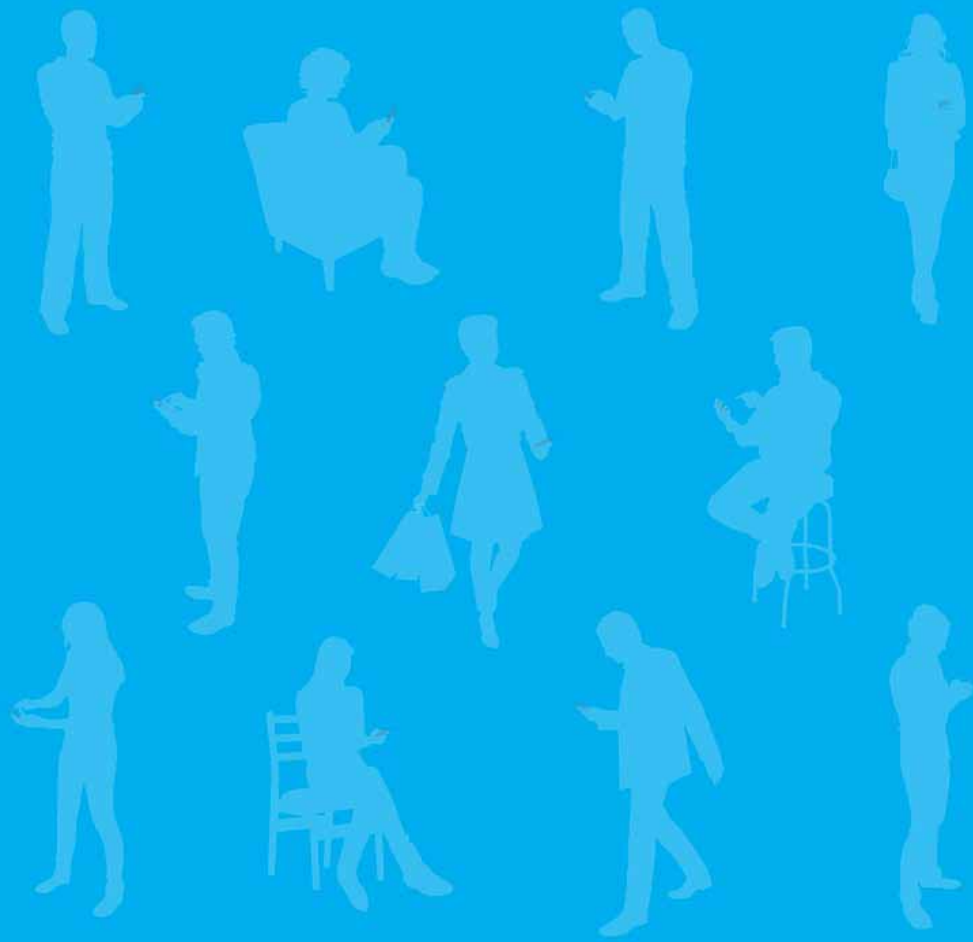




Unlocking the Power of Mobile

Accessing the web via mobile will soon be the norm, presenting huge opportunities for marketers

initiative



Methodology

In order to understand consumer mobile internet habits and attitudes, and to deliver insight for marketers, Initiative has used its proprietary online consumer panels, the Connections Panels, to seek the opinions of 8,000 active smartphone users (those that access internet through their smartphone at least once a week). The research covered eight markets which were chosen to represent the different stages of mobile development and consumer culture; these were US, UK, Italy, Sweden, Australia, South Korea, China and India. Smartphone penetration (percentage of total mobile handsets) in these countries ranges from over 30% in US and Italy, down to 4% in India. The research was carried out online in all markets except India where the survey was conducted face-to-face.

All percentages in this report relate to the universe of active smartphone users unless otherwise stated. Active smartphone users represent 72% of all smartphone users.

UNLOCKING THE POWER OF MOBILE

The mobile phone will overtake the computer as the most common web access device worldwide by 2013, with more than 1.82 billion internet-enabled phones in use, according to industry estimates.

Currently, smartphones represent the fastest growing sector of the mobile phone market with sales across the world showing a 49% increase in Q1 2010 compared to Q1 2009, resulting in a 17% rise in all mobile phone sales (Gartner, 2010). Mobile devices are selling far quicker than any other technology device in history, and growth of mobile internet far outstrips computer-based internet growth at the same stage.

Whilst this dramatic growth is well reported, the immense opportunities that mobile presents to marketers are less discussed. Initiative's research provides the information that is necessary to understand whether, where, how, why and whether or not mobile needs to be part of your marketing strategy.

Mobile communication has become an integral part of our lives with consumers seeing it as both a 'life support' and 'life management' tool, with this truly multifunctional device being used throughout the day, every day, for many purposes. The sophistication and level of mobile internet usage varies across our countries. This is driven by many structural factors such as pricing of data packages, mobile handsets, internet bandwidth and WiFi availability - as well as cultural trends.

