

A First Data White Paper

# How Mobile Vouchers are Transforming Mobile Marketing

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# Introduction

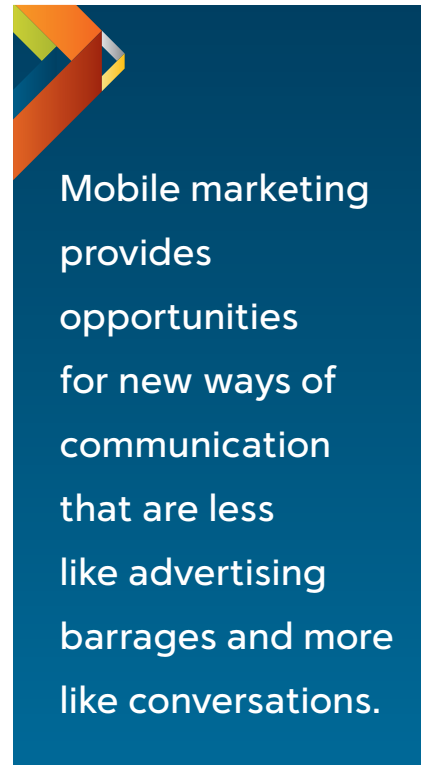
With nearly 80 percent of the world's population currently using a mobile phone, there is no denying that they have become an essential part of most consumers' daily lives.<sup>1</sup> In the United States, with a population of 310 million people, there are 300 million active mobile subscriptions, and the mobile Internet user base is almost 100 million.<sup>2</sup> These subscribers send over 4 billion text messages every day—and even users in their forties and fifties now regularly send and receive text messages.<sup>3</sup> Furthermore, over 99 percent of text messages are read by the recipient, and most messages are read within 3 minutes of receiving them.

It is no wonder that retailers see mobile marketing as an emerging opportunity for influencing consumers' purchasing behavior. Mobile phones provide a channel for communicating directly to customers. With the right kind of customer data, these communications, whether they are advertisements or special promotions, can be highly targeted and customized in a way that maximizes the possibility of influencing a buying decision. It also means mobile marketing provides opportunities for new ways of communication that are less like advertising barrages and more like conversations.

Mobile marketing has other advantages over email, Internet, and print campaigns because it instantly reaches consumers wherever they are, at any time of day or night. This gives mobile marketing greater intimacy and immediacy, and it enables marketers to time messages so that the opportunity for conversion is enhanced. Coupons and reminders are not the only methods mobile marketers use to influence customers. For example, Starbucks has deployed a popular mobile application that lets its customers track and redeem loyalty points and load purchase cards. Other marketers have had considerable success with sweepstakes in which consumers can enter to win trips or other prizes by sending a text message.

The lower cost of distributing mobile promotions (compared to traditional coupons) and the high probability that they will be received by their intended recipients has retailers convinced that mobile marketing could soon surpass the effectiveness of more traditional tactics. Yet, mobile marketing has thus far failed to reach its potential.

While consumer response to mobile marketing has been positive, a survey of U.S. mobile phone users reveals that more than half of mobile phone users claim never to have seen an advertisement on their phone.<sup>4</sup> The same survey revealed that of the many ways consumers use their phones, sending and receiving text messages is at the very top of the list, but receiving coupons and promotions is at the bottom.



### How Mobile Voucher Coupons Work



Consumer requests a mobile voucher coupon through a banner ad, short code, loyalty program, or receives a voucher as a special promotion. The voucher coupon comes with a unique code.



Consumer visits merchant and purchases an item.



Cashier enters voucher coupon code or scans barcode from the consumer's phone. The coupon is validated during the transaction process. Once approved, the voucher coupon can be expired or used later to send additional promotions.



These findings are likely due to the fact that many retailers have yet to adopt mobile marketing as a core component of their strategy. One reason for this is that until now, there have not been any methods for reliably tracking the effectiveness of these types of promotions. As with all advertising investments, marketers need a gauge for measuring mobile marketing success. There is also the issue of control: most retailers do not want an incentive to be in circulation indefinitely, with potentially unlimited use by customers.

Fortunately for merchants and marketers, there is a new type of mobile coupon now in use that addresses the issue of coupon accountability. In fact, it does significantly more—it provides far greater control and analytical capability than traditional paper coupons or interactive online advertising.

