

## Mobile phones – the only true one 2 one marketing tool?

*Like the variety of media that has come before it (billboards, radio, direct mail, broadcasting and internet), the mobile phone has been transformed into yet another marketing channel. But Lisa Modisette believes it is more than that...*

The mobile industry is no longer just the delivery of voice on a cellular phone. The introduction of data services, multimedia content and advertising means that many different types of companies are becoming involved with mobile phones. Media companies like Reuters and Bloomberg now offer their business information through mobile phones. Entertainment companies like Disney sell cartoon characters and advertise via mobiles.

New types of enterprises are cropping up — for example, advertising agencies specialising in mobile marketing and application developers specialising in mobile games. The mobile industry has expanded and the lines traditionally separating mobile, media, entertainment and information technology (IT) companies have become blurred.

Like the variety of media that has come before — billboards, radio, direct mail, broadcasting and even the Internet — the mobile phone has been transformed into yet another marketing channel.

But we believe it is more than that. First of all, the mobile phone is the most personal communication tool for the consumer (and businesses). When was the last time you left home without it and not feel lost? Second, we can buy things with it using premium phone lines, premium SMS (higher cost text messages charged to your phone bill), reverse billing (charged again on your phone bill) and soon there will be more options. Lastly, we can now purchase things that are designed specifically around our phones (e.g. text alerts, ringtones, pictures, games and so on).

The mobile phone is no longer only a communication tool – it can be used for advertising, as a distribution channel, an entertainment and business device. In many cases, this may be the first way consumer goods, media companies or retailers can communicate directly and interact with its customers.

