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Mobile Promotions: A Framework and Research Priorities

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Abstract

This work bridges theory and practice on mobile promotions and proposes a research agenda. We do so by first defining mobile promotions and distinguishing them from mobile advertising. We then develop a framework for various stakeholders in the mobile promotion ecosystem. Finally, we advance research questions concerning each stakeholder and view these questions through the lens of several overarching themes that surround mobile promotions, such as the privacy–value tradeoff, return on investment, spatiotemporal targeting, inter-media substitution, and channel and consumer power.

Keywords: Mobile promotions; Mobile targeting; Mobile marketing; Digital coupons; New technology

Introduction

Mobile promotions are becoming increasingly relevant for marketers. These coupons offer marketers unprecedented opportunities to connect with consumers by leveraging the powerful data that location and consumer behaviors uniquely generate. Never before could marketers reach so many people almost instantly, as more and more people use mobile phones as their remote control to everyday life. Today, the number of smartphone subscriptions is nearing 3 billion, and by 2020, 90% of the world's population will own a mobile phone (Ericsson Mobility Report 2014). In fact, some consumers even leapfrog technology by using mobile devices instead of computers as mobile internet penetration outpaces that of desktop internet. It makes sense, then, that more than 80% of digital coupon users in the U.S. redeem coupons via mobile devices (eMarketer 2015a).

Consumers do not exist alone in the ecosystem of mobile promotions. Rather, several stakeholders play key roles, including retailers, manufactures, and intermediaries. In fact, by 2017 almost half of U.S. companies with 100 employees or more plan to leverage mobile promotions (eMarketer 2015b). Before detailing each stakeholder's role, we define mobile promotions.

Broadly defined, mobile promotions comprise information that is delivered on a *mobile device* and offers an *exchange of value*, with the intent of driving a *specific behavior* in the *short term*. This definition of mobile promotions, also referred to as m-coupons, consists of four key components. First, a mobile device is an electronic, portable device that consumers carry with them and engage with frequently during their daily activities (e.g., commuting, working, shopping). Mobile devices must furnish certain capabilities when it comes to mobile promotions: (i) connectedness — mobile devices must be able to connect to the Internet or cellular towers in order to send and receive communications; (ii) individual addressability — mobile devices must be able to be individually targeted in order to receive mobile promotions; and (iii) interactability — mobile devices must enable consumers to interact with desired targets (retailers, brands, other consumers) at all times, including when moving from one location to another. Thus, while the mobile device that readily comes to mind is a mobile phone or smartphone, this definition includes other devices such as tablets, mini-tablets, phablets (phone tablets) and wearable technology such as smartwatches and (albeit recently-discontinued) Google Glass.

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This definition of mobile devices holds that mobile promotions can be delivered at any point in time during the consumer purchase process. These time-points include when consumers are searching for inspiration or information, considering a purchase, making a purchase decision, or completing a transaction. Moreover, mobile promotions can be delivered to consumers using many formats such as SMS (short message services), in-app messaging, social media, email, or push or pull notifications.

The second key component of mobile promotions is that they provide a clear exchange of value to the consumer (Shankar and Balasubramanian 2009). Value exchanges may be financial and include: (i) a price discount (via dollar or percentage off), used extensively in the apparel retail industry; (ii) a gift with purchase, commonly leveraged in cosmetics retailers; (iii) a free sample, typical for consumer packaged goods manufacturers; (iv) a "buy one get one" free promotion frequently employed in the food industry; or (v) an amplification of current "sales" (promotions without a code) currently available. Non-financial value may also be offered, such as free Wi-Fi or status badges.

