



ROI of Common Short Code and SMS Mobile Marketing

November 2009

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The Time is Right for Mobile Marketing

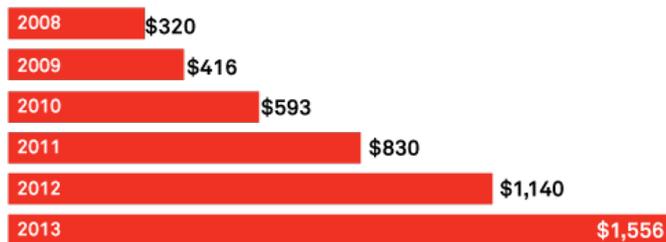
Mobile has hit the mainstream in the U.S. At the end of 2008, the number of mobile subscribers had grown to 270 million, reaching 87% of U.S. households. The availability of unlimited data and text messaging plans has pushed consumer mobile usage beyond voice to text messaging and Internet access. Last year U.S. consumers sent over 110.4 billion SMS messages per month. This number continues to grow. Meanwhile new devices like Apple's iPhone have made web browsing on the phone more prevalent and improved the app store experience to create a better market for mobile applications.

As consumer usage of mobile devices explodes, mobile marketing has emerged as a viable marketing channel with eMarketer predicting mobile ad spending growing to \$3.3 billion by 2013. Historically, privacy and spam concerns slowed the adoption of mobile marketing. However, the success of mobile campaigns, such as voting on American Idol

mutually beneficial to consumers and brands by establishing a two-way communication channel with considerably flexible data-delivery capabilities. The CSC gateway enables wireless subscribers to access mobile applications and participate in voting and polling, customer feedback, database enrollment, news and offer alerts, contests, surveys, chat, games, direct marketing and mobile commerce.

Short code campaigns are rapidly growing in popularity because of their inherent simplicity, ubiquitous outreach, societal trendiness, and perpetual accessibility. Whereas some forms of mobilization may require smartphone interaction, nearly all mobile phones (over 96%: CTIA 2009) are capable of receiving SMS. This further signifies nondiscriminatory and unbiased subscriber participation, greatly leveraging the overall reach and penetration of a campaign initiative. And with the average age of an SMS user in the U.S. at 38, CSC campaigns tend to reach more than the just youth.

U.S. Mobile Advertising Spending, 2008-2013 (millions)



Note: includes display, search and messaging-based advertising
Source: eMarketer, September 2009

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www.eMarketer.com

or receiving mobile coupons, has revealed that consumers are willing to participate in timely relevant campaigns. Among teens surveyed in a 2008 Harris Interactive poll, over half (56 percent) said they would be interested in viewing mobile ads with incentives, while over one-third (37 percent) of adults noted that they would be receptive to such advertising. In fact, mobile may be the best channel to reach the 20% of U.S. households that no longer own a landline telephone. Companies are turning to common short code mobile marketing today because it delivers personal, immediate and actionable content to a target audience that has opted to receive messages.

A Common Short Code (CSC) is a 5 or 6 digit carrier-approved number that mobile phone subscribers use to send Short Message Service (SMS) messages in order to receive information, promotions, alerts and branded content on their mobile device. The implementation of short codes is

Time Period	Average Number of Monthly Calls*	Average Number of Monthly Text Messages*
Qtr 1, 2006	198	65
Qtr 2, 2006	216	79
Qtr 3, 2006	221	85
Qtr 4, 2006	213	108
Qtr 1, 2007	208	129
Qtr 2, 2007	228	172
Qtr 3, 2007	226	193
Qtr 4, 2007	213	218
Qtr 1, 2008	207	288
Qtr 2, 2008	204	357

Source: The Nielsen Company (January 1, 2006 to June 30, 2008)

* Note: Data includes U.S. wireless subscribers only.

In addition to providing access and engagement to the world's largest addressable market, CSC campaigns have proved to be more effective than traditional marketing methods such as email or banner ads. For example, SMS-based campaigns achieve over a 90 percent opt-in rate, compared to 22.1 percent for email. Consequently, Mobile is capable to deliver profound results in terms of response rate and database generation, far superior to the traditional forms of advertising. In fact, the average SMS response rate typically ranges between 15 to 30 percent, compared to 5 percent for email and 2.61 percent for direct mail.

The result of an advertising initiative by Chicago's Shedd Aquarium perfectly illustrates the benefits of using short

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codes in marketing campaigns. To test the difference in response rates, the aquarium ran several TV commercials that directed viewers to a website to register for a contest and one commercial that gave viewers the option to enter the contest by sending a text message to a short code. The short code campaign generated 325% more entries than the web-based call-to-action. While it only ran in 25% of the ads, the short code campaign generated to 52% of the total entries. The results demonstrate how short code campaigns make it easy for the consumer to respond to the calls to action while it is still top of mind. Ashley Furniture HomeStore provides another example of SMS effectiveness when compared with email. The chain held a four-day Secret Sale that was only promoted by email and SMS. After subtracting the discounts from coupons, Ashley Furniture HomeStore sold \$122 dollars of merchandise for every dollar spent on SMS and \$76 for every dollar spent on email.

