Value Creation of Mobile Coupons

Uppsala University
Department of Business Studies
Strategic Marketing
Master thesis (30 hp)
Spring 2011
2011-05-27

Authors:
Filip Lundquist
George de Vera

Supervisor:
Anna Bengtson
Abstract

Title

Value Creation of Mobile Coupons

Background

Coupons have been around for years in traditional paper form where they have for instance been found in grocery stores located directly by the product they offer a discount on. Lately, mobile phones have come to play a greater part of our lives where they are also getting integrated into activities we conduct. This has been of interest for the fast moving consumer goods (FMCG) industry where integration of the mobile phone has arisen to a new phenomenon: mobile coupons that can be transmitted to the mobile phone instead of using traditional paper coupons.

Purpose

The purpose of this paper is to examine if and how mobile coupons can create value for Kuponginlösen and its partners.

Method

Empirical data has been collected through interviews, which in turn have been analyzed with a theoretical framework consisting of the Business Model by Amit and Zott (2001).

Results

Mobile coupons provide value, not just for Kuponginlösen, but also to its partners consisting of FMCG manufacturers, convenience store chains, food chains, DLF, Mobilab, and GS1. Mobile coupons are an efficient way of distributing offers and complement traditional coupons. Although the popularity of mobile coupons will continue to increase significantly, as for today, they account for a small part of the total coupon market in Sweden.

Keywords

Mobile coupons, value creation, Kuponginlösen, FMCG industry, m-commerce
**Abstrakt**

**Titel**

Mobila kupongers värdeskapande

**Bakgrund**

Kuponger har funnits i åratal i traditionellt pappersformat där de exempelvis funnits i livsmedelsbutiker vid produkter de ämnar rabattera. På senare tid har mobiltelefoner blivit en viktigare del i våra liv där de även integrerats i de aktiviteter vi utför. Detta har varit av intresse för livsmedelsbranschen där integration av mobiltelefoner har lett till ett nytt fenomen: mobila kuponger som kan skickas till mobiltelefonen istället för att använda sig av traditionella kuponger.

**Syfte**

Syftet med denna uppsats är att undersöka om och hur mobila kuponger kan skapa värde för Kuponginlösen och dess partners.

**Metod**

Empirisk data har inhämtats genom intervjuer som i sin tur har analyserats med hjälp av modellen 'the Business Model' av Amit och Zott (2001).

**Resultat**

Mobila kuponger skapar värde, inte bara för Kuponginlösen, utan även för dess partners som består av livsmedelstillverkare, snabbköpskedjor, livsmedelskedjor, DLF, Mobilab och GS1. Mobila kuponger är ett effektivt sätt att distribuera erbjudanden och de kompletterar traditionella kuponger. Även om populariteten av mobila kuponger kommer att öka signifikant utgör de i dagsläget en liten del av den totala kupongmarknaden i Sverige.

**Nyckelord**

Mobila kuponger, värdeskapande, Kuponginlösen, livsmedelsindustrin, mobil handel
# Table of Contents

1. Introduction .................................................................................................................. 6
   1.1. Purpose ..................................................................................................................... 7

2. Theoretical framework .................................................................................................. 8
   2.1. Earlier studies on value creation ........................................................................... 8
   2.2. The Business Model ............................................................................................... 9
       2.2.1. Efficiency ......................................................................................................... 10
       2.2.2. Complementarities .......................................................................................... 11
       2.2.3. Lock-in ............................................................................................................. 12
       2.2.4. Novelty ............................................................................................................. 13
   2.3. Applicability of the Business Model ....................................................................... 14

3. Methodological approach ............................................................................................... 15
   3.1. Initial work .............................................................................................................. 15
   3.2. Operationalization .................................................................................................. 15
   3.3. Research approach .................................................................................................. 15
   3.4. Collection of empirical data ................................................................................... 16
       3.4.1. The interviews ................................................................................................. 16
       3.4.2. Samples ........................................................................................................... 18
       3.4.3. Secondary data ............................................................................................... 19

4. Empirical findings .......................................................................................................... 21
   4.1. Kuponginlösen ......................................................................................................... 21
   4.2. The mobile coupon, from creation to redemption .................................................... 21
   4.3. Efficiency ................................................................................................................. 22
       4.3.1. Mobile coupons are fast .................................................................................. 22
       4.3.2. Mobile coupons are redeemed more often than traditional coupons ............ 22
       4.3.3. Availability of mobile coupons ....................................................................... 24
   4.4. Complementarities ................................................................................................. 24
4.4.1. Mobile coupons complement traditional coupons ................................一向 24
4.4.2. Mobile coupons need a higher value than traditional coupons ................. 25
4.4.3. Spreading mobile coupons with the help of Facebook ............................ 25
4.5. Lock-in ............................................................................................................ 26
4.5.1. Mobile coupons in an app ........................................................................ 26
4.5.2. Tracking consumers with mobile coupons .............................................. 27
4.6. Novelty ............................................................................................................ 27
4.6.1. Improvement in user friendliness of mobile coupons .............................. 27
4.6.2. Mobile coupons are gaining popularity .................................................. 28
4.6.3. The future of mobile coupons ............................................................... 28
5. Analysis and discussion .................................................................................... 30
5.1. Efficiency ....................................................................................................... 30
5.1.1. Mobile coupon campaigns are efficient ............................................... 30
5.1.2. Demand for mobile coupons is on the rise ............................................ 30
5.2. Complementarities ....................................................................................... 31
5.2.1. Cannibalization of coupons ................................................................... 31
5.2.2. Mobile coupons meet Facebook ............................................................ 31
5.3. Lock-in .......................................................................................................... 32
5.3.1. An app for mobile coupons ................................................................... 32
5.3.2. Trusting mobile coupons ....................................................................... 33
5.4. Novelty .......................................................................................................... 33
5.4.1. The hype of mobile coupons .................................................................. 33
5.4.2. The cost of remaining outside ............................................................... 33
5.5. Value creation at large .................................................................................. 34
5.5.1. Value creation for Kuponginlös, Mobilab, DLF, and GS1 ...................... 34
5.5.2. Value creation for convenience store chains and food chains ............. 35
5.5.3. Value creation for FMCG manufacturers ............................................ 35
5.5.4. Value creation for the Swedish FMCG industry .................................................. 36

5.6. Limitations of the paper ......................................................................................... 37

6. Concluding remarks ................................................................................................... 38

7. References .................................................................................................................. 39

   Interviews .................................................................................................................... 39

   Other references .......................................................................................................... 40

Appendix 1 ...................................................................................................................... 45

   Interview guide .......................................................................................................... 45

Appendix 2 ...................................................................................................................... 46

   The Felix FörbeRätt campaign .................................................................................. 46
1. Introduction

Coupons have been around for years in traditional paper form where they have for instance been found in grocery stores located directly by the product they offer a discount on. Lately, mobile phones have come to play a greater part of our lives where they are also getting integrated into activities we conduct. This has been of interest for the fast moving consumer goods (FMCG) industry where integration of the mobile phone has arisen to a new phenomenon: mobile coupons that can be transmitted to the mobile phone instead of using traditional paper coupons.

Coupons have shown to be an effective cost cutter for consumers and studies show that usage of coupons is on an upturn (Gray 2009). Given that Europeans shop groceries three to five times a week and mobile phones are a part of everyday life, mobile phones have become an integrated part of consumers grocery shopping and it has shown to increase sales (GS1; Ericsson; ECR 2011). A main motivating factor to the use of mobile marketing for FMCG brands is that a billion consumers worldwide can be reached anywhere at any time on an interactive one-to-one basis (Rao 2006). As smart phones are becoming more ubiquitous, retailers and suppliers within the FMCG industry can interact with consumers through a new medium. But so far, communicating offers with consumers through mobile phones is in its infant stage (Bernhart 2009).

A leading actor within the field of mobile coupons and clearing services is Kuponginlösen AB (Kuponginlösen) which acts as an interface between different parties in the Swedish FMCG trade (Sjörin 2011). Regarding the coupons that Kuponginlösen delivers, they consist of mobile coupons, traditional paper coupons, and electronic coupons. Kuponginlösen partners with the service providers Mobilab which creates mobile coupons (Alvarez 2011), and GS1 which provides unique codes for mobile coupons that are used to confirm validity and track redemption (Raattama 2011). Kuponginlösen has clients consisting of FMCG manufacturers such as Procordia and Unilever (Sjörin 2011). In addition, Kuponginlösen also provides statistics of campaigns, provides gift cards, and handles most of the coupon promotions in food chains (Kuponginlösen 2010).

