

Brian Prows: Welcome to a special edition of IM Mobile part 1, of the Smaato Mobile Industry roundtable, held in San Francisco on October 14<sup>th</sup> 2009. I'm Brian Prows. You'll find the program notes for this behind the scenes conversation at IM Mobile, that's im-mobile.com. IM Mobile is also available on your mobile handset at IM-mobile.mobi and on iTunes.

Smaato is a pioneering mobile advertising company. The firm partners with mobile advertisers, publishers, developers, ad networks and carriers to increase advertiser's Average Revenue per User, within mobile applications or on mobile websites. Several times a year Smaato sponsors mobile industry roundtables around the world, inviting thought leaders who work in mobile advertising, mobile application development, mobile services, venture capital and the media, to share their ideas and discuss the future of mobile and mobile advertising.

Guests who participated in the San Francisco event this year include **Ragnar Kruse**, Smaato CEO and Co-founder, **Petra Vorsteher** EVP and Strategic Alliances and also a Co-founder of Smaato, **Mike Turner** a partner, and **Andy James**, an Associate with Osborne Clarke, a London based integrated legal firm for international businesses. **Michael Bayle**, Chief Sales and Marketing Officer at Amobee Media Systems, **Tobias Kemper**, Vice President of the USA division of Nimbuzz, an interactive mobile service, **Kei Shimada**, CEO and President of Infinita in Japan. And **Cheryl Lucanegro**, Vice President of Advertising Sales, for Pandora Internet Radio. Plus, **Cian O'Sullivan**, reporter for GoMoNews. Smaato also asked me to appear as a member of the media and a blogger and podcaster here in the San Francisco Bay area.

**During part one of the recording, participants are going to be discussing changes in the mobile ad landscape, the impact of the iPhone on developers and application development. How to build mobile ad revenue streams that meet end user acceptance. Mobile advertising in Japan. The fast growth of Android mobile phones. MMA and IAB mobile advertising standards and emerging rich content ad units for mobile browsers that support them. The use of the voice channel on mobile. Some of the challenges of launching mobile ads in an App Store environment and integrating mobile advertising with other media channels. The roundtable is moderated by Harald Neidhardt, Chief Marketing Officer and Co-founder of Smaato.**

Harald Neidhardt: Thanks everybody for coming to the Smaato roundtable on mobile advertising and innovation. We thought that we spend so much time around the world with different conferences and meeting people, and so we thought it's a good opportunity to have a small group together and see if we can exchange what is going on in mobile right now. And we are very proud to have a great group of people here from different aspects of the mobile ecosystem. So I will ask the person who came the longest way to introduce themselves and take the round...

Kei Shimada: Hi everyone. My name is Kei Shimada, I just flew in a few hours ago from Tokyo. So I literally came from the other side of the earth, today just especially for this meeting. Just kidding. You can probably tell from my

English, that I'm from New York, but I've been back in Japan for twenty something years. So my pronunciation is okay, but my vocabulary is critically flawed. But anyway I run a mobile development research and consulting company by the name of Infinita Inc. out of Tokyo started in 2005. We basically build mobile apps and content for domestic Japanese market. But we tried to open up the mobile call portals from the Eastern World to the Western World. And let people know what's happening on the other side of the world.

Tobias Kemper: I'm Tobias Kemper. I'm from Nimbuzz Marketing Communications. I flew over 8 weeks ago to start the US office for Nimbuzz, we're based out of Holland. We do an online communications app, that allows you to make free calls, chats, send messages and more with your friends on instant messaging and social networks on your internet enabled mobile phone. We just started the US operations. We are very successful so far and I'm glad to be here.

Ragnar Kruse: I'm Ragnar Kruse CEO of Smaato. Petra, Harald and I, we founded Smaato in 2005. When we realized that all those phones are becoming little computers, computers need software, then we realized very fast, there needs to be another way to monetize this kind of software, so we came up with advertising.

Andy James: Andy James from Osborne Clarke, a European law firm. Office over here in Silicon Valley. We have a lot of clients in the mobile and digital media space and particularly based in and around Silicon Valley, hence being over here.

Petra Vorsteher: My name is Petra Vorsteher; I'm Co-founder and EVP Strategic Alliances at Smaato.

Mike Turner: Mike Turner. I'm a partner at Osborne Clarke in London. We are an international law firm. We do a lot of work in the mobile space, mobile advertising, mobile gaming. We worked for operators like Vodafone. Also working on mobile hubs and devices. I've only been back in the law for a year. Having 3 years as a venture capitalist in London. So I'll share a few thoughts this evening on the state of the VC market in London.

Michael Bayle: I'm Michael Bayle. I'm 7<sup>th</sup> week in, at Amobee for Sequoia & Accel funded company, which is focused on anchor tendencies, most notably Vodafone, Telefónica, Motorola. To empower them and their ecosystems to be profitable in mobile advertising. And we ourselves don't employ any sales teams, in contrast we ensure that the sales teams of the carriers have the right tools to ensure they make the right mix of advertisers successful on their platform.

Cian O' Sullivan: My name is Cian O' Sullivan. I'm Chief Reporter for GoMoNews. We are a business to business news site. We concentrate solely on Mobile role. We

look a lot at marketing, advertising, but we kind of report whatever we can in cyber world space. Including what an operator is doing, what his gadgets are and all.

