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## Customizing mobile advertising: A marriage of Internet technology and marketing practice

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**Abstract:** *The multiplier effect phenomenon is a characteristic of Internet technology: internationally the Internet is the tap root of many significant developments in economic and social life. This paper was conceived during my study of one of these developments, electronic commerce (e-Commerce). E-commerce has generated a vast body of knowledge incorporating thoughts from many disciplines. This paper follows mobile marketing one of the trails in the corporate marketing dimension of e-commerce. Based exclusively on relevant professional literature, it speaks to the adaptation of certain marketing traditions to mobile devices: cell phones, personal digital assistants (PDAs), smartphones. Thus, this paper projects the marriage of technological innovation and commercial traditions: mobile devices are the technological innovation; careful composition of messages and couponing are among the commercial traditions.*

### Introduction

Electronic commerce (e-Commerce) is an offshoot of Internet technology. The rise of e-Commerce has inspired marketing innovations to improve the interaction between companies and their publics. This paper explores one of these innovations advertising on mobile telephones (mobile advertising) with emphasis on customised marketing.

Mobile telephones are among the applications in the category of wireless communication technologies. The use of these technologies has been expanding correspondingly with the growth of e-Commerce, which has been in high gear since the last decade of the 20<sup>th</sup> century. Wireless communication technologies have given rise to new advertising opportunities, changing the marketing of products and services to prospective buyers. This does not mean, however, that wireless communication technologies are causing a shift from traditional principles of marketing. On the contrary, those principles are being adapted to wireless communication technologies as they are to other integral aspects of e-Commerce. Yoon, Choi, and Sohn (2008, p. 604) observe that the approach of e-Commerce marketers reflects the traditional customer focus of marketing: like their predecessors in prior ages, e-Commerce marketers, in their practice of relationship marketing, aim at “building and enhancing relationships with customers.” Therefore, they buy technologies and techniques primarily to satisfy existing clients and target publics.

Incorporation of marketing traditions in e-commerce resonates with the thought of Montgomery (2001) quoted below, which is an argument that Internet technology, however marvellous and new it may be, is no excuse for the replacement of proven approaches and ideologies in business practice, or for expenditure on vanity change. Montgomery speaks:

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The novelty of the Internet has led many to believe that new techniques and methods must be developed to take advantage of this technology. **This is not the case.** [My emphasis]. Many methods used in promotion, pricing, forecasting, and control in marketing research for the past 30 years have been or could be applied to the Internet (p. 90).

According to *The Economist* (2007, p.n/a) “marketing wizards” agree that mobile advertising is set to overtake other forms of advertising: radio, television, print, billboards and even the Internet. *The Economist* (2007) says marketers believe mobile advertising is more relevant than all the other commonly used methods of advertising. *The Economist* (2007, p.n/a) speaks: “if marketers use mobile firms’ profiles of their customers cleverly enough, they can tailor their advertisements to match each subscriber’s habits.” In other words, mobile advertising offers much opportunity to customise advertising.

Customized advertising can be an effective influence in the construction of preference by individuals, and the authors of customized advertising have many models in the standard tool box for their work as Simonson (2005) explains:

Customized offers may take different forms. The marketer might offer the customer just one option that best fits that customer’s preferences. Alternatively, the marketer might provide the customer with several suitable options, rank ordering them in terms of fit or value or just presenting them as a set of options that fit the customer’s preferences or profile (p.37).

The phrase “number of options” speaks to a dynamic that may affect corporate designers of customised promotions for delivery via mobile advertising channels.

### Mobile advertising channels

Numerous devices deliver mobile advertising: cell phones, iPods, PDA phones and instant messaging (IM) are second nature possessions of millions of people across the socio-economic stratum in most countries. Taylor and Lee (2008, p.711) assert that “for many consumers worldwide, cell phones, iPods, PDAs and instant messaging have become indispensable” and they add to this list of instruments Bluetooth, short message service (SMS) text messages, multimedia message service (MMS), WiFi, and hotspots, which they hail as exciting new prospects for delivery of marketing messages to more publics and more diverse individuals. Tsang, Ho and Liang (2004) observe that the phenomenal popularity of mobile phones and short messaging service (SMS) has encouraged advertisement for products and services on hand held devices. They cite a survey which found that in one year alone over 100 billion SMS messages circulated internationally.

