

MOBILE ADVERTISING

SIX KEY TRENDS IN 2012

How marketers can best utilize mobile advertising
as part of an integrated digital strategy in China

Introduction

Seize the Day

Since the launch of the first iPhone in 2007, the mobile landscape has been completely changed. The way that people use their mobile phones, the way that developers create applications for mobile platforms, and the way that content and information display on mobile are all different. Users are spending more and more time on their phones, connecting with friends on social networks, playing games, searching for information and so on. Just like what Apple says, whatever you want to do, there's an app for that.

However, the consumer attention on mobile platforms is far from being fully utilized. This is especially true for China. What has been holding marketers back from going mobile? We think the key is that good mobile advertising resources are still scarce in China for now. Only a few apps have demonstrated consistent performance and attracted a significant amount of active users.

But we believe 2012 will be the tipping point for everything mobile, as we see proliferation of high quality mobile apps developed for the China market, faster adoption of 3G networks, as well as more efforts and investments on online-to-offline activation. We have already seen brand contents being specifically produced or formatted for mobile consumption, some of which are even customized based on individual interests and browsing history.

Marketers should really start thinking about mobile, if not already in action. In fact, smartphone users are getting more and more used to mobile ads - our consumer study revealed a strong inclination among smartphone users to install free apps that come with ads (55%), and to receive pushed brand messages that are relevant to their daily lives (37%).

So how are your consumers using their mobile devices? What kind of presence should you have on the mobile platforms? How can your brand take advantage of the unique offerings on mobile platforms to engage and interact with consumers?

We hope this report will shed some light on the current status of Chinese smartphone users and identify some of the key mobile trends that would help you compete ahead of the curve. We at Guohe are also dedicated to help formulate your mobile ad strategy as the platforms and users quickly evolve.

Co-founder of Guohe Ad
Neo Zhang

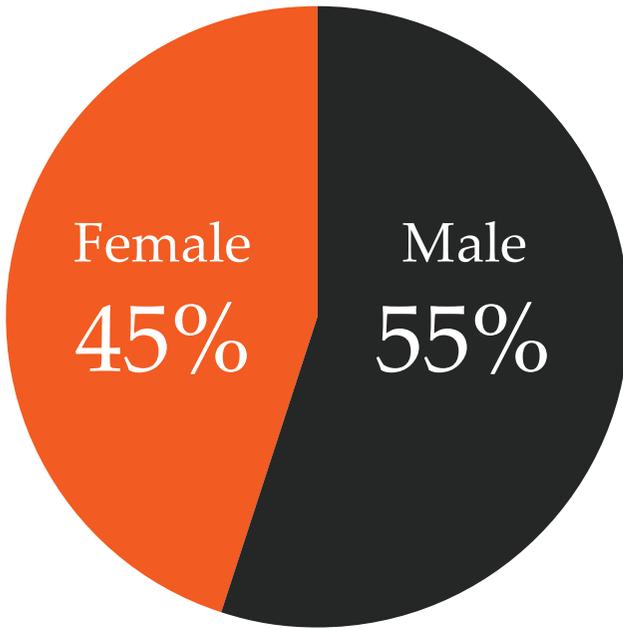


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Who can I reach with mobile?

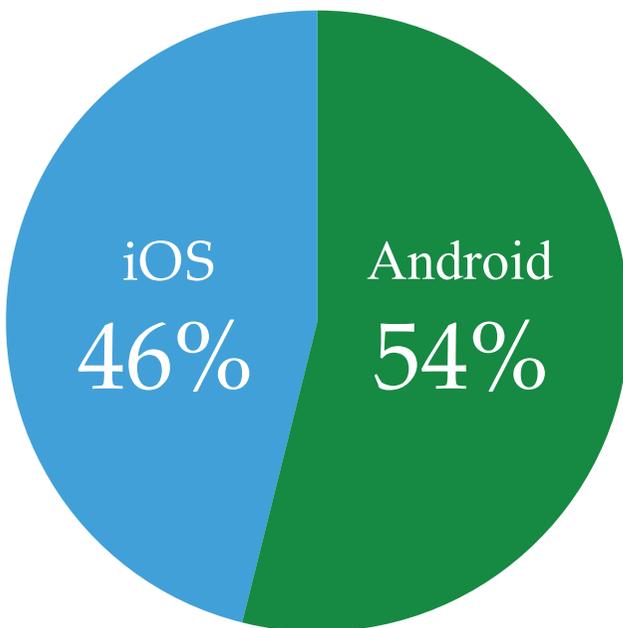
Chart 1 : Gender of Research Sample



Guohe has been collecting a lot of publisher data over time as we deliver ads to mobile platforms. Yet we felt that one link has always been missing - consumer behavior. We have a few key questions about the two major camps of smartphone users - iPhone and Android phone users in China, such as:

- **What are the different apps that iPhone and Android users use?**
- **Are they paying for mobile apps?**
- **What are their takes on mobile advertising?**

Chart 2 : Operating System



Therefore we conducted a simple survey to interview over 600 smartphone users to learn more about them. We used a 30-question questionnaire that was derived from a number of qualitative interviews.

Here we share the key findings that will provide important insights for marketers first, more results of the survey can be found at appendix.

Who can I reach with mobile?

