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By Craig McGuire

Increasing adoption of smart phones is building momentum for suppliers of m-commerce solutions, content/application providers and device manufacturers.

Consider that nearly half of the respondents from a recent java.net poll expressed belief that within five years handheld devices and mobile phones will be the preferred modes of connecting to the Internet.

Specifically when asked, "Which device will people use most to connect to the Internet five years from now?," participants responded:

    46.4% (232 votes) - Handheld devices / mobile phones
    25.8% (129 votes) - Notebook / laptop computers
    10.2% (51 votes) - Desktop computers
    8.0% (40 votes) - Netbooks
    7.2% (36 votes) - Interactive television
    2.4% (12 votes) – Other

Meanwhile, Infonetics Research's biannual "Mobile/WiFi Phones and Subscribers" study projects that the smartphone market will continue to grow despite an eight percent drop in mobile-phone sales this year.

This echoes similar results of studies posted by ABI Research, Gartner, IDC and others indicating smartphones outstripping the overall mobile market. (Infonetics anticipates smart phones to begin outselling feature phones by 2013.)

"Smart Phones have reached critical mass – almost 30 percent of handhelds are now smart phones and this number will go up tremendously this holiday season," said Rodney Mason, CMO of researcher Moosylvania. "3G and faster speeds, along with wide penetration of smart phone products, mean this:

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Handhelds will become the number one way that people interact with the Web simply because handhelds outnumber PCs three to one. Post-holiday season, handhelds that access the Internet will be close to outnumbering computers."

With more smart phones cropping up in the market, the audience is growing for m-commerce applications incorporating such features as geo-based targeting and video on the phone, Mason says. For instance, soon-to-launch Dealchime.com will offer national coupon savings based on where people are physically located and on their search behaviors.

However, the carrier's breadth of signal – 3G and 3G equivalents – is really a baby step, Mason laments. "Next-generation platforms will enable greater video capabilities until video literally becomes two-way," he says.

While some verticals are more suited than others for applying mobile technologies to drive direct and indirect revenue, it's more than just a conduit for event ticket sales and travel-based options.

For instance, Terrance Vannoy and Pete Stoughton, the two founders of Orland-based software company Optria, point to an uptick in the use of an existing mobile technology — alerting software — to enable banks and credit unions to communicate with customers and impart information to them immediately through emailing and mobile devices.

"Beyond the obvious self-service aspect of m-commerce, we are seeing banking alerts used by more customers to better manage and understand their finances, as well as a growing use to guard against risk," Vannoy says. "The increase in data exposure from the growing number of phishing, trojans and other 'scareware' attacks seems to have the general public on notice, particularly so with the savvy banking customer, the one that goes online to check his or her account activity frequently because of increased cyber threats.

"As a bank or credit union, by notifying account holders on a proactive basis when events are happening on their account, you are improving customer service levels while providing peace of mind," Vannoy explains. "Although growth and adoption are somewhat hampered by the fact that mobile technologies often have to be blended together with older banking technology, we are seeing an increase in the use of banking alert technology to help customers stay attuned to their finances in what clearly is an uncertain and risk averse world."

Ultimately, though, innovations in m-commerce applications start with the devices themselves. "Because it is now possible to meaningfully connect to the Web on iPhones and, to an extent, Blackberry, the phone is now as powerful as the laptop for exchanging information," says Marci De Vries, vice president, digital communications, IMRE , a Baltimore-based digital marketing agency. "Because the phone manufacturers are investing in 'Feel," the phones are experiencing greater usage because people like holding and touching them."

This boost in usage has had almost as much impact on mobile marketing as any technology. "Third parties are now able to build their own applications for phones, which is enhancing the usefulness of phones external to any manufacturer, and creating an exponential wave of tools and usefulness," De Vries says. "Smart phones are becoming a 'Super-Use' item, which means the user always has it present, and is actively looking for more ways to use this device."

Moving forward, consumers will want convenient in-store m-commerce applications that will allow them

to "check [themselves] out using bar codes tied to [their] credit cards," De Vries says. Other hot m-commerce applications are "conversationally" based. "For instance, if I am in a restaurant and my friend says 'Creed is coming to town, it would be awesome to see them,' I would want to be able to buy tickets through Ticketmaster right there in the restaurant in three clicks," De Vries says. "This is currently possible. Now, the next thing you're looking for is in-store commerce."

However, there are major obstacles still to overcome. "The biggest limitation is that there are still "stupid" phones out there that can't display the Web," De Vries says. "There are also still 'stupid' companies out there who aren't translating their Internet sites for use on mobile devices; a double STUPID on those companies. Once the phone got on the Web, they became the new laptop."

Just what is the ROI for m-commerce versus other modes of promotion?
De Vries points to a recent presentation by Joy Liuzzo, director of marketing and mobile research, Insight Express:

> User activity in response to a mobile ad is 57% higher than any other medium;
> 74% of survey respondents said they would redeem mobile coupons;
> Anticipated mobile usage to increase 60% in 24 months, compared to computer usage that is expected increase only 33%;
> The main impediment to m-commerce is consumers' perception that it is not as secure as the Web; and
> Mobile advertising outperforms online advertising by a magnitude of 5.

"Therefore, if an online ad campaign nets 1 customer out of 100, mobile will net 5," De Vries says. "Mobile also generates better awareness after viewing the ad and has greater impact on future purchase intent than any other ad vehicle today."

Today in the United States, according to Craig Lambert, chief digital director at Colangelo Synergy Marketing, Darien, Conn., there is really only one technology that makes a difference right now and that is Apple's iPhone/iTouch platform. "Having changed the mobile marketing game from hardware to software, Apple has provided the strict discipline and intuitive design of a quintessentially "Apple" interface," Lambert says. "Not only is the UX simple, it forces developers to focus on the user's task. In the case of commerce, this is critical. Any merchandiser will tell you that there's a reason department stores have no windows: to maintain the consumer's focus on the purchase process.

Looking forward, Lambert says, the two open source platforms are likely the only real competitors: Google's Android and Nokia's Symbian Foundation.

"The ability for the community of developers to build on these platforms gives them an edge similar to the Apple approach," Lambert says. "On the other hand, this open source 'silver lining' in their competition with Microsoft Mobile OS or RIM, may also be a cloud, in commerce especially, as the platform — wide open — will allow for some very bad and inconsistent UX deployment that could drive users back into Apple's arms."

In a Feb. 12 white paper Forrester Research suggested that "retailers should position themselves for improved mobile Web sites that, at the very least, render their content properly through smartphones."

"The idea that a commerce experience [has to be] based on a website UX … is demonstrably untrue, as proved by the impact of Apple's GUI," Lambert says. "The purchase process is delicate and cannot be subordinated to technology or design not made for it."*Craig McGuire is a New York City-based journalist*

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who covers business and technology. He can be contacted at Craig@ByCraigMcGuire.com.

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