Jeff McCarthy

is MD of Interactive Marketing, specialists in e-catalogues, e-brochures and m-commerce, and has over 11 years' interactive and direct marketing experience in B2C and B2B environments. He also tutors for the IDM on the Direct and Interactive Marketing Diploma and is a regular speaker for the IDM Academy.

New Technology Briefing

M-commerce — Generating revenue from content and mobile portals

Jeff McCarthy

Received: 8 November 2006

Abstract

The UK and global mobile markets have seen incredible growth despite some justified skepticism from markets and consumers alike. Now the opportunities for growth in both content and m-commerce development in a multi-channel environment are compelling. Written specifically to help new entrants into this market, this paper discusses the nature of the UK mobile market, key issues, developing product, getting it to market and, crucially, the direct marketing opportunities presented by this channel.

Journal of Direct, Data and Digital Marketing Practice (2007) **8**, 243–253.
doi:10.1057/palgrave.ddmp.4350053

Keywords: M-commerce, multi-channel, DVB-H, DMB, mobile, ICSTIS, data capture

Introduction

There are now over 62 million handsets in the UK: over 100 per cent penetration. Seventy-eight per cent of those handsets are internet enabled.¹ It is estimated that the mobile market will top \$10bn by 2010, increasing from \$8bn in 2005.² The current growth of the mobile market has been achieved simply via developments such as handset improvements, faster access speeds and relatively basic content like ringtones and icons/graphics. Depending on what sources are used, the UK market was already worth £430–650m in 2005.³ Even allowing for such variances, brands and content providers alike are understandably being tempted by the opportunities these figures suggest. Potential revenues are very high while the medium and nature of communication can be very personal, presenting terrific opportunities and threats for the direct marketer.

Mobile handsets are increasingly being used by consumers for far more than telephone calls when on the move. Depending on the demographic, texting, gaming and internet access have or are becoming part of everyday consumer mobile behaviour. Four major brands control over 85 per cent of the market — they are Motorola, Nokia, Samsung and Sony.⁴ These increasingly sophisticated devices are making m-commerce an increasingly attractive opportunity to brands and content owners alike, fuelled by the dramatic growth in speed of access

Jeff McCarthy
Interactive Marketing LLP
7th Floor
Silkhouse Court
Tithebarn Street
Liverpool L2 2LZ, UK
E-mail: jeff@interactive-marketing.net

Figure 1: UK mobile content spend

via 3G. It should be noted that this paper does not claim that 78 per cent of handsets are actually being used to access the internet; they are simply capable and enabled to do so. The issue is one of creating and meeting consumer demand for content and offering the consumer a genuinely positive experience. They then have a reason for either converting to or changing their existing m-commerce behaviour.

UK mobile content spend

Research by Forrester⁵ suggests that an estimated 85 per cent of kids' disposable income is spent on mobiles. That spend covers everything from telephone calls through to content such as ringtones.

Figure 1 shows the UK market at £430m in 2005.⁶ It is immediately apparent that this is dominated by straightforward content such as ringtones, logos/icons and games, which collectively account for over 70 per cent of the market. This will come as no surprise when one considers the plethora of media advertising related to such content in the UK.

However, it has been suggested that in 2006 UK mobile spend will be down by *circa* 40 per cent.⁷ This is principally due to the premium-rate phone services regulator ICSTIS clamping down on rogue ringtone companies. A prime example of this was the Crazy Frog ringtone, which consumers thought they were purchasing for £1 when in fact they had unwittingly subscribed to buying one ringtone per week. Despite this, the mobile market is entering a period of huge development and in future the spread of spend will be more evenly distributed and far greater overall.

So how will this behaviour change over time as the technology develops and brands develop their mobile strategies? To examine this, the key issues in m-commerce need to be explored first.

Key issues

Many of the key issues have been driven by marketing hype and a struggle to ensure that the technology keeps up. That landscape has now changed significantly. Just as UK e-Retail has exploded and is set to be worth £60bn by 2010⁸ by overcoming such issues, so too is m-commerce

set to follow. A key element is that technologies are converging at an accelerated rate across all spheres of m-commerce and e-Retail.

