiFi hotspots setup. Let user activities conducted in the outside world typically occurs over the mobile operators' networks.

This leaves the mobile advertising industry facing something of a double-edged sword: WiFi overcomes the customary delays now associated with 3G networks, but it lacks the ubiquity, whereas 3G networks have ubiquity but not the reliability. But before the widespread deployment of 4G can address both these reliability- and ubiquity-based issues, there are commercial hurdles to tackle.

For example, mobile operators do not provide location data to third parties, preventing mobile ad networks from detecting a user's location over a 2G or 3G network to deliver geo-location advertising. Consequently, mobile ad networks must rely predominantly on location-based data supplied from a user's IP address over WiFI, and on the small (but growing) footprint of applications that enable users to opt-in to sharing GPS coordinate data. This severely restricts the mobile inventory available for geo-location targeting. The cumulative impact of these factors is damaging to the growth of emerging location based advertising business models.

Geo-targeting is not for every ad network... yet

The ability to deliver geo-location targeted campaigns may become a differentiator for the mobile ad network community when possible at a global level. However, in the USA agencies and advertisers expect ad networks to offer state and DMA geo-targeting options. Not every mobile ad network provider is experiencing demand for geo-location campaigns and thus many are not offering the service. Research by mobileSQUARED reveals that less than 50% of mobile ad networks interviewed are offering geo-location options, with a quarter exploring its potential and likely to invest in the technology or partner with a location specialist such as Navteq in the short-term. The remaining 25% of mobile ad networks included in the research were adamant that it is not an essential component of their service offering in the short term.

Mobile ad networks that are providing geotargeted campaigns include Adfonic, Admob/Google, InMobi, JumpTap and madvertise. Location specialist Navteq claims that there are over 100 million uses of its data every day. This shows that services such as navigation and mapping are becoming mainstream and starting to generate the critical mass required for geo-location business models to kick-start.

> "Research by mobileSQUARED reveals that less than 50% of mobile ad networks interviewed are offering geo-location options."

Geo-location business models
1. Display advertising

Banners and Rich Media: Spend forecast (USD) 2010 – 2014
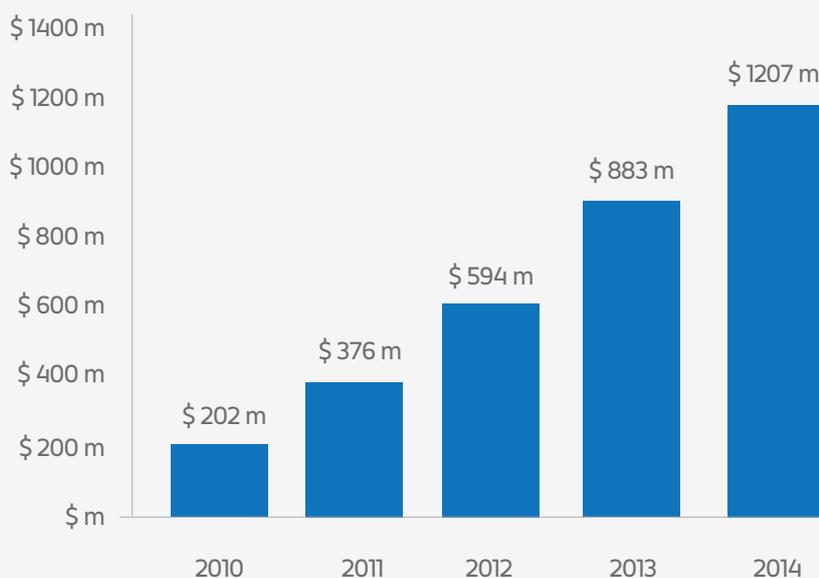
Source : eMarketer Report; Excludes search, messaging and video

2. Coupons

The proliferation of smartphone devices (in particular iOS and Android devices) has led to the evolution and development of mobile coupons as a way to drive footfall into retail outlets and food places. Using smartphones, consumers can receive mobile coupons via MMS or in-application to redeem in-store. The couponing "boom", has been further supported by companies like Groupon, LivingSocial and foursquare investing heavily in building loyal customer bases on mobile.