**Brian Prows:** I'm Brian Prows. I'm a blogger and podcaster, with Mobile Beyond, that's my own company, and I blog about the future of mobile and mobile marketing and mobile advertising.

**Harald Neidhardt:** What we at Smaato do is try to combine some of the elements in the mobile ecosystem, and that is the developers' as well as the advertising space. And in there we have, for example the MMA which is setting standards. And Michael you have been involved in the directive on the MMA board. So how can we start with standards and where are we there? There's always people who ask, "What's the status of that and where are we going?"

**Michael Bayle:** I think it's one of which there is continued evolution. So having had the role of a treasurer in the last three years of the MMA, it has probably not proceeded as much and as quickly as I would have liked as well. That said, I think there's some encouraging signs from most notably this past summer, with the MMA and the IAB are working in concert to create and establish those guidelines that will be utilized in most of the industry. If you're looking guidelines and rules and regulations I think what is really needed is comfort that whatever the investment is, from the agency landscape, can be repercussible across any developer or any publisher and the common ground that's found the best fitting at the moment, is the mobile web arena where there's common understanding of formats and sizes. To the creative energy that goes into the ad unit, in that landscape, can be utilized by whether it's Yahoo, Smaato's developers, Microsoft, whomever.

That is redundancy intentionally built in. I think where there's a grey arena to be very frank at the moment is the developer community. Because there's such creativity to harness and at the same time there isn't really much rule and regulation on the frequency of an app to be displayed, how regular, with what intensity should it be illustrated, at what point do you count an impression. And that's the work that's being done via a committee, that's quite comprehensive, inclusive of many in the ecosystem, probably several in a room, if not I'd invite and encourage everyone to participate. I think at the same time we're seeing an advent also of innovations of standards on the arguments. So if you look at the catalyst of digital advertising on the web in the year 2000, it was often led by a Pointroll and / or an Eyebalster that were founded at that particular year. If you look across the spectrum now, whether it be Crisp, Medialets, Fluant and even the PC guys, Pointroll, Eyebalster, they're all now developing the richer ad unit. I think with that comes great opportunity. But also comes challenge, back to the media community on, what do I buy? How do I reduce fragmentation, so I can get the widest reach possible?

I think you'll see some conversions and some synergy around these richer ad formats whether they be, hyper expandable banners and/or truly rich animation ads you may have seen for example by Medialets that invoke

neater features of the handset to include accelerometer or GPS or camera invocation. I think that's gonna be very encouraging for the media community particularly the creative artists. So I believe the animating IB are enough suited to that. In a last kind of breath around the industry associations, if you look at most recently GSMA in the UK at least has kind of pooled together something that's not necessarily easy, which is cooperation among five operators in tandem to create something in conjunction .... But that's a mechanic which is pathetic that we don't have exist today. That there's no tool for media planning to suggest here's where all the traffic is assembled off portal if you will. And then a proxy to demographics here's a panel that represents at least the gender, household income; the usual suspects that media buyers take for granted on every other media but mobile at the moment.

Harald Neidhardt: So there's all this different data. As a developer Tobias, how do you approach this and do you even listen to the discussion right now or do you just stick to MMA formats? How do you go about including advertising in your applications and mobile websites?

Tobias Kemper: We haven't included any yet, for a very specific reason. One, because we don't believe that it's gonna ultimately make us the revenue that we need to keep the company running anyway. So we focused on different revenue models and we treat it very carefully because of the user. So the user generally from research that we have done just doesn't wanna see advertising in that. I also believe that it's just a matter of executing it right to be able to position an advertisement in your application. What we are going to start doing is simple text based banners and hopefully by the end of this year we'll be rolling some of those out to just a few of our clients and see how the user responds. But we haven't researched anything about flash banners or any fancy stuff along those lines.

Harald Neidhardt: So it's maybe a question of the wrong formats. So if advertising is like this push model and it's just in your face maybe that's not the right version right now for your audience. Ragnar, we have experience with different applications as well as mobile web developers who use this already quite successfully. How would you describe the mobile advertising landscape right now?

Ragnar Kruse: I would say it's still really at its beginning now and by being connected to 31 different ad networks and different ad servers we've seen quite a lot of different technology and standards and also when serving ads in so many countries you also see what kind of ads are coming in and flowing in. And of course what you see is still a kind of standard banner ad and also a lot of ads which are coming from other mobile players, so it's a kind of an insight system. At the beginning of e-commerce it was very similar when we first just had electronics or software which was actually sold on the internet. But it shows the stage of the market. So we are still kind of early but we are seeing progress. I see the iPhone really has had an impact to the market. We see a lot of apps now also distributed in a different way which was one of the biggest hurdles for years for most of the developers

actually getting their apps into the hands of end users. But through app stores they are able to get much more reach.

With this reach there's a larger base to actually do some advertising and then it really makes also sense to develop more interesting formats. I think the biggest opportunity for all of us here is being able to build a revenue stream on monetizing which actually is attractive also to the end user. And with the mobile device we have the ability to actually understand much more about the end user, his demographics and likes and dislikes so we need to give him a chance to have more and more really targeted advertising or in an ideal world even allow him to say "I don't like certain advertising." And it's always a discussion we always have with developers and today we have developer there we have been working with for several years now and finally they are very successful selling their apps and now they start doing good advertising. So it is when does it make sense to make advertising? You don't wanna put advertising on the device which end users don't like. But also end users understand that there needs to be an exchange if they get free content there's a trade off, and that needs to be seen. But I think we all don't wanna deliver anything which is another viagra ad to the end user. The different pieces are coming together but it's still kind of an early stage. I think and I believe that we will make faster steps to actually achieve more in a shorter time frame compared to digital. That's a big hope.

