



The Potential of Mobile Coupons: Current Status and Future Promises

**Abhishek
Nidhi Mathen**

W.P. No.2014-07-03
July 2014

The main objective of the working paper series of the IIMA is to help faculty members, research staff and doctoral students to speedily share their research findings with professional colleagues and test their research findings at the pre-publication stage. IIMA is committed to maintain academic freedom. The opinion(s), view(s) and conclusion(s) expressed in the working paper are those of the authors and not that of IIMA.



**INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD-380 015
INDIA**

The Potential of Mobile Coupons: Current Status and Future Promises

Abhishek[^]
Nidhi Mathen^{*}

Abstract

Coupons continue to be one of the most favourite promotional tools for the marketers to influence, incentivize, and encourages customers towards trying the product. Mobile-coupon (m-coupon), an extension of the traditional coupons which is accessible on mobile device, has emerged as one of the promising tool in marketer's arsenal. Since the mobile device is a highly personalized medium, it enhances the opportunity for the marketers to reach out to the potential customers in an effective manner. The opportunity to customize and provide flexibility, and the convenience that m-coupons provide to the customers/mobile-users are the main reasons for the growth of m-coupons. This paper traces the origins of m-coupon and how marketers are making cost-effective use of different types of m-coupons in order to convert the potential customers into buyers of their products and services. The paper provides a sketch of strategies adopted, success areas, drawbacks and limitations observed, while also looking at some of the success stories across the different approaches. This paper concludes by examining the potential which m-coupon holds and the implications for Indian markets.

Key words: mobile coupons, location based coupons, time-sensitive coupons, mobile apps, Near Field Communication

[^] Assistant Professor, Marketing Area, Indian Institute of Management Ahmedabad
(abhishek@iimahd.ernet.in)

^{*} Nidhi Mathen was academic associate in Marketing Area, Indian Institute of Management Ahmedabad (nidhi.mathen@gmail.com)

The Potential of Mobile Coupons: Current Status and Future Promises

I. Introduction

Across the globe, coupons have been accepted as the most important promotional tool which drive, incentivize, and engage customers to try the product (Barat & Ye, 2012; Bawa, Srinivasan, & Srivastava, 1997; Yin & Dubinsky, 2004). Coupons tend to have a positive influence and impact on customers as they aid in creating awareness, product trials, and customer retention and at the same time generating sales in the short term by the call-to-action appeal. Mobile coupons (more commonly called m-coupon and sometimes also known as moupon) are an extension of the traditional coupons which, as the name says, are coupons that customer can access on her mobile phone. According to the formal description by Mobile Marketing Association (2011), a mobile coupon is “a text or a picture ticket solicited or delivered to a customer’s mobile phone which can be stored and exchanged for a financial discount when purchasing a product or service”¹. M-coupons were offered for the first time in Japan in 2006 when Japanese telecom company NTT DoComomo made it available for public in collaboration with Nippon Television².

When compared to other promotional tools, m-coupons have been a relatively new concept but come as a valuable additional tool at the disposal of marketers to strengthen, supplement and reinforce their advertising and promotional efforts. In the emerging world of increasingly competitive marketing, many marketers see m-coupons as a promising and prominent instrument in their marketing kit-box for influencing customer’s purchasing behaviour. However, inspite of its potential, many companies and marketers are yet to include m-coupons as a core component of their promotional strategy. The current usage of m-coupons may be termed as being in its ‘early adopter’s’ stage.

¹ <http://www.mmaglobal.com/files/mobilecoupons.pdf>, accessed on 26 June, 2014.

² <http://www.mobilecommercedaily.com/mvive-trademarks-the-moupon>, accessed on 16 July, 2014.

In this paper, we present the world of m-coupons wherein many companies are making use of different types of m-coupons to convert the potential customers into buyers of their products and services. We start the paper by looking at the genesis of m-coupons and reasons for its adoption. This is followed by a description about the different m-couponing strategies and way in which m-coupons can be classified. In the next section, we explain the modus operandi of mobile couponing and the challenges in its widespread adoption. We also mention some of the pointers for developing successful mobile couponing programs. Subsequently, the paper explores the future of m-coupons with different developments affecting its adoption. We conclude the paper by explaining the implications for Indian market.

II. Genesis and adoption of m-coupons

The mobile phone is a highly personalized, cost effective and result-oriented medium which makes the mobile channel an effective mean for reaching to potential customers (Barwise & Strong, 2002). This has led to emergence of mobile marketing as a very important opportunity which the marketers cannot afford to miss. According to Forrester Research Inc., mobile marketing spend is estimated to grow upto \$ 82 billion by 2016.³ This growth in mobile advertising has led to spurt in growth of mobile promotions as well. Moreover, studies have found that customers are now not as concerned with privacy issues as they were few years ago because customers are getting used to the fact that advertisers use mobile phones as advertising channel (Vatanparats 2010). Consumer research has also showed that 63 percent of customers felt that a coupon will be the top incentive that they will like to receive in a mobile marketing message⁴ (ABI Research). Consequently, recent years have seen growth of m-coupons across a wide spectrum of sectors like retail, FMCG, and consumer durables. It is expected that by end of 2014, m- coupon redemption will be valued at \$ 6 billion (Juniper

³<http://www.siliconcloud.com/Portals/55887/docs/Interactive%20Marketing%20Forecast%202011%20to%202016.pdf>, accessed on 26 June, 2014.

