

Apple has set out, yet again, to turn the technology world on end. Its focus this time: advertising. The powerful consumer electronics manufacturer's announcement in April of its new iAds platform as part of the iOS 4 has a lot of people talking. Opinions vary widely as to the actual impact iAds will have on the marketing industry. Some speculate that once the ads debut on iPhones they will be so popular that they'll eventually spread to more traditional channels. Others counter that Apple's closed platform could reduce iAds' scalability and success. Regardless of your position on iAds and the impact they'll have on the future of Apple and marketing in general, marketers' adoption of iAds, and the experience they promise, will be profoundly effective in helping brands build stronger, more fulfilling relationships with people.

What Are iAds and What Is the Relationship Era?

iAds are essentially an app within an app. According to Apple, they "combine the emotion of TV with the interactivity of the Web." These nested rich media experiences use everything the iPhone has to offer in terms of technology and interactivity to break out of the mold of traditional advertising.

The Relationship Era—the latest period in marketing's evolution—focuses on fostering sustainable relationships between brands and people. To succeed in this era, brands must build both trust and transactions. iAds are a fresh escape from traditional advertising because they focus less on influencing and persuading and more on engaging with consumers and making more authentic connections.

Why iAds?

In the online advertising world, search is one of the most effective channels available to marketers. While other types of online advertising, such as banner ads, are often accused of lacking in relevance or being easily ignored, search advertising, as it's meant to be used, puts a brand in front of an engaged audience within the right context. Search, however, does not translate in the mobile advertising world. Mobile Internet usage has grown exponentially over the past several years, but mobile advertising has not. Rather than using search within their Internet browsers, mobile users spend more time immersed in applications. And, so far, advertising within apps has been interruptive, less effective, and often delivers a poor user experience. In contrast, Apple's new iAds are "polite" banner ads within an iPhone app that take the user to a minisite without interrupting the app experience. Previously users were hijacked from their app while the ad loaded in Safari—particularly annoying if they were in the middle of a game or other page deep within the app. Now users can interact with an iAd that interests them and pick up right where they left off when finished.

With mobile Web traffic expected to outpace all other Internet traffic, including PCs, by 2013¹, forward-thinking marketers have a significant opportunity to establish a stronger position in the mobile space if they act quickly. iPhone holds 4 percent of the total mobile phone market share², making it the most popular single phone model. While this number may still sound small, iPhones have as much as 25 percent of the growing smartphone market³ and account for **58 percent of all mobile Internet traffic**⁴—and this doesn't include the iPod or the iPad.

As Steve Jobs shared when he unveiled the new iOS 4, the average iPhone owner spends 30 minutes a day using apps. iAds offer developers an incentive to keep creating free apps—which users love—because now they have a way to earn money from them. Clearly, Apple believes there is opportunity in delivering a better user experience, but count on it watching over iAds much like it does its apps. The brand's strict approval process weeds out apps that don't deliver on their promises, are bug-ridden, or are just plain lame. While the average user may not know exactly what goes into developing technology for the iPhone, most have great faith and trust in all things related to the Apple brand—something which Apple will surely protect.

How Will iAds Thrive in the Relationship Era?

Too often, advertising merely seeks to get users' attention in order to push a message out to them. The method does little more than distract them for a second or two and does nothing to make a connection. Effective advertising in the Relationship Era focuses on engagement and providing value to consumers. Marketers who embrace the Relationship Era can appreciate how iAds seek to draw users into the experience through entertainment, utility, and curiosity.

People already appreciate the rich interactivity and value that apps deliver, and Apple is counting on the same quality experience with iAds to help its new marketing platform succeed; however, Apple's "seal of approval" is where the controversy regarding the impact of iAds starts. The App Store's approval process is in place, ostensibly to maintain the brand's strict quality and user experience standards. However, critics counter that marketers have fewer obstacles to deployment in places with little to no approval process, such as in the Google Android Market, and claim Apple's approval process is cumbersome.

Although there are pros and cons to Apple's approval process, the brand has put \$275 million into this new ad network, sending the message that it isn't merely dabbling in the advertising business. If it can prove to users that iAds offer more value than traditional advertising, there will be a shift among consumers' perceptions of ads, creating an opportunity for marketers.

In the Relationship Era, trust between a brand and consumer is mutual. Effective advertising in the Relationship Era allows brands to spend less on advertising and focus more on engaging. How? Brands that have earned the trust and loyalty of customers who align with their values don't have to invest millions of dollars on discount offers and other forms of traditional advertising to attract new customers and replace dissatisfied ones. By putting consumer experience at the forefront and creating a system of shared/equal benefits, Apple embodies the principles of the Relationship Era.

Up to this point, Apple's focus on the user's experience has been a benefit to all, but eventually, we'll have to question whether its actions behind the scenes are actually monopolizing in nature. The FTC is concerned and has opened an investigation into this matter. There will certainly be more discussion to come.

What Is the Best Approach to iAds?

Regardless of whether you believe iAds will be wildly successful or that Apple's approach will ultimately limit its success, there's no denying that its entry into the market generates both intense conversation and responses from competitors. In 2007 Apple sent other phone manufacturers scrambling to release a competitive touchscreen, app-friendly phone, and in 2008 it started another rush within the marketing world with the release of the App Store. Now, with presales of iAds topping \$60 million⁵ and competition from Google heating up, indicating that both mobile OS powerhouses believe that in-app ads have a bright future ahead, we very likely could be witnessing the rise of a new evolution in marketing.