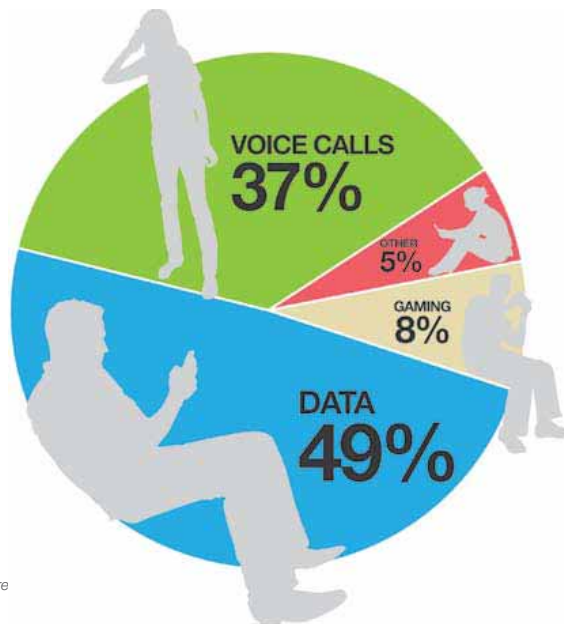


The countries chosen in our research cover all stages of mobile development as well as different cultures, to ensure a global perspective. So for example, the US is the most advanced country in our study with the perfect combination of factors such as the widest coverage of WiFi hotspots, the highest proportion of unlimited data packages (75%) and a lead market for launching new handset technology. South Korea is also very technically advanced in mobile, and is a leader in the mobile payment market, while Italy and UK have high mobile advertising revenue. In comparison, India is a market in its infancy with no 3G technology currently, but the expectation is that mobile will quickly become the single largest medium in this country - and the sole route for some consumers to connect to the internet. In this instance, we have excluded Japan, the lead mobile market, as it is so far ahead that its evolution has become divergent from the rest of the world.

Currently, voice calls represent 37% of total mobile usage, with data services at 49% and gaming and other functions at 13%, showing that phones are being recognized for what they are: powerful handheld computers that also make voice calls.

WHAT ARE PEOPLE DOING ON THEIR MOBILES?

BREAKDOWN OF USAGE BY ACTIVITY



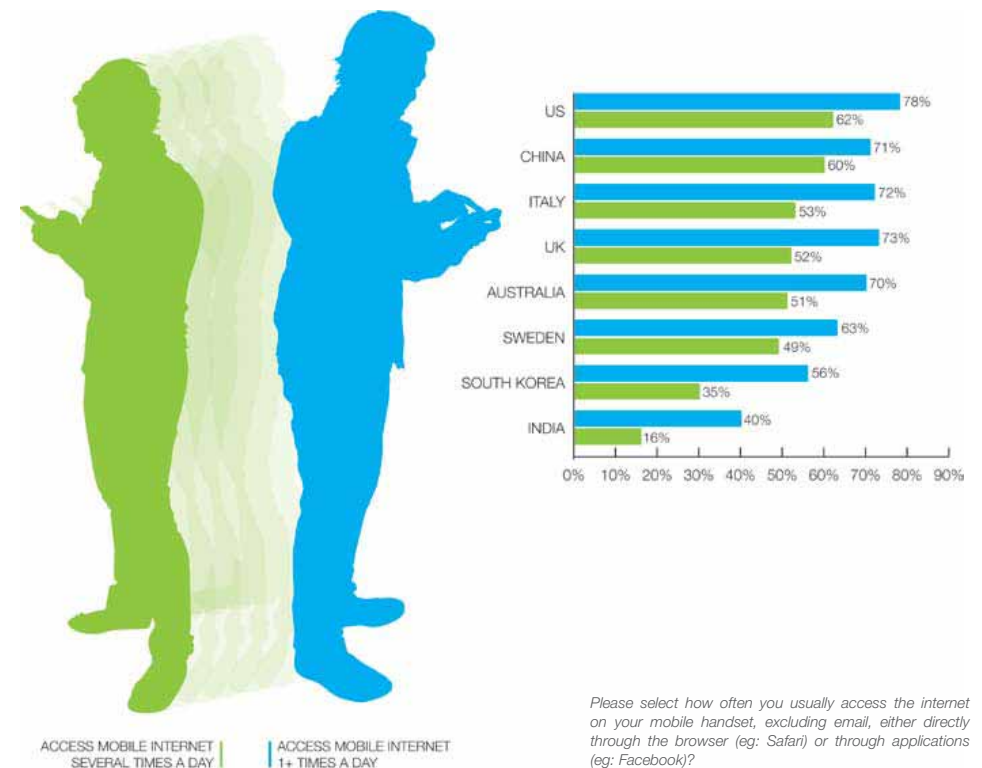
Which features of your mobile handset do you use most fre

INTERNET ACCESS VIA MOBILE: EVERYBODY'S DOING IT

Internet access via mobile is no longer a niche activity and is increasingly becoming part of everyone's lives. Across all markets, Initiative found that 65% of smartphone users use their mobile handset to connect to the internet every day for an average of 37 minutes. US consumers are the heaviest users with 78% accessing daily, and 62% several times a day, for an average of 50 minutes. The lightest consumers are in India, but still 40% access daily with 34% for more than half an hour each day.

HOW ACTIVE ARE SMARTPHONE USERS?

FREQUENCY OF ACCESSING INTERNET (EXCLUDING EMAIL) THROUGH THE MOBILE HANDSET





Case Study: Axe

Deodorant brand Axe was launching a new scent and wanted to drive sales among both new and existing customers. Axe needed to seduce men - a very broad audience - into purchasing the new fragrance. We created an enticing campaign, with mobile as the core platform. We lured men with the offer of an interactive experience with the Axe Girls! Each Axe Girl had a sticker with her own QR code, linking to the mobile site where men could access videos, photos and stories. We seeded the QR codes in social networking sites and places frequented by men, such as bars and trendy restaurants. And the QR codes were also placed on the bodies of the Axe girls - men had to photograph the women in order to activate the codes! The campaign drove 33% higher share of market compared to the previous Axe range. The QR code activity achieved the same conversion rates as the online promotions with 10% less investment.

