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From Push to Pull — How Smartphones are Changing Mobile Marketing

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ABSTRACT

As "smartphones" have displaced traditional cell phones, mobile marketing—marketing via wireless handheld devices—has become increasingly more sophisticated. This paper highlights the dramatic shifts underway in the field of mobile marketing with the advent of mobile technology that simultaneously delivers web access, location information, and social networking capabilities. The paper makes a case for why smartphones may foreshadow the end of traditional push marketing, giving way to a new style of marketing that is location-based, context-specific and superior at initiating consumer pull.

INTRODUCTION

It's official. Mobile phones have become central to life in the 21st century. According to recent statistics published by the World Bank, nearly 85 percent of the world's population has a cell phone. For a product that saw its commercial introduction just fifteen years ago, that represents a remarkably fast market penetration rate. In 1997, fewer than 220 million people throughout the world used mobile phones (Hosbond & Skov 2007). By 2002, a short five years later, the number of subscribers had grown to one billion. Today, in excess of six billion of the world's 7.1 billion people have active mobile phone subscriptions (Fitzpatrick 2012).

No less remarkable than the diffusion of mobile phones is the fierce consumer allegiance they inspire. The mobile phone appears to be *the* device many of today's consumers simply cannot do without. People from all walks of life view their mobile phones not only as devices for staying connected to family and friends but also as extensions of their personalities and individual identities (Persaud & Azhar 2012). This "fusing" of person and mobile technology is well documented especially among younger consumers (Barutcu 2007) and has become even more pronounced with the widespread adoption of smartphones (Kim et. al 2011). Smartphones incorporate anytime/anywhere internet access with location information and social networking capabilities to add value beyond that delivered by traditional cell phones. Due to their location capabilities, smartphones allow users to easily obtain useful, real-time information about their surroundings as well as seamlessly manage their personal connections.

The explosive growth in mobile phone sales and smartphone purchases, coupled with astounding consumer devotion to mobile devices, has sparked keen interest in mobile marketing. Mobile marketing has been broadly defined as "the marketing of goods and services using mobile technology via handheld devices" (Hosbond & Skov 2007) and more particularly by the Mobile Marketing Association as "the use of wireless media, primarily cell phones, as an integrated content delivery and direct response vehicle within any cross-media marketing program" (Dushinski 2009, pg. 3). These definitions signal businesses' intentions to capitalize on the vast marketing opportunities created by mobile technologies.

Because of smartphones, former reliance on push style marketing, including web-based push marketing, is giving way to a new, more powerful marketing — one that is location-based, context-specific and superior at initiating consumer pull. The purpose of this paper is to highlight the changes mobile marketing is undergoing as a result of the advent of smartphones. The paper traces the dramatic shifts underway in the field of mobile marketing and details why smartphones may foreshadow the end of traditional push marketing. In addition, the paper suggests a strategic framework for better conceptualizing smartphone-based mobile marketing and provides recent examples of applications designed to optimize the unique nature of location-based mobile marketing.

FORMS OF MOBILE MARKETING

Baratcu (2007) identified seven mobile marketing forms available to practitioners and useful for accomplishing an integrated mobile marketing strategy: (1) mobile advertising; (2) mobile sales promotion; (3) mobile entertainment services; (4) location-based mobile services; (5) mobile internet; (6) mobile banking; and (7) mobile shopping. A prevailing implication of mobile marketing studies to date is that advancing mobile technologies necessitate change in traditional marketing approaches as well as "pre-smartphone" mobile marketing strategies (Ismail & Razak 2011). Because the mobile phone has evolved to include "smart" features, mobile marketing has advanced, primarily by leveraging these smart features (Persaud & Azhar 2012). The idea is that marketing strategies for mobile media should exploit the combination of product attributes and benefits found in smartphones that sets them apart from traditional cell phones (Kim et al. 2011).

Since smartphones simultaneously provide web access, location-based information, and social networking capability, these particular features have been the focus of new mobile marketing campaigns (Kim et al. 2011). Within the last year, Facebook and Twitter began offering several new types of mobile promotion in order to exploit smartphone capabilities. Facebook held its first-ever *marketing* conference in February 2012 to announce three new types of mobile ad placements: premium display ads, "Sponsored Stories", and "Offers" (*PC Magazine Online*, 2012). All have been specially designed for its mobile version of Facebook. Premium display ads, formerly available only on desktop news feeds, are now available on mobile news feeds. Sponsored Stories is Facebook's name for sponsored posts to mobile news feeds that have been paid for by advertisers and/or that incorporate news from a paid endorser. It is "Offers," however, that best allow Facebook to leverage the location-based and social networking capabilities of smartphones.

