Promoting to the Mobile Consumer Report

2011

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Contents

Executive summary

Consumers are generally open to promotional offers, but they have very clear preferences about where they want to receive them and the type of offers that they like. Getting the right pitch into the right channel will therefore have a positive uplift on marketing performance.

Key findings from this research indicate that there are both opportunities and issues facing promotional marketers as they look to tackle the mobile consumer:

- British and American consumers are different to those in Germany and France. In the UK and the USA, there is a strong appetite for preference-based offers (75 per cent and 72 per cent respectively) and very low levels of resistance to getting offers (5 per cent in both countries). In Germany and France, offers based on likes and dislikes also have the greatest traction, but at a lower level (46 per cent and 50 per cent respectively). There are also far more consumers in these countries who want no offers at all (22 per cent).

- Three quarters of consumers regularly pass on offers to friends and family - this would rise even higher in the UK and USA if there was an incentive to do so.

- Online promotional sources have been widely adopted, with Groupon taking the highest share (60 per cent of consumers in France use it, 52 per cent in the USA and 45 per cent in Germany). In the UK, My Voucher Codes maintains an advantage, at 42 per cent using compared to 35 per cent for Groupon.

- Printing vouchers remains the primary mechanism for redeeming offers in the UK and USA (71 and 75 per cent), but using discounts in online shops has overtaken print in Germany (56 per cent compared to 49 per cent). Half of British and American consumers are also redeeming offers online.

- Mobile redemption is growing steadily, at between 16 per cent in the UK, 17 per cent in USA, 18 per cent in Germany and 24 per cent in France. Mobile consumers are still principally using email to opt-out of promotional marketing (77 to 80 per cent) rather than SMS (18 to 28 per cent).

- There is still a task for brands and network operators to demonstrate to consumers the benefits of receiving promotional marketing and gaining permission to do so. In the UK and the USA, acceptance rates for promotional marketing received over mobile are lower than for promotions in general. Over time, willingness for these offers to be promoted via the mobile channel is likely to rise.

- While advertisers have a significantly higher level of preference over network operators when it comes to sending offers, this may be because networks have left a promotional gap - at best, only half of consumers in France have been promoted to by their operator in the last month, falling to one third in Germany and less than a quarter in the UK and USA.

1. The promotional consumer

1.1 Overview

Consumers inhabit a landscape of promotional activity by brands which they are constantly evaluating and responding to. This builds preferences for types of promotions which inform their behaviour and are often transferred across channels and areas of buying activity.

American consumers are highly receptive to all types of discount, with British consumers running a close second. In Germany and France, free volume discounts are best liked, although this does reflect different laws on which sales promotions are legal.

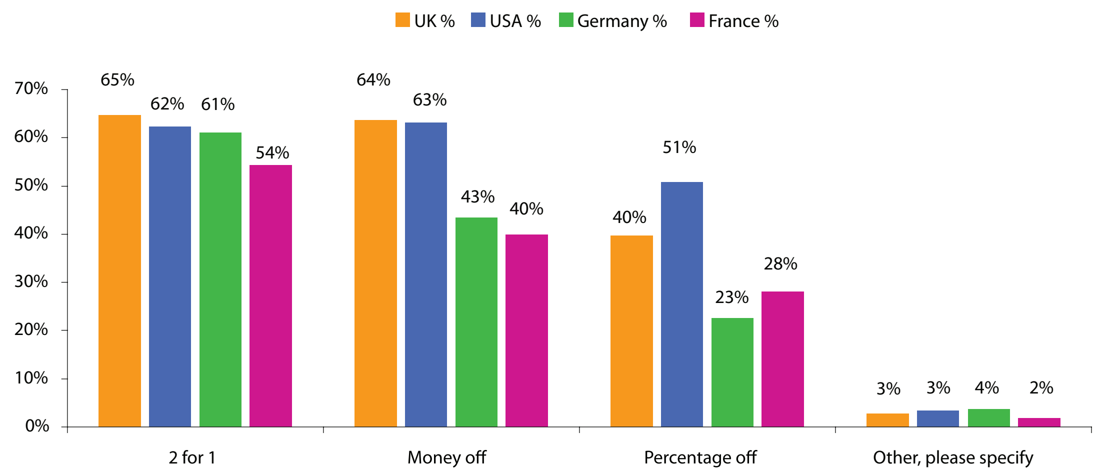
In the UK and the USA, promotional marketing enjoys a remarkably high degree of acceptance, with just one in twenty consumers preferring not to get any offers. In Germany and France the level is higher, at around one quarter of consumers, but constraints on promotional marketing in those countries may have limited the benefits consumers have enjoyed, thereby reducing their acceptance rate. Offers based on personal likes and dislikes are the most interesting to consumers in all countries.

