



Local Mobile Search To Reach \$1.3 Billion By 2013 by Mark Walsh, Wednesday, February 25, 2009, 7:00 AM

Spurred by the burgeoning mobile Web and targeted advertising demand, U.S. local mobile search advertising will hit \$1.3 billion by 2013--up from just \$20 million in 2008, according to a new study by The Kelsey Group.

The 130% annual growth rate the market research firm forecasts for local search spending easily surpasses the 81% annual increase it expects for overall mobile advertising (search and display), which will surge to \$3.1 billion in 2013 from \$160 billion in 2008.

"Local mobile search revenue is actually the fastest-growing curve we have," said Michael Boland, program director for Kelsey's newly formed unit focusing on mobile local media. "That's a combination of more search activity that's local, but also the fact that CPC rates, and other ways mobiles ads are sold, are going to be higher than overall search because of that local targeting which commands a premium."

At present, an estimated 54.4 million--or about 20% of U.S. cell subscribers--are on the mobile Web, and only 5.2 million are doing searches of any kind. As the most prevalent mobile data service today, SMS text messaging still claims the lion's share of mobile advertising--\$100 million of the \$160 million last year, compared to \$39 million for search. But in five years, Kelsey expects that proportion to be flipped, with search claiming two-thirds of the \$3.1 billion in mobile ad spending.

In that period, local search volume is projected to grow from 28% to 35% of all mobile searches, while local search revenue will increase from 50% to 56%.

"We believe local is going to be a big beneficiary because of the inherent qualities of mobile devices," said Boland. "Things like form-factor, location-awareness, and being close to the point of sale." Those attributes will lead to more marketing efforts and mobile applications tied to local shopping and commerce. Already, companies such as Kadrillion, GPSshopper and NearbyNow offer local product search via cell phone.

And of the 15,000 iPhone applications available through Apple's App Store, about 15% are geared toward local search, according to The Kelsey Group. To date, however, small businesses have not embraced mobile advertising because of technical and business hurdles that make ad buys difficult even for large advertisers.

But Boland says that's starting to change as Web giants such as Google, Yahoo and Microsoft launch new mobile ad options as they compete to conquer the mobile Internet. Google, for instance, recently extended its AdWords program to the iPhone and Android-powered phones, allowing advertisers to run campaigns on those platforms without even requiring a mobile landing page.

"Mobile search will be a great opportunity for small businesses as Google and others put the tools in their hands to take advantage of it," said Boland.

But how does Kelsey square its aggressive growth projections with a recession that's already cutting into ad budgets and mobile phone sales? Boland acknowledged that the downturn will slow mobile ad growth through 2010. "Mobile, for a lot of advertisers, is still seen as experimental," he said.

Starting from the tiny baseline of \$20 million in 2008, the firm expects local mobile ad spending will increase fourfold to \$81 million this year, and triple to \$242 million in 2010. "But coming out of the recession, mobile Web use and search volume will reach a level where it starts to attract a great deal of advertising," said Boland. "The combination of those things really start to tip scale by the 2011 time-frame." That's when the category is expected to top \$500 million.

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