

Making The Most of Mobile Marketing: Leveraging Mobile and Social Networks to Amplify Response Rates From The “Connected Class”

By Stephen Randall, June 2008

Executive Summary

It is not uncommon for mobile marketing companies to use the terms *conversion*, *response*, and *opt-in* loosely (and often interchangeably); to compound the issue, there are no standardized definitions for such terms. If we are to understand the potential of text messaging as a marketing tool, we must sort through the widely varying claims of mobile marketing companies.

This paper establishes a series of best practices for mobile marketing, paying particular attention to the advantages of an interactive, user-controlled model over a traditional broadcast model. Looking forward, this paper examines how the integration of mobile technology into a connected, social, and localized platform shifts the advertising model from *impression-based* to *expression-based*, thereby leveraging the social graphs of users to create a rich and responsive media experience beneficial to brands and consumers alike.

Understanding the Connected Class

The concept of brands leveraging mobile phones to get their messages literally into the hands of mobile consumers who would otherwise be beyond their reach is not new. However, the effective use of such technology is largely misunderstood, often leading to poor execution and poor results. To better understand the potential of text messaging as a mobile marketing platform, we must sort through the claims of many mobile marketing companies.

The promise of mobile marketing is that it enables a more targeted result than traditional media. However, that is not necessarily true. Mobile marketers might position their channel as “targeted” simply because the result of the call to action will end up on a cell phone (undeniably a *personal* device). But in most mobile marketing campaigns, the call to action is actually a broadcast message (e.g. “Text WIN to the shortcode 55555”).

Over the past 10 years, the consumer has evolved from having a passive relationship with traditional media to actively controlling the media around them. The expectations of this new “Connected Class” (often tagged as “Mobile Millennials” or “Digital Natives”) have been set by Google, Amazon, YouTube, Facebook and other popular online destinations. As such, marketers can no longer expect broadcast messages to have the same impact they once had. Interactivity on the web and mobile devices is driving an *impression-based* media industry towards *expression-based* models.

The result is that marketers cannot effectively target consumers without being fundamentally connected to all three corners of the new media triad: web, mobile and digital out-of-home. Campaigns that are not as measurable as the web will attract less media dollars – and rightly so. If a marketing message is displayed on out-of-home signage without further understanding of how and where the Connected Class receive, control and spread that message, the marketer should not be surprised if the result is anything more than an industry standard response of 1-2%. Marketers must consider an integrated approach.

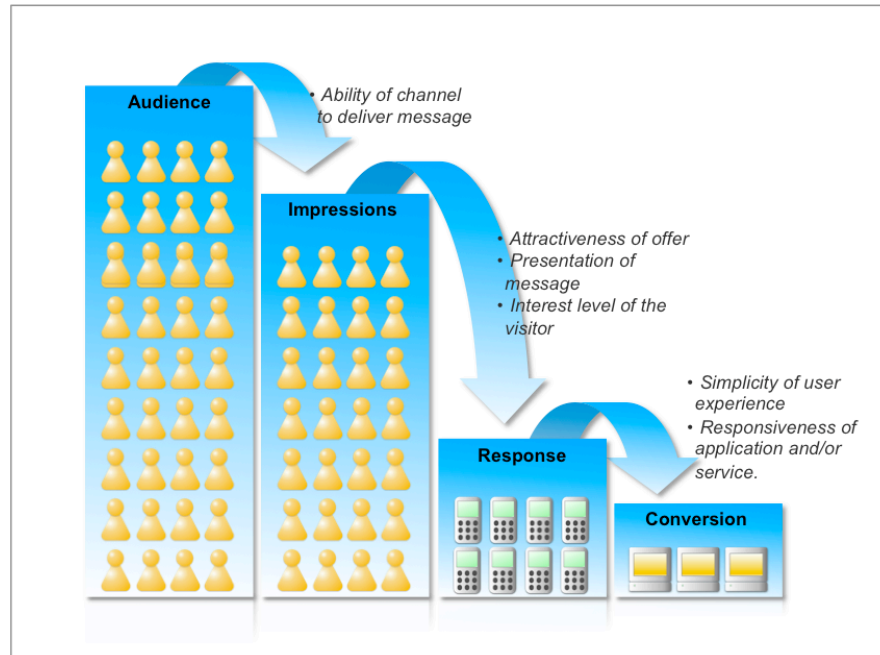


Fig.1. Waterfall effect of audience engagement

Web companies understand this. The rapid growth of social networks such as MySpace and Facebook is just the first phase in what promises to give consumers increasing control of the New Media Triad. As promising as social networks are, they are not yet at the stage where consumers can easily move their profiles or data from one site to another. When Open Social and Open ID and other standards take root, social networks will spread even more wildly and become the lingua franca of the Connected Class. When that happens (and it will happen soon), devices and networks that are not connected and socially-aware will quickly prove ineffective for advertisers – and irrelevant for consumers.

