

WHITE PAPER

Common Short Codes: The Time Is Now for Mobile Marketing and Outreach

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August 2008

EXECUTIVE SUMMARY

Mobile marketing offers one of the most effective and rapidly evolving opportunities to engage with target audiences in new ways. In the developed world, the cell phone is the ubiquitous "third screen" in most people's lives and one that they are rarely without. For hundreds of millions of people in the developing world, the cell phone represents the "only screen" in their lives and makes these new audiences easily and individually reachable for the first time. Today, cell phones represent the most personal and intimate way to communicate with individuals. However, while mobile marketing offers great promise, there is confusion on where organizations should start with their mobile outreach efforts and how best to reach target audiences.

Common Short Codes (CSCs) represent the only universal way in the United States for brands to connect with almost all mobile users. They do so through Short Message Service (SMS), or "text messaging," which is built into almost every cell phone. The term "common" refers to the ability of a single short code to work across all major wireless carriers. For any brand or enterprise, this translates into "one common address, one call to action" to reach over 250 million mobile customers as estimated by IDC. CSCs are easy to obtain and use and are becoming more and more popular in advertisements, in TV shows, and on consumer goods. No organization or brand can afford to be left behind in the rapidly evolving mobile marketplace, and CSCs are an ideal way to quickly reach and engage with mobile consumers. CSCs can deliver rich media through Multimedia Messaging Service (MMS) as well as text through SMS. Since adding new elements to a brand's marketing mix requires testing, companies should begin trying various mobile marketing initiatives now to understand the power and impact that the "third screen" can have. Key benefits of CSCs to mobilize a brand include:

- ☒ **Universality.** As an estimated 96% of all U.S. cell phones support SMS text messaging over which CSCs operate, CSCs are the one carrier-approved and carrier-billed ubiquitous access mechanism for brands to connect and interact with almost all mobile users.
- ☒ **Total addressable market (TAM) of more than 250 million mobile users.** By using wireless messaging software that is already installed in most phones, CSCs have created a TAM of more than 250 million U.S. mobile users as estimated by IDC.
- ☒ **Engagement.** Using the same messaging channel through which mobile users communicate and chat with each other, CSCs are ideal for creating engagement and dialog with audiences through a familiar and highly personal medium.

- ☒ **Return on investment (ROI).** Mobile marketing campaigns using CSCs can experience an almost immediate ROI. CSCs are relatively inexpensive to implement, allow brands to further leverage existing media spends, and directly reach over 80% of the U.S. population that IDC estimates have their own cell phones.
- ☒ **Flexibility.** CSCs offer a flexible call to action and universal key to today's mobile culture, and they support delivery of a variety of media formats ranging from simple text to video. While CSCs are supported by SMS, they can also be used to deliver rich media through MMS, which 80% of all U.S. mobile handsets support and which is standard on most new cell phones. While MMS is just beginning to take off, it offers richer media experiences that can support a wide range of more dynamic marketing and outreach activities.
- ☒ **Global medium.** As other world regions such as Europe and Asia also use country-specific short codes in their markets, experience gained through using short codes in the United States is easily transferable to international markets and vice versa.

KEY WIRELESS TRENDS

The past five years have witnessed a mobile revolution around the world. The industry has soared past the 3 billion user mark, and conversation now centers on how few years it will take to add another billion users. In the United States, the evolution of wireless capabilities has been extraordinary. In 2002, color screens were the major innovation — and less than three years later, people began watching TV clips on their phones. As IDC has previously noted, 2007 witnessed another major milestone, as the common mobile adoption age for U.S. children dropped to 10 and the cell phone became a standard back-to-school item for middle school. IDC estimates that 69% of children between the ages of 10 and 14 already have their own cell phones, as the number of subscribers on family plans has increased and parents find increasing value in using cell phones to increase family connectivity.

