SMS: STILL AN EFFECTIVE MOBILE MARKETING STRATEGY

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Resumo

Os telefones móveis tornaram-se mais do que ferramentas pessoais para conversar com familiares e conhecidos. Tornaram-se assistentes da vida diária. Com aplicações móveis cada vez mais diversificadas, o telefone móvel tornou-se um poderoso meio de comunicação. Esse paper estuda a natureza da comunicação móvel e o uso de uma aplicação móvel, o SMS (Serviço de Mensagens Curtas), na comunicação de marketing além de discutir quais diferentes fatores são importantes para se desenvolver mensagens SMS que possam aumentar o interesse e o número de respostas dos receptores, dessa forma aumentando a eficiência de uma campanha SMS.

Palavras-Chave: M-Marketing, Telefone Móvel, Marketing, Comunicação, SMS.

Abstract

The mobile phone has become more than just a personal tool to talk to families and acquaintances. It has now become an assistant of daily life. With increasingly diversified mobile applications, the mobile phone has become a powerful communication medium. This paper examines the nature of mobile communication, the use of one mobile application, the SMS (Short Message Service), in marketing communication and discusses which different factors are important in order to design SMS messages to increase interest and responses from recipients thus enhancing the effectiveness of an SMS campaign.

Keywords: M-Marketing, Mobile Phone, Marketing, Communication, SMS.
**Introduction**

Technology development is a main driving force for the boom in various applications of the mobile phone. Meanwhile, the high penetration rate of mobile phones also facilitates the mobile industry. A recent survey reveals that 90% of the global population aged over 14 possess a mobile phone (Cuadernos de Comunicación Interactiva, 2009) and the Internacional Telecommunications Union (ITU) published in 2008 that there were more than 4.000 million mobile phones in the World (ITU, 2008).

M-commerce (mobile electronic commerce) is a term used to label commercial applications through mobile phones. With the recent evolution of mobile technology, marketers notice that m-commerce may bring opportunities to develop new marketing strategies. Although mobile marketing is still in its infancy stage, marketers have developed several types of marketing communication forms through mobile phones. Their contents vary from the simple text message to the complicated game, and the strategies are also diversified to several models such as viral marketing and permission marketing. The mobile phone as a personal, interactive, and immediate channel has been considered of great potential for marketing communication that greatly affects everyday life (Caran, A., Caronia, L., 2007).

M-commerce can be viewed as an extension of conventional and Internet-based electronic commerce. M-commerce uses technologies such as SMS or MMS over certain carriers (GSM, GPRS, CDMA, etc.), and also integrates digital carriers to IP based services through WAP or Japanese i-mode services.

Using the mobile phone as a marketing medium is an important application of m-commerce. Mobile marketing is defined by researchers and practitioners with different emphases. Based on literature and observation of the phenomenon, this study defines mobile marketing as “the use of mobile platforms for sending messages (SMS, MMS), downloading applications or surfing the web for interactive publicity” (Scolari, C., García, I., Güere, H., Kublinski, H., Soriano, J., 2008). Owing to the various technologies and carriers of mobile contents, mobile marketing can be conducted through
a variety of formats such as SMS, MMS, WAP, and I-mode services (Scolari, C. 2008). However, as the SMS is a very successful form of mobile data transmission service throughout the world, most of the marketing applications nowadays are utilizing the SMS. Since SMS-based mobile marketing is new enough for a comprehensive investigation, this study will focus on the mobile marketing communication through the SMS.

The SMS becomes a convenient tool for consumers to interact with promotional games, such as lucky draws or contests. Promotional games are usually announced on other media to invite users to participate in by sending a SMS to a specific number. Such SMS games are used to promote a wide variety of brands, especially those that have an element of fun in their brand promise. Most important, it is a way to help the marketer to get the mobile phone numbers of consumers who are interested in the campaign for further messaging.

