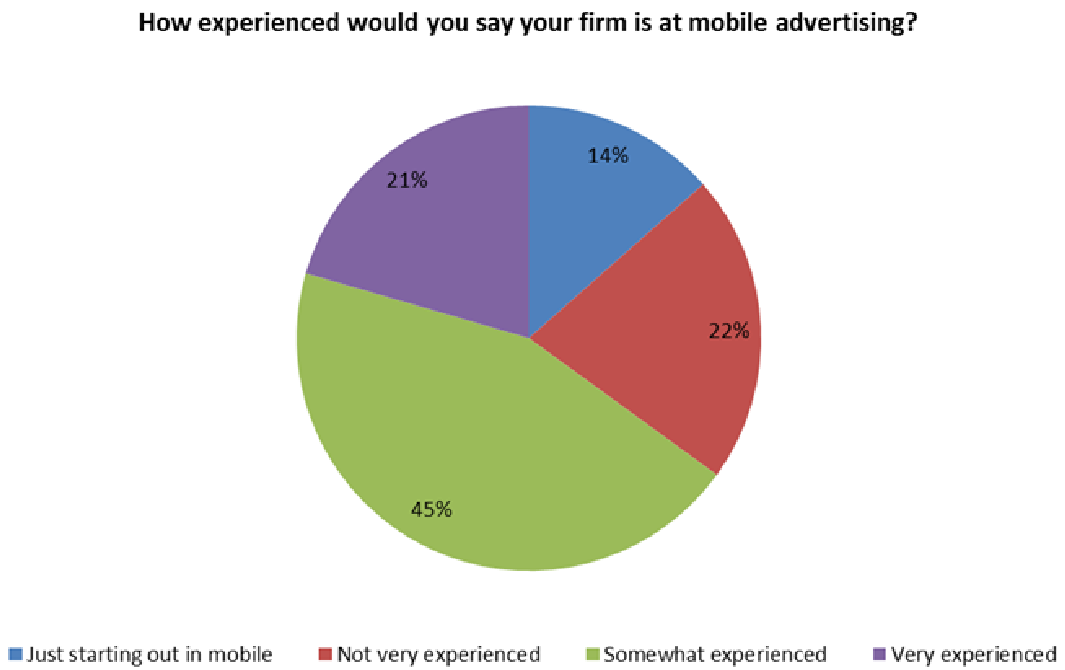
Marketer perceptions of mobile advertising – Third Edition

Released March, 2015

Key findings

- Marketers expect that their spending on mobile advertising will increase over the next two years: 14% anticipate it will rise by more than 50% while 57% expect it to rise by less than 50%.
- About one-third of mobile advertising spend is substitution from other channels, with print media hit hardest (58%), followed by PC digital and TV.
- Marketers in our 2014 survey show a high level of satisfaction with the results of their mobile marketing activities. The majority is either satisfied (50%) or fairly satisfied (37%) while a further 8% completely satisfied.
- Marketers show a strong interest in mobile programmatic, as 41% agree that it will help them reach target audiences. However, relatively few are actually buying mobile inventory programmatically today: 18% via private exchanges and 17% via open exchanges.
- Marketer uneasiness over potential data privacy issues is pronounced. 37% of respondents in 2014 cited privacy as a very important issue compared to 22% in 2013.

Expertise & experience

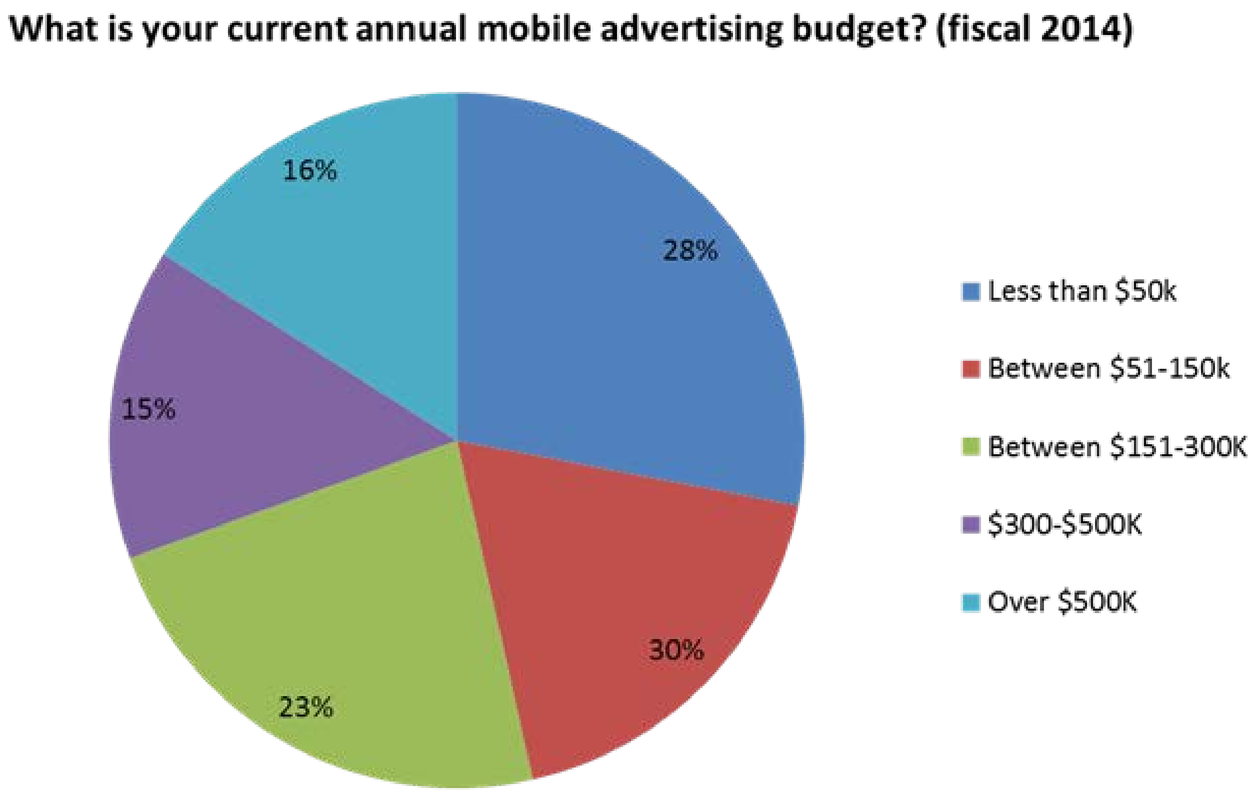


- Marketers' familiarity with and knowledge of mobile advertising has shown steady progress across our two previous surveys, and the latest iteration confirms this trend. The majority of marketers now consider their firm as either very experienced (21%) or somewhat experienced (45%) in mobile advertising.

- But there are still members of the marketing community that are at an early phase in their mobile advertising journey, either just starting out (14%) or still inexperienced (22%). These brands will require support and guidance, which is where the IAB can help.

