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Mobile Marketing

A Primer Report



Putting your message in their pocket

Executive Summary

Mobile marketing is more than a trendy new media channel; it is a powerful communication tool with considerable audience reach and awareness. Over 85% of the population in the UK use a mobile phone and 80% across Western Europe. With such high penetration, mobile marketing campaigns can reach all audience demographics (over 70% penetration in all the age ranges up to 64 years of age).

The audience response rates from mobile campaigns and the brand awareness they generate also stand out compared to other media and channels. Mobile campaigns have an average response rate of 12% - some four times greater than direct marketing (average of 2-3%). The average spontaneous brand recall generated at 12% is nearly twice the average rate of spontaneous recall of radio (6%) and television (7%) campaigns.

It was only a few years ago that the mobile channel was used experimentally for the first time as a marketing tool. At that time the complexities of the technology, the specialist knowledge required and the contractual difficulties of working with the mobile networks made delivering mobile marketing campaigns an option only for the determined.

Today these hurdles have been largely removed. The suppliers supporting mobile marketing have developed significantly; enabling brand managers and agencies to deploy mobile marketing campaigns for a fraction of the cost and resources required in the past.

In this paper FirstPartner explores mobile marketing, the opportunities it offers, the steps involved in delivering a campaign and the future for this media. This paper is intended as a primer for those who may be exploring mobile marketing for the first time.

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FirstPartner

FirstPartner is a leading Research and Specialist Marketing Agency for the Telecommunication, IT and Marketing industries. FirstPartner specialises in understanding new technologies such as mobile data, mobile marketing and interactive TV. Our services are differentiated by applying on-the-ground experience of sales development to create insightful and valued research for marketers.

If having read this report you have any questions or would like more information on the commercial and technological aspects of mobile marketing or simply want to discuss further, please feel free to call us using the contact details on the front of this report.

For general information on FirstPartner, please visit our website www.firstpartner.co.uk.

Introduction

Mobile marketing is transitioning from an exotic marketing solution used by the few into a core channel for the mainstream marketing industry. The term ‘mobile marketing’ covers a broad range of formats in which the target audience interacts with a campaign using their mobile phone. We have defined 4 broad groups of format within this primer:

1. **Messaging based** - Marketing using SMS and MMS;
2. **Browser based** - Marketing using the “mobile internet” in WAP format via banner ads and interstitials;
3. **Voice based** - Marketing using voice lines; and
4. **Emerging** - Current cutting edge campaign formats which are being used by just a few specialist agencies. Examples include use of Java games, voice mail marketing and Location Based Services (LBS).

Many of the formats defined above can also be targeted at fixed line/land line customers. For the purposes of this primer we focus purely on the opportunities to target the mobile customer base with the mobile phone.

It was only a few years ago that the mobile channel was used experimentally for the first time as a marketing tool. At the time the complexities of the technology, the specialist knowledge required and the contractual difficulties of working with the mobile networks made delivering mobile marketing campaigns an area only for the determined.

Today, these hurdles have been largely removed. The value chain supporting mobile marketing has developed significantly enabling brand managers and agencies to deploy mobile marketing campaigns for a fraction of the cost and resources required only two years ago. This has substantially strengthened the justification for using mobile marketing and has led to a significant increase in diversity of brands and agencies trialling the channel.

Today we believe the mobile marketing industry can be characterised by:

- **Cost efficient delivery** – The numbers of suppliers in the market and the commoditisation of the technology has helped drive the price for delivering mobile marketing campaigns down in terms of the costs to develop and deliver the campaign.
- **Best practice and improving effectiveness** – As the number of campaigns delivered increases, the industry is moving up the learning curve and incrementally improving campaign effectiveness. This is substantially reducing the risk of failure for brand managers and agencies to use the channel and is providing more measurement data to help benchmark success.
- **Strong future roadmap** – Mobile marketing has a healthy pipeline of new innovations coming on to the market over the next 3 years, extending the flexibility of the channel and the strengthening the rationale for using the channel. Already some agencies are beginning to trial new campaign formats using technology MMS and Location Based Services (LBS). Both these technologies improve the precision of marketing to better target particular customer segments. Within another 2-3 years the mobile handsets supporting these technologies should reach saturation in the market and these types of campaigns will be part of the broader mobile marketing offering.

The structural improvements that have occurred in the marketplace over the last few years combined with the characteristics outlined above build a strong business case, in our opinion, for integrating mobile marketing into the overall strategy for any mainstream marketing professional.

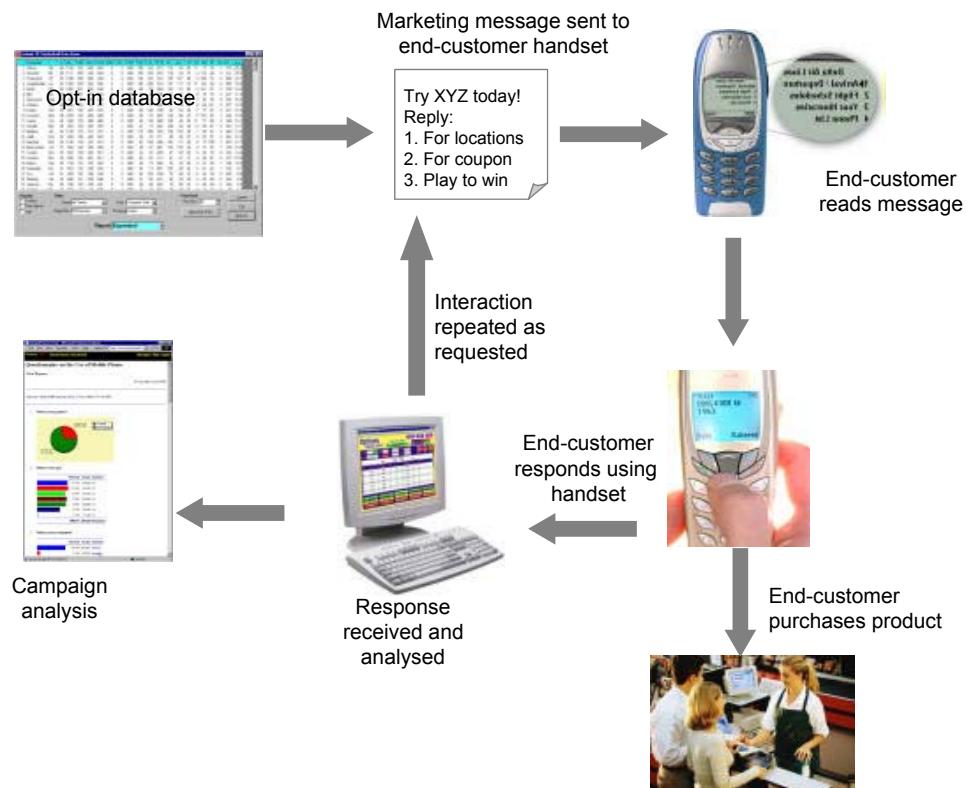
This paper aims to provide brand managers and agencies a basic understanding of the mobile marketing industry so as to take better advantage of the opportunities available with mobile marketing and how to employ it for maximum effectiveness.

