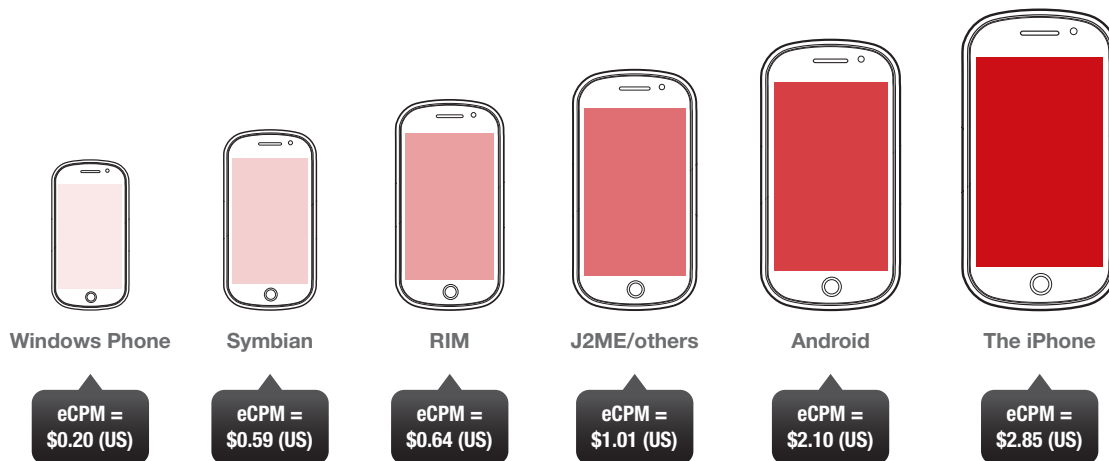# OPERA™ software

The State of Mobile Advertising

Q2 2012

Executive summary

In our first edition of the State of Mobile Advertising report, we take an in-depth look at the monetization of mobile advertising from four perspectives within the ad delivery value chain: Devices, Publishers, Ad Networks and Advertisers. This report is based on insights from the second quarter of 2012 and summarizes our experience gained as the world's leading mobile ad platform serving more than 9,000 global customers, with more than 35 billion ad impressions per month and driving over $240 million (US) of revenue to mobile publishers in 2011.

iPhone is the top smartphone device in monetization performance

Windows Phone	Symbian	RIM	J2ME/others	Android	The iPhone
eCPM = $0.20 (US)	eCPM = $0.59 (US)	eCPM = $0.64 (US)	eCPM = $1.01 (US)	eCPM = $2.10 (US)	eCPM = $2.85 (US)

The iPhone leads the smartphone OS pack with an average eCPM of $2.85. Though it is closely followed by Android devices (at $2.10), the rest of the mobile phone field is significantly behind.

This indicates that devices with better usability (i.e., larger screen size, touchscreen) and those with features that allow more interaction between the advertisement and the device's functionality (e.g., click to call, expand, play video) have better monetization potential than less capable and less user-friendly devices. For example, HTML5 Canvas, the mobile-friendly browser feature that specialist developers use to build stunning animations and full-screen

OS Share	% of traffic	% of revenue	eCPM
iOS	46.53%	61.41%	$2.49
- *iPhone*	29.88%	43.54%	$2.85
- *iPad*	6.86%	14.26%	$3.96
Android	24.43%	26.56%	$2.10
J2ME / Other	21.27%	9.86%	$1.01
RIM OS	6.32%	1.79%	$0.64
Symbian	1.37%	0.37%	$0.59
Windows Phone	0.08%	0.01%	$0.20

rich-media overlays, relies on iOS Safari 3.2 and Android 2.1 or above to run. We also see the importance of device market share in encouraging advertisers to target particular devices. Windows phones have most if not all of the advanced features of Android and iPhones, but low levels of user adoption stifle its performance.

Further illustrating this point is the high eCPM achieved by iPad. Delivering an average eCPM of $3.96 across the Opera mobile ad platform, iPad epitomizes the user-friendly device with large, touchscreen interactivity, as well as other features that enhance the user experience.

The iPad is also achieving significant user adoption in user groups that are highly desirable to advertisers. For example, 40% of physicians own or plan to own an iPad or tablet by the end of 2012, according to Nielsen projections.

ADVERTISER INSIGHTS

Demand for tablet ad executions are already up 140% from 2011. Given their sophisticated capabilities, tablets will become an even more important part of your strategy in the next 6 months.

