

## THE USE OF SMS TECHNOLOGY AS A TOOL FOR DIRECT MARKETING

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### **Abstract:**

This article deals with how a new telecommunications technology was adopted as a new direct marketing media, while at the same time discussing new technology adoption by the market, some aspects of the marketing of breakthrough technologies and more specifically direct marketing. SMS, or Short Messaging Service, is a technology breakthrough which enables text messages to be sent over mobile telephone systems. Everyday more and more companies are exploring the media to establish a closer contact with their clients, using it as a new direct marketing tool. Considering direct communication with clients over such a private channel as the mobile phone, some attention must be given regarding permission and privacy issues. Some input is given regarding the service itself, forwarding some examples of its use, including examples in Brazil. As with everything new, particularly when novelty involves technology, there must be a period for adaptation before widespread use. This article also discusses the process involved in the adoption of new technologies. The conclusion brings some input on the future of SMS.

**Keywords:** Technology, innovation, SMS, direct marketing, mobile marketing

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### Introduction

Mass Communications developed in the 20th century and in the beginning of the 21<sup>st</sup> century is still not capable of creating bonds between brands and their consumers. Advertisers vehemently express their discontent with the results of their advertising efforts. An excerpt from the column on advertising in the Wall Street Journal published in the Tuesday, September 24<sup>th</sup>, 2002 issue, signed by Suzanne Vranica, summarizes the advertisers' dilemma very well:

"The faith of big-spending marketers in the power of traditional advertising is waning as the economy continues to falter, according to a new survey [...] The most worrisome findings indicate that companies are increasingly skeptical of advertising to boost sales, [...] The survey results mirror similar sentiments on Madison Avenue, where interest is focusing on direct mail and 1-800 direct-response ads. Marketers are embracing such promotions because they can measure sales as a specific return on investment".

One of the possible answers to that dilemma resides in direct marketing, a form of communication that has constantly evolved since its creation in the 1870s and regarded up to quite recently as the poor and less glamorous cousin of advertising. One of the main reasons for such success next to the advertisers nowadays is the possibility of its precise measurement of results and its focus in ROI – Return On Investment –, something with which the advertising industry had never been concerned about. Advertising's main concerns had always been share of mind and brand awareness. Judging from the excerpt above, that doesn't seem to be enough any longer.

The search of a deeper relationship with clients brought up a series of new concepts to direct marketing, especially the contributions of Peppers and Rogers (1994), concerned on the reestablishment of person-to-person communications, focused in the specific interests of the

individual client, expanding the concept of database marketing advocated by Nash (1994) and others.

The words of Bob Stone (2002) clearly define the purposes of direct marketing: "Direct marketing is an interactive marketing system that utilizes one or more media in order to produce response and/or measurable transactions anywhere" (highlights by the author).

That simple definition clears the fundamental difference between direct marketing and mass communication, in that the first requires the existence of interactivity, regardless of the media used, and presumes the possibility of the exact measurement of returns whether as responses to stimuli given or in sales, stemming from several mechanisms specifically developed for that purpose. The necessity and use of a database in itself gives direct marketing a better grip in the use of technology for the carrying out of its purposes in an agile and structured form regardless of all the special effects that advertising might muster. And the acceptance, adoption and use of a novel technology is the object of this article – SMS marketing – as a media and instrument for direct marketing. An observation should be made as to the acronym SMS, meaning Short Messaging Service, i.e., short text messages sent over cellular phones.

On the other hand, every company should make an effort toward the development and launching of new products, once the creation of innovative products and substitute products for those existing in a given moment help them keep up and develop future sales. Furthermore, clients have a growing desire for new products and competitors will do everything possible to oblige. According to that point of view it is always necessary to have novelties in order to keep the market's interest, the difficulty residing in the acceptance and further adoption of innovative products by that same market.

According to Porter (1980), "Emerging industries are industries recently formed, created from technological innovations, alterations in the relationships between relative costs, the development of new needs on the part of consumers, or other social and economic alterations that elevate a new product or service to the level of a potentially viable business opportunity". Porter (1980) follows affirming that, "developing strategies in an emerging industry is disheartening". It is quite normal that in this initial phase one faces a high level of uncertainty regarding: a) the needs of the consumers; b) which products and service will be really desired; c) which is the best configuration of activities and technologies for production and delivery of goods and services.

