

MOBILE MEXICO 2016

Updated Forecasts and
Key Growth Trends

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MOBILE MEXICO 2016: UPDATED FORECASTS AND KEY GROWTH TRENDS

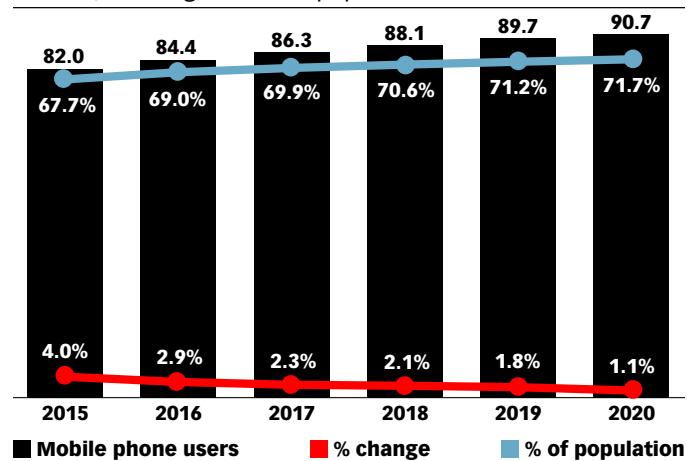
The continued decline of mobile service costs and the rise in smartphone adoption will help moderately increase mobile internet usage in Mexico this year, though the country's mobile phone uptake in general remains low compared with many of its neighbors in Latin America.

- Mexico's mobile connections will reach 110.4 million this year, representing 90.3% of the country's population. It is the only major economy in Latin America yet to reach full penetration in this metric.
- There will be 44.2 million smartphone users in Mexico in 2016, giving it a 36.1% penetration rate. The absolute number of users makes Mexico the second-largest smartphone market in Latin America.
- Android dominates smartphone traffic in Mexico, with nearly nine in 10 mobile page views powered by Google's operating system. Apple's iOS still controls over half of tablet queries.
- Mobile ad spending will represent 41.7% of total digital ad spending in Mexico this year, by far the largest level of mobile investment of any major market in Latin America.
- Roughly 80% of mobile ad impressions are served to Android devices and nearly nine out of 10 ads are shown in apps (the rest land on mobile browsers).

WHAT'S IN THIS REPORT? This report examines the state of Mexico's mobile market and places it in a regional context, providing the most up-to-date user and advertising estimates. It also discusses the trends shaping mobile internet adoption through the rest of the decade.

Mobile Phone Users and Penetration in Mexico, 2015-2020

millions, % change and % of population



Note: individuals of any age who own at least one mobile phone and use the phone(s) at least once per month
Source: eMarketer, April 2016

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KEY STAT: Mexico's mobile phone user base will total 84.4 million in 2016, or 69.0% of the population. That tally will increase to 90.7 million by 2020, a sign that such devices remain hard to reach for many in the country.

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THE CURRENT MOBILE PICTURE IN MEXICO

Mexico's mobile market is still playing catch-up with the other major markets in Latin America. Growth in the number of mobile connections has slowed and will increase by only 1.9% this year. Smartphone adoption has been on the rise, but like mobile phone penetration in general, rates remain relatively low compared with most markets in the region.

América Móvil's Telcel still controls more than half of Mexico's mobile market in terms of mobile connections (68.4% of the total as of Q4 2015) and revenue (72.4%), according to The Competitive Intelligence Unit (CIU). However, telecom reforms enacted in 2013 have brought increased competition and lowered prices for consumers.

Perhaps the most important factor that influenced steep price reductions last year was the abolition of domestic and international long-distance and roaming charges in December 2014. The Instituto Nacional de Estadística y Geografía (INEGI) found that although annual inflation in Mexico stood at 2.6% in March 2016, prices for telecommunication services were down 11.3% from the previous 12 months.

Lower prices, however, are not enough to bring mobile phone and internet penetration in Mexico up to those in Argentina, Chile and Colombia. Overall mobile adoption in Mexico remains low, a hangover of the high prices that prevailed during América Móvil's decades-long near monopoly on mobile service.

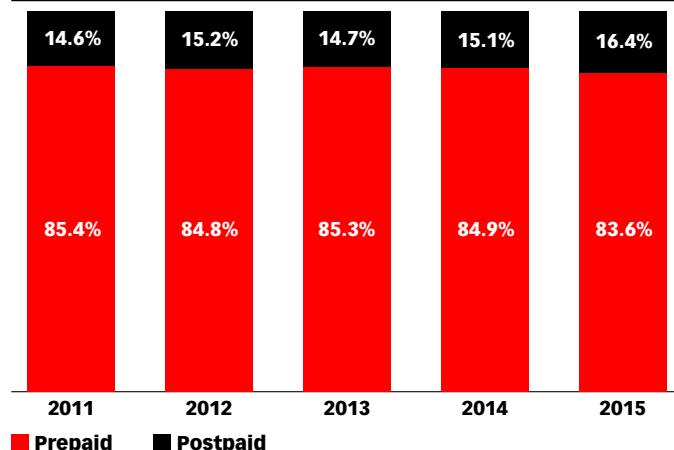
In 2016, Mexico's mobile connection base will reach 110.4 million, or 90.3% of the population, eMarketer estimates. Mexico will remain the only major economy in Latin America with a mobile connection penetration totaling less than 100% of the population.

Mobile connections in the eMarketer definition include mobile phones as well as nonvoice devices such as tablets, wireless modem cards, netbooks, ereaders and telematics systems.

Most of Mexico's mobile connections are linked to prepaid contracts. Such contracts had an 83.6% share in 2015, down slightly from 85.4% in 2011, according to the CIU.