Brands can win endorsement through having their offers passed on to friends and family, a behaviour which the vast majority of consumers display. Incentivising this member-get-member activity would persuade the majority of consumers in all countries to share the offers they receive.

For many consumers, the promotional experience now begins and ends online, through signing up to receive offers and then redeeming them at an online store. The majority of consumers are now making use of a promotional source online to find out about deals and offers, rather than just waiting to be told about them. Groupon has rapidly established itself as the market leader in all countries except the UK, where it the second most-used.

Preference for mobile offers is growing, with one in five consumers now wanting to get discounts or vouchers on their handset. Even so, print vouchers are still preferred by three quarters of British and American consumers. Opt-out mechanisms are also important to consumers, with email unsubscribe the dominant method used to stop offers, despite the rise of mobile phone usage.

1.2 What Constitutes a Good Discount?



Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

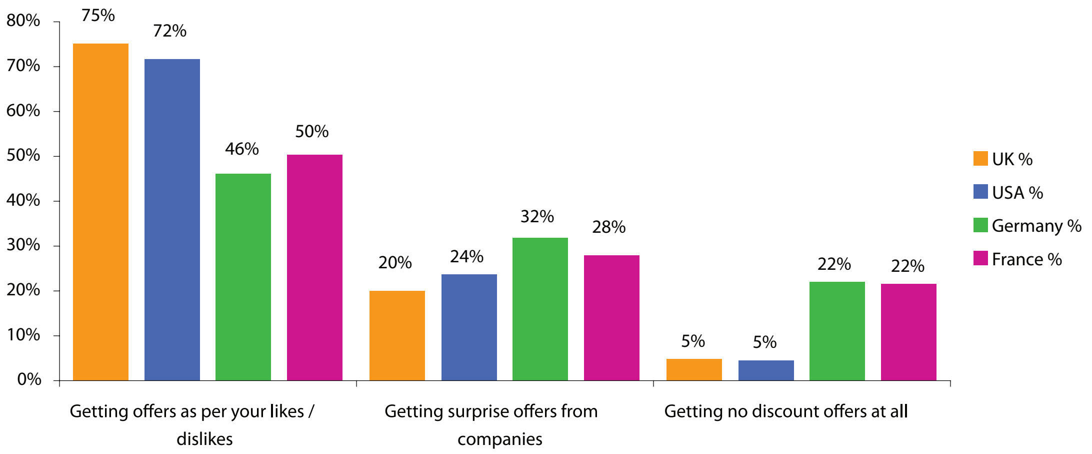
Consumers in all four territories are on the lookout for a good deal, with Americans the most receptive to all types of offer. What they consider to be a good deal varies, however, with English-speaking consumers receptive to a wider range of incentives to purchase than Germans or French.

2-for-1 offers are the most popular discount overall with the majority of consumers tempted by getting extra volume free. In Germany and France this offer is significantly more favoured than other types of promotional marketing (although this may just reflect legal restrictions on what discounts can be offered in those countries).

Money-off is considered the best discount in the USA, just ahead of 2-for-1, and is ranked a close second in the UK among two-thirds of consumers. This type of discount has less traction in Germany and France, however. Like free volume, this type of offer gives the consumer a clear and immediate benefit.

Offering a percentage discount is the least well-liked offer, although a bare majority of American consumers are still favourable towards it. British consumers are nearly twice as interested in proportional discounts compared to Germans. Percentage discounts do require an element of work by the consumer to calculate the benefit in cash terms, which may explain their softer appeal.

1.3 Which Type of Offers Would You Prefer?



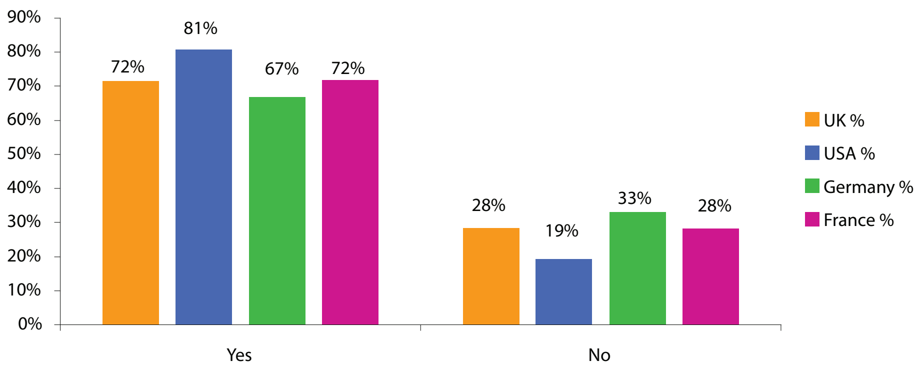
Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Brands have a real opportunity to improve the performance of their promotions by making them more personalised. In the UK and USA, three quarters of consumers would prefer offers that reflect their likes and dislikes. Providing mechanisms to register these interests and options would tap into this desire for personalisation.