Yes, rich media *does* drive engagement

So far, in 2012 Apple iOS has delivered a clear majority of rich media ad impressions compared to Android devices. However, regardless, of the OS rich media has shown to always drive better customer engagement. In fact, leveraging the native functions of mobile devices – such as sophisticated HTML and camera interfaces — has been shown to have a direct correlation to time spent interacting with the ad unit.

For instance, according to our Rich Media Index, 66% of users that click through to a video will complete that interaction, with an average dwell time of 52 seconds. Photo-taking capabilities warrant an even higher dwell time (1 min 25 secs), and about half of consumers will continue to interact with the ad post-click.
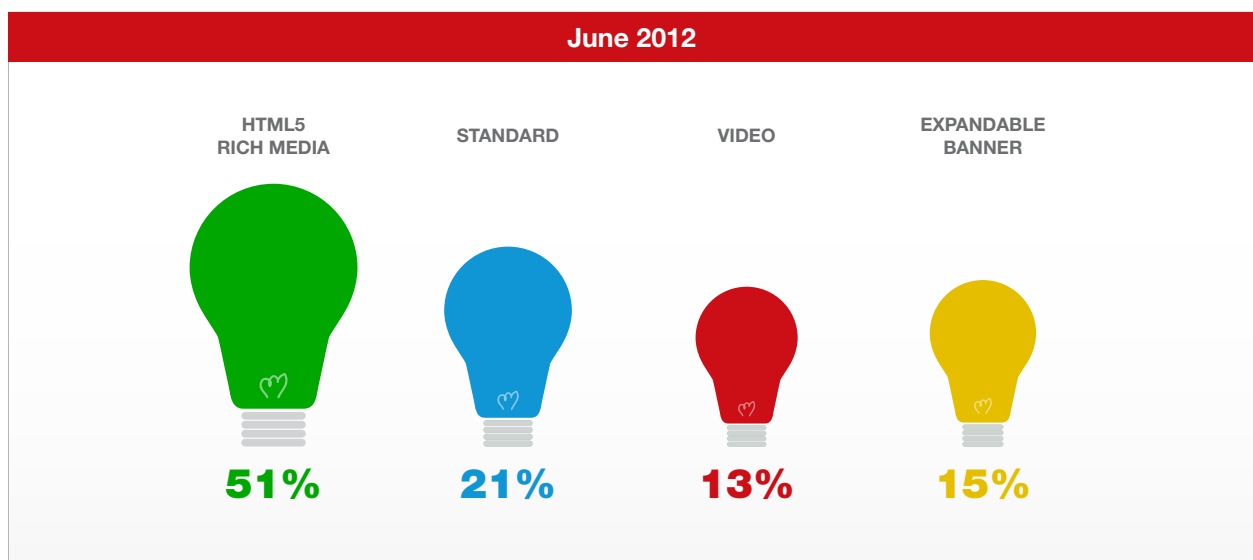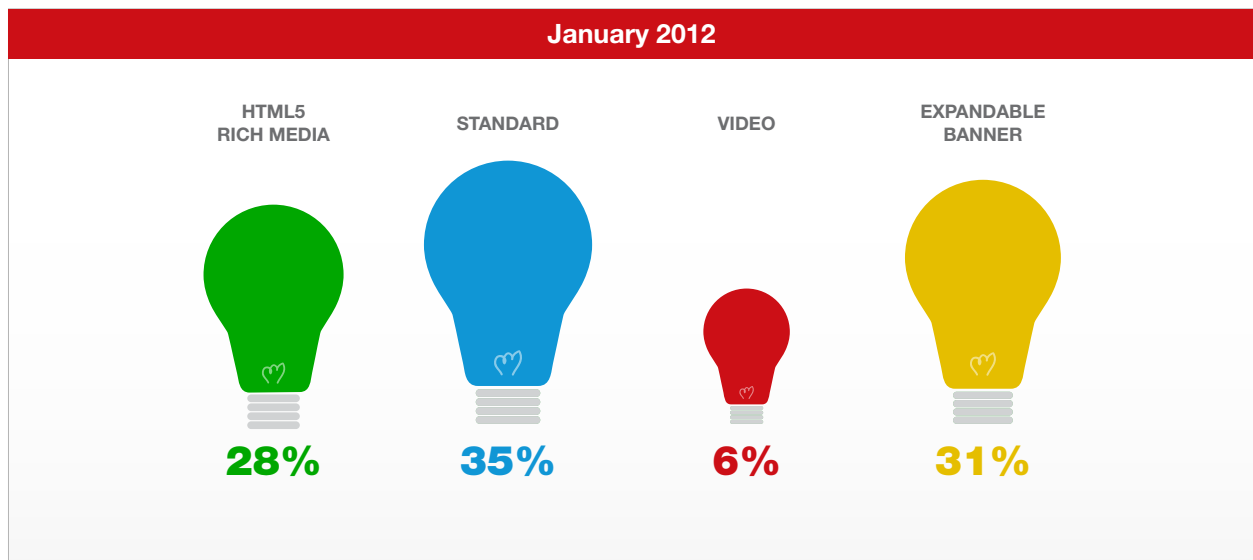
Dwell Time & Interaction Rates

