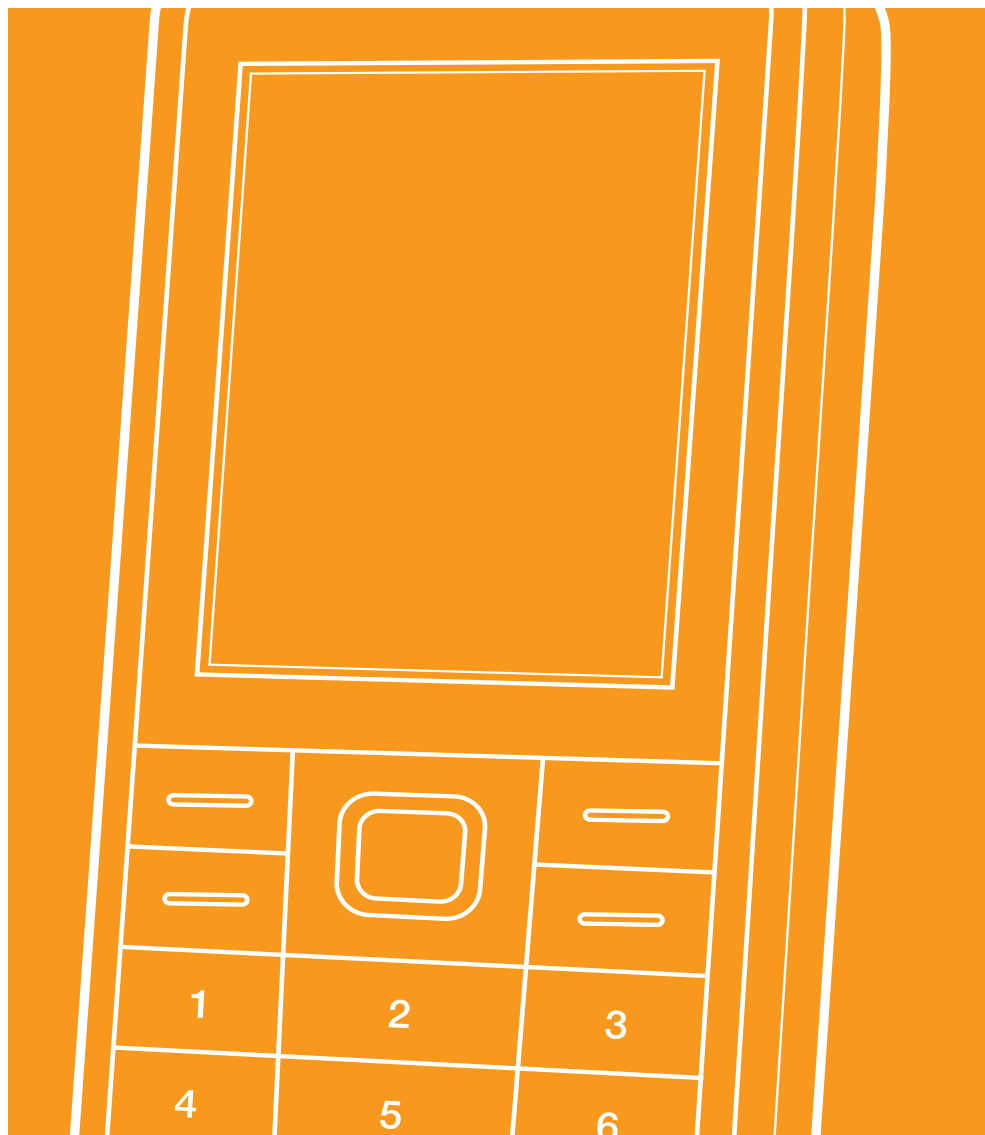


Emergent Opportunities in Mobile Search

by Mike Brady



Mobile network operators and content companies can monetize their digital assets with the help of mobile search and discovery schemes that match the right users with the right content – even before they themselves know they need it.

Search, which is already the de facto interface to content online, with more than half of all users going straight for the search box when they enter a website, has also become the primary means to access and monetize the Long Tail of content. Moving forward, mobile search, like its online counterpart, is destined to be the core capability required by any company that wants to sell content or information successfully on mobile devices.

