

Why SMS Advertising?

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The mobile advertising industry, although nascent, already offers a wide array of options through which advertisers can reach captive audiences. In terms of the broad technologies currently available, mobile advertising manifests itself on the Mobile Internet (WAP), as part of cell phone client applications, and through text messaging services (SMS). It is the last of these, SMS, that will be the focus of this paper, and in particular, the remarkable promise that this form of advertising shows as a vehicle for reaching a highly receptive and responsive audience through the use of targeted, unobtrusive, and actionable advertisements. The aim is to provide clarity on the potential of SMS advertising by presenting a historical account of the research and discovery processes that took place at 4INFO over the course of 2005 and 2006 leading to the refinement of our interactive advertisement offering.

Background

4INFO launched in February of 2005, initially focused on providing a mobile search solution for end consumers through text messaging, WAP sites, and a downloadable client application products. In 2006 4INFO launched an alerts product as part of its coverage of the NCAA Championship Tournament. This product introduced a new subscription mechanism that enabled users to sign up for an alert by responding to a call to action presented in the results of an SMS search request. The simple call to action appeared at the end of search results with a brief statement: “Reply 1 for game end alert”. The “Reply 1” feature, as it came to be known, dramatically increased alert subscriptions and proved that a call to action within a text message was an effective means of getting users to take action beyond simply reading the content they had been sent. During the course of the NCAA Tournament, the feature resulted in a 14% conversion rate from query user to subscribed alert user.

The success of Reply 1 encouraged 4INFO to look at testing mobile advertising across its different product lines on the premise that its success as an internal promotional tool could translate into an effective advertising tool for external products and services. In 2006 the existing mobile ad networks were focused on Mobile Internet inventory with a handful of technology providers developing SMS CRM campaigns, and client-based application solutions that served a variety of graphical banners. At the time there were no SMS ad networks or in-content advertising solutions. In order to better understand the landscape, 4INFO set up a series of usability tests in the spring of 2006 to comprehend advertisement response rates and brand recall rates across SMS, Mobile Internet, and J2ME/BREW applications.

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Usability Tests

The first study, conducted by Caterpillar Mobile, consisted of 12 subjects completing between two and four tasks designed to establish exposure to, and recall of, advertisements. The tasks presented the subjects with sample content that was delivered via text messages on real handsets, dummy Mobile Internet pages on handsets and desktop computers, and paper prototypes. The testing resulted in the discovery of several concepts that have since become considered by 4INFO as universal concepts, and should be implemented by any ad network or advertiser contemplating mobile advertising. These key findings are summarized below:

1. **Users accept advertising:** Users understand that free content is offset by advertising and they are willing to accept this trade-off.¹
2. **Relevance is paramount:** Relevant ads are effective and memorable, especially when inserted into solicited (opt-in) content.
3. **Build trust in the source:** 4INFO’s approval/integration gave advertisements credibility. Ads that appeared to be part of the service had a higher response rate.
4. **Be obvious:** Subtlety is not effective. An unclear or hard to notice call to action will get lost, even on the small screen.

The most encouraging aspect of the study was that users were willing to accept mobile advertising in exchange for free content making mobile advertising a potentially effective tool to reach consumers. Also of note is that users were willing to accept advertising as long as they had created a relationship with the service that the ad appeared in. Regulation bodies such as the Mobile Marketing Association (MMA) will need to protect this space by ensuring that there are strict guidelines around unsolicited messages so that SMS is not abused and perceived as an outlet for spam-like advertising. In addition, users were highly responsive as long as the calls to action were clear and prescriptive, emphasizing that simple formats require simple solutions.

4INFO was also able to glean basic data regarding which form of advertising was most effective when paired with its search engine and content services. The primary testing tasks centered on the link between platform (SMS, Mobile Internet, and client) and response rate, and between platform and recall rate of advertisements. Of the three platforms tested, SMS was the most effective. While graphical ads, especially interstitials, on WAP and client applications were effective in aiding a user’s recall of an advertiser’s brand, SMS proved to be the most effective when it came to prompting a user to take action on a mobile device. A summary of the findings for the tests is below.

¹ Two lines, 40 characters, of ad copy was perceived to be unobtrusive and an acceptable user experience.

AD Type	Recall Rate ²	Notes
SMS Follow Up Ad	100%	Delivery: One SMS with content, followed by another with an ad. Though memorable, this method was considered intrusive by users. When combined with relevant content or delivered via a "Reply 1" call to action it was considered extremely effective.
SMS Reply 1	80%	Delivery: One SMS with content and short ad at the bottom, with the option to "Reply 1" for additional ad information. The overall winner in perceived ease of use and recall rate. Essentially all users were able to complete the task successfully.
SMS Click to WAP	60%	Delivery: One SMS with content and a WAP URL at the bottom. Click to WAP was third on the list of preferred SMS call to actions. Some users considered saving the URL and entering it on their PC at home. This highlights the confusion on handset capability and functionality.
SMS Click to Call	57%	Delivery: One SMS with content and a phone number at the bottom. Click to Call was generally preferred and users were confident that they knew how to execute a phone call from a message. This re-emphasizes that voice is still the killer application for handsets and an area worthy of further exploration both in user experience and testing as an ad unit.
SMS Branding Ad	20%	Delivery: One SMS with content and a brand message without a call to action at the bottom. No call to action was included. The lack of a task for the user to execute made it easier to skim the content and forget the ad.

