



## Marketers salivating over smartphone potential

By Rhyne Piggott  
October 20, 2009

Kevin Lomax, a 29-year-old singer/songwriter/producer in New York, is one of the millions of consumers using mobile phones exclusively to access social networks. "These days, who carries a laptop unless you are a businessman?" he says.



SAN FRANCISCO — Jeff Smith is a diligent social-networking user, but he doesn't own a PC.

"I prefer a cellphone and a service for a cellphone," says Smith, 40, a postal worker in Detroit who served as an Army Ranger in Desert Storm and Somalia. For about a year, Smith has used MocoSpace (for "mobile community space") to chat, meet people, search the Web and play games. "Anything else feels like too much."

The majority of people who participate on social networks do so from their PCs. Yet a growing number — many of whom can't afford a PC or would rather not use one — are using mobile devices to tell their friends where they are and what they're up to and for sharing pictures.

Mobile users are an important part of the mix for behemoths Facebook, Twitter and MySpace. But many folks are migrating to a new crop of mobile-only social networks such as MocoSpace, Mig33 and Peperonity. MocoSpace has emerged as a favorite in the U.S., where it is available in 22 cities, including New York, Seattle and Los Angeles. It offers chat, instant messaging, photo- and video-sharing, and games.

The number of people who use social networks from their smartphones skyrocketed 187%, to 18.3 million unique users, in July, compared with the same month a year earlier, says Nielsen. Social networking is among the fastest-growing activities on mobile devices, along with search and checking news, says Jon Stewart, Nielsen's research director for technology and search.

With so many eyeballs increasingly fixated on mobile devices, opportunities for advertisers abound. Visiongain Research predicts mobile-social-network-related revenue will reach about \$60 billion in 2012. Gobs of money is to be made from consumers buying virtual gifts when playing mobile games, for example, says Doug Bewsher, Mig33's chief marketing officer.

A potentially fertile opportunity is with users of iPhones and Google Android-enabled devices, who have shown an affinity to view ads from large screens.

"There is an enormous opportunity" for display and banner ads promoting movies, TV shows, autos and restaurants in specific areas, says Jason Spero, general manager of North America for AdMob, a mobile-advertising network.

Advertisers are smitten by the prospect of reaching millions of twenty-somethings worldwide who are smartphone devotees. Many of those users have shown a willingness to view online ads.

These users tend to be more tech savvy and younger, says David Berkowitz, senior director of emerging media and innovation at digital-marketing agency 360i. He predicts that as all-you-can-eat data plans become more widespread and affordable, mobile Internet use will explode, especially for social networking.

"It's more convenient: My cellphone is always with me. It's part of my lifestyle," says Courtney Collins, a 23-year-old hair stylist who lives near Detroit. She does not own a PC but is a religious user of MocoSpace and Facebook from her cellphone.

### **Social games**

About 65 million of Facebook's 300 million members are mobile users. Eight months ago, it was 20 million. Of MySpace's estimated 125 million members worldwide, about 25 million use mobile devices. A year ago, it was 6 million.

A significant slice of the growth is taking place in urban settings and developing countries, among young people who cannot afford PCs. "Mobile social networks have become a way of life for young people, especially for those who like to play social games," says Mig33's Bewsher. He says Mig33 is adding more than 500,000 users a month in Asia, Africa and the Middle East. The international service, with 25 million members, blends free and low-cost services, including VoIP calls, chat and instant messaging, e-mail, text messaging, photo sharing and social-networking features.

Forrester Research analyst Charles Golvin predicts that the next huge wave of Internet users — potentially billions of people in developing countries — will predominately use smartphones instead of PCs. In the USA, younger, economically challenged people in urban areas will "follow the same pattern," he says.

"This might be the best way to bridge the digital divide," says Justin Siegel, CEO of MocoSpace, a 4-year-old start-up that has a large following of young, non-white city dwellers who cannot afford PCs and use mobile devices instead. The free service is also popular among military members.

Often, it is a lifestyle choice. According to a Sprint survey, 80% of young adults (18-34) cite their wireless phone as their "lifeline" to others.

"Lots of people, particularly younger ones, don't want to be tethered to a desktop or even a netbook," says Michael Osterman, an independent analyst.

Kevin Lomax, a 29-year-old singer/songwriter/producer in New York, notes, "These days, who carries a laptop unless you are a businessman?" He uses an iPhone and Palm Pre to post songs on his MocoSpace page, where he has 4,000 fans.

But with any nascent technology, promise doesn't necessarily guarantee profitability, venture capitalists and executives caution.

Actual ad revenue has been fleeting, says Tim Chang, a partner at venture-capital firm Norwest Venture Partners: "It has been a failure until now."

"Ads on small cellphone screens can be a turnoff, " says Frank Meehan, CEO of INQ, a London-based maker of handsets for social-networking use in Europe and Asia. He thinks search-related ads hold more promise.