



# **The Current State & Promise of Mobile Couponing**

***Mobile Marketing Update  
January 2013***

**Issued by the MMA North America  
Mobile Coupon Ad Unit Standards  
Committee (MOCAUS)**

The MMA will be trialing mobile coupon ad units during 2013. To learn more about the committee, participate in trials or to join the MMA, please email us at

[committees@mmaglobal.com](mailto:committees@mmaglobal.com)



## Part I: Why A Mobile Coupon Ad Unit?

A mobile coupon ad unit is the missing ingredient that can unify mobile media spend with point of sale events. Or as Michael Becker, North American head of the MMA puts it; “A Mobile Coupon Ad Unit is the connective tissue that can link the top of the mobile media funnel with a point of sale event.” The reason paper coupons persist is that there are well-accepted ways to create them, and retailers and manufacturers can track their effectiveness. If Kellogg’s publishes 100,000 Corn Flakes coupons, they’ll know how many were brought into a store and redeemed. Such capability does not exist in a similar standardized fashion for mobile – but it will.



**Connecting Mobile Media Spend with a Sale Event**



### **The Mobile Coupon Ad Unit Standards (MOCAUS) Committee**

The MMA has launched a Mobile Coupon Ad Unit Standards (MOCAUS) committee to address this need for a mobile coupon ad unit. The committee's objective is to create and trial a mobile coupon ad unit. Specifically:

1. Develop a consistent language and conceptual framework around mobile coupons, offers, incentives and rewards.
2. Create business intelligence and awareness of the state of mobile coupons and incentives, especially as they relate to consumer engagement and mobile relationship management along the path to purchase.
3. Create, document, circulate for comment and finalize unit format recommendations including specifications for creative, impressions, transaction and redemption and baseline technology requirements.
4. Conduct industry field trials and update recommendations with learnings.
5. Issue results of field trials and issue formalized guidelines and best practices document.
6. Launch a compliance program.

According to Adam Lavine, FunMobility CEO and co-chair of MOCAUS: "Mobile is about to hit full-on scale for brand marketers, and initiatives like a mobile coupon ad unit will help us get there. Mobile and coupons are a perfect match - a win for consumers, marketers and retailers."

The committee includes a roster of industry leaders including Inmar, Valpak, Spotzot, Acta Wireless, Isis, Hipcricket, Medialets, Mocapay, Sprint, RadiumOne, FunMobility and Univision. More industry participation is welcome – any company involved in couponing, mobile advertising, retail, consumer packaged goods that wishes to join can contact [committees@mmaglobal.com](mailto:committees@mmaglobal.com) to apply.

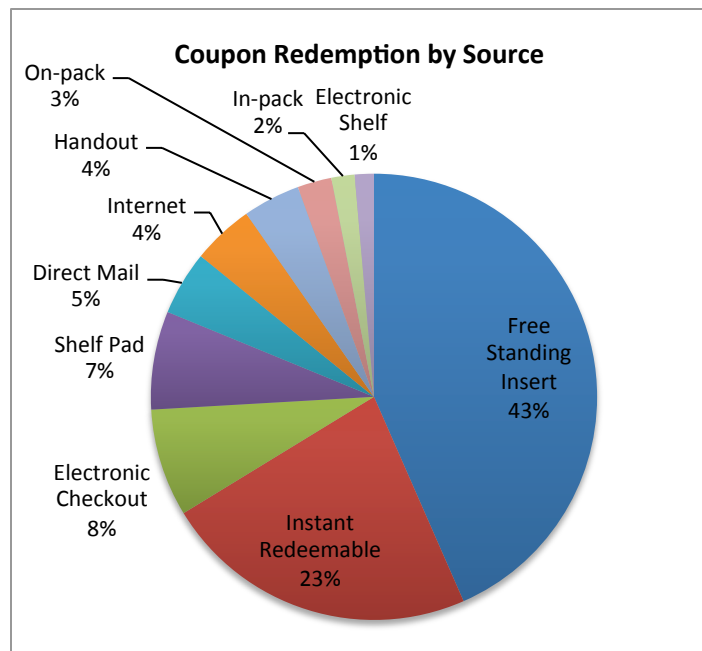


## Part II: The State of Mobile Coupling

### Industry Background

U.S. manufacturers and retailers remain fiercely attached to using paper coupons to entice customers to purchase products. This is a fact that has defied cultural, technological and societal change that has rendered many other artifacts of American life – the family meal, boys-only sports participation, dad as primary breadwinner – obsolete.