Chart 3 :Annual Income of Research Sample

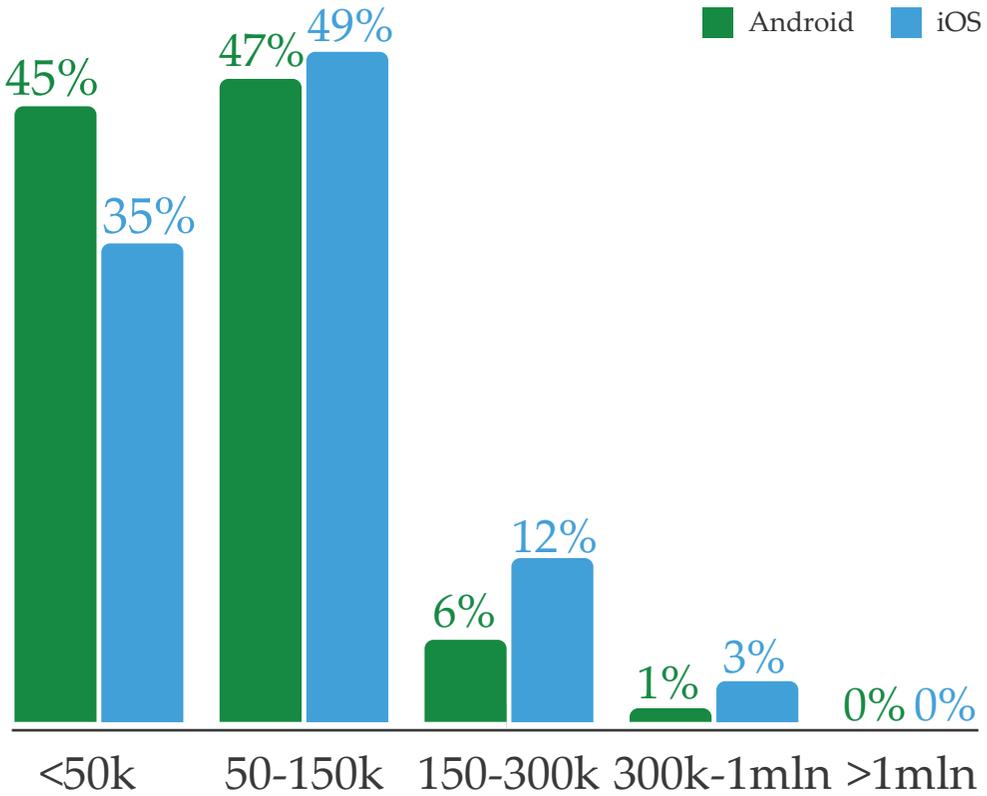


Chart 4 :Dwelling City of Research Sample

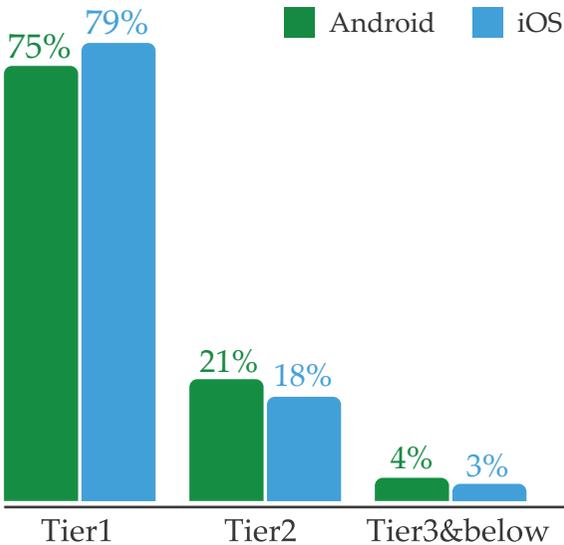
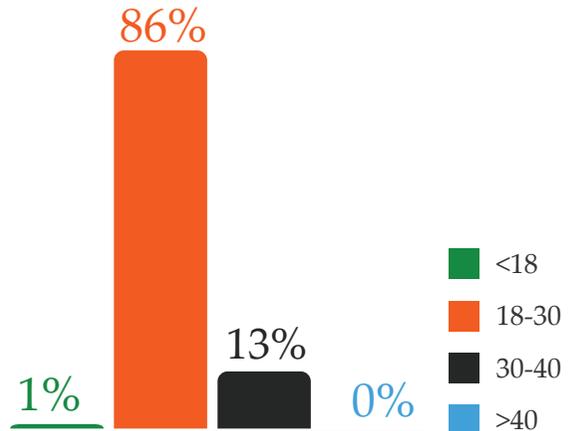
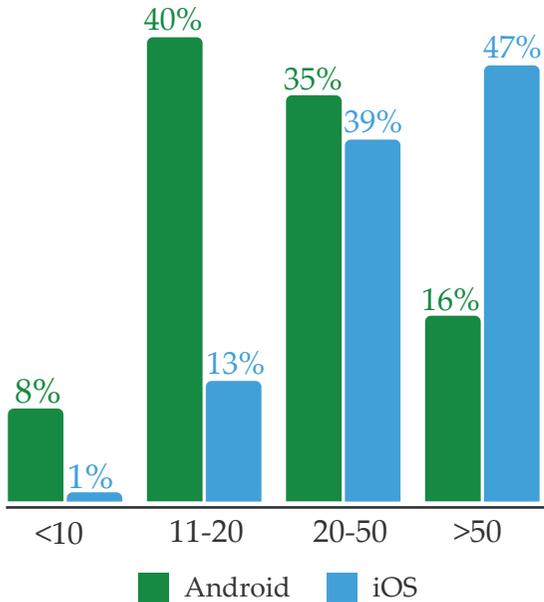


Chart 5 :Age of Research Sample



What are the different apps that iPhone and Android users use?

