



2017 State of Mobile Offers

REPORT BY KUPON MEDIA

Introduction

2016 proved to be another blockbuster year not just for Koupon Media, but the mobile offer industry as a whole.

The number of US mobile offer users grew 11% to 104 million in 2016. Usage is especially skyrocketing with millennials, with almost half of the age group using more digital offers than the prior year.

Koupon's industry leading offer platform continues to see the impact of this growth. In 2016 Koupon's platform more than doubled in size reaching more than 1 billion mobile coupons delivered in its history. That's a lot of offers.

In this year's report, we'll review some of the trends in the mobile offer industry and share some of Koupon's insights and success stories from 2016.

As always, our hope is this report illustrates the ongoing success of mobile offers today and the promise they hold for the future.

— The Koupon Team

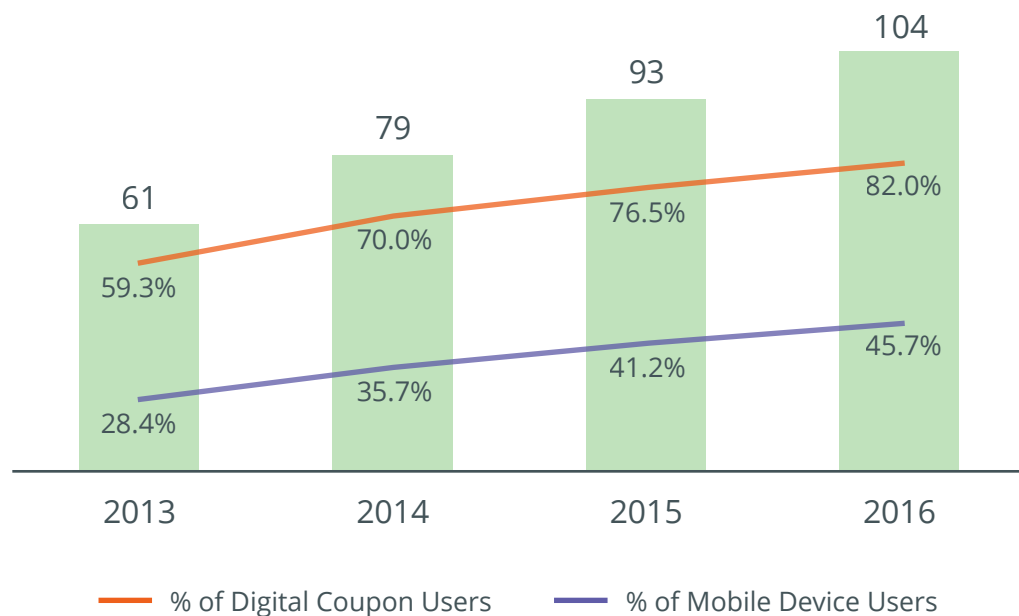
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Industry Snapshot

More customers are using mobile offers than ever before, and studies continue to reveal that shoppers not only want more mobile offers, but become better customers when they use them.

US ADULT MOBILE COUPON USERS (IN MILLIONS)¹



58%

OF CUSTOMERS VISIT A STORE AFTER RECEIVING A MOBILE OFFER²

90%

OF MILLENNIALS ACTIVELY LOOK FOR MOBILE OFFERS WHILE SHOPPING²

77%

OF CUSTOMERS SPEND MORE WHEN REDEEMING A MOBILE OFFER³

44%

OF CUSTOMERS WANT TO SEE OFFERS INCLUDED IN MOBILE WALLETS⁴

This Year's Trends

A lot is happening in the world of mobile offers. From explosive growth in usage to eye-popping results, mobile offers continue to reshape the retail marketing landscape. Here are some of the top headlines from 2016.

1

CROSS-CHANNEL DISTRIBUTION DRIVES SUCCESS

The number of digital channels used to deliver an offer has an exponential impact on its success.

2

OFFERS DRIVE AD ENGAGEMENT BY 200%

If an online ad promotes a mobile offer, it has on average 200% higher customer engagement.

3

DATA-DRIVEN MOBILE OFFER DELIVERY

Using data to strengthen offers comes into focus, with one study showing a 45% increase in redemption.

4

THE RISE OF SMALL FORMAT

Small format stores are growing faster than other retail verticals and adopting mobile offers at a rapid pace.

5

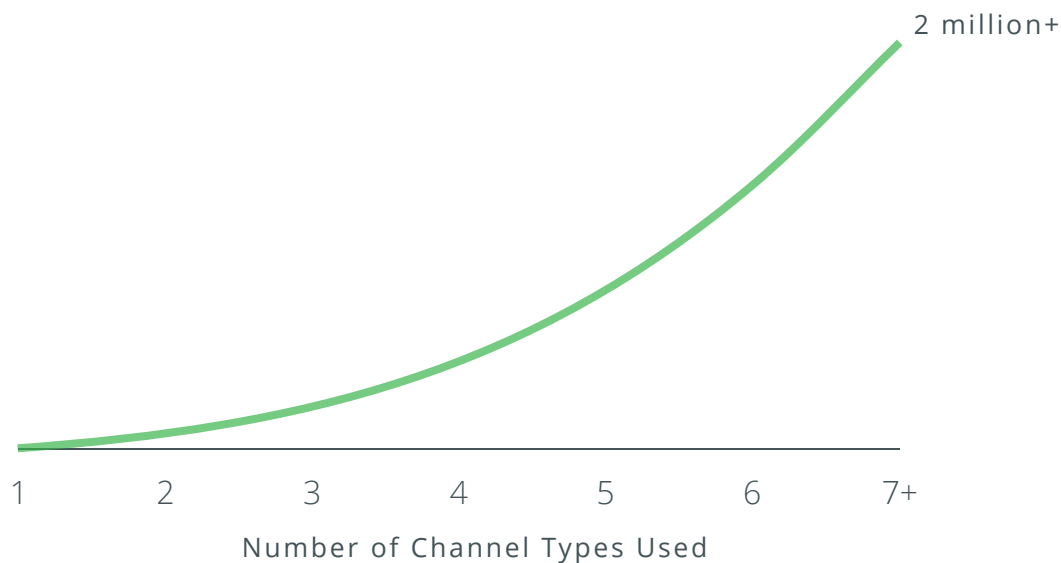
TARGETED OFFERS DELIVERED TO CONNECTED CARS

