

THE FUTURE OF WIRELESS MARKETING



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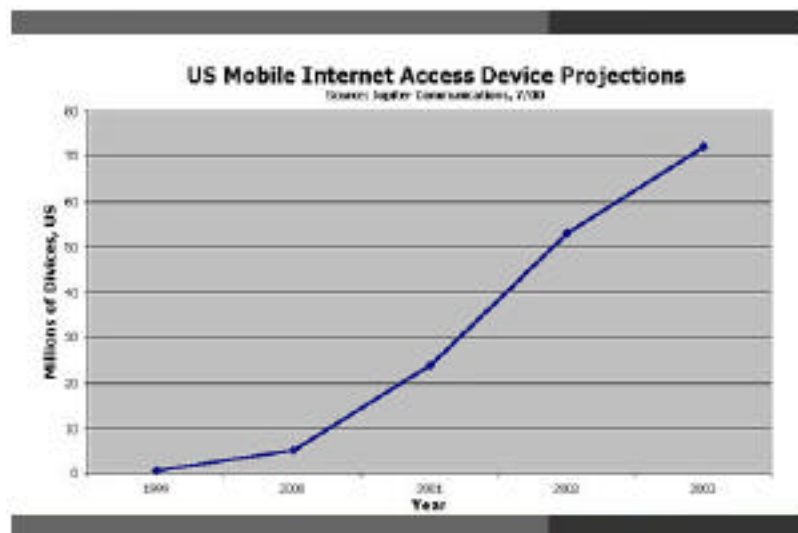
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INTRODUCTION

If you read the estimates from the professional research firms and forecasters, you will see that they tend to agree that wireless advertising, and ultimately mobile commerce (m-commerce), will become huge industries in the next 4 to 5 years. The projections from The Kelsey Group, Ovum and Durlacher of London estimate that wireless advertising revenues will reach between \$16 billion and \$23 billion by the year 2005. That is up from estimates of \$210 million for the industry in 2000.

While this medium promises personalized, localized, interactive and immediate marketing opportunities, this potential could also be the potential Achilles heel of marketing over wireless devices. The ability to make the right offer at the right time to the right person is a reality over wireless/mobile devices. But if one of these variables (offer, time or audience) is slightly off, the medium will instantly limit, and perhaps kill, its potential.



WHAT ARE THE DEVICES?

In order to clearly understand the medium and its true potential, we must first clearly understand the devices. For the purpose of this document, they have been broken into three distinct categories: Mobile/Wireless connected, Mobile/Wireless unconnected and LAN/WAN-based Internet appliances. In this document, we will consider the first two:

Mobile/Wireless connected: These are devices that are most commonly thought of when wireless devices and wireless advertising are discussed. This category of devices denotes immediate connection to a network, specifically the Internet, for access to real-time data access. These devices require a wireless modem or other connection mechanism. Examples of these devices are: Wireless Application Protocol (WAP) phones, Palm VIs, Personal Digital Assistants (PDAs) with wireless modem connections such as Omnisky units, RIM Blackberry devices, etc. These can be either one-way or two-way communication devices.

Mobile/Wireless unconnected: These devices are not typically considered when wireless devices and wireless advertising are discussed; however, at the point of this document being written, they are the most prevalently used for data access and connectivity to web-based content. Specifically, these are devices that connect to the Internet through a synchronization process (typically using a hard wire connection) and become portable for subsequent retrieval of data. Examples of these devices are PDAs and other un-tethered devices that are subscribed to

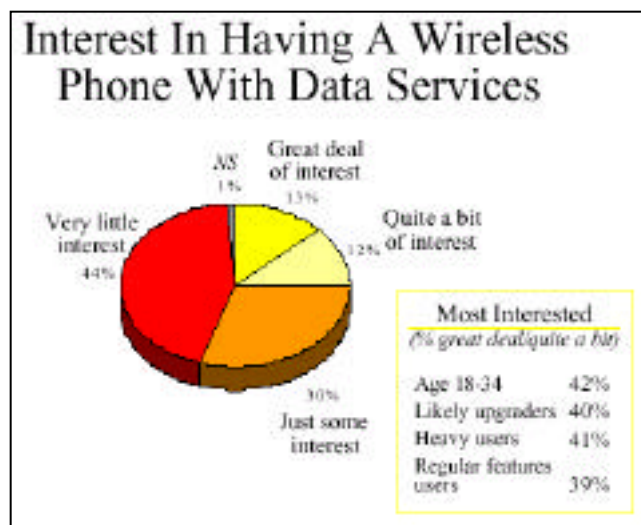
services such as AvantGo or Vindigo. While the data is not real-time, the content may be updated upon each device synchronization of the user for later retrieval. These devices enjoy more active usage in the US than WAP-enabled devices, due to the larger screen sizes and earlier adoption.

