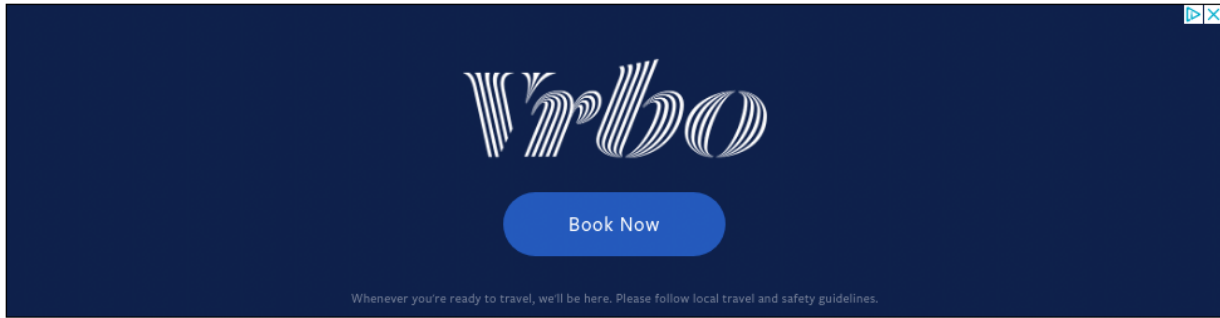


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NEWS

Madison Avenue Calling

Staff Writer The Gainesville Sun

Published 11:01 p.m. ET Jan. 19, 2007 | Updated 11:00 p.m. ET Jan. 19, 2007



A Nike ad, top left, that appears on cellphones can be sent to other phone users. A Toyota ad, center, ran before mini-episodes of "Prison Break." Yahoo, right, sells sponsored search ads. *The Gainesville Sun*

People often say they do not like advertisements, but that may change if the ads start lowering their cellphone bills.

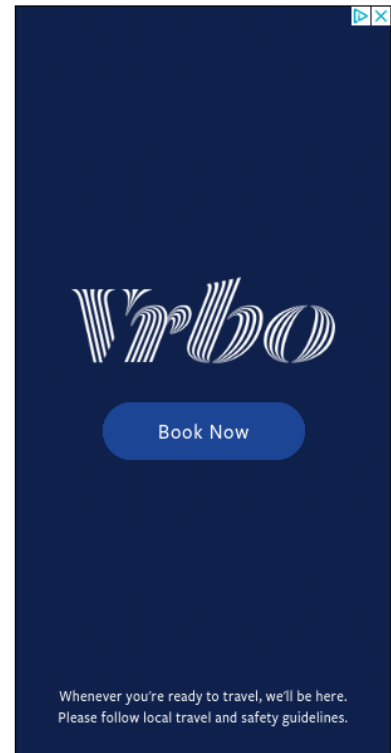
Cellular phone carriers like Verizon, Sprint and Cingular, now the new AT&T, are beginning to test and roll out advertising on mobile phone screens, and by next year, cellphone advertising is likely to be more common.

In exchange, the companies say, their subscribers will enjoy improved mobile Internet services and content provided free or at reduced prices. Other companies like Virgin Mobile USA and Amp'd Mobile are taking the idea a step further, rewarding customers for viewing ads by lowering their cellphone bills.

Amp'd, a cellphone company that aims its marketing at 18- to 24-year-olds in the United States, will begin offering an opt-in advertising plan this year. Customers who sign up will gain access to free shows and other content — if they are willing to put up with some ads.

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“When people are consuming this stuff on their phones, it adds up to a lot of money,” said Brian Mullen, director for content business development for Amp’d.

Another company, Xero Mobile, plans to distribute one million free cellphones on college campuses across the United States this year and give customers 40 percent off on their calling plans, if they watch up to four commercials a day, said Rich Clayton, a spokesman for Xero. In Britain, a company called Blyk plans to provide a completely free plan on phones that are paid for by ads.

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It was inevitable that advertising would hit the small screen sooner or later, industry analysts said. Cellphones are the most pervasive media device, beating out computers and televisions, as consumers keep their mobile phones at their side nearly every moment of the day.

A small but growing number of consumers, in particular, younger ones, are using their mobile phones for text messaging, surfing the mobile Internet, watching short shows, taking photos or videos and checking e-mail messages. Only time will tell if cellphones are destined to become like all other forms of media — supported by both subscription costs and by advertising.