Chart 6 : Number of Apps Installed



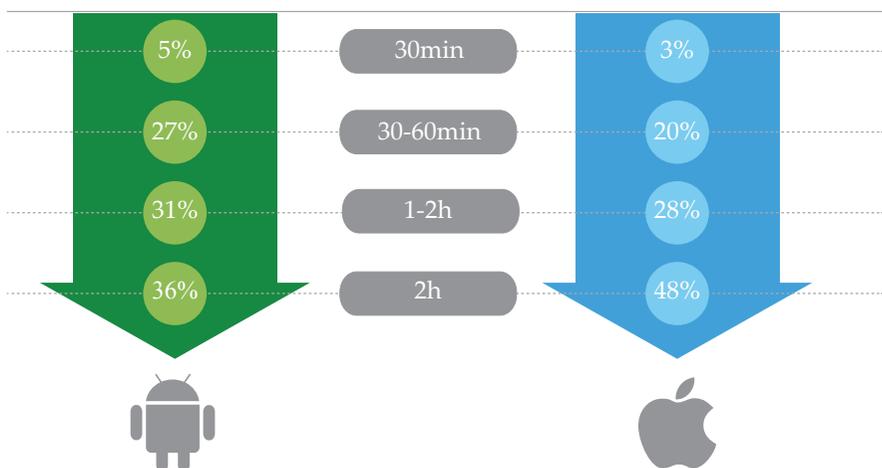
From our study, iPhone users have significantly more apps installed on their phones than Android users and they would spend more time using those apps each day.

The key metrics reflected from the iPhone user base has been very promising. People are simply more active about their apps on iPhone compared to on other platforms. The number of apps installed can be a good proxy of curiosity or willingness to explore new things on their phones. Also the relative more time which iPhone users spent on apps prove that marketers can capture their attention more easily on the mobile platforms. As the

general public is adopting smartphones, being a smartphone user may not lead to the conclusion of being an “affluent individual”. However, iPhone still offers the value proposition through its active and curious audience.

In terms of favorite apps, iPhone users and Android users are slightly different – the former tend to use game, utility and shopping apps a lot more often, and the latter tend to use reading apps more frequently.

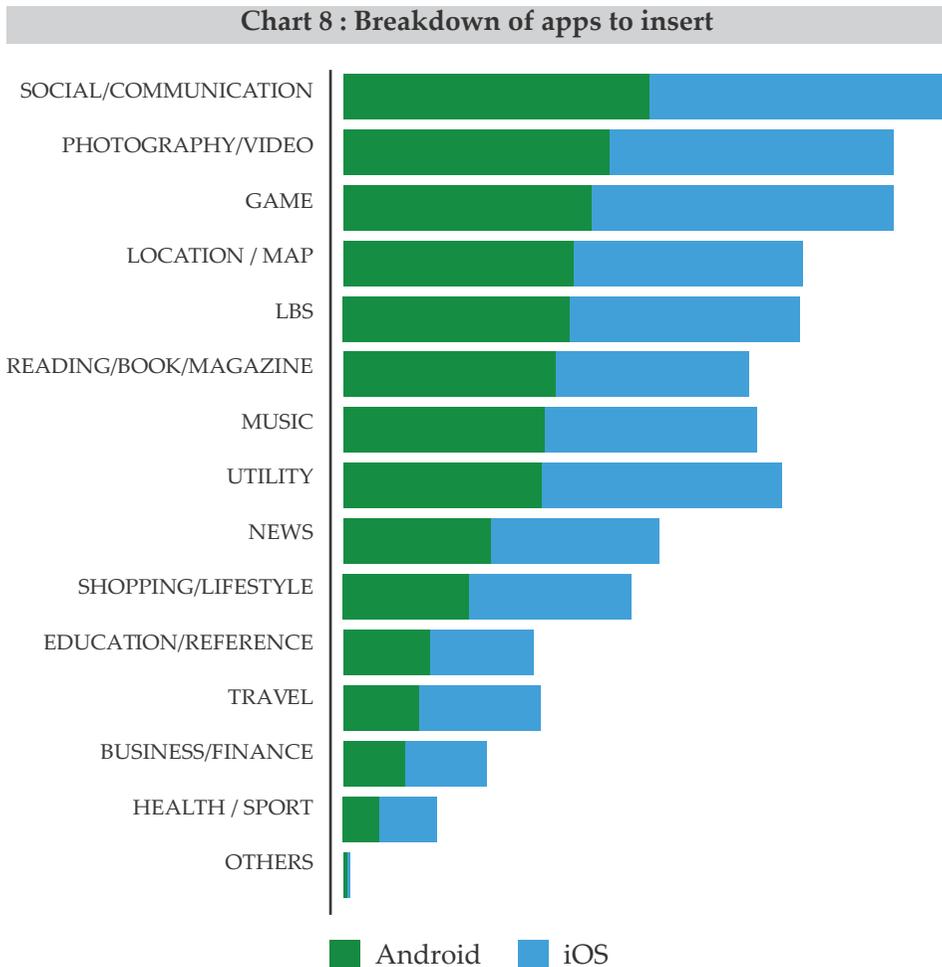
Chart 7 : Time Spent on Apps (Daily)



What are the different apps that iPhone and Android users use?

But smartphone users as a whole really love games. According to Xyologic, an App Store tracking agency, over 50% of the top 150 free apps downloaded in Oct 2011 are games, around 16% are utilities and 13% are social networking apps. Similar breakdown can also be seen in the paid apps domain.

But smartphone users as a whole really love games. According to Xyologic, an App Store tracking agency, over 50% of the top 150 free apps downloaded in Oct 2011 are games, around 16% are utilities and 13% are social networking apps. Similar breakdown can also be seen in the paid apps domain. Games are a very important category on mobile. However, we haven't observed the best usage of gaming apps for brand marketing purposes. In the mobile ad market data report we



released in August 2011, we have observed a significantly higher click-through rate on gaming apps. Given that the mobile demographic targeting technologies were still in development, the higher CTR could be a warning sign of players accidentally clicked the ads while their were gaming on the touch screens (and thus got kicked out of the game creating a worse impression on brand).

What are the different apps that iPhone and Android users use?

Using a data-driven approach and placing the ads on the right screen (e.g. loading screen, or the screen between levels) could be some better plans. The data approach could mean that the mobile platform should be able to segment the game players into different categories which match the marketing needs. The right placement will reduce the incidental clicks and create a better user experience.