Due to that each mobile device is used by an individual, it becomes a suitable platform where individual-based target marketing can be delivered (Barnes and Scornavacca 2004). Integrating coupons into mobile marketing would therefore be worth examining to see if value is created. Amit and Zott (2001) present a model, called the Business Model, for value
creation in electronic business (e-business) which consists of novelty, lock-in, complementarities, and efficiency. By using the Business Model as a framework in order to investigate value creation in mobile commerce (m-commerce) with coupons, this can show how applicable the model is in this type of setting and more importantly if and how mobile coupons create value. But in order to examine if and how mobile coupons create value, a broader perspective than just investigating Kuponginlösen is required, which is why its partners consisting of Mobilab, GS1, DLF, FMCG manufacturers (Procordia, Proctor & Gamble, and Unilever), and convenience store chains (7-Eleven and Pressbyrån) have been consulted with. This paper examines if and how mobile coupons create value for Kuponginlösen and its partners.

1.1. Purpose

The purpose of this paper is to examine if and how mobile coupons can create value for Kuponginlösen and its partners.
2. Theoretical framework

The theoretical framework is divided into three sections first introducing earlier studies on value creation, followed by the Business Model by Amit and Zott (2001) where its variables are examined, and finally summarizing the findings from the Business Model applying them to this study.

2.1. Earlier studies on value creation

Traditionally, value creation has been conceptualized where consumers are seen as ‘outside the firm’ whereas value creation occurs inside the firm and outside markets (Prahalad and Ramaswamy 2004). There are a number of theories that can be used to describe value creation, some of them are: value chain analysis, Schumpeterian innovation, resource-based view (RBV) of the firm, strategic network theory, and transaction cost economics. These theories are described below and it is from them Amit and Zott (2001) present the Business Model which will be used as a framework in this paper. With business model innovation there are a number of things that can go wrong such as unwillingness to kill pet ideas, fixation on ideation rather than scaling up, internal focus at the expense of customer needs, and historical bias overvaluing past models rather looking forward (Lindgardt, et al. 2009).

The value chain framework analyzes activities of the firm and studies the economic implications of those activities (Porter 1985). Value is defined as the “the amount buyers are willing to pay for what a firm provides them” (Porter 1985). Value can be created through differentiation and comes from policy choices on how to perform activities, linkages in the value chain, timing, location, integration, scale, and institutional factors (Porter 1985). Criticism towards analysis in the value chain framework is that little attention is devoted towards political and social aspects of organization behavior (Mintzberg and Quinn 1996).

Through technological change and innovation, Schumpeter (1934) created the theory of economic development and new value creation. Innovation is the source to value creation where technology and combinations of resources are the foundation of new products (Schumpeter 1934). Sources of innovation are new goods, new production methods, new markets, new supply sources, and reorganization of industries (Schumpeter 1934). Critique has been raised due to the broad definition of innovation as ‘new combinations’ and lack of interest in the early phase of technological change (Hagedoorn 1996).
A further development of Schumpeter’s perspective on value creation is the RBV of the firm (Amit and Schoemaker 1993). According to RBV, combining complementary, specialized resources and capabilities can lead to value creation (Barney 1991, Amit and Schoemaker 1993). Even if firms are in equilibrium, they can differ in terms of resources and capabilities in which they are in control of, thus having the potential of leading to value creation (Amit and Zott 2001). RBV has its limitations, amongst others for fundamentally being tautology since only valuable and rare resources can be a source of competitive advantage (Priem and Butler 2001). This is further strengthened by that robust quantitative large-scale studies about RBV may only be feasible in homogeneous environments due to causal ambiguity, firm heterogeneity, and tautology (Lockett and Thompson 2001).

Stable interorganizational ties that are strategically important to firms are known as strategic networks (Gulati, Nohria and Zaheer 2000). Through strategic networks, firms can enhance their transaction efficiency, reduce asymmetries in information, and get better access to markets and technology through improved coordination (Gulati, Nohria and Zaheer 2000). Sources of value for strategic networks include improvement of coordination among the firms in an alliance, reduced asymmetries of information, and enhanced transaction efficiency (Gulati, Nohria and Zaheer 2000). However, Amit and Zott (2001) claim that strategic network theory only partially explains value creation potential.

In transaction cost economics, transaction efficiency is seen as a source of value since it reduces costs (Amit and Zott 2001). It identifies transaction efficiency and suggests that value can be derived from complexity, information asymmetry, attenuation of uncertainty, and small-numbers bargaining conditions (Williamson 1975). Transaction cost theory explains choice of the most efficient governance form provided that a transaction is embedded in a specific economic context (Williamson 1975). Nevertheless, transaction cost economics emphasizes efficiency which can divert other sources of value such as innovation (Ghoshal and Moran 1996).

### 2.2. The Business Model

Out of the five theoretical frameworks described earlier, neither should according to Amit and Zott (2001) be given priority over the other; instead there should be an integration of the frameworks. From the five theoretical frameworks presented, Amit and Zott (2001) present the Business Model, which consists of four key value drivers: efficiency, complementarities, lock-in, and novelty. There are various definitions for a business model where one is that it
“[…] creates heuristic logic that connects technical potential with the realization of economic value” (Chesbrough and Rosenbloom 2002). Another definition is that a business model “[…] consists of four interlocking elements, that, taken together, create and deliver value”, the elements are customer value proposition, profit formula, key resources, and key processes (Johnson, Christensen and Kagermann 2008). Amit and Zott (2001) definition of the business model is that it “[…] depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities.”

Through the Business Model defined by Amit and Zott (2001), the four key value drivers can answer questions how participants in a transaction enable the transaction and how value is created when enabling the transaction. Amit and Zott (2001) state that value creation refers to any factor that can enhance total value created in an e-business. The Business Model is centered on a specific firm but has a wider scope capable of analyzing multiple firms in an industry (Amit and Zott 2001). The four key value drivers are presented below, applied on m-commerce, and will be the framework in examining value creation in this paper.

2.2.1. Efficiency

Efficiency can be increased through the use of Internet where it can reduce information asymmetry between buyers and sellers (Amit and Zott 2001). Transaction cost theory suggests that an increase in transaction efficiency occurs when cost per transaction decreases (Williamson 1975). An example of increased efficiency is a customer considering buying a car, instead of going to car dealers to check prices and availability, the customer can get the information through autobytel.com and compare offers from different vendors (Amit and Zott 2001). Consequently, the buying process is simplified, accelerated, and bargaining costs are reduced (Lucking-Reiley and Spulber 2001). Through a business model, hidden value can be unlocked, thus enhancing transactional efficiencies through reducing search costs, distribution costs, and inventory costs (Amit and Zott 2001).

Mobile devices are convenient when shopping, but there are drawbacks such as small screens with low-resolution displays, lack of user-friendly interfaces, limitations in battery life, computational power, and memory (Siau and Shen 2003). Nonetheless, advertisers should not be carried away in using the latest technology; instead they should focus more on user experience (Vatanparast and Butt 2010). A text messaging campaign that is well executed will win over a technically more complex solution that has a complex user experience (Vatanparast and Butt 2010). In a study by Moffet, Stone and Crick (2002) investigating e-
business for FMCG manufacturers and retailers, they emphasize that progress is not dependent on technology alone; instead they also bring forth the way people work and how processes are carried out.

Tsang, Ho and Liang (2004) argue that consumers generally have negative attitudes toward mobile advertising unless they have specifically consented to it, and that there is a direct relationship between consumer attitudes and consumer behavior. Thus it is not advised to send SMS advertisements to potential customers without prior permission (Tsang, Ho and Liang 2004). Mobile coupons have the advantage of driving traffic to stores, adding value to a purchase, a direct discount to the customers, targeting possibilities, and leverage of distribution (MMA 2007).

### 2.2.2. Complementarities
Goods that are bundled together and have a total value exceeding the value of each good separately are known as complementarities (Amit and Zott 2001). Importance of complementarities is highlighted in RBV theory (Amit and Schoemaker 1993), and network theory (Gulati 1999), as a source of value creation. Activities that complement and reinforce one another can create more value than companies that do not complement themselves and have over or under designed activities (Porter 1985). Value creation can be leveraged by bundling a company’s own products/services with complementary products/services from other suppliers. E-bookers, an online travel site, is one such example that provides customers information about weather and exchange rates (Amit and Zott 2001). Through these complementary services, value of the core product is enhanced, hence making it more convenient for customers to for example book travel (Amit and Zott 2001). A business model exploits complementarities among products and services which can be done through creating value from combining online and offline activities (Amit and Zott 2001). Furthermore, there are interdependencies between sources of value creation; efficiency gains can for instance pave the way for exploiting complementarities in e-business (Amit and Zott 2001).

The mobile channel should not be seen as a substitute for traditional communication channels, but rather as a complement alongside traditional communication channels such as television, print, or media (Mirbagheri and Hejazinia 2010, Okazaki 2005, Fujita 2008, Ma, Suntornpithug and Karaalti 2009). This can not only reduce consumer resistance, but also increase synergic effects (Okazaki 2005). By this Okazaki (2005) argues that rapid technological transitions can reduce barriers of facilitating conditions and service cost,
furthermore, that this unique medium can complement integrated marketing communications in global markets.

