Drivers and Barriers of Mobile Marketing: Perceptions from Australian Marketing Managers

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Abstract

A better understanding of the factors influencing marketing managers' decision is critical to the effective use of mobile marketing. This research uses a convergent interviewing methodology to investigate how and why Australian marketing managers are using mobile marketing (m-marketing) to achieve marketing goals and the challenges they face in implementing m-marketing. A total number of 16 interviews were conducted. Results show that adoption of m-marketing remains in its infancy amongst Australian firms. Adopting a rather conservative approach, Australian marketing managers are either already or considering integrating the mobile medium into their marketing mix. Environmental, managerial and organisational factors all come into play with environmental factors currently playing a more dominant role.

Key words: mobile, marketing, perception, drivers, barriers

Introduction

The rapid proliferation of mobile phones and other mobile devices has created a new channel for marketing. Its massive penetration (more than 100 per cent in some developed markets) and exceptional intimacy (most users perceive the mobile device as an extension of their identity) provide opportunities for marketing. In 2005, the global mobile advertising industry was valued at US$45 million by Industry analyst Ovum who also predicts that this value will skyrocket to $1.26 billion by 2009 with such companies such as American Express, Visa and Microsoft proactively advertising over mobile phone (KPMG 2006).

In Australia, 2005 has been a period of further growth in the Australian mobile market and premium SMS services are set to grow even further. Mobile marketing has received much attention from both academics and practitioners. According to analysts, Australian consumers are expected to increase their demand for mobile entertainment and personalisation content and 3G content revenue is expected to double annually between 2005 and 2009 (Informa 2005). M-marketing is predict to pick up in the near future as mobile technology and services improve (Netsize 2006).

While numerous studies have addressed conceptual issues and conducted general consumer acceptance surveys (for example, Lee, McGoldrick, Keeling and Doherty 2003; Leppaniemi and Karjaluoto 2005), there is little empirical research available in the literature on the marketing managers' perceptions on mobile marketing (Salo and Tahtinen 2005). There are also contradictory views on m-marketing effectiveness. Some argue that mobile marketing have been over hyped and that the creation of value to the user and to the customer is not always delivered using mobile technologies (Barnes 2003). Thus a better understanding of the factors influencing marketing managers' decision is critical to the effective use of mobile marketing. The main objective of this study is to explore m-marketing's challenges and future directions by examining Australian marketing managers' views.

This paper has three parts. The relevant literature on m-marketing adoption is firstly reviewed to identify key factors influencing the decision to incorporate m-marketing into the marketing mix. After the methodology is explained in detail, the study findings are discussed and conclusions are provided with limitations recognised.

Literature Review

Although considered as a promising direct marketing channel for time-sensitive communication, there is no definition of m-marketing that has been commonly accepted. This study adopts the definition provided by the Mobile Marketing Association (MMA) as the use of the mobile medium as a communication channel between a brand and an end-user. Prior research in the e-commerce adoption research has indicated that three categories of factors: environmental, managerial, and organisational (Rogers, 1995) contribute to the decision to adopt innovations (Hung et al., 2003; Laforet and Li 2005). This categorisation provides a useful basis to investigate what motivate marketing managers incorporate m-marketing into their overall marketing strategy. These factors were identified from relevant literature and discussed next.

Environmental Factors

Technologically, the expanding technological capabilities and performance of delivery platforms, the rapid uptake of broadband technologies and improved performance of hardware and software are all necessary facilitating conditions for a wider transmission of m-marketing. From a social network perspective, as digital content and digital delivery of content and information become ubiquitous, the advent of personalised and always-on communications has affected the way in which consumers learn, interact and socialise, making an impact on the socio-economic landscape (Aungst and Wilson 2005; Kelleher 2003; Barwise and Strong 2002).

On a worldwide basis, familiarity with and demand for mobile content services are high. Consumers are increasingly sophisticated and demanding. They are highly sophisticated and familiar with converging services such as web surfing, instant messaging and interactive gaming. Although consumers found SMS-based advertising intrusive and irritating (Sugai 2005), they are willing to access and willing to pay for information that is compelling and that have high level of contextual sensitivity (Mort and Drennan 2002). However it is essential to give users total control over what they receive because consumers' demand for highly personalised messages has to be reconciled with their desire for privacy (Sadeh, 2002).

As far as the regulatory environment is concerned, the MMA has attempted to establish industry guidelines for mobile marketers (Petty 2003). The Australian Communications Authority (now the Australian Communications and Media Authority) has also issued new guidelines governing mobile commerce practices and has urged both mobile operators and marketers to comply with them. These guidelines aim to protect consumers from dubious marketing practices, and educate marketers alike (De Marez and Verleye 2004).