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Still, these new phone services will become mainstream only if their prices are lowered, possibly through advertising, analysts said. On average, consumers in the United States spend \$50 to \$60 a month for cellphone service, including data features. The average total bill has been flat for the last few years, even as voice call charges have decreased, because of the increase in fees for text messages and mobile e-mail messages.

“Advertising absolutely makes sense to extend expensive multimedia services and mobile TV to the mass market,” said Linda Barrabee, an analyst with the Yankee Group, a technology research and consulting firm based in Boston. “I think we will see consumers say, ‘You know what, I’m only going to spend this much money on my mobile phone.’ ”

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In Asia, by contrast, multimedia mobile applications are more commonly used, and those services became more affordable there without advertising because of quick adaptation by consumers, analysts said.

The new uses of cellphones present vast opportunities for consumer brand companies, which are finding it difficult to reach customers through traditional media like magazines and television. Mobile phones can handle ads in many forms, including video, text messages, search and banner displays. And cellphone ads can be fine-tuned based on customer data.

But there is a chicken-and-egg factor when it comes to advertising. Big advertisers generally want to see further adoption of services before they pour significant money into mobile ads. Advertisers like Procter & Gamble, Burger King and Pepsi have been experimenting with mobile phone ads, but, in total, cellphone advertising generated only about \$421 million in the United States last year, according to eMarketer, a digital advertising research firm. EMarketer predicted this month that mobile advertising would reach \$4.8 billion across the country by 2011.

Despite the hopeful thinking, there is no guarantee mobile ads will catch on. “I would not want them on the phone even if that would help cut costs,” said Conor Kelly, 20, a student at Savannah College of Art and Design in Georgia. Mr. Kelly said he did not mind subtle sponsorships of content on his phone, but he would not want it go beyond that.

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sponsorships or content on his phone, but he would not want it go beyond that.

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“It gets to a point where you’re almost encroaching on someone’s privacy,” Mr. Kelly said.

In the early days of the commercial Internet, some service providers tried giving away online access in exchange for showing ads to users, but those efforts did not pan out.

For the subsidized approach to work this time around, cellphone companies must prove that consumers pay attention to ads. “We have to ensure that the models that we pursue are those that actually get seen and acted on by consumers,” said Marc Lefar, chief marketing officer for AT&T’s wireless unit, which used to be called Cingular Wireless. AT&T is testing various forms of cellphone advertising, with introduction of ads planned this year.

As of now, text messaging is the most common venue for mobile phone ads. Signs, food packaging and even TV spots feature a code that phone users can text to be entered in promotions. 1-800-Flowers, for example, is running a sweepstakes in the New York area for a flower arrangement that comes in a small margarita glass. Next week, Nike will allow consumers to alter one of its TV commercials online and send their creations to their friends’ phones.

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Some consumers may not realize that opt-in text message ads generate a charge for those who pay for each incoming text message. Such costs have deterred some marketers from creating mobile ads, said Sarah Kim Baehr, vice president for media at Avenue A

Some consumers may not realize that opt-in text message ads generate a charge for those who pay for each incoming text message. Such costs have deterred some marketers from creating mobile ads, said Sarah Kim Baehr, vice president for media at Avenue A Razorfish, an interactive ad agency that is part of aQuantive.

As mobile phones are used for more tasks, ads will pop up increasingly in more varied forms, ad executives said. Preroll video ads have already started to appear. Advertisers like Toyota have created 10-second commercials to run before miniepisodes of Fox shows, and the network promotes the strategy as a great way to reach a young audience.

“Look around,” said Mitch Feinman, senior vice president of Fox Mobile Entertainment. “All the young males and kids, they’re on their mobiles.”

Advertisers are generally paying a high price to try cellphone ads, about \$40 for a thousand viewings of their ads, or twice as much as many TV spots, analysts said. The performance of these ads over the next year or so will determine whether they are likely to provide enough income to justify giving customers a price break on service fees.

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Some companies are not waiting to find out. Virgin Mobile USA introduced a program last summer it calls Sugar Mama that compensates its phone users with free calling minutes for watching commercials, reading advertiser text messages and taking surveys from brands. Since last July, about 250,000 phone users have participated, earning a total of about three million minutes, said Howard Handler, chief marketing officer of Virgin Mobile USA.

Advertisers like the United States Navy and Levi Strauss Signature are showing ads through Virgin Mobile USA’s program, in part, because they liked the idea of compensating consumers for the time they spend watching their ads. “It gives us the assurance that our message is being heard,” said Stacy Doren, director for media and online at Levis Strauss Signature.