Mobile phones have unique features as an advertising tool; they are usually carried everywhere and kept close to their owners (Fujita 2008). Ability to combine the usage of mobile advertising with traditional media tools like broadcasting channels, indoor and outdoor advertising would be the ideal usage (Fujita 2008). This is of importance for FMCG companies that can provide an accurate and timely understanding of consumer demand in a way that drives purchase behavior for their products and secures the competitive high ground (Moffett, Stone and Crick 2002).

2.2.3. Lock-in

Lock-in is a part of switching costs, which in turn is anchored in transaction cost framework (Williamson 1975). The ability of a business model to prompt users to engage in repeat transactions, thus creating value, is known as lock-in (Amit and Zott 2001). Amazon.com uses lock-in effectively by providing a one-click ordering system where credit card information is stored in Amazon’s database, hence locks in buyers to make repeat purchases and increases switching costs (Amit and Zott 2001). A community site is another example where after a new member has joined the community, it becomes more attractive for other potential members to join as well and vice versa (Amit and Zott 2001). Furthermore, products and services that have complementary and efficiency features can attract and retain customers (Amit and Zott 2001).

Consumers are always looking for more effective cost cutting when shopping and coupons turn out to be a great alternative (Gray 2009). There are many potential gains for companies in using mobile advertising beyond just increase in sales such as increased brand loyalty, deeper engagement with consumers, and enhanced customer lifetime value (Friedrich, et al. 2009). One study shows that consumers that were convinced that SMS advertising messages were useful expressed the desire to buy the advertised products (Al-alak and Alnawas 2010).

Trust is an important part and hard to manage; it is time-consuming to stimulate, fragile, and easily destroyed (Siau and Shen 2003). Successful strategies adopted by electronic commerce (e-commerce) companies can be applied to m-commerce to overcome trust barriers (Siau and Shen 2003). Building consumer trust is a complex process that not only contains initial trust but also continuous trust development (Siau and Shen 2003). Studies show that consumers consider their mobile devices to be very personal, which is why customizing or personalizing
the message sent to each individual may create a positive impression and lead to trust among consumers and marketers (Ma, Suntornpithug and Karaatli 2009). However, customized messages do not affect consumer attitude towards mobile advertising, instead focus should be on building credibility (Ma, Suntornpithug and Karaatli 2009).

2.2.4. Novelty

Innovations in products/services, new methods of production, marketing, or distribution are known as novelty (Amit and Zott 2001). As a first mover, there can be substantial advantages for innovators (Lieberman and Montgomery 1988). Innovation has been involved in the introduction of products and services – the Internet is one example where new business and revenue models have been introduced (Amit and Zott 2001). E-bay for instance introduced customer-to-customer auctions where even low-valued products can be traded (Amit and Zott 2001). Novelty and lock-in are linked in the sense that being first in a market is a prerequisite to being successful in a market characterized by increasing returns (Arthur 1996).

From a revenue-generating perspective mobile advertising has many benefits. Not only can profit be gained from mobile advertising activities, companies can also communicate with their consumers without the barriers of location and time (Vatanparast and Asil 2007). There are more benefits regarding time and location; with the use of mobile advertising as medium, companies can deliver something that other mediums are unable to do: “the right message at the right time to the right person via the right channel” (Yaniv 2008). Through increased use of mobile advertising, advertisers can reinforce messages with consumers who are dependent on their mobile devices, especially among the 18-34 age demographic (Gray 2009). Moreover, youths do not only manifest consumption styles, they create them, which can for instance be seen with text messaging (Mort and Drennan 2007).

Out of the mobile applications\(^1\) (apps) that are downloaded, 26 percent are not given a second try (Suthoff 2011). Due to that the app-phenomenon is just a couple of years old in combination with relatively few people using apps, it is not recommended to create an app for an independent store, instead a website customized for mobile browsing is advised, however, an app can work for a national directory of independent stores (Schwartz 2010).

---

\(^1\) A mobile application (app) is an application program that is designed for a particular purpose on a mobile phone or computer operating system (Macmillan Dictionary 2011).
2.3. Applicability of the Business Model

The focus of value creation is found in the value chain framework which looks in the firm’s activities, in Schumpeter’s theory of economic development which looks at the firm and entrepreneur, in RBV theory which looks at the resources and capabilities that constitute the firm, the strategic network theory which looks at the network of the firm, and transaction cost economies which looks at transactions (Amit and Zott 2001). The four potential sources for value creation, that is, efficiency, complementarities, lock-in, and novelty, are not just interdependent; they can enhance the effectiveness of other drivers (Amit and Zott 2001). Figure 1 illustrates the Business Model and how its components are interrelated.

This paper uses the Business Model by Amit and Zott (2001), not primarily to test the model, but rather as a framework to examine if and how mobile coupons create value for Kuponginlösena and its partners. It has to be taken into account that although the Business Model was originally designed for e-commerce, it is applicable on this study since m-commerce is a part of e-commerce, just as mobile coupons is a part of advertising.
3. Methodological approach

This section presents the methodological approach and design of this paper. Explanations of how the empirical data has been conducted and analyzed are also presented.

3.1. Initial work

The initial work was conducted between the authors, other thesis writers and the supervisor and consisted of discussion around the subject of m-commerce. The discussion resulted in the subject of mobile coupons and the value coupons can create for Kuponginlösen and its partners. To get deeper knowledge around the thesis subject a literature study was conducted consisting of academic articles, books, and previous research within the direction of the paper. When processing the collected literature a theoretical framework was created building on one model.

3.2. Operationalization

In order to translate the theoretical framework into researchable data the Business Model presented in the theoretical part has been redesigned. This has been conducted with the intention of operationalizing the model where questions have been created to suite the purpose of this study. Operationalizing the theoretical concepts means that they have been translated into tangible indicators of their existence (Saunders, Lewis and Thornhill 2009, 597). For this paper, the four variables in the Business Model, consisting of the tangibles efficiency, complementarities, lock-in, and novelty, have been used as operationalization.

3.3. Research approach

This research has a qualitative approach, which implies that qualitative data needs to be collected. Qualitative data is non-numerical or non-statistical data, which means that it cannot be quantified. This data is based on beliefs and meanings from words. Qualitative data can be conducted through for example focus groups, in-depth interviews or discussions (Saunders, Lewis and Thornhill 2009, 482). Analyzing qualitative data collected through interviews, where words are important, could be risky since people can say something despite that they mean to say something else (Saunders, Lewis and Thornhill 2009, 485). When analyzing
qualitative data from empirical findings for this paper, it will be compared against the theoretical framework (Erlandsson, et al. 1993).

3.4. Collection of empirical data

In order to answer the research questions data needs to be collected. Data can be divided into two different varieties, primary and secondary data. Primary data is “new” data collected for a specific purpose. While secondary data refers to data that already has been collected for some other purpose (Mintzberg and Quinn 1996, 256). Since the approach of this paper is qualitative, interviews are a good collection method for valid and reliable empirical data relevant to the purpose (Saunders, Lewis and Thornhill 2009, 318). Other possible methods relevant to qualitative studies are case studies, observations or focus groups (Saunders, Lewis and Thornhill 2009, 288). In order to achieve a broad view of mobile coupons and the value they can create, perceptions from actors in the network of Kuponginlösen had to be obtained. The main objective of the interviews was to obtain answers regarding the purpose. The early interviews were made to create a holistic view of m-commerce, knowledge the authors did not have beforehand. Primary data has been collected through, face-to-face interviews, telephone interviews and e-mail interviews.

3.4.1. The interviews

Empirical data for the paper was collected qualitatively where primary data was collected through interviews with people who were in some form either connected to Kuponginlösen or mobile coupons. Since this paper primarily bases its information on Kuponginlösen and its partners, representatives of Kuponginlösen were interviewed on multiple occasions partly due to this paper’s focus and partly due to that mobile coupons were an ongoing project at Kuponginlösen during the writing of this paper. The interviews in the earlier process of this research were conducted in an unstructured way to get wider knowledge of the subject m-commerce. Unstructured interviews give respondents the opportunity to talk freely and discuss general areas (Robson 2002, Saunders, Lewis and Thornhill 2009, 321).

Interviews can have different forms; the main types are structured, semi-structured and unstructured (or in-depth) interviews (King 2004). By comparing semi-structured and in-depth interviews an overlap occurs which is called non-standardized interview, which is suitable for qualitative research interviews and the method used for this research (Saunders,
Lewis and Thornhill 2009, 320). Since the findings in this paper uses a non-standardized research method, the findings are not necessarily intended to be repeatable due to that they reflect reality at the time of when the data was collected in a situation that may be subjected to change (Marshall and Rossman 1999). People interviewed in this research work with or have influence over strategies regarding mobile coupons. Interview guides were used instead of interview questions due to that interview guides give more flexibility. The interview guide can be found in Appendix 1, where the first questions were introductory, which was followed by more specific follow-up questions leading to possible deepening of answers. Issues regarding more specific strategies were described by the respondents (Saunders, Lewis and Thornhill 2009, 329-330).

