

Chapter 53

Advertising and Mobile: More than a Platform Shift

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ABSTRACT

There is no field that has experienced a more positive financial impact from mobile technology than advertising. This is evident by billions of dollars in traditional media fleeing to online media, and increasingly to mobile. Yet, it is difficult to distinguish mobile totally from other online advertising approaches. Mobile is certainly not diverging from the other platforms, but rather driving some of the strongest advertising trends. Because the trends of all online channels overlap with mobile, it will be difficult to address mobile without addressing all – then clarifying and exploring how mobile is driving and will continue to drive those trends.

INTRODUCTION: STATE OF THE ART

As traditional media lose audience, they are also losing advertising revenue. American newspapers now sell substantially less than half the advertising that they used to sell (Mutter, 2014). Those lost revenues are largely moving online, but not to the newspapers' websites. Mutter, a former media executive who now carefully tracks the rapidly changing media market in his weekly Newsosaur blog, noted that print advertising between 2005-2012 fell 25 times faster than the newspapers' digital advertising grew (Mutter, 2012). Between 2005 and 2013, American newspaper advertising, including digital, dropped from \$49 billion to \$21 billion. All digital ad sales combined for just \$13 billion in 2005 but rose to \$43 billion by 2013, of which only \$3.4 billion (8%) went to the newspapers for their digital products. At that same time digital advertising, overall, caught up and surpassed broadcast TV advertising (Mutter, 2014). Instead of going to the long-established traditional media, paid advertising is moving rapidly to such new media sites as Facebook, Twitter and Google. Other advertising resources are being dedicated to "free"

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inbound PR/marketing strategies, such as ebooks, white papers, webinars and viral videos, which still require organization resources to develop.

Broadcast, cable, and satellite TV are losing audiences at a much slower pace, but the trend could reach tipping point proportions in the near future. Due to numerous factors, including enhanced average bandwidth, improved server software, and the rapid overall growth of Internet devices, especially mobile broadband, the number of online videos viewed in June 2012 compared to June 2011 skyrocketed by 550%. Phenomenal growth has not stopped. In June 2011 the number of videos viewed online in America was 6 billion; one year later 33 billion (xStream, 2013a); and by August 2014 the number of videos view per month worldwide crossed 300 billion (Nguyen, 2014).

Video Advertising

In the same year that the viewing of online videos jumped 550%, the use of advertising embedded within videos increased 68%, and 64% of the online video advertisers said the online video spots were as effective as TV ads (Xstream, 2013b). The increase in video-embedded advertising, while still accompanying only about 23% of online videos, has more recently almost exactly mirrored the increase in online video views (comScore, 2013).

More recent data shows that more and more people are augmenting or replacing paid cable services with online services, such as Netflix and Hulu, and watching those on their digital TV. In this setting, these are called “over the top” (OTT) services, but, of course, most such services can also be viewed now on desktops, laptops, tablets and smartphones. Citing a Parks Associate study, Xstream (2015) notes that 57% of American homes with cable-type services and broadband subscribe to at least one of the online video services. Additionally, 7% (8.4 million) of American homes subscribe to online services with no traditional pay-TV service. U.S. revenues from such OTT services are expected to grow from \$9 billion in 2014 to \$19 billion in 2019. A separate analysis by Digital TV Research, also cited by Xstream, predicts global OTT revenues will grow from \$26 billion in 2015 to \$51 billion in 2020.

Another, more recent survey, suggests an even more rapid movement of TV advertising online. That a “tipping point” for TV advertising is approaching is indicated by Blueshift Research’s survey in June 2015, which found that the percentage of Americans who subscribe to online streaming video services (75%) now exceeds those subscribing to pay-TV services (62%). And the rate of pay-TV cancellations is increasing, with an annualized rate in May 2015 of 15.6%, with 10.2% more saying they are likely to cancel their pay-TV subscription within six months – a 20.4% annualized rate (p. 2-4). Of course, trends in America tend to go global (Table 1).

Advertising follows audience – not immediately, but eventually. eMarketer’s research in March 2011 was predictive of where advertising would gradually shift. They compared advertising revenues for each medium to the percentage of “media time” the American audience was spending with each medium. For example, they noted that TV was receiving about 43% of the ad revenues, and the audience, overall, was spending about 43% of their media time watching TV in 2011. Thus, it was predictable that TV’s ad share would remain steady for the near future. However, newspapers were receiving about 17% of all ad revenues while Americans were spending only 5% of their media time reading newspapers. Thus, a steep drop in ad revenues for newspapers was predictable. Meanwhile, the Internet ad revenues had reached about 19% of the total, but the audience was spending 25% of its media time on the Internet, which made it clear that online ad revenues would continue to climb. And mobile in 2011 controlled about 8% of the audience’s media time, but it was receiving only 0.5% – one half of 1% – of all ad revenues. So,

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