



The Short Code
Marketing
Opportunity

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In August 2008, Barack Obama's presidential campaign made either history or political spectacle when it attempted to announce Joe Biden as the vice presidential candidate over SMS text message. Before the campaign could send the text message announcement to supporters, mass media scooped the news and broke the story, but the magnitude of the campaign's mobile efforts is noteworthy.

Nielsen estimates that the Biden text was received by 2.9 million mobile phone users in the U.S. over the course of that weekend last August, making it one of the biggest, broadest mobile marketing stunts to date.

Why make such an important announcement over a text message, though? It's no new insight that the media landscape exploded in the past decade to yield dozens of new marketing channels. Why tap text messaging as the outlet for one of the campaign's most important messages? Surely not for buzz alone ...



The Biden announcement over texting is a highly visible example of short code marketing—marketing messages sent over text message through a Common Short Code (CSC), or short code. A short code is essentially an abbreviated phone number used for text (SMS) and multimedia (MMS) messaging. Today, short codes are used not just for marketing vice presidential candidates but for marketing TV shows, cars, soda, deodorant and dozens of other goods and services. In the past two years, the medium has become a mainstream marketing vehicle, so much so that Obama’s use of the medium yielded not just buzz but also a large and engaged audience for the Biden announcement. In this article we further explain short code marketing, the audience and what the marketing opportunity is for this growing channel.

As of Q3 2008, 203 million of the 263 million U.S. wireless subscriber lines paid for text messaging either as part of a package or on a transaction-basis. From a penetration and usage perspective, The Nielsen Company estimates that 57 percent of all mobile subscribers ages 13 and older use text messaging on a regular basis. Text messaging has become so popular, in fact, that U.S. mobile subscribers now send and receive more text messages in a month than they make phone calls.

Nielsen recently reported that as of Q2 2008, mobile subscribers sent or received an average of 357 text messages per month, compared with placing 204 phone calls. That’s not to say that a good old fashioned phone call has become less popular—that average has stayed fairly consistent over the past two years (from 216, on average, in Q2 2006)—but the average number of text messages sent or received has increased 351 percent, from 79 text messages sent or received, on average, in Q2 2006. (See Table 1.)

Demographically speaking, teenagers average the greatest number of text messages sent or received, at 1,742 messages per month in Q2 2008. Still, even a typical U.S. mobile subscriber between the ages of 35 and 44 will now send or receive more text messages, on average, than make phone calls. (See Table 2.)

This goes to say that text messaging has embedded itself in the American communication lifestyle. For that matter, texting has been an important part of the mobile experience internationally as well. Nielsen’s most recent estimates for text message use in 12 countries show that, while 53 percent of American mobile subscribers send text messages each month, texting is even more ubiquitous in countries such as Italy and China. (See Table 3.)

Table 1

Average Number of Monthly Calls vs. Text Messages Among U.S. Wireless Subscribers		
	Calls	Texts
Q1 2006	198	65
Q2 2006	216	79
Q3 2006	221	85
Q4 2006	213	108
Q1 2007	208	129
Q2 2007	228	172
Q3 2007	226	193
Q4 2007	213	218
Q1 2008	207	288
Q2 2008	204	357

Source: The Nielsen Company

Table 2

Average Number of Monthly Calls vs. Text Messages Among U.S. Wireless Subscribers by Age (Q2 2008)		
	Calls	Texts
All Subs	204	357
12 & Under	137	428
Ages 13–17	231	1742
Ages 18–24	265	790
Ages 25–34	239	331
Ages 35–44	223	236
Ages 45–54	193	128
Ages 55–64	145	38
Ages 65+	99	14

Source: The Nielsen Company

Table 3

Latest Text Message Usage Estimate by Country	
	Text Message Use Among Wireless Subscribers (Past 30 Days)
Russia	88%
Switzerland	85%
Italy	78%
Spain	76%
United Kingdom	76%
China	72%
France	71%
India	63%
Germany	60%
Brazil	60%
United States	57%
Canada	53%

Source: The Nielsen Company. EU data Q3 2008, US Data Q3 2008, BRIC and Canada data Q1 2008. BRIC data includes urban populations only.