Similar to traditional coupons, SMS coupons enable consumers to get certain benefits such as a price reduction or free items. Some SMS coupons are “pushed” directly to users’ mobile phones. Regardless whether the messages were “pushed” or “pulled”, the personal nature of the mobile phone enables the company to provide specific coupon offers according to the interests of customers. Information is always important to help customers make decisions. Mobile phones are at-any-moment tools for customers to get information about a product, service, or promotion. The SMS enables the company to distribute time sensitive information about their products, services, and promotions. The message can also be location sensitive, which is called location-based marketing. The widely used Global Positioning System (GPS) technology, and other new technologies help the operators to locate users with great precision. Companies can provide offers according to the location of a customer to meet his or her immediate needs or give an incentive for impulsive purchases. SMS Services Technologies provide companies with opportunities to offer new services to their customers. This may help to build up their competitive advantages in a market of the same category.

The personal nature of the mobile phone makes it a tool for one-to-one marketing. One application is after-sale customer care messages. It will make the customer feel valued, and customers may appreciate the level of personalization and care. The mobile phone is also a channel to get the customer’s feedback. The most recently evolution of the SMS-based one-to-one marketing is the “chat” between a brand and a customer to build the brand and manage customer relationship.

Compared with the Internet, the mobile phone as a new medium has received much less attention from communication researchers. It is ironic since no one could neglect the fact that mobile phones are used much more broadly now worldwide than
the Internet. When mobile phones become ubiquitous in people’s lives, their impact on societies are worth closer investigations by communication researchers as was done with the Internet (Castells, M., Fernández-Ardérol, M., Linchuan, Q., Jack y Sey, A., 2007). With more and more diversified mobile applications, the areas that have been influenced by mobile phones have been extended from individuals, social relationships, and organizations to marketing places. Newspapers, television, radio, and the Internet are all media that become commercialized by marketers. Now it is time to witness the commercialization of the mobile phone. As a new medium, the mobile phone has its unique characteristics and also combines some common features of the other media. The main goal of this study is to explore the effectiveness of SMS marketing communications and how to conduct more effective marketing communication according to the medium’s unique nature. To get a comprehensive understanding of the SMS marketing phenomenon, an empirical study on the users’ attitudes and behaviours was conducted. A research survey and an experiment were used with the aim of investigating customer’s general attitudes towards SMS marketing as well as their expectations. The experiment was conducted to test the effectiveness of SMS marketing and how different factors affect consumers’ responses to it. The results are relevant to commercial and social applications.

**Mobile marketing**

This study tends to conceptualize the mechanics of “permission-based” mobile marketing by splitting the process into two stages: “acquisition” and “nurturing”.

“Acquisition” is the process that requires prospects to actively give their mobile phone numbers and permissions to the marketer. Generally, there are two kinds of “permissions” that can be acquired from the prospects (Barwise & Strong, 2002). The first one is an explicit permission. That means the prospects will be told directly that they will receive several marketing messages if they subscribe. In this case, prospects are usually asked about their interests in products, their preferred time to receive the messages, and so on. The other form of “permission” is somewhat more implicit. It is an “opt-out” option. Lucky draws and contests are broadcast on other media encouraging the prospects to send an SMS to a certain number. By doing this, the company will acquire the mobile phone numbers of those who are interested in the campaign. Then follow-up messages about services and products will be sent to the acquired number. The customers can “opt-out” of the campaign any time. After the “acquisition” stage, the company will send some further commercial messages to the acquired customers. Sending further marketing messages to acquired users is called “nurturing” in this
Generally, there are two types of “nurturing”: conversation and promotion.

Traditionally, conversations between the firm and customers are conducted through phone, letter, or email. The unique nature of SMS enables more personalized and informal conversations between firms and customers (Zilliox, 2002). For the brand that is targeted on youth, the SMS can even be used for “chatting” between the company and the customer, which could be used to create a better attitude toward the brand and an intimate relationship with the brand. Barwise and Strong (2002) state that the mobile phone, in principle, is the ultimate medium for one-to-one interactive marketing - marketing as conversation. It is an intensely personal medium that consumers have close to them at all times and that they use for some of their most intimate conversations and messages. As a technology, mobile is perfectly suited to support such conversational marketing” (p. 23).

