

COLUMNS

## Desktop dollars for mobile pennies?

September 5, 2012



By **Peter Tanham**

Since its IPO, Facebook has been receiving a large amount of negative press about the future of its mobile advertising business.

The Facebook share price has fallen almost in half since its stock market debut in May and many observers are attributing this to a negative future for mobile advertising.

Headlines such as "Facebook Struggles to Monetize Mobile" abound, not just for Facebook, but for Google, Twitter and many others, suggesting that a mobile future is not as profitable as desktop.

With so many getting so down on the future of mobile advertising, the time is ripe for the optimistic among us.

Rah-rah, not nah-nah

I am certain that the future of mobile advertising will be bright and profitable. As everyone else looks on with pessimism, we should take it as an opportunity for the rest of us to align our businesses to bet big and profit from the future of mobile advertising.

As legendary investor Warren Buffett once said, "Be fearful when others are greedy and greedy when others are fearful."

In this article I am going to go through the main arguments people present when dismissing the future of mobile advertising. I am going to point out why each one is a misplaced concern and why, in some cases, the exact opposite is true.

All trends show that mobile is going to be the predominant channel that users access Facebook and other social networks.

Two years ago, 30 percent of Facebook's users were accessing the site on their mobiles. This is now almost 60 percent and, if Japan and South Korea are anything to go by, this figure will reach 80 percent in the next two years.

But according to recent research from Kleiner Perkins Caufield & Byers, the average revenue per user (ARPU) is much lower on mobile than it is on desktop. This is the cause of all the negativity. If mobile is the future of Facebook, Google and Twitter, does that mean lower revenue is their future, too?

Here are several thoughts on why these fears will not come to pass. Some are based on research, others on common sense and intuition:

1. Mobile fills the gaps in our day

A colleague once told me, "The only place left for ideas is the shower."

It used to be that ideas came to us when waiting for a train, sitting in a waiting room or any other idle time we had

during our day.

But now these idle moments are spent checking emails or playing Angry Birds on our mobile phones.

The shower is our only remaining refuge.

"The day they come up with a waterproof phone," she predicted, "is the day I stop having idle time to think!"

I think this phenomenon best illustrates the changing usage patterns for mobile.

People are not going to stop checking Facebook or Google on their laptop or desktop in school, college or work they are going to keep doing that and check their Facebook on the bus, use Twitter while watching television or any other previously idle time.

In Google's recent earnings report it saw average cost-per-click fall due to mobile usage, but this was more than made up for by the additional usage coming from mobile.

Although there is some substitution, most users do not stop being desktop users and start being mobile, they are becoming both.

Mobile revenue is also adding to desktop revenue, not just taking from it.

2. They are not even trying and already raking it in

Another question we need to consider is why mobile ARPUs are lower than desktop ARPUs.

I think it is because most Web businesses have only just dipped their toes into mobile. To predict their future based on future results is like guessing the Olympic sprinter's race times based on her warm up routine.

If you or I try to run an advertising campaign on Facebook or Twitter today, we will have no option to target users while they are on their mobile.

I will repeat that because it is important.

Right now, an advertiser has to show the same ad to somebody relaxing at her laptop and to another person quickly checking his phone.

I think a good analogy is to radio and TV.

Imagine if, when TV first launched, advertisers could only run their radio ads on both radio and TV, and not separate ads for each medium.

If that was the case, would it be fair to judge the future potential of TV advertising based on the performance of radio ads on TV?

I do not think so, and I think that is the same comparison being made here for mobile.

Once you take this into consideration and realize that Facebook is showing made-for-desktop ads to mobile users and are still making \$500,000 per day doing it, I think the current figures are actually quite impressive.

3. Ad price does not always reflect ad quality

Back in the late 1990s and early 2000s, there was a temporary imbalance in the advertising industry.

More consumers were spending time on the Internet, but the advertising dollars were not following yet.

This happens every time a new medium comes along. First the average time spent with it increases and then a year or two later the advertising industry takes note and then starts dividing up their advertising budget more appropriately.

It happened with newspapers to radio, radio to TV and TV to desktop. Now it is happening with mobile.

According to Kleiner Perkins research, 43 percent of consumers' time is spent watching TV and so 42 percent of advertising dollars are spent on TV.

In contrast, 10 percent of consumers' time is spent on mobile, but it attracts only 1 percent of advertising dollars.

This gap represents a \$20 billion opportunity in the United States alone. This figure will only grow as mobile usage grows, too.

For those interested, this money will come most likely from print, which currently attracts 25 percent of advertising budgets, but now has only 7 percent of the audience.

#### 4. Facebook iPhone app sucks

Do not believe me? Do a quick search on Twitter and read some of the regular expressions of anger and frustration.

This is a somewhat tongue-in-cheek way of pointing out, once again, that mobile is young. The technologies, standards and best practice are still developing rapidly.

Judging Facebook's future on current results when it has not even got its iPhone application working properly is no way to get an accurate read on the future.

#### Future is mobile

Much of the negativity is based on statistics from Mary Meeker's always-fascinating "State of the Internet" report which showed that mobile customers are not quite as valuable as desktop users.

This is an unfair conclusion to draw comparing the current, mature desktop technologies with the emerging mobile technologies is just not comparing apples with apples and it takes her findings out of context.

What we should be comparing mobile advertising to is desktop a decade ago, when Google was just about to launch its ad platform and Mark Zuckerberg was still in high school.

If you could go back 10 years and bet big on desktop advertising, would you?

I will let Ms. Meeker herself have the final word on the topic, when she said, "Mobile monetization has more going for it than early desktop monetization had."

*Peter Tanham is director of landing page marketing at [SparkPage](#), Dublin, Ireland. Reach him at [peter@sparkpage.co](mailto:peter@sparkpage.co).*

---

© 2020 Napean LLC. All rights reserved.

American Marketer is published each business day. Thank you for reading us. Your [feedback](#) is welcome.