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Permission-based Mobile Marketing:

Best Practices and Success Stories

An Air2Web White Paper

Table of Contents

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Air2Web, Inc.
1230 Peachtree St. NE 12th Floor
Atlanta, GA 30309

Mobile Marketing 2003: A Snapshot

Using wireless networks to engage consumers on personal 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 since well before mobile technology has made it attainable.

In the mid to late 1990s, the allure of mobile marketing 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 inarticulate expectations surrounding wireless was thrust into the spotlight when economic conditions began to sour following the dot-com bust. Those consumer-facing wireless projects generating marginal bottom-line impact were put on hold or shelved. Enterprise wireless initiatives shifted quickly to employee productivity improvements and cost savings, restricting budget allocations to projects generating immediate ROI.

Has the time come?

While economic conditions have only recently showed signs of improving, technology has never stopped. Today's wireless data networks have larger footprints, are more reliable, and feature greater throughput than their predecessors. Mobile devices have become ubiquitous - far more powerful, less expensive, and suitable for data-driven applications. Carrier interoperability is forcing operators to rethink SMS (Short Message Service) strategies and leverage the opportunities mobile marketing presents. These factors have set the stage for the emergence of a new variant of consumer-facing wireless applications: permission-based mobile marketing. Permission is the catalyst for successful direct marketing campaigns (the fact that you've downloaded this white paper is a good example), 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 corporations engaged in the following businesses:

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

Additionally, the white paper also includes case studies and usage scenarios to demonstrate the following types of mobile marketing applications:

- Interactive TV/Radio
- Promotional Offers
- Premium Content Delivery
- Games/Trivia

Global Uptake in SMS

The penetration of SMS mobile devices has been staggering - over 100 million U.S. consumers own SMS capable phones. Yankee Group predicts by 2004 over 50% of the U.S. population will own a cell phone capable of two-way text communications[1]. According to the Cellular Telecommunications and Internet Association (CTIA), those subscribers send about a billion SMS messages each month[2]. SMS messaging traffic is being accelerated by the attractive price points of mobile phones. Nearly every mobile phone sold by mobile operators and device manufacturers features two-way SMS messaging.

As impressive as SMS device penetration is, perhaps more remarkable is consumer willingness to receive marketing messages on those mobile devices. According to U.K.- based marketing research company Nightfly, over 39% of its client base prefers SMS marketing to TV or Radio[3]. Marketing research organization Enpocket found that permission-based mobile marketing is 50% more effective than TV and 130% better than radio[4].

MMS and Emerging Technology

MMS technology enables the combination of graphics, text, animations, and audio creating rich user experiences. MMS users can send messages to other MMS device users, PCs, PDA users. Possible MMS usage scenarios include:

- Animated greetings with audio or text
- Synchronized playback of audio and text
- Video clips

MMS, in fairness, is in its infancy. Because of message size, MMS technology is ill
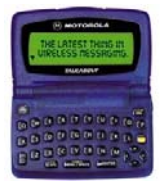

MMS capable phones will become more prevalent as carriers optimize networks and develop MMS strategies

suited for lower speed networks. Device manufacturers are reluctant to spend resources developing products carriers can't immediately deploy. As carriers further develop MMS strategies and expand high-speed network footprints, MMS technology will become far more mainstream.

The Reality of Device Divergence

No matter what your preference, there is a mobile device available to match your lifestyle. Whether you like 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
	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	☑ Widely available ☑ Reliable ☑ Small ☑ Inexpensive ☑ Long battery-life ✖ Few color models ✖ Limited audio capabilities
	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	☑ Offline processing ☑ Larger memories ☑ Color displays ☑ Animation support ✖ Shorter battery-life ✖ Not widespread ✖ More Expensive
	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.	☑ Powerful processors ☑ Large memory stores ☑ Rich color displays ☑ Concurrent applications ✖ Shorter battery-life ✖ Not widespread ✖ Clunky ✖ Very Expensive
	Two-way pagers use SMS technology for quick instant messages. They are inexpensive and fun, but used predominantly in the youth market.	☑ Inexpensive ☑ QWERTY keyboard ✖ Longer battery-life ✖ Popular primarily in youth market