PHOTO

00:01:25

48%

CALENDAR

00:00:31

39%

00:00:52

66%

VIDEO

00:00:37

23%

FACEBOOK
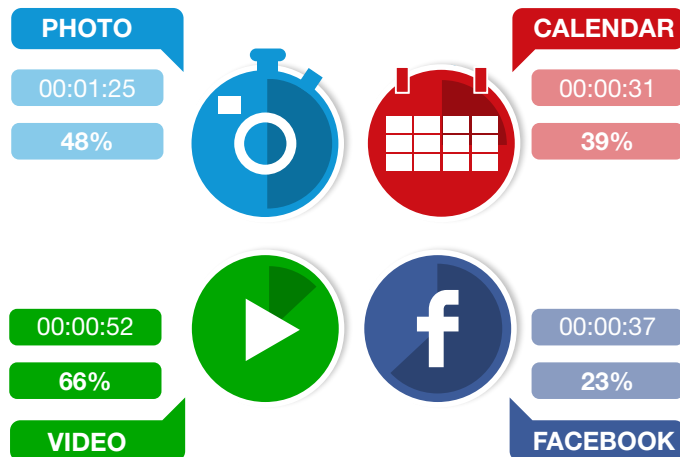
ADVERTISER INSIGHTS

Q: With all of these call-to-action options, do I still need a mobile landing page?

A: "Not necessarily. Mobile advertising is at the forefront of mobile technology, as opposed to mobile sites which often follow a one-size-fits-all model supporting the lowest common denominator of feature phones. With mobile rich media ads, you can now create self-contained 'microsites as ad units' — immersive experiences that can double as or even mitigate the need for a mobile destination, reducing costs and minimizing the steps to conversion."

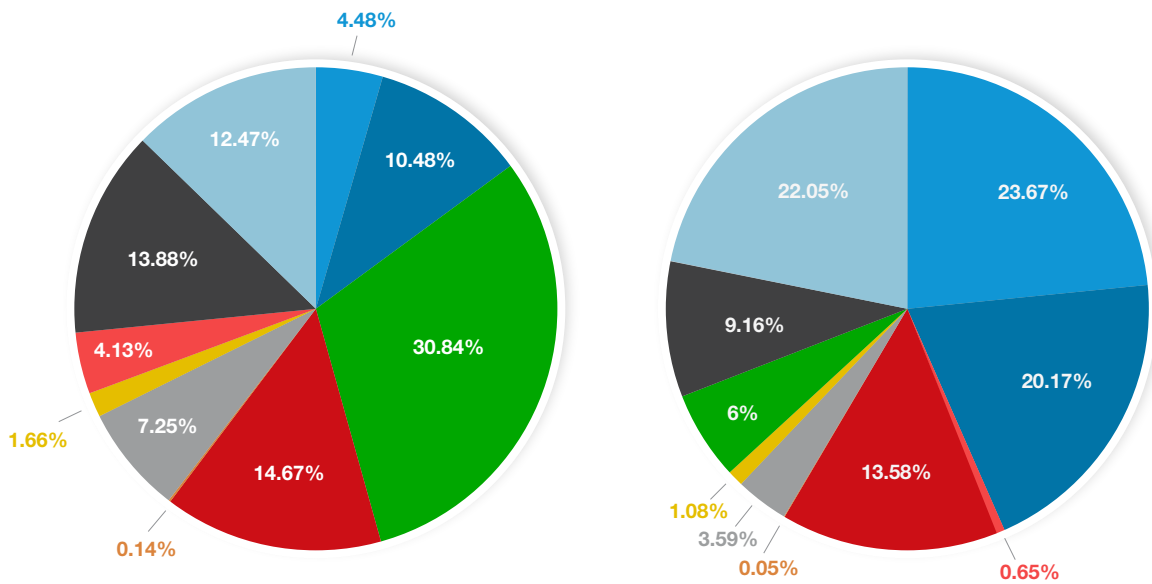*- Andrew Nevils, Managing Director of Point Reach*

