

**SESSION 5: MOBILE ADVERTISING AND MARKETING - THE
TRANSITION AND ADAPTATION TO MOBILE DEVICES AND
THE SMALL SCREEN**

MS. ENGLE: This is the last panel of the day, where we will be talking about the transition of marketing and advertising to mobile devices. My name is Mary Engle and I am Director of the FTC's Division of Advertising Practices. Moderating the panel with me today will be Jim Trilling, who is a Senior Attorney also in the Division of Advertising Practices.

So, the issue of advertising on mobile devices is one that people have been talking about for a long time and kind of waiting for it to happen. When the FTC held a wireless marketing workshop back in 2000, people were saying I know it is going to take off in the next year or two. And then, recently, Advertising Age ran an article with the headline, "Why '08 Isn't Mobile's Year Again." Each year since about 2000 and maybe even before has been wrongly touted as the year of mobile marketing.

And then just on Sunday, the International Herald Tribune ran an article led with something like gotten an ad on your mobile phone lately? No? Well, neither have we.

So, it is something that has been seen as coming

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down the pipeline for some time and certain to take off very soon. It is still a pretty small fraction of most companies' advertising budgets, but we have a very excellent group of panelists this afternoon to talk about what is happening right now in the mobile advertising space and some of the issues that it presents.

So, first, I am going to introduce, we have several panelists who are going to be making presentations, and then after that we will have others who will comment on the presentations and we will open it up for a fuller discussion.

First, we will hear from Professor Hairong Li of the Department of Advertising at Michigan State University.

Professor Li will present some of his observations regarding mobile advertising in Asian markets.

Second, Professor Michael Hanley of the Department of Journalism at Ball State University, will discuss his research on the use of incentives as a factor to increase consumers' willingness to receive ads on their mobile phones.

Professor Hanley is co-chair of the Mobile Marketing Association's Academic Outreach Committee and co-editor of its International Journal of Mobile Marketing.

Third, we will hear from Ben Ezrick, a Senior Strategist at Ogilvy Interactive and he will offer an advertising agency's perspective on mobile advertising.

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Then Jean Berberich, from Procter and Gamble. She is P&G's Digital Marketing Innovation Manager for mobile, and she will share some of P&G's experiences.

Jim Durrell, the Director of Product Management for Greystripe, will discuss Greystripe's business of making ad-supported games available on mobile phones.

And then we will hear from Jeff Chester, who is the Executive Director of the Center for Digital Democracy, a non-profit organization that advocates regarding various digital marketing issues.

After that, then I will introduce the other panelists who will also be commenting. Thanks, and we will start with Professor Li.

PROFESSOR LI: Thank you. By now, we all agree that the mobile phone is a dream medium for advertisers, right? So, we had so many wonderful presentations this morning. We know mobile phones offer many features like personalization, interactivity, location awareness, and advertising through mobile phones is really a new ball game.

A new side of new and effective rules are being explored, developed, and tested, in some Asian markets which has been my research focus for the past few years.

And where I see a mobile lifestyle is forming, most mobile phone users seem more receptive and responsive to

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advertising through a personal medium. Let's go to the next one here.

My definition of mobile advertising has three elements. I think communication regarding text messages or mobile banners or coupons and for promotional purposes. Sometimes there is an intention to sell by use of mobile devices. So, then here we have a converging medium. Many functions are available through the mobile phones right now and that means there are a lot of marketing potentials.

Here, I just want to show you one series. There are so many different forms of mobile advertising available in many markets, particularly in Asian markets where I have been following. Largely, they can all roughly be categorized into two broad strategies. One we call a push strategy, meaning the advertiser initiated a communication process, and a pull strategy, meaning the consumer initiated the communication process.

So, overall, both strategies are working well. If some considerations are made, some issues are addressed.

I want to introduce some brief cases to see how that works.

However, the pull strategy, the second one, I think that represents the future of mobile advertising. It is less intrusive and better meets the needs of the users, and also fits the nature of the mobile phone as a personal medium.

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So, here let me show you an example, this is a push strategy. This can benefit the consumer as well. It is often used to address unrecognized needs of the consumers.

The key is adding value. So, we analyzed a lot of cases in Korea, Japan, China, Singapore to try to see what kind of campaigns worked well and what did not work well. We see that now to add value is the key in these kind of campaigns.

There are many consumer engagements, involvements, it could be either the design GUI in the campaigns, but what kind of value from a consumer perspective is added. I think that is the key.

For example, in this case, marketers or advertisers can select a target audience and send coupons to their phone and attract them to stores to fuel the store traffic. It is a very common use. It is a typical kind of push strategy.

A pull strategy example here, as this morning the Commissioner introduced a quick response code. This is a good example because with Hub RS (phonetic) the mobile keyboard is small and keying in data is difficult. So, in Japan, many service providers use the quick response code as a solution. The semblance on the phone that takes pictures can also be used as a scanner, so it can scan and decode a

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QR code.

For example, any data can be turned into a QR code.

Here, I did a demo here because you can see, you know, the right side is the QR code, it is much easier. You use your QR code enabled phone to punch a QR code, and push a button instead of keying in alpha numerics for the URL of this website, you know, for this medium. So, that is much, much easier to do this.

In Japan, I go there every year to study and we see many fast food restaurants place the QR codes on their placemats and, you know, for patrons can easily scan and see the nutrition information for many items. So, I can see how much calories for a hamburger or for something else. I use it while I am eating. I am just again curious of how much calorie intake I will have. So, I was cautious.

There are also many advertisers also use traditional media, they put a QR code on traditional media, posters, outdoor. So, the curious users use their cell phones to scan for the information. It can be a URL or it can be a text message or it can be a phone number. Almost everything can be converted into a two-dimensional bar code.

So, this is a good example. Ever since I heard the Commissioner this morning mention in the U.S. we are soon

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going to see this application, I think it is really great.

I want to show you some numbers based on studies in Japan to see how widely the mobile phone users in Japan use this technique.

Here, we have the number of 93 percent of Japanese mobile phone users know what a QR code is. So, it is a very high familiarity level from a technology perspective. And then mobile phone users in Japan are also very receptive.

You see the high percentage, 84 percent have used it at least once when they do the survey, the data is actually from 2006.

I believe this year the percentage will be even higher. You can look at the increased ratio increments.

Then look at further the usage. It seems that the user use a lot, about 70 percent use a QR code at least once a month and then 25 percent use it at least once a week. So, weekly use, that is a quarter of the user base use that frequently. Then for what purpose -- let me show you -- why do they use QR codes, for coupons, for discounts, special events and product and service information. So, that is the primary use, more than 30 percent.

This pie chart usage indicates that when there is a need for information, mobile users will seek and take action with their mobile phones. So, that is really what I emphasize. The user initiates the process. It really

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represents the future of mobile advertising.

So, to quickly summarize from what we have learned from this quick review of the major practice in Asian markets.

One is really the mobile phone is indeed a dream medium for advertisers. Its high potential has to be fully recognized throughout cooperation among mobile service providers, advertisers, mobile agencies and the mobile users. So, that is the first one.

The second one, in whatever scenario, consumer initiated process, initiation or control of the communication process is really in the key to success. We see the earlier push strategy works if it is well designed, but I think really the future really we will see more applications from the pull perspective.

And then for the same reason, intrusive advertising has little room because users do consider the mobile phone their personal medium. So, as we saw in some of the presentations this morning, consumers say the phone is mine, mine, mine, mine, it is my phone, which is quite different from any other medium we are familiar with, including television, PC right or any other media.

Lastly, adding value is a real driver. Value can be mandatory or not mandatory or practical or pleasurable or immediate or delayed. A well designed added value can

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serve as the lubrication for the interaction between the advertiser and the mobile users, which is really the interaction that is the most important thing probably for successful mobile advertising campaigns. Thank you.

(Applause.)

MS. ENGLE: Professor Hanley.

PROFESSOR HANLEY: Thank you, Mary. Thank you for inviting us to share our information. I only have ten pages of very detailed slides to go through in five minutes, so I will make it. Not a problem.

