Mobile & Consumer Behaviour
## CONTENTS

1. Overview of mobile consumer behaviour  
2. Comparing mobile and PC internet usage  
3. The mobile mindset  
4. Mobile applications  
5. Buying behaviour on mobile, why it’s different  
6. Search and social behaviours on mobile  
7. Mobile as part of the wider media diet  
8. Future mobile behaviours  
9. Conclusion - Prepare to have you life enhanced  
10. Directory
ONE

OVERVIEW

of mobile consumer behaviour

Thanks to the current fascination for apps it’s easy to forget that, in the years before the iPhone, consumers were getting along with their mobile phones just fine. In fact, most people remain untouched by this phenomenon. Smartphones account for around only 22.8%* of UK mobile users.

By Mark Freeman,
Creative Partner, Movement

So marketing to everyone else still requires much more than building a sexy app. Thankfully there’s a legacy of other things consumers do on their mobiles. Let’s not forget them.

SMS, for example. Since the early 2000s SMS usage has been rising. Recent statistics show that, in the UK alone, 11 million text messages are sent every hour. 96.8 billion were sent in 2009 alone – a 23% growth on 2008.

* comScore MMetrics 3 month average, Jan 09
Indeed, it’s still the most popular branch of the mobile marketing industry. Several 100 million advertising SMS are sent out every month in Europe alone. However, that doesn’t necessarily mean it’s always a good idea, however, even if a customer has opted in.

SMS has a matchless simplicity and ubiquity which shows no sign of abating. In many respects, it is the killer app on mobile. These figures show that, now, in a peer-to-peer sense at least, consumers are able to create and distribute a text message with ease. It has become second nature.

This also makes SMS the ideal response channel for advertising. Hopefully we’ll see an increase of agencies and advertisers using the channel with more creativity (such as the now classic Audi R8 ad by BBH, pictured) rather than simply requiring consumers to ‘text YES for a brochure’.
Picture messaging launched in 2003 and has taken a while to gain momentum. Yet, last year, there were 601 million MMS sent. That’s 1.6 million a day. So consumers are getting used to not only using their mobiles as cameras to generate and send images, they’re becoming used to receiving rich media in their mobile inbox too.

Seasonal drivers still appear to propel the use of picture messaging, with 4.5 million MMS being sent on Christmas Day, while operators’ figures indicate an upturn in picture messaging during the recent January snowfalls.

If you’re sending picture messaging to advertise to an opted-in base, get the relevancy right and you can see pleasing results. Here at Movement we send MMS to Vodafone’s customers and regularly see response rates of around 8%.

Mobile internet users now stand at 19m a month*. That figure has risen rapidly. Whichever it is, the figure is rising rapidly thanks in part to 3G take-up and an increase in services such as maps, GPS and social networking. Indeed, social networks have been a huge driver for mobile internet in the last 18 months. Facebook alone grew from 20 million to 65 million monthly active users in 2009.

And we’re now at a point where the majority of consumers are confident users of SMS, MMS and, in growing numbers, the mobile internet.

So, yes, phones are getting smarter and apps are big news, but advertisers should focus more energy towards the combined power of SMS, MMS and internet. They’re still the best tools for reaching and engaging the majority of mobile consumers.

* comScore GSMA MMM, Jan 2010
Mobile phones occupy a different place in the lives of their owners compared to PCs, but there are many parallels in how both are consumed. Mobile and PC owners do similar things such as browsing the web, playing games, listening to music, watching video, sending emails and accessing social media. However, mobile owners also download applications, send SMS and importantly personalise their phone with ringtones, wallpapers, and exterior cases.

Personalisation

It is this last area, personalisation, which is at the heart of the differences between the two media. Mobile owners not only see their phone as an important communication tool but one that is always on and always with them, which means they consume media in a very different way. For example, a study in China found that if people had left their phone and wallet at home and had to pick up either one, 65% would go back and get the phone.
Consumption

Exposure2 research also showed that 87% of mobile media users consume mobile media at home, not just when out and about. Backing this up, 40% of iPhone users browse the web on their phone more than their PC. However, when they do consume media on their travels they are more likely to use local search and mapping services.

