Mobile marketing for small and medium size businesses

How to beat giant brands on a small budget



Executive summary

- There were 5.49 million small to medium-sized businesses (SMEs) in the UK at the start of 2016, accounting for 99% of the total private business sector
- The average SME annual marketing spend is £24,000, with just 29% of small businesses allocating an annual marketing budget
- The average marketing budget for a big business (£25m+) starts at £1 million, which is over 40 times larger than the average budget of small and medium sized businesses
- Due to the gap in available resources between business sizes, SMEs must ensure each marketing pound delivers a substantial return on investment
- SMEs view social media (primarily Facebook) as a primary form of marketing, despite the fact that only 9% of the 30 million Facebook account holders are willing to view the platform as a marketing channel
- Email used to be the top channel for SMEs but has swapped places with Facebook to take second place
- Email stats outperform Facebook for marketing but the peak open rate is still only 22.87% across all industries
- Consumers state that SMS and email are their preferred channels when it comes to receiving a business or community-based communication, well ahead of Facebook, app push notifications and Twitter
- The industry standard read rate for SMS is 98%, with 36% of SMEs currently using branded or business SMS
- There are 33.67 million mobile users in the UK that have opted in to receive text messages from businesses in 2016, which means the SMS audience for marketers in the UK is three million people larger than Facebook's total UK membership
- By 2020, the number of mobile users in the UK that will have opted in to receive text messages from businesses will reach 48.65 million. This makes SMS the fastest growing marketing channel in the UK
- Educational-based SMS are the most desirable, followed by communications from memberships and organisations, and health-based SMS
- The optimal period for SMEs to distribute text messages to their opt-in database is between midday and 3pm during weekdays and weekends
- 78% of mobile users claim they will read a text message from a company they know and have given their mobile number to, compared to 22% from a company they are not familiar with



