

A special survey report from the editors of Internet Retailer

MISSED OPPORTUNITY



E-retailers underutilize SMS as an effective customer engagement tool



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E-retailers underutilize SMS as an effective customer engagement tool, according to survey results



Retailers have many ways to reach their customers today. Mobile apps, email, phone calls and social media—to name just a few—all play a big role in enabling retailers to communicate effectively with consumers.

But understanding which channels work best for specific types of communications with shoppers—and implementing the most effective strategy in each case—can make a big difference in a company’s bottom line. And it’s not easy to do.

One form of communication available to retailers—SMS (also known as text messaging)—may not be getting the attention it deserves from retailers as an effective customer engagement channel, according to the recent Internet Retailer Mobile Messaging Survey. The survey—sponsored by OpenMarket, a leading mobile engagement solutions

company—asked 100 e-commerce retail professionals about their use of SMS for reaching customers. Results show that SMS is an underutilized communication tool that has the potential to deliver much more value than it is today for retailers and consumers alike.

“In the context of a marketing mix, where retailers are optimizing for ROI, SMS is still underrepresented compared to traditional channels like email, phone and social media,” says Jay Emmet, general manager at OpenMarket.

In fact, the survey results revealed that SMS was among the least-used methods of communication retailers use to reach their customers. And, according to Emmet, this represents a major marketing miss because some of the most respected global brands today are using SMS quite heavily.

“There is a real opportunity for retailers to optimize around the channels they are using and integrate

SMS into current communications and marketing strategies,” he says. “We are seeing major brands use SMS to communicate very personal and relevant information to their customers. The benefits of SMS are reflected in both the bottom-line and in long-term customer satisfaction.”

The survey results include several other notable takeaways: A majority of respondents recognize there are applicable use cases for SMS but haven’t made it a high enough priority; more than half of respondents who don’t use SMS see the channel as an opportunity to drive revenue; among respondents who don’t use SMS, more than two-thirds indicate its ability to reach customers would be a reason to try it; and nearly three-quarters of respondents who do use SMS do so because it affords them an opportunity to differentiate.

“Based on these survey results, we see that retailers who use SMS are seeing success,” Emmet says. “But it’s also clear that more retailers should

be using SMS as an effective way to reach consumers and excel in terms of customer experience.”

Stats and facts

While under-utilizing text messaging, retailers are taking advantage of many other methods of marketing to consumers. Email is by far the most popular method, with 97% of respondents currently using it. Social media (82%), phone calls (66%) and mobile apps (32%) are also among the most-used methods. But only 29% of respondents communicate via SMS—and even fewer use push notifications (20%) and so-called OTT messaging apps (25%), such as Facebook Messenger.

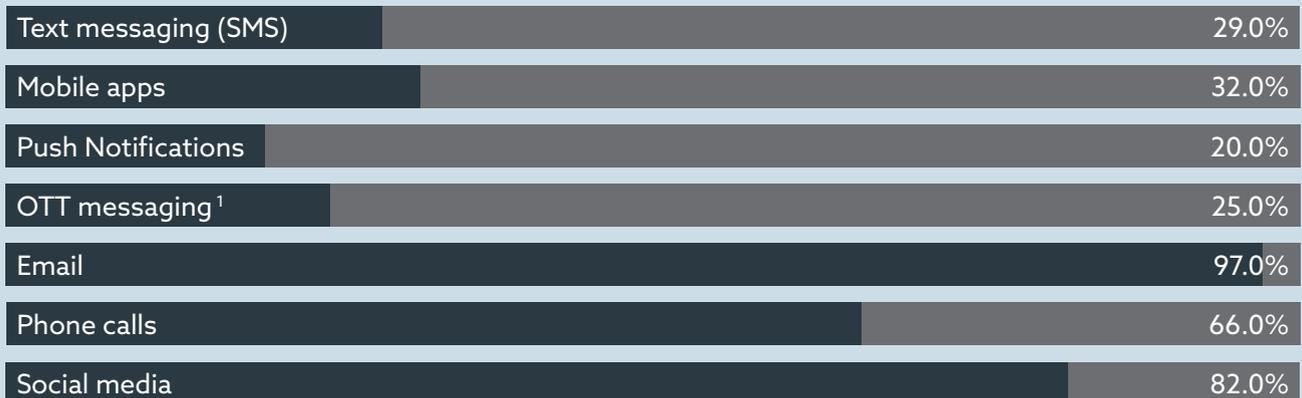
Emmet says this suggests many retailers don’t understand the benefits of SMS. “Mobile maturity is still in its very early stage for a lot of retailers,” he explains. “They don’t fully grasp its value because, in part, they don’t understand its ROI. The reality is that 90% of SMS messages are opened within about 90 seconds.”