Underneath the seemingly dizzying level of change are several key developments, which together have driven the realization that mobile marketing is connecting brands, organizations, and companies of all sizes — from global multinationals to local stores — to their customers. Indeed, IDC's forthcoming mobile marketing forecast estimates that in 2007, the total U.S. mobile marketing spend of brands exceeded \$140 million, having more than doubled from 2006. These key developments are delivering multiple opportunities for ongoing interaction and include:

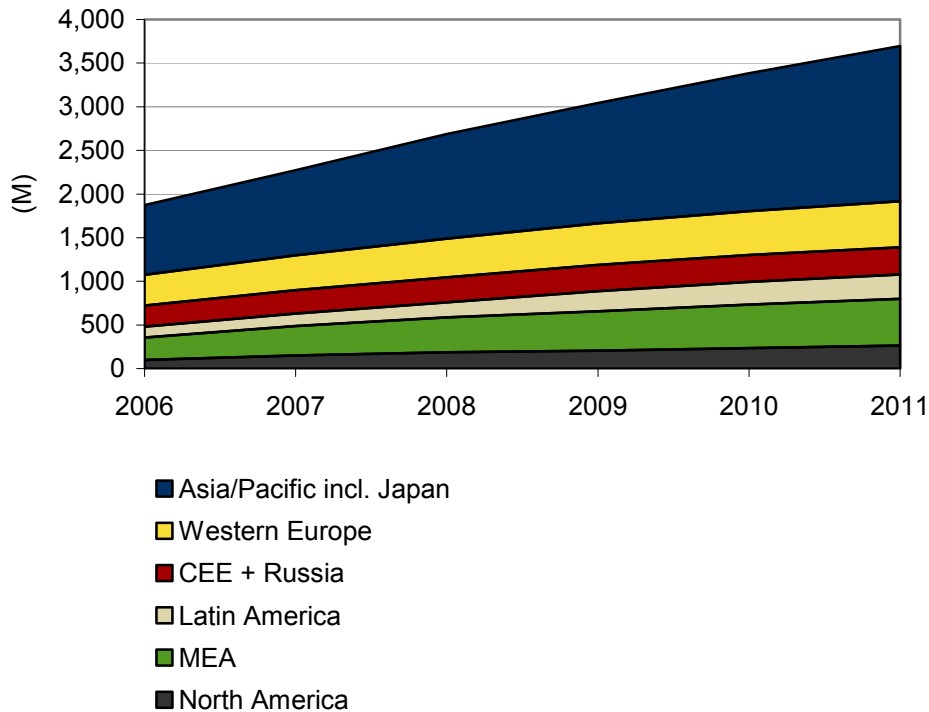
- ☒ **Cell phones are the ubiquitous global communications device.** With IDC estimates of over 3 billion mobile users and over 80% penetration in the United States, cell phones are the one communications device that people in almost every country in the world — large and small, rich and poor — have in common with one another.
- ☒ **Mobile messaging is the ubiquitous global data communications medium.** With more than 2.5 billion current users and nearly 3 billion capable devices in the market as estimated by IDC, wireless messaging — texting plus sending pictures, video, and more — is the data medium with the largest reachable global audience (see Figure 1).

