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The Green Sheet – The Three R’s Of Text Message Marketing

July 11, 2011 – The first installment of this three-part series explored the competitive advantages of mobile marketing as a value-added service (for more information, see "[Text message marketing, the other mobile](#)," by Pal Flagg, The Green Sheet, May 9, 2011, issue 11:05:01).

With text message marketing expected to represent a \$50 billion market by 2014, ISOs and merchant level salespeople (MLSs) need to know about its rules, risks and potential rewards. Therefore, in this second installment, I discuss the benefits of text message marketing for merchants, along with the regulations that text message marketers must comply with and the hazards involved with noncompliant campaigns.

Rewards

Text message marketing provides merchants with the ability to communicate with customers via short message service (SMS) offers delivered to mobile devices.

It has become an increasingly popular marketing tool for offering digital coupons, advertisements and loyalty programs because consumers rarely leave home without mobile phones, and text messages are universally read within minutes of receipt.

Additionally, mobile marketing removes the necessity of having to clip and carry paper offers, which adds convenience for consumers that encourages mobile coupon redemption.

It's easy for customers to join a merchant's mobile marketing program. Some mobile vendors offer many ways for customers to opt in: via "text to join" on mobile devices, web links and social media, integrated voice response systems, POS systems, quick response codes, or even by entering mobile phone numbers at ATMs.

Mobile marketing offers distinct advantages over traditional advertising and coupons due to the instantaneous nature of text messages, as merchants can quickly react to current market conditions, such as slow sales or dramatic weather events, by offering customers discounts for shopping at their stores.

Some mobile marketing programs take advantage of the personal nature of the mobile device and its connectivity with credit card terminals. These systems send specific messages to individual shoppers based upon their actual purchasing behavior, a capability that can significantly boost customer

satisfaction. The most effective mobile marketing products enable merchants to track coupon redemption and revenue generated by their text message campaigns.

Rules

The Federal Communications Commission and the mobile carriers have relationships somewhat analogous to the card brands and the banks. The FCC establishes and enforces the rules governing how mobile carriers conduct business, just like Visa Inc. and MasterCard Worldwide enforce the rules for their member banks.

Like banks having authority over ISOs, mobile carriers such as AT&T and Verizon Wireless exercise significant compliance authority over their clients, the text message providers. The technical, structural, content and flow guidelines for mobile marketing messages are available in a consolidated form within the Mobile Marketing Association's best practices document. (For more details, see the resources section at the bottom of this article.)

Short Codes

Wireless carriers deliver commercial mobile marketing text messages through an abbreviated mobile phone number or common short codes (CSC) consisting of a five-, six- or seven-digit mobile number. These CSCs are assigned to specific businesses and allow the carriers to track commercial text messaging. Customers text a keyword (for example, MOVIE) to a merchant's short code (e.g. 31845) to join a recurring service or receive an instant offer.

Dedicated Versus Shared Short Codes

Companies have the option to lease either a dedicated short code or a shared short code through the Common Short Code Administration for three-, six-, or twelve-month renewable terms.

- **Dedicated short code:** The terms, conditions of use and application are all singularly licensed to the enterprise that leased the code. In order to qualify, businesses must file a program brief with the wireless providers for review and approval. Businesses may choose either a "random" (for example, 28462) code or a "selected" code (for example, 347639 for DISNEY).
- **Shared short code:** As the name suggests, these codes are licensed by one organization and then shared among other brands or companies. To maintain compliance, companies administering shared short codes should submit a program brief for each new service added to the code.

Risks

There are significant risks for ISOs and their merchants using shared short codes. If formal notification - by way of a program brief - is not submitted to the wireless carriers on behalf of each new program on a shared short code, the new program is in violation of regulations and may be terminated at any time.

Even if a business files a shared code program brief with the wireless carriers, the business is still at risk because it does not know if the other sharing participants have filed program briefs.

It's possible that other sharing participants have not filed such briefs because they are conducting prohibited or "phantom" programs, such as adult content, unlicensed entertainment (music, etc.) or premium charge cramming (a practice of placing unauthorized charges on a consumer's wireless bill).

There is simply no way for a business to know if prohibited traffic is being sent via its shared code. Of course, having more sharing participants involved with a short code increases the risk that wireless carriers will audit and subsequently terminate that code's connectivity.

How to Avoid Risks

Unfortunately, some shared short code resellers are either unaware of the guidelines or choose to ignore them. It is a "buyer beware" marketplace. To reduce the risk of reselling a product that puts merchants' mobile marketing campaigns and your residual-based business in jeopardy, avoid shared short codes altogether. If you are already representing a product that uses a shared short code:

- Request that the vendor provide evidence that he or she submitted a program brief and filing fee on your behalf.
- Decide if the cost of obtaining and provisioning a dedicated short code is economically viable for your business.

If you cannot justify the expense of a dedicated short code and the application to power it, establish a relationship with a company that does not use a shared short code or has filed an approved, certified program brief.

The mobile opportunity is already significant and is growing exponentially. It's important to align yourself with a mobile marketing company that adheres to industry regulations and best practices in order to be in the best position to reap the rewards.

Resources

Mobile Marketing Association, U. S. Consumer Best Practices:

<http://www.mmaglobal.com/bestpractices.pdf>

"Risks for ISOs, Agents, and SMBs Involved with Non-Compliant Programs":

<http://www.streetsavings.com/pdfs/SS-Risks-White-Paper-10012010.pdf>

"5 Step Test to Determine if a Short Code is Shared":

<http://www.streetsavings.com/pdfs/SS-Shared-Short-Code-Test.pdf>

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