Mobile search comes of age: opportunities and challenges

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Key messages

- Mobile market dynamics are changing in a way that means consumers have more content available than ever before. However, finding content often proves a difficult, slow and expensive experience. This is where mobile search can help by making content discovery easier. It can also help drive revenues from increased data traffic content downloads and advertising opportunities.
- The mobile content industry believes that consumers are browsing and searching for content much more than they actually are, as proven by concurrent surveys conducted by MEF (Mobile Entertainment Forum) among its members and a consumer panel. Players in the mobile search value chain need to educate consumers and make them aware of the value of search, and then look at how to drive usage, which is still low.
- Ease of use is a challenge for mobile search. It is improving but is still difficult compared to online search, and although the two environments are very different, consumers do not care and will expect mobile search to be as easy as it is on a PC.
- People are using search to seek out and download content, the majority of which is music-based premium content rather than free services. This is a very heartening message because it shows that although usage is currently low, people are using search in a way that can boost service provider revenues. This is exactly what the mobile entertainment industry wants them to do.
- In the MEF member survey, mobile search advertising scored highly compared to other forms of mobile advertising: 30% of those questioned think it has the highest potential to generate revenues, followed by banner adverts. However, MEF members do not think revenues will really kick in until 2008 or 2009. We agree with this outlook because the market is still at a very early phase and business models are still being established.
- There is a pressing need to provide more information and real data from the field about mobile search advertising. We have no established metrics for measuring the success of mobile search. MEF members thought that content downloads would be a good metric, followed by return visits, unique users and number of visits. This is a very mixed bag. What is really needed is an independent body that can provide recognised mobile search metrics and measurements in the way that Nielsen and the Internet Advertising Bureau (IAB) do for online advertising.
- There is a strong tendency in the industry to view the big online search brands as the players most likely to dominate mobile search, particularly in terms of partnerships with other players in the value chain. However, we do not think it is helpful to reduce value chain positioning to an ‘either/or’ scenario of online

giants versus specialist mobile search providers. In reality the question is one of finding the partner that is best suited to the needs of a particular service provider and its target markets. Moreover, we think it is particularly important at this early stage in the development of the mobile search market that all parties in the value chain try to work together to grow the market, rather than fragment it before it has taken off.

Introduction

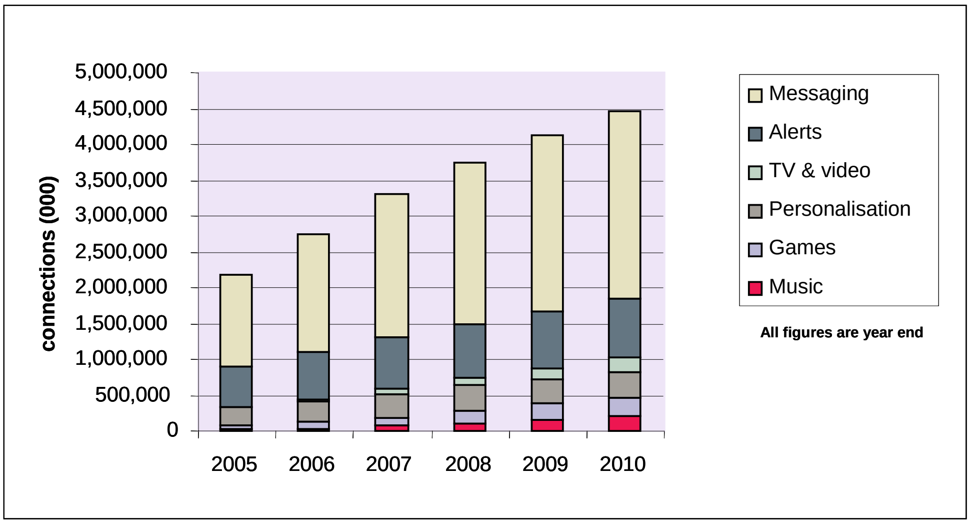
Changing dynamics put mobile search centre stage

The market for mobile content services is growing, as shown in *Figure 1*. Today most of this content is consumed as downloads on mobile operator controlled portals, although this is changing due to the following reasons:

- the growth in off-portal content. Consumers are becoming aware that operators are not the only source of content and they certainly don't care about the on/off portal distinction. In fact, they will become increasingly intolerant of service providers that operate closed garden portals
- associated with the above point is the fact that service providers with access to huge content catalogues are going mobile, such as record labels and broadcasters. They are, or will be, looking at mobile search to optimise discovery; for example, a particular music artist, TV programme or video
- index initiatives such as dot.mobi, which encourage mobile optimised sites of better quality and usability. Approximately 545,000 names have now been registered with dot.mobi, although a more modest 10% of sites are live
- the combination of 3G networks and improved device capabilities means that mobile browsing is getting faster and easier.
- operators recognise these factors and are slowly breaking down their walled garden portals and supporting off-portal activity, particularly in Western Europe. This includes measures such the introduction of flat-rate data tariffs that make browsing and downloading content less expensive.

The net result is that consumers have more mobile content available than ever before, which is great. The problem is that finding content can be difficult and inefficient, which is not so great. This is where mobile search can help by making content and other services easier to find, and in doing so maximising the revenue opportunities that are attached to them.

Figure 1 **Global connections for key content services**



Source: Ovum

The meaning of search

The MEF Mobile Search Initiative views search as the way that people can find content on or off portal by browsing or by entering a search query via the mobile version of an online Internet search engine, or by using a specialist mobile search function provided by an operator or other service provider and usually based on a white-label solution. The initiative is primarily focused on search functionality rather than browsing.

Most people today find content by browsing within a service provider portal, but going forward more people will use a search function to discover content on and off portal. Search is the way that most people discover content in the online world – search acts as a user interface. In a similar way, search is becoming a core competency in the mobile world.

Understanding the issues driving the market

However, mobile search is still a very young market, even though many of the players are well established, and in common with any nascent market there are a number of issues that need to be addressed before it can take off. Addressing these issues is a key objective of the MEF Mobile Search Initiative, and the first step in this process has been to conduct a survey among MEF members and consumers. This was carried out during January/February 2007.

The MEF member survey allowed us to identify the opportunities and challenges as seen by players in the mobile entertainment industry. The consumer survey showed us how consumers view and use mobile search – there was an interesting gap between the two, which we will examine later. The objective of this white paper is to analyse the results of the two surveys, pulling out the key findings and making recommendations based on those findings and the expertise of the Mobile Search Initiative members.

The consumer perspective

Disconnect between industry perception and consumer reality

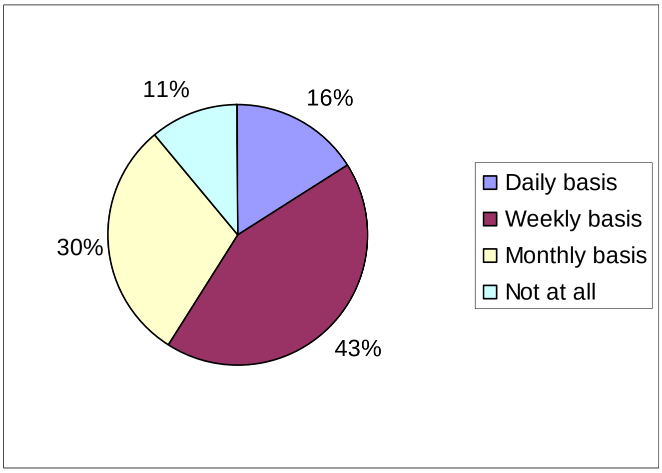
The vast majority of MEF members, 98%, believe consumers are using, or will use, their handset for discovering content. The optimistic outlook also applies to their view of usage: MEF members believe that 43% of consumers use search on a weekly basis, 30% on a monthly basis and 16% on a daily basis (see *Figure 2*).

A comparison of these findings with the consumer survey (*Figure 3*) shows there is a big disconnect between what MEF members think consumers are doing and what they are actually doing. The consumer survey revealed that only 20% of consumers search for content on a regular basis, and the majority (11%) search less than once a month.

