SMS/MMS

A rising star in Online Marketing Communications?

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SMS/MMS - a rising star in online marketing communications?

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ABSTRACT. As the field of online marketing communications (OMC) matures the importance of some activities deteriorates while others become more important. Of the newer activities especially SMS/MMS communications seem to provide interesting opportunities. To foresee whether this activity will become more important in the future a survey among a sample of Danish companies (n=273) and advertising and communication agencies (n=129) was carried out. A discrepancy between importance in present OMC and demand at the agencies supports that SMS/MMS marketing will grow in importance. In addition, online sponsorships and online sales promotion will become more important.

KEYWORDS. Online marketing communications, future, logit, Internet, Mobile, SMS, MMS.

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INTROUCTION

The Internet has had tremendous impact on many processes in companies. Marketing is probably one of the areas most affected due to the possibilities offered by online communications {{116 Krishnamurthy,Sandeep 2006;115 Krishnamurthy,Sandeep 2005; 114 Sheth,Jagdish N. 2005; }}. As a result, online marketing communications (OMC) have grown to be a vital part of companies' promotional mix {{117 Adegoke,Y. 2004; }}.

OMC offer a wide range of possibilities for communicating with customers {{118 Jensen M.B., Jepsen A.L. 2006;53 Roberts,Mary Lou 2003; 52 Strauss, Judy 2003;1 Jensen, Morten Bach 2004;   }}. Some of these, like for instance search engine advertising and websites, have been available for a relatively long time and can be considered mature while others, e.g. SMS/MMS marketing, communities, location based services etc. are in their infancy and are still waiting to grow. For marketers planning future OMC initiatives, it is important to know which of these communication activities that can be expected to grow in the near future. It is the aim of the research presented in this paper to shed some light on this.

SMS/MMS

Of the new opportunities, especially SMS/MMS marketing provide interesting opportunities for marketing communications as SMS and MMS can carry personal, targeted, and customized communication {{243 Nysveen,Herbjørn 2005;244 Rettie,Ruth 2005; }} unlimited by time and space {{243 Nysveen,Herbjørn 2005; }} as well as facilitate two-way

communication with the customer {{245 Davis,Robert 2005;253 Karjaluoto H., Leppäniemi M., Salo J. 2004; }}.

A prerequisite for companies to take advantage of the possibilities in SMS and MMS marketing communications is that sending and receiving SMS and/or MMS is an everyday activity in large parts of the population or at least in target segments. Numbers from Denmark show that this has first quite recently been so. In 2002 citizens on average sent 375 SMS's per year. In 2005, this number had risen to 1556 {{254 National IT and Telecom Agency, Denmark 2005; }}. This is about the same picture as reported for the UK {{247 Scharl,Arno 2005; }}. MMS is still in its infancy but is also gaining in popularity. The first numbers concerning use of MMS are from 2003 when Danish citizens sent on average ½ MMS pr. year. In 2005, this number had changed to 4.46 {{254 National IT and Telecom Agency, Denmark 2005; }} which is a large increase. Nonetheless, MMS is very far from being as popular as SMS. However, as MMS becomes cheaper, easier to use, and a feature included in a larger part of the mobile phones, the use of MMS may become more widespread. This will increase the possibility to use MMS which provides more communication possibilities than SMS.

Even though SMS and MMS are widely used, audiences may not be reached and this may be an important obstacle for the use of SMS/MMS marketing. Research has pointed out that use of SMS/MMS communications requires gaining consumers' permission to send SMS messages to them {{248 Tsang,Melody M. 2004;244 Rettie,Ruth 2005; 249 Trappey III,Randolph J. 2005; }}. However this may not be an obstacle in reality. In a large UK study involving 26 campaigns using SMS/MMS, 44% the participants found receiving campaign communication on their mobile phone acceptable. According to the same study, as much as 90% read marketing messages received and about half reacted to the messages {{244 Rettie,Ruth

2005;249 Trappey III,Randolph J. 2005; }} even though other studies {{250 Greenyer,Andrew 2004; }} have shown that only little time is spent actually reading the message. According to another study also from the UK, 24% of the respondents said they would be likely to agree to receiving SMS marketing, and for the 14-17 year olds this number was more than 50% {{251 Barwise,Patrick 2002; }}. It thus seems that it is possible to overcome this obstacle.

