

# **Market Potential for Ad-funded Mobile Email**

**Research Report**



**December, 2008**



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## 1. Executive Summary

Funambol recently launched a free ad-funded mobile email service that included micro banner ads in a mobile email client (see next page for sample screenshot). The company surveyed the initial users of the service to gauge their acceptance of ads in mobile email and to learn about a broad range of issues related to an ad-funded mobile email deployment model.

This report describes the service, the survey and its key results. In general, the ad-funded mobile email service was well received. Key findings include:

- Two-thirds of respondents recall seeing the mobile ads
- 85% said the ads did not impact usability much or at all
- One-fifth clicked the ads. The most common action, by two-thirds, was to visit a mobile website, versus sending an SMS or calling a phone number for more information
- 79% said they would not be willing to watch a brief video ad daily
- Users paid an average of \$15 per month for an "ad-free" mobile email service, including data costs, versus being willing to pay about \$6 per month for an equivalent ad-funded service
- 84% would recommend that other people try an ad-funded mobile email service
- The more that mobile ads are relevant for user interests, the more likely that users will notice the ads and take action on them. Two-thirds said they viewed mobile ads to be more acceptable than spam for various reasons

The initial user feedback indicates that there is good potential for an ad-funded service that can make mobile email more affordable for mass market users.

Funambol is a pioneering provider of open source ad-funded push email and mobile sync solutions worldwide. For more information, please visit our website at <http://www.funambol.com>.

## 2. Methodology

Funambol recently conducted an online survey of the initial users of a free ad-funded mobile email service that is offered on the myFUNAMBOL portal (at <http://my.funambol.com>). The survey was designed to learn about a wide range of topics relating to the use of mobile advertising in mobile email, such as:

- did users recall seeing the ads in the mobile email
- how well were the ads accepted and how did ads affect overall usability
- projected click-through rates and likely response actions
- user willingness to pay for an ad-funded mobile email service
- importance of user privacy versus the value of location-based ads
- potential for viral user adoption of an ad-funded mobile email service

Funambol began offering the ad-funded mobile email service in October, 2008, to learn more about the dynamics, economics and operations of the solution. Below is an example of a mobile banner ad used in the service:



The ads were provided by one of Funambol's mobile advertising partners, Smaato (<http://www.smaato.com>). Users could 'click' an ad for more information by pressing the \* key on their phone's keypad. Calls to actions included visiting a mobile website, sending an SMS or calling for more information (for example, in the above car ad, users press the \* key to call a phone number to schedule a test drive).



The mobile ad service was initially made available to Nokia S60 handset users. Several hundred people signed up for and tried the free service. During the first month of usage, people viewed an average of about 500 mobile ads each and clicked on about 1.5% of the ads. At a CPM (cost per thousand ad impressions) rate of \$5 and a cost-per-click of \$1, this equates to each user generating approximately \$10 of value per month (i.e. 500 is half of a CPM = \$2.50, and 1.5% click-through of 500 ads = 7.5 clicks @ \$1 each = \$7.50, for a total of \$10 per month).

After several weeks, Funambol sent the users an email, asking if they would complete a brief online survey (see the Appendix for the survey) to share their experience with the service. Approximately 15% of the users filled out the survey in exchange for an Amazon.com gift card.

One methodology question is how representative the survey results are, relative to mobile users around the world. There are several factors to consider. The number of survey responses was limited, such that the results are not statistically significant. There were also some biases in the initial user base. For example, all of the respondents used Nokia devices, and there was a heavy concentration of respondents from Europe and Asia. Also, the respondents tended to be more technical as opposed to non-technical.

That said, the key findings of this report can be considered as directional and suggestive of users who are likely to be attracted to an ad-funded mobile email service i.e. so called 'early adopters'. In this respect, this report provides valuable insight into the market potential for an ad-funded mobile email service.