The main reasons that people are not using search more is because:

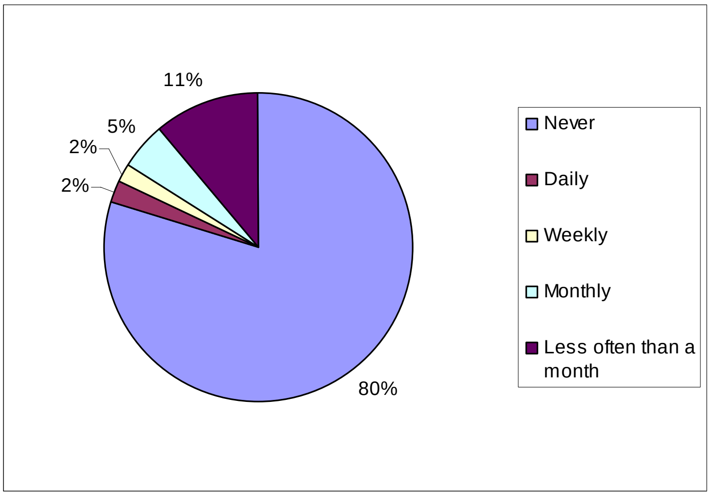
- they don't know how
- they assume it will be difficult and slow
- they think it will cost too much
- they are not aware of search in the first place.

Figure 2 **MEF Members: How often do you think consumers currently use mobile search to access mobile entertainment content?**



Source: MEF

Figure 3 **Consumer panel: How often do you surf the mobile Internet using your mobile phone to search for music, ringtones, mobile games or other forms of entertainment?**



Source: MEF

Recommendations

Education, driving usage and ease of use are key priorities

There is clearly a need for players in the mobile search value chain to educate consumers and make them aware of the value of search, and how it can help them find content and other services that make life easier, more organised or simply more fun. MEF members are aware of this – 43% said that looking at ways to gain consumer acceptance is an important cross-industry concern and one that the Mobile Search Initiative aims to encourage.

Yet raising awareness will not be enough. The next step is to stimulate usage, and this is far more challenging but is an urgent action given that most consumers in our survey are searching less than once a month. Ongoing marketing and promotional campaigns will be a necessary investment, but more specifically operators must address concerns about cost issues – wider adoption of flat-rate tariffs is the best, boldest move.

There are also issues relating to ease of use, or rather the lack of it. Mobile search is improving but is still difficult compared to online search, and although the two environments are very different consumers do not care and will expect mobile search to be as easy as it is on a PC. Managing this is one of the biggest challenges facing mobile search providers, and some of the key differences between online and mobile search are summarised in *Figure 4*. We discuss ease of use in more detail under the section ‘Mobile search solution wish list’.

Figure 4 **Characteristics of the online and mobile search environments**

Attribute	**Online / PC**	**Mobile / phone**
Screen size	Large	Very small
Input capabilities	Good	Limited
Personalisation and targeting	Reasonable	Very good
Connection speeds	Fast and improving	Reasonable and improving
Site optimisation	Good	Poor but improving
Localisation	Reasonable	Very good
Consumption patterns	Extended, stationary	Short, on the move
Pricing	Flat rate	Metered (but changing)
Degree of openness	Completely open	Traditionally closed (but changing)
Reach	Significant	Huge

Source: Ovum

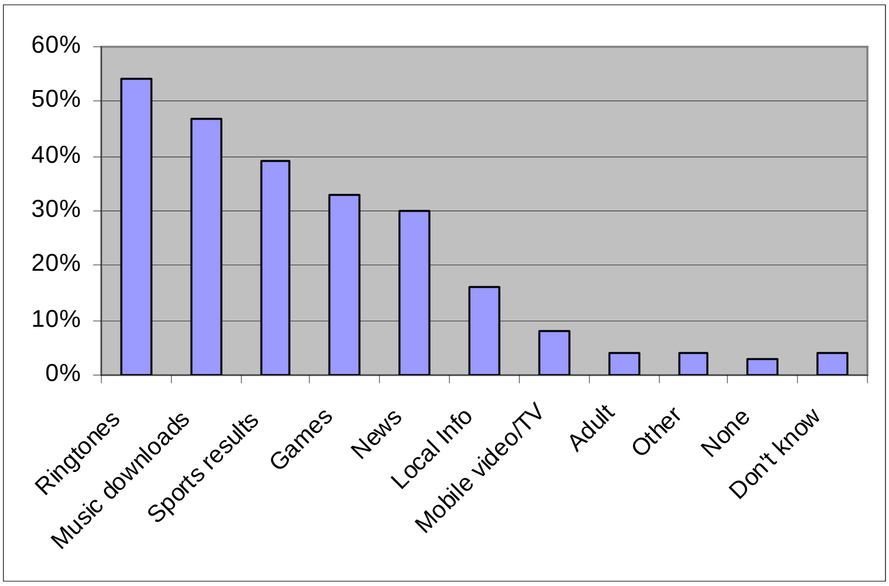
Content

Mobile entertainment searches are top, but local search is under the radar

People are using search to seek out and download content, the majority of which is music-based premium content rather than free services. The top ranking search items were ringtones, followed by full-track music downloads, games and sports results. Only 8% of the consumers surveyed searched for mobile TV and video services, which is a reflection of the fact that these services are less mature. Adult services scored surprisingly low (4%) but we think in reality this might be higher, the low ranking being based on the fact that many people are reluctant to admit to a liking for adult services.