- ☒ **Apple's iPhone has a dedicated SMS touch screen key.** Apple's prominent placement of a dedicated SMS touch screen key on the iPhone acknowledges the central role that messaging plays in the lives of mobile users.
- ☒ **More devices have a QWERTY keyboard.** Handsets with slider keyboards, virtual touchscreen keyboards, and handheld devices with physical QWERTY keyboards are increasingly common and are known to have even higher rates of messaging adoption and usage.
- ☒ **Mobile messaging is largely spam-free.** Wireless carriers have typically built their messaging services with stringent antispam capabilities, which have largely resulted in wireless messaging being comparatively spam-free compared with email.
- ☒ **Mobile users are becoming accustomed to using CSCs.** Wireless users are increasingly using CSCs to access information and content and interact with brands, such as the following examples, which have been noted by the industry in and on products, services, and/or media:
 - ☐ The NBA, NFL, and the Grammys use CSCs for instant voting contests.
 - ☐ Pizza Hut and Papa John's use CSCs to allow ordering through cell phones.
 - ☐ Political campaigns use CSCs such as "Obama for America" for information, alerts, and downloading of content.
 - ☐ The Boston police use CSCs for crime tip reporting.
 - ☐ Verizon uses CSCs to deliver Yellow Pages information.
 - ☐ GQ magazine uses CSCs to deliver alerts and content.
 - ☐ Fandango uses CSCs to deliver mobile links to movie information by zip code.
 - ☐ ABC, CBS, Fox, NBC, and Bravo use CSCs for interactive voting and content delivery.
 - ☐ AskMeNow uses CSCs to answer mobile user questions ranging from airline flight updates to trivia.
 - ☐ Major League Baseball (MLB) uses CSCs for fan alerts and to offer MLB-related content to its fans.
 - ☐ Google uses CSCs for search results ranging from stock quotes to weather to sports scores.

Mobile consumers are largely prepared to see CSCs used in other creative ways, such as for mobile advertising and outreach as well as for improved customer service — including advance notification of service calls, package deliveries, reservation changes, auctions, or other limit-based services.

FIGURE 1

Global Mobile Messaging Users, 2006–2011



Source: IDC, 2008

WHAT ARE COMMON SHORT CODES?

Short Codes are a string of numbers — typically fewer digits than the standard phone number format in any given country — to which a mobile user can send a message, usually in anticipation of receiving information or content in return. In the United States, Common Short Codes, or CSCs, usually consist of five or six digits, instead of the standard 10 digits associated with a phone number, and a single CSC can be used across most mobile operators' networks, hence the term "common short code."

CSCs were developed to provide an easier way for brands and organizations to take advantage of the growing popularity of text messaging and to connect to and communicate directly with consumers, regardless of which carrier or wireless operator the consumer subscribes to. These codes work across all major U.S. supporting carrier networks (see Table 1), whereas earlier "simple" short codes are carrier-specific (see Figure 2).

TABLE 1

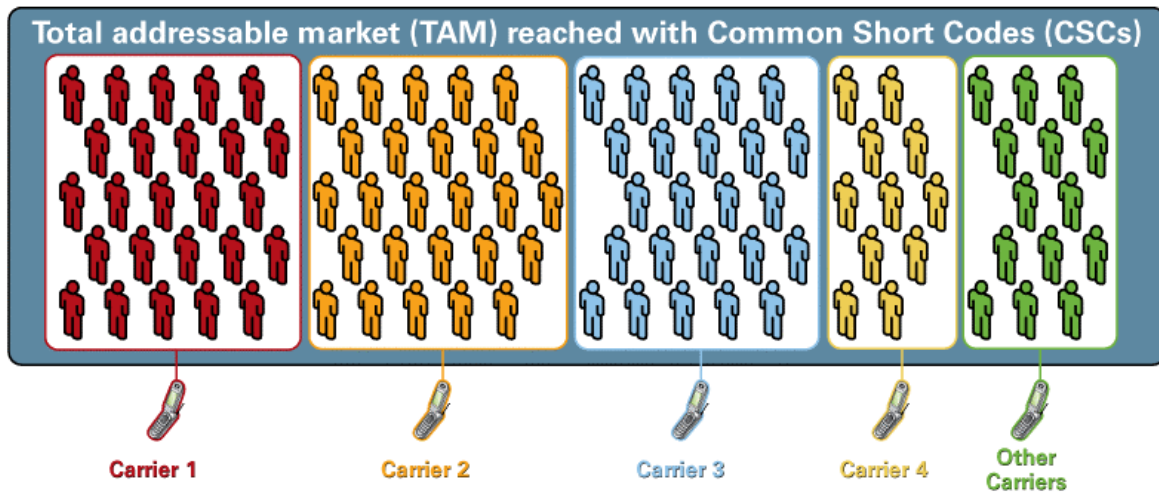
Common Short Code Participating Carriers