The smart car revolution is introducing an exciting new channel for delivering millions of mobile offers.

Cross-Channel Distribution Drives Offer Success

A study at Koupon found that offers delivered through multiple channels like mobile app, social, online ads and more — had an **exponential impact** on the overall reach and success of an offer campaign.

AVG. OFFER VIEWS BASED ON CHANNEL USAGE⁵



Learn more about choosing the right distribution channels in our Offer Insights section on **Page 10**.

Offers Drive Ad Engagement By 200%

Studies show that customers are more likely to engage with ads that promote a mobile offer. For advertisers, mobile offers have introduced an entirely new way to boost performance of campaigns.

See how including an offer in a digital ad campaign drove one client's click-through rate by a whopping 400% on **Page 18**.



200%

INCREASE IN CTR FOR ONLINE ADS THAT INCLUDE A MOBILE OFFER⁵



14%

INCREASE IN CLICKS ON A FACEBOOK POST THAT INCLUDES A CALL TO ACTION, LIKE AN OFFER⁶



49%

OF CUSTOMERS SAY THEY PREFER ONLINE ADS TO TAKE THEM TO A MOBILE COUPON PAGE⁷

Data-Driven Mobile Offers

Leveraging data to deliver more targeted marketing messages has always been a priority for marketers. New studies show how important this is for mobile offers too.

43%

OF ADVERTISERS SPEND MORE THAN HALF OF THEIR AD BUDGET TARGETING A SPECIFIC AUDIENCE⁸

17%

INCREASED PURCHASE LIKELIHOOD FOR CUSTOMERS THAT RECEIVE A TARGETED MARKETING MESSAGE⁹

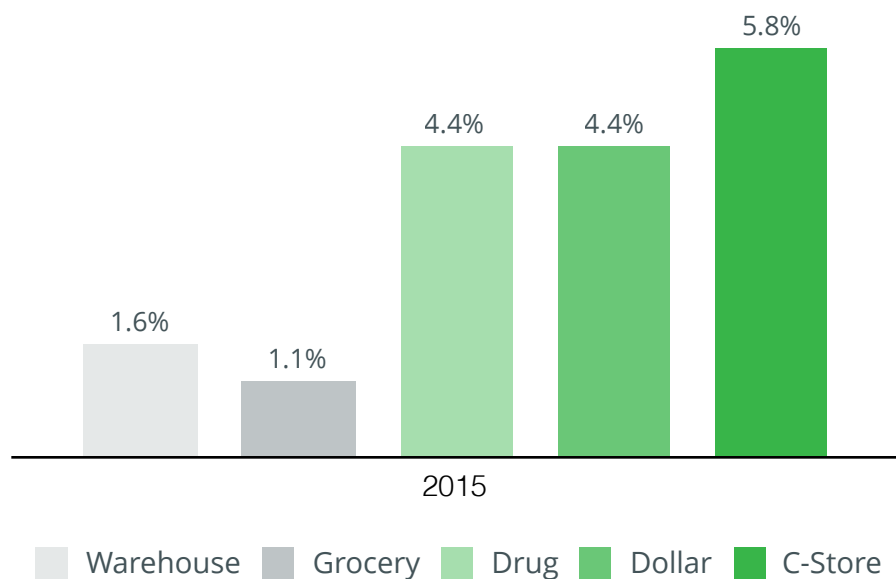
36%

INCREASE IN REDEMPTION RATE IF AN OFFER IS TARGETED TO REACH A SPECIFIC AUDIENCE⁵

The Rise of Small Format

A shift to online shopping paired with changing demographics is driving growth in small format stores. As the industry takes notice, mobile offers are emerging as the go-to solution for marketing to customers shopping in smaller stores.

2015 SALES GROWTH BY RETAIL CATEGORY¹⁰



Get more details on the growth of small format retail in this year's Special Report section on **Page 21**.

Mobile Offers, Delivered Directly to Your Car

The shift to connected and autonomous vehicles is happening. As cars get smarter, there is an emerging opportunity to deliver contextual offers to consumers on the road. With early campaigns demonstrating positive results, we expect cars to become a dominant offer distribution channel in the years to come.

Koupon's Partnership with General Motors

In 2016, Koupon Media announced a partnership with General Motors to deliver targeted mobile offer content to thousands of drivers, and early offer campaigns are already showing promise about what's to come.