For Toffler (1970), the process of technological innovation comprises three different stages: the emergence of a creative idea, its practical application and its dissemination among a given society. This process is complete when that innovation is the seed for the generation and implementation of a new creative idea, restarting the cycle. Thus technology is used for the creation of more technology.

### **Methodology**

The present article strives to describe the use of a new technology as a media for direct marketing, referring to the available marketing literature as a means to focus and set the scope for the work, besides presenting the technology itself and its uses in the proposed context.

### **New technologies and their acceptance and dissemination**

Given the fact that all individuals have the same inclination to accept novelty, Rogers (1995) defined five categories of adopters of innovative products: innovators, initial majority, late majority and latecomers. Moore (1996) further deepened the description of these adoption categories created by Rogers for the high technology products market, as shown below:

**Innovators:** These are the first clients for everything new. Committed to technology, they take pleasure in dominating the complexities by the simple fact of exploring them. They are those persons that at home or at work are called upon when some new equipment has to be put to work. They always want access to the latest word in innovation. They are highly important to favorably influence the following category, the Early Adopters.

**Early Adopters:** They are revolutionaries willing to adopt the discontinuity of any innovation striving to obtain competitive advantage. They form an important group for high technology, being the first group capable of bringing money to the company supplying this technology. The fundamental difference between the innovators and the early adopters is that the first wish to *explore*, whereas the following wish to *take advantage* of the innovation.

**Early majority:** Practical, they don't love technology in itself, as the innovators and the early adopters, preferring to adopt innovations only when their utility can be verified, recommended by trusted persons. They would rather have evolution to revolution regarding new

products. Risk is regarded as something negative and not as an opportunity and there is no enthusiasm as in the case of the first two groups.

**Late majority:** they only invest in technology when forced by circumstances, when technology has already become a market standard. Skeptical and demanding, they are very sensitive to prices. They are not willing to pay for extra service. They are against discontinued innovations and are a bit fearful of technology, preferring to invest in the end of the technological life cycle of the product. They are prone to buy products in "packages".

**Latecomers:** also known as the skeptics, they fight high technology and the enthusiasts of new products and services. They only consume a different product (referring to new products is not the case here) when there is no other alternative.

Moore (1995), who analyzed these categories of adoption in his book "Crossing the Chasm", declared that between the first two groups, the innovators and early adopters, and the three remaining groups, the early majority, the late majority and latecomers, there is what he calls the chasm, that turns out to be the moment in which there is a big tendency for products to fail. "The Chasm Model" represents a pattern that is repeated in the adoption cycle of new products by the market, it is the moment in which the new product is accepted by the early majority, a big market of buyers whose psicographic profile shows a predominant pragmatic strain.

This is the market context for the adoption of SMS marketing, while the article follows with a description of the technology and of the services it ensues, regarding the commercial communication with clients.

### **The SMS technology**

Due to the widespread use of mobile telephones and a small function used in tandem with the technology which permits the sending of short texts, a new media for direct marketing came into use – SMS marketing. As mentioned above, SMS is an acronym for short messaging services, popularly known in Brazil as Torpedo, due to the popular use of the term appropriated by the Gradiente Company, and today its trademark. SMS is quite popular in Europe, thanks to the extensive use of phones equipped with last generation technology, known as GSM. According to information forwarded by the Mobile Data Association (MDA) of Great Britain, the grand total of text messages sent through the 4 GSM carriers in the country in 2002 added up to

16.8 billion. The yearly result was confirmed by the December numbers that totaled about 1.6 billion SMS messages, showing a growth of 100 million compared to the previous month. The numbers of December show a daily average of 52 million messages, compared to the 42 million in December 2001 and to the 24 million in December 2000.

The American market, due to its older technology standard and, therefore, of the larger quantity of older technology model handsets still in use, hasn't still suffered the impact of mobile marketing.

The greatest advantages for the use of SMS by mobile telephone consumers are its speed, interactivity and low cost. Typically in Brazil a short text message costs about a third or less than the price of a minute of normal connection for a voice call. In Europe the same relation is kept, and short text communication is immensely popular among youths in the 15 to 25 age bracket, originating a shortened language similar to that used in old BBSs and in the internet chat rooms. Texting, or the writing and sending of short messages is a word already incorporated to the street vocabulary.