In terms of what type of content people are looking for, MEF members and consumers are pretty well aligned, although there was a perception among MEF members that local information was more popular (36%) than it appeared to be with consumers (16%).

Figure 5 **Consumer panel: When using the Internet search facility on your mobile, what kind of content or information do you tend to look for?**



Source: MEF

Recommendations

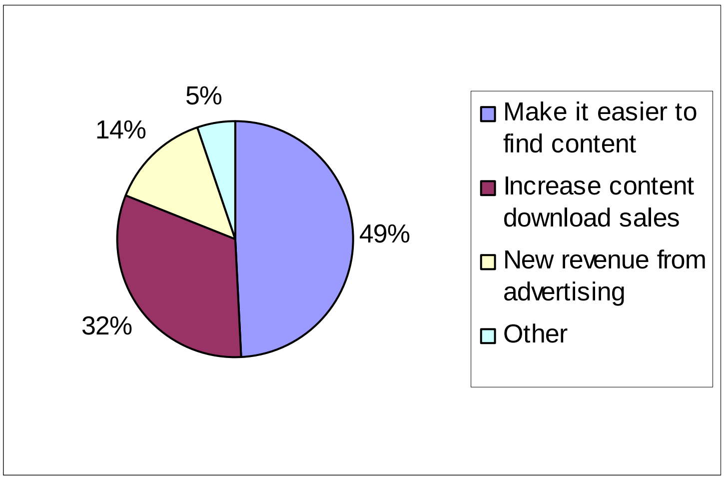
Search can boost revenues from content services

There is an important and positive take out with these findings. Although usage is currently low, people are using search in a way that can boost service provider revenues. This is exactly what MEF members want them to do. The ability of search to make content discovery easier and to increase download sales are two of the key goals of mobile search, according to MEF. The third is to drive advertising revenues (see *Figure 6*). Downloads are also considered to be the most important way of measuring the success of mobile search. Moreover, 66% of MEF members surveyed have considered using search to help content discovery on their sites.

The fact that music downloads, games and sport scored highly is not surprising, as these are some of the more developed, popular and plentiful types of content.

The fact that local search was not ranked higher is disappointing, as location is an important way of adding unique value to mobile search. This strongly suggests there is a need to raise awareness among consumers (and possibly service providers) of the particular value of local search.

Figure 6 **MEF members: What is the goal of using mobile search in mobile entertainment?**



Source: MEF

Revenue streams and business models

Mobile search advertising has a strong buy-in from the entertainment industry

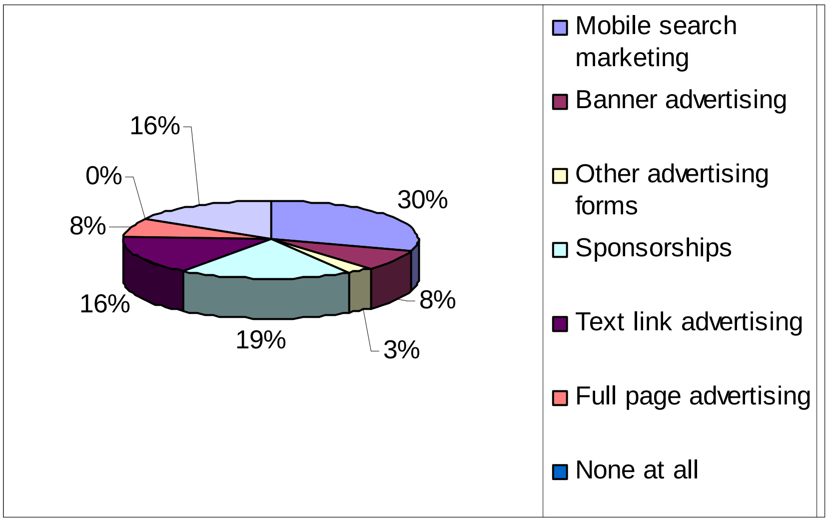
There is a very strong belief that mobile search can help drive service provider revenues – 68% of MEF members surveyed said it was either a top or very important priority.