75%

OF NEW CARS WILL BE EQUIPPED WITH
INTERNET CONNECTIVITY BY 2020¹¹

68 minutes

AMOUNT OF TIME ACTIVE DRIVERS
SPEND PER DAY IN THE CAR¹²

\$150 billion

SIZE OF CONNECTED CAR SERVICES
MARKET BY 2030¹³

Offer Insights

This year's offer insights focus on more than 1,600 offer campaigns launched since 2015 at convenience, dollar and drug stores.

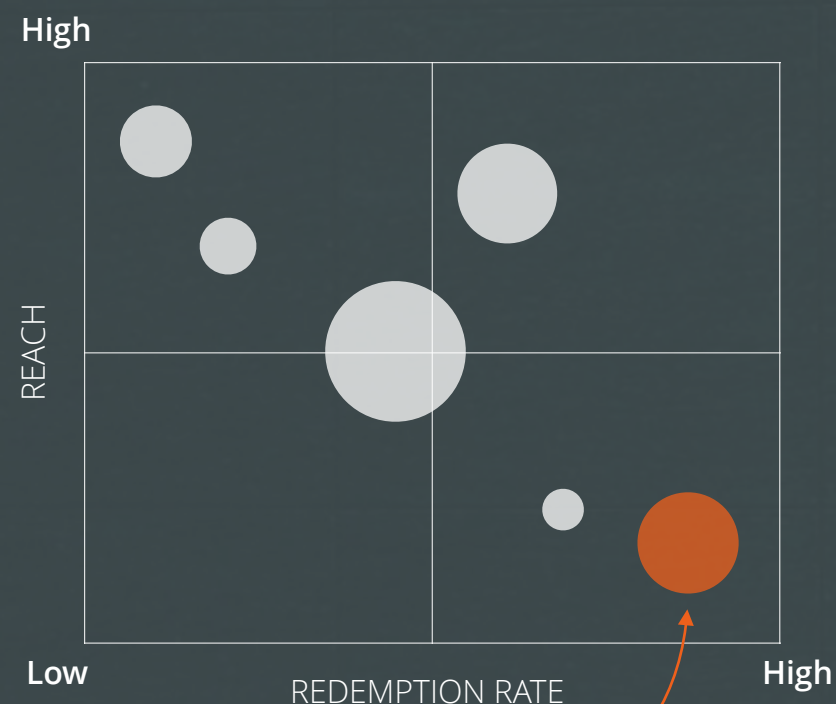
The performance of each offer was measured across two dimensions — **reach**, or the number of customers who viewed an offer; and **redemption**, the percentage of customers that redeemed the offer.

Each offer was then given a percentile ranking of its reach and redemption performance relative to its peers.

To make sense of it all, we looked at how various elements of an offer — more specifically, the offer type, distribution channel and the product the offer was discounting — impacted the performance.

Finally, using the format to the right, we plotted the various elements to visually show how they performed compared to each other.

OFFER STUDY APPROACH



For example, this circle would represent offers with a high redemption rate that were seen by a relatively small group of customers.

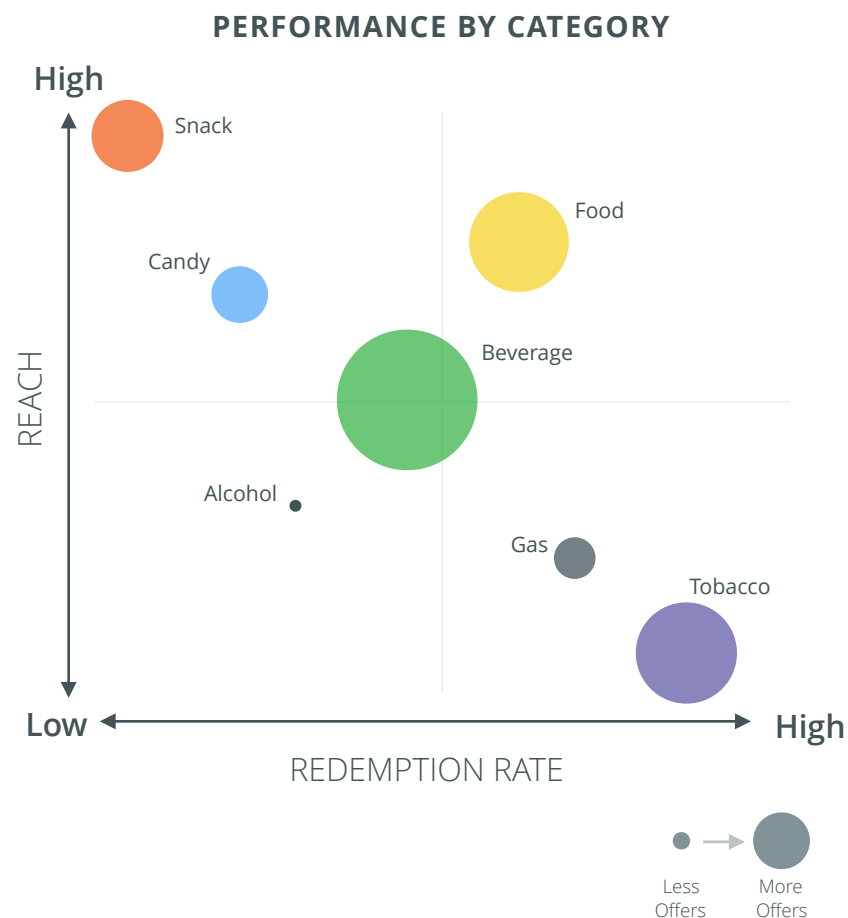
Performance By Product Category

Marketers often want to know whether their product is a good fit for a mobile offer campaign. The answer of course is that it depends. A lot can determine the success of a campaign — from the level of discount to retailer participation and overall distribution.