The other way of “nurturing” is the promotion: wireless marketing has three objectives: customer acquisition, customer retention, and optimization, that is to drive sales. The ultimate goal of all marketing and advertising campaigns is to drive sales. SMS promotion campaigns will specifically provide incentives to purchase, using vouchers or one-off special offers to encourage users to go to either physical or cyber shops. SMS has become a medium to transmit promotion messages that has two major advantages: targeted and time place sensitive. Previous studies show SMS promotion messages are effective. Many mobile marketing campaigns now are integrating conversations and promotions with the conversation as the support for the promotion.

**SMS Marketing**

The measures of effectiveness of mobile marketing include consumer attention, direct response, brand awareness, brand attitude, increasing traffic and sales, customer retention and cost ratios. When estimating the effectiveness of any campaign, the starting point should be the objective of the campaign itself. In this study, since different stages of a SMS permission marketing campaign have their own aims, the ways to measure their effectiveness are different. For the acquisition stage, the main purpose is to get the prospects’ mobile phone numbers. If the ads and incentives successfully get the prospect to “opt-in”, it effectively achieves its goal. So for the acquisition ads that are broadcast on other media, the response rate of those ads becomes one of most important measurements for the effectiveness. For the conversations in the nurturing stage, the objective is usually to build a brand and create a closer relationship between the brand and customer. Therefore the ultimate measures of the conversation should be the brand attitude and brand relationship. Another important measure for the conversation
is the response of prospects. Whether the users are attracted by the company-initiated message and engaged to interact and whether they keep on the interaction is the main requirement for the conversation to exert its potential in marketing communication. For promotional messages that aim to drive sales, the measure for them is the actual behaviour of the consumer. There are two kinds of behaviour as a response for the SMS coupon. One is the redeeming, and the other is forwarding. The ability of users to forward the message through SMS makes the SMS a tool of viral marketing, which is a strategy that encourages individuals to forward a marketing message to others, and creating the potential for exponential growth in the message’s exposure and influence (Wilson, 2000).

**Effectiveness of SMS Marketing**

This study focuses on one way of measuring effectiveness, which is the “direct response”. For the acquisition stage, a response means the successful acquisition of a mobile phone number. For conversations, a response determines whether the conversation can be built up, and for promotional messages, the response is the direct indicator of how the promotion drive sales. There are many factors that affect the direct response to the SMS marketing communication, such as advertisement content, exposure context, product, or service categories, brand relationship, cost of response, users profiles, etc. Since it is hard to examine every factor in one study, this study focuses on some salient factors from the ad “content” perspective. Factors that may affect the response of “acquisition ad”, “conversational messages”, and “promotional messages” will be discussed respectively.

**Acquisition Ads:** The most commonly used method to acquire a prospect’s mobile phone number is promotional game interaction by SMS. Advertisements on traditional media are used to announce the game and invite the users to join in by sending a SMS to a specific number. There are two major types of promotional games for mobile marketing: SMS sweepstakes and SMS contests. For contests and sweepstakes to be efficient, marketers must design them in such a way that consumers perceive value in the prizes and find playing the games intrinsically interesting. However, not many studies have been conducted to explore whether SMS contests or sweepstakes will be more attractive for the prospects to respond. The major difference between these two techniques is that a sweepstake (lucky draw) is “a form of sales promotion that offers prizes based on a chance drawing of entrants’ names” (Duncan, 2002, p. 576), but a contest is “a brand-sponsored competition that involves some form of skill and effort” (Duncan, 2002, p. 576). According to the definition, sweepstakes are simpler to join in
and require less effort. There are usually no complex rules for a sweepstake. Comparatively, the contest requires some form of skill and effort. Duncan (2002) points out that this difference usually makes the contest more difficult than the sweepstake to engage a response from the consumers. He indicates that it is important to keep the promotional game as simple as possible to encourage a large number of entries. However, other studies show that, despite the “simplicity of the game”, another factor that influences a prospect’s decision to participate is the “play value”. Ward (1991) points out that increasing the complexity of the game may result in greater feelings of pleasure, arousal and dominance. From this point of view, the contest has more potential to bring the “play value” to the consumers than the sweepstake. Varying the methods to win contests, such as quizzes and competitions can make the game more entertaining. Quizzes and competitions are ways to get users to interact with the brand being promoted, hopefully in a way that they will find entertaining and memorable. A survey was conducted to explore whether young people are more willing to join in SMS quizzes or competitions, which require more effort but can be more entertaining, or if they prefer the SMS sweepstake, which is simpler in format and requires less effort.