LAN/WAN-based Internet appliances: These are devices that have not yet hit the mainstream. For the most part, these will emulate their wired counterparts, such as the PC, to allow the user to conduct specific tasks within their LAN (Local Area Network) or WAN (Wide Area Network) range without the tether of a network connection. An example of these is a Web Tablet that allows users to access the web while roaming within their home or office.

THE MOST POWERFUL MEDIUM YET

Wireless devices are the most powerful communication devices with respect to immediacy, interactivity and mobility, and therefore can act as the most powerful marketing communications devices, if used appropriately. Users of wireless communication devices, such as cellular phones, are very selective about whom they provide their cellular phone number to. This is a very personal device to which only friends, family, co-workers and a selected few others will gain access. Thus, outbound telemarketing to one's cellular phone is virtually a crime. Not only is this a privacy hotbed, but in most cases, users are paying for the time it would take to listen to a telemarketer's sales pitch. Therefore, much thought and consideration must be exerted before we are off and running with data communications over these devices. After all, ringing someone's phone to ask a consumer to look at an ad is potentially more violating than telemarketing with a voice call.

In addition to being highly personal, this device is also highly interactive and immediate. While the "fixed" Internet introduced us to the power of an incredibly interactive medium, the mobile Internet is introducing us to instant gratification *anywhere*. Now, users can interact with companies, products, offers and services wherever they have connectivity through a wireless device. This takes interactivity to the next level: interactivity anywhere. Ultimately, we will see technology progress until location-based messaging becomes mainstream. Users will be able to access data that is contextually relevant to them based upon where they are and what they are doing. This relevant data is extremely powerful, especially when incorporated with other media.



Source: Peter D. Hart & Assoc

We are beginning to see advertising campaigns carrying a means to respond through wireless devices. These fully integrated campaigns may perhaps allow the best of both worlds – strong branding with an immediate call to action for direct response, no need to try to remember a lengthy URL to type in when you return to your PC. This type of direct response can come in the form of placing an order/request at that point of impression or the recipient can simply enter a code or receive beamed content for later review. Branding or awareness campaigns can remain intact and, with a minor addition, a response device can be added. This is similar to the reader service polls offered by many magazines, but is much more effective due to the real-time gratification delivered through the wireless platform.

BEST USES FOR WIRELESS MARKETING – NOT “ADVERTISING”

The key to successful marketing over wireless devices is to gain and retain the confidence of customers, reassuring them that their privacy and security is top-of-mind and that the primary goal of wireless communication is to convey content that will improve *their* lifestyle and productivity. When the average consumer hears the term “advertising”, it conjures images of an unsolicited, perhaps pushy, sales offer, vying for your attention and sometimes immediate response. This type of messaging will prove to be unsuccessful in this highly sensitive medium. Users will not be receptive to being solicited for products and services on their wireless devices if they have not explicitly requested it. In order to communicate effectively through this channel, companies will need to obtain permission from the user – including when and how the company may contact the consumer, and what information can be delivered. For example, if a user has a relationship with a bank, the bank will be able to allow other select marketers to solicit their user base through this bank’s communication channel – i.e. “wireless statement stuffers”. Provided that the bank has previously obtained the consumers permission. It is in the best interest of carriers to limit aggressive solicitation through their services, as customer backlash equals increased churn. At the point of this document being written, carrier churn rates are at approximately 30% per annum, and this is without the introduction of advertising solicitations.

“As with all customer relationships, permission from the consumer is an opportunity to begin a profitable conversation.”

As with all customer relationships, permission from the consumer is an opportunity to begin a profitable conversation. By using the consumer’s permission to bring them personalized, timely, relevant ads, the relationship is deepened. This will not only increase usage of the network and service, but also result in a much more profitable relationship with that consumer over the long haul. Effective customer relationship management is the ultimate in “stickiness”. For this reason, the line between marketing messaging and informational content will become very blurred. Companies will now need to ensure that their marketing communications over these devices carry some content of interest to the recipient, such as account information, scores, weather, travel, etc. Users will embrace messages that help increase their productivity. Wireless devices are primarily used for increasing and enhancing productivity, thus access to timely information is critical.

