Email Marketers and SMS Messaging

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Introduction

Over the past few years, email marketing has become a *de facto* form of communication for companies needing a quick and easy way to reach any number of customers and prospects. Unlike mainstream forms of marketing such as print and broadcast advertising, email offers a sense of personalization to current and potential customers. However, the effectiveness of email has started to diminish thanks to a torrent of spam and the sheer volume of messages through which the average consumer has to wade. Companies therefore must consider alternative forms of communication to reach their intended audiences. Currently, the best alternative is text messaging. Texting is just starting to become a viable option for U.S. marketers and offers benefits that email does not. A brand that disregards SMS could lose potential customers—possibly to competitors who do utilize the technology.

Like email a decade ago, SMS, which stands for Short Message Service (aka text messaging), is a powerful new way to attract consumers. Why? Because consumers are using SMS like never before. According to the research firm Informa, global SMS traffic grew 50 percent in the first quarter of 2007 from the same quarter a year earlier — to a whopping 620 billion messages sent worldwide.

Today, SMS offers companies personalization, relevancy, and immediacy with their marketing campaigns. In the near future, this will be expanded to include location-based services, giving mobile marketers the ability to reach consumers with specific offers tied to their current whereabouts. In addition, SMS allows for a two-way dialogue, making it possible for companies to gather important demographic and psychographic information from willing consumers. Considering all this, it's hard to see why any email marketer wouldn't want to utilize SMS campaigns now and at least begin to build his databases—and be prepared to leverage such campaigns in the future.

In The Beginning

During the rise of the Information Age, email went from being used by a select few in government and education to becoming a widespread form of communication. The business world adopted it as a way for physically-scattered employees to communicate in real time. At first, email addresses were part of a closed network, like the now-defunct Prodigy service and Compuserve. Eventually this changed, thanks especially to the creation of AOL, which let its users choose their own unique email address instead of one that was simply a series of letters and numbers assigned by users' service providers.

Soon Internet service providers (ISPs) started popping up everywhere to meet the explosive demand of consumers wanting to get on "the 'Net" and start emailing. As Internet usage skyrocketed, marketers began tapping into this new world with email marketing. Email was a much more cost-effective and faster way to get out information to interested consumers compared to traditional methods like direct mail, especially when it came to time-sensitive offers. Thanks to advances in technology, email eventually gave companies a way to gauge the return-on-investment (ROI) of a particular campaign by measuring "open-rates," "click-throughs," and especially "conversions." It also allowed them to track such negative events as "bounced messages," which could indicate the pitfalls of certain campaigns.

Unfortunately some marketers decided to take advantage of this new medium and a new, more pervasive form of junk mail was created: "Spam." What began as isolated messages here and there soon grew into a major problem for email infrastructure, with current spam levels reaching epidemic proportions.

Secure Computing, an Internet security company, estimated in August 2007 that 88 percent of all email was spam. This has led to many consumers becoming wary of any commercial email, thereby reducing such messages' effectiveness. In addition, the selling of email lists continues to worry privacy advocates who believe consumers could have their sensitive information compromised—or at the very least, could find themselves swamped in more spam than ever. These issues could be one reason why, according to the Online Publishers Association, email sites like Gmail and Yahoo! now account for less of Internet users' time online—33 percent of their time on the Web today compared to 46 percent of their time four years ago. The bottom line is that email marketing, while still a viable option, does not offer today's savvy marketers the broad range of exposure and penetration that is needed to run effective digital marketing campaigns. Enter SMS.

Get The "Message"

Those marketers who got email right realized that rather than "batch and blast," their messages should be targeted to the recipient's demographic profile and personal interests. SMS marketers have the benefit of learning from their forebears' mistakes. The technology behind SMS celebrated its 15th birthday this year, and now SMS in the United States is in the same place email was—in terms of being a marketing tool—some 10 years ago.
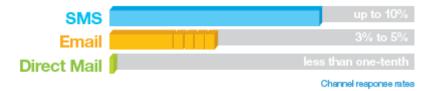
According to a release from the firm ABI Research, "Mobile marketing has the same potential to change the advertising and marketing space in the same way that the emergence of the Internet did a decade ago." It seems advertisers and marketers believe it, too. ABI predicts that global spending on mobile marketing and advertising will increase thirteen fold between 2006 and 2011, the bulk of which will come from SMS-based marketing. Similarly, research firm eMarketer projects that mobile advertising will jump from $1.5 billion in 2006 to $13.9 billion by 2011.

Meanwhile the cost of mobile marketing is shrinking, thanks to two factors. For one thing, turnkey platforms absorb many of the costs associated with certain aspects of SMS marketing. Secondly, in general, SMS costs about $0.07 per message, down from $0.15 just a few years ago, with even bigger discounts being applied for bulk purchases. Improvements in carrier networks and continued use of text messaging will help drive down these costs even further.