German and French consumers are less drawn to preference-driven offers, although these are still ranked as their first choice. Both of these countries have the highest level of "resistors", with nearly a quarter of consumers expressing a preference not to get any types of offers, but constraints on promotional marketing may have limited the benefits consumers have enjoyed, thereby reducing their acceptance rate. Only one in twenty consumers do not want to get offers in the UK or USA.

Surprising consumers by making offers they are not expecting is effective among one-third of Germans (targeting is less frequently practised in Germany because of data restrictions). It is a tactic that also works in other countries among one-fifth to one-quarter of consumers. Keeping the promotional offer fresh by introducing unexpected deals is an important marketing tactic.

1.4 Do You Pass on Offers to Friends and Family?



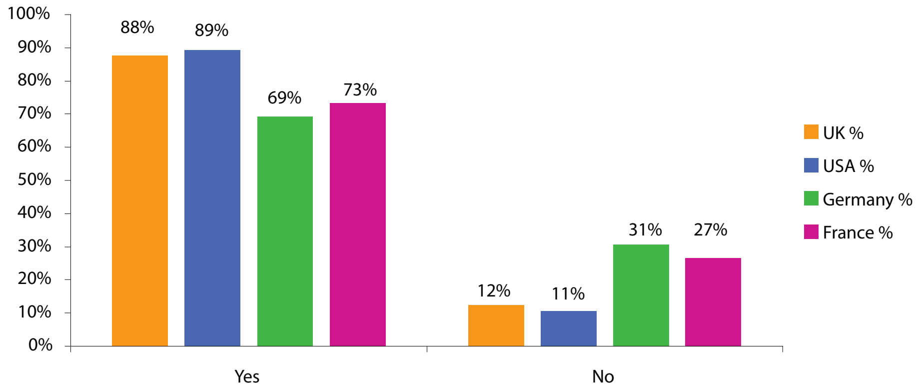
Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Word of mouth and advocacy are the most powerful influences over consumers. Gaining pass-on for an offer within a family or circle of friends not only extends its reach, it increases its power.

Across all four countries, the vast majority of consumers share the offers they receive with friends and family. Americans are the most likely to pass on promotions, with four out of five doing so, but even two-thirds of Germans will show the offers they get to people they know.

This behaviour makes an interesting contrast with the high level of preference expressed for getting offers based on likes and dislikes. It may be that consumers filter the offers they pass on based on preferences they know their friends and family have. Or it may be that generic offers are the ones that get handed around. Tracking redemption against the targeted base will provide a brand with insight into the real value and depth of this pass-on effect.

1.5 Would You Pass on Offers if Incentivised?



Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Member-get-member has long been recognised by marketers as a powerful way to build market share and recruit customers. Consumers are clearly willing to act as recruitment agents for a brand - if there is something in it for them.

American consumers are the most willing to pass on offers to their friends and family - nine out of ten would share promotions if offered a benefit (such as a further discount or voucher) for doing so. British consumers are nearly as likely to respond to such an incentive and in Germany and France, seven out of ten consumers can be prompted to pass on offers through being offered a personal benefit.

Brands need to balance the discount they offer to achieve this MGM effect with the value of new customers they recruit as a result. If the offer is too rich and new customers too low-value, it could dilute the impact of the promotion overall.

1.6 Which Discounts/Promotions/Vouchers Do You Use?

	UK	USA	Germany	France
Groupon	35%	52%	45%	60%
Student Beans	4%	3%	6%	9%
My Voucher Codes	42%	8%	10%	14%
Voucher Express	13%	7%	14%	17%
Voucher Digg	4%	6%	8%	10%
DiscountVouchers.co.uk	24%	4%	11%	10%
I do not use any discounts / promotions / coupons	30%	29%	26%	17%
Other	5%	15%	5%	3%
Total	157%	124%	125%	140%

