Mobile Coupons: Adoption and Use

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INTRODUCTION

Mobile coupons are electronic coupons sent to consumers' mobile devices that can "be exchanged for a financial discount or rebate when purchasing a product or service" (Mobile Marketing Association, 2013). Although mobile couponing is still considered as in its infancy, more than 28% of mobile device owners redeemed a mobile coupon in the first six months of 2013, and this number is expected to increase rapidly, fueled by the growing population of mobile phone and tablet device owners and the increasing number of mobile apps (eMarketer, Oct. 21, 2013).

In contrast to traditional paper coupons, mobile coupons can be delivered to users via e-mail, mobile apps, and/or messages, making it unnecessary for consumers to clip coupons from Sunday newspapers and stuff them in their wallets. The mobile couponing process, like traditional paper couponing, includes three phases: delivery, redemption, and clearing. However, each phase of mobile couponing is empowered by the advantages of mobile communications. Mobile coupons can be delivered using "push" or "pull" strategies. Pull strategies allow users to access coupons on demand (e.g., searching for coupons using a mobile app while shopping in a mall), while push strategies allow users to automatically receive coupons that are specific to their locations and shopping habits (e.g., receiving coupons via messages when they are entering a shopping mall, or once a week). Coupons may be offered by manufacturers, retailers, or mobile coupon aggregating service providers. As for redemption, rather than carrying a wallet stuffed with expiring coupons, mobile users can redeem coupons and enjoy real-time savings upon receiving them, or they can choose to save the coupons in their mobile devices and redeem them later. The clearing phase of mobile couponing is more flexible than traditional coupons too. Depending on the coupon's format (e.g., pictures or QR codes), retailers can easily track either one-point or multiple-point coupon redemptions, allowing for more accurate assessment of campaign effectiveness.

Mobile coupons inherit the advantages of traditional couponing, such as driving store traffic, creating excitement, and providing incentives for certain shopping behaviors. For example, according to research by United Parcel Service of America, 47% of consumers viewed the ability to receive coupons or promotions via their smartphones as an important factor driving them to shop with a particular retailer (United Parcel Service of America, 2013). In addition, because mobile coupons are portable, wireless, and location- and time-specific (Shankar & Balasubramanian, 2009), they open up greater targeting possibilities, leverage new distribution options, and promote cross-channel purchasing. When used in combination with social media, mobile couponing creates further opportunities for consumer engagement and loyalty enhancement. For example, mothers–who are usually the purchasing decision makers in a family–tend to share coupons and promotion information with their family and friends on social networking sites significantly more often than they endorse a brand (eMarketers, Sep. 17, 2013).

As consumers become more comfortable with using mobile phones for a wide variety of daily tasks, it is important for retailers to adapt to this consumer behavior and extend their offerings in order to fully benefit from mobile couponing. However, as a type of mobile marketing, mobile

DOI: 10.4018/978-1-4666-8239-9.ch017

couponing is subject to government regulation and must be permission-based (Barwise & Strong, 2002; Jayawardhena, Kuckertz, Karjaluoto, & Kautonen, 2009). In other words, retailers must acquire a user's consent before they can send promotional information to that user. In addition, the cost of investment in the requisite technology has also made some retailers hesitant to adopt mobile couponing (Okazaki & Taylor, 2008). Therefore, understanding what drives consumers to use mobile coupons and how mobile coupons affect their consumption behaviors is an important topic for retailers as well as for researchers.

This chapter does not intend to provide an exhaustive review of research on mobile coupons. Rather, it offers a systematic summary of representative literature, in the hope of encouraging further research on mobile coupons and their implications.

OVERVIEW

Because of the hybrid nature of mobile couponing, which combines couponing as a marketing strategy and mobile communication as a delivery channel, studies in mobile coupon adoption and usage can be traced back to both literature streams.

Traditional Couponing

Coupons attract price-sensitive customers and increase the traffic flow in retail stores, whereas retailers can gain greater margin in terms of sales profit from the customers who do not use coupons. Coupons provide economic incentives and are related to several changes in consumption behavior, such as purchase acceleration, stockpiling, trial using, and increased overall spending (Prendergast, Shi, & Cheung, 2005). Nonetheless, unlike other marketing strategies that also provide monetary incentives, such as sales discounts, couponing is not associated with cheapness nor does it undermine brand loyalty (Lichtenstein, Burton, & Netemeyer, 1997).

Previous studies have considered consumers' intention to redeem coupons as an evaluation of tradeoffs (e.g., Bawa & Shoemaker, 1987; Blattberg & Nesline, 1990) and psychological propensities (e.g. Lichtenstein et al., 1997). Bawa and Shoemaker (1987) suggested that the intention to redeem coupons is influenced by the net benefits of using a coupon. These net benefits are composed of several components: economic and psychological benefits, substitution costs, and effort costs. The economic benefits are often explained as the face value and the amount of savings associated with the coupons; the psychological benefits are associated with the importance of being recognized as a smart shopper. The substitution costs are the opportunity costs that the consumer pays for redeeming a coupon instead of shopping elsewhere; finally, effort costs refer to the efforts devoted to searching for, clipping, and redeeming coupons (Blattberg & Nesline, 1990). Based on these components, several characteristics of coupons are then considered influential on redemption decisions (Bawa, Srinivasan, & Srivastava, 1997; Ramaswamy & Srinivasan, 1998). For example, Ramaswamy and Srinivasan (1998) determined coupons characteristics, including the face value of the coupon which concerns the economic benefit, the type of coupon (e.g., mail-in coupon or a free-standing insert) which concerns the effort costs, and whether the coupon offers the consumer's favorite brand which concerns the substitution costs of coupon redemption.

Also based on the conceptual framework of net benefit, other studies have elucidated coupon redemption by segmenting coupon users. For example, Narasimhan (1984) considered coupons as a type of price discrimination device. Using demographic variables as proxies for the costs and benefits of using coupons, Narasimhan (1984) identified middle-income households of relatively well-educated adults without children as the segment most likely to use coupons. However, findings from previous studies have been inconsistent regarding their ability to segment coupon users using demographic proxies (Kwon & Kwon,