Social networking apps, though second to games, are an important category for mobile marketers in 2012. The connectivity can naturally integrate with the overall digital strategies, and amplify the effect originated from mobile platform. Moreover, many social apps have the ability to connect online and offline activities (O2O and LBS), offering the opportunities to integrate with offline events or retail outlets. If over 60% of the Weibo activities come from mobile apps, there is no reason for any brands not to think mobile when they think social.

Among other categories, marketers should pay more attentions to the apps with quality contents. Users are spending hours a day consuming various types of media, including news, blogs and videos. Comparing the ROI of campaigns on these apps versus their traditional counterparts (TV or websites) could be an analysis with interesting yet inspiring results.



Are they paying for mobile apps?

Despite the impression that all smartphone users in China refuse to pay for apps, it turns out some of them are willing to pay.

According to our study, 62% of the iPhone users have at least bought one app before, and among these app-buyers, surprisingly 17% have bought more than 11 apps. Since Apple enabled RMB payment earlier in November 2011, the iTunes App Store sales shot up in a week. It implied that users were actually discouraged by the inaccessible payment channels before.

Chart 9 : Total Spend on Paid Apps

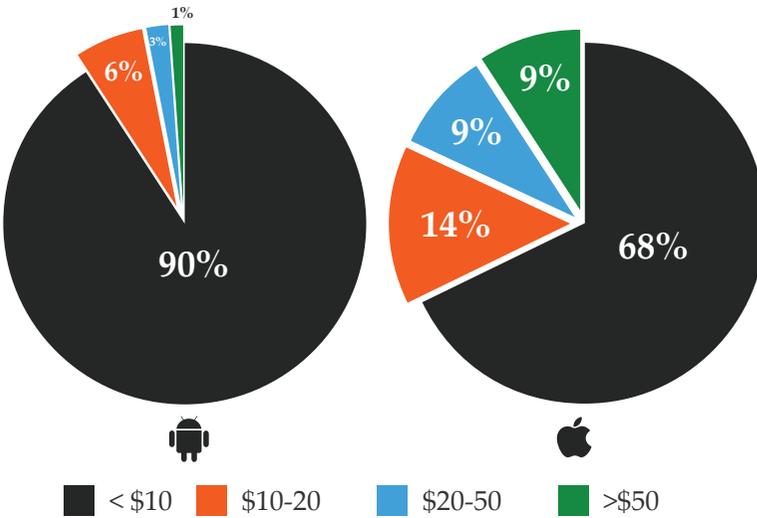
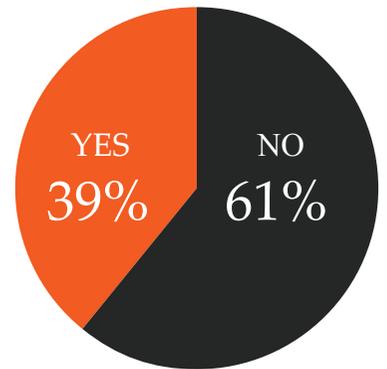


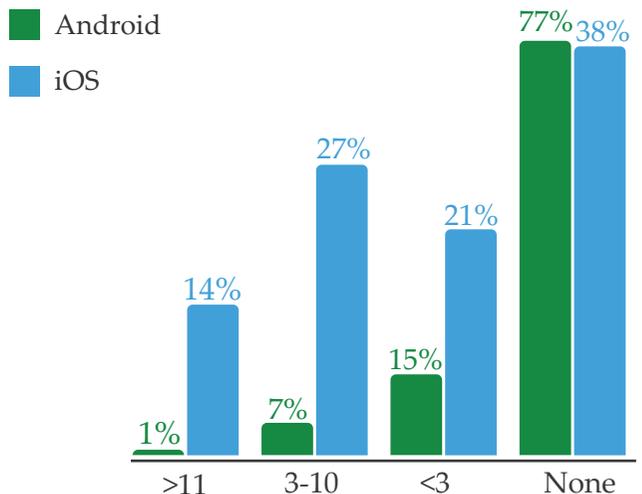
Chart 10 : iPhone Jailbreak



As compared to the iPhone users, Android users are significantly lagged in terms of app purchase. Only about 23% of them have ever purchased any app. Since Android users are less likely to pay for apps, most of the Android apps monetize by inserting ads.

However, as both global and local device makers are pushing Android devices aggressively in China, we have observed a significant growth in user base. Android has become a platform to reach tens of millions of consumers. The opportunities sit on a data-driven approach to target the right audience from millions.

Chart 11 : Number of Paid Apps



Are they paying for mobile apps?

In our study we also tried to find out consumers' reaction for mobile advertising. On both platforms, 89% of the users remember seeing embedded ads in apps in the past week, and about 35% of the users are able to recall the brands in those ads. That is about 31% unaided recall rate for both platforms

Because of smaller screen size, mobile phones have less room for ads than regular websites. With fewer ads competing for attention, the consumer's focus on ads that do appear is heightened.