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—Jay Emmet, general manager, OpenMarket

WHAT CHANNELS DO YOU CURRENTLY USE TO COMMUNICATE WITH CUSTOMERS? (multiple responses allowed)



1. WhatsApp, Facebook Messenger, WeChat, Line, etc.



YOU INDICATED YOUR ORGANIZATION IS NOT USING SMS/TEXT MESSAGING. WHAT ARE THE REASONS?

(multiple responses allowed)

I think there are applicable use cases for my business to use SMS/text messaging but it's not a high enough priority right now	52.1%
I am aware of SMS/text messaging but don't see a need in my business	19.7%
I don't know anything about SMS/text messaging for businesses	16.9%
We are currently looking for a vendor to help us deploy SMS/text messaging services	15.5%

Ralph Harmon, senior vice president of e-commerce and retail at Nivel, a provider of golf cart parts and accessories, agrees. “My assumption is that some retailers avoid SMS because of not understanding how to ensure a strong ROI on SMS overhead,” he says.

SMS is critical to success,” says Mike Templeton, a retail marketing technologist at convenience store chain Kum & Go. “Retailers just don’t have the time to prioritize figuring it out when there may be other more visually rich platforms to be leveraged with consumers.”

The survey did reveal, however, that a majority of respondents (52%) believe there are applicable use cases for SMS, “but it’s not a high enough priority right now.” Emmet attributes this to lack of SMS awareness among retailers.

Nonetheless, retailers are always open to new ways to boost sales, including via text messaging. 62% of respondents who don’t use SMS say “seeing an opportunity to drive revenue or improve customer experience” would be the most compelling reason to give SMS a try. According to Emmet, when SMS is implemented at the right time and for the right reasons, it can exponentially improve a business’s relationship with its customers.

“They may realize SMS is an effective channel, but statistics around how effective it is are not well known,” he says. Because SMS is a newer option for some marketers, Emmet says retailers tend to fall back on the channels they know and understand well—such as email, social media and phone. “Old habits die hard, especially in advertising and retail engagement,” he adds.

“SMS is very appropriate for some use cases and very inappropriate for other use cases,” he explains. “Do customers want a text message every time a retailer puts an item on sale? No. But would they like a text message when their package arrives at their front door? Absolutely.”

Content strategy may also play a role in retailers’ reluctance to adopt SMS. “Having the right content strategy for



“Some retailers avoid SMS because of not understanding how to ensure a strong ROI on SMS overhead.”

—Ralph Harmon, senior vice president of e-commerce and retail, Nivel

WHEN SELECTING A COMMUNICATION CHANNEL FOR ENGAGING WITH YOUR CUSTOMERS OR PROSPECTS, WHAT IS THE MOST IMPORTANT QUALITY?

(respondents ranked qualities in order of importance; rating average is shown, lower numbers indicate greater importance) ■ Retailers who use SMS ■ Retailers who do not use SMS



Among all respondents, “efficiency” ranked highest as the most important quality for engaging with customers, selected by 41% of those who use SMS and 35% of those who don’t. For respondents who use SMS, “reach” was a close second at 31%.

“Reach is a fundamental requirement,” Emmet says. “SMS has unprecedented reach, and that is supported in responses from those who use it.” Templeton agrees. “SMS is an instant feedback mechanism; people read [messages] and react right away,” he says. “It’s also a great tool for response activation via text-in keywords.”

And that may be why a majority of respondents who use SMS (69%) say “opportunity to differentiate” is the big reason to try it.

“Retailers are seeing a lot of opportunities for impact, ranging from improving customer service, attracting new customers and learning more,” Emmet says. “There isn’t just one area where SMS seems to excel; it’s broadly

seen as having an impact across multiple initiatives.”

SMS to the test

For many retailers, now is the time to learn more about using SMS to communicate with customers, and delivering the right message at the right time is critical for success. Those who are already using it know how well it works.

Take one high-tech e-commerce business, for example. As one of the world’s largest retailers of PCs, tablets and smart phones, the company was recently looking for a way to engage more effectively with U.S. and Canadian users who needed help resolving technical issues with their mobile phones. It turned to SMS. The retailer implemented a two-way SMS program to target its customers and quickly connect them to a device diagnostics service that helps them troubleshoot and solve their issues.

