THE MOBILE MARKETING OVERVIEW

Among ad tech clichés, “the year of mobile” has been used so often over the past several years that digital marketing professionals tend to just roll their eyes when that PowerPoint slide appears. If the idea of mobile advertising dominance has been with us long enough to become a tired joke, then why isn’t the digital advertising marketplace taking more action to be prepared for its inevitability?

When gathering and analyzing statistics on mobile advertising benchmarks, Sizmek Research discovered that waste and inefficiency still play a huge role in campaigns when ads make their way on to mobile devices.

The most flagrant example of waste is format incompatibility: an alarming number of Flash-based rich media advertisements appear on mobile devices, where their enhanced interactivity is essentially dropped on the floor by an inhospitable browsing environment. Why? Ad campaigns have been slow to make the move to HTML5, the format supported across mobile and desktop devices. Sizmek Research found that HTML5 creative perform well in mobile campaigns, beating out defaulting Flash creatives with more clicks, more interactions, and a better viewability rate – but only 45% of rich media ads delivered to mobile devices were in HTML5 formats.

Next time, when that “the year of mobile” slide comes up at a meeting, you can use it as a reminder to make sure your campaigns are mobile-friendly so 2015 and the years that follow don’t become wasted ones.

Addressable mobile inventory

It is no surprise to anyone that opportunities for mobile advertising continue to grow. Sixty percent of the global population is expected to use the internet via a mobile phone in 2015, totaling nearly 2 billion users.

U.S. MOBILE PHONE INTERNET USERS AND PENETRATION, 2013-2016

With those users comes advertising opportunities, and thus advertising dollars. Estimates put the total U.S. mobile advertising spend at $28.7 billion in 2015, a 50% growth over 2014’s already impressive numbers.

U.S. MOBILE ADVERTISING SPENDING, 2013-2016

5.35 billion rich media impressions served to mobile devices were squandered in Q1 of 2015 alone.
Unprepared for purses and pockets

As mobile inventory grows, the channel is also changing, particularly in the realm of rich media. The days of Flash-supported inventory on mobile devices are numbered. iOS devices have never had native Flash support, and it’s been six full operating system versions since Android devices supported Flash. This means that only 11% of Android devices are capable of supporting Flash, and those devices are running significantly out-of-date software. (Source: Android Developer Dashboard: Platform Version)

Because mobile support for Flash inventory is nearly extinct, rich media ad formats that rely on Flash are likely to default – or revert to a single, static image – nearly 100% of the time. This means 5.35 billion rich media impressions served to mobile devices were squandered in Q1 of 2015 alone.

HTML5 formats, which are supported across mobile devices, defaulted only 8.3% of the time, but represent less than half of the rich media ads served to mobile devices in 2015’s first quarter.

### Rich Media Impressions in Q1 2015

<table>
<thead>
<tr>
<th>Format</th>
<th>Mobile Impressions</th>
<th>Mobile Defaults</th>
<th>Mobile Default Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flash rich media</td>
<td>5,427,964,025</td>
<td>5,350,663,778</td>
<td>98.6%</td>
</tr>
<tr>
<td>HTML5 rich media</td>
<td>4,520,739,013</td>
<td>374,025,285</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

### Mobile Defaults

- **Flash Rich Media**: 5.35B defaults (98.6%)
- **HTML5 Rich Media**: 0.37B defaults (8.3%)

The Flash mobile default problem isn’t exclusive to just a few advertisers. Among campaigns that served at least 1 million impressions in Q1, the average default rate was 35.2%. Many advertisers had it much worse than that – 36% of the advertisers in this sample defaulted much more than average, including the 12% of advertisers that never successfully served a rich media ad to a mobile device. The rate of rich media failure was much lower on desktop inventory, where 60% of advertisers defaulted at a rate of less than 3%.

