Title: On Target Marketing in Mobile Devices

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15 credits

Final Thesis

Master of Business Administration
Marketing Management
On Target Marketing in Mobile Devices
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### Abstract

In the best of worlds, all marketing is relevant.

This study brings light to and creates understanding for how to capture the opportunities for target marketing, given by resent technical development and improvement.

Customers often perceive marketing on the internet as annoying, embarrassing, repetitive and sometimes even noisy. Companies have problems to focus their marketing efforts towards the areas which give most value for the marketing investments. The conflict between companies pushing the marketing messages to their customers, who are trying to avoid them, a growing mistrust is feed.

Well established businesses are challenged by new companies cutting in between the content providers and their customers. A new business model using the Long Tail phenomena is shaking the old media houses’ business position.

Smartphones and netbooks are merging into mobile devices, which release a number of opportunities for target marketing. This study states that mobile devices are personalized and as a consequence, open for the possibility of target marketing towards individuals. However, there are identified obstacles to overcome. One challenge lies in the balance between marketing benefits and preventing violation of the customers’ personal integrity.

From literature and case studies, light is brought to the state of practice of rules and regulations, old media houses Schibsted and Aftonbladet, search engine provider as Google and a marketing agency, Mobiento Mobile Marketing.

Trends and best practices stick out as more important in order for a company to become a successful target marketing actor. A “target marketing house concept” points out four significant areas for companies to benefit from the power of target marketing in mobile devices.

Trough out of this study, protection of the personal integrity and personal data has been pointed out as a key factor for a mutual and trustful customer relationship. This is considered to be as a precondition, both for behaviour segmentation and for a joint rewarding customer dialogue.

### Keywords

targeting marketing in mobile devices, customer segmentation, the Long Tail, long-term customer relationship, personal integrity, customer consent, media houses, Google, Schibsted, Bonnier, Mobiento, Aftonbladet, Swedma, PTS
Preface

We want to thank Karin Almers at Schibsted ASA, Johan Näslund at Mobiento Mobile Marketing AB, Henrik Patek at ICA AB, Axel Tandberg at Swedma and Johan Åsén at Aftonbladet AB for their engagement in our interviews and for their generosity and sharing their knowledge. Their contribution in this new discipline is highly precious.

We want to thank our supervisor, Stig Sörling, at the department of economics at the University of Gävle for guiding us in the hermeneutic methodology, for his strive for enhancements and for rewarding discussions.

This master thesis is the final task of a long MBA education in Marketing Management and can be seen as a very satisfying journey. Both of us have been working fulltime and studying half time and we want to thank our wives, Tereza and Ylva, for their patience, support, proof-reading and discussions.

Thank you all!

Stockholm January 19th, 2010

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# Glossary and abbreviations

This chapter summarizes terms and abbreviations used in this report. Abbreviations are described when mentioned at the first time.

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<th>Term</th>
<th>Description</th>
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<tr>
<td>CPA</td>
<td>Cost per action: Cost advertiser pays for each specified action linked to the advertisement.</td>
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<tr>
<td>CPC</td>
<td>Cost per click: Cost advertiser pays for a single click on its advertisement.</td>
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<tr>
<td>CPI</td>
<td>Cost per impression: Cost of a specific e-marketing campaign, e.g. cost per single appearance of an advertisement on a web page.</td>
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<td>CPL</td>
<td>Cost per lead: Advertiser pays for an explicit sign up from an interested consumer who is interested in the advertiser offer.</td>
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<td>CPM</td>
<td>Cost per mille: Costs to show the ad to one thousand viewers.</td>
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<td>CTR</td>
<td>Click-through rate: Number of users who clicked on an ad on a web page by the number of times the ad was delivered (impressions).</td>
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<tr>
<td>Flat rate</td>
<td>Customer pays for having access to a service for a fixed amount of time without any additional charges, e.g. fixed monthly fee for internet access in mobile device without additional charge per megabyte data traffic sent or received.</td>
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<tr>
<td>P4P</td>
<td>Pay for placement: Advertisers bid for the right to present an advertisement with specific search terms (i.e., keywords) in an open auction</td>
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<tr>
<td>UGC</td>
<td>User Generated Content.</td>
</tr>
<tr>
<td>Unique click rate</td>
<td>Number of clicks on an ad on a web page by the number of unique users (web browsers).</td>
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1 Introduction

The competition to get customers’ attention has never been harder than it is today. This is a flow of never ending advertising and marketing filling the customers’ lives and it is difficult for a company to get their message through the media buzz. According to ComScore, an internet user is exposed to more than 2000 ads per month\(^1\).

It is commonly heard among marketers that half of the advertising is waste but the problem is to know which half. Companies have normally reacted by raising “the volume” of their marketing messages to make sure they stick out from the buzz and that they are heard properly. It has usually been difficult to accurate measure customers’ reaction to this repetitive and intensive marketing.

Now, with digital devices in each man’s pocket, we got the tool for both targeting the marketing towards the right customers and to follow up and measure the marketing response as well.

\(^1\) ComScore, 2009, p.9
Target marketing where the advertiser is addressing the ads to the customers are very powerful marketing. The battle among the marketers will stand between who can get access to the best technical tools for marketing, as for example Apple Appstore, Google ads and Aftonbladet.se.

The tools given by digital devices also give opportunities to a two-way online communication with customers and promotion shaped towards individuals. Together with mutual trust and honesty, customers and companies can get a win-win situation in a long-term relationship. Companies need to build long-term relationships with their customers to overcome customers’ lack of trust and to achieve a stronger position.

Mobile devices amplify the customer behaviour of word-of-mouth communication to influence other potential customers. A new customer power arises and changes the balance between customer and supplier. The main actors selling or mediates advertisings are constantly changing. The introduction of Facebook caused the Swedish youth community Lunarstorm a 25 percent loss of visitors. “Just to be the first to arrive is not enough anymore”.

The digital marketing channel is a wide channel that grows larger as new techniques enters the world. People are getting more mobile and expect that access to information, leisure, pleasure, purchase, training or instructions,
order status and other time-critical content should be available 24 hours/7 days a week.

The old media houses have to adapt to the fact that more or less everybody has access to internet all the time. They can now choose by themselves when to watch and what to watch. Even user generated content, as blogs and short movies, become more and more common and its importance is growing. The audience is not where it was. One consequence is the power of information is moving from journalists to customers. – The media houses are loosing money on advertising.

Figure 2 shows that search engine marketing represents almost half of the revenues from internet advertisings in US 2008. It is totally clear that the market and the business models are under change.

Figure 2. In 2008, the internet ad revenues was in total US$ 23.4 billion.3

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3 Silverman, 2009, p.8
The mass markets for many products and services are broken down to niche markets. Customers’ demands are becoming more individualistic and more customers specific. This puts a strong pressure on companies to continuously innovate, redesign and develop their market in order to develop their market offering with new palettes of products and services.

The mobile channel provides an opportunity of interactive and trustworthy relationship with the customer based on their preferences, chosen way of communicating and location. This sets the scene for mobile targeting marketing. Nowadays traditional marketing using mobile devices are using text messaging (sms and mms) and wap pages but this is about to change dramatically very soon. Mobile internet using wap, a technique from 1995, took long time before getting public established due to both technical and costs issues. 3G services are now well established features for the new user generation.

A powerful economical driver towards more personalized mobile devices is the growth of income in the very populated parts of the world, as countries India and China, among young people in the industrialized western countries. A large part of this internet user segment still can’t afford both a computer and a mobile phone. These countries are lifting themselves out of poverty and more and more people will have access to a mobile phone or in the future, a mobile device. These fast growing countries will make shortcuts in the development and invest in mobile infrastructure immediately. We believe this is an enormously strong economical encouragement for using targeted marketing in mobile devices. The globalization forces are working in this direction and the main volume of targeting marketing will be via mobile devices.

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Telephone calls are the major part of the services in India’s mobile traffic net, but even the text messaging and the music services are growing. The use of internet in these mobile phones has a large commercial potential and a great impact on enriching and gaining human lives. Still in the autumn of 2009, it is still waiting for its break trough. For most people in these continents it will be the only way to access the internet, to archive reliable information and to communicate to the global society around them.

The mobile as a marketing channel will evolve, as the internet did in the late 1990s. It is just a matter of time before the devices and network have capacity enough to handle required information in the communication. Like the internet, the mobile channel opens for a much larger part of the marketing investments. The mobile market channel has got additional advantages compared to the computer based internet channel: positioning, personalization, and 24/7 access.

**Positioning:** Mobile devices have with help of both the mobile network and GPS devices possibility to positioning the customers. This opens for totally new marketing campaigns that were not possible before.

**Personalization:** Almost every person has got an individual/personal mobile device but shares one or many computers with others. The future mobile devices will therefore be much more personalized but also leave persistent individual traces on the internet.

**24/7 access:** Mobile users have access to the internet fulltime, i.e. 24 hours per day, seven days a week. With future services content providers have fulltime access to the mobile users.

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5 Edenholm, 2009
1.1 Problem description / Down side

At the same that the time access to internet increases and a number of new functions are provided, customers perceive marketing on the internet very annoying. Suddenly the users’ screens are invaded by unwanted, irrelevant, repetitive and sometimes even noisy ads. Many customers use software to block internet marketing. According to Frédéric Filloux the most popular is Firefox plug-in with 45 million downloads during the last three years\(^6\).

In the worst case, there will be a kind of terror balance where the marketers try to push ads to the customers who will do anything to avoid them. In this conflict of interest, mistrust between the advertising companies and their customers, will be developed.

1.2 Research question

The purpose of the thesis is to bring light to and create an understanding for relevant target marketing in mobile devices by exploring and analyzing target marketing in mobile devices, delimited to personalized mobile marketing with 24/7 bi-directional access to customer.

1.3 Limitation

This report is limited to digital targeting marketing, focused on mobile devices in marketing channels such as search word advertising, banner advertising using networks, and advertising using contextual or behavioural targeting.

\(^6\) Filloux, 2009
1.4 Report disposition

This report is a result of a study of four different actors in target marketing in mobile devices. The report illustrates and exemplifies how the balance of power between forces of competition and business models has changed due to the technical and social development, especially mobile devices. Since the development is changing rapidly, this study provides a snapshot of the market landscape of today. The cases in this report are selected to represent the intersections between businesses. The target audience of this report is university students. In this report we have chosen to refer to mobile computers, mobile internet, cell phones and other communication media as “mobile devices”.

The report has thus far described the background and purposes of this the study.

Figure 3. Report disposition.

The introduction is followed by the method for the study and how information sources have been selected and analyzed, regarding to validity and reliability.

In the following chapter is the literature “funnelled” from overall marketing concepts down to target marketing in digital media for mobile devices.

The empirical chapter describes and analyses cases from branches working in the digital marketing line of business. Also ethics, rules and regulations are described.

Finally, the collection of information analyzed and some reflections are presented and the report ends with conclusions.
On Target Marketing in Mobile Devices
Chapter 2 - Method

This master thesis is the concluding assignment after two years of ½-part studies at the University of Gävle’s MBA program in Marketing Management. These two years can be described as a journey where the knowledge of the authors’ have been shaped, extended and developed. It has, and still is, an interaction between interpretation and understanding/insight of theory and empiric, not in a circle but as a knowledge building spiral.

2.1 Hermeneutic Approach

According to Lindholm, the target of a study with a qualitative approach is to reach a profound understanding, not just an observation, an explanation or a description. In social science or in other of humans created environments it is important to interpret human behaviour, human thoughts and cultures when empiric is analyzed and conclusions made to achieve an understanding. Hermeneutic is considered to be “..the interpretation and understanding theory and practice of human environment..”. The subject “Target marketing” is a reality created by human beings and the objects which

7 Lindholm, 2001
shall be studied are humans. Their interaction with the environment is depending on belongings to social contexts and relations to other actors.