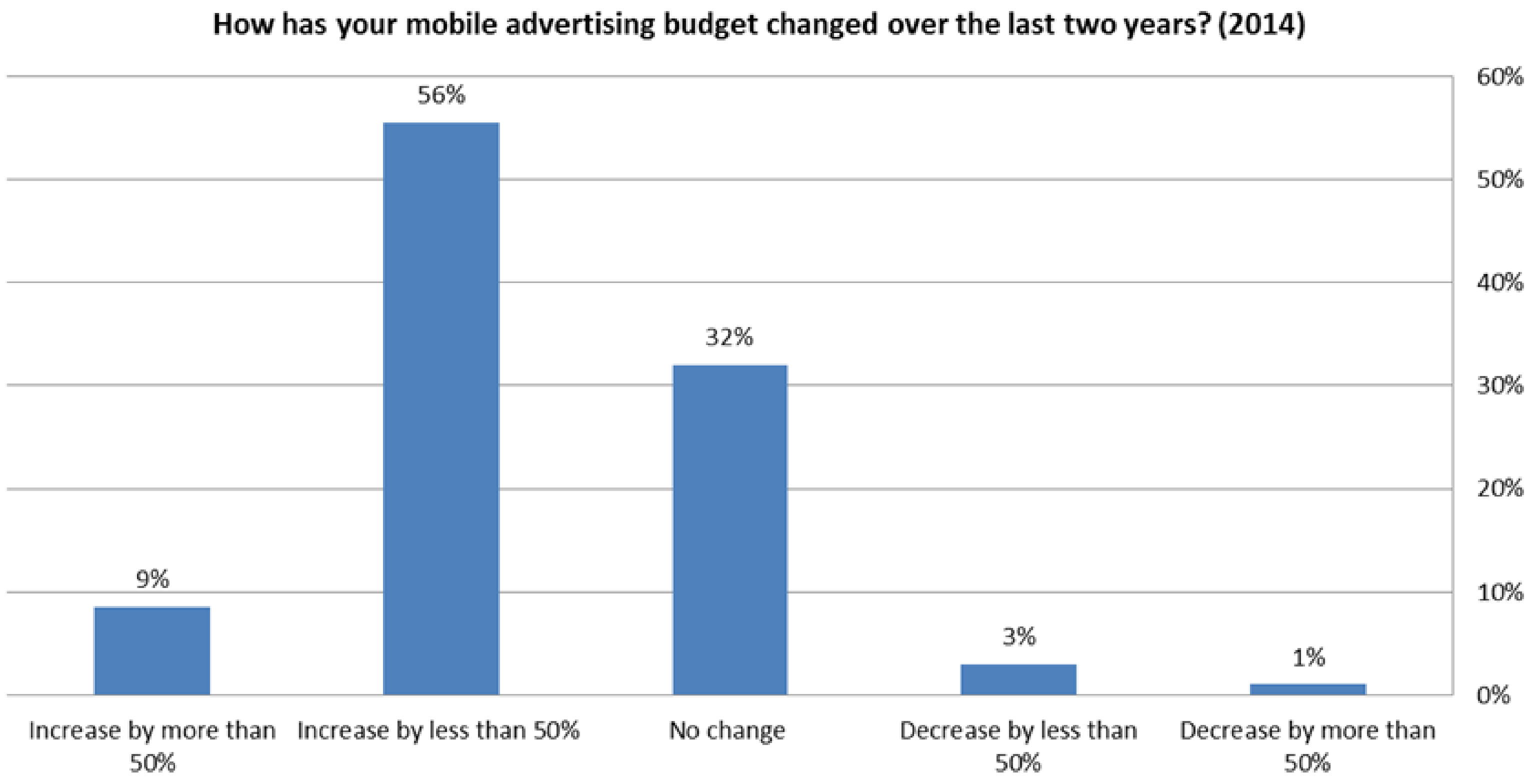
Mobile advertising budgets

Current budgets



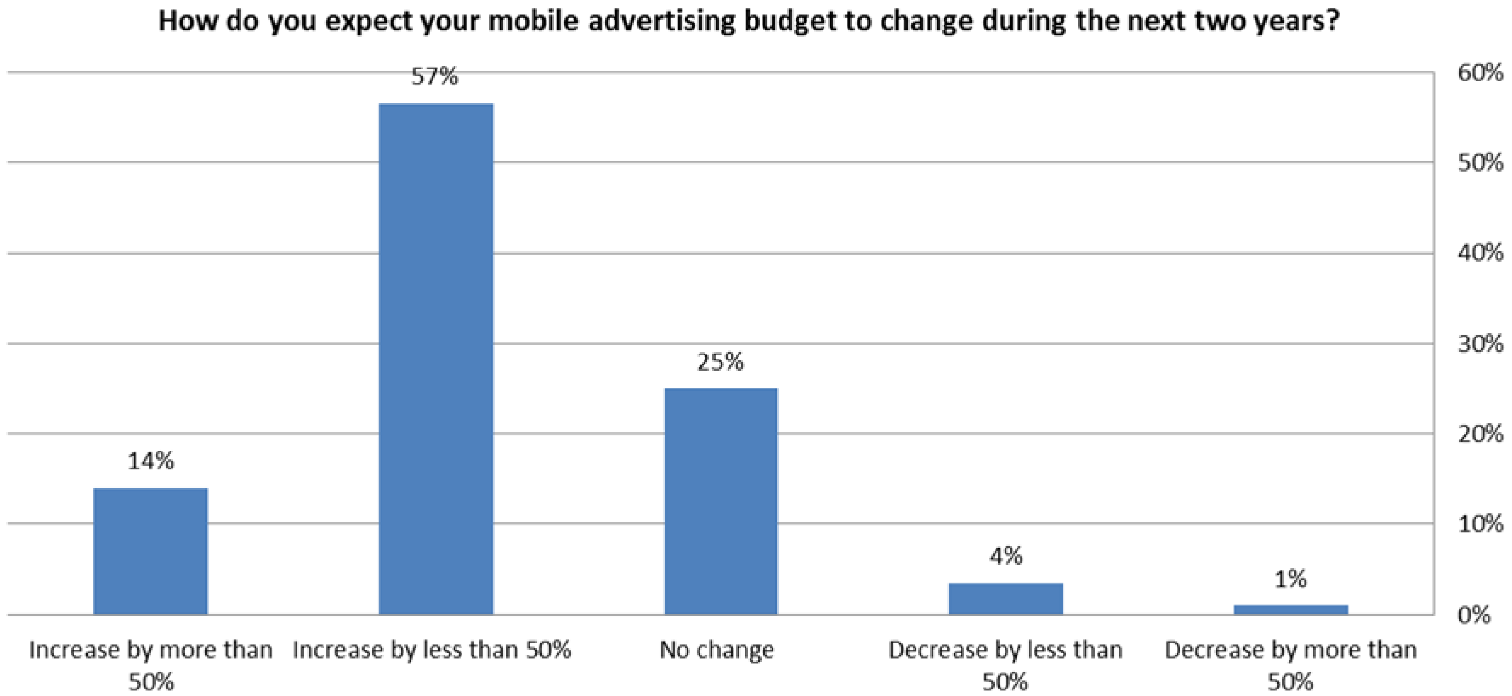
- A longitudinal view across our 2014 and 2013 survey shows that mobile advertising budgets have remained remarkably consistent over the past two years. We think this level of stability in what is still a challenging economic climate is no bad thing, a middle ground that is better than more erratic dips or spikes that could suggest, respectively, a lack of confidence or over confidence in the market.

Budget change over the past two years



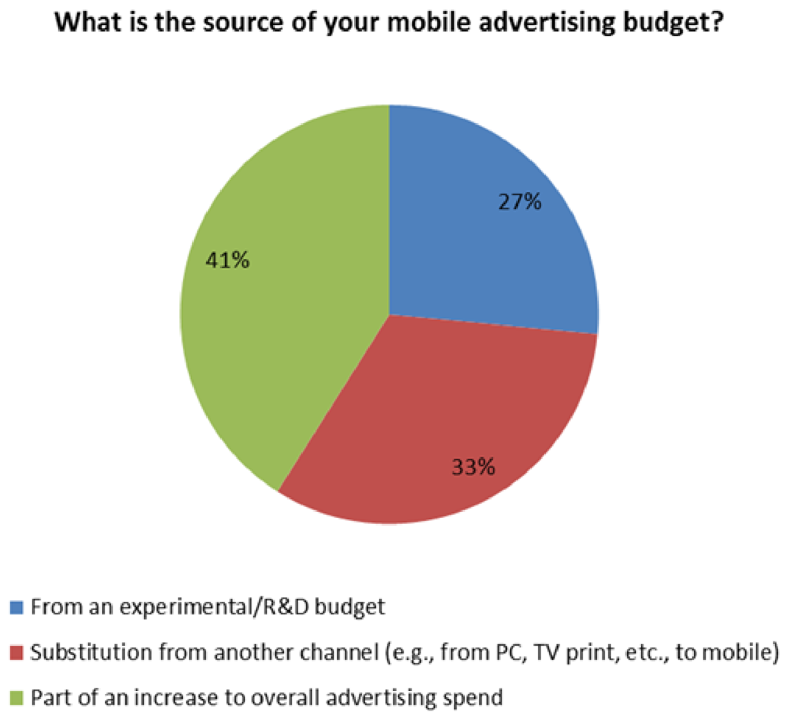
- The current survey confirms that spending on mobile advertising continues to rise, which is a continuation of the trend from our previous surveys. Moreover, the budget allocation brackets are also remarkably consistent. Over half the respondents (56%) said budgets have increased by under 50% over the last two years, which is slightly up on our 2013 survey (51%). A further 9% in the 2014 survey reported that mobile advertising budgets increased by over 50% during the last two years, compared to 14% in 2013. In both our 2014 and 2013 surveys only a tiny 3%-4% of respondents reported a decline in budgets over the last two years.

Budget projections for the next two years



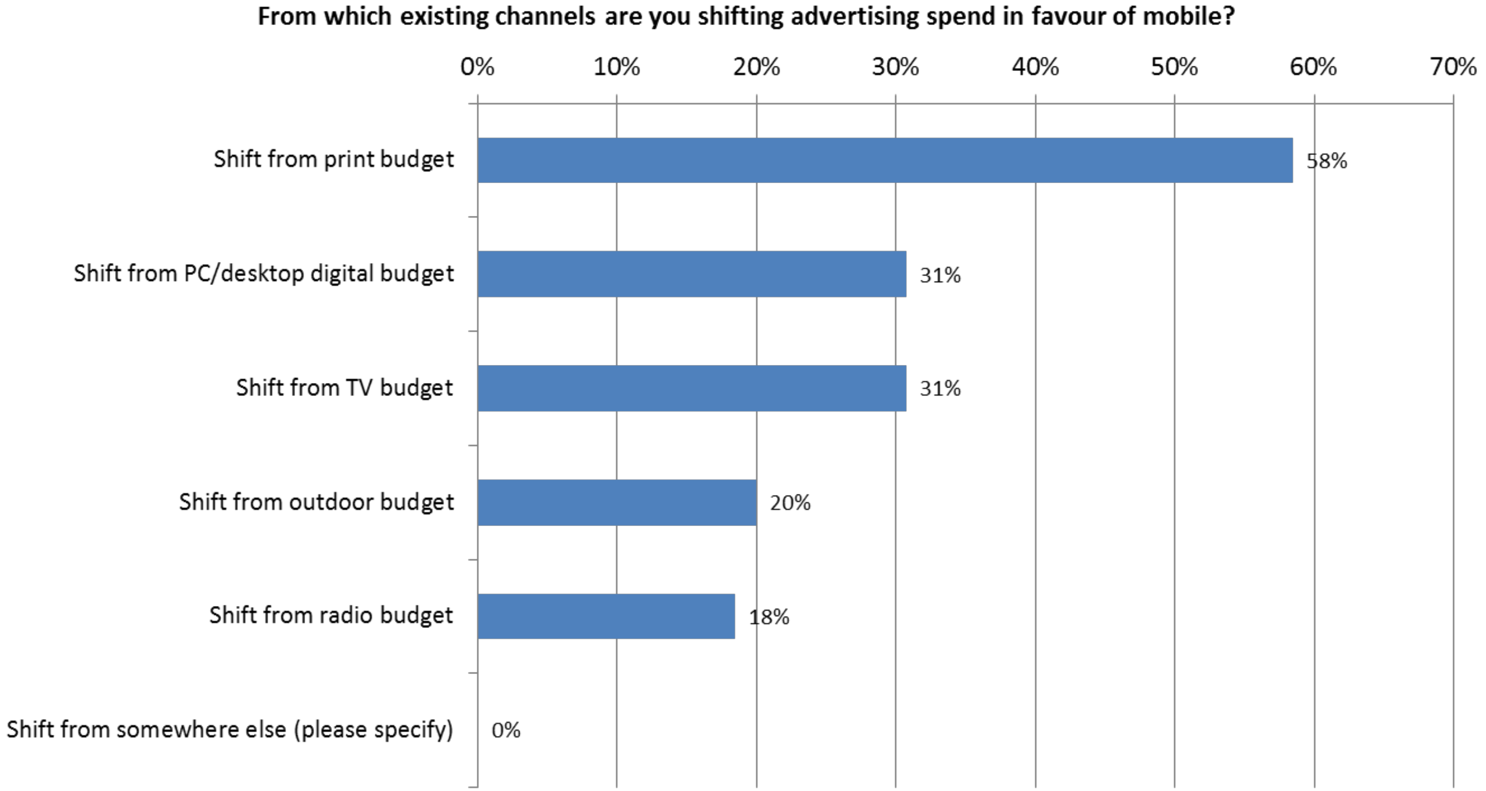
- Marketers expect mobile advertising budgets to increase still further over the next two years, which is very positive and once again reiterates the findings from previous surveys. In the current survey 14% of respondents anticipate that spend on mobile advertising will increase by more than 50% in the next two years, while 57% expect it to rise by under 50%. Twenty-five per cent expect budgets to remain unchanged. Only 5% expect to see budgets shrink.