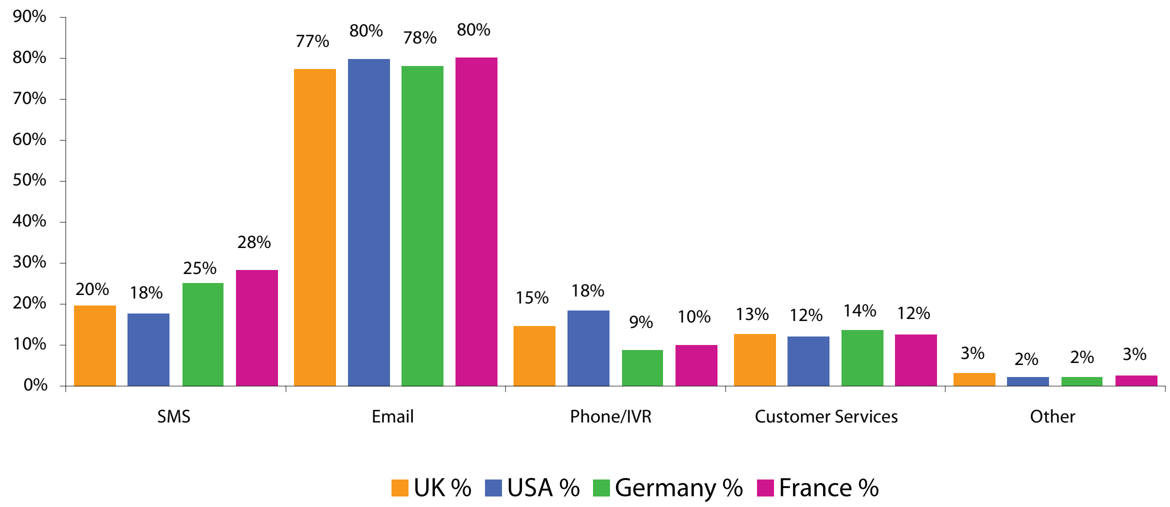
Deal-seeking has become entrenched in consumer behaviour. Instead of just receiving offers, consumers also actively seek them out. Increasingly, this is done by registering with a promotional service online in order to receive regular information on deals. The majority of consumers are now making use of one of these promotional sources.

Groupon has established a dominant position in providing access to discounts and promotions in the USA, Germany and France. In just three years, it has gained sign-up from more consumers than any other online service. (Consumers were able to select from all of the online tools they use.) In the UK, the company has to settle for second place.

My Voucher Codes is the primary source for British consumers to get discounts and vouchers online, but also has a significant group of users in France, Germany and the USA. DiscountVouchers.co.uk is used by one quarter of British consumers and also has users in other countries.

Surprisingly, one in three consumers in both the UK and the USA do not make use of one of these promotional portals. This may reflect a lack of Internet access or simply a preference for offline promotions. In Germany and France, consumers who do not use one of these services may also be those who are resistant to promotions in general.

1.7 How Would You Like to Opt-Out of Receiving Offers?



Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

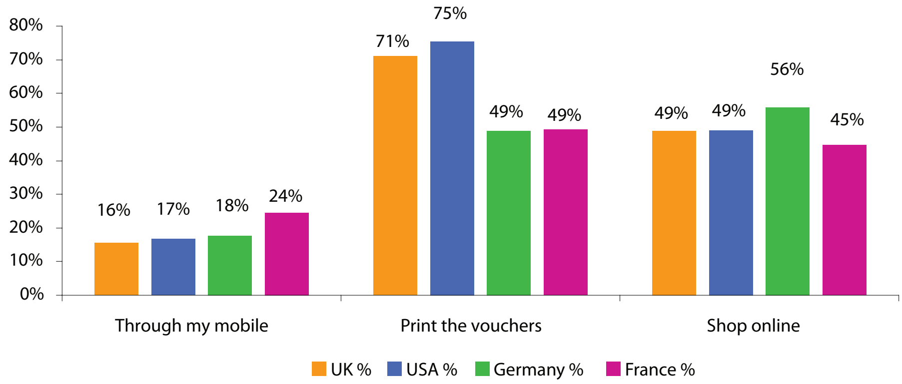
Opt-out mechanisms are the flip-side of preference-driven promotions. Just as consumers express a clear desire for offers based on their likes and dislikes, so they also have preferences for how to stop brands from sending them promotions.

Email remains the dominant method for opt-out, with unsubscribe providing a simple mechanism that eight out of ten consumers like to use. It is notable that, despite the rise of the mobile consumer, sending a text to opt-out lags a long way behind email.

French consumers are the most likely to use SMS to unsubscribe from offers, closely followed by Germans. But in the UK and the USA, text opt-outs have barely one quarter the level of uptake as email enjoys.

Voice-based opt-out continues to enjoy considerable usage, with IVR or human agent interfaces important for between one in ten and one in six consumers. Promoters need to be aware of the continuing need to offer multiple channels for opt-outs to reflect these overlapping preferences.

1.8 How Would You Prefer to Redeem Offers?



Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Physical and virtual retailers can all benefit from using promotional offers. Indeed, consumers are increasingly interested in getting offers that can be used online - in Germany, these have overtaken offline print vouchers and are preferred by a majority of consumers. Offers that can be used online have also been adopted by half of consumers in the UK, USA and France. That means the promotional experience now starts and ends online for a substantial proportion of consumers.

Despite this, print vouchers remain the first choice of three quarters of consumers in the UK and the USA and half of those in France. These may originate online or mobile, but the consumer is still printing them off for in-store redemption.

