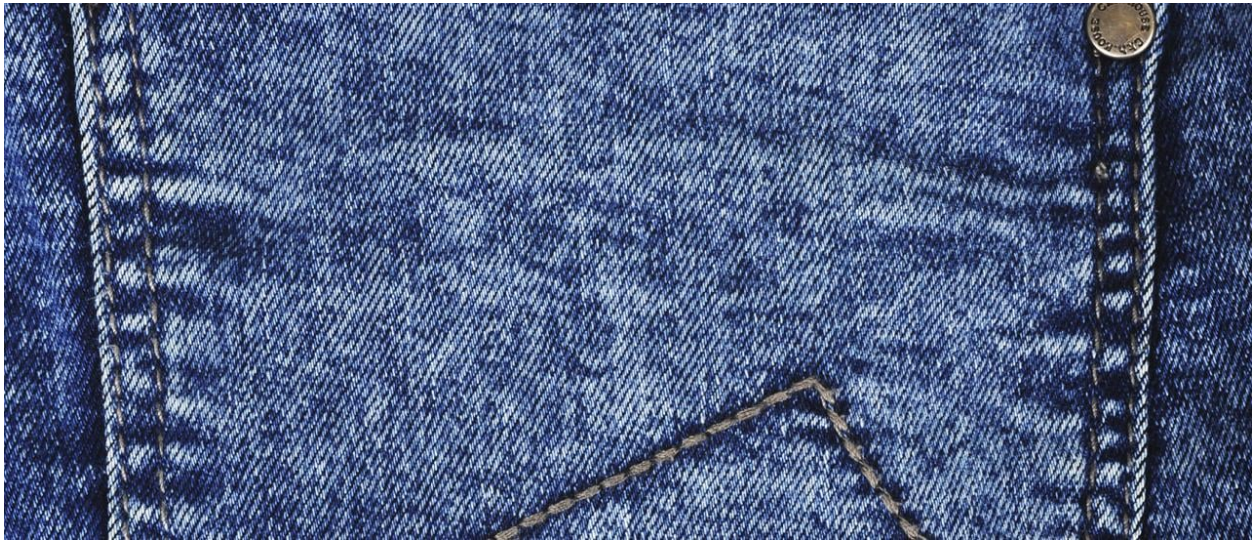

Mobile Still Has a Long Way to Go



By , INSEAD Adjunct Professor of Strategy

The voracity with which users have taken to mobile internet has once again turned digital on its head; just who will be a winner in this cyber sweepstakes remains to be seen.

How much do you really enjoy browsing the internet on your phone? Having it within easy reach is certainly useful, but it's fiddly to use. Apart from difficulties with fat-finger typing, predictive texting can turn our messages into something laughably different to what we were intending. All in all it can be a bit of a struggle.

Despite these drawbacks, there's no stopping its popularity. Whereas three years ago only 15 percent of page views worldwide came from mobile devices, by now that figure had risen to over 40 percent and further explosive growth is forecast. The new motto therefore is "mobile first".

The impact of this goes further than having to put up with an awkward little screen. After a difficult start in the 1990s (who still remembers the first internet bubble?) it looked like the digital business models were maturing. Building a promising internet business is no longer just a matter of finding ways to increase your unique page views; today you can also earn good money from advertising subscriptions and e-commerce.

Mobile fans claim earning opportunities can only get better in the mobile world. Your phone knows where you are and that means more relevant services and information being offered while all you have to do to pay for it is click or swipe. What these fans fail to mention, however, is that not only does this require a certain level of investment, but the “winner takes all” effect is far stronger than for the PC.

New obstacles to monetising your site

What does this mean for businesses active on the internet? Firstly, developing mobile websites and apps for the different devices and operating systems such as Android, iOS and Windows, all costs money. And that’s on top of what business is already spending.

Of even more concern is the pressure on revenues. Rates for mobile advertising are considerably lower than for online advertisements designed for PCs. And although mobile internet is very popular on the market, the advertising click through rate is still low. The complaint used to be about how analogue euros converted into digital dimes; now they’re turning into mobile cents, the only exception is Facebook which successfully incorporates advertisement messages in its timeline.

Another factor of change is the nature of the playing field. Whereas the ‘ordinary’ internet is set up for people to browse and visit many sites, the influence of apps on the mobile web makes it even harder for small sites to attract visitors. In fact 80 percent of the time we spend browsing our mobiles is via apps rather than mobile websites and we use far fewer apps than websites.

On average we download about 60 apps a year. Of these we keep around 30 on our phone and use between 10 and 15 of them a month. Searching for the right apps to download is still very primitive, a bit like the internet was before Google. Apple and Google obviously play an important role in this as not only do they impose strict conditions on app contents but they also get a significant share of the revenues.

Back to the 90s - a state of transition

All in all it’s like we’re back in the 1990s when the internet first came onto the scene: low transparency on the supply side; strong intermediaries determining much of what is on offer; and low revenues. But just like then, we’re in a transition phase. Companies are working hard to develop new

technologies, such as deep links and HTML5, to break open this closed world and close the gaping hole between apps and websites. Meanwhile interesting experiments with new earnings models are also underway. We can't know how and when the mobile internet will reach maturity, but until then I'll be keeping my laptop with me on my travels.

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