



The Mobile Marketing Opportunity: Meeting the Infrastructure Challenge



White Paper Airwide Solutions



For more information on Airwide Solutions, visit our Web site:

<http://www.airwidesolutions.com/>

Every reasonable effort has been made to ensure the information and procedures detailed in this document are complete and accurate at the time of printing. However, information contained in this document is subject to change without notice.

© Copyright of Airwide Solutions 2007. All rights reserved.

The copyright in this work is vested in Airwide Solutions and the information contained herein is confidential. This work (either in whole or in part) must not be modified, reproduced, disclosed or disseminated to others or used for purposes other than that for which it is supplied, without the prior written permission of Airwide Solutions. If this work (or any part of it) is provided to a party ("Other Party") under a contract between Airwide Solutions and the Other Party, then the use of the work by the Other Party shall be governed by the provisions of the contract.

Contents

1	The need for mobile marketing	1
2	It's all about the brand.....	1
3	Overcoming infrastructure limitations	2
4	Demonstrable ROI = Repeat Business.....	3
5	Creating a mobile marketing enabled network	4
6	Efficiently working with mobile marketers	5
7	Conclusion	7
8	About Airwide Solutions.....	7



1 The need for mobile marketing

Nearly six years have passed since the first major on-pack promotion that started the craze for text messaging. Cadbury gave away more than £1 million in prizes to people who texted a unique code to a telephone number featured on 65 million packs. Although SMS was already being used in marketing, it proved that mobile phones were another powerful weapon in the marketing arsenal. Since then marketing agencies and big brands have explored the different opportunities created by text and WAP and the mobile phone has quietly emerged as the newest and hottest frontier for brands to interact with their customers.

While mobile marketing today remains a largely untapped revenue stream, it offers tremendous upside to the mobile operators who can equip themselves and their infrastructure to support these new business opportunities. Fueling the trend is the advent of Mobile Messaging 2.0 which is transforming the one-size-fits-all short message service (SMS) into a user-defined, rich media messaging where users have much more control over how they communicate with others. At its heart, Mobile Messaging 2.0 is a fundamental shift away from “network-defined messaging” to “user-defined messaging” — key to high-impact and personalized mobile marketing.

Now, the markets for mobile entertainment and marketing are on the verge of their next big breakthrough...the arrival of advertising funded mobile content. Operators are now awakening to the potential for Google-like success, modeled after the industry giant’s uncanny ability to leverage its primary search capabilities to create huge new revenue streams. Successful “free” email services like Google’s Gmail and Microsoft’s MSN Hotmail embrace advertising and generate new revenue streams from promotions delivered through free email services.

Equally, if not more critical in the current landscape of shrinking ARPU and AMPU, mobile operators must also begin to leverage mobile marketing to cross-sell and up-sell existing subscribers to increase average revenue per user levels. They simply can no longer overlook the potential of their own infrastructure to promote merchandise and service offerings to the end consumer.

However, as the world’s major operators keenly assess how to make their forays into mobile advertising and marketing a success, consumers remain concerned that it will open them up to more spam. In this paper we explore what can be done to help operators make the most of the opportunity while at the same time ensuring mobile advertising does not join direct mail in the list of consumers’ top pet hates.

2 It’s all about the brand...

Mobile operators have traditionally focused on building the value of their own brands so they could increase revenue and profits while building longer-lasting relationships with subscribers and reducing churn. But to succeed in the race to develop mobile marketing partnerships, for the first time mobile operators have to change the existing paradigm of branding to become a valuable channel that motivates brand marketers to shift budgets from traditional print, television and radio advertising to mobile marketing campaigns.





The future for mobile marketing certainly looks very promising. In a recent survey commissioned by Airwide Solutions, 71 per cent of leading brands predicted they would be spending up to 10% of their marketing budgets on mobile marketing by 2009 and it is not hard to see why. For marketers, mobile marketing offers brands the ability to put the consumer at the heart of the communications process. Unlike PCs (which tend to be used by multiple users) mobile phones are much more personal devices. They are the nearest thing to a direct connection into the consumer's mind anyone is likely to attain in the near future and this makes them a powerful channel to deliver highly targeted and relevant information.

The arrival of ad funded content is almost certain to fuel further interest and given the popularity of mobile entertainment such as games, ringtones, TV clips and music, ad funded mobile content looks to be popular with consumers too.