Mobile Connection Share in Mexico, Prepaid vs. Postpaid, 2011-2015

% of total



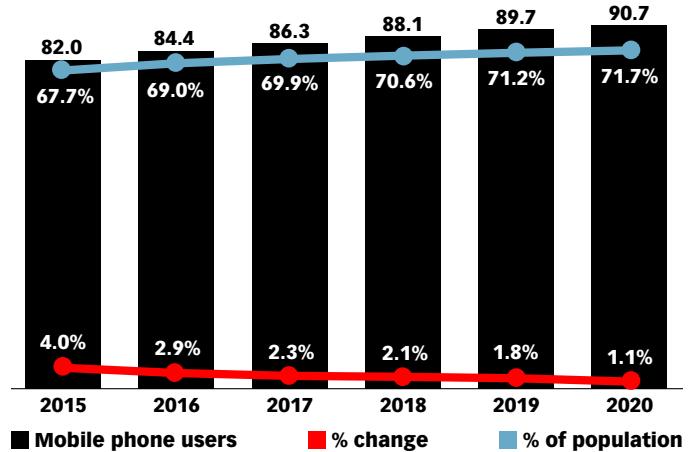
Source: The Competitive Intelligence Unit as cited in company blog, Feb 21, 2016
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A more telling measure of a mobile market is the base of individuals who use a mobile phone. Mexico will rank fourth in this metric among markets in Latin America in 2016, with 69.0% of its population using the device at least monthly. Chile, Argentina and Colombia will lead the way with penetration rates of 73.9%, 71.4% and 70.0%, respectively.

Mobile Phone Users and Penetration in Mexico, 2015-2020

millions, % change and % of population



Note: individuals of any age who own at least one mobile phone and use the phone(s) at least once per month
Source: eMarketer, April 2016

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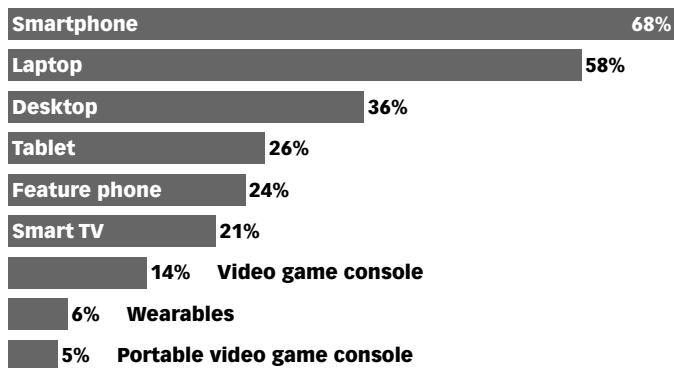
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A December 2015 survey by the Interactive Advertising Bureau México (IAB México) and Millward Brown found that, for the first time, smartphones were the most commonly used devices to connect to the web in the country. Fully 68% of internet users ages 13 to 70 said they used their smartphone to go online, up from 62% in 2014. Laptops were second with 58%, down from 70% during the same timeframe.

Devices Used to Access the Internet Among Internet Users in Mexico, Dec 2015

% of respondents



Source: Interactive Advertising Bureau México (IAB México) and Millward Brown, "Estudio de Consumo de Medios y Dispositivos Entre Internautas Mexicanos" sponsored by Televisa.com, March 10, 2016

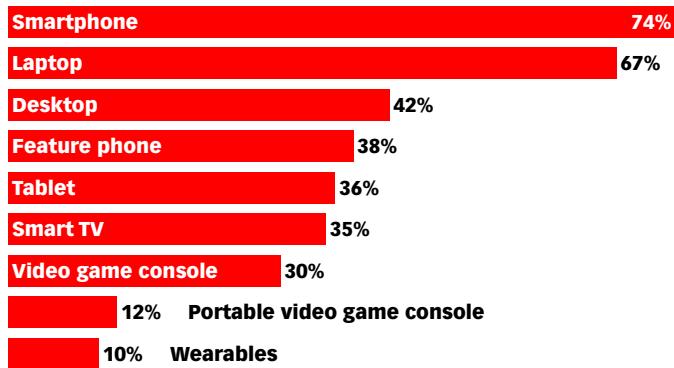
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The same survey found that smartphone ownership among internet users reached 74% in 2015, up 6 percentage points from a year earlier. Laptop ownership (67%) slipped 9 percentage points and desktop ownership (42%) dropped by 11 percentage points.

Devices Owned by Internet Users in Mexico, Dec 2015

% of respondents



Source: Interactive Advertising Bureau México (IAB México) and Millward Brown, "Estudio de Consumo de Medios y Dispositivos Entre Internautas Mexicanos" sponsored by Televisa.com, March 10, 2016

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eMarketer estimates the number of mobile phone internet users in Mexico will reach 60.3 million this year, up 12.9% from 2015, while internet users will total 70.7 million, up 8.6%. However, fixed broadband subscription increased just 1.5% last year, according to the Instituto Federal de Telecomunicaciones (IFT) – Mexico.

Penetration levels in all key mobile categories in Mexico have been significantly higher among consumers in the 3.9% of households classified as A/B, the highest earnings level, according to the Asociación Mexicana de Agencias de Investigación de Mercado (AMAI).

Recent mobile measurements lump A/B consumers with the upper-middle-class C+ group, which includes 9.3% of households. According to IAB México and Millward Brown, 81% of ABC+ consumers owned a smartphone in 2014, and 67% owned a tablet. TGI Latina data provided by Starcom MediaVest Group showed that ABC+ consumers represented 42.9% of smartphone owners, 37.4% of mobile phone internet users and 47.4% of tablet owners—despite representing only 13.2% of households and an even lower portion of the population.

More recently, the CIU projected that mobile broadband penetration in Mexico reached 86.0% of the A/B population in 2015, with the C+ population trailing far behind at 51.1%. Both totals were well above the 18.9% national average.

Future mobile uptake will now primarily be in the hands of the middle class (roughly 32.8% of households, including the C+, C and C- groups in the AMAI classification) and particularly the massive contingent of the low-income cohort (D+, D and E), which represents 63.3% of households and a greater portion of the population because the number of household members increases as socioeconomic level drops.

MOBILE DEVICES

Smartphones are by far the most typical device with which consumers in Mexico access the mobile internet. And like consumers the world over, internet users show much less attachment to tablets.

