

Mobile Marketing

By: Yaron Cohen, Senior Consultant, Synergy
November, 2008



1. Summary

You have informed the customer of his account balance, congratulated him on his birthday, reminded him of actions he needs to take, enabled him to ask questions and even answered him, all via SMS and WAP. Now you can proudly declare your organization to be Mobile Marketing based. Well, not really...

If these are the mobile phone techniques you are using to communicate with your customers, you have not even scratched the surface of the mobile marketing options available today.

As early as the year 2000 did debates begin about mobile phones as a marketing platform. However, in the past 2 years, with the implementation of third generation phones and the growing dependency of users on their mobile phones, it is safe to say that the mobile marketing revolution has already begun.

2. What is Mobile Marketing?

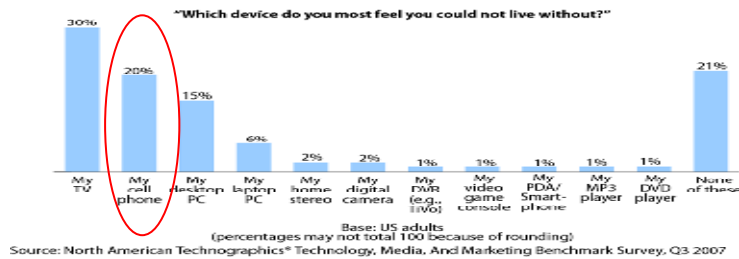
Mobile Marketing relates to two types of marketing activities, both based on the capabilities of the mobile phone:

- a. Marketing to or via the mobile phone.
- b. Marketing based on identifying the customer using his mobile phone.

3. Some Stats About Mobile Marketing

- The market penetration stats of mobile phones are a known fact, but just to emphasize on the growing dependency of mobile customers on their phones, we present below the results of a 2007 survey held by Forrester, indicating that customers are simply unable to function without their mobile phones, even in comparison to any other appliance, except their TVs.

April 2008 "US Mobile Marketing: Easier Done Than Said"
Consumers Can't Live Without Their Mobile Phones



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- Additionally, according to data published by eMarketer in November 2007, 96% of mobile phone users use the SMS function, about 55% use the MMS function, and about 21% receive their emails through their mobile phones.
- Commercial companies are not ignoring this obvious trend, and this year alone the global marketing budget is expected to be as high as 5 billion dollars, to be raised to 16 billion by 2011.

Worldwide Mobile Advertising Spending, by Objective, 2006-2011 (millions)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Mobile brand ad spending* | \$123.8 | \$277.3 | \$644.4 | \$1,120.5 | \$2,175.3 | \$3,569.2 |
| Mobile direct response ad spending** | \$1,424.0 | \$2,495.8 | \$4,312.9 | \$6,349.8 | \$9,273.6 | \$12,654.3 |
| Total mobile ad spending | \$1,547.8 | \$2,773.1 | \$4,957.3 | \$7,470.3 | \$11,448.9 | \$16,223.5 |

Note: Mobile advertising includes text message promotions, ad-supported voice minutes as well as ad placements around video content, mobile games, mobile music, mobile TV, mobile social networks and mobile search; *advertising which aims to create a positive association between consumers and a company, product and/or service; **advertising with the objective of generating transactions and which presents a device for consumers to initiate such transactions (eg a link to an online store)
 Source: eMarketer, October 2007

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www.eMarketer.com

- According to the data from Forrester, 64% of companies surveyed noted that they are already using mobile marketing.
- A survey recently conducted by a European mobile operator indicates that 89% of the companies intend to use some sort of mobile marketing, and invest anywhere between 5-25% of their marketing budget in this marketing strategy.

4. Strengths and Weaknesses

The **strengths** of mobile marketing are the fact that the mobile phone is the one thing the customer takes with him almost everywhere, it is accessible for him at all times. Additionally, personal marketing can be individually targeted towards the customer's needs, and as a reaction to his behaviors in real time. Another advantage of mobile marketing is that almost any action taken using the service can be easily measured.