Actually, I am going to give more of a high level view of what academic research has found in the past six or seven years about advertising acceptance, specifically incentives. I have been fortunate enough in the last four or five years to do my own tracking research of college students in a red state in the Midwest, as we say in academics, that is having its own primary today. You can choose which one that is. And I found some very interesting things and I reviewed literally dozens and dozens and dozens of academic articles from around the world and some of my own research and academics have now kind of come to this consensus point, if you will, about what advertising acceptance issues really are.

There are three key issues with advertising

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acceptance. The first one is the issue of trust, privacy and control. That is the number one thing for advertising acceptance. The second one is the device experience, and the third one is the whole issue of advertising relevance.

That is just not for mobile, that is for everything. So, those are the three key issues about advertising acceptance.

As I look at some of my own current issues, this is what I tell my students is one of those "duh" issues. Everybody knows that mobile is growing and it is now eight out of ten adults. We also know that the cell phone is, and Hairong alluded to this, the most personal communication device in history. Try to take one from your children and you will know very quickly that that is the case.

And, also, that marketers are poised and, according to many speakers, have been poised for the last 15 and a half years or so to do cell phone marketing.

A quick aside. Mobile marketing is the most complicated marketing in history. So, another year is not going to hurt to get there. It is going to take another year or so before we get there.

The issue is, are consumers ready for what we want to send to them? And the fact is research shows not only mine but a lot of academic and industry research shows that,

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in fact, consumers are more and more willing. My research shows that college students have doubled in their acceptance of the mobile channel for marketing in the last three years, and I know a lot of industry research is showing the same.

Now, there is other research that says maybe they are not ready and that is how research is. We are kind of like economists, we have opinions all over the board.

There are also key audiences that are developing.

College students are one, and it was interesting research from M:Metrics this morning showing all the different age segments. But I got to tell you, college students are their own segment, 18 to 24-year-olds, there are about 18 million of them in the United States, and 98 percent of them in my research have cell phones. I do not think there is a demographic segment that is quite that high, 98 percent. 92 percent use text messaging. So, college students, as an individual specific medium to research, have quite a few different type of statistical and demographic information.

Also, mobile marketers are doing some really interesting experimentation, and we hope to hear a little bit more about that from Ogilvy and from Procter & Gamble.

They are doing it the right way and they are helping the mobile market develop the correct way.

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You got to give the FTC, you got to give the Mobile Marketing Association, you got to give the CTIA credit for helping protect this market in ways that have not been protected in, for example, the email market in several other ways. So, they have done a very good job of that.

Then in mobile marketing was last year or perhaps 2005 and you see a lot of articles talking about the fact that either the mobile market is here or it is not here or it is coming or it has been here or it is never going to show up. The fact is it will be here. It may take another year or two. From the research standpoint, it is showing that certainly college students are ready and I think other age segments, specifically teens are certainly ready, and business users, I think are poised to be a huge market as well.

Recent articles, Business Week, I thought that the Nielsen recent research was fascinating to show not only that about a third of Americans have been exposed to mobile marketing, but half of those have actually interacted with mobile marketing, mobile advertising. So, you are starting to see that trend move forward, and I think that will only probably speed up as we move more into the ability to individually target consumers with the information that they want.

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The market now is you are starting to see these types of articles that mobile marketing is taking off. My own research in the last three years has college students, which are pretty poignant about the fact they do not want anything sent to their cell phone that, number one, they do not choose and, number two, that is not relevant. They doubled in the last three years.

I do this survey twice a year, and I will do it again in September, and the number will probably go way over 50 percent.

They only accept these messages as they have been exposed to them themselves. And there is a huge confusion factor, specifically with college students. I cannot speak necessarily to other demographics, but number one, they do not know what the WAP is, they think it is the internet. When I tell them, no, it is not the internet, they say, well, what is it? So, we have a confusion problem and that has led to some of the issues with mobile marketing and advertising. If we help make them understand that the WAP is not the internet, now WiFi is the Internet. So, I have a whole course on understanding what the terminology about mobile marketing is and it really takes that. So, we could streamline those things and that would probably help.

But, certainly, the usage and acceptance by college

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students is growing rather rapidly. But the big issue is this: The term "annoyance" in my research gets to the fact of are you willing to accept something if you give me permission or are you willing to accept it because of relevance? So, annoyance has been flat for the last four years for college students while the usage has doubled.

Now, statistically, that says something is going on there and the fact is they are using their mobile market, their cell phones more and more for the types of things that marketers want them to use them for, and they are enjoying it more. They are not enjoying it less. So, that is a good sign. Teens are pretty much the same way. But, certainly, college students are that way.

Interestingly, the students that have said that they have been getting mobile messages from businesses that they do not know, they do not feel any worse about that business than before they got the message. So, they get these messages and, in fact, they almost expect if the product is relevant to them. Now, that does not apply to a lot of other products that we may not want to get on our phones, but products that are relevant.

So, what role do incentives have in this? I think a lot of marketers that are actually doing mobile say, without incentives, you are going to have a hard time getting anything

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done. Certainly, my research shows the same thing. They provide a positive motivation. Two-thirds of the students say they would be willing to do mobile with incentives, and coupons are the number one use of that. Someone mentioned the theater or the movies on the last panel. That is the number two use of coupons by students is movies. Number one is quality restaurants, not fast food, but quality, sit-down restaurants is the kind of coupon that college students want to get and movies is number two. Actually, dry cleaning is number three. Who would have guessed that one, right? Dry cleaning is number three.

Now, another interesting thing about incentives is you do not need to use them for life. They are only as a way to get students to use the mobile internet and over time they realize that the relevance and the value will take the place of whatever monetary incentives that they initially got. So, you do not have to keep providing coupons for life just as a way to get them to trust and use this technology.

So, a few quick trends, and again, this is over five years. For college students specifically, incentives are a major motivating factor, students are receiving many, many more cell phone messages, but annoyance, again, has not gone up. That is a key indicator.

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Consumption has flatlined, basically, for college students, buying very little mobile content other than ringbacks, all the other content is actually flat or going down. And I am also seeing college students that are now either buying smartphones or buying dumb phones. They really have gone backwards with a lot of -- they say they bought more expensive phones and say I do not use the devices, so I am going back to basically calling or I am going to go up to the smartphones. So, we are seeing a spreading in the actual phone technology.

Perceived risks associated with it do not appear to be a barrier to accepting advertising, and the perceived risk, of course, is the issue versus the real risk with college students.

One of the largest increases in data that I have seen in the last five years was this year when the usage of still cameras and video cameras went over 50 percent for college students. Of course, that has to do with the new phones coming in, but not only are the phones capable of that, they are actually using it to that level, to do all types of things and that is where Hairong's QR codes will come in.

Eventually, that market will eventually be a very dynamic market. Thank you.

(Applause.)

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MS. ENGLE: Next, Ben Ezrick.

MR. EZRICK: Thanks, Michael, for that information on college students. When we are looking at all the different demographics that we are trying to reach for our advertisers. Obviously, we are seeing an increased usage of mobile consumption amongst younger consumers. If anyone is not familiar with Ogilvy and Mather, it is a worldwide ad agency that does creative production for websites to TV commercials to mobile as well. Some clients include Unilever, Kraft, IBM and Cisco.

So, my position at the agency is I am responsible for investigating emerging technologies with mobile being one of them. So, what we see in mobile is we are really going from the third screen to the first screen. I am not sure if anyone has heard it before, but mobile is often spoken of as the third screen. But how we look at it at the agency, it is really the screen that everyone has with them. It is one that people are constantly looking at and it is the most personal and pervasive one. The other two would be the computer and the TV. So, at this moment, we really see a movement from third screen to first screen when it comes to mobile.

So, here is a look at the U.S. mobile market. When evaluating campaigns, we really like to see what the

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penetration is amongst the general population. So, we have about 233 million mobile phones. This data is a little dated, so it is actually more than that right now. 200 million are SMS and MMS capable, SMS just being standard text messaging; MMS being picture messaging or any other multi-media files like videos. And then we have 185 million data and WAP enabled phones and 12 million video enabled phones.

