

THE STATE OF MOBILE MARKETING

A Snapshot of Global Wireless Marketing Uptake

An Air2Web
White Paper

The State of Mobile Marketing

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Mobile Marketing 2005: A Snapshot

How to reach 1.8B customers worldwide.

Using wireless networks to reach consumers on personal phones and mobile devices has received much attention over the past few years. The ability to make a highly personalized offer to a highly targeted audience at the most opportune time has been the holy grail of direct marketing. Mobile technology has finally made this goal attainable.

In the mid to late nineties the allure of mobile and wireless technologies proved irresistible to many businesses eager to reap the benefits of being early movers on a new marketing channel. Unfortunately many early rollouts of consumer-facing wireless applications were hasty, marked by unclear objectives and untested technologies, and financed by overblown marketing budgets. The lack of focus and unreasonable expectations surrounding wireless led to a well-publicized failure when economic conditions began to sour following the dot-com bust. Many consumer-facing wireless projects generating marginal bottom-line impact were put on hold, or completely shelved.

Has the time come?

While economic conditions have only recently showed signs of recovering, improvements in technology never stopped. Today's wireless data networks have larger footprints, are more reliable, and feature greater throughput. Mobile devices have become ubiquitous and are far more powerful, less expensive, and have many features that make them suitable for data applications. Carrier interoperability has created new opportunities around SMS (Short Message Service) and MMS (Multimedia Message Service) creating room for new strategies to leverage mobile marketing.

These factors have set the stage for the emergence of a new variant of consumer-facing wireless applications: Permission-Based Mobile Marketing. This is a powerful new way to reach a market of close to two billion consumers spread across the globe.

Permission is the catalyst for successful direct marketing campaigns, and the critical "must have" in mobile marketing. Permission is what distinguishes SPAM from valuable, solicited content; the difference between new revenue streams and costly marketing experiments.

This white paper discusses the opportunities permission-based mobile marketing presents to businesses including but not limited to

- Media Companies
- Radio/TV Stations
- Retail Stores
- Advertising/Fulfillment Housed
- Restaurants
- Web Portals
- Content Providers

Global Uptake in Text Messaging

The penetration of text-capable mobile devices is staggering – there are currently over 170 million subscribers in the U.S. alone. Every mobile phone sold supports two-way SMS messaging. According to the Mobile Marketing Association (MMA), those subscribers send approximately 2.5 billion text messages every monthⁱ. The attractive price points of mobile phones and cheap data plans are accelerating text-message traffic.

As impressive as SMS device penetration is, perhaps more remarkable is consumer willingness to receive marketing messages on their phones. According to U.K.- based marketing research company Nightfly, over 39% of its client base prefers SMS marketing to TV or Radioⁱⁱ. Marketing research organization Enpocket found that permission-based mobile marketing is 50% more effective than TV and 130% better than radioⁱⁱⁱ.

SMS is here to stay. A recent ZDNet article estimated that SMS would remain a key revenue producer accounting for nearly 26% of all data service revenue into 2009^{iv}.

MMS and Emerging Technologies

While SMS is text only, MMS (Multi-Media Messaging) enables the combination of graphics, text, animations, and audio creating richer end-user experiences. Users may send messages to other MMS users, or PCs and PDAs. Some typical uses of MMS include


- Animated greetings with audio or text
- Personal Video clips
- Pictures taken with a camera phone



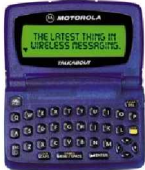
Worldwide adoption of camera phones only serve to accelerate the use of MMS in the future.

As of first half of 2005, many carriers have signed interoperability agreements to enable cross-carrier MMS. However, handset interoperability still presents a hurdle to widespread adoption of this service. According to TelephoneOnline, many MMS users cannot send messages to other users with different types of MMS devices^v. Until handset interoperability issues are resolved and rendering standards emerge, MMS' suitability as a wide spread marketing vehicle will be limited.