⁴ <http://www.mobilecommercedaily.com/mobilestorm-formally-debuts-mobile-coupon-platform>, accessed on 27 June, 2014.

Research⁵). It was found that the top three most frequently redeemed coupon categories included groceries, retail goods and food and drink.⁶ The Quick Service Restaurants like McDonald's, KFC, Subway, Taco Bell were the first ones to adopt m-coupons for driving customers to store.

It has been stated that convenience of the customers/user has been the key for enhancing the use of m-coupons. From customer's point of view, m-coupons offer higher degree of *convenience* as there is no need to clip. They appeal to more technology-savvy customers who may not be interested in investing time and effort for searching for traditional coupons and prefer using the convenience of the new medium and related services (Dickinger & Kleijnen, 2008). At the same time, m-coupons are eco-friendly as they reduce paper waste, thereby preserving the environment.

In the traditional couponing process, there is no scope to personalize the promotion as per customer's requirement. However, m-coupons provide flexibility and scope for *customization* which is not possible with traditional coupons. This customization can be extended to time and location dimension. For example, compared to traditional coupons, mobile offers can be sent immediately to potential customers depending on the relevant time of the day/week (Banerjee & Yancey, 2010). For example, an ice cream company may be interested in sending offers to customers in late afternoon or evening which is the time of consumption rather than early mornings. Though, traditionally, coupons could be sent only in morning through newspapers, m-coupons gives the option to ice cream company for implementing the campaign closer to the time people actually eat ice cream i.e. in late afternoon or evening. Similarly, customers are more likely to pay attention to m-coupons which are sent in second half of Friday - last working day of week - when people are more relaxed and they will be planning their weekend and looking for such information. For immediate action, m-coupons

⁵ <http://www.mobilecommercedaily.com/6b-in-revenue-for-mobile-coupons-by-2014-juniper-research>, accessed on 17 July, 2014.

⁶ <http://www.mobilecommercedaily.com/sms-based-coupons-are-the-most-preferred-mobile-coupon-type-report>, accessed on 8 July, 2014.

also provide the flexibility to marketers for offering time-sensitive m-coupons. Companies can increase footfall at the times of day when sales are low by offering customers time sensitive coupons to customers which calls for immediate action.

Similarly customization can be extended to location dimension. A research conducted in United States found that around 50 percent of shoppers were more likely to buy products in-store if they were given a location-based m-coupon.⁷ In a location based m-coupon, customers can automatically receive the latest offer from a retailer when they are near the store. For example, when the customer walks around the mall and passes by a cookie shop, the smell of freshly baked cookies can influence the customers to make the purchase. This is the point of time when store can capture impulse customers as this moment has the maximum influence on customers. If the cookie store is engaged in location based promotions, it can send out messages for a discount to customers on their mobile device which can lead to purchase. The offer is communicated on the basis of GPS location data sent by their mobile phones when they come in vicinity of store. This is also known as 'just in time' advertising which is not only effective but also an economical way to deliver personalized timely offers that encourage customers to visit store and make a purchase.

A very good example of location based m-coupons was demonstrated by "Meat Pack", a trendy shoe store in Guatemala known for its unique collection. It launched a custom-made app called "Hijack" in collaboration with Saachi & Saachi during 2012. 'Hijack' was designed to beat the store's competitors, increase sales and engagement by offering customers a discount they could not refuse. 'Hijack' aimed to steal costumers and drive traffic away from competitor stores that sold the same brands as 'Meat Pack'.The campaign came in the form of a phone application, which was installed by many 'Meat Pack' customers during their previous visits to the store. By using GPS tracking technology the 'Hijack' app was able to recognise when potential customers entered competitors' stores and would alert the

⁷ <http://www.mobilecommercedaily.com/mobile-coupons-trigger-51pc-of-consumers-to-shop-in-store-study>, accessed on 2 July, 2014.

customer to the promotion at 'Meat Pack' which gave customer the chance to earn the discount. A discount countdown was then displayed, which started at 99 percent and started to decrease by a percentage with each second that went by as the customer raced to 'Meat Pack' store. The countdown discount-timer would only stop when the customer entered the 'Meat Pack' store. The customers could then use the discount displayed on their phone within the store. The campaign saw over 600 people 'hijacked' from rival stores and the fastest person to get there managed to receive 89 percent discount.⁸

M-coupons can act as a differentiating factor for companies as they are highly *cost effective* and at the same time, add value to the customers. M-coupons deliver a higher return on investment when compared to traditional paper-based coupons. Frost & Sullivan, a market research firm, found that cost of delivering m-coupons is almost negligible in comparison to print coupons which cost anywhere between \$0.25 and \$0.40 per mailed coupon⁹. At the same time, while the average redemption rate of print coupons has been around 1-3 percent, m-coupons had a *high redemption rate* of around 15-25 percent¹⁰. Another study by Nielsen in United States found that 41 percent of m-coupons users had redeemed coupons at the grocery store, 41 percent had redeemed coupons at department stores, and 39 percent had redeemed m-coupons at clothing stores, thus highlighting the high redemption rates.¹¹ It is in line with predictions made by Raskino (2001) who expected that customers would use m-coupons more often than paper coupons as they carry their mobile phones and thus the coupons would be with them all the time.