In terms of volumes, PC browsers still dominate: 77% (39m*) of the UK population browse on the fixed line internet in January 2010, compared to 37% (19m**) browsing the mobile internet. However, the PC browsing number has been relatively static for a few years, whereas the mobile number has been growing at around 50% a year since the end of 2007.

Looking at the sites that consumers browse on PC and mobile, it is clear there is a lot of crossover in the top 10 sites. Both mobile and PC have 5 similar media and search sites (Facebook, Google, MSN, BBC and Yahoo!) in their top 10. The remaining 5 in the Mobile Top 10 are all mobile specific sites, three operator portals (O2, Orange and Vodafone) and two handset makers (Apple and Nokia).

Advertising markets

A large difference between mobile and web is the size of their respective advertising markets. Although there are only 50% fewer mobile browsers than on fixed line, the mobile advertising market around 1-2% of web. This indicates a large latent demand, similar to what we experienced in web as the ad market grew from £150m to £3,000m in 2001-9.

Commerce

Much like the growth of ecommerce around 2001-3, linked to faster internet speeds and education, we expect the key to growth in mobile will be the rise of mcommerce. Commerce features unique to mobile such as coupons and location based offers could combine with already common wallet and credit card payments to significantly grow mobile commerce.

It is clear that in some respects mobile and web occupy very different places in consumers’ lives, and as a result what they do differs significantly between the two devices. However, there are also many similarities, which offer us as an industry a fantastic opportunity to learn from our mistakes online and really maximise on the potential of mobile.

* Source: UKOM Jan 09  
** Source : ComScore GSMA MMM Jan 09
The Mobile Mindset is Unique

The mobile mindset can be encapsulated by many words but let’s focus on 5 of these that can summarise the typical mobile mindset best:

Information, Immediacy, Need, Entertainment and Connection

The mobile mindset is in part of everyday life now, but to be able to understand it fully, we need to think about what has given birth to the phenomenon of mobile devices as a whole. That is not just the mobile phone, the laptop, the Netbook but every single device that we carry with us and that allow us to be mobile and have mobile experiences.
Hectic lives, the need to remain in touch, our increasing thirst for entertainment and instant information, all control the demand in this space and the desire to fulfil these immediately.

People are increasingly uneasy if they feel out of reach, unconnected and unsettled if they are apart from their mobile device. This mindset might also be due to the mobile phone being so uniquely and highly personal to each individual.

Our mobile can now be our wallet, camera, organizer, mailbox, movie theater, music library, video game console and, of course - our phone. The mobile device has become a virtual extension of its owner. Therefore it should be treated as such, privacy and respect when entering the mobile space should not be ignored.

**When, Why and Where.......?**

Generally on the move, mobile typically represents consumption on the go. The very nature and name of the device would lead us to believe that the mindset of the user would follow suit. That as a given, we need to look at how behaviour would follow on from the influences around these parameters.

We consume everything that we need as and when we need it, the mentality of “I want I get” has been with us for a while now and the mobile mindset is a continuation of this. I am travelling and need a train time, I am not going to wait until I get there to find out. I will get the information I want immediately.

So when we consume it is whenever we need it, why we consume it is because we need it and where is dependent upon what we need.

On the go suggests, a shortage of time, an instantaneous need, a requirement; it can also mean a stop gap. So the mobile mindset isn’t always based around transaction; it could simply be that we need to be entertained for example, on a train journey.