However, there are a number of issues associated with the development of mobile couponing as a business model. First of all, is the lack of widespread adoption by retailers and food places, which may lead to some disappointment by consumers trying to find offers in their preferred places. Secondly, even with today's latest smartphones' GPS systems, there are limitations on the accuracy and relevancy of the locations returned. For example, if you are located in a busy street full of shops or in a shopping mall

surrounded by clusters of shops, today's GPS systems lack the power to detect the consumers pin-point position in order to deliver the correct coupon. This also depends on which retail outlet or food place the consumer is physically located at that moment in time.

> "The couponing "boom", has been further supported by companies like Groupon, LivingSocial and foursquare investing heavily in building loyal customer bases on mobile."

US Adult Mobile Coupon Users, 2010-2013
millions and % of adult phone users

■ Adult Mobile coupon users ━●━ % of adult mobile phone users
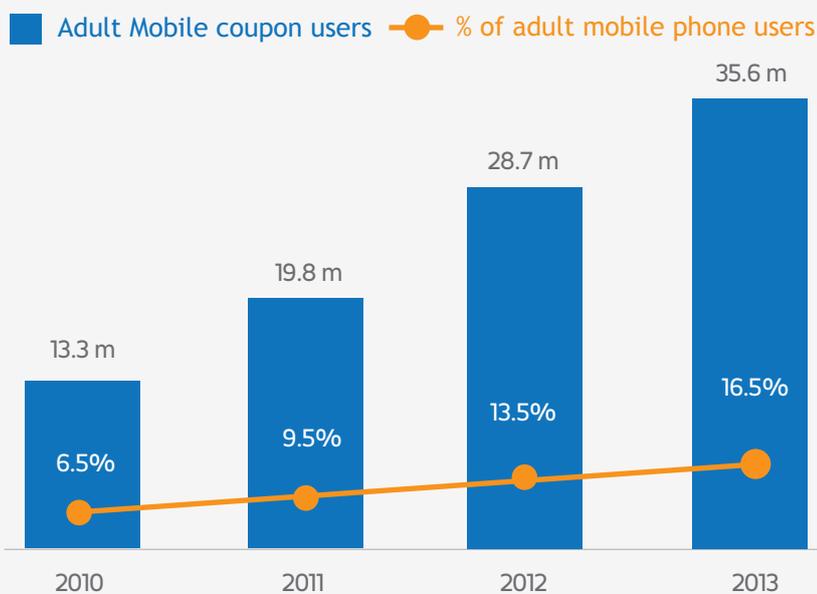
Note: ages 18+; used mobile phone (includes smartphones) in the past year to redeem coupon/code obtained from SMS, application, mobile internet and/or QR code for online or offline shopping; includes group buying coupons purchased via mobile phone.

Source : eMarketer, Aug 2011 / www.emarketer.com

3. Mobile Mapping

The popularity of mobile mapping, the use of maps on mobile for navigational purposes, is now widespread. It is used as a substitute for fixed car navigation systems. In the UK mobile mapping is now used by over 10 million consumers, with a further 25 million users across France, Germany, Italy and Spain. This demonstrates that those users accept that location and navigation can be delivered via a mobile device, and that these services can only operate based on the acceptance to share data such as existing (or future) locations. This is not to say that every consumer will automatically adhere to the notion of accepting location-based advertising overnight, but it reveals the growing trend of using location to serve a purpose. If brands can exploit that purpose, there is a real opportunity with geo-location targeting.

The fact that the majority of mobile mapping occurs on smartphones is not a revelatory development given that smartphones have revolutionised how consumers engage and interact with their mobile phone.