Like traditional coupons, m-coupons have the potential to encourage new product trial, increase footfall, improve product awareness, boost sales and respond to competitive pressure. Although m-coupons offers the same benefit vis-à-vis traditional coupons, like

⁸ http://adsoftheworld.com/media/ambient/meat_pack_hijack, accessed on 26 November, 2013.

⁹ http://loyalty360.org/images/uploads/when_mobile_coupons_replace_paper_coupons_percent5B1percent5D.pdf, accessed on 23 August, 2013.

¹⁰ *ibid.*

¹¹ <http://au.businessinsider.com/mobile-commerce-and-mobile-coupon-growth-2013-4>, accessed on 06 July, 2013.

price-off, buy-one-get-one-free etc., *focused targeting* is one of the big advantage which m-coupons can offer. Here, companies can send tailor-made offers to suit the target groups based on their past purchase and redemption behaviour. M-coupons can also help in developing databases of potential customers and converting them into loyal customers. Companies, by checking on the customers who have been sent the m-coupons vis-à-vis those who have redeemed them, can identify the dissatisfied customers. The company can elicit their feedback and thereby, can take on right measures to build and strengthen their relationship with customers.

M-coupons have some additional advantages. They provide an option for the company to ensure quick creation and delivery of coupons, thus enhancing response time and bringing agility to marketing operations. Research has suggested that customers using paper coupons are of older demographics while m-coupon users are younger in demographic profile. Thus, usage of m-coupons does not cannibalize the usage of paper coupons. M-coupons also facilitate in combating 'showrooming'. Showrooming refers to the practice of customers who examine the merchandise in a traditional brick and mortar store and then go on to search for the best deal on chosen merchandise in online stores. Location based m- coupons provide the incentive to customers to make the purchase at the store itself.

III. M-coupons strategies and formats

In mobile marketing, marketers need to ask customers' permission before sending out a promotional message as it is widely accepted that the mobile being a personal medium, customers will not like to receive unsolicited and irrelevant messages. A research which examined the impact of text messaging in the sales process across different industries, showed that sending text messages only after contacting the customer had an above average conversion rate – as high as 112.6 percent above average conversion rate while conversion rate was 4.8 percent below average for customers who were contacted before a

relationship developed with customers¹². Therefore, companies attempt to opt-in customers before sending them promotional messages. Having opted-in customers, mobile marketers can utilize the push, pull, and viral strategy for offering m-coupons.

According to Unni and Harmon (2007), the push and pull mobile communication methods have differing influences on customers. The key idea behind pursuing the push approach is the opportunity to trigger impulse buying among the customers who have already given permission to send m-coupons (i.e. opted-in) and have expressed their preferences. Thus, in push approach, customers could be informed about non-scheduled promotions and discount almost immediately through m-coupons. From the companies' perspective, the push method can be seen as an effective way to reach customers in a rapid manner (Unni & Harmon, 2007). However, the push model also has its drawbacks as customers are more likely to experience some loss of control of the message they receive, even though they may have opted to receive these messages. Also, push approach is very challenging in terms of gaining customer acceptance, especially its timing, and it may produce negative responses including avoidance, if the timing is not right (Edwards, Li, & Lee, 2002).

In contrast, for pull strategies, customers explicitly request and show interest in the product/service from the company. Here, the customers are aware of product/service offered by a particular company and they keep a track of company's promotions in order to find out if there is any offer which interests them. Although customers have to put in an effort to receive a message but many customers like it as they have a greater control over the messages that they receive. Though it is often feared that pull strategies will draw in lower response than push strategies, with rightful tailor-making of messages, pull strategies have also seen to be very effective. In 2008, Coty Inc., the world's largest fragrance company, implemented a mobile promotion campaign using pull strategy for the launch of Gwen Stefani's Harajuku Lovers collection of five signature fragrances. The campaign started with print

¹² <http://www.leadcrafters.com/text-messaging-can-increase-sales-by-328/>, accessed on 14 June, 2014.

advertisements of perfume in top-tier magazines such as People, Cosmopolitan, Allure and Glamour. Readers were prompted to take a photo of the ad from their mobile cameras and e-mail it to a specific address. On doing so, they received a text message along with a link from where they could request for a fragrance sample to be sent to them. Coty anticipated receiving 10,000 snaps during the six-month campaign. However, projections rapidly exceeded when excited customers passed the 10,000-marker in just two weeks. The campaign ended up with receiving more than 130,000 snaps – an unheard of 1,000 percent increase in expected mobile customer engagements. The campaign helped in making the Harajuku Lovers fragrance collection as one of the top fragrances for all in 2009¹³.