On qualitative studies the actual words in the questions do not have to be so specific, just so they prevent alternative ideas or approaches. With non-standardized interviews, face-to-face is preferred (Saunders, Lewis and Thornhill 2009, 322). This is why interviews for the paper were conducted individually, face-to-face. The face-to-face interviews had characteristics of a typical interview where the interviewers were sitting in front of the respondent and asking questions from an interview guide.

Interviews were conducted with twelve people in order to get a broad view and opinions from FMCG manufacturers (Procordia, Procter & Gamble, and Unilever), convenience store chains (7-Eleven and Pressbyrån), DLF2, GS13, Kuponginlösen, Mobilab4, Prime5, and Rabble6. Interviews were recorded, transcribed, and carried out with both authors present in order to increase reliability and avoid potential bias or misinterpretations (Saunders, Lewis and Thornhill 2009, 485-489). Situations with more than one interviewer are supported by Saunders, Lewis and Thornhill (2009) when conducting empirical data through non-standardized interviews. Two interviewers also reduce the risk of losing important facts from the respondents (Saunders, Lewis and Thornhill 2009, 324-325). Interviews lasted for between half an hour and an hour in order to get an in-depth understanding of the

---

2 Dagligvaruleverantörernas Förbund, DLF, is an interest group for companies producing and selling goods to grocery and convenience stores, and restaurants in Sweden (DLF n.d.).
3 GS1 is an organization developing standards for supply and demand chains globally and across sectors (GS1 n.d.).
4 Mobilab is a supplier of technical solutions that are used in commercial purposes for mobile phones (Alvarez 2011).
5 Prime is a communication agency providing consulting services to global companies, professional services firms, industry associations, government agencies, and other large organizations (Prime n.d.).
6 Rabble is an app that provides consumers’ location based coupons to iPhone and Android devices (Rabble 2011).
interviewees’ opinions, except from the e-mail interviews where questions were sent to the respondent (Saunders, Lewis and Thornhill 2009, 325). Statements made by the respondents were cross-referenced against internal- or external documents supporting their claims. The telephone and face-to-face interviews were conducted in a non-standardized manner with an interview guide for the sake of flexibility, but without going out of topic. Interviews face-to-face and by telephone gives flexibility, it also gives the respondents the opportunity to follow up ideas and recognize feelings at a way that is not possible through surveys (Bell 2000, 119). Two of the respondents requested that the interview would be conducted through e-mail. The answers from the e-mail interviews have therefore been analyzed as written statements (Bell 2000, 119). The respondents are visualized in Table 1.

<table>
<thead>
<tr>
<th>Date</th>
<th>Respondent</th>
<th>Title and organization</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-02-01</td>
<td>Raattama, Bo</td>
<td>CEO, GS1 Sweden</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>2011-02-07</td>
<td>Sjörin, Anders</td>
<td>Head of sales, Kuponginlösen</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>2011-02-08</td>
<td>Granfeldt, Ola</td>
<td>Publicity specialist, Prime</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>2011-03-28</td>
<td>Ainsar, Johnny</td>
<td>Key account manager, Kuponginlösen</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>2011-03-28</td>
<td>Sjörin, Anders</td>
<td>Head of sales, Kuponginlösen</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>2011-04-01</td>
<td>Alvarez, Joachim</td>
<td>Product manager, Mobilab</td>
<td>Telephone</td>
</tr>
<tr>
<td>2011-04-07</td>
<td>Jönvik, Kamilla</td>
<td>Junior brand manager, Felix, Procordia</td>
<td>Telephone</td>
</tr>
<tr>
<td>2011-04-08</td>
<td>Brygiewicz, Michel</td>
<td>Digital marketing manager, Procter &amp; Gamble</td>
<td>E-mail</td>
</tr>
<tr>
<td>2011-04-13</td>
<td>Sandén, Martin</td>
<td>Nordic assistant brand manager, GB Glace, Unilever Nordic</td>
<td>E-mail</td>
</tr>
<tr>
<td>2011-04-26</td>
<td>Neldemo, Magnus</td>
<td>Marketing manager, 7-Eleven Sweden, Reitan Servicehandel</td>
<td>Telephone</td>
</tr>
<tr>
<td>2011-05-02</td>
<td>Wallén, Simon</td>
<td>Head of sales and marketing, Rabble</td>
<td>Telephone</td>
</tr>
<tr>
<td>2011-05-05</td>
<td>Moszkowicz, Mischa</td>
<td>Marketing manager digital media, Pressbyrån, Reitan Servicehandel</td>
<td>Telephone</td>
</tr>
<tr>
<td>2011-05-06</td>
<td>Friman, Jörgen</td>
<td>CEO, DLF</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>2011-05-23</td>
<td>Friman, Jörgen</td>
<td>CEO, DLF</td>
<td>Telephone</td>
</tr>
</tbody>
</table>

Table 1 – The interviews for the paper arranged in chronological order.

3.4.2. Samples

The base level of sampling for this paper consists of non-probability sampling which indicates that the samples have been selected from the population (Saunders, Lewis and Thornhill 2009, 213). The sample size is decided logically within the area of credibility and available resources in order to answer the research questions (Saunders, Lewis and Thornhill 2009, 233). Regarding the number of in-depth interviews sufficient recommendations from Saunders, Lewis and Thornhill (2009, 325) indicate twelve interviews. The sampling process
started with purposive sampling aimed at Kuponginlösens and GS1. The process then involved snowball sampling technique to identify companies in the surroundings of Kuponginlösens (Lee 1993, Saunders, Lewis and Thornhill 2009, 240-241).

Kuponginlösens has several partners and cooperates with almost all FMCG manufactures, food chains, and convenience store chains in Sweden. Moreover, Kuponginlösens also cooperates with PR-firms and app developers. When this paper refers to Kuponginlösens’s partners, it refers to the partners interviewed for this paper, hence not all partners of Kuponginlösens. Regarding the FMCG manufactures interviewed for this paper, Procter & Gamble, Procordia, and Unilever, they all have a wide product range within the FMCG industry. Therefore they are seen as a good sample from the FMCG manufactures; furthermore, Procordia and Unilever have also used mobile coupons in campaigns. Regarding the convenience store chains interviewed for this paper, Pressbyrån and 7-Eleven, they are the leading actors in their segment. Both the stores have worked with mobile coupons as well as mobile apps and can therefore be seen as first movers when discussing mobile solutions in food stores. Unfortunately all of the food chains that were contacted, ICA, Coop, Axfood, and Bergendahls declined to participate in this paper. Both GS1 and DLF have been interviewed because of their roles as driving the FMCG industry forward and finding new solutions. Rabble and Prime have also been interviewed for this paper without being partners to Kuponginlösens. Rabble could be seen as a new competitor to Kuponginlösens’s mobile coupons and was therefore of interest in this paper, whereas Prime has developed marketing campaigns involving mobile apps.

3.4.3. Secondary data

Secondary data can be divided into three main types, documentary secondary data, survey-based secondary data and multiple source secondary data (Saunders, Lewis and Thornhill 2009, 258). All three types are used in this paper since they have been found suitable. Documentary data can be divided into written and non-written materials. Multiple source secondary data divides into area based and time-series based. Different types of survey-based data divides into; censuses, continuous and regular surveys and ad hoc surveys (Saunders, Lewis and Thornhill 2009, 258-262). This paper uses secondary data in both the theoretical and empirical part.
Advantages with using secondary data are time and money savings, that the facts already have been collected, and that it can be a longitudinal study. Using secondary data can also help to place this study in a more general context (Saunders, Lewis and Thornhill 2009, 268-269). There are also some disadvantages that have been taken into consideration. The data may have been collected for a specific reason, or there may be ethical problems (Denscombe 2007). Another disadvantage that has to be taken into consideration is that the initial purpose of the data may affect how the data is presented in the study (Saunders, Lewis and Thornhill 2009, 269-272).
4. Empirical findings

This section starts by giving a brief introduction of Kuponginläsen and how a mobile coupon program can look like. This is followed by presenting empirical findings from the interviews which has been categorized in efficiency, complementarities, lock-in, and novelty.

4.1. Kuponginläsen

Kuponginläsen was established in Sweden in 1969 and is owned by Dagligvaruleverantörernas Förbund, DLF, which in turn is owned by Coca-Cola, Unilever, L’Oréal and many more FMCG companies. Kuponginläsen is the market leader in the area of clearing services in Swedish trade and handles most of the coupon promotions at ICA, Coop, Axfood and other food chains. Through these partners, the clearing network consisting of 7 000 stores where a value of three billion SEK is annually transmitted through coupons, gift cards, value slips and payments. Kuponginläsen also collaborates with companies such as, Nordea, Western Union, and TV 4 Expressen Mobilab. Parts of Kuponginläsen’s business is controlled and registered at Finansinspektionen due to that Kuponginläsen also controls Kassagirot (Kuponginläsen 2010).

