

Copyright 2003 Crain Communications, Inc.
RCR Wireless News

September 22, 2003, Monday

U.S. STILL LARGELY LEFT OUT OF M-COMMERCE

Mike Dano

Jeffrey Glass could be considered a player in the mobile-commerce industry, although you won't find the "m-commerce" designation in any of the literature about his company. However, as president and chief executive officer of M-Qube Inc., Glass for almost three years has been encouraging commerce through the mobile phone.

Glass describes M-Qube as a mobile messaging software company. Specifically, M-Qube works with companies like Taco Bell, America Online Inc. and GAP to conduct advertising campaigns over mobile phones. Such campaigns, like all advertising, are designed to get mobile-phone users to buy things.

But, clarifies Glass, "this isn't using your phone" to make the purchase. What it is, he said, is encouraging the purchase through the phone.

Mobile commerce is typically defined as replacing cash and credit cards with mobile phones. The ambitious vision was introduced in the late 1990s and has languished for years amid continuing hype and virtually no commercial services.

Indeed, some industry analysts continue to promise huge m-commerce returns. Telecom Trends International just last week released new numbers predicting an annual growth rate of 141 percent in a report titled, "Mobile Commerce: Ready for Take-Off." The consulting firm said revenues will grow from \$6.8 billion this year to \$554 billion in 2008.

However, such numbers typically cover a range of phone-based commerce, from purchasing downloadable games to paying for parking meters. But the kernel of the mobile-commerce industry is still alive and kicking, as carriers, startups and others hope to coax users to shop straight from their mobile phones.

A variety of players across the world have spent the year discussing such services, although the United States has been largely left out of the mix. Startups continue to look for profits in the nascent industry, with ActiveCore Technologies, ePocket, Network365 and Paybox Solutions AG among those making announcements. Carriers, handset makers and infrastructure providers too hope to take advantage of the market. Alcatel Alsthom and SK Telecom just last week announced plans to combine their mobile payment products. Orange, Vodafone, T-Mobile and Telefonica Moviles recently teamed to create Simpay, a joint venture to create a common payment platform in Europe. DoCoMo and Vodafone each introduced shopping portals on their respective data platforms, i-mode and Live! And Nokia Corp. recently conducted a payment trial with MasterCard International.

But mobile payment efforts are still in the early stages, and industry watchers agree it will be some

time before U.S. users can even think about pulling out their mobile phone to pay for tanks of gas.

Mobile advertising

On the other hand, some of those in the wireless advertising business, which could be described as a branch of the mobile-commerce industry, are expecting a significant increase in business over the next year.

"It's really encouraging," said M-Qube's Glass. "It's starting."

For proof, Glass said M-Qube will conduct between 30 and 40 wireless marketing campaigns during the next six months and will team with several big-name brands. Most of M-Qube's campaigns are based on text-messaging services, allowing users to register with a particular campaign to receive text updates or promotions.

For example, M-Qube recently conducted a wireless campaign in a Boston-area shopping mall, promoting the service through banners and advertisements inside the mall. Mobile-phone users enticed by the ads could sign up to receive coupons and discounts for participating stores inside the mall, delivered through text messages. Glass said M-Qube recorded an 18-percent point-of-sale redemption rate, meaning 18 percent of those who signed up for the promotions found themselves actually making a purchase. Ergo, m-commerce.

"The medium really can be used to drive traffic," Glass said, explaining that mobile phones can allow users to interact with favored brands or products. In such a situation, phones could link broadcast advertising efforts like TV commercials with interactive marketing campaigns like catalog mailings, giving mobile-phone users a degree of control.

"The cell phone can become the remote control" of advertising, Glass said.

"It's something that people have talked about for at least four years," said Robert Griffin, account director of interactive media for Media Planning Group, one of the nation's biggest advertising firms. "Now it's at a point where it makes a lot of sense for a lot of our clients."

Griffin has long been watching the wireless advertising business and recently scored a seat on the board of directors for the Mobile Marketing Association. The trade group is working to address many of the issues surrounding wireless advertising, including spam, privacy, location services and ad-sales rates. Griffin said MPG has been interested in wireless as a potential marketing channel for some time, but only recently have factors come together to make it viable.

In past years, MPG could only dabble in wireless advertising through the likes of AvantGo and Vindigo, which were primarily services for personal digital assistant users. However, with the advent of color-screen mobile phones and cross-carrier text messaging services, Griffin said more extensive ad campaigns are possible.

"It's so interactive you have to be careful," he said. "The sweepstakes and games have gotten a lot of attention."

Although Griffin couldn't discuss MPG's specific wireless campaigns, he said there is significant potential behind opt-in messaging campaigns. For example, a beer company could distribute

promotional coasters to participating bars that feature a registration number, allowing patrons to sign up for trivia games or sweepstakes contests. The campaign could further promote the beer brand, as well as collect marketing information such as addresses and phone numbers. Similar campaigns could be conducted at sporting events or music concerts.

But, those in the market agree, not all is rosy in wireless advertising.

"The biggest hurdle is some sort of consistent way to track all this," Griffin said. TV commercials are tracked by viewer numbers, for example. Wireless campaigns have no standard tracking mechanism.

"Right now the barrier for us is proving that the eyeballs are there," said Eric Bader, director of interactive strategy at Ogilvy Mather, another of the nation's biggest ad firms. "In the U.S., because there are so many different networks, ... it is so difficult at this point to reach enough different impressions, we have a hard time justifying the expense."

Indeed, Bader said Ogilvy is largely staying out of the wireless medium, content to focus on more-established areas like print, Internet and TV. Bader said several wireless trials have shown less-than-stellar results.

"We're having a tough time proving to them (Ogilvy's clients) there are the audiences ... for wireless," he said.

However, the same is not true for other parts of the world. Bader said Ogilvy conducted a campaign for food and beverage company Nestle in Japan over NTT DoCoMo's i-mode service. The campaign allowed users to search for cooking recipes using their mobile phones, and the site recorded more than 1 million viewers per month.

"We're kind of dying to do that kind of campaign here, but the technology is just not ready," Bader said, citing low wireless Internet usage numbers in the United States.

Those in the wireless advertising business cite two main hurdles for the market-network interoperability and user statistics.

Common short codes, which are four- to six-digit numbers that allow users to sign up for offers, are not yet available in the United States across all carriers as they are in Europe and Asia, and represent a key element for many advertising campaigns. Further, there is no central database of wireless users that would allow advertisers to know what types of people they are reaching.

"Right now there's so little data on who these people are-on who we're reaching," said Ogilvy's Bader.

But most agree the barriers are coming down. Text-messaging use in the United States is greatly increasing following the cross-carrier messaging agreements of last year. And wireless data services are becoming more widespread.

"It's just more feasible now," said MPG's Griffin.