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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,
Executive Director,
Cingular Wireless**

Interactive polling applications has become hot in the TV ratings race. Cingular Wireless has deployed mobile applications in conjunction with its sponsorship of NASCAR events and college basketball. "Virtual Crew Chief" allows NASCAR viewers to opt-in to receive a variety of trivia questions, race action updates and race predictions. Responses are tallied in real time and are sent to subscribers' devices and broadcast during the race. The NCAA application enables Cingular subscribers to respond, via SMS, to sports questions flashed across the TV during NCAA basketball games. A sweepstakes contest prompts Cingular subscribers to send an SMS message to a specific short code to enter to win tickets to the NCAA championship game.

The reality TV phenomenon has created some interesting opportunities to leverage wireless technologies in audience interaction. Cingular has launched a campaign for ABC's "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", Cingular customers vote for individual contestants. Cingular isn't the only carrier making strides in Interactive TV, AT&T Wireless has teamed up with Fox's hit TV show "American Idol" to prompt viewers to vote for their favorite contestant as well.

Europe - where SMS messaging has been popular for years - has experienced 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]."[5] MTV UK conducted a polling application to encourage viewers to vote for their favorite songs. According to the station, the number of viewers rose from 295,000 to 500,000 per show.[6]

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

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, rather than a passive one. 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. We'll talk more about premium content delivery later in this white paper.

Mobile Couponing/Product Promotions

The right offer. The right time. The right audience. It's Marketing 101 – and mobile couponing makes it possible perhaps better than any other medium. 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, concludes: "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".[7] 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."[8]

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 coupon redeemed the mobile coupon.[9]

It's working in the United States as well. Since launching in the spring of 2002, over 3,000 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.

So far the results have been strong, particularly with vendors with perishable inventories (restaurants, concert tickets, etc.) - with vendors seeing up to a 10% return on their wireless coupons. 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. With just 5,000 students signed up and receiving four messages a week, USF expects to generate revenue of $124,800 annually from MoBull. With increased marketing and new vendors continually signing-up, the university expects higher revenues in the future.

The Business Case:

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

> "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**

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 abroad (and recently in the U.S.) 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.[10] A Coca Cola sweepstakes campaign run in Asia had a surprising ancillary effect – over 50,000 jingle downloads![11]

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 animated Doppler radar images to J2ME and MMS devices.

> "The severe weather alerts allow [customers] to stay informed about inclement weather that might affect their families, friends, and personal property."
>
> **- Tom Flournoy, The Weather Channel**

Premium Content from The Weather Channel

The recent mergers between digital rights management companies and media outlets means that one day very soon you'll be able to watch a music video and download the ringtone version of the song instantly to your mobile phone. Greeting cards complete with personalized speech, polyphonic audio, and animations will create rich multimedia marketing opportunities.

Like this song? Dial *17463 to download ringtone!

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 have recently begun conducting permission-based SMS contests and sweepstakes geared specifically toward spiking two-way SMS messaging. 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 uses the next day's temperature in Beijing.[12] 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 display a code and text-number.
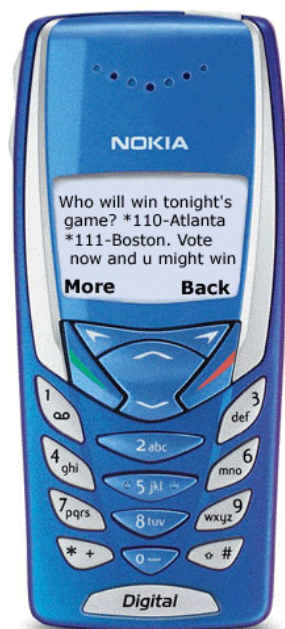
Some operators are even more obvious in their attempts to charge users for mobile originate traffic, conducting contests that reward viral marketing. In Taiwan, Chunghwa Telecom's Emome customers were invited to become a "King for a Week".[13] Each week, the person who sends the most SMS messages is 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."[14]

The Business Case:

Contests and sweepstakes are great ways to generate buzz around a new product or service offering. Mobile operators often conduct such applications to produce immediate jumps in SMS traffic and boost ARPU.