4.2. The mobile coupon, from creation to redemption

Figure 2 illustrates a mobile coupon program which consists of the following four steps: creation of offer, generation of unique code, distribution, and redemption. This can be exemplified by Mobilab creating a mobile coupon containing a sampling offer for a GB Glace ice-cream. GS1 then generates a unique code for the mobile coupon in order to track redemption and validity. In the following step, Kuponginläsen distributes the mobile coupon to the consumer via SMS. In the final step, the mobile coupon is redeemed by a cashier at 7-Eleven and the consumer receives her ice-cream.

Figure 2 – A mobile coupon program.
4.3. Efficiency

4.3.1. Mobile coupons are fast

Mobile coupons can be created and distributed considerably faster compared to traditional coupons that can take months before they reach the consumers (Friman 2011). Regarding creation of a mobile coupon, they can be made from scratch in 15 minutes (Alvarez 2011). If a supermarket has mobile phone numbers to customers, it can create short campaigns to targeted recipients where the store does not have to spend as much time on preparation compared to more traditional campaigns (Raattama 2011). Thus, campaigns can be shortened through mobile phones; if it is good weather for barbequing, an offer for a barbeque product can be sent (Raattama 2011). Figure 3 illustrates how a mobile coupon can look like.

![Mobile Coupon Example](image.jpg)

Figure 3 – Example of a mobile coupon. Credit: Mobilab.

Overall, stores have been good at clearing mobile coupons even if there have been instances where cashiers did not recognize mobile coupons (Jönvik 2011). Although mobile coupons have to be inputted by the cashier manually which may not be efficient if a customer comes with several of them, it is currently the best solution (Alvarez 2011, Sjörin 2011).

4.3.2. Mobile coupons are redeemed more often than traditional coupons

The amount of coupons cleared increased with 20 percent during 2010 and the supply of mobile coupons has increased substantially lately (Ainsar 2011, Sjörin 2011). Sjörin (2011) says that this has not come at the expense of lower supply of traditional coupons; on the contrary, traditional coupons have experienced organic growth as well. Table 2 illustrates the number of total coupons and mobile coupons cleared from 2008 to 2010 (Ainsar 2011). Between 2009 and 2010 mobile coupons cleared increased with 359 percent. Factors increasing amount of mobile coupons redeemed are higher monetary value of the coupon (e.g.
sampling), if the consumer has actively done something to get the coupon (e.g. send an SMS to get the coupon), the availability of the product (e.g. Pressbyrån and 7-Eleven), and timing (e.g. ice cream on a warm summer day) (Alvarez 2011). In addition, 88 percent of those seeking information through their smartphone tend to take action within the same day (Google Mobile Ads 2011).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total coupons cleared</th>
<th>Mobile coupons cleared</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>21 571 902</td>
<td>24 674</td>
</tr>
<tr>
<td>2009</td>
<td>19 411 345</td>
<td>48 886</td>
</tr>
<tr>
<td>2010</td>
<td>23 207 614</td>
<td>175 376</td>
</tr>
</tbody>
</table>

Table 2 – Amount of total coupons cleared and mobile coupons cleared by Kuponginläsning (Ainsar 2011).

Alvarez (2011) claims that up to 80 percent of smartphone users are interested in good offers and that the market for mobile coupons will probably increase. This can be compared to a U.S. trend report from 2010 claiming that 36 percent of smartphone users are interested in receiving grocery coupons to their smartphone (Compete 2010). Table 3 illustrates another U.S. trend report showing that iPhone households are greater users of coupons, both digital and print, compared to non iPhone users (Experian 2011). Another American survey conducted in late 2010 finds that 79 percent of smartphone users use their phone to help with shopping; furthermore, 48 percent have used their phone to find and use offers and discounts (Google Mobile Ads 2011).

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital coupons, non iPhone owners</td>
<td>21%</td>
</tr>
<tr>
<td>Digital coupons, iPhone owners</td>
<td>34%</td>
</tr>
<tr>
<td>Print coupons, non iPhone owners</td>
<td>64%</td>
</tr>
<tr>
<td>Print coupons, iPhone owners</td>
<td>68%</td>
</tr>
</tbody>
</table>

Table 3 – Digital- and print coupon usage among iPhone and non iPhone households (Experian 2011).

Mobile coupons tend to be redeemed at least ten percent of the time which can be contrasted against traditional coupons with two percent (Alvarez 2011). Usually between a third and two thirds of mobile coupons are redeemed depending on the offer; for full sampling, at least half of mobile coupons are redeemed, but the figures can be much higher (Alvarez 2011). In the Felix Förberätt campaign (see Appendix 2 for how the campaign was carried out), almost half of the coupons were cleared (Jönvik 2011). This is higher than for traditional coupons but the representative of Procordia, Jönvik (2011), still found it quite surprising that the clearing was not higher. Furthermore, Mobilab has never had a campaign where fewer than 20 percent of mobile coupons were redeemed (Alvarez 2011).
4.3.3. Availability of mobile coupons

There is a different degree of acceptance among food chains where ICA does not accept mobile coupons at this moment (Brygiewicz 2011). ICA had a market share of 50 percent among FMCG stores in 2009 (DLF 2009). A key towards mobile coupons being a success is if ICA accepts them (Friman 2011). Since ICA does not accept mobile coupons, this can have affected usage of mobile coupons in the Felix FörbeRätt campaign (Jönvik 2011). Technology needs to be optimized too; if a lot of consumers visit a website at the same time there is a risk that the server will be overloaded (Jönvik 2011).

4.4. Complementarities

4.4.1. Mobile coupons complement traditional coupons

According to Jönvik (2011) and Sjörin (2011) mobile coupons will not replace traditional coupons; instead they complement one another. For coupons in a store shelf, the consumer makes the choice in the store, but for mobile coupons the consumer has made up her mind before going to the store so it depends on what you are after (Jönvik 2011, Sjörin 2011). However, Kuponginlösen has not made any deeper analysis about the users of mobile coupons (Sjörin 2011). Ainsar (2011) says that the growth of mobile coupons is clear, but traditional coupons cannot be underestimated in any way. There are many different types of grocery stores in Sweden and there are vast differences in consumers buying patterns regarding different stores resulting in that different coupons may be suitable for different stores (Ainsar 2011). At Pressbyrån, almost 80 percent of customers enter the store spontaneously, which is why traditional coupons are appropriate for triggering them (Moszkowicz 2011). While at 7-Eleven, they do not work as actively with traditional coupons (Neldemo 2011).

On the other hand Alvarez (2011) believes that mobile- and traditional coupons will complement each other for a few more years whereupon mobile coupons will take over completely. Mobile coupons are more secure and can therefore carry a higher discount value compared to traditional coupons which are easier to counterfeit (Alvarez 2011). The security and real-time statistics created from usage of mobile coupons are appreciated by companies using mobile coupons (Alvarez 2011, Jönvik 2011). Sandén (2011) believes that mobile coupons will take a greater share of traditional coupons and that they will play a more important role in companies marketing and sales mix. Mobile coupons taking market shares
from traditional coupons is also confirmed by Brygiewicz (2011) but he questions how much and how fast it will go.

Mobile coupons complement other types of marketing campaigns (Ainsar 2011, Alvarez 2011, Brygiewicz 2011, Moszkowicz 2011, Neldemo 2011, Sjörin 2011). It is technically possible to send a mobile coupon when a customer walks by a retail shelf; the question remains if customers want to be reminded in that way or if that is pushing the campaign too far (Sjörin 2011). There is also a need to reach out to consumers through new channels that current marketing campaigns are not using (Ainsar 2011). Mobile phones as a communication channel has been around for years but it is first now there is growth and a maturing market for mobile coupons (Alvarez 2011).

**4.4.2. Mobile coupons need a higher value than traditional coupons**

In order for a mobile campaign to be successful, coupons need a higher monetary value compared to traditional coupons (Ainsar 2011, Jönvik 2011). For a coupon worth three SEK in a supermarket shelf, the battle is between two products where the consumer chooses the one with the coupon (Ainsar 2011). For mobile coupons, the consumer tends to have made up her mind to buy the product before entering the store which is why mobile coupons work more as a marketing tool (Ainsar 2011). In order for the consumer to show her mobile coupon, there needs to be an added-value which needs to be stronger than three SEK like a sampling (Ainsar 2011, Jönvik 2011). However, Brygiewicz (2011) believes that a lower value for mobile coupons is possible, especially if they are connected to geo-positioning7 or a QR-code8.

**4.4.3. Spreading mobile coupons with the help of Facebook**

Facebook is not a threat to mobile coupons at this stage; instead it is seen as a fast way to spread campaigns virally (Alvarez 2011). For every posting made on Facebook, up to 240 friends can see it, which is a great marketing tool (Alvarez 2011). The challenge with mobile coupons is not to make them, it is to spread them; Facebook is a tool helping companies spread mobile coupons (Ainsar 2011, Alvarez 2011). It is in the last year that this type of spread has increased (Sjörin 2011). Social networks give better precision, measurability and spread when reaching out to large consumer groups, compared to campaigns posted on

---

7 Geo-positioning, or global positioning system (GPS), is a system used for finding exactly where you are anywhere in the world using satellites (Macmillan Dictionary 2011).

