

Chapter 4

Factors Affecting Mobile Advertising

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ABSTRACT

Mobile advertising holds strong promises to become the most highly targeted advertising medium offering new ways to target messages to users. By utilizing mobile advertising, companies can run marketing campaigns targeted to tens of thousands of people with a fraction of the costs and time in comparison to other direct marketing mediums. However, as mobile advertising is a novel approach, many aspects of it still need further investigation. Little is known regarding the effectiveness of mobile advertising campaigns and the factors contributing to their success. This chapter aims to provide a comprehensive understanding of the advertising space and its influencing factors. First, the study investigates factors that influence mobile advertising from both the industry's and consumer's point of view. Second, based on a review of previous studies in the field, the author proposes a conceptual model for mobile advertising, which categorizes the factors in different groups and provides a holistic view of their impact in the mobile advertising space.

INTRODUCTION

The heightened interest towards mobile-advertising recently observed among the academic and industry circles has led to the need for the formulation of a simple yet comprehensive conceptual framework to ascertain the key factors effecting the use and potency of current as well as future endeavors in the

realm of mobile advertising. A number of attempts have been made by the academia as well as industry practitioners to lay out an intuitive conceptual model to analyze this exciting and innovative field of technology based marketing. The underlying chapter, at first, this chapter reviews the factors that influence mobile advertising from the industry's and consumer's point of view (Vatanparast and Asil 2007). Second, based on this literature, the author proposes a preliminary conceptual model

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for factors effecting mobile advertising. At last, a summary result of a quantitative evaluation of the model will be presented. This proposed conceptual model/framework can serve as a solid base for the evaluation of the critical success factors for a market-worthy mobile advertising strategy. The proposed conceptual model may also help researchers and managers to better understand the critical components of mobile advertising and provide ideas for further research in this emerging field.

BACKGROUND

Advances in mobile technology have changed the business environment significantly. Devices and systems based on mobile technologies have become a common place in our everyday lives (Balasubramanian et al., 2002), increasing the accessibility, frequency and speed of communication. As a result, mobile technologies have the potential to create new markets, change the competitive landscape of business, create new opportunities, and change existing community and market structures (Stewart & Pavlou, 2002).

Today's development in information technology helps marketers to keep track of customers and provide new communication venues for reaching smaller customer segments more cost effectively and with more personalized messages. This resulted in two major changes of permission marketing and targeted marketing in marketing communications environments (Kotler et al., 2005). Developments in information technology are speeding up the shift towards permission marketing (Godin, 1999), and at the same time marketers are shifting to targeted marketing. As a result, modern advertisers are increasingly relying on various modes of interactive technology to advertise and promote their products and services (Pavlou & Stewart, 2000). Gradually, many companies are redirecting their marketing spending to interactive marketing, which can be

focused more effectively on targeted individual consumer and trade segments. Despite this, potential customers so far did not have the opportunity to signal their likes and dislikes with marketing activities via mobile devices. This puts marketers at a high risk (Robins, 2003) as they are unsure whether their marketing activities cause positive or negative reactions by the customer.

There are a couple of reasons why many experts consider mobile advertising as an encouraging branch of mobile business (Bulander et al., 2005): high penetration rate of mobile terminals, mobile terminals as personal communication devices, individually addressable, multimedia capabilities and interactivity. However, there are also some serious challenges when talking about mobile advertising, such as spam, limited user interface, privacy concerns, and the expense of mobile data communication. The mentioned features and challenges of mobile advertising show an area of divergence: personalized advertising requires sensitive information about the end user, his fields of interest, latest activities or his current location. On the other side, there are privacy concerns when providing this information for a mobile advertising application.

Although the global mobile advertising industry is in its formative years (Ovum Forecast, 2002), forecasts concerning growth of mobile advertising have been quite enthusiastic (Future Mobile Handsets, 2006). Mobile advertising holds strong promises to become the best targeted, one-to-one, and the most powerful digital advertising medium, offering new ways to aim messages to users that existing advertising channels can never do. The mobile advertising market is expected to grow to over \$600m by 2007 (Taylor, 2006) and will jump to \$11.35bn in 2011 (Future Mobile Handsets, 2006). Europe will lead the mobile advertising market, whereas in the USA, the fragmented nature of its cellular markets (Nelson, 2000) and users' fear of mobile spam have slowed the market growth (Fuller, 2003). By utilizing mobile advertising, companies can run marketing

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