Independent research firms also forecast growing opportunities for mobile marketing. Informa Telecoms & Media forecasts that mobile advertising spending will hit \$11.35 billion by 2011, and across the five countries for which it measures mobile content usage, M:Metrics found that text messaging responses to mobile advertising was as high as 29.1 percent.

However, there are certain obstacles that must be overcome to ensure that the customer does not feel exploited by being inundated with irrelevant messages. When it comes to marketing through text or picture messages, companies need to build a level of trust with the consumer before they start to build a campaign. In the period from 2003 to 2006, the revenue made by advertising agencies per message for targeted campaigns fell from over €5.00 per message in 2003 to typically €0.30 in 2006. This decline has been due to a number of different factors but two important ones have been the growth in mobile spamming and phishing (ie SMS spams that encourage the subscriber to phone a premium number to, for example claim a "guaranteed prize") and the exploitation of low quality subscriber databases.

3 Overcoming infrastructure limitations

Mobile operators are now looking to re-engage with advertising agencies and consumer brands to revitalize mobile advertising but to be successful they must only do so with the customer's permission. Consumers must only be sent what interests them or what they have signed up for and they must be given the opportunity to opt out immediately by texting 'stop'. By collecting and



filtering based on the subscriber's explicit content preferences, handset capabilities and observed behavior, operators will be able to maximize the advertising revenue, drive response rates and maintain the reputation of their brands. Consumers have a right to privacy, and operators can implement the subscriber protection necessary to separate out unsolicited advertising, while offering reputable advertisers the insight into individual user behavior, preferences, and propensity to purchase.

While SMS campaigns have had some success already, going forward the great business opportunity lies in enabling Multimedia Message Service (MMS) campaigns that allow advertisers to leverage rich media in the form of audio, text, images and video to capture attention and motivate purchases. Looking ahead, as bigger brands choose to implement mobile marketing as part of their overall marketing strategy the opportunities for development in this area are exciting. "Camera code capture" technology is one that will become increasingly popular in the future. Users take a picture of a specific poster or image with a camera enabled phone, triggering downloads of content such as offers and competitions. The camera phone is able to read and decipher data-matrix prints, called tags which have been inserted into text either on a print advertisement or at a point of sale. This technology has the potential to truly place mobile marketing on the map as an innovative form of communication with tangible value to a subscriber.

MMS marketing, while exciting, also brings new challenges, the greatest of which is the ability to ensure that subscribers receive positive experiences from the delivery of advertisements. Advertisers generally don't know—and don't care—about the capabilities of a subscriber's phone, but they care deeply whether their mobile ads are delivered with the quality, consistency and timeliness they expect. So to develop mobile marketing as a recurring revenue stream, network operators must consistently deliver satisfying experiences that nurture the potentially explosive growth of mobile marketing campaigns. Another challenge is that traditional MMS infrastructure—originally designed for low volumes of person-to-person (P2P) traffic—is unable to handle high MMS traffic volumes. Moreover, these legacy infrastructures weren't built to easily scale, often forcing operators to over-buy expensive capacity to meet growing demands.

In spite of these challenges, MMS is in fact, becoming increasingly important to mobile operators, and MMS traffic and revenues are growing rapidly. According to Portio Research, MMS traffic worldwide doubled last year to over 27 billion messages. This volume will continue to increase, fueled by the increasing number of applications that drive MMS traffic, the continued reduction in price per MMS message and the growing number of MMS-compatible handsets in use.

To capitalize on mobile marketing opportunities, mobile operators need to build out infrastructure capacity to handle large-volumes of application-to-person (A2P) messages and augment their existing infrastructure to insert advertising-based messages on person-to-person (P2P) messaging streams. They also need to be able to provide service assurances that subscriber handsets are equipped to receive the promotions sent to them.

4 Demonstrable ROI = Repeat Business

A well-researched and targeted campaign is not the only key element to a successful campaign; measurement must also play a pivotal role. Operators need to provide advertisers with the tools to measure, evaluate and justify their mobile marketing campaigns. As the mobile marketing industry advances, and campaigns are run on a larger scale, the pressure on operators to provide these capabilities will become more intense. Brands will want operators to deliver quantitative data on how many subscribers received the message and how many responded to them via their handset. Additionally, operators will be expected to provide reports on how many of the



subscribers forwarded the message to other potential customers to drive viral communications and generate additional “buzz” for the advertiser. Without this essential information, advertisers will be unable to evaluate the efficiency of their campaigns and may look elsewhere for future marketing activity.