Budget origins



- Marketers in the survey reveal that mobile advertising spend is predominantly part of a wider increase in advertising budget allocation (41%), which strongly suggests that for many brands mobile advertising is now firmly in the digital advertising mix.
- Mobile advertising spend is also being driven by substitution, as brands refocus marketing effort away from more traditional channels such as print, desktop and TV to mobile (33%).
- A smaller proportion of respondents said that mobile advertising spend was part of an experimental/R&D budget allocation (27%). This is in keeping with the fact that the majority of marketers in this survey are from firms that are experienced in mobile marketing.

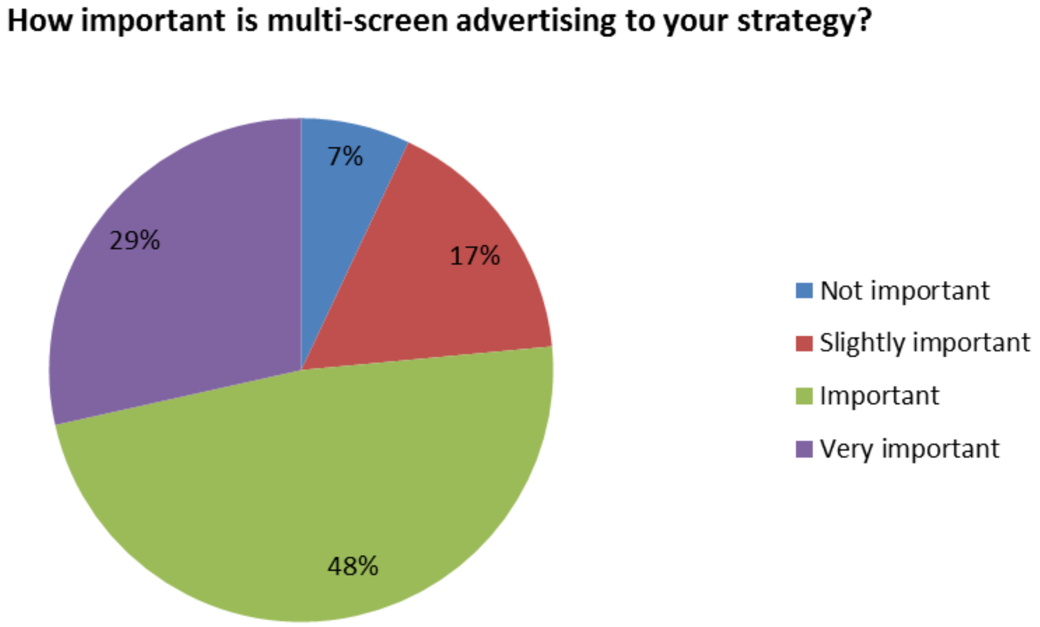
Close up on substitution



- For marketers that say they are shifting budget to mobile from other media, we asked about the substitution effect and the survey reveals that the most often cited medium is print (58%).
- The impact of digital media on print advertising is a recognised trend, but what is perhaps more surprising is the finding that marketers are moving budget allocation from the desktop to mobile (31%) and also from TV (31%). This is in line with a wider trend for increased consumer engagement with online applications via mobile, and also TV and video viewed from mobile connected devices.

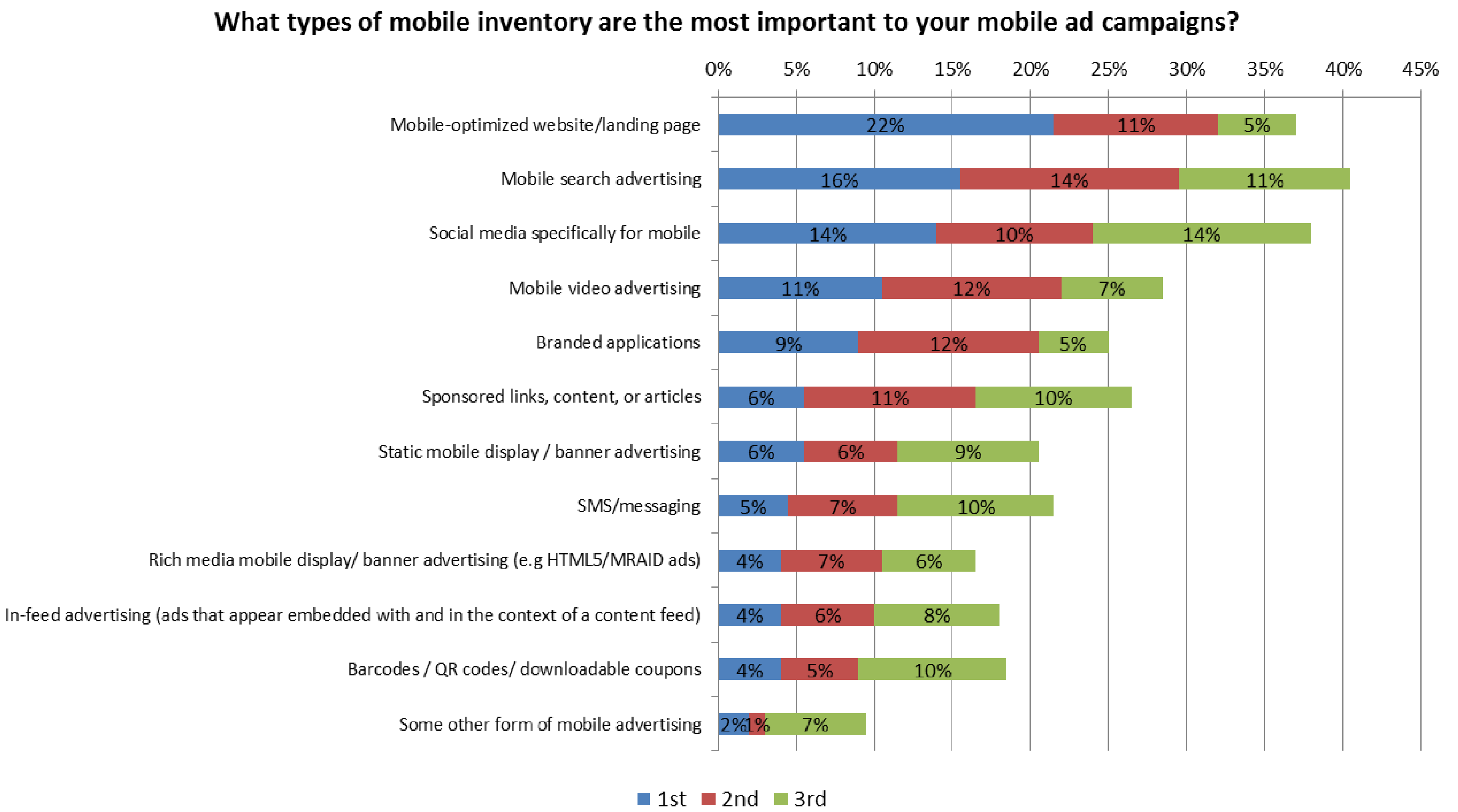
Mobile advertising strategy, inventory & key developments

Multi-screen advertising



- Multi-screen advertising is becoming a priority for brands, which is to be expected in an increasingly connected world where consumers use multiple devices that include mobile phones and tablets today, and going forward more wearable devices and connected cars.
- In the current survey 29% of respondents said multi-screen advertising is very important to their digital advertising strategy, compared to 21% in the 2013 survey. A further 48% of brands in the current survey view multi-screen as important, compared to 46% in 2013.

Ranking of mobile advertising inventory



Ranking of mobile advertising inventory

- Mobile websites continue to take a central role in mobile advertising, with 22% of respondents ranking these as the most important type of inventory for their mobile campaigns, and 11% ranking them in second place. This is in line with the findings from our 2013 survey, underscoring the fact that mobile optimized websites are still an important platform for consumers to interact with brands.

- Mobile search advertising is also important to brands, which makes sense given the increased usage of search on smartphones and tablets, particularly for m-shopping related applications. Sixteen percent of respondents prioritized mobile search as most important for their mobile campaigns, with 14% placing it in close second and 11% flagging it as the third most important type of inventory.

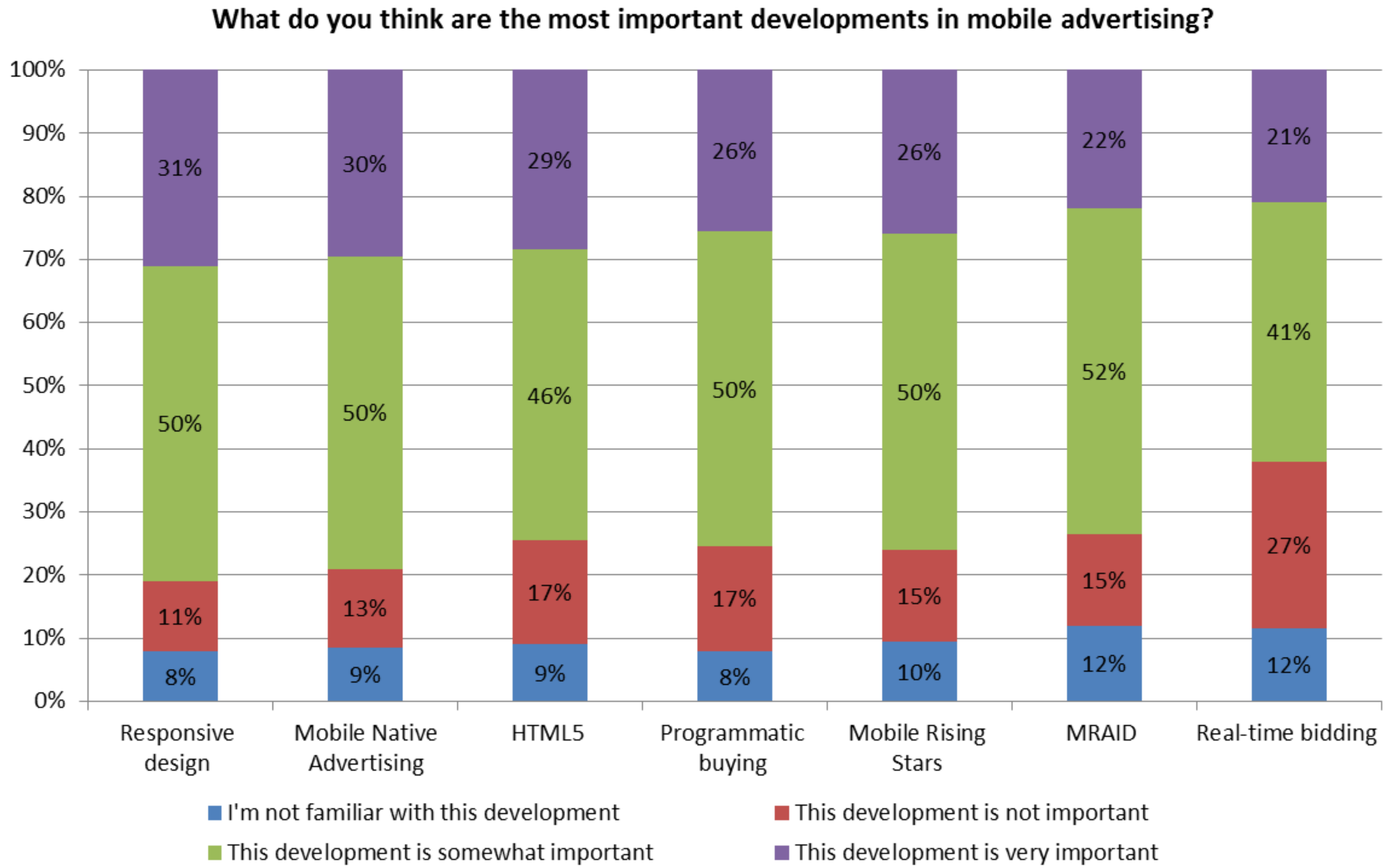
- The growing popularity of social media interaction via mobile devices is reflected in the inventory rankings, with 14% of marketers placing a priority on mobile optimized social media for their campaigns. A further 10% ranked it in second place and 14% in third place.

