

Mobile Offers & Convenience Stores

STATE OF THE MARKET REPORT

BY KUPON MEDIA

Mobile Has Changed the Game

Let's start with the old news — mobile devices have fundamentally changed how retailers and brands communicate with consumers. Today marketers can effectively reach customers more than ever using mobile apps, social networks, text marketing, email and more. But with so many options, forming and executing the right mobile strategy is often easier said than done.

At Koupon Media we believe that mobile offers are the best way for a retailer or brand to engage customers on a mobile device. Don't take our word for it — recent studies by Responsys and Toluna proved it, both finding that offers are the top reason a customer downloads a retailer or brand's mobile app. Koupon's mission is to provide technology and services that help brands and retailers deliver targeted offers that grow sales.



On average, offers delivered using Koupon Media increase a product's unit sales by 12%.

Kum & Go Case Study, Page 10

About This Report

THE OPPORTUNITY IN CONVENIENCE STORES

Last year in-store sales for convenience stores surpassed \$200 billion, making it one of the fastest growing retail segments in the US. Despite its size, the c-store industry remains largely untapped by brand sponsored coupons or digital advertising.

Over the last three years we've had the opportunity to power mobile offers for 10 of the largest convenience stores. We've proven that mobile offers help c-stores bring customers into the store and grow sales. Based on our findings, we believe mobile offers in c-stores are one of the largest opportunities for brand marketers today.

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| Part One | About mobile offers and how they are delivered on the Koupon Platform |
| Part Two | Mobile Offer insights by offer type, duration and product category |
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What is a mobile offer?

Before we begin, let's define what we mean when we say "mobile offer." We consider a mobile offer to be any discount, coupon, or promotion sent or presented to a customer on a smartphone. Mobile offers can be discovered in an app or mobile website, added to a mobile wallet, or they can be sent to a customer directly via text, email, or push notification. If it's a promotion on a phone, it's a mobile offer.

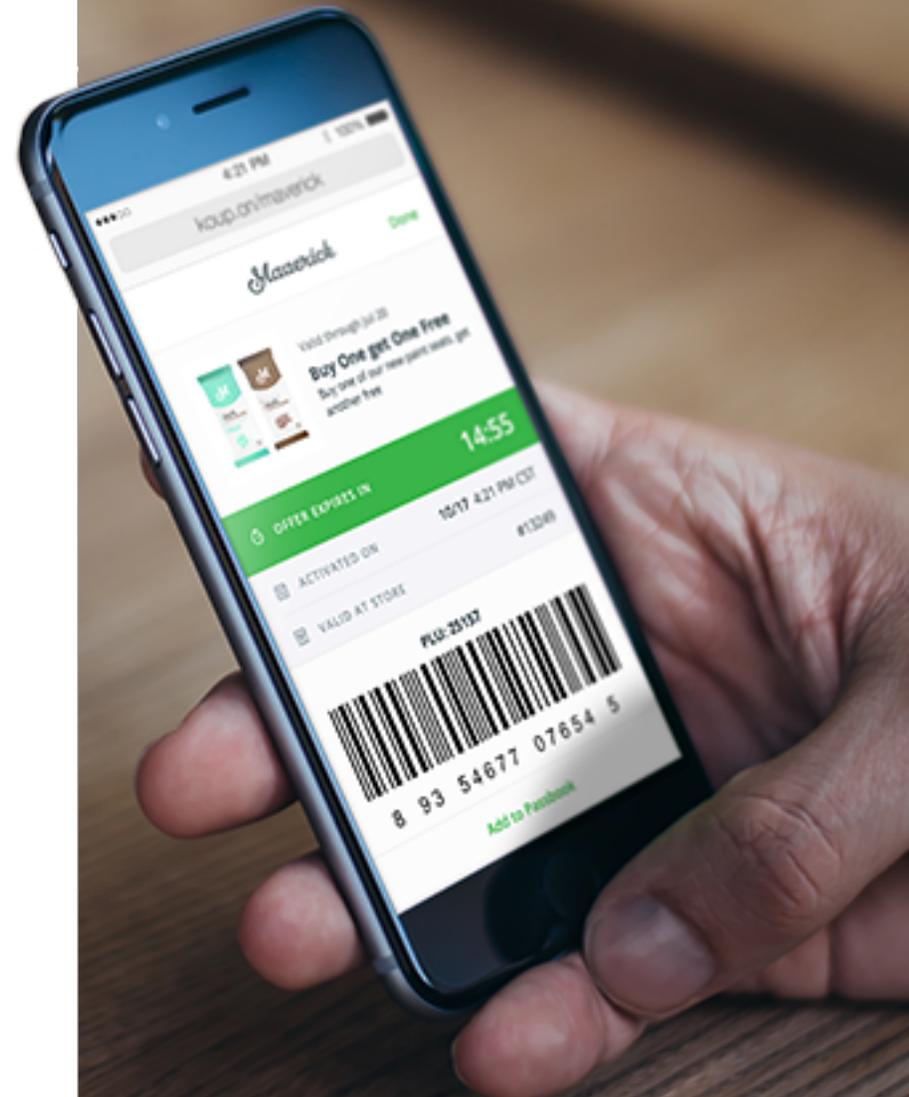
Employing a mobile offer strategy requires technology and know-how. That's where we come in. Koupon Media helps brands and retailers create and deliver mobile offers across multiple distribution channels. Koupon-powered offers use geo-location, past offer usage, and customer segmentation to ensure each offer reaches the right customer at the right time. We handle the ins and outs of offers so you don't have to.