There are several reasons why SMS marketing offers advantages over email. Broadly, it's all about the "psychology" of text messages. They reach people wherever they are, at any time of day or night. That gives it a sense of an intimate communication—"the message is right here in my pocket"—which can be further enhanced with a targeted campaign that appeals directly to the consumer.

Due to its very nature, text messaging is imbued with a sense of immediacy to which email can't compare. Mobile phones are with most people almost 24 hours a day, much more time than the average person spends in front of a computer. (Some savvy marketers integrate mobile into their online "shopping carts" so that they can send alerts, specials, or coupons to customers who are away from their PCs.) Number portability means a consumer can keep his or her same phone number while switching cellular providers, making the mobile phone a kind of public IP address for marketers who want to target a specific consumer at a specific time. And SMS is one of the last mediums in which a consumer actually reads all of his or her messages—as opposed to having irrelevant messages automatically directed to "spam" or "trash" folders. Savvy marketers, then, can use SMS at times when the odds of conversion are at their highest. A restaurant can send out a coupon for lunchtime at 12:05 p.m., just as most people have left the building and are on their way to get something to eat. Or a sports apparel site could send messages to opt-in mobile phone numbers that reside within a certain city just before a big hometown game.

When these messages are sent at just the right time and contain the exact information the recipient is seeking, there's an ultimate sense of relevancy that consumers appreciate. According to the research firm IDC, SMS campaigns that use common short codes (the five- or six-digit number to which consumers send text messages in order to get information from a company or to participate in a contest) can result in response rates of up to 10 percent. Compare that to response rates of three to five percent for email, and less than one-tenth of a percent for direct mail.

SMS	up to 10%
Email	3% to 5%
Direct Mail	less than one-tenth

Channel response rates

There are two key points here: Successful SMS campaigns are "push" (proactive) rather than "pull" (reactive), and they are part of a brand's overall marketing strategy. Instead of casting a wide net in hopes of catching a relevant consumer's interest, an SMS push campaign relies on consumers acting on their interests themselves.

Here's how it works: A consumer will see an advertisement for a brand's short code, text that code plus a keyword (chosen by the marketer to reflect the intent of the campaign or its brand), and receive information.

For example, the MGM Mirage promoted its largest property, the MGM Grand, with a billboard-towing truck. The billboard proclaimed that anybody could be a VIP and get on the guest list to any of their top nightclubs by simply texting the event keyword to their short code (in this case by texting "ROK" to "646629"). The number 646629 actually stands for MGMMAX. MGM Grand licensed this vanity keyword through the Common Short Code Administration (CSCA).

Any business can obtain a random or vanity code and promote it via traditional media like TV, magazines, billboards, and fliers, as well as through new media such as websites and email messages. SMS, then, is a convergence point for all steps of a company's total marketing plan.

Mobile Phones Remain Dominant

SMS is the savvy marketer's choice for two reasons. First of all, text messages reach a lot more people than do email messages, since many more people have cell phones than they do computers. Forrester Research says there are more than two billion mobiles worldwide but just one billion PCs, while the research firm SNL Kagan says mobile phone penetration in the United States will be 100 percent by 2013

Secondly, widespread phone use coincides with increasingly wider SMS usage, both globally and in the United States. Research firms predict massive SMS volumes for 2010—Gartner forecasts 2.32 trillion messages worldwide; Ovum, 2.83 trillion; and Portio Research, 3.17 trillion. All this means that consumers are ready for, and increasingly receptive to, SMS marketing campaigns.

Four mobile phones are sold for every one personal computer, according to the GSM Association. Income levels dictate that more people can afford a cell phone than a computer, and that's how these people communicate. In a developing nation like the Philippines, 48 million mobile phone subscribers send one billion SMS messages every day, according to the *Philippine Daily Enquirer* newspaper. In Kenya, it's not uncommon to see a Masai warrior in full regalia with a cell phone strapped to his belt.

SMS in developed economies remains lucrative. According to the Dentsu Communication Institute think-tank, Japan (one of the first countries to adopt text messaging wholeheartedly) has 98 million mobile phone users, and Japanese mobile ad spending will grow from $328 million in 2006 to $1 billion in 2011. In Western Europe, where SMS penetration is 90 percent, messaging services remain "vital to operators seeking to differentiate themselves," according to a Cellular-News.com report.

The United States may have been slow to adopt text messaging, but usage is skyrocketing. In a survey released in August 2007 by the wireless/mobile communications research firm iGr, 84 percent of U.S. mobile workers surveyed said they use SMS. IDC says that common short codes have created a total addressable market of more than 235 million American mobile users.

Consumers are ripe for SMS marketing. "Consumers are not only increasing their acceptance of mobile marketing, but are showing this acceptance through increased participation in marketing programs," Wayne Irwin, president of LogicaCMG Telecoms North American and co-chairman of the MMA's metrics committee, said in a prepared statement. The MMA reports that in a recent survey of more than 1,800 consumers between the ages of 13 and 65, 69 percent said they use text messaging and 44 percent use it daily. "Consumers are becoming increasingly dependent on their mobile phones, and they recognize these devices as being able to provide additional value over just voice," Mr. Irwin added.