- Marketers' appetite for static mobile display advertising has diminished over the past two surveys and this trend has continued in our 2014 iteration. In the current survey 6% of respondents ranked static displays in first.

- Few marketers give rich media mobile display advertising a priority ranking (4%), which could be because it can be difficult to scale across a range of different types of applications, mobile sites, and connected devices.

- The most notable change from our 2013 survey is the diminished role of SMS/messaging, with only 5% ranking it as the most important inventory for their campaigns, and 7% placing it in second place.

Key developments in mobile advertising



- Marketer attitudes to key developments in mobile advertising in the current survey are very similar to those expressed in the 2013 iteration. Responsive design was deemed the most important development (31%) followed very closely by mobile native advertising (30%) and HTML5 (29%). This represents a variation from our 2013 survey when HTML5 was deemed more important than native advertising.

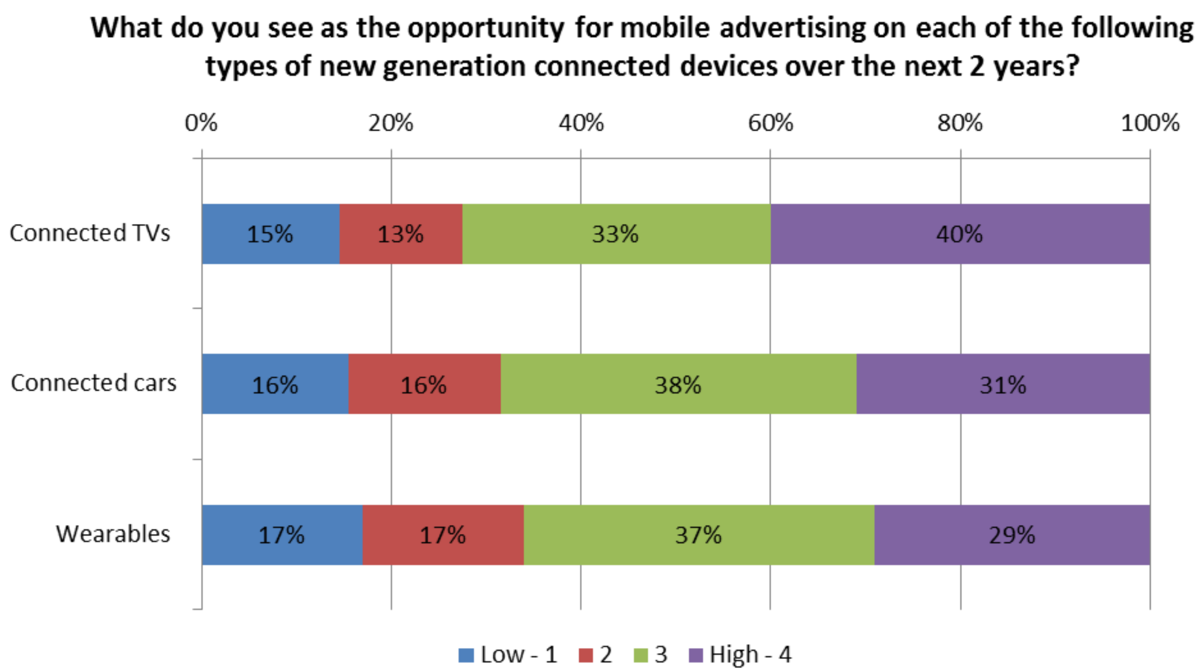
Key developments in mobile advertising

- Programmatic buying is considered very important (26%) or somewhat important (50%) by the majority of respondents. However, 17% of respondents in the current survey do not think programmatic buying is at all important, a higher number than in 2013 (6%).

- There is also still a small proportion of marketers that are unfamiliar with or do not know about programmatic (8% in both the 2014 and 2013 surveys). This is most likely due to findings revealed elsewhere in the survey that show many marketers are still confused by programmatic, or are not yet convinced it can deliver the efficiencies promised.

Mobile advertising & devices

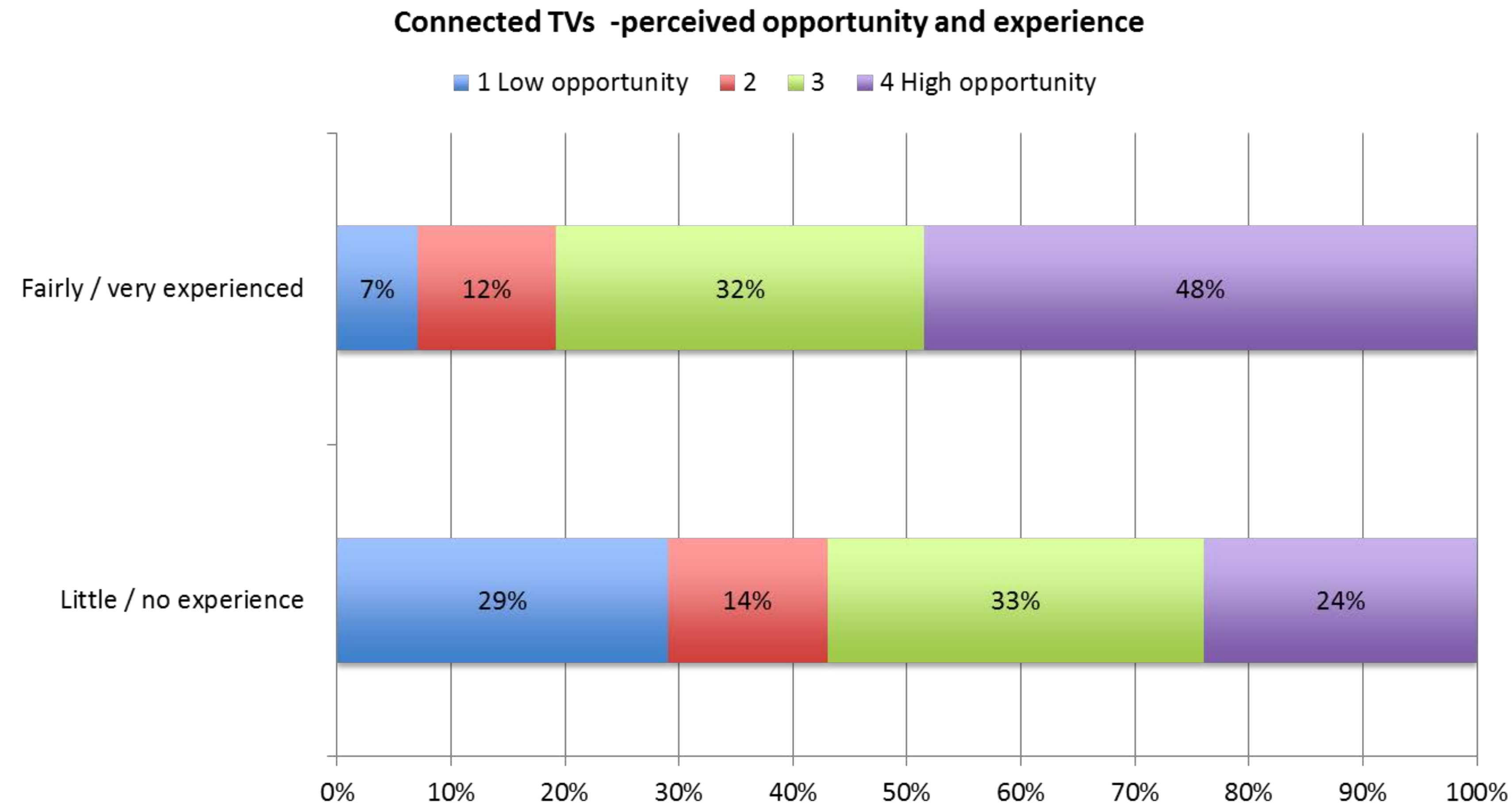
Opportunities presented by new generation connected devices



- Marketers are clearly mindful of the potential opportunities presented by newer types of connected device along side established platforms in the shape of smartphones and tablets. Seventy-three per cent of brands gave connected TVs a high-end ranking of 3 or 4 (4 being the highest), which makes sense as these are the more prevalent and established type of next generation connected devices.