Alltel	Sprint Nextel
AT&T	T-Mobile USA
Centennial Wireless	U.S. Cellular
Cincinnati Bell	Verizon Wireless
Cricket Communications	Virgin Mobile USA

Source: Common Short Code Administration, 2008

FIGURE 2

CSC Versus Short Code Market Reach



A carrier-specific short code provides access to only its subscriber base. CSCs allow brands to reach almost all mobile consumers (TAM).

Source: NeuStar, 2008

CSCs can be thought of as a mobile shortcut to create a direct relationship between a brand and a mobile customer: All consumers need to do to connect themselves to a brand is:

1. Open the standard messaging client on their cell phones by finding the "Send an SMS or text message" option on the cell phone menu
2. Type the short code into the To: field
3. Type any keyword if necessary, such as the word "Sales"
4. Push "Send" to connect to the brand

Vanity CSCs

CSCs can use numbers or letters, or both. Some brands such as Major League Baseball, TV shows, and radio stations prefer to use vanity or select codes that spell their brand when texting in the letters on the cell phone alphanumeric keypad for easy consumer recall.

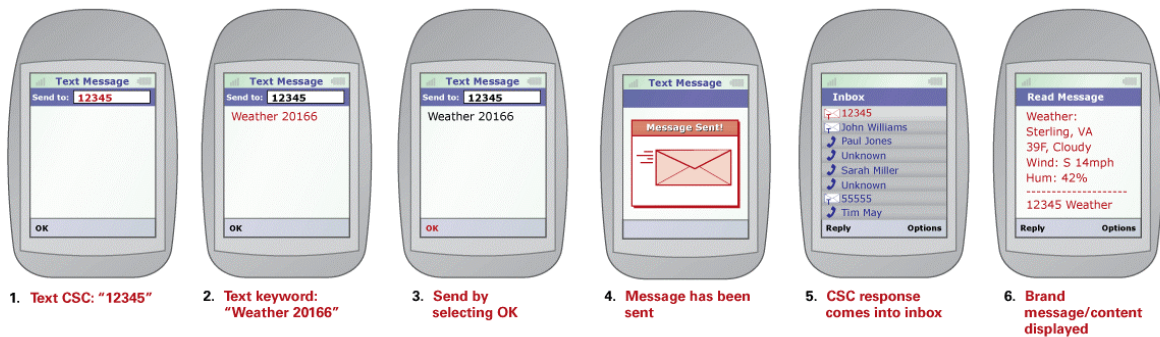
Keywords

The use of keywords texted in after the CSC provides brands with the ability to offer more options for different types of engagement or content to be sent to the consumer using the same CSC (see Figure 3). For instance, a grocery store can use the keyword "Sales" to allow mobile users to easily access product sales information through the store's CSC, and it can also use the keyword "Coupon" to provide easy mobile access to available coupons that can be used for product purchases.

FIGURE 3

CSC Demonstration

Steps in using a Common Short Code



Source: NeuStar, 2008

Easiest Mobile Access Mechanism

CSCs contrast with other access mechanisms that brands can use to get their content to mobile consumers, including mobile search or asking consumers to directly key a company's URL into their mobile Web browsers. Access to the mobile Web often requires the purchase of a data service plan. An IDC survey conducted in late 2007 showed that less than 20% of U.S. mobile users subscribe to a data plan that allows them access to the mobile Internet; therefore, IDC believes that very few wireless users are receptive or even able to easily access a brand's content on their own through the mobile Web. This contrasts sharply with CSCs that use SMS text messaging, which nearly all cell phones are automatically provisioned to support, and IDC surveys show very high U.S. mobile user familiarity and acceptance of SMS. Moreover, because CSCs can deliver different types of media formats — including video and other forms of rich media — they can deliver an experience similar to that found on the Web, but to a far larger audience.

