



By Paul Cheng, VP of Corporate Development, Velti

Getting Social On Mobile

According to Juniper Research, the number of active users of mobile social networking sites will rise from 54 million in 2008 to nearly 730 million in 2013. And, analyst house Informa has predicted mobile social networking will generate revenues in excess of US\$50 billion by 2012. Despite this, currently no business model is generating substantial revenues for social networking - the CPM (cost per thousand impressions) and CPC (cost per click) approaches for advertising just don't work on mobile from a brand perspective.

Even Facebook and MySpace have had difficulty incorporating either a CPC or a CPM revenue model, and are far from generating the revenues originally projected. The strategies remain relatively unclear and while sites such as Facebook have dallied with advertising via its mobile offering, the service was withdrawn after a brief period.

This begs the question as to whether the myriad of social networks that have sprung up - from mainstream to niche - can support and sustain marketing programmes, and if so, what role the mobile platform has to play in helping to monetise them?

As voice and SMS are commoditised and revenues from web browsing are eroded by flat data tariffs, operators need to find new revenue streams. Mobile social networking is that desirable add-on for the new generation of mobile customers and, as such, operators need to facilitate this to stay relevant. These digital natives - consumers who have grown up in a media-saturated, internet-connected world - expect to be connected to their peers constantly and usually via several forms of media.

In order for mobile social networking to work financially for operators the onus needs to be on customer engagement, offering the consumer value in exchange for communication, rather than simply serving benign adverts. Research conducted in 2008 verified that the vast majority of consumers think mobile marketing is inevitable but they expect

direct reciprocal value from any conversation with a brand. So, companies cannot continue to bombard customers with information if they are not socially engaging with a product or service relevant to the consumer.

Coca Cola has over two million friends on its Facebook group which means keen consumers of the drink can stay informed - by their choice - about the brand. This level of valued interaction is critical in maintaining positive brand equity, and ultimately stimulating sales, but one thing it doesn't offer is an immediate and portable incentive to buy a drink, a simple SMS voucher can provide that instantaneous benefit wherever you are. And this notion is becoming an increasing reality. US outfit Buzzd encourages members to buy their friends drinks from brands that advertise on the service. Codes are then delivered via text message and can be redeemed at bars in New York, Los Angeles, Chicago and San Francisco.

But examples such as this form a nascent industry, with the majority of consumers being far from receptive towards using their mobile phone as a payment system, although there is evidence this is slowly changing. The question is if brands can capitalise directly from consumer transactions, what part does the operator play in the monetised social networking equation?

Virgin Mobile is leading the charge in the US to create on-deck social networking applications giving customers the ability to manage multiple

social networks through a single interface. This is a compelling notion for people with more than one established social network that need their 'online self' to juxtapose with their 'mobile self' so they can stay 'connected'.

Such new applications demonstrate the need for continual innovation in mobile social networking, both in terms of function and in business model. Sticky services like this provide the ability to reduce customer churn but operators must be careful not to misjudge consumer needs and marginalise users with exclusive services or 'walled garden' scenarios that limit people reaching out to others. Operators partnering with social networking sites - as Orange is doing with its Orange World aggregation portal - are heading down the right track. Creating a 'freemium' offering maintains the original, viral ethos of social entities. Despite this some operators, such as T-Mobile in the UK, have priced most aspects of its social offering; which is surely a turn off to potential new customers?

Initially, operators simply need to foster the mobile social networking culture and act as a catalyst for its increased use. Being seen as a gatekeeper to such networks by the next generation of mobile customer isn't a good look; providing an environment that enables communications with your favourite people, content and brands is a much more agreeable place to begin.

While these usage habits are being established, operators need to ask themselves how they can enhance these new means of social communication and interaction, rather than simply how they can deliver them on a mobile platform. What none of the social networks really have with their users is a billing relationship and this is where operators can leverage their position in the value chain, providing they understand what their customers want.

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And what consumers want is relevance. Also, by not trying to scalp every penny out of customers, operators will start to be seen as a trusted destination and central hub rather than a dinosaur trying to control every aspect of a user's mobile lifestyle.

For today's digital natives - and other generations as well - sending images, status updates, event invitations and music recommendations etc. to friends via social networking, for free, is often the starting point or close off to a phone call. So, understanding the psychology behind what happens before and after a call, in terms of how people communicate is also crucial to making mobile social networking a success. Fail to grasp these basic tenets of the new communications era and operators will struggle to realise the potential that mobile social networking offers.