On that note, what's a savvy marketer to do?

1. **Start experimenting with iAds now and benefit from the long tail.** Brands that master the iAd platform early will realize a competitive advantage as the reach expands with the growing smartphone market and proliferation beyond phones and tablets. Google's acquisition of AdMob will add a new player and millions of consumers to the interactive mobile ads market. Bringing iOS 4 to Apple TV is a logical next step for Apple, and Google has already announced an Android-based Google TV product. iAds & Google ads make a natural fit for the next generation of TV marketing, so brands that are ahead of the curve will be poised to lead as the platform expands.
2. **Expect Apple to protect iAds as an extension of its brand.** Plan and budget accordingly. If Apple maintains its current principles, brands should expect the same quality control standards and time frame for approval they experience when submitting a branded application, especially early in the platform's life. Apple, by charging a premium placement price, will attract marketers with the budget to execute a captivating iAd. Love it or hate it, marketers and developers can learn valuable lessons from Apple's approval process, which can be applied to ads created for other platforms
3. **Digital agencies with rich media and iPhone app production experience are best equipped to lead.** Marketers should not repurpose their existing rich media inventory or concepts. At launch, Apple will produce iAds for marketers, but as Apple cedes production back to external creators, brands should look for agencies and partners that have the necessary skills and experience to create approval-worthy iAds, especially since they must be developed in HTML5 and not Flash.
4. **Spend your money on creating positive consumer engagement. In other words, bring your "A" game.** iAd content must provide value in the form of utility and entertainment. Because it is so easy for users to abandon your ad, it's easy to waste money if the ad isn't worth their time. Much like so many banner ads, people will click through and exit faster than you can track your abandonment rate. Focus on building trust with consumers by delivering a stellar experience.
5. **To quote Marshall McLuhan, author of *Understanding Media*, "The message is the medium and the medium is the message." Celebrate it.** One of the keys to creating an effective iAd will involve maximizing the medium—making use of the device's camera, GPS, and accelerometer for a more engaging experience. Another cool feature to leverage is FaceTime, the new one-tap video calling option available on iPhone 4. As we saw with iPhone apps, iAds that showcase and move the platform forward will be celebrated by Apple and embraced by consumers. In addition, the new iOS 4 will have a host of new features for creative developers to take advantage of.

What Will an iAd Look Like?

By nature, iAds are best experienced, not described. [Watch Steve Jobs demo iAds](#) for the movie Toy Story 3, Target, and Nike.

No time for videos? To sum it up, these ads focus on fun and interactivity—iPhone style. The ad for Toy Story 3 lets users listen to popular character catchphrases, watch movie clips, play a game, or download wallpaper. Target's iAd is geared toward college-bound students. It allows users to build a virtual dorm room by entering basic information, such as their gender, basic interests, and school. Upon submitting this information, the user's room is displayed featuring products that can be added to the online shopping cart or wish list from the ad. The Nike iAd invites users to follow the evolution of Nike athletic shoes, use NIKEiD and shake to create their own shoe and then download the NIKEiD app to buy the shoe without leaving the app or going to the App Store.



Summary

iAds may or may not be as big as Apple is counting on, but with major competitors stepping up to play in this space, these types of in-app ads signal the arrival of a new advertising platform. Marketers need to take notice. Apple's more controlled approach, which focuses on delivering the best possible user experience, should promote trust and encourage engagement. Marketers who sharpen their skills with iAds now will be clearly poised to lead in the Relationship Era as more brands and platforms find better methods to engage with consumers in meaningful ways.

¹ "Gartner's Top Predictions for IT Organizations and Users, 2010 and Beyond: A New Balance." December 20, 2009, Gartner. Accessed April 19, 2010. <http://www.gartner.com/DisplayDocument?id=1268513>

² Stan Schroeder, "iPhone Is the Most Popular Phone in the U.S. [STATS]." December 22, 2009, Mashable.com. Accessed June 14, 2010. <http://mashable.com/2009/12/22/iphone-most-popular-phone/>

³ Stan Schroeder, "Apple Grabs 25% of the Smartphone Market, Android Doubles Market Share." February 9, 2010, Mashable.com. Accessed June 14, 2010. <http://mashable.com/2010/02/09/android-iphone-market-share/>

⁴ Christina Warren, "More Data Shows Android Gaining on iPhone." June 14, 2010, Mashable.com. Accessed June 14, 2010. <http://mashable.com/2010/06/14/iphone-android-marketshare/>

⁵ "Apple to Debut iAds on July 1." June 7, 2010, PR Newswire. Accessed June 15, 2010. <http://www.prnewswire.com/news-releases/apple-to-debut-iads-on-july-1-95792784.html>



Please contact us for more information or visit www.imc2.com.

Dallas

12404 Park Central Drive, Suite 400
Dallas, Texas 75251
214.224.1000

New York City

622 Third Avenue, 11th Floor
New York, New York 10017
212.430.3200

Philadelphia

1100 E. Hector Street, Suite 100
Conshohocken, Pennsylvania 19428
610.729.1310