Planning and implementing effective mobile marketing programs

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Abstract   Mobile marketing is an ever increasingly important component of a firm’s overall promotional strategy. The importance of this medium can be seen through time spent on mobile media, number of searches, and direct and indirect mobile-generated sales. Despite its increased importance, the effectiveness of mobile marketing needs to be improved based on such metrics as bounce rates, add-to-cart rates, shopping cart abandonment, and average order size. Strategies to increase the effectiveness of mobile marketing are discussed. Firms need to capitalize on the three major strategic advantages of mobile marketing: (1) the fact that mobile marketing devices are always on, always connected, and always with the consumer; (2) the ability to generate location-sensitive offers; and (3) the ability to send relevant personalized messages and offers. Firms also need to develop and implement an effective mobile marketing strategy through a series of activities. These include understanding and reacting to the complexity of mobile marketing, designing sites based on ease of use versus ‘bells and whistles,’ increasing opt-in rates, using effective customer engagement strategies, and developing effective mobile coupons. Criteria to evaluate the effectiveness of mobile marketing are discussed.

KEYWORDS
Mobile marketing; Smartphone marketing; Mobile coupons; Geofencing; Beacons; Opt-in

1. The current state of mobile marketing

For a majority of consumers, mobile devices have surpassed both desktop and laptop computers as the principal gateway to the Internet (O’Kane, 2013). Mobile phones and tablets now account for about 44% of all personal computing time, twice the level of 2008 (Duncan, Hazan, & Roche, 2014). According to one source, just over one-half of all searches on Google are now performed on mobile sites (Graham, 2015). A recent Deloitte study found that smartphone devices influenced almost $600 billion of in-store purchases, up from $159 billion in 2012 (Haims, 2015).

According to Shop.org/Forrester Research Inc.’s State of Retailing Online study, 58% of the retailers surveyed placed mobile marketing as their highest...
priority. The second-highest rated priority was omnichannel efforts, such as buying online and picking up in-store and ship-from-store (Forrester, 2015). The rapid growth of mobile marketing, as well as its impact on traditional shopping behavior, contribute to its overall importance as a promotional medium.

Despite the increased usage of mobile marketing by firms and consumers, there is evidence of poor planning, poor implementation, and the need for firms to adapt to fast-changing dynamics. The following sections document problem areas that mobile marketers need to overcome.

A 2013 study of 745 business leaders found that while 56% of these leaders were using mobile marketing in their firms, 43% stated that they have not determined the correct mobile strategy despite their seeing a value in mobile marketing (StrongMail, 2013). A major concern is the need to improve the effectiveness of mobile marketing based on such performance metrics as bounce rates, add-to-cart rates, shopping cart abandonment, completion rates, and average order value for mobile devices versus laptops and desktops.

A website’s bounce rate represents the percentage of visitors who entered the site and then leave (‘bounce’) rather than viewing other pages within the same site. One study found that the bounce rate is 50% higher for mobile devices as compared with desktops. Add-to-cart rates (the percent of visitors adding a product to a site’s shopping cart) are 30% lower than desktops as well. Shopping cart abandonment (placing items in a shopping cart but not completing the transaction) is 10% higher on mobile devices than on desktops (Bakay, 2014).

Another study found that while desktop completion rates are 13.5%, the completion rates for mobile devices is only 8.5% versus 13.4% for tablets (Bolton, 2015). Lastly, the average order value is $116.48 for mobile users, versus $149.53 for tablets and $180.91 for desktops (Bakay, 2014).

According to Mobiquity, a mobile solutions provider, many consumers are not having a good experience with mobile shopping apps. Indeed, 54% of consumers stated that retailers only meet expectations or inconsistently meet expectations, 42% of consumers noted slow mobile download times, 37% stated they had inconsistent experiences with mobile marketing retail sites, and 26% found a lack of accessible information relating to their mobile marketing experiences (Berr, 2014).

This article is divided into two sections. The first section describes how firms can capitalize on the major strategic advantages of mobile marketing as compared to other forms of marketing; the second discusses how a firm can develop an effective mobile marketing strategy.

2. Capitalizing on the strategic advantages of mobile marketing

A good mobile marketing campaign needs to capitalize on the advantages of mobile marketing. These advantages include (1) mobile marketing devices always being on, always connected, and always with the consumer; (2) mobile marketing’s ability to generate location-sensitive offers; and (3) the ability to offer mobile marketing messages that are highly personalized. See Table 1 for an expansion of these topics.