It's a myth that mobile internet is only about the youth and business consumer. The age profile of active smartphone users shows a wide spread across all age groups, albeit a younger slant in the Asian markets (and a similar profile to general internet users). Furthermore, over 50% of consumers use their smartphone primarily for personal reasons, with a further 36% using for both business and personal, showing that mobile internet is now a tool for all aspects of life. Marketers simply cannot afford to ignore this medium which allows consumers, across all target groups, to engage directly with brands.

Implications for marketers

- Brands in every vertical and segment now need a mobile strategy because mobile touches everyone, everywhere, and there are very few barriers to growth.
- People from every walk of life now use mobile devices to connect to one another, to information and to brands. Every demographic is reachable, engaged and displaying new behaviors, providing vast opportunities for marketers who are willing to collaborate with consumers and customize brand experiences for them.

MOBILE INTERNET IS A TOOL FOR ALL AGES

AGE PROFILE OF ACTIVE SMARTPHONE USERS
% OF RESPONDENTS



MOBILE INTERNET BOOSTS TOTAL MEDIA USAGE

Mobile internet is not being used at the expense of any other media. Initiative discovered that 76% of consumers worldwide said that mobile internet was in addition to their other internet usage through a combination of occupying previously dead time as well as multi-tasking. Of these, 52% said that their other internet usage had remained the same, whilst 24% said that it had increased. The latter is driven to a large extent by mobile activities that require consumers to access and download information from their computer, such as creating Spotify playlists. This trend is set to continue as consumers become more familiar with their smartphones, with nearly one third of the Innovators (the most technically advanced consumers) increasing their use of internet via the computer.

Furthermore, a significant proportion of consumers are using mobile internet at the same time as consuming other media. Across our markets, Initiative saw the highest level of multi-tasking whilst watching TV, listening to the radio and travelling - all at 50%. In addition, 39%



access mobile internet whilst using internet through a computer, and 34% whilst reading newspaper and magazines. This is an evolving trend with Innovators being between 20-50% more likely to access mobile internet whilst consuming other media.

This provides marketers with a unique opportunity to use mobile to amplify their existing media activity. Through mobile, marketers can provide consumers with a way of immediately engaging with the brand, whether prompted by an advert, or a thought or conversation they've just had. In today's society, with shorter and shorter attention spans, it is essential that consumers can engage with brands at the moment of impulse, and mobile provides that opportunity.

Implications for marketers

- As mobile has increased the media landscape, marketers now have more opportunities to engage their target audiences at relevant times of the day.
- Mobile internet is often accessed in conjunction with other media usage. Marketers that use mobile to complement, activate and enhance messaging that they run on TV, radio, in print and out-of-home can multiply the impact of each media type.
- Consumers are using mobile devices at home as a second screen and will respond to interactivity incorporated into TV commercials and in branded content. Marketers can use DRTV, voting, quizzes and bonus/offer content embedded into programming to activate consumers.
- Tagging all media with a mobile response, that has a clear benefit and purpose, turns messages from being static to being interactive.



Case Study: Hyundai Tucson

Hyundai was looking to drive sales of its Tucson SUV model in Australia. Rather than target the standard family audience, we looked for growth among 25-35 year old urbanites. For this busy, social audience, our creative strategy was "Checking the Diary". Mobile, coordinated with other platforms, would be perfect. We partnered with Fitness First to create the first downloadable mobile gym timetable in Australia. Initiative created an 'Everyday Adventure' micro site - for mobile and computer-based internet - with a 'what's on' calendar. And, we created a "Plan your adventures with Tucson" calendar in TimeOut magazine. This mobile-led, integrated campaign increased awareness by 20% and sales by 5%. In a shrinking car market, this was phenomenal.

MOBILE CONSUMERS ARE ALWAYS ON

Mobile was originally a device used out of home to make telephone calls when away from the fixed telephone line. It is now truly both an out-of-home and in-home device with around 60% of usage now happening within the home. Levels of usage are high across weekdays, weekends and evenings; and so mobile internet is fast becoming the only medium where you can communicate with your target audience at all times of the day.

Tracking the usage occasions across weekdays and weekends has shown that 30% of all smartphone users start their day with mobile internet, and 45% end their day with it. In the US, these figures rise to 49% and 53% respectively. The only time that usage drops is, not surprisingly, when consumers are actively engaged in other activities, such as sports and music events. This clearly demonstrates how mobile internet has caused a significant shift in consumer need to have constant connection with the outside world.

The time most people access the internet via their mobile is whilst relaxing at home (64%). At this time, the number one activity is social communication (27%), followed closely by email (26%). Relaxing out of the home is also prime mobile time (50%).

