

# The New *Direct* in Direct Marketing

Consumer Adoption of Mobile Technologies Spells Growth for Marketers

insight

Jason Williams + Terrence Rohan | May, 2005



With over 170 million US mobile phone subscribers—right behind television and the personal computer—the mobile handset is fast becoming the “third screen”. Without the constraints of time or space, the mobile marketing channel now brings new meaning to the term “direct marketing”. Reachable *whenever* and *wherever* through mobile technologies, the consumer can now be targeted with intermediated interactive marketing tactics more effectively than with traditional off-line direct mail or online email campaigns.

Because most mobile phone owners keep their cellular phone on hand at all times, it really is the only device capable of connecting to a large audience 24/7. Opportunities for interactivity with the mobile channel run second only to the personal computer while premium billing and emerging technologies may eventually transform mobile devices into tomorrow’s currency.

Party	Mobile Marketing Benefit
Carriers	Increased traffic and revenue
Marketers	More cost-effective, measurable campaigns
Developers	Compelling Content
Consumers	24/7 access to desired information

## A Short History of Mobile Marketing

The history of mobile marketing is short indeed. Making its first appearance in the U.S. just three years ago with the advent of Short Messaging Service (SMS), mobile device users were empowered to send and receive short text messages of up to 160 characters on wireless handsets. Today, SMS is available on most ‘second generation’ and on all advanced wireless networks.

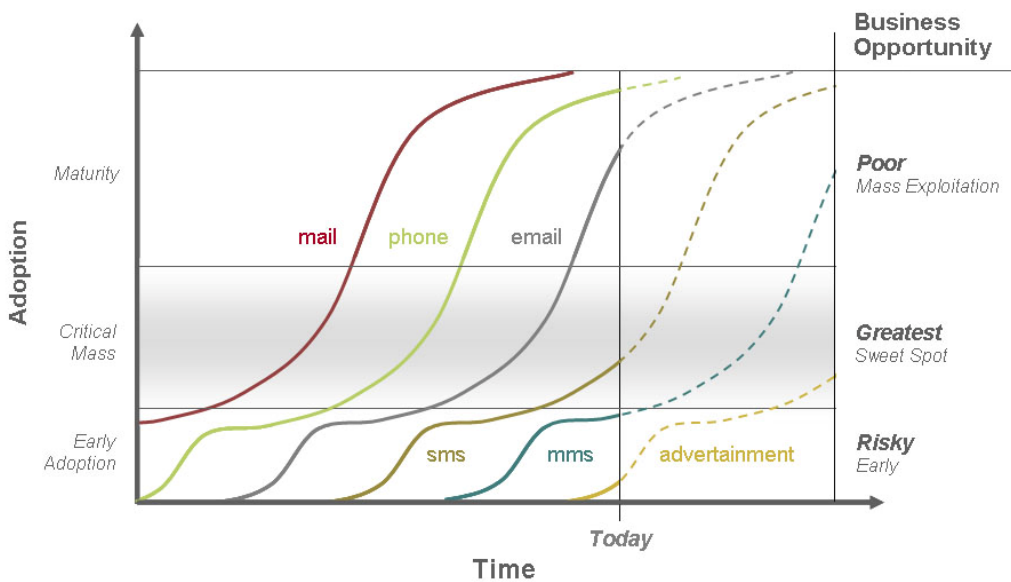
Through SMS technology in these early days, the first mobile marketing campaigns took the form of the one-way “push” in which marketers did all the talking, mimicking familiar tactics from existing channels such as broadcast or print media. As with traditional media, mobile devices delivered messages through a one-way communications channel in which the marketer spoke (wrote), and the consumer listened (read). That was the hope, anyway. By 2003, simple two-way marketing campaigns were hatched through the mobile channel in which consumers were enticed to provide some sort of response to mobile delivered messaging. Like the Internet, marketers began to leverage the interactive possibilities offered by the mobile channel. Common Short Code (CSC) technology allowed marketers to build consumer response into their campaigns, and soon carriers began to promote downloadable items such as customized ring tones to further engage the consumer in the mobile channel.

With the arrival of Wireless Application Protocol (WAP) in 2004, a new set of standards now allows users to browse specially-coded Web pages from a variety of wireless devices. Richer storefront applications are now accessible from cell phones, pagers, and palm devices opening the mobile marketing channel to more opportunities for more marketers.

## The Awareness Barrier—Crossing the Threshold

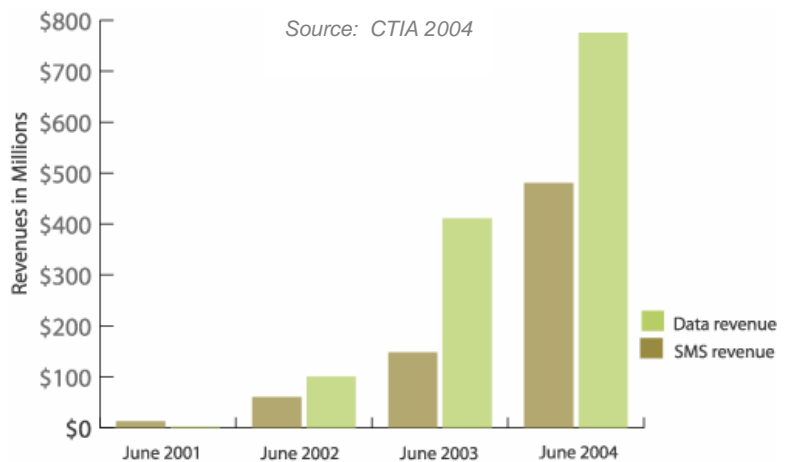
While most forms of mobile functionality are supported by manufacturers, SMS is the only technology for which there is significant market awareness. Over 75% of mobile devices support SMS and up to half of device holders are aware that they walk around with this capability. Well over 75% of mobile devices also support email capabilities, but a much smaller proportion—10%—of mobile phone owners know they can send and receive emails from their handset. Likewise, gaming and download capabilities sit unnoticed and unused by nearly 90% of device owners who do have the necessary technology, but are not aware of it. Be that as it may, the growth trends and analysts who observe them agree that these mobile technologies will be well established by 2006.