Mobile-only redemption is seeing steady adoption, led by France where one quarter of consumers prefer this method. UK, USA and Germany already have one in six consumers adopting mobile redemption and this behaviour seems set to grow rapidly.

2. The mobile consumer

2.1 Overview

Text-based offers are the most popular format in all countries, most notably Germany and France where they are heavily preferred to other types of offer delivery. Mobile web and apps are steadily gaining traction in all countries.

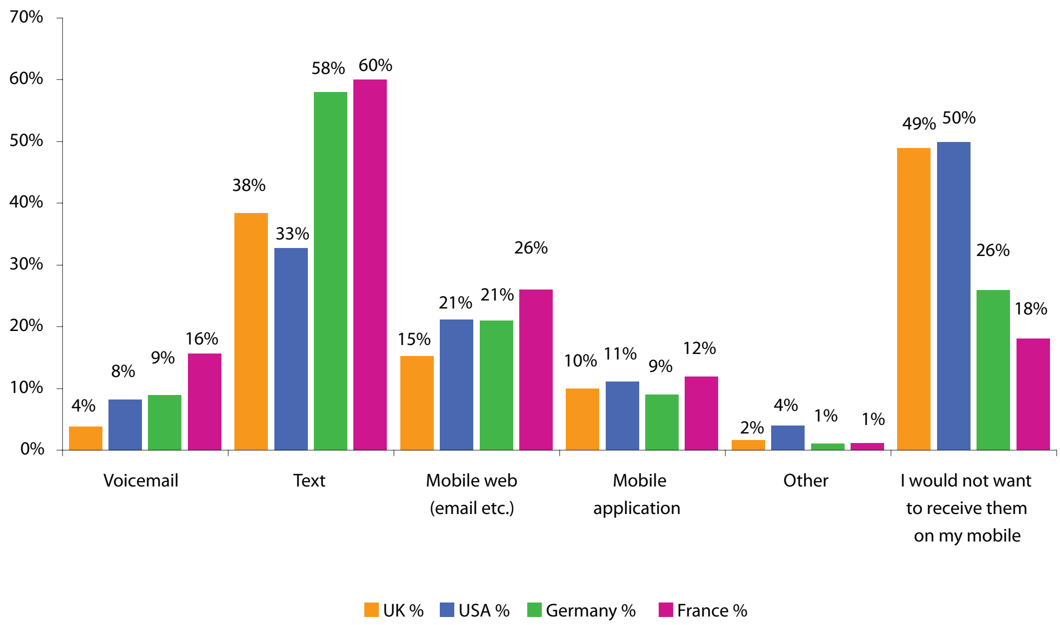
There is still a task for brands and network operators to demonstrate to consumers the benefits of receiving promotional marketing and gaining permission to do so. In the UK and the USA, acceptance rates for promotional marketing received over mobile are lower than for promotions in general. Over time, willingness for these offers to be promoted via the mobile channel is likely to rise.

If consumers had to choose between getting promotions just from advertisers or just from mobile network operators, brands win by a substantial margin. Network operators do appear to be leaving a promotional gap with their customers - at best, only half have sent their subscribers an offer in the last month (France) falling to nearly one in five in the UK and USA. Despite issues around permissions, this looks like a major opportunity for mobile operators.

This gap may result from a lack of affinity with the network brand shown by German and French consumers, with up to half not interested in getting any form of promotional benefit from their network operator. British and American consumers prefer soft benefits, but around a quarter also resist any type of reward.

The risk created by this promotional gap and low level of loyalty is clear in the fact that half of all consumers say they would welcome an offer from a rival mobile network. There is also a wide level of misunderstanding about the perceived cost of receiving offers, with around half of consumers believing they either pay to get offers or not sure whether they do or not. Advertisers and networks both have a task ahead in building better understanding and receptiveness to promotional marketing in this channel.

2.2 How Do You Prefer to Receive Offers on Your Mobile?



Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Mobile consumers in the UK and the USA have a different set of promotional preferences to their peers in Germany and France. In these European countries, text is the dominant means through which consumers want to receive promotions on their handset. Text is also the most preferred method in English-speaking countries, but to a notably lesser extent.