Harald Neidhardt: So if you look at Amobee you are active also in a lot of different international markets. What markets are there?

Michael Bayle: Europe has a heavy concentration impact most recently ex Japan which I think is a world in itself. Latin America is the most fertile and then a little bit actually North America as well. I think universally text is the most ubiquitous whether through the banner unit or obviously SMS is a large channel of ours as well. I think secondarily is the richer banner formats that we animate and/ or provoke interaction via a java script code the minimum. I think then we have a holistic platform that encompasses let's say video for certain channels or live TV in others. Either ones for which there is larger capacity. And then most recently voice is an intriguing channel to us as well as push SMS if you look at the success of a Turkcell that has done a really wonderful job as a gatekeeper of what the user experience is has created a model to follow for all our codes which essentially is as a user delivers his own profile voluntarily as an opt-in basis gives them leverage very much like an email marketing channel with push oriented SMS messages.

And this is something we're beginning to do also in tandem with some other operators around the world which is deliver this heavily push channel without question much more intrusionary of course than pull. But all the while the consumers who control and dictate what kind of offers they want. I think many people looked at Turkcell the model of envy, "had they done that in their own market of course", but a market that's tolerated an opt-in rate of close to 40% of all the subscribers. So we see a diversity of interest I think what the gating item of course remember is what the marketers want which is to make a connection to the consumer. And how those budgets are derived is right now an incredibly chaotic environment. Most of the

monies are stolen from budgets otherwise allocated whether it's traditional or digital. I think that's to the detriment of everybody in the room.

Once mobile is defined as its own standalone you get what then is a line item dedicated and devoted to mobility either through push or pull, either via voice or other means. I think that's becoming excitable to the marketers and to the agencies and you know we've said this every year but I think it is much more realistic. If you look at Japan it's a significant industry of mobile advertising, plus I think the final fuel in Japan is the closed loop. Until commerce is activated on mobile none of this is meaningful. Marketers aren't there as charities, they are there to build brand awareness and also for driving sales. And in Japan you have a nice closed ecosystem where companies like Rakuten, the Amazon equivalent, generate close to 45% of their revenue now via the mobile device. I think when you see a parallel in these companies in the US like Usablenet at the back end, behind Starwood, Northwest Airlines even Dell and Victoria's Secret, commerce is capable. We all know the mobile phone can transact. I think consumers haven't been aware of this. But they are strongly becoming aware of this and that fuels the marketing budget as well.

Harald Neidhardt: So let's come to Japan with that in mind, so what is the status there and what can we learn from mobile ecosystem and the advertising model which looks quite different to what we have here?

Kei Shimada: It is absolutely as Michael mentioned. Japan does have a very closed loop what we call the mobile ecosystem where the carriers sit at the middle surrounded by the headset manufacturer, the technology enabler and also the content provider. So the carriers have been in this mobile internet business amongst the oldest in the world, so they have been servicing the mobile internet since 1999. So we have 10 healthy years and throughout that history it's been a bumpy road for the carriers in terms of mobile advertising. Everybody started spending in 99, 2000. Everybody got so targeted, then the big agencies started stepping in and they partnered with the carriers. Docomo and Dentsu are by far the biggest mobile carriers in the east agency now formed D2C which is D2 communications the 2D stands for Dentsu and Docomo and KBBI which is the second carrier who has 30% of the pie is partnering with Hakuhodo, the second largest agency in the mobile agency Mediva. Soft inc. mobile is the third runner up they've had a long history of starting off with J phone, then being acquired by Vodafone. So they've acquired their agency side a long way and I just don't remember when. But so those three companies work together, have been working together ever since 2001, 2002 where they sat down together. Well this is probably very typical of Japanese when you want to standardize something everybody comes to the same table so it was fairly quick that Japanese people or the Japanese competitors came to the same table and came to an agreement on format and measurement.

So we have had not a lot of spending since and, a lot of the ads or clicks and whatever is beyond that is opt-in, and so that's the agreement that they came to terms with. Now what's holding the mobile advertisement agency, the advertising expenditure from growing or exploding is the people who are making the decisions as to whether feed ads to mobile or not. We are talking about guys who are in their 60's and 70's who are

sitting down trying to figure out mobile after they are trying to figure out the internet. So they still don't understand the internet they still don't understand PC now they are being pushed to understand the mobile, so the mobile advertising expenditure in Japan has exceeded and it's probably close to 800 million US. But that's still 1.5% of total advertising expenditure so we are waiting for these people to retire and take advantage of mobile.

Michael Bayle: Is there a chart that illustrates the time spent on mobile versus other medium now particularly like television. Is it like the United States where news papers are suffering, traditional media like magazines are suffering?

Kei Shimada: Absolutely. For instance from a year over year growth internet and mobile included its probably 130% whereas before the traditional media probably plunged on average 5 to 10%, but 130% for internet but if you break out mobile that grew probably close to 160%. Now that's considering that the latter half of 2008 was a crummy year for all the world it still exceeded that much so we're looking forward to seeing the numbers for 2009.