In viral strategies, information and communication exchange occurs between customers and companies which are initiated by the companies. However, the subsequent spreading of communication takes place through the social contacts of the customer, often by the efforts and support of the customer. This strategy is also known as mobile word-of-mouth (WOM) or mobile viral marketing (Wiedemann, 2007). Marketers can create campaigns which the customers can forward within their social circle. M-coupons unwraps immense opportunity for marketers to go viral as customers spend most of the time with their mobile phone and would forward it to their friends' circle if they found the coupon to be valuable. For the campaign to go viral, customer satisfaction plays a critical role as it affects individual motivations to recommend products or services (Swan & Oliver, 1989). This builds on as a viral effect and thereby companies can reach outside the initial target groups of the campaign.

The viral spreading of offers can be attributed to the source credibility. Research suggested that messages sent by known source like friends gain more credibility than those coming directly from the self-interested advertiser. The m-coupon received from a familiar sender has a greater credibility and positive impact on the receiver than a message received directly from the company (Bauer, Reichardt, Barnes, & Neumann, 2005).

¹³ <http://www.mobilemarketer.com/cms/news/advertising/1941.html>, accessed on 2 July, 2014.

In all three strategies, marketers' address customers through different formats which customers can redeem at the point-of-sale (PoS). These formats can be classified as SMS (Short Message Service), MMS (Multi Media Service), web apps, and mobile apps. Among these four formats, SMS is the most prominent way to reach customers with m-coupons. Since the companies collect information about customers and create a database of customers' mobile numbers, they can reach customers with personalised messages which includes m-coupons. SMS with m-coupons can have maximum of 160 characters of text, wherein the coupon code is also included within the message. The main advantage is that all mobile phones support SMS and therefore there is no incompatibility issue. Also, studies by Nielsen indicated that 97 percent of mobile subscribers read an SMS (text) message within 15 minutes of receiving it and 84 percent respond within 1 hour, thus making it ideal for situations where immediate response is desirable¹⁴. This was utilized by Shakey's Pizza Parlor, a pizza restaurant chain based in the United States, which sent out m-coupons using SMS with validity of just a single day (time sensitive m-coupon). The offer was sent to 9,800 customers who opted-in to redeem a free medium pizza. In response, more than 1,000 customers, who received the text, redeemed the offer, resulting in 10 percent redemption within a single day¹⁵. While using SMS for m-coupons, marketers need to be concerned about the number of SMS received by customers. Barwise and Strong (2002) stated that less than three marketing messages a day is considered 'about right' in mobile marketing otherwise excessive message-fatigue is likely to be associated with negative attitudes.

MMS is the second format in which marketers can deliver m-coupons to customers. MMS provides the ability to include text and picture content in the message which can be used by marketers in sending m-coupons which has a barcode component and short and long alphanumeric coupon code. Most commonly used MMS m-coupons are available in form of two dimensional code which are available in different formats like Datamatrix, QR, UPC,

¹⁴ <http://www.themobilemarketingreview.com/mobile-statistics/>, accessed on 25 June, 2014.

¹⁵ <http://www.bizreport.com/2010/08/pizza-parlor-m-coupon-campaign-delivers-success.html>, accessed on 3 July, 2014.

EZcode, and EAN¹⁶. Among them, QR (quick response) code is the most popular. The code consists of black modules arranged in a square pattern on a white background which can hold up to 7,089 characters. QR codes are much more appealing than barcodes, their older counter part, as barcodes only span horizontally whereas QR codes can span both horizontally and vertically. This makes QR codes capable of omni-directional (360 degree) high-speed reading.

Another variant of m-coupons delivery has been created by adding a link within the message (SMS or MMS) itself which directs the user to the mobile web page. On reaching the mobile web page, m-coupons are displayed which can be shown and scanned by the staff members at the PoS. These m-coupons are displayed by using web apps which is application software that can run without being installed on the device. Presenting m-coupon in a webpage is advantageous because the link to the page can be delivered within SMS, thus making it cheap to deploy. However, in case of no wi-fi or slow internet connection, mobile phones are not able to open the webpage and display the m-coupon which hampers the redemption of m-coupons. In order to address this problem some of the retail stores give the option to download the m-coupons on customer's loyalty cards when customers visit the webpage. The information about the m-coupon is stored on loyalty card and the discount is automatically deducted when loyalty card is swiped at PoS.

Mobile apps are the fourth mode for delivery of m-coupons. M-coupons using mobile apps present an unique opportunity for retailers to acquire, reward and engage with customers. Research has shown that mobile users spend, on average, 82 percent of their mobile minutes with apps and just 18 percent with web browsers¹⁷. In order to survive the competition, marketers have to ensure that their apps offer and deliver unique benefits. One such example is UK based retailer Tesco which launched its grocery delivery business in South Korea using an app titled Home Plus. The chain plastered the walls of subway stations

¹⁶ <http://www.mobilecommercedaily.com/sony-ericsson-pre-loads-scanbuys-mobile-bar-code-app>, accessed on 14 July, 2014.