There are three ways that mobile search can help drive revenues:

- through the discovery and download of premium content
- data traffic revenues
- mobile search advertising

Mobile search advertising scored highly compared to other forms of mobile advertising: 30% of those questioned think it has highest potential to generate revenues, followed by banner advertising (as shown in *Figure 7*).

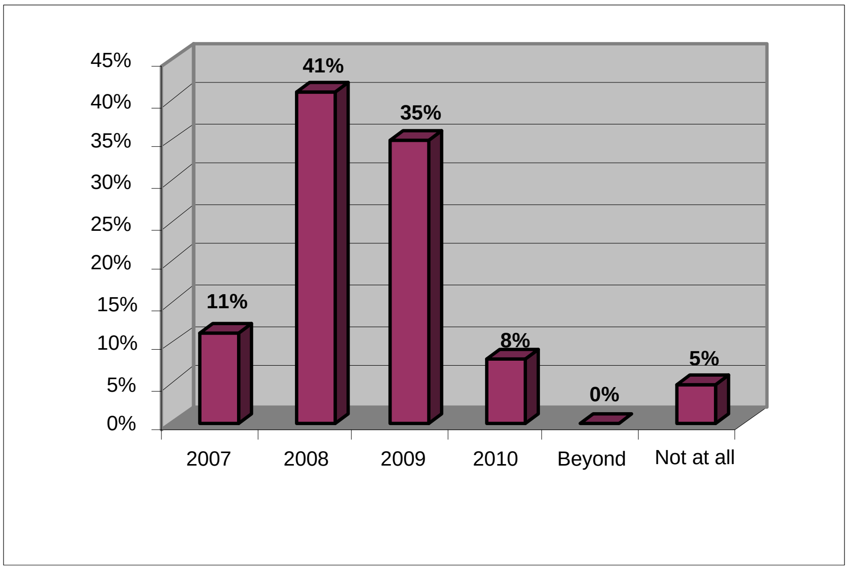
Figure 7 **MEF members: What form of advertising do you think has the highest potential to generate revenues in the mobile entertainment context?**



Source: MEF

Although MEF members are very positive about mobile search advertising – in particular, 72% see keyword search advertising as an opportunity to (further) monetise their business – they do not think revenues will ramp up in the immediate term. Most MEF members did not expect mobile search advertising to contribute significant revenues to their business or the mobile entertainment market until 2008 or 2009. We broadly agree with this outlook because the market is still at a very early phase and business models are still being established.

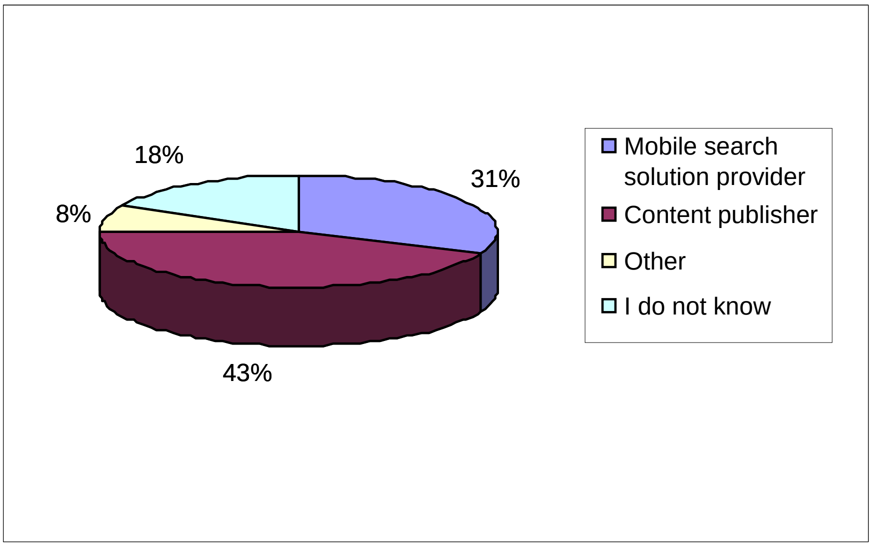
Figure 8 **MEF members: When do you expect mobile search advertising to contribute significant revenues to your business / the mobile entertainment industry?**



Source: MEF

The business model for mobile search advertising is following a similar model to that established for the Internet. However, the revenue share is likely to be different, according to MEF members. On the Internet the split is typically around 65% of the advertising revenues to the site publisher and 35% to the search solution provider. The business model for mobile search is still emerging, but MEF members believe the revenue share will be 31% to the search solution provider, 43% to the publisher and 8% to 'Other', as shown in *Figure 9*.