Offers are "check-in deals" extended to Facebook users who have "liked" a Facebook page owned by a business. Based on the "like," businesses can send the fan a special deal such as a discount or electronic coupon. To access a deal, fans must check in when they visit a business. To make it easier for users to find deals, Facebook has added a "Nearby" tab to the Facebook app for both iPhone and Android. When users are out and about and view the list of nearby businesses via their smartphones, they may see a yellow ticket icon next to a location that is offering a deal. When the location's name is clicked, the user sees the details of the deal being offered. Facebook touts the ability to "engage with customers and grow your business through the word-of-mouth marketing that occurs naturally on Facebook" to businesses offering check-in deals (see Facebook Help Center/Check-in Deals at www.facebook.com/help).

It is through the deal redemption process that Facebook is able to bring to bear the power of a user's social network to spread the word about a deal. In order to redeem a deal, Facebook instructs its users to check in with a business from the "Nearby" tab on their smartphone app and update their status to let their friends know where they are. Once the user has updated his or her status, the check-in deal will appear under the status update along with a "Claim Deal" button. Claiming the check-in deal creates a story on the user's timeline and appears on their friends' news feeds. The news feed stories generate awareness of the deal among a user's friends, thus spreading the word of the deal via viral word-of-mouth.

Facebook states at its Help Center for Check-in Deals (www.facebook.com/help) that "over 200 million people currently use Facebook on their mobile devices and they are looking to discover what is happening nearby. By offering a check-in deal, you give these potential new customers a great reason to stop by your business." Facebook further states that its users have, on average, 130 friends, which means "if someone checks in to your business and you're offering a deal, all their friends have the opportunity to hear about it."

In a recent report, Facebook says the majority of users who claim an offer do so after seeing a story about it from a friend (*Inside Facebook*, Oct. 17, 2012). Specifically, Facebook's vice president of business and marketing partnerships verified that three of four redeemed offers (75%) come from the friends of users who shared the offers and not from the original claimants. This demonstrates that check-in deals are quickly going viral and reaching larger audiences than the business's original fans.

Because of the early success of check-in deals, Facebook now permits businesses offering deals to promote them in ways other than relying on viral word-of-mouth. Deal administrators can pay Facebook to promote their offers through Sponsored Stories, which as described above are paid-promoted posts on news feeds. Alternatively, they can run a display ad featuring the deal with a link to either their Facebook Page or Facebook Place page (for businesses with multiple locations). In addition, users have the ability to get deals pushed to them via e-mail if they opt-in to the service.

To entice greater numbers of businesses with Facebook pages to participate in check-in deals, Facebook now gives businesses the option of adding a unique barcode or coupon code to their offers, allowing them to track how the offer affected both in-store and online sales. Facebook also recommends businesses experiment with different types of check-in deals and offers four categories related to various promotion objectives. These categories are:

- Individual Deals: Offered to existing or new customers to be redeemed individually (Facebook recommends this type of deal to get rid of excess inventory, in conjunction with a new product to build awareness, or to stimulate the sale of seasonal merchandise.)
- Friend Deals: Offered to groups of up to eight people when they check-in together (Facebook recommends this type of deal to produce greater reach or exposure.)
- Loyalty Deals: Offered to returning customers and capable of being claimed only after a certain number of check-ins
- Charity Deals: Offered in conjunction with a donation to a featured charity (Facebook recommends this type of deal to increase the effectiveness of public relations campaigns.)

With the apparent success of Facebook's check-in deals, other social media sites are following suit. Twitter recently announced an exclusive partnership with American Express whereby American Express cardholders who use Twitter can get special offers and unique deals from participating retailers. Twitter users simply have to tweet a hash tag (search term) unique to the offer to the sponsoring retailer to qualify for the deal. Tweeting the deal's hash tag automatically loads the offer onto the customer's American Express card account; savings are credited to the customer's charge if and when the purchase is made. Cardholders are not obligated to redeem the offer simply because they loaded it to their accounts. Twitter plans to open a similar service to advertisers or retailers who don't accept American Express cards as part of an attempt to increase the number of advertising and promotions available through Twitter (see source "American Express, Twitter Team Up"). Smaller social media providers such as FourSquare and Gowalla, as well as review sites like Yelp, have also begun to let businesses offer check-in deals to their users (*CBS News* 2011).

EFFECTS OF MOBILE MARKETING

With the popularity of smartphones, it follows that businesses are eager to implement mobile advertising and sales promotion. To date, however, there is minimal empirical research to demonstrate the actual effectiveness of mobile marketing campaigns. Emergent trade reports show the number of consumers that view mobile advertisements or redeem offers via their smartphones is quite small (Butters 2012; Oremus 2012). A recent survey by the Pew Project on the Internet and American Life found that a meager five percent of the U.S. online population has ever checked-in with a business to take advantage of a promotional deal (*CBS News* 2011). In a study that focused exclusively on smartphones, Pew researchers also found that 12 percent of smartphone users have intentionally clicked on an ad, while half that number (6%) have ever bought anything based on a mobile ad (Oremus 2012). An even more recent study by Pretarget Research found almost zero correlation between clicks on mobile ads and "conversions" as measured by downloading an available app or other content from the advertiser or filling out a form on the advertiser's site (Oremus 2012).