OPERA
software

Advertisers are sitting up and taking note of the return on investment of rich media in mobile. From January to June 2012, we saw the number of standard and expandable banner executions diminish, while HTML5 rich media and video ad executions increased:

January 2012

HTML5 RICH MEDIA	STANDARD	VIDEO	EXPANDABLE BANNER
28%	35%	6%	31%

June 2012

HTML5 RICH MEDIA	STANDARD	VIDEO	EXPANDABLE BANNER
51%	21%	13%	15%

OPERA
software

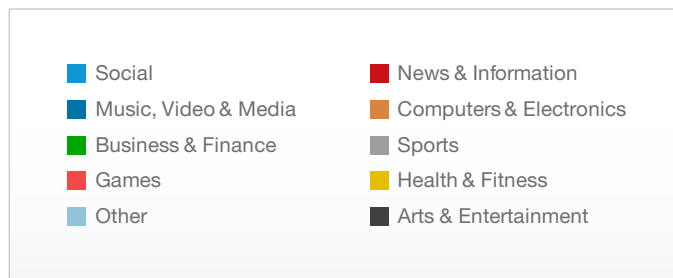# Business & Finance is the clear leader in mobile ad revenue

Among all publisher categories, Business & Finance generates more revenue per impression than any other publisher category. We see this trend continuing in the near term, while remaining optimistic about social networking as a revenue driver over the long term.
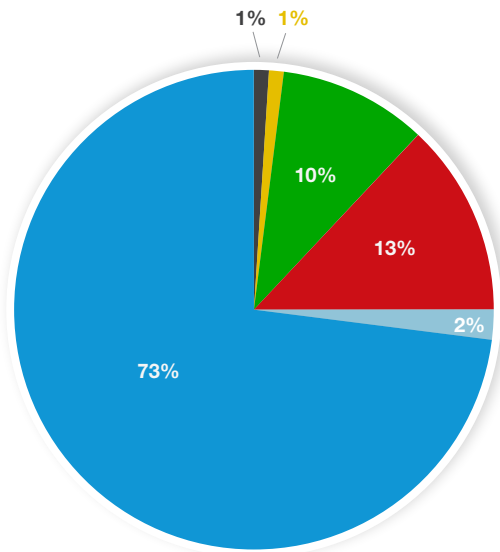
Monetization by Site Category

Source of Revenue

Source of Impression

|			
■ Social		■ News & Information	
■ Music, Video & Media		■ Computers & Electronics	
■ Business & Finance		■ Sports	
■ Games		■ Health & Fitness	
■ Other		■ Arts & Entertainment	

North America is the market leader

The United States and Canada generate the majority of ad requests, with 73% of the global total. U.S. eCPM is also the highest ($1.98), closely followed by the EU5 ($1.94) — and both top the global average of $1.90.

Percent of Requests

■ Africa	■ European Union
■ Middle East	■ Central & Latin America
■ Asia Pacific	■ North America
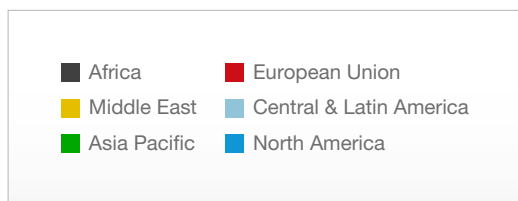
eCPM by Region	
Global Average eCPM	$1.90
US eCPM	$1.98
EU5 eCPM	$1.94
Rest of World	$1.57

Top 20 Countries by Impressions
United States
Canada
United Kingdom (EU5)
Indonesia
Japan
Italy (EU5)
Mexico
India
China
Australia
Netherlands
Spain (EU5)
Germany (EU5)
France (EU5)
Singapore
Saudi Arabia
Republic of Korea
Iceland
Philippines
Malaysia

Ad network performance varies significantly over very short periods of time

Opera delivers mobile advertisements to publishers from over 100 advertising sources. These sources vary in many ways, including creative and geographic focus, and size. When reviewing traffic and eCPM rates from the most active ad networks connected to our platform, we also see a significant variance in the ad networks' fill rates and payout rates. Across our customers, we have an average fill rate of 85.2% from these sources. As previously noted, we see an average global eCPM of $1.90.