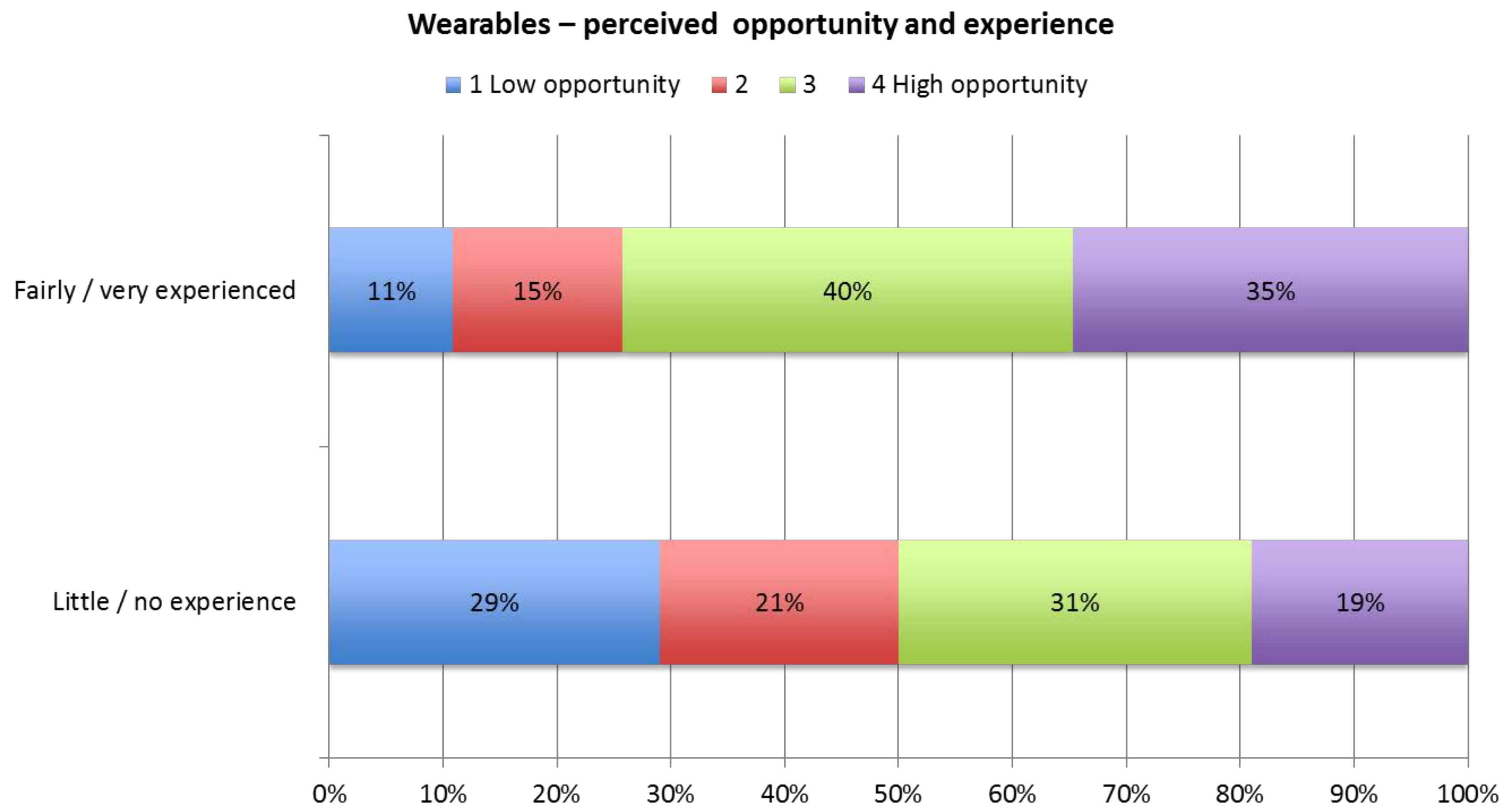
- But the newer connected platforms also received high scores. Sixty-nine per cent of respondents gave 3 and 4 scores to connected cars (i.e. with connected in-car dashboards for interactive services) while 66% gave the same high-end ranking to wearable devices such as smart watches, glasses and fitness devices.

Perceived opportunity based on level of experience

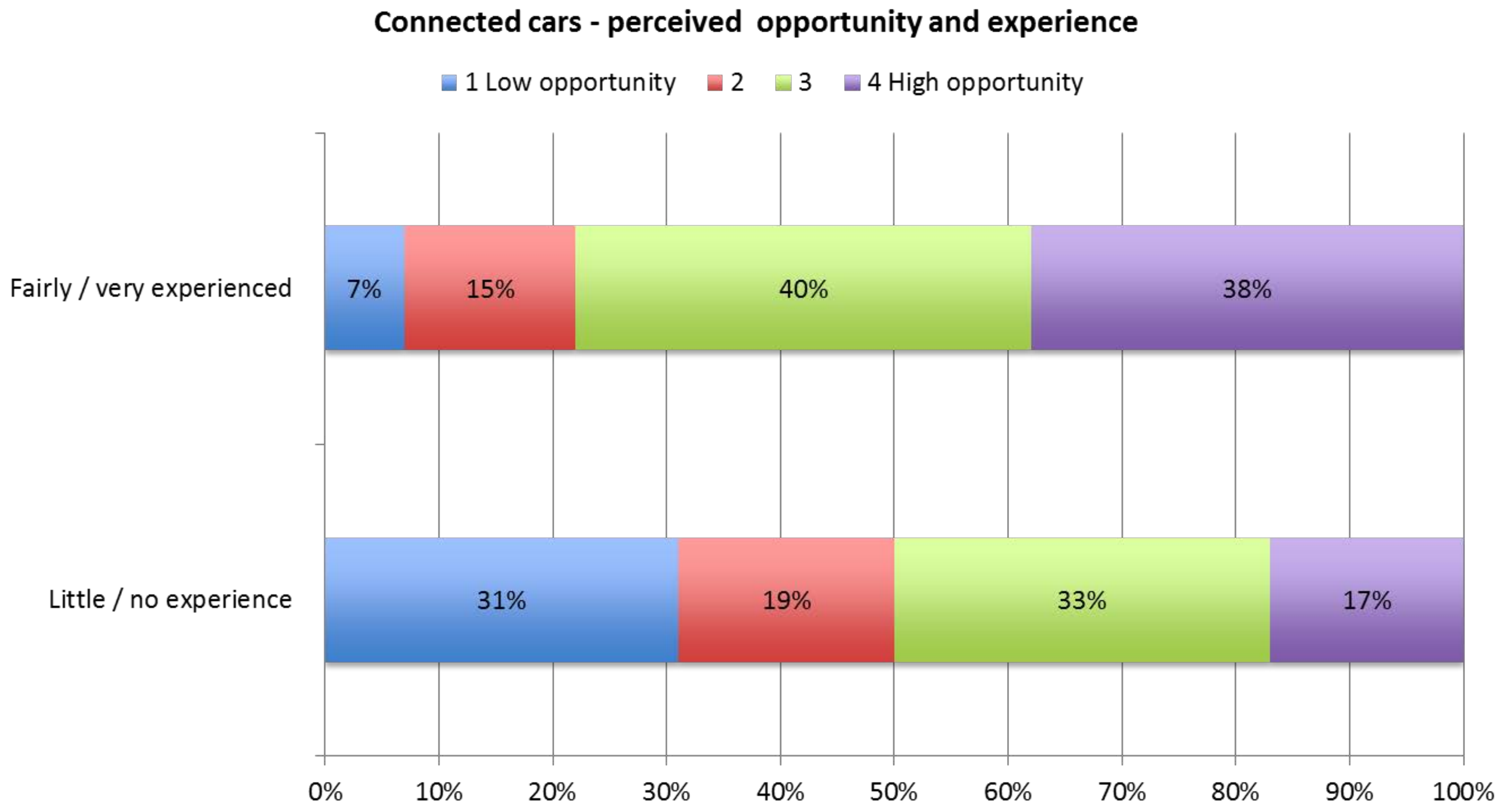


- We compared how a marketer's level of experience affects the perceived opportunity for mobile advertising on new generation device platforms. The results are very clear across all the new device platforms: the greater the experience, the greater the perceived opportunity. Marketers with little or no experience are at an early stage on the mobile advertising learning curve, and so it is understandable that it will be harder for them to make a confident, forward looking assessment for advertising opportunities on connected platforms that are still new or unfamiliar.