Even as newspapers and other forms of print media continue to decline in terms of circulation, readership and relevance to the millennial generation, an astounding 310 billion paper coupons were distributed in 2012. Although distribution channels for these coupons extend well beyond the Sunday



supplement to direct mail, magazines and Internet print-at-home models, 88.8% of coupons are distributed through freestanding inserts, i.e. newspaper supplements, also known as an “FSI.” This channel continues to dominate, in terms of redemption volume, with 43.9% of all coupons redeemed originating from FSIs. Recently, coupon distribution has remained somewhat flat, with 2012’s distribution total representing a 1.2% decline from the 313 billion offers distributed in 2011. Redemption has declined, as well, with any number of theories as to the cause – not



the least of which is a moderately improving economy. Inmar, an industry leader processing more than 2.3 billion coupons annually, sees a continued consumer appetite for coupons.

“Coupons remain very popular with shoppers,” said Inmar CEO David Mounts. “Redemption trends are influenced by a number of factors including the perceived attractiveness of the offers available,” continued Mounts. “Coupons help shoppers save money. Period.”

In other words, we have seen an undeniable shift in the way Americans consume news and other information from the printed page to Web sources and further to the mobile extension of the Web embodied by smartphones, tablets and other mobile devices. And yet, manufacturers continue to churn out cents-off paper coupons, retailers publish them in countless inserts and mailed pieces and consumers loyally view them, sometimes cut them out, bring them in and enjoy their benefit. What’s going on here, and what does it mean for the anticipated advent of mobile couponing that would theoretically change coupon distribution and redemption patterns?

### **It’s Not as Easy to Go Mobile as it Seems**

The mobile world and the digital world are not always the same thing. Broadly put, a digital coupon is one that is available online for customers to download and redeem in person. They can be found on company Web sites or social media outlets or can be transmitted via text and email. Most importantly, a digital coupon goes through the full coupon redemption process but does not require the user to present paper at the time of redemption. Mobile presents a tempting prospect for manufacturers and retailers.

Technological limits to the use of digital coupons account for the imbalance in terms of total redemption compared to the traditional paper coupon, with most studies showing digital redemption accounting for only around 2% of all redemptions. The biggest bottleneck is at the



Point of Sale (POS), usually an electronic cash register. Although POS equipment has been able to process digital coupons for many years, it suffers from several drawbacks. For one, there are many different POS systems and versions. Also, there may be limits on how many promotions can be downloaded depending on the POS brand or software version that the retailer is using.

The meshing of digital couponing capabilities with mobile devices would seem to be a natural. After all, everyone has some sort of mobile device these days, whether it's a smartphone, a tablet or anything portable that is connected to the Web. To be specific, surveys estimate that some 234 million Americans use mobile devices and that 110 million of those devices are "smart," or connected to the Web. The discovery options for mobile coupons are similar to those for digital, i.e. users can find coupons on Web sites, on social media sites, in shopping apps or can receive them through push technologies such as text alerts or emails.

Going back to the limitations in redeeming digital coupons, however, mobile coupons present one more: most "red laser" scanners at retail locations cannot read barcodes from a smartphone. Reading a mobile device requires retailers to have a point of sale system with an optical scanner, usually meaning an upgrade. This forces sales associates to type in codes to activate discounts, which can materially slow the check-out process when multiple coupons are involved and discourages retailers from enthusiastically embracing mobile couponing. To overcome this obstacle, standards for mobile coupons must be compatible with standards for digital coupons in terms of set-up and communication, acquisition, validation, redemption and reconciliation.