Businesses Are Driving Marketing Success with Short Codes

According to new research from the CMO Council a surprising 76% of senior marketers believe they are not realizing the full revenue potential of their current customers. Only 46.5% say they have good insights into retention rates, customer profitability and lifetime value. Businesses are looking for new ways to drive customer engagement, relevancy and advocacy. As a result, 60% are embracing new strategies to better engage their customer base. Companies across numerous industries such as retail, restaurants, and consumer-packaged goods are embracing common short code marketing to build new levels of engagement and relevancy.

Short codes provide an effective way to build and develop upon awareness, generate and qualify leads, acquire new customers and further strengthen relations with their existing core base. A large mall-based retailer turned to mobile to drive brand awareness and generate store traffic as it entered the Canadian market with new stores. The retailer offered a free t-shirt as an incentive to join the mobile program, but the customer had to collect it at the store's grand opening. The campaign was a success, generating a 30% redemption rate for the t-shirts and a six-fold return on the cost of the text messaging campaign.

Coca-Cola's My Coke Rewards provides an example of a successful short code brand engagement campaign that has been growing for three years. Consumers text unique codes found under the caps of specially marked Coke products to a short code to gain points. They can use these points to redeem a reward from one or more of the program's participating partners. Coca-Cola's SMS opt-ins is increasing 5 to 10 percent month and the My Coke Rewards program has



a 9 percent participation rate on average. With mobile opt-ins Coca Cola can participate in event-based marketing such as a campaign they launched last summer at Indianapolis Motor Speedway to promote the Coke Zero soft drink. Coke achieved a 5.2 percent click-through rate with the mobile ad campaign.

While American Idol has popularized the use text message-based voting campaigns, many companies are also using short codes to execute contests, rewards programs, imbedded viral marketing capabilities, promotional coupons and application downloads. These firms are successfully using short code marketing to drive sales, build brands, acquire customers and improve loyalty. Jiffy Lube provides an example of how running an SMS contest can help generate leads and acquire customers. Each consumer that responded to its contest for a chance to win a year's worth of oil changes received a Jiffy Lube coupon. Half of those who actually redeemed the coupon were new customers. Jiffy Lube claims other marketing mediums had yielded no greater than a 20 percent response. And Jiffy Lube's experience is not an anomaly. Planet Funk, a chain of clothing stores for men and women, selected a mobile coupon campaign to drive traffic to its store for a December sale. The store had a 91% redemption rate on 2,000 issued coupons, which generated 20% of December's total revenue. Overall the store calculated a 377% return on investment as a result of increased sales.

Hospitality companies such as MGM have used short codes to get prospective travelers to join its mobile marketing database. Consumers that opt-ed in could participate in promotions that included discounts for hotel rooms, amenities, dining and show tickets. Once the customer is on property MGM can also provide targeted promotions.

Complementary to all traditional media, mobilization with short codes provide further value by significantly leveraging the measurability, effectiveness, and penetration of all

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existing marketing and advertising initiatives. The real-time capturing and delivery of feedback allows marketers to directly measure operative advertising spend based upon consumer interaction and engagement. To generate awareness for its new Hershey's Dunkers product as well as build a database for mobile marketing, Pizza Hut ran a commercial with an SMS call to action that entered the consumer into a contest for a chance to win a Pizza Hut pizza, once a month, for a year straight. Those that entered the contest were prompted to sign up for other Pizza Hut communication via SMS. Within just two weeks the campaign had received more than 2,000 consumer opt-ins and 54 percent moved on to double-opt-in.

A short code campaign delivers higher relevancy than banner ads or email because it taps into the unique abilities of mobile, such as convenience and location, to deliver timely promotions. NASCAR uses location-based text messaging campaigns today to reach consumers with specific offers tied to their current location. For example, NASCAR offers SMS coupons and in-venue text-to-screen messages for fans at events. A main objective of the campaigns has been to get fans to download and activate NASCAR's mobile application, which has seen high success rates. By connecting with consumers at the events as well as on their phones with an application, NASCAR is using short codes to drive engagement levels that are richer than what they could achieve with email or web site campaigns.

Incorporating short codes into traditional advertising channels, such as print, radio and TV, has proved to be a highly effective and seamless solution. Integrated advertising programs that combine print, broadcast, and other traditional advertising with short codes increase response rates, consumer-appeal, measurability, and overall return on your advertising campaigns. For example, Coke integrates its short codes into TV and print advertising as well as offering mobile SMS opt-in on its web site. Other companies like McDonald's launched an integrated Web-to-mobile campaign to promote the return of its McRib sandwich. An SMS delivered a link to a site that offered users McDonald's branded wallpapers and ringtones associated with the McRib sandwich. These cases demonstrate how short code marketing can act as a unifying component within a broader advertising strategy.