Harald Neidhardt: Some of the Japanese handset manufacturers are now going into the Android market because we are talking a lot about the iPhones here and all around the world and you've been to CTIA so maybe you can give us an update on what's happening or happened last week and maybe what you see will happen. Do you have any hope for Android being a big player in the market soon?

Cian O'Sullivan: Personally I have absolutely huge hope for Android. I was waiting for any, any operator in Ireland to start selling any Android phones so I could buy them. But it's a funny situation with the iPhone and Android at the moment because it almost replicates the situation between Microsoft and Apple back in the day. You have Apple which is this beautifully engineered but very closed system and the number of Android devices are growing exponentially and they are getting nicer, the HTC Hero is just as good as an iPhone, anything you can do on the iPhone you can do on the HTC Hero. They are catching up in terms of apps they are catching up in terms of everything.

And now in terms of apps they're catching up both in terms of the quality apps and noise. The greater your noise signal ratio the more people are using the store and this is the kind of problem which is facing advertising on both Android and iPhone which is that of sheer noise and the user, the end user gets that as well. The concept is someone is walking into a private family picnic and yelling in someone's face is quite apt when it comes to you are talking about spam in Japan. Spamming people on mobile is the worst thing you could possibly do. Nothing will make them ignore you for the rest of their lives faster than sending them a text they didn't wanna get. One text is enough, you send them one text that they don't want to get and they'll cut you off, so it's because on both iPhone and Android it's still an incredibly young market. They both still have it to win. We'll see a lot of them in the next 12 months. We're gonna see a lot from

Android. 12 months from now there are going to be so much more android phones in the market than there are now.

So whether iPhone can actually stand firm against that kind of pressure is going to be something we'll see. But one thing I've found consistently interesting is the idea of planning something with the advertising right, and the idea that there might be a switch on point or someone will hit the magic formula and people will go, "Oh! That's how it works!" and that's the kind of mobile advertising people respond to, but who'll do that from now on. It's not gonna happen that way. It's going to be this incredibly slow, gradual process whereby things that don't work will slowly decline and things that do work will become more popular, we are starting to see things like that we're talking about the opt-in advertising and people finding advertising that uses functions in their phones and things that engage them more; the traditional sort of advertising maybe isn't having such big effect, the ones working on mobile phones. Well when it comes to advertising Android and iPhones are really in the exact same place. When it comes to which platform is actually going to excel, they are both still going to be competing and years to come you'll see...

Harald Neidhardt: What's your bet on Android versus iPhone in the next two years? Will Android go even?

Cian O'Sullivan: To be honest, it's too early to call in terms of how many Android devices are going to be in people's hands? You can see that number explode. Whether or not its going to take over iPhone is something we have to wait and see.

Harald Neidhardt: We may have some Gartner numbers going into that. But Tobias how do you actually, where do you put your development hours in order to build your platform for your service which is on different platforms and how do you get discovered in the app stores, and how do you build your audience in this kind of ecosystem right now?

Tobias Kemper: So we've launched in May of last year where the iTunes App store was not live. We launched with only Get Jar being out there. So we quickly understood that, that being a very good acquisition tool that app stores were going to be the future, by the time that the iTunes app store came out they just re-enforced it even more I mean we literally saw a shift on our entire growth curve and daily new user registrations. At the same time we've already been out there with Symbian and Java devices that we found customers required from our website and download.com and a couple of other channels, so we already knew that we were going to put a lot of weight on Symbian and Java. And Android was an obvious next step launching with the market place but we haven't seen anywhere close to the same uptake that the iPhone has done, and part of that is because we don't actually even see any advertising about Androids so to speak. It isn't even being sold, you can't get it in Ireland, so a lot of people don't get their hands on it, it's still a very expensive device, and yes, so is the iPhone, but we've recently done a study in July with 21,000 worldwide respondents, that being our users, asking them: "In the next two years which phone are

you more likely to buy: a Nokia, a Blackberry, an Android or an iPhone?” And the overwhelming majority is going to buy, across the board, an iPhone or iPod touch. And it was also interesting to see that in the APAC region Blackberries are going to take off pretty big. But we matched a chart Android against the iPhone and it was just abysmal.

Michael Bayle: So the android it's interesting that it would even be a water cooler conversation is a credit to our desire for alternatives right? Better roads that are substantial. But it is shameful at the same time that we haven't heard Windows you know, you don't even poll people about that, and it will be interesting to see among all the clever distributors whether they be HTC, Motorola Inc. most recently as of yesterday, Sony Ericsson, how will they differentiate. And as you've already seen the same, with the developer in mind, fragmentation would be created as it was on Java which there are variances of Android so you've got boiler by Motorola, I'm sure Sony Ericsson have theirs too, because they want to be responsible for what that ecosystem is and how the consumers can benefit and also allow and exploit the best of what Android is but have a flavor of differentiation and that should be interesting in terms of innovation, I think for the developers but also for marketers to be able to tap in to something that's new on the hand set, perhaps its close right now to what the iPhone is, whether it's voice or call functions. Things that are very privileged and protected at the moment I think will open up faster with Android.

Harald Neidhardt: Brian if you hear this, and you are interviewing a lot of experts mostly here in the US but also abroad. What do your experts say in this application versus mobile web “war”?