Based on the above, it seems safe to say that the use of SMS/MMS is possible because the distribution channel is widely used and customers agree in receiving the communication. However, we do not know much about the actual use of this possibility and we do not know much about its effectiveness. A recent study by Leppäniemi, Sinisalo and Karjaluoto {{252 Leppäniemi M., Sinisalo J., Karjaluoto H. 2006/a; }} covering journal articles and conference papers about mobile marketing showed that the number of research articles about opportunities in and use of SMS marketing has been small. However, the number of articles in scholarly journals is rapidly growing and the lack of empirical studies that Constantiou, Damsgaard and Knutsen {{246 Constantiou,Ioanna D. 2006/a; }} point to, thus seems to be in the process of being remedied {{252 Leppäniemi M., Sinisalo J., Karjaluoto H. 2006; }}. According to several of the studies made till now, SMS is, indeed an effective marketing activity, especially when integrated with TV {{244 Rettie,Ruth 2005; }}. In addition, Nyvesen et al. {{243 Nysveen,Herbjørn 2005/a; }} point out that SMS is a useful supplement to the main channel mainly through effect on direct relationship investments. It is important to note, however, that because the use of MMS till now has been limited most studies on SMS/MMS marketing in reality cover only SMS marketing.

Till now, the use of SMS/MMS has been limited even though they provide interesting opportunities for marketing communications and they seem be efficient. However, with the

widespread use of SMS in the population, it may be that the use of SMS/MMS for marketing communications may increase. It was the aim of the study presented in the following to look into whether this, in fact seems to be the case. To do this, we first look into the importance that companies and agencies attach to online communications activities in general. We then the look into which online activities companies and agencies consider important in today's marketing effort. Finally, we predict which activities will become more important based on a comparison of current importance of a range of OMC activities with the demand for agency advice regarding the same activities. We assume that a large positive discrepancy between importance and demand indicates a growth in popularity in the near future because companies tend to ask for advice in advertising and communication agencies concerning new initiatives. This entails that the level of demand for advice regarding an OMC activity at agencies relative to the importance that companies attach to the activity in present OMC can be used as an indicator for which OMC activities are growing in importance and thus will be important activities of tomorrow.

METHOD

The study was carried out as an online survey among Danish advertising and communication agencies (in the following referred to as "agencies") and Danish companies. Some agencies are very small. These agencies often deal with advertising only while larger agencies typically offer IMC capabilities. As marketing communications as such is in focus in this study, only larger agencies, defined as agencies with more than 5 employees, were included in the study. Small companies were also not included in the study as employment of a range of communication activities often is not relevant for this type of company. The Danish Central

Business Register defines small companies as companies with less than 200 employees. We, therefore, excluded such companies from the population.

All companies with more than 200 employees were identified in a database covering all Danish companies (CD-direct). This resulted in a list containing 781 companies. After the list had been cleaned for redundancies and misplacements, 674 companies were on the list. Likewise, all agencies with more than five employees listed in The Danish Central Business Register were selected (278). After cleaning for redundancies and misplacements, the total number of agencies on the list was 231.

We contacted all identified agencies and companies by telephone between November 2005 and January 2006 with a request for participation. In addition to this, companies were contacted by postal mail. At the agencies, the person in charge of planning, strategy or account relations was contacted, and in the companies, the person in charge of marketing was contacted. Agencies and companies that agreed to participate were given the possibility to sign up for a free descriptive report based on data that were gathered in the survey as an incentive for participation, Each person agreeing to participate in the survey was given a web address directing them to an online questionnaire. In total, persons from 273 companies answered the questionnaire resulting in a response rate of 41%. From 129 agencies, persons answered the questionnaire (56% of the agencies that were contacted).