Chart 12 : In-app Ad Preference

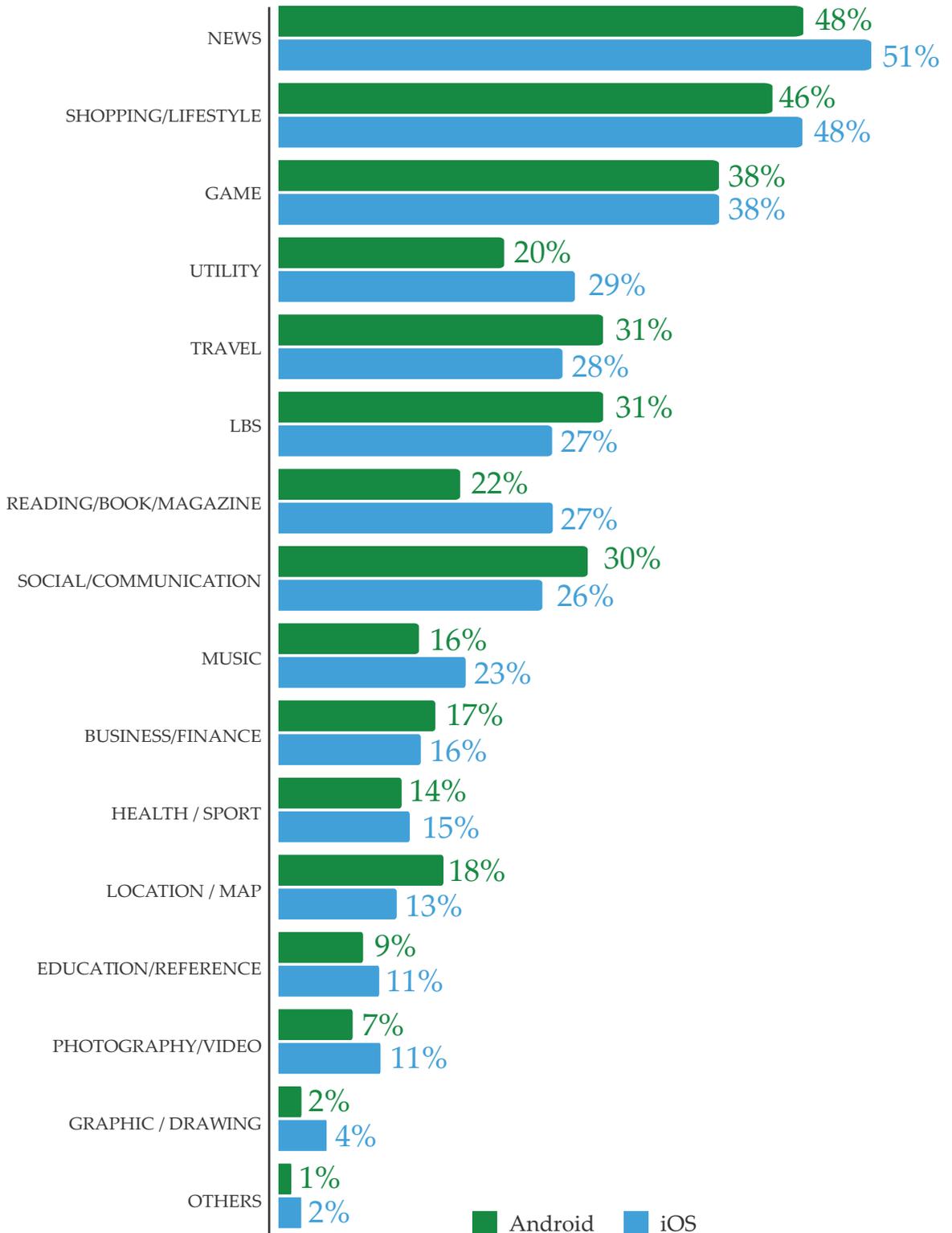
Preference	 Android	 iOS
Free App with Ads	63%	46%
Free App with In-app Purchase	24%	30%
Paid App without Ads	13%	25%

But how would smartphone users feel when they come across these mobile ads? Although in general smartphones users are accepting free apps that come with ads, and they do want to see brand messages that come at the right time, we found that iPhone users are more demanding than Android users.

In fact, about 25% of the iPhone users prefer paid apps that are ad-free, while Android users are more open to ads as only 13% of them share the same preference. It indicates that iPhone users care more about user experience and they are more willing to pay extra in exchange for an ad-free app environment. As a result, marketers really need to think about how to improve ad experience to avoid offending iPhone users and hurt the brand's image.

What are their takes on mobile advertising?

Chart 13 : Suitable Apps to Insert Ads



Six Key Mobile Trends in 2012

For marketers who want to tap mobile advertising in 2012, here are six key trends that should be well recognized for strategic planning.

- a . Content is king**
- b . Social apps to skyrocket**
- c . Apps for business arise**
- d . Mobile commerce**
- e . Game-changing technologies – NFC, HTML5**
- f . Don't forget tablets**

Six Key Mobile Trends in 2012

Content is King

One of the most important trends on mobile is an increase in content consumption for entertainment purposes. There are already a number of apps dedicating to different kinds of content sharing and streaming. Spotify, Turntable.fm for examples are for music streaming and sharing. Pinterest, Duitang, Mogujie are for image and product sharing. Flipboard and Zaker are for news and RSS contents. These apps provide rich contents that are relevant to users' interests and lifestyle, and thus engage them on a longer term and gain more attention than other apps like games or utilities.

On a separate note, traditional media like iWeekly are also doing better and better in the mobile domain and therefore creating new opportunities for mobile advertising.

Social apps to skyrocket

As content plays an important part for mobile usage, content sharing is equally important. The most popular social app in China, Sina Weibo, is essentially about multimedia content sharing. Users share music, video, and files with friends on the platform that is curated according to interpersonal relationship.

Besides, in 2011 we are seeing an explosion of localized instant messaging apps such as Weixin from Tencent, Miliao from Mi Tech, Fetion from China Mobile and Weibo Messenger from Sina. These IM tools are quickly taking shares away from traditional SMS and even the traditional web based IM apps like MSN and QQ. According to Enovate, the youth market research agency based in Shanghai, 36% of 18-22 year-old respondents say they use apps more than phone calling and text messaging.

Apps for business arise

Business is never a big use case for mobile users in China, but it is about to change and there are more and more innovative tools that are designed to assist the Chinese businessmen in many different ways.