Mobile mapping usage across Europe				
	Mobile Maps Users (000)			
	Feb-09	Feb-10	Feb-11	% Change
EUS	12,530	21,099	35,446	68%
UK	3,070	5,700	10,602	86%
Germany	2,159	3,870	6,927	79%
Spain	1,830	3,132	5,356	71%
France	2,272	3,518	528	55%
Italy	3,198	4,879	7,465	53%

Sources: Strategy Analytics, comScore, mobileSQUARED Mobile Consumer Trends (MCT), http://www.mobilesquared.co.uk/data / *Based on 2009-2010 growth

Banners and Rich Media: Spend forecast (USD) 2010 – 2014
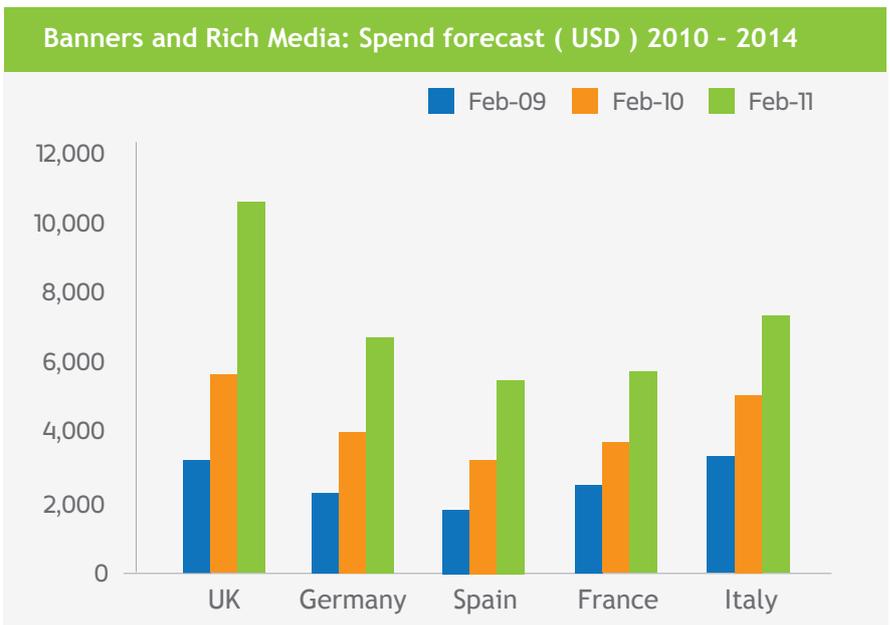
Sources: Strategy Analytics, comScore, mobileSQUARED Mobile Consumer Trends (MCT), http://www.mobilesquared.co.uk/data*Based on 2009-2010 growth

Rapid growth in smartphone penetration

Consumption of mobile media is 50% greater by smartphone users compared to feature phone users, while browsing is greater by a factor of five, or up to a factor of 10 for iPhone users. Subsequently, more people browsing on their smartphones, not to mention the phenomenal levels of app usage, is generating billions upon billions of pages of inventory and enormous opportunities for advertisers and brands to access consumers on the go. However, the opportunity is restricted depending on whether the user is browsing on a 3G network or over a Wifi connection, as already highlighted.

mobileSQUARED research indicates that 15-20% of total mobile data traffic is available to mobile ad networks for geo-location targeting purposes. Whereas, for ad networks approximately 50% of all iOS and Android traffic is available for geo-location targeting either because there is a Wifi connection available or the users has opted in to share location information via an app. In other words, either an app user had opted in to share GPS coordinates or a Wifi connection returns valid longitudinal and latitudinal coordinates.

The mass adoption of Satnavs and, more recently, check-in services like foursquare and Facebook Places on smartphones, has created a geo-location aware society, leading to at least a

growing awareness and sometimes willingness among consumers to share their existing location.

What's even more intriguing is the fact that consumers are being educated about the merits of sharing their location by brands that they trust, such as the launch of Facebook Places in August 2010 on Facebook smartphone apps and touch.facebook.com, generating global press interest. By November 2010, the service had been used by over 30 million Facebookers. A sizeable number in comparison to other check-in based location services like foursquare (>8 million) and Gowalla (>1 million), but for Facebook's 845 million global users it only accounts for 0.035%. Awareness is growing among consumers regarding real-time location services, but the educational process is only just starting.

A recent study by comScore says 16.7 million US mobile subscribers used location-based "check-in" services on their phones in March 2011, of which 12.7 million check-in users were using a smartphone. A demographic breakdown of check-in users revealed that 58.5% were aged 18-34 years.

The data revealed Android accounted for the largest share of check-in service users, with 36.6%, while 33.7% of users checked in from an iPhone. RIM accounted for 22% of check-in service users,

while Microsoft, Palm and Symbian each accounted for less than 5%. These statistics probably reflect the general traffic split across global mobile ad networks.