## Making Mobile Coupons Accountable

In order to effectively target campaigns, control campaign size and cost, and calculate the true success of a campaign, marketers need to be able to completely control text-based coupon distribution and redemption. A new kind of mobile coupon based on a mobile voucher couponing system makes this possible.

In this type of system, each and every voucher is treated as an "account"—something like a gift card—with a unique coupon number. This unique voucher can be tracked from origination through redemption.

This mobile voucher approach allows for a complete view of individual consumer behavior and detailed aggregate program data. Using mobile vouchers, marketers can solve previously uncontrollable budget issues and easily track results.

For example, a consumer browsing the Internet sees a banner ad on the CNN mobile application that says "Come into 7-Eleven and get \$5 off your next purchase." The customer clicks on the banner, enters a mobile phone number and receives the coupon via a text message. In an uncontrolled model, that consumer could forward the coupon to unlimited people and use it over and over until it expired.

However, if the coupon is a mobile voucher, it is issued with a unique number. Every consumer who receives a mobile voucher actually receives a unique coupon. When they present it at the point of sale, their coupon is redeemed and marked as used on the backend database as part of the transaction process, and that coupon cannot be used again. Even if someone else tries to use the coupon on a different device, the coupon would no longer work.

Further, the unique code lets marketers know from what channel the offer originated, when it originated, what mobile number it was sent to, as well as where and when the offer was redeemed. This approach also allows merchants to end the promotion once a certain number of coupons are disseminated. Merchants can even tie additional demographic information to recipients, which can then be tracked with mobile voucher data.

Mobile vouchers solve the unlimited distribution and unpredictable cost/budgeting issues that merchants worry about when delivering coupons electronically. More importantly, they provide companies with an opportunity to track in much greater detail how customers receive the coupons and how they redeem them. This can be done with much greater accuracy than paper coupons or conventional mobile coupons.

Additionally, mobile vouchers give merchants flexibility to transform any online or offline medium into a redeemable coupon distribution channel. Social networks, local mobile and online news content, even billboards become a potential opportunity for mobile voucher distribution.

Mobile vouchers also offer something else that introduces an entirely new level of campaign flexibility and customization. The vouchers themselves can have different characteristics, such as one-time-only versus multiple redemptions, and these characteristics can vary depending on who is receiving them. With this flexibility, merchants can tailor campaigns to specific demographics, regional preferences, and marketing objectives.

## How Mobile Vouchers Unleash the True Power of Mobile Marketing

Mobile vouchers let merchants close the loop on mobile marketing—starting with where customers first see an ad and ending with redemption at the point of sale. With meaningful data, marketers can more effectively influence consumer behavior and more accurately measure the return on a campaign. Mobile vouchers not only make mobile marketing campaigns more measurable, they also provide a vehicle for launching highly varied and flexible campaigns.

Let's consider several typical marketing scenarios to see how mobile voucher coupons can strengthen a campaign.

### Single Use Voucher Coupon to Promote a New Store Opening

A large retail chain is opening a new store near an older one it is closing. It knows that when a store location moves, it loses a predictable percentage of its regular customers. The goal of this campaign is to build awareness of the new store and minimize loss of existing customers.

The strategy consists of an advertising campaign across a variety of media, and the heart of the incentive campaign is a simple voucher coupon offering a \$10 discount on any purchase made in the new store location during its opening week. The campaign targets residents of zip codes within a specified radius of both stores as well as a list of shoppers who visited the old store location in the past six months.

The retailer tracks all coupons accepted and redeemed by customers. It is able to determine the comparative effectiveness of the different media for coupon distribution. It can also track which voucher distribution channel resulted in the highest redemption rate. Additionally, it tracks how many customers in the "old neighborhood" redeemed coupons at the new store.

As the campaign expires, the retailer decides to push out a message containing a voucher “extension” to all coupon recipients who did not redeem their coupons within the allotted time. This extension runs for an additional two weeks. After that time period, all remaining vouchers are expired and disabled.

Not only does the campaign collect useful data about customer behaviors related to the new store opening, it proves to be very effective in driving business to and awareness of the new location—and furthermore, the marketing team is able to predict the cost of the campaign upfront, with a high degree of accuracy.

## Multi-Use Voucher Coupon to Build Customer Loyalty

A pizza chain knows that if it can entice a new customer into its stores three times, that customer will continue ordering its pizzas thereafter. It decides to run a major campaign to gain more market share in a large urban region.

