



RETAIL

Mobile Coupon Return on Investment

Real Results From Real Retailers

Honeywell

Overview

“CodeBroker...
found a significant
payback to retailers
who implement a
thoughtful mobile
coupon strategy.”

Mobile coupon popularity is growing rapidly in the retail sector. One analyst firm, solely focused on mobile, predicts that mobile coupons redeemed will almost double between 2014 and 2019 to more than 31 billion.

Initially, the move to incorporate mobile coupons into the mix of discounts available to consumers was driven by retailers wanting to provide a unique and improved consumer experience. In addition, a handful of retailers were looking for a solution that would limit their coupon liability exposure through the use of one-time-use mobile coupons. Today, a majority of retailers are interested in the ROI of implementing a mobile coupon solution as mobile coupon use is becoming increasingly popular with consumers. This is also driving the adoption of area-imaging (2D) scanners capable of reading QR codes and other coupons directly off the screen of customers' smartphones.

Based on recent findings and more than seven years of experience working exclusively with retailers, CodeBroker measured redemption and ROI rates for retailers who use mobile coupons and found a significant payback to retailers who implement a thoughtful mobile coupon strategy. CodeBroker observed that a successful mobile strategy is dependent on several factors. Namely, the value of the offer, the level of consumer engagement with the brand, the sense of urgency the retailer creates with the promotion, and the mobile coupon delivery channel all play a role in the level of ROI the retailer experiences.

CodeBroker's mobile coupon solution enables its retail customers to deliver mobile coupons to their smartphone-app, SMS / mobile web, mobile email, Passbook, and Facebook, in addition to other channels. CodeBroker's one-time-use, unique security model provides retailers with a wealth of multi-channel coupon delivery and redemption data allowing retailers to maximize their mobile coupon strategy.

For comparison purposes, the following are industry standard redemption rates for non-mobile coupon delivery channels.

- It is widely accepted that industry standard redemption rates for coupons obtained from Free Standing Inserts (FSIs) range from .5 to 2%.
- Redemption rates for coupons delivered via email are slightly higher at 2.7%.

Mobile Coupon Redemption Rates

The following results reflect redemption data from a variety of CodeBroker retail customers – large and small as well as different segments within the industry. Based on an in-depth analysis of hundreds of mobile promotions and the subsequent delivery of over 150 million mobile coupons to consumers, the data has been segmented into select distribution channels.

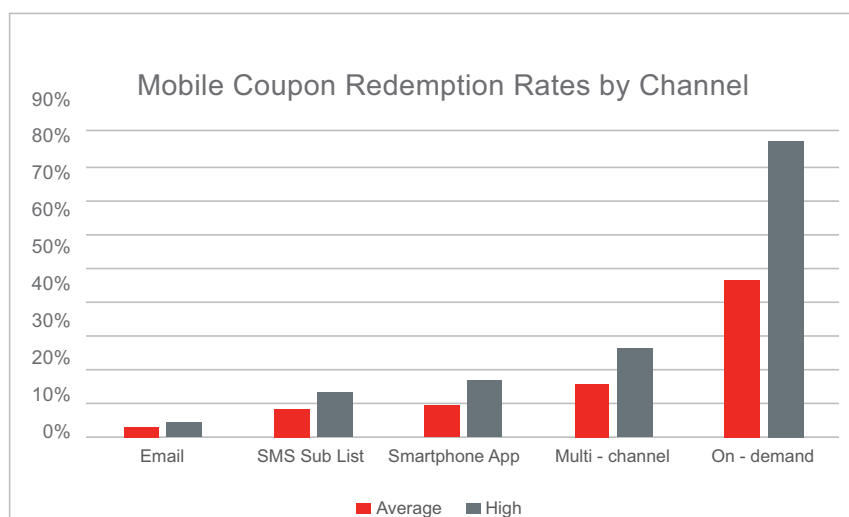
SMARTPHONE-APP (Consumers are able to view and redeem mobile coupons that are delivered directly to a retailer's mobile app). CodeBroker retail customer redemption rates, on average, range between 8-10%. Some retailers have experienced redemption rates as high as 16%.

An additional benefit of delivering mobile coupons to a retailer's mobile app is significantly increased smartphone-app engagement.

CodeBroker has seen, on average, 30% of mobile app consumers regularly view the mobile coupon from within the retailer's mobile app.

SMS. Redemption rates for SMS mobile coupons vary depending on the type of promotion. The two predominant promotion types are SMS subscription lists and on-demand.

- **SMS Subscription List Promotions** – Retailers deliver mobile coupons and marketing messages to consumers who sign-up to a retailer's SMS marketing list.
- **On-demand Promotions** – Based on retailer advertising, consumers text-in a term to the retailer's shortcode to receive a mobile coupon.