Arbnor & Bjerke, introduce the term the actors’ point of view (“aktörssynsätt”) which they say “...rely on the reality’s multi indicatively and flexibility”\(^8\). The term is not unambiguous and shall not be. According to Arbnor & Bjerke, “An actor is acting, reflecting and creating creature”.\(^9\) They play an active role and the actors’ perception of their own reality shall be a part of the analysis. Further, Arbnor & Bjerke’s base for the term “actors’ point of view” is founded in the actors’ belonging to a social community\(^10\). The actors’ point of view is continuously discussed, redefined and formed by the reality in an interaction process. The reality is not independent of the actor/observer.

An example of this is when television channels are asking the viewer what kind of programs they prefer. In such inquiry of public opinion, people have a tendency to adapt their answer to what they think is an expected answer. The results of these kinds of inquiries point at news, documentary programs and programs with a scientific direction, but in reality most people prefer easy entertainment. People who are asked to answer these kinds of questions don’t want to be considered as “unserious” and less “educated”. (As if the choice of TV program was an indicator of a group’s educational level). The people who were observed cared about what the actor/observer who asks the questions thought of them. They are a part of a social context and want to describe themselves, their family, their neighbourhood, their ethnic belonging, their nationality or what ever the specific community is, as favourable as possible. The observer interfered with results. In similar cases, it might be necessary to think about other ways of measuring.

\(^8\) Arbnor & Bjerke, 1994, p.174-175
\(^9\) Ibid, p.185
\(^10\) Ibid, p.192
To avoid these kinds of deviations, we have worked with open questions and not used a questionnaire when the cases were studied.

2.2 Pre-perception

Arbnor&Bjerke state that there is a risk that an actor/observer will find what he is looking for and what fits in his own pre-perception of reality. A risk, every scientist shall be aware of is “You will get the answer you asked for”. Arbnor&Bjerke claim that pre-perception is linked to all experiences an actor might have.\(^\text{11}\)

According to Lindholm, we have inherited the results from earlier generations’ interpretations and understanding. He quotes the German philosopher Gadamer, by stating “we live in a history of influences”. This has been said before: When the mathematician and physicist, Sir Isaac Newton published his most important book, “Principia”, in 1687, he was setting a milestone for human knowledge. According to the legend about Newton, he wrote a famous phrase in a letter to a friend: “If I have seen further, it is by standing on the shoulders of Giants”\(^\text{12}\).

Newton is here making a paraphrase and using it to describe his work. According to Joe Yoon, there are variations of this statement which are much older. Authors and thinkers of the Middle Ages and of the Renaissance have already discussed the subject hundreds of years earlier, though Newton’s paraphrase is probably the best known today. Yoon states “John of Salisbury” was a well-known source from the 12\(^{\text{th}}\) century by the phrase: "We are like dwarfs sitting on the shoulders of giants. We see more, and things that are more distant, than they did, not because our sight is superior or because

\(^{11}\) Arbnor & Bjerke, 1994, p.182.

\(^{12}\) These words have been attributed to Isaac Newton.
we are taller than they, but because they raise us up, and by their great stature add to ours."\textsuperscript{13}

Both these variations of the same old expression emphasize how dependent we are from the earlier generations work and from the results of their interpretations. Lindholm agrees and claims that present generations “...\textit{have their the results from earlier generations’ interpretations...}” and further, “...\textit{have a pre-perception about the entirety, even if not always clear stated or understood}”.\textsuperscript{14}

Modern examples of these pre-perceptions are everywhere. In politics left and right parties argue about the best way to the reach the same goal. The pre-perceptions differs too radically that the parties actual distrust each other whether the other party has the same goal, i.e. to strive for a better society, e.g. when arguing about if the means are private or public ventures, or grants or tax reliefs.

Another example is how pre-perception can influence a study, e.g. a medical study. Earlier, before the Swedish national board of health and welfare came up with guidelines, many physicians who studied alcohol abuse were influenced by their own pre-perception of what a “too high” alcohol consumption was. The conclusion was that “a normal alcohol consumption” always was equal or below the physician’s own alcohol consumption. This is a very subjective point of view without any scientific relevance.

A third example is that many advertising article refers to “studies” performed by the car manufactures themselves where own products are top-rated in the benchmarks. This is an obvious example of when pre-perceptions influence studies. The choice of information sources and comparing parameters can turn the result upside-down.

\textsuperscript{13} Yoon, 2004
\textsuperscript{14} Lindholm, 2001
In this study we have tried to be as objective as possible, but is not easy to be totally independent from our professional trainings, work experiences, cultures and belonging in social communities. Both authors have technical backgrounds and are novices in marketing. There is also a difficulty to disregard the backgrounds when selecting the sources of information.

It is naïve to think that we, as observers of such a human-based phenomena as targeted marketing (which is full of perceptions, expectations and human feelings), can study and analyze without taking actors’ pre-perceptions and social background into consideration.

Many people like to expose their lives and personal data over the internet in blogs, Facebook, Twitter and other social communities. However there is also a large group of people who don’t want to expose themselves or to be exposed at all. For this reason we do believe personal integrity shall be personal and secure.

Being aware of that, it is necessary to be open for the possibility that there might be interpretations of the empirical material other than ours. In chapter 5, Analysis and reflections and in chapter 6, Conclusion we use a critical approach.
Figure 4. describes three well-known car brands. It is totally impossible to compare these cars from the information given in the ads, which are referring to the readers’ pre-presumptions of the brands.
2.3 Stages of this study

This report has been compiled from documents, from stages within this study:

- **Problem description** stated the research question, choice of scientific method and outlined both the stages for this study and disposition for this report. In accordance to Lindholm’s theories of science philosophy, this study is performed from a hermeneutic perspective.

- **Literature studies** about target marketing are gathered from a number of sources.

Four **cases** are chosen to spread light on target marketing. The cases are documented and analyzed and gives an as-is view. The case interviews are done with “open questions”, with a minimum of interference in the discussions and with an awareness of the actors’ social context. The questions varied between the interviews but all interviews started with general starting-questions about their business and market position. To secure quality the interviews are recorded, documented and sent back to the respondents for review. The interviews are completed with e-mail correspondence and seminars.

Figure 5. This report is compiled from summary of documents from several stages.
Finally, two important stages are performed: In the **analyze and reflection** stage the outcome from the information gathering is evaluated and compared to the knowledge found in the literature study and to best practice found in the case studies. In the **conclusion** stage the target marketing in mobile devices is evaluated and conclusions are made.

### 2.4 Selection of cases

This section gives an overview of the target marketing actors for internet mobile marketing and how cases are chosen among the main actors in digital advertising marketing.

The market for digital marketing in mobile devices is a new and immature discipline. Besides the instability of the market, the actors don’t have the same picture of what the market looks like. Therefore it is difficult to map out the advertising market schematically and point out distinct actors and their specific roles. Different actors have different advertising market pictures but after interviewing many stakeholders, we have made an attempt. However, we want to stress that Figure 6 displays a market in change and it is obvious that alliances, merges and business development will have an impact.

As described in figure 6, this study focuses on five of the six top main categories of actors. The digital target marketing is controlled by **Rules and regulations**, e.g. Swedma’s\(^\text{15}\) guidelines for direct marketing (trade association for direct marketers), Post & Telestyrelsen\(^\text{16}\) (PTS) and Datainspektionen. **Media houses** possess a significant amount of the content and by that also have many readers to whom commercial advertisings are directed. Google does not produce any content themselves, but they use **Search en-**

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\(^\text{15}\) Swedma is an interest group for organizations working with direct marketing  
\(^\text{16}\) the Swedish Board of Telecommunications
gines in order to reach out to readers with the advertisements. Agencies design direct marketing campaigns, especially for the mobile market. Advertisers, such as Ica, measure and use personal shopping behaviour to target their campaigns. Mobile operators supply with the technical infrastructure which makes a mobile advertising market possible. Mobile operators are not a part of this study.

Among these actors, four cases are selected and studied:

- Case 1. Rules and regulations – Swedma and PTS
- Case 2. Media houses – Schibsted and Aftonbladet
- Case 3. Search engine provider - Google
- Case 4. Mobile marketing agency - Mobiento Mobile Marketing.
On Target Marketing in Mobile Devices
Figure 6. The picture describes the digital advertising market in spring 2009. This study is focused on five of the six top main categories of actors. (Mobile operators are not a part of this study).
2.5 Quality of sources

The information in this report are collected from many different sources and critically reviewed. Some sources that are selling material are subjective, rather than impartial information, in order to bring out the positive qualities. In other words, it is important to gather all information and not only the good points. Mostly, the information is correct in promotional material and there is probably more inaccuracies in newspaper and on the internet. The trustworthy in the information has been checked, e.g. by comparing and checking different sources against each other.

2.5.1 Interviews

Interview sources are selected to cover the most important actors of targeted marketing as old media houses, trade association, and media bureaus. Information about laws and regulations are also covered. The interviews are considered to both have a high credibility and trustworthy in their specific field.

**Swedma.** The purpose with an interview with Axel Tandberg, chief lawyer at Swedma, is to clarify the ethics and guidelines for good marketing practice and the laws, rules and regulations which are applicable for target marketing in mobile devices. Some of the information from Swedma is further scrutinized with supplementary information from PTS\(^\text{17}\).

**Schibsted and Aftonbladet.** Old media houses’ business models have for a long time been successful but are now affected by new technology. Interviews with Karin Almers, project manager at business development and strategy dept. at Schibsted ASA, and Johan Åsén, head of mobile business

\(^{17}\) PTS – Post och Telestyrelsen
development at Aftonbladet AB, describe how the old media houses are re-
acting to the challenge.

**Ica.** The purpose to interview Henrik Patek, director of CRM at ICA AB, is
to achieve information about Ica’s full-scale target marketing based on cus-
tomers’ shopping behaviour. The company has chosen to be very clear and
open with how they are using their customers’ personal data in order to tar-
get their marketing. The idea was to discuss their experiences from their
member card marketing campaign.

**Mobiento Mobile Marketing.** The new information technology has facili-
tated and created new marketing channels and long tail of advertisements.
However, the marketing basis still remains. The purpose with the interview
with Johan Näslund, head of Adiento at Mobiento Mobile Marketing AB, is
to discuss how a marketing agency can adjust to a new marketing environ-
ment.

### 2.5.2 Mail correspondence

**PTS.** Supplementary information, gathered from mail correspondence with
Swedish governmental authorities, PTS, are added to the information from
the interviews.

### 2.5.3 Books, Reports

Target marketing in mobile devices is a relative new phenomena and the
literature in the subject is very limited. The chosen literature is mainly
well-recognized marketing literature.

### 2.5.4 Internet, Papers, Broadcast

Information from sources, which are available on internet, have been used.
Examples are electronic versions of papers and magazines, published on the
internet, weekly distributed news bulletins in very specific topics or broad-
casted TV programs.
Google. Google Sweden has declined our interview inquiry and did not want to give comments about the mobile internet market. However Google is so important for this study and cannot be left out. We have chosen to use second-hand sources for the Google case. The information about Google is gathered from papers and articles published on the internet, but also from a NHK Documentary, produced by the Japanese public service company, NHK\textsuperscript{18} and from a SVT-interview with former Google Europe manager Nicklas Lundblad. Google’s own interview with their CEO Eric Schmidt is used to receive information.

2.5.5 Seminars

Information from the “Mobile focus 2008”-seminar in Kista, Sweden, and “Mobile Framtid 2009”-seminar in Kista, Sweden are used.

Google. At the seminar in 2009 we had opportunity to listen to Robert Hamilton, Product Manager Mobile at Google (international).

2.6 Quality of analysis

Another important factor influencing credibility in the report is the best-before date of the acquired of knowledge. The areas referred to in this report continuously develop and there is a risk that information becomes out of date before conclusions are made.

\textsuperscript{18} NHK - Nihon Hōsō Kyōkai
3 Target marketing in literature

This chapter describes the well-established perceptions and common knowledge from the overall marketing concepts “funneled” down to target marketing in digital media in mobile devices.

First the importance of customer relationship is described, as a fundamental base that the advertisers and advertising financed web sites need to have with their receivers of the advertisings.

Further, the Long tail phenomena and business model is essential base for the dominance of Google that using search word- and contextual targeting. Also Amazon has found its existence on this business phenomenon.

