INSIGHT

Coupons Without the Clipping
Mobile coupons are revolutionizing how advertisers market and customers buy.

by Jessica Tsai
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Mobile technology may turn Sunday-morning coupon-clipping into a relic of bygone days. According to mobile discount-offer and coupon service Cellfire, there are more than 220 million mobile users in the United States, 45 percent of whom use digital content (games, Internet, music, TV) on their phones. In addition, 57 percent of mobile users between the ages of 13 and 24 are "mobile only" -- they don't have landlines -- suggesting a significant audience for mobile marketing.
Cellfire also recently completed a six-month study on mobile-coupon redemption, revealing that 68 percent of customers who redeemed the coupons were between the ages of 18 and 34. (The next-largest segment, 35-to-44-year-olds, comprised 18 percent of coupon-redeemers.) In addition, Cellfire found that food and entertainment coupons were the most frequently redeemed.

Meanwhile, as the *International Herald Tribune* reported in August 2006, despite the fact that 74 percent of Americans still use coupons, "an estimated 99 percent of the roughly 200 billion coupons distributed annually in the United States end up in the trash, unused and unredeemed." Paper coupons are "the single most inefficient marketing tool you could imagine," Peter Sealey, founder and CEO of The Sausalito Group, a business and marketing consulting company, told the *IHT*.
In fact, many experts believe it won't be long before paper coupons disappear completely. "Coupons sent in the mail never had a direct connection to the buyer," says Gerry Purdy, vice president and chief analyst at Frost & Sullivan, a global consulting firm. It was, he adds, "sort of random if someone would even get it or use it."

The 21st century has introduced a new trend in marketing -- a shift from push to pull. Today's Internet-savvy consumers have control over what they want to see. "[Marketers are moving] away from talking about [themselves] in terms of deliverability or even ROI. There's a bigger focus on providing actionable and analytical data," says Russell McDonald, chief executive officer of email service provider iPost. "Couponing is sort of interesting because it's related to an actionable item that somebody can make use out of and benefit [from]," he says.

Marketers have taken great strides with email coupons, which can be targeted and tracked more accurately, and are now focusing on mobile devices. "Your beautiful HTML mail that would look great on Gmail looks exactly the same" on the iPhone, McDonald says. Therefore, email and mobile can work in conjunction to provide consumers with rich, portable content.

Although mobile coupons are creating a whole new realm of convenience, marketers and consumers alike worry that mobile campaigns will be intrusive -- and awash with security and logistical concerns. "There's a thin line between intruding and using personalized marketing," says Vikrant Ghandi, industry analyst at Frost & Sullivan. "That's the challenge: To what extreme can marketers be allowed to use personal marketing?"

In terms of logistics, previous explorations of short messaging system (SMS) coupons were flawed because they could be mass-forwarded and did not protect against fraud. Moreover, text messages are "a pretty ephemeral medium," McDonald says. "If you can catch someone in the right moment with the right offer, I think it can be very effective, but it's a transient situation, the moment kind of arrives and goes away." If a received text message isn't used immediately, it's often lost forever.

Services such as Cellfire offer a more organized and lasting option by allocating into one program on a mobile device all coupons, which can then be sorted alphabetically by advertiser, or by date received. Moreover, messages cannot be forwarded or used more than permissible, as consumers must click the "Use Now" option. Other mobile coupons are made unique through numeric or scannable codes.

Still, mobile coupon programs require the added effort of running the application and inputting a personal location, not to mention standard text messaging and Internet connection fees. Minimizing the costs for both the consumer and the retailer should increase adoption rates, Ghandi says. Once mobile catches on, experts are confident that the accompanying technology will become increasingly accessible. "I think we will get to the day where people

will, quite frankly, have GPS in every phone, and location [will be] pervasive. We can go from there -- that'll make [coupons] a heck of a lot more beneficial," Frost & Sullivan's Purdy says.

But with that comes the bevy of security issues. Mobile marketers use location to track consumers and to provide the most relevant offers. They can reach consumers on a much more personal level, unlike a personal computer, which could be shared by several people in one household. So the trade-off with highly targeted marketing capabilities is added sensitivity to customers' trust and comfort. Ultimately, the key to a successful mobile campaign is to "never send unsolicited coupons," Ghandi warns. "It should always be opt-in."

As mobile technology becomes more prevalent, the dream of getting pinged with a solicitation as you walk past a particular item in the grocery store may well become reality. Experts are aware of the potential backlash. As McDonald notes, "Just because technology provides a capability, doesn't mean that it should be done. People aren't aware of how closely they are tracked in a digital world. If you draw their attention to it, it can definitely creep them out."