#### Profile of Survey Respondents

People who completed the survey had these characteristics:

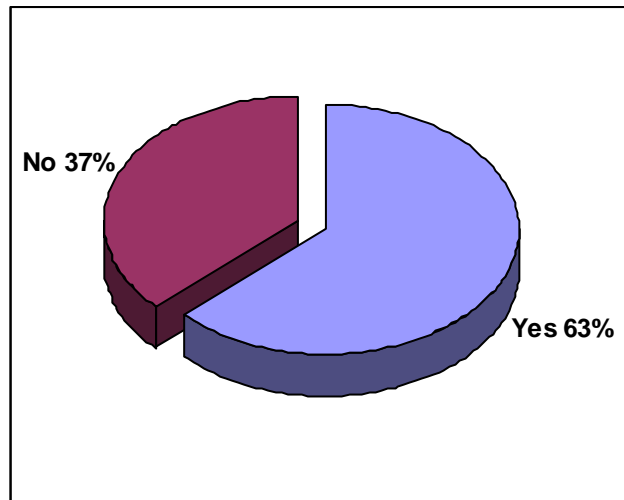
- User Type: 42% were IT personnel; 21% were small and medium business users; 16% were professional consumers (prosumers); 11% were mass market end users; 10% were enterprise users
- 47% had previously used mobile email; interestingly, 53% had not
- Users reported that they received 9 emails on average per day
- 58% were based in Europe, 22% in Asia, the rest from all other regions
- As mentioned, all used Nokia mobile phones, as the service was initially only available for Nokia S60 handsets

### 3. Key Findings

The Funambol ad-funded mobile email survey contained 20 questions (see Appendix A). The following presents some of the key survey results.

**Recall:**

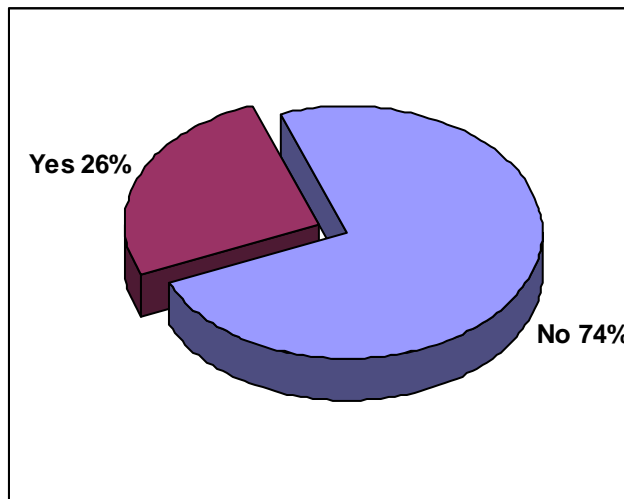
Do you recall seeing the "micro banner ads" in the Funambol mobile email client?



63% recalled the ads, which indicates that users did not largely ignore the ads

**Interference:**

Did the micro banner ads get in the way of using your mobile email?