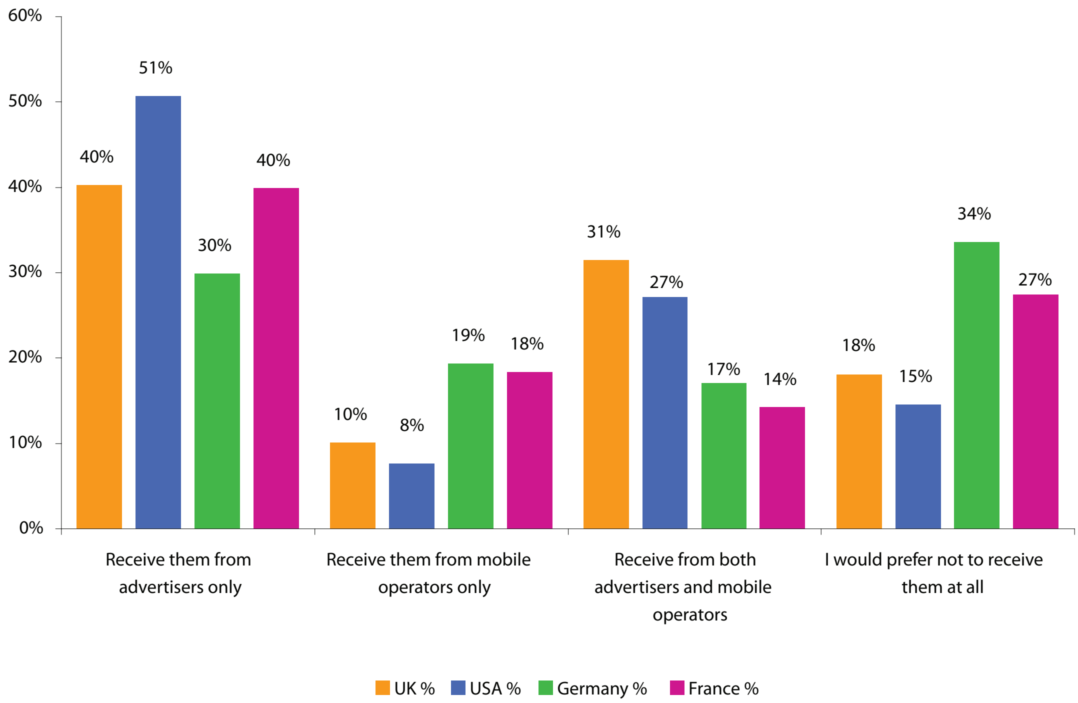
Mobile Web delivery is popular with around one in four consumers overall - France has the highest level of acceptance for email or micro-site based delivery and the UK the lowest. QR codes seem likely to continue to drive preference for this method upwards in all markets.

French consumers are also twice as favourable towards voice-based promotional messages on their mobile as those in other countries. This may be a reflection of the offer mechanisms that have been in use there which have embedded this method.

Mobile apps have already established themselves among one in ten consumers as a preferred way to get offers. This seems likely to increase as more brands bring offer-based apps to market.

Consumers in the UK and the USA may not yet have realised the benefits they can gain from mobile promotions or may not have received appropriate marketing messages that encourage them to opt in. As a result, they are less open to getting offers on their handset than consumers in Germany and France. There, the level of negative preference is similar to that for promotional marketing in general - this seems likely to become the typical level of non-permissioned consumers in all markets.

2.3 Who Would You Prefer to Receive These Offers From?



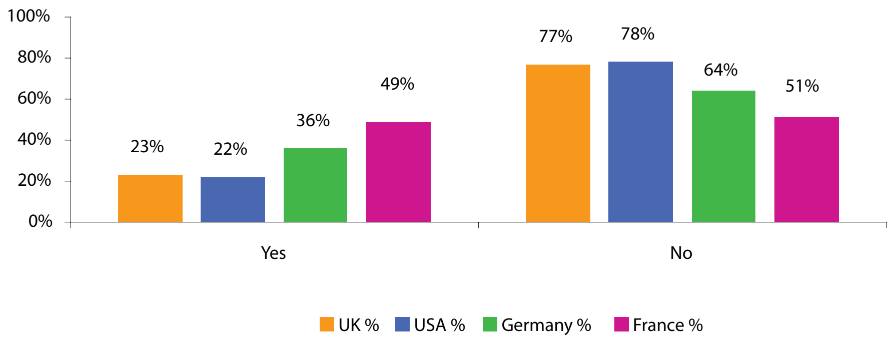
Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Advertisers have a significant advantage over mobile operators when it comes to making offers - consumers in the USA are nearly seven times more likely to want mobile promotions from brands rather than from their network operator. In the UK, this preference rate is 4:1 and in France just over 2:1. Even in Germany, 1.5 times more consumers would accept offers from advertisers only than just offers from their network.

Even if both sources are offered, twice as many Americans would choose advertiser-only promotions, as would a similar proportion of German consumers. In France, the level of preference is three times higher, but in the UK, only one third more consumers would want just advertiser offers, rather than getting promotions from both brands and networks.

Resistance to promotions in general is much higher in the mobile channel than for promotional marketing. In the UK and the USA, three times as many consumers do not want any offers on their mobile as said they do not want to get promotions broadly. In Germany, 50 per cent more consumers are resistant to mobile offers, although in France the difference is less marked.