Brian Prows: I just got through with a pod cast interview, this afternoon or this morning rather with Tom Foran of Crisp Wireless and we were talking about their platform and also their partnerships with Nokia Interactive. You get different views. I've interviewed Mickey Khan of Mobile Marketer to what extent in terms of mobile advertising are mobile apps the place to put the advertising versus, on the web and it seems to be 50/50. I'm not getting any one saying that it's one way or the other. I think probably, the best perspective I've gotten recently is the two part interview I did with Michael Becker at iLoop mobile, who was talking more generically in a mobile marketing sense about this experience that people have with the device, with the applications that they use and that, in terms of what you were talking about earlier about losing customers and so forth, being very careful in communicating with your customers, or your would-be customers, about what is it they want to see, in a mobile application and also the advertisement they need to support it.

It's this personal relationship that people talk about, all people in the mobile advertising industry, as well as individuals. And I think we just have to start really using some of the strategies some of the techniques of marketers and advertisers that have been used successfully on the web .

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2009. You will find the program notes again for this behind the scenes conversation on IM mobile. That's im-mobile.com. IM mobile is also available on your mobile handset that's on IM mobile.mobi and on iTunes. I am Brian Prows, take care.

## Part 2

Brian Prows:

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**During part two of the recording, participants discussed mobile as the only way to reach most users around the world and ensure affordable data plans to encourage growth and use of innovative mobile services, publisher and application development engagement with end users to maintain positive relationships, investment community support and understanding of the mobile channel in Europe and elsewhere, and how Smaato works with developers and venture capitalists. Combining mobile commerce, bar codes, navigation and other applications on mobile handsets, increasing acceptance of the mobile channel by the advertising industry and the need for ad spend measurement that's critical for mobile's growth, how major brands such as The Gap and Levi Strauss are communicating through mobile to elicit direct response and build relationships with end**

users, and some of the predictions for mobile advertising in 2010. The roundtable is moderated by Harald Neidhardt, Chief Marketing Officer and Co-founder of Smaato.

**Harald Neidhardt:** So then Cheryl, hello. So how was Pandora making themselves noticeable in the 85,000 app market and app stores? I think one of the things Brian said is, what we're seeing is that the relationship between the user and his device and services like music, probably music is at the cornerstone of emotions. How can we get the mobile device to convey emotions and this is a whole kind of new area maybe... how can it be that we're so emotionally attached to this device. But the question really is, if you start a development and you're successful in your services, how do you get discovered? And how do you build your audience?

**Cheryl Lucanegro:** I think Pandora was unique in the fact that, if you think about the iPhone related to the iPod, it's a music device. And Pandora what we did is, we decided not to develop multiple products across every type of mobile phone. We try to make the best experience. So we spent a lot of time and energy developing an app that gave you the best possible experience, similar to what you had on the web. And when we launched it, I think all the stars aligned, we had a perfect storm. It was a music device people expected. With the iPhone, we were there the day it launched, the store opened, as far as app... We also did a lot of talk to our users that were already on Pandora and told them to share the good news that we were on. So there was a lot of viral marketing that we did that was not buying ads. Telling people we were open as an app. We actually went out of our way to talk to our users who had really wanted be on mobile devices and taking music. And so we, it was sort of a, we were very lucky we did the right things at the right time. And I think our app worked really well.

The other part is I think if so many apps that came out, forgive me if some of you worked in some others, like flashlights or whatever. You use it or you develop an app for a specific fun reason. Pandora is something that becomes part of daily habit. So our app has continued to grow. We have about nine million people that have downloaded the app in the US right now. And so for us it's continuing, and as people find out, we continue to make the experience better. And we do have advertising. We don't have a subscription on iPhone. It's strictly an advertising model on iPhone. So it was a lot of things like that but we were also into development, we were very cautious on not trying to be on every phone. But we decided to make a smart phone route and we're also on Windows Mobile. But we made a choice to go to phones that have ear plugs. I mean, believe it or not, the Android, the reason we didn't launch an app for that, is it was an item that you had to jailbreak basically just to listen to music. And if that's the way it's going to be, it's not really a good experience. So the whole idea is to keep the user in mind, so that's what we did as a company and it was a smart move. And we've continued to have a lot of success with Android which we just launched on, Blackberry, and we're also on Palm Pre, so that was our only on apps.

Harald Neidhardt: Mike, if you hear this, lets shift a little bit the focus on, this is a very complicated, or lets say complex market, right? As we just see from the discussions and all the different players on the ecosystem. And I think we have you here as a representative of the money side . And so from your experience as a digital VC or VC in the traditional media space. What is your view? We see that a couple of years ago the only way that they gave you some money was moving into Silicon Valley. Now you're here spending some time in Silicon Valley but you're actually from London. So maybe you can share some insight about the differences on the money side versus Europe or London city and Silicon Valley.

Mike Turner: So I think it is kind of a good news, bad news story right now. You asked me when I came in, "Have you invested in mobile?", the fund I was involved with until a year ago. The answer's no and perhaps slightly apologetic in answering no. But two, three years ago, there was nothing to invest in. We can't forget just how quickly this community has grown on. And yet it is still horribly challenged and horribly difficult for the investment community to understand. The investment community will continue to apply traditional digital media methodologies. The mobile space as much as anything else in the digital space. They want something transformational, scalable, with a revenue model they can understand. And you know, there aren't many examples of things which have yet scaled down. And the revenue model is still very challenged. So you can see just how hard it is for the venture community to really get to grips with how the opportunities are today.