The fact mobile/wireless delivery allows for two-way communication, in most cases, makes it very useful in gathering customer feedback and customer input. The ability for a user to complete a survey or provide feedback while it is top-of-mind, rather than waiting to return to a fixed Internet connection or completing a mail-in survey, will prove to be invaluable. For example: A customer buys a product at a retailer, and as they exit the store they are able to complete a quick survey about their experience to be transmitted immediately to the corporate headquarters. This not only allows the user the satisfaction of immediate feedback if they had a positive or negative experience, it allows the company/provider to measure quality control in an extremely timely and cost-effective manner. The quality of the feedback is much improved as it is top-of-mind for the users, and the quantity of feedback is better because there is less time between the experience and the completion of the survey. In summary, the company will get better, cheaper, faster, more plentiful customer feedback, not to mention the opportunity to continue the customer dialog, thereby possibly opening the door to permission-based marketing down the road.

In order to effectively capture this information, the surveyor must keep the feedback mechanisms easy to use and simple to complete. This requires pre-populated fields, where it is possible and where it makes sense, and limiting the requested information to a few pertinent questions that are answered through check boxes or numeric responses. The ability for the customer to contact the company directly for escalations is also a must.

Wireless technology is being developed to improve the user's life. This medium is simply one part a person's life and not something upon which a user can solely depend to get information. In this same vein, wireless marketing plays one role in an advertiser's overall marketing strategy, allowing a powerful touch point through a very personal communication channel. The key to success of any marketing strategy is the ability to leverage multiple platforms to touch the target audiences with relevant messages in the correct environment. Wireless is one component of the overall universe.

PUSH VS. PULL Wireless advertising can be broken into two delivery categories – push and pull, similar to the fixed Internet. Push advertising is categorized as messages that are proactively sent out to wireless users and devices, be they alerts, Short Message Service (SMS) messages, or even voice calls. Typically, push marketing should be reserved for companies who have an established relationship and permission to push communications to wireless users. Push will rarely be used for new customer acquisition via wireless due to privacy issues and user backlash. Pull advertisements are messages served to users as they are navigating WAP or wireless sites/properties. Pull ads are seen when a user is requesting specific information from a provider and an advertiser's message is displayed to the viewer, as banner ads are presented on the fixed Internet. Both push and pull advertising should be carefully targeted and be of relevance to the viewer to improve customer response and acceptance. In each instance, user perception is key. The user should never believe that viewing the advertiser's message is costing them airtime.

INTEGRATION IS KEY Wireless communication should never be a stand-alone channel of communication. The medium is too limited in its ability to deliver a robust, complete message. Rather, the medium should be used to extend the presence of a company or product into an additional channel. For example, no companies should try to survive purely on m-commerce. As we are seeing the challenges of pure-play Internet companies vs. click-and-mortar operations, the challenges of a pure-play m-commerce are that much more steep.

Companies with a physical presence, be it physical store locations, a catalog or even a web site, will be able to leverage wireless media to extend their presence to be anywhere the user is at any time. A practical example of this is a bank using these devices to communicate the location of the nearest ATM based upon the identified location of the user. Perhaps more powerful is the example of a brick-and-mortar retailer running an outdoor ad for a sweater which allows the user to type in a code on their wireless device to be directed to the location of the closest store, while also offering the ability to place an order for that sweater.

A CHALLENGING SPACE Due to the limitations of physical size and bandwidth of existing mobile devices, advertisers face the challenge of communicating a message in a limited space. For this reason, we will see a return to the sponsorship days as we saw in the early days of television and radio, where content of interest to the user will be "brought to you by...". As devices evolve and bandwidth increases, so will the clutter of wireless advertising, and marketers will begin to get much more creative and perhaps begin to increase the entertainment value of their messages (assuming users accept this advance). As with all other media, advertisers will be forced to break through the clutter with more appealing, captivating messages.

DISPELLING THE MYTH OF THE STARBUCKS LATTE DISCOUNT RINGING YOUR MOBILE DEVICE...