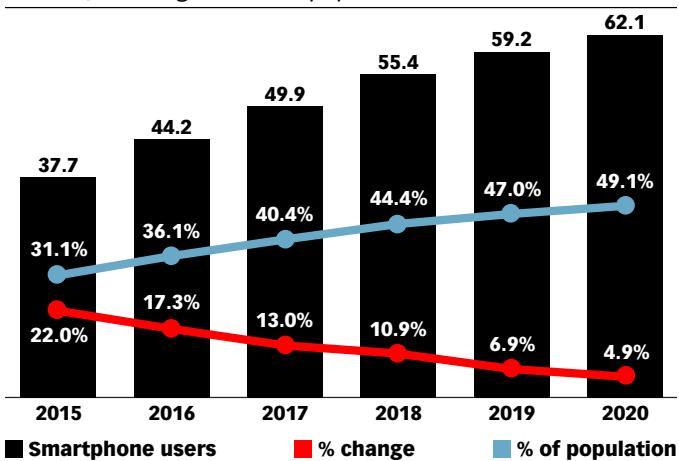


Smartphones

eMarketer estimates that smartphone users in Mexico will total 44.2 million in 2016, increasing 17.3% year over year. Smartphone adoption will continue its double-digit growth through 2019. By the end of the forecast period, users will number 62.1 million.

Smartphone Users and Penetration in Mexico, 2015-2020

millions, % change and % of population



Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month
Source: eMarketer, April 2016

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Meanwhile, the number of smartphone devices in use reached 44 million in 2015 and is expected to soar to 81 million by 2020, according to estimates from Cisco Systems.

Given Mexico's high poverty levels, low mobile phone adoption levels and high degree of aspirational purchases, manufacturers with top-notch flagship smartphones and an array of affordable devices with at least some top-level specification should continue to perform well.

According to the CIU, South Korea-based Samsung has led Mexico's smartphone market since Q1 2014 and expanded its share from 26.1% in Q4 2014 to 28.8% in Q4 2015. LG was second with 15.9% of the market, up 0.9 percentage points from a year earlier. Apple, which focuses on high-income consumers, was third but saw its market share drop 1.4 percentage points to 13.5% during the same period.

Smartphone User Share in Mexico, by Brand, Q4 2015

% of total

Samsung

28.8%

LG

15.9%

Apple

13.5%

Nokia

10.7%

Motorola

8.0%

Alcatel

6.3%

Sony

5.7%

ZTE

2.0%

Huawei

1.5%

HTC

1.5%

BlackBerry

1.2%

Lanix Mobile

1.2%

Other

3.9%

Note: numbers may not add up to 100% due to rounding

Source: The Competitive Intelligence Unit as cited in company blog; eMarketer calculations, Jan 2016

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Brands with individual market shares below 6—which also offer some of the most affordable devices—controlled a combined 17% of the smartphone market in Q4 2015, up from 11% a year earlier.

Tablets

The number of tablet users in Mexico will reach 27.9 million this year, up 10.0% from 2015. eMarketer expects that total will hit 36.4 million come 2020.

Mexico will continue to lead Latin America in tablet user penetration, with 39.5% of internet users and 22.8% of the population using a tablet at least once per month in 2016. Both totals will surpass regional penetration rates of 31.4% and 17.6%, respectively.



Tablet User Penetration in Latin America, by Country, 2014-2020

	2014	2015	2016	2017	2018	2019	2020
Tablet user penetration (% of internet users)							
Mexico	37.0%	39.0%	39.5%	40.0%	40.5%	41.0%	41.5%
Brazil	26.2%	30.5%	34.5%	37.0%	38.2%	39.0%	39.6%
Argentina	19.9%	22.7%	25.8%	28.4%	30.6%	31.5%	32.1%
Other	21.7%	26.3%	29.7%	32.1%	34.0%	34.8%	35.3%
Latin America	24.9%	28.2%	31.4%	33.8%	35.5%	36.3%	37.0%
Tablet user penetration (% of population)							
Mexico	18.4%	21.0%	22.8%	24.5%	26.1%	27.7%	28.7%
Brazil	13.9%	17.0%	20.1%	22.0%	23.0%	23.8%	24.5%
Argentina	12.5%	15.2%	17.5%	19.6%	21.4%	22.2%	22.8%
Other	8.0%	10.3%	12.9%	15.1%	17.0%	18.1%	18.9%
Latin America	12.4%	15.0%	17.6%	19.6%	21.1%	22.2%	23.0%

Note: individuals of any age who use a tablet at least once per month

Source: eMarketer, April 2016

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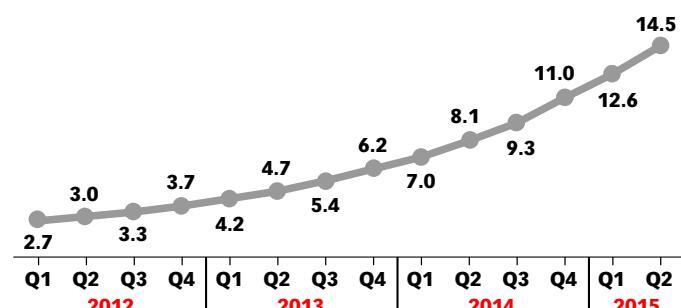
Separately, IAB México and Millward Brown found that tablet penetration among internet users in Mexico reached 36% last year, down from 42% in 2014. The reduction came after a gain of 17 percentage points from 2013. While discarding tablets outright is unlikely, the dramatic reduction in ownership is a likely indication that growth there is in alignment with plateauing tablet sales worldwide.

Unlike smartphones, tablets are commonly shared among users—family, friends and even colleagues—resulting in the number of tablet users being far greater than the actual number of devices.

The CIU estimated the number of tablets in use in Mexico reached 14.5 million in Q2 2015, up 79% from Q2 2014. It was the second-largest improvement per annum, outpaced only by the 80% increase between Q1 2014 and Q1 2015, when tablets in use soared from 7.0 million to 12.6 million.

