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MANUFACTURER'S COUPON

EXPIRES 4/14/13

**Mobile couponing offers retailers a wealth of opportunities but risks abound if they take the wrong approach — or worse yet, do nothing at all.** BY JERRY SOVERINSKY

**The promises are alluring, especially for retailers new to the digital space.**

“I can reach your customers,” the pitch begins, a fast-paced presentation packed with convincing statistics, charts and projections. Punctuated with the logos of your competitors, the sales call fosters a sense of panic, yet another “watch out” to jolt you awake at night while you ponder an execution strategy.

Delivered by tech firms promoting their mobile apps and coupons, these calls are increasing in frequency and not likely to recede any time soon. When your industry generates *two-thirds-of-a-trillion dollars* in annual sales (according to NACS State of the Industry data for 2011), you tend to attract a lot of attention. .....

It's not a matter of declining their calls. You intuitively understand the value inherent in the mobile space — after all, you've yet to see a teen or twentysomething self-serve a frozen carbonated beverage in your store without pausing at some point to deliver a text message. So the ability to push mobile offers to consumers and drive traffic to your store is one of great value.

The digital age has descended forcefully and non-participation is not an option. But as you sift through the offers for sending out mobile coupons — the many, many offers — understanding what you stand to gain as well as lose can be the difference between short-term success and long-term pain.

### Coupons. Ugh.

"Couponing is very interesting," said Bill Deichler, payment solutions manager at Murphy USA. "Typically, the big

couponing has always come from manufacturers; it's a way for them to move higher volumes and cover the burden."

By "cover the burden," Deichler is referring to CPG companies assuming the cost of the discounts, because he readily concedes that the traditional couponing model for the retailer is anything but burden-free. "At one point, we had 20 people on the payroll who sorted coupons," Deichler said (Murphy USA has 1,165 stores). "We were doing \$1 million in coupons every month."

Eventually, Murphy began outsourcing paper coupon processing to a clearinghouse, "but it's still a major pain the butt," Deichler said.

### Benefits of Mobile

To help relieve the pain, enter the digital coupon, which offers a number of efficiencies for the retailer, beyond just reducing administrative burdens.

"With paper coupons, a customer could photocopy 20 copies and get retailers to take each one, but after they hit the redemption house, only one would get paid," explained Gray Taylor, executive director of PCATS and payment consultant to NACS. "But mobile eliminates that fraud, it's fully authenticated."

And with the ability to market to customers in real-time and at modest cost, store promotions no longer have to be a fingers-crossed proposition, where a season's worth of advertising dollars is spent with the hope of a profitable return.

"Mobile couponing is the only technology that you can use to target an individual who is not at your site, getting them to come back and engage in a particular behavior," said Rick Sales, president of Eliot, Maine-based Abierto Networks, a digital solutions pro-

Couponing is not just about the offer you send but about the data you can collect on your customers.



vider for the convenience store industry. "It's unique beyond other loyalty technologies."

And for Abierto, the most successful deployment is one that increases store traffic while building basket size. "If you get rid of the clutter, these are the two things c-stores want to do," Sales said.

To those ends, mobile couponing is far superior to traditional couponing. When properly deployed, it allows for the collection of valuable consumer data that not just delivers metrics on the current program's success, but helps optimize returns on future ones, too.

### Big Data. Smart Couponing.

"Couponing is not just about the offer you send but about the data you can collect on your customers," said Larry Jackson, managing director of Columbia, Maryland-based Good to Go Markets. "Our program gathers information about what our customers are purchasing and we then direct coupons to those people who will best respond."

For Abierto, that's precisely the capability that it rolls into its mobile marketing solutions, which help operators optimize customer retention and sales. "[Understanding] behavior at the time of redemption tells the retailer quite a bit for their future promotional activities," Sales said. "We collect buying behavior ... Redemption is important and we can see if someone is drinking coffee, maybe we'll turn them into a breakfast consumer. And we can maybe migrate them to lunch, too."

It's a "Big Data" approach that yields tremendous insights for the owner of the data. And therein lies the biggest opportunity and challenge for retailers: owning and interpreting their customer data.

"The advent of mobile is changing the lines of communication for retail-



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## Dipping Your Toe in the Water

Not yet ready to participate actively in mobile couponing? Ibotta (ibotta.com) offers a consumer-friendly app that gives shoppers the opportunity to earn cash credit when buying select products at stores that Ibotta supports. Retailers aren't charged a fee for participating in the program, but Ibotta also controls customer data as well as the offers that it distributes, which are funded by its brand partners.

The company is actively onboarding "preferred partner" stores, which would receive prioritization within the app, including geofencing and geo-prompting capabilities. Stay tuned.



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ers and brands," said Richard K. Crone, CEO at San Carlos, California-based Crone Consulting LLC, an independent advisory specializing in mobile payments. "The retailer wants to control the merchandising experience, but the brand wants to have direct contact, too ... This is unconventional, brands didn't used to enroll customers directly into their own loyalty programs."

### Data Mine

If you've spent any time browsing for smartphone apps, you know firsthand: With hundreds of thousands (millions?) of apps to choose from, companies are fighting for customers to download and use their app, a closed-loop platform that allows unprecedented insights into consumer behavior and a direct line of communication.

As a result, while you might not think mobile couponing is for you, according

to Sales, you don't have much choice.