But that's the bad news. The good news is that the venture community is trying to understand, it wants to understand. It sees a huge potential in the market. In the UK we're seeing that this tipping point from offline advertising to online advertising to just game changing take up in mobile web access. So eventually we need to get there and know it's a well funded community. So the other thing you know, two three years ago we were doing only state venture funding. And we had no foreigner on venture community, no development capital community in the digital space in the UK. Now we've got a lot, a much more of a Silicon Valley style model. And we've got a lot of the firms who were in the early stage a few years ago. I know development company players, they're writing much bigger cheques. They get the joke; they know the companies need to scale up quickly. And they will be prepared to invest much larger sums of money, that's the good news.

It is just, picking up on what a lot of people have said today, just still a very hard market for the venture community to understand. In the UK, the operative network system is still a very challenged system. You know, the internet market as well. We've got advertising agency representatives but the advertising agencies world and the Mobile Com world has been incredibly slow to engage.

But a little anecdote. I'm just working on a transaction at the moment which is, an integrated digital agency set up to venture on its very first investment in the B2B in mobile apps developer. Good news. So it's a sign of where the market is, I think. UK is very strong as a genuine alternative to Silicon Valley now. The UK venture market is investing in Europe as well. Another anecdote. We caught a German networking organization called Venture

Lounge, which has been targeting the German VC market coming to the UK for the first time next week. And I think we're hosting in our offices 16 or 18 venture investors talking to 15 or 20 German digital media companies including mobile companies.

Harald Neidhardt: So there is hope, very good. This is one of the things we do with our Smaato Award - maybe Ragnar, you want to explain how we help some of the developers who will win to get in touch with the VCs.

Ragnar Kruse: First, the one or the other might have heard that tomorrow we will have our ceremony: We had our Smaato Advertising Award where basically we have about 250 companies who are participating and tomorrow we will have three categories and two subcategories with winners and each of these winners will actually be introduced to, I think now, seven different VCs.

Harald Neidhardt: Eight.

Ragnar Kruse: Sorry eight. So... Sequoia, Accel, and I don't wanna actually exclude someone... it's a very good set of VC's who typically also have invested in mobile. But we've seen several revenue models already we know some developers who have actually been selling their apps for quite a while. Today I have met one of our developers who has now 100 people, a profitable company and doing very good business there. Another CEO I actually met like two weeks ago on the International Automobile Show where he bought his third sports car, making a lot of money only through advertising on mobile. So there are already more and more examples of companies who have established revenue models and do make money on selling apps or through advertising now. So we just need to see how can that be replicated. And of course then the questions is when it comes to advertising, "will there be so many advertising dollars that it pays for the industry?" I think "yes" very clearly and I think what's also different is to the PCs is this what we haven't seen is in-application advertising. When we started, we talked to some companies who in 1990 actually did in-application advertising. Some of you might have noticed there is advertising in MSN messenger. More and more I see all different kind of banners. There is sometimes advertising in Adobe Reader... so there is some advertising there, but what hasn't taken off on PC is the in-application advertising which will be different here on a mobile device. And, and that's a big hope there is, I believe, and that's a question you had earlier, there is: "apps or in mobile web?". I think we will see both. A lot of content already is available on the web so then do the transition to mobile web, that's of course very easy. But I think with applications we have the ability to do much more interactive advertising. Come up with very interesting ad units. Plus do an opt-in model. I think advertising on mobile can be much much more successful, more interactive and that's something we are clearly betting on, and I think... five years from now we will say you were right.

Brian Prows: I've got all these apps sitting there, admittedly a lot of these apps are like this; apps to access the internet and so forth. But the problem is that I don't feel engaged with Time or CBS news or whatever. They never

communicate with me. I'm a blogger. I mean I'm just waiting for someone to communicate with me in some way, like you know, it wouldn't have to be a contest or something, but I never hear from these people! So I have to keep asking myself from a marketing standpoint: How could any other marketer, car manufacturer or whatever be successful without communicating with their audience?

Tobias Kemper: You have a good application on the iPhone for example which CNN has just launched. They send you specific push messages. No other hardware manufacturer has yet launched push notifications that I know, which is stupid.

Brian Prows: Why is that?

Tobias Kemper: I don't know but the budgets probably have been assigned and with the economic crisis they were cut this year.

Brian Prows: But it's certainly, it's inexpensive in many cases to push a message on through...

Tobias Kemper: Yeah that is also very inspiring for an application provider to talk with an advertiser and push messages out that might be part of an advertising. This is something that we might think of doing. It's where we work with content providers and brands where people use an opt-in model can actually sign up and say: "You know what, I wanna sign up for Heineken and Nike" and they might run specials and say, "interact with us in this ad" or "answer this question and we'll send you a six pack" for example. That could be a reflected by a push message that says: "do this now" or "share with few".

Brian Prows: You get a best of all possible worlds with direct response ...

Tobias Kemper: Exactly, exactly so there is plenty of opportunity out there.

Cian O'Sullivan: That kind of opt-in interactive advertising is an incredibly powerful tool particularly on mobile, but can that be made to work for the app developer? I mean, in the case of Heineken for example: yes, they can push that to you, but can a developer use that?

Tobias Kemper: I would argue yes, because you are essentially the enabler and if it benefits the user then absolutely but if you go beyond the technology and focus which is where we as Nimbuzz are doing is just going more in to this relationship building, which is one of our core values of just bringing people together and going beyond the technology, there is always gonna be room for implementing such a solution and if it's opt-in, perfect! Everybody wins.