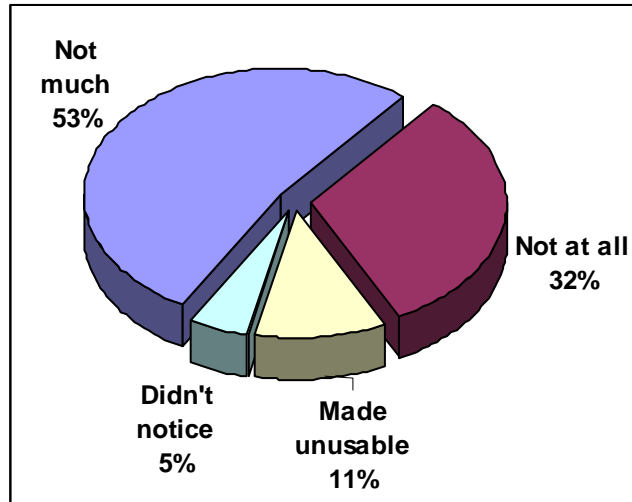


74% said that the ads did not get in the way of accessing email



**Usability:**

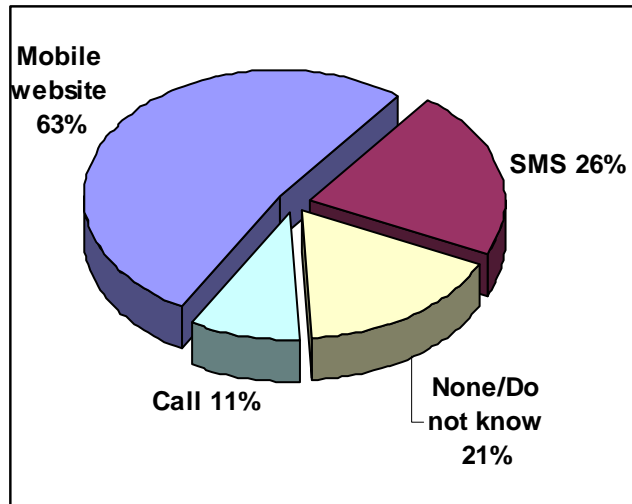
How did the ads impact the overall usability of the Funambol mobile email client?



85% said the ads did not impact usability much or at all

**Click-through rate and response vehicle:**

Which method(s) do you think you might use to respond to an ad in a mobile email service [select all that apply]?

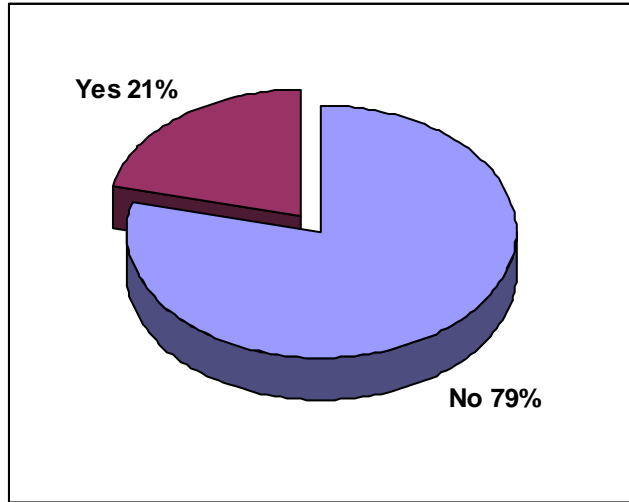


21% clicked an ad (not shown in chart). The most common response, by 63%, was to visit a mobile website, followed by 26% that would use SMS and 11% that would call a phone number



**Video ads:**

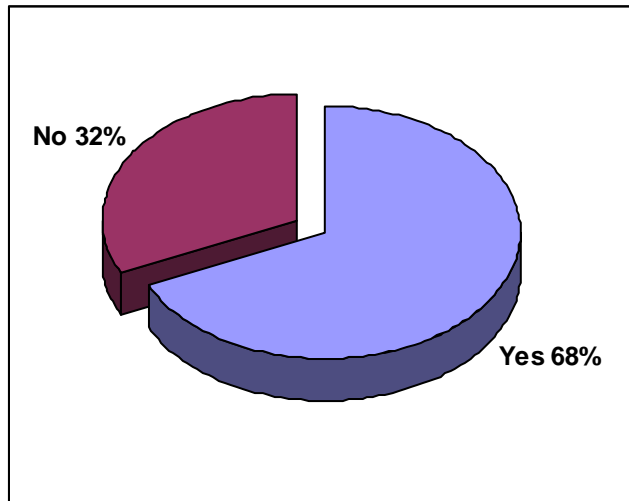
To make mobile email completely free, including no data cost, would you be open to viewing a 15 second video ad once or twice daily?



79% said they would not be willing to watch a video ad

**Acceptability:**

[... Are] mobile ads more acceptable to you than spam?