"The risk for c-stores [not participating] is that leading-edge retailers are working with a number of tools to provide a more targeted approach to the consumer," he said. "The average c-store chain is therefore at risk to losing share to their direct competitors ... If you don't have a strategy, you're ignoring a large part of your consumer base and you're kidding yourself if you don't think your competitors — and that's convenience, drug and mass [merchandise] — are taking advantage."

Deichler said Murphy is focused on a digital coupon program and is currently testing a proprietary option. But one of the company's biggest challenges is working with the customer data that his company collects. And make no mistake, it is Big Data.

"We do 40 to 50 million transactions a month in our chain; our quantity of

data is extremely large,” he said. “Success here will depend on how well you can massage the data, getting it to real time and pushing offers out to customers with a relevant offer when they’re in a strategic position — which can

mean [when they’re near] your store or about to go to a competitor.”

For Crone, mining that Big Data allows a retailer to not just respond to previous customer behavior, but to tap into future intent, too. For that, he

said, the truly forward-thinking operator will integrate a shopping list with a couponing program.

“Think of it: Whoever controls the list has a view to customer intent in a way that was never available before,” he said. That retailer would “know abandonment rates, the velocity of the products in the baskets, and they could impact their just-in-time inventory control systems in ways never before possible. This is a big deal.

“We could then graduate from the mindset — the old view — that the only way to provide incentive [to a consumer] is with a coupon.”



## Want More Tech?

If you want to know more about mobile coupons and what’s next in the payments landscape, THE Tech EVENT (formerly NACStech) is the top source for these topics and other technology education, information and solutions benefiting the convenience retailing industry. Attendees will be introduced to material that stretches the mind and challenges the conventional wisdom of industry

IT leaders and professionals.

**The following topics — and more! — will be explored:**

- The future of technology
- IT’s role corporate strategy
- Advanced use of loyalty and business social media
- Data security and payments
- Supply chain
- Human software

**Join us May 6-10 in Dallas, Texas. For more info and to register visit [nacsonline.com/techevent](http://nacsonline.com/techevent).**

## Getting It Right

While owning and therefore controlling the data is critical to success, the data pool will be inconsequential without an application that engages consumer interaction. In other words, consumers won’t play Pong if your competition is offering Madden NFL 13.

“U.I. (user interface) really matters here,” Crone said. “Mobile allows consumers to carry the brand in their hand, but most retailers haven’t integrated U.I. into the [mobile] merchandising experience. Those who do will win big time. And those who don’t will have a tough time developing a CRM (customer relationship management) model.”

And while Crone is familiar with the refrain that consumers want a simple mobile experience and therefore won’t carry around, much less use, mobile couponing apps from multiple retailers, he dismisses that concern as short-sighted.

“How hard will it be to open your app if all you need to say is, ‘Siri, open

the [insert your store name here] app,” he said. “It won’t be hard.”

As you know from those repeated sales calls, getting started is not hampered by a lack of choice. For those stores seeking a dedicated presence within the mobile space, Koupon Media offers retailers and brands a platform that allows them to create, manage, deliver and track and collect data on digital offers. Mobile app redemption comes either through the retailer’s existing app or through Koupon Media’s POS Independent White-Label app.

With either option, retailers can receive and redeem coupons from CPG manufacturers, after which they can gain access to location- and time-based analytics that show what their customers were doing prior to shopping for their products.

“We provide a ton of Big Data analytics, more than 20 attributes on every redemption,” said TJ Person, CEO of Koupon Media. “We can then lower [subsequent] offers to people who already redeemed, and we can increase the offer to those who didn’t respond. Those are deep analytics.”

It’s a sophisticated approach that integrates cleanly with POS or operates as a standalone while allowing offers to be published across multiple media properties (Facebook, Twitter, email, a company website).

While the data handling capabilities are impressive, retailers are charged a fee based on the number of services they use, an a la carte approach that’s common with suppliers and a main reason Murphy has decided to go it alone in the space by developing its own program.



# Free Drink



**Larry Jackson of Good to Go Markets offers a few tips for retailers looking to deliver mobile offers.**

**KEEP THINGS BRIEF.** “Today’s world is based on 140 characters or less,” he said. “Present offers in a way that helps your customers quickly understand them.”

**DON’T BE A NUDGE.** “Don’t send an offer every day, it will turn people off,” he said. Jackson said he sends targeted offers once a week or twice a month.

**GATHER DATA EVERYWHERE.** Jackson advises leveraging data from other sources, such as on a company Facebook page. “It’s an inexpensive way to gather data and apply it to mobile.”



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“With digital couponing, you’re looking at a lot cheaper costs [than paper coupons], but you still have to pay [third parties] to push it out there, and it can be a nickel or a dime per coupon just to distribute them,” Deichler said. “So digital couponing sounds like a savings but there are still expenses to the retailer. And you get back to the data feeds, too — who owns the lists?”

## Conclusion

For now, the mobile couponing landscape is far from mature, with new opportunities that continue to emerge.

“This segment of marketing is the wild, wild West at the moment,” Jackson said. “The companies that are do-

ing it now and that are gathering that data to determine what their customers want will be the ones around in 10 to 20 years.”

The key word is action, Taylor of PCATS insists, who urges retailers to adopt a strategy and participate — or else risk losing out to other channels.

“If we’re the last man in on this boat, we’re going to suffer sales declines and we’ll be forced to jump in just to get those sales back,” Taylor said. “We can’t afford that.” **NACS**

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