So in summary, the mobile mindset suits current lifestyle demands. The mobile device has opened up our minds and allows us to firmly remain informed, entertained and most importantly connected!
Applications that run on your mobile device were until recently the preserve of the technically minded power user. For years business folk have been reading PDF attachments on their BlackBerry’s, and tech-savvy Windows Mobile users have been installing Opera’s popular mobile web browser on their handsets. But for your average consumer, the whole process was just too technical and time consuming – plugging your device into your PC, downloading and installing the required sync software, downloading the app from the vendor website – being careful to download the correct version for your handset make, model and OS version. Then there’s entering your credit card details on the website of a company you’d likely never heard of, and finally installing the app on your phone, with no guarantee that it would actually load, or even do what you wanted.
Everything changed in July 2008 when Apple decided to launch its App Store. Overnight, the world of mobile apps had been opened up to the 50 million iPhone and iPod touch users around the globe. The whole app discovery and delivery process had been streamlined into a process so simple, that even techno-phobic grandparents could understand it. Within months, Nokia and BlackBerry had launched their competing app stores, and according to AdMob estimations, around $200 million worth of applications are being sold in Apple’s App Store every month.

With 3G mobile data networks quickly becoming reliable and affordable, we are seeing a big shift in the way apps are delivered to users handsets. Delivery over-the-air, directly to the mobile device, is now the most common form of application delivery. In Western Europe, 3G penetration has risen from 17% in 2007 to 29% in 2009 and is forecast to reach 67% in 2010 (it’s already 91% in Japan!). As this growth in bandwidth continues its upward journey, expect to see many more media-rich apps, offering mobile consumers both entertainment and educational multi-media experiences. In the UK in 2008, 80% of iPhone network traffic was generated from users browsing YouTube!

More recently, location aware apps are beginning to see a steady growth in popularity, giving consumers access to information that’s both useful and highly contextual. Apps offering entertainment listings, travel and accommodation information and navigation assistance are all gaining popularity in the app stores. By design, mobile apps are often used whilst the consumer is on the move, but we’re also seeing apps that provide information designed for consumption at home and in the office. Budding chefs reaching for their mobile for recipe inspiration, being just one example.

Popular apps are spoken about on Facebook, Twitter and other social networking sites, sending many apps ‘viral’ with minimal marketing spend required from the developer. App store download charts highlight to each visitor the most popular apps of the moment, further helping popular apps to quickly reach the viral tipping-point.

We are still only 18 months into the era of app stores, but the app economy is one of those rare cases where the insane hype is actually justified – the iPhone and its copycats are creating innovative new ways to use the internet and in the process changing people’s lifestyles. How did this happen? By Apple persuading 100 million consumers to store their credit card details so they could buy digital goods with one click on a screen.
As more consumers access the internet from mobile devices to make purchases, mobile commerce is rapidly gaining momentum, with many brands now recognising it as an effective channel to engage with consumers and generate revenue.

Tapping into mobile commerce

Depending on which part of the world you are in, some industry sectors have adopted mobile commerce more than others, here are some examples:

- **USA** – In the USA retailers have embraced mobile commerce. Companies such as Sears, Target, BestBuy, Ralph Lauren, are actively making use of the medium, with the creation of mobile banner ads, mobile gift cards, coupons and special offers to drive shoppers to the store or create brand awareness.

- **Japan** – Mobile commerce has been part of consumers’ lives in this country for a long time. Consumers use it for everyday activities, such as purchasing drinks from vending machines, buying goods through mobile shopping channels, checking-in at the airport.

- **UK** – More brands are starting to include mobile as part of their business strategy. Brands like Marks and Spencer and Interflora, have both built a successful mobile presence, not only as an extension of their online website, but more importantly as another channel to engage with their customers.