Positive results came immediately. The company reduced resolution times



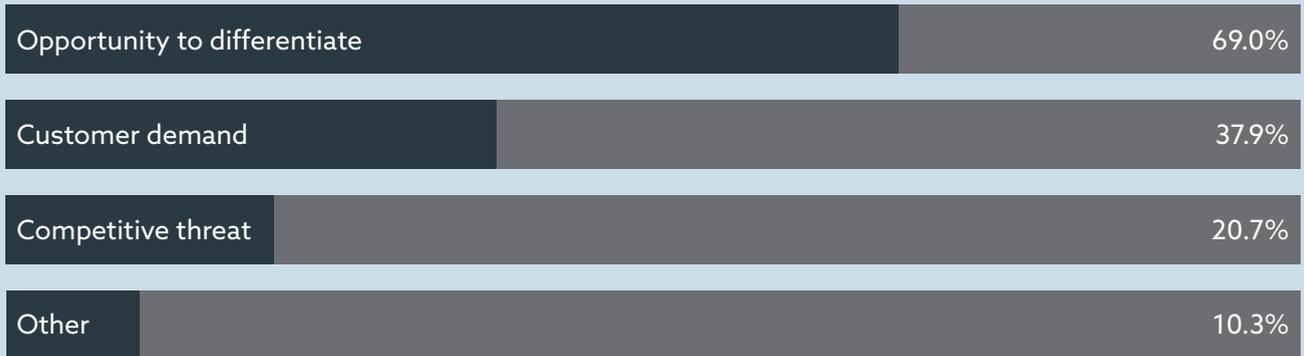
‘SMS is an instant feedback mechanism; people read [messages] and react right away. It’s also a great tool for response activation.’

—Mike Templeton,
retail marketing
technologist,
Kum & Go



WHAT DROVE YOUR BUSINESS TO IMPLEMENT SMS/TEXT MESSAGING PROGRAMS?

(multiple responses allowed)



and technical support costs, while more quickly and completely satisfying customers. And because it worked so well, the company launched the SMS service soon afterwards to customers in 30 additional countries.

According to Emmet, this is just one of many examples of a company using SMS at the right time, for the right use case, to improve customer experience and create a positive business outcome.

“As retailers mature in their mobile strategy, they’re constantly looking for new channels to command attention from consumers,” Templeton says. “SMS becomes easier as you understand your role as a retailer in your customers’ lives. Once you have your fit, then it’s easier to architect the right use cases for SMS to further enhance the customer experience.”

Call to action

According to the survey results, there is a lot of room for retailers

to capitalize on the opportunities SMS provides.

Emmet says retailers should start including SMS within their marketing mix. “Most companies are still under-investing in this channel, when the reality is that there are some very large, high-profile retailers that are successfully using SMS as a customer engagement tool,” he says. These companies are setting a strong example that many other retailers can follow to quickly add value to their customer experience.

An SMS investment will especially make sense for the many retailers that have built appealing mobile websites and apps. “If you have a quality experience to offer customers on mobile, SMS can be a unique way to connect people into that,” Templeton says.

Emmet agrees. “For a lot of retailers, SMS is new and unknown,” he says. “But they should also realize that they are capitalizing on an effective tool that may very well help drive their business to new heights.” ●



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—Jay Emmet,
general manager,
OpenMarket

SURVEY SUMMARY

This report contains detailed statistical analysis of the results to the survey titled 2016 Internet Retailer Mobile Messaging (SMS) Survey, conducted by Internet Retailer with responses from subscribers and sponsored by OpenMarket. The analysis includes answers from all qualified respondents who took the survey from May 10 through June 15, 2016. 100 completed responses were calculated for the survey.

Highlighting indicates respondents **currently use SMS messaging** or **do not currently use SMS messaging**.

Which of the below most accurately estimates your company's annual revenue?

Greater than \$1 billion	11.0%
\$501 million to \$1 billion	4.0%
\$101 million to \$500 million	13.0%
\$51 million to \$100 million	6.0%
\$26 million to \$50 million	8.0%
\$11 million to \$25 million	9.0%
\$5 million to \$10 million	6.0%
Under \$5 million	43.0%

What channels do you currently use to communicate with customers? (multiple responses allowed)

Text messaging (SMS)	29.0%
Mobile apps	32.0%
Push Notifications	20.0%
OTT messaging ¹	25.0%
Email	97.0%
Phone calls	66.0%
Social media	82.0%

1. WhatsApp, Facebook Messenger, WeChat, Line, etc.

Since you're not using SMS/text messaging today, what would be the most compelling reason in the future to consider it?

Demand from customers	18.3%
Seeing competitors in my space using SMS	4.2%
Seeing an opportunity to use SMS as a differentiator for my business	11.3%
Seeing an opportunity to drive revenue or improve customer experience	62.0%
None of the above	4.2%

Which of the below best describes your company?