¹⁷ <http://hbr.org/2013/03/for-mobile-devices-think-apps-not-ads/>, accessed on 4 July, 2014.

with life-size, high-resolution photos of products on store shelves which were complete with QR codes that could be scanned with a smartphone. This allowed customers to shop and arrange for delivery while waiting for their trains. Within three months of the promotion rollout, the number of registered users of Home Plus increased by 76 percent, and revenues jumped by 130 percent¹⁸.

IV. How m-coupons work

The m-coupons process involves four steps i.e. creation of m-coupons, delivery of m-coupons, redemption of m-coupons, and clearing of m-coupons. The actual m-coupons process may differ due to the mode of m-coupon chosen by the marketer. However, irrespective of the choice of coupon mode, the m-coupons strategy works best if it ensures opt-in of mobile users before the coupons are delivered.

In the first mode i.e. SMS, delivery of m-coupons is made to customer's mobile phone which consists of numeric or alphanumeric code. This can be redeemed at PoS where the PoS clerk enters the details in payment terminal. The SMS can be sent as a mass message for everyone or as message for people who have consented to receive m-coupons from chosen brands. Alternatively, some companies deliver m-coupons by SMS when mobile users send a request through short code. Though it is preferred by retailers for the simplicity that it offers, it is not a preferred mode for brands as numeric and alphanumeric code can be reused at PoS terminals.

In case of MMS, web apps and mobile apps, the customer essentially receives a barcode which appears on the screen of mobile phone. A bar code eliminates the possibility of misuse with respect to numeric or alphanumeric code. Customers present the two dimensional code to PoS clerk who scans the code on phone with image scanner. However, this presents a challenge as traditional laser scanner can not read the code presented on mobile screen

¹⁸ <http://www.nielsen.com/ph/en/insights/news/2014/stand-out-in-the-digital-evolution.html>, accessed on 5 July, 2014.

because of refraction and therefore special image scanners are required for redemption of two-dimensional bar codes.

In many cases, the delivery of m-coupons is also done by aggregators. For deal-prone customers, aggregators provide relevant m-coupons in one communication which saves them from the hassles of searching for m-coupons. Aggregators also play a role in back-office handling and clearing of m-coupons if the discount amount has to be claimed from brands by retail stores.

Research has found that there is huge gap between actual m-coupon use and willingness to use m-coupons. Direct Marketing Association (2011) did a comprehensive consumer study on why people who had received m-coupons did not want to use them. The study stated almost 50 percent respondents ignored the mobile offers as they were uninteresting offers. Relevancy has been the most important driver for non-usage on mobile because customers are less tolerant of irrelevant offers on their personal mobile devices. Secondly, the study found that for 13 percent respondent, their mobile phones did not allow them to respond. This suggested that there were technology limitations which need to be addressed and the process of using the m-coupons needed to be made easy in order to encourage customers to use it. Thirdly, 5 percent of those who had never responded to mobile offers cited that it was because they simply did not know how to use and redeem them. This indicated that marketers need to educate and familiarize customers of how to use and redeem m-coupons. Thus, it indicated that while relevancy of offers was important, technology gap and awareness-cum-education dimension needed to be factored for making m-coupon programs successful.

While implementing the m-coupons, one of the other main problem is with respect to the redemption of two dimensional bar codes which are sent as m-coupons. Most of the PoS scanners can not read the bar codes on mobile screen, thus making the redemption process difficult. For smooth PoS operations, retailers need to install image scanners in checkout

lane. With a number of counters in checkout lane, especially for big retailers, and multiple stores in a chain, the number of new PoS image scanners works out to be huge, requiring huge investment for the retailers. However, m-coupons can be effective only if the redemption process is made simple for all concerned - the customers, the dealers and the support system involved in implementing m-coupons. For the same, specific investments need to be made by the retailers to ensure that redemption efforts are minimized for customers (Kang, Hahn, Fortin, Hyun, & Eom, 2006). Research has indicated that greater the effort required for redeeming a coupon, the less positive the customer evaluations of the coupon would be (Ramaswamy & Srinivasan, 1998). If the whole process of redemption is not smooth for customers then the effort involved for redeeming m-coupon may have a negative impact on attitude for customers. Thus, in order to increase the traffic for m-coupons, brand managers and retailers have to work together to eliminate the issues with regards to PoS scanning of m-coupons along with updating the out-dated machines.

The redemption process is not only limited to PoS scanners but also involves employee's ease of handling m-coupons. Many-a-times employees face issue with m-coupons when a customer seeks to redeem multiple m-coupons at time of purchase, thereby delaying the process and causing inconvenience. Thus, training the PoS and back-office staff (including supply chain movers) and creating appropriate awareness amongst them about the whole process, becomes equally important. Otherwise it acts as deterrent in the overall experience that the customer faces at the time of redemption. Shoe-making company Crocs can be seen as a good example whereby training of staff helped in rolling out a nationwide m-coupon program which offered 15-percent-off. Crocs employees talked to customers about the promotion, and encouraged them to stay opted-in in order to receive future discounts. In the very first month of the campaign, Crocs received 94,000 requests for the m-coupon.