0.47%

Avg. Traditional Paper
Coupon Redemption Rate

10%

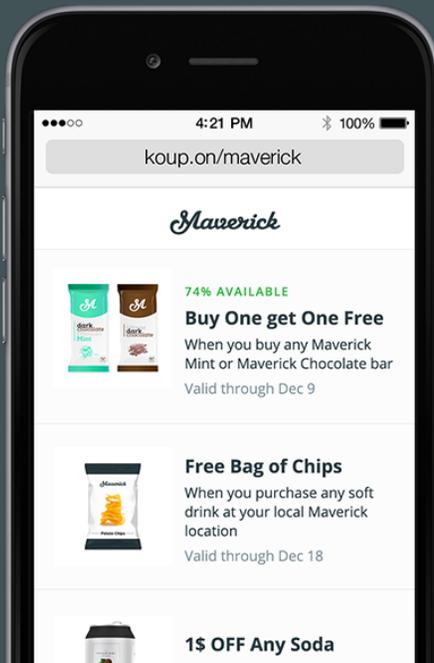
Avg. Mobile Offer Redemption
Rate on Koupon's Platform



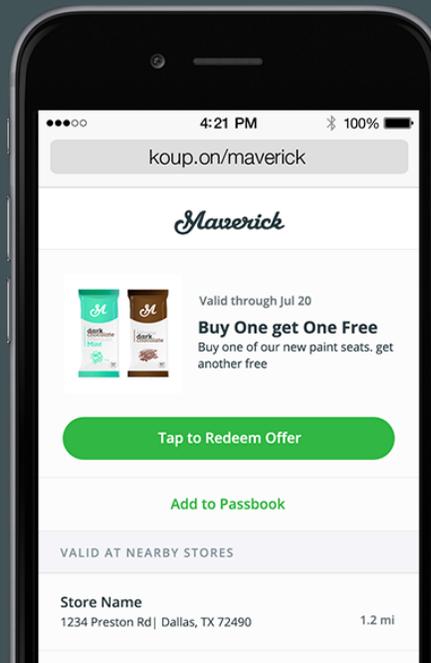
The Core Offer Experience

One of the keys to Koupon Media's high offer performance is something we call the Core Offer Experience. After years of working with retailers and brands to deliver more than 250 million offers, we've refined the practice of successfully delivering offers on a mobile device. Our platform facilitates offer delivery, display, redemption, and reporting — all built around the Core Offer Experience.