Brick-and-mortar stores	8.0%
Online retailer	42.0%
Combination of both	50.0%
None of the above	0.0%

You indicated your organization is not using SMS/text messaging. What are the reasons? (multiple responses allowed)

I don't know anything about SMS/text messaging for businesses	16.9%
I am aware of SMS/text messaging but don't see a need in my business	19.7%
I think there are applicable use cases for my business to use SMS/text messaging but it's not a high enough priority right now	52.1%
We are currently looking for a vendor to help us deploy SMS/text messaging services	15.5%

When selecting a communication channel for engaging with your customers or prospects, what is the most important quality? (Please rank in order of importance, with the 1st being the most important and 5th being the least important)

	1	2	3	4	5	Rating Avg.
Reach - the ability to reach my entire audience	9	2	9	6	3	2.72
	4	10	18	24	15	3.51
Timeliness - the ability for my information to be opened and read in a timely manner	1	8	5	9	6	3.38
	10	10	19	24	8	3.14
Ease - the communication channel that is most easy for me to use	1	9	4	5	10	3.48
	10	5	14	6	36	3.75
Preference - the communication channel most preferred by my audience	6	7	7	3	6	2.86
	22	25	9	10	5	2.31
Efficiency - the communication channel that delivers the best results or business outcome	12	3	4	6	4	2.55
	25	21	11	7	7	2.30



SURVEY SUMMARY (CONTINUED)

What is your organization's primary motivation for using SMS/text messaging?

Marketing / promotions	27.6%
Customer service / experience	34.5%
Both	31.0%
Other	6.9%

Which group within your organization has primary responsibility for the ownership of SMS/text messaging programs?

Sales/Marketing	48.3%
Customer Service	13.8%
IT	6.9%
Multiple groups have ownership	24.1%
I don't know	3.4%
Other	3.4%

What drove your business to implement SMS/text messaging programs? (multiple responses allowed)

Customer demand	37.9%
Competitive threat	20.7%
Opportunity to differentiate	69.0%
Other	10.3%

How much of an impact can/does mobile messaging have for the following customer-focused business priorities?

	No impact	Little impact	Some impact	Considerable impact	Major impact	Rating Average
Differentiating or improving the customer experience	1	3	11	8	6	3.66
	3	6	24	28	10	3.63
Attracting and retaining customers	1	5	13	5	5	3.48
	3	15	26	19	8	3.45
Gaining deeper customer insight	2	5	13	5	4	3.38
	6	11	32	14	8	3.34

At what stage is your organization today in the deployment of SMS messaging technology for each of the following customer-focused engagement activities?

	Not yet considering	Considered, but not yet pursuing	Researching Pilot/ Proof of Concept	In production in business units or departments	In production enterprise wide
Product promotions /offers/discounts	3	7	8	6	5
	34	28	7	2	0
Purchase receipts	7	8	7	3	4
	36	26	6	1	1
Order alerts, delivery notifications	3	4	4	7	11
	24	32	9	4	1
Service notifications, appointment reminders	8	5	7	6	3
	42	18	8	2	0
Click & collect info	11	8	7	3	0
	41	20	6	2	1
Password resets	14	4	8	1	2
	41	20	3	4	2
Customer feedback surveys, product reviews	6	8	9	0	5
	34	26	5	4	1

Highlighting indicates respondents **currently use SMS messaging** or **do not currently use SMS messaging**.

For any of these use cases that are applicable to you but not in production, what prevents you from deploying them?

	Our current vendor doesn't support those use cases	Those use cases are outside of my area of focus (i.e. another department should handle)	I am concerned about the cost or complexity involved in deploying more use cases	Additional use cases are not a high enough priority right now
Product promotions /offers/discounts	4	7	10	6
Purchase receipts	6	11	2	8
Order alerts, delivery notifications	5	5	6	5
Service notifications, appointment reminders	4	8	4	8
Click & collect info	6	7	5	9
Password resets	8	8	5	8
Customer feedback surveys, product reviews	6	6	7	9

How are you measuring the success of your SMS/text messaging programs? (multiple responses allowed)

Via increased revenue	34.5%
Via improved customer experience	44.8%
Each SMS/text messaging program has its own KPIs (key performance indicators)	34.5%
We are not measuring at this time	20.7%
Other	6.9%



Enterprises choose OpenMarket as their mobile partner for a number of reasons: our domain expertise, service flexibility, demonstrated network performance and reliability, global scale and corporate maturity.

Whether the goal is to optimize communications, improve customer experiences, mobilize operational processes, drive brand awareness or generate new revenue, OpenMarket enables enterprises in any industry to use mobile to directly engage their target audience—and ultimately provide value to their business.

OpenMarket provides a secure and reliable platform with a service commitment to back it up. Our market experience and trusted relationships with mobile operators across the globe enable faster time to market, and ongoing delivery and support for your mobile initiatives.

OpenMarket's global headquarters are in Seattle, Washington, with regional offices in Detroit, London, Sydney, and Pune (India).

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Millennials Would Rather Text Than Talk...



...and that speaks volumes

75% of millennials prefer SMS messages for **real-time** notifications of deliveries, payments, promotions & surveys.*

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*Source: The survey was fielded by 500 US millennials via SurveyMonkey on behalf of OpenMarket.