In addition, mobile users typically use their phones to find discrete, timely, and actionable information — for instance, the nearest restaurant of a certain type when the user wants to eat a meal. This makes CSCs and their ease of use an ideal way to improve information discovery and drive direct customer response.

CSCs Can Work for Any Organization

CSCs are very appealing to organizations and brands of any size due to their consumer reach, as they are relatively inexpensive to implement and provide a great ROI when combined with existing marketing spends on TV, radio, and print. Mobile marketing campaigns turn these one-way mediums into two-way experiences with the simple addition of a CSC. A number of brands are creating unique mobile marketing campaigns using CSCs, and many are simply adding CSCs to their overall marketing mix, as appropriate by campaign. Indeed, companies from virtually every industry sector have either reserved CSCs and/or are already using them (see Table 2).

TABLE 2

Brands Using CSCs

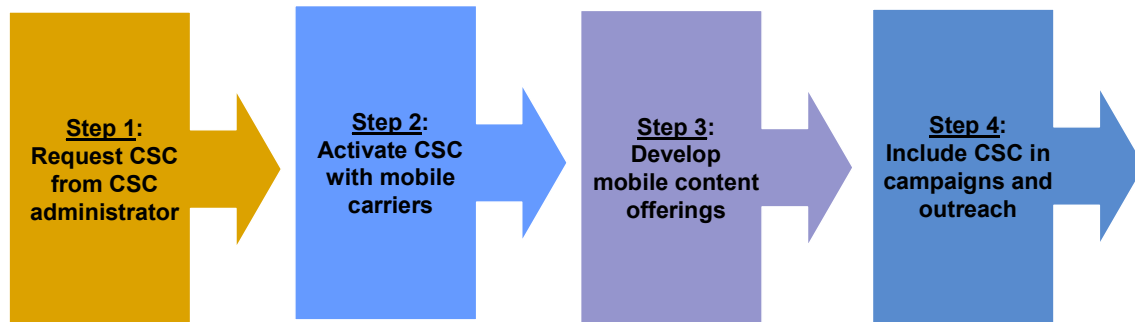
4Info	Google	Pepsi
20th Century Fox	Hearst Corp.	Ping Mobile
A&E	Honda	Pizza Hut
American Airlines	Johnson & Johnson	Playboy
AskMeNow	Limbo	Republican National Committee
Bango	Major League Baseball	Showtime
BET	Masterfoods	Sony
BMW	McDonald's	uclick
CBS	Microsoft	uLocate
Chase	Mobile Voter	United Way
Coca-Cola	MySpace	USA TODAY
Conde Nast	National Basketball Association	Verizon
Facebook	National Football League	VH1
Fandango	NBC	Warner Brothers
FedEx	Obama for America	Weather Channel
Fox	Orbitz	Yahoo!

Source: IDC, 2008

The four key steps to implementing CSCs are well-understood (see Figure 4). According to the Common Short Code Administration (CSCA), thousands of CSCs have already been implemented in the United States alone, and since each CSC can be used to support multiple campaigns, thousands of mobile marketing and customer interaction campaigns are under way using CSCs. At every step, experienced solution providers are available that can help a company of any size through the process. Some brands work through their current brand or advertising agency, and some go to specialized mobile application providers to develop their mobile marketing campaign applications. In all cases, these mobile application providers have direct relationships with connectivity aggregators or they are connectivity aggregators themselves. A connectivity aggregator is needed to connect a marketing campaign to wireless carriers to reach consumers. Brands can develop standalone, engaging mobile marketing campaigns or reformat their companies' existing marketing materials for mobile distribution.