Conversely, there are a few **weaknesses** to using the mobile medium as a marketing platform, the most important of which are: The mobile world is yet to be fully adapted to marketing activities. Additionally, overly extensive usage of the mobile platform may be perceived by the customer as an annoyance, thus being counter productive and harmful to the company's image.

ISRAEL
 1 Ben Gurion st. Bney-Brak,
 2 Besser Towers, Israel.
 Tel. +972-(0)3-5788861
 Fax. +972-(0)3-5788862

POLAND
 Representative office:
 Ul. Wilcza 66/68, Warsaw, Poland
 Tel. +48-(0)22-622-3221
 Fax. +48-(0)22-625-3688

UK
 Sams Barn, The Greenway, West Hendred,
 Wantage, Oxon OX12 8RD, UK.
 Tel. +44-(0)1235-821-353
 Fax. +44-(0)1235-861-678

5. Common Uses

SMS/MMS based marketing – the simplest and most common marketing activity, which is immediate and easy to perform. Today this technique can be used to send more than just simple texts, and can include images and even commercials, though unfortunately it is not a very exciting platform – not for the organization and definitely not for the customer. Its marketing potential is limited, not to mention the fact that such activity hardly creates any connection between the company and its customers. A survey published in 2007 by eMarketer indicates that the SMS/MMS based mobile marketing budget is currently estimated at 4 billion dollars, and is expected to inflate to 14 billion by 2012.

Location based marketing activities – normally we would expect this to be the most advanced and widely used form of mobile marketing. After all, what is simpler than mapping the location of the customer and presenting him with a personalized marketing offer? Indeed, at the beginning of this decade companies all over the world attempted to design a business model which will enable revenue generation from the identification of a the customer's physical location according to his mobile phone. This idea sounds ingenious and simple enough to achieve, but in practicality such a service will not work unless there is a minimal critical mass of customers registered for such a service – and that has yet to happen. This issue has become more prominent in the past few years, but we have yet to reach the level the entire world was aiming for just a few years ago. Any location based activity must be thoroughly examined from a judicial aspect, in order to certify that no privacy laws are being broken, and also to make sure that the customer is not threatened or bothered by the offers, from a marketing point of view.

An example of a location based activity can be found in any airport's entrance or exit. We have all occasioned upon offers from mobile companies (it cheaper to talk abroad), insurance companies (excellent travel insurance), credit card companies (deferring payments made abroad) and more.

Mobile advertising - online advertising has already become a part of our daily lives, and any company that launches an advertising campaign includes online ads as well. The new trend is mobile advertising, which, believe it or not, is way more effective. Research reveals that customers exposed to ads on their mobile are "trapped" and can't escape, and are therefore more inclined to watch mobile ads/commercials than TV or online ones. A survey published in August 2007 by eMarketer reveals that mobile advertising budgets are currently estimated at 500 million dollars, and are expected to inflate to over 5 billion dollars by 2012.

Mobile advertising can be categorized into 4 key activities:

- **Sending commercials to the customer's mobile phone** – more and more companies have realized that the mobile phone is an excellent platform to showcase their commercials. It is highly likely that in the near future we will be receiving short video clips to our phones, instead of SMS/MMS messages, especially when it comes to young customers, to whom the advertising world is constantly seeking ways to reach and engage.
- **Incorporating marketing messages within mobile applications** – the technological advancement of mobile services has caused the customer to

invest much more time in mobile phone activities, such as downloading games, content, music, or watching/playing them. An incorporation of commercials within those processes can prove an effective marketing tactic.

- Advertising for mobile content/service – since it is still unclear how much customers will be willing to pay for mobile content in the future, there already are companies who provide activities which include free (or very inexpensive) mobile content. However, in return, the customer is "forced" to watch commercials from different companies.
- Search engine advertising – search engine advertising is one of the most common and popular advertising tactics online. Presumably, with search engines being converted into the mobile platform, such tactics will be developed for this medium as well.

Mobile coupons – the paper coupons we've come to know and use over the past few decades are currently being phased out and we thank them for their contribution to the marketing world. Today we can send a mobile coupon to our customers, to be used via scanner in the next store purchase, directly from the mobile device, without having to remember to bring it to the store (as most mobile users usually carry it with them at all times). Mobile coupons are beginning to take over a significant share of the market once covered by paper coupons.