The chapter ends with a description of the different ways of target marketing and techniques for customer segmentation, such as contextual and behavioural marketing.

The literature studies in this chapter and case studies (chapter 4) expose the absence of a clear border between what can be considered as empiric information on one hand and what information belongs to a well-established concepts, on the other. Targeted marketing in mobile devices is a new discipline within marketing and it is developing rapidly. Older established marketing concepts has been developed and adjusted to fit the new technology
and then mixed with “best practice”. We have found it difficult to separate the concepts from the diversity of practices. It appears to be a sliding scale. There is a tendency that everything older than six months is considered as a part of “the old school” and it seems that this marketing discipline is still seeking its’ form and context.

In this report we have chosen to place general knowledge, sustainable information about marketing and its’ well-established methods for customer relationship, target marketing and techniques for segmentation, in this chapter.

The information about the four specific cases is placed in chapter 4. This information is considered as relatively new or under development and describes an “AS-IS” situation and a state of practice.

3.1 Customer relationship

The technology and changes in social networking turns traditional business model and marketing concepts’, like Porters’ five forces, obsolete. Mobile devices and changed customer behaviour are changing the balance of power between these forces in old well-established business. Internet has turned business models upside-down.

There are obstacles for targeting marketing. While sending targeted ads to the customers companies need to build and maintain customer relationship to get the most from marketing campaigns. Sometimes it is also a pre-approval needed by the receivers of the ads e.g. when sending fax advertisements.

According to Aburdene more and more people weight values of ethics, moral and environment concerns into their purchases. These value-driven custom-
ers become conscious customers and want the companies to share their values and their preferences. Customers also feel that targeted marketing more intrude on their personal sphere than mass advertising. It is therefore important to maintain the customers’ trust. Conscious customers require trustful relationships. But how can companies achieve the customers’ acceptance and trust?

In many cases the customers need to approve that his e-mail address is used as a marketing channel. To get the customers’ approval, i.e. their consent, companies build long-term relationships with the customers, based on mutual trust and recognition.

There is a group of conscious customers which has a considerable purchasing power, they are aware of that and wants to make a change. Patricia Aburdene estimates the size of the group to up to 30% of America’s adult population.\(^{20}\) This group let their voices be heard from their wallets, handbags or direct from their fingertips on a mobile device over the internet.

To summarize, the relationship between a company and its customers shall be based on mutually rewarding, mutually trust and social responsibility in their objective to get the customers approval for targeting marketing.

### 3.1.1 Holistic Marketing Concept

According to Kotler & Keller the holistic marketing concept is one out of five competing marketing concepts. The concept is set out to deal with the new circumstances and to co-ordinate the complex marketing activities. A holistic marketing is about “everything matters”.\(^ {21}\) The concept includes four components; relationship marketing, social responsibility marketing, internal marketing and integrated marketing. This study focuses on customer

\(^{19}\) Reuterskiöld, 2009  
\(^{20}\) Aburdene, 2005, p.91-93.
relationship, i.e. relationship management and social responsibility and not on the internal relationships within a company.

Companies use **Relationship Management** to secure and improve their Marketing Network in order to keep the current customers satisfied and at the same time be able to gain new ones. A company’s marketing network is the company’s relationship with their stakeholders. Relationship Management involves a creation of strong ties with any person or organization that might affect the marketing activities. The ultimate purpose is to establish a profound, long-term, mutually rewarding and profitable commercial relationship with the company’s key stakeholders. These ties can be of economic, technical and social nature.  

To achieve a holistic marketing approach companies shall endeavour towards a **social responsibility**, a serious attempt to be a “good citizen” with a strong commitment to the society. The companies shall understand the context in terms of ethical, environmental, legal and social concerns in which they have their marketing activities. More companies come to the insight that they are in the business of confidence and that their reputation among their stakeholders is essential.

### 3.1.2 Trusted-based marketing

Companies need to build long-term relationships with their customers to overcome customers’ lack of trust and to adjust to a stronger customer position. The tools given by new technology also give opportunities to a two-ways, on-line communication with customers and promotion shaped towards individuals. According to Urban, mutual trust and honesty, customers and companies can get a win-win situation in a long-term relationship. The concept of trust-based marketing (called “Theory T”) is well-used and more

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22 Ibid
suitable in relatively new industries and in industries, which demand a high degree of education among employees, suppliers and customers.

Further, Urban states that trust creates business benefits, and also increases customer loyalty and states that “An evolutionary strategy is the best path to establishing trust with customers.” “Theory T” and push-based marketing (called “Theory P”) are analogous to McGregor’s concept about employers’ assumptions about employees, “Theory X” and “Theory Y”, from 1960.

With new technology, such as mobile digital devices, the customer power is growing. According to Urban, “Information technology stabilizes cooperative long-term trust-oriented strategies.” Discussions between customers and price comparisons have implied tremendous changes for the businesses. Kotler & Keller and Urban describe trends that also involve decreasing effectiveness of push-based marketing.

Gardner methodically describes how a company could generate buzz for its products, using a well working business blog, with purpose to change from push-marketing to trust-based marketing: “Stop talking at consumers, and start talking to them. Begin a conversation with them that encourages them to talk to others about your business or product. That’s what buzz marketing with blogs is all about: getting a conversation going between business and consumer.”

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24 Reduced customer acquisitions, Higher profit margins, Growth, Long-term competitive advantage
28 Kotler & Keller, 2006, p.11.
30 1) Increasing access to information, 2) Access to more alternatives, 3) More simplified transactions, 4) Increasing communication between customers, 5) Increasing skepticism, 6) Decreased media power, and 7) Overcapacity and saturation of markets
31 Gardner, 2005, p.11.
3.2 “The Long Tail” – A phenomenon

In an article a few years ago, Chris Anderson coined the expression “The Long Tail” to describe a principle or phenomena, which is used by some actors in the digital market, among them Google, eBay and Amazon.com.

The Long Tail is a relative new term, compared to Porter’s well recognized models and the phenomena is shown in many different shapes.

A description of the phenomena is added to this chapter to illustrate the driver behind new business models, to exemplify how advertising agencies are adapting their businesses to changes in the market demand and to facilitate the discussion about the cases in chapter 4.

Many old and well-established book stores have sold books from a physical store in more than a hundred years. Suddenly, a new actor, Amazon.com, entered the market and conquer the customers in a way that threaten the whole existence of the bricks and mortar book stores. The Long tail phenomenon appears in different shapes. Amazon became large thanks to a long tail of book titles and customers.

Anderson compares the biggest physical “super-bookstore” in USA, which can provide 175 000 book titles, to Amazon.com, which can provide 1 million book titles\(^{32}\). In Figure 7 there are more customers beyond the “175 000 titles”-marking than it is in front of it. The most fascinating about the Long tail is its size. The tail becomes longer than the height and the tail is selling less of more.

Anderson states that a company can be very profitable without reaching very high volumes and the core message is that δ goes towards zero in infinity. Google is using the Long tail when matching ads with searches which gives them a unique position.

The customers are more skilled buyers and their demands are more individual than ever. Anderson argues the mass markets are broken down to sub markets satisfying each and every sub community. The change in demand leads to a market differentiation and falling volumes. An expression by Anderson is “selling less of more but everything sells something”.

A consequence of the Anderson’s phenomena is that TV-programs like “Hyland’s Hörna” from the 60-ties and ”Dallas” from the 80-ties, when a whole nation watched the same program at the same time will never occur again. It seems like the customers try to develop and garden their non-conformity, creating sub-communities around a special interest, connecting with people with similar interest around the world. It is important to both
know which group a person belongs to as to know which group a person doesn’t belong to. It is about customer’s attitude.

Similarly, Google is using a long tail of advertisers and search words in a combination with sophisticated algorithms for their search engine.

A possibility for the development of the long tail is the possibility to store music, content of books, TV programs, in computers and make them accessible when the demand occurs.

To get the long tail up and running Anderson emphasizes three forces\textsuperscript{33} to consider:

- Make it. Produce content by letting the customers do the work. Wikipedia has been very successful.
- Get it out there and make the content available by digitalization.
- Help me find it. Anderson emphasizes the importance of a well-developed search engine.

### 3.3 Target marketing

Instead of offering the customers a menu of all products and services to the entire market, companies address their offers to subgroups of customers. The subgroups, or market segments, are supposed to be homogenous and have similar needs and demands within the segment. The marketers’ offers are tailorized proposals attracting one segment at the time, or even an individual customer at the time. This is called targeting marketing and is a very powerful form of marketing.

\textsuperscript{33} Anderson, 2006, p.219.
In general there are two major kinds of advertising on the internet: banner advertising and search word advertising and the advertisements can be sold for example per time unit, per impression or cost per click.

**Banner advertising**, or network advertising, implicates space on websites are bought on the internet. The banners are addressing a broad spectrum of readers and the advertiser is often paying per click. Banner marketing is used without any selection of the target customer. Marketing is done either site by site or in networks.

The advertiser buyer (advertiser) and receiver of the commercial message (reader) are actors in the advertising market. Advertisers are the actors that have got the products and services that customers have need and demand for. As an example, the advertisers could vary from the “local pizzeria around the corner” to national or global company, like BMW, Coca Cola and IBM. When using web banners both kinds of advertisers could be willing to spend almost the same price per hit, but with a difference - The “local pizzeria” wants to target the ads to a small group of people looking for pizzeria at dinner time in the local area. The global company wants to target the advertising to an entire generation in the entire world, using a weekly long campaign.

**Search word advertising.** Contextual targeting marketing or “search words advertising” implicates the ads are chosen to fit a content in an article or a search over the internet.

For example, if a private person search for flower seeds on the Google search engine an ad for seeds shows up together with the search results. About 10% of the clicks on the ad lead to a sold product\(^\text{34}\).

\(^\text{34}\) NHK Documentary, 2007
Swedma, an interest group for organizations working with direct marketing, states targeting marketing as a strategy or an approach and defines it as “…all targeted marketing activities with the purpose to create direct communication to consumer or business and is shaped to create a measurable reaction/response of sales, increased information or visit in shop/homepage/contact centre”.

Another objective is to sustain or influence customers’ behaviour. A targeting marketing campaign starts with a profound job of analyzing targeting groups, sub groups, markets, and the company’s own customer database. Done properly, targeting marketing makes the companies’ brands stronger.

### 3.3.1 An early attempt of targeting marketing.

One example of an early attempt of targeted marketing is when Time Magazine in the middle of the 90-ties tried to make their product individual and was able to print 60 000 different magazines each week. The customer gave the paper a profile of interests and the magazine could address their advertising and promotions towards these interests.

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Figure 8. The demand matrix describes customers’ will to pay. The arrow’s length shows how well customers’ acceptance for buying a product/service has.

Figure 8 describes the correlation between individualized promotions, direct communication and customers’ willingness to pay for a product or a service. The length of the arrow indicates the customers’ willingness to pay is increasing if a service or a product is individualized and immediate. Today, this attempt to achieve individual promotions seems quite primitive technically but far-sighted when it comes to understanding customers. The tools give opportunity to shape a promotion towards target groups.

### 3.4 Segmentation techniques for digital target marketing

Commonly used methods and techniques for selecting groups of customer with similar attributes which marketers guess have high degree of common preference. The purpose of customer segmentation is to use the company’s marketing resources in the best efficient way.
The market segmentation techniques, described in this chapter, are based on interviews and literature and describe how segmentation is performed today – *state of practice*. However, none of these sources describe segmentation from a theoretical point of view and point out a segmentation method or a combination of methods, which will optimize the market resources under given circumstances – *state of art*.

Seven major categories of market segmentation techniques are described in this report to facilitate the understanding of the targeting techniques referred to in the cases, in chapter 4. These categories go from blunt, imprecise and broad customer segmentation, down to razor sharp segmentation on individuals’ interests and preferences.

- Demographical targeting
- Geographical targeting
- Contextual targeting
- Behavioural targeting marketing
- Retargeting marketing
- Registration targeting
- Mobile targeting

### 3.4.1 Demographical targeting marketing

Demographic targeting (DT) is a traditional marketing based on the idea of who you are, where you are in the life cycle, gender, lifestyle, professions, education and household income and so on. Demographic targeting is a

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36 Schibsted & Aftenbladet, 2009
rough method of selecting customers, break down the communities into subcommunities, and try to guess what their common interests are.