Figure 9 **MEF members: How do you think revenues from mobile search should / will be divided in the mobile entertainment context?**



Source: MEF

Recommendations

There is still much uncertainty: need for more information and established metrics

Although the mobile entertainment industry is very positive about the potential for mobile search advertising, there is still a lack of understanding in many quarters about how it works in the mobile context, and the potential benefits and challenges. For those MEF members that did not see the opportunity for mobile search advertising, the main reason is because they do not have enough information to judge the proposition.

There is a pressing need to provide more information and real data from the field about mobile search advertising. The difficulty here is that service providers that have implemented a mobile search advertising programme do not want to share commercially sensitive information. At the same time, we have no established metrics for measuring the success of mobile search. MEF members thought content downloads would be a good metric, followed by return visits, unique users and number of visits. This is a very mixed bag. What is really needed is an independent body that can provide recognised metrics for mobile search in the way that Nielsen and the Internet Advertising Bureau (IAB) do for online advertising.

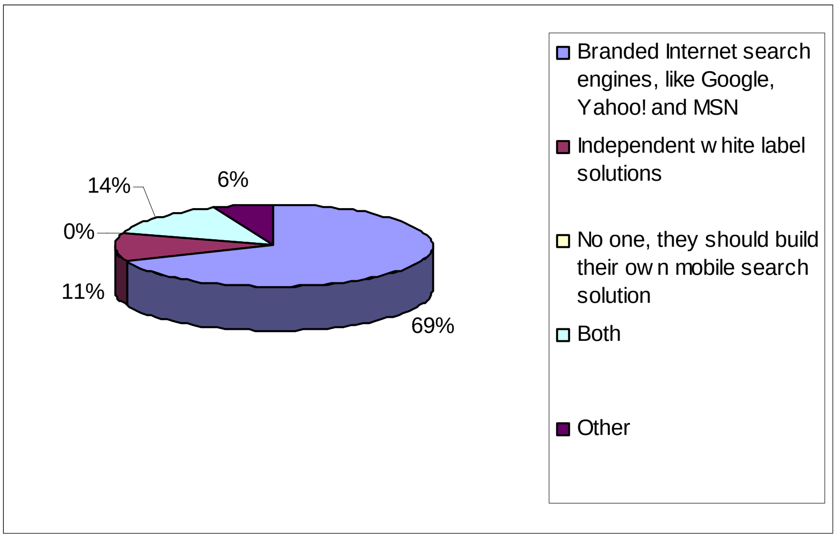
The business model for mobile search needs to be better understood, particularly around revenue share allocation. Although a good number of MEF members had an opinion regarding revenue share, a significant 17.5% of MEF members had no idea how revenues would be shared between parties and could not even hazard a guess. Associated with this is the need to agree some sort of rate card for mobile search advertising. MEF members are aware of this – 45% said finding a workable business model is a top priority.

Value chain players

Big online search brands seen as strong partners for mobile search

There is a strong tendency in the industry to view the big online search brands like Google and Yahoo! as the players most likely to dominant mobile search. MEF members thought they are the most likely partners for media players such as broadcasters and mobile operators (see *Figure 10*). The option of a sole partnership with an independent white-label solution provider has modest support, but there is more confidence in a mixed model where both types of partner are used.

Figure 10 **MEF members: Who do you think mobile network operators should partner with to provide a mobile search experience?**



Source: MEF

Recommendations

Partnerships are not a black and white case of Internet brands versus mobile specialists

There is no doubt that the mobile search value chain is becoming very competitive, with a range of very different players all jockeying for position. This is a natural state of affairs in a young, promising market. However, we do not think it is helpful to reduce value chain positioning to an ‘either/or’ scenario of online giants versus independents. This is a blinkered approach. In reality the question is one of finding the partner that is best suited to the needs of a particular service provider and its target markets. These needs will be different for different service providers and will change over time. This could mean an agreement with Google, a mobile white-label solution or a mix of the two.