Tablets in Use in Mexico, Q1 2012-Q2 2015

millions



Source: The Competitive Intelligence Unit as cited in company blog, Sep 18, 2015

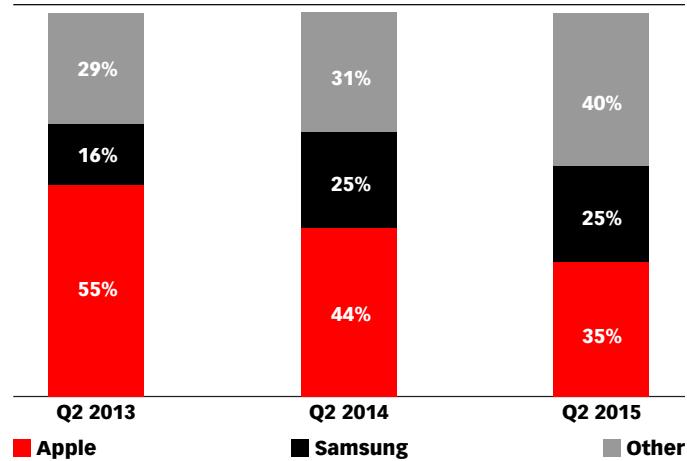
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On the other hand, Cisco estimated there were 2 million tablets in Mexico connected to the internet in 2015 and predicts that number will rise to 4 million by 2020.

Tablet manufacturers with affordable options—often running on Android operating systems—have been scoring gains since 2012. According to Q2 2015 data from the CIU, the primarily low-cost “other” tablets control 40% of the market, up from 10% at the beginning of 2012. Samsung holds a 25% market share, up from 16% in Q2 2013. Apple’s iPad has gone from controlling 72% of the market in early 2012 to about one-third (35%) in Q2 2015.

Share of Tablets in Use in Mexico, by Brand, Q2 2013, Q2 2014 & Q2 2015 % of total



Source: The Competitive Intelligence Unit as cited in company blog, Sep 18, 2015

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eMarketer anticipates tablet user growth in Mexico will slow significantly over the next few years, falling to 8.4% in 2017 and 4.4% by 2020, when the group will reach 36.4 million individuals.

DEMOGRAPHIC PROFILE OF MOBILE USERS

Although males remain more likely than females to be mobile users, the gender gap is narrowing. eMarketer estimates that 73.1% of males—43.6 million—will be mobile phone users in 2016, up 0.8 percentage points from the previous year. Fully 65.1% of females, or 40.7 million, will be mobile phone users.

Mobile phone usage will continue to skew male even though women outnumber men by about 3 million in the country out of a total population of 122.3 million, according to 2016 Consejo Nacional de Población (CONAPO) projections based on 2010 General Census data collected by INEGI. Males will hold 51.7% of the mobile phone user total this year, vs. 48.3% for females. By 2020, the gap will narrow (50.7% to 49.3%) but it will still skew slightly male.

Looking at mobile phone users by age, eMarketer estimates that 12- to 54-year-olds will hold a penetration rate between 84.0% and 94.1% in 2016.

Mobile Phone User Penetration in Mexico, by Age, 2014-2020

% of population

	2014	2015	2016	2017	2018	2019	2020
0-11	7.2%	7.7%	7.9%	8.2%	8.3%	8.6%	9.0%
12-17	80.4%	82.5%	84.0%	85.2%	86.4%	86.9%	87.2%
18-24	93.0%	93.8%	94.1%	94.2%	94.4%	94.6%	94.8%
25-34	91.5%	92.3%	92.6%	92.8%	92.9%	92.9%	93.1%
35-44	87.2%	88.6%	89.5%	90.6%	91.2%	91.7%	91.9%
45-54	84.9%	87.0%	88.6%	88.5%	89.0%	89.2%	89.5%
55-64	69.8%	74.0%	76.4%	79.2%	81.4%	82.5%	83.0%
65+	47.8%	54.7%	59.3%	61.2%	63.1%	64.8%	67.0%
Total	65.9%	67.7%	69.0%	69.9%	70.6%	71.2%	71.7%

Note: individuals who own at least one mobile phone and use the phone(s) at least once per month

Source: eMarketer, April 2016

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Older millennials (those ages 25 to 34) will be the largest contingent within the mobile phone user group throughout the rest of the decade, though their share will drop from 20.9% this year to 20.3% in 2020. Over that same period, the combined portion of mobile users ages 45 and older will rise from 28.3% to 30.8%, totaling 28.0 million by the end of the forecast period.

Smartphone Users

Individuals ages 18 to 34 will represent 28.0% of the population, according to CONAPO projections, but they will account for nearly half (46.9%) of all smartphone users in Mexico this year, eMarketer predicts. That share will fall to 43.8% in 2020. Simultaneously, the share of smartphone users 45 and older will rise from 19.7% in 2016 to 23.9% by 2020.

Penetration will remain much higher among younger individuals throughout the forecast: 65.3% of mobile phone users ages 18 to 24 will own a smartphone in 2016, followed by 25- to 34-year-olds with 64.7%. By 2020, smartphone uptake will rise to eight out of 10 mobile phone users in those two age groups, reaching penetration rates of 86.6% and 80.1%, respectively.

Smartphone User Penetration in Mexico, by Age, 2014-2020

% of mobile phone users

	2014	2015	2016	2017	2018	2019	2020
0-11	19.9%	24.9%	28.2%	30.7%	34.0%	35.5%	36.9%
12-17	42.5%	51.2%	58.8%	64.9%	69.9%	72.1%	74.1%
18-24	50.9%	58.1%	65.3%	72.3%	78.8%	83.9%	86.6%
25-34	48.5%	56.9%	64.7%	70.3%	75.6%	78.3%	80.1%
35-44	37.8%	43.9%	49.6%	55.2%	60.2%	63.3%	66.2%
45-54	28.2%	35.1%	42.3%	48.2%	53.7%	57.9%	61.2%
55-64	25.8%	33.2%	39.4%	44.3%	48.7%	52.3%	56.1%
65+	11.5%	15.0%	18.6%	22.5%	26.4%	29.4%	32.8%
Total	39.2%	46.0%	52.4%	57.8%	62.8%	66.0%	68.5%

Note: individuals who own at least one smartphone and use the smartphone(s) at least once per month

Source: eMarketer, April 2016

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Smartphone adoption by gender has also experienced a significant expansion in the past year. According to data collected in 2016 for Google's Consumer Barometer from TNS Infratest, smartphone usage remains more common among men (67%) than women (64%), up from respective penetration rates of 44% and 37% in 2014.

