

To quote: Leppäniemi, M., Karjaluocto, H., and Salo, J. (2004), "The success factors of mobile advertising value chain", *E-Business Review IV*, pp. 93-97.

## **THE SUCCESS FACTORS OF MOBILE ADVERTISING VALUE CHAIN**

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### **ABSTRACT**

This article aims to obtain a comprehensive understanding of mobile advertising (m-advertising) value chain from industry's point of view on one hand, and from consumer's viewpoint on the other hand. In this paper the authors develop a model describing the critical success factors of m-advertising value chain. This 5C model of m-advertising value chain indicates that the management of the five Cs is vital in defining business models in the m-advertising landscape. These five Cs are content, cross-media marketing, campaign management, customer database, and carrier cooperation. The paper further analyses the conceptual discussion of m-advertising and provides a coherent explanation of m-advertising.

### **INTRODUCTION**

The recent evolution of telecommunications technology has paved the way for m-advertising to become an increasingly important element in the marketing mix in the coming years. Despite all the attention paid to m-advertising, only a few academic researchers have provided useful insights into this area. This may derive from the fact that the m-advertising market is in its infancy. Researchers have not even agreed whether the focus should be on internet-based advertising in the wireless devices (PDAs, WAP) or in the telecom sector (ads delivered via telecom networks). In the US the researchers have mainly focused on the wireless internet-based advertising whereas in Europe m-advertising has merely been understood as SMS and MMS based telecommunication (Add2Phone 2003, Enpocket 2002). These two views form very different basis for business models, for instance.

This article aims to cast light on the challenges and future directions of m-advertising value chain by evaluating its success factors and developing a model that helps researchers and managers to better understand the critical components of this value chain. The following section provides insights into the conceptual discussion of m-advertising. The subsequent section discusses on the main players and their roles in m-advertising value chain. The final sections outline the main findings and their implications to both theory and practice.

### **CONCEPTS IN MOBILE ADVERTISING**

There exists no commonly accepted definition for the concept 'mobile advertising'. For instance, one of the largest professional associations for marketers, the American Marketing Association (2003) does not give any definition for mobile or wireless advertising. The Mobile Marketing Association (2003), the premier global association that strives to stimulate the growth of mobile marketing and its associated technology defines m-marketing as the use of the mobile medium as a communications and entertainment channel between a brand and an end-user. Mobile marketing is the only personal channel enabling spontaneous, direct, interactive and/or targeted communications, at any time, and at any place. Basically, mobile marketing can be seen as the process of planning and execution conception, pricing, promotion, and distribution of products and services through the mobile channel (IMAP 2003). However, it is valuable to make a distinction between mobile marketing and mobile advertising.

According to the IMAP (2003) mobile advertising is defined as "the business of encouraging people to buy products and services using the mobile channel as medium to deliver the advertisement message". This definition overemphasizes the process of buying instead of fully elaborating the substance of the advertising concept. Thereby, we should place emphasis on the influence of the message in the traditional sense of advertising. The definition of advertising provided by the American Marketing Association (2003) is as follows: "The placement of announcements and persuasive messages in time or space purchased in any of the mass media by business firms, nonprofit organizations, government agencies, and individuals who seek to inform and/or persuade members of a particular target market or audience about their products, services, organizations, or ideas." According to the Merriam-Webster Dictionary (2003) advertising is defined as follows: "Advertising is the action of calling something to the attention of the public especially by paid announcements."

At the basis of the citations above and the common characteristics of mobile media we suggest that *m-advertising* can be defined as *any paid message communicated by mobile media with the intent to influence the attitudes, intentions and behavior of those addressed by the commercial messages.*

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In addition, to avoid confusion concerning the concept of m-advertising, it is valuable to clarify the concepts of mobile advertising and wireless advertising. While m-advertising refers to use of mobile channel as a medium to deliver the advertisement messages to mobile devices, wireless advertising can be seen as a wireless internet and online advertising in the first place (Paavilainen 2002, Barnes 2002).

