

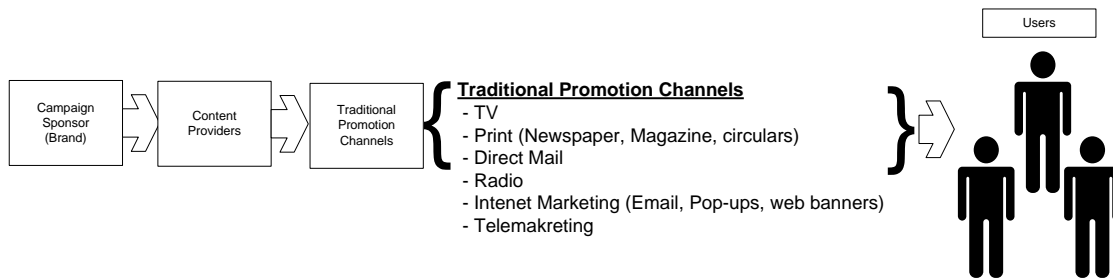
## **Industry Anatomy of the United States Mobile Marketing Value Chain**

**Michael Becker, Jot Sharpe, Kevin Silveira  
Golden Gate University Doctoral Candidates**

Michael Porter (1985) developed Value Chain Analysis, a tool used to evaluate each step taken by a company to create and deliver value to its customers through the products and services it offers. Value Chain Analysis is incredibly helpful to the identification of where a company or industry can optimize its efforts to improve competitiveness in relation to the other players within the chain. The following discussion is from a larger exploratory study on the state of Mobile Marketing in the United States. This article reviews the anatomy of the Mobile Marketing Value Chain and the industry players involved in the sponsorship, planning, design, execution and analysis of mobile marketing campaigns. It does not attempt to review the optimization of the Mobile Marketing Value chain, but rather focuses on the first stage of Value Chain Analysis, that being the identification of the key value chain segments.

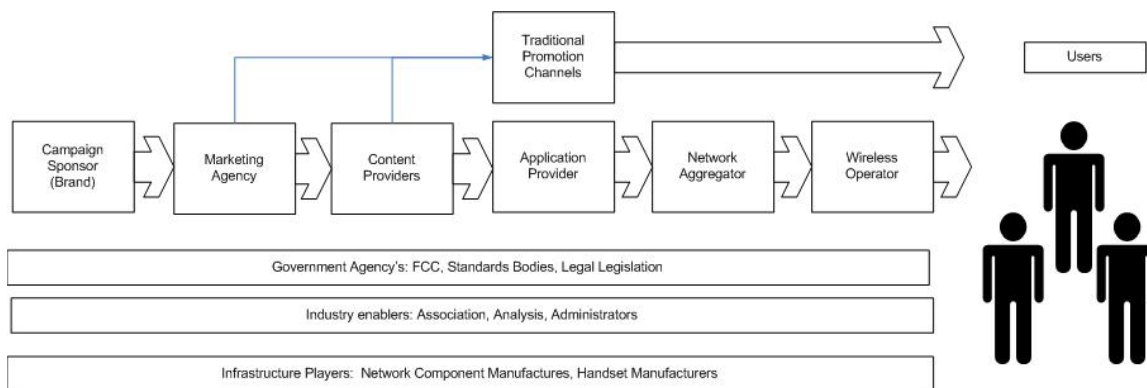
Marketing through the Mobile Channel, “Mobile Marketing,” consists of a unique, complex, mix of technologies, business skills, and marketing expertise. It is a child born of the Internet revolution, and it is critical that today’s marketers grasp its significance. It is one of the first new channels to arise in over 50 years, and will quickly become a primary means of reaching out to our customers. People have become more and more comfortable with and reliant on digital communication solutions, including the mobile phone. In fact, there are now more mobile phone subscribers in the world (1.4 billion), than there are landline phones subscribers. The mobile phone is becoming a primary means of communication, not only for voice but also for digital services, email, digital photos, navigation, etc. Worldwide over 350 billion text messages, also known as “SMS Messages,” are exchanged across the world’s mobile networks every month, with over 15% of these messages, according to the Yankee Group, being classified as commercial, or marketing, messages.

The objectives of mobile marketing campaigns are straightforward: increase brand awareness, generate a customer profile opt-in database, drive up attendance to events or visits to a store, improve customer loyalty and increase revenues. Mobile Marketing does not stand alone; rather it leverages traditional promotional channels, such as the recent Mobile Marketing Campaigns associated with American Idol, The Apprentice, and the 2004 Superbowl MVP campaigns. The traditional marketing promotional value chain consists of campaign sponsor (the brand), marketing agency, content provider, and traditional promotional channel such as TV, radio, paper media or even the Internet, as shown below in Figure 1.



**Figure 1: Traditional Promotion Channel**

In contrast, the mobile marketing value chain introduces more players and more technical and organizational complexity relative to the traditional promotional marketing value chain depicted above. In the mobile marketing value chain, there are seven horizontal and three vertical segments, excluding the customer. The horizontal segments include the traditional Campaign Sponsor (Brand), the Content Provider, and the Marketing Agency, and added to it are the Application Provider, the Network Aggregator and the Wireless Operator, while the vertical segments include Government Agencies, Industry Enablers and Infrastructure Players, as shown in Figure 2 below.

