

FACTORS AFFECTING CUSTOMERS' WILLINGNESS TO RECEIVE MOBILE MARKETING

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ABSTRACT

Recent technological advances and a gradual transformation from mass marketing to targeted marketing have had a profound impact on marketing communications. Besides the Internet, mobile medium presents important advertising opportunities. This study focused on the initiation of mobile marketing in retailing context. We evaluated the effectiveness of a multichannel advertising campaign to active customers to give their permission to receive mobile marketing messages. Additionally, we evaluated how customers' age, gender, family size and interests affect their willingness to receive mobile marketing. We believe that the identified practices and the presented results from the advertising campaign will facilitate a better understanding of mobile medium in marketing communications.

INTRODUCTION

Our study focuses on mobile marketing communication in retailing. The main purpose is to explore how advertising in traditional media encourages customers to give their permission to receive mobile marketing. In addition, we study how age, gender, family size and interest affect on their willingness to receive mobile marketing. These aims are prefaced by a background discussion.

Since the 1990s, two major changes can be identified in marketing communications environments (Kotler et al. 2005). First, mass markets are fragmenting, and marketers are shifting to targeted marketing. Increasingly, many companies are diverting marketing spending to interactive marketing, which can be focused more effectively on individual consumer and trade segments. Second, improvements in information technology are speeding up the shift towards permission marketing (e.g., Godin 1999). Today's information technology helps marketers to keep track of customers, and also provide new communication avenues for reaching smaller customer segments with more personalized messages and more cost effectively.

Within consumer marketing, the nature and implications of mobile marketing have been studied in some detail (e.g., Barnes 2002; Dickinger et al. 2004; Kavassalis et al. 2003). In addition, the mobile advertising value chain (Leppäniemi, Karjaluo, and Salo 2004) and technological issues (e.g. Varshney 2002) have attracted growing research attention. Furthermore, researchers in consumer behavior have investigated consumers' attitudes (Tsang, Ho, and Liang 2004) and acceptance (Barnes and Scornavacca 2004; Leppäniemi and Karjaluo 2005) towards mobile advertising. However, a limited number of empirical studies can be found about permission based mobile advertising (Barwise 2002). This article contributes to the broader literature about permission based mobile advertising by examining the initiation stage of mobile advertising in the retailing context. We studied the effects of a multichannel advertising on initiation stage of mobile marketing, and how customer's age, gender, family size and interest affect their willingness to receive mobile marketing.

MOBILE MARKETING

In order to utilize the mobile channel in marketing communication effectively, one must have a basic understanding of the characteristics of mobile marketing and integrated marketing communications. We start with this discussion and then proceed to the previous studies on marketing in a mobile context.

The Mobile Marketing Association (2003) defines mobile marketing as any form of marketing, advertising or sales promotion activity aimed at consumers and conducted over a mobile channel. In this study, mobile marketing refers to short message service (SMS) based marketing communication. In reality mobile marketing can be used in three different ways: customer acquisition, customer relationship management, and driving sales (Zoller 2004). However, the mobile medium needs other media in order to thrive. When considering a mobile channel, it has to be incorporated into the overall marketing strategy. Basically, this incorporation starts with examining different options to undertake a new series of campaigns based on the mobile channel or to integrate the mobile channel to existing marketing channels. The latter option, where the mobile channel is integrated to existing marketing campaigns using other media has proven to be the most effective and efficient (FirstPartner 2003). Mobile campaigns complements other media, such as television, print and Internet, and vice versa.

CASE STUDY APPROACH AND DESIGN

We examined the initiation of mobile marketing communication in the retail context. The company has two non-food department stores in two different cities and is one of the biggest independent retailers in Finland. A brief argumentation and description of the methodological choices is presented. In terms of case design, our solution was a single-case study. In Yin's (1994) terminology, it is an embedded single-case design, as the case is studied from multiple levels of analysis. The reason for choosing a case study approach is because in-depth knowledge was needed about management processes such as marketing and customer relationship management. Information about these phenomena is often latent and confidential, and researcher must have access to an organization to be able to identify them (Yin 1994). The present study required an access to the planning, implementation and analyzing of the marketing campaign in order to be able to investigate the initiation stage of mobile marketing communication in retailing.

We argue that the case company forms a solid base for conducting a study of mobile marketing study in retailing organization because it started to implement mobile marketing from the very beginning. To be able to investigate the initiation stage of mobile marketing, especially customers' preferences for mobile communication, we constructed a single-case study design by selecting the mobile marketing campaign on the following theoretical grounds. First, the case company did not have previous knowledge or experience on mobile marketing. Second, the case company had not customer database of opt-in mobile numbers. Thirdly, the case company was integrating mobile medium to overall marketing strategy, i.e. media and promotional tools. Fourth, the case company did not have technology, i.e. a server or platform to start the campaign. By adopting these criteria, we try to cover the complexity of starting dialogue with customers over mobile phone as comprehensively as possible and include such antecedents that should drive different marketing solutions.

The data collection and analysis included systematic collation of previous knowledge, research data, and theoretical information. The most important primary information sources were three interviews with retailer and some members of the case company's

personnel and data obtained from marketing campaign. Additionally, we used participant observation during the campaign. Secondary information sources include various documents about the target company, such as articles, internal memorandums, and analyses.