Interactive campaigns – remember the days when you had to mail a postcard so you can get a t-shirt and a record back within a month? Today, the inclusion of the mobile phone as an integral part of all marketing activities allows for a real time, reciprocal communication with the customer, thus potentially converting any standard campaign to a highly stimulating one, with the customer taking an active part in the process. This service can be designed in several modes – simple answers to questions and questionnaires, voting for specific choices, or submitting mobile content such as pictures, video clips, etc. The interactive campaign is usually launched in one of two ways: sending an SMS/MMS, or motivating mobile action by billboards, teasing for a mobile response.

A famous example for an interactive campaign was when SONY launched the movie "Charlie's Angels" in 12 countries around the world, and launched a mobile marketing campaign which included: sending a short clip from the movie, offering a movie ringtone download, prizes for an SMS quiz winners, a mobile game based on the movie, and a mobile website for the movie. The result of all the mobile activity dramatically increased movie ticket sales in countries where this campaign was launched in comparison to other countries.

A mobile website - today, any company, large or small, has its own website, in which it invests many funds and efforts. The mobile website should be accessible to any mobile device open for online surfing, and it should also be adapted according to mobile surfing limitations. It is not recommended to simply create a mirror of the company's internet website, but rather to examine how to utilize mobile advantages towards promoting the company's objectives.

Social networks and viral mobile advertising – much has been written about online social networks, and the ability to perform marketing activities using social networks. It seems that mobile devices can be used as an excellent platform for connecting between people and for viral distribution of a marketing message. Using special software recently developed, customers can send recommendations to friends about mobile content, ads or information, and register them to a members list – just as it is with online social networks. Research published by leading research

companies around the world indicates that by 2013 the number of mobile social network users is expected to reach 800 million, i.e. about 20% of all mobile users.

6. Conclusion – the Future of Mobile Marketing

Currently, what enables the evolvement of mobile marketing is the ability to reach a specific target. One of the factors to influence future usage of the mobile medium is the regulatory demand to receive the customer's agreement prior to being sent commercial messages from different companies. On one hand, this may complicate mobile marketing activities (due to judicial restrictions), but on the other, the customer will be much more attentive to marketing activities.

In conclusion we bring four key principles essential to the future success of mobile marketing:

- "Educated" use of the mobile medium – strengthening the ability of personal marketing based on information gathered about the customer.
- Customers' behavior – will the customers increase their active usage of the mobile phone?
- Technological marketing developments – new technological developments which will improve performing mobile marketing activities for the companies and will easily and simply enable the customer to receive the information.
- Supporting mobile platforms – technological advancements of mobile phones and the platform upon which they operate enable companies to reach more and more customers with improved, more composite marketing activities.

About Synergy

Synergy is a consulting company specializing in information based customer management, assisting organizations to maximize the business potential of their end customers, while providing them with tools of improving their marketing, service and retention activities.

Synergy's solutions revolve around customer management, and include Analytical CRM, Operational CRM, Loyalty and Web solutions, as well as Marketing Resource Management solutions.

Synergy was established in 2003 and operates from Israel, the UK and Poland, working with local and international organizations. Among our customers are the foremost industry leaders in the Israeli and international markets, in industries such as communications, finance and retail, among which are banks, credit card companies, insurance companies, mobile operators, internet service providers, international call providers and television networks, as well as large membership clubs in the food, fashion and aviation industries.

For more information, please visit our website at: www.il-synergy.com, or email us at: info@il-synergy.com

ISRAEL
1 Ben Gurion st. Bney-Brak,
2 Besser Towers, Israel.
Tel. +972-(0)3-5788861
Fax. +972-(0)3-5788862

POLAND
Representative office:
Ul. Wilcza 66/68, Warsaw, Poland
Tel. +48-(0)22-622-3221
Fax. +48-(0)22-625-3688

UK
Sams Barn, The Greenway, West Hendred,
Wantage, Oxon OX12 8RD, UK.
Tel. +44-(0)1235-821-353
Fax. +44-(0)1235-861-678