Industry excitement around mobile search demonstrates it is indisputably a potent way to generate value. Consumers find what they want; marketers gain traffic by providing relevant offers and advertising; and mobile operators and service providers capture increased revenue as a result of the increase in mobile content purchases by consumers. Mobile search also provides companies the capability to cross-sell and up-sell by presenting new content types side-by-side with the search results. The result is a non-intrusive, demand-driven marketing approach to new mobile content, service and applications.

However, it's only a virtuous cycle if the approach to mobile search is designed to deliver content within an acceptable 'click-distance', and so overcome the key usability barriers that threaten to block access to mobile content and stunt the growth of the mobile Web in the process. Mobile devices, with their screen-size limitations and restricted input capabilities have so far been part of the problem, not part of the solution.

Usability studies from Sweden's Mobile Matrix, and Qpass, a U.S. content platform provider acquired by Amdocs, argue that mobile portals must bring content to users within 6 clicks. Unfortunately, the same studies conclude that a whopping 65% of content is positioned too far from the homepage, making it invisible to users.

More recently, benchmarking research conducted by Informa Telecoms & Media shows content companies continue to leave money on the table, burying their offers deep in confusing, counter-intuitive, hierarchical menus, positioned too many clicks from the portal home page. Users typically have to click through 10–40 screens, and spend more than two minutes to download some of the most popular ringtones or games. This is unacceptable – particularly since the mobile industry agrees the 'optimal' mobile search experience should deliver content within 2–3 clicks.

To overcome this usability barrier, many operators have chosen to configure content for consumption by sorting and grouping content and services according to common themes. The rationale behind this method is to tempt users to click on and explore more content by placing similar content only a few clicks away. However, in practice, this reorganization technique is not the best approach to take. While it is no doubt an improvement to group similar content together and label it as such, this approach also ignores other important variables such as content popularity, frequency and freshness.

Put simply, as the amount of content grows, grouping content according to any method – no matter how logical – will automatically lead to an increase in click distance, or at the very least a dissatisfactory mobile experience. An industry rule of thumb from the computer-accessed Internet holds that content providers lose half their audience to frustration at every additional click it takes them to find what they want. Why should the mobile Internet be any different?

Growth Projections

With mobile phone penetration far exceeding PC penetration in many countries, and more than 2.5 billion mobile subscribers worldwide, the need for an attractive and effective mobile search experience is real today.

While it's still an early market, there is little doubt that mobile subscribers will generate a dramatic increase in mobile search traffic, creating significant revenue for providers, through patterning proven online search marketing models and conceiving mobile-

specific innovations. Indeed, global search revenues are projected to generate \$5.5 billion in 2005 and \$11 billion by 2008, according to Piper Jaffray & Co., a U.S.-based research firm, and there is increasing evidence that this could translate to the mobile space.

NPD Group, a market research company based in Port Washington, New York, found that the percentage of U.S. mobile subscribers who use mobile search has doubled to 12% since last year. More recently, M:Metrics, a pioneer in measuring consumer consumption of mobile content and applications, reported 15% of users in the U.S. access Internet content on their phones.

More data on mobile usage and search comes from Ipsos Insight, which has found that the mobile phone is well on its way to becoming the dominant Internet platform on a global basis. It reports 28% of mobile phone owners worldwide had browsed the Internet on a wireless handset in 2006, up slightly from 25% at the end of 2004. France and the UK exhibit the strongest growth, but Japan also shows rapid growth. Today, 4 in 10 adults browse the Internet on their wireless handset in Japan, double the rate in 2003.

Mobile Enterprise

Mobile search usage is not limited to the consumer market. In the enterprise, a similar increase in the number of mobile services and applications – as well as the requirements from remote workers for immediate answers to business-related queries – will ultimately result in a demand for mobile business portals and mobile search tools to assist in their navigation.