Now, what is really interesting when you look at this data is it seems like there are a tremendous number of people in this country who have the ability to access the mobile internet. The fact is these people have the ability to do so, but not a lot are actually using it. So, we do not see a high percentage of users actually accessing and paying for data plans. In fact, we are only seeing about 13 percent of the U.S. population that has a data plan and accesses the mobile web on a regular basis.

This data comes from M:Metrics. I know they spoke earlier. I think this is really great because when we are looking at consumers, we are really seeing a huge uptick with the iPhone. M:Metrics just recently came up with this report, which I am showcasing over here and it says the iPhone lived up to the hype. Obviously, there were tremendous expectations for that device, and from a mobile marketing perspective, it is really a game changer.

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What you see here is that 85 percent of iPhone users access the mobile web. So, any news or information on their browser on any given month, and that compares to 13 percent for the general market and close to 60 percent for smartphones. So, you can see that the iPhone has really changed things and it is because Apple has required, A, all users who buy the iPhone to purchase a data plan as well, so there is no roadblock there. And, also, they have really created an optimal mobile web experience. There are not many other phones out there that have done so at the moment. I know Nokia showcased some great phones, but a lot of those phones have not reached widespread adoption in the U.S. at this point, though they are really big in Asia.

Some other figures to just take a look at is accessing mobile search, we see that as a big market, a big growth market for advertisers. Sixty percent are doing so in the iPhone and about 6 percent in the general market.

So, here are some potential mobile marketing solutions. When we go to our clients, this is the array of options that they have in the mobile space and some of these work better for a particular client goal than others. We just do not push the mobile marketing option. It really has to fit in with the client's objectives, whether that be to further engage the consumers with branded entertainment, so

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video content or engage them with an SMS campaign.

So, the first one is a text message campaign, simple SMS, we see the most widespread adoption to this technology, approximately 60 percent of the U.S. population uses SMS.

So, by far and away that is the most commonly used mobile product. Then there is WAP pages, on and off deck. If you have been here for the majority of the conference, you have heard a lot about that. On deck being the carrier portals, off deck being the general web access via mobile browser.

Then we have video, and this is a really interesting area. You can either subscribe to video with a subscription service like MobiTV. Or there is free mobile video similar to the internet, where you are just accessing content on the go, short clips via YouTube or any other sites. For instance, if you go -- some really great mobile sites with video are CBS News and Reuters. All you need there is to have a phone that is capable of accessing video. You do not actually need to pay a \$10 or \$15 subscription fee. So, we see that as being a great growth area.

Coupons, QR codes have been covered over here. Very few phones in the U.S. actually have the application embedded on the phone and that is something worth remembering.

In Asia, almost all the phones that are sold there have this

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application that can read a QR code. In the U.S., you have to manually download it and very, very few phones come with it.

The last option is downloadable content and that could include games or flash applications. What you see on the screen over here is an application that we built for Johnny Walker in Asia. This uses flash and basically it is a personal digital assistant. This digital assistant can tell you about the hottest clubs, bars and restaurants in the area.

So, what we are really doing is providing content and useful utility to consumers. That is very important when engaging them on such a personal device.

Here is an example of a mobile advertising campaign that we ran for Lenovo in the U.S. a couple of years ago.

What you see here is that when people are browsing the mobile web and they were on USA Today's site, they saw a little Lenovo ad that said there was a ThinkPad sale. They could then click through and find out more about the sale, what the offer was that they could save up to \$600 and then they had the ability to enter in their email address to be contacted with further information on the sale.

What we saw here is that we measured this for both brand and direct response purposes. Direct response being obviously collecting the email address and being able to send

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them an offer through their email. And then, hopefully, engage them and get them to actually buy a computer.

The second option was we ran a brand awareness study. A brand awareness study is basically just a survey that pops up, I am sure you have seen them on the internet, would you like to take this survey? Similar things going on in mobile. And what we found is that there was actually 188 percent brand lift for Lenovo being on the PC screen.

So, brand awareness went up 188 percent amongst people who saw the ad. And then people who clicked through to the banner, it actually went up nearly 500 percent. What this campaign helped do was move the association of the ThinkPad laptop away from IBM and to Lenovo because this campaign occurred around the time when IBM sold its PC division to Lenovo.

Another area that we are increasingly focusing on is activating traditional media channels. Everyone has heard the story that Google is killing the TV industry and the print industry and all of that. So, what we need now is a way to measure our traditional campaigns and to really engage consumers there. And an excellent way to do so is in mobile, and SMS specifically.

What you see there on the left is a campaign that we ran for a client called Select Comfort. So, they are a

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mattress company. And this ad ran in USA Today and many different versions of it ran. One had an 800 number, one had a unique web URL and another one had a text message option.

What we found was the text message option offered the ability to text Select Comfort and get a \$50 coupon off. What we found is that had six times the response rate than any of the other methods that we tried. So, we are seeing that consumers want to engage in mobile, it is convenient for them and it provides utility.

The other example you see is a billboard in Times Square right there in the middle. That was for Dove's campaign for real beauty. We asked consumers to vote. We took a survey and said, do you think this woman is wrinkled or wonderful? And then the results were posted on the billboard. You will be happy to know that the majority of people thought she was wonderful.

(Laughter.)

MR. EZRICK: I think it was at 70 percent. The other example all the way to the right is a campaign that we ran for DHL. In the ad industry, you hear a lot about the word "engagement." It is a big buzz word. How do you engage consumers, make them care about your brand and choose preferred DHL over UPS or FedEx when choosing a shipping provider? Here, once again, we are providing utility,

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entertainment for consumers.

The first example you see is an umbrella overhanging an outdoor bus ad in San Francisco. You could text in and get a weather report and find out what the weather report was going to be like in San Francisco for the next five days, courtesy of DHL.

The second execution shows DHL boxes flowing in a Tetris-like formation. It offered the opportunity for consumers to text in and get a Tetris-like branded game on their cell phone. So, this is a free game that they did not have to pay for. What we found is that consumers really enjoyed that, not only did thousands of people download the game, but actually there was a 20 percent pass along rate.

So, it is really allowing for kind of viral sharing. So, a consumer downloaded the game and then was able to forward it on to a friend.

My final slide here is just showing how we are extending existing online marketing campaigns into the mobile environment. An example here is something that we did for Kraft. You can go on the web address and sign up for this if you would like. It is Kraft mobile recipes. Obviously, Kraft has a lot of core consumers who want to know what they should be making for dinner that night. This really allows them to do so and have those recipes on hand. So, consumers

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can sign up on the website to get either daily or weekly text message alerts with the recipe of the day or the recipe of the week and then next time the consumer is in the store, they are able to have all the ingredients on their cell phone ready and prepared, so that they can go and pick the ingredients that they need up at the supermarket.

So, we have seen tremendous success across all these different campaigns and clients. This is just a snapshot of what we have done so far. Thank you.

(Applause.)

MS. ENGLE: Thank you, Ben. Next, we will hear from Jean Berberich.

MS. BERBERICH: Good afternoon. Quick question, who here does not have a mobile device with them? Does not? I always like to ask that one.

Who actually has texted in to a campaign before from a brand? Great. I really encourage doing that because you really -- no, seriously. I got a couple of examples that you can try from P&G. I just really feel that immediate gratification and understand that two-way communication, it really helps you understand this channel.

Anyway, I am Jean Berberich. I am from P&G. I am responsible for digital marketing innovation for mobile for our brands. What I am going to do is just give you some

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background on where P&G is with the mobile channel and talk about an example from Cover Girl.

Just a little background on P&G. We are a 170-year-old company. There are over 135,000 employees in 120 countries. We focus on the consumer, the consumer is our boss. You may recognize a couple of our products on this page and you can read the statement of purpose.

This is how we define mobile as a marketing channel.

It is a permission-based, real-time, interactive channel anywhere. We consider it the third screen from TV to PC, another way to distribute marketing. And it offers a unique way to respond to traditional media like TV, radio, print.

And it is part of an overall marketing strategy, it is an extension, like everybody else is saying, of a marketing plan.

It is not really a marketing channel, per se. But it usually extends a traditional marketing plan.