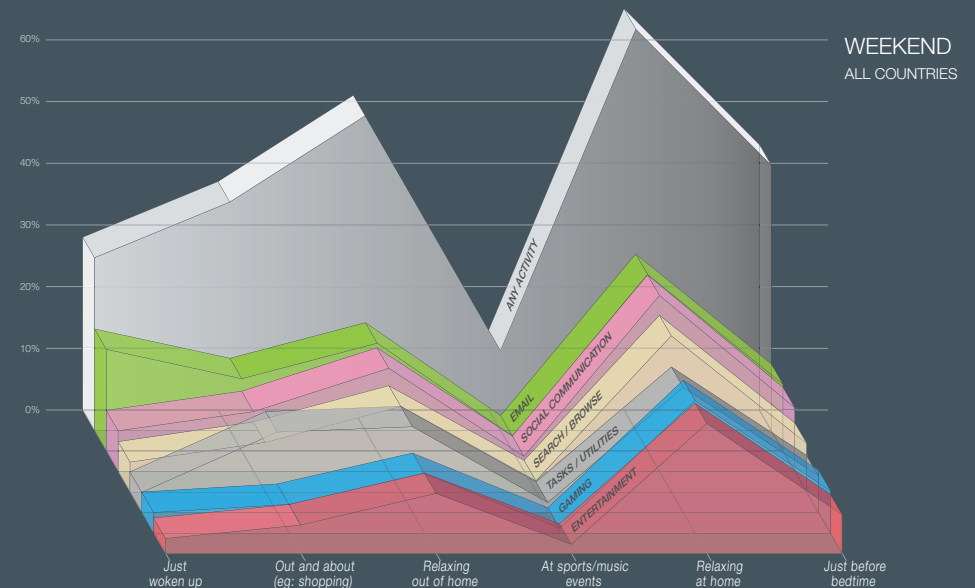
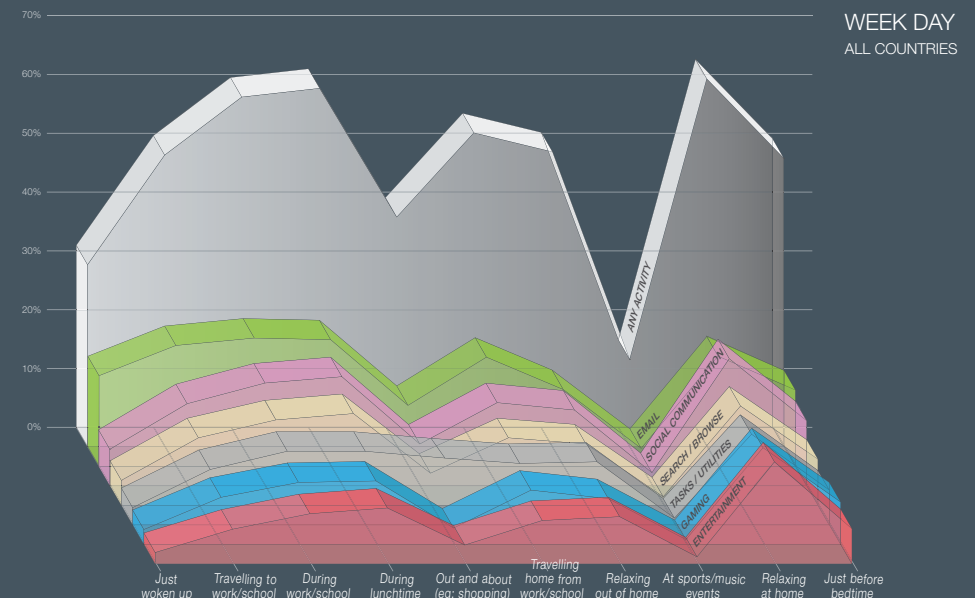
Initiative observed high levels of activity during commuting times. This has always been a prized time to reach a captive audience. Mobile now delivers the immediate call to action.

Email is the single largest activity in the morning, when users have just woken up. This is true in all our markets but especially in the US where consumers are 63% more likely to access email at this time.

The relative importance of task/utility activities (eg: discount calculators, calorie counters) whilst consumers are out and about doing chores demonstrates how the need state of consumers relates to mobile internet usage. Across all our markets, tasks/utilities is the top activity carried out by consumers when they are out and about (13%), with South Korea leading the way with one fifth of people using this functionality. As consumers are increasingly seeking information at their moment of decision making, it is essential that advertisers are there with the relevant message to positively influence that decision.

MOBILE INTERNET USE HIGHEST WHEN “RELAXING”

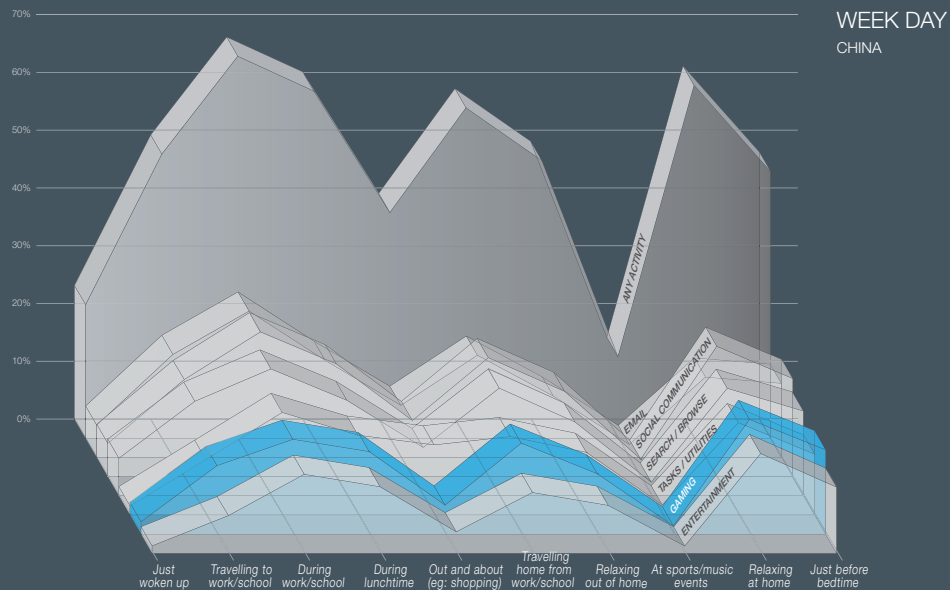
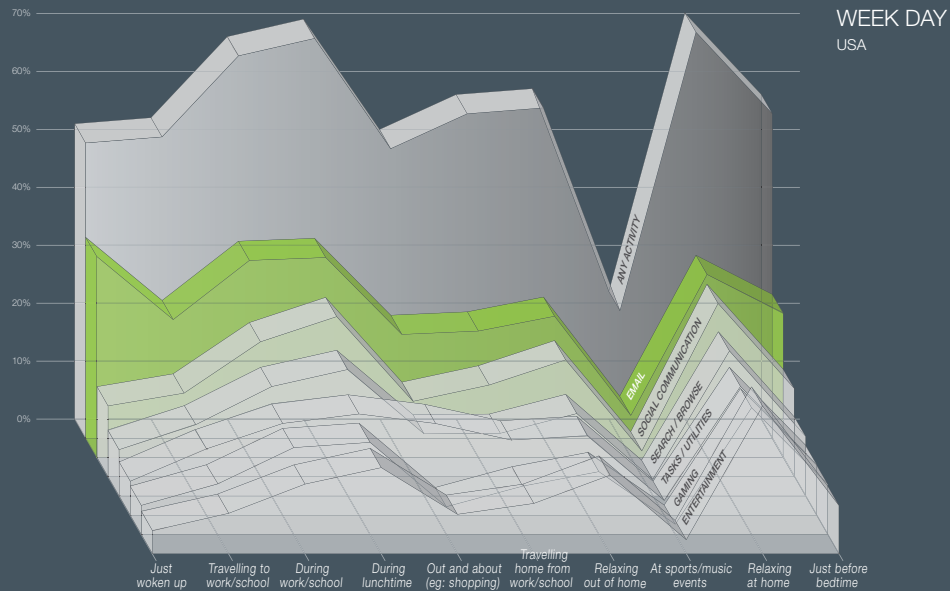
MOBILE INTERNET CONSUMER USAGE OCCASIONS