One of them is social apps for professionals. Some of the tech entrepreneurs are driving this effort to digitalize business cards and facilitate meetups. Apps like Bump, or Micro-namecard are for information exchange. CircleLife, an app to follow a friend on Sina Weibo by shaking your phone simultaneously, and Xinghui.me are for organizing events and socializing at conferences. And there are Yobongo, LAL and Momo for meeting strangers nearby.

Other tools might include Vdisk, the Dropbox clone for file sharing on cloud servers and Youdao notes, the cloud-based notes taking service. In the future, there might be more expense or sales tracking tools that enable employees to sync their business activities back to the company HQ in real time. Marketers would be also to target a niche group of businessmen though these specialized apps.

Six Key Mobile Trends in 2012

Mobile commerce

People are making purchasing decisions on mobile. Very often they gain access to the Internet via mobile to compare prices in stores, which makes them more likely to drop a purchase on the spot. If the brands or stores can provide the right kind of assistance to facilitate this behavior, it will work in favor of the business.

Mobile now even plays an important role for ecommerce as well. On November 11, 2011, Taobao launched the biggest "Single Day" sale in history, revenue from mobile users reached over 100 Million RMB. And Taobao expects that the revenue from mobile users would reach 10 billion RMB in 2012. The amount of purchase via mobile is growing extra fast when Taobao launched the iPad app in 2011. Third-party apps specialize in sorting out dazzling items according to users' taste began to emerge in this trend, amongst which Chaopin (meaning fashion items), GuangTaobao (meaning shop at Taobao), and Guoku (meaning a gallery of Taobao items) turn out to be the most popular ones.

Game-changing technologies

Technological advances within the mobile space are very likely to revamp the user experience. The speed that these technologies evolve and also the speed that consumers adopt these new user behaviors are faster in mobile space than in any other place. As long as hardware producers and app developers are willing to put effort into new things, consumers are willing to give it a try. Here are two buzzwords that you can't miss in 2012.

NFC

Google's Android system is spearheading the Near Field Communication (NFC) technology that makes smartphones even smarter. Devices equipped with NFC would be able to communicate with sensors on its own, and push notifications to users about these sensors nearby. This would be a next generation technology to replace barcode or QR scanning, and instead trigger the communication more automatically.

This has many benefits of cause, especially when it is used together with Location Based Service (LBS). For example, a retail store can push notification about sale information when a consumer walks into the door. If the consumer happens to have the store's app installed, it might provide further recommendation based on his/her shopping history and preference.

HTML 5

As Adobe announced to give up the development of Flash for mobile earlier this year, HTML5 is gaining a lot of edge on mobile. Financial Times, for example, developed a completely HTML5 based web app to replace their original Android and iOS apps. Why? Primary reason is HTML5 provides the same user experience across different mobile devices and web browsers. And it also enables more rich media opportunities for mobile ads, which are previously perceived as mere banners ads in most occasions. By incorporating HTML5, developers can freely unleash their creativity and do rich integration in the ad itself, thus making it more vivid, engaging and interactive.

Six Key Mobile Trends in 2012

Don't forget tablets

According to the iHS report on China's tablet market, the growth of tablet units will double in 2012 to reach over 10 million units and it will keep growing to 2015. While this is an aggressive estimation, we could assume that with the price coming down and more Android tablets launching into the market in 2012, the market for tablet will get bigger and bigger.

We have already seen the tremendous growth of iPad in China in 2010 and 2011. Although we have yet seen one single Android tablet that can compete with the iPad in China, we cannot deny the growing influence of Android tablets as a whole .

In our own research, we found that iPhone users are almost 2 times more likely than Android users to buy an iPad. The synergy of using the same system cross mobile phone and tablet is truly valuable for some of the heavy users. In that sense, the emergence of well-designed and reasonably priced Android tablets (e.g. Kindle fire in US market) could motivate these Android phone users to jump on the tablet bandwagon too.

As tablets get more popular, mobile ads may adopt more new formats to serve the larger screen size and stronger processing power.



Six Key Mobile Trends in 2012

Basic Checklist

1. Check if mobile ad is already part of your current marketing mix. If not, why?
2. Educate your company, especially the marketing team about mobile ad opportunities.
3. Identify the role of your brand and how your audiences are using the mobile devices, as well as what apps they tend to use more frequently.
4. Decide the mobile channels to promote your brand: apps, HTML5 page, or both? Make sure your targets can find you via their mobile devices, i.e. by placement in popular apps, broad coverage of mobile banners, social-media & other Internet resources.
5. Find an appropriate mobile ad platform for your mobile ad campaign. Different platform has different specialties, do enough research before making the decision.
6. Work closely with your agency and mobile ad platform to come up with interesting creative and to enhance user experience of your mobile ads. The mission of mobile advertising is to capture users' attention by interaction and turn them into actual consumers.

Advanced Strategies

To take things one step further for the more advanced, marketers need to review all their current and planned initiatives to identify how they can improve success rates by integrating mobile advertising tools, components, and channels into the marketing mix. For example:

Select and focus your placement on a few key apps

Instead of spreading your information everywhere, focusing on core apps that most fits your brand spirit and target audience can help you establish a more relevant and consistent brand image.

Leveraging HTML5 to engage with users

HTML 5 is a significant breakthrough in the mobile world with which many contents can be delivered in a more vivid and creative way within an app. Leveraging HTML 5 in your mobile ad campaign will lead you to a world with all kinds of fantastic formats and contents to interpret your brand value that can never be achieved before.

Tapping social media

Social media is still a key word in 2012. Connecting your mobile ad with social media, i.e. Twitter or Facebook account, turning mobile ad viewers to social network followers, can open a long-term interaction channel for your brand and your target consumers.