“Tailored to consumer needs” and “processed with sufficient involvement to communicate its message” are descriptions which resonate with customization of mobile marketing.

### Research

The research which grounds my literature based research is that mobile advertising has become an established branch of e-commerce, and investment in customized mobile marketing is a fair proposition for mobile operators.

### Literature Review

Mobile phones are highly personalized devices. They derive this quality from access to the Internet through wireless application protocol (WAP) the outcome of the wireless application protocol, an innovative creation by Ericsson, Motorola, Nokia, and Phone.com. According to Rysavy (2000) these companies created the WAP forum to meet two main objectives: 1) to improve menu-driven applications for small Web browsers which run on systems with limited resources, mobile phones pre-eminently, and 2) to offer operators a mechanism to control the means by which users access content and applications.

The critique of Jakob Nielsen, a Web technology consultant (cited in McWilliams, 2000, p.n/a), outlines the particularity of WAP: “WAP was designed to fit the limitations of cell phones-with small displays, no storage capacity and only limited communication speed or “bandwidth.”

According to Ozen, Kilic, Altinel and Dogac (2004) facilitating personalized information is a major concern of mobile network operators and software companies. As an example of production to this end, they note Nokia’s Artus Messaging platform.

Doculabs (cited in Meister, Shin, and Andrews, 2000, p.8) defines personalization in the digital world as “the design, management and delivery of content and business processes to users, based on known, observed, and predictive information.” That is to say, personal data issued by users are the raw material for personalized information which operators produce and transmit digitally to users.

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The effectiveness of digital world personalization depends on personalization technologies. Colkin (2001) describes four standard personalization tools to be found in portals:

- 1) Customization tools [which] let users create their own desktop work space;
- 2) Topic areas: users build profiles in subportals used to retrieve and deliver relevant information from the Web;
- 3) Rules-based personalization: Businesses create rules to provide tiered access to information; for example, a platinum user has more access to privilege than a silver user;
- 4) Observation engine personalization: clickstream data is used to recommend where to find information or help, based on traffic patterns of other users with similar profiles or surfing patterns (p. 49).

Shen and Ball's (2009) study identified three types of technology mediated personalization (TMP):

- 1) *Interaction personalization* refers to individualised courtesy and recognition behaviour in firm-customer specifications;
- 2) *Transaction outcome personalization* refers to customization of products or service offerings based on customer specifications;
- 3) *Continuity personalization* refers to ongoing customization based on adaptive learning and knowledge of customer preferences and/or goals (p.82).

Whatever the technology used, personalization is an approach to consumers. Therefore, it is one of the many variables which affect the behaviour of consumers.

In the discourse of some observers, consumer behaviour can be explained in terms of hedonism and utilitarianism. In the argument of Barnes (2007), there are two sets of consumers: consumers who are motivated by hedonic gratification, and consumers who are motivated by utilitarian instrumentality. Typically, consumers who act on principles of hedonic gratification assess products and services on their pleasure potential whilst consumers who act on principles of utilitarian instrumentality typically evaluate products and services on their usefulness including durability and longevity. In a work covering consumption and customer satisfaction, Holbrook (1994) notes that mobile advertisements activate the hedonic pleasure principle in offering consumers customised products which cater to egotistical taste. Bauer, Greyser, Kanter, and Weilbacher (1968) concluded from their studies that hedonic dynamics are a variable in the responses to advertisements by some consumers; in this respect, they observe that these consumers prefer advertisements which are more enjoyable than cut and dried informative ones. In the research based discussion of Merle, Chandon, and Roux (2008) the value of customization ties in with a special hedonic value, unique possession: consumers desire a product they consider unique. According to Fiore et al. (cited in Merle, Chandon, and Roux, 2008) this desire for a unique product is a key underpinning of customization programs.

Retail businesses try to exploit both hedonic and utilitarian dynamics in the behaviour of consumers by offerings which cater to pleasure concerns and practical objectives. I view couponing as an example of this practice.