Why are we interested in mobile? Well, some of the things I just said here. But it really does give us the opportunity to interact with our consumers when they choose, at the time of need. So, if they are at the shelf and choosing a product, they decide to ask for help. And that is where we come in and serve up the right content based on what they are requesting from us. They could use any technology, anything across the globe. They could text in, they could

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scan a code, they could call a number. We just, as a company, have to be prepared to serve up the right information based on their request.

It is really an opportunity to reach this new generation of consumers that are a part of the digital millennium that are always on, always connected. Always on the go. Very rarely sit around and watch TV anymore.

Where we are today as a company, we are still in the test and learn phase. There is a lot of work going on globally, mainly in Asia. And here in the U.S., we have had several brands try mobile as a marketing channel or extending their mobile plan. Brands like Always, like Tampax, Cover Girl, Vick's, Pringles. So, we have had several brands try this out, but it is still just a fraction of the opportunity that is there today. And we are still trying to figure out what is it that consumers find valuable enough to engage and use their mobile phones to engage with our brands?

Of course measures, it is all about measures in companies like mine. And there is just not a lot of data to pull from. So, what we are basically doing is internally figuring out our own measures and slowly proving out this channel.

Education. I spend a lot of time in this country educating. I hate to say this, but we have a lot of older

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people that make decisions at companies like mine and it is like, well, I just need it for a phone call, I do not know what all this stuff is. I am like, yeah, but what about the rest of the world?

And especially with the brands and agencies, when these vendors come up to them and say, hey, we can do WAP and MMS for you on GPRS network and the WiFi, and they are like, huh? So, we have to start talking marketing talk and really translating all this stuff going on in the world to the brands.

Our first priority was to establish privacy guidelines that were in line with the mobile industry. Some key points on our guidelines, and we do require all brands to follow these, is opt-in is a must. Consumers must opt in. Call to actions are valuable and relevant. Double opt-in is required. This is when a consumer opts in to a text program. We come back and say, hey, you signed up for a Cover Girl text club, you will receive a couple of messages a month, do you agree? And then the second opt is yes. That is when they are a part of the program.

The opts are only used for specific campaigns and programs only and easy opt-out is communicated often.

Let's go through an experience with Cover Girl. This is actually a live campaign, and actually, it is not a

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campaign, it is really a strategy, let's put it that way.

When you do get a chance, folks of you who do have phones right now, go to covergirl.com from your phone, if you want to pay the data charges, that is up to you, standard rates apply.

(Laughter.)

MS. BERBERICH: But you can probably feel this experience if you want to. Anyway, our brands start out with knowing the consumer and understanding who the consumer is.

And Cover Girl consumers a skew to a younger woman who loves make-up, loves to try it, loves to tell their friends about it, just loves everything about make-up. They also are part of the digital millennium. They are digitally connected all the time. They are looking at their PC and their mobile phone screen more than the TV. So, brands like Cover Girl need to come up with innovative ways to market their products. So, what they did was they created this experience that allows their consumers to interact with Cover Girl content from various touch points that they are using. So, mobile call-outs on the websites or mobile call-outs in magazines and even on popular mobile websites. I hate saying WAP sites. I am so used to talking to brands I have to say mobile sites.

Here is just a little blow-up of a couple of the

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mobile contact points just to give you an understanding. Actually, you could go out and buy an Elle Girl or a Cosmo Girl, maybe a Jane Magazine. A couple of these magazines actually have a full page on various ads to text to this and sample this and if you want to try this out. But this just shows in the magazines you can text in to join the club and banner ads on popular mobile sites where they are advertising the Cover Girl site.

So, let's use Ruth as an example. Okay, Ruth, we are going to go through an experience. Let's say you are on the way to work, you are thinking about buying make-up on your way home. You are on the train, so what else do you have to do but to play with your mobile phone, right? It is your entertainment device. You get on your daily candy site because that is like the coolest site to know what is going on in the world and you see this banner ad that says, hey, you see an advertisement about Cover Girl. And you are like, hmm, I want to check this site out.

So, you go immediately to the Cover Girl site and you are thinking, I am going to try to get color matched because I need to figure out what my next foundation is. So, you immediately pick, get color matched, you answer a couple of questions. The first question is you pick and choose the color of your skin. And the next question, which

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I do not have on here is, what colors look better on you, is it cool or warm? That is it. It is the same exact thing actually that we do on the Cover Girl online site. And immediately we come back with the shade recommendations. And now, you feel more confident as a consumer when you purchase your foundation that day. It is going to be True Blend Cover Girl.

(Laughter.)

What we are finding out, you see all these menu items, you can join a text club, you can win a chance to be a model. This is the one that gets the most clicks. People want valuable information. They want stuff that helps them now. How many have a drawer full of make-up they do not use? I do. [Laughter.] And how many times do you take it back? I do not. That's a shame.

So, anyway, Cover Girl continues to include mobile as part of their overall strategies and plans. So any new initiative, they are like, okay, does this meet the demographic or does this meet the objective? Now, we have fruit spritzer, color matches on there, so it is part of an integrated strategy.

We are learning that the consumers who really get mobile, who really have like unlimited plans and they really understand the value. They engage like crazy. They do.

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They love it, and sometimes a lot more than our online sites.

So, again, we are still trying to figure out what is the value.

But this is what we are learning so far. It is all about choice and relevant content. So, consumers choose to engage when they find a content is relevant to them or when they find that it is of value to them. Thank you.

(Applause.)

MR. DURRELL: Hello, good afternoon. My name is Jim Durrell. I am responsible for product management at Greystripe. Very few people have ever heard of Greystripe.

We do not have a consumer brand, we do not advertise or have our own brand out on the mobile web. Instead what we do is we are basically an aggregator and a mobile gaming distributor.

What we are pioneering is the distribution of mobile content, specifically mobile games, in an ad-supported model. Now, certainly, before us, there were sponsored games, you could download a mobile game to go collect all the Skittles. But what is unique about what we have done is we have put it into an ad network kind of model where games have been distributed and we can dynamically serve fresh ads into the games.

Moreover, we have added the content distribution

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portion of it. Previously, you would have to match an advertiser with a publisher and then go find a carrier to put it on deck. What Greystripe has done is managed to take that off deck and we have built a very large off-deck distribution system that is worldwide.

So, one of the great things about going at the end of the day like this is I have had the opportunity to hear everyone else speak and have gotten a lot of great points from everybody's comments. One of the things Andrew from Nokia said this morning was there are a surprising number of game players and you would think at first that that is not really true. How many have you downloaded and installed a game onto your mobile phone?

That is pretty good actually. It is a fairly mobile savvy audience.

Now, how many of you have played the one mobile game that came pre-installed on your phone? There are more. Every BlackBerry user plays Brick Breaker. We all do. We do it on the plane.

So, people will play mobile games. The problem is where they find it, the distribution is a real challenge.

Some of the obstacles we have found are people are reluctant to download and pay for it because they do not know exactly what the charges are, they do not know exactly if it will

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work on their handset, they do not know if it will be any good. So, by offering the consumer option of this ad-supported model, we have introduced the opportunity for consumers to download lots and lots of free games. Lots and lots of games, put them on their handset and try them to see if they like them.

We have over 800 games, over 100 publishers, a wide variety, and we serve five to six million downloads per month worldwide. This is quite large.

One of the great things both Professors Li and Hanley mentioned were that you need to give incentives to users, you need to give value added in order for mobile advertising to be accepted. We have found that the combination of the free gaming content combined with the mobile advertising works well. Consumers are receptive to it and they like it. So, this unique ad format has been very effective for advertisers.

So, how does it actually work? What do we do? Most of the time when we explain what we do, people scratch their heads and say, do you guys write the games or what do you do? No, we do not write any of the games. The games we have come from lots of different publishers. They come from Disney, they come from Vivendi, Digital Chocolate, are some of the better known names. We take them and bring them

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into our system. We then have some proprietary technology that rewraps them and makes them ready to accept advertising.

And then we partner with the advertisers, Army is a big one, Diet Coke, the recent Golden Compass movie was one of our advertisers, and we are able to dynamically put advertisements into the games. Then we distribute them to people worldwide.

