LBS Research Series

Mobile Location-Based Services

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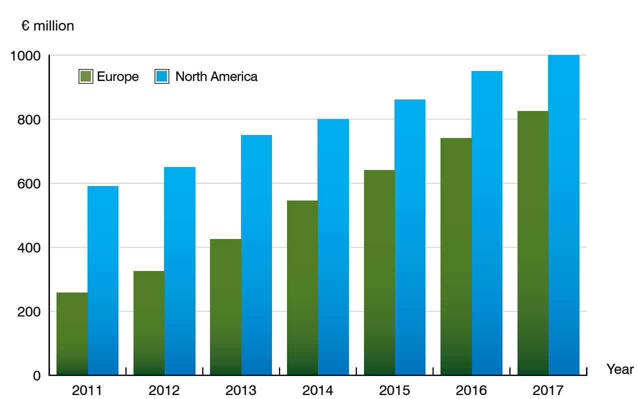
BERG INSIGHT

The LBS market shows healthy growth in the coming five years

Mobile location-based services (LBS) are gradually achieving mainstream market acceptance. Berg Insight estimates that the number of active users of location-based services and apps grew 80 percent in 2012. At the end of the year, about 40 percent of mobile subscribers in Europe were frequent users of at least one location-based service. In North America where adoption of smartphones and GPS-enabled handsets is higher, an estimated 50 percent of all handset users now access location-based services regularly. However, the significant growth in usage and number of active LBS users have not yet resulted in substantial growth in revenues. Total LBS service revenues in the EU 27+2 reached € 325 million in 2012 and Berg Insight forecasts LBS revenues to grow to about € 825 million by 2017. In North America, revenues are forecasted to grow from US$ 835 million in 2012 to about US$ 1,295 million by 2017.

There are many alternative ways to categorise various LBS. In this report, LBS are divided into eight service categories based on primary function: mapping and navigation, local search and information, social networking and entertainment, recreation and fitness, family and people locator services, mobile resource management, mobile advertising and marketing, and other services. Mapping and navigation is the leading segment in terms of revenues and the second largest in terms of number of active users. Although the number of active users of mapping and navigation services is still growing, revenues are only increasing slowly as competition from free and low cost services has intensified. White-label developers are now working with mobile operators to create localised offerings and attractive service bundles. Some navigation service providers are focusing on freemium apps where the core navigation service is free and users have the option to purchase additional content and features. Local search and information services is now the leading LBS category in terms of unique users, driven by the adoption of handsets with improved capabilities and changing user habits. Most leading social networking services are now focusing more on their mobile offerings as users increasingly access services from mobile devices. Many of these services have various forms of location support ranging from sharing geo-tagged content to location sharing and check-in features. A growing number of outdoor and sports enthusiasts are downloading recreation and fitness apps that turn smartphones into convenient substitutes for GPS devices and sports watches. Family locator services have been part of mobile operators' LBS portfolios for many years – especially in the US – but are now facing competition from app developers. Also mobile workforce management services that aim to improve operational efficiency for businesses are gaining traction as the cost of hardware and software declines.



Mobile LBS revenue forecast, € million (2011–2017)

Advertising is an important source of revenues for many LBS providers. The mobile channel is getting established as an integral part of the marketing media mix as mobile media usage grows. Targeting by location in combination with other contextual and behavioural information greatly enhances the relevance of mobile advertising. It has been demonstrated that location-targeted ads generate considerably higher return than conventional mobile advertising, and the associated eCPM levels are several times higher. The main barriers to adoption are related to the inherently limited reach of LBA which acts as a mental hurdle for advertisers. The demand for hyper-local targeting of ads is so far limited among advertisers, but is anticipated to increase given the considerable impact such campaigns generate. Educating advertisers about this opportunity and new methods for campaign performance evaluation are thus called for.

Historically, mobile operators have been key partners and the main distribution channel for app and service developers. Operators have a direct relationship with large user bases, allowing them to market services, pre-install apps on new handsets, present links to services from their portals and handle end-user billing. This central role is now challenged by the rising smartphone ecosystems that integrate key LBS and give developers access to location data, distribution channels in the form of on-device app stores as well as billing and advertising solutions for monetisation. Mobile operators are therefore exploring other opportunities to leverage their assets, for instance by opening their location platforms to third party developers and location aggregators that play an important role as intermediaries between mobile operators and developers. Network-based location data is valuable for developers and third parties that need to locate any device, not only GPS-enabled smartphones. Mobile operators can provide network-based location data for services such as mobile analytics as well as fraud management and secure authentication.

This report answers the following questions:

- What is the current status of the European and North American mobile LBS market?
- How will free navigation services affect the market dynamics?
- What are the mobile strategies of search engines and directory publishers?
- How is location technology used by mobile social networks and communities?
- How is GPS-technology altering the conditions for people locator services?
- How are smartphones changing the mobile resource management market?
- How is location being used to add value in mobile advertising?
- Which operators have introduced branded location-based services?

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About the Author

André Malm is a senior analyst with a Masters degree from Chalmers University of Technology. He joined Berg Insight in 2006 and his areas of expertise include location-based services, personal navigation services, handset technologies and wireless M2M markets.

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