Aside from these factors, there are some product categories that seem to naturally outperform peers in mobile offer campaigns.

For example, offers for food and beverage products generally provide a healthy balance of reach and engagement.

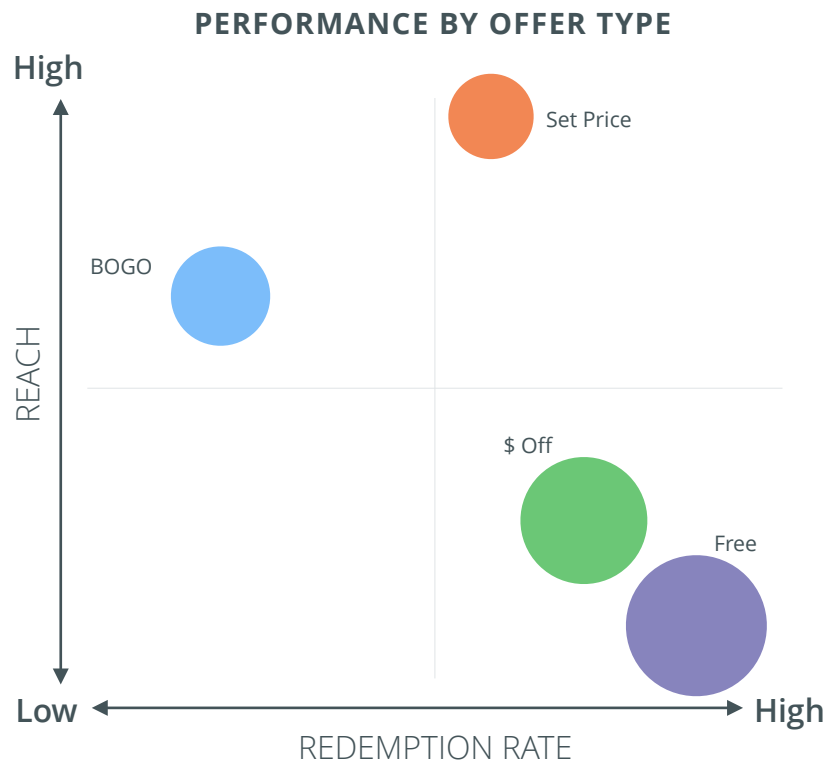
Whatever the product category, the team at Koupon uses insights like this to ensure that our clients launch the right type of campaign to meet the desired objective.



Choosing An Offer Type

The type or structure of an offer remains one of the most important aspects to launching a successful campaign.

Free campaigns continue to perform well above peers, while campaigns that require a customer to buy something first through a “buy one get one” structure have slightly less redemption rates.



Why The Low Free Reach?

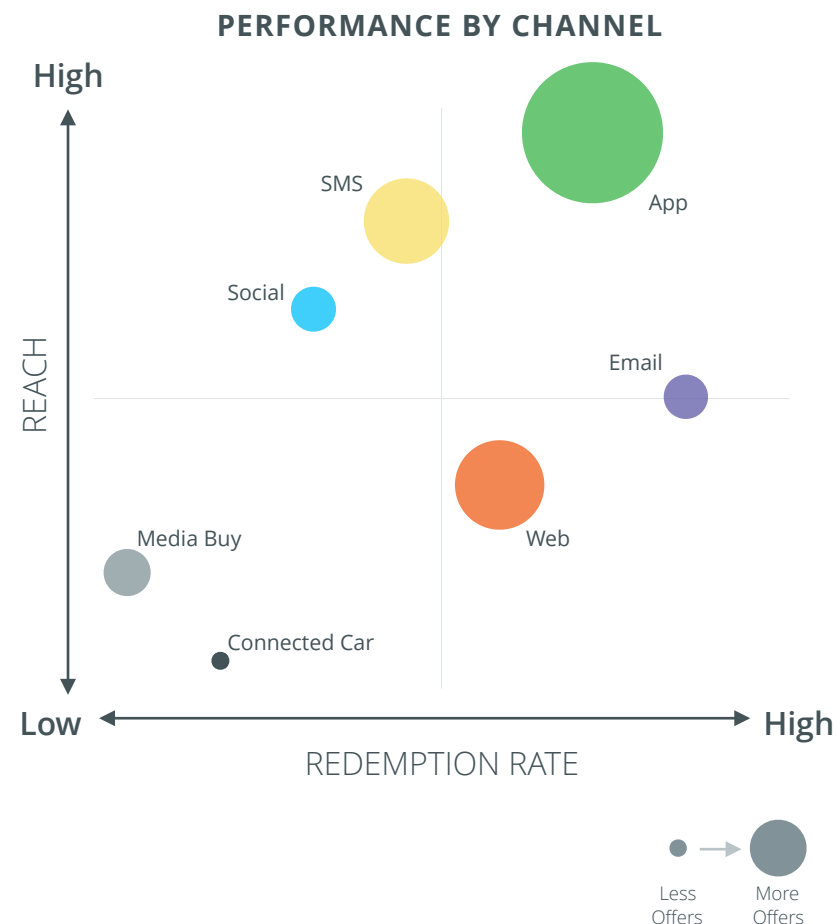
Here's another example of how nuanced campaigns can be. There were more free campaigns than any other type (see size of the circle), but free campaigns are the worst in terms of reach. Why? Most marketers make these harder to find, or only give them to customers who perform certain actions, limiting distribution.