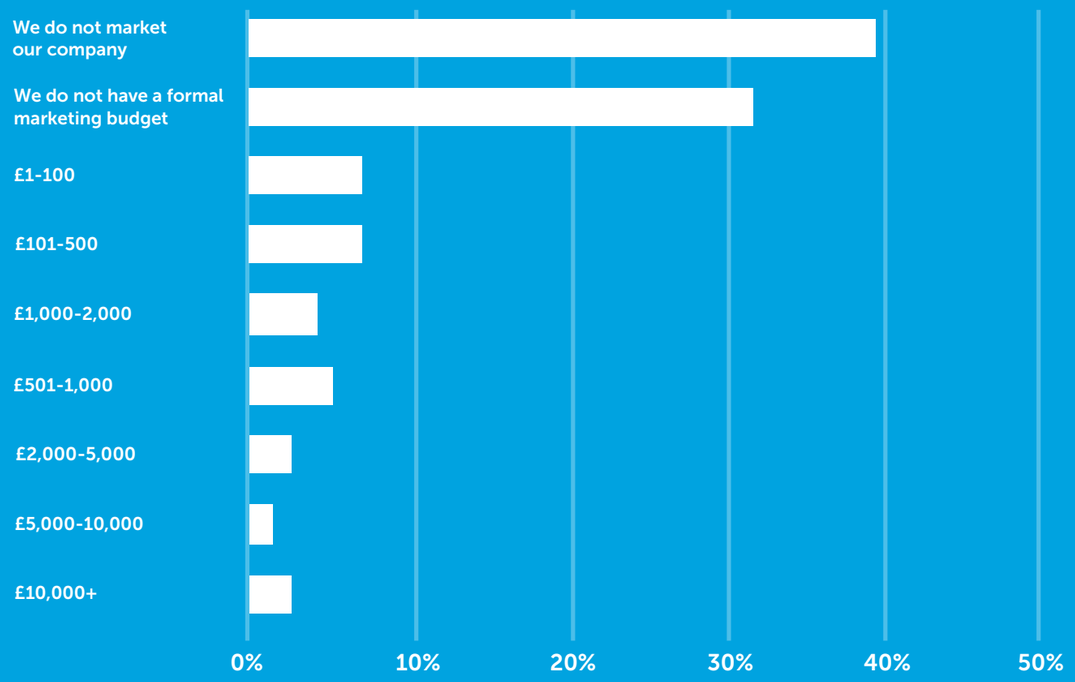
Understanding the SME marketing budget

Fundamental to any small and medium-sized business' (SMEs) decision-making process for marketing, is budget. In fact, 40% of SMEs cite budget as the biggest hurdle when it comes to executing a marketing plan, ahead of expertise and time.

According to the Centre for Economic and Business Research, the average SME annual marketing spend is £24,000. Research providing a deeper dive into just small businesses revealed that only 29% allocate an annual marketing budget, with two-thirds of those companies having less than £1,000 per annum to spend. An additional third of small businesses said that they did not have a formal marketing budget, but do invest in marketing.

> Small and medium-sized businesses are defined as a company with fewer than 250 employees. A micro-business has 0-9 employees, a small business has between 10-49 employees, a medium-sized business has between 50-249 employees. In the UK at the start of 2016, 96% of private businesses were micro, 3.7% small, and 0.2% medium-sized.

Does your business have an annual marketing budget?



SMEs are severely restricted financially when it comes to marketing spend. Unlike major companies with vast marketing budgets that can use spare budget to experiment with nascent mediums.

Large companies spend, on average, around 10.5% of total revenues on marketing[2], Research from 2014 revealed that large businesses with revenues less than £25 million spent an average of 11% on marketing, whereas large businesses with revenues of between £25-£99 million spent an average of 9% on marketing[3]. This could mean large businesses have a marketing budget of anything between £1 million to £9 million, and beyond.

SMEs do not have this financial luxury and must ensure each marketing pound delivers a substantial return on investment. On budget alone, SMEs cannot compete with large businesses, but using a channel that can effectively maximise a £1,000 campaign can potentially have a similar impact as a campaign by a big business spending £1 million.

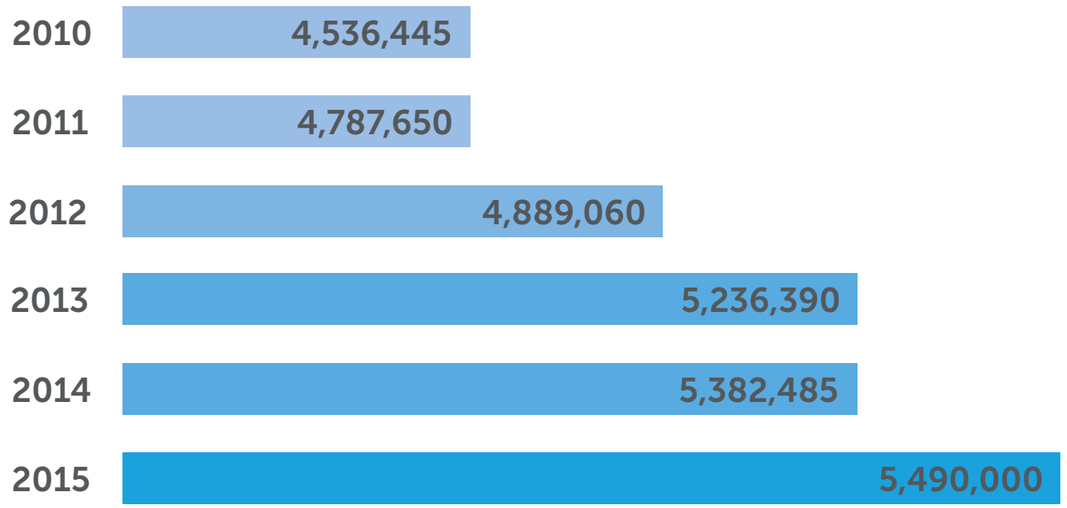
The challenge for companies who make a living providing marketing solutions, is that SMEs dominate the business landscape in the UK. SMEs today account for 99% of total private sector businesses[4], which in numeric terms is 5.49 million.