To measure the perceived importance of OMC in companies and agencies, two questions covering this were included in the questionnaire. For the companies, importance of OMC was measured with the questions "Online communications have high priority in our marketing activities" and "Online communications have the same priority as offline communications in our marketing activities". To the agencies, the equivalent questions were "When we advice our

clients, online communications have high priority" and "When we advice our clients, online communications have the same priority as offline communication". The scales used were all 5-point Likert scales (*1*=totally disagree…*5*= totally agree).

To reveal differences in present importance of the individual OMC activities and demand for advice regarding employment of the activities in marketing communications, companies were asked "How large is the importance of each of the following activities in your company's marketing communications?" The scale used was a semantic differential scale (*1*=No importance..*5*=Very large importance. Agencies were asked to evaluate the following statement: "How large is the demand for the following activities from your customers?" Again, the scale used was a semantic differential scale (*1*=No demand…*5*=Very large demand).

The range of activities that agencies and companies were asked to consider is displayed in table 2. The range of activities was deducted based on a literature study as described in Jensen and Jepsen {{118 Jensen M.B., Jepsen A.L. 2006/a; }} and is deemed to cover the present range of OMC activities.

Data analysis was carried out as follows. Relative importance of each of the 17 activities in companies and agencies respectively were evaluated looking at 25 and above 75 percentiles for level of importance and demand respectively. Discrepancy between the agencies and the companies was used as an indicator for future importance. Discrepancy in level of importance and demand was tested for significance using binary logistic regression (logit). This type of analysis takes difference in mean level into consideration. Activities for which the difference between present importance and demand were insignificant were removed according to the hierarchical principle. Fit of the solution found was evaluated based two measures: R-square (Cox & Snell and Nagelkerke) and Hosmer-Lemeshow measure of overall fit. According to

Lattin & Green, an R-square value between 0.3 and 0.5 is often regarded as excellent fit {{172 Lattin, J. 2003; }}. The Hosmer-Lemeshow test tests for difference between actual and predicted values. Therefore, a non-significant test value ($p > 0.05$) indicates good fit. The independent variables in the logistic regression were evaluated based on the odds ratio (Exp(B)) being larger than 1, the higher the value the higher the impact on the positive discrimination.

RESULTS

The numbers in table 1 show that OMC have reasonable high priority in Danish companies as well as in Danish agencies advising their clients. The priority is high both on a general level and compared to offline communications. All values are well above three (the average level) except for companies comparing the importance of online communications to offline communications. However, this value is larger than three and there thus seems to be a general agreement among companies and agencies that online communications as such are important in marketing communications supporting that it is important to be on the outlook for which disciplines will become popular in the future.

[Take in table 1]

Companies' perception of the importance of individual activities and the demand for the same activities at the agencies are presented in table 2. The activities that are considered important by companies at present are personalization, microsites, e-mail direct marketing, public relations, and search engine advertising. Most of these activities are relatively mature as they have been marketing possibilities for companies for several years. Nonetheless, the demand

for advice regarding these activities is also relatively high for search engine marketing, e-mail direct marketing.

From table 2, we can also see that the activities that are considered the least important in present marketing communications activities by companies are mobile phone homepages, SMS/MMS, games, sponsorships, and communities. Advice regarding three of these activities (mobile phone homepages, communities, and sponsorships) is also little demanded by companies at the agencies and there is thus no sign these activities will gain in importance in the near future. Demand for advice regarding SMS/MMS communications is at a fairly high level compared to the present importance of these activities indicating that SMS/MMS may become more important in the future.