Moreover, we think it is particularly important at this early stage in the development of the mobile search market that all parties in the value chain try to work together to grow the market, rather than fragment it before it has taken off. It is heartening to see that many MEF members are also thinking this way, with 24% stressing the importance of getting all stakeholders to work together. Of course, this is easier said than done, but is nonetheless a long-term objective of the Mobile Search Initiative. A first step in this direction is to formulate best practices for mobile search.

There are strategic issues to keep in mind when considering which kind of partner works best for you, and we’ve summarised some of the key points below.

- Internet search engines like Google and Yahoo! are very strong, mainstream brands that resonate with consumers. Google in particular is synonymous with search, and for many consumers the fact that they use it online will make them more willing to use it for mobile search. The onus is on white-label mobile solutions to prove they are better or at least equal to the task.
- Big Internet search brands have experience and a proven track record in selling and supporting online search advertising. However, we don’t think this necessarily gives them an advantage for doing the same in the mobile space, as the fixed and mobile environments are very different. The providers of specialist mobile platforms will often have a deeper understanding of the dynamics of mobile advertising and how to market it to brands and agencies.
- Big Internet brands drive traffic online, and there is a hope they will do the same for mobile search.
- Once aligned with a big online brand like Google, it will be hard to go back.
- Aligning with a strong online search brand could dilute a service provider’s portal brand. The likes of Google have very strong, recognised brands that eclipse most operator brands.
- There is a danger that Google and Yahoo! will build their profile and appeal among mobile users and then make an aggressive direct push.

- Mobile search platforms have been built from the ground up, with the particular challenges of mobile search firmly in view. To be fair, few online search engines are simply retrofitted for mobile, or at least not any more. Brands like Yahoo! and Google are working hard to improve functionality to give a better mobile experience.
- White-label solutions often support customisation in terms of how they are implemented, giving service providers greater control.

Mobile search solution wish list

Alongside strategic issues, you might also like to consider the following wish list of features when thinking about a mobile search solution. This is by no means an exclusive list, but we think these are some of the more interesting features for mobile search – although in reality they are unlikely to be present in a single solution today.

- Relevance. Bringing back relevant links is by nature challenging in the context of the mobile Internet, which although growing has a fraction of the content available compared to the fixed Internet. There is literally a lot less to select from. However, relevance is even more important for mobile users who want answers to their queries rather than a long list of links to trawl through. Category-based search results grouped by subject can be helpful here.
- Data analytics tools and behavioural targeting technology. This increases the relevance of search results, allows advertising to be better targeted and also underpins the recommendation.
- Personalisation. This links to the above features and describes the kind of scenario where search is sensitive to a user's context (for example, the time of day/week, location, search history and preferences).
- Recommendations. This is a powerful feature for selling additional products, but is also useful in avoiding disappointment when the obvious matches are not found. For example, a 'no results' message might be accompanied by a cluster of links for close alternatives. Another type of recommendation is the ability to send links to friends, which in turn is a form of viral marketing.
- Support for mobile search advertising. A keyword bidding platform is the most obvious, but look out for platforms that also support contextual targeting.
- Ease of use. This is improving, but users still find mobile search is difficult, as evidenced by our consumer survey. Consumers need a pleasing, easy to use interface that renders well on a small-screen device with limited input capabilities. The search experience should ideally be able to deliver content within three clicks – the industry consensus on the optimum number of clicks for content discovery.
- Support for voice-based search.
- Customisation. For example, the ability to define the parameters of a search implementation. This is particularly important in a white-label solution where