Between 2014 and 2015 the number of SMEs in the UK rose 2%, but perhaps more telling, is that the number of SMEs has increased by one million since 2010. However, while SMEs represent an area of growth for the UK economy, it means 99% of companies have limited marketing budget at best.

The challenge for marketing a small or medium sized business, is to deliver the powerful return on investment needed to unlock the potential budget within the five and a half million UK SMEs.

Sources: 1. Gartner CMO Spend Survey 2015
2. https://vtldesign.com/inbound-marketing/content-marketing-strategy/percent-of-revenue-spent-on-marketing-sales
3. Business Statistics, Briefing Paper no. 06152, 26 October 2016, House of Commons Library

Total SMEs in UK



Sources: 4. Business population estimates for the UK, 2010-2015, Department for Business Innovation & Skills

The favourite marketing channels of SMEs

The fulcrum for any SME marketing strategy is their company website. For cash-strapped SMEs with the time and resource to execute a marketing plan, driving traffic to their website is typically via email and social media. Our research reveals that Facebook has become the primary channel for 87% of SMEs to communicate with their followers, ahead of email, which is used by 65%. However, 88% of large businesses use Facebook and add to the noise making it difficult for SMEs to be noticed.

Since 2013, social media and email have swapped positions as the primary and secondary forms of marketing, with Facebook now viewed as the most popular channel for SMEs. But as the following research reveals, neither email or Facebook will deliver the results that SMEs seek when maximising their marketing spend.



Does Facebook deliver the results SMEs seek?

The use of Facebook and email by SMEs towers above an alternative medium such as SMS, with just over one-third of SMEs (36%) using SMS to communicate with their opt-in mobile customer database. This figure is surprisingly low given that 33.67 million mobile users in the UK have opted in to receive text messages from businesses in 2016, a figure which accounts for 65% of mobile users aged 18 plus, or 52% of the total population. That figure is forecast to reach 48.65 million by 2020, meaning SMEs will be able to potentially connect with almost three-quarters of the UK population via text messaging alone.

Secondly, the UK telecommunications regulator Ofcom, has declared the UK as a “smartphone society”. This conclusion was drawn from the fact that 75% of UK mobile users now own a smartphone, and it is smartphone users that are generating most traffic to websites.

Therefore, most visitors to an SME website will be via a smartphone, which would make the distribution of a website URL via an SMS considerably more effective than via email or Facebook. And not just the distribution of a website URL but all marketing communications. SMS is by far the most effective marketing medium available to all SMEs, yet the fact it continues to operate in the shadow of email and Facebook highlights that these SMEs are not only investing their marketing budget ineffectively, they do not understand the needs of their customers.

Does Facebook meet consumer needs?

Our research into how consumers want to be reached revealed that email and text are the preferred channels for consumers when it comes to receiving a business or community-based communication. SMEs operating a Facebook-led marketing strategy is not reflective of how its customers want to be communicated with.

As a marketing channel, Facebook is viewed by consumers as the best of the rest, but even then, it only appeals to 9% of mobile users, which in-turn is still more than twice as popular as push notifications from apps and Twitter (both 4%).

SME’s are drawn to Facebook’s scale and the fact any business can create a Facebook company page at no cost. With around 30 million Facebook users in the UK all providing the social behemoth with reams and reams of personal and preference-based data, Facebook is viewed as an ideal channel for targeted — and perhaps more relevant to SMEs — localised marketing activity. What is overlooked is the fact that 91% of Facebook users in the UK view the medium as a non-marketing channel and do not want to receive branded communications on their Facebook page, regardless of whether they are native adverts or not.

Simply put, 91% of Facebook users want to use the medium to connect and communicate with friends and family, and will view marketing during a Facebook session as intrusive and could generate brand negativity within that user.