Now, we do not run our own site and, generally speaking, we do not use the carrier deck. So, we do have some overseas carrier arrangements. But more than that, we partner with other mobile sites. So, some of the ones mentioned earlier would be MOCOspace, MyWaves, Nokia's Mosh site we just signed a deal with and they went live this past week to distribute our games. We let other people that already have the mobile audience or already have the online audience take our games and distribute them as extra value added to their universe. So, Greystripe is kind of hidden behind most of this.

One of the things that frequently comes up is a matter of consumer concerns and that is obviously why we are all here today. One of the big things we get is we do have a couple of racy games. Not many, but we do have some. Certainly, some of the advertisers want to push videos that

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are not suitable for children. So, we definitely have to match the partner sites with the games with the advertisers.

Nickelodeon is one of our distributors. We certainly do not put Sexy Calendar or Porn Manager onto -- Yes, those are really game titles.

(Laughter.)

MR. DURRELL: And I have been told Porn Manager 2 is pretty good, too.

(Laughter.)

MR. DURRELL: We do not put those on Nickelodeon sites. Also Disney. We have games from Disney. If you ever want to talk about a company that just absolutely values their brand and does everything they can and does it the right way to manage that brand, they are really restrictive on what we can and cannot put on the games. So, we have to match the advertising there.

A concern that came up frequently is privacy. What do we know about you? Now that you have put this on your phone, can we track you? Do we have your phone number? Can we put spyware on your phone and pop-up SMS ads? The short answer is we, not being one of the carriers and not being plugged into the carriers, can really do very, very little to track you. And as something of a personal privacy freak

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myself, I find that fairly welcoming, actually.

Most of the downloads are anonymous. There are a couple of competing standards out there for how to get phone numbers out of WAP headers and I have researched this myself and monitored and observed our own traffic. It turns out it is a very small percentage of requests that actually send it and they are all from outside the U.S. And I am not even sure how reliable they are. So, although there are some standards out there, they are just not used and I think that is appropriate, nor do we really want them to be used that easily.

We do find out, typically, what kind of device you have. That is kind of essential to figure out what content works on your handset. That is okay, I feel. We definitely cannot find really any personal information. In terms of personal information, your phone number, the demographic, who you are, how much you paid, really it is the carriers that have all that. So, when we talk about privacy concerns, I think it makes sense to look back at some of the information the carriers collect. The third parties actually have very little access to it.

Another question is about data usage. Are these really free? From our perspective, they are. We do not collect any revenue, we never charge anything, we do not get

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any revenue shares from the carriers in any way. But as Jean said in her speech, standard data charges apply.

We do go out of our way to put -- beneath every download there is a link that says, are these games free -- and in that link we describe that they do incur normal data charges, it is kind of up to you to know what your data plan is. We do not have a good indication of that.

But, also, inside the handset itself, before you run the game or when you run the game, before it connects to the network, the Java platform -- all of our games are written in Java -- the platform actually pops up a user message and says, this application wants to connect to the network, is that allowed? And earlier, I think it was Rich from Google was talking about Android and how the platform can provide a lot of the good security mechanisms to keep users informed.

I think this is an example where the Java platform is doing the right thing, it is informing the users. If the user says, no, I do not want to connect or it is not worth it to me, they can always refuse it. The game cannot surreptitiously connect back to the ad network and pull down ads and incur data charges.

So, what does it look like? Once you download the game and install it, I am not quite going to walk through

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the whole WAP download process, but you start the game and the first thing you see is a pre-game menu. And, typically, the first thing you are going to do is play the game. That is the first option. Default. And you will see an ad. This is two example ads we have. One for a game and one for Diet Coke. And the user interacts with it. They can click continue just to skip the ad, or they can interact with the ad.

What does it mean to interact with it? It can be just clicking through to a second full screen ad, or it can be launching the browser to a WAP page, or it can be initiating a phone call. Before any of these operations go outside the game, again, it is the Java environment that asks the user for permission first. So, we cannot just launch the browser and we cannot just initiate a phone call. It has to be approved by the user every time.

As I mentioned, Greystripe has served over 50 million downloads. We serve five million per month, it has been growing worldwide. We do this almost entirely through a network of partners. We have one site we run ourselves, but most of it is through our white label partners.

So, the question for advertisers is, okay, this is great, you have shown me what it looks like, does it work?

And the question we talked about earlier, if you show

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advertising is there an annoyance factor, are you annoying the users, have you combined it with enough value ads that people are receptive to it?

We believe it has. We have done a number of studies, this one site is one we did with Diet Coke Plus, and we found that it outperformed most other or in this case every other mobile test that was run. More importantly, it is the bar on the far right, you see it measures purchase intent. That is really at the end of the day what the advertisers care about. Did it move the needle on whether people are going to buy the product?

Here you show that it actually did. Users were very receptive to it and I think it shows what you can do well when you combine good incentives and free content, reward users for being open to the advertising.

Some of our publishers, like I said, you have Digital Chocolate, Disney, one of the nice things is that there are a lot of names on there you probably do not recognize. Because we are off deck, it is a lot easier for publishers to get into us, we can distribute things worldwide and let the content kind of compete by itself, not necessarily who has the better arrangements with the carriers to get it on the carrier deck.

Some of our advertisers and some of the partners.

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We have about 50 that are significant, probably about a hundred or just over a hundred total. So, some of the partners we have there should be in the games. Thank you.

(Applause.)

MS. ENGLE: Thank you, Jim. Our last presenter is Jeff Chester.

MR. CHESTER: Hi, I am Jeff Chester, Center for Digital Democracy. I want to thank the FTC for inviting me about two weeks ago to be on this panel. I did raise concerns that there needed to be, specifically on a panel like this, where we're talking about the design and structure of the mobile digital marketplace, consumer representation. I want to thank Mary and James for the courtesy. So, I do not have a PowerPoint. I joke I would have called it Do Androids Dream of Mobile Ads, if any of you know the Philip K. Dick story.

The Center for Digital Democracy and its predecessor group, Center for Media Education, is a consumer watchdog organization that looks at broadband media, and it is an early warning system for consumer and public interest.

In the early 1990s, as the debate on the Telecommunications Act evolved, we said, you cannot have a society where some people cannot be connected online and we helped lead the campaign for the E-Rate, (phonetic) which is why there are computers in schools and libraries.

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When we began looking at the online advertising marketplace to see how children were being targeted, we filed a complaint here and led the Congressional campaign that ended up with the passage of the Children's Online Privacy Protection Act. We have been leading the net neutrality fight since the late 1990s, and in 2006, we and U.S. PIRG filed a complaint here, which I will talk about in a few minutes, which we believe led to the current investigation of the FTC into behavioral and interactive advertising.

Consumer interest must be brought into the development of the mobile platform -- not as an afterthought.

The FTC cannot repeat the mistake it has made with the web-based online system of privacy. It is time now for proactive action during this still fluid period when the mobile marketplace in the United States is developing.

And we have talked about children here and teens, and we do think there need to be special rules related to the mobile phones. Commissioner Leibowitz talked about it related to children and teens. But this weekend my daughter, who is from Guatemala, had a Quinceanera, and a lot of kids were there, multi-cultural friends of hers. And what was so interesting to me was they danced and they came back and they looked at their cell phones. They danced, they came back and they looked at their phones.

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Marketers know, because we have some of the research that you have commissioned, that young people in particular have deeply integrated the mobile device into their own psychosocial development. I would say to you that if we are concerned broadly, beyond marketing, about the next generation, the generations beyond that in this country, let alone around the world, who can participate as healthy citizens, then we need to design this very powerful device that is connected to the psychosocial development in ways that benefit them.

By the way, since the industry knows, because they have done the research, which we will be providing the FTC if it wants, that Hispanic, Latino American, in particular, and also African Americans are some of the leading groups using all these mobile devices, we hope that subsequent FTC events will include representatives from consumer and civil rights organizations that represent those multi-cultural communities. They have a stake particularly since, in a way, they are a special target market and focus here.

Two weeks ago, the Center for Digital Democracy, Children Now, the American Psychological Association and other groups asked for new privacy rules for kids and teens.

We think that such rules have to be also implemented for the mobile marketing era.

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I urge you if you have not read the MacArthur Foundation MIT Press Series on digital media and youth, including identify formation and the role of marketing, you do so. It is free on the web.