Thinking about your typical weekday / weekend, please select the times and places in which you are most likely to do the following activities through internet on your mobile handset ?

AMERICANS ARE AVID, EARLY MORNING EMAILERS ...WHILE GAMING IS MASSIVE IN CHINA

MOBILE INTERNET CONSUMER USAGE OCCASIONS



Thinking about your typical weekday, please select the times and places in which you are most likely to do the following activities through internet on your mobile handset ?

Social communication, gaming, entertainment-media and searching/ browsing are used throughout the day in line with the overall usage patterns. This demonstrates that the vast majority of mobile internet usage is “in the moment” – mobile enables instantaneous action.

Although the trends across the markets are very similar, there are some cultural differences. The more developed markets use email and social communication significantly more than other activities when compared to the emerging markets. US consumers are 50% more likely than any other country to access mobile internet whilst attending events. Gaming is more prevalent within the Asian countries whilst relaxing at home, coming in second to social communication.

So, although consumers are accessing mobile internet all day, every day, the primary mobile internet activities differ significantly from those where a computer is used to access the internet. The top mobile activities, such as social communication and entertainment, are entirely in line with key consumer needs: 78% of people agree that ‘mobile internet provides instant information wherever I am’, 75% use it to pass the time, and 73% say it is fun and enjoyable.

