



Business text messaging means business

Nigel Berlevy, Channel Sales Manager at Telefónica O2, discusses the impact of business messaging on the banking sector

As little as five years ago brands could only communicate with customers through their branch network, by phone or through letters. The emergence of text messaging as a mainstream form of communication means that businesses now have access to a far more cost-effective and efficient means of contacting their customers.

Handset penetration in the United Kingdom is now at 122% with around 75 million mobile phones and Britons send an average of 6.5 billion text messages per month, or almost 217 million per day.¹ Given that the number of handsets now in circulation outweighs the UK population, mobile phones have become an invaluable communications platform for any business that wants to reach the mass market. Not only do our handsets tend to be always on, we also rarely leave home without them. This means that the read-rate for text messages is extremely high, whereas letters, emails and phone calls are much more likely to go unanswered.²

Text messaging is the ideal lowest common denominator mobile communications mechanism, since all mobile phones are capable of it, whilst their capacity for other services, such as mobile internet, varies greatly with different network providers and handset technologies.³

The advantages of business text

Text messaging has been widely adopted across the UK because it is so simple and easy to use. Consequently, text messaging is used by consumers more than email, making it the most commonly used technology behind voice services.⁴ It is also an extremely versatile form of communication, which can support anything from simple text alerts to messages that link the user to the sender's mobile internet website so that they can access their account.

¹ Source: Mobile Data Association, 2008 (Netsize)

² O2 customers in the financial services sector have said that 98% of all text messages sent via O2 are read.

³ For example, 41% of smartphone users access mobile internet two to three times per week compared to 17% of standard phone users (Source: ICM online, July 2008, survey of 2,000 UK adults).

⁴ Source: OFCOM, 2008. Page 305 http://www.ofcom.org.uk/research/cm/cmr08/cmr08_2.pdf

A key benefit of text messaging is its capability to be a very personal and timely form of communication, which can enhance a customer's sense of loyalty to a brand and reduce churn. Business text solutions let organisations keep customers informed with relevant, succinct information delivered direct to their mobile. By being brief, personal and timely, text messaging can add value to a brand's customer contact strategy.

Investing in text messaging solutions can deliver cost savings in other areas of an organisation's communications budget. It can reduce the need for written communication, as well as inbound calls to customer support lines. Traditional letters are far more expensive than text messages, since they not only cost more to send, but also require more staff time and materials to produce. In turn, a reduced dependence on paper-based communications also allows businesses to lower their carbon footprint.

The speed with which text messages can reach customers wherever they are means that they are suitable for urgent alerts. While email has the same power to reach high volumes of customers in seconds (and at a lower delivery cost than text messaging) its effectiveness is curtailed by a lack of immediacy and a low read rate from recipients. Information overload and the ongoing problem of spam messages mean that email inboxes are a cluttered environment which business messages do not cut through effectively. It is precisely because text messaging is not totally free of charge that it remains a spam-free form of communication.

One obvious limitation of text messaging is that individual texts are restricted to 160 characters. However, this is enough room for around 40 words, which is sufficient for the communications needs of most businesses. Indeed, the message length restriction is one reason why consumers find well written text messages so easy to read and act on. Additionally, our overall use of text messaging continues to increase (by 28% per user in 2007⁵) outstripping the growth of other communications mechanisms.

Text messages are increasingly being used as a marketing tool by businesses to inform customers of new services or upcoming events. O2 recommends that the number of messages sent to each customer per month should be strictly limited. Through ensuring that business text services are only used on an opt-in basis, companies can also avoid having their communications perceived as intrusive. O2's best practise guidelines are a maximum of three texts per month for campaign related messages.

Business text can also be suitable for a business's high-priority, internal communications. For example, they could be used to alert a company's IT team to technical difficulties that must be addressed or to remind their personnel about key meetings. Effective internal communications are a vital link in the chain to the external customer experience - if text messaging can

⁵ Source: Ofcom, The Communications Market 2008 report. Page 339
http://www.ofcom.org.uk/research/cm/cmr08/cmr08_2.pdf

reduce the response time to internal problems affecting service levels, the impact on customers will also be proportionally reduced.

Finance sector applications

Business text can be deployed for a range of specific purposes across the financial services sector, including balance and mini-statements, charge risk alerts, debt collection, security alerts, status updates and confirmation that important documents have been dispatched. The industry-wide awareness of this technology is already extremely high, with almost all of the high-street banks rolling out these services. Every bank will have to follow suit in the long term or be at a disadvantage in terms of customer service.