There is a new bar that will be raised related to unfairness and deception in the interactive space related to children and teens because of the changing nature of psychosocial development, and it behooves us all to address that early on.

We have been tracking at CDD what they call the mobile marketing ecosystem for several years. We understand that mobile is just one part of a cross platform advertising and targeting and communication system that we increasingly all live in. If you go to digitalads.org, you will see a report that we issued last fall on this digital marketing ecosystem as it relates to the current obesity crisis with children and teens and, indeed, there is an entire section that I wrote about the role that mobile marketing plays in this obesity crisis.

Today, the Center for Digital Democracy and the U.S. Public Interest Research Group announces that we intend to amend our 2006 complaint that we submitted to the Federal Trade Commission on behavioral targeting.

Many of the same practices, which raise privacy

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and consumer concerns with the PC net marketing, are also now appearing in the mobile system here in the United States, including tracking, profiling, targeting, impulse buying, et cetera. This time location identifiers are being added.

Let me just read to you just a few examples of what the marketers are now working on. Enpocket, now owned by Nokia, for example, talks about the advanced profiling and targeting system that will reach high quality eyeballs based on demographics, declared preferences, their personalization engine, scores mobile users based on past behavior, enables us to predict which products and services a customer might purchase next.

This way, we can provide the right message, advertisement or promotion at the right time and reduce customer churn.

Putting media telephony advertising platform in their multi layer and targeting for mobile includes the following: gender, age, language, income, education, country, state, zip postal code, GPS coordinates, behaviors, interests and tastes, the context of voicemail and text messages. Bango Analytics uses a precision link based method for tracking and recording data as visitors go to their mobile site. Bango analyzes your visitor using our unique

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fingerprint technology.

Then MoPhap talks about spark mobile targeting, behavioral targeting, contextual targeting, geographic targeting, day part targeting, mobile targeting, et cetera.

Today, Direct Marketing News, one of the lists it was offering was that if you wanted to buy their 58 million lifestyle enhanced consumer master file, this file contains people who have purchased premium content such as ringtones or wallpaper for their mobile phones, it includes wireless carrier, marital status, pet owner information, presence of child, et cetera, et cetera, et, cetera, extensive system.

Based on the business practices and advertising practices that we have surveyed over the last two weeks in preparation for this presentation raises a very disturbing set of issues related to the plans of mobile marketers in the United States.

Consumer groups, privacy groups, children's health groups and civil rights groups must be brought into this process. As I said, it is especially important, I believe, for the Hispanic and African American populations to be brought in here because they are such early adopters.

The creation of the interface and the business model cannot be one sided. It cannot be oh, we are creating

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the best practices for you. You have to involve consumer groups within these discussions. Indeed, we call on the FTC to encourage the development of such initiatives, where real standards and a real consumer-friendly design can be created based on services that will respect consumer privacy and autonomy and also address special issues.

The FTC must be proactive here. We are at a point of I think almost unprecedented anxiety in the American populous. We have problems related to the current mortgage crisis, certainly, and our gas and oil prices have gone up.

We do not want to have a system, particularly tied to youth, that is running amuck because it is tracking everything we are doing, encouraging this kind of impulse buying. What we need to do is design this in a way that works for consumers, works for democracy, works for marketers as well.

But we do think it is time that the Commission has to come in and be more proactive and work on some rules. We will be submitting our amended complaint within the next two weeks or so where we will raise what those rules will be, and we think it is time now for Congress and indeed the European Union to also step in and create some rules of the road for mobile marketing. Thank you very much.

(Applause.)

MS. ENGLE: Thank you, Jeff. Now, I will

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introduce the remaining panelists before we open it up for a broader discussion.

We have Gene Keenan, who is Vice President of Mobile Services at Isobar Global, where he helps clients plan and implement mobile advertising campaigns.

We have Susan Duarte, an attorney who is Counsel for Marketing Practices at Sprint Corporation.

And we have Marci Troutman, who is the founder of Siteminis, a company that, among other things, helps clients create mobile websites.

MR. KEENAN: I just want to add Isobar is actually a full service agency like Ogilvy and that we are global.

Just a small correction. We are not a mobile marketing agency. I want to make sure that you know that.

But actually just to correct one point, Jeff, actually MoPhap has changed their name. They are now called Ringleader Media, so make sure you put that in your notes.

MR. CHESTER: We downloaded it a few days ago and it was still MoPhap.

MR. KEENAN: But, honestly, I mean, it sounds like the sky is falling from listening to you talk and I think just the opposite is true. I think as a member of the Mobile Marketing Association and a board member, I think that we

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have been very proactive in trying to create guidelines and consumer protections for everybody in the space, not just marketers but for consumers, for brands, because everybody wants to win at this.

I understand that some of the stuff that you said does sound shocking on the face of it, but the MMA is the preeminent organization for creating these guidelines and, honestly, before the MMA existed in other chapters of the world, it was frankly the Wild West. You go into Asia and you go into Europe, there were no standards, there were no guidelines. Those guidelines that have been established here in the United States on the MMA have now been adopted by a number of carriers globally and the MMA has expanded their chapters to every region in the world. So, EMEA, Asia-Pacific and now Latin America.

Everybody is on board because nobody wants to see what happened with the internet and with other media happen with the mobile phone because we understand the mobile phone is the most personal device. You think of it in terms of like -- well, everybody said it is so personal. Well, for a marketer, it is even more important. If you piss somebody off with an ad campaign, with email for instance, you spam their box, you kind of pissed off that email person. If you piss off somebody with a phone number, you have kind of pissed

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them off forever in a way because your phone number, unless you change your phone number, it almost becomes like your Social Security number.

So, we are not interested in pissing anybody off.

We are interested in creating dialogues with people and giving the consumer total control over their experience, so that they can opt out, opt in, opt back in any time anywhere they want, regardless of where they are in the world.

Honestly, the profiling thing is I think the -- from what I understand with Nokia, that is all consumer input information that they have agreed to to be used for the purposes of marketing. The same that Sprint has done. Actually, it is the same thing because Nokia handles advertising for Sprint.

So, you can choose to receive targeted messages from specific brands or agencies based upon the profile that you have created yourself and there is a full terms of service agreement that says what you are getting into and what is involved and how to opt out and how to change your profile.

It is not some back door agency saying like, oh, we have looked up your phone number and we have determined that you live in California and you like movies. No, it is very above the board and we want to keep it that way.

MR. TRILLING: I want to interject because I want

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to make sure that our other panelists have a chance to be part of the discussion as well. And two things to highlight in light of the discussion that that has been raised, one is we will be having an entire session tomorrow on best practices, including the MMA guidelines, where perhaps some of the issues that have been raised will be discussed more fully.

Then, also, there is a panel tomorrow specifically dealing with children and teens, where a number of the groups that have been mentioned will be participating.

So, if we can try to save some of the additional discussion on these points for those panels that will enable us to continue our discussion here about advertising more generally.

Marci, we have heard discussion today about the various reasons that the mobile internet has not perhaps taken off as much in the U.S. as has been projected in the past and what some of the limitations are on greater access to the internet via mobile devices. Can you talk about what your business does and what some of the limitations are or some of the challenges that consumers face when they try to interact with websites on their mobile devices and how that may be changing? As we have heard today, there is projected greater penetration of smartphones and other factors.

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MS. TROUTMAN: Yes, thanks, Jim. My name is Marci Troutman with Siteminis, Incorporated. I have been in the mobile space since about 2000, kind of developing what the mobile space would look like versus the internet. And most websites nowadays, when you go to the internet, we actually concentrate on big box retailers for now. When you pull down each of these pages, it tries to smash all of the content that is living in that big box into the small space. Well, that is not the way it works. It will not do that.

Not only that, most of the technologies that work on the internet as far as the PC and MAC go do not apply to the mobile yet. I am not saying that they will not in the future, they probably will, but they do not yet. So, pages do not cache. It will take about a full two minutes for each page to load in. It is going to load all your images in first.

Well, it will load all your text in first and then it will load all your images in on top of it. So, you cannot navigate any of the mobile sites. So, what we do is we pare those down.