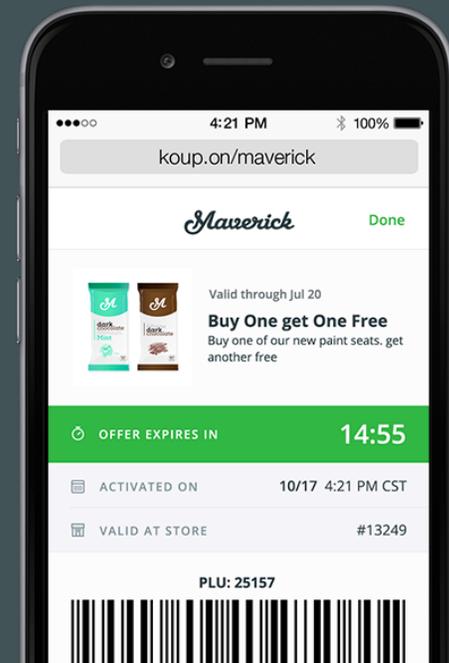
LIST



DETAILS



BARCODE



Offer Insights

OUR APPROACH

The Koupon Media data science team analyzed over **600** campaigns from six leading convenience store retailers from Fall 2013 through the end of 2014.

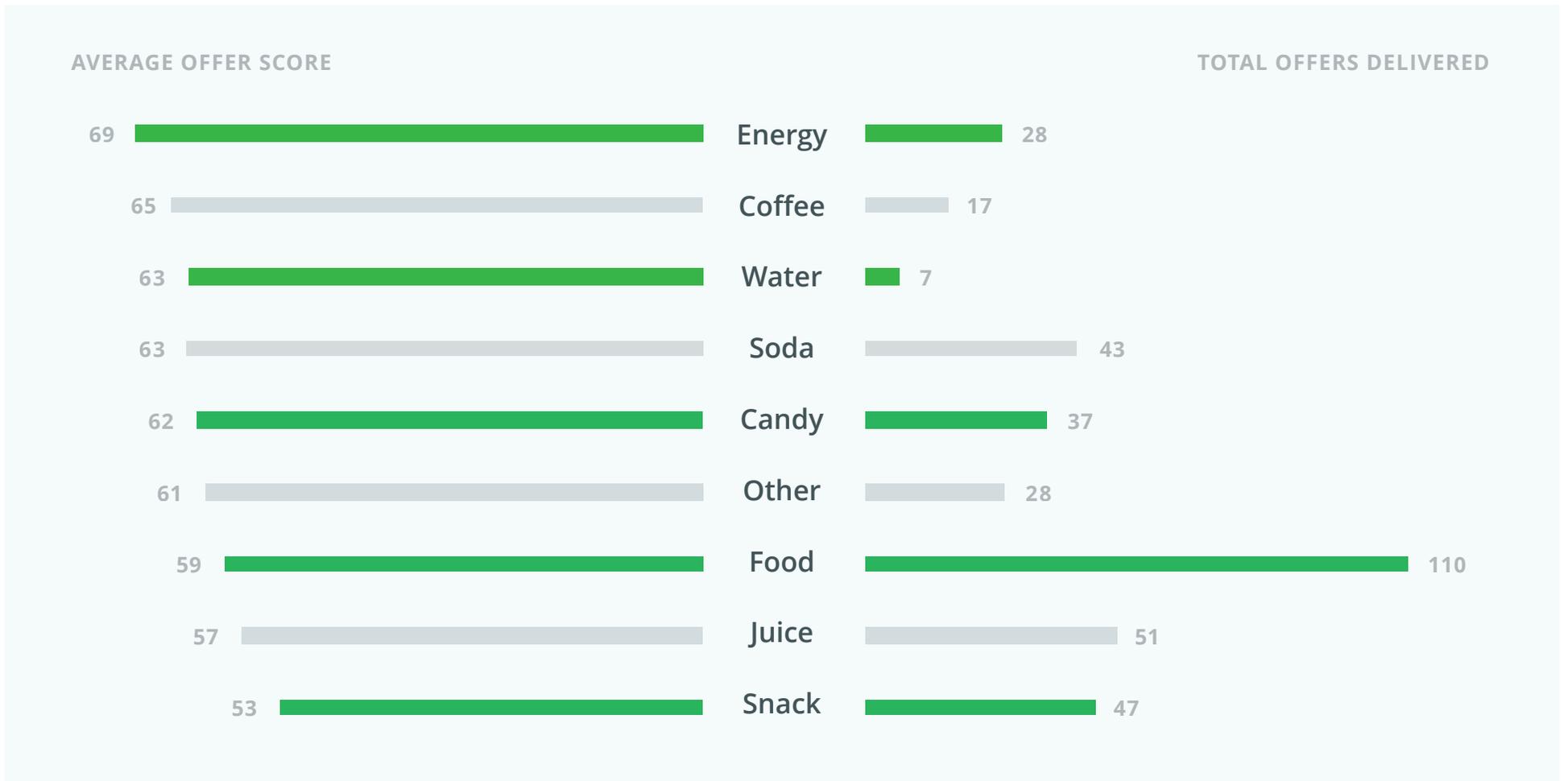
Because Koupon powered these offers, our team was able to collect rich data about how customers are receiving, interacting with and redeeming promotions in c-stores. The Koupon Offer Score was used to develop a standard measure of success, which allowed us to analyze different elements of an offer.