The Importance of Cross-Channel Distribution

So you've decided on an offer for one of your products — where do you put it? This analysis shows there is a lot to consider when deciding how to distribute a campaign.

While apps provide a reliable audience for delivering offers, the combined reach of channels like SMS, social media and email commonly exceeds that of the mobile app.

In our experience, retailers that discover ways to reach customers across channels — mobile app, social, SMS, email and online media — have the most success acquiring new customers and addressing the larger portion of their user base, which ultimately makes the mobile offers program a success.



Koupon Year In Review

2016 brought a major milestone for Koupon Media. Last year, Koupon reached more than 1 billion offers delivered since Koupon's founding just six years ago. And this growth shows no signs of slowing. In 2016 alone, our platform launched more than 6,600 offer campaigns that delivered more than 700 million offers to customers. Overall, these campaigns reached more than 40 million customers and drove more than 90 million store trips.

700 million

OFFERS DELIVERED

90 million

TOTAL STORE TRIPS

40 million

CUSTOMERS REACHED

2016 Success Stories

After six years of launching thousands of campaigns to millions of customers, we've seen a lot when it comes to mobile offers.

Each year our team identifies a handful of campaigns that really changed the game.

Sometimes it's merely an offer's results that are impressive, while other campaigns took a new approach that we hadn't seen before.

This year we've highlighted five of our favorites from 2016. From shocking performance to groundbreaking technology, this year's success stories give us all something to aim for.



1

SUCCESS STORY

Retailer Drives 1.7 million Redemptions in Three Days

The Objective

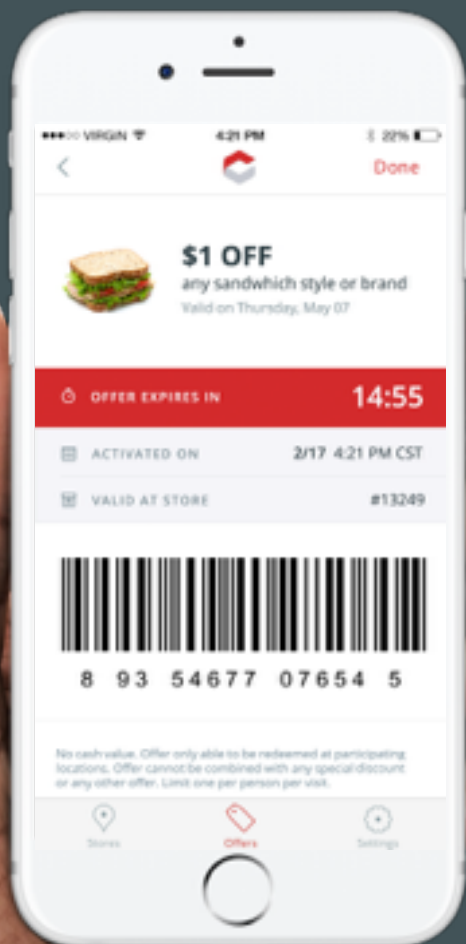
A large c-store chain wanted to boost awareness and drive trial for its new line of sandwiches, while also jumpstarting acquisition of its SMS database.

The Solution

The retailer worked with Koupon to launch a mobile offer campaign. The offer was promoted across digital channels and through in-store signage.

The Results

The campaign was a resounding success. During the three-day promotion, the retailer drove over 1.7 million redemptions, and gained 160,000 new SMS subscribers.



1.7 mil

REDEMPTIONS

160,000

NEW SMS SUBSCRIBERS

80%

REDEMPTION RATE

2

SUCCESS STORY

Candy Brand Moves 33,000 Units in One Month

The Objective

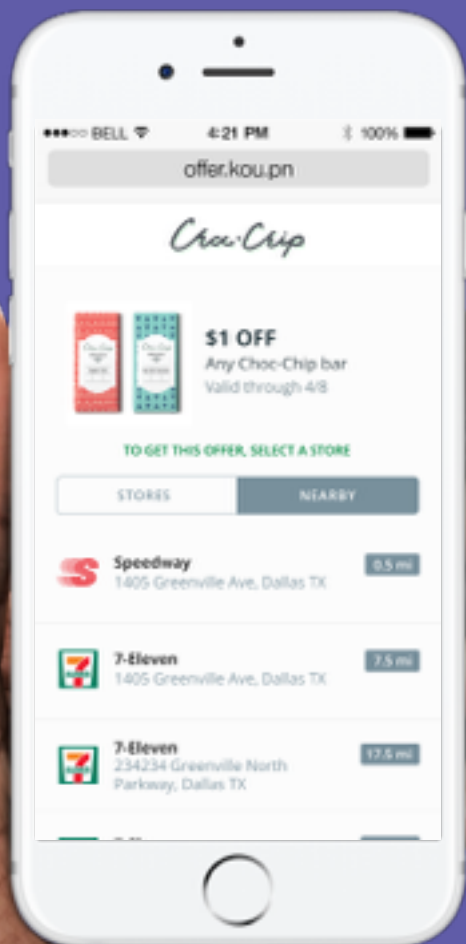
A large CPG's brand marketing team was looking for new and interesting ways to engage customers on mobile devices and to drive trial of the product.