The Basics

Mobile campaigns use the end-customer's mobile phone handset to deliver marketing messages. These messages can be pushed to the end-customer (as in the example below) or pulled by the customer in response to information on other media such as magazines, papers, flyers and television advertisements.

A computer system handles the sending of the messages and collating of responses from end-customers, with little or no manual intervention.

Figure 1: A simple Mobile Campaign



Source: FirstPartner 2003

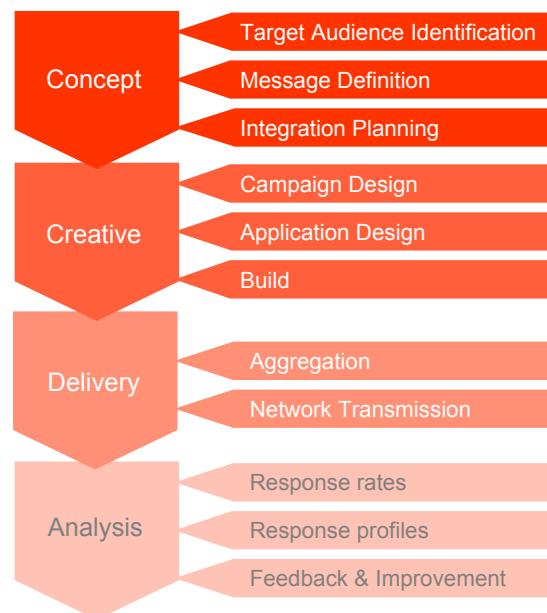
Steps involved in delivering a mobile campaign

Creating a mobile marketing campaign has the same basic principles of any other traditional campaign format:

1. Capture the end-customers attention,
2. Create familiarity with the brand, and
3. Convert the end-customer from consideration to purchase.

The steps to implement and run a mobile marketing campaign can be considered in four stages (based on a typical SMS marketing campaign):

Figure 2: Mobile Marketing Campaign Stages



Source: FirstPartner 2003

Step 1 – Concept

The first step to undertaking a mobile marketing campaign is to develop and incorporate a concept into the overall marketing/campaign strategy. The mobile marketing concept will define what end-customer segment should be targeted, what message should be conveyed and how the mobile campaign will be integrated with other media and communications.

Incorporating mobile campaigns into an overall marketing strategy examines the options of undertaking a new series of campaigns solely based on the mobile channel, adding mobile channel elements to existing campaigns on other channels or a combination of both. The second option, where the mobile channel is added to existing and planned campaigns on other media, has proven to be most effective and efficient. Mobile campaigns can complement other media, such as television, print and on-pack, very well, becoming an integral part for feedback/response and analysis of a larger multiple media strategy.

This stage of activity typically occurs within a brand's organisation, with support from their preferred marketing agencies.

Step 2 – Creative

The creative element of a mobile marketing campaign has a few more steps compared to traditional channels and like the early days of television and radio, has certain limitations that need to be understood. SMS is the most common mobile campaign mechanism currently used, having the widest possible footprint across the mobile-enabled audience. However SMS is limited to 160 text characters, a constraint that must be considered in any creative design.

The creative element must also cover the length and type of interaction that a campaign wishes to achieve with a target audience. Campaigns can be as simple as a single pull, where the end-customer responds to an advert on another medium using SMS, and receives a response with a single acknowledgement. Campaigns can also be as complex as a push campaign, which invites end-customers to interact through a series of games, questions or conversations all through SMS messages.

Step 3 – Delivery

Delivering a mobile marketing campaign becomes more complex than other traditional formats. The target audience will access campaign messages through the service provided by their mobile network provider. Therefore to reach the full target audience, a mobile campaign must be delivered across all mobile networks.

This requires either direct negotiation with each network operator or use of one of the Mobile Aggregators. Mobile Aggregators have already negotiated with each network operator and can offer mobile campaigns a single supplier to provide access across all networks.

Step 4 - Measurement and Analysis

A major benefit from running a mobile marketing campaign is the level of end-consumer intelligence that can be acquired. Mobile handsets tend to be taken with end-customers wherever they go – at work, at home and on the road, enabling them to interact promptly with a campaign at any time.

Unlike other interactive mechanisms such as the Internet or post, the data captured from a mobile marketing campaign correlates, more closely, the time of response to a campaign with the time of consideration or purchase of a product, allowing deeper insight into customer behaviour.

For example, consider an on-pack contest. With an interactive campaign using the Internet, “Go to www.xxxx.com to enter” requires an end-customer to hold on to the pack or remember the website until they are somewhere with Internet access. In this case only limited data correlation can be made between the time of entry and product purchase. In contrast, using a mobile interactive channel such as “Text to 8888 to enter” gives the end-customer the ability to enter the contest on the spot via their mobile handset. The time the customer entered the contest is now more likely to be closer to the actual time of purchase.