Managerial Factors

In order to effectively use m-marketing, the marketers and their agencies have to know how to use this new medium to take advantage of its unique characteristics of cost effectiveness, interactivity and personalization capacity (Mort and Drennan 2002; Salo and Tahtinen 2005). Firstly, mobile marketing can be more cost-effective than other media (Scharl, Dickinger and Murphy 2004). Its effectiveness in reaching target groups helps justify the higher price of mobile phone numbers in comparison to e-mail addresses. The response rate of mobile campaigns can be a lot higher than with other media (Salo and Tahtinen 2005). Second, mobile devise allows marketing to be highly interactive- the target audience can interact with the advertisers, the mobile device and other audience. (Carroll, Howard, Peck and Murphy 2002). Many global brands are positioning mobile phones as an effective branding medium (Dano 2002, Media Asia 2003).

Further, complementing traditional media with mobile marketing allows marketers to maximize campaign effectiveness ((Frolick and Chen, 2004; Kavassalis et al., 2003) as individual's behaviour and receptiveness to advertising are likely to be influenced by their location and time, and marketers can thus induce impulse buying by providing the right information at the right place (Gilbert and Han 2005; Jenkins 2006; Pura 2005). Mobile devices are also more suited for contextual sensitive services since consumers carry their devices with them almost all the time everywhere they go. However this requires a high level of user specific information which depends heavily on data management (Mort and Drennan 2002; Ince 2005).

Organisational Factors

A number of organizational factors may also influence the effectiveness of m-marketing and thus should be taken into consideration in marketing managers' decision making process. Firstly, the product or service an organisation sells may influence the suitability of m-marketing. It is argued that the mobile medium is more appropriate for advertising frequently purchased low-budget items and for products/services that are contextual sensitive for example, cinema tickets, banking, transport weather-based services (Barwise and Strong 2002; Mort and Drennan 2002, Leppaniemi and Karjaluoto 2005). M-marketing is also useful for targeting young audiences (Scarl et al. 2004).

Further, if the firm conceptualises a new communication technology as a significant part of IMC and if the organiasation has available specialised expertise in content/service provider, it would be more likely to incorporate it as an effective marketing device (Duncan, 2002; DeZoysa 2002).

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Methodology

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To explore the factors that influence managers' decision to use m-marketing, a qualitative, theory building methodology of convergent interview was used. This choice of case research is justified from its theory-building capability (Carson, Gilmore, Gronhaug and Perry 2001). That is, this study was exploratory in order to gather insights into the phenomenon and to provide a better understanding of the issue (Mahotra, Hall, Shaw and Oppenheim 2002).

The convergent interviews were undertaken face-to-face with the marketing managers of 16 firms varying in size and age. This convergent interviewing process involves conducting a series of in-depth interviews in which data is collected during each interview, analysed and

used to refine the content of subsequent interviews. These organisations are mainly from FMCG industries and are recommended by Australian Direct Marketing Association (ADMA) based on their experience of m-marketing. These managers were key informants because they were closely involved in the m-marketing activities in their respective firms and had an understanding of the entire decision making process. These interviews lasted approximately for an hour in which a semi-structured interviewer's guide with mainly broad open-ended questions was used to ensure a consistent pathway to analysing the interview data. Where there is consensus between more than one interviewee about a certain issue, a series of probes is initiated to test the information, and where there is disagreement, probes are initiated for clarification. Convergence is achieved when no new information is uncovered.

As well, the usual quality control mechanisms like triangulation were used (Healy and Perry 2000, Carson et al. 2001). Content analysis was used to analyse the interview information, attaching codes to data. A starting list of codes prior to starting the field work that was also developed and progressively added to as the interviews proceeded. When the coding was complete, matrices were developed to summarise the data (Miles and Huberman 1994).

Findings and Discussions

Findings from the convergent interviews provided evidence that factor that influence marketing managers' decision to incorporate m-marketing is predominantly external. Our findings highlight additional factors that influence the use of m-marketing that were not identified in the literature and they are discussed below as drivers and barriers.