Ragnar Kruse: I think it can work when we have a good market place for this. For an advertiser the problem is reach. So if everyone can tie in into something and say: “from here I can source advertising, but these are my criterias as an end user”. And then on the other side and an advertiser can actually put his advertising in a large pool and say, “these are my criteria”, and then if there is enough reach then they actually are able to get this kind of advertising.

Cian O’Sullivan: Well that in order for that system to work you need a lot of large companies working in tandem to the same set of standards, or about the standardization question again.

Cheryl Lucanegro: But you need to take another step here in one of the issues we do actually some of that stuff, and we do it right through a banner on Pandora ads on mobile because we don’t wanna interrupt that user as he’s listening to music. So we allow them to interact or fill out forms whatever it might be. But the other part is the brick-and-mortar company. So for example you can actually do local, like based on a location, with an iPhone or variety of other products: send them a message and you can connect with them. While I’m in New York, even though I have a San Francisco zip code that I’m registered under, when I’m in New York they can tell me I can buy Heineken “at this bar - do you wanna know where it is?”, the ad can direct me. The problem is the brick- and-mortar companies still aren't ready to deliver that kind of experience. So we end up having them dabble in it. And I do think we are getting closer to it, actually being a year of mobile advertising. I think companies have to say: “Yes I’m actually going to be able to deliver on that promise that I have an app and when you click on it you’re gonna get something that you want, that’s local and relevant and makes sense to you and it’s targeted” and all those things that go along with it. And unless you can do that you’re still gonna have just a little banner out there.

Harald Neidhardt: Can you share some examples? What’s your experience in New York?

Cheryl Lucanegro: We’ve experienced a lot of them. You know when the companies come to us and they really want to do location awareness. Like “I want to be in the neighbourhood, I want them to order a coupon”. And we had a great campaign with Levis where it knew your location, but they couldn’t print a coupon out. They wanted to give a coupon they wanted to give a 20% off so what happened is: great campaign, but you had to go to your computer to, print out the coupon to walk into a store instead of having a barcode at the computer being ready to accept you. And I’d say in six months Levis will be able to do that but right now they weren’t able to do it. So imagine a user having to go back to the computer to print out a coupon...

Michael Bayle: Examples that I think we’ve seen that are combinatory here are: The Gap has been able to successfully use virality to get people in store and has forgiven the complexity of actually tracking unique codes for user and just said: “give me the verbal code BFF, Best Friends Forever”, and it works

incredibly successfully. Back to the experience example, there's been an interesting enablement company out of New York called "Buy Your Friend a Drink", that's literally the company's name. It's quite ubiquitous and across probably 35 DMAs of the US where in a particular geography even within San Francisco probably just tonight we can use the Windows of Pandora or Nimbuzz to attract a consumer to suggest, "Yes, I do want a viral, get my friend a drink and whatnot." And the redemption is actually a text message which every phone can support. And then what the most challenging thing is the 'humiliation' when reaching it to the bar keep. But actually more and more as the people start doing this... start asking for your favorite vodka; that's a brilliant strategy: ask for Hangar One vodka. Two years ago no one carried Hangar. Now everyone carries Hangar. I think you'll find an impact through Mobile for the next big brand, whether it's Hendricks Gin or something like this, because other anchors will come to solve that problem of Levi's.

Cheryl Lucanegro: Yeah. And I don't want to pick on Levis because the campaign was very successful, but we did that a couple of months ago and we've had issues trying to get advertisers to do coupons, cause we didn't have click to coupons. We have, "click to another, download another app, click to watch a video". Probably one of the most interesting things we've had is the entertainment industry, which has really jumped on the band wagon with Mobile. They look at opportunities to remind people that "tomorrow night is premier night", "tonight is premier night", and they're targeting their exact demographic. They do day parting, so they are getting people as they go on their ride home. So there are tons of things you can do. I mean to me mobile advertising is going to be an incredible opportunity.

Michael Bayle: I think the newest feature that we've seen, the Blackberry supports it best; is just click to calendar, brings it back to user utility. You actually send user base full view on advertising. They'll never see us. But if you ask them, "Do you want from us a reminder or what you'd like?" And you get the CWs, you get the Fox Networks. We are getting the budgets to remind people particularly when fall season starts and new shows unveil. And the next thing you know is you click the banner and it populates the Blackberry calendar. It's elegant. It's clean. Everybody wins. And it's measurable.

Tobias Kemper: You can start making a tool, too. You can poke your favourite app to remember those things, like you've mentioned with the calendar. Your phone looks like, "you are commuting for another 30 minutes. Do you now want to check out this website or this ad and use the scope?"

Harald Neidhardt: What are you mostly excited about for 2010?

Brian Prows: Having now interviewed a number of luminaries in the mobile world. What I'm most excited about is just the sheer excitement that's happening out there. And being a blogger and being a podcaster and being able to hear from all of you experts out there; it's been a real education for me. You know, here's like, 5, 10, 15, 20, 30 years of experience talking to me and all I have to do is ask intelligent questions and shut up. So I guess what I'm

looking forward to is just to continuing to talk with more people in the mobile industry; marketing, advertising. And what I'm really trying to focus on again with Mobile Beyond is take a look at the future of mobile devices such as the Amazon Kindle, Sony Reader.... So what I'm excited about is not just where we are right now with the iPhone and the Blackberry's and the current smart phone excitement that's going on, but to really following the mobile device movement because everything is going mobile/portable.