However, the study found the disparity in smartphone uptake by gender all but disappeared among consumers 25 and younger; 87% of males and 88% of females in that age group said they were smartphone users. In fact, women were more likely than men to be smartphone users in most age groups, except in the 45-to-54 set in which 64% of males used the device but only 49% of women did so.

eMarketer estimates that the gender gap in smartphone usage still skews male but will continue to narrow slowly but steadily over the next few years. In 2016, males will account for 56.5% of Mexico's smartphone audience, while female's share will be 43.5%. By 2020, those figures will reach 52.2% and 47.8%, respectively.

Smartphone User Metrics in Mexico, by Gender, 2014-2020

	2014	2015	2016	2017	2018	2019	2020
Male (millions)	18.1	21.7	25.0	27.7	30.2	31.5	32.4
—% change	35.2%	19.9%	15.2%	11.0%	8.9%	4.5%	2.7%
—% of mobile phone users	43.7%	50.7%	57.2%	62.6%	67.1%	69.2%	70.5%
—% of total	58.5%	57.5%	56.5%	55.5%	54.5%	53.3%	52.2%
Female (millions)	12.8	16.0	19.2	22.2	25.2	27.6	29.7
—% change	37.5%	24.9%	20.0%	15.6%	13.4%	9.7%	7.4%
—% of mobile phone users	34.2%	40.8%	47.2%	52.9%	58.3%	62.6%	66.4%
—% of total	41.5%	42.5%	43.5%	44.5%	45.5%	46.7%	47.8%
Total (millions)	30.9	37.7	44.2	49.9	55.4	59.2	62.1
—% change	36.2%	22.0%	17.3%	13.0%	10.9%	6.9%	4.9%
—% of mobile phone users	39.2%	46.0%	52.4%	57.8%	62.8%	66.0%	68.5%

Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month; numbers may not add up to total due to rounding

Source: eMarketer, April 2016

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Smartphone usage data by socioeconomic level can be difficult to come by in Mexico. But taking a look at several sources points to the continued income divide when it comes to smartphone adoption. Pew Research Center data showed that 35% of adults in Mexico owned a smartphone in May 2015; penetration among higher-income adults stood at 50% and dropped to 23% for lower-income respondents.

Google and TNS found that 63% of consumers with medium-level income and half of those with low income were smartphone users. High-income consumers polled were far more likely to be smartphone users, with 79% of respondents who said they use the device.

Tablet Users

Mexico is exhibiting some signals of decreasing tablet growth rates in alignment with global trends. According to Google/TNS, 18% of both female and male respondents in Mexico were tablet users in 2014. Penetration in 2016 rose to 24% of males and 25% of females.

When looking at age demographics, tablet adoption is highest among respondents younger than 25, at 33% for 2016, followed closely by those ages 35 to 44 (29%). Less than 18% of those ages 45 and older said they are tablet users.

A gender gap still exists in tablet usage, but it has mostly reversed, as females across several age groups in Mexico are now ahead in adoption of the device. Google/TNS found that penetration is significantly higher only among males ages 45 to 54, at 22% vs. 13% of women in that age cluster. Uptake of the device among women ages 35 to 44 (32%) and 55 and older (12%) was greater than among men of the same age, by 7 and 11 percentage points, respectively.

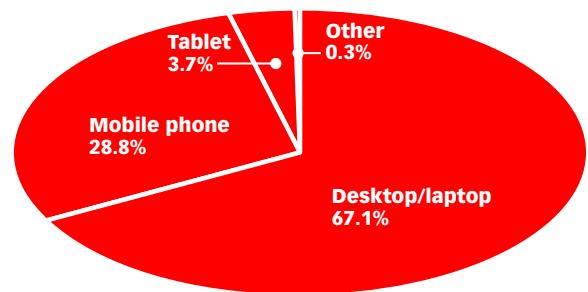
When it comes to socioeconomic status, the tablet adoption gap is nearly equal between consumers with low- and medium-level incomes. According to the 2016 data, 18% of low-income respondents and 19% of those with medium-income level were tablet users. But among high-income consumers, tablet penetration was a much higher 35%.

MOBILE INTERNET TRAFFIC

comScore data for February 2016 found that mobile phones represented 28.8% of page views in Mexico (up from 22.4% in December 2014), and tablets contributed 3.7% (down from 4.0%). Computer-based traffic still dominates, representing more than two-thirds of pages viewed.

Page View Share in Mexico, by Device, Feb 2016

% of total



Note: numbers may not add up to 100% due to rounding
Source: comScore Device Essentials, April 7, 2016

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It's likely that smartphones are mainly connecting to the internet via Wi-Fi networks, as consumers remain wary of monthly data caps and steep fees that were once nearly inescapable features of mobile data plans. Increasing mobile market competition and rapidly reducing prices in data plans and devices, however, make it likely that mobile data consumption will surge as users get more comfortable with accessing the mobile web.

Cisco Systems estimates that mobile data traffic per user in Mexico reached 430 megabytes per month during 2015, up from 353 megabytes in 2014. By 2020, monthly data traffic on mobile devices will approach 3 gigabytes.

Smartphones drove 81% of mobile data traffic last year and are expected to maintain that share at the end of the projected period. Tablets accounted for only 6% of mobile data traffic in 2015, a portion that is expected to rise very slightly to 7% by 2020.

