AMERICAN MARKETER

Business at its best

Short codes are a scam, and SMS marketing is dying. Is there hope?

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By Jared Reitzin

Think about it: what other industry or company do you know of that charges you for service every month but you cannot start using the service for four months?

Go ahead, I will give you a few minutes. Cannot think of any? It is because if a company like this existed, nobody would want to do business with them, and they would not be around for very long.

However, if you have a monopoly on the space and people really needed your service to grow their business, they would not have a choice.

Long and short of it
For mobile marketers, this may sound like familiar territory. We all know that mobile marketing through a common short code is ultimately the best way to go. I am not sold on QR codes yet as the user experience is not that great.

I have been at the helm of mobileStorm, a mobile marketing company, since 1999, even before short codes really existed. There was really one aggregator back then, Simplewire, and if you did not use them to send SMS messages via SMPP (Short Message Peer-to-Peer Protocol), then you sent your messages via SMTP (Simple Mail Transfer Protocol) which is how email is sent.

However, everyone knows that sending SMS messages this way is unreliable and does not offer much in the way of analytics and reporting.

I cannot remember when it happened, but at one point Neustar, founded in 1996 to meet the technical and operational challenges that arose when the U.S. government mandated local number portability, and the CTIA, the all-powerful carrier association, got together to create USShortcodes.com.

USShortcodes was, and still is, the only service that would allow you to lease a five- or six-digit short code that either meant something (a.k.a. vanity short code), or was completely random (a.k.a. random short code).

Two major events nationwide taught Americans how to text in to a short code.

The first was the "American Idol" singing contest on Fox's television network where you could vote for Sanjaya by simply texting VOTE to 4701, and the second was Barack Obama's vice presidential announcement of Joe Biden via his vanity short code 62262, which spells OBAMA.

The latest statistics from Pew show that 80 percent of U.S. consumers send text messages, with billions being sent on a daily basis. To say that SMS is mainstream is an understatement.

SMS is a brilliant way to engage with potential customers and retain existing ones. Response rates dwarf other

channels such as email, IVR and direct mail.

The average SMS message is read within four minutes.

If you are still not convinced about the power of SMS, think about how it is disrupting healthcare.

Our client Kaiser Permanente proved it could reduce the number of no-shows by sending SMS appointment reminders. They saved close to $275,000 in 30 days at one facility.

SMS is helping pregnant moms through pregnancy, smokers to quit smoking, and keeping those with diabetes adherent to their medication.

So why is it so difficult to do business with the approvers of short codes? Would you not think a technology that improves consumers' lives, and has 80 percent of Americans engaged, could be as simple as buying a domain name?

Code language
If I went to Godaddy.com and registered a domain name, it would cost me $10 for the year and I would immediately get to start using it.

With USShortcodes, it costs me anywhere from $1,500 $3,000 for the quarter depending on if I license a random or vanity code.

Going back to my opening sentence, the average wait time to get your short code approved is around four months, and guess what: you are paying for that code even though you cannot use it.

Most people would consider this a scam, but this is how things are done and you do not have a choice in the matter. If you want to do SMS right, you need a short code.

At mobileStorm, we spend hundreds of thousands of dollars per year with USShortcodes.com because SMS is a wonderful channel but it does not mean we love the experience.

The cost of the codes, the time it takes to get them working, and the audits performed each month with the "guilty before being proven innocent" method is beyond frustrating.

I really cannot think of another industry that makes it so difficult to do business, other than maybe complying with city code when trying to build an addition onto your house.

Each code is hand-approved by someone at the carrier, and they have a pile of applications sitting on their desk.

When they go to test your workflow, if your application does not match it seems as if you go to the bottom of the pile.

Oh, I almost forgot, you cannot talk to the carrier either. You have to work with your aggregator, so it becomes a game of telephone.

Recently, Verizon wanted a client of ours to indemnify them of any litigation that would arise from their SMS program. Are you kidding me? How is SMS supposed to be the killer app in healthcare if the carriers demand indemnification clauses on a short code?

Point made
The system is completely inefficient. Let us recap:

1. It is expensive: Small businesses cannot afford the cost of a short code. Most have to resort to a shared code. But, oh yeah, there are rumblings that USShortcodes wants to do away with that as well.

Soon most companies in the United States will not be able to use SMS. It is as if the industry is forcing people towards QR codes.

2. The time to market seems like an inside joke, but it is not: If your business is built on top of SMS and you need to wait four months to get your business going, you might as well stop everything you are doing and wait for the code to be approved.