2.4 Have You Received Offers From Your Mobile Operator in the Last Month?

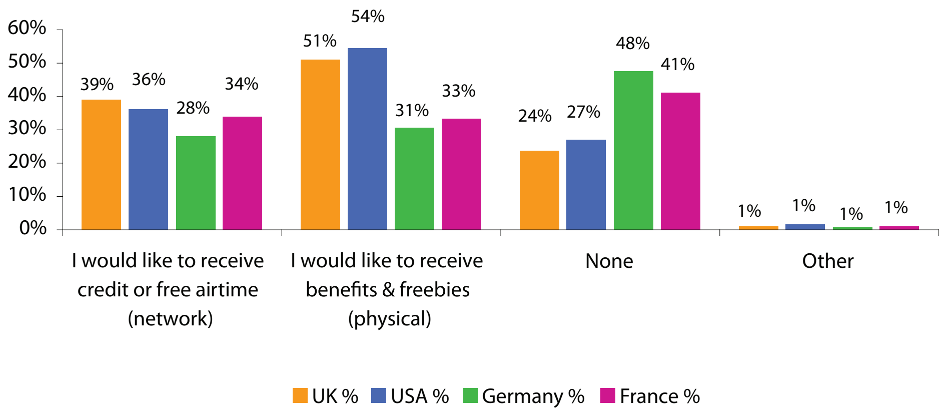


Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Extending and deepening relationships with subscribers is an important goal for mobile network marketers. Promotions can be a valuable way to achieve this, by making users aware of existing services and additional offers. Yet at best, just half of networks are making such offers in France, falling to only one in five in the USA.

Permissions may explain this promotional gap, since network operators can only send service-based messages in Europe without a specific opt-in to marketing. The same is not true in the United States, yet three quarters of consumers have not had an offer from their network in the last month. This looks like a significant promotional gap which could deliver real benefits to operators if it was filled.

2.5 Preferred Benefits from Redeeming Mobile Operator Offers



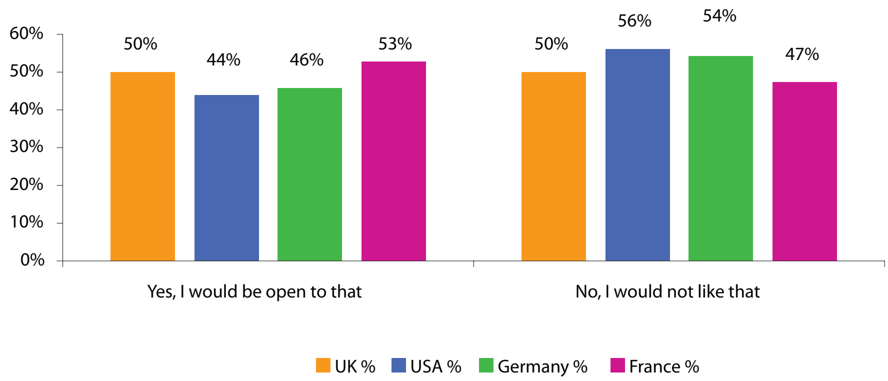
Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Mobile consumers in the UK and the USA are different to those in Germany and France. They have a stronger interest in physical benefits from promotional offers, rather than financial ones (although these are still very important). With half of consumers saying they prefer to get benefits and freebies, this is good news for networks that have been focusing on creating emotional affinity with their brand, rather than just concentrating on rewards.

In Germany and France, there is no real difference between preferred types of promotion - consumers are as likely to be swayed by getting extra minutes as they are by having VIP access to a service or event. One implication is that there is less brand affinity in these countries than is found in the UK and USA.

Evidence for this is clear in the very high level of resistance to getting benefits from mobile network operators. Half of Germans and four out of ten French consumers do not want any promotional benefit, suggesting they are a long way from having a deep relationship with their network. Even in the UK and USA, one quarter of consumers express a similar resistance.

2.6 Would You Be Open to Offers from Another Mobile Network?

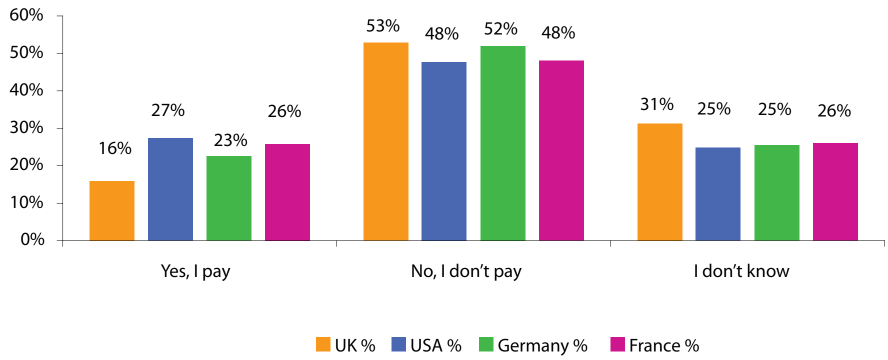


Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

If resistance to receiving offers in the mobile channel is bad news for promotional marketers, there is worse news for customer retention teams - around half of all consumers would be open to getting offers from a rival network. That indicates both a lower level of loyalty to the existing provider than might have been expected and perhaps a higher degree of price sensitivity.