Basically, mobile advertising can be divided into two main categories; push and pull advertising (Barnes 2002, Paavilainen 2002). Advertising that is "pushed" to the users' devices is generally used in conjunction with mobile advertising. Push advertising may be unsolicited such as special promotions delivered by SMS to users within the context of an existing customer relationship, or it may be solicited where users agree to have certain services or promotions pushed to them at certain times (sponsored sports score alerts, for example). Pull advertising, on the other hand, is defined as an advertising that is attached to content or services that users request or "pull" to themselves. For instance, when a customer requests the local weather from mobile service provider, the content of the response, including any related advertising, is pull advertising.

## **M-ADVERTISING – A VALUE CHAIN ANALYSIS**

At first glance, one might consider that two different and quite distinct industries constitute the m-advertising industry: advertising and telecommunications. Looking more closely at the industry, we see that the emergence of m-advertising has been mainly driven by mobile marketing companies and technology providers. Traditional advertising players such as ad agencies and media agencies are ignorant of effective utilization of mobile channel at the moment (IMAP 2003). While traditional advertising and telecommunications are well established and have their own 'best practices' and revenue models, the m-advertising has failed to integrate these two different industries.

To analyze the m-advertising market, it is necessary to understand who the key players are. The main players in the m-advertising value chain are the advertisers, the m-advertising companies, the media owners, the traditional advertising agencies, the network operators / carriers, the technology providers and the customers. The advertisers are the one of the most important players in this value chain. The revenue that flows through the value chain is based mainly on payments that the advertisers make to the m-advertising companies for implementation of the m-advertising campaign. Traditional advertising industry is focused on generating revenues from commissions and fees paid by advertisers, but in m-advertising those players are excluded in most cases. Media owners play an important role in this value chain. They own the databases of permission-based mobile numbers which is a prerequisite for delivering m-advertising in the area of the European Union (EU). The network operators have an important role in the value chain by controlling the distribution channel. Modern and innovate technology provides glue to the value chain. The m-advertising technology must be seamlessly integrated into the telecommunications ecosystem (e.g. location based services) and all the time cope with an increasing set of different protocols (SMS, MMS, WAP, J2ME, etc.), a wide variety of handsets, high capacities and availability. However, it is valuable to understand that customers' acceptance is the main factor that defines the future of m-advertising. Without consumers' willingness to receipt the messages, m-advertising will not survive.

## **THE 5Cs: CONTENT, CROSS-MEDIA MARKETING, CAMPAIGN MANAGEMENT, CUSTOMER DATABASE, CARRIER COOPERATION**

At the moment m-advertising value chain is fragmented. The nascent industry has so far failed to build a consensus on the form of the value chain nor generated a reference business model that is sustainable (IMAP 2003, Gelembe 2003). For m-advertising to succeed, business models that can capture the synergy of two existing industries, advertising and telecommunications must be conceived. In any future sustainable business model, all players will have to reach a consensus on the structure of the value chain and on the importance of each player in that value chain. In the following section, we will present the 5C model that provides a deeper understanding on the factors that are critical to the value chain creation. The basic idea of the 5C model shown in Figure 1 is that each C adds value in m-advertising value chain. The 5C model provides a management tool that helps m-advertising players to build up a value chain that form a full business scenario.