The campaign features a multi-coupon mobile voucher campaign targeting an 18- to 28-year-old customer demographic. The set of coupons distributed to each recipient is designed for three redemptions within an eight-week period. The promotion is deployed by distributing one \$6 voucher to each recipient. If that voucher is redeemed by a specific date, the second voucher is delivered; once the second voucher is used, a third voucher is sent to the recipient. In addition to capturing information about how the vouchers are picked up by customers, the pizza chain is able to send message-based reminders to customers whose coupons have not been redeemed.

The pizza chain is able to decide when the campaign will end, at which point all outstanding vouchers are “turned off.”

## New Product Campaign

A national coffee chain plans to introduce a new coffee drink. Marketers design a mobile voucher-based campaign with a couple of unique features:

- Holders of unredeemed coupons receive two reminder messages at two different times of day (morning and afternoon)
- In two sales regions, customers are allowed to redeem their coupons for another coffee drink of the same value. In all other regions, they can only redeem coupons for the new drink itself (a rule that will be enforced by cashiers)

In addition to successfully launching a new coffee flavor, the coffee chain learns a great deal about how coffee drinkers respond to morning versus afternoon mobile marketing messages, and it learns how different coupon restrictions influence the sale.

## Building Customer Lists with Coupon Registration

A specialty retailer seeks to augment its existing customer list in preparation for a targeted marketing campaign later in the year. It decides to offer a mobile voucher via mobile web banners, but customers need to register with a few pieces of basic information to receive the coupon.

This endeavor enables the retailer to cost-effectively enhance its customer list. By tracking how and where the vouchers are redeemed, it is also able to make some additional refinements to a large-scale follow-up campaign later in the year.

These scenarios illustrate just a few ways that mobile vouchers add levels of precision, control, and intelligence that are unavailable with more traditional marketing tactics. When combined with the fact that mobile phone users read 99 percent of the messages they receive—and most of those within 3 minutes of receiving them—it becomes clear that mobile vouchers offer an entirely new value proposition for marketers. In fact, it suggests that there can be great value for marketers if they invest in mobile messaging that is both memorable and motivational for the recipients.

Beyond this, however, there are other developments in mobile technology and mobile commerce that will enhance the role of mobile marketing even further.

## The Importance of Mobile Vouchers to the Future of Mobile Marketing

As mobile commerce matures, mobile marketers have the opportunity to take advantage of other related technologies. The level of control and insight provided by mobile vouchers adds tremendous value to mobile marketing initiatives of all kinds. Here are some emerging technologies that will impact the way retailers use mobile couponing in their campaigns:

- **Mobile wallets.** Mobile wallet applications are readily available from popular app stores, and some financial institutions offer mobile wallets to their customers for use in managing their credit, debit, and prepaid accounts. Many mobile wallet applications also have a “coupons” container. This feature enables consumers to store, locate, and manage their coupons. The mobile voucher lets merchants control the lifecycle of coupons in the e-wallet, enables users to view their “coupon balances,” and makes it possible to build “coupon alerts” into the wallet.
- **Merchant-specific mobile applications.** Neiman Marcus has one. So does Starbucks. Soon, more and more merchants will have their own branded mobile applications.



When a consumer downloads a branded mobile application, they are doing so because they want to be aware of products and promotions offered by that merchant. Through these mobile applications, customers can “register” with their favorite merchants. Consumers monitor the merchant apps for particular products or offers that interest them. Eventually, merchant apps and mobile wallets will connect so that customers can initiate a purchase even if they are not in the store, and then pick up their paid-for items later.

Merchant applications can also automate much of the data gathering and promotion acceptance related to mobile vouchers. For instance, if a customer responds to a mobile voucher promotion, the voucher could download as a tiny applet directly to the merchant application and automatically register that coupon to that specific customer and mobile device.

Voucher promotions may tie directly to other targeted messaging. Marketers can use these messages and incentives to move specific products, develop campaigns designed to up-sell related products, or engage in any other marketing strategies in a more targeted way. This enables marketers to even further increase campaign conversion rates. That means marketers can successfully run more refined campaigns that are more precisely targeted to a locality, demographic, or category of customers, and they can do so with more predictable results.