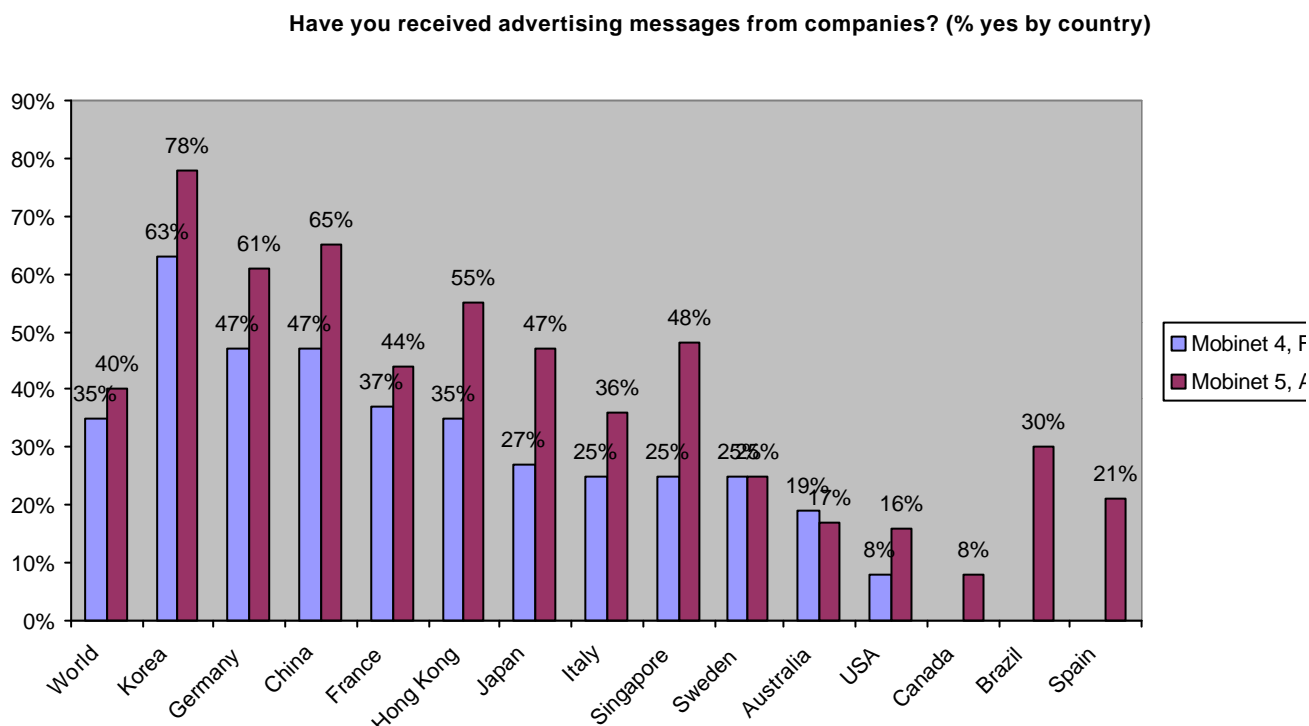
### ***Mobile advertising awareness***

Mobile advertising remains a great untapped potential. Initial experimentation is on the increase and there is room for development of this medium for advertising. According to the Mobinet study conducted across 15 countries by AT Kearney and the Judge Institute of Management of Cambridge University, there has been a sharp increase in the number of users receiving SMS advertisement. Globally, 40% of users have received an ad as of July 2002 on their mobile phones compared with January 2002. Response rates to that advertising averages 3%. These may appear low, but these numbers are encouraging and are in some cases greater than initial response rates to direct mail marketing. Their July 2003 study confirmed no significant change in these numbers. Awareness among

advertisers is just beginning and if they experience these types of returns at the lower cost of mobile advertising than direct mail, we will most likely see growth.

Countries with the most experience of mobile advertising are Korea (78% of users), China (65%), Germany (61%) and Hong Kong (55%). Countries with the lowest experience of mobile advertising are Canada (8%), USA (16%) and Australia (17%).

**Figure 1: % of users receiving mobile advertising messages by country**

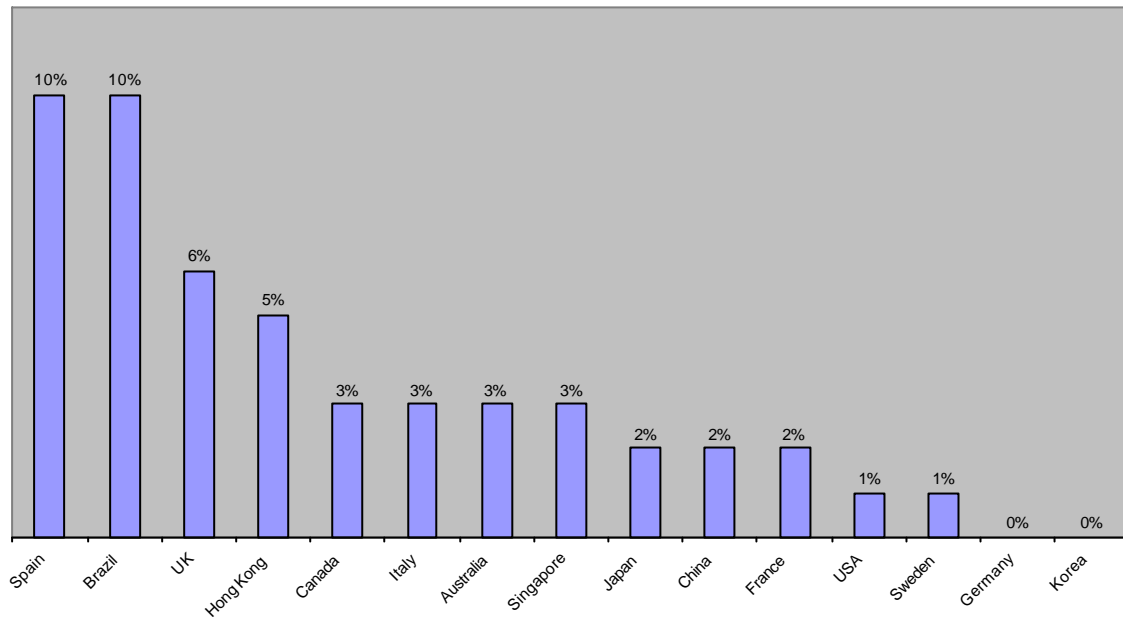


Source: AT Kearney & Judge Institute of Management Mobinet 5

Mobile advertising is area that is sensitive to individual markets or cultures. Looking closely at AT Kearney's data shows that two countries within western Europe rival Brazil's mobile advertising conversion rates — Spain (10%) and the UK (6%). These results indicate that these countries show potential in using mobile advertising to stimulate early growth of m-commerce transactions. Many consumer product and service companies are paying most attention to the countries with the more advanced services like Japan, Korea and Hong Kong. Those companies seriously interested in converting advertising to sales via the mobile channel should consider Brazil, Spain and the UK. High conversion rates in these countries indicate great potential for m-commerce transactions if advertised well over the mobile channel.

**Figure 3: Ad conversion by Country**

Have you ever bought anything as a result of one of these adverts? By Country



Source: AT Kearney & Judge Institute of Management Mobinet 5

Users will increasingly buy via the mobile phone from those companies that best understand their requirements, communicate the benefits and deliver a good price. Successful companies need not necessarily be telecom operators. Given the difficulty working with mobile operators that in most cases are very large bureaucracies – some coming from a monopoly or duopoly engineering environment, companies can get started now without great expense.