<table>
<thead>
<tr>
<th>Table 1. Advantages of mobile marketing as compared with other marketing programs</th>
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<tbody>
<tr>
<td>• Mobile marketing is always on, always connected, and always with the consumer</td>
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<tr>
<td>• Marketers can generate offers based on special weather conditions and natural disasters.</td>
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<td>• Marketers can quickly match a competitor’s price offer or use short-term price reductions to reduce inventory levels.</td>
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<td>• Marketers can quickly assess the effectiveness of different campaigns.</td>
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<td>• Mobile marketing is able to generate location-sensitive offers</td>
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<td>• Marketers can develop special offers to consumers within a given distance to both its own and competitors’ retail locations.</td>
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<td>• Marketers can provide special product information to consumers within a specific aisle.</td>
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<td>• Mobile marketing can send relevant personalized messages and offers</td>
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<td>• Marketers can tailor messages and offers can be tailored to each consumer based on their purchase history, social media usage, demographic data, and usage data.</td>
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<tr>
<td>• Marketers can present different offers to current consumers, heavy users, lapsed users, relationship customers, and transactional customers.</td>
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2.1. Mobile marketing devices are always on, always connected, and always with the consumer

Unlike laptops and desktop computers, mobile devices are always on, always connected, and typically always with the customer. This characteristic enables retailers and consumers to constantly enter each other’s environment (Kaplan, 2012). The always-with-the-consumer characteristic is so important that smartphone and tablet users often experience heightened stress when separated from their devices (Lindstrom, 2011).

Unlike traditional print, radio, and television advertising, there is an immediacy associated with mobile marketing. Immediacy has two effects: (1) the speed from planning a promotion to its receipt by consumers, and (2) the ability to immediately cancel an offer (based on a very high response rate, or limited remaining inventory). This second form of immediacy enables marketers to create mobile marketing offers that are valid for a very limited time period.

Immediacy enables a firm to use short-term price reductions to reduce inventory levels, to study a product’s short-run price elasticity, and to test the effectiveness of different marketing campaigns. Immediacy also enables a marketer to develop specialized marketing campaigns based on time of day, day of week, weather conditions, and natural disasters, or to quickly match a competitor’s lower price offering. Through immediacy, marketers can attract past loyal shoppers when they are close to a store or extend offers based on slow times. Firms such as 1-800 Flowers.com are able to send their messages at the time preferred by each customer.

2.2. Mobile marketing’s ability to generate location-sensitive offers

Immediacy works especially well with location-sensitive offers. As an example, marketers can contact consumers when they are within 5 miles of a branch location or when they are in a specific aisle of a store. Technologies like GPS, GSM (Global System for Mobile Communications), Bluetooth, and RFID enable marketers to identify the exact location of a specific mobile device at any point in time. Whereas geofencing technology works outside of a store, iBeacons enable marketers to target specific locations within a store. As a result of geofencing and iBeacons, retailers can use a simple Moball CMS (Content Management System) to drop pins on a map to generate a hot zone. These technologies enable retailers to send a mobile-based message to an app user as he/she enters the hot zone. Retailers can also set up a geofence around competitors’ locations.

GameStop Corp. uses between 7 and 14 beacons across different zones of a store—depending on a store’s size—to send promotions to a customer’s mobile phone as he/she passes by each zone. The retailer further divides each zone on the basis of product categories, such as the Xbox system. Beacons enable consumers to gather information on specific items through their mobile device. Consumers can also receive promotions and trailers by downloading the GameStop Technology Institute’s iOS app (Nerthiaume, 2015).

Location technology works best when coupled with immediacy and data on a consumer’s past purchases. Neiman Marcus is testing the use of geofencing to identify VIP customers as they enter its stores. The upscale retailer plans to use this information to provide better customer service on the basis of reviewing the VIP customer’s purchase history (Broussell, 2013). It is also testing the sending of messages on trunk shows and special promotions via iBeacons to customers close to a store who have downloaded Apple’s Passbook app.

Through combining information of consumer preferences on its mobile app, the use of geofencing, and immediacy, Pizza Hut targets customers located within one-half mile of any of its 340 locations. Pizza Hut found that the use of this mobile-based strategy was 2.6 times as effective as an online display ad (Boitnot, 2015).