The Solution

The brand leveraged the Koupon Offer Network to launch a campaign across retailer distribution channels, such as mobile apps, social pages and SMS and email distribution lists.

The Results

The campaign was a success, with over 15,000 retail locations participating to deliver 2.5 million offers and move an incremental 33,000 units.



2.5 mil

OFFERS DELIVERED

33,000

ADDITIONAL UNITS SOLD

15,000

PARTICIPATING STORES

3

SUCCESS STORY

Offer drives a 400% Growth in a Brand's Ad Click-Through Rate

The Objective

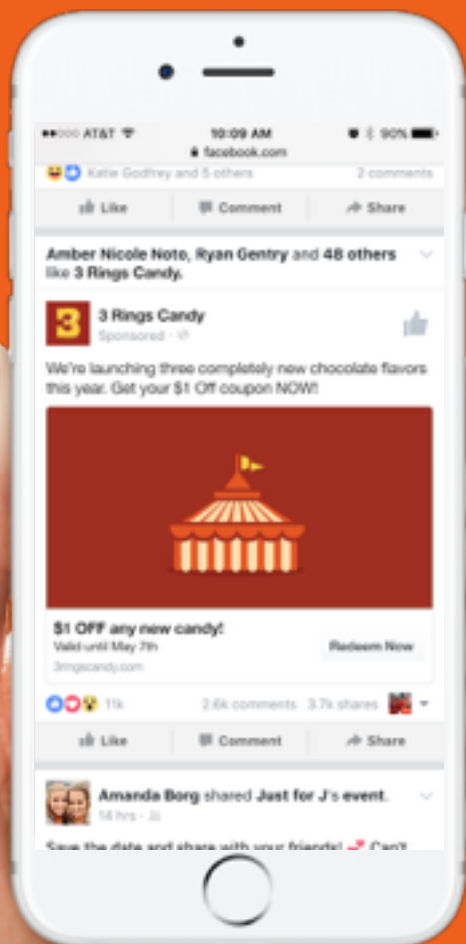
A popular candy brand was launching a national mobile offer promotion to drive brand awareness and bolster sales at small format retailers.

The Solution

Leveraging Koupon's new Redeemable Ad solution, the team launched an online ad campaign promoting the brand and a special offer redeemable in Koupon-powered retailers.

The Results

The campaign exceeded expectations, delivering thousands of redemptions, millions of impressions, and generating an ad CTR that was 4x the average of similar ad campaigns.



400%

CTR GROWTH

23 mil

AD IMPRESSIONS

4

SUCCESS STORY

Delivering Targeted Offers Increases Redemption by 36%

The Objective

A large big-box retail chain had been delivering offers using Koupon Media for years. However, campaigns had become repetitive and predictable and customer engagement wasn't growing. The marketing team decided it was time to add a personal touch to its offer content.

The Solution

The retailer launched a loyalty program that delivered targeted offers using Koupon's segmentation technology. Each customer received offers based on their interests and past purchases.

The Results

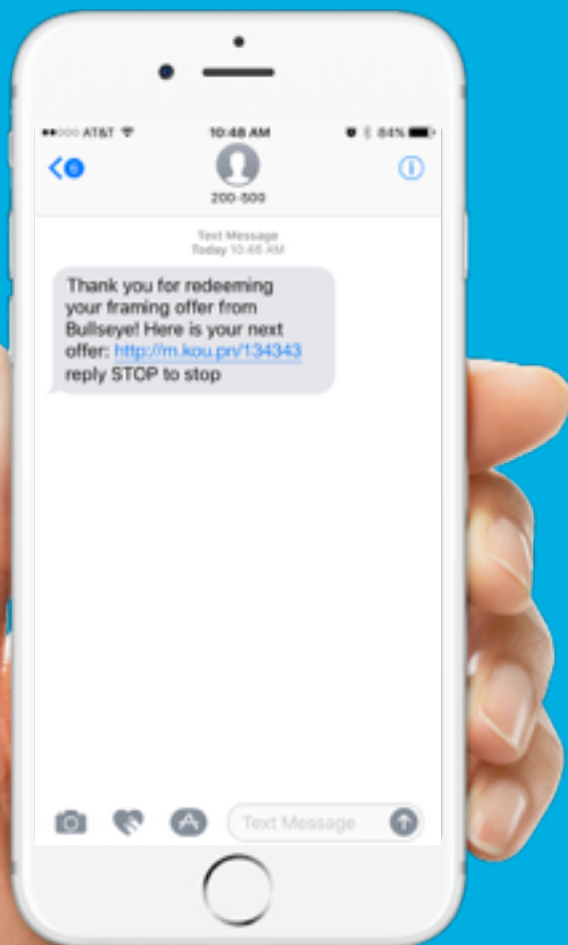
The targeting was immediately successful, delivering a 36% increase in redemption rate and a 44% increase in repeat views of retailer offers.