As far as social networks are concerned, the mobile phone remains an under-utilized networking device. There is evidence to suggest that it will take center stage when social networks grow beyond the desk, but that certainly does not mean that we should expect the web experience of social networks on the handset. Even though many mobile social networking applications exist, fragmented infrastructure and limited screen size will limit the user experience and

utility of social networks on the handset, preventing them from attaining mainstream popularity.

As the mobile phone becomes more socially adept, it will come to be treated more as an umbilical cord to the web. By serving as the connective tissue between audiences on-line and audiences off-line (specifically by connecting social places to social networks), marketers will be able to increase the effectiveness and measurability of their campaigns. Evidence suggests that most consumer decisions (what products to buy, what bars and restaurants to go to, what movies to watch, and so on) are heavily influenced by online recommendations and personal endorsements from within their social graph. Given that the average social graph is 78 people, the persuasive power of social recommendations cannot be ignored (*Source: RapLeaf*).

Buyer Beware

There are more than two billion mobile subscriptions globally and U.S. consumers are sending over 10 billion text messages on their phones a month (*Source: CTIA*). While many mobile devices and many mobile networks boast the ability to support Multimedia Messaging MMS (MMS), Mobile Internet (WAP), QR Codes, Mobile Video, Mobile TV, Emails, Video, GPS, Games or Ringtones, none of these applications come close to the ubiquity or persistent usage of voice or text messaging. While there are almost a quarter of a billion wireless subscribers in the United States today (See Table 1), only about 71 million or 33 percent currently use some form of mobile media, beyond text messaging (*Source: Harris Interactive Quarterly Mobile Media Monitor*). It's clear that technology introduced into a fragmented industry, with little or no application standards, cannot easily or rapidly reach a mass market and will therefore fail to deliver on marketers' expectations.

Mobile marketing can (but not always) track end user information such as area code and date/time of message. This is not the same as a *targeted* message, in which the advertiser may have expectations of knowing the caller's location at the time the message was transmitted. Less scrupulous mobile marketing companies might promote the ubiquity of GPS or other location information that "every cell phone is legally required to provide" in order to justify how targeted mobile marketing can be; however, that claim proves misleading, as most mobile phones do not make location information available to applications or third parties other than the carriers or authorities.

Some mobile marketing companies make matters worse for naive advertisers. Many use the terms *conversion*, *response*, and *opt-in* interchangeably. To make matters worse, there are no standardized definitions for such terms. Because of these loose standards, companies may flaunt impressive metrics for mobile campaigns delivering 33-55% conversion/response/opt-in rates. In some cases this is true. As an example, at a U2 concert, it is striking to see thousands of fans waving their phones around and responding to Bono's request to text a message to help a specific nonprofit cause, thus, Bono can rightly expect to get at least 50% of them to respond to his call of action.

It's quite clear that the response rate of a passionately engaged audience (such as in the U2 example) can be exceptionally high. Bono draws the audience's undivided attention and adoration when he asks them to send a text message. But this does not translate to campaigns where the call-to-action is competing with hundreds of other marketing messages. The typical audience is challenged to simply notice, let alone engage, with the message; even if they do notice, there's less urgency and passion to react.

An advertiser accustomed to the web or direct marketing models will undoubtedly be seduced by the promise of their mobile campaign achieving similar results. However, no marketer should assume that such a response rate will be typical. Not only are they likely to have unrealistic expectations of mobile technology, they may also be unfamiliar with some of the legal and technological issues of mobile marketing, leaving them disappointed when they don't see massive improvements over previous campaigns. The fact is, that while audience responses to some mobile campaigns may be high if the call to action is compelling enough, the messages are no more targeted than a TV advertisement asking viewers to call an 800 number for more information.

Incorporating the Web Model

The web is inherently measurable. Marketers know how many people are looking at a website, how many people click on a link, on a page, or a specific offer; they also know how many of those clicks turn into desired results, be that sales, leads, downloads, comments, and so on. In addition, they can track the user's IP address and (given that the user has cookies stored on his computer) they can also enumerate unique users and aggregate details of user profiles.

