

# Mobile vouchers and coupons ... an opportunity for retailers and marketers

**Mobile vouchers and coupons have emerged as a smarter and more secure alternative to paper-based versions. This is a particularly useful tool for both retailers and marketers to reach the widespread customer base in rural areas, the majority of which own cell phones. Wholesale Business spoke to Chris Rolfe, CEO of Mobilatrix about the opportunities and room for growth in mobile vouchers and coupons.**

## Mobile vouchers and coupons defined

A voucher has a specific monetary value, which can be used as payment for any products and service, while a coupon has a specific monetary value that only applies to a specific product or SKU. "Typically, a coupon allows a consumer to buy the product at a discounted rate, or receive added value (e.g. buy one and get one free) whereas a coupon can only be used for that specific product and cannot be used for general spend," Rolfe explains.

The convenience and greater distribution are clear from the start – both mobile vouchers and coupons are issued, distributed, redeemed, reconciled and settled digitally whereas the paper-based versions rely on a manual process for each of the steps above.



*The opportunity to use cell phones as a marketing tool and purchase platform is enormous, especially in the rural market where the majority of the population own a mobile device.*

## Mobile versus paper

Unlike paper format vouchers and coupons, the mobile versions are received and stored digitally on a mobile phone (or PC). "Although they could be delivered in a 1D or 2D barcode format, in South Africa today they are typically delivered by SMS using a numeric code," says Rolfe. The reason for this is that most retail point of sale (POS) systems cannot accept the more sophisticated 1D/2D formats, which require dedicated scanners at POS.

One of the main strengths of a mobile voucher versus a paper voucher is the greater distribution capabilities, says Rolfe. They can be distributed more widely using online, print, radio, TV, outdoor or direct advertising opportunities. In addition, a mobile voucher can be distributed more intelligently using customer feedback from questionnaires or delivered based on customer actions. "The improved distribution is a key driver in ensuring higher redemption rates for digital vouchers compared to traditional paper vouchers," he says.

## Using cell phone marketing in the lower end, informal retail sector

Rolfe notes that there is very little direct marketing in the rural segment at present, which means that mobile – and its near 100% reach in SA households – presents the best direct-to-customer channel for marketers and retailers. "Disposable income is lower in the rural areas than urban areas, and given the low cost and hassle free

benefits that mobile marketing present from a direct-to-customer perspective, we would expect good uptake from the rural segment," he says. A lot of mobile competitions are already run using out-of-home, TV and radio, which are the dominant forms of advertising in the rural sector as a mass medium.

## The ultimate marketing tool

Rolfe takes us through the opportunities for mobile vouchers and coupons in three sectors, all of which seem to be viable platforms:

### Forecourts

- The key product in our opinion will be the coupon (i.e. the SKU/line item linked discount of a specific brand). Fuel companies are not allowed to discount fuel, and so far we have seen more interest in driving promotions around supplier brand (Cadbury's, Coca Cola, Unilever) that attract travellers to stop at a particular forecourt.
- Although forecourts typically attract a higher LSM, we think the scope for differentiating one fuel station from another using vouchers/coupons will be a useful tool to attract the higher LSM market segment as well.

### Township stores

- Mobile vouchers and coupons present a huge opportunity for this segment. Currently spaza shops, tuck shops, taverns and shebeens do not have access to paper based voucher alternatives (the

Coupon Clearing Bureau does not service this market – only the FMCG retail market). The ability to redeem vouchers and coupons in the informal sector is likely to be bigger than the FMCG sector in 3-4 years in our opinion.

- Again the mobile reach in this informal market sector is 100% – so a mobile voucher/coupon campaign should be attractive given the lack of an alternative. In addition, we know that brands and suppliers want to push this as an option to move inventory, promote new products, or encourage repeat purchase and brand loyalty.
- Finally there is an element of cache that the mobile phone presents to this market segment and the view is that vouchers and coupons on the phone will be very attractive to this price-wise consumer.

### Wholesalers and Cash & Carries

- So far we have found large interest in wholesalers who sell into the tavern, spaza and tuck shop retailers. The big attraction for wholesalers is that they can now get to know their cash (faceless) customer using the survey and mobile voucher/coupon products. The bakkie buyer for a spaza shop is typically a cash buyer, driven by price, needs constant up-selling to buy greater volume and looks for brands at good prices, over service from a particular wholesale/cash and carry store.
- Wholesalers have also expressed an interest in using the mobile voucher/coupon products to move time sensitive stock (expiring or old) and to communicate directly with buyers/customers as the need to meet monthly volume targets from suppliers (Unilever, Tiger Brands etc).

### Advantages of using mobile vouchers and coupons for retailers and marketers

#### Mobile vouchers and coupons offer higher redemption rates

Based on more intelligent data and improved profiling, mobile voucher

campaigns offer higher redemption rates as all steps along the way are 100% measurable. This means that the exact campaign return on investment (ROI) can be measured against specific objectives and marketing requirements.

#### Enhanced distribution capabilities – and at a lower cost

A mobile voucher is sent to a consumer's mobile phone and should only incur the cost for requesting the voucher. This cost is typically the cost of an SMS, WAP or USSD. In the event that the customer receives the voucher to their phone because they have opted in to specific group; there is no cost to them in that scenario.

#### Real-time redemption versus manual process

A mobile voucher is validated in real-time at the POS in store. The POS connects via a switch to the issuer of the mobile voucher to check the exact status of that voucher. For a mobile coupon, the real time redemption includes checking to see if that product (or SKU) is actually present in the basket at that time.

#### Reduced fraud and increased security

Paper vouchers can be copied relatively easily and are open to abuse by staff and suppliers. A mobile voucher can be fraud free for a number of reasons, namely:

- Unique codes can be issued that are specific to a customer's mobile number
- Vouchers are validated in real-time and can be blocked if necessary at the time of redemption at the POS
- The voucher number is taken out of circulation once it has been redeemed, and this prevents re-circulation or re-use

#### Type of campaigns that can be implemented using mobile vouchers

"It is optimal that any mobile voucher or coupon campaign be integrated into different marketing channels and does not reside as a stand-alone opportunity. The beauty of the mobile phone is that it can

engage with any advertising medium using SMS, WAP, USSD or mobile applications" says Rolfe. Mobile voucher campaigns can help achieve a variety of sales and marketing objectives including:

- Increase sales of a product or product line in a specific retail environment
- Encourage product trial of a new product
- Encourage consumers to purchase across product lines (up-sell / cross-sell)
- Respond to competitor offers
- Sell overstocked products or slow moving products
- Clear seasonal items
- Reward repeat purchase and loyalty
- Increase average basket size value
- Increase foot traffic to a specific store
- Increase frequency of purchase

#### The importance of customer profiling and targeting

"To increase the 2% redemption rate that is currently achieved using paper-based vouchers and coupons a more targeted distribution approach is required," comments Rolfe.

The campaign should rely on more relevant data to intelligently manage the distribution process. This data can be captured and filtered by customer responses (to say a mobile survey), in store data (including basket items) or store location that the customer visits.

#### Cost effective marketing campaign

Typically a mobile voucher or coupon should cost between R0.50 – R2.00 in the South African market place. That cost may be adjusted depending on campaign volumes, customer survey costs, data analytics and other services that provide valuable insights into the mobile consumer's purchasing habits.

This cost should include the issue, distribution and redemption of the mobile voucher or mobile coupon, although reconciliation and settlement may incur further charges, depending on the nature of the campaign.