2.3. Mobile marketing’s ability to send relevant personalized messages and offers

Since smartphones and tablets are generally not shared with others in the same family or household, marketers can tailor messages to each consumer based on his or her purchase history, social media usage, demographic data, and usage behavior provided from the firm’s customer loyalty program. Personalization can be further enhanced by integrating such Google filters as contacts, interests, and search queries.

Nielsen has developed a predictive model that specifies the relevant promotions for specific customers based on data from the retailer’s loyalty program, as well as Nielsen Consumer Panel data (Cameron, Gregory, & Battaglia, 2012). The value of personalized information is very high. In an experiment conducted by Nielsen, a sample was broken into two groups: 10,000 app users who downloaded their loyalty card data in the mobile app versus a control group of 10,000 customers of the same retailer that did not register for the mobile app. In comparison to the control group, the test group experienced a 13% increase in coupon redemptions, a 37% increase in redemptions for product groups
that were new to the household, and a 23% increase in redemptions for brands that were new to the household (Cameron et al., 2012). A major pitfall to personalization is the creep factor. This occurs when consumers perceive that advertisers have spied on their online purchases, site visits, and other non-public actions.

3. Developing and implementing an effective mobile marketing strategy

Two important academic studies discuss critical success factors for mobile marketing. A study presented by Huang (2012) used a panel of mobile marketing experts and found that of 23 possible factors, the four most important were permission, acceptance, usability, and value/profit. Permission is an underlying condition of an opt-in campaign, acceptance relates to consumer benefits, usability represents ease of use, and value/profit measures the value to consumers.

The second study is based on literature review of success factors for mobile marketing. Billore and Sadh (2015) found that the biggest challenge for advertisers is to get mobile advertising accepted by their target customers. Among the factors found to be related to mobile advertising’s acceptance are value, entertainment, informativeness, credibility, and interactivity.

Table 2 contains a listing of mobile marketing best practices. Some of these practices involve a firm’s being aware of the complexities of mobile marketing in planning and implementing a mobile marketing program (e.g., different devices, operating systems, screen sizes). In contrast, others involve the need for continual testing and measuring performance (e.g., Google’s mobile-friendly test, evaluating appeals, and measuring factors influencing opt-in rates). Firms can use this table as a checklist to ascertain their readiness to adopt a mobile marketing strategy, areas of mobile strategy strength and weakness, and the need to outsource mobile marketing planning and implementation.

While large firms with specialized staffs may have the capabilities to effectively plan and implement mobile strategies, smaller firms may opt to hire mobile marketing media specialists. Williams-Sonoma has 11 data scientists that constantly use data mining techniques to develop highly personalized message appeals (Lamy, 2014). Smaller firms or firms undertaking mobile marketing for the first time can outsource part or all of this function. ShopAdvisor uses data analytics to describe a customer’s preferences and then sends discount offers and product reviews while shoppers are in the appropriate aisle of a store (Rifkin, 2015). Other firms such as Nanigans and Kahuna provide mobile advertising software that enable firms to better manage their mobile marketing programs in-house.

The following sections describe strategies to improve the performance of mobile marketing: understanding and reacting to the complexity of mobile marketing, increasing a site’s ease of use, increasing a site’s opt-in rate, retaining customers through using customer engaging strategies, and utilizing mobile marketing coupons.

3.1. Understanding and reacting to the complexity of mobile marketing

Mobile marketing’s poor performance can be due to a variety of issues. These include the need to design mobile marketing to reflect multiple mobile operating systems (Apple, Android, Windows Phone, Google’s mobile-friendly test: https://www.google.com/webmasters/tools/mobile-friendly/