Imagine the campaign requirements of a large advertiser, such as a car manufacturer or a clothing company. This company would need to control the timeslot when the mobile messages were delivered and would require the flexibility to substitute SMS messages for targets that did not have phones or services that would support MMS delivery. It would also want to target a segmented demographic of users, perhaps based on age and maybe also based on location. The company would want immediate and accountable feedback on subscriber response to measure the success of the campaign.

Operators can work closely with brand marketing professionals to share subscriber information, location information, current information on the devices of mobile subscribers and their ability to support multimedia messages. All of this creates real value for brand marketers and may entice them to shift advertising and marketing dollars into the mobile channel.

5 Creating a mobile marketing enabled network

The extensive acceptance of data services has changed the mobile environment entirely, bringing vast new opportunity and complexity to both mobile operator and user alike. As a pioneer in mobile data software, Airwide Solutions has influenced this evolution and developed innovative approaches to help its customers increase revenues and profitability from data and messaging services and is leading the industry drive toward implementation of Mobile Messaging 2.0.

Successful support of next-generation messaging applications like mobile marketing is enabled by many of the key principles of Mobile Messaging 2.0 and requires operators to break previously monolithic infrastructure into tiers. Doing so will allow them to create an underlying messaging infrastructure that is cheaper to manage and more flexible for service and feature deployment. This requires operators to create a common environment to deploy mobile marketing applications across both SMS and MMS infrastructure. The tiers include:

- Access and delivery—integrating messaging components to the core network via standard interfaces
- Control—providing network and business logic to route messages to subscribers and/or applications
- Storage—storing traffic that isn’t delivered on first attempt
- Application—executing the logic for high-value combinational messaging services incorporating network enablers (i.e. presence) to execute the end-to-end message

This tiered architecture allows operators to reduce CAPEX and OPEX and enhance scalability, which is critical for supporting expected growth and necessary performance requirements that go along with effective mobile marketing. Historically, operators deploying silos of messaging applications had to duplicate access and delivery, storage, control and application capabilities across the infrastructure. Scaling the business to meet increased demand was expensive.

The shift to a Mobile Messaging 2.0 architecture allows operators to independently scale any of these tiers across the infrastructure to support SMS and MMS mobile marketing campaigns without incurring the costs of over-buying capacity for any one service or infrastructure tier.



Operators providing text, picture and instant messaging can use this type of architecture to create a common notification and delivery system spanning each service, as well as common interfaces and message stores. This approach gives operators a unified view of previously siloed networks and provides the flexibility to only add capacity where needed.

A tiered architecture also allows operators to respond to market conditions more quickly by enabling them to launch and support new business models and value propositions such as mobile marketing programs that satisfy customer usability expectations and create new revenue streams. New services and features easily plug into the common infrastructure, helping drive revenue without significantly increasing OPEX.

6 Efficiently working with mobile marketers

With demand for mobile applications such as mobile marketing campaigns exploding, critical investments in infrastructure must be made to ensure a high quality of service and reliability. A Mobile Messaging 2.0-compliant architecture provides mobile operators with the flexibility to implement creative solutions that generate new revenue streams from mobile marketing. New solutions are also needed that bridge the gap between value-added service providers (VASPs)—companies that market brands and the aggregators that represent them—and the messaging infrastructure of mobile network operators.

By implementing Mobile Messaging 2.0 environments that combine high-performance infrastructure components including messaging gateways, routers, reporting applications and device intelligence operators can unleash the full mobile marketing potential of their networks, maximize the value of their infrastructure assets and deliver high-quality mobile marketing campaigns.

As a critical part of this approach, providers that implement next-generation messaging gateways will gain an innovative platform for quickly provisioning, managing and controlling a wide range of mobile data services, thus limiting the cost and time spent on provisioning a campaign. These gateways should offer real-time enforcement of operator-defined service level agreements (SLAs), thus protecting the network and subscribers from unwanted content/messages while allowing mobile operators to efficiently support mobile marketing campaigns.

Using a highly functional messaging gateway, mobile operators can quickly integrate mobile marketing applications with their network infrastructure while providing connectivity management and policy enforcement. This provides a secure access gateway for the management of value added messaging traffic, ensuring that only verified and safe traffic can enter the mobile operator's network.