MEASURING OFFER SUCCESS



To measure offer performance, Koupon Media developed an algorithm that evaluated each offer campaign and assigned it a score between 1 and 100. The more successful the offer, the higher the score. The Koupon Offer Score analyzed the number of customers who viewed an offer and the percentage who clicked through to its barcode. The offer's duration, the size of the retailer, and performance against other campaigns were also used in the score.

Energy drinks, coffee, water, and soda were the highest scoring offers.



Comparing Offer Types

In addition to what product the campaign was promoting, we also looked at the offer type, or how the discount or promotion was structured. The best performing offer type wasn't surprising — customers are most receptive to offers that provide store-wide discounts. Free giveaways came in second, often used to promote new products. If an offer focused on discounting a specific product, providing dollars off was the most effective offer type.

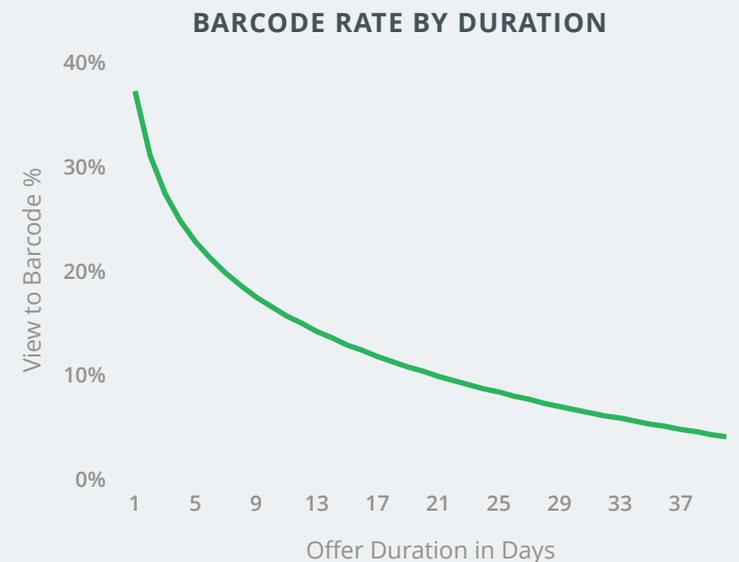
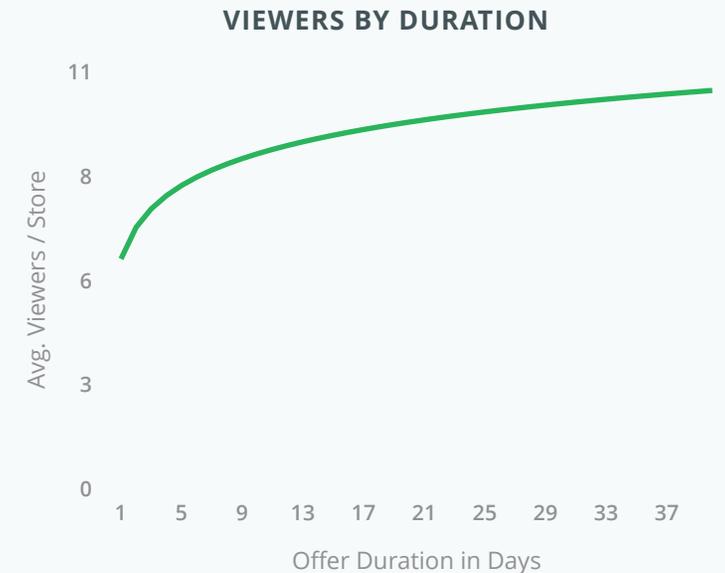