- *Speed of access*: 3G is growing and getting faster. This is similar to broadband when in the past few years the UK has seen speed of access jump from 250k to 8Mb and more.
- *Data charges*: High data charges from mobile operators for the downloading of content onto mobiles have been a barrier to viewing quality multimedia via mobile.
- *Handset improvements*: Screen quality has dramatically improved, resulting in demand for higher quality content. Battery power and memory cards have also enabled consumers to store and view far more content on their handsets. Memory storage of 8 Gig is no longer unusual.
- *Compression technology*: The ability to deliver high-quality content at better rates of compression means consumers can view higher resolution content at manageable filesize.
- *Content infrastructure*: There are two main technologies in the UK that enable enhanced content to be delivered.
 1. Digital Multimedia Broadcasting (DMB): DMB is a digital radio transmission system for sending multimedia to mobile devices.⁹ Able to operate via satellite or terrestrial transmission, it has many similarities to the competing mobile TV system DVB-H.
 2. DVB-H: 'Digital Video Broadcasting — Handheld' is a consortium of 'over 270 broadcasters, manufacturers, network operators, software developers, regulatory bodies and others in over 35 countries ...'.¹⁰ Trials have been conducted of which there is more information below.
- *Security*: For the past 5 years, there have been concerns about security. While these have been overcome, it is likely that we will see instances of m-commerce security breaches being given high media profile in much the same way e-commerce did. It is likely that we will see the equivalent of the IMRG 'Internet Shopping is Safe' initiative being launched for m-commerce. Payment systems have improved markedly so consumers can now choose to pay via (i) phone, (ii) PayPal, (iii) card or (iv) pin.
- *Content*: Undoubtedly the major issue now, given that all the other major ingredients are now in place. When considering the big picture, there is a complete lack of true multimedia content in the mobile space.

To summarise the issues, there are three main elements:

1. merging technologies and channels to market
2. using them creatively to deliver a customer-friendly experience
3. delivery of appropriate content.

All ingredients are now in place to meet and stimulate customer demand

Content trials in DVB-H are well underway.¹¹ Consumers want to and will use technology more once they understand how it works. Mobile operator O2 and broadcaster Argiva ran a six-month trial of mobile television in Oxford. Three hundred and seventy-five consumers spent an average of four hours watching TV on their mobiles. The really

Content is king

interesting results were towards the end of the trial when consumer behaviour had clearly begun to adapt: 37 per cent of viewing was during commuting, resulting in mornings and early evenings experiencing peak viewing. Home viewing dropped to 32 per cent as commuter viewing increased. Forty-four per cent of viewers viewed news bulletins while 36 per cent watched soaps. In summary, 72 per cent said they would opt in to viewing within a year of launch.¹² Subsequent trials are being run. As Rupert Murdoch himself stated in March 2006:

'A new generation of media consumers has risen demanding content delivered when they want it, how they want it, and very much as they want it.'¹³

Such comments are borne out by the media rights now on offer for major events. For example, the 2006 FIFA World Cup ran match footage over mobiles and was a very successful trial. Mobile broadcasting is now a key element for major sporting events such as London 2012 (Olympics) and UEFA Champions League.

However, multimedia content delivery is only one element of m-commerce. There are many other aspects such as ticketing, banking and retail to name but three. Mobile ticketing technology has been around for at least two years now and it will run across several venues in Austria and Switzerland for Euro 2008. Football fans will simply show their 'mobile' voucher at stadium turnstiles in order to gain access.

First direct has shown how mobile banking can add value for the customer and organisation by implementing mobile into the marketing mix. Through permission-based marketing, the bank is able to send alerts for events such as salary cleared, account about to go overdrawn and mini-statements. By being invited into such a personal space as a customer's mobile, *first direct* is sufficiently confident to claim that this service has 'engendered trust' with customers.¹⁴ By being fully integrated into channel communications, maximum value has been extracted from campaigns.

Consumers are now willing and demanding new services for their mobiles. Current availability of news feeds, sports clips and banking are just an early sign of what can be achieved. So what is happening in the retail sector?

It's not rocket science, simply common sense application and convergence of existing technologies

E- and m-commerce

Bob Pike highlights two fascinating examples of mobile retail services in the UK.¹⁵ Firstly, Argos has integrated m-commerce into back-office systems for order fulfilment. The 'Text to Reserve' service utilises mobile which is used as a channel to market, supported by in-store point of sale (PoS), online promotion, catalogue advertising and above-the-line activity. Argos customers can reserve items for collection at their chosen store via simple SMS. Customers are also advised when a product is back in stock — a technique sure to reduce customer churn. Such deployment of technology clearly unlocks additional incremental revenue opportunities.

Secondly, HMV takes this further. Selling leading product lines to HMV customers via mobile, the company combines existing SMS

ordering and internet-based payment collection technology for a smooth customer experience.

When one considers the increased options for secure payment integrated with back-office systems, smart retailers can strive to improve customer experience further, increase conversion rates and establish confidence in the channel. Applied to all sectors it becomes apparent that there are significant opportunities to 'track' customer mobile behaviour similarly to web analytics and indeed across multiple touch points with an organisation. Reduced cost per acquisition is just one aspect.

Route to market

The key elements are development of web and wireless application protocol (WAP) sites. A WAP browser provides all basic services of a computer-based web browser, but simplifies this to operate within the more restricted environment of a mobile phone. An example of this is simple text-based navigation and very low image file size in order to reduce data charges from mobile operators when viewing the WAP site.