- **Time and location-based strategies.** Mobile marketers will one day be able to implement location-based services that use GPS to send vouchers and promotional messages depending on where a customer is located and the time of day. For example, a fast food chain could send a time and location triggered promotion to a customer who happens to be in the right place (near a particular store) at the right time (lunchtime). Mobile voucher technology would enable marketers to measure the effectiveness of these kinds of campaigns with a high degree of accuracy.
- **Cameras in mobile devices working as barcode scanners.** Applications are readily available now that enable consumers to take a picture of a bar code and then receive price comparisons for that product at stores within a specified radius. This same barcode scanning capability is another way marketers can distribute vouchers to customers. Print advertising or billboard ads could have a scannable barcode that when photographed by a customer would be recognized by the mobile merchant application—which would immediately download and register the voucher to that customer.
- **Near Field Communications.** Several phone manufacturers are beginning to equip smartphones with near field communication (NFC) technologies that enable very short distance communication between mobile devices and other items equipped with NFC chips. This will be used for contactless payment at the check-out. Customers will complete a purchase by simply waving their phone near NFC-equipped point-of-sale equipment. In addition, NFC technology can be used to transfer promotional information like mobile vouchers.
- **Enhanced predictive analytics.** Mobile vouchers enable merchants to collect granular data about the effectiveness of campaigns and gain a broader and deeper view of customer behavior. This new generation of predictive analytics and real-time behavior modeling allows merchants to design and successfully run programs with very specific marketing and sales objectives. Merchants will also be able to more accurately forecast the effects of economic changes on their customers' behavior, and more quickly execute marketing campaigns designed to respond to those changes.

# Getting Started with Mobile Vouchers

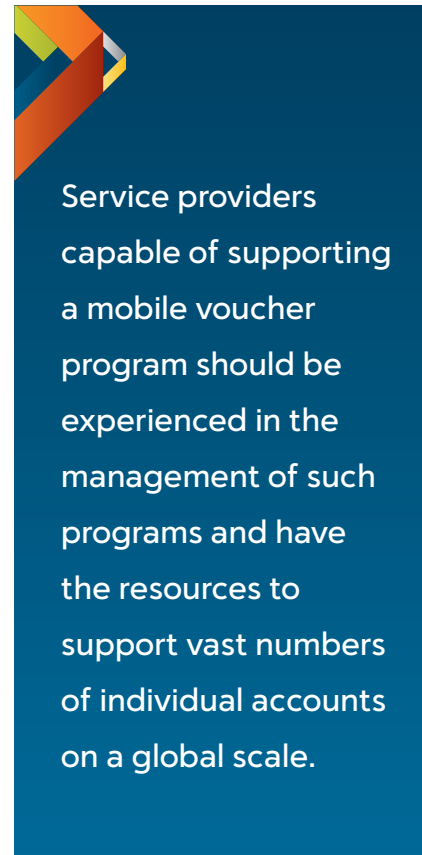
Mobile vouchers provide a level of control and accountability that is not available from simple text message promotions. Each electronically-issued coupon has its own identification number associated with the recipient, and each coupon is tracked until it is redeemed.

Service providers capable of supporting a mobile voucher program should be experienced in the management of such programs and have the resources to support vast numbers of individual accounts on a global scale. Service providers will also need to be intimately involved in transaction processing, since efficient coupon redemption occurs as part of transaction settlement.

The value of mobile vouchers to merchants is clear. They provide an opportunity to collect detailed information about the effectiveness of mobile marketing campaigns. They also enable marketers to closely manage campaign costs and craft precisely targeted campaigns.

Industry analysts predict that by 2013, smartphones will overtake PCs as the most common Internet access devices.<sup>5</sup> As mobile phones and tablet devices become an increasingly important source of information for consumers, mobile marketing will become a critical, if not the most important, channel for direct marketing to consumers.

**For more information about mobile vouchers and how you can implement a more powerful mobile marketing program, contact a First Data representative or visit [firstdata.com](http://firstdata.com).**





## Sources


<sup>1</sup> Hans Vestberg, Keynote Speech at the Monaco Media Forum, November 12, 2010  
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<sup>2</sup> The USmA: The United States of Mobile Advertising. 2010 Smaato Inc.

<sup>3</sup> "Conversational Advertising." mobileSQUARED, June 2010.

<sup>4</sup> Pugh, Matthew. "Mobile Marketing Survey: Adoption of Mobile Marketing Slow for Lack of ROI and Implementation Know-How." R2integrated, 2010.

<sup>5</sup> Gartner. Gartner Highlights Key Predictions for IT Organizations and Users in 2010 and Beyond, January 2010.



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