The use of a service initially developed for the exchange of information between engineers and technicians in the mobile telephone industry in their everyday activities is growing. Its commercial use was only possible after the development of a system that permitted billing of the messages originated from of the final consumers handsets, termed Mobile Originated, known by the acronym MO and, most of all, due to the possibility of billing messages received by the user which are sent by the carrier itself or on orders of a third party or company. These messages are called mobile terminated, or MT for short, in a process known as reverse billing, i.e., whoever sends the messages through the carrier pays for the messages received by the recipient.

### **The uses of mobile marketing**

It did not take long for direct marketing companies to see the potential for SMS in the interaction with consumers. The same advantages possible for private use are even more evident for commercial use – speed, interactivity and low cost. Several companies sprang up all over Europe offering commercial uses for SMS. With the spreading of the use, other possibilities came up, using interactivity as a foundation. Contests, votings, surveys and quizzes are possible and quickly implemented, with high participation rates and the enthusiastic support of the younger

public. Not that the elderly public should be ignored by mobile marketing agencies: a recent case involves the British branch office of the DeutscheBank and its 50-year-old customer bracket. Flytxt, an English mobile marketing agency, created a system for the instant communication of the investment or redemption of bonds for DeutscheBank's senior and well to do customers, generating a text message that is legally accepted as a receipt for a banking transaction.

The possible uses are quite varied, as can be seen from the public's participation in the 2002 election in the Miss World Beauty Contest and the several interactive possibilities in the different local editions of reality shows such as Big Brother and the like.

Matalan, the British chain of shops, said that it has pioneered a new quick long distance product reservation system in which clients are able to contact the shop by telephone or the internet before passing by to collect their selected products in the shops, avoiding lines and delays. In order to increase the convenience the shops in the chain set up checkout stalls for clients that would rather use credit cards. According to Paul Mason, the shops' CEO, many clients prefer straight and simpler advertisements instead of catalogues and sophisticated folders. "Many of those persons surf the Internet and own mobile phones. There is a clear opportunity there", he said. The arrival of messages containing images will certainly increase the interest of advertisers in search of news forms of contact with clients.

Cellular telephones are in the center of a new campaign by Argos, the English catalogue sales company, whose "text-and-take-home" service promoted in announcements starred by actress Julia Sawalha, offers information about products and reservations based in a system developed by the mobile telephone carrier Vodaphone and by the company of wireless applications Scan Mobile. Argos described the service as "the first step toward purchases via text messages", suggesting that it would be helpful in the rush of 2002 Christmas shopping.

In order to avoid controversies with the sending of random and unauthorized text messages to strollers and shoppers in the several shops in the chain, a company spokesman guaranteed that the technology would not be used indiscriminately.

### **Spam and regulation – the ethics in personalized communications**

This leads to an important fact in the SMS communication – the control and regulation to avoid spam, or undesired messages. The experience with telemarketing and email marketing and

their loss of efficiency due to the high rate of rejection on the part of advertisers and agencies regarding the recipient's interest for the content of the message sent, caused the new mobile marketing agencies to force the carriers, in the intention of avoiding abuse, bringing back relevance, one of the cornerstones of direct marketing, besides applying the fundamental principles of permission marketing as advocated by Seth Godin (Godin, 1992). The aim is to always use opt-in lists, in which the customer explicitly declares his interest in the receipt of messages displaying a certain content.

As a matter of fact, in Brazil the mobile telephone carriers have been the first to, in a certain manner, break the rules, sending their subscribers messages without any concern for relevance and interest on the part of the recipient. If there is no care, a potentially interesting media can come quickly go to waste, similarly to what happened to email, worn down by the excessive amount of irrelevant messages. The secret for the obtention of relevance goes through careful segmentation of the target audience from information gathered in the clients database, considering whatever each individual pointed out as being his interests.

Great Britain has already given the first step toward regulation, following a trend initiated in the United States, of fighting, to the point of total prohibition, undesired advertising messages, no matter the media. The new advertiser code in the United Kingdom has been altered in view of the reaction to the massive increase in the complaints received by the authorities concerning spam in text and email messages. Now companies that send marketing text messages should obtain the recipient's permission before sending the message. The emails should make clear to the recipients beforehand that the sender is trying to sell a product or a service, so that they don't even have to open the emails in order to know. The rules also restrict banner and pop-up advertisements, as long as they are not in the site of the advertising company.