In the UK, exactly half of the subscriber base is in play, only exceeded by France, where a small majority of consumers would welcome a pitch from an alternative network operator. In both the United States and Germany, the majority of consumers are not open to rival offers, yet a substantial minority say they are biddable. The promotional gap identified (with networks failing to make offers to their own customers) looks to be creating a significant risk of attrition and defection.

2.7 Do You Think You Pay to Receive Offers on Your Phone?



Source: Promoting to the Mobile Consumer Report *1100 consumer respondents per country; Sept.2011*

Concerns that promotional offers sent to a mobile phone actually cost the consumer to receive may be at the root of the resistance to promotional marketing. Nearly half of consumers are clear that this is not the case, with a majority in the UK and Germany knowing that they do not pay for inbound messages. In the USA and France, nearly half of consumers also understand that getting promotions does not cost them anything.

Yet as many as one quarter of consumers in the USA and France, one in five in Germany and one in seven in the UK believe the offers they get are charged to their airtime account. On top of that, one quarter in the USA, Germany and France are not sure, rising to three out of ten British consumers who simply do not know if promotional marketing is received at their own cost.

Given the importance of mobile handsets in the life of the consumer and the growing value of the mobile consumer to brands, it is clearly important that both advertisers and networks help individuals to understand how this channel works. Offering a benefit to a consumer will only influence their behaviour if they acknowledge that it is not done at an extra cost to themselves.

Methodology

This study aimed to understand what kind of discounts and promotions do consumers prefer to receive, whom do they prefer to receive them from and how receptive they are to receiving and redeeming these promotions on their mobile phones.

The survey was conducted using an online tool – 'Toluna QuickSurveys' which surveyed 1100 individuals each from the U.K., U.S.A, France and Germany. Toluna has developed a unique community model that uses Web 2.0 technologies to increase panellist-engagement, responsiveness, profiling depth and reliability.

Participants of Toluna QuickSurveys are all fully registered members of the Toluna panel community. As respondents, they are subject to periodic profile updates and quality controls.

Toluna uses an exclusive survey algorithm to manage Toluna QuickSurveys, one that takes into account sample size and respondent information. Only members who are 18 years old or above can vote. Toluna's respondents represent a diverse selection of profiles, based on gender, age, region, education, occupation and more. All the results are weighted based on census data of each country across the demographic profiles of gender, age, region etc. This was done by using the Nationally Representative feature ('Ask the Nation!') available on the online tool.

13 questions were prepared and approved by Velti and the DMA. The survey was built and launched online between 1st and 7th September 2011.

About the DMA

The Direct Marketing Association (DMA) is Europe's largest professional body representing the direct marketing industry. With a large in-house team of specialists offering everything from free legal advice and government lobbying on direct marketing issues to research papers and best practice, it is always at the forefront of developments in the industry.

The DMA protects the direct marketing industry and consumers. It promotes the highest standards through self-regulation and lobbies against over-regulation. The DM Code of Practice sits at the heart of everything we do – and all members are required to adhere to it. It sets out the industry's standards of ethical conduct and best practice.

Our 10 DMA Councils/Board Committees cover the whole marketing spectrum – from the digital world of social media and mobile marketing to the 'real' world channels of door drops and inserts. The Councils are made up of DMA members and regularly produce best practice and how to guides for our members.

We also have a packed calendar of conferences, workshops and discussions on the latest topics and best practice, and 80% of them are free for members and their staff.

As the industry moves on so do we, which is why we've recently launched a number of new services for our members – a VAT helpline, a Social Media Helpdesk and an IP Protection Service.

Visit www.dma.org.uk regularly to keep up to date with all our services.

About Velti

Velti is a leading global provider of mobile marketing and advertising technology and solutions that enable brands, advertising agencies, mobile operators and media to implement highly targeted, interactive and measurable campaigns by communicating with and engaging consumers via their mobile devices. The Velti platform, called Velti mGage™, allows customers to use mobile and traditional media to reach targeted consumers, engage the consumer through the mobile Internet and applications, convert them into customers and continue to actively manage the relationship through the mobile channel. Velti is a publicly held corporation based in Jersey, and trades on the NASDAQ Global Select Market under the symbol VELT. For more information, visit www.velti.com.

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