FIGURE 4

Key CSC Implementation Steps



Source: IDC, 2008

CSCs also support Premium messaging, where a mobile user agrees to pay a "premium" message charge above whatever standard messaging charge he or she would otherwise pay. TV shows in particular are increasingly turning to Premium messaging with CSCs as ways to increase audience participation, create audience intimacy, and generate revenue in addition to sponsorships and commercials. For instance, Premium messaging is now commonly used by TV shows on the major networks to allow viewers to vote for contestants, thereby inviting audience participation and providing a motivation to watch the original broadcast rather than time-shift viewing to a later point when the voting period is over. The growing popularity of messaging (both premium and standard rate) within the entertainment industry supported by CSCs — for instance, TV shows on major networks such as *Deal or No Deal*, *Big Brother*, *Project Runway*, *The Apprentice*, and *CSI* — is helping to educate mobile users and create receptivity for applications that might be developed by other industry sectors. Premium messaging arrangements are also enthusiastically supported by wireless carriers, as they typically involve revenue sharing among the brand, carriers, and application providers enabling the application, ensuring that all players have a stake in the offering's success.

HOW USING COMMON SHORT CODES CAN HAVE AN IMMEDIATE IMPACT ON BRAND AWARENESS IN 2008

Almost every company that has embarked on mobile advertising and outreach efforts has said that the most effective way to understand the power of mobile and what it means to a company is to simply jump in and do it.

Key ways that CSCs are being commonly used to reach and engage audiences include those noted in Figure 5, some of which are discussed in greater detail below:

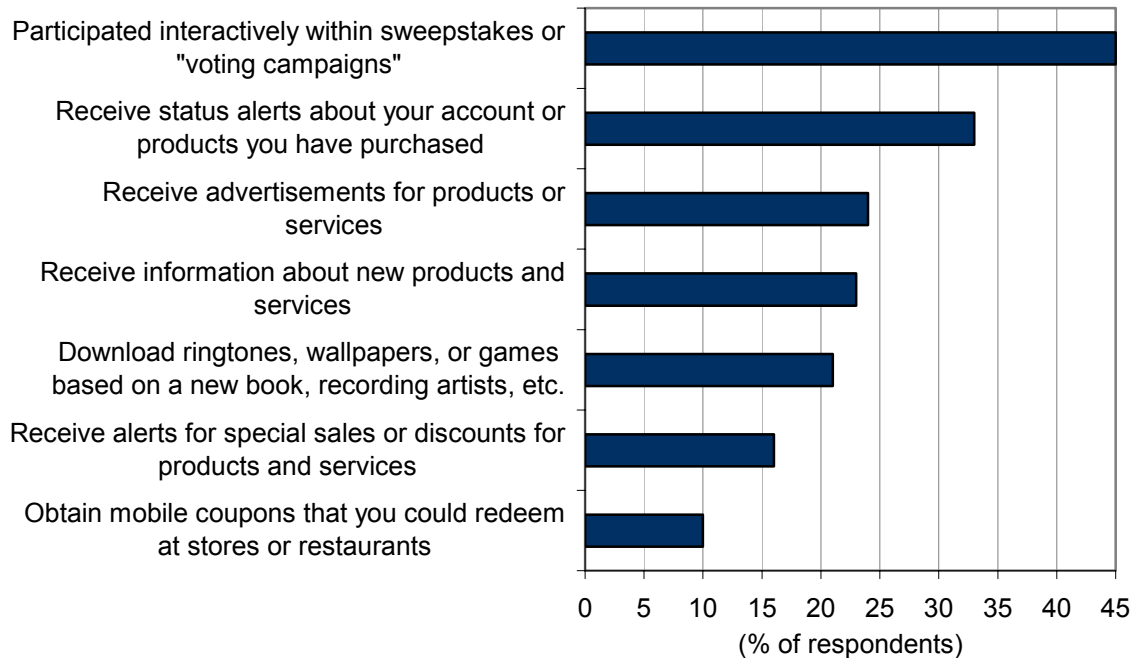
- ☒ **Creating a dialog and a relationship.** CSCs are being used effectively to create a dialog with mobile users. Voting, polling, requests for feedback, sweepstakes, and contests all require interactivity with the consumer and the brand. This interaction through CSCs provides valuable information about target audiences, allowing organizations to even more closely tailor their products and associated marketing to evolving marketplace needs.
- ☒ **Customer and employee communications.** CSCs and text messaging are being used by companies and even schools to distribute information, such as employee alerts, school closings, airline reservation updates, and sales alerts. Catalog companies and direct-to-consumer mobile commerce companies are using CSCs along with keyword item numbers as a way to allow customers to order products without calling into a service center. This approach reduces the number of calls handled by operators, which in turn reduces costs and can increase customer satisfaction.
- ☒ **Increasing brand reach.** CSCs are also playing a key role in increasing the reach of brands and organizations. For instance, groups in the United States that may index low for home PC penetration conversely often index high for mobile phones. Through CSCs, they can now be reached with electronic media. In the developing world, national short codes allow consumers to be cost-effectively reached on an individual basis for the first time ever, whereas previously, advertising campaigns were limited to mass-market radio and billboards.
- ☒ **Sales lead generation.** U.S. companies of all sizes are using CSCs in their marketing efforts to generate interest and engagement with brands, which immediately or eventually turn into sales leads. For instance, Lexus successfully used CSCs to develop self-qualified sales leads. And it has been reported that Denver-based Clarion Ventures is planning to launch the CSC that spells the word "House" on the cell phone keypad as a way for users to request that more information be sent to their cell phones on houses that are for sale. Brands have reported that potential customers who signal their product interest through CSCs are often highly motivated, which can result in CSC response rates as high as 10%.
- ☒ **Content distribution.** Short codes are one of the key ways that mobile content providers distribute content directly to mobile users, which avoids reliance on already-crowded wireless carrier "content decks." Carrier decks are the screens of content options that each carrier's subscribers see on their cell phones. Getting placement on a carrier deck is a costly and long process and must be done on a carrier-by-carrier basis. While brands can get immediate access to all subscribers on a particular carrier deck, carriers make frequent changes to their decks, offering less control for brands. By using CSC and other forms of "off deck" access, brands can reach almost *all* wireless users, not just those of a particular carrier.
- ☒ **Fundraising.** Nonprofits are increasingly interested in short codes for fundraising efforts, having successfully used them to raise relief funds for the 2004 tsunami in Asia and for Hurricane Katrina in 2005.

- ☒ **Mobile advertising.** Brands from almost every industry sector are beginning to incorporate CSCs into their marketing campaigns such as on billboards, in print, and even in TV advertising in order to deliver additional marketing information directly to users. For instance, shows on MTV regularly include CSC information to further involve audiences and drive additional content sales. New mobile advertising formats are coming onto the scene, including banner ads, sponsorships, product placement and idle screens, and pre- and post-roll video. Like CSCs, each of these mobile advertising formats is a sophisticated way to reach customers. In fact, text advertising can be added to CSCs so that the confirming message the consumer receives from the brand can also have a line of advertising in it. This not only allows brands to engage with consumers through CSCs but also allows their closest advertisers to advertise contextually next to the appropriate mobile content. However, unlike most mobile advertising, *CSCs require single or double opt-ins*. Thus, brands know consumers are interested and receptive to messages initiated by CSCs.

- ☒ **Building databases.** Information is power, and savvy organizations are using CSCs to build powerful mobile information databases on existing and prospective customers, such as what promotions they respond to, which mobile coupons they actually redeem and when, and how often they respond to mobile alerts, by integrating CSC response data into existing databases. These databases can be used to develop and support loyalty programs, coupon and direct response offers, and Internet-like experiences with media ranging from print to radio.