Table 2. Mobile marketing best practices

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<tr>
<th>Best Practice</th>
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<tr>
<td>Being aware and responsive to the complexities of mobile marketing (different devices, multiple operating systems, different browsers, different screen sizes, limited bandwidth, and limited memory)</td>
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<tr>
<td>Evaluating a mobile marketing website by Google’s mobile-friendly test: [link]</td>
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<tr>
<td>Balancing the need for ‘bells and whistles’ with the need for clean, mobile-optimized sites</td>
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<td>Periodically studying a firm’s opt-in rate and the factors that influence it</td>
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<td>Using appropriate opt-in incentives</td>
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<td>Handling personal information in a confidential manner</td>
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<td>Portraying the use of personal and institutional trust</td>
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<td>Demonstrating that consumer trust will not be abused through constant offers</td>
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<td>Developing functional apps that add value to consumers</td>
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<td>Integrating mobile coupons into a mobile marketing campaign</td>
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<td>Constantly evaluating mobile marketing programs through use of multiple measures</td>
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Blackberry), devices (smartphones and tablets), and multiple browsers. One common error is the use of the same landing page and screens in mobile marketing as in laptops and desktops. While this may be cost effective and results in a uniform look across media, it does not take into account the fact that mobile phones come in various sizes and shapes, the difficulty in navigating within a site due to the absence of a mouse, and the limited bandwidth and memory of mobile devices as compared with traditional computers.

Mobile marketers need to understand that a smartphone’s small screen requires considerable scrolling to read long messages or to view long text-based messages. Typing is also often difficult due to the small keyboard on smart phones. As a consequence of these factors, a marketer needs to test its mobile ads on each operating system and on multiple smartphones, and needs to limit the amount of typing by consumers. Contact phone numbers listed on a mobile ad should be in the form of a clickable link.

These factors add complexity to the planning and implementing of a mobile website and contribute to its overall costs. One expert estimates that mobile websites cost, on average, 25% more than a desktop-only site (Sanders, 2015).

3.2. Ease of use beats out ‘bells and whistles’

Research by McKinsey suggests that few mobile shoppers actively seek out such ‘bells and whistles’ features as video, expert opinions, or magazine-style articles. Instead, they prefer sites that are clean, are optimized for mobile applications, feature easy-to-read pages, load quickly, and have easy-to-use shopping carts and smooth checkout (Ericson, Herring, & Ungerman, 2014). A McKinsey survey of UK shoppers found that survey respondents reported load speed is 60% more important to users than a site’s having videos (Ericson et al., 2014).

The ‘ease of use’ concept is confirmed by a 2013 Mobile Consumer Insights study that found that while 86% of smartphone and tablet owners have attempted to make a purchase on their device, 66% did not complete their transaction due to obstacles encountered during checkout. Among those adults who were unable to complete an attempted purchase on their smartphone or tablet (Jumio, 2013):

- 51% terminated the purchase because they were uncomfortable entering their credit card information;
- 41% stated that the checkout was too difficult to use on their device; and
- 23% failed to complete a purchase as the transaction could not go through.

Google has created an analysis tool that firms can utilize to determine whether their website is mobile-friendly. The Google tool generates a list of faults if the site does not meet its criteria. Internet marketing firm Portent tested 25,000 EWeb pages that were ranked as top sites by two websites: Majestic Million and Alaxa. Portent found that 10,000 of these sites failed Google’s mobile-readiness test (Sanders, 2015).

The importance of ease of use necessitates that mobile marketers speed-test the time to pull up a site’s opening screen, to search within a website, to add an item to the shopping cart, and to check out. In addition to customer frustration issues, slow or inconsistent download or checkout speeds can worsen during peak selling periods. Amazon’s vice president of mobile shopping is so focused on ease of use that he repeatedly tests Amazon’s mobile site to ensure that customers can go from wanting to buying in 30 seconds (Metz, 2013). Ease of use can also be increased by a consumer’s search suggestions loading more quickly. For example, a customer typing ‘Gillette’ on Amazon’s site will quickly see ‘Gillette’ as an option.

3.3. Strategies to increase opt-in rates

Two factors are critical to the success of a permission-based marketing program: a consumer’s opt-in rate and opt-out timing. In many countries, a marketer needs to receive prior permission from a customer before a mobile message can be sent. For marketing to be successful under permission-based marketing, marketers need to understand two interrelated factors: (1) the reluctance among consumers to grant permission and (2) what it takes for consumers to willingly grant permission.

Often, marketers provide incentives to increase the opt-in rate. These include payments, coupons, special offers, and access to a mobile app. A statement of the firm’s privacy policy is useful, too. Opt-in rates can also be increased through in-store and website placement of such information, as well as store-based salesperson promotion of customers opting in.

