



Part I

# BEST PRACTICES

## A Blueprint for Building a Retail Mobile Marketing Program

Your elusive customers are on the go  
and on their mobile device...

...shouldn't you be, too?



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### EXECUTIVE BRIEFING

**T**here are certain truths of media effectiveness today that are unmistakably evident to retailers. They “get” how fragmented the media marketplace is. They understand that their marketing budget has to be much more diversified now than a decade ago. They can clearly see that traditional media is not working as well as it used to and they’ve accepted, without reservation, that the consumer is in control. Most of all, they know that they must build one-to-one relationships to survive.

But while marketers are up to speed on how their customer-centric universe is changing, they’re not as clear on how to build effective strategies in such a fluid and highly competitive environment. Mobile marketing can help.

Consumers are ready for mobile marketing. They’re on the go much more today than they were in the past and they rely on their cell phones to help keep them informed and organized. By 2010, there will be nearly one cell phone in every household. With text messaging as the second most popular use of cell phones (see chart below), the time is now for retail marketers to start building an opt-in database and planning their mobile marketing strategies.

In this **Best Practice** report, **A Blueprint for Building a Retail Mobile Marketing Program**, we will show how mobile marketing brings brands closer to their customers at a time when they are ready to make a purchase and outline a detailed strategy for building a long-term mobile marketing plan. We’ll highlight the trends driving the movement toward mobile marketing adoption and show examples of targeted programs currently being used across the retail and consumer brand industry.

**“Mobile marketing is going to be the most personal communication tool we’ve yet developed in marketing.”**

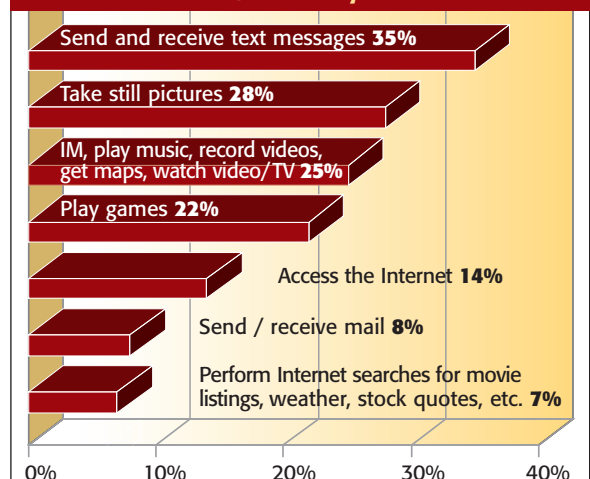
**FRED NEWELL, CHAIRMAN/CEO,  
SEKLEMIAN/NEWELL INC.**

You’ll hear from **Laura Marriott**, executive director of the **Mobile Marketing Association**; **Stephanie Fischer**, SVP and COO of the **Retail Marketing Institute**; **Daniel Burrus**, CEO of **Burrus Research Strategies, Inc.**; **Fred Newell**, chairman and CEO of **Seklemian/Newell Inc.**; **Geoff Hollingworth**, director of marketing for **Ericsson**; **Scott Springer**, VP of strategic marketing services for **SmartReply** and **Mike Romano**, EVP of sales and business development for **SmartReply**.

You’ll learn:

- ◆ Crucial findings from recent mobile marketing programs;
- ◆ Key takeaways on why mobile marketing should be a major ingredient in your customer marketing strategy if you are to remain competitive; and
- ◆ A step-by-step plan for building a successful mobile marketing program.

### Text Messaging Use Outranks 10 Other Cell Phone Uses, Some by as Much as 20x



Source: Pew Internet & American Life Project, Associated Press and AOL



### I. MOBILE MARKETING: THE KEY TO REACHING THE ELUSIVE RETAIL CUSTOMER

Customers are getting harder and harder to reach every day.

The fragmentation of the media marketplace has made retail customers much more difficult to reach today than ever before. They're constantly on the go and growing increasingly more challenging to locate through traditional channels. They multi-task and often utilize several channels at once, adding even more complexity to the challenge.