36%

HIGHER REDEMPTION RATE

44%

INCREASE IN REPEAT VIEWS



5

SUCCESS STORY

Beer Rebate Campaign Drives 77% Unit Sales Lift

The Objective

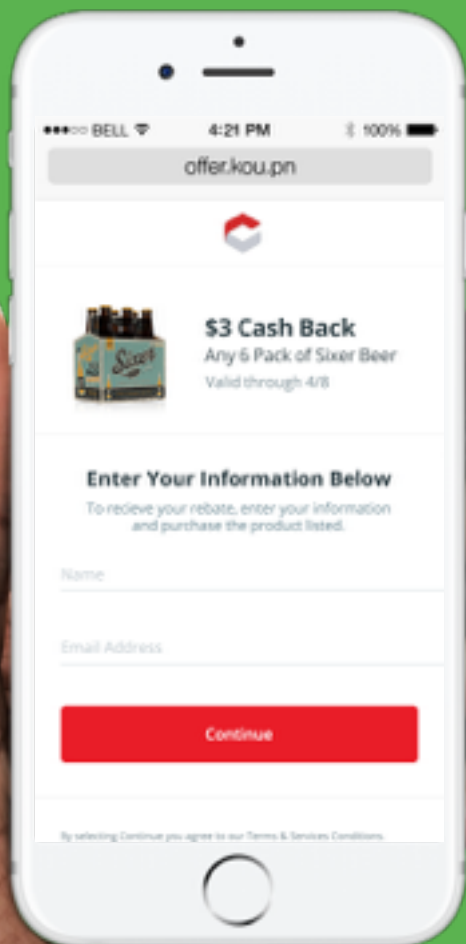
A leading beer brand was looking for new ways to drive volume of certain brands and pack sizes inside convenience stores.

The Solution

The brand worked with Koupon's rebate technology to launch a mobile rebate campaign at a national c-store retailer. The offer was promoted in stores and accessed by texting in.

The Results

The campaign worked. Customers easily used Koupon's rebate flow and sales increased by 77% over the previous period.



77%

UNIT SALES LIFT

43%

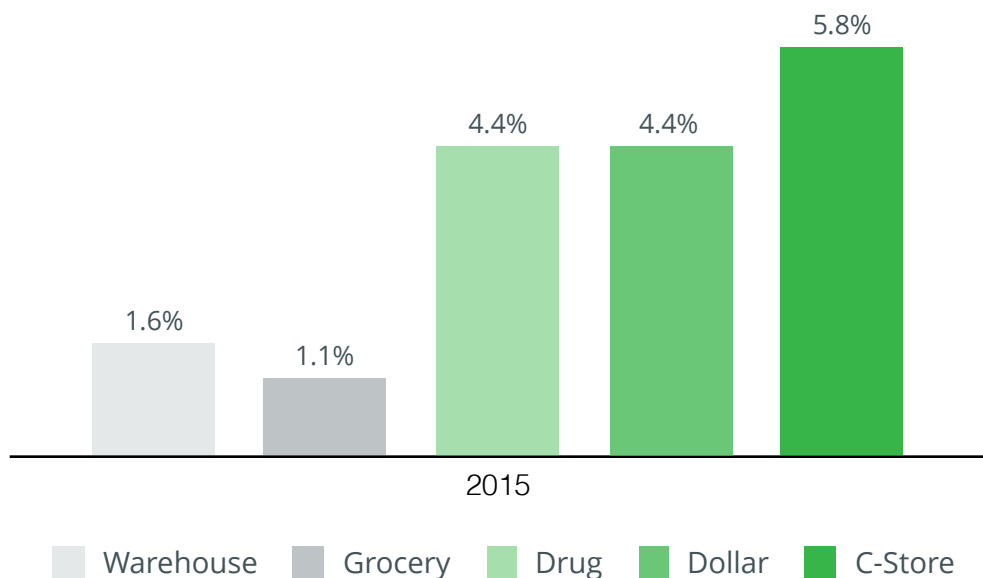
REDEMPTION RATE

40%

REPEAT USAGE

SPECIAL REPORT

The Rise of Small Format Retail

2015 SALES GROWTH BY RETAIL CATEGORY⁸

After decades of big-box expansion, the retail industry is now shifting to smaller stores. In 2015, small format retail categories — drug, dollar and convenience store — outgrew larger format stores by almost 400%. This growth is no accident. Demographic shifts paired with online shopping behavior are forcing leading retailers to think small.

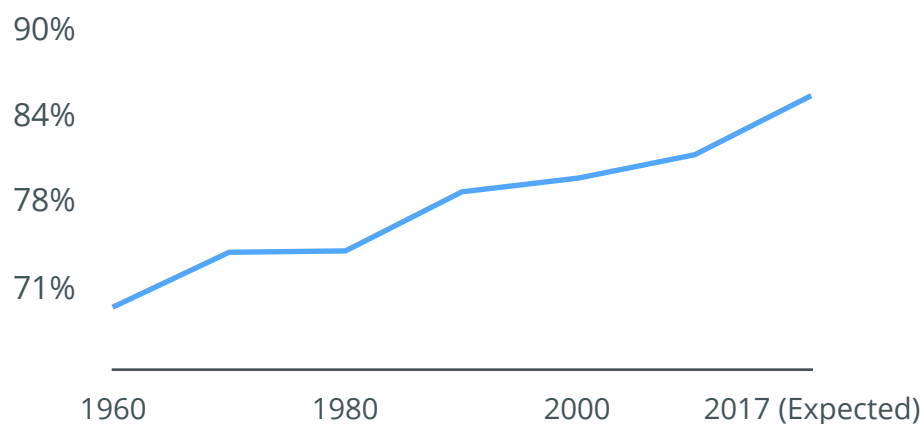
At Koupon, we've seen these trends firsthand — 29,000 of the 43,000 stores on our platform are small format, demonstrating not just an opportunity in retail, but for the mobile offer industry as a whole.