Guidelines for Calculating and Measuring ROI for CSC

Marketing ROI has always been difficult to quantify. Short codes offer better tracking than the circulation counts or third-party ratings surveys of traditional broadcast media - but still aren't 100% quantifiable. To calculate short code

ROI, firms must define the metrics that will be measured as well as define the upfront and ongoing costs of the short codes. A business should also review the cost of short codes relative to other marketing vehicles (such as print) as well as the discounted cost of a short code as part of the overall marketing mix.

Goal of short code campaign	Metric used to measure campaign success
Increase profits	Profit per promotion, number of coupons downloaded and/or redeemed
Customer acquisition	Number of leads, conversions per lead, cost per lead, cost per lead versus another channel
Customer brand awareness and loyalty	Subscription to a campaign, downloads per campaign, number of times a game was played by an individual
Data collection	Number of responses, quality of the data compared to other channels

The goal of the campaign will determine what metrics are used to calculate the ROI. Engagement should be the end goal to measure return. Engagement is more than a just a click. Audience engagement comes in the form of sales, votes, registrations, downloads or other items. Defining which forms of engagement you want to create and how your firm will measure Return on Investment (ROI) is critical to the success of any short code program. Firms should consider both the hard and soft ROI metrics when designing campaigns. Hard ROI is a return that can be quantified in cost savings and/or increased profits while a soft ROI may be calculated using other metrics such as increase in customer loyalty. For example, a campaign that allows a consumer to purchase a ringtone from their phone has a hard ROI because it can be directly correlated to profits while a campaign that is focused on engagement will produce an ROI based on metrics such as number of interactions. Table 1. illustrates several of the most common goals and metrics that are measured for ROI calculations.

The up-front investment is based on the cost of acquiring a short code, the cost of developing a creative campaign and the cost of running the campaign. Common short codes are relatively inexpensive to implement, but do require strategic planning and a solid investment of time. Companies looking to mobilize their campaigns via CSCs must decide on either

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a Shared or Dedicated short code. Shared short codes are utilized by multiple organizations with unique, keywords to identify account/brand specific traffic. Because of this, organizations are unable to specify a desired CSC# and/or mobile address, and if there is a violation on any of the programs running on that code, the entire code could be shut down, affecting all campaigns running on that code. Whereas dedicated codes, and all subsequent keywords, are reserved solely for the associated company and are flexible as either a random set of numbers or a specific (vanity) code. The cost of a RANDOM short code is \$500 a month while the cost of a VANITY short code is \$1,000 per month. Also worth noting is that the random generation of a CSC will result in a 5-digit code.

A business must file an application form for leasing a short code from the Common Short Code Administration (CSCA) www.usshortcodes.com. Depending on your expertise, your company may choose to define a short code strategy and file for the application yourself or hire a Mobile Application Service Provider (MASP). It is best to have most of your campaign defined before the application is submitted, but you can secure a code and submit campaign information after, but campaign information must be completed before the code can be provisioned on carrier networks. The cost of working with an MASP varies according to the complexity of the campaign launch, but on average costs around \$5,000 per month.

Once the campaign is defined and the short code application has been accepted, either your firm or the MASP will need to work with an Aggregator to provision the connections directly to one or more wireless carriers networks for testing and certification approval. Unlike the MSAP, the business is required to work with an Aggregator since operators will

not allow companies to directly connect into the system. Aggregators may work with one or many carriers. The business must decide how many carriers it would like to run the campaign and select one or more aggregators to support the integration with wireless networks. The cost of an aggregator per carrier varies according to what services are required. The branded content (ad, game, etc) is the final component of cost analysis, and varies based on the type of campaign and the firm's ability to develop the creative in-house. The total cost of the campaign is collaboratively defined by the costs of the short code, the MSAP, the aggregator and the content portion of the campaign. By focusing on accurate campaign costs and defining the returns, you can demonstrate the value of short code marketing in terms of profits, engagement and retention.

Conclusion

CSCs offer companies personalization, relevancy, and immediacy with their marketing campaigns. CSCs allow for a two-way dialogue, making it possible for organizations to gather a wide range of information from wireless consumers. Short code campaigns encourage and develop upon customer relations through consumer-initiated, consumer-controlled interaction with a brand. Companies are embracing short code marketing campaigns because Mobile delivers higher response rates than traditional media and inherently offers measurable returns such as the outcome of the participation per the dollar spent. Marketers should look toward short codes as the unifying link that makes online, TV, billboard and print ads more innovative, appealing, and actionable to the consumer.

Research conducted by Lopez Research, LLC

For more information on how you can integrate Common Short Codes into your marketing and advertising visit us at www.usshortcodes.com or email us at sales@usshortcodes.com

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