Another issue with respect to m-coupons is about privacy concerns of mobile users. While companies are keen to deliver location-based m-coupons, most customers are hesitant and unwilling to share their mobile numbers. They do not wish to sacrifice their privacy in order to

receive m-coupons. Customers are more apprehensive as they fear that they will receive numerous unwanted, highly intrusive advertising messages on their private mobile phone. Also, m-coupons should be simple for customers to use, especially for elderly people, who may not be technologically adept. In order to develop a successful m-coupon program, marketers need to take care so that these obstacles do not impinge on the success of m-coupon programs.

For pushing m-coupons, it is advisable to consider audience characteristics. Scharl Dickinger, and Murphy (2005) found that youth are a lot more receptive towards mobile advertisements than older audiences. They also found that the younger customers attach more “value” to mobile advertising as compared to older audiences. Thus, marketers can focus on youth as they are more familiar with new technology such as SMS, MMS, web page and mobile Apps, especially at the early stage of introducing a new technology. Moreover, studies have reported that youth are less likely to forget their smart phones at home, than their older counterparts, thus likely to enhance the possibility of m- coupon usage.

V. Future of m-coupons

M-coupons present a huge potential for marketers as presently a limited number of people (as percentage of population) are using m-coupons. With use of smart phones becoming dominant among mobile phone users, more customers can be opted to be m-coupon users. Smart phone adoption has also led to widespread usage of mobile apps which can be used by marketers to develop customized m-coupons. While developing mobile apps, marketers need to take care to develop apps for all the three popular platforms (Apple, Android, and Blackberry) so that they do not miss out customers due to incompatibility issues.

Growth of m-coupons is also going to be powered by the phenomenon of couponing becoming social wherein coupons are delivered via social media websites like Facebook. With customers accessing Facebook on their mobile phones, the coupons delivered via

social media websites can also serve as m-coupons. With Foursquare usage becoming popular, location based m-coupons can be easily delivered to customers for focused targeting.

Usage of m-coupons is also going to be driven by technological advancements happening in mobile payment initiatives. Three prominent likely to impact m-coupons process are Near Field Communication (NFC), Apple Passbook, and Google Wallet. NFC provides an innovative approach for m-coupons where retail stores can overcome the cost associated with installation of image scanner, required for scanning of two dimensional bar codes sent on mobile phones. NFC enables wireless communication between smart phones and similar devices when they are brought in close proximity of each other. Nokia was pioneer in introducing NFC on its mobile phones which allowed its NFC enabled credit and debit cards to make contactless payments. Same technology, with some adaptation, can be used to redeem m-coupons as now NFC is factory installed on almost all models of smart phones. Major payment gateways like MasterCard, Visa, and American Express have already piloted NFC enabled payment mechanisms (MasterCard - PayPass, Visa - payWave, American Express - ExpressPay) and have made them operational for payments which do not involve swiping the cards.

Google Wallet app is another innovation which has been developed as a mobile payment mechanism which allows users to store information about their cards (debit, credit, loyalty cards etc.) on their mobile phones. Customers do not need to carry all their cards and they can make payment at stores by Google Wallet which uses NFC protocol. The storage capability in Google Wallet has been extended to include information about m-coupons. Apple's Passbook app has also been developed as a mobile payment mechanism which allows users to store coupons. It was built to exploit the changed customer behavior with respect to coupon redemption pattern whereby customers increasingly stored m-coupon on the device rather than redeeming them immediately. The Passbook app organizes coupons by multiple brands/retailers in one convenient location on the smart phone thus simplifying

the organization of m-coupons. It has been preferred by retailers as it is based on NFC technology and therefore it obviates the need to upgrade PoS terminals with image scanners. The customer has to only present her smart phone to the cashier for redemption.

Apple Passbook is very useful as it also gives the option for company to send out location-based coupons to the customers. One such example is McDonald's which carried out its campaign in collaboration with Passbook in Sweden in January 2013. M-coupons were offered to customers with the option to save it in the Passbook app. If the user approached within 100 meters of a restaurant, then she received a push notification on her smart phones reminding her to redeem her coupon. The campaign was claimed successful as 96 percent of the users who accepted the coupon redeemed it afterwards. With launch of iBeacon which allows retailers to send messages about deals to customers using iOS 7 mobile devices, Apple is trying to further strengthen the Passbook app. iBeacon works on Bluetooth Low Energy protocol which allows stores to detect presence of nearby iOS 7 devices and send messages about their latest deals. All these initiatives will be driving the adoption of m-coupons in coming days.

VI. Implications for India

After examining the world of m-coupons, we need to consider the current potential and future prospects of m-coupons in a country like India. Having looked at the manner in which m-coupons work, we would like to state that m-coupons have a very high chance to expand its base in India due to multiple reasons. The first factor is the demographic profile of country in which youth forms a sizeable portion of our population. As seen earlier, youth are more receptive towards mobile communication than older audiences and this makes them more amenable to use m-coupons. Furthermore, Indian customers, like customers all over the world, feel good if they are able to get something free or they are able to save on their purchase. Also, given that Indian customers have largely been bargain-hunters, m-coupons are likely to see good adoption.