We concentrate mostly on mobile commerce and have a platform where we build out your mobile commerce shop and align it next to your e-commerce shop behind your firewall, utilizing everything that has already been done on the e-commerce side. Why would we re-work the wheel that has

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been done as far as securities and that kind of thing go?

So, we pull everything -- your online shopping experience to the mobile commerce for your mobile commerce experience and sync those two up. So, it enables you to shop online on your mobile with ease.

MR. TRILLING: And, Susan, we want to bring you into the conversation as well. One of the slides that Mike Hanley showed quoted a news.com statement from I believe a year ago talking about the major carriers' continued reluctance to see mobile advertising rolled out on a wider basis. Can you comment on that?

MS. DUARTE: Sure. I think with every business there is always a desire to explore new things. I think the reluctance really stems from the fact that we are a very competitive industry and one of our main and most important goals is making sure the consumer experience flows all the way from voice through data applications.

So, there is nothing that we want, as carriers, that would get in or interfere with the consumer's experience.

I think as Gene was saying, you do not now want to necessarily piss them off such that they will leave the carrier or find another alternative. So, I think that is one of our big reluctancies.

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But I think if you can make it relevant, which is what we were discussing today, and really explore the benefits and focus narrowly on those benefits and make the consumer experience positive, I think you will see more and more carriers that will become more accepting of this type of advertising.

MS. ENGLE: For all the panelists, do you see the offering of incentives -- some of the research suggested there that that is certainly a way of making consumers more accepting of ads on the cell phones. It is sort of the value proposition for the consumers, I am already paying for my phone and for my service and so why should I take ads? But maybe with the use of incentives that is something that we will see changing people's perceptions.

MR. CHESTER: Look, I am a big booster of the mobile market. As far as I am concerned, it is here. It is here with the desired demographic, which is youth. It is here around the world. It is just a question of time.

The industry talks about the fact that people will not pay for content, which is true, it will be all ad supported.

But how those incentives are structured and what has to be given up in return and how those incentives are presented, it goes to the issue of the design of the business model, and if you look at what the Mobile Marketing -- I mean, just

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read the April 2008 overview of the Mobile Marketing Association or just look at the most recent minutes of the global effort to create the mobile standards.

The industry framework is inset now. This is the time for consumer groups and the FTC and the Congress to come in and make sure it is done right, so we do not have to have all these people accepting these incentives and giving up all kinds of personal data and allowing them to be targeted and, frankly, other things done to them because that is how we let the model evolve.

MR. KEENAN: Actually, I do not disagree with you, Jeff. We do want to make sure it is done right. Absolutely. That is one of the goals of the MMA.

MR. EZRICK: And I think when we are talking about mobile advertising and there is a lot of press obviously about how consumers do not want mobile ads. If you have ask a consumer if they want TV ads, they are going to say no, too.

But the truth is I think there is one aspect of mobile marketing that is pretty prevalent and growing increasingly that is not very invasive at all and that is contextual advertising. So, when you are talking about putting a Budweiser ad on ESPN.com, you are not targeting the consumer necessarily, you just know that men who happen

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to drink Budweiser and drink a lot of beer happen to be on ESPN. You put the advertisement there.

I think that trade-off is pretty clear for the consumer. They are not giving up any information. They are getting to access sports scores for free and just have to look at an ad. And that ad may be useful to them, they may want to click through, similar to the Cover Girl example.

A user is getting utility and they are not necessarily giving up any personal information.

So, there are a lot of mobile marketing practices out there that do not require a user to submit any information to the advertiser.

MS. BERBERICH: I just want to say I really think it is about their choice and it is information that they want.

If they want to be targeted, if they want the information at the store shelf, while they are driving by a Walgreen's, that makes their lives easier, I think it is going to be a choice.

Now, how you collect that data and how it is managed is important. But, to me, if it helps and if they want it, then let them choose.

MR. CHESTER: But, you know, with the teens and in your promotion material, you understand that is a target audience. I forgot what the phrase was that you used.

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MS. BERBERICH: Younger woman?

MR. CHESTER: No, it was not that. We understand who those users are. And it does require some additional sensitivity about those tween teen girls and boys, frankly, that I think the industry needs to work on and be ahead of the curve here because clearly we are going to make this a big political issue.

And by the way, Senator McCain was the co-sponsor of COPPA. So, no matter what happens at the election, we think we will be okay on the kids and youth data issues.

MR. TRILLING: Marci, did you have something you wanted to add?

MS. TROUTMAN: Anyone that has worked for a retailer of any sort will realize that the ad dollars are very important to the retailers. For most retailers, any big box scenario, they are going to use those ad dollars to jump into an innovative market. They are not going to jump into it otherwise because they are not going to risk other dollars that they know are working to test things that they do not know that will work or not work.

So, given that, I think we should apply the same rules that apply to the internet itself on the MAC, on the PC, whatnot. The way that e-commerce is now evolving, why wouldn't we apply those same exact rules to mobile commerce?

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MR. TRILLING: We have heard competing comments today. It seems that some of the presenters have analogized the mobile space and mobile advertising in particular to the internet space and internet advertising and other presenters have indicated that perhaps that we should not be thinking in terms of that analogy.

How should we be thinking about the mobile space?

Should we be thinking about it differently when it comes to issues like the ways that advertisements are targeted?

MR. CHESTER: Can I start? Look, I think, first place, I do see this ultimately as seamless. There is three platforms. It is broadband, it is mobile and it will be interactive television. Plus it is ubiquitous out of the home. That is the marketing ecosystem.

But what was disturbing in looking at what the mobile marketing companies are doing is that they are using the same language and they have created the same business models that have caused us to be concerned about behavioral targeting and online advertising. There are distinctive issues related to mobile marketing that must be addressed, including location-based marketing, but you really have to look at this whole system comprehensively because it is linked. Ultimately, everything goes back -- we are 360-degree targets. That is how the advertising system works

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and the Commission needs to address how the actual advertising industry is implementing this paradigm.

MR. KEENAN: I would agree with Jeff that mobile is really just an extension of all our other marketing efforts. We do not typically just do stand alone mobile marketing campaigns. They are always an extension of our traditional media or online media.

But what was it you said before, the 360-degree target?

MR. CHESTER: There are distinct mobile issues, but you have to look at the entire environment, right? Because advertisers are targeting us in multiple ways, go to digitalads.org, all the copy comes from you guys. But it is the best overview of what that ecosystem looks like.

MR. KEENAN: But, honestly, the way we do mobile, we are buying mobile media the same way we buy online media.

If we want to buy for basketball, we will go to sports sites or we will go to sites for people who go who are passionate about basketball and we will buy our display advertising there. That is how people will interact with the brand. It is done exactly the same way as it is done online.

If we were going to buy games, we would buy games that we know that basketball players probably have a predisposition to playing and then they would see our ad

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there. It is not -- I don't know, it is not as sinister as some of us would think it is.

MR. CHESTER: It is not sinister, but the fact that some of the same practices that have raised concerns from all kinds of consumer groups, including CDT and CFA and others, Children Now, the behavioral targeting, the behavioral advertising, the profiling and all that. The fact that some of those models, as we will document are being migrated over to the mobile platform, given the uniqueness of that mobile device, does raise a set of concerns that do need to be addressed.

It is not sinister, but it is disturbing that those practices are being migrated over to the mobile platform.

PROFESSOR HANLEY: In a way, we are actually lucky that we did have the internet first. Can you imagine developing the mobile channel without the internet?

We have to remember that the text messaging began when AOL went from instant messaging to cell phones, and that is what started text messaging about four and a half years ago. So, this thing does not happen overnight by itself.

So, now, have we taken it as far as we can with the internet part of it? Probably. But I think we are lucky we have the internet or we would be way behind in certainly

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the mobile channel.

MS. ENGLE: Professor Li?

PROFESSOR LI: Yeah, I think the difference between internet advertising and mobile advertising is really the cost issue. Right now, on the internet, most of us use a broadband based Internet. So, there are no connection times. So, I can go to Google, spend 30 minutes or one hour and I will not incur any extra charge.