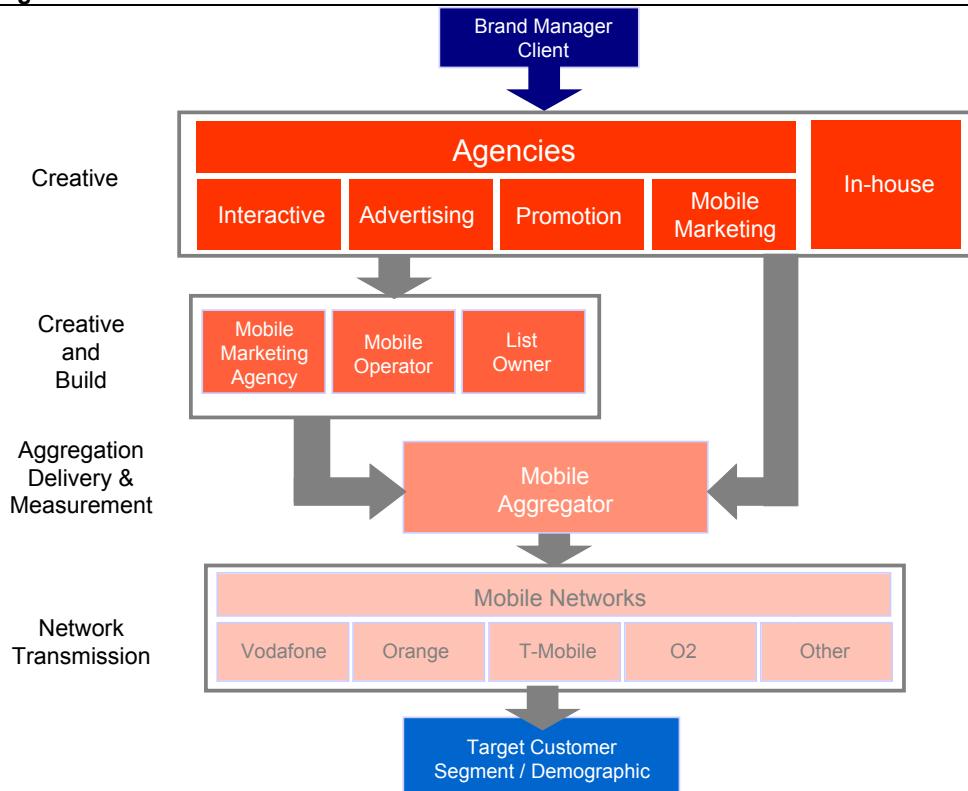
The Value Chain

A vibrant community of suppliers support the delivery of mobile marketing campaigns with specialist services. To date, brand managers and agencies launching a mobile marketing campaign had to coordinate multiple niche suppliers to build a complete campaign solution.

Increasingly, we see the buyers of mobile campaigns looking for greater integration and end-to-end services from suppliers. Traditional agencies are also entering into the full-service market and adding mobile marketing services to their portfolios.

The value chain of suppliers that support mobile campaigns follow a different flow than the campaign creation process. The main areas of value provided are defined as:

Figure 3: Value Chain



Source: FirstPartner 2003

Creative – The consultancy or agency service that develops the campaign concept, taking into consideration the client's integrated marketing strategy. This may involve integration with other channels such as TV, radio or print.

Previously this service was provided by specialist marketing agencies but the latest trend is for mainstream traditional agencies to provide this service, either by developing the core skills in-house or partnering with a specialist agency.

Build – The consultancy or agency task of building the application to deliver the mobile campaign. Some of the tasks involved in this build include:

- Developing campaign specific copy, tailored to the mobile channel;
- Purchasing, renting or developing a database of mobile numbers for the desired target audience (if the campaign is a push campaign, note: Database are subject to data protection conditions);
- Application development to handle inbound messages;
- Setting up short codes or mobile numbers to receive responses (primarily for SMS campaigns)

Some specialist agencies have developed proprietary mobile software platforms to speed up the generation of the IT aspect of the campaign. These platforms provide basic tasks such as acknowledgments, tracking and information capture that can be tailored to specific client requirements. Recently a number of inexpensive “off-the-shelf” mobile software platforms have emerged enabling traditional agencies to begin to offer these services as part of their interactive portfolio.

Aggregation, delivery and measurement – The target audience for a campaign will span all major mobile networks for a particular country. Consequently, the campaign must connect to all networks. The complexity of connecting to each network directly is significant and this has led to the emergence of Mobile Aggregators. Mobile Aggregators take a small margin on the network transmission costs but provide a single point of connection for accessing all networks.

Given the technical level of their role, they are often not visible to the client undertaking the mobile marketing campaign. Typically, the lead agency working with the client has a partnering or sub-contractor relationship with the Mobile Aggregator to provide this distribution of the mobile campaign.

The service provided by the Mobile Aggregators has moved on from simple distribution and many now provide limited analysis on campaigns, such as the speed of campaign responses and the number of responses across each network. They have also become the major reseller for features such as short codes for SMS (e.g. user dials only 8888 instead of a long number) and premium SMS (charging up to £1.50 per SMS sent or received).

Network transmission – The charge imposed by the mobile operators for using their networks to send SMS, MMS messages and for using Location Based Service (LBS) data. The charges are volume dependent and vary slightly from operator to operator.

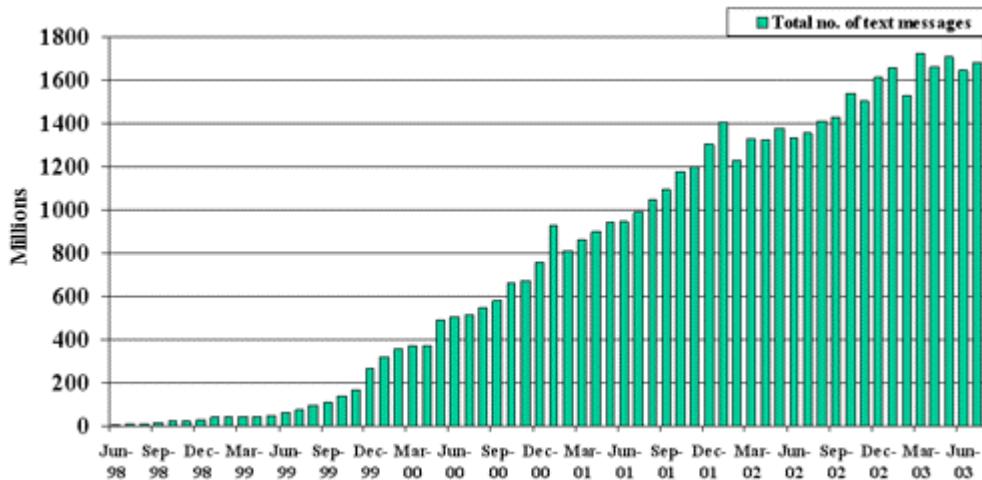
The Detail

This section provides greater detail about message based mobile marketing, focusing on SMS marketing, including:

- Campaign Formats - both design and technical;
- Campaign Costs - indicative costs;
- Addressable Audience - how many and who can be reached; and
- Benefits - such as brand awareness and high response rates.

Currently, SMS as a mechanic is the most widely used in mobile marketing campaigns. In part, this is due to the high usage of SMS by the mobile-enabled audience. In July 2003 over 1.6Bn messages were sent in the UK alone, of that number close to 15m of these messages were related to marketing activity. Based on our analysis we estimate that this figure will grow to over 5% of total messaging volume by 2005.

Figure 4: Growth in Text Messages Sent



Source: Mobile Data Association, 2003

Mobile Campaign Formats

Mobile marketing campaigns can be broadly categorised into pull campaigns and push campaigns. Either category of campaign can be delivered with one of two levels of interaction with the end-customer - single response or multiple response.

A multiple response campaign enables an ongoing cycle of interaction with the end-customer, looping end-customer response to campaign acknowledgment to end-customer response and so on. Multiple response campaigns are used to open up an ongoing dialogue with the end-customer, both to increase their brand awareness and to gather demographic and socio-graphic intelligence about the end-customer.