Scholarly information on couponing is in short supply: Narasimhan (1984, p. 129) observes that "past research in marketing on coupons and their effect on consumers is rather scanty." Little appears to have changed on this point in the twenty two years since this observation. Nonetheless, it is well known that coupons are a price reduction agent: holders of coupons are entitled to a discount on the price of particular products. Reduced prices have values of pleasure and practicality: most people are pleased when they spend less than might have been the case; by spending less, they have a practical gain in the form of savings. Antil (1985) traces the birth of couponing to 1895, when, in the USA, the cereal manufacturer, C. W. Post offered a cents-off paper coupon for purchase of a new cereal product, 'Grape Nuts.' Couponing has endured. Traditionally coupons are in paper form exclusively. In the age of e-Commerce, they have become part electronic and part paper. Smith (1999, p. 42) describes the ecoupon phenomenon by reference to a California based company developed by e-Commerce experts: this company offers a site where consumers can explore discounts: "Customers in the market for deep discounts can search 24 hours a day, seven days a week, by category...geography, company name and more." Speaking about the USA specifically, Liddle (2000, p. 34) noted that "Among brick-and-mortar retailers, fast-food and other restaurants enjoy high rates of redemption for coupons obtained off the Internet."

Through e-couponing, mobile advertising potentially helps to break down the scepticism of utilitarian individuals to ownership of smartphones and other mobile communication devices. Barnes (2007) argues that consumers who are interested exclusively in utilitarian products may not be easily won over by mobile advertising. Price reducing e-coupons might persuade these consumers to give mobile devices and mobile promotions a chance in their life. In the observation of Shankar, Venkatesh, Hofacker and Naik (2010, p.115), e-coupons are becoming entrenched in the marketplace and retailers have a stake in their promotion: "Mobile coupons are gaining rapid consumer acceptance and are providing retailers with high returns on investment."

Dhar and Wertenbroch (2000) argue that the hedonic versus utilitarian considerations dynamic is a fair factor in pricing: the following extract illustrates their argument, which may collide with the idea of equitable pricing:

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Marketers ought to be able to charge premiums for hedonic goods to which consumers have adapted in some manner when the consumers are faced with a decision to discontinue consumption. For example, all else being equal, marketers may be able to add a hedonic premium to the buyout option price at which lessees of luxury or sports cars can buy their vehicles at the end of the lease term (p.69)

In Narasimhan's theory of coupons (cited in Fortin, 2000, p. 517) couponing is a strategic deployment by companies based on the division of consumers into price sensitive and non price sensitive groups. Through couponing, a company seeks to "maximise its gains" by increasing customers for products through the lure of coupons which price sensitive consumers use to reduce the retail price for themselves. That is to say, through use of coupons, price sensitive consumers personalize retail prices. Or so it might seem to their satisfaction.

### Research Significance

My proposed research follows the view that the rising popularity of hand-held devices with third generation (3G) telecommunication technology and text-messaging capabilities offers new and advantageous opportunities for marketers. Its objective is to establish a strategic program for enhancement of product visibility through hyperlinks in SMS which enable customers to download e-coupons for redemption during physical shopping. This proposition requires examination of certain issues, which I divide into "Positive Elements" and "Inhibitors" in the next two sections respectively.

### Research Significance: Positive Elements

#### SMS based advertisements

In his song of praise for SMS, Dad (2012, p. 249) identifies four key advantages: 1) "High speed text message delivery," 2) "Interactivity," 3) "More customer reach (Mass communication," and 4) "Response rate for SMS is five times more than [for] direct postal mail." Less enthusiastic, Okazaki and Taylor (2008) argue that the 160 characters limit in SMS restricts promotional presentations such that advertisements via SMS might be inferior to banner advertisements in terms of impact on consumers. In the results from their multi methods study of mobile phone consumers, Bamba and Barnes (2007) list three significant objections to SMS advertisements: 1) unsolicited, they are a violation of privacy; 2) consumers feel harassed by irrelevant text messages from mobile operators; 3) SMS ads interfere with consumer' everyday activities and important correspondence. In the light of Bamba and Barnes' (2007) discussion, e-Commerce marketers should learn and understand concerns consumers have about receiving advertisements on their mobile phones.