Build Databases Now, Use Them In The Future

Think of mobile marketing as a new Customer Relationship Management (CRM) tool. As a consumer initially responds to a campaign by sending a message to a short code/keyword, a marketer also captures his or her cell phone number. Campaigns in the form of quizzes, polls, and questionnaires can gather further information—anything from the person's area code (indicating city of residence as well as general neighborhood), to his/her favorite pastimes, to her/his preferred type of food. This valuable information, given voluntarily by the consumer, then can be stored and used for targeted campaigns in the future. Those who build their databases early will be ahead of the curve when new technology comes to the forefront.

As noted earlier, location-based services can enable marketers to target a consumer based on where he or she is physically. Location is determined by cellular towers that can triangulate a user's whereabouts, or else by GPS (global-positioning satellite) services. Location-based services are expected to come into use within the next few years.

One possibility: A coffeehouse would be able to text-message a consumer a coupon for a discounted latte just as that consumer walks closer and closer to the shop. It's not a reality yet, mostly due to technical drawbacks and privacy concerns, but a company that builds its SMS databases now will "future-proof" its business in the long run.

Overcoming Reluctance to Mobile Marketing

Admittedly there are still a few challenges surrounding mobile marketing. Such hurdles can easily be overcome, as long as marketers remain committed to using SMS the "right" way and keeping in mind what consumers do and don't like.

Responsible marketers know that there should be a double opt-in process when a consumer subscribes to receive marketing texts. For example, if consumers see an advertisement to text-in a keyword to a short code, they should then receive a message back asking if they are absolutely sure they want to subscribe. Likewise, the same process should happen when collecting data from a web form. A message should be sent to the subscribers' cell phones asking them to respond with "Y" or "YES" to opt-in to the marketer's database. Only when the consumer responds affirmatively should he or she then be added to the marketer's database.

SMS messaging is a much easier medium to regulate than email—there are just a handful of cellular service providers and aggregators in the United States, as opposed to millions of servers and IP addresses worldwide. Someone sending SMS spam via an aggregator would get caught and traffic to all carriers would be shut down.

It's clear that SMS spam will not be tolerated--government regulators in countries where SMS is much more mature than in the United States, are cracking down on SMS spammers. For example, Ireland's Data Protection Commissioner recently raided companies that send unsolicited mass messages to cell phones or that fail to comply with government regulations.

Handsets like Hewlett-Packard's iPaq phones, which use both Wi-Fi Internet connections and broadband-over-cellular, and Apple's much-anticipated iPhone make it seem inevitable that mobile Internet will take over all non-voice mobile communications. But SMS won't soon die out, for several reasons. For one thing, according to IDC, an extremely small number of wireless users are able to easily access a brand's content on their own through the mobile Web—but a brand can send rich media to mobile phone users via links in SMS messages. For example, last spring Tenth Street Entertainment deployed a viral campaign in which fans of a band called the Exies could share videos of the group via links within text messages.

Meanwhile, WiFi connections aren't as widely available as broadband-over-cellular, and the latter can make for slower and less-reliable Internet connectivity than consumers are accustomed to. Plus, plans to bring free WiFi to the masses via metropolitan systems are stalled. Chicago recently jettisoned its WiFi aspirations after network providers demanded that the city become an "anchor tenant" and pay for services. San Francisco—the capital of tech—scrapped its much-trumpeted municipal WiFi network after city officials voted down a troublesome contract with EarthLink.

In addition, many consumers merely want phones as two-way communication devices, rather than as replacements for PCs or music players, so they'll stick with "basic" handsets that have calling and texting capabilities. Therefore, SMS will reach more people than will mobile email or mobile Internet.

Conclusion

Companies of all sizes can integrate SMS into their own marketing strategies, if they have the right tools. The large enterprise likely has its own marketing department or might have hired an outside marketing agency. Ideally, such departments or agencies should be savvy enough to know about the latest trends, opportunities, and technologies used in the marketing industry.

All this, however, can be daunting for marketing experts who aren't familiar with SMS. In addition, SMEs (small-to-midsized enterprises) might not have the budget to hire experts for each step of the process. Luckily, turnkey solutions like those from Neon Solutions are both affordable and easy to use. These solutions take care of all the different aspects of SMS marketing for the client. Moreover, such solutions let companies have full control over their campaigns and also help them develop databases for future marketing endeavours.

Marketers who want to wage the most effective digital marketing campaigns must use SMS. Consumer adoption of the technology is growing by leaps and bounds, so targeted texts will reach more people than ever. SMS also gives campaigns a sense of urgency and time-sensitivity since text messages reach people wherever they are, not just in front of a computer. New technologies can only help, not hurt,

SMS—location-based services will allow text messages to be even more relevant to the consumer, while mobile Internet won't supplant SMS in the foreseeable future. Finally, SMS campaigns allow marketers to gather ever-more consumer information to bolster their databases. Clearly, marketers who choose to continue to ignore SMS will do so at their own peril.

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