### **Mobile Marketing in Brazil**

There are several agencies offering SMS marketing services in Brazil. It is up to the advertisers to understand the potentialities of the new media. Recalling Rogers (1995), there must be enough time for the market to adopt an innovative product and it is necessary to think up adequate strategies for its absorption on the part of the several market segments, i.e., the innovators, early adopters, early majority, late majority and latecomers.



The question in the market for SMS Marketing is that there are many different targets for those willing to introduce the novelty. In the first place, there is the final public, that is, a market full of youngsters hungry for innovation and with a lot of interest in interacting and participating. On the other hand, the intermediate market or specifiers, the agencies that hold the advertising budgets, are directed by older and cautious persons that have the additional responsibility of administrating their advertising client's budgets, who on their part are more conservative and deeply distrustful of little tested novelties.

An interesting example of the use of the SMS marketing in Brazil involves a private university in the Rio de Janeiro and its close to 12 thousand students. By means of mobile phones it is possible to schedule a date for the entry exams and receive confirmation by means of a text message. The student is only required to show the confirmation message on the phone display and show some form of ID in order to take the test on the scheduled date. The specially developed system still allows students to have access to data on their class schedules and their eventual changes, receive assignment and test grades and be informed by the same media, of canceled or transferred classes, no matter the reason. The students opt to participate in the system and give permission for the receipt of messages. Acceptance and participation have been above expectations and the system is already regarded in the Rio de Janeiro market as a differential for the university.

In times of budgetary restraints, the small cost for the advertiser and the power of the novelty for the recipients are two factors to boost acceptance by the two parts in the equation. Given time, there is a tendency toward the commoditization of the novelty itself and mobile marketing will be definitely incorporated into the direct marketing toolbox.

In order to be kept within the ethical principles of direct marketing, and the even more strict principles of mobile marketing, the largest difficulty still resides in obtaining opt-in lists, containing recipients interested in receiving messages pertaining to matters of their preference. That difficulty can be circumvented with relative ease by means of adequate promotions to each segment with which communication is desired. By means of interactive research instruments, consumers can be questioned about their purchasing habits, personal information, etc. The database housing and management can be carried out by the agency providing the job or taken care of by the client according to his interest. According to usual practice in the direct marketing

industry, absolute confidentiality for the data and the clients' exclusive rights to the databank are paramount.

For those who still think in terms of spam, or broadcasting amplitude for the message, according to the outdated models of mass communication, opt-in lists offer a much bigger advantage over any possible disadvantages. As the client voluntarily chose to receive messages concerning the topics he specified, the return rate will always be bigger than expected in random lists. Still according to these models, this is exactly direct marketing's biggest aim – the largest response rate at the smallest cost, no matter the media.

### **The possibilities of the media**

Only time will tell the real potentialities and uses of SMS Marketing, but some already exist and are accessible in the Brazilian market. As already mentioned, the main differential is in the innovation offered by the media. Together one has breaking edge technology, speed, a taste of novelty, interactivity and precise ROI (Return On Investment) measurement in real time, and a low cost that allows actions to be rolled out no matter the size of the client company or of the quantity of recipients. Once the cellular telephone is a personal object, always beside its user, the media displays a flavor of intimacy that can be equaled by no other. Essential to the success of an SMS Marketing effort is that there should be specific planning and creative services, developed by specialists in direct marketing and not in cellular telephone technology. No matter the objective of a campaign, be it the increase of circulation, sales or the launching of a product, or any another necessity, there has to be quick personalized communication and one should not lose sight of the principles of one-to-one marketing (Peppers and Rogers, 1991). Creative work, in such circumstances, should be very careful in order to be personal and relevant, besides being a very effective piece of communication and doing a good job in barely 128 characters.

As nothing exists by itself in the universe of communication, it is necessary to have the experience of a direct marketing agency used to manage multi-channel campaigns to integrate mobile marketing to other media as email and the Internet. The main target for mobile marketing, the youth market, is essentially multi-media and multi-channel and working all points of contact in synergy requires a great knowledge of that target.

On the advertiser's point of view, as everything happens in real time, he should have access to detailed reports on the campaigns in the same speed. That can be resolved over the Internet by means of restricted access sites. Under the perspective of speed and simultaneity,

there is the possibility of integration with other media, supplying an excellent direct response mechanism for media such as billboards, posters, printed media, packaging, labels and point of sale.