MOBILE INTERNET CONSUMER NEED STATES

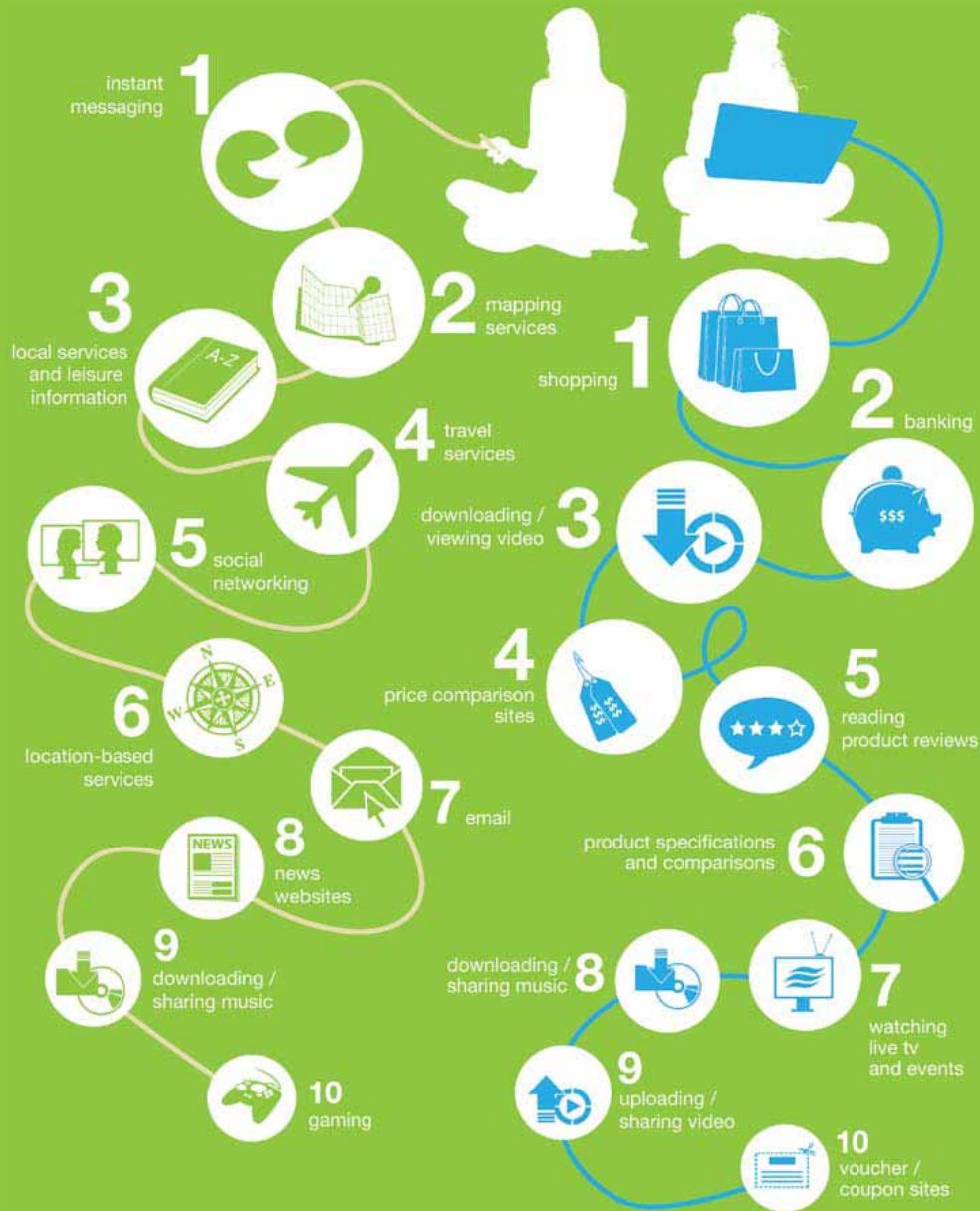
WORD SIZE DEPICTS RELATIVE IMPORTANCE



Thinking about when you access internet on your mobile handset, please state how much you agree or disagree with the following statements.

MOBILE VS COMPUTER

TOP INTERNET ACTIVITIES BY DEVICE



Are you more likely to engage in the following activities through your mobile handset or through computer-based internet?

Also, when looking at why consumers choose one channel over another, the number one reason is always convenience. However, mobile internet really comes into its own in terms of providing access to information where and when required (four times more important than computer-based internet), whereas computer-based internet is seen as having better functionality (double that of mobile internet).

The factors that marketers must deliver if they want to succeed in engaging with consumers through mobile internet are: communication services, location-relevant information delivered in an instant, and entertaining content.

Computer-based internet is typically used for longer sessions involving wider research, bigger screens and faster download speeds. Also, there is a perception that security is greater than on mobile. Marketers need to take account of these different consumer needs when devising internet strategies, as one size will generally not fit all.

In a world where consumers are using the internet more and more to take control of their lives, the use of mobile internet to research products and services is set to grow exponentially. Currently, 16% of US consumers use their smartphone at least once a day to search for information (price comparison websites and products reviews/specifications), but this rises to 31% within the Innovators group. The fact that mobile internet is a learning process combined with the trend of increasing consumer control, informs us that mobile internet will become increasingly important in consumer decision making.

Implications for marketers

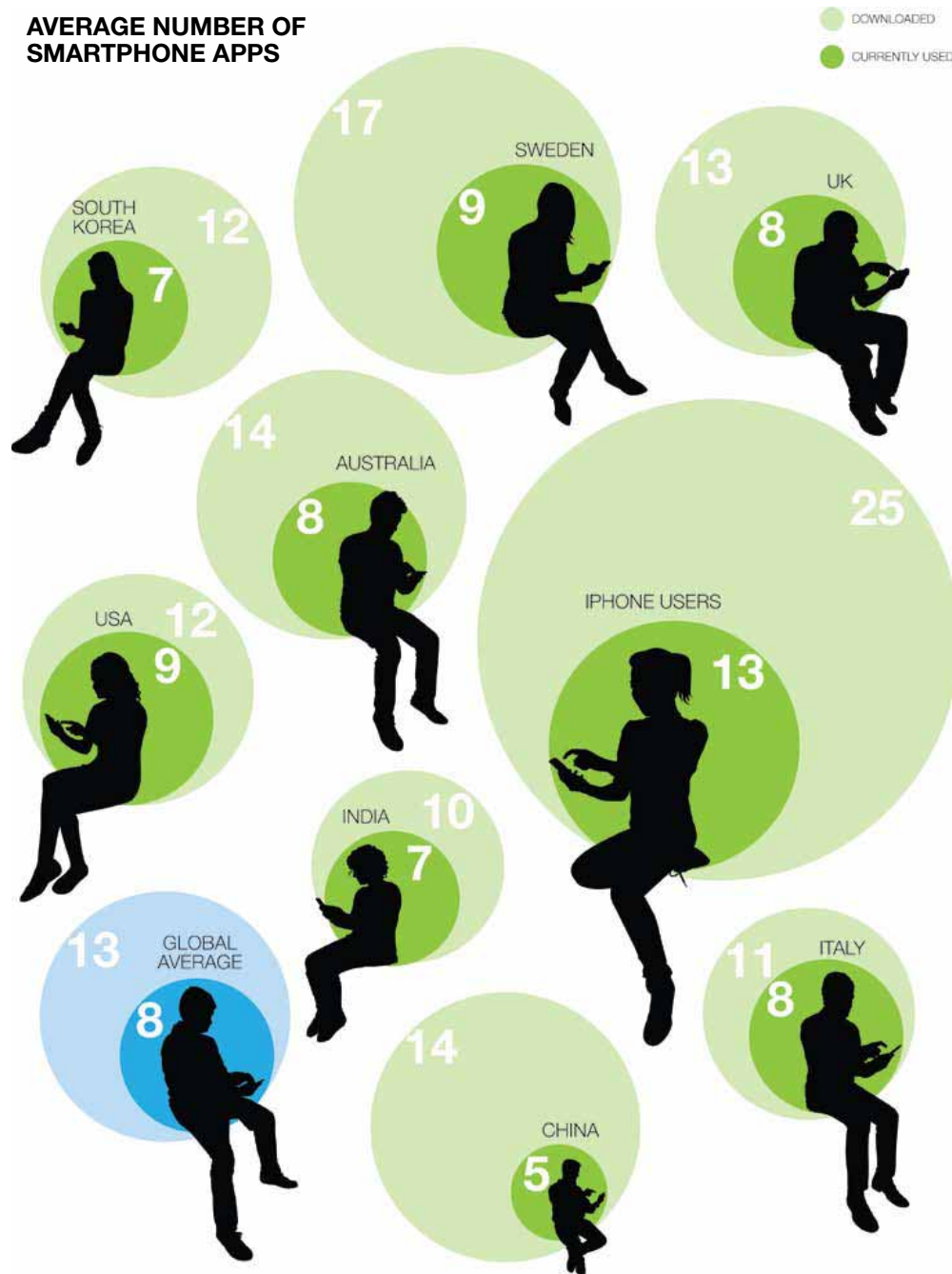
- Whether at home, while commuting, at the gym, in the store, or at live events, mobile allows consumers to connect in places and at times that other media channels don't serve as effectively, efficiently or personally.
- Consumers use mobile to access websites and engage in sign-ups and m-commerce on the spot.
- Marketers can reach highly intent-driven mobile consumers closer to point-of-sale. Mobile users expect to find instant, localized information to assist their purchase decision. Brands can use mobile search to assist consumers and so close the loop on a consumer contact.