The Reality of Device Divergence

No matter what someone's preference may be, there is a mobile device available to match. Whether it is QWERTY keyboards or pen-based computing; small SMS phones or more powerful (and hefty) smart phones; long battery life, black and white displays or battery draining (but visually stunning) color displays, there are hundreds of mobile devices available. Let's take a brief look at the more prevalent devices on the market today.

Image	Description	Pros/Cons
	<p>SMS and WAP phones are the most prevalent mobile devices. A mobile solution that offers access via SMS and WAP allows you to leverage personal devices</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Widely available <input checked="" type="checkbox"/> Reliable <input checked="" type="checkbox"/> Small <input checked="" type="checkbox"/> Inexpensive <input checked="" type="checkbox"/> Long battery-life <input checked="" type="checkbox"/> Few color models <input checked="" type="checkbox"/> Limited audio capabilities

	<p>J2ME (Java 2 Micro Edition) and BREW (Binary Runtime Environment for Wireless) phones can process data offline for out-of-coverage usability. Many feature color displays and the ability to run concurrent applications</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Offline processing <input checked="" type="checkbox"/> Larger memories <input checked="" type="checkbox"/> Color displays <input checked="" type="checkbox"/> Animation support <input checked="" type="checkbox"/> Shorter battery-life <input checked="" type="checkbox"/> Not widespread <input checked="" type="checkbox"/> More Expensive
	<p>Smart phones feature integrated applications (like one touch calling from address books) and multimedia functionality. Smart phones most closely replicate the PC experience and are surging in popularity.</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Powerful processors <input checked="" type="checkbox"/> Large memory stores <input checked="" type="checkbox"/> Rich color displays <input checked="" type="checkbox"/> Concurrent applications <input checked="" type="checkbox"/> Shorter battery-life <input checked="" type="checkbox"/> Not widespread <input checked="" type="checkbox"/> Clunky <input checked="" type="checkbox"/> Very Expensive
	<p>Two-way pagers use SMS technology for quick instant messages. They are inexpensive and fun, but used predominantly in the youth market.</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Inexpensive <input checked="" type="checkbox"/> QWERTY keyboard <input checked="" type="checkbox"/> Longer battery-life <input checked="" type="checkbox"/> Popular primarily in youth market

Mobile Marketing Usage Scenarios

Interactive TV/Radio

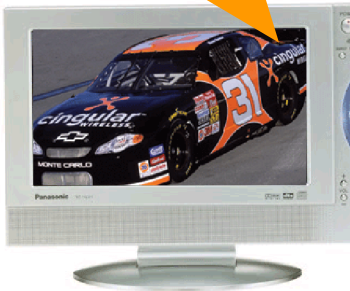
"With the accelerated growth of wireless data in the U.S., we strive to develop unique and fun ways to apply text messaging and engage our customers."

Rob Hyatt,
Ex. Director, Cingular

Interactive polling (like on American Idol) have become a big programming differentiator for network television. Cingular Wireless and Nextel have deployed mobile applications in conjunction with its sponsorship of NASCAR events and NCAA College Basketball. "Virtual Crew Chief" allows NASCAR viewers to opt-in to receive a variety of trivia questions, race action updates and race predictions on their phones. Responses are tallied in real time and are sent to subscribers' devices and also broadcast live during the race. The NCAA application enables sports fans to respond, via SMS, to sports questions flashed across the TV screen during basketball games. A sweepstakes contest prompts subscribers to send an SMS message to a specific "short code", and enter to win tickets to the championship game.

The reality TV phenomenon has created some interesting opportunities to leverage wireless technologies in audience interaction. ABC launched a campaign for "All American Girl" where subscribers can send an SMS message to answer questions and cast votes. By dialing a specific short code, such as "GIRL01", Customers vote for individual contestants. Cingular has teamed up with Fox's hit TV show "American Idol" to prompt viewers to vote for their favorite contestant.

Who will win today's race? Dial *1210 to play Virtual Crew Chief!