How easy would it be? A start could be as simple as a couple of thousand pound investment in upgrading an already existing website to include a mobile portal. That means a section of the site that allows your existing target audience to add relevant mobile content. For instance, let us assume you have a music retailer specialising in hip hop, R&B and soul. On the web site, you can add the ability for a customer to subscribe for alerts when a new album or single is out from their favourite artist. They could pay to download ringtones of songs. They could also buy pictures, logos and wallpaper from bands and musicians. There is even technology available from companies like Shazam in the UK that allows the customer to dial a number, hold the phone up to record a song that is playing and they will receive an immediate text identifying the song and artist. Via a web-based profile, they can make a purchase on the spot. There are companies that will help you manage these mobile portals and execute your mobile advertising campaigns for as little as a couple of hundred pounds per month.

### ***Compelling content***

Interesting content that is relevant and fun is one of the most important things people want. Consumers must be compelled to buy. This is not done by bombarding them with interesting advertising campaigns, but by understanding a specific target segment of the market and creating the service that appeals.

Infotainment (information and entertainment) will be compelling content. All consumer research indicates that if companies can deliver service quickly, simply and at a good price, customers will invest in information and entertainment services. After fast Internet service, AT Kearney found that pictures, video and music were the preferred next generation mobile services.

We believe mobile advertising and adult services will be a part of normal revenue streams, although few will talk about it. In Info Insight's opinion, both of these will take hold by late 2004 by using existing technologies like SMS, chat rooms and now pictures. We believe advertising and adult services are both uncomfortable topics for operators but should be more actively addressed.

## ***Why mobile one 2 one?***

From a media perspective, very few new channels (like the Internet) profitably stand-alone for distribution and marketing. For example, consumer goods firms find that a combination of distribution channels (retail, direct mail, Internet, agents) increases sales. The mobile phone allows more personal contact and interaction for firms with the users of their products. These new data services and mobile multimedia technology will "[allow] us millions more points of presence to reach music fans acquiring and experiencing music" according to Ted Cohen of EMI Music. He goes on to say that "[we can] have an immediate one-to-one relationship where we can get the right music to the right people."

Many entertainment companies like Endemol have seen the power of tying in the mobile channel to broaden the interaction with viewers of television programmes. The programme most often referred to is Endemol's success with the *Big Brother* reality TV shows. Viewers can vote out a member of the televised 'house' via e-mail, premium fixed phone lines, interactive TV or premium text messaging. According to Unico Glorie, Head of interactive media and mobile telephony of Endemol, they received 500 million customer contacts per day for *Big Brother*. He sees an opportunity, "with 1.6 billion mobiles in the world, TV is a natural aggregator."

Info Insight is not convinced that TV is the sole aggregator but what we do see as natural are the synergies of tying in many forms of marketing communications with multiple channels.

## **Cautious optimism**

The bottom line of all our research reviewed in this article is that there are a number of trends.

- Customers are aware of the potential of new media mobile services.
- There is intent to purchase things that have a perceived benefit.
- Consumers are interested in making purchases with the phone and infotainment.
- Customers think the prices are high and the phone applications not easy enough to use yet.

- Mobile advertising and marketing has huge potential.
- Further segmentation and research on gender, age and lifestyle are required.

We deduct from the research that customers will try things out initially but usage must be maintained with good pricing, a demonstration of benefit and a continuing variety of content. Lastly, every country and sub segments of the population within it have different reactions to specific applications and it will be important to not only analyse the available research closely but also use your own information to understand your local target market. We can see that things change quickly in this market as demonstrated by the rapid changes in application usage in the Mobinet studies every six months. New services are being introduced more and more quickly. Keeping market research up to date will be a challenge.

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#### **About Info Insight**

Info Insight Ltd specialises in marketing, customer management, business development. Info Insight is also engages in research and development in the mobile marketing emerging market, focusing on customer management and marketing solutions. Our consultants have years of international expertise in marketing, customer management and decision support solutions. The report this article is based on *Mobile Customer Experience 2003-2007: How Industry Can Succeed in an Evolving Market* can be purchased from Baskerville Telecoms at [www.baskerville.telecoms.com/mobilecustomer/](http://www.baskerville.telecoms.com/mobilecustomer/) or [www.infoinsight.com/0txt.html](http://www.infoinsight.com/0txt.html)

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