Case Study: Best Western

Best Western were looking to capture consumers while they are making hotel booking decisions on the go. Mobile was the perfect platform for this. But not just standard mobile messaging, but harnessing an application that would be useful to Best Western customers. For travelers who are on the go, "plugging in" to a computer is not always possible when searching for travel. We used mobile GPS navigation and mapping applications to reach users – 18 million Best Western promotional messages across 3.4 million navigation devices were activated by hotel proximity or search. Best Western had one million offers on mapping and navigation apps such as uLocate, AAA, Centrl, Loopt & Garmin. Unplugged Travelers interacted at a rate of 700 times greater than those plugged-in. 23% of those became new loyalty members, a rate 68% higher than those plugged-in.

AVERAGE NUMBER OF SMARTPHONE APPS



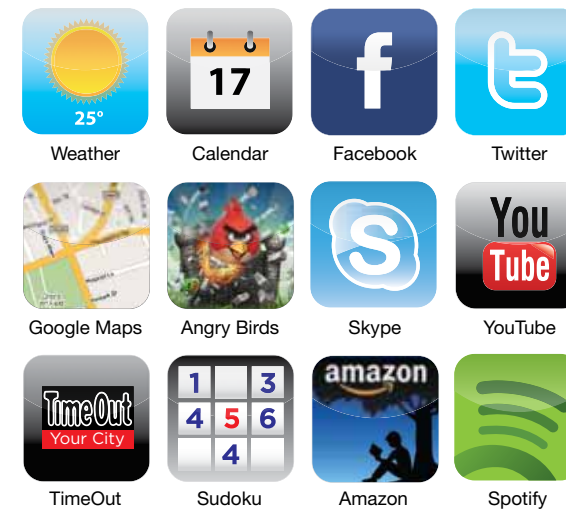
How many apps have you ever downloaded to your mobile? / How many apps do you use?

MARKETING OPPORTUNITY: THERE'S AN APP FOR THAT

Applications are the catalyst for change in the way people view mobile handsets, moving the handset from being seen simply as a device for voice, text and email to one that is a platform for launching a never ending array of new functionality. Over 80% of our smartphone users have downloaded at least one app, rising to nearly 100% in China.

Accessing apps is linked to their availability on specific types of smartphone. The iPhone has led the way supported by strong marketing activity with 'there's an app for that' and easy access via the 'App Store'. Fast on its tail are those phones operating with an android platform such as HTC Wildfire.

Smartphone users have, on average, downloaded 13 apps with 12 currently on their phone. Of these, eight are used regularly. The equivalent figures for the iPhone are 25, 22 and 13 respectively. Therefore, apps are fast becoming commonplace in every smartphone owner's life. However, although consumers are investigating an increasingly wide range of apps, they will only use those that offer them a real benefit, whether that is functional, social or entertainment.



In terms of app usage, social communication is within the top two activities in all markets, except South Korea and India. This is followed by games, music/entertainment, news and weather. South Korea is focused on productivity apps, such as diary management, whereas in India the highest usage is of fun and entertainment apps.

SOCIAL COMMUNICATION AND GAMING DOMINATE



Use 1+ times per day	US	UK	Italy	Sweden	Australia	South Korea	China	India	Global Average
Instant messaging	36%	29%	31%	26%	35%	20%	38%	28%	30%
Games	31%	30%	33%	22%	28%	27%	10%	41%	28%
Social networking	37%	37%	30%	28%	33%	19%	11%	15%	26%
Entertainment-music	24%	21%	28%	20%	20%	20%	24%	41%	25%
News & Weather	36%	25%	21%	24%	26%	26%	7%	4%	21%
Tasks / Utilities	23%	14%	21%	14%	20%	18%	6%	7%	15%
Productivity	16%	12%	15%	16%	17%	38%	3%	4%	15%
Entertainment-video/TV	15%	12%	18%	10%	12%	14%	7%	15%	13%
Gimmicks	15%	12%	22%	10%	11%	15%	5%	11%	13%
Navigation	16%	12%	17%	10%	11%	11%	0%	5%	10%

Please select how often you use the apps on your mobile handset, by type of app?

The majority of apps downloaded on smartphones are free, with 70% of consumers having more free than paid-for apps, and 25% having never paid for an app. However, this is due to the large supply of free apps on the market and not a lack of willingness to pay. So, for example, 60% of smartphone users in the US have spent more than \$5 on an app, with 35% spending over \$15. Italians are the biggest spenders, with 65% spending more than €5 (\$6) and 44% more than €15 (\$18). The price value equation is as relevant for apps as it is for other purchases.