Best Practices in Mobile Marketing

There are a few critical points in implementing a successful mobile marketing campaign that generates real ROI results. All support one aspect of the golden rule of direct marketing: The right offer, at the right time, to the right audience.

Ask for Permission

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

We need only look to email marketing to learn the value of obtaining permission. People 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. Each campaign you send should feature a quick and easy opt-out process.

Optimize Content for Multiple Devices

There are myriad mobile device choices for today's mobile consumer. Consumer tastes are varied and there is a device to suit virtually every lifestyle, from simple, small SMS phones to highly sophisticated color PDAs. Input mechanisms can be 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 vary from small black and white displays to high resolution matrix color displays.

While SMS is surging in popularity, more capable devices are picking up steam as well. Beware mobile technologies that strip content down to the lowest common denominator to fit all devices. Your platform should be capable of optimizing content for a variety of 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:

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

Individual user data should also be captured, including:

- 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 and violated a cardinal rule of direct marketing.

Target Your Audience

The most compelling benefit of mobile marketing is the fact that it is highly personalized and direct. The opt-in process should strike a balance between obtaining relevant demographic information and maintaining a simple, painless end user experience. Diageo, a beverage company based in the UK, collects customer preferences, including favorite drinks and preferred watering holes, during the SMS sign up process. 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'll be delivering messages to devices people rely on for a variety of activities. Unless your offer is compelling and contains an incentive or reward, people will opt-out in droves and your brand will be tarnished. Take great pains to ensure your offer is something your subscribers want. Fun marketing messages also facilitate viral marketing, the next best practice we'll discuss. A study conducted by Nokia indicated that nearly 9 out of 10 respondents agreed there should be an incentive to opt-in to mobile marketing campaigns.[15]

Make it Viral

Viral, or word-of-mouth marketing, refers to what happens to your marketing messages after they are delivered to your targeted list. Strong offers prompt recipients to forward them to friends and colleagues, which in turn spike messaging traffic for operators and build brand awareness/increase sales for content owners.

Piggyback on Traditional Advertising Channels

Including an SMS number on traditional advertisements adds another way for people to respond. Aside from increasing ROI on existing media buys, SMS enables rich tracking and reporting functionality.

Select a Carrier-Grade Vendor

Mobile operators have been reluctant to open up their messaging gateways to boutique marketing and advertising agencies for fear of opening the SPAM floodgates, and creating churn. Preference should be given to vendors who offer carrier-grade solutions and have direct connections into SMS gateways.

About Air2Web

Air2Web solutions mobilize businesses. From wirelessly embracing consumers to enabling employees with anywhere access to mission critical data, Air2Web powers over 80 real-world applications.

Air2Web efficiently extends productivity applications to mobile employees, such as:

- Enterprise Application Integration (EAI)
- Enterprise Resource Planning (ERP)
- Sales Force Automation (SFA)
- Customer Relationship Management (CRM)
- Supply Chain Management (SCM)
- Email
- Instant Messaging

Air2Web also extends corporate data to such mobile customers as:

- Mobile marketing
- News and alerts
- Financial services
- Customer service
- Product information
- Loyalty account information

Air2Web allows its business customers to accomplish the following:

- 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 has deployed its technology with such blue chip customers as Cingular Wireless, NEXTEL, ABN AMRO, ADC Telecom, CBS SportsLine, eBay, The PGA TOUR, Best Western International, Corillian, Digital Insight, Lexmark, Nortel Networks, Six Continents Hotels, The Weather Channel, and UPS.

End Notes

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