We found that:

- The ad networks with the highest fill rates tend to have lower eCPM payout rates, while those with high payout rates tend to have low fill rates.

- High paying ad networks' eCPM rates fluctuate radically (as much as 370%), while ad networks with lower eCPMs (and high fill rates) fluctuate at lower levels (but still as much as 43%).
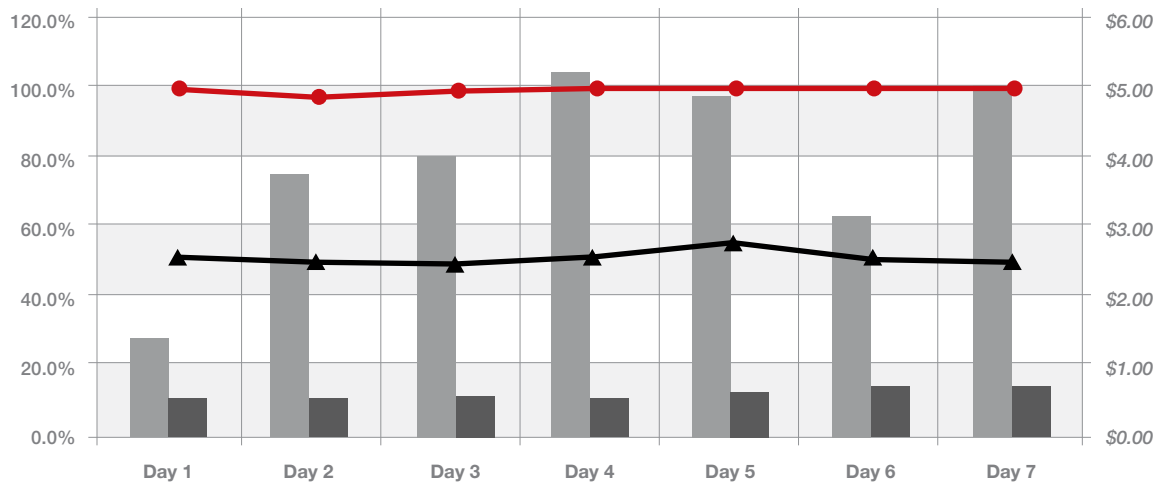
For this analysis, we took a sample of ad networks receiving very high volumes of ad requests from us over the course of one week. We selected three networks with high eCPM rates and three networks with high fill rates. We then looked at the fill rates for the high paying networks and the payout rates (eCPM) for the networks with some of the highest fill rates.

▬ eCPM of top paying ad networks		●— Fill rate of networks with some of the highest fill rates	
▬ eCPM of networks with high fill rates		▲— Fill rate of networks with highest eCPM	

OPERA
software

What does this mean for mobile publishers?

In order to maximize profit, publishers should:

1. Connect to multiple ad sources including:

    a. Premium traffic they have sold directly to advertisers or have directly contracted from premium ad suppliers

    b. Multiple ad networks in each of two categories: networks that pay high eCPM and networks with high fill rates

2. Actively manage their traffic to maximize their eCPM across all ad sources.

ADVERTISER INSIGHTS

5 Characteristics of an Ideal Mobile Ad Network

Targeting

You want to be able to buy your audience mobile just as you do in online. Look for a network that uses verified, 3rd-party household-level data to hone in on hard-to-find audience segments.

Transparency

Most ad networks are blind, so you don't know where your ads are running. Premium means you'll be able to see and customize site lists of the very best mobile sites and apps.

Unduplicated reach

Lots of networks claim reach, but how much of that can be (and is) achieved from another network in your mix? Look for those that have exclusive relationships with publishers – you'll not only get unique access, but you'll also be able to run more creative and integrated campaigns.

Early session impressions

In mobile, speed is everything. A mobile ad network that uses the same server as the publisher will provide early session impressions, which means faster load times and higher CTR.

Mobile expertise

Often it's the people that are most important. You'll want to work with a team that knows mobile inside and out: creative, development and campaign optimization.