Message Technologies

The majority of mobile campaigns today use Short Message Service (SMS) messaging. SMS messages are limited to text only and to 160 characters. Despite the limitations of the media, it has proven to be highly effective generating high brand recall and response rates.

Although there is a large push in the market for Multimedia Message Service (MMS) enabled phones and services, the penetration in the end-customer population is still relatively low. SMS capability has been around in the UK since 1994, but it has only been in the last 3 years that SMS-enabled handset penetration has reached saturation. We believe that MMS-enabled handsets will also see a similar lag in reaching saturation in the market, leaving it as mobile marketing medium for the early-adopter and early-majority end-customer segments for the next 3-4 years.

Pull Campaigns

Single response pull campaigns such as "Text to win" tend to be the entry point into mobile marketing for most brands and agencies. This type of mobile campaign works as a part of a larger campaign run over multiple media types and provides one of the response mechanisms for the larger campaign. The development required for this type of campaign is fairly standard and many of the suppliers providing the application build for these campaigns have developed platforms to deliver these very quickly.

The most unfamiliar decision a brand manager or agency will have to make when setting up a single response pull campaign will be whether to use a short code (5 digits) or full mobile number (11 digits) as the response number. Both are available from aggregator and operators with many suppliers offering to hold short codes and numbers in reserve for a client from campaign to campaign.

Multiple response pull campaigns involve more creative design and application design to handle the ongoing dialogue with the end-customer. These campaigns often invite end-customers to interact through:

- Games;
- Ring-tone and icon offers;
- Joining clubs or groups;
- Registering for tokens, vouchers or coupons; and
- Additional contests or competitions.

Although the suppliers for the application build will have basic templates that can be used, some element of bespoke development is usually required.

Push Campaigns

Push campaigns, both single and multiple response, add another element to the mix for mobile campaigns - the need for an opt-in database of mobile numbers. Mobile marketing is regulated in the European Union and requires that messages be sent only to end-customers who have opted in to receive such messages.

Push campaigns are starting to be used as a powerful tool for direct marketing. These campaigns have response rates on average of over 12% (based on campaigns from Flytxt, 12Snap and Enpocket) nearly double the rate of the typical direct market channels, which ICM Direct recently reported to be 6.8%.

Like pull campaigns, single response push campaigns are easier to set up and require less creative and application development work. Multiple response push campaigns can also set up interaction with the end-customer in the same way that pull campaigns do.

The four categories of campaign formats are summarised in the table below:

Table 1: Messaging Campaigns

Campaign Type	Description	Example Brands
Pull, Single Response	Using a short code or complete mobile number for end consumers to text to, in order to enter competitions listed on other media.	Cadbury Crunchies Mumm Champagne
	This is the easiest and simplest type of Mobile Marketing campaign to set up. Interaction is only one respond/acknowledge loop.	Coke
Pull, Multiple Response	Same as a single response type, but interaction loops multiple times, as the campaign is designed to engage the end-consumer in dialogue with the campaign.	Gossard Channel 5
	These campaigns are more involved and require additional creative design of the desired interaction and additional application development and build to handle responses and additional "chat".	
Push, Single Response	This format uses the mobile as the primary channel and initiates interaction by sending a message to an end consumer. The campaign may invite or require a response from the end-customer.	Emporio Armani Chapstick
	This type of campaign requires an opt-in database of mobile numbers to use as the target audience.	
Push, Multiple Response	Same as a single response push campaign, but interaction loops multiple times, as the campaign is designed to engage the end-consumer in dialogue with the campaign.	Chupa Chups Reebok
	These campaigns are more involved and require additional creative design of the desired interaction and additional application development and build to handle responses and additional "chat".	

Full spectrum of campaign formats

Although we focus in this section on messaging based campaigns, there are a number of other formats that can be used. The table below gives a summary of how mobile marketing can be extended into innovative customer communications and how other formats such as voice and browser-based can be used.

Title	Description	Considerations	Comments
Messaging			
SMS Promotion (Push)	Send an outbound SMS to a target audience	<p>Respondee:</p> <ul style="list-style-type: none"> • Sends return SMS • Calls telephone # • Looks out for on pack promotion • Visits web site xxx.com • Receives money off 	Outbound SMS has risk of being treated as spam. Care is needed to ensure message hits the right audience. Format is now subject to increasing regulatory controls.
SMS Alerts (Pull then Push)	Customer opts in to receive alerts by texting into a specific number	<p>Alerts could be:</p> <ul style="list-style-type: none"> • Specific promotions • Useful content news headlines 	<p>Content is more expensive to develop/license, e.g. news alerts, but customer perceives greater value from interaction.</p> <p>Additionally it builds up a permission based database for other campaigns.</p>
SMS To Win (Pull)	<p>Customer sees promotion on other media/channel and uses SMS as response mechanism.</p> <p>Most common is "text to win" format, i.e. SMS to be entered into a competition</p>	<p>Other media/channels include:</p> <ul style="list-style-type: none"> • Radio • TV • Press (Magazines, Papers, etc) • Internet • Outdoor • Flyers 	<p>Response rates to this format work well and illustrate how mobile marketing can be integrated with other channels and media.</p> <p>Brands can rent short, highly memorable short codes to SMS back to, but these add to the cost of the campaign.</p>
SMS To Call Back (Pull)	Customer sends SMS to a mobile number to request a call back. A more discrete and convenient method than leaving a voice mail or navigating lengthy voice menu options within call centres.	<p>Can be added as another feedback method for any traditional media advert:</p> <ul style="list-style-type: none"> • Magazine adverts • Outdoor • TV adverts 	Call back buttons on Internet sites have proved successful; this is an emerging extension of the same function in the mobile space.
Browser Based			
Footnote Link	At the bottom of a WAP page is a footnote advert and link. E.g., "special offers", "enter competition"	Space on WAP pages is very limited and so linking needs to be undertaken with care as customers can often overlook them.	WAP version 2.0 is soon to be released; this significantly improves the presentation of content on mobile phones and makes this format more compelling.
Interstitial	When a particular WAP site is loading on a phone a short advert is presented on the screen, before being replaced by the main site.	Options arise on amount, format and whether graphics should be included – i.e., equivalent to considerations for a normal internet banner advert.	Some customers find interstitial adverts irritating as customers are typically charged for amount of data downloaded to their phone and are essentially paying for adverts they may not want to receive.
Search Engine Listing	When a user uses a mobile WAP search engine, the brand is presented in the top 5-10 results listing.	Reflecting search engine brands on the Internet, brand managers should use recognised players.	WAP/Mobile browser based searching is complex and is only really used by a niche audience.
Portal Listing	Within the major mobile operators Vodafone Live!, T-mobile T-Zones etc, a brand is listed within one or more of their categories	As with traditional internet sites the portal positioning has a big impact on amount of customers that will see an advert or link.	