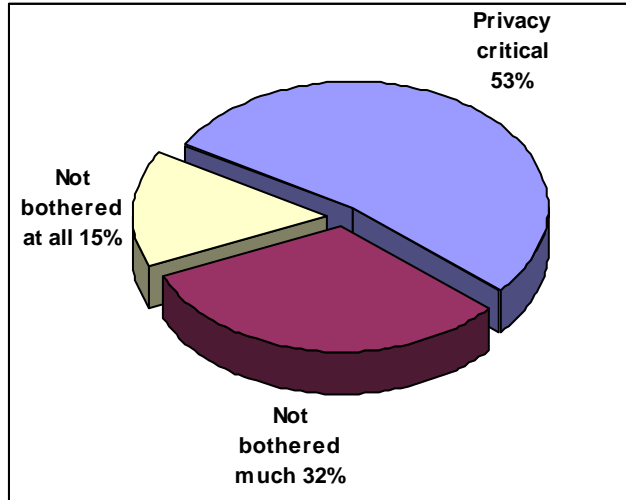


68% said mobile ads were more acceptable; 58% said that if ads were relevant, they would be more likely to act on them (not shown in chart)



**Privacy:**

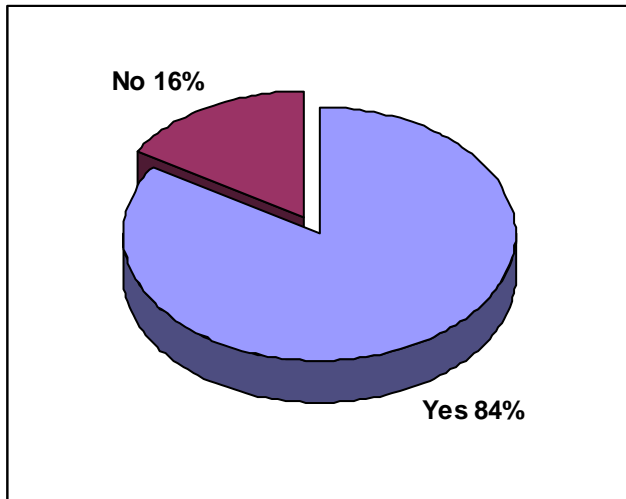
With mobile, the chance of privacy invasion could be greater due to ads targeted by location. Which best represents your opinion about this?



53% said privacy was paramount vs. 47% that said that privacy was important, however, as long as safeguards were in place, location-based ads would be fine

**Recommended:**

Would you recommend that other people try a free or low-cost ad-based mobile email service?



84% would recommend such a service



## 4. Conclusions

Several conclusions can be drawn from the survey results.

1. The ad-funded mobile email service was well received overall. The key appears to be that ads were well integrated into the user interface such that they did not impede user access to email. In the survey, 74% of respondents said they did not believe that the Funambol mobile email client ads interfered with their email experience, while 85% said the ads did not affect usability much or at all.
2. Some ad types, however, such as video, were not considered favorably. 80% said they would not be willing to watch a 15 second video ad once or twice a day in exchange for free mobile email. Several people commented that they were open to ads in their mobile email as long as the ads did not consume much bandwidth, for performance and cost reasons. In other words, there is concern that video ads may be too bandwidth intensive or intrusive. Including ads in mobile email is a balancing act between usability and effectiveness.
3. There is ample opportunity to get users to notice and act on mobile ads if ads are relevant based on user preferences, interests and location. Two-thirds of the respondents said they viewed mobile ads to be more acceptable than spam because they viewed the ads as less intrusive and because they helped to subsidize the cost of the service.
4. Users are much more likely to visit a mobile website for more information versus sending an SMS or calling a phone number. This has implications for the design of mobile-based advertising campaigns.
5. Underscoring everything, user privacy is paramount and must be respected and maintained at all times. About half of the users indicated they would be open to location-based ads, provided that proper privacy safeguards were in place.
6. Users are willing to pay about \$6 per month for an ad-funded mobile email service, including the data cost, versus about \$15 per month for "ad-less" mobile email. This indicates that ad-funded mobile email does not need to be 100% free but could be delivered as a lower cost service that is subsidized by ad revenue.
7. The potential for viral adoption of an ad-funded mobile email service is high -- 84% said they would recommend that other people try it. This is good news for organizations that are considering launching an ad-funded mobile email service.

In summary, the survey data supports the notion that there is good market potential for an ad-funded mobile email service -- if the ads are non-intrusive, relevant, and it enables users to receive mobile email at reduced cost.



