Mobile phone ads hit by spending curbs
Tim Bradshaw

The global economic downturn is set to hit advertising on mobile phones until at least 2010, when marketing agencies expect clients to increase their budgets.

Advertising agencies say clients are reining in their marketing spending and focusing on proven mediums such as mass audience television and the internet.

The move deals a blow to European mobile operators, who were planning generating significant new revenue from advertising. Informa, the research firm, estimates that the revenues derived from placing advertisements on mobiles will be worth $1.72bn in 2008, rising to $12.09bn by 2013.

Jean-Paul Edwards, executive director of futures at Manning Gottlieb OMD, which is part of Omnicom, the world's largest marketing agency, said that many advertisers become more conservative in a downturn, and "retreat into what is most proven".

He added that mobile advertising "has had false dawns for several years". "The current economic climate will push things back a bit," he said. "If money is tight, mobile is not proven yet." Other companies involved in mobile advertising say that the industry's fragmented state is also holding it back.

Over the last 18 months, European mobile operators such as Vodafone and France Telecom's Orange have increased investments in mobile advertising.

Companies including AOL, Microsoft, Nokia, Publicis and Yahoo have made acquisitions to expand their roles in the mobile advertising market.

Analysts say that the mobile advertising industry will be forced to consolidate after a "gold rush" by operators and venture capital-supported start-ups.

"Brands are not seeing enough potential return from mobile at the moment to warrant significant investment," said Informa, adding that advertising spending "will not be sufficient to sustain every player" across the young industry.

Mobile operators pledged to work together to drive the nascent mobile advertising market in February at the Mobile World Congress, the mobile industry's main industry event.

But critics say that inertia and bureaucracy have impeded such collaboration. Andrea Casalini, chief executive of Buongiorno, an Italian technology company specialising in mobile content, said that operators' piecemeal local initiatives were failing to provide advertisers with broad audiences.

"Fragmentation is the single most important element slowing down the market," he added.

Fonte: Financial Times, London, October 14 2008, Companies & Markets, p. 20.