APPS: WILL CONSUMERS PAY TO AVOID ADS?

uk value of app	prefer free app with advertising	prefer to pay for app to avoid advertising
< £1 < \$1.5	52	48
£1-2 \$1.5 - 3	50	50
£2-3 \$3 - 4.5	54	46
£3-5 \$4.5 - 7.5	56	44
£5-10 \$7.5 - 14.5	61	39
£10-25 \$14.5 - 36.5	61	39
> £25 > \$36.5	62	38

For each of the following price ranges, would you prefer to pay the full value for an app without advertising, or receive it free with advertising?

Smartphone users were asked whether they would like to trade the price of an app in return for being exposed to advertising. The majority would prefer not to pay and receive their apps for free with advertising. However, there is a significant proportion of people who claim they would pay any price to avoid advertising interrupting their experience. For example, 38% of UK smartphone users say they would prefer to spend £25 (\$37) or more on an app than receive the same app for free with advertising. This clearly presents a strong message that marketers need to tread very carefully and understand the rules of engagement with consumers in this very personal medium.

PEOPLE MOSTLY HEAR ABOUT APPS THROUGH FRIENDS AND FAMILY



How do you usually find out about a mobile app?

Friends and family are the main source across our markets for finding out about apps, with around 50% of smartphone users saying this was their key source, rising to 90% in India. The second most popular sources are from a general internet search and going to an app store via their mobile handsets. Traditional advertising comes in at between seventh and tenth.

Most app stores now have an app search function as there are so many apps to choose from. As more and more apps come onto the market it will be harder for brands to break through the app clutter. Apps will need to be marketed and signposted to be found. When a consumer has downloaded a branded app it means the marketer has successfully placed their brand icon in the hand of his consumers, building both loyalty and talkability.

Apps offer immense opportunities to build brand loyalty, drive call to action, and extend and reinforce existing marketing activity, through gaming, gimmicks, utilities, entertainment and social communication - all of which are actively used by our smartphone users.

Implications for marketers

- Apps provide a way of utilizing all the functionality of a smartphone to provide a useful and engaging brand experience for consumers. Whether it is 30 seconds of entertainment or a lifetime of utility, there are opportunities to drive loyalty, awareness and ultimately sales.
- Marketers that can create an app that delivers a fulfilling consumer experience, can expect high returns: their brand becomes embedded in daily conversations and is instantly shareable through the social nature of mobile.
- Branded apps effectively deliver customized content to opted-in consumers.



Case Study: Saw VI

The challenge with Saw VI was generating awareness and excitement around the sixth installment in Lionsgate's popular Saw franchise. We recognized that the Jigsaw character's voice is a fan favorite and one of the most widely recognized horror villain voices, so we leveraged that to create an engaging interactive application. We created a voice transmutation app that allowed you to record your voice, transform it to sound like Jigsaw, and send it to your friends. The app garnered over 590,000 downloads, had over 3.1 million sessions, and saw each user interact with the application for an average of five minutes.

MOBILE INTERNET WILL BECOME THE PLATFORM OF CHOICE

Advertisers must recognise that mobile internet is here to stay, and will become ever more essential to consumers' lives as smartphone penetration increases and as consumers become more familiar with the roles mobile can play in their lives. Our research has shown that these new behaviors are here to stay - once learned, they become habitual - there is no going back. Given the choice between only having mobile internet and only having computer-based internet, one third of consumers currently opt for mobile internet, but this increases to half amongst Innovators. These are astonishing figures considering that mobile internet is relatively new, and really demonstrates how quickly mobile is becoming the technology of choice. These figures are even more apparent in the emerging markets of India and China. For example, in India, 49% of consumers and 69% of Innovators would choose mobile internet, driven by the limited access to computer-based internet in that market.

Around the corner is the increased use of smartphones as a payment device with 32% of our US consumers already using 'pay-by-mobile' technology, and around one third of these prepared to spend between \$50 and \$100, showing that confidence is building. There is no doubt this is a growth area as the smartphone continues to evolve as a multi-functional device.

FIVE ESSENTIAL TAKEOUTS FOR MARKETERS

- 1 Every marketer needs to define the role of mobile in their marketing strategy.
- 2 Adding mobile to an integrated campaign, comprising offline and online media, can make all of the channels work harder by enabling immediate interactivity and response, and so delivering a multiplier effect to the results.
- 3 Mobile allows consumers to connect in places and times that other media channels don't serve as effectively, efficiently or personally.
- 4 Mobile allows marketers to reach elusive and previously unconnected audiences.
- 5 Mobile gives marketers ways to add interactive consumer response to static media, such as TV, print and out-of-home, facilitating immediate brand engagement and call-to-action.

About Initiative

Initiative (www.initiative.com) is a media communications company that transforms media exchanges into marketing results through a commitment to performance.

Initiative believes that all marketing should be performance-driven. Data, analytics, insight and innovation are central to all our services, and we hold ourselves fully accountable to client business goals.

This commitment to performance is the heart of Initiative's unique process and culture. Owned by the Interpublic Group, Initiative is part of media management group Mediabrands and a partner of Magna, IPG's centralized media negotiation entity. Initiative employs more than 2500 talented professionals, working in 91 offices across 70 markets, worldwide.

Initiative's comprehensive range of performance-led communications services include: research and insight, media planning and buying, digital communications solutions, content creation, and evaluation and accountability services.

About the Connections Panels

The Connections Panels provide everything a marketer needs to know about consumer behaviour in order to build truly engaging brand activity. They provide a single source for information on touchpoints, consumers and purchasing. Panellists can be contacted anytime, in any place to obtain fast, fresh insights on just about any topic. We currently have Connections Panels in 39 countries, comprising 175,000 individuals.

For more information about the findings in 'Unlocking the Power of Mobile', contact:

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