Recent research has shown that 60% of banking customers would like to be able to monitor their accounts via their mobile phone and that 36% believe this would allow them to keep a closer eye on their finances.⁶ The immediacy and high-read rate of text messages makes them the ideal medium for urgent financial communications. For example, text messaging can be part of a bank's armoury to combat fraud. Banks can send their customers text updates alerting them to unusual transactions on their account. This means that if a customer's card has been stolen or cloned, they can react extremely quickly and cancel the transaction. Similarly, banks can send customers text alerts to inform them if their account is about to become overdrawn. These messages can also let customers know the time by which they have to add additional funds to avoid incurring overdraft charges. The value of this service to customers is obvious, since it allows them to avoid unnecessary charges and this is especially relevant in the current financial climate.

Debt collection is another area where the use of text messaging can prove very effective. In cases where the debt is purely accidental, the high read-rate of text messages means that the reminders are more likely to reach their intended recipient than letters or phone calls. A series of escalating messages (for example commenting that the customer has not replied to the previous message) can also be highly effective in dealing with the deliberate non-payment of debts. Text messaging carries with it a sense of urgency that letters no longer possess. Telefónica O2 customers in the financial services sector have said that implementing this system caused around a 60% improvement in debt collection rates.

Underpinning any communications mechanism used in financial services is the paramount requirement to be secure. This applies to both the communications systems used to message customers and to the end user experience of the recipients. Business text solutions have a proven history of compliance with the demanding security levels of the financial services. From the perspective of the end customer any communications have to be able to withstand the security challenge that the Financial Services sector presents. As the most targeted sector for phishing attacks,⁷ this is an environment where email communications are widely perceived as inherently insecure by both

⁶ Source: ICM online, July 2008, survey of 2,000 UK adults.

⁷ Over 90% according to the Anti-Phishing Working Group (<http://www.antiphishing.org>)

businesses and consumers.⁸ Relative to email, text messaging is not associated with spam and business text solutions comply with security standards by ensuring they never contain any valuable information, like account numbers or the recipient's personal details. At most any text message would only contain a string of balance numbers that would be totally meaningless to anyone other than the intended recipient and would not enable access to the recipient's account. This form of communication is a boon to banks, which cannot send emails due to the potential security risk. Additionally, as security levels have increased around online banking, accessibility has become more challenging for users, with several security layers to comply with. Text messages can remove some of this challenge for consumers by sending information out to them in a convenient format, with no need to login to their account.

The current economic climate makes it essential for financial institutions to both drive more value out of their existing customers and to cut costs. Yet, this must be accomplished while also improving service levels to customers. Business text solutions have the potential to generate revenue as consumers may value the service enough to pay for text alerts. Potentially the service can provide a revenue stream, as well as reducing communications costs. This creates a compelling ROI around business text messaging and means that the current economic downturn is likely to accelerate the uptake of text messaging in the financial services sector.

The future of business text

Despite the increase in competing messaging technologies in recent years, the text messaging market continues to grow. In the UK, the number of text messages sent per annum increased from 60bn in 2007 to 70bn in 2008, with around 4.7 million messages being sent per hour. There can be no doubt that there is a great deal of mileage left in text technology and the market is currently growing at around 20% per year.⁹

Business text solutions provide a service consumers will value and can benefit from today. They are also a key stepping stone towards taking full advantage of mobile phones as a developing platform for financial services. Currently, very few people use their phone to monitor their online banking. However, as device browsing capability improves with the launch of sophisticated handsets such as the iPhone, take up of banking on the move will increase. Consumers are using their mobiles for an ever increasing range of services and mobile access to banking information will become standard practice in the near future.

Meanwhile, the implementation of phone-based contactless payment technology, mobile wallets, easy to use mobile internet and mobile media platforms means that our handsets are only going to become more useful in managing our finances. Currently, 81% of people send and receive texts, 57% use their phone as a camera and 25% listen to the radio through their

⁸ However, text messages could be used to alert customers to the fact that they have received a genuine email from a business.

⁹ Source: Mobile Data Association, 2008.

phone.¹⁰ Undoubtedly, consumers will continue to interact with their phones in new ways as their range of available services increases. Since text messaging has already been widely adopted by consumers and is easy to use, it is an ideal business communications tool. Moreover, customers will find it easier to adapt to using mobile internet and other advanced technologies for business services if they are already used to interacting with businesses and brands via text messaging.

¹⁰ Source: ICM online, July 2008, survey of 2,000 UK adults.