



ALEX RAHAMAN moved his tech firm's headquarters from London to New York hoping to provide some answers to the advertising riddle.

Digging for digital gold

KEVIN MAZUR

NY's ad-tech startups scramble to unlock potential riches of mobile marketplace

BY MATTHEW FLAMM

It's no secret that mobile devices are taking the place of computers. What's not so obvious is that advertisers are still figuring out how to reach consumers on their smartphones and tablets. That's why entrepreneurs like Alex Rahaman are in a hurry.

There's a fortune to be made in solving the mobile-advertising riddle. Last year, mobile devices had a 10% share of adults' media time

each day but garnered less than 1% of U.S. ad dollars, according to eMarketer. This year, mobile ad spending is expected to grow by 80%, to \$2.6 billion.

By 2016, it will be a \$10.8 billion business. Hoping to strike it rich in the gold rush, New York-based ad-tech entrepreneurs like Mr. Rahaman are racing to distinguish themselves from each other, and from the so-called first-generation mobile ad divisions of giants such as Google and Apple.

"Now is the time to make your mark as the cat-

egory leader in this space," said Mr. Rahaman, who in June moved the headquarters of his company, StrikeAd, to the Flatiron district from London. "You wait too long, and that spot gets taken."

Finding the right match

The 39-year-old Briton founded his mobile advertising-technology firm in 2010, and spent the next year showing ad agencies how precisely it could match their ads with the right audiences. Identifying consumers and their tastes is a challenge on mobile devices, which often don't support cookies inside applications or in their browsers.

The key to gaining market share is building a better advertising mousetrap, one that enables marketers to utilize mobile's potential. That can mean targeting users by location, so they can be

See **MOBILE** on Page 24

Soda wars are bubbling over

Beverage industry tries to whip up opposition to ban on oversized soft drinks

BY LISA FICKENSCHER

If a majority of New Yorkers are opposed to Mayor Michael Bloomberg's proposal to limit the size of sugary drinks sold in restaurants and other outlets—as some polls suggest—they are not registering their anger where it would count.

According to the city's Department of Health and Mental Hygiene, just 600 letters opposing the

ban and 15,545 letters expressing support for it were submitted to the agency as of July 20.

That's bad news for the beverage industry, which is trying to whip up a storm of public disapproval, hoping to pressure city officials into abandoning the proposal. The industry is focusing its efforts on July 24, when the city's Board of Health is holding a hearing on the plan and when the public comment period ends. On Tuesday, the board members will not accept any more written comments, taking the

next seven weeks to officially weigh all the information. More than 11,000 pro-ban letters arrived within a 24-hour period late last week, a city spokeswoman said.

The board members, who are appointed by the mayor, will announce their decision on Sept. 13 on whether to limit the serving size of sugary beverages such as sodas, teas, fruit juices and sports drinks to 16 ounces.

"This is the only opportunity for the public to comment on this proposal, and we are trying to

reach the most people in the shortest amount of time," said Eliot Hoff, a spokesman for New Yorkers for Beverage Choices, a month-old coalition of businesses and others opposed to the ban.

The group of movie-theater operators, restaurants and beverage manufacturers is spearheaded and funded by the American Beverage Association. Mr. Hoff is a senior director for APCO Worldwide, a large public relations firm retained by the ABA.

Since the mayor made international news by unveiling his controversial plan on May 30, the ABA has mobilized a strong response, spending big money to try to stop what it fears will be a domino effect

See **SODA WARS** on Page 24



Rail plan spurs cheer in Bronx

Metro-North stops in four areas seen as big economic boost

BY HILARY POTKEWITZ

Co-op City, the sprawling cooperative apartment complex in the east Bronx with 35 high-rises, assorted townhouses and more than 60,000 residents, has always been tough to get to by train.

There's the No. 5 or No. 6 subway, but their closest stops are nearly a 20-minute bus ride away, and though there's also an express bus from midtown, its scheduled 45-minute run is seldom achieved. "On a bad day, or if you get stuck during rush hour, you can forget it," said Kenneth Kearns, district manager of Bronx Community Board 10, where Co-op City is located.

That's why he and others are so excited about news that the Metro-North Railroad is close to approving construction of a station at Co-op City. Not surprisingly, the board, shortly after being briefed on the plan by railroad officials, quickly passed a resolution supporting the project.