Key stats

- **Mobile-phone payments will hit £151bn by 2013**
  
  *Source: Juniper Research*

  - *Average user spend:*
    - 22% < £2.00
    - 57% between £2.00 - £5.00
    - 12% between £5.00 - £10.00
    - 9% > £10
  
  *Source: Bango*
The PEP formula for mobile commerce

There are three steps that brands need to consider when implementing mobile commerce:

• **Promotion**

Mobile offer brands great opportunities to promote their services and create brand awareness. Mobile consumers respond particularly well to mobile promotions such as, mobile coupons and money off vouchers that can be used in store, as well as text and win prize draws. Brands like Burger King and Hyundai in the US (see example on the right) have both been successful at using mobile as a promotional tool to drive customers to their stores.

• **Engagement**

Mobile is a personal medium and offers brands the best available data to target and personalise their offering.

Marks and Spencer, for example, has been successful at using mobile as a CRM tool, to support their customer loyalty scheme. In the run up to Christmas 2009 they launched a mobile gift site, to help customers select and buy presents for themselves or their friends. Once on the mobile site, customers were asked to answer questions about themselves and their friends. Depending on the answers, a suggested gift list was created.

This example highlights the potential of mobile as a customer relationship management channel, which strengthens customer loyalty.

• **Purchase**

Following the two steps above will help drive consumers to make the purchase. But to make sure this happens, you need to ensure that once consumers reach this final stage, that they are presented with the mobile experience they expect.

Companies like Interflora have been successful at developing a mobile commerce site (see mobile site on the right), which effectively complements their main website. Users are presented with a familiar browsing experience, similar to their PC website, giving them the ability to order flowers and gifts using a simple payment check-out process.

What all of the above shows is that mobile commerce is here to stay and brands recognise this by committing increasingly more resources to this channel. It proves that a well-thought-out mobile commerce site or service, that is part of the overall marketing strategy, will not only give brands another channel to generate revenue but will also strengthen the bond between them and their customers.
The number of people using the mobile internet has grown 26% since March 2009, bringing penetration of the UK market to 30%. Almost a third of people with a mobile phone are now in the addressable market for mobile display and search advertising, a milestone which shouldn’t go unnoticed.

Although there are many popular content genres, social networking is driving the growth in new users, with an increase of over 70% year on year in unique browsers.
Social networkers have a very even split between male and female users. This is very different from other genres, like search, where 60% of the users are male. This insight helps to show that social media is bringing the mobile internet out of early adopter mode (young affluent males) and into the mass market. There is also much anecdotal evidence that using Facebook is the first mobile internet experience for many people.

Using the mobile device for connecting with friends is nothing new, however, the experience generated by these social networking sites are the most engaging on the mobile internet. When analysing the GSMA’s new Mobile Media Metrics (MMM) service, Flirtomatic shows the highest amount of time spent per browser. Its average user spends almost 14 hours per month sending cheeky flirts to one another. This goes some way to explaining why social networking is attributable for almost 50% of time spent on the mobile internet.

Making comparisons to the PC internet also makes interesting reading. Although there are far less people using social networks on mobile devices, the people who do, visit sites more often and spend more time online. Facebook is a good example; mobile users spend on average 8 hours per month on their site, whilst the average PC user spends just 7 hours. Forward thinking marketers using social media will have to think at least as much about mobile as PC.

Search on the PC internet is used by 90% of browsers and is the principle service that has revolutionised the advertising industry and the way people use digital media. This is not the case on the mobile internet. Search is still the most popular genre but is only used by roughly half of mobile internet users. This has large meaning for navigation and the way in which people discover new content and sites on their mobile devices.

These insights from the GSMA MMM service and other mobile measurement products from comScore bring up questions for the future of mobile advertising. Will search be the dominant ad format like it is on the web? Or will social media sites bring new advertising offerings, unique to the mobile device?
MOBILE as part of a broader communications mix

By Peter Fyfe, Head of Mobile & Emerging Platforms, MediaCom Beyond Advertising

Even up until fairly recently, mobile marketing was limited to SMS and or a WAP site leaving advertisers little or no room to engage users beyond a very basic SMS response mechanic or data capture. However, network competition for customers, new improved mobile bandwidths, and smart phones have changed the way consumers are using the medium and given advertisers a far broader range of more engaging mobile opportunities. Mobile websites, Bluetooth, display ads, mobile search, apps, couponing, mobile social media, mCommerce, mobile pre-roll ads and augmented reality are just some of the opportunities being exploited today.