FIGURE 5

Types of Mobile Marketing Activities by Mobile Users Reporting Participation in Mobile Marketing



Source: Mobile Marketing Association, November 2007 Mobile Attitudes and Usage Study

NEUSTAR PROFILE

NeuStar's stated mission is to bring together the thousands of independent Internet and telecommunications networks around the world. The company's foundational approach — centralized directory services administered from a single, authoritative database — provides a base upon which changes in technology can occur.

NeuStar has been trusted to provide essential services in a competitively neutral manner to the communications and Internet industries since 1996. In little more than a decade, NeuStar has established itself inside the core of the global telecommunications and Internet ecosystems. By successfully enabling change, competition, and connections between billions of endpoints and thousands of service providers worldwide, NeuStar has emerged as a central steward of critical, shared communications resources.

The company manages shared addressing resources — such as telephone numbers, Internet top-level domain names, and U.S. Common Short Codes — to ensure that a telephone call or communication session terminates to the correct endpoint. It enables interoperability across diverse technologies and networks by facilitating the exchange and management of critical operating data and workflow processes between and among communications service providers (CSPs). It also supports CSPs' infrastructure management requirements to allow communications to route over CSPs' own networks.

The challenges to seamless, global interoperability continue to increase in both number and complexity — making NeuStar's central role even more so as the communications industry evolves. Transformative networking technologies develop regularly, and NeuStar works to anticipate the potential impacts of these "disruptors," applying its expert knowledge of authoritative directory administration, infrastructure, and address resolution solutions to the unique challenges of a diverse customer base.

In 2003, NeuStar competed for and was awarded the operation of the increasingly popular U.S. Common Short Code Registry on behalf of CTIA – The Wireless Association®. NeuStar continues to operate the U.S. Common Short Code Registry at www.usshortcodes.com, a natural extension of its role as a trusted neutral administrator of critical shared industry resources. The CSC Registry serves as the master database of short codes for all participating CTIA member operators. This database includes all short codes that are currently available for assignment. Therefore, NeuStar plays a central role in almost any industrywide mobile outreach and advertising campaign that includes the use of short codes.

VENDOR CHALLENGES

Every solution provider is faced with challenges that are common to all players within a particular industry sector and challenges that are specific to an individual company.

NeuStar is particularly well-positioned with its unique portfolio of capabilities and assets, which at their core are based upon a combination of strong IT expertise, relationships with service providers in every industry sector, and the company's

trusted role as a neutral administrator of critical industry resources. The increasing complexity of mobile applications in general and their reliance on IT solutions, as well as the increasing reliance of both consumers and enterprises on mobile communications, mean that broad industry trends continue to work in favor of NeuStar.

In terms of competitive positioning, NeuStar faces competition from traditional competitors such as VeriSign and increasing competition from companies such as Oracle, in light of its acquisition of HotSip, and Sybase, following its acquisition of Mobile 365. As IDC has previously noted in its syndicated research, NeuStar has been very strategic in its efforts to serve the telecommunications industry and in parallel develop and implement IP and mobile strategies. The company will need to continue its efforts in standards development and continuously improve and develop new service offerings in order to remain competitive over the longer term. IDC has noted that the acquisitions of Ultra DNS and Followup are strong steps in that direction.

CONCLUSION

Common Short Codes represent the fastest, surest, and most proven way for brands and organizations of any size to obtain access to today's mobile culture and create a mobile presence. Using CSCs and layering on a mobile marketing campaign can typically represent a fraction of a marketing budget, and existing marketing collateral and information can easily be repurposed for mobile. Companies should begin to think today about how to mobilize their brands with CSCs.

Any organization considering a mobile marketing strategy should strongly consider incorporating CSCs as the most direct, universal, and flexible way to reach more than 250 million mobile users, differentiate a brand, and gain first-mover advantage. Companies should start now in 2008 and plan to realize the power of mobile marketing.

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