Given the immense popularity of texting in the U.S. and abroad, it's not surprising that marketers have ramped up their use of the medium to engage their customers. Where there's an audience, marketers are not far behind. Texting has been no different.

How Does it Work?

In the U.S., short codes are administered by the Common Short Code Administration (CSCA), a service of CTIA – the Wireless Association®, a trade group for the wireless industry (www.usshortcodes.com). Upon application and an annual fee, the CSCA leases short codes, usually five- or six-digit phone numbers, to marketers and media companies. Under agreement with the CSCA, these codes are managed and hosted by a company called NeuStar. Short codes can be either selected, “vanity” codes (62262, “O-B-A-M-A”) or random digit codes. While selected codes are more expensive to lease, they are easier to remember and more effective for branding purposes. For branding purposes, though, it is recommended that both the number sequence and the vanity spelling be placed in marketing materials due to the expanding prevalence of QWERTY keypads on smartphones and the resulting challenge of letter to digit translation.

In addition to actually acquiring a short code number, marketers are required to use short codes in ways that comply with guidelines set forth by an organization called the Mobile Marketing Association (MMA) (www.mmaglobal.com). The guidelines highlight the advertising and promotion of content, opt-in and opt-out requirements, and general conduct on customer resolution and word of mouth marketing.

The process of executing a short code marketing campaign is actually very easy thanks to a number of firms that have emerged as valued partners and simplified the process. This leaves a marketer to focus on the best way to engage their customers 160 characters at a time, the current length limitation on each text message. For more information on whom to partner with and how to execute a short code marketing program, visit the CSCA website (www.usshortcodes.com) or the MMA's Consumer Best Practice Guidelines (www.mmaglobal.com/bestpractices.pdf).

How Are Short Codes Used by Marketers Today?

Thus far, marketers have used short code marketing in a tight but creative range of ways: from simple information messaging, to rewards programming, to couponing and even direct SMS purchasing.

Along with Obama's text message to 2.9 million subscribers announcing Joe Biden as the V.P. pick, Coca-Cola has engaged in some of the most prominent short code marketing in the past year. As of Q3 2008, 1.1 million AT&T and Verizon Wireless customers were actively text messaging with Coca-Cola as part of their My Coke Rewards program.

Through My Coke Rewards, Coca-Cola customers collect unique codes found on various Coca-Cola products and enter them into an account they've registered at mycokerewards.com. When they reach certain point levels, they are able to redeem points for rewards. The mobile component of the program allows consumers to enter the codes over their mobile phone on the go. Coca-Cola's mobile users typically send and receive about 32 messages a month to Coca-Cola.

Importantly, it's not just kids or teens who are an active audience for short code marketing. In the Coca-Cola example, nearly half (47 percent) of users were 35 or older. That age diversity is not unique to Coca-Cola either. Overall, 53 percent of those engaging with free (standard rate) short codes, such as those used by brands in marketing, are sent by texters 35 and older. For an audience accustomed to traditional channels of marketing, it seems, the opportunity to engage with brands in a new way is a welcome experience.

Rewards programs are one way to ensure that a short code marketing campaign creates an engaging consumer experience; another logical opportunity is in couponing.

When a chain of Ashley Furniture Homestores in the Carolinas wanted to bolster sales during a slow period this summer, they sent 6,000 text message coupons to customers who had opted

in to receive information about special offers. Billed as a four-day "secret sale," the chain of eight stores also sent nearly 29,000 e-mails to promote the sale. And the text message campaign ended up paying off. The chain says that \$85,000 of the \$135,000 in revenue generated from that sale was attributed to the SMS coupon, further estimating that for every \$1 they spent in executing the text message campaign, they generated \$122 in revenue.