The cliché vision of the future of wireless advertising is a wireless device ringing as a user walks by a Starbucks to offer a 20% discount on a latte. This will never be practiced for the following reasons:

1. Starbucks would never attempt this annoying tactic as it would receive tremendous customer backlash such that would not be outweighed by increased sales from the promotion.
2. In the same vein, Starbucks is an established brand and will not risk tarnishing itself with such a controversial effort. They will, on the other hand, invest in a locator device that will allow customers to locate (pull) the nearest retail shop through a locator database, ultimately leveraging location-based technology.
3. In the event that any user wanted this "service", they would opt-in by signing up with the coffee shop or a provider such as Vindigo. By definition, these subscribers would be some of your best customers (probably most profitable), so Starbucks would have little need to offer them a discount – these customers are Starbucks regulars and will react to media such as signage.
4. Based upon the fact that there are thousands of Starbucks retail outlets nationwide, ones wireless device would be in constant notification mode when a user was driving through any major metropolis. Again, this is the roll of signage.

While Starbucks will not push these sorts of discount notifications out aggressively, they will invest in a service to allow their customers to locate the nearest outlet, and have already announced the ability to take pre-orders from wireless devices. Use of pull marketing will allow users to determine when they are interested in interacting with the coffee chain on their terms. Starbucks will surely offer these customers discounts and promotions on new or aging items; e.g. "Try our new x-rated coffee drink, the Naughtte Latte..."

EVERYONE HAS A VOICE IN WIRELESS EVOLUTION!

One great opportunity that is often overlooked when discussing the wireless web is voice enabled site. Voice enabled sites are designed and structured to be navigated by the user's voice over the phone. Granted, these vortals, as they are also known, can be accessed through landlines as well as wireless devices, which makes the solution even more valuable, though they are targeted at people on-the-go who may not be familiar with a geographical location they are visiting. As with WAP advertising, voice enabled sites are not designed to deliver weighty content, rather to convey "bite-sized nuggets" of data to allow the user to be more productive. Examples of what these services best deliver are: restaurant locations by geographical proximity, weather forecasts, stock quotes, and news updates. For example, there was great usage of voice portals by users who wanted to remain up to date on the 2000 election events. What gives us the advantage to voice enabled sites over WAP sites and the like is clear – no complex devices or navigation tricks to master. All one needs to know is how to talk on the phone.

Players in the voice enabling space include companies such as Audiopoint, BeVocal, Hey Anita and Tellme. Even Yahoo and AOL are actively getting into voice delivery. Currently these two major sites are focused on delivering email using audio (i.e. having your email read to you) though it is simply a matter of time until they get into the business of delivering more and more of their content through the

phone. In fact, AOL recently purchased Quack, a company that is designed to use voice recognition to allow its users to navigate content of interest.

The key to the success of voice enabled sites is similar to the success of WAP and other wireless web applications: they should never promise the "Wireless Web". Users need to be promised that they can access some content from the web the same way they use their PC, just not *all* the content. For example, users should not expect to have news stories read to them over the phone; rather, they can expect to hear the top headlines making news. For more information, they may be able to ask for the complete story to be emailed to them for viewing when they arrive at a PC.

"Companies will look at how this technology can help them reach and assist their customers to provide them with pertinent data as it makes sense."

Voice enabled sites too, are an extension into another medium. Companies will look at how this technology can help them reach and assist their customers to provide them with pertinent data as it makes sense. Ebay may want to allow users to review bid or order status through a voice site. Although, due to the eclectic nature of their products, they will most likely not want to allow users to navigate the entire site combing for the ideal beanie baby. Amazon, on the other hand, may want to allow users to search for a popular title and place an order through their voice site.

WHO "OWNS" THE CUSTOMER? Perhaps the most important question to be answered in this quickly evolving industry is, "who owns the relationship with the end-user?" When it boils down to revenue potential and profitability, this is a critical question. After all, the one who controls the contact gateway to the consumer in any medium is the one who holds the keys to the kingdom, which allow us to monetize the communication to the customer. In the value chain, you have at least six players ranging from the advertiser, to the carrier, to the device manufacturer. Below is a brief description of each provider and their rationale as to why they are the "owner" of the relationship:

Carriers/FCC License Holders: These are the AT&Ts, Verizons, Nextels, and Sprints of the world. They assume that they clearly own the customer communication gateway in that the service subscription is established and managed through them. The carriers argue that all customer touches should be cleared through and approved by them. This is similar to the way AOL attempts to manage their subscriber base, though access to the world wide web, outside of their "walled garden".

Device Manufacturers: The Nokias, Motorolas, Palms, and Ericssons are less aggressive in the customer ownership battle. Indeed, all subscribers must have one of their devices in order to access the wireless web; however, these manufacturers are so focused on cutting the deals with the carriers that they do not have time to worry about monetizing the customer. Ultimately, they get their due by creating new and exciting hardware (at least for now...).