Facebook vs. text

30 Million
Facebook users

9%
OPEN TO MARKETING

33 Million
opt-in text users

100%
OPEN TO MARKETING

That means Facebook in the UK represents a potential community for branded or business-based communications of around three million. Not 30 million as sometimes stated, and nowhere near the 33 million consumers who have opted in for texts from brands and businesses. Furthermore, in terms of its performance, response rates on Facebook stand at between 1%-5%, which in comparison, is towered by the 32% average response rate of the text message.





How email performs for small UK businesses

SMEs are also attracted to email because of its low cost. A typical email campaign costs just £0.004 per email (or £4 per 1000). An important statistic for SMEs to consider, is the sheer volume of marketing conducted over email. Nearly half of email users receive upwards of 21 business (or branded) emails per week, with 14% claiming they receive more than 50. The majority of these emails are from big businesses, with around two-thirds still using email as part of their marketing mix.

An SME using email as a marketing platform is communicating in a highly-cluttered channel used by all businesses and brands, which means their emails will likely be lost in the immense marketing noise being generated. Email providers such as Google and Microsoft are also getting much better at automatically segmenting or hiding emails before they are seen by users.

Emails from SMEs have a peak open rate of 22.87% and exceed campaign performance stats of Facebook, but like its social media brethren, it remains in the shadows of text when it comes down to performance and response rates.

A perfect combination of scale and personalisation for SMEs

It is the scale of mobile users who are willing to receive business and community based texts that is encouraging SMEs to use the medium.

As already highlighted, mobilesquared research reveals that over 33 million mobile users would welcome text messages from their chosen businesses, big and small. In fact, 15 million more people will opt-in to receive business communications over the next four years. No other marketing medium can boast that it will expand by an average of 3.75 million people per year.

One of the reasons SMS is growing in popularity with consumers and businesses is because the technology overcomes a key challenge faced by marketers today: the personalisation of every message to each individual. Increasingly, consumers expect businesses to engage with them as individuals, not as part of a replaceable, generic mass.

Advances in SMS technology mean that any type of content or media file type can now be delivered through systems that inherently make it easy to personalise the messages.

The ease with which mass-texts can be personalised is especially useful for SMEs who don't have the means to compete with larger companies when it comes to splashing out on expensive customer relationship management (CRM) systems. In this way, SMS helps to level the playing field for smaller companies fighting for voice in their market.

What's more, the value of an individual customer is arguably greater for a smaller business. Here, SMEs hold an advantage in that the company's senior stakeholders are often involved with daily operations, including marketing, allowing for a closer relationship and therefore greater understanding of their customers.



What have 33 million people opted in to receive?

33 million people across the UK have opted in to receive texts from a business or brand. That means they've chosen to receive offers, alerts or customer service information delivered via SMS. The range of information sent is as wide as the communication spectrum between two people. Leaps in SMS technology mean that any type of content can now be delivered via SMS, including: images, videos, website pages, barcoded tickets and vouchers to name a few.

Hi Matthew
Don't forget your appointment with Sarah at 11.00am tomorrow. Call 01244 752 299 to rearrange

Hi Victoria,
your credit card statement is ready to view: **tx.vc/r/4bZS/.** Payment is due 27th October

Hi Beth,
your order no.524369 has been dispatched and will be with you tomorrow at 11.00am. To rearrange, click **tx.vc/r/4bZS/**

Notice to all students & parents — due to adverse weather conditions, St.Mary's will be CLOSED today. For your safety, please DO NOT travel to school

Hi John,
come back to Opera Gaming today and get a £10 matched bet! Tap here to redeem: **tx.vc/r/1qV.** To opt out text OGSTOP to 60777

Hi James,
customer service is important to us, so we'd love to hear your thoughts. Please fill out this quick survey: tx.vc/r/4bZS/

Feeling hungry? You can get a free starter with your main course if you dine with us tonight! Call us to book now 01244 752 299 or view our menu at: **tx.vc/r/4bZS/**

FLASH SALE! This weekend get 30% off all dresses with this voucher **tx.vc/r/4bZS/.** Visit the store or go online **tx.vc/r/4bZS/.** Text MLSTOP to 60777 to opt out

How are consumers opting in to receive SMS?