While Indian customers have traditionally followed a predominant pattern of pre-planned purchases, now-a-days, customers increasingly opt for impulse purchases in a number of product categories. This is especially true with the younger crowd who have higher non-committed disposable incomes. Here, m-coupons fit the requirements of the customers who opt for impulse purchases. M-coupons could be offered in categories like food, apparel, movie tickets, and salons services, which are amenable for impulse purchases.

Some companies have already piloted m-coupon initiatives in India and have seen very favourable results. Snapdeal, which started as a daily deal site, invested significant amount of money in devising its m-coupons system which enabled the customers to avail discounts at different merchant outlets without taking a printout of the voucher. For the same, Snapdeal sent text messages with unique i.d. which allowed the customers to avail the deal at merchant's PoS. In order to facilitate smooth redemption, it also developed a mechanism whereby merchants could check the validity of m-coupons at any point of time during the offer period¹⁹. Similarly Vodafone, in collaboration with bookmyshow.com, launched "Buy a movie ticket and get 1 movie ticket free" offer which involved m-coupons. In this offer, customer received a six digit m-coupon after she called on a pre-specified Vodafone number. This m-coupon could be used by the customer to get one ticket free of her choice if she booked her tickets on makemyshow.com²⁰. Spencer Retail and brands like Subway, Adidas, Baskin Robbins, Kwaliti Walls are some other players who have experimented with m-coupons in India and have seen high redemption rates. Spencer Retail's pilots for m-coupons in Bangalore and Kolkata saw close to 20 percent redemption rates²¹.

M-coupons have been successfully used in new product launches as well in India. For example, one of the successful m-coupon campaigns in India was of P&G's Olay Total

¹⁹ <http://techcircle.vccircle.com/2011/06/03/snapdeal-launches-m-coupons-with-investment-of-0-5m/>, accessed on 17 July, 2014.

²⁰ <http://in.bookmyshow.com/static/vodafone-delights-buy-1-movie-ticket-and-get-1-movie-ticket-free.bms>, accessed on 17 July, 2014.

²¹ http://articles.economictimes.indiatimes.com/2010-09-01/news/27588682_1_coupons-retail-outlets-marketers, accessed on 17 July, 2014.

Effects m-coupon campaign which ran for 3 months. The goal of campaign was to drive customers into stores for a free sample of the product in order to induce trial. It was reported that more than 27,000 m-coupons were distributed via mobile which saw 27 percent redemption²². Furthermore, there have been examples of alliances with companies coming together to deliver m-coupons. In one such example, Odyssey chain of bookstores, with presence at main airports of India, tied up with travel portal makemytrip.com. Whenever a mobile user purchased a ticket from makemytrip.com for any of the cities where Odyssey had a presence, she received m-coupon from Odyssey two hours before the flight take-off which enabled her to redeem the m-coupon at the Odyssey bookstore inside the airport²³.

Companies have also tried out different technical innovations in Indian markets. Citibank launched Citi Tap and Pay, a contactless credit card payment platform, based on NFC technology in 2009. This was piloted in Bengaluru for 26 weeks in collaboration with Vivotech which provided the technology in form of contactless readers at PoS. In this initiative, customers used their mobile phone as credit card whereby they could tap their mobile phones on a contactless reader for making payments instead of traditional swiping of credit cards. The pilot was supported by Nokia, Vodafone, MasterCard, and local stores like Nilgiri's²⁴. Citibank reported positive customer feedback on all three key metrics - customer interest, usage and satisfaction – which they considered important for the initiative²⁵.

The success of the above-mentioned examples points that m-coupons have a very bright potential in India. This potential of m-coupons is going to be fuelled by growth of smartphone in India which is conducive to facilitate m-coupon usage. Recent years have seen considerable change in usage pattern of m-coupons with the introduction of smart phones. Researchers have established a strong correlation between use of m-coupons and the growth of smart phone users. Indian mobile phone users spend considerably more time on

²² <http://www.techmobia.com/idea.html>, accessed on 17 July, 2014.

²³ <http://www.growthinstitute.in/emagazine/jan10/strategy.html>, accessed on 17 July, 2014.

²⁴ <http://www.mobilecommercedaily.com/citi-partners-with-nokia-vodafone-mastercard-vivotech-for-nfc-mobile-payments>, accessed on 17 July, 2014.

²⁵ <http://www.citigroup.com/citi/news/2010/100308b.htm>, accessed on 17 July, 2014.

their smartphone than users elsewhere in the world. A Nielsen report suggest that Indians spent 2.5 hours per day on smart phones whereas Americans spend around 1.5 hours per day²⁶. While the current penetration of smartphones is estimated to be close to ten percent of current mobile user base, India is set to become the third-largest market for smart phones by 2017. According to the IDC *Worldwide Quarterly Mobile Phone Tracker* report, by 2017, India is expected to account for 10.3 percent share of the global market behind China's projected 30.2 percent share and USA's 12.1 percent²⁷. This, along with consumer behaviour and demographic trends of Indian customers, will help in m-coupons becoming an important tool for marketers in India.

