

July 5, 2007

TV Ads Find Spot on Tiny Screens

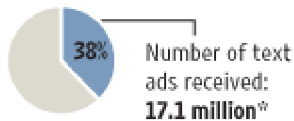
Europe Leads Way
As Cellphones Allow
For Better Targeting
By AARON O. PATRICK

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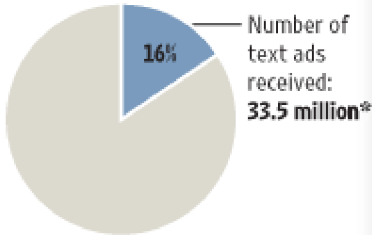
Mobile Ads: From Text to Video

European carriers are starting to offer video ads but mobile advertising is still dominated by text messages.

Total mobile subscribers in the U.K.: **45 million**



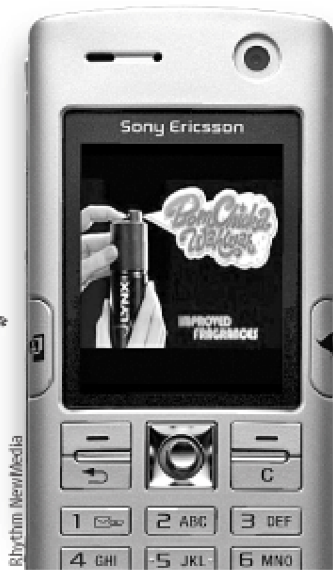
Total mobile subscribers in the U.S.: **213 million**



*Data are for a three-month average ended May 31, 2007 and are extrapolated from surveys of 15,512 mobile subscribers in the U.K. and 32,869 in the U.S.

Source: M:Metrics

A Lynx deodorant ad on a cellphone ▼



LONDON -- Television ads are coming to the smallest screen.

Cellphone companies have been talking about selling marketers space to run their TV ads on cellphones for years. In Europe, it is finally happening, and more phone companies are preparing to jump in.

The four million customers of one of Britain's big mobile networks, 3, a unit of **Hutchison Whamoa**, began seeing free news, sports and entertainment videos a few months ago.

The 3 service is different from other attempts to put TV on phones because its short video clips are free and paid for entirely by advertisers. Other phone companies offer television channels for an extra charge.

On 3, each video clip includes a 30-second ad at the start and end. The clips include news reports from ITN, a British news agency; sports highlights, and short

celebrity features. A two-minute report about Paris Hilton leaving jail featured ads for **Cisco Systems** computers, for example.

The ads that appear on 3 cellphones are television ads, only smaller -- and, for marketers, are more expensive based on the audience size. The cellphone service charges marketers £70, or roughly \$141, for every 1,000 cellphone viewers who see an ad, compared with £10 for every 1,000 TV viewers, the average price on Britain's TV channels, says Ujjal Kohli, chief executive of Rhythm NewMedia, a small company in Mountain View, Calif., that runs the service for 3 and splits the advertising revenue with the carrier.

A 3 spokesman declined to comment on ad rates.

Mr. Kohli says cellphone spots are better at targeting an audience than TV ads because computers keep track of which ads people have seen and avoid repeats. The system also uses customer age and gender to better target the ads.

Microsoft and **Intel** are currently advertising on 3, as is consumer-products maker **Unilever**, which is showing commercials for a deodorant called Lynx. The ads are sent only to men, age 16 to 24, a group that Unilever says is hard to reach with conventional advertising.

"Phones are something that our guys have with them all the time, and whilst the numbers that this form of advertising delivers are currently relatively small, we do know who we are reaching," says Catherine Moorcroft, a Lynx brand manager.

Vodafone Group says it began selling video ads attached to clips from the reality show "Big Brother" in Britain this year. **Telecom Italia** says it plans a trial of selling video ads on its mobile service in the fall. T-Mobile, a unit of **Deutsche Telekom**, also plans to start a service.

Rhythm NewMedia, a start-up company, says it is in talks to launch a similar service with a U.S. carrier, which it declines to identify.

About 15% of 3's customers in Britain, or 600,000 people, have watched a total of six million video clips since the service began in April, says 3 marketing director John Penberthy-Smith. About 25% of people who watched the clips weren't happy that they had to watch ads, 3's research found.

Commercials push into new territory for advertising on phones. Most cellphone advertising today is in the form of text messages, often for sweepstakes. Small graphic ads, known as "banners," are becoming more common as growing numbers of people use their phones to surf the Internet.

In a more aggressive bid to get cellphone users to watch ads, a Helsinki, Finland, company called Blyk plans to offer free mobile calls and text messages to 16- to 24-year olds -- if they're willing to receive ads on their phones. The service starts this summer in Britain and will be rolled out to continental Europe later, says Blyk Chief Executive Pekka Ala-Pietilä.

European phone technology is generally more advanced than American. Analysts and telephone executives say video ads will likely become more popular as more people buy the high-tech 3G phones that are better at displaying television clips. In the U.S., about 16% of phones are 3G and in Europe, 20% are.

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