Mobile Data and Device Metrics in Mexico, 2015 & 2020

	2015	2020
Mobile devices		
Mobile device users (millions)	92.0	100.6
Mobile device user penetration (% of population)	72%	75%
Smartphones in use (millions)	44	81
Connected tablets in use (millions)	2	4
4G connections (% of total mobile connections)*	4%	37%
Mobile data		
Mobile data traffic per user (MB/month)	430	2,925
—Smartphone data traffic (% of total mobile data traffic)	81%	81%
—Tablet data traffic (% of total mobile data traffic)	6%	7%
—Laptop data traffic (% of total mobile data traffic)	8%	3%
Mobile video traffic (% of total mobile data traffic)	51%	74%
4G data traffic (% of total mobile data traffic)	17%	66%

Note: includes only devices connected to the mobile network; excludes devices connected solely via Wi-Fi; total number of devices in use may exceed number of users due to dual device/SIM ownership; *excludes low-power wide area (LPWA) machine-to-machine (M2M) connections

Source: Cisco Systems, "Cisco Visual Networking Index (VNI): Global Mobile Data Traffic Forecast Update, 2015-2020," Feb 3, 2016

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The slow development of a robust 4G network continues to hamper smartphone usage in Mexico. Mobile connections linked to a 4G device reached just 4% in 2015, though they already represent 17% of mobile data traffic. Cisco predicts that 37% of mobile connections, as well as two-thirds of all mobile data traffic, will be linked to a 4G device by 2020.

Mobile carriers offer prepaid and postpaid data plans for as little as MXN200 (\$12.60) per month that include unlimited voice and text in Mexico and North America as well as the use of popular social network, mobile messaging or music-streaming platforms that do not count against data caps.

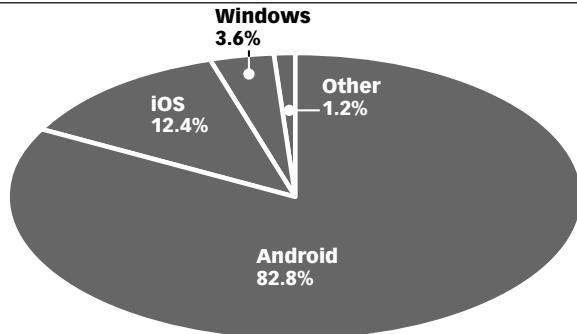
According to the February 2016 "Connected Society" report from GSMA Intelligence, the target level cost of owning a mobile (both the device and the service) should not exceed 5% of income. In Mexico, consumers in the bottom 40% of the income ladder devote an average 11% of their earnings to mobile ownership, while the top 20% of earners pay 1%.

Traffic by Operating System

For years, Android ruled smartphone-based internet traffic, and that dominant position just got a bit stronger. Android operating systems generated 82.8% of smartphone traffic in Mexico in February, up from 80.8% in December 2014, according to comScore. iOS had a 12.4% share, up slightly from 10.6%.

Mobile Phone Page View Share in Mexico, by OS, Feb 2016

% of total



Source: comScore Device Essentials, April 7, 2016

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On the tablet front, Apple's iOS is still driving a majority of the traffic, but the gap has nearly disappeared. iOS devices held on to a 50.8% share just ahead of Android's 46.5% in February 2016. Windows controlled only 2.6% of traffic, comScore found.



MOBILE ACTIVITIES

Social Networks and Messaging

eMarketer estimates the number of mobile social network users in Mexico will increase 15.7% to reach 49.7 million in 2016. Meaning, nearly nine in 10 social network users in the country will use their mobile phone to visit social platforms at least once per month. Access to Facebook and Twitter, now bundled into many mobile plans, will propel further uptake in mobile social networking for the remainder of the forecast period.

Mobile Phone Social Network Users and Penetration in Mexico, 2014-2020

	2014	2015	2016	2017	2018	2019	2020
Mobile phone social network users (millions)	33.1	43.0	49.7	55.3	59.1	62.5	64.6
—% change	41.9%	29.9%	15.7%	11.2%	6.9%	5.8%	3.4%
—% of social network users	75.7%	86.8%	88.8%	89.8%	89.7%	89.5%	89.7%
—% of mobile phone users	41.9%	52.4%	58.9%	64.0%	67.1%	69.7%	71.3%
—% of population	27.6%	35.5%	40.6%	44.7%	47.4%	49.6%	51.1%

Note: mobile phone users of any age who use social networks via mobile phone (browser or app) at least once per month

Source: eMarketer, June 2016

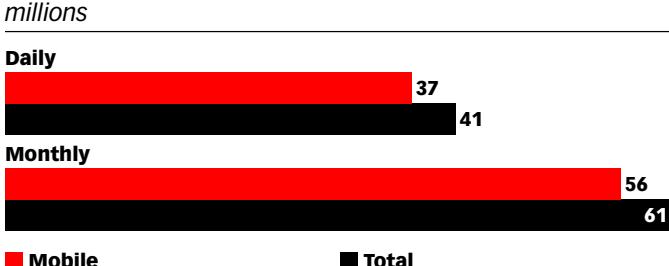
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More than any other property, Facebook will continue to be the main driver of mobile social network user growth. The number of Facebook users who will access the social network via mobile phone will reach 46.4 million in 2016 and add 15 million more by 2020, eMarketer predicts.

By Facebook's own estimates, the number of mobile MAUs reached 56 million in Q4 2015. In other words, 92% of the 61 million individuals accessing their profile every month via any device were doing so via mobile.

Mobile vs. Total Active Facebook Users in Mexico, by Frequency, Q4 2015



Source: Facebook, March 2, 2016

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eMarketer estimates mobile phone messaging app users will total 35.1 million in Mexico in 2016, increasing 17.5% year over year. WhatsApp, the only messaging app included in mobile plans' value-added services, likely accounts for the majority of such users. Facebook Messenger—the only other mobile phone messaging app included in some data plans, but fewer than those that include WhatsApp—likely comes in a distant second.

Mobile Phone Messaging App Users and Penetration in Mexico, 2014-2019

	2014	2015	2016	2017	2018	2019
Mobile phone messaging app users (millions)	21.5	29.8	35.1	40.2	45.1	48.7
—% change	37.8%	39.0%	17.5%	14.7%	12.1%	8.0%
—% of mobile phone internet users	47.6%	56.3%	58.8%	62.2%	65.1%	66.4%
—% of mobile phone users	27.5%	36.7%	42.0%	47.0%	51.6%	54.7%
—% of population	17.9%	24.7%	28.7%	32.6%	36.2%	38.7%

Note: mobile phone users of any age who use an over-the-top (OTT) messaging app via mobile phone (browser or app) at least once per month

Source: eMarketer, Nov 2015

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Double-digit growth will be the norm in the mobile phone messaging app user category through 2018. Come 2019, an additional 8.0% growth will bring the total up to 48.7 million users.