VII. Conclusion

With the changing face of technology and an increasingly tech-savvy audience, m-coupons has just started to unravel its potential. The spread and reach of m-coupons has been largely linked with users of smart phones. While it has been a limitation till now, it will increasingly become less relevant with greater penetration of smart phones in the days to come. When used creatively and imaginatively with other elements in the promotional tool-box, m-coupons can have higher synergistic value and its impact can be multiplied many times over. Getting all the elements involved in the m-couponsing process - salesmen, store owner, supply chain person, customers - in synchronised action will be critical in order to ensure proper functioning of the total system.

If the marketers get the modalities of m-coupons right and fine-tune it as per customer's preferences and company's objectives, it can prove to be very effective in tracking the relevant audience and getting best rate of returns on their investment. Marketers and retailers would have to be careful with the sensitivities of customers, especially with respect to timing,

²⁶ <http://www.livemint.com/Consumer/XKke7mMYkuuXc3voajAn5M/Smartphone-users-driving-growth-in-mobile-advertising-repor.html>, accessed on 4 August, 2013.

²⁷ <http://www.livemint.com/Consumer/h5BwcFMNP7yxOT5wrzF5lK/India-to-become-thirdlargest-smartphone-market-by-2017-IDC.html>, accessed on 4 August, 2013.

language, frequency and content which will need to be carefully researched and judiciously used. M-coupon can also be used to harness the latent support and enthusiasm of satisfied customers to spread the net wider, and get enhanced revenues. In the process, it can also help to build up a valuable data-base of customers, which if kept updated and refined will sharpen the focus of the marketing efforts. Since it lends itself to continuous monitoring, this will enable one to improve the various elements involved in the m-coupons package to achieve its full potential in an ever-changing demographic landscape and a highly volatile technology environment. The insights that this data can provide can be effectively used by marketers to diversify and for differentiating their offerings. In short, m-coupon becomes an exciting and highly promising marketing-mix tool in the hands of marketers.

References:

Banerjee, S. & Yancey, S. (2010). Enhancing mobile coupon redemption in fast food campaigns. *Journal of Research in Interactive Marketing*, 4(2), 97-110.

Barat, S., & Ye, L. (2012). Effects of coupons on consumer purchase behavior: A meta-analysis. *Journal Of Marketing Development & Competitiveness*, 6(5), 131-144.

Barwise, P., & Strong, C. (2002). Permission-based mobile advertising. *Journal of Interactive Marketing*, 16(1), 14–24.

Bauer, H. H., Reichardt, T., Barnes, S. J., & Neumann, M.M. (2005). Driving consumer acceptance of mobile marketing: A theoretical framework and empirical study. *Journal of Electronic Commerce Research*, 6(3), 181–192.

Bawa, K., & Srinivasan, S. S. (1997). Coupon attractiveness and coupon proneness: A framework for modeling coupon redemption. *Journal Of Marketing Research*, 34(4), 517-525.

Dickinger, A.& Kleijnen, M. (2008). Coupons Going Wireless: Determinants of consumer intentions to redeem mobile coupons. *Journal of Interactive Marketing*, 22(3), 23-39.

Edwards, S. M., Li, H. & Lee, J. H. (2002). Forced exposure and psychological reactance: Antecedents and consequences of the perceived intrusiveness of pop-up ads. *Journal of Advertising*, 31(3), 83–95.

Kang, H., Hahn, M., Fortin, D. R., Hyun, Y. J., & Eom, Y. (2006). Effects of perceived behavioral control on the consumer usage intention of e-coupons. *Psychology & Marketing*, 23(10), 841–864.

Ramaswamy, V., & Srinivasan, S.S. (1998). Coupon characteristics and redemption intentions: A segment-level analysis. *Psychology & Marketing*, 15(1), 59–80.

Raskino, M. (2001). Mobile coupons will reach right into your pocket, Gartner Group Research Note.

Scharl, A., Dickinger, A., & Murphy, J. (2005). Diffusion and success factors of mobile marketing. *Electronic Commerce Research and Applications*, 4(2), 159–173.

Swan, J.E. and Oliver, R.L. (1989). Postpurchase Communications by Consumers, *Journal of Retailing*, 65(4), 516–533.

Unni, R. & Harmon, R. 2007. Perceived effectiveness of push vs. pull mobile location-based advertising. *Journal of Interactive Advertising* . 7(2), 1-24.

Vatanparast, R.. (2010). Pierce the fog of mobile service and advertising adoption (February 2010). <http://lib.tkk.fi/Diss/2010/isbn9789526030159/isbn9789526030159.pdf>

Wiedemann, D.G. (2007). Exploring the concept of mobile viral marketing through case study research, in Proceedings of the 2nd Conference on Mobility and Mobile Information Systems (Aachen, Germany). Bonn: Lecture Notes in Informatics pp. 49–60.

Yin, W., & Dubinsky, A. J. (2004). Framing effects of coupon face value on coupon redemption: A literature review with propositions. *Journal Of Marketing Management*, 20(7/8), 877-896.