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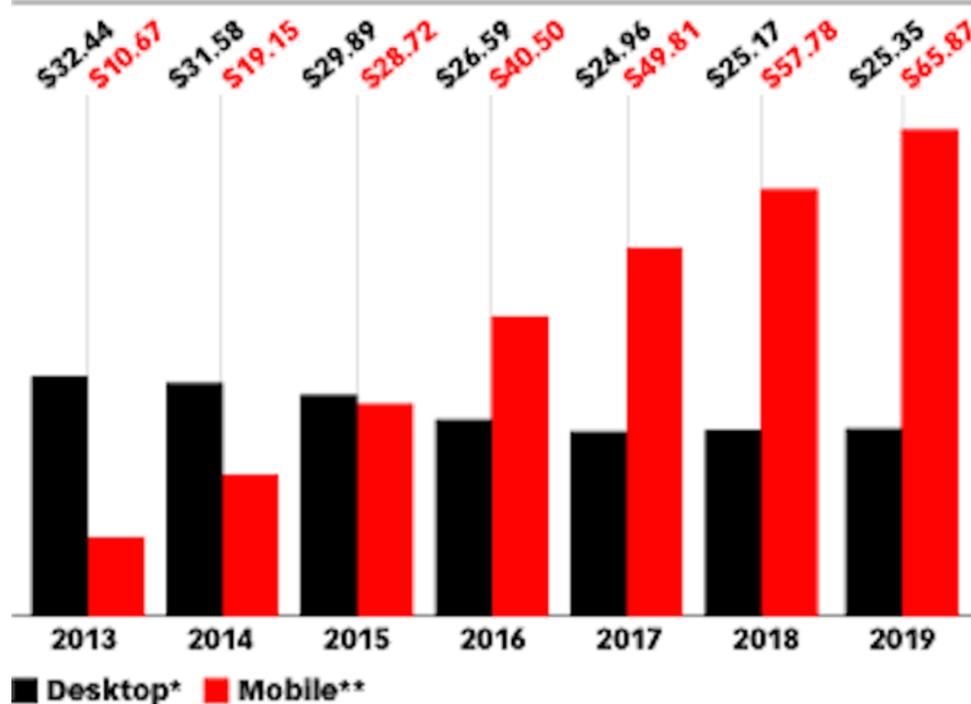AUG 31, 2015 12:27 PM

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Mobile Ad Revenues Steadily Increasing but Challenges Abound

Advertisers have been salivating for years at the promise of mobile advertising.

Gartner, for instance, predicts that by 2017, annual mobile advertising revenues will be almost $42 billion. Display formats making up most of that chunk, but video (driven by tablets and growth in tablet ownership) will show the highest growth.

US Digital Ad Spending, by Device, 2013-2019
billions

	2013	2014	2015	2016	2017	2018	2019
Desktop*	$32.44	$31.58	$29.89	$26.59	$24.96	$25.17	$25.35
Mobile**	$10.67	$19.15	$28.72	$40.50	$49.81	$57.78	$65.87

■ Desktop* ■ Mobile**

Note: *includes spending primarily on desktop-based ads; **includes classifieds, display (banners and other, rich media and video), email, lead generation, messaging-based advertising and search; ad spending on tablets is included
Source: eMarketer, March 2015
186555   www.eMarketer.com

In fact, BI Intelligence thinks mobile video advertising is currently growing three times as fast as desktop video spending – they estimate that video is fast replacing static display advertising on the desktop and will account for 41%of total desktop display-related spending in 2020, up from 26% this year.

The Interactive Ad Bureau (IAB) also stated in a report last year that about a quarter of all ad spending is geared towards mobile ads, a 68% jump from 2013.

And online ad company Marin Software has prognosticated that mobile ad spending will surpass desktop ad spending by Q4 this year.