The first key choice is in-house versus out-source. Clearly such decisions rest on the level of technical, physical, system resource available. Also how time-critical specific elements of the mobile strategy are and if the internal processes are in place to back up the resource available. A word of warning, there is a requirement to ensure that your portal platform delivers content that is compatible with *all* handsets on the market, from dated to the very latest models. Clearly this is very time consuming.

There exist many excellent third-party solutions in the mobile market. This is similar to the massive growth of PayPal and the very recently launched Google Checkout. The benefit for retailers is that they get reduced card processing costs, plus permission to utilise a PayPal symbol, while the customer does not have to enter their card details with each individual e-Retailer they purchase from.

Mobile portal providers such as Infomedia, Stealthnet, Cencion and K2 Media offer a range of services covering data bureau, content provision, mobile, web and WAP systems, integrated email and SMS fulfilment. Importantly, these can be white label products and application development.

Utilising an existing portal means being able to integrate with established and specialist technology, in much the same way as out-sourced email marketing fulfilment. This covers payment gateway, WAP and web sites, etc. By partnering with existing portals, a content owner can immediately benefit from:

- creative input and design
- content selection expertise
- handset compatibility
- translated sites across many languages
- billing across over 100 countries
- range of payment models (eg pay-as-you-go, subscription)
- beneficial rates with mobile operators
- advertising media — many portal providers are committed to space in targeted magazines. The result is that a content owner can

In-house vs out-source

Tailored, modular solutions

immediately gain sales by a portal provider selecting their content to be placed in a magazine advertisement — at no direct cost to the content owner. Sales can be realised in a far shorter timescale than many content owners would be able to achieve themselves.

Clearly the trade-off is that portal providers earn a percentage of all content sales. However, for many brands and content owners, the benefits far outweigh this.

Creating a portal in-house can be done in full or in part, depending on team expertise and system/technological resource. It is recommended that this is viewed as a modular exercise where solutions are tailored accordingly — for example, a content owner may be able to develop a portal front end but need to outsource video/file editing, compression and formatting, in addition to management of the payment gateway. Indeed, some major brands will be able to determine better rates with mobile operators than established portals.

Then there are typical marketing issues such as which media partners are best suited to increasing awareness and access to market. What revenue share or affiliate fee is to be negotiated for these partners needs to also be determined. Is it an opportunity that can be extended into existing affiliate agreements?

Whatever approach fits best, one aspect remains constant: content must be compelling. A strong mix of logos, ringtones, games, digital animations, video and other content is essential. As observed by James Milton,¹⁶ consumers were used to paying premium rates for games, wallpapers, ringtones and logos. However, now large brands are slowly changing the dynamics by offering such content free of charge via their mobile portals. The result is the inclusion of brand signage and product placement throughout.

So how does an organisation proceed with acquiring mobile numbers and permission in order to build the mobile community and relationships with customers?

Multi-channel promotions

The key aspect is to look at any mobile activity as part of a multi-channel approach. M-commerce will not achieve its considerable potential on its own.

Aston Villa Football Club has recently launched a campaign that uses mobile as a means of requesting an e-Catalogue. While the short-term objectives are to increase awareness and distribution of the e-Catalogue, thereby leading to increased online sales, the longer term is geared around enhancing the active mobile database.

Step 1: Print Media promotion:

The incentive is to win a signed shirt by Martin O'Neill and Gareth Barry (manager and captain, respectively). Promotion is across a series of media over eight home games between October and Christmas. This consists of matchday programme, concourse poster, big-screen prompt and online promotion. Each media has a dedicated keyword so that response per channel can be measured in entirety and between specified

dates. The customer simply texts the keyword and email address to the shortcode, eg 'bvilla jeff@interactive-marketing.net' to 80008 — a message for which they are not charged by Aston Villa, only their mobile operator if applicable. This results in an automated email being sent immediately to their email inbox, from which they can click to download/view the latest e-Catalogue. That 'click here' response is coded to track the email and mobile number of the responder.

To enter the competition, the customer has to confirm how many times the image of Martin O'Neill appears in the e-Catalogue. What has therefore been achieved is:

- instant response for the customer
- capture of email address and mobile number
- higher e-Catalogue distribution
- guaranteed browsing of e-Catalogue product range
- active opt in for further promotions, including third party.

Below is a visual representation of how this works:

Step 1: Matchday promotion

Step 2: Automated email

Step 3: e-Catalogue landing page

An alternative approach to mobile data capture is being taken by JJB Sports. Using data capture as an immediate monetizing opportunity — by offering a unique prize of high cash value to their customers at the peak Christmas trading period, JJB is making the competition a paid-for entry (50p plus potential network charges). For that reason customers do not *have* to view the e-Catalogue in order to enter the competition to win a luxury family holiday to ‘the thousand lakes’ Finland (Figure 2).