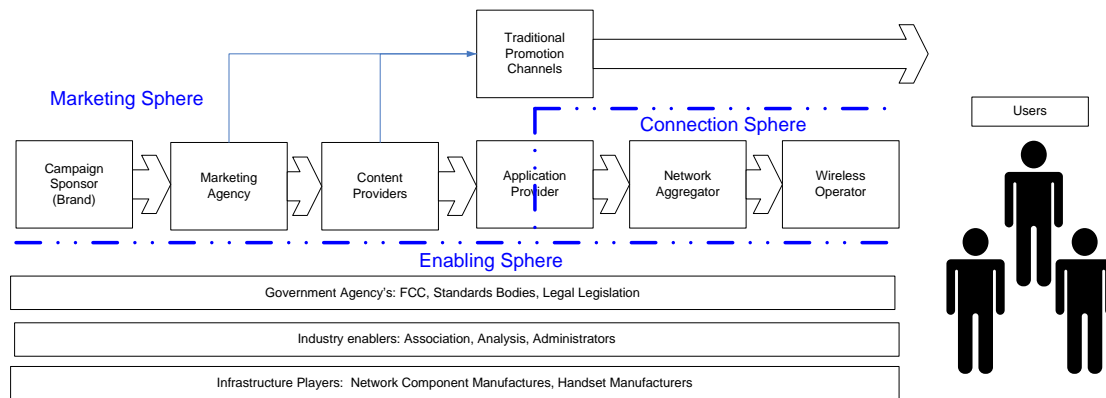


**Figure 2: Mobile Marketing Value Chain**

From our research, we've recognized a clear delineation between the marketing aspect of running a mobile marketing campaign and the technology aspects. From this delineation, we've noted that the value chain is segmented into three spheres —the "Marketing Sphere," the "Connection Sphere" and the "Enabling Sphere." Vertical and horizontal integration often occurs across value chain segments within a sphere; however, while many try, few companies have actually succeeded in integrating across value chain spheres, except for a few Mobile Marketing pioneers that bridge along the application provider boarder, such as Isph!, m-Qube, Enpocket, Mobileway, and Carat.

The delimitation of the three spheres is clearly drawn along industry and technical expertise lines, not to mention substantial difference in the business models of each segment. Few marketers coming up the ranks adequately understand the wireless networks and associated business models, the Connection Sphere, while few wireless

communication experts in the Connection Sphere have a firm grasp of marketing. Similar parallels can be made between the Enabling Sphere and the other two spheres. The following figure shows this delineation of the Mobile Marketing Value Chain.



**Figure 3: Three Spheres Segmented**

### The Marketing Sphere

The players in the Marketing Sphere focus on marketing. Their activities include customer identification, managing the brand, promoting a product/service, creating the content that is disseminated to the end-users and developing the applications used to stage, launch and report on Mobile Marketing campaigns.

- Campaign Sponsors own the brand and directly benefit from the promotion and/or delivery of their products/services through the mobile channel.
- Content Providers create the content such as advertising, trivia questions, ring tones, messages or promotions, etc., which are delivered through the mobile channel.
- Marketing Agencies help to develop and to manage the campaign, and employ the traditional channels to encourage people to opt-in for the mobile campaign.

### The Connection Sphere

The Connection Sphere consists of Application Providers, Network Aggregators and Wireless Operators who create the “pipe” used to connect and deliver Mobile Marketing content to the end-user. This sphere manages the network infrastructure, thereby connecting the marketer with the customer, and enables the one-to-one relationship which is such a hall mark of mobile marketing.

- Application Providers straddle both the marketing and the connection spheres. While they are primarily technology focused, however, as discussed above, a few players extend across multiple steps in the value chain. In this highly technical aspect of the value chain, application providers are the interface between the Marketing Sphere and the Connections Sphere and shield the marketer from the

technological complexities of reaching the customer through the Mobile Channel.

- Network Aggregators hide the complexity of the network by developing technical expertise that shields the application provider and Marketing Sphere players from the challenges of delivery the mobile marketing content through all of the very different wireless operator networks. As noted by one wireless operator “it is rare, or will become increasingly rare, where a firm that wants to do marketing will interact directly with the carrier. Each carrier has different requirements...just the connection to the networks is not straightforward in many cases.” Many industry players note the key role that Network Aggregators play.
- Wireless Operators manage the network and provide wireless voice and data services to end-user customers. Mobile operators have invested billions of dollars in their next generation networks. However, the average revenue per user is going down. It is very important for operators to generate new revenue streams and they see mobile channel as a critical source of these new revenues.

### **Enabling Sphere**

The Enabling Sphere of the value chain spans both Marketing and Connection Spheres, and consists of the various players such as standards bodies, the government agencies, industry associations, analysts, mobile terminal/handset manufactures, etc.

- Government Agencies administer the airways (radio spectrum) used to connect the end-user to the mobile network. They create and monitor privacy and mobile commerce laws and address issues like SPAM. In fact, the 2004 CanSpam act, prohibits the delivery of unsolicited email and includes a limited clause on mobile marketing. Congress has passed a resolution that an updated draft on the mobile marketing clause must be updated by September 2004.
- Industry Associations such as the Cellular Telecommunications Industry Association (CTIA), Neustar, Mobile Marketing Association, GSM Association and countless of other bodies, help develop the standards and create a framework around the industry. In fact, a critical role for these associations is to create an effective bridge between government bodies and industry. The associations run events, sponsor special programs, manage Mobile Marketing short codes, create reports and help educate the industry. For example The Mobile Marketing is currently running a first of its kind Mobile Marketing Bootcamp in selected cities through the United States.
- Infrastructure Players are too numerous to note, however, they consist of all the companies that create and maintain the technologies used to enable mobile marketing, including the switches, cellular towers, mobile phones, screens, chips, software, billing systems, etc.



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The Mobile Marketing Value Chain is a complex system that is in an embryonic stage. It will take a few years for it to fully develop, as did email marketing for example, but once it does there will be no looking back.

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