The ability to search and find information is a mission critical capability in the enterprise. What is going to accelerate adoption is the wide-spread use of mobile enterprise applications and the substantial progress made by mobile operators to create enterprise portals and better serve their ‘prosumer’ customers. All evidence points to an untapped growth opportunity in the wireless business sector, and mobile operators are anxious to develop this trend. The proof is in the numbers: IDC estimates overall business revenue is expected to reach \$52 billion in 2010. Much of the revenue growth can be attributed to strong growth in data revenue, which offsets slowing growth in the voice segment due to continued voice ARPU (Average Revenue Per User) erosion. Furthermore, IDC forecasts data services will make up a growing proportion of wireless business revenue and account for just under 40% of total revenue by 2010, compared with less than 20% in 2005.

The growing availability of off-the-shelf data solutions, increased flexibility with data implementations, pricing declines in data transmission and voice calling bundles, emergence of services designed to improve ease of wireless management, and the prevalence of 3G wireless broadband networks all pave the way for the mobile enterprise. They also create an opportunity for providers to blend enterprise content and applications behind the firewall with the range of other mobile content and applications offered on the portal – and mobile search is well-positioned to be the interface that brings these two worlds together.

All About Context

Understanding that users demand access to information and applications on-the-fly – and most assuredly can’t buy content if they can’t find it – an increasing number of mobile operators and content providers are scrambling to offer mobile search capabilities, as well as an array of tools, that will encourage users to explore more of the content at their finger tips. A raft of recent industry announcements shows carriers and content companies are clearly excited about mobile search.

But companies that merely retrofit Web search solutions for the mobile Internet short change themselves – and their users. Popular search engines today are fatally flawed. They were designed to treat all searches – and searchers – equally. While the approach consistently delivers the same list of links in response to key words, it fails to recognize the need of individual searchers for relevant results that really matter.

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More importantly, such search schemes patently ignore the shift in the business model from user-pull to content-push. Pull is built on the premise that users know what they want and are prepared to go look for it. That's quite an assumption when it comes to fast-paced content such as entertainment and multimedia which changes faster than users can keep up. The pull model also ignores the rise of empowered customers who increasingly expect – even demand – content and services consistently tailored to their individual needs and in tune with their lifestyles and life stages.

The new paradigm is personalized content-push based on a deep understanding of the individual's purchases, interests, and past click-behavior. It's even more compelling if the technology can learn users' likes and dislikes over time to dynamically and consistently deliver the right content mix.

While plain-vanilla mobile search does assist in delivering results, the much more lucrative business opportunity is in combining search, personalization and recommendation to deliver actionable results – as well as the tools to discover other content users might not have otherwise known existed.

Peggy Anne Salz, author of *Mobile Search & Content Discovery*, an industry-first report by Informa Telecoms & Media that explores the business potential of content discovery and search engine technologies, argues that online search engines may deliver too much of a good thing in the mobile space. The issue is that the computer-based metaphor overwhelms users with too many results when they would much rather have the 'right' results tailored to their individual needs and based on factors such as profile, preferences and past purchase behavior, as well as location and time of day. Moving forward, in her view, operators and content companies can't afford to rely on search and user-pull to clinch the deal; they will have to push content to users based on the clues they leave, such as their reading patterns, their viewing preferences, and their download history, as well as their action and location at that moment in time.

In the mobile space, users won't likely want long lists of URLs – but they will demand actionable and personalized results based on their personal profiles. To be genuinely useful, mobile search results will also have to factor the user's location and context into the equation. With this in mind, search engine providers and operators are putting together search schemes that will provision content to users based on their intentions and location.

In the mobile world in particular, we need to reach for a 'zero term' search facility, where we leave the need for a search box behind and expect the search experience to proactively deliver the goods.

It's easy to imagine a use case for this type of contextual search. A user on the way to work may want news, weather and driving directions, while the same user may want video entertainment while relaxing on the sofa at home. The ability of the operator to know the difference, and deliver content tailored to context, will drive differentiation in the industry.

Fortunately, delivering personalized search is what made-for-mobile white-label search solutions do best. Their value proposition is based on leveraging information on users' profiles, preferences and past click-history to help operators and content providers deliver actionable results and drive content revenues.

In the current mobile environment, users are increasingly changing the current default setting from the mobile operator portal to point to a global search engine home page. As users find their way directly from a search home page to off-portal mobile data services, mobile operators face the challenge of being relegated to the position of pure network provider and 'bit pipe'. White-label search solutions, that harness context and personalization, allow operators to respond directly to the customer and control the end-user experience.