#### Site customization

Ansari and Mela (2003, p.132) argue that companies modify websites for two main reasons: 1) "to appeal to users or enable the users themselves to self-customize the content." They observed this phenomenon in portal sites such as Altavista and Netscape, where "Users of such sites can specify keywords of interest to filter news stories, can provide lists of stocks for which they require regular information, or can manipulate the page views themselves." In Ansari and Mela's (2003) argument, the key advantage of user-initiated customization is actualisation of user preferences and user management of their desires; its notable disadvantages are that its mechanics may be challenging for new users, and some users may not be able to analyse and express their preferences as they would like. Therefore, in the experiment within this study, on-site customization will be embedded in SMS messages. Thus, when the user clicks the hyper link, the product website will surface for the user's customization.

#### External customization

In the discourse of Ansari and Mela (2003), external customization describes an approach to cultivate website users, in which operators use communication media to disseminate content that is potentially interesting for website users. The common communication media channels include e-mails, banner promotions, and affiliate sites. Ansari and Mela (2003) emphasise the use of e-mail: "our particular application involves personalizing permission-based e-mail design and content to attract the e-mail recipients to a Web site." A major limitation of external customization via e-mails is that such e-mail messages are at risk for automatic spam mail classification and related disposal which means addressees do not see these messages. Spam mail is a well known nuisance in e-Commerce. SMS communication is not immune to it although consumers can buy protective software to counter its effects (*Marketing Week*, 2002; By, 2001; Bajay and Hitesh, 2011).

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The problem of spam mail is part of the larger issue of privacy in e-Commerce and other Internet based activities. Awad and Krishnan (2005) argue that companies with an interest in external customization for marketing should consider seriously the tension between personalization and privacy.

In other words, in the logic of Awad and Krishnan (2005), marketers might waste resources and time targeting consumers who are more concerned about unauthorised disclosure of personal data than about receiving data on products and services in the market through customized text messages.

McCartney (2003) reinforces concern about the impact of privacy concerns on mobile advertising in comments on “clouds on the horizon” for marketers who use SMS communication: according to McCartney (2003, p.n/a), increasingly, consumers are not happy with “screen clutter and invasion of privacy.” Based on the results of many studies, Carroll et al. (cited in Phau and Teah, 2009, p. 105) conclude that “the privacy issue [is] one of the biggest issues in SMS advertising; [therefore] marketers would have to implement sound relationship programs to gain customer trust in the brand before consumers are likely to respond.” That is to say, traditional promotion of the brand may be a vital precondition for the effectiveness of SMS advertisements.

### Customized text messages

Over a decade ago, Maddox (1996) spotted the emergence of customised communications in the e-Commerce environment:

As more and more companies compete in cyberspace, it has become evident that flashy text, graphics and other multimedia messages no longer will be enough to attract Web business from savvy Internet customers. Many companies, from reader’s Digest Association Inc. to radio networks, are turning to sophisticated software that lets them tailor their Web content to specific users (p.n/a).

The process, in which this “sophisticated software” is a key agent is one, in which, speaking in linear progression terms, companies gather information on existing and prospective customers, develop customer profiles from this information, and design communications, including text messages to fit these customer profiles. These text messages could present special, limited time offers and links to associated websites. To open messages with links to specific websites, users would need to have mobile devices incorporating 3G standard technologies.

According to Wood (2005), the mobile phone industry was euphoric about 3G: in the general view of the mobile industry:

3G services have brought the promise that brand marketing can reach mobile users in style....3G hopes to give brands access to elusive consumers through interactive propositions built with high quality video and audio, with more accurately targeted messages (p.n/a).

The popularity of text messaging was critical to the realisation of the expectation of the mobile industry. In their research, Ansari and Phillips (2011) found that text messages have hedonic value for some consumers who are represented by a respondent who said:

This is the joy of the text message. Unlike a phone call, it allows you to look sociable and sought after when all by yourself in public places, even if it is only your mum asking you what you want for dinner that evening (p.20).

I would argue that this egotistic reaction to text messaging is the kind of consumer behaviour that is beyond the calculation of marketers. In the discourse of Ansari and Phillips (2011), consumer behaviour can determine the fate of products:

As consumers forge cultural worlds through the pursuit of shared consumption interests, the product or set of practices may become accepted and legitimate among large swathes of consumers without explicit endeavours from any organised actors (p.35).

As with conventional culture, the cultural world of consumer behaviour has elements of innovation and tradition. So, it is no surprise that the culture of couponing exists in the cultural world of text messages in the form of e-coupons. Carter (cited in Dad, 2012, p. 249) notes that “mobile coupons for price discount can be sent through SMS for generating sales promotion.”