[Take in table 2]

This brings us to testing statistically whether some of the activities – and especially SMS/MMS - that are not regarded as important by companies in today's marketing communications can be expected to become so in the near future. As described in the "Method" section, logit regression was carried out to reveal significant differences between importance in companies and demand at agencies. The result of this analysis is presented in table 3. Statistically significant differences were found for five of the seventeen activities. These activities are search engine advertising and public relations for which the demand at agencies are lower than the present importance, and sponsorships, sales promotion, and SMS/MMS marketing for which the demand at agencies is significantly higher than the present importance attributed to these activities by companies. The fit indices showed adequate fit (Cox & Snell R-Square=0.33,

8

Nagelkerke R-Square=0.46) {{172 Lattin, J. 2003; }}, and the Hosmer-Lemeshow measure of overall fit was highly non-significant (p=0.35) also indicating that the model fits the data well.

[Take in table 3]

CONCLUSION AND IMPLICATIONS FOR MARKETING

The results from the study presented in the above indicate that SMS/MMS marketing is the online marketing communications activity that can be expected to exhibit the largest growth in the near future. The other new activities are not considered important at present and companies also do not ask agencies for advice regarding these activities. Online sponsorships and SMS/MMS marketing communications both are among the activities that are deemed unimportant in marketing communications at present while sales promotions are in the middle range. The demand at agencies for advice regarding sponsorships and online sales promotion is significantly larger than the current importance attached to these activities by companies indicating some growth in the popularity of these activities in the future. However the discrepancy in the demand for SMS/MMS as compared to present importance is very large, and therefore, it seems that this online marketing communications activity is entering a period with growing importance. This is in line with the advantages of SMS/MMS communications put forward in the introduction: SMS/MMS communications provide interesting opportunities for targeted communication to and with customers, SMS is now widely used, and consumers seem to accept receiving and react positively to SMS marketing communications.

Based on the parameter estimations in the logit regression, it seems that the importance of the now most popular search engine advertising and public relations will decline in the future. However, the explanation for the discrepancy may also be that these are activities that have been used for a relatively long time and therefore, companies feel that they have sufficient experience to work with these activities in-house. We therefore do not feel that the results from this study warrant a conclusion that the use of these activities will decline in the future.

Based on the findings in this study, marketers should consider how they can integrate SMS/MMS marketing into their current IMC activities on both B2C and B2B markets. SMS/MMS marketing is relevant especially if customers do not stay in one place as this makes the possibility to provide targeted communication when and where needed by the customer an advantage. If companies are able to provide such communication, customers will be willing to receive and use the communication strengthening the position of companies using this type of marketing communication.

TABLE 1. Priority of OMC in general and compared to offline marketing communications

		Mean	SD
Online communications have high priority	*Companies*	*3.62*	*1.19*
	Agencies	*3.94*	*1.02*
Online communications has the same priority as offline	*Companies*	*3.13*	*1.27*
	Agencies	*3.59*	*1.12*

TABLE 2. Individual activities

	Importance, Companies	*Demand for advice at agencies*
	Mean	*Mean*
Mobile phone homepages	*1.20*	*1.49*
SMS or MMS	*1.39*	*2.37*
Games	*1.43*	*2.26*
Sponsorships	*1.49*	*1.77*
Communities	*1.56*	*1.67*
Mobile location based services	*1.65*	*1.94*
Viral marketing	*1.81*	*2.26*
Sales promotion	*1.81*	*2.69*
Events	*2.00*	*1.95*
Affiliate programs	*2.03*	*1.97*
E-learning	*2.16*	*2.14*
Display advertising	*2.21*	*2.58*
Personalization	*2.46*	*2.41*
Microsites	*2.58*	*3.25*
E-mail direct marketing	*2.87*	*3.06*
Public relations	*2.88*	*2.37*
Search engine advertising/marketing	*3.21*	*2.51*

TABLE 3. Logit regression result of discrimination between demand and importance.

	B	Exp(B)	P
Search engine advertising/marketing	*-0.57*	*0.57*	*0.000*
Public relations	*-0.56*	*0.57*	*0.001*
Sponsorships	*0.60*	*1.82*	*0.009*
Sales promotion	*0.53*	*1.70*	*0.000*
SMS or MMS	*0.91*	*2.50*	*0.000*
Constant	*-1.40*	*0.25*	*0.010*