

## SMS Still Holds Vital Role for Brands

February 12, 2016

Traditional text messaging via SMS is not among the most popular marketing channels in the US, and brands shy away from it for fear of being too invasive. But consumers say they don't mind receiving texts from brands as long as they contain content they expect. Increasingly, companies are finding text messages to be a viable engagement channel, especially for customer service.

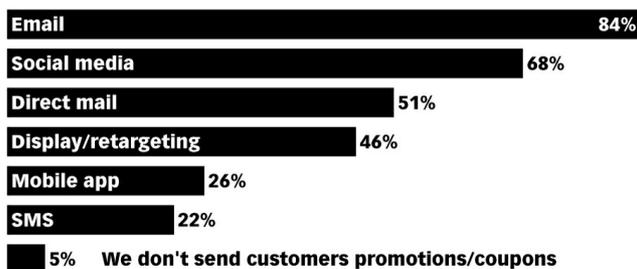
### Key Insights:

- About two in 10 US retailers send promotional information to customers via SMS.
- Nearly half of US internet users would be willing to receive text messages from companies about sales and discounts.
- Though marketing will still play a part, the future of branded text message interactions is in customer service and experience.

The majority of US retailers don't use SMS messaging to send promotional information to their customers. According to an October 2015 survey of US retailers by [Yesmail](#), only 22% of respondents employed SMS as a marketing channel.

#### Marketing Channels Used by US\* Retailers to Send Information About Promotions/Coupons to Customers, Oct 2015

% of respondents



Note: \*primarily US-based

Source: Yesmail, "The 2016 Yesmail Channel Report - Back to Basics: Retailers Are Not Ready for Cross-Channel Integration," Jan 11, 2016

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Low SMS marketing use is likely due to the obstacles associated with implementing it, including the Telephone Communications Protection Act's double opt-in requirement, which places the onus on customers to not only show interest and subscribe initially, but also confirm the opt-in.

"It's very hard to get someone to opt in for SMS," said Adam Meshekow, executive vice president of product strategy and national sales at Sito Mobile, a mobile advertising platform provider. "There are also other strict rules associated with it. For example, the consumer has to know the frequency of the messages, and being able to scale that properly is not the easiest thing to do."

Brands also worry about SMS marketing being too intrusive, especially as an initial touchpoint. "It's very difficult for a company to create SMS content that feels like the content that users

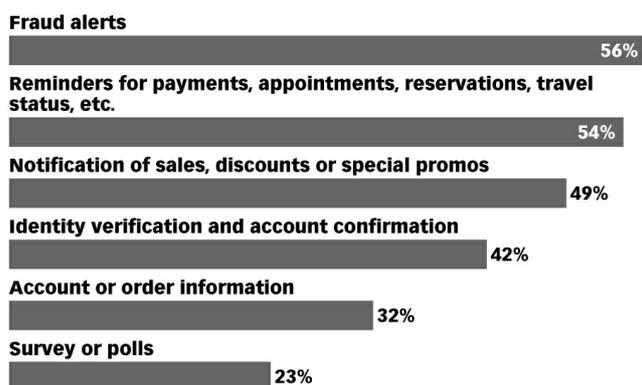
normally get through text messaging, which is communication from people they know,” said Aaron Dubois, vice president of digital production at Phelps, an advertising agency. But customers don’t necessarily mind receiving messages, especially if they contain key information pertaining to their account.

According to a November 2015 survey of US internet users from **Corvisa**, 49% of respondents would be willing to receive messages regarding sales and promotions. And large retailers including Lord & Taylor, Bed Bath & Beyond and Best Buy continue to use SMS as a marketing channel. “Lord & Taylor has done a very good job with its SMS campaigns, which alert customers about ‘Friends and Family’ sales and other promotions,” Meshekow said. “They also tailor messages based on customer history when they launch new products. Personalizing messages to the consumer is important.”

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### **Types of Text Messages that US Internet Users Would Be Willing to Receive from Companies, Nov 2015**

*% of respondents*



*Note: ages 18+*

*Source: Corvisa, "2015 Customer Service Report," Dec 3, 2015*

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For brands willing to try their hand at SMS marketing, there’s a great deal of incentive. “For a marketing channel, SMS marketing is still highly profitable. There’s very high engagement,” Meshekow said. “The reality is that over 90% of people open their SMS within 90 seconds.”

But for companies that consider SMS to be too personal for marketing content, there are other engagement opportunities that can be equally, if not more, effective.