UK SMEs are using a variety of inventive ways to market themselves through SMS. The general method is for a business to advertise an offer via a freetext number on all materials. Over time, people will text this number to receive the offer or join the list, naturally building a database of people that are engaged with the business. However, as text messaging is so direct and so powerful, it's important that businesses and brands ensure they are offering their database a valuable offer that's sent at just the right time to make the most of the SMS opportunity.







A closer look at SMS performance

The change in consumer behavior from sending SMS to using the likes of WhatsApp and Snapchat to communicate, is leaving SMS as a channel significantly clearer for business- and community-based communications. Smart SMBs will themselves transition their marketing strategy from the cluttered world of email over to the uncluttered inbox of SMS.

Right now, about 20% of consumers claim they receive up to five business-based (or branded) text messages per week. These will be businesses they know and have opted to hear from, such as their favourite restaurant or retailer, or updates from their chosen bank, optician, utility company or delivery service. Given the effectiveness of this type of communication, there is clearly significant room for growth in the SMS channel.

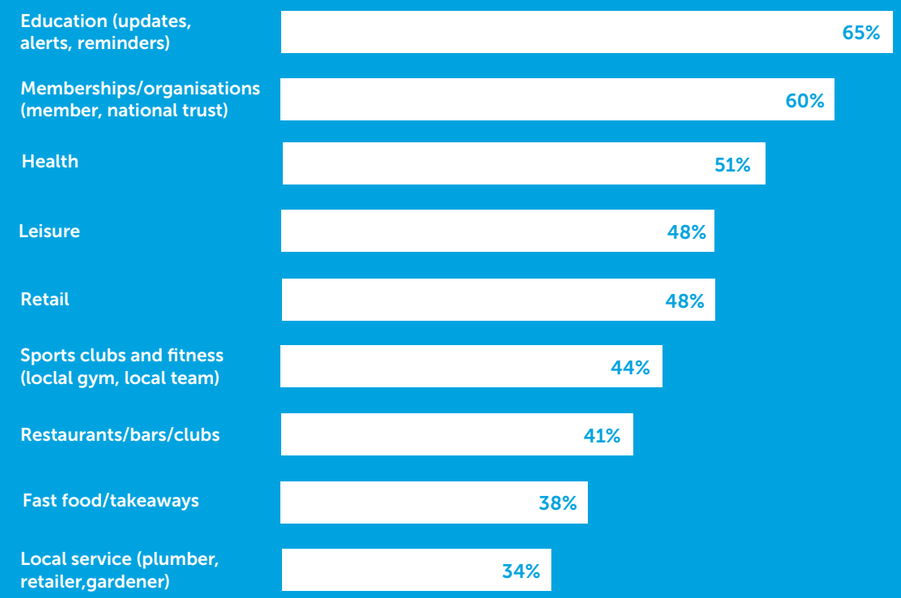
The most telling stat of all, is that 98% of all texts are read by the recipient, predominantly within the first few minutes of its receipt. And therefore, text immediately outperforms all other marketing channels. It then becomes about making sure the message is relevant, interesting or useful.

Research into consumer behavior revealed that over 98% of mobile users will open a text, almost five times the open rate of the most successful email campaigns, which smashes any comparable rate offered by email or Facebook. The research also found that consumers are more likely to open a business or community based text from an SME when compared to other business types. This also highlights that it's not just the major brands that consumers want to receive text messages from.

Educational-based SMS are most likely to be read, followed by communications from memberships and organisations, and health-based SMS.