Drivers

In terms of the main motivation marketers have in using m-marketing, the simple fact that more than one billion consumer worldwide can be reached anytime, anywhere, on a interactive one-to-one basis, is more than enough to make mobile a unique marketing tool for FMCG brands. As one participants commented: "…the question is not whether it should be used as a part of the overall marketing strategy but how to go about doing so…" It is clear that recent developments in handset technology and the increasingly strong move by operators to deploy 3G networks are having a significant impact on the evolution of markets for rich media content on mobiles. Our findings also shows that mobile advertising will become more accepted by consumers because less people want to pay for mobile content such as wallpapers and games but are quite happy to view ads in exchange of "free" content.

The interviews show that the use of Short Messaging Service (SMS) to access customers through their handheld devices is gaining popularity, making the mobile phone an emerging medium for one-to-one marketing and to build relationships with target market, particular in the youth market. For example, one commented: "mobile phone is a very personal device…mobile advertising must be highly personalized". Six out of 12 interviewees' organizations have used sms marketing because the personal, intimate and interactive nature of the mobile medium offer an effective channel for strengthening customer relationships. Interviewees also commented on the effectiveness of using SMS in their direct marketing and promotional activities. Other frequently mentioned reasons for using mobile marketing include incorporating mobile marketing into the media mix to achieve marketing objectives such as brand building and engaging the target market.

Moreover, mobile advertising is not limited to a "push" use. Global Positioning System has generated new opportunities for location-based advertising. The ability to identify the customer's location at a certain time is viewed to be one of the most promising applications of mobile commerce. For example, one of the interviewees' organisation has migrated from a online model to mobile as the service would add more value to customers. However, only two of the interviewee organizations have carried out a location-based campaign and both agreed that these campaigns do draw users' attention however can not be used stand alone and needs to be used with caution.

In summary, branding, cost effectiveness and relationship building are quoted frequently as the main aims of m-marketing. The tactics that are most commonly used are m-coupons, viral marketing, mobile competition, each has its own merits and were most often integrated with other media. Such integrated media mix could not only reduce consumer resistance, but also increase synergic effects.

Barriers

The main obstacle to use this medium effectively is the co-existence of fragmented mobile technologies. Currently various mobile technologies and handsets of varying standards co-exist, making delivering the same marketing content across platform (e.g. GSM vs. 2.5 G and 3G) a challenge. In addition, the four main Australian carriers use different interface and platforms in delivering their services which has hindered the adoption of m-marketing. Therefore, a certain degree of standardisation is required before a wider diffusion of m-marketing or m-commerce take place. In terms of the regulatory environment, most participants believe that Australia has a more regulated environment for m-marketing in comparison to other parts of the world. One participant commented: "Australia's prime supervisions and our SPAM Act have a definite influence on what you can do in terms of marketing." However most agreed that good practice involves permission marketing. Some also believe that the opportunities are arising, as this generation hereon are more familiar with technologies and less fear towards losing privacy through using technology.

As far as managerial and organisational factors are concerned, the first and foremost challenge is "to get the creative work right". Mobile marketing content (including the language it uses) has to be compelling to draw audience. Despite what marketing academics may say, starting and developing a relationship with a consumer through m-marketing remains a difficult challenge. One commented that "one needs to keep these (young) consumers engaged…" Interviewees believe that new technologies may change this, but probably not in the short term. On the contrary, many organisations enjoyed increased sales through mobile sales promotion programs.

Conclusions and Limitations

Digital content and digital delivery of content and information are becoming ubiquitous, driven by the expanding technological capabilities and performance of delivery platforms, the rapid uptake of broadband technologies, and improved performance of hardware and software. It is clear that recent developments in handset technology and the increasingly strong move by operators to deploy 3G networks are having a significant impact on the evolution of markets for rich media content on mobiles.

The findings of the present study provide us with a clear evidence of Australian marketers' positive perceptions on m-marketing. This strategic move is consistent with the increasing importance of mobile-based electronic commerce. The findings imply that at the dawn of m-marketing, Australian marketers adopted a conservative approach to integrate the mobile medium into their media mix, as there is a certain degree of uncertainty in the environment. There is still a steep learning curve in this area of marketing as environmental, managerial and organisational factors are inextricably intertwined to determine m-marketing effectiveness. For example, regulatory environment clearly influence managerial decision in terms of how to develop user databases as a part of integrated communication strategy. Thus it is difficult to identify the main motivation however environmental factors seem to play a more prominent role than managerial and organisational.

In the attempt to provide a more objective discussion, several important limitations of this study should be recognised. Therefore, the findings of this study must be interpreted as an initial response from the practitioners in Australian market. We have much to learn about effective use of m-marketing and further empirical research is called for. For example, the factors identified in this study should be further verified and tested with empirical data.

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