### **It's Worth the Effort**

Despite technological limitations, retailers, publishers, mobile manufacturers and app wizards are enthusiastic about the impact of linking the insatiable appetite of consumers for deals with the ubiquity and ease of use of mobile devices. Projections about the potential



adoption of mobile couponing range from bullish to downright exuberant. Studies of digital coupon use show that even though such coupons account for a minuscule percentage of all coupons redemption (ca. 2%), the users have many desirable attributes. First of all, digital coupon use is highest among young adults, which makes sense when you think this is the demographic that grew up in an all-digital world. Drilling down, digital coupon users are not only young but also upwardly mobile, they move often and own homes in the top 20% of the market (Knowledge Networks).

A year ago (January 2012), Microsoft Tag, an end-to-end barcode solution from Microsoft, predicted that the percentage of the 240 million mobile phone users who would redeem coupons would rise to 16.5% this year, and the percentage of 110 million smartphone users would increase to 30% this year. That translates to nearly 40 million mobile users and 33 million smartphone users. The redemption value of mobile coupons was projected recently by Jupiter Research to increase from \$5.4 billion in 2012 to more than \$43 billion by 2016.

It's not just sheer numbers that drive advocates of mobile couponing. The specific characteristics of mobile phones also contribute to the excitement. For instance, the GPS capabilities of mobile phones make possible geo-targeting campaigns that allow promotional messages to be sent to consumers at a specific location. If a mobile user is in the vicinity of a men's store, for instance, a discount offer can be sent directly from that store to the user through a mobile ad or opt-in notification.

Also the dynamic movement of mobile users (out and about) versus the stationary disposition of most types of digital coupon users (in front of the computer at home) is conducive to sophisticated promotional offers. The new generations of mobile users view their phones as an integral part of their lifestyle, enabling them to take and swap photos, send text messages and view video content at the same time they shop, go to the gym, eat dinner or visit



a club. To receive and act on a promotional offer displayed on ever-present mobile screens is a natural extension of a mobile lifestyle.

Marketing experts describe the mobile couponing appeal as “collapsing the purchase funnel.” According to Jim Schreitmüller, co-founder of Spotzot Mobile Shopping, it works like this: consumers who are contemplating the purchase of a particular product are at the top of the funnel. They work through the funnel to arrive at a purchase decision through a series of steps, which might include researching a product on the Web, seeking feedback about it from family, friends or associates or actually engaging in comparison shopping at retail locations. It’s that last step that lends itself to mobile couponing, which can combine a consumer’s readiness to buy with an offer that incentivizes purchase. “The sense of urgency is higher with a mobile offer,” Schreitmüller explained. “The mobile consumer has advanced through the funnel and is ready to buy, and most often that same day.”

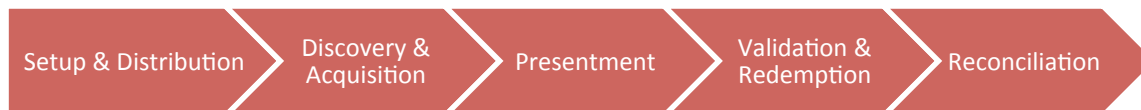
Microsoft has calculated redemption times for mobile offers compared to those received on a tablet computer and on a home PC. It pegged the mobile redemption time as one hour, compared to three days on a tablet and 30 days on a computer. More information from Google available [here](#).





## **Part III: A Framework for Mobile Coupons**

The MMA's Mobile Coupon Standards Committee (MOCAUS) is adopting a framework process adapted from the Association of Coupon Professionals digital coupon process. They are: Setup & Syndication, Discovery & Acquisition, Presentment, Validation & Redemption and Reconciliation.



**MMA MOCAUS Mobile Coupon Framework (adapted from ACP)**

**Setup and Distribution:** This initial step is where an offer is originally created. This includes basic information such as the offer's source, type, duration, amount and regional limitations, if any. In other words, everyone involved in a promotion needs to know when an offer is presented for redemption. This includes any clearinghouse or point of sale integration providers that may need to set-up a mobile coupon at the point of sale or reconcile for certain types of mobile coupons.