Research findings concerning consumers’ reluctance to receive unsolicited mobile advertising are very similar across studies. One group of researchers found that respondents agree that their mobile

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1 https://www.google.com/webmasters/tools/mobile-friendly
handsets were primarily for personal use and that mobile contact from companies was viewed as annoying, an invasion of privacy, and intrusive. Respondents were also highly suspicious of how firms handle their personal information and worry about trusting a company with their personal data in the event the data is passed onto third parties (Watson, McCarthy, & Rowley, 2013).

A 2015 Oracle study showed that while 56% of consumers understand that giving retailers access to personal information can improve their shopping experience, 55% of consumers have reservations or disagree with retailers having access to such information. Only 23% stated that they have no issues with downloading an app that enables retailers to track their movements in-store and online (Oracle, 2015).

A second study of consumers in three European countries—Germany, Finland, and the UK—found that institutional trust is by far the greatest factor in a consumer’s giving permission for mobile marketing. Institutional trust is developed by continuous advertising and a general presence in major media. This increases consumers’ familiarity with a company and its products and communicates a company’s stability (Jayawardhena, Kuckertz, Kautonen, & Karjaluoto, 2009).

Mobile marketers need to be careful not to abuse trust through constant offers (Kaplan, 2012). Over-marketing can make consumers withdraw at a faster pace (Kumar, Zhang, & Luo, 2014). Elephant Bar, a restaurant chain, has 100,000 loyalty club members, some 40% of which have downloaded a mobile app that enables the firm to use location tracking. In order to avoid having its members bombarded with constant offers and messages, Elephant Bar has developed specific standards that limit messages to when a customer is within two miles of a store and the restaurant is open. In addition, offers—such as a free drink or appetizer—can only be made to customers that have earned loyalty rewards. Lastly, message frequency is limited to no more than one message in a four-day period (Wagner, 2015). Likewise, Neiman Marcus limits in-store messages based on beacons to typically one message per shopping trip (Berthene, 2015).

3.4. Using effective customer engaging strategies

Firms need to focus on delivering marketing messages that are relevant to these subscribers. Since apps are viewed for their functionality and are not perceived as advertising, marketers need to create apps that add value to consumers’ lives (Gupta, 2013). According to Jim Snow, U.S. President of Moball franchise partnerships: “There are apps that really do nothing of great substance other than help a firm feel they are moving with the times. They are not. A one-dimensional app will quickly qualify as a useless gimmick” (PR Newswire, 2014). Apps should be interactive with the user, bringing both parties mutual benefits. Useful mobile marketing data includes location and time-sensitive special offers, a route to the closest store, information on the aisle and location of a desired item in a store, previous shopping lists, as well as loyalty program-related information.

Starbucks has developed an effective mobile marketing strategy that integrates such useful features as mobile ordering, mobile payments, and loyalty program data. Starbucks has also recently enabled its customers to place orders through their mobile phone to reduce wait times at its store counters. As of January 2015, Starbucks’ customers can also pay for their purchases using smartphones. Mobile payments now account for 16% of all of Starbucks’ transactions. Lastly, Starbucks has integrated its mobile marketing program with its My Starbucks Rewards loyalty program, which allows members to earn special discounts and free goods. This loyalty program added close to 900,000 members in December 2014 alone, bringing its total membership to over 9 million people (Halzack, 2015).

Home Depot’s consumer-directed mobile site enables a customer to determine if an item is in stock, directs the customer to the appropriate store aisle, and contains product reviews. In addition, the Home Depot app offers local coupons, measurement tools, and even store-based workshop schedules. Home Depot has a separate app for professionals that manages their shopping list for specific projects, contains past purchase data, enables fast reordering of frequently purchased goods, and allows contractors to order via smartphone then pick up goods in-store.

Another effective app is the IKEA catalog. This app enables consumers to virtually place different IKEA products in their room. Through this interactive platform, consumers can determine a product’s suitability in terms of size, integration with other IKEA products, and their existing furniture. This app received 6.2 million installs. In addition, the average user spends eight minutes with this app versus only three minutes with IKEA’s catalog (Allen, 2015).

