

# What is SMS advertising and why do multinationals adopt it? Answers from an empirical study in European markets

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## Abstract

This study examines the factors associated with the intention of multinational corporations operating in Europe to implement SMS advertising. It hypothesizes that managerial intentions to use this medium are related to the perceptions of four factors: (1) the ability to build brand image; (2) the ability to use location-based marketing; (3) the perceptions of how well consumers accept SMS advertising; and (4) the perceptions of the technological infrastructure. Results support the notion that managers from the European Union, Japan, and the United States will be more likely to adopt SMS advertising if they perceive it has the ability to help build the brand. They are also likely to perceive information security as a threat to the ability to “push” the product through the wireless channel. Results also suggest that managers give significant weight to the penetration of the technological infrastructure needed to run the ads through SMS-based messaging service.

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## 1. Introduction

The Internet-enabled mobile phone has proliferated rapidly in many markets. Following the first release of WAP (wireless application protocol) in 1998, firms began to send news alerts and location-sensitive ads to mobile users (Sadeh, 2002). Because of the very personal nature of the mobile phone, the use of short message services (SMS) and multimedia messaging services (MMS) for marketing purposes has drastically increased in many parts of the world. For example, a report issued by Portio Research indicates that the annual sales revenue of the SMS market will reach \$50 billion worldwide by 2010, with some 2.38 trillion text messages sent (Halett, 2005). Although MMS is currently used less, it seems clear that a rapid advancement of mobile technology will accelerate the use of visuals, videos, and music in the exchange of messages in the near future. Table 1 summarizes key terms of mobile communication technology.

Some marketers and agencies are taking advantage of this growth by incorporating SMS advertising as part of an integrated marketing communications (IMC) strategy. According to a recent survey, 36% of marketers operating in Europe have used SMS advertising for more than one year, while an additional 39% had begun to use it in the previous six to twelve months (Cutitta, 2005). Recent industry reports indicate that SMS usage in the U.S. market has been catching up with the worldwide growth (eMarketer, 2005). Combined mobile advertising and marketing expenditures are expected to have reached \$115 million and \$253 million, respectively, by 2005, in conservative and aggressive scenarios in the United States. Both scenarios forecast that these figures will double by 2008 (eMarketer, 2005). By 2009, the aggregate growth in the United States and Europe will exceed \$1 billion, with the increasing availability of multimedia content (TMC Net, 2006). Although these numbers are modest compared to major media outlets, such as television, radio, and the Internet, they are representative of a trend toward growth for this new medium.

According to a European survey, 56%, 55%, and 46% of mobile users received SMS ads in Germany, the UK, and Spain, respectively, in 2003 (van Tongeren et al., 2004). Although the figures for Italy and France were somewhat lower, aggregate data

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show that 47% of “Europeans” responded positively to receiving SMS advertising messages. This suggests that the acceptance of SMS advertising is beginning to grow and may have the potential to become an important new mode of interactive marketing communication.

However, academic research on mobile advertising, unlike that on Internet advertising, has seen only modest growth, perhaps because the medium is new and uncertainty remains as to how it will evolve. This makes it difficult to obtain a reliable and valid dataset to examine consumer and firm adoption behavior regarding mobile advertising. Hence, there is a strong need for empirical research in this area.

Here we examine the intention of multinational firms to adopt SMS-based advertising. The firms have subsidiaries located in Spain, including companies headquartered in the European Union, Japan, and the United States. The sample has the advantage of including perspectives from MNCs headquartered in the largest economic regions of the world—Asia, Europe, and North America. The study’s primary objectives are to (1) identify the factors influencing the firms’ managerial intention to adopt SMS advertising and (2) test a structural relationship between these factors and managerial intention to use SMS advertising. To this end, we interview senior executives of MNCs operating in European markets.

In the following sections, we will first define mobile advertising and the associated “push” and “pull” strategies. Then we identify four constructs that may influence firms’ managerial intention to adopt mobile advertising, and develop four hypotheses based on prior literature. Next, we explain our methodology in detail and describe the results, then discuss the managerial and theoretical implications of the study’s findings. In closing, we set out our conclusions and identify the limitations of the study.