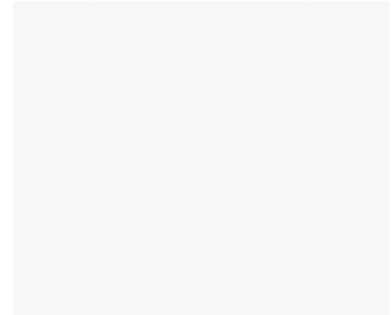
The carriers have so far been wary of exposing their customers to ads because the wireless marketplace is so competitive, said Scott A. Ellison, vice president for mobile at IDC, a technology and communications research firm.

“Advertisers are always hungry for new ways to reach people, however that’s a little scary for the carriers because they’re concerned over how the end user experience will be impacted,” Mr. Ellison said.

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Google and Yahoo are also investing in mobile advertising, moving their search capacities to phones and selling sponsored search ads. Google executives have said publicly that they think phone service will one day be free and supported by advertising.

If advertising on mobile phones generates enough income to offer significant phone subsidies, many companies will probably allow phone users to choose whether they want ads, analysts said.

There are some consumers who would not want much advertising, no matter the price break. Younger consumers, whose parents do not want to upgrade their phones, and lower-income shoppers who cannot afford the upgrades may be the most receptive to ads.

Future ad packages might include free text messaging for people who agree to receive text message ads, said Roger Wood, senior vice president and general manager of the Americas region for Amobee Media Services, a company that is working with cellphone companies to test advertising-financed services in the United States and abroad. Underwriting mobile phone services would be a good opportunity for brands to provide value to customers rather than just blasting them with messages, said Mark Kingdon, the chief executive of Organic, a digital ad agency and part of the Omnicom Group.

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Danny Herb, an avid text messenger, said he would welcome advertising if it helped him cover his phone's mobile video and Internet capacities. Mr. Herb, 25, said he did not use

Danny Herb, an avid text messenger, said he would welcome advertising if it helped him cover his phone's mobile video and Internet capacities. Mr. Herb, 25, said he did not use other features on his phone because they were expensive. But he said he would use them if they were free with ads.

"I wouldn't pay for mobile Internet or video," Mr. Herb said. "My text messaging costs me too much."

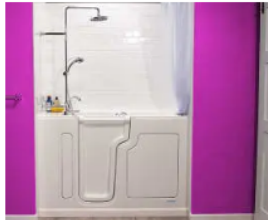


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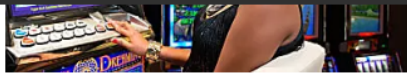
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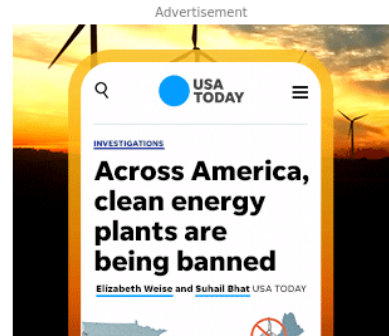


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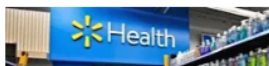
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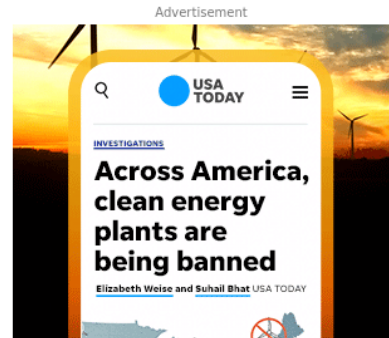
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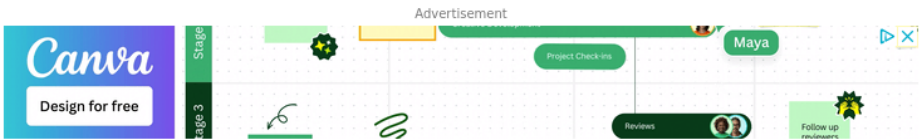
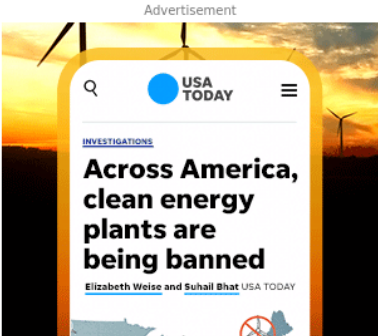
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