“... retailers who used more than one channel (e.g., email supplemented with SMS) to distribute offers realized dramatically increased engagement...”

CodeBroker's retail customers use SMS subscription lists to distribute mobile coupons on a regular basis. The mobile offers are typically valid for a finite period of time (anywhere from three days to three weeks). Redemption rates average between 3-10% with select promotions seeing redemption rates as high as 13%. Interestingly, consumers who sign-up to receive SMS mobile coupons from retailers are highly engaged. The data revealed that 99% of recipients view the SMS message and 20-40% click-through to view their coupon within 3 minutes after receipt.

On-demand mobile coupons are a singular event. In other words, the consumer does not sign-up to receive mobile offers on an ongoing basis. On-demand offers are usually valid for a shorter time period (one day to two weeks). Not surprisingly, redemption rates are much higher for on-demand mobile coupons because the consumer actively requests the offer. CodeBroker's retail customers typically experience between 30-50% redemption and have realized rates as high as 85% depending on the offer.

EMAIL. As consumers are becoming more mobile-centric, a noted change in behavior has occurred. Consumers prefer to open email on their mobile device compared to the desktop or tablet. Because email is a well-established channel for retailers to communicate with consumers, retailers are increasingly delivering mobile coupons via email. CodeBroker has observed retail customer redemption rates for email mobile coupons between 2-4%, slightly higher than traditional email redemption rates. In addition to the slightly higher redemption rates, CodeBroker retail customers take advantage of specific CodeBroker capabilities including dynamic barcodes. Dynamic barcodes self-optimize for fast scanning to ensure that the coupons work on all mobile devices and provide an optimal consumer experience. They can be marked as redeemed when the offer is used (versus a static barcode placed in an email) and make it easy for the retailer to track the path to purchase by providing mobile coupon receipt, view and redemption data.

MULTI-CHANNEL PROMOTIONS. Sending mobile coupons to consumers in multiple channels appears to have a significant impact on redemption rates. CodeBroker retailers who used more than one channel (e.g., email supplemented with SMS) to distribute offers realized dramatically increased engagement resulting in redemption rates ranging from 15-25% - substantially higher than email alone.

Real Results

CASE STUDY

A specialty retail customer who regularly uses CodeBroker's mobile coupon solution created an A/B comparison campaign consisting of six 10-day promotions (Friday through the following Sunday) that were delivered to consumers via different channels. One of the key objectives of the campaign was to learn which delivery channel(s) is optimal to drive in-store redemptions. At the beginning of the campaign, the marketing list contained approximately 650,000 subscribers.

USING CODEBROKER SHOPPER MARKETING SOFTWARE:

- Mobile coupons create a sense of urgency among retailers' most engaged consumers
- Significant incremental revenue is directly attributed to campaigns that consist of sequential mobile coupon promotions.
- Well conceived short-term promotions deliver high redemption rates.
- Marketing lists grow quickly through effective use of SMS.
- Coupon fraud and liability are dramatically reduced.

Using CodeBroker's one-time-use mobile coupons, the retailer elected to deliver a generous offer of 25% off select merchandise. One-time-use coupons ensured that each consumer could only redeem an offer once.

The initial six week period consisted of a series of three promotions that were sent to consumers subscribed to the retailer's SMS marketing list on a Friday, the first day of the promotion period. Thursday of the following week, the retailer delivered a second SMS message to consumers who had not yet redeemed the coupon. The message reminded the consumer that their 25% off mobile coupon was about to expire. A well-worded SMS message created a sense of urgency among this group of engaged consumers. The retailer realized an average 3.1% redemption rate from the first three weekends of the SMS-only promotions (combined total of approximately 60,000 redemptions). The retailer experienced an average 5.5% redemption rate from the second three weekends of the SMS-only promotions (approximately 104,000 additional consumer redemptions).

The retailer scheduled a two-week break and then resumed with the second series of three promotions that were delivered to the consumer's email address AND mobile device number (via SMS) over the following six weeks. The second offer was for 25% off select merchandise as well. To generate a sense of exclusivity among the SMS consumers, the SMS message was sent on Thursday, one day early.

Because email is supported on both the desktop and mobile device, the consumer had the option of which channel to view the offer. If the email coupon was viewed on the desktop, the consumer was able to print the coupon. If viewed on a mobile device, the consumer clicked-thru to view a mobile web coupon. All coupons contained a unique barcode number the sales associate would scan during checkout.

Following the same format as the SMS-only promotions, the retailer experienced an average 5.4% redemption rate the first three weekends. The retailer again sent an SMS reminder message the Thursday before the coupon was set to expire and saw redemption rates soar to an average rate of 16.3% - over 300,000 redemptions were realized during the combined three email and SMS promotions.