A door is opened for an additional means of communication so that the consumer may contact the advertising company:

- to request more information (leads generation);
- to request the receipt of reminders in specific dates;
- to request discounts (coupons);
- to record his interests (votings, surveys etc).

In Europe it is already possible to locate the client by means of contact with the mobile telephone aeriels and make him relevant offers according to his geographical location. Imagine that an individual, client of a chain of shops, is close to a mall that holds one of the shops in the chain. It is possible to send him a promotional message triggered by that proximity, as long as there is a provision that permits the mobile telephone carrier to transmit the message required to a given segment of the database.

Communication always happens in the exact moment desired by the consumer, in the moment that he might be stimulated by the offer, without his need to say a word. The service is available 24 hours a day and 7 days a week, in the supermarket, in the mall, in the street or on the beach.

For integrated media campaigns, the biggest advantage for the advertising client is his being able to track the performance of his printed or electronic communication in real time with complete information on the total of single interactions; to the hour, minute and second of the interaction; the geographical region of the interaction; the profile of the respondent together with his name, age, sex, address, etc. and the advertisement performance according to geographical and/or demographic information.

Given the characteristics of interactivity and personalization mentioned above, mobile marketing is a perfect tool for the relationship marketing, according to the principles advocated by Duffy (2002) and Reichheld (1992). The rates of satisfaction, quality of service, of products and services and clients' instant feedback can be checked at any moment.

Besides that, with a structured opt-in client database, it is possible to use SMS to send notes on special dates (birthdays, Christmas, Mothers day etc); make special offerings (coupons, sales etc); exclusive promotions; ads on new products or services or reminders as of the date for the renewal of the car insurance or of the hour to take a medicine.

### **Available products**

Beyond services described above, typical of an ad agency, there is also the possibility for the development of specific technology products aimed at turning the communication between advertisers and clients even more interactive and efficient, generating surprise and expectation in the exchange with them.

Among some of those products, the following can be pointed out:

#### **SMS Games**

Advertisers can sponsor SMS games that generate word of mouth and bring new clients. SMS games add value to the sponsoring brand attaching a perception of fun, pleasure and entertainment.

#### **SMS Quizzes**

Consumers are involved with the entertainment content offered in their cellular phones. Participants can answer questions in real-time and will qualify to earn prizes.

#### **SMS Contests and Drawings**

Stemming from the principle that everyone likes to win, mobile marketing is a very efficient channel for promotions, contests and drawings that expand and strengthen the advertising brand.

#### **SMS Coupons**

Allows consumers to use their mobile phones to save money. The advertising company can generate traffic and promote the increase of sales by means of the directed offering of discount coupons that are easily exchanged in the points of sale.

#### **SMS Receipts**

It is possible to integrate SMS and WAP (access to the internet via mobile phone) to generate payment receipts for transactions over internet banking, receipts for several financial

transactions, such as the purchase and sale of bonds or the application and redemption of investments.

### **Selected SMS News**

Newsletters are known to be very efficient relationship tools. It is possible to offer, by SMS, a Premium service for clients, giving them the possibility of receiving useful and relevant information on their mobile phones.

These they are only a few of the available alternatives in the rich universe created by the association of the mobile phone and direct marketing. With the incorporation of images, sounds, and other resources coming out of the drawing table in the technology laboratories, or even being tested in some devices and regions, the possibilities multiply. The fusion of SMS and MMS (the transmission of images over cellular phone) with certainly make this communication universe even richer as technology becomes more accessible to the general public.

### *Conclusion*

Considering the points discussed above, SMS marketing is quickly gaining acceptance, mostly due to the younger generation, which has already eagerly adopted the technology for private use. It is only a matter of time to see its widespread use along all segments of the market. The more the service is used, the more stimulated the mobile agencies will be to create new uses for it in cooperation with the carriers. MMS is just emerging and it will certainly expand the possibilities, incorporating image and sound to advertising over the mobile phone. It is already possible to send short movie clips over the phone. As soon as the new phone models are sold in larger quantities there will be lots of new possibilities available.

The only catch is to keep companies away from the temptation to overdo things and thus lose relevance, one of the cornerstones of direct marketing, and end up boring clients with unwanted material.

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