Cian O'Sullivan: What we've got is some very interesting global service trends that we'll be uniting in the next year. We've got things like mobile commerce, bar codes and navigation which we're gonna start weaving together to make very interesting, exciting user applications; things people conveniently use. You know, it's not bar code; you get your coupon sent to your phone and you get 10% off. You also get turn by turn pedestrian directions to the closest place to buy it. That's really those kind of applications we're looking at.

Michael Bayle: Being an infrastructure player. I'm actually most excited by the simple things.... I think it will be encouraging when we marry and tether offline measurement of sales to mobile media impact. You know, beginning to see Comscores and Niensens to get energized around that, because then marketers have no excuse. And once they have no excuse we're all in.

Mike Turner: So I guess I'm looking forward to some point in 2010 when we will able to say: "You know what? This is the year of mobile." And for me I think that one of the biggest drivers in the Western Environment is going to be that e-commerce meets m-commerce..

Cheryl Lucanegro: I happen to agree with everyone who's spoken already and that is that I do believe that we are getting closer to it being the year of the mobile. And part of it is though, I think as it comes to mobile phones, like you said, they're selling more mobile phones now than they sell computers and more people are relying on this... Just where we are at Pandora, 30% of the new users that are coming on are coming only through mobile, and they're listening to us and using our device as instead of on a computer and we are trying to convince them, "Hey. You maybe also need to look at what we're doing on the web, too, because we're doing very interesting things there." But I think the new smart phones are your computer. You can take it everywhere and its way more personal than a computer is, because it's like your car keys. You take it everywhere. And you can be very, very contextually relevant, targeted, and intimate with someone with the phone. And I'm looking forward to the advertising applications that we can do, along with what we can do with the product itself.

Petra Vorsteher: I'm very excited also about M-Commerce, especially us being mobile advertising, having ads that actually..."you're looking at a hand bag, you can click on it and the next day you can have it with Fed Ex ." Having all these capabilities and possibilities I think that's really, really exciting. Another thing for me is also that the mobile is closing the digital divide and that's very personal and very exciting to me.

Andy Jones: I'd say there is agreement with Scan Technologies, that is the overlap between more traditional media and the advertising spent, and the new potential on mobile advertising spent. If you go and scan an advert in a magazine and then get directions to where to spend your coupon that pops up on your phone that will persuade advertisers undoubtedly that it's worth going onto mobiles.

Ragnar Kruse: I think the great thing is, it is bridging the digital divide. We always talk about function, speech and so on. This might be the only computing device that many people in the world actually will have. And therefore this will be the only computing device and media how you can actually reach end users. Therefore it's a great opportunity and I'm really excited to see the next Amazon mobile or eBay mobile. Just remember all those companies only are ten years old and huge, huge companies. That is the opportunity for every start up doing a business on mobile and it's the opportunity for any VC to actually find the next kind of eBay mobile and that I think makes it really exciting.

Tobias Kemper: I'm looking forward to the year of affordable, all-you-can-eat data plans in mobile. I will be very content with just an all-you-can-eat data plan as part of your \$50 a month voice-data-everything package because then not only will I find it easier to recommend my application to my friends, but they will also use it, and they will be able to use it. And finally because more people will be able to choose we might see that "one killer app" finally pop out there that I can recommend to my mom and say, "This is what they need" in mobile.

Kei Shimada: Well, I come from a different standpoint where the mobile commerce market is close to 8 billion USD. And 90% of the population is on 3G and we're moving to LTE in December of 2010. So I am looking towards 2010 for Japan to open up. It's been considered to develop others of the mobile industry. The Japanese people, you know, they're all black haired, they don't speak English and they tend to be to themselves, except for me. So I'm one of the very few people probably in Japan who wants to open up and take our knowledge of ten years of mobile internet history and show people so how things can be done and what type of things can be failures. And also me saying Japan opening up is that with the iPhone; the iPhone to my knowledge has sold over two million devices in 15 months and that is by far the largest selling foreign handset in Japan. And just to give you a rough figure of how big it is, it's probably ten times as big as what Nokia sold in fiscal year 2008 in Japan alone. So Japan is a bucket full of case studies of success and also failure. So I am looking towards 2010 as not only me, but Japan as a total of opening up and also learning from the international community.

Harald Neidhardt: Awesome. We are talking about a communication device. I'm really excited about starting these conversations and keeping these alive. I think it's all about the conversation, advertising will be conversational, whatever that will be and the next year and the devices and all the ecosystem will grow. It's good that we talk about it. Thanks for being here. Thanks for being our

guest and I think this is a continued dialogue as the industry is. So feel free to obviously chip in and see us in all the different events and see how we can all grow the industry. Again, thanks a lot for your time and I think outside the doors we have now some 'vodka' and refreshments. Thank you very much.

Brian Prows:

You've been listening to part two of the special edition of IM Mobile of the Smaato Mobile Advertising Industry Roundtable held in San Francisco on October 14<sup>th</sup>, 2009. You'll find the program notes for this behind the scenes conversation at IM Mobile. That's [IM-mobile.com](http://IM-mobile.com). IM Mobile is also available on your mobile handset at [Im-mobile.mobi](http://Im-mobile.mobi) and on iTunes. I am Brian Prows.