The Impact of Offer Duration

The other element our team considered was whether the offer campaign's length or duration impacted its success. To do so, we compared an offer's duration with two elements — the number of viewers (or individual customers that viewed the offer) per store and what percentage of those viewers clicked through to the offer's barcode.

We found that on average, there is much to gain by scheduling a campaign to last at least 5 days, but that after about 10 days, the incremental number of new viewers begins to stagnate. In terms of engagement the Barcode Presented rate, or the percentage of viewers that click through to an offer's barcode steadily declined with longer offers.

Our findings suggest that the optimal offer duration is **1 - 2 weeks**.



A Case Study: Mobile Offers Grow Revenue at Kum & Go

To learn more about how mobile offers can help convenience stores boost sales Koupon Media worked with Kum & Go, an Iowa-based c-store retailer with over 430 store locations. With the help of our analytics partner Swift IQ, we studied six mobile offer campaigns delivered to customers via the Kum & Go app or directly to customers via SMS. Only offers for national brands were analyzed. To measure lift, we looked at average unit sales for each product 30 days prior to an offer and then again while the offer was active. The results proved that Koupon-powered offers can help grow c-store revenue for brands and retailers.



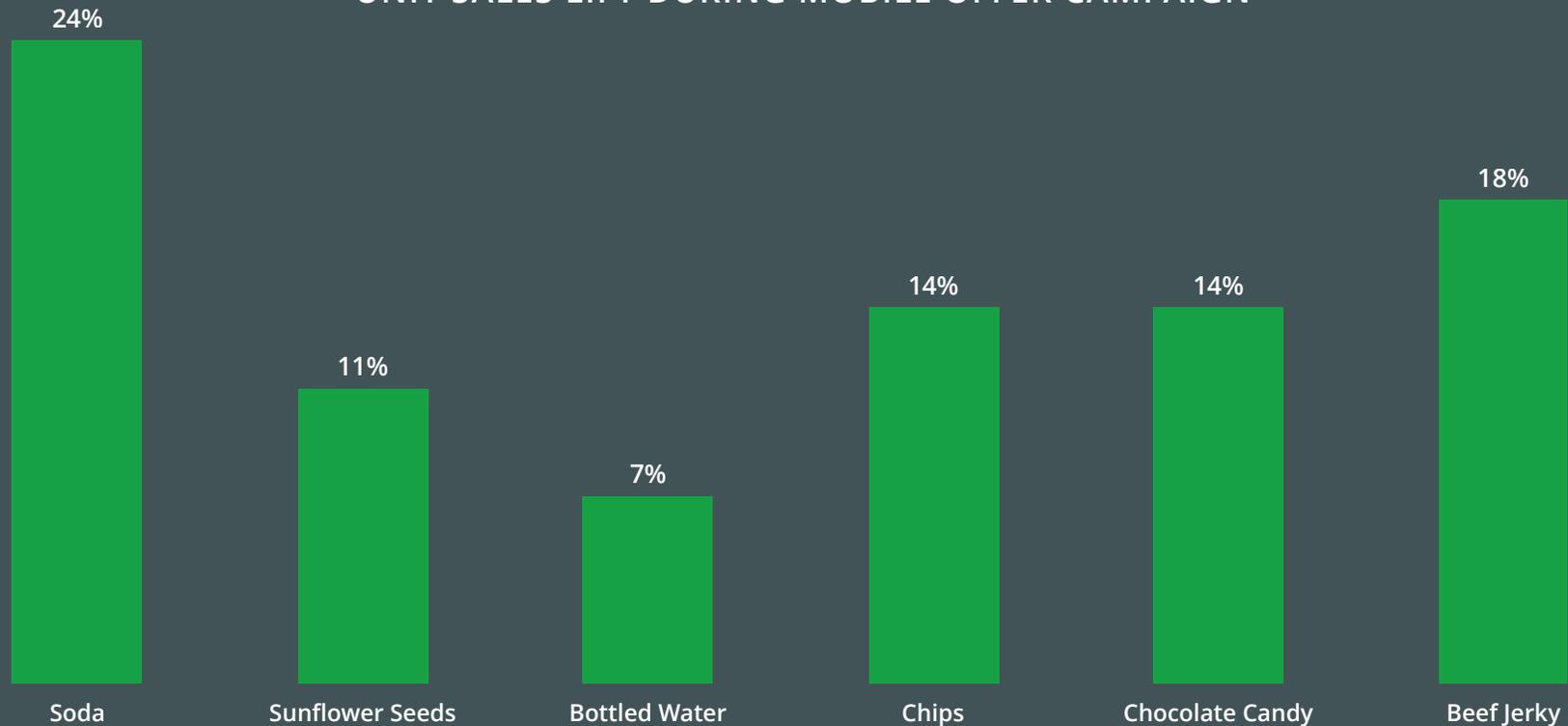
“Koupon Media has been crucial to the success of Kum & Go’s mobile marketing campaigns. You simply can’t argue with the results. Using Koupon to deliver mobile offer campaigns, Kum & Go has increased store traffic and boosted revenue.”