From a purely technological perspective, the mobile phone can offer the same or even superior information as the web. However, there are fundamental reasons – some technical, some legal, some to do with carrier business models and some to do with user behavior – that the mobile phone is NOT as measurable, monetizable or standardized a platform as the web. This is likely to be the case, certainly in the U.S., for at least the next 3-5 years. This is covered in greater detail in a previous White Paper (*The Disruptive Effect of the Internet and Mobile Phones on Out-of-Home Digital Media*, Bill Collins and Stephen Randall).

An agency designing a mobile campaign needs to consider many factors in reaching a target audience: the marketing proposition, the mobile call to action, the capability of the channel to deliver the call to action to the audience, the user experience, the capability of the channel to spread the message and, of course, the real cost of reaching the desired consumer.

Let's start with a "captive" audience of 1,000 people. It should first be pointed out that a captive audience is NOT the same as a *captivated* audience. Anyone buying a campaign on the basis of the gross audience (which is sometimes used in the OOH market) is likely to be paying for eyeballs that will not be looking at their message. For example, impressions for a message on a 42" digital screen in

a bar might be assumed to be close to 100% once the frequency of that message results in maximizing the exposure of anyone visiting the bar. If the average visit to the bar is two hours, then the frequency of the message might be three to six times an hour to ensure that a patron sees the message at least once during his visit. A similar message on a jukebox might be seen by far fewer people (37% according to Arbitron), but on modern jukeboxes with a touchscreen, users can actually respond to some messages. Without touchscreens (which are not appropriate for digital signage mounted high for wider audience views/participation), digital signage networks can leverage mobile phones to encourage interaction and measurement.

Table 1. US mobile subscribers and text messaging response rates

Total US Mobile Subscribers	Subscribers using Text Messaging	% Respond to Shortcode on Non-mobile media (eg Print or Billboard)
215M (Source:CTIA)	86.00%	1.8% (Source: NeuStar/M:Metrics)

“The Mobile Click”

Messages cannot be legally sent to users without first getting the end-user’s opt-in. Therefore, mobile campaigns need a second channel to make the consumers aware of a campaign. Examples include advertisements on TV, radio, newspapers, out-of-home digital signage, jukeboxes, the side of drink cans, billboards, and so on. The cost of placing that call-to-action through these channels must be factored into the cost of the mobile campaign. The total cost of the call-to-action (i.e. the cost of all media channels used to bring the campaign to the attention of the user) is rarely (if ever) mentioned by mobile marketing companies, as it is often not under their control and, of course, it pushes up the actual cost of their solution. By factoring the call-to-action response rate into the equation, the *Effective Response Rate* can be calculated, as shown below. The efficacy of network localization and socialization can then be tested against this consistent variable.

Mobile Marketing Scenarios

Assumptions:

OOH Impressions = 75% Audience (Source: Median taken from various sources incl. Arbitron.)

Generic Call-to-Action Response = 1.8% OOH Impressions* (Source: M:Metrics Neustar)

Localized Call-to-Action Response = 5% OOH Impressions* (Source: LocaModa)

Adult audience visiting social networks = 37% (Source: eMarketer).

*Average “Social Graph”*** = 78* (Source: Rapleaf April 30th 2008. “The average # of friends that women have on social networks is 80 and the average # of friends men have on social networks is 78. To be prudent, the lower number has been used in these models.”)

Social Network Response = 3 x Generic Call-to-Action = 5.4% (Source: Jupiter Research. March '07 "On-line social network users are three more likely to trust their peer's opinions over advertising when making purchase decisions.")

* 86% of mobile subscribers in USA use text messaging (See Table 1). This is factored into the resultant gross response rates above.

Scenario 1 – Generic text messaging campaign.



Fig. 2. Generic Call-to-Action

- 1. For every 1,000 visitors to the venue, the number of impressions is 750.
- 2. The response to the generic call-to-action is 1.8% x 750 = 13.5 people = Effective Response Rate of 1.35%

Scenario 2 – Generic text messaging campaign connected to social network.