Perceived opportunity based on level of experience

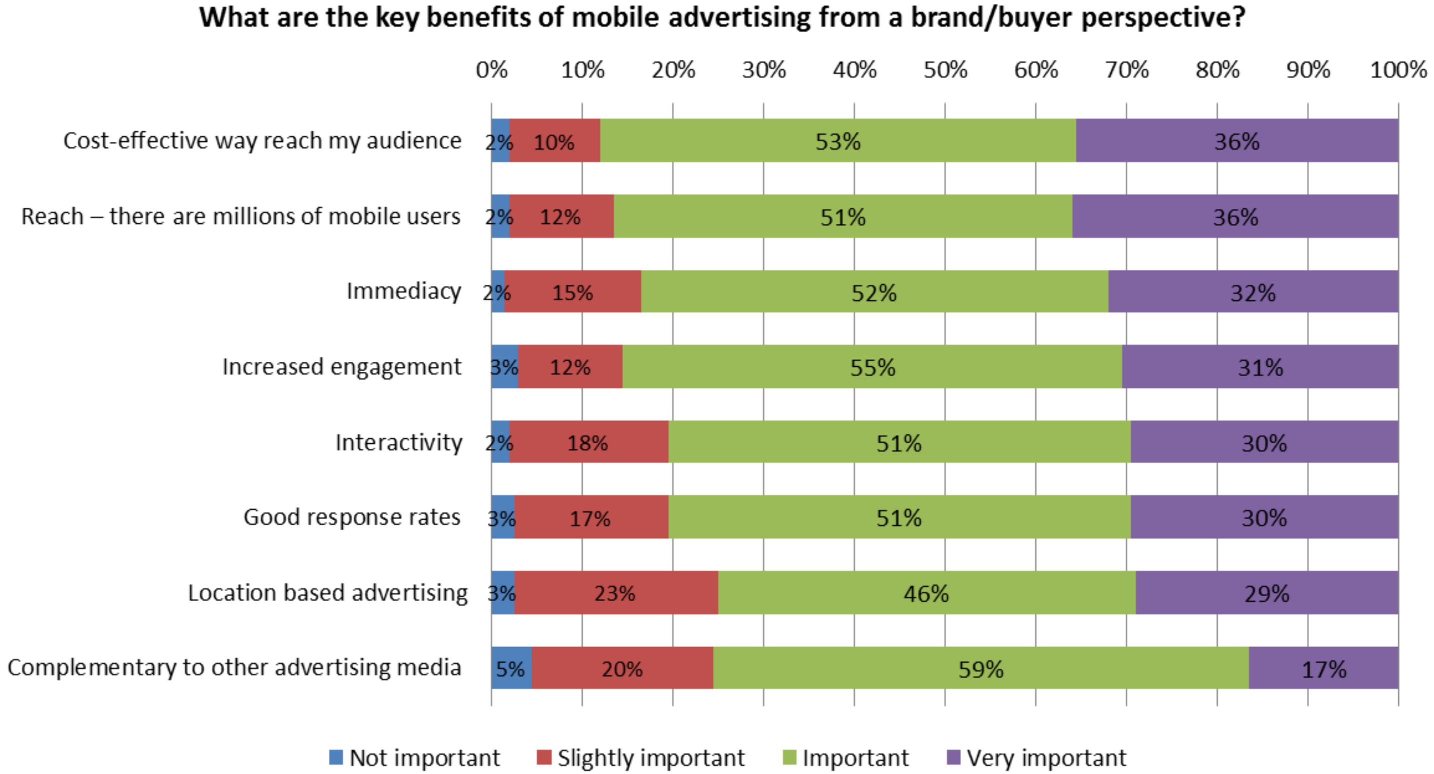


Perceived opportunity based on level of experience



Benefits & challenges

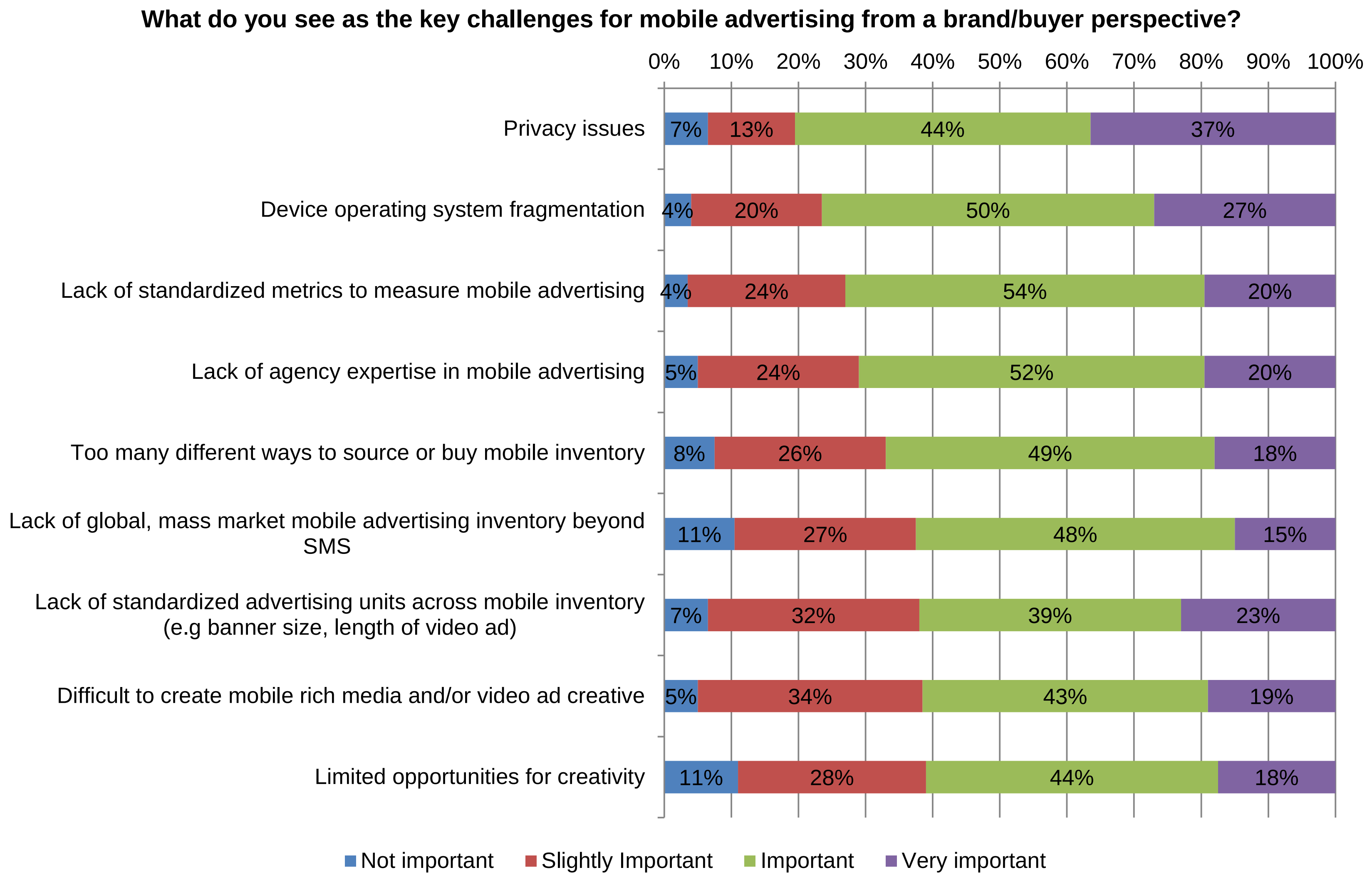
Key benefits of mobile advertising to marketers



- What stands out from the findings is the fact that marketers place great value on pretty much all of the attributes presented by mobile and to a similar degree. The top ranked benefits of mobile advertising have remained remarkably consistent across all our surveys and once again mobile's good reach (36%), cost effectiveness (36%), immediacy (32%) and ability to support increased engagement (31%) are the most highly prized attributes.

- The ability of mobile advertising to complement other media has a lower score in terms of the "very important" ranking (17%) although it scores highest in the "important" category (59%). Our interpretation of these findings is that while mobile advertising is clearly recognised as complementary to other media, it is also valued as a stand-alone advertising platform.

Perceived challenges



Perceived challenges

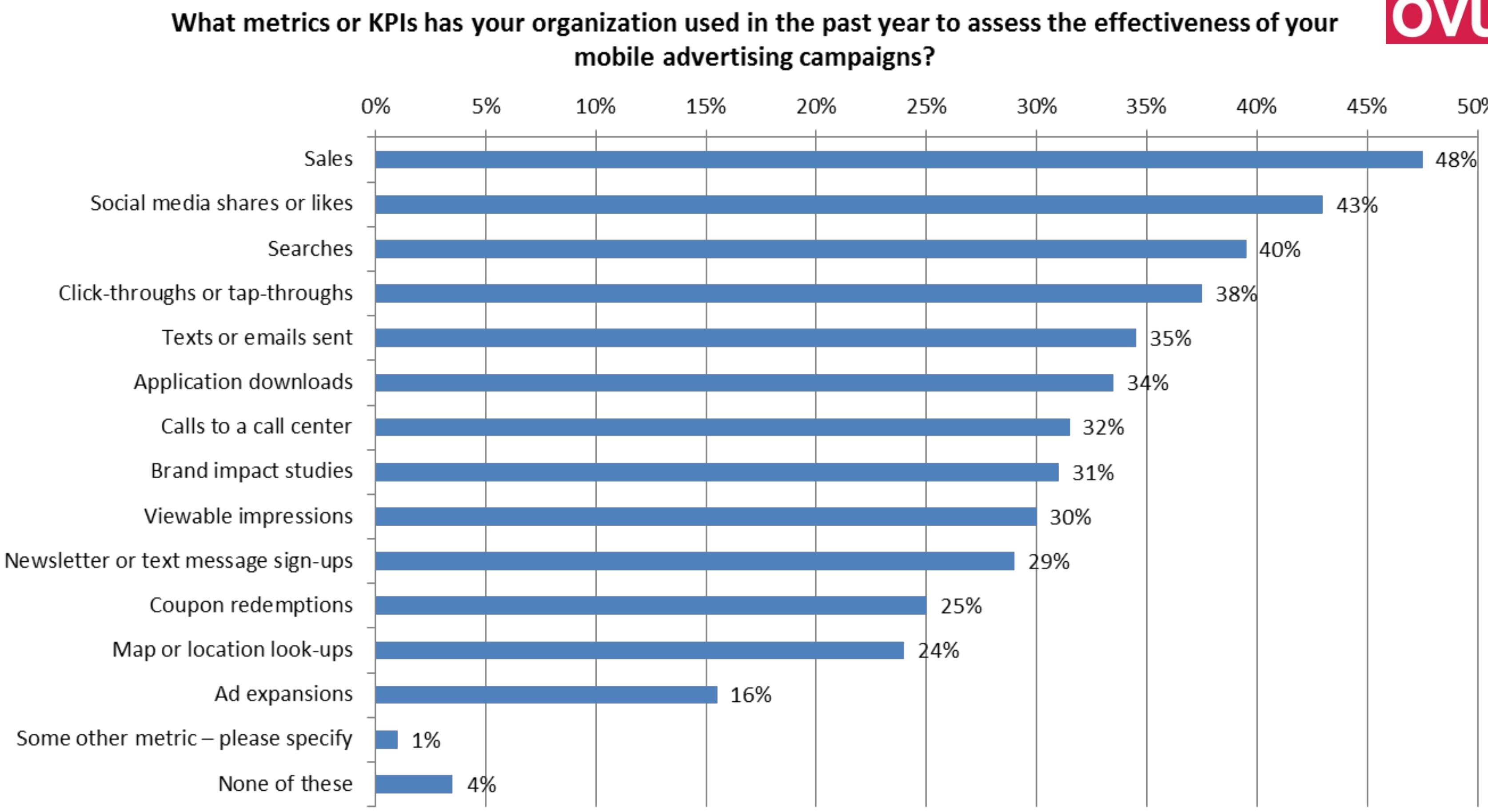
- Concern over potential data privacy issues has been perceived as one of the most acute challenges for mobile advertising over all of our mobile marketer surveys, and with this latest iteration it has become more pronounced. In the current survey 37% of respondents cited privacy as a very important issue compared to 22% in 2013. This is in line with the way that data privacy, particularly in the social media context, is becoming an increasing concern for consumers. This in turn means more government /regulatory scrutiny.

- The fragmentation of devices and operating systems also continues to be a challenge for marketers, with 27% of respondents in the current survey citing this as a very important issue, which is almost the same response as in our 2013 survey (23%). This is in line with the proliferation of device OS and is a situation that is likely to become worse rather than better now wearable devices are coming to market.