Media

Digital video and music are likely the two other main engines behind the rapid influx of mobile internet users in recent years.

Google and TNS found that 54% of respondents in Mexico watch online videos via smartphones on a weekly basis, and 16% do the same via tablets. More than half of digital video viewers said they consume online videos on a daily basis via any device. Another 20% said they do so at least every week.

The frequency with which digital video viewers consume this type of content via smartphones is greater than on any other device. Fully 74% of the digital video viewers who use smartphones said they watch videos on the web at least weekly, compared with 61% who do so via computers and 64% via tablet.



Digital video is more commonly watched at home than away from it. Google/TNS found that 91% of smartphone users in Mexico had consumed online video in their household the week prior to polling in 2015, compared with 59% who did so out-of-home. The reason for this is partly because of bandwidth: 85% of smartphone respondents used a Wi-Fi connection to watch digital; just 15% did so via mobile network. When on a tablet, 85% used Wi-Fi to consume such content, while 8% used a mobile network.

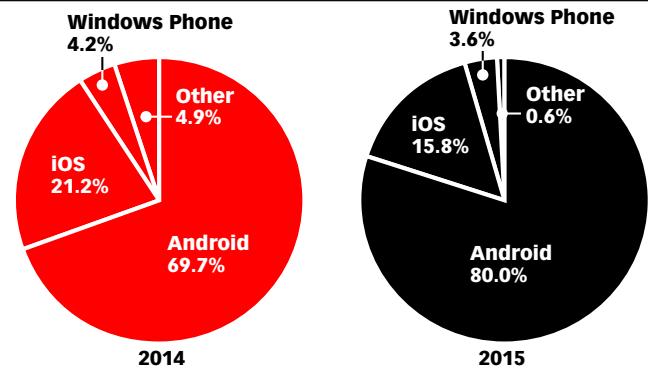
MOBILE ADVERTISING

Advertisers have long embraced mobile as the main point of contact with digital audiences in Mexico. According to InMobi, 80.7% of mobile ad impressions were delivered to smartphones and 19.1% to tablets in 2015. In addition, the vast majority of mobile ad impressions are shown on apps.

And just as Android dominates when it comes to overall mobile internet traffic in Mexico, most mobile ad impressions are delivered to Android. In February 2016, Android operating systems generated 88.2% of smartphone traffic and 46.5% of tablet traffic in Mexico. Accordingly, some 80% of all mobile ad impressions served through the InMobi network in Mexico were shown on Android tablets and smartphones. That's an increase of more than 10 percentage points since 2014. The share of mobile ad impressions served to iOS devices dropped from 21.2% in 2014 to 15.8% in 2015.

Mobile Ad Impression Share in Mexico, by OS, 2014 & 2015

% of total on InMobi's network



Note: represents activity on InMobi's network, broader industry metrics may vary

Source: InMobi; eMarketer calculations, April 6, 2016

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Other firms have registered similar mobile ad impression shares by OS in 2016. Adsmovil reported that 76.4% of mobile ad impressions served through its network were shown to Android users, with 17.3% going to iOS devices. Samsung devices—which virtually all run on Android—received the most (22.7%) mobile ad impressions, while Apple devices were in second place, with a 20.7% share.

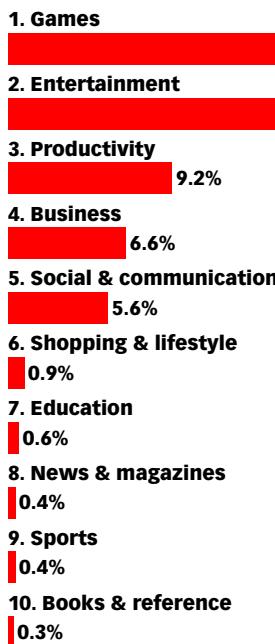
Fully 90% of impressions served by InMobi in 2015 and 83% of those served by Adsmovil in Q1 2016 landed on mobile apps as opposed to mobile browsers.



Among a ranking of the top 10 mobile categories in Mexico last year, games led with a 37.7% share of mobile ad impressions, significantly higher than its 26% share in 2014, InMobi found. The games category swapped places with the entertainment category, which garnered 37.6% of the market, compared with 41% the year before.

Top 10 Mobile Categories in Mexico, by Mobile Ad Impression Share, 2015

% of total on InMobi's network



Note: represents activity on InMobi's network, broader industry metrics may vary; numbers may not add up to 100% due to rounding
Source: InMobi, April 6, 2016

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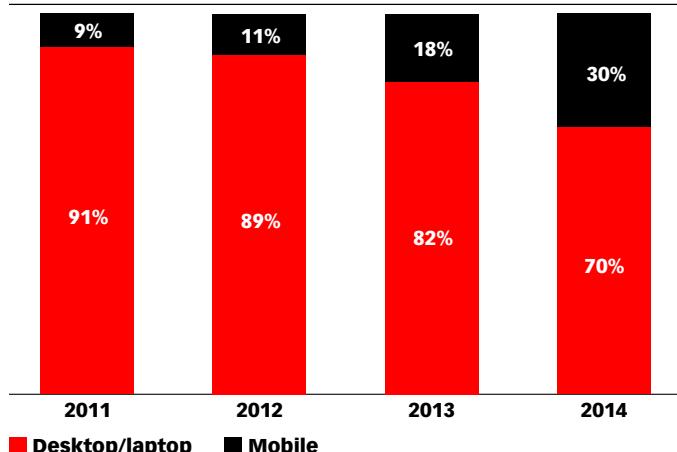
The “social and communication” category had a 5.6% share of mobile ads served by InMobi in 2015, down from 12% the year prior. Shocking as the disconnect may seem considering the central role of social media and mobile messaging apps among consumers in Mexico, it is likely a reflection of the tight control that Facebook maintains over advertising within its walled garden.

MOBILE AD SPENDING

Between 2013 and 2014, mobile's share of digital ad spending in Mexico jumped from 18% to 30%, according to the most recent data from IAB México and PricewaterhouseCoopers (PwC). That brought mobile ad spending up to MXN3.28 billion (\$206.6 million) in 2014.