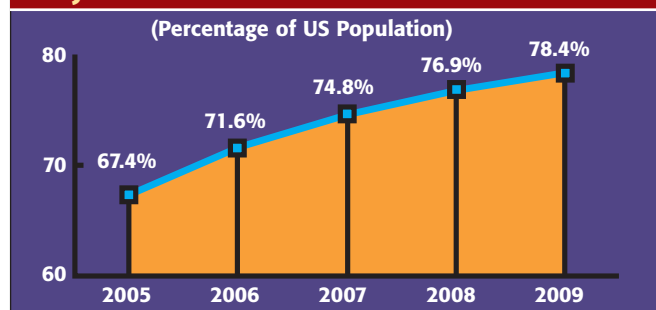
In addition, they rely more and more heavily on their mobile phones as their main communication device. In fact, M:Media reports that over half the cellular population now uses their mobile phone as their primary phone line, and Forrester reports that roughly 98 million US households will have a mobile phone by 2010. That's 93 percent, or almost one for every US household.

As the number of wireless users grows, so does the use of text messaging. Yankee Group says there are 95.1 million people who are considered active text messagers today, while Pew Internet & American Life Project reports that 35 percent of all cell phone users use text messaging, with another 13 percent interested in adding the feature. In fact, text messaging outranked 10 other capabilities in popularity and use.

European adoption rates, while ahead of the US, are a good sign of the US market to come. According to a recent study by Airwide Solutions, 89 percent of European companies are planning to market via mobile phones by 2008 and more than half of them are planning to spend up to 25 percent of their budget on it. In fact, many expect mobile marketing to be more effective than direct mail; 47 percent expect 5 to 15 percent of their recipients to request more information or a sample via mobile marketing; 34 percent expect between 5 and 20 percent of recipients to undertake a financial transaction after receiving a mobile marketing message.

Meanwhile, the profile of the average US mobile user and text messenger no longer looks like a teen, but is starting to mirror the profile

#### Projection of US Mobile Phone Penetration

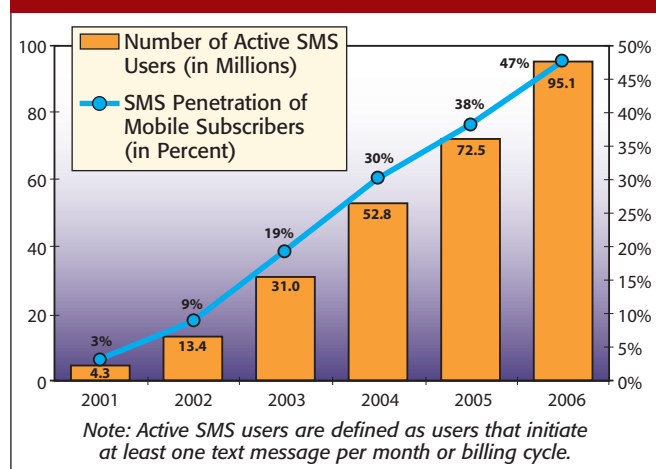


Source: Yankee Group, 2002

of the typical high-value retail customer. Thirty-nine percent of all short message service (SMS) text users are adults 35-plus, according to M:Media. And the American Consumer Institute reports that 41 percent of US mobile phone subscribers who subscribe to text messaging services have annual incomes at or above \$75,000.

In addition, the World Wireless Forum reports a 44 percent rise in the number of seniors (50 to 60 year olds) owning cell phones, to 23.29 million, and projects nearly 100 percent penetration of cell phones among the 20- to 40-year-old set by 2007.

#### Active SMS Users in the United States



Source: Yankee Group, 2002

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The best news: These consumers are ready and willing to interact with companies they trust via their mobile device. An attitude and usage study by Synovate and the Mobile Marketing Association reports that most consumers are interested in mobile applications that provide information on products and services. They are especially interested in applications for mobile couponing, personal account management information and downloads.