The major short-term objective is to achieve as high a circulation of the Christmas e-Catalogue as possible by raising awareness, again via an automated email prompt and creative. The longer-term goal is to build a mobile database of JJB customers which can then be developed as part of a mobile strategy. This is being promoted across multiple channels, each with a keyword to identify response per channel. Promotion is across several multi-channel media — all measurable:

- in-store PoS
- leisure club PoS
- advertisement in 3.8 million printed catalogues
- advertisement in e-Catalogue
- on-line banner promotion of e-Catalogue and competition of www.jjbsports.com
- insert in *Mail on Sunday*
- store distribution of catalogue
- JJB cardholder direct mailing.

Figure 2: Advertisement in Sunday supplement catalogue

Trust is to be earned and respected

Data capture/data acquisition

Clearly the JJB campaign should generate revenue from responses. However, as earlier explained, this is not the primary objective. Such campaigns will result in an array of data capture opportunities, using a combination of existing and new data capture techniques as indicated in Figure 3.

There are inherent dangers in such extensive data capture opportunities. Spam email has deservedly had a bad press, yet a computer is far less a personal device than a mobile phone. A mobile phone is always with you and, for that reason, interrupting a customer's personal space with the wrong message could seriously undermine objectives.

This only serves to highlight that the cleaner your data and the more trust you have built up, the more valuable your database is worth to your organisation. This can enable you to extract more revenue generation, business value and asset value from your database.

Mobile analytics

As part of a mobile data strategy there are key performance indicators (KPIs):

- mobile data cleaning
- mobile data capture
- mobile data validation
- mobile data profiling
- email data capture.

Such KPIs give information such as whether the customer is on contract or pay-as-you-go, what handset they have, etc. However, this can be extended far further if integrated into campaigns involving text trigger, WAP sites, text to reserve, back in stock, gaming, portals and virtual communities. There is now no reason why mobile analytics

Figure 3: Data capture via mobile and email. Source: Squeeze Interactive (Stealthnet Group)

and web analytics cannot be combined. Used intelligently, such information could have a real impact on campaigns by for example:

- reducing cost per acquisition
- reducing cost per response
- increasing conversion rates
- improving average order value
- raising brand awareness and affinity.

Summary

To abandon m-commerce until the market matures would be a mistake. Better to adopt a 'test and learn' approach similar to *firstdirect*, as it allows the marketing team to define and develop mobile campaigns that work best as part of a multi-channel approach for their customer base.

The converging of mobile and internet technologies opens up more data capture, data acquisition and direct marketing opportunities.

Banks, retailers and gaming companies are now seeing the clear benefits of extending their services to the mobile handset. Build trust with customers in such a personal space, plus combine this with a very positive customer experience and opportunities will abound.

A valuable and active mobile database, as part of multi-channel marketing, could have a significant impact on your business profitability and balance sheet for years to come.

References

1. Forrester Research (2005); Pike, B. (2006) 'M-Commerce reaching the customer on every level', *Catalogue and e-business*, 17 July.

2. Jupiter Research and Pike (2006), see ref. 1 above.
3. Jupiter Research (2005) and Milton, J. (2006) 'Is mobile right for gaming', *iGamingBusiness*, September/October 2006.
4. Field, W. (2005) 'The mobile and broadband market place', Sportbusiness Conference, October; O'Brien, S. (2006) 'Joke wars', *Mail On Sunday*, 27 August.
5. Forrester Research (2005).
6. Field (2005), see ref. 4 above.
7. O'Brien (2006), see ref. 4 above.
8. McClelland, A. (2005) Less Bust More Boom: Spectacular Market Growth, IMRG seminar.
9. Digital Multimedia Broadcasting. http://en.wikipedia.org/wiki/Digital_Multimedia_Broadcasting, accessed 26 September 2006.
10. Digital Video Broadcasting. <http://www.dvb.org/>, accessed 26 September 2006.
11. Digital Video Broadcasting. http://www.dvb.org/about_dvb/dvb_worldwide/united_kingdom/, accessed 26 September 2006.
12. Ibid.
13. Ad-tech. http://www.ad-techlondon.co.uk/adtech06/adtech_show.html, accessed 26 September 2006.
14. Say, P. and Southwell, J. (2006) 'Beep beep beep beep, that'll be the bank then — Driving sales through mobile marketing', *Journal of Direct, Data and Digital Marketing Practice*, Vol. 7, No. 3, (January–March).
15. Pike (2006), see ref. 1 above.
16. Milton, J. (2006), see ref. 3 above.