Ashley Furniture Homestores is not alone. Subway, Arby's, Jiffy Lube, BestBuy, Papa Johns, Village Inn and other major brands have provided special offers through text and multimedia messaging. For most brands, Ashley Furniture Homestores included, mobile coupons are sent as text message codes that can be entered manually by a store cashier. Alternatively, brands may consider using text messaging's brother, multimedia messaging (picture, video messaging) to send barcode coupons that can be scanned as a traditional paper coupon might. Earlier this year, in one of the first mobile barcode couponing efforts, the Mt. Bachelor Ski Resort in Oregon distributed barcode coupons over mobile phones, promoted through an opt-in alert system that provided customers with updates of weather conditions at the resort. The coupon rendered on users phones as a barcode that could be scanned at the resort for discounts. The barcodes could be read as coupons by the resort's existing scanning software, with no technical or software changes to either the user's phone or the registers.

As more and more companies turn to text messaging as a means of marketing, Nielsen tracks the audiences of short codes through the world's largest telecommunications bill panel—an opt-in panel of more than 50,000 lines in the U.S. from which Nielsen tracks all billing activity, including text messages sent and received, applications and games downloaded and other aspects of a subscriber's billed mobile usage. Nielsen is able to report on the short code audiences, at the individual short code level, for AT&T and Verizon Wireless. These insights are delivered through Nielsen's Messaging Report, a quarterly report of audiences across dozens of leading U.S. short codes.

In addition to Coca-Cola and the Obama campaign, a number of other marketers appeared in Nielsen's Q3 2008 Messaging Report.

- Papa John's, Domino's Pizza and Pizza Hut all allow customers to register ordering details online and then order pizzas over text message. Nielsen estimates that 552,000 AT&T and Verizon Wireless subscribers texted with Domino's Pizza, 279,000 texted with Pizza Hut and 182,000 texted with Papa John's in Q3 2008.
- Foot Locker sends special offers to its "VIP program" participants—they sent those texts to approximately 306,000 AT&T and Verizon Wireless subscribers in Q3 2008
- Subway's FRESHBUZZ service allows Subway customers to receive news and promotions via text message. Nielsen estimates that Subway sent these sandwich deals and news flashes to 212,000 AT&T and Verizon Wireless subscribers in Q3 2008.

Short codes are changing the way we engage with traditional media, as well. Participation TV falls into this realm, of course, with American Idol being the most prominent example of viewers engaging with a TV program over text messaging. In participation TV, viewers vote for contestants, play along at home or get additional information about a television program via SMS text messaging. Already millions of mobile subscribers in the U.S. and abroad are participating with their favorite TV shows over text messaging—some at standard rates and some paying a premium for the opportunity to vote or enter sweepstakes.

Radio listeners are increasingly called to action via text message, too. Short codes allow listeners to enter contests, find local (advertiser) deals and engage with their favorite radio personalities. In Q2 2008, Nielsen's tracking of short codes showed more than a million transactions with the short code "A-L-I-C-E" or 25423, a short code assigned to the station Alice 97.3 KLLC-FM in San Francisco. Alice listeners are frequently invited to send text messages directly to the studio to make requests, win prizes and enter polls. KLLC isn't the only station leveraging the engagement of SMS. All around the country, local radio stations are ramping up their short code efforts, evidenced by their increasing prevalence in Nielsen's short code audience measurement. In Q3 2008, more than two dozen local radio stations attracted large enough SMS audiences to appear in Nielsen's national Messaging Report.

Text messaging is even starting to play a role in the most traditional of media—print and outdoor. Increasingly, these ads will include a call to action to have consumers send a text or picture message to a common short code. The most interesting case of this may be with two startups bringing short code marketing to print in ways that further engage consumers with the print advertising of a brand: ShopText and SnapTell. Both companies have a similar model of working with print publications to embed SMS interactivity into their publication. The former uses straight text messaging and keywords to allow readers to request info, coupons and samples over text messaging. Hearst Magazines has used it with partners in CosmoGirl, SmartMoney and other magazines. The latter, SnapTell, has a similar concept but allows users to take a picture on their phone (76 percent of U.S. mobile subscribers had a picture phone as of Q3 2008) and send it over multimedia messaging to a short code in order to receive information, discounts or even free samples. These companies, and other related startups, are ensuring that the pervasiveness of the text message and its uniquely engaging capabilities are deployed across the media and advertising spectrum.