8 A QR-code, quick response code, is a bar code that can be read by for instance camera phones that can be used in areas of for example marketing a business or product (Macmillan Dictionary 2011).
television or on busses (Sjörin 2011). Moreover, Facebook has a service called Deals in Sweden where customers check-in in a store close by and get an offer (Erlandsson 2011).

When sending mobile coupons, Facebook has been the most effective (Brygiewicz 2011, Moszkowicz 2011, Sandén 2011). Through Facebook, Kuponginlösen and its customers can take advantage of spreading messages in campaigns virally (Ainsar 2011). A posting on your Facebook wall can be viewed by your friends who in turn can post the message on their walls (Ainsar 2011). Thus a campaign can reach several hundred thousand users at a low price (Ainsar 2011). Fontana, a cheese manufacturer, gave away one thousand products a day to those who “liked” Fontana’s fan page on Facebook which enabled them to get a base for loyal customers (Ainsar 2011). In the Felix FörbeRätt campaign, one thousand samplings were given out per day which was taken within five minutes and there were several posts about it on Facebook creating a buzz which has been positive for Felix (Jönvik 2011).

4.5. Lock-in

4.5.1. Mobile coupons in an app

GB Glace has used mobile coupons for samplings and where the consumer buys a mobile coupon that is sent to a friend who in turn can redeem it in a store (Sandén 2011). GB Glace launched an iPhone app enabling customers to send ice-cream mobile coupons to each other in April 2011 (Unilver Sweden 2011). Pressbyrån has an app that is mainly used to spread joy where consumers can amongst other things receive coupons (Moszkowicz 2011). Pressbyrån was amongst the first convenience store chains to create an app and it has shown to be successful (Moszkowicz 2011). Out of the mobile coupons taken by consumers, around half of them are redeemed (Moszkowicz 2011, Neldemo 2011). 7-Eleven has an app too where they give out special offers every other week, which has shown to be popular, especially among consumers and suppliers (Neldemo 2011). After redeeming a coupon, a survey can be sent to the consumer about the product, which has been a fast source of feedback (Neldemo 2011). Kuponginlösen has thoughts about an app for mobile coupons too (Sjörin 2011).

There is a balance in having a technically advanced app that on the plus side can have a lot of functionality, but on the downside be less user-friendly by being harder to learn and understand (Granfeldt 2011). It is important that an app is user friendly since the provider only has one chance with their app (Granfeldt 2011). Branding can affect an app too; if the app is not good, it can have a negative spillover effect on the brand as well (Granfeldt 2011).
When it comes to launching of an app, there are a couple of perspectives to look at. The first is if the app is an extension of a service like Google or Hitta.se, where in these cases the services are known on the Internet and basically knowledge about the app has to be provided (Granfeldt 2011). The other perspective is if the service is completely new since then not only do you have to explain that the app exists, you also have to explain what the service is about (Granfeldt 2011).

4.5.2. Tracking consumers with mobile coupons
Sending offers to consumers’ mobile phones is a possibility but it is important that it is done correctly without breaking the law (Jönvik 2011). Although there are integrity issues through purchases made using mobile phones, it is possible to track a consumer in real-time about not only when the coupon is delivered and when it is cleared, but also receive information about the user (Sjörin 2011). Due to legal issues, connecting a telephone number with an individual can be a challenge (Ainsar 2011). Pressbyrån has a large databank of telephone numbers but at the same time it is sensitive (Moszkowicz 2011). There has been an instance where a supplier to Pressbyrån sent an additional offer to consumers, but the outcome is unknown (Moszkowicz 2011). Another way of using tracking is by distributing mobile coupons with the help of GPS when a consumer walks by a food store (Friman 2011). Regarding integrity, a survey by GS1 showed that consumers tended not to mind if information about them was stored since, as one consumer pointed out: ICA already knows everything about me so why not let them give me offers (Raattama 2011).

4.6. Novelty

4.6.1. Improvement in user friendliness of mobile coupons
Ainsar (2011) says that mobile coupons are user-friendly due to that the users’ have made an active choice to opt-in and that several campaigns done this way have been successful. For the consumer a mobile coupon is user friendly since it is straightforward what it is, however, there can be an issue if the cashier does not know how to clear it (Moszkowicz 2011, Neldemo 2011). Despite the increasing popularity, everyone does not have an iPhone or an Android, but rather an older mobile phone which is why sending coupons via SMS is a good compromise (Alvarez 2011). Alvarez (2011) admits that the best solution for clearing mobile coupons would be if they were scanned like traditional coupons, but that is not possible due to that scanners do not see what humans see, which has lead to attention pointing towards near
field communication (NFC). When technology will mature more, NFC will play a greater part and has already been implemented in ICA (Alvarez 2011, Sjörin 2011). Other major food chains are likely to follow implementing of NFC (Alvarez 2011, Sjörin 2011). A problem though is inertia to actually using the technology; although there has for instance been a demand for chip-readers for years, there are stores that still use magnetic readers (Ainsar 2011).

4.6.2. Mobile coupons are gaining popularity

It is a balance of having a modern solution while at the same time reaching out as many as possible (Jönvik 2011). A homepage and Facebook has shown to be an effective way of distributing mobile coupons but there are other ways as well (Jönvik 2011). Apps can be used in reaching out to consumers but they are not free (Sjörin 2011). According to Sjörin (2011) it reminds a bit of dotcom when everyone was supposed to have their own homepages in the late 1990s. The hype about apps is confirmed by Granfeldt (2011) who adds that it is natural with new products that are good. Granfeldt (2011) adds that earlier, everyone was interested in apps, but nowadays, interest for apps have decreased. It is harder to pitch an app to media, which has resulted in that the content and value of the apps needs to improve (Granfeldt 2011).

4.6.3. The future of mobile coupons

Campaigns will probably be more common on the Internet where mobile coupons will be a part of it (Jönvik 2011). Mobile coupons are a good complement to traditional ones and Felix will probably use mobile coupons in the future but it is hard to say when, especially when ICA does not accept mobile coupons (Jönvik 2011). The view is shared by P&G which is positive towards mobile coupons and believes that they will be an important part of their future coupon strategy, but that it is a concern that ICA does not accept mobile coupons (Brygiewicz 2011). Mobile coupons will become more popular, however, unlike traditional coupons, a concern with mobile coupons is that they are more time consuming to redeem if the consumer has several coupons since they have to be inputted manually by the cashier (Friman 2011).

The number of companies working with mobile coupons and cost cutting with help of the mobile is increasing (Wallén 2011). One such actor is Rabble which provides location based

---

9Near field communication, NFC, is a technology that enables transactions, exchange of digital content, and connecting digital devices (NFC Forum 2011).
mobile coupons via geo-positioning in your smartphone (Wallén 2011). Through Rabble’s application the consumer can obtain discounts at for instance restaurants, salons, and stores (Wallén 2011).
5. Analysis and discussion

This section starts off with analyzing and discussing aspects in efficiency, complementarities, lock-in, and novelty. This is followed by discussing value of mobile coupons in a larger context, which is ended by limitations in this paper.

5.1. Efficiency

5.1.1. Mobile coupon campaigns are efficient

As pointed out by Vatanparast and Butt (2010), a simpler text messaging campaign that is well executed can win over a more complex one, which is evidence for that mobile coupons do not necessarily have to be advanced. Through short targeted campaigns, mobile coupons can be an advantage. By creating a mobile coupon campaign in 15 minutes (Alvarez 2011), individual stores could take advantage of it and for instance give special offers on beef if they have an excess supply of it. Thus improving efficiency and hence value for not only the store, but the stores customer as well. However, consumers tend to have a negative attitude towards mobile advertising; hence it is not advised to send SMS advertisements to them without prior permission (Tsang, Ho and Liang 2004). This means that consumers have to opt-in in order for the store to acquire a database of mobile phone numbers. This can for instance be done by creating a fan-page on Facebook where special offers are given to those willing to accept mobile coupons. The store will then be able to drive traffic to it and have access to a targeted group of individuals who want offers.

5.1.2. Demand for mobile coupons is on the rise

Alvarez (2011) claims that 80 percent of smartphone users are interested in good offers and that around a third to two thirds of mobile coupons are redeemed, which is considerably higher than for traditional coupons. This shows that there is a demand for mobile coupons and that they are efficient. At the same time, Jönvik (2011) was surprised that not more than half of the mobile coupons in the Felix FörbeRätt campaign were redeemed even if it was higher compared to traditional coupons. One reason to this could be ICA, which does not accept mobile coupons. This can be due to the dominance of ICA which wants to conduct promotional activities in-house. In turn, this means that since mobile coupons can be distributed through Kuponginlösen more cost effectively, it can be interpreted as a threat towards ICA’s own campaigns and that ICA loses control. Moffet, Stone and Crick (2002)
point out that progress is not dependent on technology alone but instead they also emphasize the role of processes and how people work. Since the largest food chain in Sweden does not accept mobile coupons, the process of being able to redeem mobile coupons narrows, potentially resulting in not as much value being created for involved actors, directly and indirectly.