3.5. Developing effective mobile coupons

In terms of incentives for opting-in to a website, McKinsey found that 35% of online buyers were willing to share personal information in return for targeted offers, like promotional coupons. These consumers tend to be the wealthiest group of online shoppers (Constantinides, Gregg, & Salsberg, 2013).
Mobile coupons are often used with location data such that the coupons become available when the consumer approaches the store or is within the relevant aisle of a store. Marketers can also utilize location-based mobile coupons such as GeoQpons (www.geoqpons.com) and Yowza (www.yowza.com). With these apps, after the consumer downloads and installs a mobile application from the service provider, the application shows all of the available coupons and deals from close-by retailers. Unlike traditional paper-based coupons, mobile coupons can be stored in a smartphone’s memory and do not need to be clipped, carried, organized, searched for, and stored for future use.

While the bounce rate for smartphone devices is high and the completion rate and average sales rates are low when compared with tablets and laptops, a bright spot for smartphones is mobile coupon redemption. One report found that while the widely quoted rate for coupons from freestanding inserts is 0.5% to 2%, the rate is about 2.7% for e-mail coupons delivered via desktop computers. This contrasts with an 8%—16% rate for coupons delivered via smartphone (Brown, 2012). eMarketer forecasts that as of 2015, smartphone coupon users will surpass tablet coupon users in percent of mobile coupon users (eMarketer, 2014).

A good mobile coupon should have the following characteristics: it should give offers to customers close to a store, it should be easy to redeem (it should not have to be printed to be redeemed), the price reduction should be significant for the customer to act, it should link to specific customers (such as lapsed customers), and it should help build a customer database via consumer opt-in. Bed Bath & Beyond has launched a mobile coupon initiative which enables its customers to scan and upload physical coupons. These can be redeemed in its stores by displaying the coupon on the customer’s smartphone.

4. Measuring the success of mobile marketing efforts

While the Web is one of the most measurable mediums, a Forrester study found that 73% of the firms studied lack mobile objectives and 47% lack mobile-oriented key performance indicators (Cameron, 2014). One popular metric used to assess the effectiveness of mobile advertising is click-through rate: the percentage of people who view an ad (impressions) and then proceed to click the ad with a finger, mouse, or stylus. It is a broad indicator of the overall exposure of a website or online ad. A common problem associated with this measure is that users may be less likely to click on an ad once they become familiar with the site over time.

In addition to the number of page views and clicks, marketers need to know who is being reached, and how much they spend. Other important metrics are the opt-in rate, the opt-in time interval, the bounce rate, the shopping cart abandonment rate, the acquisition cost per mobile customer, the average sale or profit per user, and the number of coupon redemptions. Some of these criteria—including acquisition costs per mobile customer, average sales, and average profit—relate to how well the mobile advertisements are planned and promoted. Other criteria look more at how well a mobile marketing site can counter potential pitfalls such as high bounce rates and shopping cart abandonment rates. All performance metrics should be benchmarked against a firm’s previous-year performance numbers, current annual goals, or even the best-in-class in a related business.

5. Conclusion

While mobile marketing is an increasingly important promotional vehicle with some significant advantages over traditional media, many marketers have failed to use mobile marketing effectively. This poor performance is evidenced by high bounce rates, low completion rates, and poor average sales in comparison to laptop- and desktop-based promotions.

A report from Forrester states that these problems may be due to strategy, governance, and implementation issues. The study found that many marketers are uncertain how to organize mobile marketing efforts. Among the challenges are interconnecting mobile initiatives when firms have multiple brands (Cameron, 2014).

Developing an effective mobile marketing program is much more challenging than developing a traditional program aimed at laptop and desktop users. The mobile program needs to be planned, implemented, and tested for multiple devices (smartphones, tablets, laptops, and desktops) and different operating systems, and should adjust for the limitations of mobile devices in terms of screen and traditional keyboard size. In addition, the immediacy, location, and personalization attributes of mobile devices increase the need to develop a portfolio of messages to reflect such attributes as weather conditions (immediacy), distance to a store (location), and a consumer’s preferences and past purchase behavior (personalization). In addition, manufacturers and wholesalers need retailer cooperation to install and upgrade messages using store-based iBeacons.
A firm seeking to implement or upgrade its mobile marketing program needs to critically review its existing digital marketing efforts in terms of staff competency and whether it possesses the budget necessary to introduce or upgrade its location technology and its customer information system. As part of this process, a firm needs to consider outsourcing part of these responsibilities. Lastly, since mobile marketing involves multiple departments such as advertising, marketing research, information technology, and channel relations, firms need to determine whether its current organization is most appropriate.

References