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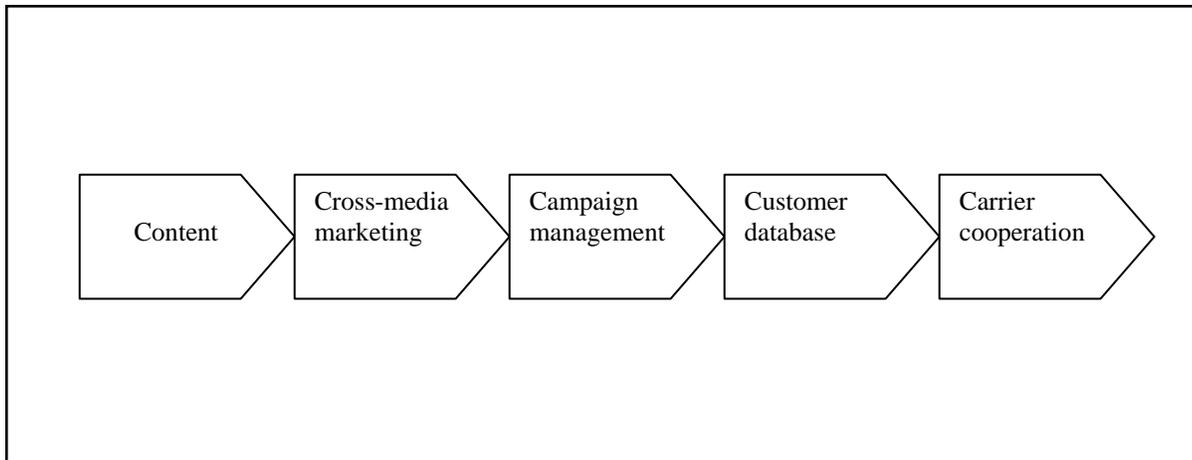


Figure 1. The 5C model of mobile advertising value chain

Firstly, *content* is a key factor in creating a mobile service that attracts the users and keeps them coming back (Paavilainen 2002). We should bear in mind that the golden rule of all advertising 'content is the king', is also valid in m-advertising. To communicate effectively, marketers need to understand the critical elements underlying the m-advertising. Various studies have found that time sensitiveness, personalization (DeZoysa 2002, IMAP 2003) and location awareness (ELBA 2003, Varshney 2003) are the key elements of successful mobile services, especially m-advertising (Barnes 2002, ELBA 2003, IMAP 2003, Yunos et al. 2003). In addition, the personal nature of the mobile phone makes the content of advertisement extremely critical. For instance, spamming via mobile media is especially invasive compared to spam received via other channels and devices (Craft Digital 2003).

Secondly, *cross-media marketing* refers to the idea that mobile advertising is not a lonely island in a sea of different media. Mobile media does not work alone but it needs traditional media in order to thrive. According to Paananen (2002), mobile advertisers can use the other medium to explain their service, and then use mobile media to remind people to use it, or point out new, better features. The goal of m-advertising is to push the consumers to the point of sale. Therefore the message is real a call to action. In addition, the effective utilization of traditional media skills and advertising expertise provided by traditional advertising players is decisive for the future success of m-advertising. This include consolidated relationships with advertisers, a long experience of different advertising and media channel integration, as well as the management of the committed budget that are prerequisites for effective implementation of multi-channel campaign (IMAP 2003).

Thirdly, *campaign management* refers to the idea that m-advertising technology that enables campaign execution and analyzing is one of the main success factors in m-advertising (IMAP 2003). Technology piece involves more than just the sending of text or multi-media messages. According to Gelembé (2003), there are two key components to the technology. The first component is the direct connections to the network operators, allowing for message delivery and receipt. The other component is a technology platform that builds the necessary layers of intelligence into the campaign, creating different campaign mechanics such as point collection, m-coupons, and reporting on campaign progress. The campaign management technology enables campaign execution and analyzing.

Fourthly, *customer database* refers to the fact that mobile marketing is permission-based in the area of the EU. In year 2002 EU approved a new directive (2002/58/EC) for establishing standards for the processing of personal data and the protection of privacy in electronic communications sector. The new directive adopts an opt-in approach, which means that the end users must give prior permission before been sent unsolicited messages via electronic communications for marketing purposes. However, within the context of an existing customer relationship, it is allowed to use the electronic contact details to offer similar products or services, but only under an opt-out rule. Thus, the media owning or the immediate access to the customer database of permission-based mobile numbers is a prerequisite to the successful m-advertising. In most cases m-advertising companies are prime providers of mobile media sales, and act as aggregators of permission-based mobile numbers.