And Yang and Hye-Young (2012) argue that utilitarian consumers satisfy their taste for efficiency shopping when they scan mobile coupons at in-stores to save money.

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## Summary

It must be acknowledged that, as with all matters economic, positive elements are offset by limitations. In the next section, I will discuss potential inhibitors which, in the logic of the caveat emptor principle, mobile marketers should consider as they face glowing rhetoric around SMS and other aspects of the mobile phone industry. These limitations represent grounds for room for improvement in mobile marketing.

## Research Significance: Inhibitors

### Anonymity & Privacy

Issues of anonymity and privacy are unavoidable for companies which propose customized marketing for strategic promotion of sales. According to a survey reported in *Business Week* (cited in Gritzalis, 2004, p. 257) “privacy and anonymity are the fundamental issues of concern for most Internet users.” A “Los Angeles Times” article, referring to data for the USA, the world’s major consumerist society, (as cited in Fienberg, 2006, p. 144) illuminates popular concern for anonymity and privacy in the age of digitalised transactions.

Against this observation, it is understandable that many people worry about the privacy implications of e-Commerce and are willing to install protective devices against electronic intrusions which threaten their privacy. Scharl, Dickinger and Murphy (cited in Dickinger and Kleijnen, 2008, p. 34) noted this behaviour among mobile phone users:

Consumers are extremely sensitive to such services [anti spam devices] because the mobile space is considered highly personal and consumers are willing to go to great lengths to protect their mobile space.

The starting point for customized marketing is knowledge which signals consumer preferences: “After uncovering customer’s preferences, marketers can offer them what want, often even before customers know they want it” (Simonson, 2005, p.32). Of course, the information constituting “customer’s preferences” has to be reliable if it is to be effective. However, if consumers are anonymous to companies, marketers may not be able to capture reliable information about preferences of individual members of consumer publics; additionally, they will be restrained in disseminating unsolicited promotional messages. Dickinger and Kleijnen (2008) suggest that marketers might overcome the fog of consumer anonymity by collecting shopping basket data from retail stores’ electronic point-of-sale check-out systems. Dickinger and Kleijnen (2008) hold that this information provides material for the construction of target segments in the consumer public, but they acknowledge that achieving coherency from shopping basket data is a complex, challenging assignment due to the variety of retail purchases by individual shoppers. I would add to this critique that sorting out shopping basket data in order to create target segments in the consumer public might also be expensive for firms, putting upward pressure on retail prices as they recover costs from customers.

### Spamming

The well known and much covered problem of spamming is a logical sequel to the previous discussion of anonymity and privacy. Most mobile users like most Internet users dislike the experience of spamming in which they receive unsolicited messages of one kind or another, some of it offensive or unpleasant. Wary of spamming, many users, as mentioned in the prior section, install barriers to unwanted bulk electronic mail. In order to ensure that their promotional messages are not stopped by these barriers and thus, fail to reach their addressee, marketers should arrange customers’ permission. Waring and Martinez (2002) recommend the use of permission based e-mail. In terms copied from Meta Group, they define permission based e-mail as “A promotional e-mail whose recipient consents to receive commercial messages from the sender, typically by signing up at the company’s website” (p.58).

In their discussion of mobile advertising strategies, push and pull, Wilken and Sinclair (2009) cite the opinion of Barnes and Sconavacca, and Kavassalis et al. that consumer consent is a vital consideration for mobile marketers; they observe that “mobile advertising is sometimes referred to in the professional literature as ‘permission based’ marketing” (p. 431). Wilken and Sinclair (2009) also note that consumer consent for despatch of promotions via electronic communication is legally binding: for example, in the European Union (EU), this consent falls under an EU directive. For reasons related to the sales generation effect of promotions, Scharl, Dickinger and Murphy (2005) advise mobile marketers to be wary of spamming: “Unsolicited messages, commonly known as spam, stifle user acceptance, particularly as mobile phones cannot distinguish between spam and genuine communication automatically”(p.168). In other words, the experience of spam can taint all promotional messages in the eye of users.