Europe, where SMS messaging has been popular for years, has had even more impressive results. According to Strand Consulting in Denmark, "In the weeks that Big Brother ran in England, it generated more than 13 million SMS messages from voting and quiz [applications]."^{vi} MTV UK conducted a polling application to encourage viewers to vote for their favorite songs. According to the station, the number of viewers watching the show increased from 295,000 to 500,000 per show.^{vii}

The Business Case:

For television networks, more viewers means better ratings, translating to higher advertising premiums. The MTV UK scenario mentioned above demonstrates the results of making television an interactive experience. For mobile operators, spikes in SMS traffic increase ARPU (Average Revenue Per User) and reduce churn.

In addition to audience polling applications, Interactive TV presents media outlets with substantial premium content delivery applications. Imagine watching a music video and being presented with the opportunity to dial a short code from your mobile phone to download your favorite song as a ringtone. Premium content delivery is discussed in more detail later in this white paper.

Mobile Couponing/Product Promotions

The right offer. At the right time. To the right audience.

It's the golden rule of Marketing 101 – and mobile couponing makes it possible. Nightfly recently conducted a survey to measure consumer sentiment regarding mobile couponing. Survey participants were asked to rank SMS messages, radio, direct mail, television, email and posters. SMS ranked first. Andrew Wood, Managing Director of Nightfly, concluded: "When an SMS campaign is carried out in a highly targeted, permission-based manner, consumers are accepting of the medium, do not find it intrusive, and are more willing to receive further brand promotions providing they are relevant to their lifestyle".^{viii} Becky Diercks, Director of Wireless Research at Cahner's In-Stat Group, adds: "Just as sales drive consumers to stores, special savings will lure consumers and will make the whole process of receiving mobile ads more palatable to users."^{ix}



Early results support Nightfly's study. Recent offers from UK grocers Tesco and Sainbury's have generated response rates of 16% and 22% respectively. During 2002 World Cup, a staggering 44% of recipients of a Guinness mobile coupon actually redeemed it.^x

Mobile couponing has been proven successful in the US as well. Since launching in the spring of 2002, over 9,000 University of South Florida (USF) students have been actively using MoBull Messenger, a free wireless notification and couponing service. Mobull Messenger delivers wireless real-time campus updates including class scheduling changes, school closings, emergency alerts, special events updates and

payment deadline reminders. When setting up devices on MoBull Messenger, students are presented with the opportunity to opt-in to receive special discount coupons from area restaurants, sporting events, nightclubs, and retail stores.

“Just as sales drive consumers to stores, special savings will lure consumers and will make the whole process of receiving mobile ads more palatable to users.”

- Cahners In-Stat Group

So far the results of the MoBull campaign have been very encouraging, particularly with vendors who have perishable inventories (restaurants, concert tickets, etc.). They have seen up to a 10% response on wireless coupons sent out. The ROI model is even more compelling when you look at the cost structure for merchants. For as little as \$.10 per message, merchants are able to send a coupon to an interested student, and one in ten will become a customer.

The Business Case:

Compared to direct mail, mobile couponing’s closest competitor, mobile couponing generates far better response rates at a fraction of the cost. Delivery is more immediate, making it more suitable for perishable items. Messages are also much more likely to be opened and read. Mobile operators benefit from increased SMS traffic and higher ARPU.

Premium Content Delivery

Consumers have indicated they are willing to pay for a variety of wireless content. One need only look at the ringtone market for evidence. A study conducted by NOPWorld and Mobile Metrix found that in the UK 32% of adults aged 15-34 had purchased a ringtone in the last three months.^{xi} A Coca Cola sweepstakes campaign run in Asia had a surprising ancillary effect – over 50,000 jingle downloads!^{xii}

Customers of The Weather Channel can sign up for Notify!, a service which sends severe audio and text-based weather alerts to subscribers’ mobile devices. For \$5.99/month, subscribers specify what types of weather conditions they wish to be informed of – from tornado watches to flash flood warnings. Another service from The Weather Channel sends “live” full motion Doppler radar images to phones.