**Discovery & Acquisition:** This is how the consumer finds the offer. This is the inherent attraction of an FSI: it's pretty easy to pull it out of a newspaper and flip through it. Digitally this means either "pull," when customers take action to receive a digital promotion, i.e. downloading a code from a Web site; or "push" when a digital promotion is delivered to the customer after opting in. For mobile coupons to prosper, alternative forms of discovery will be



key. Push Notifications are an increasingly popular way for mobile content to be delivered to consumer's devices, as they are free for consumers and marketers, as opposed to SMS and MMS which often have transport costs (see [Top 2013 Marketing Trends](#) for more information). A rapidly-growing application for pushing offers is Apple's Passbook, a "virtual wallet" that allows consumer to easily retrieve, manage and organize local coupons, loyalty cards and other offers. Developments such as Google's "digital wallet," which allows customers to pay for purchases by waving their smartphones over scanners at retail locations, and similar innovations from Facebook, Amazon and others, are particularly suited to mobile couponing adoption. The data gathered through these applications can be leveraged to attract retailers who desire to know more about their customers, e.g., what they buy, where they buy it and why across multiple retailer channels.

**Presentment:** This refers to the actual presentation of the coupon or offer at the point of sale. Usually this involves handing over a paper coupon, although it can also mean scanning a card or entering in a loyalty number for a "load to loyalty" scenario. This can also involve reading code from a mobile screen on an optical scanner, or keying in a mobile number at the retailer's pin-pad.

**Validation & Redemption:** This is where a coupon is checked to ensure it is valid, generally meaning that it's not fraudulent, expired or has already been used. If the offer is deemed to be valid, then the discount will be applied. In general, CPG companies are leery of bar codes displayed on mobile screens for purposes of validation, fearing that these codes could



be copied by other customers or generated by fraudulent means. Most validation occurs in a registered database that is managed by a point of sale integration provider and/or clearinghouse.

**Reconciliation:** this is the process of actually settling the financial transaction that has just occurred, generally meaning the store having extended credit on behalf of the coupon issuer. The process for paper reconciliation is a surprisingly long process: used coupons are generally boxed up and physically shipped to a coupon “clearinghouse”, often outside of the country, where they are physically entered individually into a system to create an audit trail. The retailer then receives the face value of the coupon, plus postage plus a handling fee, usually around \$.08. The goal is to ensure that a coupon issuer (such as a cereal brand) and the coupon recipient (local retailer) exchange the tracking data and financial reimbursement that each expects.



## Part IV: Case Studies – Best in Mobile Coupling

### Valpak and Passbook

Coupon leader Valpak was quick to utilize the advantages of Apple's Passbook application that enables customers to access offers via their mobile phones. Passbook allows consumers to organize coupons they're interested in, and includes an alerting feature that tells them to use coupons stored in their Passbooks when they are nearby a participating business.



Valpak took the appeal of Passbook one step further by stressing simplicity and consumer convenience in developing its implementation. Valpak removed hurdles such as registration and account linking to increase Passbook's appeal, using the Apple iOS operating system to create a one-click path to Passbook. It quickly leapt to the top echelon of mobile downloads and Valpak reports that consumers using the Valpak app have shared more than 90,000 coupons. The company also reports that its smooth implementation of Passbook changed the way consumers viewed the Valpak brand, and drove increased traffic to its Web

site.





### **Mocapay**

Mocapay is a software company that solves the problem of redeeming mobile offers through antiquated POS systems by installing a platform to mobile-enable loyalty, social media and coupon programs. It eliminates the need for new hardware at the POS, works on all technologies and networks and integrates with custom apps on iPhones, Android devices and mobile Web sites. Mocapay specializes in digital wallets and “perishable codes” that are designed to be used within 15 minutes of issuance to simplify point of sale entry.

### **Catalina-Modiv Media**

The acquisition of Modiv Media by Catalina Marketing Corp. is the marriage of a leading coupon and consumer data mining company with a mobile commerce solutions provider. Modiv builds in-store mobile solutions that are integrated with POS systems to leverage retailers’ loyalty and CRM programs. One of Modiv’s applications allows consumers to scan items as they shop and receive personalized offers. Catalina has the ability to leverage the world’s largest transaction-level shopper-data warehouse to deliver shopper-driven offers to approximately 90 million households.