### Number of Advertisers by Default Rate Range

<table>
<thead>
<tr>
<th>Rate of Default</th>
<th>Number of Advertisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>95%+</td>
<td>130</td>
</tr>
<tr>
<td>46%-95%</td>
<td>254</td>
</tr>
<tr>
<td>25%-45%</td>
<td>140</td>
</tr>
<tr>
<td>1%-24%</td>
<td>261</td>
</tr>
<tr>
<td>0%</td>
<td>294</td>
</tr>
</tbody>
</table>

### Number of Advertisers at 10% Threshold

- More than 10%: 656 (60.8%)
- 10% or less: 423 (39.2%)
The cost of format failure
Ad default seems to offer a kind of built-in fail-safe – the thought is that at least users see something from the ad, even if it’s a static image. But the difference in performance between rich media ads and their static counterparts suggests that this failure isn’t “safe” at all, and can be quite costly if advertisers don’t get what they pay for in their ad’s execution.

Since Flash ads end up as a static image on a mobile device, the only opportunity they offer for interaction is a click. Click-through rates on standard, static banners on mobile devices are as low as .28%. HTML5 ads, however, benefit from a range of interactivity options: expandable sizes, video content, slideshows, and so on. Plus, HTML5 ads outperformed their defaulting Flash cousins by 400%.

HTML5’s advantage extends beyond interactivity. Because the ads render correctly on mobile devices, they meet viewability standards much more often. On desktop and laptop computers, Flash and HTML5 are in view 51% and 59% of the time respectively – relatively even in performance. But on mobile devices, HTML5 ads are in view nearly 60% more often on average.
Mobile-friendly advertising

The way forward for mobile advertising appears fairly obvious: converting rich media campaigns to HTML5 will ensure that compelling interactivity designed into the campaign will translate to compelling interactivity on mobile. HTML5 provides creative range as well, allowing attention-getting ads to take full advantage of mobile-specific screen sizes and interaction types.

For example, Sizmek’s Mobile Full Page Flex is an ad format that expands to the full size of the screen on mobile devices and tablets. It allows the ad designer to create four separate creative sizes so the ad can adapt to a wide variety of screens. Each size has a safe area and a background area. The safe area won’t get cut off regardless of screen orientation. The background area contains content that may be cut off depending on the height and width of the screen.

The HTML5 Swipe Gallery format enables a user to navigate through a series of images or videos by either swiping left or right on an image, or by tapping on the navigation arrows. Each image has its own customizable caption and an individual click-through. As you reach the end of the gallery and continue to swipe in the same direction, you wrap around to the beginning of the gallery.

A future full of interactivity

Left unchecked, at least 33 billion Flash impressions will default in 2016, resulting in the loss of nearly 400 million interactions. It’s not likely advertisers will sit idly by and absorb this much waste. Instead, HTML5 will become a standard format – but innovation won’t stop at merely reducing the rate of failure in mobile ad delivery. The most successful mobile advertisers will be those that embrace this change quickly, eliminate useless defaults, and invent new ways to reach mobile users.
Mobile ads represented just under 30% of display impressions in Q1 2015, nearly doubling the measure from the prior year.
SHARE OF DEVICE TYPE DISPLAY IMPRESSIONS
Q1 2014 VS. Q1 2015

Smartphone
Tablet
Mobile ads continue to get more clicks than their desktop counterparts, but interaction rates on desktop inventory significantly outpaced the growth of interaction on mobile devices.
Consumer packaged goods still held the biggest share of mobile advertising in 2015, but as other verticals focus on mobile, it will become much more crowded at the top of the list.
METHODOLOGY

Our data are collected from ads served via the Sizmek MDX Platform, which represents marketing activity for more than 3,400 agencies, 17,000 brand advertisers, and 22,000 global web publishers in more than 70 countries. Any data from other sources is noted inline throughout the Index.

For the purposes of this study, “mobile impressions” means any display advertisement that was served to a mobile device, while “desktop impressions” means any display advertisement that was served to a desktop or laptop computer. Impressions served to other devices (i.e., Smart TVs) or that were not positively identified were omitted.

For more information and/or recommendations about mobile advertising research or transitioning to HTML5, contact your Sizmek representative or email us at mobilesales@sizmek.com.

ABOUT SIZMEK

Sizmek Open Ad Management brings freedom of choice to end-to-end advertising. With a single point of access to the best technology, data and strategic guidance – and the flexibility to choose which solutions are optimal for them – our clients create inspiring, seamless advertising that connects them to their customers around the world easily and effectively.

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