Today you can watch a music video on your phone and then download it’s ringtone. In the near future, mobile brochures, complete with personalized speech, polyphonic audio, and animations will create rich multimedia marketing opportunities.

The Business Case:

Content owners can make money a couple of different ways with premium content delivery. On one hand, they can charge subscribers



directly for message content, as in the case with The Weather Channel. Additionally, because these business models scale, mobile operators are more inclined to conduct revenue share agreements on each message sent. Mobile operators benefit from increased SMS and MMS traffic which in turn creates higher ARPU.

Contests and Sweepstakes

Mobile operators and media companies have recently begun conducting permission-based SMS contests and sweepstakes geared specifically towards creating another channel for customer interaction. Large consumer brands have been using sweepstakes and contents to promote new products. The most prevalent applications feature prizes prompting users to send SMS messages to a particular short code. In China, Coca-Cola invited cell phone users to guess the next day's temperature in Beijing.^{xiii} Correct guesses could win a new phone or year's supply of coke. Recently, McDonald's customers in the U.K. could order french fries with special peel-off stickers on the packaging, which displayed a code and text-number.



Some contests reward users for playing multiple times. In Taiwan, Chunghwa Telecom's Emome customers were invited to become a "King for a Week".^{xiv} Each week, the person who sent the most SMS messages is treated like a king, and gets airtime on cable TV. The contest generated 10% jumps in SMS traffic for Chunghwa Telecom.

Mobile contests and sweepstakes are particularly useful in building opt-in lists and generating awareness around new products and services. As companies capture valuable subscriber demographics and usage patterns, they're able to tailor targeted offers to interested subscribers. A study conducted by HPI Research Group surveyed 3,300 people in 11 international markets, uncovering important criteria in SMS contests. Four key factors were important to consumers in SMS messaging: "choice -- being able to decide whether or not to receive messages; control -- being able to bypass sale messages easily; customization -- being able to filter the types of messages received; and mutual benefit -- getting something back in return, a reduction in the cost of services for example."^{xv}

The Business Case:

Contests and sweepstakes are great ways to generate buzz around a new product or service offering, create alternate channels to interact with the customer and create a base of valuable marketing data. Mobile operators often conduct such applications to produce immediate jumps in SMS traffic and boost ARPU.

Best Practices in Mobile Marketing

There are a handful of important rules, if followed, can result in a successful mobile marketing campaign that generates real ROI results. All these rules support the one most important tenet of direct marketing: *The right offer, at the right time, to the right audience.*

Ask for Permission

The most critical component of a successful mobile messaging campaign is asking your audience for permission to market to them. This will help distinguish your campaign from SPAM. An aggravating nuisance in the wired world, SPAM in wireless networks is a far more sinister threat and can seriously undermine the value of permission-based marketing. The reason is simple- subscribers pay for SMS messages. No one wants to pay for content they did not choose to receive.

We need only look at the reduced effectiveness of email marketing to learn the value of obtaining permission. People nowadays are accustomed to being asked whether they'd like to receive additional offers/news when downloading content from the Web. This opt-in process is even more critical in the wireless world. Additionally, each campaign you send out should also feature a quick and easy way to opt-out.

Optimize Content for Multiple Devices

There are myriad of mobile device choices for today's mobile consumer. Tastes can vary widely from simple SMS phones to highly sophisticated color wireless PDAs, but today there is a device to suit virtually every lifestyle. Input mechanism choices include QWERTY keyboards popularized by two-way pagers, pen-based graffiti text entry featured on Palm™ and Windows® CE devices, or touchpad text keying on mobile phones. Screen sizes and quality range from small black and white screens to high-resolution matrix color displays.

While SMS is surging in popularity, more functional devices providing different messaging options are also becoming widely available.

Beware of mobile technologies that strip content down to the lowest common denominator to fit all devices. This dramatically reduces the effectiveness of your message by making it less compelling for the user. Your platform should be capable of optimizing content for a variety of different platforms, including J2ME, BREW, WAP, and MMS.