- The lack of standardized metrics for mobile advertising is another long-standing issue for marketers and was ranked as the third most acute challenge in the current survey (23%). There is clearly more work needed in this area, which again is where initiatives by the IAB can help.

Measurement metrics and satisfaction

Preferred metrics

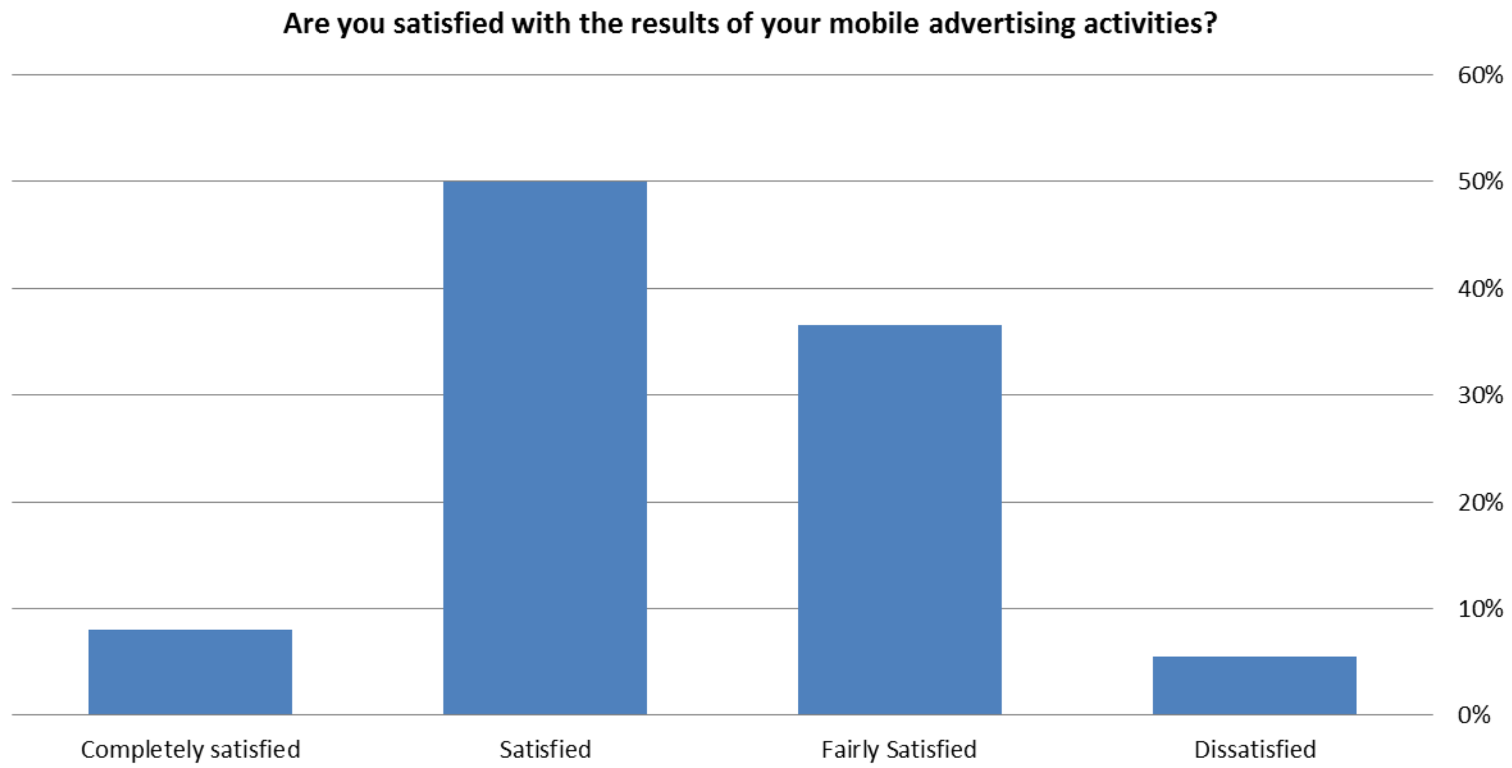


- New or increased sales as the result of a campaign is one of the most widely and established metrics/KPIs for advertising, and mobile is proving no different. Forty-eight per cent of marketers in our survey said that sales was a metric used over the past year to measure the effectiveness of mobile advertising campaigns.

Preferred metrics

- A more surprising, and very interesting development revealed by the current survey is high use of social media shares/likes as a metric for mobile advertising (43%), which was second only to sales. This is a marked change from our 2013 survey where social media likes as a metric were on the rise but not yet in the ascendancy. The popularity of social media likes as a metric is consistent with the growing focus on mobile-optimized social media as an advertising platform.
- After sales and social media likes the other campaign measurement metrics most used during 2014 were more stablished options: searches (40%), click-through/tap throughs (38%), texts/emails sent (35%). This is broadly aligned with findings in our 2013 survey, with the exception of texts/emails sent as a KPI that did not figure as strongly.
- The emphasis on viewable impressions as a metric is less pronounced in the results of this current survey compared to 2013, possibly because brands are trying out newer and/or more direct performance based metrics.

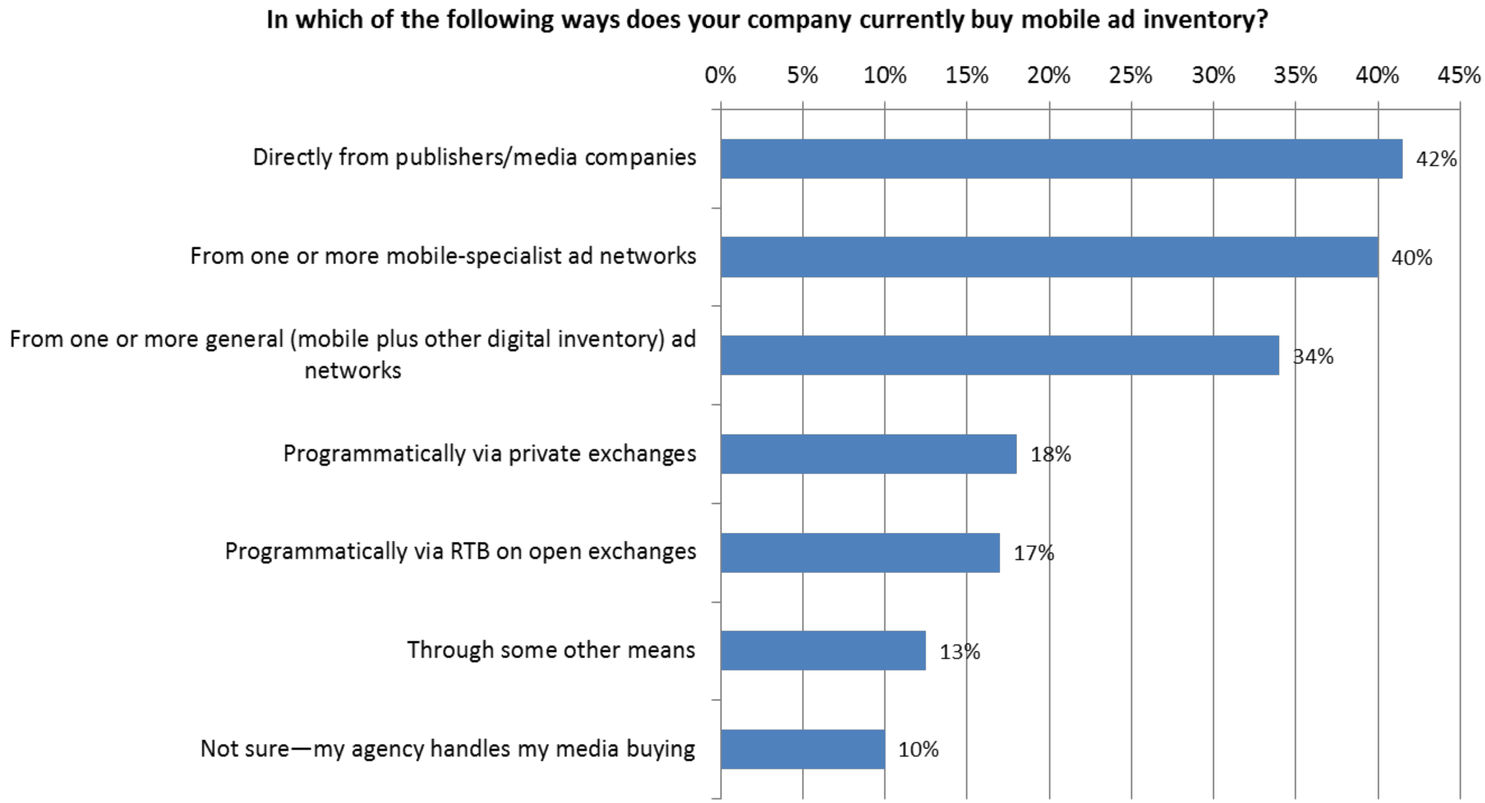
Satisfaction levels with mobile advertising



- Marketers in our survey show a high level of satisfaction with the results of their mobile marketing activities: the vast majority are either satisfied (50%) or fairly satisfied (37%) while a further 8% completely satisfied. This is impressive, but of course the ultimate goal is to have more brands completely satisfied with the results of their mobile advertising campaigns.