Text boasts an effectiveness that is beyond compare across almost every sector. And that makes text a very powerful mechanic for all SMEs looking to maximize their ROI from their marketing budget big or small. Knowing that 98 out of 100 people will read your communication is a very compelling stat.

Consumers' favourite business SMS communications



Why build an opt-in database?

The research reveals that an opted in mobile user will fully read a text from a company it knows and has knowingly given their number to. However, the research showed a 78% drop off when it is a message from a company they are not familiar with and have not given their mobile number to.

Even though that 22% of mobile users reading a text message is unmatched by any other media, this highlights the value in SMEs developing an opted in mobile database. Knowing that close on 100% of your database will welcome and read a message, primarily within three minutes, is a stat that commands respect, it helps SMEs generate an even greater voice from their marketing spend, and bridge the marketing spend divide with bigger businesses.

Total people who have opted in to receive branded or business texts in the UK

2016 **33.67** million users

2020 **48.65** million users

But it goes beyond simply reading the text message. In total, 44% of mobile users have responded to a text message, with a further 15% expecting to respond in the near term. Clicking on a link and forwarding a message to a family member or friend came up as some of the most popular actions.

As with many B2C communication channels, that is not to say that SMEs, or businesses in general, have cracked the use of text. There is clearly a long way to go for SMEs to understand how consumers want to engage with text messages. The research highlighted that 21% of those users that have opted in received business texts that are irrelevant.

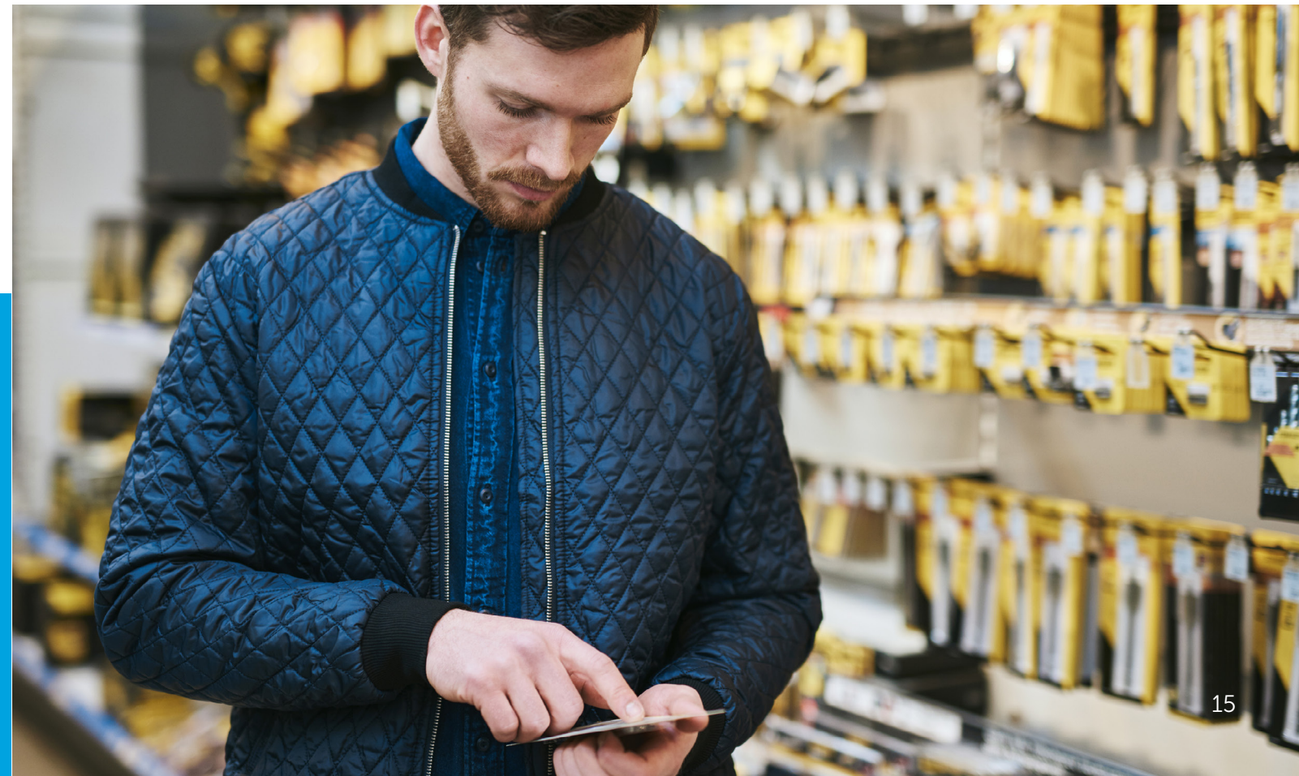
What's more, 25% of mobile users stated that the communications were neither effective or ineffective although they are most likely read. However, 22% said that the text messages from businesses were effective, with 50% of total mobile users saying that their loyalty to that brand or business following a helpful post-purchase text would increase their brand loyalty.