Content Aggregators/Providers: The AOLs, Yahoos, CNNs and CNETs act as content aggregators to provide information to consumers through carriers or directly through their networks. These providers are looking to extend their reach to their existing customer base through the wireless channels while at the same time attempting to garner additional dollars from them in this new space. As within the fixed Internet, they plan to sell advertising on top of the content that they produce or aggregate and as providers, feel that they own the relationship.

Infrastructure: Openwave (formerly Phone.com) and Omnisky are examples of infrastructure companies that allow users to access content through their wireless devices. Both provide browsers and, in a similar fashion to the Netscape battle against Microsoft for owning the fixed Internet browser market, we shall see a battle for market share in the wireless market. Control

of the browser software provides a direct communication link to the end-user, though the carrier will want to have a say in how this communication flow evolves.

Delivery Networks: Aether Systems is an example of a company that works to deliver all types of real-time information across any network. By bridging across the networks, the walled gardens of the carriers are less significant barriers for content delivery, and ultimately, access to the end-user. Delivery networks target businesses as their clients so they are not focused on monetizing the end-user directly.

Ad Networks: Doubleclick, Windwire and 24/7 are networks that sell advertising to be placed within various media properties. As with the fixed Internet, these third parties are working to offer ad serving technologies to allow advertisers to reach their target audiences through wireless devices. While they claim not to be interested in “owning” the customer relationship, the identification of which ads an end-user has seen and responded to is extremely beneficial to these companies and allows them to target and sell access to identifiable users at a higher rate.

The answer to the question of “who owns the customer?” is... **THE CUSTOMER** owns the customer. While the debate over who controls access to the customer drones on within the industry, it remains true that if the customer does not own the control, or at least perceive that they own the control, the industry as a whole will fail to reach its potential. As this is the most powerful and personal media to exist, it must be treated as such, and the advent of short-term profit-takers will surely stifle growth. As soon as customers perceive that their personally identifiable information is being shared without their consent, there will be an enormous consumer backlash that will echo throughout the press, public and industry.

The talk of CRM, Customer Relationship Management, will soon turn to CMR, Customer Manages the Relationship. In order to effectively and profitably communicate through this emerging medium, we must put the customers in control, or, as savvy marketers, make them perceive that they are in control. As noted previously, the wireless channel is an excellent relationship management tool. A key to making this a success is creating an interactive dialogue in which the user can participate, as opposed to a flat monologue.

SUMMARY

The new medium is upon us and is about to take the population by storm. It is ours to shape and to mold and is ours to destroy. The keys to success are all in the management of expectations and delivery upon those expectations to the end-users. The web-enabled personal computer introduced us to what will continue to prove to be the ultimate communication device/platform – visual, audio and continually improving interactivity and speeds. Mobile/Wireless devices with access to the Internet take this to the next level – all of this power (assuming continual advancements in devices), whenever and wherever you want it. The challenge is to ensure that users do not expect an identical experience to what they receive through the PC at this stage. We are many years and generations away from devices and networks that can handle this amount of content. The wireless web should be designed to augment and enhance the fixed web and other media, not to replace them.

Mobile technology is about taking the ubiquitous Internet to the next level and deepening the relationships companies have with their customers by providing them with the services and information they need, when they need it. Mobile devices are developed to increase productivity while on the go, so all marketing messages to be delivered over these devices should pass the litmus test of, “How will this make the recipient more productive?” If the answer to this question is unclear, the effort or campaign needs serious reconsideration.

About Lot21

Headquartered in San Francisco with offices in New York, Lot21 is a Digital Experience Marketing™ company specializing in the creation of integrated marketing solutions. Lot21 innovates on behalf of its clients and the industry by defining and creating brand experiences that lead to more meaningful and profitable relationships with customers in the digital space. Clients include Bank of America, Blue Shield of California, eBay, Palm Inc., and CNET. For more information on Lot21's services, access the Web site at www.lot21.com

SAN FRANCISCO, CA

Lot21, Inc.
548 Fourth Street
San Francisco, CA 94107
ph: 415.227.2121
fx: 415.227.2138
em: info@lot21.com

NEW YORK, NY

Lot21, Inc.
619 W. 54th Street
10th Floor
New York, NY 10019
ph: 212.247.2121
fx: 212.247.0991
em: info@lot21.com

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