As comScore says, the "ability to interact with consumers on this micro-local level through special offers, deals and other incentives, provides brands with the real-time opportunity to engage consumers through their mobile device."

Commercial models

Part of that commercialisation process can include the delivery of benefits and discounts, providing a clear value exchange between brand and consumer, as demonstrated by a service like Groupon. Significantly, services like Facebook Places, foursquare, Groupon and LivingSocial are treading a path of acceptability for the addition of location to mobile advertising.

But the real value will be delivered when, having attracted consumers into the world of real-time location services, the services contain stickiness to drive repeat usage. In 2010 foursquare users check-in the most, (doing so over 2.5 million times per day) amounting to half a billion check-ins, which was significantly higher than Facebook Places.

mobileSQUARED believe foursquare is principally a checking-in and

location-based service with the potential of receiving discounts, whereas Facebook is based on digitally socialising with peers, and is not a platform that people associate with checking-in.

Regardless, the number of check-ins is considerably down on Navteq's 100 million daily data uses, indicating that real-time location services remain predominantly functional (mapping/navigation) rather than commercial. The short-term challenge is to commercialise the functional location users, whilst simultaneously increasing the location-aware community, both of which are opening up the opportunity for geo-location targeted ads on mobile devices.

Until 2008, the mobile industry had held endless conferences and events debating the commercial opportunity for location-based services. Beyond the realms of enterprise services like fleet management, the majority of the industry were left dumbfounded and head scratching.

That was until the launch of, no, not the iPhone, but the Apple App Store and promulgation of apps. Apple adopted a simple approach by asking users to share their location when opening an app. This 'on-the-spot' form of opt-in that allows consumers to make an immediate and informed decision, removes the more clear-cut opt-in or opt-out processes more commonly associated with

other forms of mobile advertising like SMS opt-in databases. Mobile privacy is now a major area being addressed by the relevant mobile marketing trade bodies and will, no doubt, very soon lead to common standards being agreed and rolled out.

Mobile display advertising works in much the same way as online display advertising. Whether an online user is on a mobile or fixed broadband connection, geo-location targeted display ads can be delivered by either a valid IP address being available or the user opting-in to share location information via an app. According to research, 80% of US consumers are prepared to share a little of their location data provided they get something back in return, and that their data is not shared and they retain control of the data.

Opt-in in the app world is different once more. On iOS, when apps are opened users are asked if they would like to share their location, whereas on Android the process is less frequent, based on when an app is downloaded or when it is updated.

Geo-location targeting comes at a premium

With such measures in place to protect the interests of geo-location aware consumers, research conducted by mobileSQUARED in April 2011 revealed that approximately 70-80% of brands that are active in

mobile are now enquiring about how they can capitalise on the location element that mobile delivers. This research is in stark contrast to the views expressed 12 months previous, when the majority of media agencies claimed their clients were expressing little or no interest in location as part of a mobile campaign.

But it is not just the big brands with the big agencies that are now using or exploring the possibilities of geo-location targeting. With the addition of location, mobile advertising is being thrust deep into the heartland of suburbia and the local retailers and merchants, restaurateurs, bars, and hairdressers to name a few, are now using the service. Geo-location targeting delivers a real-time digital directory experience to consumers that will entice the smaller brands into what has primarily been a mobile and national brand's playground.

Research by JiWire in 2010 showed that consumers are more likely to engage with location-relevant advertising. Thirty-nine percent of consumers said 'coupons for nearby stores' was one of the most appealing aspects of location-based advertising while they were out and about, while 29% said they would welcome information on promotions and savings. And that is good news for the brands.

Geo-location targeting positions

brands in front of the consumer at a point in time when they are in a decision making frame-of-mind. So the delivery of relevant content to a consumer when they are near a store and drive footfall is a very compelling proposition.

Consumers are undoubtedly more receptive to mobile advertising when location is applied. Location relevant ads increase the digital mobile advertising average mobile click-through rate from 0.5-0.8% to 1.5-2% and upwards. Results from the US reveal that geo-location targeting delivers 10-20 times the click-through rates compared to the web, depending on the mobile ad network. When compared to push-based mobile marketing approaches, response rates for messaging-based geo-targeting in the UK and US range from 11-35%, increasing up to 65% when delivering a promotion within close proximity to the location.