DT cannot be targeted against individual users, since it would be an integrity infringement. Therefore DT often involves generalizations like classification into age groups and that women like the colour pink, or that men like sports.

3.4.2 Geographical targeting marketing

Geographical targeting (GT) is commonly used in newspapers where advertisements differ between the local editions. In the digital marketing the geographical targeting is based on IP number, i.e. the internet address of the computer (or gateway) that the reader uses when browsing the internet. There exists no reliable search in database for geographical position of IP numbers and the results often give misleading positions. Instead of using IP numbers GT could use other techniques for getting geographic positioning of individuals.

3.4.3 Contextual targeting marketing

Using contextual targeting (CT) ads match with content viewed by the reader. CT selects ads to the reader’s situation e.g. by matching a search for “Paris” with advertisement for airplane tickets to France and hotels in Paris. The advantage is that readers get what they are out for.

CT marketing has its’ most advantage when the customer searches and actively asks for information. For example, information before a purchase using search engines and catalogues. The benefit from this category of targeting ads is that the readers receive what they are interested in.
In order to assimilate from CT the owner of advertising space need a long tail\textsuperscript{38} of advertisers and content. Downsides with CT is that context of negative character could be matched with advertisements. E.g. articles about “airplane crash” could be matched with advertisement for “cheap flight tickets”.

![Figure 9. A mismatch between an article about Apples CEO Steve Jobs and an automated picked ad for education.](image)

3.4.4 Behaviour targeting marketing

The effective spent time of an information search on internet is very small compared to spent time on entertainment and news pages. By using behavioural targeting (BT) the behavioural pattern of users registered so that ads

\textsuperscript{38} Chris Anderson coined the expression “The Long Tail”
can be targeted. Compared with contextual targeting, that match an advertisement with the context of the actual page displayed, BT can match ads based on several weeks of pages visited and phrases entered in search engines.

The challenge of using BT is to understand the target group, i.e. the filtering criteria. E.g. the “Italian group” is users that have searched for Italian food or Italian wines. A more precise “car buyer group” are users that have visited the car test pages at least three times during the last two weeks. In general, the more narrowed target group the more accurate will the targeted ads become.

Another challenge is to understand when individuals leave the target groups. E.g. after the car buyer has purchased the car then the interest for more information or car related advertisements vanishes.

An illustration of BT is Ica’s target marketing based on their customers’ shopping behaviour. Since October 2008, the company is targeting their marketing offerings towards individuals, based on customer purchase behaviour six months back in time. Statistics are saved for an 18 months period. Targeting marketing towards individuals is something Ica’s customers have requested. Ica has been very open with what they are doing and have had a very small negative reaction among their customers. Only 400 persons out of 2,1 million of their customers have asked to not be a part of the collecting purchase behaviour marketing.\(^39\)

### 3.4.5 Retargeting marketing

Occasionally, visitors enter a purchase site, filling their shopping baskets with goods they are planning to buy, but suddenly leave the site and continue to a news site before fulfilling the purchase. Retargeting marketing

\(^{39}\) Patek, 2009.
induces that advertisements for the goods placed in the shopping basket, show up on the news site. Retargeting marketing is an attempt to regain the potential customers’ interest for the goods again.

3.4.6 Registration targeting

Companies could let their customers register a “customer profile”, including the customer’s personal record, their interests and their preferences. This can be done in the shape of a “customer club”, committed to a certain product, brand or specific shops. These customer profiles are used to target information and advertisements. Registration targeting (RT) could be used in newsletters or specific promotions targeted to individuals. RT is a capable targeting technique since customers actually have inquired the information. Nevertheless, personal records tend to lose their contemporaneity and the customers need to update their profiles continuously and easily.

Further, an “opt out” opportunity shall be offered to the customers to avoid required information from becoming unwanted and quickly turning into spam.

3.4.7 Mobile targeting using identification and position

More people are getting online using advanced mobile devices with 24 hours access to internet and additional features like GPS, high resolution displays and standard web browsers. Mobile targeting uses the possibilities that these mobile devices offers.

The techniques for positioning a user with a mobile device make it possible to target advertisement for users within a geographical area. Although there is no technical obstacle for a site to request the position of a mobile device, the difficulty lies in how to receive acceptance from the users. Customer acceptance could be by click on a banner “show me the nearest McDonalds” or when search for “hairdresser in the near area” in catalogue services. To get position of users of mobile devices, third party content providers need agreements with operators. Positioning of a customer using mo-
bile phone is possible today. The mobile market offers two techniques for po-
sitioning:

- Using the GPS in the customer’s phone for an accurate positioning.
- Triangulation. (Measuring the strength of the signal to mobile base
  stations and calculate the user’s position).

Content providers could also get additional information such as phone num-
bers of the users’ mobile devices. With help of phone number the site can
perform real time lookups against public registers, such as credit reports,
address and civil status for targeting advertisements. Google Latitude uses
the positioning of users and could offer target marketed ads to customers,
based on the mobile position. Like Google search in a standard browser ads
or keywords could be incorporated into the search result, but with a differ-
ett. In Latitude ads could be targeted based on position. The user expects
that the position will be used when the search functionality is used. Eniro
has a similar search service, “Sök nära mig”, but since it uses the standard
web browser (wap) there is no clear consent from the user that the position
can be exposed.
According to Per Ström, marketing services in mobile devices that are built on geographic positioning have been used for some time but it’s truly break trough still remains. In a marketing campaign positioning can be combined together with other services. For example, digital coupons can be sent to segments of customers who are close to a certain ice-cream shop on a sunny and warm day\textsuperscript{41}.

Another example of using positioning for marketing purposes is when SF Bio in April 2009, sent out text message marketing offer to 1000 persons close to their cinema Saga in Stockholm. If customers were close to the cinema Saga at a certain time they received a text message marketing offer for the movie “Slumdog”. According to Katarina Chowra at the advertising bu-

\textsuperscript{40} Image source: Ström, Pär, Big Brother Bulletin.
\textsuperscript{41} Ström, DDR – Den Digitala Revolutionen.
more tests have to be done before an evaluation of how well this marketing method is\textsuperscript{42}.

3.5 Summary

The purpose of marketing is of course to increase companies’ sales. The Long tail and customer segmentation are tools for addressing the right product or service offer, to the right customer and to do it at a reasonable cost.

The very first step to achieve this is to become accepted by the customers, and to get the customers’ consent. The key to become acknowledged is to create a long-term customer relationship based on mutual trust.

In the coming chapters, these foundations are analyzed and studied.

\textsuperscript{42} Mörner, 2009
On Target Marketing in Mobile Devices
4 Empirical from cases

This chapter describes how the digital advertising market looks like in 2009. The empirical study is based on important actors, reported and referred to as the four cases in this chapter.

Case 1 describes the ethic, rules and regulations for mobile marketing. The case is based on interviews with Swedma, Ica and PTS.

Case 2 is about (old) media houses and how their business models are affected. Media houses’ marketing has shifted from mass advertising to target marketing. The case is based on interviews with Schibsted and Aftonbladet.

Case 3 is about Google and their internet marketing concept. The case studies how search engines and banner networks are used for target marketing.

Case 4 describes Mobiento Mobile Marketing, a direct marketing bureau. The case studies how agencies designs direct marketing campaigns.

4.1 Case 1 - Ethics, Rules and Regulations

Company’s freedom in advertising is also limited by rules and regulations from both government and trade associations. E.g. if a company wants to send out targeted-based adverts to individuals mobile devices, based on per-
sonal information, it needs to get the customers’ approvals. The technical tools for targeting marketing are very powerful and can be used to keep track on individuals. This case gives an overview of the actors controlling the rules and regulations and ethical guidelines for direct and targeting marketing. The case study is based on interviews with Swedma, and Post och Telestyrelsen.

A traditional webpage has both general banners, which can be compared with advertisements in newspapers, and banners visible for selected target groups. As an example, individuals with technical or sports interests, usually visiting certain pages. With more or less legally methods, it is easy to track individuals on internet due to all electronic footprints left. Individuals that are tracked must always be informed and offered to opt-out, meaning the customer can decline actively.

4.1.1 Direct marketing is based upon consent

All direct marketing is based upon consent. The technical tools for targeting marketing are very powerful and can be used to keep track on and building behavioural profiles on individuals in order to refine the segmentation of target groups. Direct marketing versus personal integrity is a balance of interest. Personal integrity is affected when personal data is utilized. Personal data is information that can identify you as a person, such as name and address. Personuppgiftslagen (PUL)\(^{43}\) is a Swedish law that came into force in 1998, based on preparatory work started in 1986. Even though PUL reflects the society in 1985, the law in general is still valid, irrespective of medium, e.g. offline, online, e-mail, text messaging. Data processing when handling data that identify an individual always has to comply with PUL.

\(^{43}\) Privacy Protection Law
According to PUL, consent is essential when using personal data in direct marketing. In many cases there are an implicitly consent of using personal data after weighing interests, pros and cons, between marketing and integrity. Opt-out registers for customers must be available and maintained. As an example, the Swedish Telephone Preference Service (TPS), better known as NIX-Telephone, offers customers to out-out from all telemarketing.

However e-mail and text message marketing require opt-in, meaning the customer has to give one's consent actively in advance. When using opt-in, e.g. in newsletters, the customer has to be informed what the personal data will be used for. Once a year customers are allowed to request extract from registers.

### 4.1.2 Direct marketing is about relationship and trust

In direct marketing the relationship between advertiser and customer, i.e. communication, is important. In this relationship the advertising company is the stronger party and the customer, the private person, is the weaker party. It is important that the company put openness into practice. Ica is a good example of a company that has been open when launching their campaign of targeting advertisements based on purchase history using loyalty card.

### 4.1.3 Mobile marketing consists of three 1-to-1 relationships

The rules regulating mobile marketing to private persons are stronger than rules regulating mobile marketing to companies. Consent is only required when marketing towards private persons. However, even if it legally is allowed to send advertisements to companies without consent, good marketing practice prescribes that advertisement sent to a company must be of relevance for the company, i.e. within its line of business.

Today, there is a difference between targeting marketing towards customer with fixed broadband and customers with mobile broadband. Using fixed broadband there is not possible to certainly track individual computers be-
hind a router sharing an IP number. Mobile broadband is normally used by a single computer and could easier be tracked. Fixed broadband and fixed telephony are connected to households whereas mobile telephony and mobile broadband are connected to individuals. According to Swedma, mobile marketing targeted to private persons and companies consists of three 1-to-1 trustful relationships:

- Trust between reader and advertiser (third party content provider)
- Trust between reader and mobile operator providing personal data to third party
- Trust between advertiser (third party content provider) and mobile operator

![Diagram of trustful relationships between reader, advertiser, mobile operator](image)

Figure 11. Direct mobile marketing consists of three 1-to-1 trustful relationships.

### 4.1.4 Mobile marketing – a legal gray zone

According to Swedma the location of an individual is considered more personal than the identification of the individual. The position exposes *where* you are. The phone number exposes *who* you are. The operators are selling information about their customers’ positions to third parties. Good marketing practice implies that customers give their approval before getting positioned. For example, a click on a McDonalds banner “See today’s specialty in a McDonalds near you” results in Eniro’s search catalogue and maps of McDonalds restaurants in the near area. Many customers are probably not aware of that when they select a “search–near–me” link the customer not
just agree to positioning but also allows the operator to sell position information to a third party. A consequence of when the user clicks on the banner might be that the contract between the customer and the operator no longer is valid to all its aspects.

Operators provide personal data such as mobile phone number (identification) and position (triangulation between cells) to third party content providers, for marketing purposes. The MSISDN (phone number) is packaged within the web traffic. The position of a mobile device could be received from the operator using active request (pull). Often the content provider uses an aggregator (middleman) for identification, positioning and billing of the subscriber.