### Mobile marketing: Fast becoming a critical retail marketing tool

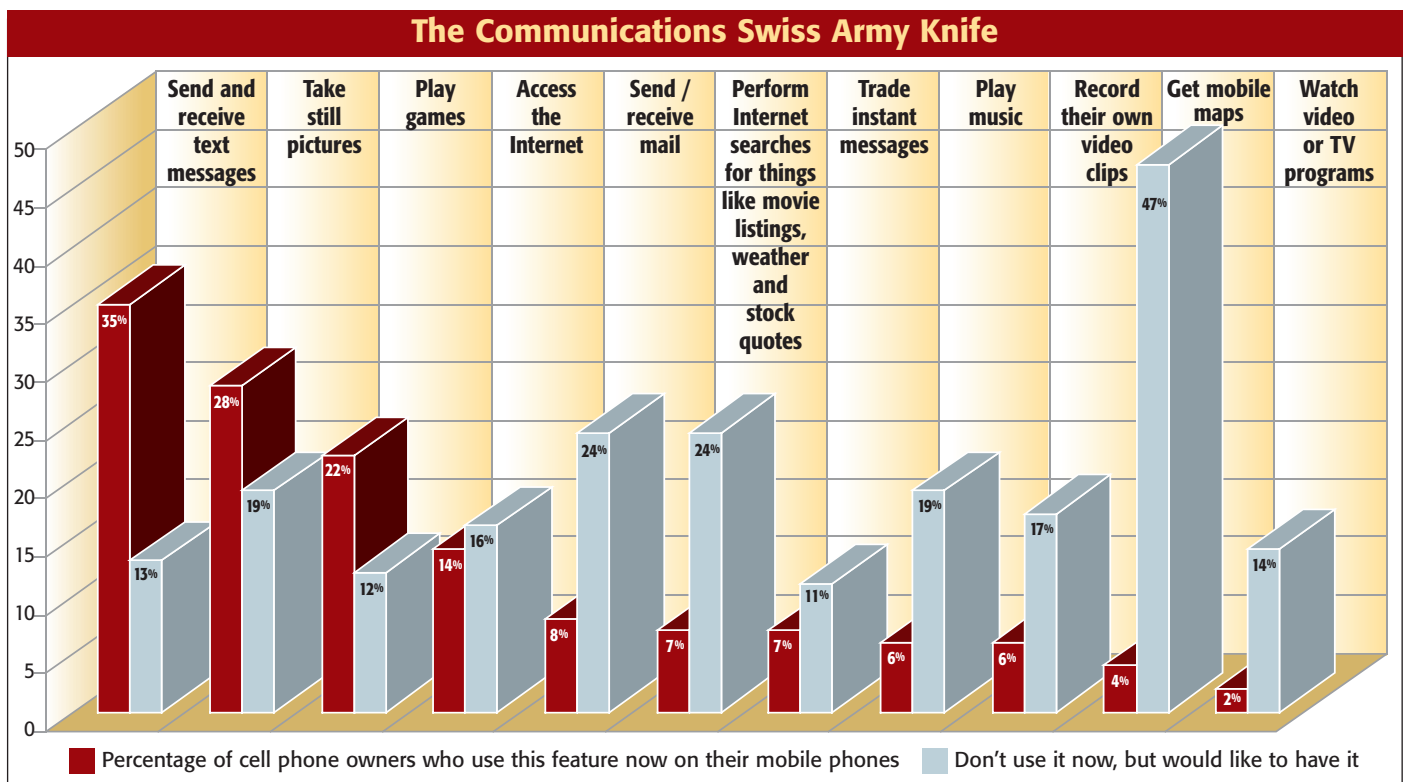
Interest in mobile marketing among retailers continues to grow daily. "We have several retailers attending our conference interested in learning how to text message," says Stephanie Fischer, senior vice president and chief operating officer of the Retail Marketing Institute. "When I put together the program agenda for hiring speakers, I asked for feedback of what they wanted to see on the platform, and with media becoming so fragmented today and customers becoming more and more difficult to reach, text

messaging, along with other forms of new media, was a hot topic among retailers. They're very interested in finding new ways of reaching their customers effectively."