With such an array of emerging opportunities advertisers need to ask 2 key questions when considering mobile in order to maximise its impact on a plan:

1) What role is mobile playing in my communications?

2) How does it integrate with the other media?

Whether you ascribe to the marketing funnel or McKinsey’s ‘loyalty loop’ (see left) due consideration should be given as to whether mobile will drive awareness, consideration, evaluation, purchase or loyalty.

Source: McKinsey Quarterly
This decision will not only impact your subsequent choice of mobile channels but also help define what the most appropriate point for integration is with other media.

1. **Initial consideration/awareness**
   Multi-media communication plans designed to shift awareness or initial consideration will most likely feature brand TV, high impact outdoor and web display ads, all of which can be combined with mobile to drive better results. Mobile video pre-roll can work well in conjunction with TV, bluetooth activation can enhance outdoor to create a more engaging experience, and combining mobile display ads with web display ads can boost spontaneous brand recall by 50% according to the latest IAB research.

2. **Evaluation /consideration**
   In order to shift brand consideration advertisers often look for channels that deliver high levels of engagement e.g. digital outdoor, radio promotions or rich media placements online. Mobile can be used to activate these, creating higher dwell time for the branded content and consequently bigger impact. Tools to consider could be mobile applications, in-app advertising, mobile sites and web to mobile content.

3. **Generating a response/purchase**
   Prompting an immediate action from consumers is a direct form of advertising requiring an immediate return path. Direct Response TV advertising and red button TV, press, online display and paid search are well established key channels for direct response advertisers, all of which should be tested with mobile to assess
whether mobile integration improves response rates, drives additional volume or reduces cost per acquisition. Mobile paid search can be easily implemented alongside web paid search activity while press, TV and outdoor may include SMS shortcodes. Display ads for mobile may feature a “click to call” response mechanic and mobile micropayments can be integrated into your mobile site.

4. Post Purchase/loyalty loop
Retention strategies often include eCRM, direct mail and loyalty schemes. Mobile SMS and MMS has long been an effective way of maintaining a dialogue with customers however there are now exciting new loyalty channels opening up including branded mobile loyalty applications (see below) and mobile location based loyalty websites such as Foursquare.

<table>
<thead>
<tr>
<th>Mobile Internet Advertising</th>
<th>Awareness</th>
<th>Engagement</th>
<th>Action</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Banners/pre-roll</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile Search</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile Sites</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>SMS/MMS Push (opt-in-only)</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>SMS/MMS Pull</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Applications</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Bluetooth</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Augmented reality</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Web to mobile</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

So to summarise; there are different mobile options depending on your communications objectives. Advertisers should therefore pick the appropriate mobile channel and integrate it as far as possible to extract the true value of mobile.
The first thing to understand when looking into mobile's future, is that the device itself will occupy a fundamentally different role within our day-to-day lives than it currently does. It will be the enabler to a hidden world. We are already starting to see the changes, the phone as the remote control to our lives. For example; integrating with our music systems at home, tapping into our home security to check upon things wherever we are, cars coming with phone docks and controlling functions within it, connecting us and tapping us into our surroundings.

Augmented Reality and applications like Layar plug us into the metadata all around. Drawing upon a wealth of accessible information meaning that we don’t even need to have any idea of where we are to expertly know what is around us. This will continue to improve to not only feed us information but draw information from us to personalise what we see.
Billboards will become singularly targeted to you when viewed through your phone’s camera. See an ad for a supermarket and on the surface it will appear fairly normal, but when married to the identification data from your phone it will offer you specific offers, the ability to download recipe videos devised from what you last purchased or even to suggest healthier alternatives based upon the biometric data your phone will be constantly recording from you.

