Exciting times ahead for mobile advertising: the EI² route to success—Engagement, Identity, Insight

Mobile advertising: the 15-second download

Consumption of entertainment and information is shifting from print media and large, static screens to hand-held ‘second screen’ devices such as smartphones and tablets—and advertising spend is following suit.

Mobile advertising offers the prospect of a step-change in the personal relevance, timing and location of advertising messages, as well as in the measurability of outcomes—provided consumer concerns over the privacy of their personal data can be addressed.

The winners in the mobile advertising market of the future will be those players who succeed in combining Engagement, Identity and Insight—an approach we’ve termed EI².

Migrating eyeballs and ad spend ...

You only need to walk down your local main street to witness one of the greatest behavioural transformations of this or any other decade. People no longer keep their eyes forward as they walk: they periodically—or even continually—stare at the screen of a mobile device, only looking up to avoid walking into traffic or other pedestrians. Research shows that they continue to use these devices even when at home watching a larger screen.

Indeed, this behaviour is now so pervasive that we take it for granted. And it will gain further momentum as an ever-rising proportion of handsets and other portable devices become connected to the Internet.

The overall direction of travel is clear: eyeballs—and consumption of entertainment and information—are steadily being dragged away from print media and larger static screens, and are migrating instead to smartphones and tablets. And advertising dollars are following suit, as advertisers seek to locate themselves where consumers are looking.

... promise a transformation in measurement and personalisation

This shift doesn’t just involve a change in the devices and platforms through which advertising is consumed. It also promises a step-change in the ability to measure advertising effectiveness and returns on investment, by offering the opportunity to tailor and target offers and messages to the interests and lifestyle of the ‘audience of one’, and then gain instant feedback on what individuals do in response.

No longer will advertisers have to rely on vague segmentation, such as—for example—an auto producer running a 30-second TV ad for its latest compact car in the peak soap-opera viewing slot, in an effort to reach young females who might happen to be considering buying a car. Instead, ads can be targeted via the ‘second screen’ to an individual based not only on their own likes, dislikes and interests, but also on their daily routine and/or location. And whether or not the ad is effective can also be measured in real-time, providing explicit ROI and guiding future offers.

The ‘second screen’ overtakes TV

The growing power and importance of the second screen was underlined by the 2014 AdReaction study from Millward Brown, which found that daily time spent on mobile devices is now outpacing TV in the US for the first time—with US consumers now spending 151 minutes a day on smartphones, compared to 147 in front of TVs. And the survey of 12,000 mobile users in 30 countries found that Chinese consumers are even more attached to their second screens, spending 170 minutes a day on their smartphones, nearly twice as much as they spend watching TV.

In leveraging the second screen for advertising, location can be an especially powerful factor. An offer of a free coffee, triggered as a consumer walks past a particular sandwich store at lunchtime, might well tempt them to go in, redeem the offer and buy some high-value food as well. Or an even more effective option might be an offer to come to your coffee shop as the consumer walks past your competitor’s shop.

Yet, in either case, the same message five hours later on the way home might be less likely to prompt a
purchase—and may even start to give the customer the feeling that they’re being stalked.

Importantly, the power of mobile advertising is not limited to smartphones and other Internet-connected devices. Businesses such as consumer goods multinationals are making great strides with campaigns based on platforms such as SMS, targeting mass-market basic phone users who are also the most likely to respond to value-based messaging. Consumers’ familiarity with these services will see them readily accept mobile Internet-based services as smartphones roll out.

It’s also important to grasp that the mobile advertising opportunity goes far beyond offers and coupons. Although these can undeniably be powerful for the mass-market, experience shows that luxury brands—and indeed any non-discounting brands—can reap significant benefits from mobile advertising through greater personalised engagement, such as access to the latest exclusive event, other VIP treatment and loyalty rewards. Mobile advertising goes hand in hand with loyalty and engagement, which are key objectives for all brands, from mass-market to top-end.

**The key challenge: privacy issues ...**

So mobile advertising offers exciting new opportunities for companies and consumers worldwide. But there is a potential downside: the concerns over privacy that make many consumers hesitant to provide personal data to companies.

In general, the highly personal nature of mobile devices tends to heighten consumers’ sensitivity about privacy. They can feel especially intruded upon when they receive pseudo-personal (and sometimes inaccurate) mobile promotions. PwC recently surveyed consumers globally to find out what data they say they would be willing to share (‘The new digital ecosystem reality: Mobile advertising strategies for increased success.’). As Fig. 1 shows, a clear hierarchy emerges around which items of information they would prefer to keep to themselves, and which they are willing to ‘trade’ for value in their lives.