But, right now, with how we see the mobile advertising gradually evolve with the mobile websites to like what Gene and Jim mentioned, to download the game is free or I go see the Cover Girl website free, actually that is only true if I have an unlimited data package. But if I pay by traffic then that will incur a cost.

Last summer, I was in Seoul, Korea. I taught with some of my former students that were in this area. There was one company there that tried to develop a package so the user can download things like Cover Girl, this kind of stuff, actually free, connection time is free. So, I do not know how likely that is to happen in the U.S.

I think one day in the future maybe our own data connection will be totally free, unlimited monthly pay, that is it, like broadband right now. So, before that, I do not know how the marketers see if they can increase the usage

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of their websites, campaign sites for free.

One thing that I heard this morning, I think the presenter from M:Metrics talked about the iPod and the iPhone.

Why is iPhone internet usage at 83 percent? Because it is free. So, if you have an iPhone, you can get on the internet and it is no extra charge. So, I do not know what is your perspective on the cost of access.

MR. KEENAN: I think that the data charges are a huge inhibitor to the growth of the Internet on the mobile phone and will continue to be so. It is not just the mobile internet, it is the whole a la carte billing system that carriers have where kids are never really sure. As an adult you are never really sure if you are going to get some outlandish charge for something that you did.

There is a test going on for QR codes on university campuses around the country right now, and a lot of kids are not using it because they are freaked out that they are going to get some unknown charge on their bill for using their phone as a QR scanner. And I am not sure how that issue is going to get solved. That is a carrier issue.

I think that AT&T has made big strides and all the carriers have, but AT&T with the iPhone has really been a leader in the market in terms of making it completely understandable. You buy the iPhone, you get everything.

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There are no other charges, right. That is really the way everybody wants it to be.

MR. CHESTER: But there will be. I mean, I do think, particularly for the next administration, there has to be some universal service reform so that more constituencies can be connected, and as the mobile device becomes, as I believe it will, an essential part for democratic participation. And I say we will elect our next President in four years based on the mobile phone, it may be eight years. I really believe that.

As the mobile device becomes the key element connecting us to the greater civic sphere, we clearly have to address this issue of giving people access to it at reasonable low cost, and for some who cannot afford it, subsidized rates. But the business model that has developed is, okay, the advertising will take care of it and the advertising will provide all the free services, and the carriers will be happy to collect that, which is why we have to structure the advertising right so it is not unfair to consumers.

MR. TRILLING: Marci, did you have something to add? And then, also, if we have anybody in the audience who wants to ask any of these panelists a question before we wrap up for the day, please go to the mics or use the cards.

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MS. TROUTMAN: Yeah, I just wanted to add one thing to what you just said actually. The mobile carriers probably have a little bit too much power, and we keep giving them more. We need to take it away from them and the platforms probably need to layer in with whatever is being built on the e-commerce which is what we do with our systems. If we do it in that way, then it gives back the retailers and gives back America the power to control each of the users that they get in their base. The other question was kind of answered anyway.

MS. ENGLE: Susan, I do not want to put you on the spot necessarily, but if you would like to respond to that, feel free.

MS. DUARTE: Well, there is definitely a tension there because they are our customer base.

MS. TROUTMAN: But it is not in a negative way.

MS. DUARTE: But we need to have control over that because we need to ensure that our customers are getting the best possible experience. As I mentioned earlier, we are a competitive marketplace.

I would respond to what you said, that if you make rules too onerous too early, you are going to see carriers backing away. So, then it will just become a moot point, and you will not have the access that you want and that you

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are desiring.

MS. TROUTMAN: I think we are giving that to you guys anyway. We are making you guys more powerful and it is because we are not owning it ourselves, whereas we should not be giving you guys that responsibility.

MS. DUARTE: It is still new and we are all still learning, so I think as we partner together, we will be able to work through issues.

MR. CHESTER: But that is where Google and groups like Public Knowledge and Free Press are right. We have to have a kind of open spectrum system. The advertising is going to flow over it. That is Google's game plan. But we have to have an open pipeline for this most essential medium.

MR. KEENAN: I agree with you there, Jeff, totally 100 percent.

MR. TRILLING: In that point of agreement, we have a question in the back.

MS. ENGLE: Could you identify yourself, please?

(Individual not at a working microphone.)

UNIDENTIFIED MALE: We were here six months ago and (inaudible) conclusion being that no one ever really showed any evidence of harm. And here we are again talking about the same thing in a mobile context and I still have not heard any evidence of harm. I still have not heard any

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reason why we should be treating one segment of advertising different than any other segment of advertising whether it is online, offline, mobile, internet. Why are we creating separate rules? (Inaudible).

MR. CHESTER: Well, in the first place, I have to say it because we filed, I think, the initial key complaint here in 2006 and 2007, and we are very gratified that certainly the FTC staff took what we documented to heart and issued a set of principles. I cannot speak for the FTC directly, but I will say that it is very clear from those principles and from our conversations here that they saw the harm that we articulated. That is why the industry is now facing that new set of principles.

And online, including mobile, is different from non-interactive marketing, we documented that. It is in the literature. I am happy to work with you so you can -- I mean, go to the McArthur series. It is a unique medium that requires special rules.

MR. TRILLING: We have another question.

(Individual not at a working microphone.)

UNIDENTIFIED MALE: My name is Dominique (inaudible), I am with Siteminis. But this question is really specifically directed to you, Professor Hanley. In response to what Mr. Chester's commitment is in the world

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of advertising in this medium, it seems to me that they probably, in the world of advertising, had this discussion since print or maybe since the TV came out or -- because this is a new medium and there is the ability for younger and younger people who are at least (inaudible) getting it (inaudible) when we are at the radio or TV now or on the internet (inaudible) because the device is ubiquitous, so is the advertising and the penetration.

So, isn't it the same sort of argument? Haven't we all really dealt with the challenges of this electronic media since electronic media started?

PROFESSOR HANLEY: In many ways, we have. This discussion is nothing like the discussions about television and children in the late sixties. I was not around then, but I have read about them. [Laughter.]

They were much more poignant. That is where a lot of the actual groundbreaking research that led to some of the early laws about consumer practices came around. It was children being -- this was primary television back then.

But to his point, there is a difference. If you are 18, you are an adult, you can do what you want to with a cell phone. But if you are younger than that, maybe there should be some protections and I think there probably should be. It is the should that I think that we have to discuss

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a lot. And parents have a lot to do with the should. But there are obviously ways that we need to have some type of protection.

I have a nine-year-old son that goes on the internet all the time to play games. I look around. That is my job.

I am a parent. So, we have to balance all those things together.

MR. CHESTER: This is a unique medium, the interactivity, the data collection, the personalization, the immersive -- that is the word the marketers use -- the immersive nature of the rich media applications is unique.

But what the lessons -- and I was also responsible, along with my wife, for the passage of the rules implementing the Children's Television Act, which also governs some commercial content.

But the rules of U.S. media history are this: If you do not come in at the beginning of a medium and impose some safeguards, no matter what the marketers and the market says, they will break those promises and you will end up with a medium that does not fulfill its democratic potential and, in this case, its privacy potential. This is the time to do it. I think reasonable rules can be crafted, but I do think that there are issues related to mortgages and financial information and health information and youth that require

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a higher level and special scrutiny of this FTC.

MS. ENGLE: I think that could be a good segue for tomorrow's discussion. We are going to talk about controls on the mobile device, parental controls and others, and then, of course, we will have a whole session on children and teens as was mentioned. We will start again tomorrow at 9:30. I want to thank all the panelists for their participation and all of you for attending.

(Applause.)

(Whereupon, at 5:10 p.m., the workshop was adjourned.)

C E R T I F I C A T I O N O F R E P O R T E R

MATTER NUMBER: P074403CASE TITLE: MOBILE GROUPDATE: MAY 6, 2008

I HEREBY CERTIFY that the transcript contained herein is a full and accurate transcript of the notes taken by me at the hearing on the above cause before the FEDERAL TRADE COMMISSION to the best of my knowledge and belief.

DATED: MAY 21, 2008

ROBIN BOGCESS

C E R T I F I C A T I O N O F P R O O F R E A D E R

I HEREBY CERTIFY that I proofread the transcript for accuracy in spelling, hyphenation, punctuation and format.

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