Today, "Mobile marketing is being used by thousands of brands worldwide," says Laura Marriott, executive director of the Mobile Marketing Association. Those brands include such well-known names as MasterCard, Coca Cola and Pepsi, Toyota and Jeep, Nike and Reebok, McDonalds and Burger King, Kmart, Levi's and Procter & Gamble.

"Text messaging is of interest to any company that wants its audience to act immediately on its call to action," says Geoff Hollingworth, director of marketing at cellular phone company Ericsson. "It's the first channel that is both immediate and interactive."

Adds Fred Newell, chairman and CEO of international marketing consultancy Seklemian/Newell Inc., "Mobile marketing is going to be the most personal communication tool we've yet developed



Source: Pew Internet & American Life Project, Associated Press and AOL.

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in marketing. It's a 'catch the consumer anytime anywhere' tool. If they're walking by your store, you can grab them right there."

Current campaigns, however, are not just about ringtones, downloads, contests and games. More and more mobile marketing programs incorporate business rules that tie directly back to business goals, with metrics in place at every step that culminate into a clear ROI.

"A mobile marketing campaign using text messaging can be implemented so quickly and efficiently that it can help companies be first to market, stand out in the cluttered media marketplace and be less intrusive," says Scott Springer, vice president of strategic marketing services for SmartReply. "And it's all opt in, so your customers are expecting your message, which improves open rates and response."

### CONSIDER THESE EXAMPLES:

- ◆ One multi-million dollar sports retailer delivers over 750,000 text messages per month. It gets an 84 percent message delivery rate and a 94 percent open rate. The opt-out rate is just 2/10ths of 1 percent—just two people out of every 1,000. Meanwhile, incremental sales from the campaign equate to an 834 percent lift. (Source: SmartReply)
- ◆ Text messaging drove one in five people to levis.com; of that group, 9 percent visited the Levi's store; and of them, 8 percent bought a Levi's product as a result of the campaign. (Source: MMA)
- ◆ In April 2006, 40,000 visitors descended upon Las Vegas to attend the CTIA Wireless convention. The Luxor hotel, where the conference was being held, used text messaging to allow attendees to check into the hotel as soon as their plane landed. During their stay, visitors could get mobile coupons for discounted meals, show tickets and other offers. For Sprint phones with GPS, the Luxor was able to use mobile promotions to lure in people who were off premises. (Source: USA Today)

## II. STEP BY STEP: YOUR BLUEPRINT FOR DEVELOPING A RETAIL MOBILE MARKETING PROGRAM

The strategy for building a mobile marketing program is similar to that of any other medium. The message should be appropriate for the audience and the channel. There should be

***"The job of any marketing message is to drive people into the store or online and to increase frequency and wallet share of that customer. No matter what the medium, the objective is still the same. It's about understanding how often they buy, what they bought and using that information to create more attractive promotions that are relevant to them. It's about evolving into a one-to-one marketing medium."***

**MIKE ROMANO, EXECUTIVE VICE PRESIDENT OF SALES AND BUSINESS DEVELOPMENT, SMARTREPLY**

an opt-in database, a call to action, an opt-out mechanism and a way of tracking, measuring and continuously improving results. "The job of any marketing message is to drive people into the store or online and to increase frequency and wallet share of that customer," says Mike Romano, executive vice president of sales and business development for SmartReply. "No matter what the medium, the objective is still the same. It's about understanding how often they buy, what they bought and using that information to create more attractive promotions that are relevant to them. It's about evolving into a one-to-one marketing medium."

To maximize the medium's potential, a typical mobile marketing program would be implemented in three stages:

- ◆ **Pilot Program: 1-6 months:** Mobile marketing works because consumers opt in to receive the information. They are

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interested in the messages they receive and feel they have a trusted relationship with the organization that sent it. To create that trust and generate a strong foundation for success, the first step in developing a mobile marketing program is building an opt-in database.