Title	Description	Considerations	Comments
Voice Based			
Register a vote	User responds to a campaign or TV program and phones 1 of a choice of numbers to register a vote or enter a competition.	Considerations include whether to: <ul style="list-style-type: none">• Charge a premium for the call.• How long to rent the number for.	Perhaps the most common form of mobile marketing used in many TV programs and competitions.
Follow instructions or submit details	User responds to campaign or promotion and must phone a number in order to receive a code or leave a message.	Typically, these promotions are charged at a premium rate and users are kept on the phone for as long as possible in order to collect the maximum charge.	For high value competitions and promotions this is a simple and effective way to collect revenues to offset against the full marketing cost. Note: Users must be made aware of the likely cost to call, as per ICSTIS regulations.
Other			
MMS marketing	Essentially any of the SMS formats can be used for MMS.		MMS provides a much richer format for marketing but has a higher cost associated. Currently the customer base using MMS remains low. Once most mobile customers have MMS capability expect this to become a key component of mobile marketing.
Location based marketing	User receives an SMS or MMS message based on location.	Customers must have opted-in to be marketed in this manner. Over precision may damage brand / perception of "big-brother".	This is perhaps the most common over-hyped example of location-based advertising. It's a sensitive area of personal information and the market is only now beginning to experiment with this format. Mobile operators for a long time have been marketing in this manner when a user arrives at a new country and must switch to a roaming provider.
Downloads	User receives SMS inviting them to download a ringtone, icon or promotion game.	Costs of developing this additional content are greater and it requires greater sophistication of the audience to successfully perform the steps to complete the download.	This format has been highly successful for very large brands where consumers have paid to have brands as their icons. This is also particularly effective for the youth market. We expect only a few brands to develop mobile marketing using games due to the cost of development.

Misconceptions of mobile campaigns

One of the largest misconceptions in the market about mobile campaigns is that they have large hidden costs to the end-customer and that all campaigns must use premium rate messages.

The reality is that responding and interacting with a campaign does not need to cost the end-customer any more than the price of a standard text message, typically £0.10 - £0.12 per message, less than the cost of posting back a form.

With push campaigns, the cost can be nothing to the end-customer if they choose not to respond to the message.

Mobile marketing does offer brands and agencies the opportunity to recover the costs of a campaign through the use of premium rate messages. Campaigns that are experimenting with premium rate charges for entering contests have still seen good response rates. For example the Channel 5 pull campaign charged premium rate costs of £1.00 and still had 55,000 entries.

Campaign Costs

Mobile campaigns, like any type of marketing campaign, vary in costs depending on the suppliers used, the reach of the campaign and the complexity of the campaign. The costs involved in a mobile campaign include:

- Creative costs for design;
- Application development costs;
- Short code or full mobile rental; and
- Per message cost for outbound messages;

These costs are divided across the value chain depicted in Figure 3 above. To show typical costs for a low-end solution up to a high-end complex campaign, we consider a push mobile campaign to an audience of 50,000 using SMS. These values are based on discussions with several agencies and operators in the mobile marketing arena during August.

The figure below shows the costs and how they are allocated across the value chain:

Figure 5: Typical SMS Outbound Campaign to 50,000 audience



Source: FirstPartner, Agencies, Aggregators and Operators

It is clear that there is currently a wide price range that a brand manager or agency may pay for a mobile marketing campaign. Areas where spending more is likely to have the most impact on the success of the campaign include:

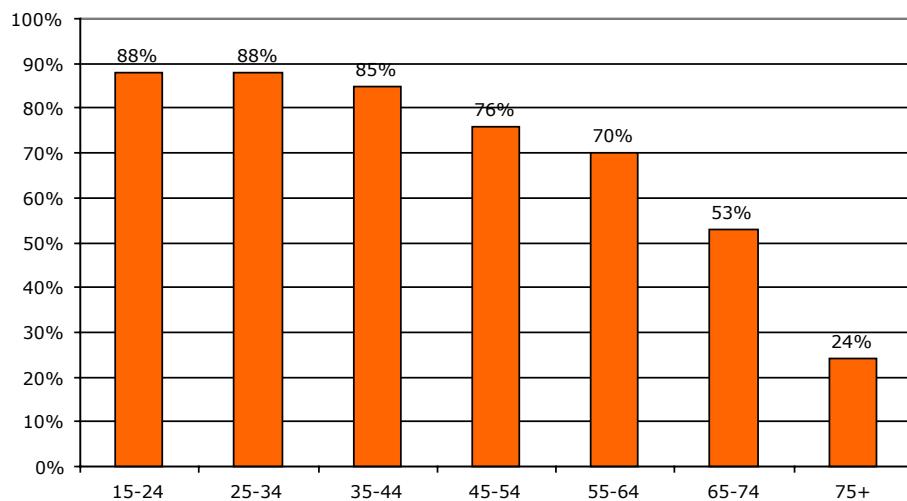
- **Quality of list** – Higher quality lists will enable greater precision in targeting customer segments and are likely to be more up-to-date, leading to less failed deliveries.
- **Quality of application** – If a campaign uses a standard format, brand managers should expect to pay between £0 to £3,000 for the application build depending on requirements. If more creative input is required in order to deliver the campaign the application build and creative consulting can increase substantially.

Addressable Audience

Mobile phone usage within the UK is comparable to TV and Radio and far exceeds Internet. With over 85% population penetration in the UK and 80% across Western Europe, mobile represents a real channel for accessing almost any end-customer demographic segment.

Another common misconception about mobile marketing is that the real addressable audience is only the younger age group. Although the younger group does make up a large part of the mobile market and the use of mobile technologies, mobile penetration is high across all age groups, with nearly a quarter of the over 75 age group mobile-enabled. This substantial audience is available now to mobile marketing campaigns.

Figure 6: Mobile Penetration by Age



Source: Ofcom, Feb 2003

Pull mobile marketing campaigns, such as on-pack promotions, can address the whole of the mobile-enabled audience. This means almost any demographic and customer segment can be targeted and can respond to these campaigns.

Push mobile marketing campaigns face some limitation on the size and extent of the audience they can address. Due to legislation, push campaigns can only be sent to those individuals who opt-in to marketing lists. In the UK there is probably close to 10m individuals who can be targeted with mobile marketing campaigns. However, many push campaigns reach additional audience members as the audience forwards the messages on. At present, many of these opt-in lists focus on sub-30 year old audience segments.