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### Bandwidth

Typically, the efficiency of mobile communication has been constrained by unreliable, low bandwidth, which affects the capacity and speed of data throughput. 3G services and unlimited data plans offer mobile marketers some relief from the bandwidth straitjacket, and mobile bandwidth will undoubtedly improve as the telecommunications industry lays down more fibre. A Rogers Wireless vice president (cited in Levy, 2010, p.n/a) expects bandwidth enhancement from the development of fourth grade (4G) technologies: he says “4G is fundamentally a much faster pipe....And a faster pipe will allow us to do a lot of things that we can't even imagine today.” While they await this future, mobile marketers must continue to recognise the reality of bandwidth limitation and scale messages so that intended recipients receive pertinent information on schedule.

With respect to existing bandwidth imposition on space for messages, mobile marketers could hardly do better than follow the advice in Shankar and Balasubramanian's (2009, p.127) essay on mobile marketing: “A mobile message will be most effective if it is brief, memorable and well-coordinated with time and the user's location.” Supportively, Varnali, Yilmaz, and Toker (2012, p.577) concluded from their field study that “the relevance of the message” is a determinant of “success in mobile advertising;” that careful calculation of user interests before sending messages improves return rates and facilitates a viral impact of mobile advertising through forwarding of advertisements through text messages and emails.

### Media cost

Media cost is per se a brake on implementation of marketing strategies by telecommunication companies. According to Scharl, Dickinger, and Murphy (2005) the cost of maintaining databases for customer profiles and preferences should be the key metric for cost analysis by mobile marketers as they plan customized advertisements. Mobile marketers also have to take into account the overall cost of mobile operators.

Ying-Feng and Ching-Wen (2006) point out that a significant cost for mobile operators is the cost of a 3G licence to incorporate this state-of-the art technology. Internationally, for some operators this “heavy cost” has also been a bitter pill, because the consumer take-up of 3G related services has not happened to the extent that was expected in the strategic planning phase. marketi

### Summary

None of the limitations I have discussed is likely to be fatal to the sustainability of mobile marketing because the outlook is decidedly optimistic for the mobile phone industry. Take the upbeat comments of Kaplan (2012, p.1371): “Mobile devices will likely penetrate the world with increasing pace, becoming the only means of communication that allows the global reach of customers in different countries and demographic groups.”

### Research Methodology

The research for information to underpin my thesis was entirely literature based to review professional opinion of the history and prospects for the mobile phone industry and mobile marketing. Historical literature helps one to trace the development of the mobile phone industry within the larger context of e-Commerce. Futuristic literature reveals various thoughts on the growth of mobile marketing, a subset of the discipline of marketing. Having accepted the idea that mobile phone possession is individualistic, hedonic behaviour, I paid much attention to customization of mobile marketing.

My literature consultation was with online journals published on databases which the academy has incorporated in its library system. My work reinforces the view of Varnali and Toker (2010): “Mobile marketing articles are scattered across various journals in many disciplines such as management, marketing, business, engineering, information technology, information systems, finance, and operations research” (p. 145). The main databases which I visited were ABI/INFORM Global and ScienceDirect. In the case of the latter, articles derived from Elsevier proved interesting and instructive.

### Conclusion

After their study of mobile marketing, Varnali and Toker (2010) asserted that “the stream of research [on mobile marketing] is still in the development stage hence [it] is highly inconsistent and fragmented” (p.144). Notwithstanding this cautionary observation, the literature accumulating from this “stream of research” bears witness to the intensifying importance of mobile devices—cell phones,

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PDA's, smartphones—in a digitalised world. And students of mobile marketing have no better resource for their study than this literature. Thus, this paper has been constructed on the most reliable basis available for its thesis on mobile marketing.

The argument I have developed in this paper is tripartite: first, use of mobile devices for communication is settled practice internationally, 2) the ubiquity of mobile devices has generated the mobile marketing subset of corporate marketing, 3) investment in mobile marketing appears justified given both the existing popularity of mobile devices and the optimistic outlook for their sustainability in consumer behaviour.

At the end of this work, a few questions arise as attachments to the thesis that mobile marketing is a viable proposition in e-Commerce:

- Mobile marketing might overtake conventional email as a promotional medium.
- Mobile marketing might chime particularly well with hedonic consumers.

These questions add value to this paper, making it a starting point for further study of mobile marketing.

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