The response in three other east Bronx neighborhoods that could also get stations has also been enthusiastic, and with good reason. The idea of adding stations along the Amtrak line that runs out of Penn Station and links up with Metro-North's New Haven line in New Rochelle has been a dream of many for years. Only recently, however, pushed by Borough President Ruben Diaz Jr. and others, has the idea really gathered steam.

In the Bronx the potential benefits loom large. Just last month, in a formal pitch to the City Council Transportation Committee, the

See **CONNECTED** on Page 12

ON TRACK

Metro-North in the Bronx

13

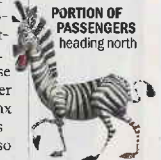
TOTAL STATIONS (among three lines)

8.1M

NUMBER OF RIDES TO/FROM stations last year

2/3

PORTION OF PASSENGERS heading north



FAMOUS MOVIE REFERENCE

Marty the Zebra in *Madagascar* wanted to use a Metro-North train to flee to Connecticut

Sources: Metro-North Railroad, DreamWorks Animation

Broadway's family act

Continued from Page 6

turn 5 or 6, and their daughters to *Wicked* when they turn 8 or 9, there is an endless steady supply of new ticket buyers for those shows.

Still, the market for tots and teens isn't without boundaries. Some theater executives question whether so many of these shows can survive.

"There are a lot of people fighting for the family audience," said producer Ken Davenport. "I'm not sure there are that many families going to that many shows, especially on weeknights."

No: just for families

Even Disney, the granddaddy of family fare with numerous hits like *Mary Poppins* under its belt, is carefully trying not to brand itself as kids' entertainment. Executives there were not made available for an interview.

"There's a fear that if you're labeled a 'family show,' you're going to lose those New York theatergoers from

the Upper East Side," Mr. Davenport said. "That you're not serious theater if families from the suburbs are climbing into a minivan and going to see your show."

But the producers of these shows are quick to point out that their musicals are suitable and enjoyable for both families and other demographics.

Ms. Tepper Madover says she thinks women who saw the musical *Annie* 30 years ago as children, as she did, will flock to the show whether they have kids or not. *Cinderella*, for example, isn't just the traditional child's fairy tale. It has a new, witty and more modern book written by Douglas Carter Beane, who wrote the book for *Xanadu*. The current play *Peter and the Starcatcher* has been attracting kids because of its Peter Pan branding but has numerous adult references and jokes.

"It's the Pixar model," said Eva Price, producer of *Peter*. "People say, 'My daughter didn't get that, but I got that,' and 'I didn't think that fart joke was funny, but she loved it.'" ■



SWEET MUSIC: Shows for kids are having great success. Clockwise from top left, *Matilda the Musical*, *Mary Poppins*, *The Lion King* and *Newsies*.

LISTEN to a discussion at CrainsNewYork.com/podcasts

Soda wars bubbling over

Continued from Page 3

of similar city and state legislation across the country if New York adopts the regulation.

"There is the threat of other municipalities picking this up," said Chris Gindlesperger, a spokesman for the ABA. "We are prepared to devote the resources necessary [to fight it]."

Successful track record

While the Washington, D.C.-based trade group would not disclose how much money it's spending, it has a record of defeating the legislative initiatives it targets. When Gov. David Paterson's proposed budget in 2010 included a penny-per-ounce tax on sugar-sweetened beverages to raise money for health care and help reduce a deficit, the ABA spent \$12.9 million on lobbying activities at the state level, according to the New York State Commission on Public Integrity. The governor withdrew the proposal in his budget.

This year, there have been at least a dozen similar so-called soda-tax

proposals in other states. All of them have been defeated.

"It's been a successful strategy for the ABA to spend money on lobbying," said Julie Greenstein, deputy director of health promotion policy

Everyone is watching what happens here

for the Center for Science in the Public Interest, an advocacy group.

Because the mayor's proposal is circumventing the legislative process and being vetted by his Board of Health, it will be harder for the industry to influence the outcome. To bolster its position before the July 24 hearing, the city has released statements from dozens of prominent leaders from all over the

country, from filmmaker Spike Lee to medical professionals and academics, who support the ban.

"We understand that the mayor has appointed the members of the board and the implications of that," Mr. Gindlesperger said.

Everyone is watching what happens here, Ms. Greenstein said, adding, "It could set a precedent."