Operators expose mobile phone numbers and locations to a third party after questioning pros and cons between marketing benefits and integrity. But, the exposing of personal data to a third part is not necessary legal\textsuperscript{44}. Preliminary results from an ongoing pre-investigation by Post och Telestyrelsen (PTS) points out that operators more often sells subscriber information and supplies payment from customers to content providers\textsuperscript{45}. The preliminary results also points out that there are reasons for further investigation since there might be defects in both legal and technical handling of information.

![Diagram](image)

**Figure 12.** Third party content providers receive identification and location of mobile devices from the operators via aggregators.

\textsuperscript{44} Bogerius, 2008  
\textsuperscript{45} Lindmark, 2009
4.1.5 Guidelines and ethic rules for direct marketing are important

The regulations for direct marketing on internet, especially in mobile devices and mobile broadband, are in a legal grey zone. Therefore it is important for the actors within the direct marketing line of business to establish and follow own ethic rules and put openness into practice. Consumer power is important and according to Swedma a company shall be more open when nearer a private person they are operating. The more insight the customers get the more loyal they become.

There is also important not to balance on the edge of that is legally. Swedma has worked out ethics rules and recommendations for e-mail marketing and mobile marketing. According to Swedma companies shall act within a zone that clearly is defined as legally among the common people, using these rules:

- Use common sense in marketing.
- Just because you can do something does not mean you should do it.
- If you consider something odd you should not do it.
- If you are unsure ask someone not working with advertising.
- Ask what you grandmother considers.
- If someone could be irritated or get furious you should not do it.
- Trust is important
4.2 Case 2 - Old media houses

“Old Media” is a term used for older, traditional media as papers, literature, radio, film and television, which by tradition is using one-way communication channels to their customers. Old media is characterized by having a limited possibility to incorporate User Generated Content, UGC, into the content. The 150 years old medias have been concentrated into Old Media Houses such as the Scandinavian houses Schibsted and Bonnier, or the even the more powerful houses outside Scandinavia as Rupert Murdock’s News Corporation, and the Italian Prime Minister Berlusconi’s Fininvest.

Before the introduction of the internet and the more recent introduction of the “blog culture” it was in an editor’s power to let a text or an opinion to be published, or not, as well as when the time was right. The media houses’ had a superior access and control over information and over the distribution channels which made them very powerful.

About thirty years ago media houses were like advertising intermediaries of advertising agencies. Since then the actors within this branch of business have learned to cooperate tighter to achieve synergy effect. Therefore it is difficult to map out the advertising market schematically and point out distinct actors. Today’s recession has lead to less traditional marketing, such as newspapers and television, while direct marketing, i.e. postal and internet marketing have increased because of the fact of targeted and direct contact with customers. The old media houses feel the pressure from digital media and how their share of the advertising market is shrinking.

According to Packer at Bonnier/Expressen, paper readers are sceptical to advertising and marketing. “If we say for example a digital feature or ser-
vice for you mobile are for free, our readers met us with mistrust. They don’t believe us and think there is a hidden catch somewhere”.

In this case we have chosen to study how the Norwegian media house Schibsted and their Swedish newspaper Aftonbladet are challenged by the new digital competitors.

### 4.2.1 Schibsted

Since a long time, Schibsted has adjusted to the new markets and made their products and services available in digital format and adjusted advertising to the new format. The content on the pages spans from own content, to bought content, aggregated content and to UGC. Schibsted reach most of their smallest advertising customers using Hitta.se, catalogue service, and Blocket.se, classified advertisements. Similar to Google owned Double Click, Schibsted has a banner network, Webtraffic that buys up unused advertising space on the web. The smallest advertiser base is sold using the banner network, Webtraffic.

Unlike Google, Schibsted does not have self service for advertisers. Using their self service Google can reach an endless amount of customers since the administrative cost of selling ads are very low and therefore customers can buy ads for small fees. Google and Schibsted are at the same time both partners and competitors. Google is a giant that no one can disregard and therefore Schibsted trusts that they can coexist by using content valuable for the local market.

There are different business models how Schibsted sell advertisements, e.g. per time (e.g. day or week), per impression, and per click. The niche advertising space is limited in volume. The higher demand for ad space the higher

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46 Morris Packer at Bonnier/Expressen, Mobile Focus seminar, 2008.
47 Schibsted owns Aftonbladet, Blocket.se, SvD, E24, Prisjakt, Tasteline, Hitta.se.
CPM\textsuperscript{48}. The best placed ad spaces on the pages are called "Premium". The goal is to get the best price per showing. The more information known about the reader the higher value of the ad. Many of the Schibsted sites are organized with the largest advertisers on the front pages and the deeper and more niche content, e.g. fashion and beauty, the smaller advertiser. The front pages, such as the cash cow aftonbladet.se, are targeted to all visitors using wide ads. The deeper niche pages use different segmentation techniques for targeting, such as geographic targeting, contextual targeting, and behavioural targeting. Much of the inventory within Schibsted is general, which makes it difficult to target ads to individual customers. Contextual target marketing and search word advertising is therefore the main techniques for segmentation.

Schibsted uses behavioural targeting within its domain of sites. E24 is a business site with limited amount of ad showings. Using behavioural targeting other sites within Schibsted can target ads to readers that earlier have visited the E24 site, or other sites within Schibsted. Schibsted successfully combines uses behavioural targeting with contextual targeting – when readers visit a page contextual targeting is used for selecting ads and on other pages behavioural targeted ads are displayed, based on previous pages visited.

Schibsted has successful experiences from using behavioural targeting. In a reference case Schibsted used both behavioural targeting and run-of-site\textsuperscript{49} campaign for an estate agency. The selection criteria for behavioural targeting were also combined with geographical targeting (IP number). The result of the powerfulness of behavioural targeting compared to run-of-site campaign was striking:

\begin{center}

\end{center}

\textsuperscript{48} CPM, Cost per mille
\textsuperscript{49} No targeted ads, i.e. displayed for anyone
• 90 percent more noticed the ads
• 42 percent more readers considered the ads contained relevant information
• 50 percent more read the ads more carefully
• 20 percent search for additional information

The run-of-site campaign reached much more readers. The BT campaign was displayed only to a few selected, but with intense display frequency. This resulted in almost identical click rate\textsuperscript{50}. The notable advantage of the BT campaign was the conversation rate of about 25 percent, i.e. every four person ordered the product.

Schibsted considers the main advantages with behavioural targeting are the larger window of reaching customers, possibility to combine with other methods, larger target group and larger volumes, flexible with many degrees of freedom to tailorize. Without behavioural targeting Schibsted would need the long tail in order to carry through many small campaigns. One challenge for Schibsted is to handle that behavioural information quickly becomes obsolete, which not the problem when contextual is targeting is used. Another challenge for Schibsted is to proof effects of marketing campaigns and to avoid measuring based on only click rate.

4.2.2 Aftonbladet

Aftonbladet is a strong media to buy wide reach from, both the paper and the internet page. Proceeds of web version of Aftonbladet are almost at the level of the paper version. The future business for Aftonbladet is online but the papers expect to be a business for several years. Target audience for Aftonbladet has become older on both the webpage and the paper. A chal-


Challenge for Aftonbladet is to catch the interest of the younger group, 15-25 years, reading blogs. A survey shows that 82 percent of the mobile users that visits Aftonbladet are men equally spread over the ages 25-40 years and the main target group in mobile is sports interested men between years 25-40.

Aftonbladet owns the banner network Webtraffic and has therefore exclusive right to advertisement space at Aftonbladet. But advertisers publishing ads using banner network, Webtraffic, can not control were the ads are published. Only by purchasing space directly from Aftonbladet can advertising space on Aftonbladet site be guaranteed, which is an advantage for Aftonbladet.

The mobile development currently undergoes the same journey as the traditional web did ten years ago and Aftonbladet has learned from both earlier mistakes and successes. The future of mobile web is uncertain for Aftonbladet. Many readers feel that the webpage nowadays are filled with annoying ads with irrelevant content. Therefore Aftonbladet uses different methods of changing the ads, e.g. frequency controller ads so that another ad is displayed next time a reader visits the page. Usage of behavioural targeting will in the long run offer more personalized ads.

Geographical targeting, using IP numbers, is used on the webpage. On the mobile webpage more information could be obtained e.g. using mobile phone number. Today mobile operators sell ads at their portals based on individuals’ personal data such as sex, age and geography. Aftonbladet can pick up the mobile phone number of readers using mobile devices (e.g. phones and notebook with mobile broadband access). Aftonbladet is currently looking into the legal possibilities to lookup additional information (any personal data) using phone number from a database, e.g. Tele address. The informa-

50 Number of clicks on the ad divided by number of pages displayed
tion has to be obtained every time since the personal data cannot be stored, due to legal reasons.

Unlike the traditional webpage, that sells many ads on daily or weekly basis, the mobile webpage only sells per CPM. By adding targeting parameters (for narrowing the target group) Aftonbladet estimates that CPM would increase by 25-50 percent, per each parameter added. The mobile webpage offers new possibilities of targeting, except from using phone number. Targeting using positioning could be used but involves legal obstacles for how the positioning data is used. I.e. the user has to approve each positioning request. Therefore the phone number has become a more important source of getting personal data. Positioning is a exciting technique but is currently limited due to legal investigation.

The challenge for Aftonbladet is to get as close contact as possible with the direct advertisers. The problem is that many of the larger advertisers already got a media agency. Another challenge is to achieve the small coins, i.e. ads in banner networks or at the local market places. Aftonbladet is not able to be the platform needed for local drives. Two years ago Aftonbladet tried a concept with 16 local websites but failed due to tougher competition on the local market and due to the fact that Aftonbladet is not good at local news. Aftonbladet missed the boat in securing its position in the long tail. However the web pages Hitta.se and Blocket.se, within the Schibsted group, displays ads from small advertisers. The mobile webpage of Aftonbladet could be an alternative to the local papers.

According to Åsén, mobile devices must be treated like a separate platform of information for mobile individuals by being very selecting and have focus on news, especially sports, combined with pleasure. The Aftonbladet owned site “Allt om Stockholm” is an excellent candidate as mobile webpage. The

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51 Cost per mille
classic view of the mobile device, i.e. that existing information from the web is scaled to the technical capabilities of the mobile device, is not the future concept of using mobile webpage. Due to the different platforms there is a significant difference between marketing on the internet and on the mobile devices. Marketing in mobile devices need to be selective. The same content in a tabloid is not available in a mobile device. The first providers are focusing on news and sports but it is likely the content will spread into topics as social interaction and payment services.

In 2008 Aftonbladet brought the Tagg concept from Japan to Sweden. A Tagg links the traditional printed paper (offline) to the webpage paper (online). The purpose was to create an easy method of linking articles and ads in analogue media to digital media, instead of using complicated URL, and to create measurable ads in the paper, which is uniquely for an offline product. An advantage of using Taggs is that the reader of the original paper article is redirected to an online version of the article, with possibilities of targeted ads. The disadvantage of Taggs has been to bring along the other media houses and phone manufactures.

![Diagram of Tagg concept](image)

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Figure 13. Taggs connect printed paper (offline) with web paper (online). The reader of the paper is redirected to an online articles with targeted (personalized) ads.
4.3 Case 3 - Google

About the Google corporate and its’ outstanding, quick evolution

Google was founded in 1996 and the name Google is a pun with words and alludes to a “googol” – a mathematical term for a number 1 followed by a hundred zeros. Google’s mission is “To organize the world’s information and make it universally accessible and useful”.52 The Google mission is a true BHAG – Big Hairy Audacious Goal.53 It is considered to be inspiring, a “raison d’être”, which is setting out the direction for Google’s employees. It is also contributing to a corporate image, giving the impression that the company has a higher purpose.

Google sites are top-one ranked in US from April 2008 to December 2008. Goggle’s big three sites, “Google.com”, “YouTube” (founded in 2005 and acquired by Google in 2006) and “Blogger.com” stand for 149 million visitors in US alone.54 Apart from these sites, Google has added services as Gmail in 2004 and Google Earth in 2005 and has implemented a digital library called Google Books Search in 2004.