Figure 1: SMS results

AD Type	Recall Rate	Notes
WAP North Banner	50%	Delivery: Graphic banner ad displayed at the top of a WAP content page. In general the WAP banners had a positive reaction from users as they were viewed as unobtrusive, especially if relevant. There was confusion on the action required to take action on banners.
WAP South Banner	83%	Delivery: Graphic banner ad displayed at the bottom of a WAP content page. WAP banners "below the fold" or below the main content had the best recall rate. This surprised the team as the general consensus was to make banners immediately visible to the user. Our conclusion is that users viewed South banners as less obtrusive and were more likely to remember an advertisement if they were able to get the content they were looking for quickly and efficiently.

Figure 2: WAP results

2 Recall rate refers to the percent of users that were able to name brand advertisers post-test.

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AD Type	Recall Rate	Notes
Client Interstitial Banner	100%	Delivery: A graphic banner ad displayed between steps within a client application screen. Overall this ad unit had the highest and most favorable recall rate as users found it unobtrusive. ³
Client Text Ad	20%	Delivery: A text ad displayed within a client application screen. In-message advertising was an attempt to build in advertising functionality to the client interface. The effect was too subtle and difficult to differentiate from menus and content.
Client Banner Ad	0%	Delivery: A graphic banner ad displayed within a client application screen. Poor recall primarily due to user confusion when integrated with advanced functionality.

Figure 3: Client results

Specific wording and ad unit types were also tested in order to determine the types of creative that are most likely to generate a response. The study proved that a prescriptive and simple call to action was most likely to succeed. Future impact and ability to execute were measured both by observing user behavior when trying to execute a task and by tracking users’ perception of what they thought was easiest to execute. The top three “call to action” types in an SMS content message were as follows:

1. **“Reply 1”**: All users were familiar enough with SMS functionality to respond quickly and accurately making “Reply 1” the most effective call to action.
2. **Click to Call**: The perception of ease of use was higher than the actual ability to execute.
3. **Click to WAP**: Most users felt they understood how to get to a Mobile Internet site though several users stated they would visit the URL on their home computer at a later point in time if interested in the ad or product.⁴

Upon conclusion of the study, 4INFO entered the SMS Advertising space by building an ad server that delivered advertising at the end of SMS search results. The initial version was launched in June of 2006 and by autumn of the same year all available inventory had been sold. This imbalance between inventory and advertising sales led to new ideas on how to increase usage of 4INFO content services and generate additional content sources.

The major external-facing outcome was the development of a publishing platform where third parties could “mobilize” their content and subsequently monetize it

³ 4INFO marketed the client version of its software heavily from January 2006 to November 2006. Success was found driving downloads and subsequently usage for the first week of a user’s lifetime. However, repeat usage did not drive enough traffic to support a free service in the weeks and months that followed each marketing push. So while the ad unit looked to be the most promising it had the lowest growth pattern of all the 4INFO search platforms.

⁴ Slightly more worrisome is that in the fall of 2005 at a 4INFO focus group only 1 in 18 users was able to go to a WAP URL embedded in an SMS message.

through an ad revenue sharing arrangement. Today, this platform is at the vanguard of free, ad supported mobile content, enabling publishers large and small to deliver content over SMS and turn their former cost center into a profit center. As for 4INFO services, a broad mobile marketing program was established across several mobile ad networks such as Ad Mob, Google Mobile, Yahoo Mobile, Millennial Media, JumpTap, and Medio.

Conclusion

The results and outcomes of the studies described above serve as the foundation for understanding the role of SMS advertising in the context of a projected \$12 billion mobile advertising industry.⁵ In particular, we have not intended to promote SMS advertising over other useful mobile internet advertising platforms such as Mobile Internet display ads. 4INFO's primary objective is to educate advertisers and market researchers in order to provide background on the discovery of SMS advertising's potential and the pursuit of fulfilling it. As more data is collected on the subject and as the mobile industry matures, 4INFO anticipates that future advertisers will gain confidence in SMS as an advertising channel and utilize it in a manner similar to their established sales and marketing channels. The studies presented here, and future studies in this field, should be used to help frame future usability and branding tests conducted by other companies in mobile advertising. With the knowledge that mobile advertising is accepted by users and can be developed into a relevant user experience, 4INFO and others can build out the mobile advertising ecosystem in a manner that will deliver an immediate and satisfying experience for both users and advertisers.

⁵ eMarketer "US Mobile Messaging and Display Advertising Spending, 2006 & 2011 (billions)" http://www.bizreport.com/2008/01/emarketer_mobile_ads_set_to_explode.html