## 5. About Funambol

Funambol is the leading provider of open source push email and mobile sync worldwide. Funambol is pioneering an open source ad-funded push email and mobile sync solution. These solutions are based on Funambol open source software, which is the leading cross-platform mobile open source project in the world, whose software has been downloaded three million times by 50,000 developers and project participants in 200 countries.

The commercial version of Funambol has been deployed at service providers, mobile operators, portals, device manufacturers and ISVs including customers such as AOL, 1&1, Earthlink and CA, Inc. Funambol is headquartered in Redwood City, California with an R&D center in Italy. For more information, please visit our website at [www.funambol.com](http://www.funambol.com).



## 6. Appendix: Online Survey

[SURVEY PREVIEW MODE] Funambol Ad-based Mobile Email Survey - Mozilla Firefox

File Edit View History Bookmarks Tools Help

FUNAMBOL [Exit this survey](#)

Funambol Ad-based Mobile Email Survey

Thank you for filling out this survey. Questions marked with an \* are required.

\* 1. What manufacturer & model of mobile phone did you use with the Funambol ad-based mobile email client (e.g. Nokia E71)?

\* 2. About how many emails did you receive per day in the email account used with the Funambol ad-based mobile email client?

\* 3. Do you recall seeing "micro banner ads" in the Funambol mobile email client?  
 No  
 Yes

\* 4. Did you "click" (i.e. select) any of the mobile ads?  
 No  
 Yes

\* 5. Which method(s) do you think you might use to respond to an ad in a mobile email service [select all that apply]?  
 Click ad to go to mobile website  
 Click ad to send an SMS for more info  
 Click ad to call a phone number for more info  
 None / Don't know

\* 6. Did the micro banner ads get in the way of using your mobile email?  
 No  
 Yes

\* 7. How did the ads impact the overall usability of the Funambol mobile email client?  
 The ads made usability unsatisfactory  
 The ads did not impact usability much  
 The ads did not impact usability at all  
 I did not really notice the ads much

\* 8. To make mobile email completely free, including no data cost, would you be open to viewing a 15 second video ad once or twice daily?  
 No  
 Yes

\* 9. Did you use another mobile email solution before you tried the Funambol ad-based mobile email client?  
 No  
 Yes

10. If you said 'No' to the last question, please skip this question, otherwise, how much did that solution cost per month in dollars, including the data plan cost?

\* 11. The myFUNAMBOL ad-based mobile email service is a demo service. How much would you pay per month in dollars, including the data plan cost, to use this as a "production" mobile email service?



\* 12. Banner ads in mobile email are a bit like spam. However, they are at the top of the screen rather than in your email and they enable mobile email to be lower cost and more free. Does this make mobile ads more acceptable to you than spam?

- No
- Yes

\* 13. If mobile ads were targeted based on your interests or location, do you think you would be more likely to notice and act on them?

- No
- Yes

\* 14. People do not want 'big brother' watching them. With mobile, the chance of privacy invasion could be greater due to ads targeted by location. Which best represents your opinion about this?

- My privacy is of utmost importance. I will not use any service that gives me any doubt about my privacy being compromised
- Location-based ads might be useful; they do not bother me much as long as privacy safeguards are used
- Location-based ads do not concern me at all, the industry must take proper precautions to safeguard privacy

15. Do you have any suggestions or concerns about including ads in a mobile email service?

\* 16. Would you recommend that other people try a free or low-cost ad-based mobile email service?

- No
- Yes

17. To receive a gift certificate, for verification purposes, please provide the email address at which you received the original survey invitation email from Funambol. The email address must match our records to receive a certificate. Thank you.

\* 18. What region of the world do you live in?

- Africa
- Asia
- Australia
- Europe
- Middle East
- North America
- South America
- Other

19. Which of the following best describes yourself?

- Small/Medium Business (<500 people) User
- Enterprise (>500 people) User
- Other type of "professional" user
- Developer
- IT person
- Student
- Mobile industry participant
- "Mass market" user
- Other / none of the above

\* 20. Would you like a free report of the survey results emailed to you?

- No
- Yes