The challenge for push mobile marketing is to avoid falling into the same trap that e-mail marketing has with spam. Spam has become so pervasive with e-mail marketing that the audience has begun to resent being targeted and can have negative associations with a brand. Although a danger, there are a number of aspects to mobile marketing that are actively working to prevent it from going down the same road:

- Unlike e-mail there is a visible cost associated with mobile marketing that will be one limiter.
- Premium rate SMS messages are already regulated by ICSTIS.
- In the UK the regulator Mobile Data Association and GSM Association has taken steps to police how mobile phone users are marketed to using SMS, requiring that messages be sent only to those who have opt-ed in.
- Additionally, they have also set guidelines for the content of the messages so that it is clear to the recipient how much it costs to respond, who sent the message and how they can opt-out to further messages.

Benefits

Mobile marketing as part of integrated marketing communication provides a level of interaction and direct connection with end-customers that make it a strong tool in a marketer's toolbox. The ease of one-on-one type communication has captivated interest in the market and the case studies from actual mobile marketing campaigns demonstrate the many benefits that mobile marketing can add to existing campaigns. This section looks at the strong brand recall and high response rates that mobile marketing generates.

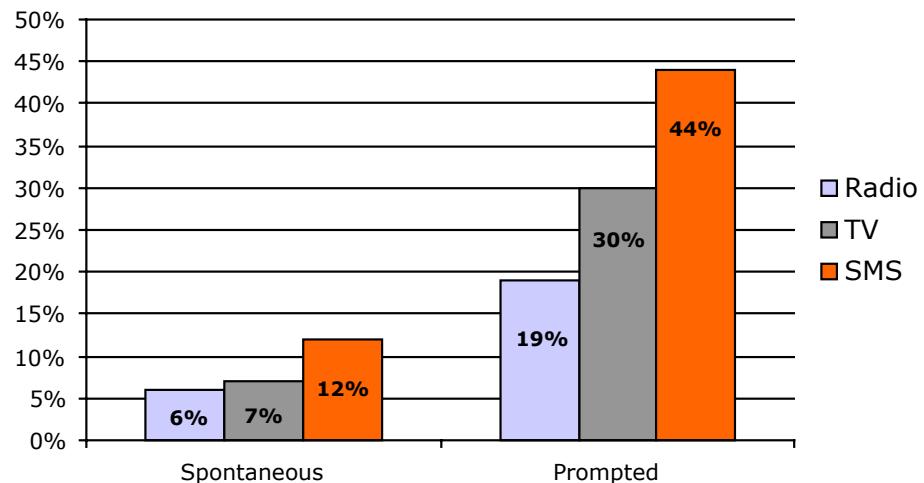
Brand Recall

One of the most common measures of effectiveness for a campaign is the percentage of the target audience that recalls the campaign and brand. As a campaign media, Mobile Marketing excels at this. A study showed that unprompted awareness of the mobile campaigns was over 60%.

The study, conducted by mobile marketing agency Enpocket and research firm ICM Direct, interviewed over 5,000 end customers and covered a selection of 150 campaigns delivered between September 2001 and August 2002.

Spontaneous brand awareness was 12%, higher than both radio (6%) and television (7%). Prompted awareness jumped to 44%, more than double the awareness of radio.

Figure 7: Mobile Campaign Brand Awareness



Source: Enpocket, ICM Direct, RAB, Media Audits, Nielson Media Research

Radio data comes from the UK Radio Advertising Bureau Guide: Measuring Radio's Effect. The Television Data combines UK and US data provided by Media Audits and Nielson Media Research respectively.

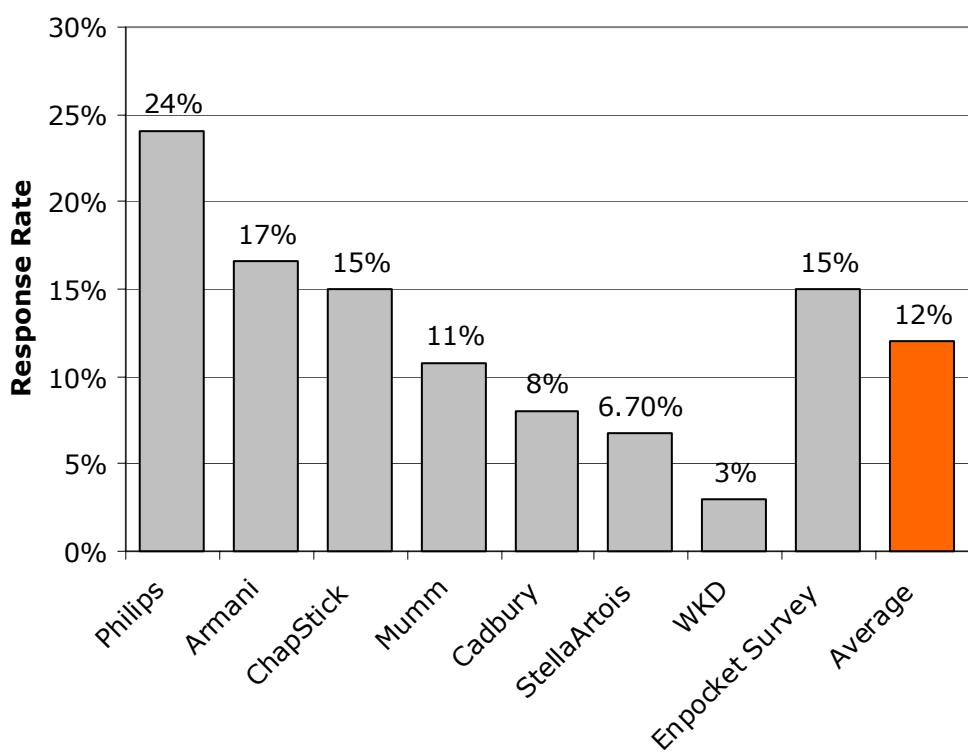
Response Rates

As a response channel complementing other campaigns mobile marketing generates high average response rates of over 12%. This is four times higher than the widely accepted average for direct marketing campaigns of 2-3%, and twice as high as the recent direct marketing average response rate of 6.8% found in the UK Direct Mail Information Service's 'Response Rates Survey 2003'.

The 12% average response rate comes from looking at individual campaigns and a survey of over 5000 end consumers covering some 200 SMS campaigns conducted by Enpocket and ICM Direct. The survey showed a response rate of 15% that was combined with the other campaigns from providers Flytxt and 12Snap.