Opt-ins can be collected in a variety of ways, but the most common methods are through registering online or by texting in to a short-code. "Companies with existing loyalty programs should re-examine the terms and conditions associated with membership and consider updating them to reflect mobile communication as a channel," says Springer. "Companies that were looking ahead two or three years ago already have made those changes and are currently realizing the benefits of having done so."

Opt-in records could be funneled into a central data warehouse, or housed separately. Either way, they should have permission fields specifically for mobile marketing. At this stage, existing information, such as demographic, behavioral and transactional data, can be overlaid to create more marketing and communication value.

Once a reasonable list appropriate for each retailer has been reached, they can begin crafting and sending their first text messages. A standard mobile message is up to 160 characters long, and should include the following:

- ◆ A hook that explains why you are contacting them: "Boys' summer shorts, 20 percent off, this Friday and Saturday only";
- ◆ A call-to-action statement that tells them what they need to do: "Use code 12345 or your loyalty card at the register to obtain your discount"; and
- ◆ Opt-out language: "Text the word "END" to the number 67890 to stop receiving these messages".

Since each message is time stamped, marketers will be able to

track the number of messages that went out, how many were opened and the number of replies received. Using an ID code that ties back to the company's opt-in database, marketers will be able to track all traditional types of behavioral metrics, including whether recipients shopped, how much they spent and what they purchased.

With delivery of the very first message, retailers will be able to start analyzing customers' mobile preferences and optimizing their programs, immediately affecting the return on their bottom line.

◆ **Rollout: 1st Generation, Next 12 Months:** As retailers continue to refine customer preferences and build their opt-in database

with ongoing behavioral information, messages will become more and more tailored and ROI will be maximized. For instance, a grocer might ask customers to opt in to receive special notices about their favorite departments, such as seafood, the butcher shop, the bakery, or organic foods. By monitoring behavior, this grocer could then determine which products to offer that would help increase its share of those customers' wallets.

At this stage, Marketers will begin to encompass rich media to create a 'push/pull' or two-way communication model. Programs could include additional relevant offers or incentives for forwarding to a friend, thus creating a viral benefit. Also, making offers exclusive may encourage opt-in behavior. "This is where we really

start to engage customers and push offers that are more specific to their preferences," says Romano.

◆ **Rollout: 2nd Generation, Ongoing:** Next-generation technologies such as global positioning systems (GPS), radio frequency identification (RFID) and secure mobile contactless payments will substantially improve companies' one-to-one relationship-building potential and drive higher, long-term customer value.

### MOBILE MARKETING CAMPAIGNS CAN BE USED FOR:

- ✓ Driving customers into your store
- ✓ Changing their behavior once they're in your store
- ✓ Welcome/thank you messages
- ✓ Reminders and service messages
- ✓ Announcing promotions and events
- ✓ Introducing a new product or service
- ✓ Lifting under-performing locations
- ✓ Building loyalty
- ✓ Conducting customer surveys after service
- ✓ Reducing attrition
- ✓ Responding to a competitive maneuver
- ✓ Gaining consumer insight

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### HOW MANY WAYS CAN YOU USE MOBILE MARKETING?

- ◆ A national **dry cleaning franchise** could text customers when their order is ready for pick-up.
- ◆ A **grocer** could prompt customers with specials on their favorite departments, such as seafood, the butcher shop or the bakery...
- ◆ ...or could analyze customers' consumption habits to remind a customer that they're out of detergent.
- ◆ A **video store** could send reminders the day a DVD or game is due, or could alert customers when a title they requested is in.
- ◆ A **take-out pizza restaurant** could capitalize on the two-thirds of the U.S. population that has no idea what they're going to cook on any given day by sending out a text message that says, '2 for 1 pizzas, tonight only.'
- ◆ A **local winery** could send suggestions for pairing the right wine with the right meal and provide special offers on the featured wine.
- ◆ A national **skiing and outdoor sports retail chain** could sponsor the local daily weather report.
- ◆ **Inspirational catalogers** could provide daily devotionals with a link to their catalog online and a special offer code.