Small Format Market Drivers

Demographic Changes

With almost 85% of Americans now living in urban areas, retailers are facing limited real estate and customers that are demanding on-the-go and more convenient shopping experiences. These factors are causing many retailers to slim down store footprints.

US URBAN POPULATION AS A % OF TOTAL¹⁴



Shift to Online Shopping

By 2023, it's expected that up to 18% of grocery spending will occur online. As more customers complete stock-up and routine shopping trips online, physical stores will focus more on immediate consumption purchases, establishing small stores as the key format for brick and mortar retail.

PROJECTED % OF GROCERY SPENDING ONLINE¹⁵



Retailers Respond to a New Paradigm

In the face of a changing environment, leading retailers are making sweeping changes to grow and in some cases, survive. In the past six months, leading retailers have taken public and deliberate steps to focus on online shopping and smaller brick and mortar stores.



In Fall 2016, Amazon announced a lowered price for its grocery delivery service which coincided with leaked plans to open over 2,000 small format stores. Later it revealed Amazon Go, a grab-n-go concept slated for early 2017 launch.



Target continues to struggle in its grocery efforts, and recently reshuffled its digital team on poor online results. In October, Target announced the opening of new small format stores aimed at meeting the needs of urban shoppers.



In what many analysts reported as a response to Amazon's growth, Walmart acquired Jet for over \$3 billion. Later it announced a resurgence of its small format strategy with a new Walmart Pickup & Fuel store concept.



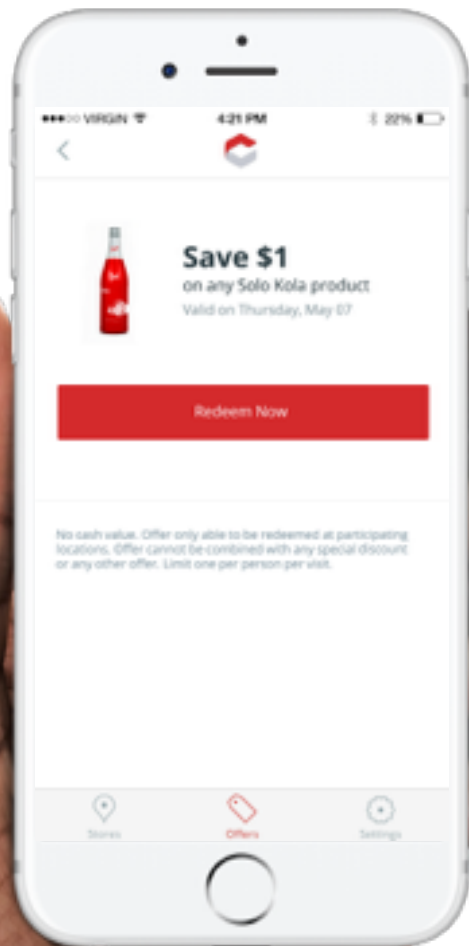
After acquiring almost a thousand of Walmart's small format experiment stores, Dollar General announced the early 2017 launch of DGX, a DG branded c-store concept focusing on fuel and immediate consumption items.



Kroger spent 2016 expanding its Main & Vine small format concept which focuses on convenience and fresh foods. To compete in the online grocery space, Kroger also announced its Click & Collect pickup service.



After rising concerns about its pricing, Whole Foods launched 365, a new format that promises lower prices and more convenient shopping. These new stores are about one third smaller and carry about a quarter of the merchandise of Whole Foods stores.



Mobile Offers Meet the Small Format Opportunity

As retail stores get smaller, marketers are being forced to explore new ways to reach and market products to customers. With an emphasis on convenience and immediate consumption we're finding small format stores, and CPGs that sell products within them, are turning to mobile offers as a crucial marketing tool. Here's why.

Online to Offline

As brick and mortar chains shift value structure to immediate consumption purchases, mobile offers provide an excellent way to reach customers online and drive them into a store for trial, awareness, and immediate use.

Instant Use

Let's face it, no one visiting a small format is looking for a time intensive experience. Mobile offers provide a marketing vehicle that makes it easy to discover, activate and redeem offers in seconds.

Offer Targeting

Marketers have just a few moments to engage an on-the-go customer. Luckily, mobile offers make it easy to tailor offers in real time to customers based on past purchases, location or time of day.

Our Predictions

2016 was a pivotal year for the mobile offer industry, but we're already looking to 2017 and beyond. Each year we make a few predictions about what's to come. We continue to be optimistic about the future. Here's what we think is in store for this year.

Small Format's Big Moment

As outlined in this year's Special Report section, we believe the small format retail trend is just beginning. In 2017, we predict that small format store growth will continue to **outpace** other formats, with Amazon opening physical stores at a faster rate than expected.

Leveraging the Connected Car

As manufacturers include more connected services in cars, marketers have the opportunity to reach customers on the road and take mobile offer campaigns to a new level. Koupon expects the industry will deliver **3x** more connected car campaigns in 2017 than last year.

Mobile Rebates

More CPG brands are demonstrating strong interest in launching mobile rebate campaigns. The ability to launch promotions quickly, combined with an opportunity to collect customer contact and purchase data are certain to drive more mobile rebate usage in the coming years. We predict the number of rebate campaigns will grow by **400%** in 2017.

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