The company is in autumn 2009 the world’s largest search engine company with 20 000 employees55 and has a turnover of 150 billion dollars per year. Google has today a total dominance of search services over the internet and affects the way many companies make their businesses. New types of advertisements together with unique searching algorithms have given many companies new incomes, not just Google. Eric Schmidt, CEO at Google, describes Google’s role at the market and emphasizes that all of the companies

52 www.google.se/corporate.
53 BHAG was coined by Jim Collins and Jerry I. Porras in 1996.
54 ComScore, 2009, p.6.
55 Lundblad, 2009
in the search space are benefiting from the new business model where people are living more and more online. 56

4.3.1 Google’s business model

Google’s new and innovate business model is all about search engine marketing. A private person uses Google to search for other pages with information. Advertiser uses sponsored links in Google (AdWords), e.g. the top three links in the search result results, often visible in another color, or advertisements in the margin where advertiser has to pay per customer click. Google’s flagship and main income source, Google AdWords, was introduced in 2003 and is a service for advertisers to promote their products on the internet. In autumn 2008, Google introduced Google AdSense, a banner network service supporting website publishers to display targeted Google ads on their own websites. Google AdWords and Google AdSense are closely connected. AdSense service delivers advertisements from the AdWords advertisers to the customers on the internet. By introducing Google AdSense, Google extends the long tail of advertisements.

Search word marketing is about optimizing web pages to be top ranked in Google search result. When using search engine marketing advertisers have to pay Google and when using search word marketing advertisers have to pay the company providing the optimizing service.

4.3.2 Google’s economical impact

Google has during a relative short time established new business model which has a large impact on how many companies make business and how the economically rules are change significant.

56 Schmidt, 2006  
57 Google analytics
Trade and marketing using internet is often described as a democratic and fair way of doing business. For once, a small company has the possibility to market their products side by side with multinational companies and at the same conditions. The cost for trading some product categories over the internet is relative low and very often, regardless of geographic distances and time zones.

The strength of Google is an effective long tail of advertisements together with relevant search results, which make Google unique among search engines. One example of how companies stimulate their marketing and increases their selling is how a small flower company in the American countryside increased its selling of flower seeds by three times using Google’s sponsored link. If a user was searching for a specific type of flower, Google placed an advertisement for flower seeds next to the search result. One out of ten users who clicked at the advertisements, also accomplish the entire purchase. 58

However, there is a catch to the democratic and fair way of doing internet business: If a company doesn’t show up among the top five in Google’s search result list – it doesn’t exist for its’ customers.

The driver behind the importance to be listed high in the search result list is the customers’ way of using internet. Eighty percent (80%) of internet users finds web places and products using search engines. Keywords for internet searches results in links. Studies in user behaviour show that users most watch the upper right corner and see the first five hits. It is less than 50% that users see more than five hits. 59

The customers’ internet behaviours and searching habits emphasize how important it is for companies to create home pages which are accessible and

58 NHK Documentary, 2007
relevant for Google’s search algorithm. Advertisements are adjusted based on user’s search keywords and cost about 10 cent per click. This is called target ads.

4.3.3 Search Keyword Auction and Page Ranking

Google secures an income from search keywords by auction search keyword clicks. For the companies who want to be seen high up on the search result lists it has become important to “own” keywords linked to products or services. In the US it is expensive to study at a University or college and for the universities it is big business to attract students. For example the keyword “college” Google charges $40 per click costs (2007). The advertisings are easy to follow-up in order to measure efficiency. Google sells keyword clicks for $10 billion per year.60

Google has also much influence over search result. The Google “page ranking” algorithm was developed by the two founders, Larry Page and Sergey Brinn, and the main principle is that the more linked a page is (from other pages) the higher ranking. There exist another hundreds of ranking rules, which are one of Google’s best kept secrets.

A new, niche business is developed with the one single purpose: Support companies to reach a high page ranking.

Search engine marketing companies help other companies to increase the page rankings in order to get among the first hits. Companies continuously need to maintain its ranking. Search engine consultants help companies to increase their page rankings, by performing reverse engineering of the Google page ranking rules.

59 NHK Documentary, 2007
60 Ibid
Common methods are:

- Spreading out the keywords on the page frequently and naturally.
- Use many keywords, but not more than fifteen.

One example of successful page ranking optimization is how Eye laser clinic (LASIK) in San Francisco together with search engine consultants succeeded to boost their page ranking and as a consequence, three doubles their customers since three years thanks to high page ranking (top 4).

Victor Goodman, CEO at Kinderstart, a company selling products and services to parents, has sued Google for suddenly in 2005, changing Kinderstart’s page ranking from top ten ranked to almost zero ranked. According to Kinderstart’s lawsuit, this has resulted in lost of 70% of the website’s internet traffic and the income lost from advertisement was 80%. It is unclear if this is a result of a human mistake or if it is a systematic way of increasing Google’s income.

4.3.4 Threats towards Google’s dominance

According to Nicklas Lundblad, former manager at Google Europe, Google is very well aware of Alta Vista’s destiny: “AltaVista had during a long period of time in the mid nineties, something close to a monopoly of search services on the internet. Now it is hard to remember they have ever existed”.

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61 NHK Documentary, 2007
62 Järfalk, 2006
63 Lundblad, 2009
Lundblad argues there are two major threats towards Google’s world dominance:

- Losing the customers’ confidence.

- New Innovations. Google fears new, small niche companies with an entrepreneur spirit and new bold innovations which will change the market significant and quickly.

**Customers’ confidence.** Google will be the number one search engine on the internet only as long as the customers let them. Nicklas Lundblad claims Google’s position is defined by their users’ choice and it can be changed overnight. If Google uses information about their customers, e.g. personal data or other gathered information about individuals’ internet behaviour, purchasing habits etc, in an unacceptable way, Google will lose their customers’ confidence. There are today 5-10 alternatives to Google as a search engine for their customers to choose between. (Examples: Microsoft Bing and Yahoo).

Google is well-aware of the risks and consequences if information is spread to unauthorized third actors and used. Google has taken severe and rigorous security measures to protect it. How these security measures are designed is a secret. Microsoft, Yahoo and actors in the bank sector are also struggling with the same type of issues.

**New innovations.** Google has its roots and its self-image as a young, creative and innovative company and they want to remain as one. Often has true entrepreneurship and new innovations been seen as a contradiction to inflexible and large-sized companies. Is it possible for Google to both be a large company, the dominating the search engine and to remain innovative and creative?

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64 Ibid
Lundblad believes it is a question of long-term survival for Google and he summarizes Google's concern as following: “The challenge lies rather in a cultural and social challenge than in technical, economical or juridical threats”.  

Lundblad, 2009
4.4 Case 4 – Mobiento Mobile Marketing

Mobiento Mobile Marketing AB provides services in the mobile marketing since 2001 and has provided marketing campaigns for companies as Coca-Cola, Volvo, Adidas, Absolut Vodka, Microsoft and more.

Mobiento is not just a marketing consultant or an IT consultant specialized on mobile technology or an advertising agency but a hybrid of the three.

![Diagram of Mobiento Mobile Marketing AB](image)

Figure 14 describes the three areas where Mobiento has its business.

Mobiento is a mobile media agency and Adiento is an advertising agency. The advertising agency provides access to mobile surfaces for advertising purposes on other actors’ internet pages. Mobiento provides the mobile market with marketing concepts and marketing campaigns. To be able to serve their customers with “turn-key” solutions, Mobiento has added technical competence to the company.

Even if Mobiento is a hybrid and also can provide technology services, the focus is on the market activity and how to serve that purpose best. Technology is considered to be of secondary importance.

Today, a user’s internet access often starts at an operator’s web portal, which becomes the user’s start site. A large part of the mobile internet traffic goes over the operators’ web portals. Adiento sells mobile surfaces on
these web portals and target the marketing towards specific groups of end customers. Segmentation of customers is done mainly by age, sex, geography and mobile telephone.

Adiento is built on a long tail of advertisements, e.g. advertisement networks and their main marketing products are:

- Banners on mobile web portals.
- Text messaging towards individuals.

According to Johan Näslund, Mobiento, it is vital how the customers’ personal data is used. “If a customer receives a text message, it is something which is personal. If the customer doesn’t have a relationship with the product or the brand and has not accepted to get information, text messaging will just create bad will”.

For the same reasons it is not advisable to buy customers mobile numbers from a third actor and use them for a text message marketing campaign. Then it is better to align with some actors for collaboration and reach both companies’ customers.

One way to avoid bad will is to use companies’ customer associations or customer clubs in which customers became members of by their own free will and by choice. The members of such clubs expect messages from the company and have positive feelings for its brand. Because text messaging is considered to be so personal oriented, it is used to send out positive messages and not just promotions.

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66 Näslund, 2009
4.4.1 Positioning

Mobiento does not provide positioning functions in their marketing campaigns yet, but has run some tests to evaluate the technology. If positioning shall be used, the customers have to actively accept to be identified and positioned each time. For the moment the procedure of getting customers approval take too long time. Surfing on a mobile device is supposed to go fast.

4.4.2 Business model and market actors

Mobiento Mobile Marketing AB has formed their organization after the new market situation on the mobile internet and has become a new kind of actor. Mobiento has a well communicated customer oriented organization.

![Diagram showing Mobiento Mobile Marketing's network of actors and partnerships](image)

Figure 15. Mobiento is working with different kind of actors in the mobile marketing segment.

Since a long time Mobiento uses a Dutch advertisement management system called MADS. The system deals with advertisements for five different mobile formats. It is also possible for Mobiento to measures their marketing results and get paid e.g. by click rate.

Mobiento cannot see personal data in MADS. Handling personal data could jeopardize the customers’ trust.
A flat rate business model for mobile internet traffic has been seen as a precondition for increased traffic over the mobile devices and a foundation for marketing on the mobile devices. Johan Näslund predicts the business model with flat rate will be established within the coming six months. “Internet access through computers became big when flat rate was established. It will be the same thing with internet access over the mobile device.”

As a consequence it is likely the operators’ importance will shrink to become just the infrastructure provider and a market channel provider. It is in the Operators interest to find a more profitable business model.

Content providers have during a long period of time failed to get paid for their content they provide over the internet. However, businesses over the mobile phones are today large. The secret is called “micro-payment”. Customers are today paying one or two dollars for downloading new ring tones to the mobile telephones or a picture of a singer etc. It is possible to charge the customers for content using the customer’s regular phone subscription charging model.

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67 Näslund, 2009
5 Analysis & reflections

This chapter starts with a historical recap of the early attempt to provide access to internet in mobile phones by introducing WAP. The key factors behind the financial and technical disappointments are compared and analyzed.

Old and new marketing concepts are compared and analyzed. It is observed that the closer to the subject (“target marketing in mobile devices”) we came the number of literature sources as well as academic weight dropped dramatically.

Further, the case about rules and regulations are compared with the ongoing debate about personal integrity.

A balance is needed between marketing benefits and personal integrity. The customer’s consent, as basis for target marketing, is of importance of maintaining the customer relationship.

The debate about personal integrity and trust has also hit companies like Google. The fifth chapter reflects on the growing mistrust against Google.

A target group is per definition needed for target marketing. Different usages of segmentation techniques for mobile target marketing used in the cases are analysed.
Finally the underlying drivers of the different business models behind the studied actors in the cases are analysed and compared e.g. with the long-tail phenomena.

5.1 Mobile internet has become mature

In autumn 2009, mobile access to internet is technical possible, common accessible and on its way to a commercial break through, but why did the mobile internet access take so long?

At first, internet began as an experiment in the US military and become accessible for the general public in mid of 1990-ties. At the same time, the mobile telephone developed from NMT technology to GSM technology, to 3G and now beyond. Almost since the very beginning the engineers had the idea of supporting internet access in the phones and being able to provide many different kinds of services.

There is no exaggeration to state that there was not an overwhelming customer response when wap was introduced in 1995. Heavy investments were done in technology but no one, not the operators nor the service providers, were making any money out of it. Customers didn’t want to use the offered services. The introduction of wap is considered to be a significant failure. According to a study in 2002 by Condos, James, Every & Simpson the wap usability level was poor. Users have difficulties to navigate on the websites or complete simple and common tasks as searching a book on Amazon.co.uk or finding news headlines.