Timing is everything

Understanding when to send a text is also critical. The text channel to SMEs is not open 24/7. The peak time for an SME to send a text message is between midday and 3pm both weekdays and weekend, with almost one-third of mobile users favouring this time. An almost identical number would welcome texts between 09:00 to midday during weekdays, and one quarter of mobile users would accept texts between 09:00 to midday and 15:00 to 17:00 on weekends.

Beyond these hours there is considerable drop off, which reveals between 09:00- 17:00 is the optimal period for SMEs to distribute text messages to their opt-in database.





What are the most useful text messages?

One-way, service or information-based texts are viewed the most useful by consumers. These include delivery updates, appointment and booking reminders, order confirmations, and date reminders. Marketing-based texts with a call to action, are considered the next best with mobile users, and include personalised vouchers, discounts and promotions. Furthermore, mobile users also rated customer loyalty schemes delivered via SMS as among the most useful.

Consumers view SMS as an information and service channel, and any SME marketing activity must embrace this to ensure texts remain relevant and don't cross into the realm of spam in the eye of the receiver. This is of course a delicate balance that needs to be struck by any marketing through any channel.

What are the most useful business texts?

Delivery updates
67%

Alerts (from school, traffic, transport, etc.)
40%

Appointment and booking reminders
64%

Customer loyalty programmes
39%

Order confirmations
64%

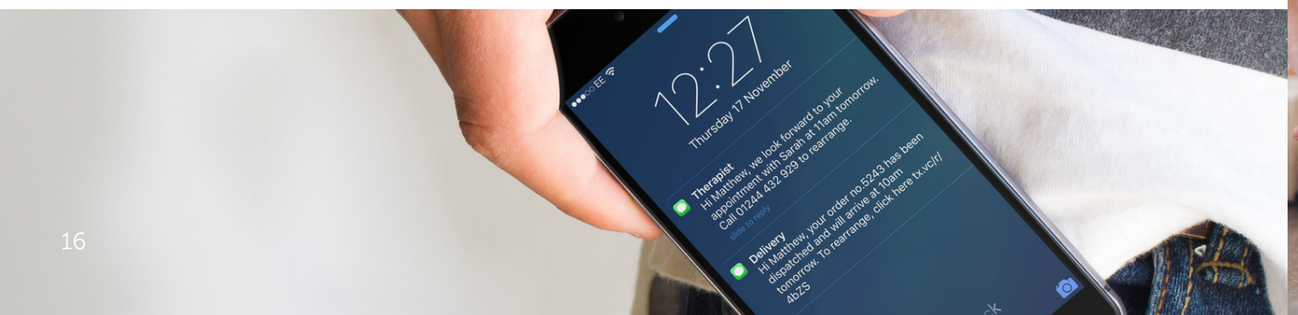
Status updates (finance application update)
36%

Date reminders (pet annual check-ups, MOT etc.)
54%

Promotions
35%

Personalised vouchers and discounts
49%

General news and information alerts
32%



Conclusion

In total, 70% of consumers will welcome text communications from SMEs. Of the 30% against such communications, the main reasons are down to a lack of control when an SME communicates with them, coupled with the belief that the messages are intrusive. But these reasons also indicate that companies have communicated via text at inopportune moments, have sent irrelevant messages or have not recognised the needs and requirements of the user.