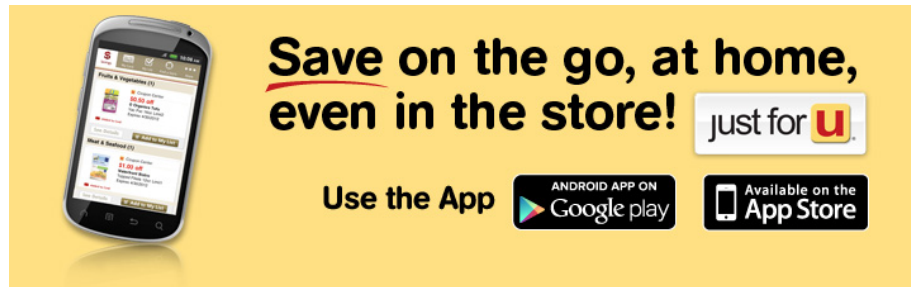
### **Isis**

Isis is a joint initiative by wireless carriers AT&T Mobility, T-Mobile USA and Verizon Wireless to capture a share of the mobile wallet market. The goal is to combine the information contained in payment cards (debit and credit), offers/coupons and loyalty cards in a single app on an Isis-equipped smartphone. Using Near-Field Communications (NFC), Isis enables a smartphone to communicate with a POS terminal at an Isis-ready merchant.



## **Safeway Just 4 U**

Grocery chain Safeway has joined its venerable Club Card savings program with a digital couponing



concept. Users login to Just 4 U on the main Safeway Web page, complete a simple registration process and then gain access to all Safeway promotions and savings via their PCs. Clicking on specific offers transfers the savings to a user's Club Card for redemption at the store.

