

\$3 billion: Amount of digital coupons to be redeemed by 2013

Making a digital offer your customers can't refuse

Marketers need to integrate digital offers into their multichannel strategy if they want to maintain their relationships with their customers.

March 2012 Robert Byrne and Abid Mohsin

Today, 4.5 million McDonald's customers in Japan use smartphones. And they don't just use them to order and pay for meals. Thanks to a free app, they also receive, store, and redeem McDonald's coupons. Meanwhile, in the U.S., thousands of smartphone users are earning reward points every time they enter one of 1,300 BestBuy stores. And they earn even more by scanning or purchasing products.

The merging of smartphone and GPS technology has birthed a digital offers industry that is rapidly altering the [customer decision journey](#). Digital offers – purchase incentives that can be delivered to customers through a variety of online channels – are

more than another way for businesses to sell to their customers. They are becoming a critical linchpin in the battle that businesses are waging to win the [customer decision journey](#).

47
percent

Percentage of customers who went to a sale they would not have otherwise gone to after receiving a text message offer from a store

The digital offer promise for customers and companies

“The mobile phone is a device people have with them literally 24/7,” said Jack Stephenson, head of mobile marketing and ecommerce for JPMorgan Chase, in a [recent interview](#) with [David Edelman](#). “It has your contact information and a lot of personal stuff on it. Stores could offer you discounts exactly when you want to use them.”

The promise of digital offers has set off a stampede of interest as retailers, credit card companies, banks, start-ups, and telecoms companies look to cash in. Google's eWallet wants to deliver on the long-expected promise of using your smart phone to make purchases. American Express has linked deals on Facebook to its card, allowing people with both accounts to get deals from select merchants and redeem them by just using their Amex card. Meanwhile start-ups like Shopkick, a mobile app that provides customers with offers and rewards when they walk into a store, and Groupon Now, the mobile version of the social shopping service, are creating a

cacophony of digital offer options on-the-go through the smartphone.

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Though digital offers delivered to mobile devices are in their infancy, the trends are promising. Customer product research on mobile phones is up 54 percent since 2009 while some 52 percent of customers use smart phones in store to check prices at other venues. For merchants, digital offers are a way to connect with the mobile customer. According to our recent research, after receiving a text message offer from a store, 47 percent of customers went to a sale they would not have otherwise gone to. Some 40 percent who received a similar message went to a different store from the one they were in. BIA/Kelsey

expects about \$3 billion worth of digital coupons to be redeemed by 2013. These trends are only going to continue as barriers to adoption – bar code reading capabilities, customer behavior, CRM technologies, and trust in e-payment technologies – crumble.

Retailers see the ability to easily reach consumers when and where they shop, and to rapidly adjust offers to accommodate changing circumstances. All this gives marketers a powerful tool that can help them to truly own the customer experience.

Getting the digital offer model right also opens a treasure trove of customer data. For some time retailers, service providers, card companies, and others have been amassing vast datasets of information about consumers' purchasing preferences and lifestyle choices. Combine that with millions of consumers who also store purchase and related information on their smartphones. Savvy sellers can now tap that rich data lode to develop and deliver precisely targeted digital incentives.

52
percent

Customers who use smart phones in store to check prices

Preparing amidst the uncertainty

All this activity has created an understandable sense of uncertainty. Companies are experimenting judiciously but don't want to get caught on the betamax tape side of the digital offer technology shake-out. But retailers need to start preparing now to be in a position to benefit from the rising tide of digital offers no matter how the offer delivery platform evolves.

- Develop the resources needed to manage, analyze, and use “big data” so that you're able to make the right offer to the right customer at the right time. That means investing in real time CRM databases to process information at high speeds and analysts who can make sense of the information to adjust tactics and offers. You don't have to do this alone. Some financial services firms already offer such services to merchants. Visa, for example, has enabled The Gap to understand a shopper's physical location, much as online retailers use a consumer's search history to deliver more relevant marketing offers and other messages. Consumers join this program by enrolling their Visa card for real-time messages about nearby stores.
- Coordinate the offers you send through one vendor or channel with the others a customer may encounter. Often in the chase to try out new mobile services, marketers find themselves with disjointed discounts streaming out through many different channels. Companies need to make sure also that their digital offers are targeted to the customers at the right moment of their decision journey. Deliberately think through how the offers you are sending fit together. Do they match what you know about specific customers' situations? Are the right people seeing the appropriate offer? What offer makes sense of a customer who is considering a purchase vs one that targets a customer who has just made a purchase? To

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carry this off, you will need to develop a disciplined content supply chain that makes sure the right offers are going through the right channels at the right time.

- Upgrade customer service capabilities to effectively handle digital incentive programs. This includes revising guidelines and training for handling customers who try to redeem their offers. Discount guidelines need to be communicated to customer service teams. Companies will also need to have mechanisms in place to communicate back to the marketing team issues and trends they encounter so that offers can be adapted as needed.

“Traditional retailers adapted to e-commerce,” says Stephenson. “They now need to do a similar type of adaptation to mobile commerce.”