The Corvisa report revealed that 56% of those surveyed would be willing to receive fraud alerts via text, while 54% would be open to text reminders for payments, appointments, reservations and other information. “SMS provides the most value when a brand is pushing out content that provides a utility, a heightened utility beyond what users are already getting through other channels of communication such as a notification that something has happened—the user paid his or her bill,” Dubois said. Drugstore chain Duane Reade, for example, sends text messages to customers when it’s time to refill their prescription or when their prescription is ready for pickup, while Chase Bank sends customers urgent fraud alerts if there is unusual activity on their account.

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## **SMS for Customer Service**

A number of brands have also begun experimenting with using SMS for customer service interactions. In 2015, pizza-delivery chain Domino’s rolled out SMS ordering through AnyWare—a suite of ordering platforms created by the brand to “provide customers with the best ordering experiences possible,” said Dennis Maloney, vice president and chief digital officer at

Domino's. Thanks to the initiative, customers can now order a pizza by texting the words "Easy Order" to DPIZZA (374992) or by texting a pizza slice emoji to the same number.

"SMS is an interesting channel for a number of reasons, as it has a great ability to break through and is the communication channel of choice for many younger consumers," Maloney said. "By having a presence on this channel, be it marketing or our AnyWare ordering capability, we are interacting and communicating with our consumers in their channels of interest, instead of forcing them to communicate with us in channels we choose."

Other brands are exploring the customer service potential of text messaging as well. Last year, Starwood Hotels & Resorts Worldwide launched Let's Chat, a messaging initiative that has been rolled out to over 150 hotels, with plans to continue expanding the effort globally.

Ninety-three percent of the interactions on Let's Chat are service-oriented, meaning guests are making a specific request, according to Daniel Kerzner, vice president of digital loyalty and partnership marketing at Starwood. And though Starwood doesn't use texting as a marketing tactic explicitly, the engagements do generate revenue. Customers occasionally ask for help with local directions or ask basic questions about a hotel, but the top requests are for booking an ancillary reservation or service, such as a spa treatment, a dinner reservation, a car transfer, additional amenities or in-room dining. "These are obvious revenue generators for us, so if we can make it easier for guests to interact with us, then it's obviously profitable for us to do that," said Kerzner.

## A Global Perspective

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WhatsApp dominates SMS as the preferred channel for Starwood's Let's Chat, which comes as no surprise to Kerzner. Though the app isn't particularly popular in the US, it has a massive worldwide presence, and as a global brand, Starwood is following the trend. "WhatsApp has 950 million active users monthly," Kerzner said. "They deliver 33 billion messages every day, which is 50% larger than the entire global market for SMS messages."

In the US, SMS still represents a more significant chunk of the market than WhatsApp, but Facebook reigns supreme. A June 2015 survey of US mobile phone users by [451 Research](#) found that 64% of respondents used Facebook to message friends and family compared with 39% who used SMS. Now that Facebook has introduced tools within Messenger that allow businesses to engage directly with customers, brands need to be aware of it as a potential engagement channel as well.

**Mobile Apps/Services Used for Messaging Friends and Family According to US Mobile Phone Owners, June 2015**

% of respondents

Facebook	64%
SMS	39%
Skype	20%
Twitter	15%
Instagram	13%
Google+	10%
Snapchat	10%
Kik Messenger	5%
WhatsApp	5%
Viber	3%
BlackBerry Messenger	2%
Line	2%
WeChat	2%
Bleep (formerly BitTorrent Chat)	1%
Other	3%
None/don't use messaging apps on my phone	17%

Note: n=2,310

Source: 451 Research, "US Consumer Survey" as cited in company blog, Jan 14, 2016

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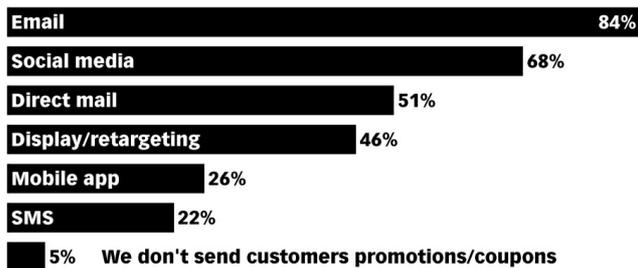
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SMS is in competition with other messaging apps and mobile engagement tools, but it isn't going anywhere. Brands such as Domino's and Starwood are finding that SMS interactions don't have to be intrusive to be effective, and they are determining that there is a place for text messaging in their customer experience strategies. "Companies now have a greater understanding of what their target market's customer journey looks like, what role each channel plays in that customer journey and how customer psychology lines up with those channels," Dubois said. "They're not necessarily getting scared off from SMS [marketing], but they're realizing the role that SMS is most suited to play in the customer journey."

—Maria Minsker

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