Is Short Code Marketing Effective?

For all this texting, it's fair to wonder what effect short code marketing could have on consumers. For that matter, how do consumers feel about talking to brands in the same way they talk with their friends and family?

According to Nielsen's Q2 2008 Mobile Advertising Report, 16 percent of text messagers in the U.S. see some form of text message advertising every month. Teens, in their endless texting, are the most likely to engage with some form of short code marketing—35 percent of teen texters say they see some form of text message advertising every month. African-American and Hispanic mobile subscribers are also more likely than the typical texter to engage with some form of text message advertising in a month, 24 and 23 percent respectively. (See Table 4.)

Of those text messagers who recall seeing some form of advertising while using text messaging, 45 percent say they have responded. Furthermore, the most popular response action to any type of mobile advertising (text, mobile web, video, etc.) in Q2 2008 was actually to send a text message. Among mobile subscribers who saw any form of mobile advertising in the quarter, 25 percent say they responded at least once by sending another text message—emphasizing the interactivity and engagement this medium presents.

Table 4

Recall of Any Text-Message Advertising Among Texters by Age and Ethnicity (Q2 2008)	
	Recall Any Text Ad
All Subs	16%
Ages 13–17	35%
Ages 18–24	18%
Ages 25–34	16%
Ages 35–54	12%
Ages 55+	10%
White	13%
Hispanic	23%
African-American	24%
Asian/Pacific Islander	20%

Source: The Nielsen Company



What's Next?

As text messaging further expands in the U.S. (it's hard to imagine a time when we'll each average more than the current 357 message per month, but it will come), so too will the opportunity to engage with customers over this highly personal and interactive medium.

Today, consumers look at every text message they receive. For marketers, that presents an immense opportunity, yes, but also an obligation to not contaminate this marketing and communications channel.

Marketers should look at SMS and see an opportunity to engage with a core customer base in a new and unique fashion. Short code marketing has the potential of a mass medium but requires a personal execution. Short code marketing, perhaps more than any other advertising medium today, is as simple as a conversation.

We believe short codes are at the fulcrum between traditional media and mobile media—creating opportunities for marketers

and media companies to leverage the reach and consumption levels of traditional media to drive a more personal interaction and engagement through the mobile phone. This interplay will do more than drive engagement, though, as it will also help us better understand the efficacy of these traditional forms of media. In that regard, short codes will continue to be not just a medium, but also a metric.

We are bullish on the short code marketing opportunity, spurred on by expanding consumer adoption and frequency as well as continued media innovation by agencies and marketers. The market for short code marketing will expand quickly—underscoring the importance of the Common Short Code Administration and the Mobile Marketing Association's efforts to organize efforts in this burgeoning medium.

At Nielsen, we look forward to ongoing tracking of this rapidly evolving audience. In the meantime, good luck 2 u.

About Nielsen Mobile

Nielsen Mobile, a service of The Nielsen Company, is the world's largest independent provider of syndicated consumer research to the telecom and mobile media markets. Nielsen Mobile focuses exclusively on tracking the behavior, attitudes and experiences of mobile consumers; their reports also provide up to seven years of data on Internet, video, gaming, audio and advertising trends for mobile phone users. Nielsen's technology-driven research provides unique and holistic insight into how mobile customers use their devices and what they think about brands, devices and services.

About The Nielsen Company

The Nielsen Company is a leading global information and media company providing essential integrated marketing and media measurement information and analytics and industry expertise to clients across the world. Nielsen maintains leading market positions in marketing and consumer information; television, online, mobile and other media intelligence; and trade shows and business publications (Billboard, The Hollywood Reporter, Adweek). Nielsen is a privately held company and is active in more than 100 countries, with headquarters in New York, USA. For more information, please visit, www.nielsen.com.

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