Other insightful charts from the Smartphone Users

Chart 1 : Android Phone Brand Breakdown

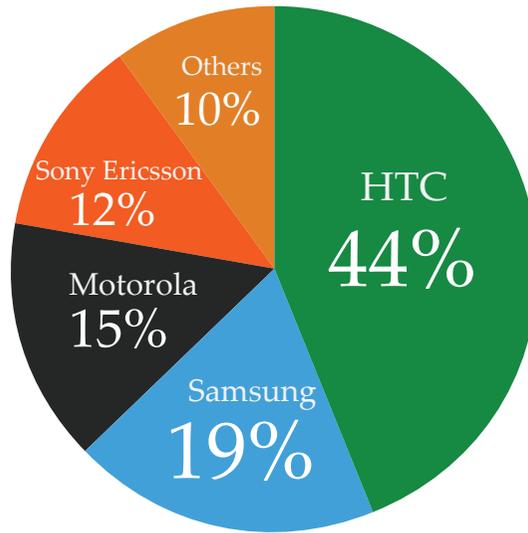
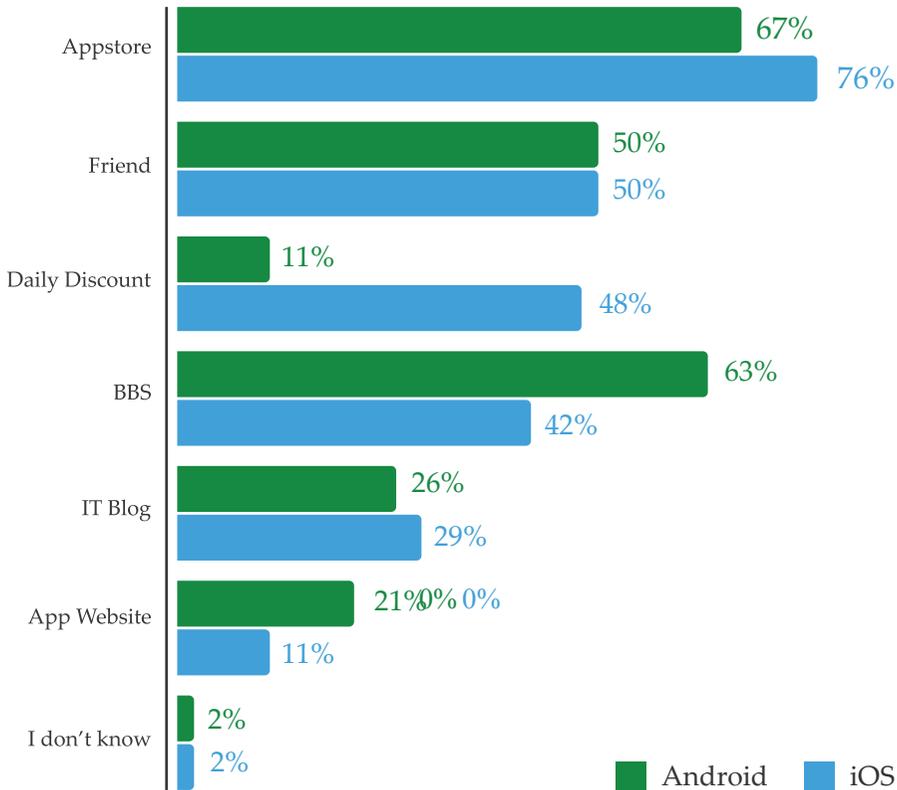


Chart 2 : Source of Newly Installed Apps



App market and friends' recommendation serve as the top two sources for new apps to install. For iPhone users, the daily free app sites have become almost a mainstream channel to get information as well.