Track Your Results

Your mobile messaging vendor should offer Web-based reporting tools for campaign tracking. Metrics should be viewable at both the aggregate and individual user levels. Captured statistics should include aggregate data like

- Polling tallies
- Survey results
- Total messages sent
- Total messages delivered
- Total opt-ins
- Total opt-outs

Individual user data should also be captured

- Opt-ins/outs
- Viral messages sent
- Delivery confirmation

Subscriber Personalization

The right offer, to the right audience, at the right time. To ensure all three criteria are met with your mobile marketing campaigns, give users the ability to control all three. You may be sending an offer for ½ off Harry Potter movie tickets to someone who has read every book, but if your message arrives at 3:00 AM on a Sunday, you have risked annoying one of your coveted opt-in subscribers. It is important to let your users schedule when they receive their content.

Target Your Audience

An important benefit of mobile marketing is that it is highly personalized and direct. Therefore the opt-in process should strike a balance between obtaining relevant demographic information and maintaining a simple and painless end user experience. During their SMS sign up process, Diageo, a UK based beverage company, collects customer preferences, which include favorite drinks and preferred

watering holes. As a result they know their customers better and can ensure subsequent mobile offers are extremely targeted. As you continue to grow your opt-in list, periodically querying your subscribers for additional information, and tracking user patterns, becomes an essential part of the “nurturing” process.

Make the Offer Compelling

Mobile marketing is invasive. You will be delivering messages to phones that people rely on for communication and other activities. Unless your offer is compelling and contains an incentive or reward, people will opt-out in droves causing your brand to be tarnished. Take great pains to ensure your offer is something your subscribers want. Adding “fun” or a give-away to messages may also facilitate viral marketing. A study conducted by Nokia indicated that nearly 9 out of 10 respondents agreed that they should be provided some kind of an incentive to opt-in to mobile marketing campaigns.^{xvi}

Make it Viral

Users forwarding your message to their friends and colleagues (thus enhancing the reach of each message sent) facilitate viral, or “word-of-mouth” marketing. Strong offers prompt viral marketing, can substantially increase message traffic for operators and build brand awareness and increase sales for content owners.

Piggyback on Traditional Ad Channels

Including an SMS number on traditional advertisements adds another way for people to respond. Aside from increasing ROI on existing media buys, SMS also enables better tracking of user behavior leading to useful reporting and data-mining capabilities.

Select a Carrier-Grade Vendor

Mobile operators have been reluctant to open up their messaging gateways to businesses (including marketing and advertising agencies) for fear of opening up the SPAM floodgates and creating an undesirable user experience for their subscribers. It is important to choose a vendor who offers carrier-grade solutions and has direct connections into carrier SMS gateways and billing systems.

About Air2Web

Air2Web provides mobile solutions for small and large businesses.. With direct connections into carrier networks Air2Web can ensure your organization can take its marketing campaigns to over 95% of U.S. subscribers and 1.5B people spread across 500 worldwide networks.

Air2Web provides access to mobile customers through

- Mobile marketing
- News and alerts
- Financial services
- Interactive customer service
- Up-to-date delivery of product information
- Loyalty account applications
- Enterprise application extensions such as EAI, ERP, CRM, SFA and SCM.
- Instant Messaging

Air2Web allows its customers to easily integrate their backend and corporate infrastructure to provide robust wireless applications.

Customers may

- Access data directly rather using open XML, J2EE standards
- Optimize delivery of data to all device types through Cascaded Rendering Technology(tm)
- Blend advanced voice and data in a format best suited for the mobile user
- Extend interactive applications across all device types
- Embed conditional navigation logic to require minimal user input
- Implement m-commerce applications
- Secure data using public key infrastructure (PKI) reciprocal digital certificate transfer

Air2Web managed services platform is being used by blue chip customers such as Cingular Wireless, NEXTEL, ABN AMRO, CBS SportsLine, The PGA TOUR, Citi Bank, Digital Insight, Six Continents Hotels, The Weather Channel, and UPS.

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