Chapter 5
Proposing a Hierarchical Utility Package with Reference to Mobile Advertising

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ABSTRACT

Mobile advertising is a powerful tool for direct and interactive marketing. However, effective marketing requires examining consumers’ psyche. This study proposes a hierarchical utility package (in the consumers’ perception) with reference to mobile advertising, thus enhancing its acceptance. Confirmatory factor analysis revealed four consolidated utility dimensions (with reference to mobile advertising). Binary logistic regression was used to create a hierarchical utility package with respondents giving the highest priority to Customization rather than Location based messaging, followed by Incentives and Session based messages. By incorporating the utility package in the mobile advertising format, mobile advertisers can ensure greater acceptance and develop competitive advantage.

INTRODUCTION

Researchers and practitioners agree that the most explosive growth in telecommunications has occurred in internet and mobile telephone services (Lehr & McKnight, 2003). Combining these two technologies, the internet-enabled mobile device has become one of the most promising advertising media around (Okazaki, 2006). For example, SMS (short message service) direct marketing is a popular campaign method worldwide. The Wireless Industry survey results by the Wireless Association (2009) have revealed that the consumer spending on text messaging in the United States reached 95 billion messages reported in the month of June 2009 alone - about 3.2 billion messages a
day. This represents an increase of 140% over the last year (Wireless Association, 2009).

Consumer adoption of digital mobile telecommunications has in most countries been even faster than that of the Internet (Perlado & Barwise, 2005). The number of cell phone subscriptions across the globe reached 4.6 billion at the end of 2009 and they are expected to hit 5 billion sometime in 2010, according to the International Telecommunication Union (ITU) (http://reviews.cnet.com/8301-13970_7-10454065-78.html).

In Western Europe, mobile phone penetration reached 100% by the end of 2007. Whereas penetration had already exceeded 100% in several countries including Italy, Sweden, and the United Kingdom by the end of 2004, as consumers own multiple phones and/or SIM (Subscriber Identity Module) cards (Analysys, 2005). Despite the high penetration of personal computers and broadband Internet access, the United States has been slower to adopt mobile phones than Europe (Economist, 2005). At the end of 2009, mobile penetration in US was 91% with 285.6 million subscriber connections according to the International Association for the Wireless Telecommunications Industry (CITA) (http://www.ctia.org/media/industry_info/index.cfm/AID/10323). It is expected to reach 100% by 2013 according to SNL Kagan (SNL Kagan Essential Media & Communication Intelligence, 2007).

Text messaging is very popular; in the United Kingdom, an average 265 million text messages and 1.6 million picture messages were sent daily in 2009. The total number of text messages was 96.8 billion, while over 600 million picture messages were sent across the whole year (Mobile Data Association, 2010). The ubiquity of SMS-based mobile communications creates new opportunities for marketers to advertise, build, and develop customer relationships, and receive direct response from customers (Sultan & Rohm, 2005). Mobile advertising has mostly been carried out by mobile operators and, to a lesser degree, by consumer brands (Virtanen, Bragge, & Tuunanen, 2005).

Although the focus is on SMS-based mobile advertising in this paper, mobile advertising as a concept is much broader. New applications and services linked to mobile phones, such as multimedia messaging (MMS), games, music, and digital photography, have emerged and are already being used by some marketers.

According to a new research report from the analyst firm Berg Insight (http://www.researchandmarkets.com/research/928709/mobile_advertising, 2010); the total value of the global mobile marketing and advertising market will grow from 1.5 billion in 2009 at a compound annual growth rate (CAGR) of 43 percent to 8.7 billion in 2014. This will constitute 11.7 percent of the total digital advertising market. Despite the shrinking advertising market, the mobile channel has grown over the past year underpinned by a strong momentum and increasing mobile media usage. The report predicts that the mobile media will become a natural part of the marketing media mix. Many marketing campaigns are designed to trigger a response in the form of a voice call, SMS/MMS or a visit to a mobile web site. On-screen advertising on mobile displays has not taken off until very recently but is becoming increasingly relevant with the rising popularity of advanced Internet-enabled smart-phones.

In 2009 mobile advertising was among the hottest emerging segment in advertising, with a 32% growth in UK, according to a study conducted by IAB and PWC. Contextual advertising is another upcoming trend. Software applications and infrastructure provider Openwave Systems launched, at the end of 2008, Openwave Contextual Advertising, a modular, end-to-end advertising and content recommendation solution (http://www.fiercemobilecontent.com/story/openwave-launches-contextual-advertising-solution/).

Openwave Contextual Advertising employed real-time context, user behavioral history, location information and other opt-in data to determine relevant ads and offers. The Openwave Contextual Advertising solution featured the Openwave
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