With significantly enhanced response rates comes a premium. But it is a premium that is having a disruptive impact on established mobile advertising business models. The real-time component of geo-location targeting fundamentally alters the dynamics of the mobile advertising marketplace because it removes the volume element that has only recently made mobile advertising attractive to brands.

Furthermore, geo-location targeting advances mobile advertising beyond the existing internet-based model of display and search that has been the foundation of the industry, towards a direct marketing model that replaces volume with targeting. Consequently, as mobile advertising sacrifices the volume-play that has become its bread and butter, the business models associated with geo-location targeting will have to remain dynamic to address the multitude of location-based possibilities available. mobileSQUARED expects a flurry of hybrid business models to enter the marketplace in the next 12 months as mobile ad networks introduce pricing innovation.

Pricing Models

Presently, mobile ad network providers have adopted both the CPC and CPM advertising models for geo-location targeted campaigns, whereas online, this was skewed more towards CPM priced campaigns.

Because of the nascent stage of its development, pricing models for geo-location remain very much in the experimental phase. A number of mobile ad networks told mobileSQUARED that location costs are being bundled into existing rates, while other providers said the average campaign price hike was by a factor of 10 on existing rates. Research by mobileSQUARED reveals that the CPM rate for geo-location based campaigns in the US is between $3-5 CPM, or a CPC of $0.30 per click, both of which are more in-line with existing standard campaign rates, and indicates that location is yet to command a premium rate.

That said, a more dynamic distance-based model is already in operation by a handful of mobile ad networks, with more launches later this year, whereby a retailer will pay a CPM rate that indirectly correlates with the customer's distance from the store. For example, a customer that engages with a mobile ad within 50 metres of a store will cost the advertiser $0.3 based on a CPM of $300, whereas a customer 500 metres away could cost $0.15 based on a $150 CPM.

Although a $300 CPM appears extortionate when compared directly to existing average premium mobile ad network CPMs of $5-10, the fact it has the potential to directly drive footfall – even measurable footfall if the user has been served a voucher – offers unassailable value in relation to other forms of advertising to the retailer. Placing this rate into context, direct marketing mail-shot campaigns can command a CPM rate upwards of $1,600. Though this could effectively become the geo-location targeting nirvana, as companies continue to experiment with various pricing models.

It is also incumbent on the mobile ad network to understand the brand's requirements.

For instance, some brands would value a CPM at five-to-10 miles the same as 50 or 500 metres. To incorporate such flexible demands outlines why hybrid business models will be required for geo-location targeting.

mobileSQUARED believes geo-location targeting can potentially operate at similar CPM levels to traditional direct marketing campaigns, if not higher. When considering that the justification of investing in a geo-location targeted campaigns emanating from the medium's accountability, including redemption or transactional capability, the transformation of mobile from marketing channel into a sales vehicle, will be able to a command a high premium on the already premium rate.

In relation to the difference between a direct and indirect geo-targeted campaign, direct geo-targeting campaigns will command a premium CPX compared to an indirect campaign.

It is still early days and that means that there is a disparate approach to pricing, with companies experimenting with the concept and potential business models. While CPM remains a dominant model online, mobile ad networks are exploring a variety of cost per actions, such as cost per visitor and cost per transaction by connecting to the store's EPOS system.

mobileSQUARED research reveals that premium rates for geo-location are unlikely to impact the growth of mobile advertising. Brands in the US are now frequently spending six and seven figure budgets on mobile advertising campaigns, and can easily consume the additional costs associated with geo-location. What's more, the research reveals that mobile budgets are now increasing at a scale not experienced on the web. In 2010, the average US mobile ad campaign spend was approximately $80,000. That figure is expected to approach $110,000-120,000 in 2011.

Marketing budgets for mobile

Agencies in the US are now starting to dedicate budget to mobile, instead of extracting a proportion of the online budget. The increase in spend in mobile geo-location advertising will occur when the ingredients of location have a certain meaning, such as an airport, or a museum. One of the leading protagonists in this space is Starbucks, using mobile to drive footfall using discounts and voucher schemes to a geo-location-aware audience.