Marketers will be able to send instant, targeted coupons that can be scanned at the register and offer tiered loyalty rewards. With GPS-enabled phones, retailers will be able to determine when customers are within a certain geographic vicinity and prompt customers as they are approaching the store. Eventually, says Daniel Burrus, CEO of Burrus Research, "We'll start to see multi-media programs that offer a choice of voice, text and video. People who like to type will type and those who prefer voice will listen and respond to verbal commands."

Once you've started interacting with your customers via mobile marketing, keep the relationship active. "It's critical to maintain that dialogue with the customer," says Marriott. "If they've opted in to receive information, make sure you continue to send it to them regularly." Keeping the conversation going, she says, will continually increase the value of the contact.



### Mobile marketing: CAN-SPAM compliant and non-intrusive

Marketers often have concerns about whether they will be in compliance with legislation when they use mobile marketing. This form of interacting with the consumer is completely CAN-SPAM compliant. It's permission-based, and you will only market to existing customers about those products and services for which they specifically opted in to receive—for instance, whenever lobster is on sale or when a new wine has arrived that matches their interest.

Another question among retailers that have not yet tried mobile marketing is about intrusiveness. Again, the opt-in mechanism helps alleviate this fear, since they are raising their hand and saying 'I want this information'. Also, if at any time customers change their mind, there is an opt-out mechanism in every message, via their choice of either text or voice. The good news: self-selection keeps opt-outs low (remember the "sports retailer" example mentioned on page 5.) Finally, there is no concern about consumers receiving unsolicited text messages because they only get information they explicitly asked to receive via their mobile phone.

"Mobile marketing is for enthusiasts of your brand," says



Romano. "If you can find those consumers who care about your brand, as long as the message is targeted and compelling, it will be meaningful and important to them and they will want to hear from you." In addition, he notes, "If we develop programs perceived not as marketing, but as customer service, consumers see it as an opportunity for the retailer to anticipate their questions and prove that the company cares about them

and that it wants to provide them with superior service."

With such positive results in an uncluttered marketplace, companies that choose to use mobile marketing in their overall customer programs will have a leading edge over the competition in securing the loyalty of their most valuable and most growable customers.

### III. NOW IS THE TIME TO START MAXIMIZING MOBILE MARKETING'S COMPETITIVE ADVANTAGE

**C**ell phone use in the US has long since achieved critical mass and will reach a saturation point by 2007, with nearly a phone in every household. Customers are increasingly on the go and are using their cell phones for much more than just simple voice communication. Text messaging as a communication tool is now as pervasive as email; mobile marketing, which has achieved critical mass in Europe, is quickly following suit in the US.

manage and improve the quality of their lives. Mobile marketers are also ready for more.

We've shown you the potential mobile marketing offers and given you a blueprint for getting started in growing customer value through mobile marketing programs.

"I see text messaging becoming completely integrated into the marketing mix as a new complimentary channel," says Hollingworth. "When it is seamlessly integrated, then the true cross-selling power of all channels exponentially increases."

In our next white paper on how retailers can positively impact the customer outside the store, retail marketers will detail their successful mobile marketing campaigns, including the challenges, benefits and ROI.

Ringtones, music downloads, contests and games have all played a critical role in helping to educate and create a comfort level among consumers for mobile marketing. But mobile users are ready for something more—they are interested in offers that can help them

Mobile marketing's high open and recall rates, as well as its ability to reach customers any time, anywhere, is the way of the future. The time is now to build your opt-in database and make this medium a strategic part of your marketing mix.

Your customers are on the go. Shouldn't you be too? ■

**To learn more about SmartReply's voice and mobile marketing solutions, go to [www.SmartReply.com](http://www.SmartReply.com), or call 1 (800) 785-6769.**