Visual Search turns everything into an information point. See a car you like the look of driving down the street? Take a photo of it and immediately pull up a review on it, order a model to be taken to your home for a test drive that evening or just add it to your virtual scrapbook for later attention. Watching TV at home and take a shine to the jacket that Jack Bauer is wearing on 24 Season 18. Bring out your phone, automatically synching with your TV it will recognise what you are watching and give you a menu of offers; to buy other episodes, read background stories or with just one click you can purchase the jacket!

The 1982 film Firefox where Clint Eastwood’s character is advised to “think in Russian” to fool the thought controlled weapons system, was a prescient glimpse to our near future. As speeds get faster, chips more powerful and the distinction between mobiles as physical devices and extensions of ourselves narrow, the rise of haptic and sensory interaction will grow. Soon we will be able to control our devices by gesture, without touching them. Just recently Docomo showed off, at the Barcelona MWC, their prototype eye gesture controlled headphones and these are a sign of things to come.

All of the above technologies are either in prototype stage or early release. The change they will bring to our mobile behaviour will be to elevate the device to becoming an amplifier within our day to day lives.

To function without our phone will be to have a lesser experience than that available with it.
You arrive in a foreign country. You don’t speak the language and the airport contains one confusing sign after another. Arrows and unrecognisable icons point in too many directions. You don’t need to speak the language to understand the sign on the information desk reads ‘Closed’. If you weren’t in such a hurry to pack, you’d have brought your phrasebook.

You reach into your pocket and take out your phone. You point it at a sign ahead and a translation appears on the screen, sending you the right way.

While it may sound futuristic, the idea comes from a set of very real technologies which are in use today in a beta feature of the Google Goggles app. Mobile is fast serving as the focal point for new software and hardware innovation coming together at breakneck speed. Mobile phones have transformed the way we communicate, but mobile devices will transform the way we interact with everything around us.

**The Three Cs**

Today, mobile devices exist at the intersection of three trends: computing (Moore’s Law), connectivity and the cloud. What this means is that mobile devices are becoming ever more powerful, are connected to the internet more often and are capable of tapping into data centres around the world. Powerful new services available anytime which harness massive computational power are here, such as Google Mail for Mobile, or a service like Spotify.

Of course, the challenge remains to put these devices into the hands of more consumers. The factors which can make this happen are moving in the right direction. These next-generation gadgets are available to buy in more ways than ever before, at more competitive prices and with all-you-can-eat data plans which are opening up the mobile internet for more users.
Users Lead Us All

Consumers globally are quickly embracing this new proposition. It’s no coincidence that smartphone shipment will grow by 22% this year, whereas traditional WAP phone shipment will only grow by 7%*. Forrester estimate the number of Europeans accessing the mobile internet will be close to 150m by 2014, or 39% of the audience.

Recognise and Respond

At Google, we’re seeing interesting and changing user behaviour. In the third quarter of 2009, growth from queries on Google grew 30% over the previous quarter. As expected, high-end devices with their touchscreens and favourability for browsing led the way: we saw iPhones and devices running Android make up over 50% of all mobile search queries. But these users aren’t swapping desktop for their mobile device. Rather, they’re continuing to search at times they don’t have ready access to their desktop, like in the evenings at home or when they’re away from the office at the weekend, as the chart to the left reflects.

We urge marketers to recognise this change in user behaviour and grasp the mobile opportunity now. Develop new products or adapt existing ones to take advantage of mobile device capabilities and changing consumer habits. In a word, mobilise.


Source: Forrester Research European Mobile Forecast 7/09 (Western Europe)

Source: Forrester Research European Mobile Forecast 7/09 (Western Europe)
For more information on mobile please contact the IAB or any of our members.

Jon Mew,
head of mobile, IAB
jon@iabuk.net,
0207 050 6969

With thanks to our sponsor

Google