However, the introduction of geo-location will not only impact the dynamics of the business models, but also on how the brands will approach the mobile medium. In the US in particular, brands can now target specific towns, cities or States, spending $5,000-

10,000 per targeted campaign for example, instead of deploying a national one-size-fits-all campaign costing hundreds of thousands of dollars. Put numerically, a geo-location targeted campaign costing $10,000 can yield a response rate of 2% compared to a national campaign costing $200,000 for a 0.5% response rate.

The impact of this development will be two-fold. Firstly, it will create a hierarchical mobile ad campaign spend structure, whereby major brands will have a national mobile advertising strategy supported by smaller regionalised activity. In markets such as India and China, where there is a strong divide between the urban and rural communities, and in particular, the literate versus the illiterate, geo-location can ensure a brand such as Coca Cola has the capability to deliver one campaign but change the messaging depending on the location to deliver a much-improved response rate.

Secondly, innovative business models allow smaller brands to become mobile advertisers, and in doing so, this will significantly broaden the revenue potential of mobile advertising.

For instance, a CPM model would not apply to a campaign for a small-town coffee shop that is unlikely to have 1,000 visitors in a month, let alone a day or even an hour. However, a model based on a call-to-action, such as a coupon or

voucher delivering an immediate in-store promotion, clearly represents maximum return for the merchant.

And that's why geo-location represents a significant opportunity for every brand, from hotel chains and airlines, to local florists and hairdressers. Either way, if said local florist is having a slow day, it can invest in a small campaign to serve a promotion of a 20% discount voucher using display- or messaging-based inventory, to people within 500 metres or 10 miles of the store to boost footfall.

One possibility is that major brands, such as fast food chains, like McDonald's and Burger King for example, will look to use geo-location targeting to drive footfall using regional takeovers. In the same way brands do site takeovers today, we will inevitably see brands investing sizeable sums on a geo-takeover to ensure they saturate local inventory and prevent local rivals from advertising.

Large brands have the budget to adopt such a strategy. Small brands do not. The likelihood is that the smaller brands, identified as the "Digital Classifieds" will generally spend small amounts on geo-location but conduct repeat campaigns on a frequent basis. For the larger brands with a national footprint, national campaigns can be supported by more targeted localised campaigns.

Regardless of whether the brand is big or small, geo-location removes existing mobile ad campaign wastage, by honing the relevant and contextualised message to people in a particular area that a brand intends to connect with.

Ultimately, this changes how offline businesses will approach marketing, by using online mobile consumers to drive customers into the offline world and purchase physical goods and services. Consequently, this development is expected to drive offline budgets onto mobile.

m-commerce

Helping to drive this shift in spend is the rise of m-commerce over the last 12 months. M-commerce will have a positive impact on geo-location in both a direct and indirect manner in equal measure.

A report by ComScore[1] identified that the majority of US smartphones owners had performed shopping activities on their mobile devices during September 2011. The other key finding in the study was that 38% of smartphone owners had used their device to make a purchase at least once during ownership of that device.

Starting with e-commerce, over 50% of British adults were shopping online as of March 2010, according to the Interactive Media in Retail Group (IMRG). This trend continued throughout the year and into 2011, with the UK's online sector worth £69 billion in 2011, claims the IMRG, with mobile playing a significant role.

Already, 15% of internet access is now via mobile devices, which makes the extension of e-commerce into m-commerce an inevitability rather than a possibility. The IMRG says multichannel retailers (defined as a retailer providing online and mobile access) are growing revenues at twice the rate of pure-play online retailers. While payment provider PayThru says retailers expect their mobile revenues to increase 59% over the next 12 months.

The signs are already very positive. Online powerhouses Amazon and eBay both reported over $1 billion in sales globally via mobile in 2010. In the UK alone, eBay was making up to £2.1 million from goods purchased via mobile properties per day in the run up to Christmas 2010. Similarly, Ocado has generated £15 million revenues through its iPhone

app alone. Online fashion retailer ASOS has amassed £1 million worth of sales in the UK since it launched its mobile site in October 2010, generating over £12,000 per day.

