MOBILE MARKETING & SALES

iPHONE AND MORE – A NEW MARKETING AND SALES CHANNEL

Every day nearly 65 million Americans use mobile internet, for instance to access e-mails on their phone or to get the latest news. In the UK, the number of mobile internet users has increased by more than 47% within 18 months to more than around 17 million customers and latest studies show that the mobile internet is already an inherent part of everyday life for a large number of users. This indicates a paradigm shift in the behaviour of internet consumers: latest figures show that for a large number of users mobile devices are likely to become a more important point of access to the Internet than PCs or laptops. Despite the highly dynamic development of this market, many companies have not yet recognized the enormous strategic marketing and sales potential that the "Mobile Web" offers.

Modern transmission technologies such as 3G allow up- and downloads with broadband speed at reasonable flat rate tariffs. Alongside such infrastructural improvements, the mobile market is increasingly dominated by multi-functional and fully internet compatible mobile devices, so called smartphones. Trendsetter of this new "mobile all-rounders" generation is the Apple iPhone which sets new standards in ease of surfing due to its intuitive handling and web presentation quality. Overall, the global smartphone market grew 14% in 2008, which is more than twice as strong as the growth of the mobile phone market. Additionally it is expected that more powerful cell phone models with comprehensive Internet features will squeeze standard cell phones out of the market in the medium term.

Disproportionately high growth of the smart phone market

> The world of 'Applets'

Mobile Internet users are different to traditional web users: increasingly they do not use the installed web browsers of the smartphones (e.g. iPhone, BlackBerry), but receive their information through software applications specially developed for smartphones, so-called "Apps". Next to games and other entertainment programs, a large number of these Apps access information and service offerings of companies on the World Wide Web and prepare the contents of the website for suitable information display on the smartphone. As a result, display and interaction shortcomings caused by websites that are not optimized for mobile purposes can be overcome and the usage experience will be highly enhanced.

Mobile Internet users are different to "classic" web users

Apple offers such Apps for download at the "App Store" – partly free of charge, partly with a fee. Firstly, software engineers and companies develop these applications, set the price, check it and finally forward it to Apple for the release in the App Store. This allows end-users to choose from a wide range of Apps and, according to their information needs, to install convenient programs on their iPhone or internet compatible iPod Touch. In addition to distribution, the App Store also takes over the payment function: charged applications are downloaded, Apple collects the fee directly from the Apple-registered customers, receives a service fee of 30% of the total amount and transfers the remaining amount to the vendor of the application.

Functionality of the App Store by Apple

The Apple App Store example shows the dynamics of the market: Starting in July 2008 with 500 applications, the store already offers more than 60,000 programs 12 months later. By the end of July 2009, over one and a half billion such programs were downloaded by iPhone and iPod Touch users. In comparison Apple needed more than three years to reach the same level of song sales via iTunes. Analysts project that the App Store generated revenue for Apple of more than $ 1 billion until July 2009. Following Apple's launch,

App Store started far more successfully than iTunes

of its App Store for iPhone and iPod Touch, Google introduced the Android Market for the Google Phone in February this year. Similarly, RIM (BlackBerry), Nokia and Microsoft announced their intentions to join the market for applications this year.

EXAMPLES OF SUCCESSFUL APPLICATIONS

Back · Limousine	Search · garden chair	**AroundMe**
Ford Fiesta 3dr · 39.00 GBP	6 items found · Refine	Apple Retail Stores
ECMR	Sun Garden Deck-Chair-Auflage 2-teilig · 25,00 € + 7,90 € Buy It Now 29d 2h	Banks/ATM
VW Polo 5dr · 45.00 GBP	Sun Garden Deck-Chair-Auflage 2-teilig · 25,00 € + 7,90 € Buy It Now 29d 2h	Bars
EDMR	Sitzei (Garden Egg Chair) Peter Ghyczy Design 60s/ 70s · 399,00 € Free Buy It Now 4d	Coffee
Toyota Auris · 47.00 GBP	RED CHAIR FADEAWAY Curiouser & curiouser ENGLISH GARDEN · 14,99 € + 1,70 € Buy It Now 7d 21h	Favorites
CDMR	SitzEi (Garden Egg Chair) Peter Ghyczy · 102,00 € + 45,00 € 6 bids	Gas Stations
VW Golf · 49.00 GBP		Hospitals
CLMR		Hotels
Toyota Auris Aut. · 54.00 GBP		Movie Theatres
CDAR		
Ford Focus Aut. · 56.98 GBP		Oxford

Sixt: Offer of all Internet services, e.g. hire car booking, quote request, station finder, etc.