The following chart shows some of the response rates achieved with mobile marketing:

Figure 8: Mobile Marketing Campaign Response



Source: FirstPartner, EnPocket, FlyTxt, 12Snap

The Market

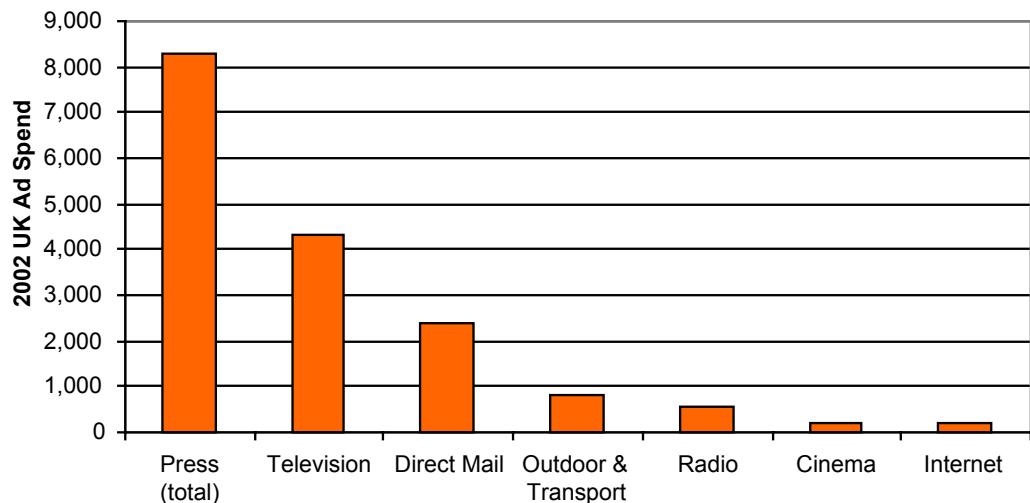
The overall advertising market has suffered from declining to flat revenues over the last two years. Consequently, the market for mobile marketing has been left to specialist and niche agencies as traditional and larger agencies have cut back their businesses to focus on core revenue generating areas. Due to the downsized industry and tougher climate new media channels, including mobile marketing, have accounted for only a fraction of the total marketing industry revenue base.

For example, in 2002 the total UK advertising market was worth £16.7B, of which online advertising only accounted for £197m – just over 1% of the market. This is compared to other media such as direct mail which accounted for 14% (£ 2.3B) of the market in 2002 and achieves a response rate that is on average a quarter of the rate achieved with mobile marketing. Figure 9 shows the full breakdowns for marketing spend in the UK in 2002.

Today's advertising market is showing signs of change. The latest data indicates that 2003 could be a growth year for advertising across the board. With agencies now streamlined, many are once again evaluating how they can participate in the new media space and capture market share of these high growth markets.

In this context, Mobile Marketing presents a perfect opportunity to capture the interest and investment of marketers, grabbing its own slice of the £16.7Bn market.

Figure 9: 2002 UK Marketing Budgets

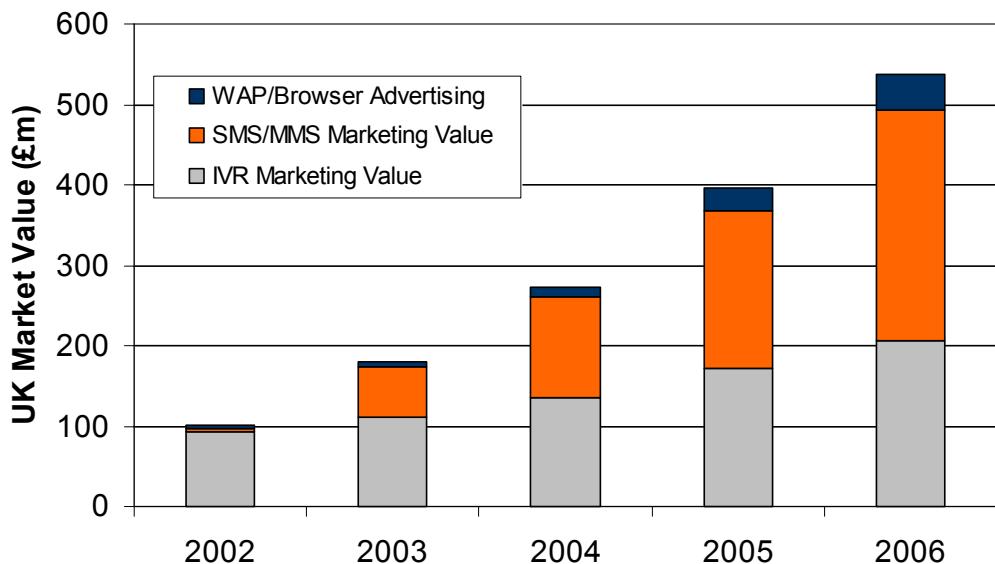


Source: UK Advertising Association

Size of the Market

Today, we estimate that the bulk of mobile marketing activity (approximately 95%) is undertaken using either SMS or Premium Rate Voice. WAP banner advertising or interstitial portal advertising and MMS take up the remaining market share of 5%.

Figure 10: Value of Mobile Marketing in the UK



Source: FirstPartner 2003

Trends

The landscape of the mobile marketing value chain and market is evolving positively for the client brand managers who are benefiting from ongoing cost reductions and improving quality of services. The major trends we see in the marketplace are:

- **Integration of the end-to-end service** – Lead agencies and brand managers will increasingly look to work with suppliers who can deliver an end-to-end mobile marketing service. The beginning of this trend is evident in the moves made by mainstream marketing agencies to include mobile campaigns delivery in their portfolio of services. Mainstream agencies are incorporating mobile both through their own internal interactive agency service lines and by partnering with network operators positioned to deliver the end-to-end solution as a complement to traditional agency campaigns.

For the specialist mobile agencies, this change in the marketplace is forcing them to step-up to more traditional marketing services and work more closely with lead agencies. Over the course of the next 5 years we expect this trend to result in consolidation of the many specialist suppliers and that the leading mainstream marketing agencies will have mobile marketing services within their portfolio.

- **SMS the preferred format** – Across the full spectrum of mobile campaign formats, SMS leads by a substantial majority in terms of popularity with marketers. Audience uptake of WAP remains weak, while MMS and LBS are still too new to address broad customer demographics or segments.

We therefore expect SMS to continue to dominate mobile marketing for the next 2 years, slowly being replaced by uptake of MMS. WAP version 2.0 may solve the current mobile

Internet problems but probably remains at least 2-3 years away from representing a viable format.

- **Operators will enter the full service market** – As the market for mobile marketing increases, we believe that mobile operators will step-up their efforts to help mainstream agencies deliver mobile campaigns and be more active in the value chain by offering an end-to-end service. Evidence of this trend is already in the market with the launch of the new mobile marketing programmes offered by O2 (O2 Online) and Vodafone (Vodafone Target).