Fifthly, *carrier cooperation* refers the idea that carriers / network operators have expertise and knowledge of mobile service delivery. They control the distribution channel and location-based services by allowing for message delivery and receipt. Mobile advertising companies should partner network operators to deliver effective advertising to their customers.

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To sum this up, m-advertising industry is about creating advertising campaign interaction with ad agency and other medium and producing messages to the needed format by m-advertising specific technology and delivering permission-based advertising to the end users via mobile channel.

## CONCLUSION

The objective of this article was two-fold. First, this article cleared up the confusion of unfixed definitions by giving a coherent explanation of m-advertising. Secondly, the article examined critical success factors of m-advertising value chain from various viewpoints. The analysis of the m-advertising literature revealed that any explicit definition of the m-advertising does not exist. Therefore, we opened up the concept of m-advertising for discussion. On the basis of what we have read and written about m-advertising, we suggest that mobile advertising can be defined as *any paid message communicated by mobile media with the intent to influence the attitudes, intentions and behavior of those addressed by the commercial messages*. This derives from the fact that the fundamentals have not changed in the field of advertising, as Kotler (1997) has declared: "Senders must know what audiences they want to reach and what responses they want. They must encode their messages in a way that takes into account how the target audience usually decodes messages." Thereby 'good' m-advertising refers to information that the receiver regards as value-added. Good m-advertising does not anyhow annoy the user in regard to time, place or the use of one's personal information.

Our evaluations showed that the emergence of mobile advertising has been mainly driven by mobile marketing companies and technology providers, i.e. those who stand to benefit most from the market creation and adoption. Until now, those players have not succeeded to integrate the different worlds of mobile operators, advertising agencies and advertisers. This has resulted in a situation where m-advertising industry is rather fragmented. The emerging industry has also failed to build a consensus on the form of the value chain nor generated a reference business model that is sustainable. A comprehensive understanding for each other's contribution in the value chain is critical to accelerate the progress of m-advertising.

The theoretical contribution of this article lies in outlining the important players and success factors of m-advertising and in providing a framework within the critical success factors of m-advertising value chain can be assessed. In a nutshell, we developed the 5C model of m-advertising value chain. The 5 Cs in the model presents the critical element in the planning and implementation of m-advertising campaigns, because each five Cs adds the value delivered to the customers. The 5C model refers to the fact that the power of all five Cs we labeled, Content, Cross-media Marketing, Campaign management, Customer database, and Carrier cooperation, are vital to take in consideration when utilizing the potential revenue-generating opportunities in m-advertising value chain. First, we argued that the golden rule of all advertising 'content is the king' is valid also in m-advertising. To obtain a true marketing effectiveness, mobile advertising must be structured to reach the right people with relevant content when it matters most to them. Secondly, we claimed that mobile medium complements other forms of advertising such as internet, TV, radio and print. Therefore, those medium should be integrated with m-advertising combining the strengths of the various media into one package. Thirdly, campaign management refers to the fact that m-advertising specific technology is a prerequisite for effective conduction of m-advertising campaigns. Fourthly, we argued that m-advertising companies have to own a direct access to the databases of permission based mobile numbers, which referring to the fact that m-advertising is permission-based in the area of EU. Finally, we claimed that cooperation with carrier / network operator is needed in the mobile context to deliver m-advertising to the customers. Based on the 5C model, it can be stated that in any future sustainable business model, all players have to reach a consensus on the structure of value chain that capture all the above mentioned elements.

We believe that this article strengthen new ground and opens new dialogues on multiple unexamined issues concerning m-advertising industry. At the dawn of the m-advertising market researchers and players involved in m-advertising need beacons that not only illuminate the evolving market but also guide to the right way to ascent. This is what we believe our discussion and the proposed model are for. However, the phenomenon under exploration needs different kinds of case studies and surveys to develop and refine the 5C model to better understands the fundamentals behind m-advertising value chain.

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