So how is the rise of m-commerce having an impact on geo-location targeted mobile ad campaigns when the majority of mobile ad campaigns are brand awareness? Mobile success stories from the likes of eBay and ASOS are raising awareness levels among all retailers and digital classifieds alike.

Research by the Association for Interactive Media and Entertainment (AIME), the Internet Advertising Bureau (IAB) and IMRG in 2010, revealed that only 8% of UK retailers have a mobile site, while 41% of retailers expected to have a transactional site or app by the end of 2011. One of the reasons retailers are reluctant to invest in mobile is that they believe consumers are not ready to adopt mobile commerce.

The study found that just four out of the top 20 most frequently visited retailer websites are presently optimised for mobile, and only eight of the top 20 have any kind of mobile application for smartphones like the iPhone, Blackberry or Android powered devices.

And this will impact on geo-location because a figure released by Strategy Analytics claims that 94% of purchases are still made at physical locations. That means geo-location will be considerably more appealing to retailers than developing a transaction-enabled mobile site or app. A cash-strapped local retailer, is more likely to invest in an opportunity that will deliver a tangible return, the retailing currency of footfall, which is a familiar measurement tool.

Of course, brands with an abundance of finance will afford the luxury of covering all paths and develop a mobile site, app and indeed supplement these activities with geotargeted advertising.

US Mobile advertising forecasts

Impact of geo-targeting on mobile advertising spend
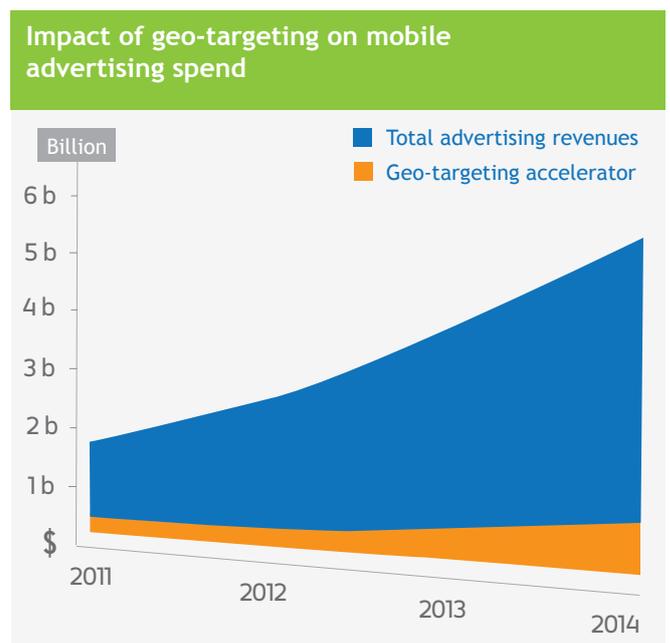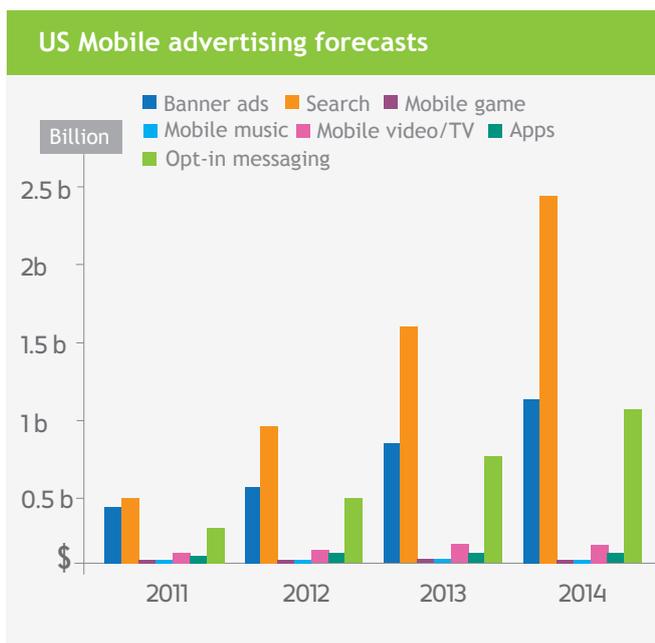
Show me the money