Matt Ackley, the company's chief marketing officer, said that while the growth is encouraging, there are still hurdles to surmount. Advertisers, he noted, still haven't quite figured when clicks result in a sale or other 'conversion' such as an app installation or a sales lead.

But companies like Google have recently indicated that mobile-ready websites may do better in searches – so this may actually encourage advertisers to buy more mobile ads.

Challenges still abound. In a recently released eBook, *The Mobile Data Management Platform*, author Steve Olenski highlighted four of these:

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Mobile Ad Revenues Steadily Increasing but Challenges Abound

Monday, Aug 31, 2015

Advertisers have been salivating for years at the promise of mobile advertising. Gartner, for instance, predicts that by 2017, annual mobile advertising revenues will be almost $42 billion. Display formats making up most of that chunk, but video (driven by tablets and growth in tablet ownership) will show the highest growth.

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- Identification of users across multiple devices including desktop, smartphones and tablets because third-party cookies aren't valid or accepted across most mobile channels;
- Fragmentation of mobile environments as users move between mobile web and mobile app;
- Lack of standardized performance or success measurement across environments and devices;
- Confusing new ecosystem of mobile-only players, including mobile ad networks, mobile data exchanges, and mobile analytics.

People also shuttle a lot during the day between mobile and desktop devices, noted Robert Hof, writing in *Forbes*, which makes it harder to track if an ad on mobile resulted in a purchase on a computer or in a store.

"Big companies and startups alike are focused on cracking this nut, but it's still a big challenge for marketers," said Hof. "It may be one reason that consumers appear more likely to buy on their computer than their phones, which they use more for research."

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Mobile Advertising

Mobile ads according to Hof, including video ads, may thus be "a better place to do image or branding campaigns, while desktop ads can serve to close the deal with more direct appeals to click or buy."

There is currently no one-size-fits-all mobile ad solution – user attention is short and even though smartphone users on average check their phones dozens of times each day, it may often be for a seconds at a time.

Numerous companies are tinkering with new mobile ad formats and tactics. Sometime in September, for instance, The *Daily Mail* is rolling out a new mobile ad format enabling marketers to place auto-play video ads within content. The *New York Times* is going to start testing a new mobile ad product that splits a day into seven parts, allowing marketers to target messages to users during a particular day or evening time block.

The bottom line, however, is that the mobile audience is still fragmented and tough to reach. But because the market potential is so huge, companies are rising to the challenge:

"There are millions of apps across iOS and Android and many more mobile sites, so building a white-list of brand-approved apps and sites and doing direct advertiser-publisher deals is limiting," said Jeff Peden, founder/CEO of mobile ad startup Crave Labs. "We need to think about audience in terms of context – known or intuited characteristics about the consumer such as location, gender, interests and other demographic or psychographic profiles."
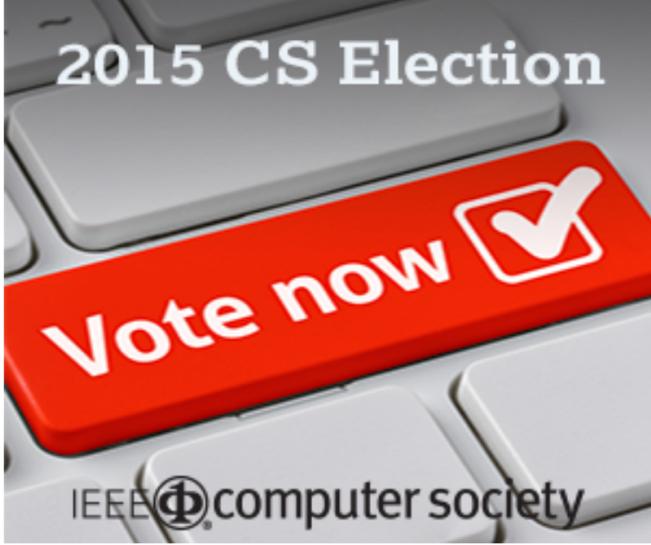
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