5.2. Complementarities

5.2.1. Cannibalization of coupons
With various viewpoints on whether mobile coupons complement traditional ones, it can be speculated if mobile coupons will take over. Although traditional coupons have experienced an upswing during the last couple of years (Sjörin 2011), it is hard to say for how long traditional coupons will be popular. But what can be said is that mobile coupons have gained in popularity, the supply of them will increase, and that they will take market shares from traditional coupons (Alvarez 2011, Brygiewicz 2011, Sandén 2011). Nevertheless, the mobile channel should not be seen as a substitute for traditional communication channels (Mirbagheri and Hejazinia 2010, Okazaki 2005, Fujita 2008, Ma, Suntornpithug and Karaatli 2009). As stated by Ainsar (2011) there are differences in types of grocery stores and consumer buying pattern. Consequently, consumer preferences should not be seen as homogeneous, but rather heterogeneous, thus supporting that mobile- and traditional coupons will be able to coexist. Moreover, since Kuponginlösen has little idea about who the mobile coupon users are, this is an area they may want to look closer into. Of course there is the scenario where mobile coupon users tend not to have had used traditional coupons, in that case, Kuponginlösen has found a new audience complementing users of traditional coupons as well. But all in all, which method how a coupon is redeemed can be said not to really matter as long as it is redeemed. Furthermore, since the mobile coupon has been sent via SMS, chances are that the consumer has read it, hence acting as a marketing tool where the consumer has been reminded of the product.

5.2.2. Mobile coupons meet Facebook
Campaigns on Facebook that promote products through mobile coupons have been able to reach several hundred thousand users at a low cost (Ainsar 2011). This is strong evidence that Facebook and mobile coupons complement each other and deliver value to involved actors. Nonetheless, if Facebook perceives mobile coupons as a threat to its Deals, this could be a concern for mobile coupon makers. In that case it may be more ideal to combine mobile
advertising with traditional media tools (Fujita 2008). Although Facebook has been a great platform for spreading mobile coupons, it should not to be solely relied upon as the only viral distribution tool of mobile coupons. In order to avoid potential conflict with Facebook, it is worth mentioning that Deals and mobile coupons are used in different circumstances. In the case of Deals and Rabble, the consumer makes up her mind near or even in the store, which is more like in the case of a traditional coupon, whereas for mobile coupons, the consumer has made up her mind before entering the store. Nonetheless, the market for mobile coupons is relatively new with few actors, which is why new actors ought to be welcomed in order to spread knowledge about mobile coupons.

5.3. Lock-in

5.3.1. An app for mobile coupons
Consumers look for effective cost cutting and coupons turn out to be a fine alternative (Gray 2009). Due to the increase in smartphone users during the past few years, which has also resulted in an increase of apps (Schwartz 2010), the possibility of creating an app that can receive coupons could be a way to lock-in consumers. With an app, hidden value can be unlocked, thus enhancing transactional efficiency through reducing search- and distribution costs (Amit and Zott 2001). Pressbyrån, 7-Eleven, and GB Glace have their own apps where mobile coupons are offered (Moszkowicz 2011, Neldemo 2011, Unilver Sweden 2011), and Kuponginlösen have thoughts about an app for mobile coupons (Sjörin 2011). Granfeldt (2011) believes that there are a couple of perspectives to look at when launching an app. The GB Glace app can be seen as an extension of an existing service where basically only knowledge about the app needs to be provided. In the case of Kuponginlösen, fewer people know about it which adds an additional step where consumers do not only need information about the existence of the app, but also about the service. A more plausible solution could be if Kuponginlösen avoided competing with food chains and instead let them create their own apps containing mobile coupons. This would not be a branch neutral app; however, it could act as a stronger incentive for consumers to download an app if they are familiar with the convenience store chain or food chain and the app has other functions than just coupons. By providing consumers complementing services to coupons in an app, there would be a greater tendency for consumers to keep it, thus increasing lock-in and value.
5.3.2. Trusting mobile coupons

Building consumer trust is a complex process that not only contains initial trust but also continuous trust development (Siau and Shen 2003). Even if it is possible to track consumers through their mobile, it is sensitive due to legal issues (Jönvik 2011). In order for consumers to be locked-in to a service, they also need to trust it. Kuponginlösen knows very little about mobile coupon users since they only have their mobile phone numbers which is why collecting information about them could raise integrity issues. This is why it is of importance to be clear to consumers that if information about them will be collected, they have to opt-in for it. Pros and cons have to be weighed against each other because even if consumers want personalized offers and it is a matter of time until consumers will be more tolerant to providing personal information, it should not be rushed due to risks of negative publicity.

5.4. Novelty

5.4.1. The hype of mobile coupons

With mobile coupons it is possible to send “the right message at the right time to the right person via the right channel” (Yaniv 2008). Through mobile advertising, it is also possible to send messages to consumers who are dependent on their mobile phone which is particularly found in the 18-34 age demographic (Gray 2009). But there is a balance of having a modern solution while at the same time reaching out as many as possible (Jönvik 2011). While there is a hype about apps, Facebook, and mobile coupons, it should not be forgotten that trends come and go. Just because these new media have been adopted by the youths does not necessarily mean that they are here to stay. At the same time, mobile coupons are still in its infant stage where little is known about who use them and even though mobile coupons have increased in popularity during the past year, substantially more traditional coupons are cleared and other potential future threats like Facebook Deals and Rabble are gaining ground. With more services competing and moving into nearby territories, it may be harder to differentiate. Nonetheless, mobile coupons have delivered value to involved actors and will probably continue to do so; the question though is for how long.

5.4.2. The cost of remaining outside

Novelty and lock-in are linked in the sense that being first in a market is a prerequisite to being successful in a market characterized by increasing returns (Arthur 1996). The fact that ICA does not accept mobile coupons is a disadvantage to Kuponginlösen and its partners. As a consequence, this results in a potential loss of value to consumers who are unable to clear
their mobile coupon at ICA, which in turn means that ICA looses on a potential source of revenue and a decreased likelihood of the mobile coupon being redeemed affecting other actors in the value chain. ICA has on the other hand implemented NFC which is evidence of the food chain not being that conservative. Nevertheless, having the technology is one thing but using it is another and inertia exists among the major food chains which seem to be waiting for each other to make the next move. This has resulted in convenience store chains like 7-Eleven and Pressbyrån to take advantage of the situation and provide innovative offers to its customers. It can also be that customers of 7-Eleven and Pressbyrån tend to be a different demographic consisting of younger more urban people that have a smartphone and are more up-to-date with technology. As a consequence, there may be a delay for the larger food chains to catch-up or not enough consumers are ready for more innovative technology.

5.5. Value creation at large

5.5.1. Value creation for Kuponginlösen, Mobilab, DLF, and GS1
The total value creation of mobile coupons for Kuponginlösen must be seen at large. Using mobile coupons increase the services Kuponginlösen offers to its customers and with its monopolistic position on the clearing service in the FMCG industry, Kuponginlösen has an advantage, compared to Rabble and Facebook Deals. Moreover, Kuponginlösen has another advantage of working closely with many companies if the FMCG industry, from food chains to manufactures. Value creation from mobile coupons therefore almost affects the whole FMCG industry through Kuponginlösen. A big part in the value creation for Kuponginlösen and Mobilab is the timing of the coupons since they can be created and distributed within minutes. Mobile coupons are still a small part of Kuponginlösen’s business but with a growth of 359 percent during 2010 it is starting to create more value for Kuponginlösen and also Mobilab.

Since GS1 is branch neutral, it is in their interest to help the FMCG industry at large in increasing their sales thus also increasing value for GS1. Mobile coupons stimulate the FMCG industry in Sweden which in turn creates value for DLF and GS1. Increased popularity of mobile coupons has a positive spillover effect on near-by areas as well such as Rabble and Facebook Deals since knowledge about mobile coupons is increased. When mobile phones get even more integrated into the FMCG industry through for instance NFC, it is likely that more companies dealing with mobile coupons could arise.
5.5.2. Value creation for convenience store chains and food chains

In the case of Pressbyrån it is understandable that traditional coupons work well since almost 80 percent visits are spontaneous. However, in cases where consumers have made up their minds to purchase an item, which is more typical in larger food stores, mobile coupons would be an extra trigger. Today ICA does not clear mobile coupons, which has a negative impact on value creation for both mobile coupons and ICA. Since ICA has the largest market share of the Swedish food chains this also affects the FMCG manufactures and the level of redeemed mobile coupons. ICA has on the other hand made all their cash registers ready for NFC, which is a big step towards making mobile coupons more efficient, especially when it comes to redeeming several mobile coupons at the same time.