Note that offering a value exchange to consumers distinguishes mobile promotions from mobile advertising, even though these terms are often used interchangeably. Whereas mobile advertising strives to influence brand attitudes and build brand equity in the long run, e.g., a mobile banner ad that only displays a brand name, such as Ralph Lauren (Grewal et al. 2016), mobile promotions aim to drive a specific consumer behavior in the short term (e.g., a mobile promotion that includes the offer "buy now and get 10% off!"). This desired behavior may be to visit a store (driving footfall, a key merchant metric), make an in-store purchase, share product or location-based information via social media (e.g., Foursquare, Facebook, Twitter), or engage with a product (e.g., sample a new item). Moreover, while mobile ads may be triggered by a general search (e.g., entering the search term "shoes" on the mobile web), mobile promotions are more typically triggered by a specific behavior (e.g., entering the shoe section of a department store). For this reason, mobile promotions differ from mobile advertising in the specific value exchange they offer and in the consumer behaviors that trigger the marketing response.

The third and fourth key components of mobile promotions involve activating a desired consumer behavior in the short term. The goal is to drive behavior towards the end of the purchase cycle, close to the point of purchase. The short term may differ by product category and purchase cycle duration. For instance, the short term for buying cereal may be limited to the 10 seconds that consumers contemplate which cereal to buy in-aisle, while the short term for buying movie tickets may include the few days leading up to the promoted movie. Further, the purchase behavior does not necessarily have to be planned. Rather, mobile promotions may help stimulate unplanned or impulse buys at or near the point of purchase. For mobile promotions to be effective, though, it is imperative that marketers understand the benefits and costs of mobile promotions for the key stakeholders that make up the mobile promotion ecosystem.

The remainder of this paper explores the ecosystem of mobile promotions and the key stakeholders that make up this ecosystem. In what follows, we discuss the ecosystem and provide a framework for understanding the role of mobile promotions relative to the theory of unplanned purchases, the various stakeholders, and the benefits and risk of mobile promotions. We then advance a research agenda with specific queries and propositions, and conclude with a summary.

A Stakeholder View of Mobile Promotion Stakeholders — Theory and Ecosystem

Per the definition of mobile promotions, marketers aim to stimulate specific consumer behaviors in the short-term by offering an exchange of value via mobile devices. This promotional strategy is not novel, but has been employed for decades through other mediums, such as in-store flyers, mailers, loyalty card coupons, and checkout coupons. Several interrelated theories of purchasing explain why short-term promotions are effective. Foremost is the theory of unplanned or impulse purchasing, which suggests that some purchases may result from an impulse or last-minute decision to buy an item that consumers had not previously planned to purchase (Rook 1987). This impulse may be prompted by factors ranging from financial (discounts, rebates), to social (peers, family), to environmental (atmospherics, display location). Importantly, unplanned purchases often occur close to the point-of-purchase, when consumers may be more likely to consider making the unplanned purchase and have less time to deliberate on it. Helping explain this temporal condition of impulse buying is the construal level theory, which holds that consumers are more likely to consider the details of a promotion the sooner in time consumption occurs (Liberman and Trope 2008).

This temporal dimension cannot exist apart from the spatial context in which consumers may consider a mobile offer, though. Both the location *and* timing of mobile promotion delivery have been found to significantly influence consumer redemption (Danaher et al. 2015). For instance, if consumers have to travel farther to consume the product, mobile promotions must provide more lead-time (Luo et al. 2014). Indeed, the contextual marketing theory supports that to be effective, mobile promotions must be context-dependent (Kenny and Marshall 2000). That is, beyond adopting a spatiotemporal perspective, marketers must also understand the contexts in which consumers may consider a mobile promotion. For example, scholars recently found that in crowded environments, consumers may be more likely to consider a mobile offer because they may escape from their surroundings by paying more attention to their mobile devices (Andrews et al. forthcoming).

Mobile promotions thus offer a more convenient way to stimulate unplanned purchases or trigger the final push to purchase by reaching consumers when they are close to a store, point-of-purchase, or purchase consideration. As such, marketers may employ a push strategy by delivering promotions via a novel medium: mobile devices. However, location identification is necessary to push mobile promotions to consumers near stores. Marketers may leverage cell towers, GPS, Wi-Fi, beacon, latitude and longitude coordinates of radius targeting from bid requests from ad networks, or near-field communications to identify the