The aim of the case study was to analyze the combined effect of different media in soliciting people's permission to receive mobile marketing. Furthermore, we wanted to investigate how customer's age, gender, family size and interests affect their willingness to receive marketing communications over mobile phone. The marketing campaign began on 16th of November 2004 with a full page advertisement in free delivery paper. This advertisement was repeated two weeks later on the same paper. The circulation of the paper was around 262 000 households in 88 different cities. At the same time, the campaign was advertised in the department stores and on the website of the firm.

The advertisement contained the instructions about how to sign up for the case company's loyalty program by SMS. Those who did not want to use mobile phone in signing up were able to send the registration information by mail or fill in the registration form in department stores. The advertisement also contained the information that by signing up for the loyalty program, consumers automatically opt-in to the case company's permission based mobile marketing database. Basic data that was collected from the consumers included the name, address, age, gender, family size, and their interest in 12 different categories of products (such as sports, clothing and furnishing), and the frequency of visits in department store(s). These variables will be used to target subsequent marketing messages in near future. All the collected information and a customer's mobile phone number were stored in a mobile service system. The incentive to sign up for the loyalty program was a possibility to win a brand new car (VW Golf) in a lucky draw. Those who did not want to receive any kind of marketing communications over mobile phone from the case company were able to send an opt-out message to mobile service system. Those who used a paper version were able to choose the opt-out option from registration form. The price of a sent SMS message was around 10 cents.

CONSUMERS' WILLINGNESS TO RECEIVE MOBILE MARKETING

Altogether 7863 consumers signed up between from November 16th 2004 and December 31st 2004. The campaign was advertised twice in the free delivery paper. The advertisements generated approximately 1500 new registered customers on the day the paper was published. Since November 30th the campaign was advertised only on the company's Web site and posters in the department stores and the amount of new registrations varied from few to around fifty per day. The majority of the customers (6515 persons, 82.8 percent) signed up by SMS. There were 3398 females (43.2 percent) and 4465 males (56.8 percent) in the sample. The mean age of the respondents was 36.9 years. The mean size of the family was 3.4 persons. Additionally, the respondents gave information about their areas of interests. The amount of interest was measured by the Likert's scale (1 = not at all interested, 5 = very interested). The top three areas of interest were 1) domestic appliance and PCs (mean 3.6), 2) furnishing and cooking (mean 3.4), and 3) renovation and tools (mean 3.4).

The main purpose of the marketing campaign was to build a database of opt-in mobile phone numbers. Basically, campaign succeeded. The majority of the respondents 7023 (89.3 percent) gave their permission to receive mobile marketing. Only 841 (10.7 percent) customers opted-out of receiving mobile marketing. Furthermore, opt-out was much more common among customers who did not use mobile phone to sign up for loyalty program: 44.9% opted-out while the corresponding number for SMS participants was only 3.6%.

We next investigated the effects of background factors on willingness to receive mobile marketing. In respect to of gender, 90.7 percent of men welcomed SMS marketing from the company whereas the corresponding number for females was 87.5 percent. The difference between the genders was statistically significant ($p < .001$). With regard to respondents' age and willingness to receive mobile marketing communications, a statistically significant difference was also found ($p < .001$). This finding indicates that the younger respondents were more willing to receive mobile marketing compared to the older ones. Customers aged equal or less than 18 years were most eager to welcome mobile marketing (6 percent opted out), whereas the customers aged 65 years or more were least willing (24 percent opted out). In terms of family size and willingness to receive marketing communications, some effects were found. The bigger the family size, the more willing the customers were are to receive mobile marketing ($p < .001$). Finally, there is some evidence that the strength of interests have some effect on opt-in. The more strongly a customer was interested in different areas the more likely he or she was willing to receive mobile marketing.

CONCLUSION AND FUTURE DIRECTION

This paper responds to the call for research on the use of mobile medium in marketing communications by investigating the ways to integrate mobile medium into the promotion mix and examine the factors that affect consumers' willingness to receive mobile marketing in retailing context. By using a single case study from retail sector, we showed that by combining the mobile medium, print and internet, it is possible to build a customer database in an efficient and cost-effective manner. Although our empirical case mainly contributes to the discussion of how to get permission for mobile advertising, it also gives useful insights into the maintenance process of relationships by inquiring respondents about their buying interests and other background variables.

In the light of the main results, several conclusions can be drawn. First of all, with relatively small promotional activity the case company gained close to 8 000 new customers to their database of opt-in mobile phone numbers as well as the profiles of their customers. This was possible by the use of two newspaper advertisements, online advertising on the company's own Web site and posters in department stores. Furthermore, our results indicate that consumers are willing to receive SMS marketing in retailing context. In our case, the consumers were interested in entering mobile marketing communication with the retailer when they were familiar with the SMS technology and the case company had a good reputation, i.e. it was a trusted source to send mobile marketing.

The present study is among the first ones examining the use of mobile as a marketing communication channel. However, the results obtained should be considered tentative. We studied only one retailer and its marketing communication. Despite the fact that the communication mix of this retailer is in line with other companies operating in the same field nationwide, it would be valuable to examine other retailers as well. In sum, we assume that these limitations do not endanger the reliability and validity of the findings, yet they do place bounds on the conclusions and implications that can be drawn from the study.

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