The mobile device is a very personal device and text has become a direct personalised communication channel for SMEs to effectively reach each and every customer. Businesses and brands have one chance of opening that direct communication path and getting it right, by sending a useful message at the right time. With an unrivalled level of performance for a small spend, text should be a primary marketing and communications channel for all SMEs, ahead of Facebook and email. Text offers a larger and more engaged audience that will deliver the most effective return on every marketing pound.

There are already 33 million reasons for SMEs to adopt text messaging, and soon that figure will be 48 million. When put to good use, text has proven to be a powerful communication channel for businesses to build lasting relationships with their audience on a small budget.

And that's what counts when you're placed among almost 5.5 million other small and medium-sized businesses, competing with big businesses spending millions of pounds on marketing each year.

Text gives small and medium businesses a clear voice.





Methodology

All research, analysis and copy has been conducted by mobilesquared. The consumer research was based on a nationally representative panel of 1,000 consumers in the UK aged 18+, conducted by a third party in August 2016. The agency research was conducted in August and September 2016, and involved 15 of the UK's leading agencies, including Carat, MediaCom, WPP, Somo, Hello Starling, MAA, Mirium and DPC. Additional research based on one-to-one interviews conducted between July and September 2016. Where applicable, the raw data was then applied to mobilesquared's national mobile market data. All data and forecasts based on mobilesquared data.

About mobilesquared

mobilesquared provides intelligence and insight on the mobile sector. They've been analysing the mobile space for two decades, so their expertise has been earned, not learned. Their instinctive ability to ask the right questions uncovers invaluable nuggets of insight, which they interpret to help shape truly effective strategy and content for their clients. Their experience is recognised by the industry. They sit on judging panels for the prestigious GSMA Awards, EMMA awards, and the MEFFYs.

For more information, go to www.mobilesquared.co.uk.

About Textlocal.com

With over 165,000 users and more than a billion messages sent, Textlocal.com have led the industry for cloud-based SMS services in the UK for over a decade. On top of boosting loyalty with SMS offers and alerts, their free platform offers unique features such as the ability to insert website links, attach files, forms or vouchers, all with campaign tracking tools to measure effectiveness.

Most recently, Textlocal.com developed a multi-award winning SMS ticketing technology that is seeing results of up to 4,000% return on investment for platform users.

Textlocal.com have also been listed as a Media Momentum Top 20 fastest growing tech company for consecutive years, awarded a DMA Honours for innovation, as well as being awarded a place in the Deloitte Technology Fast 50 and Sunday Times Tech Track 100.

For more information, go to www.textlocal.com.

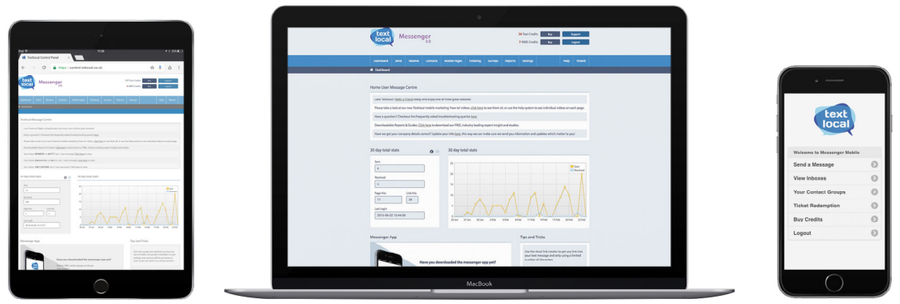




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