Digital Ad Spending Share in Mexico, by Device, 2011-2014

% of total



Source: Interactive Advertising Bureau México (IAB México) and PricewaterhouseCoopers (PwC), "Estudio de Inversión en Comunicación en Internet en México 2014"; eMarketer calculations, July 29, 2015

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eMarketer's definition of mobile internet ad spending includes display (banners, video and rich media) and search but excludes SMS, MMS and P2P-based messaging. Under that definition, expenditures in mobile ads will rise 51.2% this year to reach \$500 million (MXN8 billion). Mobile ad spending's growth rates will slow but remain in double-digit territory throughout the rest of this decade.

Mobile's share of total digital ad spending will more than double from 32.6% in 2015 to 74.5% in 2020, eMarketer predicts. To take a broader measure, nearly one-quarter of all ad spending, including traditional as well as digital, will be done using mobile channels by the end of this decade.



Total Media, Digital and Mobile Internet Ad Spending in Mexico, 2014-2020

	2014	2015	2016	2017	2018	2019	2020
Total media ad spending* (billions)	\$4.61	\$4.69	\$4.90	\$5.13	\$5.33	\$5.52	\$5.69
—% change	5.6%	1.6%	4.4%	4.9%	3.9%	3.5%	3.1%
Digital ad spending** (billions)	\$0.81	\$1.01	\$1.19	\$1.37	\$1.53	\$1.68	\$1.84
—% change	30.0%	25.0%	18.0%	15.0%	12.0%	10.0%	9.0%
—% of total media ad spending	17.5%	21.5%	24.3%	26.6%	28.7%	30.5%	32.2%
Mobile internet ad spending*** (billions)	\$0.19	\$0.33	\$0.50	\$0.70	\$0.91	\$1.14	\$1.37
—% change	113.6%	76.0%	51.2%	40.3%	30.4%	25.3%	20.3%
—% of digital ad spending	23.1%	32.6%	41.7%	50.9%	59.3%	67.5%	74.5%
—% of total media ad spending	4.0%	7.0%	10.1%	13.6%	17.0%	20.6%	24.0%

Note: converted at the exchange rate of US\$1=MXN15.87; *includes digital (desktop/laptop, mobile and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio and TV; **includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; excludes SMS, MMS and P2P messaging-based advertising; ***includes display (banners, video and rich media) and search; excludes SMS, MMS and P2P messaging-based advertising; includes ad spending on tablets

Source: eMarketer, March 2016

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Marketers and brands in Mexico are ahead of their peers in Latin America when it comes to mobile ad spending. eMarketer estimates that 41.7% of digital budgets in Mexico will go toward mobile investments in 2016. By comparison, the regional average will reach only 29.4% during the same period; the figure for Brazil, in second place, will be 29.8%.

One major issue currently hindering further investment in mobile ads in Latin America is the fact that large swaths of consumers still stay off the mobile web unless a Wi-Fi connection is available. This "Wi-Fi effect" means that advertisers have narrow windows of time in which to reach them—typically during mealtimes in the morning, afternoon and night. However, those peaks will continue to get smaller as mobile networks improve and consumers are able to leave behind fears of huge phone bills.

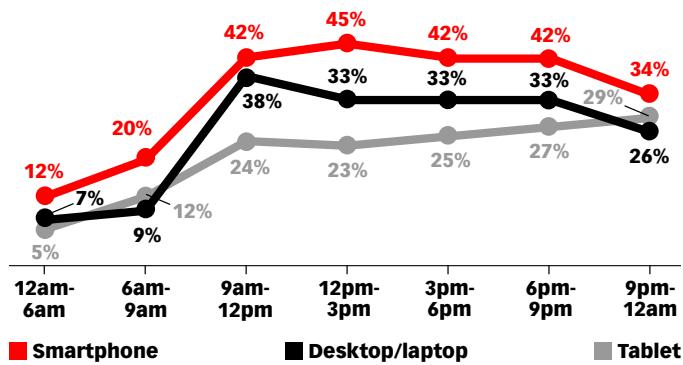
"The Wi-Fi effect is brutal in Latin America ... including in Mexico," said Borja Beneyto, vice president of technology and digital innovation for Latin America at Publicis One. "But I would say that while [Wi-Fi] peaks still exist in the morning during breakfast and at night, usage [in Mexico] is becoming more uniform throughout the day, and the daypart [when the advertising impact is delivered] is less decisive."

December 2015 polling from IAB México and Millward Brown found that not only were smartphones the most common gateway to the internet, their usage remained at no less than 42% of respondents from 9am to 9pm, peaking only slightly during the lunch hour (12pm to 3pm), with 45% of respondents using smartphones to access the web during that daypart. And even between 9pm and 12am, 34% went online using a smartphone.

Tablets were used to access the internet at a lesser extent than computers during work hours (the work day in Mexico usually spans from 9am to 7pm or 8pm) but peaked at the end of the day with 29% of respondents.

Daypart During Which Internet Users in Mexico Access the Internet, by Device, Dec 2015

% of respondents



Note: yesterday

Source: Interactive Advertising Bureau México (IAB México) and Millward Brown, "Estudio de Consumo de Medios y Dispositivos Entre Internautas Mexicanos" sponsored by Televisa.com, March 10, 2016

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A limited mobile-ready publisher ecosystem has also restrained advertisers' efforts to connect with mobile users in Latin America, and there is also a sizable inventory gap between the regional giants and the more advanced markets in North America, Western Europe and Asia-Pacific.

Because Mexico embraced mobile advertising at an early stage, mobile ad spending has matured and growth is now relatively low compared with other countries in Latin America tracked by eMarketer. Mobile ad growth in Mexico will increase 51.2% in 2016, while Argentina will expand 140% and Chile 90%. Half of the markets in the region will still register triple-digit expansions this year, but growth rates will even out in the next five years, with expansion in all markets but Peru hovering from 20% to 30%.



EMARKETER INTERVIEWS



Borja Beneyto

Vice President, Technology and
Digital Innovation for Latin America
Publicis One

Interview conducted on May 3, 2016

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