Trade reports further indicate that users may be quickly tiring of or irritated by mobile marketing content. Digital marketing company Upstream found that 67 percent of smartphone users do not want to see ads on their phones, while 20 percent said they would actually stop using a brand if they felt that it subjected them to too much advertising (*PC Magazine Online* 2012). Writing for DailyDealMedia, Butters (2012) reports Facebook offers to be "woefully underused" based on the number of claimants. The internet research trade group Main Street Technology reported early in 2012—just after the 2011 holiday selling season—that a mere three percent of holiday shoppers identified Facebook as their favored source of holiday shopping deals. In addition, less than one percent of Twitter followers cited Twitter as the best way to find holiday shopping deals (Brownwell 2012).

As a result of emerging statistics like those above, Facebook stated that "although check-ins are not part of most people's lives, we believe their popularity will continue to grow, becoming part of the language of how people use their cell phones and communicate with one another" (*CBS News* 2011). Facebook is apparently banking on location-sharing turning from a behavior embraced by a few tech-savvy early adopters into something commonly exercised by a broad range of smartphone users.

Meanwhile, academic researchers are just beginning to document consumer uses of and responses to smartphones and location-based mobile technologies. Ismail and Razak (2011) report that academic research into mobile marketing falls into four categories:

- Studies that attempt to *define* or *conceptualize* mobile marketing,
- Studies of mobile marketing *strategy* that aid practitioners in accomplishing successful implementation of mobile marketing,
- *Consumer behavior* studies of mobile marketing that address perceptions of, attitudes toward, adoption of, and satisfaction with mobile marketing, and
- Studies of *ethical* and *legal* issues associated with mobile marketing, such as trust of mobile marketers, perceived risks of using mobile technologies, and privacy concerns of mobile phone users.

Among the findings to emerge from these studies are:

- Historical use of conventional mobile phones has a "priming" effect on consumers' acceptance of mobile marketing via smartphones; younger consumers who have grown up with mobile technologies are more likely to be accepting of mobile marketing attempts by businesses (Gao et al. 2010)
- Personal attachment to one's mobile phone and general risk tolerance are antecedent factors to mobile marketing attitudes (Gao et al. 2010)
- Age, gender, income, and education had no significant effect on consumers' attitudes toward mobile advertising or digital coupons; age alone had a significant impact on consumers attitudes toward mobile entertainment—younger consumer are more positively disposed to mobile entertainment (Baratcu 2007)
- Adult consumers' shopping style, brand trust, and perceived value are key motivations for engaging in mobile marketing via smartphones (Persaud & Azhar 2012)
- Young consumers key motivations for using smartphones are entertainment, social stimulation, escapism, experiential learning, and purchase information/advice; their resistance to mobile marketing is significantly influenced by a lack of trust, fears of intrusion, and annoyance (Grant & O'Donohoe 2007)
- Mobile advertisements had a significant positive effect on brand equity by positively influencing consumers' levels of brand awareness and perceived product quality (Smutkupt et al. 2012)

Such findings when compared with the trade statistics of mobile marketing usage suggest an interesting paradox: mobile marketing may excel at brand building despite its lackluster performance as a direct-response marketing tool. While mobile marketing has appealed to practitioners because of its low cost of reach, personalized differentiation, and easy measurability of results compared to conventional media, emergent empirical findings show it has the ability to effect brand equity drivers independent of conversion rate or purchase. It appears, however, that these effects are not well understood or documented across the various forms of mobile marketing. Ismail and Razak (2011) point out that academic research has produced little agreement on the conceptualization of mobile marketing or the classification of mobile techniques. This has led to research into a new wave of mobile marketing forms such as mobile learning, mobile ticketing, mobile data services, mobile commerce, and mobile payment. Based

on a meta-review of recent mobile marketing studies, Ismail et al. (2011) propose the need for standardization and classification of mobile marketing categories so future studies will be more uniform and generalizable to future research. In summary, a better conceptualization and more informed strategic framework for applying mobile marketing seems warranted at this point.

STRATEGIC FRAMEWORK FOR MOBILE MARKETING

Currently, 94 percent of businesses say they use social media or mobile platforms as part of their overall marketing plan (Butters 2012); however, fewer than half of all marketers (45%) have adopted any kind of mobile marketing strategy (Williams 2012). This portends the need for a better strategic framework and more concerted marketing strategies for understanding and implementing mobile marketing.