## 2. Background and definitions

For definitions associated with mobile-based advertising, we adopt classifications that are derived from general principles of direct marketing, namely the “push-type” and “pull-type” strategies. SMS mobile advertising has typically been considered an application of a *push strategy* in the mobile environment (Barwise and Strong, 2002), meaning that information and marketing activities flow from the producer to the consumer (Spiller and Baier, 2005). In a push campaign, the marketer takes the initiative and sends messages directly to consumer regardless of whether the consumer has agreed to receive the message. Pull strategies involve sending information that is requested by the consumer (Barwise and Strong 2002).

Historically, push strategies have been associated with efforts to boost sales in the short term. In fact, most early mobile messages were promotional in nature, focusing on inducing an immediate purchase. In addition, firms that employ mobile campaigns can attract consumer attention and produce consumer responses to a much greater degree than through other direct marketing channels because they can engage in one-to-one dialogue with customers (Kavassalis et al., 2003).

Notably absent from many discussions of mobile commerce, or “m-commerce,” is the notion that brand building can occur

Table 1  
Key mobile advertising terms

Terms	Definitions
3G	Third-generation mobile communication systems. Key features of 3G systems include a high degree of commonality of design worldwide, worldwide roaming capability, support for a wide range of Internet and multimedia applications and services, and data rates in excess of 144 kbps.
Alert	Short message sent to mobile users to keep them updated about the news, weather, traffic conditions, etc.
FeliCa	A multi-functional electronic wallet with contactless electronic IC chips developed by Sony. In combination with NTT DoCoMo’s “i-appli” (Java-based applications), users can use FeliCa for diverse transactions, such as commuter pass, electronic money, membership card, and movie tickets, among others, simply by waving their phone in front of enabled sensors.
GPS	Global Positioning System. A U.S. government-owned technology based on the use of three or more satellites (triangulation) to provide 24-hour positioning information that indicates the precise location of any compatible receiver unit.
i-mode	NTT DoCoMo’s mobile Internet service. Its portal manages a critical mass of numerous “official” i-mode sites, including e-mail, transaction services such as ticket reservations, banking, and shopping, as well as infotainment and directory service.
MMS	Multimedia Messaging Services. A standard for telephony messaging systems that allow sending messages that include multimedia objects, such as images, audio, video, or rich text, in addition to text messages.
SMS	Short Message Service. A service for sending messages of up to 160 characters to mobile phones.
UMTS	Universal Mobile Telecommunications System. UMTS/WCDMA is the 3G wideband standard jointly developed by Europe and Japan.
WAP	Wireless Applications Protocol. De facto wireless Internet standard capable of running on top of almost any bearer service.
WCDMA	Wideband Code Division Multiple Access. Essentially the same 3G standard as UMTS.

Source: Based on Okazaki (2006), Sadeh (2002), NTT DoCoMo (2003), etc.

effectively in conjunction with the use of a push strategy. M-commerce provides a unique environment in which the firm’s message may facilitate the consumer going to a website, sending a text message, seeking out information from another medium, or even making a purchase. The possibility of these actions makes it more likely to build the brand in conjunction with push promotions. The fundamental premise of this paper is that the ability to brand a product is a primary driver of the managerial intention of large firms to use SMS advertising in m-commerce.

## 3. SMS advertising

One of the first mobile communications technologies to be applied in marketing, SMS is a new technological buzzword for transmitting business-to-customer messages to mobile phones, pagers, and personal data assistants (PDAs). SMS advertising is now a substantial source of revenue for many operators, particularly because it has been incorporated in the “instant messaging culture” among teenagers and young professionals (Sadeh, 2002). Table 2 summarizes recent advances in SMS technology.

One key advantage of SMS is that it can capitalize on the “always on” trend, in which people have access to the Internet virtually the entire day. SMS also allows for more interactivity with the consumer than traditional media. Many firms deliver alerts,

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