The gateway also provides the operator with the capability for subscription and privacy capabilities that are required when launching such a service. For subscribers, the choice to opt-in to mobile marketing provides them with the ability protect themselves from unwanted information.

By combining the gateway with a router, marketing messages for subscribers who do not have handsets that support multimedia messages can be routed and delivered as text messages. This combination leverages subscriber profile information and device intelligence to optimize end-to-end delivery. Through this approach, marketers can receive detailed feedback for analyzing the success of each campaign—and for designing new campaigns in the future based on demographic analysis and target device information.





Since a large percentage of handsets are sold outside of the operator channel, operators have historically lacked visibility into the devices on their network, making it difficult to predict the success of new applications and challenging to target mobile marketing content to receptive subscribers. New device intelligence capabilities that are now available to operators can help them better target mobile marketing campaigns and ultimately maximize their data service revenue through real-time, reliable and specific information about the handsets on their network. The visibility provided by device intelligence lets operators better assess potential business opportunities and ensure that content is appropriate for subscribers by offering specific information about how many and which devices on the network support proposed services and campaigns, yielding more accurate revenue estimates and uncovering previously-hidden revenue opportunities within the subscriber base.

Marketing agencies require granular reporting information and can leverage reporting and business analysis software for mobile messaging that removes one of the main inhibitors to mass adoption of mobile marketing. The metrics provided through this type of software offer up proactive information that is far more comprehensive than what can be derived from existing handset reporting tools. This not only addresses the requirements of brand marketers, but also provides critical information to mobile operators for optimizing their networks to support marketing campaigns and prevent spam by alerting them to suspicious activity.

Mobile Messaging 2.0-based infrastructures afford operators the luxury of mixing best of breed components and applications together constructing a powerful vehicle for mobile marketing. Such an infrastructure allows network operators to cost-effectively manage high-volume, time-critical delivery of MMS and SMS mobile marketing campaigns with subscriber opt-in/out, content filtering and the delivery of measurable results that justify investments in mobile campaigns and encourage brand marketers to shift their marketing budgets from traditional media outlets to mobile marketing campaigns.



7 Conclusion

The bottom line is that as operators look toward offering more data services on their networks, they are quickly realizing the benefits of mobile marketing and advertising. Not only do they present a new revenue stream that could offset the heavy losses they are experiencing from voice but operators are also seeing advertising as a way to support new creative content and entertainment-based business models. As discussed, market researcher Informa projects that advertisers will spend more than \$11 billion by 2011 on mobile marketing. Operators could stand to take up to 50 per cent of this advertising revenue as they negotiate deals with content owners.

A crucial message is that subscriber needs and interests are key. If mobile marketing and advertising is going to succeed it can only be done so with the customer's permission and targeted interest. Otherwise, inboxes will become cluttered and consumers will "turn off" and "opt out" if marketers are irresponsible with this most personal of media channels.

It is also important to remember that with mobile marketing, marketing agencies are the paying customers that compensate network operators. They require documented results and the ability to measure campaign success so they can evaluate marketing expenses and focus on campaigns that deliver increased sales and enhanced brand value.

Marketing agencies also demand service level guarantees and the assurance that the brand value will be cleanly communicated within agreed-upon timeframes and with measurable results. While other vendors focus strictly on P2P messaging, Airwide works closely with mobile advertisers, content providers, aggregators and marketing campaign companies to understand the mobile marketing environment and enable innovative mobile marketing campaigns that allow companies to increase sales and build brand value.

8 About Airwide Solutions

Airwide Solutions is a leader in next-generation mobile messaging infrastructure and applications and provides proven solutions that allow mobile operators to create new revenue streams by working closely with regional and national brands to enable cost-effective and measurable mobile marketing campaigns. Airwide Solutions is the innovation leader in next-generation mobile messaging infrastructure and applications. Our products allow more than 80 wireless operators in 46 countries to deliver and manage the millions of mobile messages their subscribers send every day.

With a history of industry firsts—including the first text message ever sent and the introduction of the first SMS router and A2P MMSC—the company continues to pioneer new technologies. Airwide's open Fusion architecture offers mobile operators more revenue options and a practical pathway to Mobile Messaging 2.0 and mobile marketing while giving subscribers more messaging choices. For more information, visit www.airwidesolutions.com.