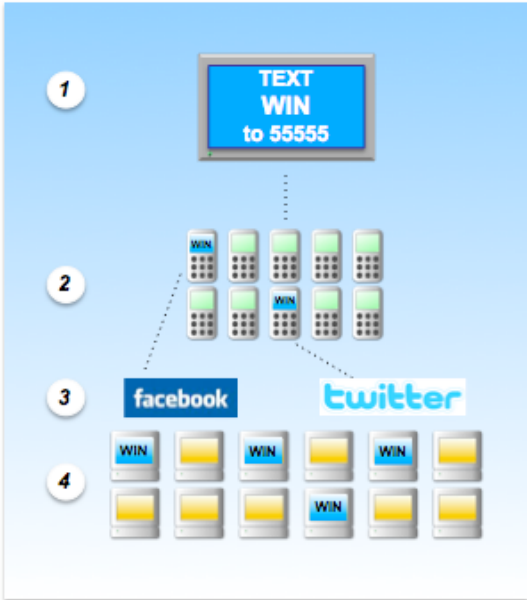


Fig. 3. Generic text messaging campaign connected to social network

1. For every 1,000 visitors to the venue, the number of impressions is 750.
2. The response to the generic call-to-action is $1.8\% \times 750 = 13.5$ people.
3. Of the 13.5 people, 37% connect to their social graph = 4.9 people
4. The social network audience is amplified $4.9 \times 78 = 382.2$
5. The response within the social network audience is $382.2 \times 5.4\% = 20.64$
6. The Effective Response Rate for this campaign is $(13.5+20.64)/1000 \times 100 = 3.41\%$

Scenario 3 - Localized text messaging campaign.



Fig. 4. Localized text messaging campaign.

1. For every 1,000 visitors to the venue, the number of impressions is 750.
2. The response to the localized call-to-action is $5\% \times 750 = 37.5$ people.
3. The Effective Response Rate for this campaign is 3.75%.

Scenario 4 – Localized text messaging campaign connected to social network.

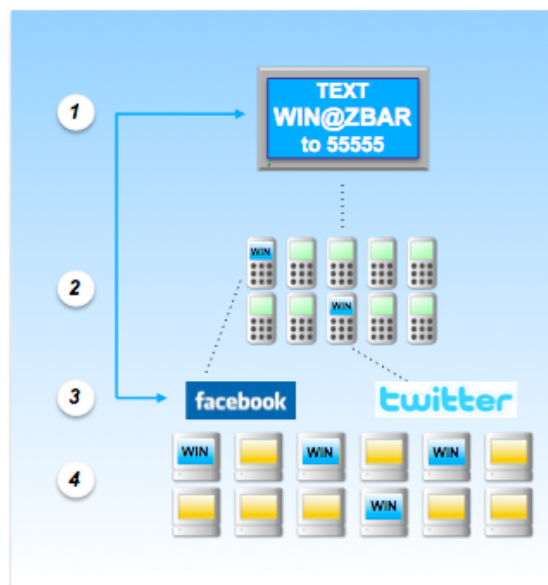


Fig. 5. Localized text messaging campaign connected to Social Network

1. For every 1,000 visitors to the venue, the number of impressions is 750.
2. The response to the localized call-to-action is $5\% \times 750 = 37.5$ people.
3. Of the 37.5 people, 37% connect to their social graph = 13.87 people
4. The social network audience is amplified $13.87 \times 78 = 1082.25$
5. The response within the social network audience is $1082.25 \times 5.4\% = 58.44$
6. The Effective Response Rate for this campaign is $(37.5+58.44)/1000 \times 100 = 9.59\%$

Table 2. The impact of making text-messaging campaigns more local and social

	Generic Text Messaging	Generic Text Messaging Connected to Social Networks	Localized Text Messaging	Localized Text Messaging Connected to Social Networks
Effective Response Rate	1.35%	3.41%	3.75%	9.59%

Example for a network of 1,000 bars

An out-of-home bar network of 1000 bars, has an average audience of 200 visitors per night, and runs content and advertisements on 42” digital screens in each location, designed to reach the maximum number of impressions per night, which in this case is 75% of the audience (4.5M impression per month). Taking the assumptions from the scenarios 1-4 above:

- Generic text messaging campaign would result in 60,750 responses per month.
- Generic text messaging campaign connected to a social network would result in 153,450 responses per month.
- Localized campaign would yield 168,750 responses per month.
- Localized text messaging campaign connected to a social network would result in 431,550 responses per month.

Summary of Results

Connecting a generic text message campaign to a social network can increase its effectiveness from 1.35% to 3.41% (See Table 2). A localized text message campaign (Scenario 3) can increase the Effective Response Rate to 3.75%; further, by connecting this localized campaign to social networks, the Effective Response Rate can be increased to 9.59%. The multiplying factors prove the efficacy of fully integrated social and local mobile campaigns. It won't be long before brands and advertisers come to expect such integration as an essential part of their campaigns, especially given that the Connected Class already does.