Studies on traditional promotion games show that also the value of the prize is an important factor that influences the users’ decision to participate in the game. Haig (2002) in his book Mobile marketing: The message revolution indicates that “The main advantage competitions have as the basis of a text messaging campaign is that the prize provides users with a tangible reason to contact the relevant company. The more attractive the prize is to the target audience, the higher the chance of success” (p. 47). In the study it was investigated whether a larger prize value will increase the response rate for the acquisition ads.

Conversational messages: In this form of marketing communication, the company usually needs to send out a message to the consumer to initiate the conversation. In this study, these messages are called OUT messages. How to design OUT messages that can effectively initiate a conversation is an issue marketers should think about. According to the literature and the analysis of the nature of mobile communication, the following factors are hypothesized to affect the effectiveness of the OUT message: simplicity, personalized identity, questioning and frequency.

Mills (2002) states that simple SMS adverts, when correctly targeted, are well received by consumers. So based on the finding on SMS ads, in the study it was investigated whether consumers will be more likely to respond to short and simple conversational SMS ads rather than long and complex conversational SMS ads.

Whether an OUT message has a personalized identity refers to whether the company sends messages in name of an “identifiable person”. In some ways the mo-
bile phone is even more personal than a fixed-line phone. The personal nature means that the content and language must be right for the audience. There are several ways to make the content and language more personal for the audiences. One is to use the same language as the youth. Such as using “4” for the word “for”, or “n” for “and”. Some commercial messages place the name of the receivers at the top to make it seem more personal. Adding a personalized identity to the message may also make the conversation more personal, because it becomes a person-to-person interaction rather than a person-to-company interaction. However, it still is a researchable issue whether customers would have positive attitudes toward commercial messages that seem too close to them. Research shows that the message should be personalized but should not get too personal. To explore whether and how the personalized identity affect the response rate, in the study it was investigated whether consumers will be more likely to respond to conversational SMS ads with personalized identities rather than those without personalized identities.

Conversation is a kind of interaction between the communicators. Literature shows that the interactivity of the medium enables conversations between the communicators. However, most of the studies on “interactivity” focus on the channel itself. Fewer explore the interactivity of the message itself. Although the mobile phone is a two-way communication medium, the message it carries is not necessarily interactive. Till now the SMS in marketing communication has been used in two major ways. One is one-way broadcasting, such as “pushed” promotion alert and new product information. The other way is more interactive. When SMS is used in direct response marketing, it usually solicits a direct response by giving an incentive to respond and provide a “response vehicle” for a respond. They encourage interaction and enable interaction. Except for using incentives and response vehicle to make the message interactive, Haig (2002) suggests marketer ask the customers questions via SMS because he believes that this will make the SMS marketing more interactive. Questions indicate that the business or brand is ready and willing to listen to the voice of its customers. Customers will be more likely to respond to let the company know their opinions. Asking relevant questions to receivers can drive better awareness and ownership from them. Studies on face-to-face conversations demonstrate that asking questions can help to initiate and continue the conversation. A question is a powerful tool in conversation because it demands a response.

Since the mobile phone is a personal communication tool, business messages may cause irritation to mobile phone users (Zilliox, 2002). Because of its intrusive nature, the question of how many SMSs to send in a day is very important to advertisers. For a brand-building conversation campaign, which usually lasts for several days,
how often the company initiates a conversation during the campaign period is an issue worth exploring. Whether to send an OUT message to initiate a round of conversation everyday or every other day or even at longer intervals is a question. In Barwise and Strong’s (2002) research, 82% of respondents felt that receiving three text messages a day was “about right”. Increasing the volume of SMS could mean that fewer messages are read thoroughly. Based on this, as long as there are no more than three messages per day, the study investigated whether the company initiates a conversation less often or more often will make no difference to the response rate.

Promotional messages: This study focuses on one form of promotional messages - the SMS coupon. Compared with the information about an existing promotion, the SMS coupon provides exclusive offers only for those who receive the message. This makes it easier to examine its effectiveness. For the information about an existing promotion, consumers have other channels to be informed about the promotion, so it is hard to distinguish which customer is informed by the SMS. But for the SMS coupon, the company could know the effectiveness of the message by simply counting how many customers flash the SMS in the store to redeem it. Two factors are affecting the effectiveness of coupons: expiration date and offer flexibility.