### Optimal Use of Communication Modes Marketing Tools



### User Growth Trends

Many marketers look to the under-35 demographic as a barometer for functionality trends in mobile devices. This segment readily embraced SMS technology early, for instance, and the entire mobile device user population eventually followed suit. Advanced features such as video and audio clips, however, remain attractive only to early adopters. SMS remains the only feature that enjoys widespread awareness, its prevalence even reaching the point that some B2C SMS campaigns are now considered SPAM.



Where the consumer roams, spending follows. Revenue generated from SMS messaging climbed from \$12.5 mm in 2001 to \$480 mm in 2004 when the number of SMS messages sent in the US reached 2.86 billion. Similar growth trends were seen in US revenues generated from mobile delivered data services (email, game downloads, internet usage) which climbed from \$2.0 mm in 2001 to over \$775 mm in 2004.

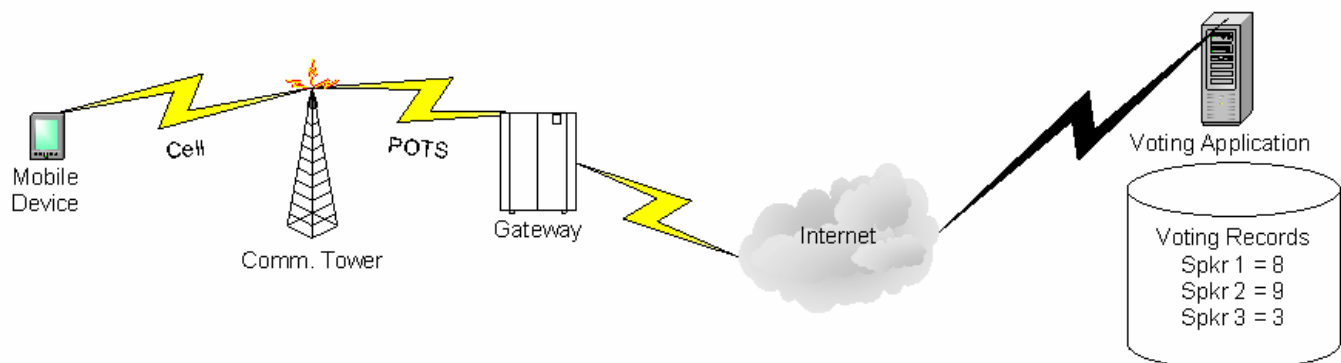
### A Word About Common Short Code (CSC) Programming

The Common Short Code (CSC) program was instituted by the Cellular Telecommunications and Internet Association (CTIA) in 2003. This technology enables a five-digit random or vanity number to work across all wireless carriers in the United States. As of October 2004, there were 345 Common Short Codes registered among 150 unique company registrants.

- A wireless subscriber is made aware of a common short code (CSC), whether through TV, radio, online or through an advertisement, and asked to send a text message to the CSC
- The wireless subscriber then addresses a text message to the CSC number—let's use as an example 46645, which spells GOOGL, Google's SMS Search number—and enters text into the message as directed (let's find the best "sushi in east village NYC").
- Once the wireless subscriber sends the message, it is routed through the wireless service providers' network to the SMS messaging server
- The SMS messaging server then determines where to route the message based on to which CSC the message is addressed. The message is then routed to the appropriate company for delivery of the message to the application that corresponds to the CSC
- The application receives the message and routes it through the software application, which could include sending a confirmation or follow-up message back to the wireless subscriber who originated the message – in Google's example, a search input is calculated and the corresponding search results are sent immediately to the SMS sender.

### Mobile Technology Infrastructure

Whether it is an SMS message, an email, or a photograph, the path that data takes is essentially the same. The message is typed into the phone, and sent over the cellular network as an SMS message. The SMS message is then transferred from the cellular network to the Internet and sent to a voting application server where data is collected and a receipt confirmation sent (if required by the client).



### The Future of Mobile Marketing

We expect to see the following trends and their resulting impact in the mobile marketing arena to

1. The extension of technology standards will move beyond SMS technology and into MMS or other 3G media resulting in an expansion of mCommerce in the United States.
2. Fragmented producers and distributors will witness centralization as the mobile device marketing channel matures. Carriers will demand exclusive contracts in order to achieve efficiencies and competitive advantage.
3. Virus security will become an issue in mobile device marketing much as it is today in email marketing. The lack of network protection standards will evolve into the familiar opt-in convention we see in email marketing. The monetized aspect of text messaging, however, will prevent SPAM, from becoming a major issue for mobile marketers in the US,
4. Although revenue generation will always be the ultimate goal of mobile device marketing efforts, most marketing campaigns pushed through this channel will be branding initiatives designed to provide lift in awareness and brand favorability.
5. As with the Internet, we'll see both a rise in mobile device use by children as well as a burgeoning of adult-oriented mobile applications. The mobile device delivery channel will present the same issues over age regulation and content delivery that now face Internet marketers and users.

## About the Author(s)

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## About Avenue A | Razorfish

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