However, on closer examination some interesting anomalies emerge between what people say, and what they actually do. For example, personal mobile contacts emerge as one of the items that people are least willing to share. But several highly successful messaging apps ask people for access to their contacts on sign-up—and this doesn’t seem to put many people off.

In our view, much of this comes down to how you pose the question. Would you like to receive ads on your mobile every day? Of course not. But would you like to receive tailored location-based offers and recommendations of what apps

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**Fig. 1: Degrees of willingness to share personal information**

<table>
<thead>
<tr>
<th>Item</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household computer: TV programming preferences, online movie/video/gaming patterns and preferences</td>
<td>53–65%</td>
</tr>
<tr>
<td>Online shopping patterns: name, household income, birth date, email address</td>
<td>41–50%</td>
</tr>
<tr>
<td>Current location (mobile device), employment history</td>
<td>30%</td>
</tr>
<tr>
<td>Web browsing history: cell number, medical/financial info, mobile short message service detail</td>
<td>11–17%</td>
</tr>
<tr>
<td>Digital locker access: mobile call history, mobile contacts, email contacts, social network password</td>
<td>4–7%</td>
</tr>
<tr>
<td>Social security number</td>
<td>3%</td>
</tr>
</tbody>
</table>

Highly willing

Highly unwilling

Source: The new digital ecosystem reality: Mobile advertising strategies for increased success, PwC

1. www.pwc.com/us/mobileadvertising
your friends are using? Yes, indeed! Readiness to share also varies widely by country—with consumers in Brazil and China among the most willing to share (in exchange for a ‘value-based exchange’), and those in the US among the least.

... fuel a move to transparency and control for consumers

Alongside more sensitive presentation of the choices on offer to consumers, the solution to the privacy issue lies in providing transparency to consumers around the usage of their personal information, and full control over what data they share with whom through opt-in/opt-out capabilities. Companies also need to implement and exhibit effective cyber security, which inspires confidence among users and is a further key to maintaining trust with the consumer.

Many mobile services are already moving in this direction. As this trend continues, consumers will switch from managing content and apps by genre to managing them by the amount of personal information they allow them to access, and for what purpose. In this way, consumers will define their own balance between privacy and personalisation—and it will be different in every case.

A further change over time is that the mobile advertising ecosystem will become less fragmented, as partnerships form, standards emerge and programmatic insight-driven ad exchanges are created. A recent step forward was the announcement of the GSMA Mobile Connect initiative, aiming to provide a consistent and interoperable approach to managing digital identity.

The way forward: leveraging the combined power of EI²

In PwC's view, the route to future success in mobile advertising for entertainment and media companies lies via an approach that we've termed EI², because it unites the three key attributes of Engagement, Identity and Insight:

Engagement—A high level of engagement with consumers is the component that drives the economic exchange inherent in mobile advertising. It builds this engagement by providing value to people's lives and a positive user experience. This is done through relevant, convenient offers and messages that recognise people's lifestyles, interests, and their current context and location at the time.

Identity—Consumers need to feel that the advertiser knows who they are and respects their identity, privacy and individuality, by providing an environment where they can both control their personal information and also trust the recipient not to abuse that trust or use the data for purposes that they haven’t positively authorised. Within this environment, consumers want to be able to opt in or out, and decide what they’re willing to share or keep private.

Insight—This involves informing consumers about the choices that other like-minded people make, and recommending products and services that can enrich their daily lives. When delivered at key decision-making moments, these recommendations both drive transactions and deepen engagement. It may be only once a month or five times a week—but however often a recommendation arrives, a useful tip at the right time and place is something all consumers appreciate.

Mobile advertising that succeeds in blending these three attributes will be well-placed to generate consumer satisfaction and transactions—creating higher and more measurable value for advertisers from all sectors.

Ten questions to ask:

1. What revenue opportunities does mobile advertising present for your business as the ad market shifts from the big screen to the small?
2. What is your strategy for realising these opportunities?
3. How actively are you collecting and analysing customer data to tailor and target advertising messages?
4. How much usage are you making of consumers’ location information at the moment?
5. What is your overall strategy for monetising the ‘second screen’ alongside your existing advertising approach—and how integrated are the experiences?
6. Are you using non-Internet mobile advertising anywhere in the world?
7. What is your approach to personal privacy for consumers?
8. Has your business appointed a Chief Privacy Officer, or is it looking to do so in the foreseeable future?
9. More generally, are you looking to change your approach to privacy, such as offering consumers greater transparency and control?
10. How well-advanced are you towards leveraging engagement, identity and insight in your mobile advertising?