Overall, the first set of SMS-only promotions brought in average incremental revenue of a little more than \$4,100,000. By the end of the three month campaign, the retailer realized nearly \$14 million in incremental revenue directly attributable to the use of the one-time coupons. In addition, consumer engagement soared as the retailer signed up over 100,000 new subscribers that wanted access to the same exclusive deals their friends and family received.

One-time-use mobile coupons ensured that once the mobile coupon was redeemed, it expired in all channels in which the consumer received it. In addition, the retailer was able to track who received the mobile coupon, who viewed it, and which consumers redeemed the mobile coupon. A comprehensive picture of each campaign provided the retailer with insight into the entire purchase funnel. Using the CodeBroker Platform, the retailer experienced:

- Significant incremental revenue and gross margin directly attributed to the mobile coupon campaign.
- Coupon fraud minimized with one-time use coupons.
- The ability to track campaign results in real-time.
- A meaningful increase in consumer engagement when consumers are reminded to use their expiring mobile coupons.

The retailer continues to realize outstanding redemption rates mirroring the email and SMS promotion framework previously outlined. Based on the A/B campaign results, the retailer discovered that: 1) SMS promotions without reminder messages have the ability to drive significant revenue, 2) SMS reminders can enhance redemption rates, and 3) exceptional revenue results can be realized when SMS promotions are layered with additional channels and coupled with reminder messages. In addition to driving increased revenue, the use of CodeBroker's one-time-use mobile coupons have surpassed their ROI expectations allowing the retailer to make additional investments improving consumer engagement and lifetime value.

ADDITIONAL CODEBROKER OBSERVATIONS

- CodeBroker has observed that mobile coupons create a sense of urgency among retailers' most engaged consumers.
 - 20-50% of consumers click-thru to view an offer delivered via SMS. Click-thru rates can be as high as 72%.
 - CodeBroker retail customers typically realize 25-40% of their total redemptions within the first 3 days of a 7-14 day promotion.
- Significant incremental revenue is directly attributed to campaigns that consist of sequential mobile coupon promotions.
 - A retailer with a modest mobile list size of approximately 200,000 delivers mobile coupons to consumers weekly and routinely realizes between \$2 and \$3 million in monthly incremental revenue.
 - A different retailer delivers a mobile coupon every three weeks to 900,000 consumers on an SMS marketing list. Redemption rates are consistently at 9% or better and the SMS marketing list grows at a rate of 4-5% each month.

- Well conceived short-term promotions deliver high redemption rates.
 - A retailer realized a 48% redemption rate for a three-week on-demand promotion generating over \$8 million in sales.
 - A retailer realized over \$2 million in incremental revenue for a special in-app mobile coupon. Of the 27% of app users who viewed the coupon, 13% redeemed it.
- Marketing lists grow quickly through effective use of SMS.
 - Over a two- to three-month time period, a retailer was able to add an average of 10,000 names per day to their SMS marketing list with some days peaking at 25,000 names per day.
 - With a generous mobile welcome coupon, a retailer was able to collect a full CRM record from new subscribers and experience an 80% completion rate on the sign-up form.

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- Coupon fraud and liability are dramatically reduced.
 - Many CodeBroker retail customers have eliminated mobile coupon fraud using CodeBroker's unique mobile coupon security model which ensures that consumers receive and redeem a coupon only once. For example, prior to using CodeBroker, a CodeBroker retail customer experienced coupon fraud – losing up to tens of thousands of dollars per day (instructions to defeat the retailer's cookie-based mobile coupon security model had been posted to numerous web sites). CodeBroker's highly secure coupon model (not based on cookies) has reduced the retailer's mobile coupon fraud rate to zero.

About CodeBroker

CodeBroker lets retailers setup and deliver smart coupons to mobile devices in minutes, and provides a complete picture of their campaigns, enabling them to track who received promotion information, who viewed it, and who used a coupon. CodeBroker's unique ability to deliver secure one-time-use coupons guarantees each consumer receives a unique offer that can only be used one time. Once a coupon has been redeemed, it is no longer valid across all delivery channels, whether it be a smartphone app, SMS, email, Facebook, or Passbook. Learn more at www.codebroker.com.

About Honeywell

Honeywell Scanning & Mobility (HSM) is a leading manufacturer of high-performance image- and laser-based data collection hardware, including rugged mobile computers and bar code scanners, radio frequency identification solutions, voice-enabled workflow and printing solutions. With the broadest product portfolio in the automatic identification and data collection industry, HSM provides data collection hardware for retail, healthcare, distribution centers, direct store delivery, field service and transportation and logistics companies seeking to improve operations and enhance customer service. Additionally, HSM provides advanced software, service and professional solutions that help customers effectively manage data and assets. HSM products are sold worldwide through a network of distributor and reseller partners.

For more information on Honeywell Scanning & Mobility,
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For more information:

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