Both a framework and strategy amenable to mobile marketing are influenced by smartphone capabilities. As mentioned previously, smartphones differ from traditional mobile phones in that they simultaneously provide web access, augmented reality via location-based information, and social networking capabilities. These unique consumer benefits offer the keys to more accurately conceptualizing mobile marketing and to structuring a framework for formulating mobile marketing strategies.

In tracing the evolution of web access from PC-based wired interactions to the current "mobile Internet," Kim et al. (2011) contend mobile marketing strategy must first and foremost leverage smartphones ability to transfer web access from "the office to the pocket." This strategic factor is referred to as *omnipresence*; it permits mobile marketers to reach their target markets virtually anytime, anywhere (as long as the customers have their cell phones in tow). Secondly, mobile devices have the capability to identify the user's location in real time. This makes it possible for location-based applications to deliver advertising messages direct to users who are located near the products or services being promoted. This strategic factor is called *timeliness* and is considered one of the most significant advantages of mobile marketing over traditional marketing strategies that rely on rigidly-structured advertising media such as television, radio, and newspapers (Williams 2012).

Last, smartphones allow their users to stay continually connected to friends and associates through social networking activities and applications specially designed for mobile devices. Smartphones make participation in social networking easy and convenient. Social networking activities, when combined with data about the consumer's location, have the potential to deliver mobile marketing strategies that are highly individual and personally relevant. This strategic factor is called *customization*. Personalized marketing via mobile devices is in its early stages but signifies the importance of individuality as a key factor when designing mobile marketing strategies that attempt to leverage the smartphone (Kim et al. 2011). It is the confluence of omnipresence, timeliness, and customization that produces powerful marketing opportunities to be capitalized upon with smartphones.

In proposing the need for a more concerted mobile marketing strategy, Williams (2012) argues for differentiating mobile marketing approaches from traditional forms of marketing and then integrating the two into a grand strategy. A business that wishes to use mobile marketing should first set specific program objectives for mobile marketing and then identify which customer

segments prefer and will respond to mobile marketing tactics. Andrews et al. (2012) found mobile phone users could be segmented into clusters or submarkets based on the way they used smartphones and the perceived value they assigned to mobile marketing campaigns. When implementing the marketing mix elements, especially price and promotion, mobile marketers must first understand why their customers are using a particular mobile platform and then match creative content to that platform. As mobile standards and software have progressed, it is much easier for marketers to create an experience appropriate for the type of mobile device being used (e.g. cell phone, smartphone, or tablet). It is important to determine the strategy first then search for the mobile tools necessary to accomplish the strategy. Creating the right marketing experience based on the mobile platform should be a priority for mobile marketers. Detailed reports on which platforms a particular customer is using are obtainable in today's market (Williams 2012).

Lastly, De Faria (2012) provides a dimensional model of smartphone mobile marketing that recommends integrating information from the user's social networking site, the internet service provider's corporate server, the recipient's mobile device, third-party data providers, and the marketer. The model recommends mobile marketing campaigns based on information captured or integrated from each source, including:

- Time (day of week, month, year, quarter, season, holiday, etc.)
- Promotion (ad type, promotion cost, price reduction amount, begin date, end date, etc.)
- Store (name, address, city, state, country, sales district, sales region, etc.)
- Customer (name, address, city, state, country, access information, etc.)
- Demographics (age, sex, marital status, education, movie preference, music preference, buying behavior, etc.)
- Product (SKU description, brand, category, department, etc.), and
- Marketing Campaign (time, product, promotion type, store, customer, texts sent, emails sent, etc.)

This model suggests it is possible to obtain geo-localization information from mobile devices and cross it with information from social networks and internal company data (such as server log reports and sales reports) to provide mobile advertising with highly customized content. Such integration transports mobile marketing to a higher level capable of capturing and combining information about users, devices, stores, locations, and campaigns whereby it delivers increasingly higher levels of customer value.

CONCLUSION

The increased capabilities of smartphones have presented marketers with a substantially expanded set of possibilities to reach and serve consumers. Consumers are attracted to smartphones for their many practical and entertainment applications and because they can personalize the devices with features and apps specific to their needs. Unlimited social media activity, more economical data plans, and localization capabilities present marketers with enormous opportunities to integrate their social media and mobile marketing strategies. Most traditional marketing methods, including web-based marketing, are "push marketing" and have almost no location-based capability. Customized, location-based mobile marketing, in contrast, is personal, omnipresent, highly interactive and very context specific. Smartphones can ensure

the content provided, as well as the format and timing of delivery, are personalized, contextual, and helpful. This form of value-laden mobile marketing is pull-based. It encourages consumers to seek out the content of marketers either through apps or viral means and quickly and easily share information about offers or new products. As consumers increasingly use their smartphones for many daily tasks, pull-based mobile marketing may eventually supplant traditional push marketing as the preferred way to reach and serve today's consumers.

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