Their scale, brand strength and resources should enable them to succeed in the longer term. In the short term the operators face two major challenges, firstly matching the quality of customer service and intimacy offered by the smaller specialist suppliers and then overcoming the perception that they can only communicate with subscribers on their network. We believe once the operators address and resolve these weaknesses smaller rivals who are not partners with operators will find the market environment much tougher.

- **Pricing likely to continue to be pressured short term** – We expect the cost for delivering mobile marketing campaigns to continue to reduce as existing suppliers fight for market share and volume. This is good news for brand managers and lead agencies who will benefit from supplier competition.

Over time, once the competitive supplier landscape matures, pricing will most likely stabilise and may well begin to increase. In the short term, brands and agencies should look to make the most of the excess capacity in the market.

The Campaigns

A selection of the mobile marketing campaigns delivered over the last few years and the results that they yielded.

Brand & Agency	Campaign Format	Description	Results
Brand: Gossard	Pull, multiple response	Gossard launched a television and print campaign with a mobile response mechanism to promote their G-String underwear.	<ul style="list-style-type: none"> • 25,000 text requests for the voucher.
Agency: Flytxt		End consumers were invited to text in "G4Me" to a mobile number in order to receive a £1 voucher off for G-String underwear.	<ul style="list-style-type: none"> • 62% of requesters followed through and sent a required second text with address details
		In order to actually receive the voucher, end consumers were sent a return SMS asking them to enter the address details.	<ul style="list-style-type: none"> • Gossard achieved its first half-year sales target in 6 weeks.
Brand: Chapstick	Push, multiple response	ChapStick launched a direct SMS campaign and promotion for their new SPF35 product to a target audience of 50,000 people.	<ul style="list-style-type: none"> • Response rate of 15%
Agency: 12Snap		The campaign centred on a competition to win a holiday to Ibiza for one person plus 5 friends and involved answering fun questions.	<ul style="list-style-type: none"> • 16% of the responders went on to play the game again. • 24% played the game and forwarded it to a friend.
Brand: Walkers	Pull, single response	A pure text-to-win campaign with 34 million prizes including Sony 15" LCD flat screen TV's; Sony Picot DVD players, Sony Ericsson T310 mobile phones and mobile phone top-ups.	<ul style="list-style-type: none"> • Campaign ongoing and finishes 31/10/2003.
Agency: 12Snap		The campaign is being run on 270 million packets of Walkers Quavers, Monster Munch, French Fries, Squares and Wotsits.	
Brand: Mumm Champagne	Pull, single response	A text-to-win campaign offering a prize of a trip to the Italian Grand Prix.	<ul style="list-style-type: none"> • 10.8% response rate
Agency: 12Snap with 141		The promotion was tied to specific outlets where when a bottle or glass of Mumm was purchased the end-customer was given a specially branded envelope with a code they could text in to find out instantly if they had won.	<ul style="list-style-type: none"> • A predominantly older demographic responding.
Brand: Chupa Chups	Push, multiple response	A three-week campaign targeted to 10-18 year olds which utilised SMS databases from media owners T4, CD:UK Magazine and Galaxy Radio.	<ul style="list-style-type: none"> • Not published.
Agency: Aerodeon		Participants in the campaign were asked to become 'Chupa Chups squad leaders' with their own unique squad name. They invited as many friends as possible to join their squad and each invitee in turn received a branded text message from Chupa Chups asking them to recruit friends to join the unique squad.	
		The UK's biggest squad would win a year's supply of Chupa Chups lollipops.	
Brand: Emporio Armani	Push, multiple response	An email and SMS campaign to raise awareness about a new store in London, sent to opt-in database of 50,000 for email and 10,000 for SMS.	<ul style="list-style-type: none"> • 16.6% response rate to the SMS campaign.
Agency: Flytxt		Recipients were asked to answer a multiple choice question to receive information on the new store and the opportunity to claim a free Emporio Armani t-shirt.	<ul style="list-style-type: none"> • More than 50% of those who responded both through email and SMS were from SMS. • 85% of total SMS replies were received on 1st day.

Brand & Agency	Campaign Format	Description	Results
Brand: Dunkin Donuts	Pull, single response	Customers were able to get coupons for Dunkin Donuts goods by using their mobile handsets to respond to advertisements displayed on store notice boards, billboards and on the radio.	<ul style="list-style-type: none"> • 9% uplift in Dunkin Donut sales within first three weeks directly attributable to the SMS campaign
Agency: Adreact and Mobileway		By sending a short message to the published numbers, users received an immediate reply featuring a free gift coupon or special offer exchangeable at local outlets.	<ul style="list-style-type: none"> • Circa 82% of all requesters for coupons came into the store to redeem it, usually within the first day.
Brand: Coca-Cola	Pull, single response	A 'text to collect' campaign on 200 million cans and bottles of Coke and Cherry Coke.	<ul style="list-style-type: none"> • Results not disclosed.
Agency: BD Network and Flytxt		End-customers collected points by texting in special codes found on the cans and bottles. These points could then be redeemed for limited edition CD singles and compilation albums. Texting to collect points also entered the end-customer in an instant win competition for concerts.	
Brand: Cadbury Crunchie Bars	Pull, single response	A 'text to win' campaign on the wrappers of Crunchie, Caramel, Time Out and Cadbury's Dairy Milk.	<ul style="list-style-type: none"> • More than 5 million responses received
Agency: Flytxt		The competition offered more than £1m worth of prizes, including £5,000 cash, widescreen TVs, Sony Playstation 2s, DVD Players, Palm Pilots and CD compilations.	<ul style="list-style-type: none"> • An 8% response rate • Intelligence gained about when customers ate chocolate.
Brand: Shiseido	Pull, multiple response	End-customers texted the word PURE to join Shisedio Texters club.	<ul style="list-style-type: none"> • Ongoing, but to date have seen a large increase in sales for the same period year-on-year.
Agency: TextMarketer		Once joined, end-customers were asked for their postcode and then recommended what stores near them stock Shiseido. End-customers were given a free sample, and continue to receive beauty tips and special offers for the duration of their membership to the text club.	
Brand: WKD	Pull, single response	A text-to-win campaign. The bottleneck labels of the 16m WKD bottles carrying the competition invited people to peel the 'Text 2 Win a Strip' sticker.	<ul style="list-style-type: none"> • 500,000 people played the game.
Agency: Flytxt		To enter the competition, consumers texted in the reference code on the label to the short code number, available to all four networks' subscribers, displayed on the label. Each SMS entry cost consumers 50p.	<ul style="list-style-type: none"> • Response rate of 3%. • Detailed intelligence it has collected on consumer behaviour
		The competition offered prizes of 3,000 football club shirts, mini footballs, 50,000 Bop Referees, 10,000 Referee cards, and 1m exclusive ring tones and logos designed by WKD.	

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