US Major Media Ad Spending, by Media, 2009-2015							
billions							
	2009	2010	2011	2012	2013	2014	2015
TV	$53.8	$59.0	$60.5	$64.5	$65.0	$67.0	$68.0
Internet	$22.7	$25.8	$28.5	$32.6	$36.0	$40.5	$44.5
Newspapers*	$24.8	$22.8	$21.4	$20.7	$20.2	$20.0	$19.8
Radio**	$14.3	$15.3	$15.7	$16.4	$16.7	$17.1	$17.2
Directories*	$10.3	$9.3	$8.2	$7.3	$6.5	$5.7	$5.0
Magazines*	$15.5	$14.7	$13.9	$13.2	$12.6	$12.1	$11.6
Outdoor	$5.9	$6.1	$6.4	$6.8	$7.1	$7.4	$7.6
Total	**$147.2**	**$153.0**	**$154.6**	**$161.5**	**$164.2**	**$169.8**	**$173.6**

Note: *print only, ** excludes off-air radio & digital
Source:eMarketer, March2011

Data from ABI Research claims businesses will spend $1.8 billion on location-based advertising by 2015. Research by eMarketer reveals that US ad spending is showing signs of making a post-recession recovery, with projected growth of 1% in 2011 taking the total spend for the year to $154.6 billion. By 2015, the company predicts total US ad spend will be worth $173.6 billion. Online spend will spearhead the total ad spend growth during this period, jumping from $28.5 billion in 2011 to $44.5 billion in 2015. TV, radio and outdoor ad spend will also increase, but at low percentage year-on-year growth.

The continued decline in print ad spend continues for both newspapers and magazines, as does the drop in spend in directories, which will see its market value drop from $8.2 billion this year to $5 billion in 2015. It is the decline in directories' spend that provides an indication of the impact of real-time communication is having on the ad market. Over a six year period, spend on directories has halved. While spend online during the same period has doubled, it is mobile that presents a clearer return for brands that had previously pursued the directories route for advertising.

That means there is an additional multi-billion dollar opportunity available in the US to the mobile advertising industry if it can develop a viable channel for these brands. mobileSQUARED believes that geo-location will accelerate the number of brands investing in mobile in the US over the next three years, and therefore represent an uplift in spend.

mobileSQUARED estimated the US mobile advertising market to be worth $1.4 billion in 2011, rising to $5.1 billion in 2014, with spend dominated by search and display.

Geo-location as an accelerant of mobile ad spend, will inject 11% of revenues in 2011, rising to 18% by 2014. That means, the US mobile ad market will be worth $1.58 billion in 2011, and $5.96 billion in 2014. Financially, geo-location will be worth $162.7 million in 2011, rising to $904.75 million in 2014.

Conclusion

The long-term success of geo-location is guaranteed, but the speed at which the service becomes mass market will be largely influenced by short-term developments.

Presently, the technology is now prevalent among the leading mobile ad networks, and the penetration of GPS-enabled handsets is approaching mass market in a number of developed mobile markets. While connectivity remains something of a hindrance today on a ubiquitous level, this can only be considered a short-term hurdle and will be tackled with the rollout of 4G networks. Perhaps most importantly, consumers are increasingly open to the concept of sharing their real-time data, including location.

While a number of the key ingredients are now in place, geo-location is yet to become a volume game. Geo-targetable browsing and in-app traffic constitutes less than one-fifth of the total traffic seen by mobile ad networks. Geo-location will only become a volume game when mobile consumer data is widely available via WiFi as well as mobile operator connections. Until this happens, business models will remain experimental and the premium rates that geo-location is expected to command will not apply.

Ultimately, geo-location will create a vast increase in the number of campaigns. For major brands, they will exploit their national footprint by supporting nationwide campaigns with targeted ongoing local initiatives to bolster return on investment. Smaller brands will run classified-based campaigns adopting a low-spend, high-frequency tactic.

While geo-location will inevitably have a premium price tag attached per campaign, it represents the maturing of the mobile advertising marketplace from its infancy in an internet-based model towards a direct marketing preserve where heightened targeting and vastly improved ROI justifies a higher rate card.