- Mike Templeton
Head of Digital Marketing at Kum & Go



On average, Koupon-powered offers increased product unit sales by 12%

UNIT SALES LIFT DURING MOBILE OFFER CAMPAIGN



As c-store retailers increasingly focus on loyalty and mobile payment technologies, mobile offers will take center stage. We're keeping an eye on the following trends.

OFFERS GET SMARTER

70%

Lift in conversion when offers and advertisements are tailored based on information about a customer

Harvard Business Review

LOYALTY PROGRAMS RELY ON OFFERS

60%

Of customers are extremely likely to use mobile payments if given the right incentives such as coupons

Accenture

OFFERS AND MOBILE PAYMENTS

95%

Of customers participate in loyalty programs only to save money or receive some type of reward

Technology Advice

Mobile Offer Trends

OFFERS GET SMARTER

Say goodbye to the “same offer for everyone” approach. While some retailers are currently using basic offer targeting, we expect targeting to become more common and more advanced. To increase the performance of campaigns, marketers will target offers using past offer usage, loyalty status, transaction history, geo location, demographics, and more.

LOYALTY PROGRAMS RELY ON OFFERS

Offers and promotions are the cornerstone of loyalty programs and we don't expect this to change. As retailers continue to promote rewards and loyalty-based incentives, mobile offers will become more ingrained into the customer experience. As loyalty tracking moves from physical cards to mobile devices, expect mobile offers to become vital.

OFFERS AND MOBILE PAYMENTS

The arrival of Apple Pay is already moving mobile payments in a positive direction. Expect many retailers to experiment with store-specific payment experiences while card providers, retailers, and brands continue to debate data ownership. Throughout customers will demand what they always have — the right incentives and a positive customer experience.

About Us

Koupon Media is the industry leader in cloud-based mobile offer management. Our platform enables brands and retailers to create and deliver highly targeted mobile offers to customers across multiple distribution channels. Some of the world's largest retailers use Koupon-powered offers to grow revenue, boost mobile engagement, and gather actionable insights about customers.

More recently, Koupon Media announced the upcoming launch of the Koupon Offer Network which aims to connect brands with c-store retailers to deliver relevant offers to customers.

To learn more about the Koupon Platform or Koupon Offer Network, get in touch.



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