The authors list these obstacles:

- **Poor quality and high costs.** The price schedules were just too complicated for the customers to understand and getting familiar to. This caused unpredictable costs for the users. Other reasons for the unpredictable costs were bad design of web sites (“dead ends”) and low communication speed, that caused higher costs than expected.
without the user was able to conclude the task. If the operators had
offered flat rate as a price model the new technology had been given
the stability it needed for change of behaviour. The customers didn’t
feel they was given value for money.

- **Services.** The services were made for internet connected computers
  and not for the mobile phones. There is a difference in customer be-
  haviour, which was not taken into consideration.

- **Poor customer orientation.** There was no focus in trying to solve
  the users’ problems. The customers were more or less left alone with
  the technical shortcomings.

A flat rate business model does not lie in the operators’ interest. When a
customer buy a new mobile device and log in for the first time, they end up
at the operators’ web portal as a starting page. The operators have tried to
become the starting point for all their customers’ internet activities with
complementary services. Operators are delivering access but have failed to
provide content to the customers. The purpose of the operators’ web portals
is very unclear from a customer point of view.

In 2008, Apple introduced their mobile phone Iphone and presented their
innovations in human-machine interface and design, which is considered to
be a milestone. The border between a traditional computer manufacture and
a manufacture of mobile phones is becoming less obvious. Nokia introduced
their first notebook, called Nokia Booklet 3G, in August 2009.68

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68 Conneally, 2009
According to Robert Hamilton, Product Manager Mobile at Google, there has been a major change in mobile usage during 2009. The mobile traffic usage has exploded due to three key factors:

- Flat rate - users know their browsing costs, which now is much lower
- Full and flexible web browsers – users can access almost any webpage on internet
- Advanced devices with bigger screens and touch functionality

When Hamilton’s factors are compared with the British study from 2002 one can see that earlier problems now have been solved and that mobile internet now has become mature. Hamilton summarizes the development of mobile internet - “the browser is the future of the mobile”.

According to Garner Group, all major computer manufacturers are aiming at the Smartphone market. It seems that the smartphone market and the notebook market are merging. However, there are obstacles for both groups. For example “short product life cycles, fashion design, hardware and software platform diversity”.

Despite heavy investments in technology, the wap introduction became a failure. Now, when computer manufactures aspire for the mobile device, there are lessons to be learned from the pioneers back in 1995. The mobile internet has become mature and the traditional divide between mobile and computer manufactures are now taking a new shape. Let the first attempt with the introduction of wap in 1995 be a lesson and put the human-machine interaction in focus.

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69 Robert Hamilton, Google, at Mobile Framtid seminar, 2009
70 Shilov, 2009
5.2 Literature and old perceptions

Marketing literature does not keep up with the development and the establishment of new marketing concepts. During this study it is notable that as closer to the discipline “target marketing in mobile devices” we get the number of information sources decrease. Another observation is that the academic weight of the sources also decreases. This is described in Figure 16. The type of sources goes from trustworthy core literature of marketing management to scattered researches and finally to sources on the internet. In fact it is hard to distinguish internet sources from empirical results.

Old perceptions described in marketing literature seem to be challenged and new ones are formed. The impact of information technology in the companies is comprehensive. Considering Porter’s famous model “five forces of competition”, from 1985, Internet has during the last decade considerably changed the power balance between these forces. In every purchase there is now a rising power to the buyer's advantage.

During the study it has become clear that everything isn’t new. “Targeting marketing in mobile devices” is truly a new marketing discipline, but it is built upon traditional marketing principles, which were developed during the 20th century. New technology, mainly developed and adjusted to fit new
purposes was developed during the first decade of the 21st century, lifts the targeting marketing discipline into new contexts and provides new opportunities.

Grant states, to Porter’s defence, that the entrance of internet and information technology has given the buyers too big power and caused the existing companies damages in terms of profitability. In many industries “...the main impact of the internet has been to intensify competition and erode industry attractiveness”71. He expresses the agony and the suffering many older, mature and since long time established industries experience. It is obvious the old media houses belong to this category of businesses and certainly feel the challenge from new established businesses.

Anderson tried in 2006 to explain the drivers behind internet based companies as Amazon.com, Tradera, e-Bay and Google by coining the Long Tail as an explanation for the high variation of choices internet customers have. The explanation is far from a rock-solid model or a well recognized perception of the same dignity as Porter’s model was twenty years ago. Nevertheless, it is a start and it needs to be developed further before it is fully acknowledged.

Kotler&Keller’s Holistic Marketing concept about “everything matters” is the base for customer relationship management, CRM.

Urban’s trust concept for digital marketing from 2004, a two-ways on-line communication with the customer rather then to them, can be described as a badly-needed refreshment of the older concepts, which were created in the 1960-ties.

71 Grant, 2005, p.87
5.3 Rules & regulations don’t protect personal integrity

The study about rules and regulations, described in chapter 4.1, reveals a gap between fast adoption of new technology, some actors’ undeveloped attitude to marketing behaviour and a slow development of rules and guidelines.

The personal integrity debate in Sweden has during the last two years been intensive as the government has launched the so called FRA\textsuperscript{72} law and the Ipred law\textsuperscript{73}. The exposing of identification and localization of a mobile device user is like a beforehand-Ipred - before the user gets access to a copyright protected website at a content provider the identification of the user is already unmasked. For fixed wired users the content provider needs a court order to get the identification of an IP number.

An obstacle of using mobile services for tracking individuals is that often the user of the device is not the registered owner. E.g. parents are registered for the mobile subscriptions but their children are the users. This is something the business has to take into consideration.

All humans belong to a social context\textsuperscript{74} and are part of a social environment. The reasons for not wanting to be exposed, varies. Personal data might be considered as highly classified information in some cases and totally harmless in other. Advocates for using internet technology tools for registration of internet traffic often argue “If you got nothing to hide you have nothing to fear”. However, it is not just criminals or people with “bad moral” who need their personal integrity secured. The issue is that everybody got something to hide, not just politicians and celebrities in the public spotlight, but as well the common and hard working citizens.

\textsuperscript{72} FRA, Försvarets radioanstalt. The FRA law permits wiretap of all telephone and internet traffic that crosses Sweden’s borders

\textsuperscript{73} Ipred law

\textsuperscript{74} All humans belong to a social context
For this reason we believe that there shall not be a possibility to track an individual’s position or identity by his mobile phone without his specific approval. Personal data, as name and address, might be considered as highly confidence, during some circumstances and totally harmless in others. The motives for hiding information don’t have to be of an illegal or an unethical nature and for these reasons personal integrity shall be protected and secured.

According to Arbnor & Bjerke every scientist shall be aware of his own pre-perceptions. Trough out of this study, protection of the personal integrity and personal data has been pointed out as a key factor for a mutual and trustful customer relationship. This is considered to be as a precondition, both for behaviour segmentation and for a joint rewarding customer dialogue.

Internet has during the last years developed with user generated content and social networking. Even if many users, often young, deliver a lot of personal material on the internet we strongly believe there shall be a well defined balance between keeping the individual users’ integrity and exploring the possibilities for marketing. Just because it is technical possible it is not without question it shall be done without the users of a service are honestly informed with what it means and its consequences. There shall always be opt-out possibilities for individuals that dislike registration of their internet traffic and activities. This is a point of view we share with PTS, Swedma and Datainspektionen.

Some of the persons interviewed in this study don’t believe personal data is an obstacle for targeting marketing, when comparing it to its advantages. Others, on the other hand, expresses a point of view which is closer to our

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74 Arbnor & Bjerke, 1994, p.192.
75 Ibid, p.182.
own, based on commercial reasons. These different opinions make the authors of this report open for other interpretations and conclusions.

### 5.4 Consent and customer relationship

Tandberg claims some of the methods used for mobile marketing operate in a legally gray zone. According to Swedish legislation, PUL, it is not legal to store individuals’ personal data, without having the specific individuals’ approval. Still, it is surprising to find that there are actors already using or considering using personal data, such as income, living conditions, family situations etc, with the help of mobile phone numbers as identification.

It is a matter of great concern that the customers are aware of this large exposure of their personal data, which is not in line with the intention of PUL legislation. It might not be illegal but should be considered being in a “grey zone”.

There are many actors involved in the relationship between the subscriber (user of the mobile device) and the content provider. The operator has legal agreements with the aggregators, and the aggregators have agreements with the content provider. The subscriber has a legal agreement with the operator - only. As displayed in Figure 17, there exists no clear legal agreement between the subscriber and the third party content provider that controls how the identification and location of a mobile device is used.
Lundblad argues that Google needs information about their readers to be able to target information. However, there is a mutual mistrust between the company and their customers. Morris Packer at Bonnier identifies the same problem for the old media houses. The companies need the customers to freely give away personal information, personal data and personal behaviour. To archive this, two obstacles have to be overcome in order to reach a mutual, trustful and long-term relationship with the customers:

- Become Trustworthy.
- Become Transparent.

5.4.1 Trustworthy

A reflection of the study of Google is that the company has a profound understanding for how humans use the internet, but the understanding of how to communicate to the internet users is less skilful. Google knows what the
customers want from the internet but they don’t know what the users want from them. According to Hamilton, a challenge for them is to give users a lot of value, but at the same time with ability to control the information\textsuperscript{77}.

Most papers have a political colour and the enormous amount of information is selected and interpreted in a specific political context. Media houses are also biased by sensational journalism and political correctness. It seems like the old media houses are working to produce a paper for an audience who is not there anymore. The position as one of the few important information sources is challenged. The media houses have a commercial agenda and depend on advertisers, which jeopardizes their independence and trustworthiness.

\textbf{5.4.2 Transparent}

A reflection from the cases is that Google, Schibsted and other media houses are not open enough how personal data is used. As displayed in Figure 18, at Aftonbladet.se the reader must actively search for information about how personal data is collected, stored and used. This is not in line with recommendations by direct marketing interest groups, such as Swedma.

Similarly, Google displays its policy for secrecy at the bottom of their pages but does not to give enough detailed information. On the other hand Mobiento has chosen not use certain targeting techniques, such as positioning, due to the issues connected with personal integrity. Mobiento is very aware of the negative impact unwanted advertisement in mobile could cause – i.e. in line with marketing guidelines by Swedma.

\textsuperscript{76} Mobile focus, 2008
\textsuperscript{77} Robert Hamilton, Google, at Mobile Framtid seminar, 2009
Figure 18. Aftonbladet.se (and other media houses) are not clear enough how personal data is used.
5.5 A growing mistrust against Google

According to NHK documentary, Google affects the existence of other companies because of their dominance as the most important search engine but also because of its’ special corporate culture and its’ corporate secrets. Measuring individual purchases makes Google an actor in the “business of trust or faith”.

There is an on-going debate about Google’s power to control the specific search results and if they are interfering with facts from the search results. In some countries certain information seems to be censored, as mentioned earlier Google Image censorship of the events at “Tiananmen square” in Beijing, in China 1989. Another on-going debate is if the page ranking algorithm really is strict and fair. The algorithm for page ranking is secret and considered to be one of the key factors for Google’s success.

Lundblad’s earlier conclusion that customers’ confidence and Google’s corporate culture both are crucial to the company’s long-term survival, is doubtless correct. If they want to use the new technology for developing and facilitating the marketing basic work (for example customer segmentation into individual level), they need to improve their customer communication abilities. Many of the customers want to know and control what kind of personal information Google shall be allowed to use. Sensitive personal information shall be protected by all means. The bank sector is working with the same kind of issues and personal data on the internet shall be classified in the same category as information protected by the bank security.

For this purpose, we believe it is time for Google to create and garden a mutual relationship to their customers, built on openness, in order to gain useful information for their targeting marketing services. Google needs to change their communication policy to their customers, but also to the social environment where Google has its business.
5.6 Mobile devices releases advanced segmentation

The contextual targeting technique has been used for a long time for internet advertising. With possibility of identification, e.g. using mobile identification by phone number, ads can be targeted more precisely. Both Google and old media houses use behavioural targeting, e.g. using browser cookies. According to the interviews with old media houses behavioural targeting is a new segmentation technique that has been used only for a year now. Our conclusion is that behavioural targeting is a core functionality of Google that has been used for a long time.