Other insightful charts from the Smartphone Users

Chart 3 : Current 3G Network Adoption

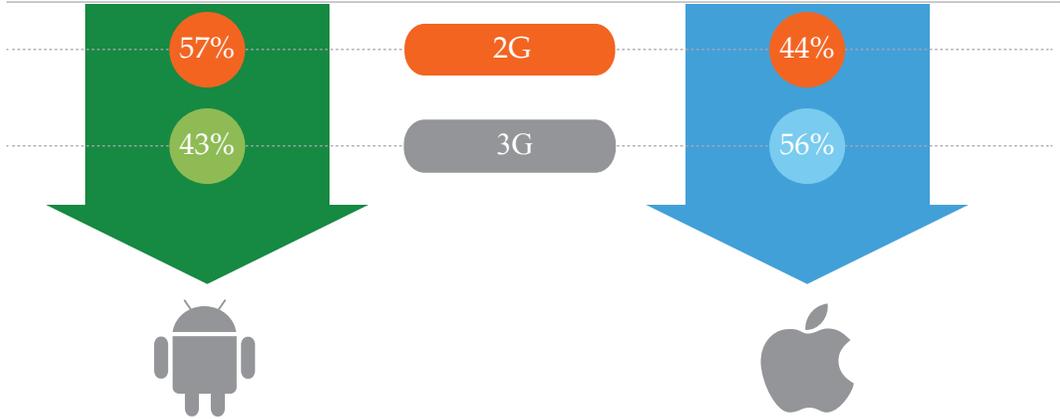
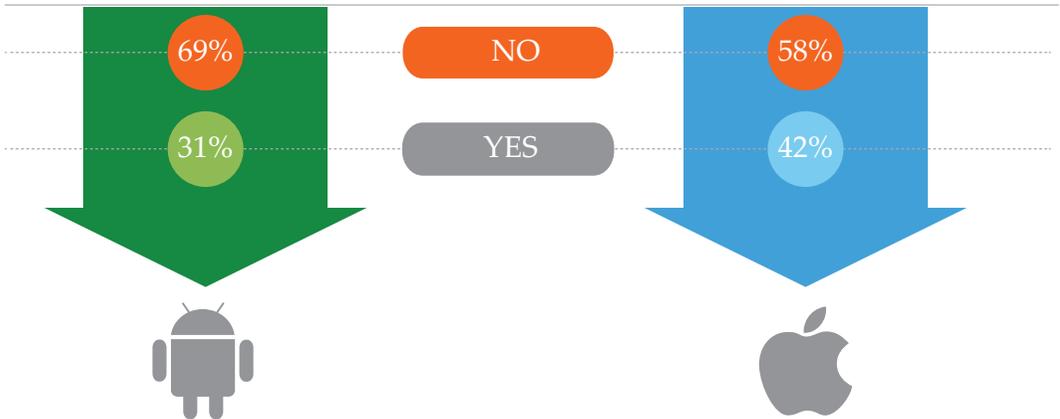
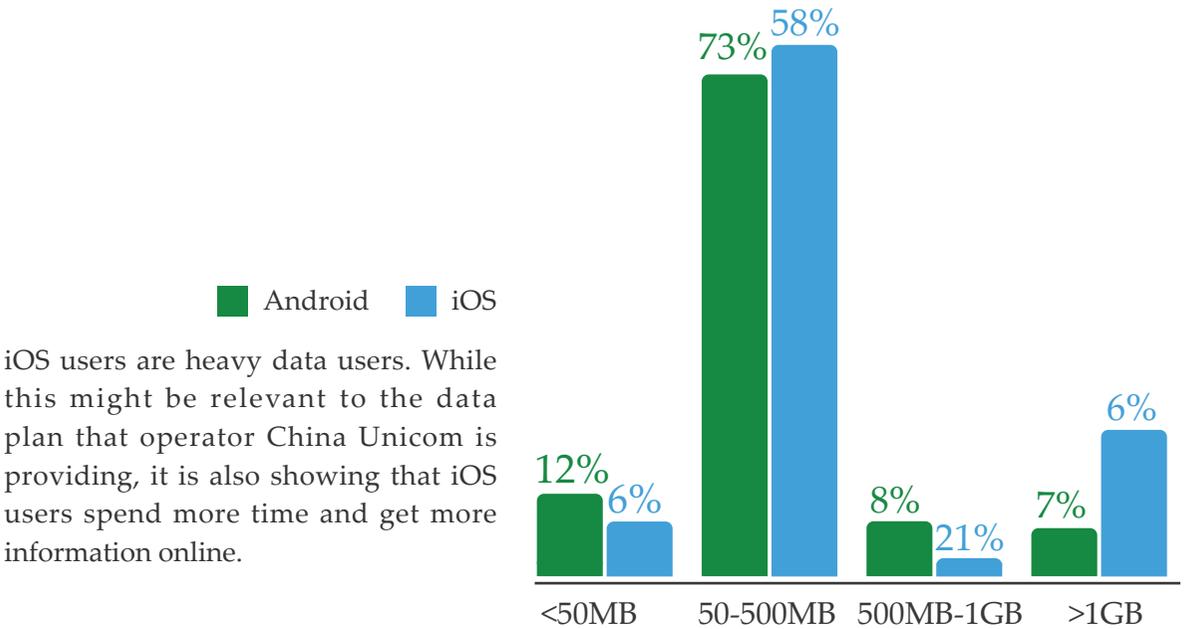


Chart 4 : Tendency of Switching from 2G to 3G Network



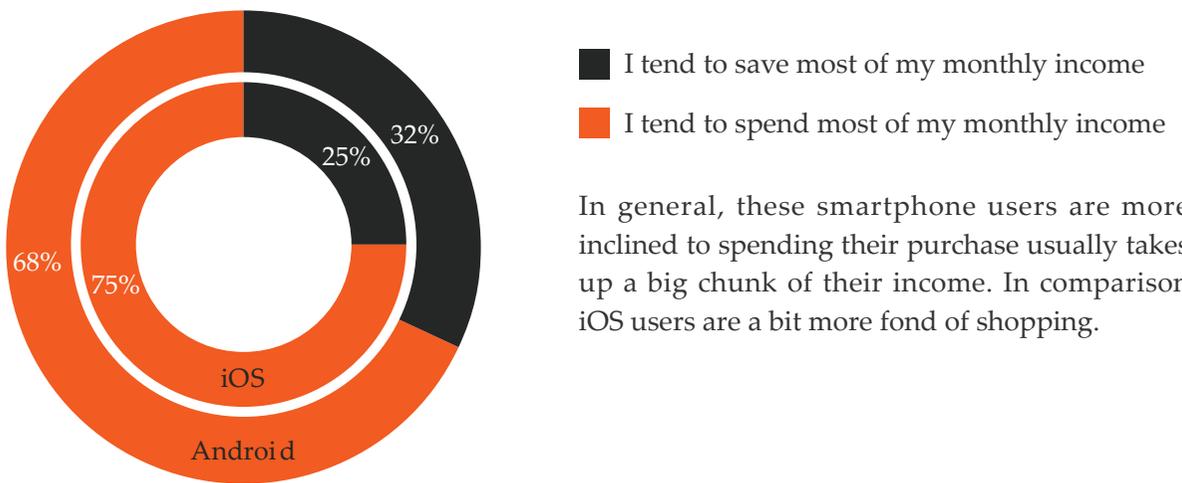
Other insightful charts from the Smartphone Users

Chart 5 : Monthly Data Consumption

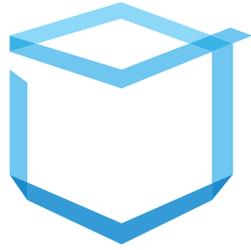


iOS users are heavy data users. While this might be relevant to the data plan that operator China Unicom is providing, it is also showing that iOS users spend more time and get more information online.

Chart 6 : Consumer Tendency in Daily Lives Breakdown



In general, these smartphone users are more inclined to spending their purchase usually takes up a big chunk of their income. In comparison iOS users are a bit more fond of shopping.



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