eBay: Selling, watching and managing auction items

AroundMe: Retrieve local/regional "points of interests"
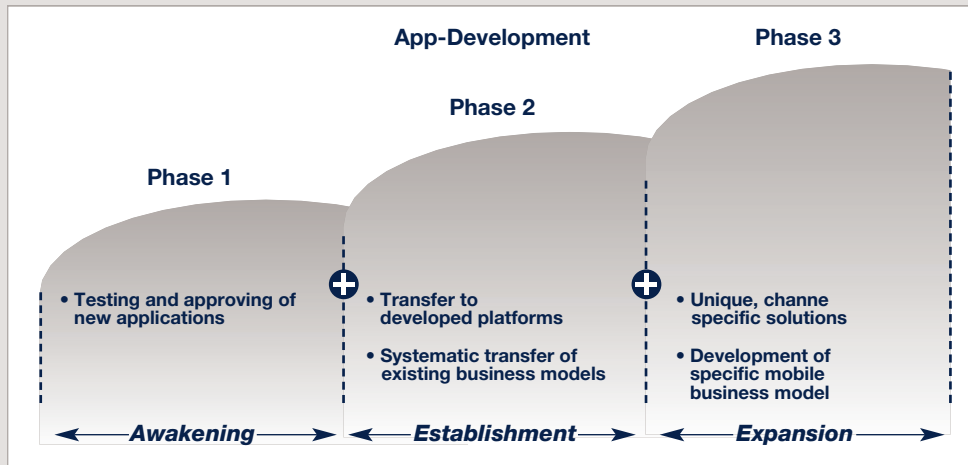
> ### Innovating through Applications

Against the backdrop of these huge developments of the Mobile Internet, online auction house eBay has recently launched an iPhone application that transmits auction information matched to the individual needs of the iPhone user, who can now sell products, change bids and watch items anywhere. Sixt offers an application in the App Store, with which both prices and availability can be determined and car hire bookings subsequently made. Likewise, well-known publishing houses discovered this new distribution channel and now successfully promote travel and restaurant guides to interested smartphone users.

Enormous potential can be seen in location-based service applications. They use the current location of the user to provide local information. The application "AroundMe" tells the user which pharmacies, cafes, cinemas, etc. are situated nearby him and how he can reach those places. Other applications go a step further by linking this information with a "mobile ticketing" function which permits the direct purchase of tickets for the local theatre. This interaction makes it possible for the consumer to meet impulse-driven needs and satisfy spontaneously arising interests while shopping or travelling. It is expected that a substantial proportion of bookings, reservations, purchases, etc. will be handled over smartphones in the future. Usage possibilities for companies are diverse and range from simple shopping applications to sophisticated yield management solutions such as in the tourism business.

Location-based services offer innovative functions to Mobile Internet users

> ### What consequences will these developments have for companies and what scenarios can be expected in the coming years?

It is assumed that the market of the Mobile Web will develop, like the Internet did, in three phases. In the first phase, the Awakening Phase, market participants watch developments of the Mobile Web with interest, whilst new applications are tested and approved by companies and customers (see figure).

**DEVELOPMENT PHASES
OF THE MOBILE WEB**

App-Development

Phase 3

Phase 2

Phase 1

• Testing and approving of new applications

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• Transfer to developed platforms

• Systematic transfer of existing business models

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• Unique, channe specific solutions

• Development of specific mobile business model

Awakening → *Establishment* → *Expansion* →

In phase 2 – the Establishment Phase – a transfer of existing business models to the Mobile Web takes place. In particular, enterprises that generate an essential part of their revenue through online sales, i.e. already established e-commerce players, will develop applications for the Mobile Web. The focus is on a systematic transfer of existing business models to the Mobile Web. In the third phase, the Expansion Phase, it is envisaged that in addition to the establishment of the Mobile Web as a suitable distribution channel for the mass market, channel-specific solutions will evolve and new mobile business models will arise.

> How can companies respond to these developments?

Recommended actions

1) Develop a growth strategy, which includes Mobile Web plans.
2) Define marketing, sales and service activities, which are both suitable for Mobile Web and offer customers a genuine added value.
3) Start with applications that are common in the Mobile Web. Focus on key devices as iPhone, BlackBerry and Google Phone.
4) Make sure that these applications are easy to use – even easier than normal internet possibilities.

SEMPORA currently supports companies in the entry of the Mobile Web market and in the field of App-development. A useful first step for the launch of such a project is a strategy workshop with senior management and marketing and sales professionals. Such sessions help define objectives and propose strategies, to determine the best way forward for developing the company's Mobile Web plan.

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