Just do not pay any attention to the stat that most businesses fail within the first year, because you only have eight months left.

3. The cost of doing business is high: The CTIA spends millions of dollars a year on independent auditing firms. The association's entire goal is to find SMS programs that do not follow the original workflow and shut them down

because spam is such a huge problem with SMS.

Can you hear the irony in my voice? Think about email. Now think about how many unwanted SMS messages you get. Is there even a comparison?

Keeping spam out is one thing the carriers did right. Unlike email, they control the pipe and can shut someone down quickly.

So if it is not spam, why the audits? It must be the lawsuits they do not want to be involved in, right?

When you get an audit, you have to stop what you are doing and respond. To say this disrupts your business is an understatement.

Imagine having to manage and audit 20 clients. Now imagine trying to find every single location in which these clients have ever promoted their short code and add some copy that would further indemnify the carriers from a lawsuit.

Our friends over at TextPower wrote a great article on this called "It's Official: Cellular Carriers Have Gone Nuts."

Audits are nightmares that take important employee resources away from other revenue-generating activities, such as helping a client understand how to properly build and market to their database. It is as if the carriers are looking for ways not to do business with you.

4. It feels like a scam, but supposedly it is not: Why do we need to pay to license the code when it is not usable? Can someone please answer this for me?

Now is your chance to tell the industry why they pay for a service that they cannot use. If you give us a good reason we will forgive you, but we want our money back for the years we spent on codes we could not use.

It almost feels to me like the carriers do not want to provide short codes, but they have to. Why else would they make it timely, expensive, and wasteful?

There is something else that does not sit well with me.

Suiting up
The carriers should be a lot less worried about the small businesses that occasionally send a coupon to their customers, and a lot more worried that legitimate companies are being sued because they were following the Mobile Marketing Association's consumer best-practice guidelines.

Let me repeat that, businesses are being sued for millions of dollars because they followed consumer best practices as set forth by the MMA and the guidelines were created with the carries input as well.

I would laugh, but I feel bad. Sounds like these companies were just trying to do the right thing.

Soundbite Communications, Redbox, and American Express were just a few of the companies blessed with lawsuits for sending a confirmation message to consumers after they had opted out of their SMS program.

These companies were sued under the Telephone Consumer Protection Act (TCPA) because they sent someone a message confirming an opt-out.

This is a classic "damned if you do and damned if you don't" situation. If they send the message they are sued, if they do not send the message the carriers will audit them and shut down their short code. Oh, the joy!

On April 5 and April 9 of this year, two mobile marketing companies Eztexting out of New York and TextPower in Los Angeles filed punitive class action antitrust lawsuits in the Southern District of New York against the country's major wireless carriers, the CTIA trade association and various text-message (or Short Message Service) aggregators.

I know the CEOs of both companies and for years we have discussed how the squeeze is becoming more like a choke.

In short, these entrepreneurs reached their breaking points and decided to fight back.

All eyes right now are on these lawsuits. Will they bring the change needed to reverse the industry's biggest problems? Or will they be crushed by the unlimited funds of the powerful association?

I personally do not think the parties involved the CTIA, Neustar and USShortcodes are evil. I just do not think they have a very good process for how things work and it is too expensive for them to go back and fix anything.

Maybe they do not see this as that big of a revenue stream, even though it is reported that the common short code industry brings in roughly $2.3 billion a year in revenue.

Hey Neustar, spend 1 percent of this revenue and create a fully automated approval system. This would bring the cost of short codes down and get businesses up and running in the same day. Do you not think SMS marketing would at least double in size?

My hope is that these lawsuits will wake someone up over there that has the power to bring swift and immediate change.

If we continue down the path we are on, businesses will be forced elsewhere; and we already see it happening. Push notifications and in-app messaging are already threatening SMS usage.

THIS IS A WARNING to the carriers if you guys do not make changes necessary to make mobile marketing more attractive, you will lose billions in revenue a lot sooner. This is not a threat, it is a fact.

We know how much money SMS brings in as revenue, so I understand the need to protect it, but you are guarding it the wrong way. The security team at Fort Knox is not packing squirt guns.

Please make marketers happy again about sending SMS. If you make it cheap, easy and free like the Internet is supposed to be, then you have a shot at the 88 million small businesses in America.

I know we will need to add a couple more numbers to the short code, and maybe they will need to be called medium codes, but hey, that would be considered a good thing, right?

Jared Reitzin is CEO of mobileStorm, Los Angeles. Reach him at jared@mobilestorm.com.