Literature on traditional coupons shows that the expiration dates have an important impact on coupon redemption rates. This is because users are trying to avoid the regret caused by allowing a coupon to expire unused. As a new form of coupon, an SMS coupon is different from the traditional coupon in the following aspects: Firstly, the SMS coupon can be more time-sensitive. Given the fast and furious nature of sending-receiving text messages, SMS campaigns give a greater sense of urgency to marketing messages (Haig, 2002). Newell and Lemon (2001) point out that urgent messages are almost the total focus of today’s m-marketing. He indicates that “incoming messages and offers should be time, date, and if appropriate, location stamped to provide the customer with critical information regarding the timeliness and topicality of the message” (p. 78). The feeling of “urgency” created by the “alert” function of SMS could motivate the consumer to take action immediately.

Secondly, the way of keeping the coupon is different. Unlike other coupons that have their own physical forms, such as paper or card, the SMS coupon is the message that will be stored in the mobile phone. It is the same as any other message in the users’ mobile phone. This may increase the possibility of forgetting the coupon as there is little chance for the users to see this coupon again to remind them to redeem it, unless the users has the habit to review his or her stored SMS regularly. This may imply that marketers had better set an urgent expiration date for the coupon to motivate an immediate action to avoid customers’ forgetting. The study investigated whether con-
consumers will be more likely to respond to an SMS coupon with an urgent expiration date rather than one with a non-urgent expiration date.

Fortin (2000) in his research on coupons in cyberspace points out that the decision to use coupons is actually a trade-off between the potential savings obtained and associated costs of using coupons. Two key components of these costs are time and flexibility. Fortin (2000) indicates that “limited coupon dispersion within brands and categories leaves little flexibility in the choice of a particular brand or size in any given point of a purchase circle” (p. 516). This implies that the more choices the customers have, the more willingly they will be to redeem the coupon. Compared with the traditional coupon, the SMS coupon can be more targeted as the interactivity of the mobile medium enables the marketer to know more about the consumer before they send out the offer. So whether the offer flexibility is still important for SMS coupon needs to be tested. The study investigated whether consumers will be more likely to respond to an SMS coupon with flexible offer choices than that with a specified offer.

A research survey and an experiment were used with the aim of investigating customer’s general attitudes towards SMS marketing as well as their expectations.

Conclusions

Development of new technology enables more and more advanced mobile phone functions and creates interest in various mobile applications. However, SMS is still the most frequently used function of the mobile phone. More than half of the survey respondents sent and received more than 10 SMSs per day. They used SMS more often than calls. Although SMS can be used for other value-added services, such as downloading ring tones, icons, games, or to get information about weather or sports, only a small number of students used these value-added services often (below 2%). This implies that, SMS is still a personal tool for individuals to communicate with people they know, such as friends, family members, and acquaintances. This shows the ‘intimate” nature of SMS for communication. SMS hasn’t yet been much incorporated into commercial activities. However, most of the survey respondents had seen or noticed various kinds of marketing communication that involved the use of SMS.

Generally they did not have a favourable attitude towards SMS marketing, and most of them had privacy concerns when they sent out SMSs as responses to ads. According to the students’ experiences with SMS marketing, ads on other media that encourage users to respond with SMS lucky draw or contest was the most commonly used form of SMS marketing. More than three-quarters of the survey respondents had seen such kind of ads, and nearly half of the respondents had sent SMS to join in a lu-
lucky draw or a contest. In this study, such kind of lucky draws or contests are called “acquisition ads”. To understand how customers think of these “acquisition ads” and how and why they will respond to such ads, an experiment was conducted. Results show that, rather than having fun, people responded to such kind of lucky draws or contests mainly to win prizes. Only a small part of respondents responded because they thought it was interesting. Meanwhile, for the two promotion techniques, lucky draws and contests, people were more willing to respond to the lucky draw, which is simpler in format and needs less effort.