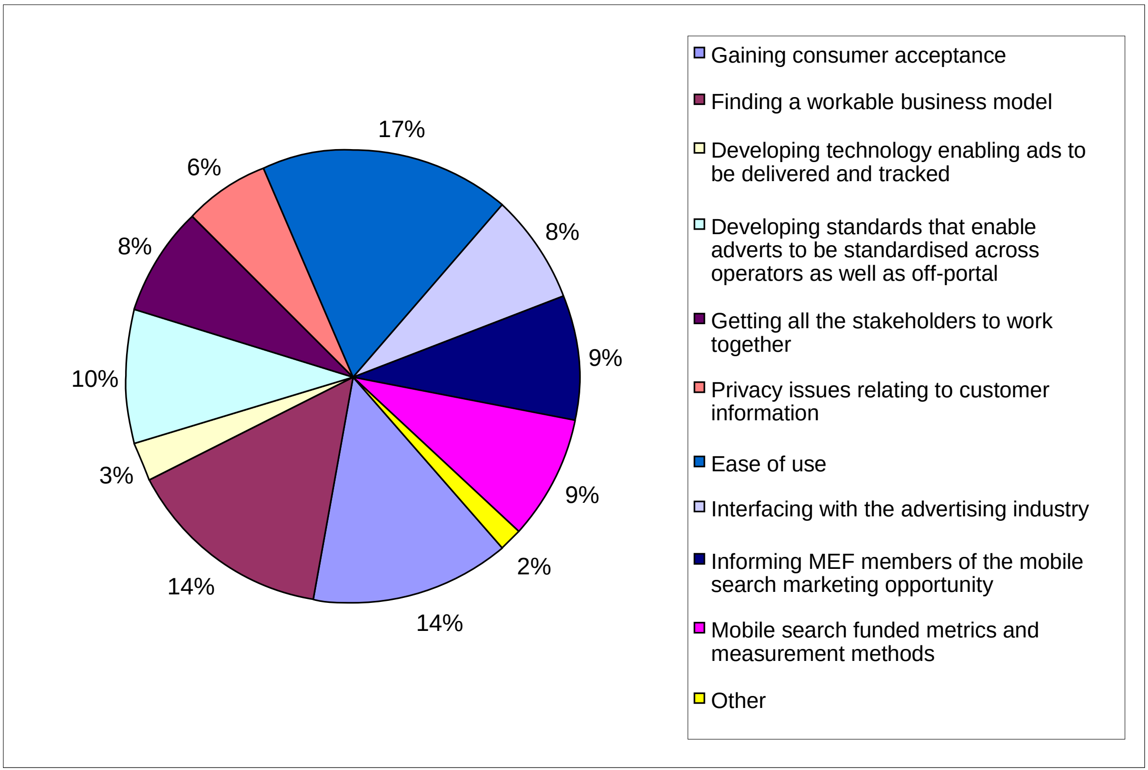
service providers will not be relying on brand to stimulate search and so will need other ways to differentiate their offering.

- Local/location-based search. Location is a unique attribute of mobile search and allows people to find services in a given local area. Mapping is an extension of this and a means to add further value.
- Cross-media features and integration will be an important consideration for service providers that have both mobile and fixed Internet properties.

Conclusion

Mobile market dynamics are changing, and in a way that means consumers have more content available than ever before. Mobile search will play a critical role in this environment, bringing tangible benefits to consumers by helping them to find desirable content, and in the process driving revenues from data traffic, increased downloads and mobile search advertising. Many of the foundations for mobile search are in place, but as we have also noted, there are still outstanding issues that need to be addressed for the market to really take off in the way that everyone hopes. By way of a summary we'd like to point you to *Figure 11*, which perfectly sums up the challenges that need to be addressed. The MEF members questioned hit on all the key areas, notably improving ease of use, gaining wider consumer acceptance, building solid business models for mobile search advertising and establishing transparent, recognised metrics to make this flourish.

Figure 11 **MEF members: What issues do you think are most important for MEF to be investigating as part of this initiative?**



Source: MEF

About the MEF Mobile Search & Discovery Initiative

In December 2006, MEF launched the Mobile Search & Discovery initiative proposed by mobilePeople and supported by FAST, Orange and Amdocs Digital Commerce Division. Ovum is the external research partner for this initiative.

This initiative is about the commercial aspects of the emerging mobile search market. The main objectives are to educate the mobile entertainment industry, to build and promote this high potential market for the mobile industry, to promote best practices by publishing an authoritative best practice guide on usability guidelines for search results of mobile entertainment content on a small screen.

About MEF

MEF exists to represent the interests of its global membership across the mobile entertainment value chain. Our goals are to build awareness, create business development opportunities and facilitate the development of commercial guidelines and best practices to promote a healthy and profitable industry.

With headquarters in London, a Hollywood-based Americas secretariat and the newly established Asia chapter, MEF's network of members represents a veritable 'Who's Who' of mobile entertainment businesses and entrepreneurs.