It's a capabilities mix that will deliver operators a competitive position in the value chain and protect them from the disintermediation that will occur when branded search engine companies move to control the click-stream.

As Salz points out, there is a business reason for operators to choose a white-label provider over the branded search engines that dominate the Internet: disintermediation. Operators and content owners simply can't afford disintermediation. "The shift can be traced to a growing realization among operators and content providers that teaming up with brand name search engines will dilute their brand and ultimately cost them control of advertising revenues generated by pay-per-click and pay-per-call schemes," observes Salz. "Cutting deals with search engine heavyweights is the first step on a slippery slide to the operator losing its audience-value for web advertisers."

Monetizing Content

Personalized search can also go a long way toward enabling much more effective mobile marketing campaigns. Insight into user preferences – as well as what they might be seeking at that moment in time – provide marketers with the 'all-important missing link', enabling companies to provide the right ad at the right time.

Personalized mobile search and targeted advertising are a compelling combination. For advertisers, search is a great vehicle to reach out to subscribers, direct them to their sites and deliver their marketing message. Indeed, marketing through mobile phones is poised to become the next killer app for advertisers. By 2011, eMarketer predicts brands will be spending nearly \$5 billion on advertising, up from \$421 million in 2006. Major carriers Sprint, AT&T and Verizon have all announced that they will accept ads on their networks.

The emergent popularity of local search also provides the basis for extremely lucrative pay-per-call monetization schemes. Put simply, local advertisers bid to receive a call from the searcher, deciding how much they are willing to pay for calls received. The higher the offer, the more prominently the advert will be ranked. While figures are sketchy, the Kelsey Group predicts this emerging pay-per-call market, driven by the increasing popularity of local search, could be as large as \$4 Billion by 2010, or nearly the same size as the Internet search market today. There is every reason to conclude that local mobile search will experience a similar growth trajectory.

Mobile search is indisputably a potent way to generate value. Consumers find what they want; marketers gain traffic by providing relevant offers and advertising; and mobile operators and service providers capture increased revenue as a result of the increase in mobile content purchases by consumers.

Against this backdrop, media companies are also placing mobile search at the center of their content monetization strategies. But the benefits go far beyond selling content; enabling mobile search allows them to collect and wield analytics that effectively provide the basis for new and lucrative customer segmentation strategies as well as targeted mobile advertising campaigns.

Indeed, it's not just about providing search to and from their own content; clever content owners can also offer search as a service to their partners and reciprocal sites.

This is precisely the approach taken by Schibsted Søk, a Norwegian publishing company and FAST customer that has made the transition from newspaper firm to Web 2.0 mobile search and digital media giant. The company, which chalked up €1.2 billion sales in 2005, reports digital content sales accounted for a whopping 35% of operating profits.

Embracing mobile search has allowed Schibsted to take charge of its content assets. It has recently launched Sesam (www.sesam.no), a world-first combination mobile content portal and mobile search service. As Mikal Rohde, Schibsted CEO, is keen to point out,

Sesam is giving Google a run for its money. Sesam, now Norway's number one search engine, counts 400,000 users in Norway, with over 30,000 searches daily. Building on this momentum, Schibsted has recently launched a similar portal for the Swedish market.

In Rhode's view, providing mobile search is critical to Sesam's high performance. The deep insight Schibsted has into its users' profiles and preferences allows the company to suggest content that users are likely to appreciate, and place these options conveniently and directly on the user's mobile phone. More importantly, Schibsted can wield the power of analytics to deliver targeted and relevant advertising to users.

Schibsted provides a blueprint for forward-looking media companies, and offers important proof that that personalized mobile search pays dividends for all players in the mobile ecosystem. ■

Mike Brady is a senior director in the FAST strategic markets organization focusing on mobile delivery and emergent business models for untethered audiences.

FAST™

www.fastsearch.com
info@fastsearch.com

Regional Headquarters

The Americas

+1 781 304 2400

Europe, Middle East & Africa (EMEA)

+47 23 01 1200

Japan

+81 3 5511 4343

Asia Pacific

+612 9929 7725

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