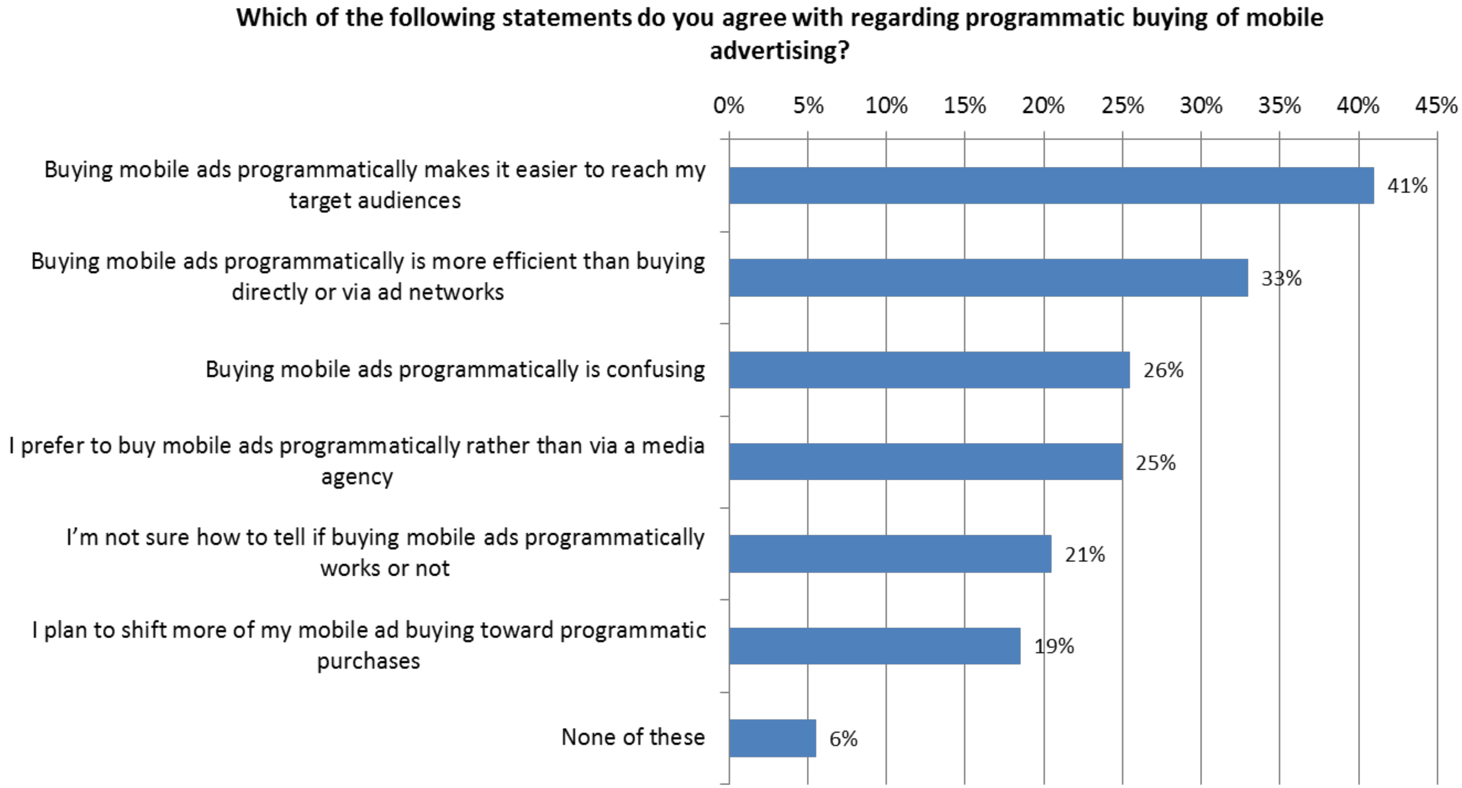
Mobile media buying

Buying habits



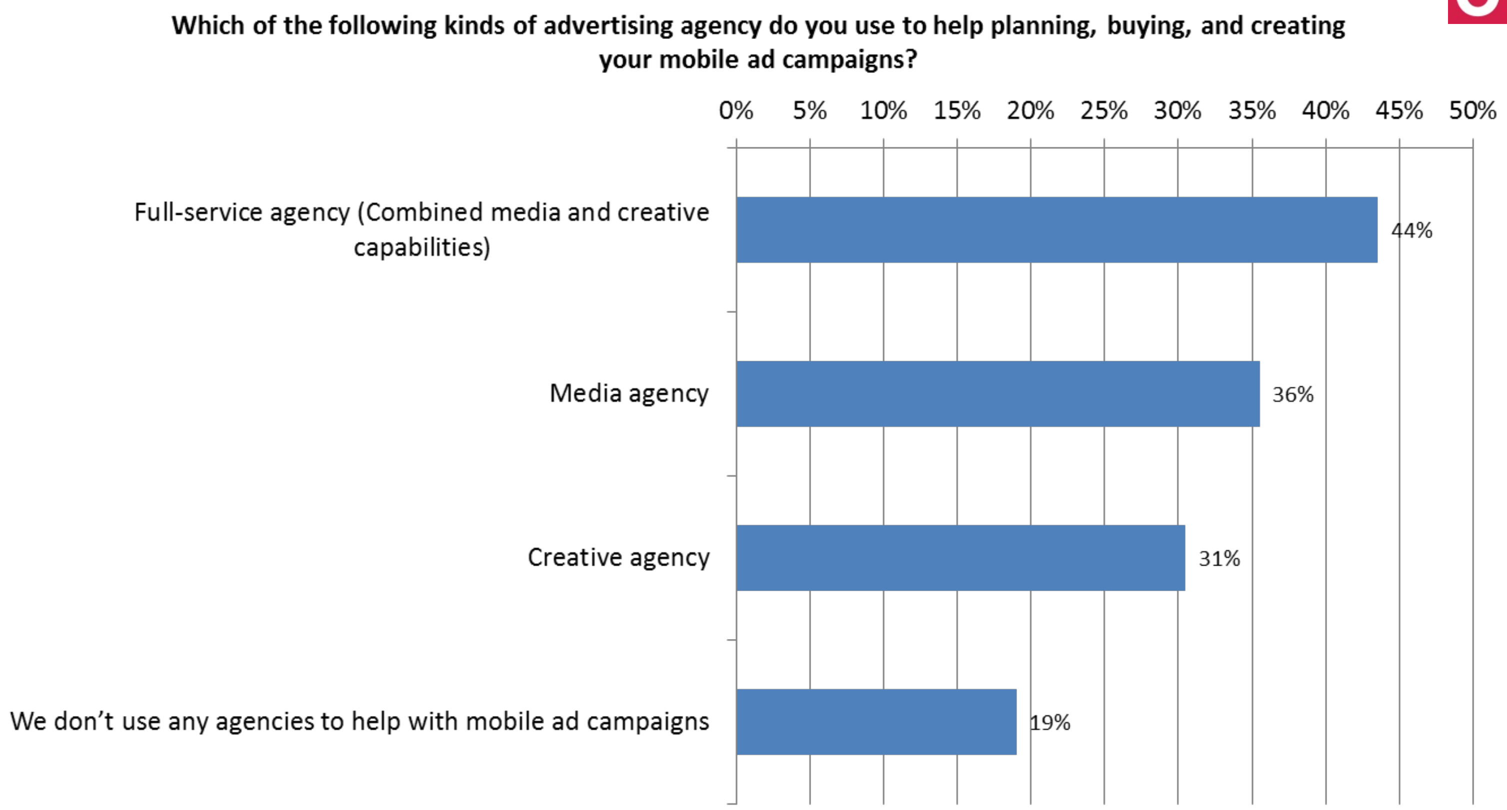
- The majority of marketers in our survey favor more established methods for buying mobile advertising inventory, namely directly from publishers/media companies (42%), specialist mobile ad networks (40%) and broader based ad networks (34%).
- Programmatic channels are collectively gaining traction, with buying via private exchanges proving slightly more popular (18%) than programmatic via RTB on open exchanges (17%). The lower traction of programmatic is aligned with the uncertainty some marketers feel towards programmatic that has been revealed elsewhere in this survey (see next slide).

Buying habits and preferences



- Marketer perceptions of programmatic buying for mobile advertising are mixed. On the positive side, marketers in the survey appreciate that programmatic buying brings benefits in terms of targeting (41%) and efficiencies (33%) while 25% already favor programmatic buying over media agencies and a further 19% intend to route more buying via programmatic methods.
- However, there is still a degree of uncertainty when it comes to programmatic buying of mobile inventory. Twenty-one per cent of respondents are not sure if programmatic is effective while 26% find it confusing. If this uncertainty could be dispelled then we think more marketers would move to programmatic buying.

Agencies



- A sizeable portion of marketers (44%) in the survey favour the convenience of a full service agency to support their mobile advertising objectives. However, a significant proportion of marketers have opted for an "unbundled" approach, and deal separately with media agencies (36%) and, creative agencies (31%).
- The number of brands that do not use agencies at all to support campaigns is diminishing, with 19% of respondents in this position in our 2014 survey. It was significantly higher in our 2013 survey.

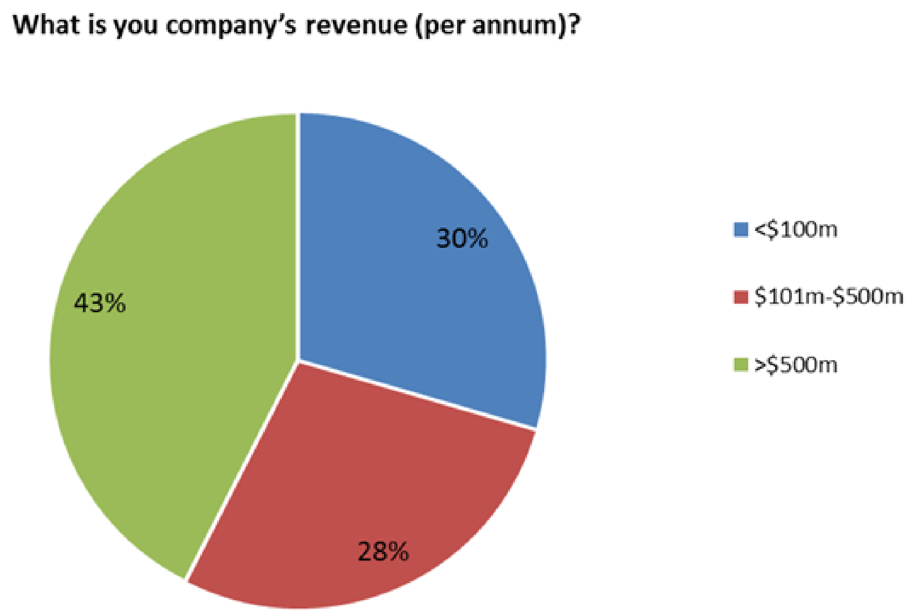
The state of mobile advertising in a word

Appendix

Methodology

- The survey is based on a quantitative primary research program conducted by Ovum with 200 US organizations that use mobile advertising, which was fielded during December 2014-January 2015.
- The sample included a broadly even mix of companies in terms of revenue size, with 43% having annual revenue over $500 million, 28% having annual revenue of $101-$500 million, and 30% having revenue of $100 million or less.
- The survey only included companies active in mobile advertising and respondents to the questionnaire were marketing executives with either:
  - Final decision-making authority for some or all of their organization’s mobile marketing requirements
  - Influence on some or all mobile marketing decisions

Mix of companies in the survey based on revenue size



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