People who were more likely to respond were those who: had favourable attitudes toward SMS marketing, who had a closer relationship with the brand, and who had previously participated in the SMS lucky draw or contest before. In contrast, gender, age, family income, usage frequency of SMS, and privacy concern had no significant effects on participants’ willingness to respond. Normally, after customers responded to the “acquisition ads”, their mobile phone numbers are used to create a database for further marketing communication, which is called “nurturing” in this study. There are two types of “nurturing” messages: “conversation” and “promotion”. Survey results show that only a few respondents had communicated with a company or a brand directly via SMS. This means that, SMS “conversation” is still a rare phenomenon. But “promotion information” is more common. About three-quarters of respondents in the survey had received SMS product or promotion information.

An experiment was conducted to test the effectiveness of the “nurturing” communication and how different factors improved its effectiveness. Results significantly support the hypotheses that “nurturing messages” can create more favourable brand attitude and build up closer relationships between customers and the brand. When examining what types of “conversational” and “promotional” messages work better to generate responses, the experiment results provide a clue. For “conversational” messages, respondents were more likely to respond to short and simple messages. Long and complex messages seem more like one-way advertising, to which customers did not understand that they were expected to respond. To build a conversation with the customer, it is important to send out messages that are interactive. It is difficult to initiate a conversation with messages that are in a “narrative” format. But more interactive messages, such as those with questions that request answers, can effectively initiate a conversation. Statistically, there are significant differences between the effectiveness of these two types of messages. Whether to broadcast conversational messages every day or every other day is another issue that was explored. Whether people are more likely to “chat” with the brand on a daily basis or if they prefer a longer interval between two rounds of conversations was tested. Results show that there was no significant diffe-
rence between these two. In conclusion, the results show the importance of simplicity and brevity of message, interactivity, frequency, immediacy, personalisation and ease of participation. The frequency of sending messages was explored. Results show that there was no significant difference between sending messages daily or every other day. This implies that at the “tolerable level”, that is no more than three messages per day (Barwise & Strong, 2002), people do not care whether they receive conversational messages from the brand less often or more often. This study also examined how “expiration date” and “offer flexibility” affected the response of promotional messages. SMS coupons were tested and results show significant interaction between these two variables for coupon redemption. Compared with “convenience value”, “affection value”, and “entertainment value”, the “monetary value” provided by mobile marketing was the most important factor that influenced customer’s acceptance of mobile marketing. This is consistent with the findings that people responded to acquisition ads mainly for getting prizes. The main reasons why some people did not respond to the mobile marketing ads were “have no time” and “do not want to take the trouble to respond”. This implies that to be “cost efficient” is very important for SMS marketing. To respond to the SMS marketing, there is a cost. The cost includes putting energy to guess the right answer to the “contest” questions, taking the trouble to key in an SMS as response to the ads, the monetary cost to send an SMS, taking time to go to the shop to redeem the coupon, etc. Perceived “cost” becomes the main hindrance for people to respond to SMS marketing communications.

In conclusion, the SMS is the most successful mobile application. The interactivity, immediacy and personalization of the SMS enable it to be a tool for interactive marketing, which can help to improve brand attitude, build brand relationship, and drive sales. Its personal nature makes permission-based marketing an optimum format for mobile marketing. By examining how different factors affect the effectiveness of different components in permission-based mobile marketing, such as acquisition, conversation and promotion, this study found that when designing a mobile marketing campaign, marketers should consider both the nature of the medium and the psychology of the target consumers. The nature of this new medium determines that simple, interactive, and time-location based messages will get more responses from the consumers. Meanwhile, findings from this study imply that users’ perceived monetary value and less cost (including time, effort, and money) are two key elements for the success of SMS marketing targeted on the young adults. The marketing communication should be permission-based, and using SMS lucky draws or contests can help to get the users to opt-in. Lucky draws will get more response from people than contests. SMS messages that aim to build up conversations with customers should be simple and interactive. For
SMS promotions, it is better for the coupons to be offered at the consumers’ convenient time and locations.

Further studies can be conducted using a larger sample or using other samples, to compare the differences. Reduplicated studies can also be conducted in other countries to examine whether there are significant differences on users’ behaviours in SMS marketing in terms of geographical regions.

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