Search functionality in positioning services, e.g. Google Latitude, could offer targeted ads to customers, based on position. Segmentation by mobile positioning adds another dimension to target marketing. Old media houses are considering using mobile positioning as segmentation technique. According to both Swedma and Mobiento, the challenge when using mobile position is to get customers’ consent, which could be circumstantially and take time. As an example, Eniro encountered credibility gap when the service “Sök nära mig” service was launched due to that they did not have customers’ consent when getting positioned. It is interesting that Mobiento has not come far with positioning since they have taken a precautious approach towards positioning.

The new technology has mainly been used for distribution of advertisement to the individual customers’ mobile devices, directly into their pockets or handbags. A reflection of the Schibsted case is that there is still much to be done to facilitate the marketing ground work in order to get a profound understanding of the customers’ behaviours. The use of behavioural targeting segmentation technique, if not only used as a “last visited page memory”, can be very complex to tune. Our understanding is that marketing will require interdisciplinary knowledge, such as behavioural and analysis expertise. The future marketing man might look much different from the classic image of an adman.
5.7 New business models to discover

All actors interviewed in the case studies presented completely different market structures for their specific business. There is no unambiguous understanding of how the market looks like. Different actors observe their marketing neighbourhood differently. New actors see the market in new perspectives and establish new business models. On the other hand, established actors don’t keep up with the external changes.

Sustainable changes in the market environment have been observed during the study: In spring and summer 2009, the power of the word which by tradition belonged to authorities, as paper owners, radio and television, is discussed and challenged. The copyright is not any longer absolute and has to deal with wide spread technology. Google is gaining advertising market shares from the old media houses just by linking to the content sources, not by producing any content themselves. The old media houses’ business model is not as efficient as it used to be.

5.7.1 Utilize the long tail

Marketing on the internet is all about getting visitors to the web site, just like customers into shops.

Everywhere in Google’s business model is the long tail phenomena visible. Page’s and Brinn’s unique and invaluable search algorithms enable the company to serve their customers with an apparently endless tail of relevant search results and relevant advertisements - for the benefit of both internet users and marketers.

Google has a long tail of both advertisers and search requests. In a combination of excellent matching tools and self-service functionality, they reach an outstanding result to a very low cost. Google’s auction model for search words is promoting certain products or a certain company. Sesam.se was a Schibsted-owned competitor on the Scandinavian market, but the site was
closed down in beginning of 2009. Schibsted couldn’t compete with Google any longer.

Google is breaking up the supply chain and taking the position closest to the customer - without producing any content. Within the frame of Google’s literature digitalization project, they have offered the old media house Bonnier 1 million SEK to digitize many of their books and make them available on the internet\textsuperscript{78}. It is understandable Bonnier turned such an offer down but it is surprising that they don’t develop their own digital businesses, make their content available for everyone and develop a new business model to get paid.

This is an enormous chance to make all literature available which would create an educational-cultural boom all over the world. What will happen when all people will have access to all literature? Google’s idea follows Anderson’s three forces for the Long Tail, but they let someone else write the literature. The publishers’ position is unique. They have a profound understanding and a unique experience for publishing literature and by using the internet they can offer their customers a long tail of titles.

5.7.2 **Self services turn customers into active partners**

The power of the words and access to customers are challenging the old media houses’ business models. We have also found that the old media houses in general have an obsolete view on their customers and their preferences. Their old business model is created around income from marketing which, by tradition, are larger advertising buyers. If the customer is doing a part of the job, they shall also share a part of the profit. Just like Ikea, when their customers put their furniture together to an attractive price.

\textsuperscript{78} Flores, 2009
According to Lundblad, customer dialogue is essential to improve the marketing campaigns. “Selective customers don’t have patience with bad advertisement any longer. They demand relevant search results and relevant marketing. It is time to stop guessing what the customers want based on earlier behaviour. Let the customers tell the companies what they want. To be able to deliver this we need to know more about our customers”\textsuperscript{79}.

5.7.3 Entrepreneur culture needed in an changing environment

Berghman, Matthyssens & Vandenbempt distinguish between a market-driven company and a market driving company. “The former centres on keeping status quo, a focus on existing customer preferences within an existing market structure.”\textsuperscript{80} They believe the processes in a market driving company are superior and recognize these kinds of companies to have a closer relationship with their markets, which makes it possible to sense changes in the market demand in an early stage. Absorption of knowledge depends on three parameters: knowledge recognition, knowledge assimilation and knowledge transformation. Additionally to this, companies shall “develop competences that can extract the maximum of information and knowledge out of network partners”\textsuperscript{81}.

The old media houses’ business model has been very successful for more than 150 years and they have been very comfortable with how things are working. The old media houses have had the opportunity to set a political agenda and receiving an income both from the advertisement business, from selling papers and very often, from contribution from the tax-payers. Except from some minor and limited experiments, they have done very little to develop their business models. Now, when everyone for a very small amount of money can get their own advertisements exposed for a large number of cus-

\textsuperscript{79} Lundblad, 2009
\textsuperscript{80} Berghman, Matthyssens & Vandenbempt, 2006, p.963
\textsuperscript{81} Ibid, p.971
tomers, when the tax-payers are questioning the support of the media houses and when there is free news on the internet, the old media houses business model is challenged. It is time for the media houses to redefine their role and business model.

An example of Bonnier’s restrictive company culture is when they didn’t invest in the free news paper, Metro. Monica Lindstedt, one of the founders, tried to sell the Metro concept to Bonnier in 1995, but was turned down. According to Lindstedt, “Bonnier only discovers a bright idea when it shows up at the competitors.” Lindstedt reflects over the reaction from another actor: “I asked Jan Stenbeck and he made the investment decision immediately. Metro became one of Stenbeck’s best businesses at that time”. Bonnier is an example of how the media houses have chosen to protect their position rather than to explore new business models. It is here obvious that Bonnier doesn’t see their potential and they don’t have an entrepreneur mind set.

Google, on the other hand, has driven the market towards new business models and successfully dared the customers’ habits and internet behaviour.

5.7.4 Profound understanding of customer needs

As describes in chapter 4.2.2 Aftonbladet treats the content for mobile devices differently from content for computers. According to Aftonbladet mobile pages should focus on news, especially sports, combined with pleasure. Aftonbladet focuses their adaption of the content based on the limitations of the mobile browsers. Contrary, Google sees a future with advanced devices with full and flexible browsers where users can access any webpage on internet\textsuperscript{82}. Old media houses act short-sightedly since the mobile devices very soon will be as capable as computer browsers. Why wouldn’t a daily commuter want to access the same internet in the tube as in from the sofa

\textsuperscript{82} Robert Hamilton, Google, at Mobile Framtid, 2009
in the living room? Of course, the mobile user could be offered additional services that use positioning, but the user needs shouldn’t be underestimated.

Google recently bought Admob, a mobile advertising network, and has now become one of the main actors in mobile advertising. According to Susan Wojcicki, product manager at Google, “mobile advertising has an enormously great potential as marketing channel”\(^{83}\). Admob focuses on the mobile platforms Android and Iphone. Again, Google focuses on mobile marketing in the space **between** user and content (i.e. the long tail) while old media houses still focuses on the content (non-long tail concept).

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\(^{83}\) Larsson, 2009
6 Conclusions

In the best of worlds, all marketing is relevant.

The aim of this study is to bring light to and create an understanding for target marketing in mobile devices. However, there are obstacles to overcome in order to gain opportunities. Early in this report advertisement on the internet are described as annoying and that the customers do what they can to avoid marketing messages. These marketing problems are addressed:

**Up from the media buzz.** The first problem is how to lift the company's marketing above the intensive and disturbing media noise. To stick out from the average, garden the marketing brand and make an impact.

**Marketing efficiency.** The second problem is how to stop the waste. Companies want to peel off the part of their marketing budgets which does not increase sales or makes their brand stronger.

**Establishing long-term relationships.** A third problem is how to take care of customers and deliver right information, in the right time, to the right person. Honesty, openness and transparency are keywords for the long-term customer relationship.
6.1 The target marketing house concept

Based on our reflections from the case and literature study, some trends and best practices stick out as more important in order for a company to become a successful target marketing actor:

The interviews with Swedma, ICA and Mobiento together with the study of Google and the PTS investigation illustrate the importance of a balance between marketing benefits and protecting personal integrity. When the marketing focus towards individuals and their specific interests, it also becomes wanted. All target marketing is based on customers’ consent. The challenge lies in maintaining the personal integrity. The first observed key area is a sustainable relationship with the customers.

The literature and the interviews with Schibsted and Aftonbladet highlight the different techniques for customer segmentation. Segmentation is fundamental for target marketing and mobile devices open for new advanced segmentation techniques, such as identification and positioning. The second key area is to understand and explore the innovative techniques for selecting target groups down to individuals.

The study of how the long tail is used by Google suggests alternative business models that may be even more profitable than the traditional ones. The study of threats toward Google’s leading position among search engines highlights the crucial to have flexible and innovative organizations, to have antennas out on the market to get early warnings about changes in the market demand and the capacity to adjust accordingly. This leads to a company culture with an entrepreneurial approach.

Based on these findings this study proposes a model for how to become a number one target marketing actor in mobile devices. We call the model the “target marketing house concept”, as displayed in Figure 19.
This report dares to suggest advices for how to consolidate each of the four pillars that constitute the “target marketing house concept”. The suggestions are regarded as a guideline for how to use the model.

6.1.1 Customer’s consent

Get customer's consent by putting trustworthy and transparent customer relationship into practice. As Gardner suggests, companies shall have ongoing conversations with their customers in order to early discover changes in the market and in the customer behaviours. Early warnings give the communicating company a market advantage.

It is a balance between delivering the advantages of targeted marketing and securing personal integrity. Open up the information to the customers how
the personal data are used in each part in the media workflow, from the collection and exposing at operator level to end at the content provider level.

6.1.2 Segmentation techniques

Behavioural science and analysis expertise are essential in target marketing in mobile devices when advanced segmentation techniques are used. It is necessary for marketers to achieve a profound knowledge about human behaviour and about the role mobile devices will play in the future.

Mobile identification allows target group to be narrowed to an individual. When using identification as segmentation technique one should be aware of the trustworthy relationship build on customer’s consent and be very transparent with how the personal data is handled. Similarly mobile positioning should be used with care. Free positioning services, where customers freely share their position is preferably to be used for position based targeting ads.

6.1.3 New business models

Customers’ habits and internet behaviour are always changing. Dare to explore new business models and challenge the present business model even if it has been successful for a long time.

The choice of business model is affected by the long tail and by the company’s position within the tail.

Sometimes the best way of protecting the business is to challenge it. After all, cannibalism is better than to be driven out of competition by other actors.
6.1.4 Entrepreneurial company culture

The companies need to be observant to the drivers changing the market environment, e.g., “prime movers” changing the marketing landscape such as breaking up of unconditional copyrights, new technical inventions and changes in social patterns.

The company culture shall be based upon an entrepreneur spirit and focus on improving their products and services from a customer perspective by a profound understanding of customers’ needs. Create self-service functionality so that customers themselves can support their target marketing profiles.

6.2 Request for further research

The new technology of using behaviour targeting requires more sophisticated analysis methods of the target group. Advanced search algorithms give new possibilities for target marketing. But, the benefits of new mathematical algorithms are limited to the fundamental knowledge of customer behaviour. It doesn’t matter how precise an algorithm is if the marketers are guessing the customers’ needs and behaviours.

Humans do not just work with new technology. They are social creatures interacting with each other, they are emotional and they do like to play. There is a streak of irrationality in human character which makes it difficult for marketers to forecast new social patterns. The customers’ behaviours have surprised marketers time after time. The growth of social features as Facebook, Twitter, Stay Friends or all different dating services surprises many actors.

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84 Normann, 2004
There is a call for further research on \textit{behavioural science}. It is necessary for marketers to achieve a profound knowledge about human behaviour and about the role mobile devices will play in the future.
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