Convenience stores and food chains have a great possibility to use mobile coupons as a way to create lock-in. Pressbyrån is an example of how this already works with their app. If the larger food chains would create an app that can provide mobile coupons, it would be an effective way to draw consumers to their stores. Unfortunately, the major food chains, ICA, Coop, Axfood, and Bergedahls declined to participate in this study, so conclusions about their strategies are speculative. Nonetheless, the interviews with 7-Eleven and Pressbyrån indicated that mobile coupons and apps have tendencies to act as a lock-in for their consumers. Both 7-Eleven and Pressbyrån have increased value in novelty with their apps creating a buzz. This increases the value for mobile coupons and could be a possibility for other food chains as well, particularly if they can achieve a first mover advantage.

5.5.3. Value creation for FMCG manufacturers

Even if around half of mobile coupons are redeemed, such as in the case of Felix FörbeRätt, it still means that around half of mobile coupons are not redeemed. Consequently, it could be of interest to actors dealing with mobile coupons to investigate how come this is the case. Because even if the redemption rate is much higher for mobile coupons compared to traditional coupons, how come around half of consumers chose not to redeem them? One explanation can be due to ICA which controls half of the food chain market and currently does not accept mobile coupons. Another reason to this could be that 88 percent of information seekers take action within a day (Google Mobile Ads 2011). As a result, for every day that passes, the chances of the coupon being redeemed diminishes. Reminding consumers that they have a mobile coupon that can be redeemed could therefore be an advantage if FMCG manufacturers want a higher redemption rate.
With mobile coupons, FMCG manufactures can reach a group of consumers that do not use the traditional coupons. Mobile coupons are more modern and often spread through social media which give the manufactures possibilities to reach younger consumers. Mobile coupons can also create lock-in value for manufacturers since they can communicate with the consumers. After the consumers have redeemed their mobile coupons, the manufacturer can send a survey about the product, thus getting instant feedback like in the case of the 7-Eleven app. This communication may have positive effects on the loyalty of consumers and increase the manufacturers’ knowledge about their consumers. FMCG manufactures have shown little will to give up traditional coupons. There are some different views on whether mobile coupons will be used as a complement to traditional coupons placed in the stores or not. The most likely answer is that mobile coupons will create value as a complement to traditional coupons because they reach different segments of consumers.

5.5.4. Value creation for the Swedish FMCG industry

The findings in this paper cannot be generalized and applied for the entire Swedish FMCG industry; however, it does give an insight towards the potential value mobile coupons can create. For FMCG manufactures, mobile coupons are a new way to widen their marketing campaigns and reach consumers. Since consumers carry their mobiles with them almost all the time, mobile coupons creates a new way for actors in the FMCG industry to reach out and communicate with consumers. Due to that mobile coupons can be created and distributed within minutes compared to traditional coupons which can take months before they reach the consumers, the sheer speed of mobile coupons is one of the greatest value creators for the FMCG industry. Value creation exists to larger extent for some actors than others but for the whole FMCG industry, mobile coupons create value and increase services for the actors. Mobile coupons can also be seen as a new marketing tool where consumers can be reached in their mobiles. From this paper, it is clear that companies will use mobile coupons as a way to expand marketing campaigns. The goal of mobile coupons may not solely be to get them redeemed, but also to get attention. This makes mobile coupons not only function as coupons but also as new way of spreading brands and messages.

Due to the novelty of mobile coupons, they are still getting recognition which is why not much, if any, competition exists when it comes to mobile coupons in Sweden. Instead, various actors have been able to gain recognition and by that also increase popularity of mobile coupons. Hence, new entrants in the Swedish mobile coupon market should not be hindered, but rather encouraged due to positive externalities mobile coupons create in terms of value for
Kuponginlösen, Mobilab, GS1, Facebook, Rabble, FMCG manufacturers, convenience store chains, and food chains.

5.6. Limitations of the paper

A limitation with this paper is that there is little knowledge about users of mobile coupons. In particular, this goes for if there are differences in users of mobile coupons compared to traditional coupons. As a result, this paper has used trend reports from the U.S., which although may differ from Sweden, still provides a valuable insight about coupons. Furthermore, since the popularity for mobile coupons has increased substantially during the past years, statistics about them that were collected a year ago may be obsolete today, which is why they should be taken with a pinch of salt.

Another limitation is that the four major food chains, ICA, Coop, Axfood, and Bergendahls, have declined to be interviewed for this paper. This shows that the subject is sensitive, but more importantly that this is new and that they possibly may not have come as far as 7-Eleven and Pressbyrån when it comes to reaching consumers with newer innovative offers.

This paper does not anticipate testing the Business Model by Amit & Zott (2001), rather using it as a framework. The usage of the Business Model for this paper has been a suitable choice since it takes relevant areas of e-commerce into consideration when it comes to value creation. In some instances a clear cut between efficiency, complementarities, lock-in, and novelty have not been able to be made since some topics are interrelated to each other and affect each other too. Nonetheless, usage of the model as a framework has worked well and showed correspondingly suitable for m-commerce. With help of the model, this paper has been able to identify if and how value is created.
6. Concluding remarks
Mobile coupons provide value, both directly and indirectly, not just for Kuponginlösen, but also to its partners consisting of FMCG manufacturers, convenience store chains, food chains, Mobilab, DLF, and GS1. Mobile coupons are an efficient way of distributing offers since they are faster to make, easier to track, and harder to forge. Mobile coupons create value by complementing traditional coupons. Apps containing mobile coupons have a lock-in effect on consumers; moreover, they have shown to create value as an effective marketing tool. Although the popularity of mobile coupons will continue to increase significantly, as for today, they account for a small portion of the total coupon market due to the novelty of mobile coupons. More value can be obtained by better being able to understand users of mobile coupons and if ICA starts to redeem mobile coupons. Although the sample for this paper was limited considering the number of partners Kuponginlösen has, the findings from the paper can be applied to Kuponginlösen and its partners in general. To build on this research for future studies, it is recommended focusing on the users of mobile coupons in understanding who they are and why they chose to redeem or not redeem mobile coupons. It would also be of interest if there are any differences between mobile coupon users and traditional coupon users.
7. References

Interviews

Ainsar, Johnny, interview by Filip Lundquist and George de Vera. *Key account manager, Kuponginlösens* (March 28, 2011).


Granfeldt, Ola, interview by Filip Lundquist and George de Vera. *Publicity specialist, Prime* (February 8, 2011).


Raattama, Bo, interview by Filip Lundquist and George de Vera. *CEO, GS1 Sweden* (February 1, 2011).

Sandén, Martin, interview by Filip Lundquist and George de Vera. *Nordic assistant brand manager, GB Glace, Unilever Nordic* (April 13, 2011).


Other references


Appendix 1

Interview guide

Introductory questions

- What is your primary work?
- How do you work with mobile coupons?

Efficiency

- Search costs – How does the initiative towards mobile coupons work?
- Selection range – How large is the range of mobile coupons, is it a substitute to traditional coupons?
- Simplicity – Usability and the level of easiness to use?
- Speed – How fast does the transactions go?
- Scale economies – Does the sales increase with usage of mobile coupons compared to traditional coupons?

Complementarities

- Do mobile coupons complement traditional coupons?
- Is there any other ways to use mobile coupons as a complement?

Lock-in

- Switching costs – What are the incentives to keep customers?
  - Loyalty programs – Are there loyalty programs?
  - Dominant design – Ease of use or hard to use? Strategies with either?
  - Trust – security? Do companies and consumers feel secure using the coupons?
  - Customization – Personal offers/Campaigns?
- Positive network externalities (direct/indirect) – Work with popularity? How to get as many as possible to use mobile coupons?

Novelty

- New transaction structures – What are the plans regarding the transaction of mobile coupons? How will the distribution of mobile coupons work? Can consumers send coupons to each other?
- New transactional content – Mobile coupons instead of traditional paper coupons? What about apps vs. SMS?
- New participants – First mover advantage? Facebook Deals, Rabble, Groupon?
Appendix 2

The Felix FörbeRätt campaign

The figures below illustrate a campaign where one thousand mobile coupons of Felix FörbeRätt were given out to consumers via Facebook.

Figure 4 – One thousand Felix FörbeRätt. Credit: Mobilab.

Figure 5 – Approve the Facebook app. Credit: Mobilab.
Figure 6 – Enter mobile phone number. Credit: Mobilab.

Figure 7 – Write message on Facebook feed. Credit: Mobilab.
Figure 8 – Mobile coupon has been sent. Credit: Mobilab.

Figure 9 – Users’ Facebook feeds. Credit: Mobilab.
Figure 10 – Five minutes later all one thousand coupons have been taken. Credit: Mobilab.