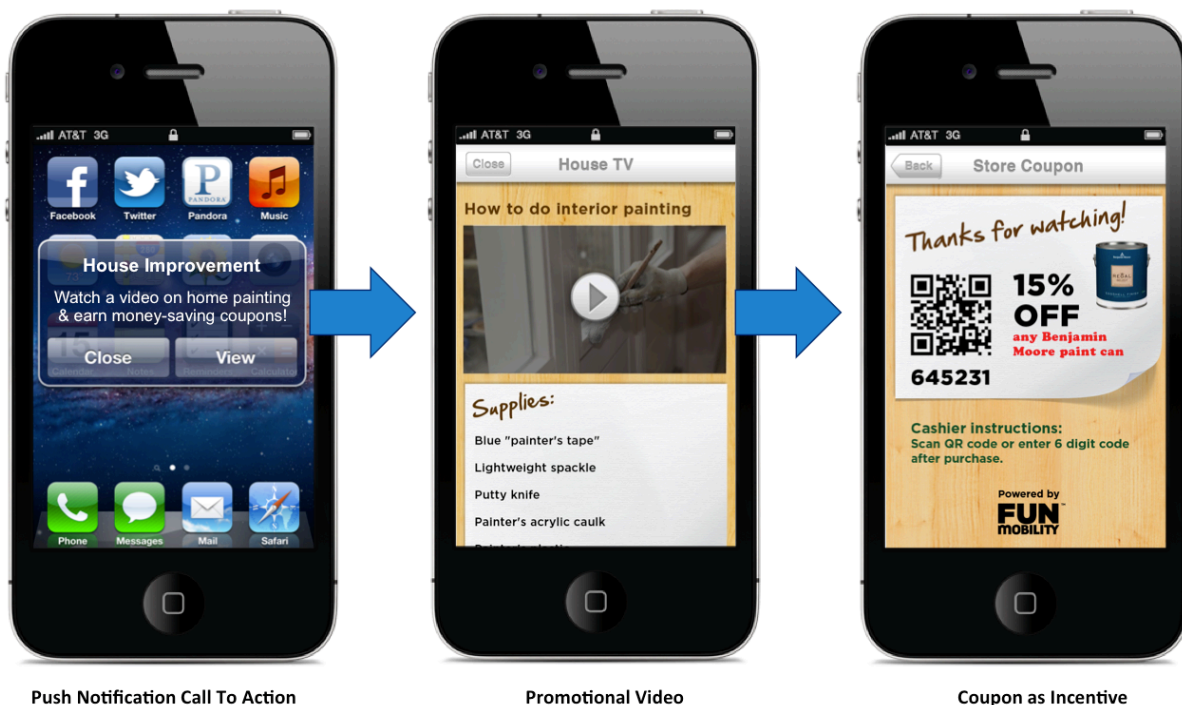
## **Thanx**

Thanx is a mobile solution to problems with retailers' loyalty cards. By downloading the Thanx app to a mobile phone, users automatically link their existing credit/debit cards to retailers' loyalty programs. Once linked, users receive mobile alerts about transactions that confer rewards, and those rewards are automatically credited to a user's account when a purchase is made. Mobile alerts inform users how close they are to redeeming awards and can also alert users when they haven't used the feature in a long time.



## FunMobility

FunMobility has a mobile social marketing platform that helps enterprise marketers acquire, engage, retain and monetize consumers. The platform is powered by HTML5 “AppWidgets” - mobile engagement plugins such as newsletters, videos, surveys and coupons, as well as “Agile Apps” that can be updated on-the-fly without requiring app store resubmission. FunMobility’s platform is powered by a sophisticated analytics database that captures behaviors and social and mobile data to enable segmentation and targeting of mobile offers, content and coupons. A gamification layer rewards consumers with targeted mobile consumers for taking specific actions, like watching a video or checking into a store, and integrates into existing loyalty programs





## **Auntie Anne's, Coca Cola, Millennial Media and Sparkfly**

Pretzel chain Auntie Anne's trialed a mobile coupon advertising initiative by partnering with Millennial Media, Coca Cola and Sparkfly. The promotion leveraged actual mobile advertising from Millennial's inventory, and allowed consumers to opt-in to receive specific offers. Unique redemption codes were created for each consumer, enabling individual-level tracking of point of sale events. The promotion is ongoing.



## **Inmar**

Inmar continues to be at the forefront of digital technology and mobile enablement at point of sale. Today, Inmar has more retailer rooftops than any other point of sale provider or retail clearinghouse. Inmar provides technology to allow consumers to utilize mobile numbers and other inputs as unique identification in order to validate offers, provide discount and reconcile promotions. Inmar's point of sale software is non-invasive and usually standard on most point of sale equipment, allowing retailers to easily accept mobile coupons through a simple integration. Since Inmar's first 7-store retail chain launch in 2010, the Inmar Promotions Network has grown to include more than 10,000 retail rooftops and remains an agnostic and open platform for mobile developers to create unique applications and consumer experiences, as well as participate in mobile promotions.





## Who We Are

The Mobile Marketing Association (MMA) is the premier global non-profit trade association representing all players in the mobile marketing value chain. With more than 750 member companies, the MMA is an action-oriented organization with global focus, regional actions and local relevance. The MMA's primary focus is to establish mobile as an indispensable part of the marketing mix. The MMA works to promote, educate, measure, guide and protect the mobile marketing industry worldwide. The MMA's global headquarters are located in the United States and it has regional chapters including North America (NA), Europe, Middle East and Africa (EMEA), Latin America (LATAM) and Asia Pacific (APAC) branches. For more information, please visit <http://www.mmaglobal.com>.

This document was developed by the Mobile Marketing Association's Mobile Coupon Ad Unit Standards Committee, which includes:

### **MMA Mobile Coupon Ad Unit Standards Committee**

|                           |                             |
|---------------------------|-----------------------------|
| Acta Consulting           | Mocopay.                    |
| Cox Target Media - Valpak | RadiumOne                   |
| FunMobility Inc.          | SoundBite Communications    |
| GroupM                    | Spotzot                     |
| Hipcricket.               | Sprint-Nextel               |
| Inmar                     | Univision Interactive Media |
| Isis Mobile Commerce      | Urban Airship               |
| Medialets                 | Velti                       |