Not giving in

The ABA is hardly giving up its fight. In addition to a print and radio advertising campaign, the group sent out mailers to several hundred thousand New Yorkers urging them to send a letter of complaint to Health Commissioner Thomas Farley. It also hired 50 canvassers to get signatures on a petition protesting the ban. As of last Friday, the petition had some 82,000 signatures from individuals and more than 800 businesses.

On July 23, New Yorkers for Beverage Choices is holding a rally outside City Hall. Joining it will be labor officials, four City Council members and the chair from the Regional Hispanic Chamber of Commerce, which says bodegas and other Latino-owned businesses will be hurt by the portion limit.

The Teamsters union's Local 812, which represents more than 2,000 workers who deliver and manufacture soft drinks in the area, fears that its members' jobs would be affected if the big bottlers have to invest in expensive new machinery. None of their machines makes a 16-ounce bottle, noted Joe Vitta, the secretary-treasurer of Local 812.

"This all happened so quickly," Mr. Vitta said of the mayor's proposal. "No one has had time to figure out what to do." ■

LISTEN to a discussion at CrainsNewYork.com/podcasts

Mobile ad gold rush

Continued from Page 3

shown restaurant ads, for instance, when they're in a mall at lunchtime.

Other opportunities include running campaigns across multiple screens and reaching users as they move among them. The aim is to keep showing ads to a user who's interested in the product and avoid showing them to someone who isn't.

Survival of the fittest

Darren Herman, chief digital media officer at ad-buying agency the Media Kitchen—and president of investment firm kbs+ Ventures—estimates that more than 100 new mobile ad-tech firms have joined the market over the past three years. They can't all survive, but there could be riches in store for the ones that do. "Apple and Google aren't done making their acquisitions," Mr. Herman said.

There were 38 deals for mobile ad-tech companies in 2011—more than triple 2009's number, according to investment bank Berkery Noyes. The firm counted 21 acquisitions in the first half of 2012.

A lot still has to happen for mobile advertising to reach its potential. Media buyers describe a bit of a Wild West atmosphere, with no industry-recognized standards for measuring how many users saw a campaign, or for showing agencies where those ads were served. Marketers also want more reliable measures of how well campaigns deliver on business objectives.

"A year and a half ago, we were at the stage of where we were in desktop [Web advertising] in 1998," said Ryan Griffin, group director of media and mobile at Digitas. "It's now feeling like 2004."

In addition, some experts say that mobile marketing requires new ways of engaging with consumers, and question whether users will tol-

erate display ads on phones to the degree they do on computers. Along with having smaller screens, phones are more personal, and users may not want to be pitched on them in the same way.

"You can't just slap a display ad on a mobile screen and call it mobile advertising," said Phuc Truong, managing director of Mobext, the mobile-marketing division of ad agency Havas Digital.

Still, some New York ad-tech firms are striking gold by filling in the mobile-advertising ecosystem. Two-year-old ad-tech company Tapad—which specializes in reaching users across all screens and finding consumers likely to make a purchase—just moved into a new 7,000-square-foot headquarters in Chelsea. That's more than double the size of its old one.

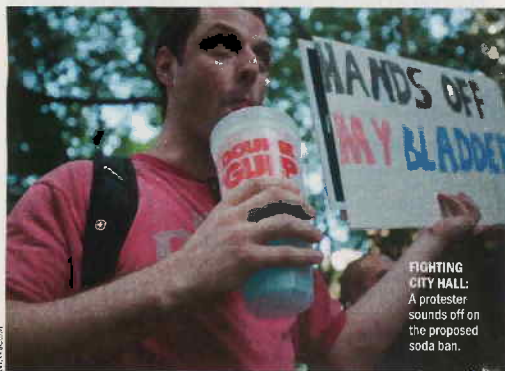
The company needs the space for the 60 to 80 employees it expects to have by the end of the year, up from its current 30. Founder and CEO Are Traasdahl said revenue will grow by 400% this year.

Fast-changing industry

Revenue is growing that fast at StrikeAd, too, according to Mr. Rahaman. He and other mobile-advertising entrepreneurs say that because the industry is changing fast, older, larger players don't necessarily have an advantage.

"Technology exists today that didn't exist three years ago," said Anthony Iacovone, founder and CEO of 2-year-old mobile ad network adTheorent, which has developed a "big data" solution for targeting consumers. "The computing power, things in the cloud, the high speeds—you can be much more effective now." ■

LISTEN to a discussion at CrainsNewYork.com/podcasts



FIGHTING CITY HALL: A protestor sounds off on the proposed soda ban.