

Short Message Service (SMS) as an Advertising Medium

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INTRODUCTION

The proliferation of the Internet-enabled mobile device has extended into many parts of the world. Collectively, the mobile-network operators paid more than \$100 billion for licenses to operate “third-generation” (3G) networks, which were among “the largest bet in business history on the introduction of a new technology” (Economist, 2005). This drastic move has been most illustrated by the use of short message service (SMS) and multimedia messaging service (MMS) by mobile users. For example, a recent survey indicates that SMS in the Asia-Pacific region will increase to up to 75% of mobile subscribers in 2006 (IDC Asia/Pacific, 2003). As a result, marketers and agencies are increasingly interested in taking advantage of this growth, by incorporating SMS advertising as part of an integrated marketing communications (IMC) strategy. However, there has been little academic research on mobile advertising, perhaps because its growth is still in an early stage and the technological infrastructure varies across markets. The study has two objectives: (1) to identify the factors influencing MNCs’ managerial intention to adopt SMS advertising, and (2) to test a statistical relationship between these factors and managerial intention to use SMS advertising. To this end, we conducted telephone interviews of senior executives of MNCs operating in European markets.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

Branding Technique

In an environment where building the brand is a fundamental goal for many managers, the need to build brand equity is likely to be at the center of many marketing decisions. Firms using SMS-based campaigns can attract consumer attention and produce consumer responses to a much greater degree than via other direct marketing channels, because SMS has been claimed to be an effective tool in building and testing customer loyalty by developing demographic databases (Mylonopoulos & Doukidis, 2003). From an industry perspective, McDonald’s conducted a text-messaging campaign in conjunction with a popular TV song contest in the UK,

offering concert tickets and backstage passes, while entry in the Coca-Cola Grand Sweepstakes Competition was offered to U.S. college students who sent a text message to a number printed on a Diet Coke can (Dano, 2002).

Facilitating Conditions

Lu, Yu, Liu, and Yao (2003) suggest that facilitating conditions are one of the most important determinants, along with the ease of using wireless Internet. In this light, the integration of competing standards and fragmented systems across countries, cross-network support for SMS, and higher connection speeds are all necessary conditions for a wider transmission of mobile advertising. In addition, the availability of Web-enabled mobile handsets with 2.5G or 3G functionality would significantly affect the adoption of MMS-based (multimedia message services) campaigns. In this light, a wider selection of handsets must be available, to enable consumers to choose their preferred combination of necessary functions and diverse features.

Location-Based Services

The satellite-based global positioning system (GPS) offers the ability to tailor services and promotional offers to individual consumers’ needs, by locating their position (Sadeh, 2002). Mobile handset makers and content providers are increasingly attracted by the commercial feasibility of applying GPS to their service. For example, on an extended menu of i-mode, “i-area” includes a diverse range of location-based services: weather news, restaurant guide, local hotel information, zoomable maps with an address finder function, and traffic updates and estimation of travel times. This facility would give MNCs strategic leverage in mobile marketing, because individuals’ behavior and receptiveness to advertising is likely to be influenced by their location and time, and marketers can thus induce impulse buying by providing the right information for the right place (Barnes, 2002).

Connection Costs

Another important factor is the concept of connection costs. For example, to send or receive one megabyte of data on 2.5G i-mode costs 32 euros (0.3 yen) per packet. At a rate

of 19 euro cents per 160-character SMS message, European consumers would have to pay 1,356.98 euros to send one megabyte of data by SMS, or approximately 62 times as much as the Japanese pay (Scuka, 2003). In addition, European mobile operators have passed on to consumers the additional costs incurred in obtaining 3G spectrum licenses, and this has made any dramatic price reduction impossible (Baldi & Thaung, 2002). Such cost factors adversely affect mobile players' revenues.

Public Regulation

The idea behind mobile *advertising* is very similar to e-mail on the wired Internet, but with one big difference: it is "opt-in." This function is essential to give users total control over what they receive, because consumers' demand for highly personalized messages has to be reconciled with their desire for privacy (Sadeh, 2002). The Mobile Marketing Association (MMA) has attempted to establish industry guidelines for mobile marketers, as follows: (1) MMA members should not send mobile advertising without confirmed opt-in, and (2) such opt-in subscriber permission is not transferable to third parties without explicit permission from the subscriber (Petty, 2003).

Lifestyle and Habits

In general, European consumers habitually commute by car, and this provides fewer incentives to access the mobile Internet (Baldi & Thaung, 2002). In addition, a systematic "word-of-mouth" helped the rapid diffusion of i-mode in Japan, especially given the "normative beliefs attributed to significant others (friends, colleagues, or family members) with respect to adopting or continuing to use the technology" (Barnes & Huff, 2003). This may partially explain a high subscription rate (almost 75%) to e-mail newsletters among i-mode users, and this makes acceptance of mobile advertising much easier. However, this factor is unlikely to be present in many European countries, which are characterized as more individualist than Asian countries.

On the basis of the preceding discussions, the following hypotheses were formulated to test the principal thesis of the research:

- **H1:** MNCs' intention to adopt SMS-based advertising is directly and positively associated with branding technique.
- **H2:** MNCs' intention to adopt SMS-based advertising is directly and positively associated with facilitating conditions.
- **H3:** MNCs' intention to adopt SMS-based advertising is directly and positively associated with location-based services.

- **H4:** MNCs' intention to adopt SMS-based advertising is directly and negatively associated with connection costs.
- **H5:** MNCs' intention to adopt SMS-based advertising is directly and negatively associated with public regulation.
- **H6:** MNCs' intention to adopt SMS-based advertising is directly and negatively associated with lifestyle and habits.

METHODOLOGY

Questionnaire Items and Measures

A structured questionnaire was prepared, drawing on prior literature. A majority of the items were originally developed for this study, because of the scarcity of empirical research on mobile advertising. Each item was measured on a Likert-type five-point scale. A five-point scale was preferred to a seven-point scale, because telephone interviews were used, rather than a mail or other form of paper-and-pencil survey. This method was considered more appropriate because mobile advertising is still in its infancy, and company executives may not be able to make fine distinctions regarding their attitudes on this topic. During the telephone interview, interviewers followed a script. However, respondents were free to ask questions whenever they encountered definitional problems.

Multinational Corporations

With regard to Japanese firms, the selection was based on the *Multinational Companies Database*. The database was created by the Research Institute for Economics and Business Administration at Kobe University (2003) and includes Japanese companies listed in the first section of the Tokyo Stock Exchange with foreign direct investment in more than five countries (Kobe University, 2003). American firms were chosen from The Forbes 500 (*Forbes*, 2003a). Finally, European firms were singled out from The Forbes International 500 (*Forbes*, 2003b), because this list indicates the nationality of each firm. Regardless of nationality, however, companies associated with aerospace and defense, food and drug retail chains, forestry and fishery, general public utilities, health care providers, heavy machines, industrial goods, local banking and insurance, metals and mining, and oil and gas extraction were excluded. Next, firms operating in Spain were identified. As a result, 43 Japanese, 47 American, and 31 European firms' Spanish subsidiaries were identified.

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