

Consumer Willingness to Use Digital Coupons: A Case of Karachi Market in Pakistan

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Abstract

The coupon concept since its emergency in 1887 in US as marketing tool has gained lot of popularity in US market and emerged as effective marketing tool in South Asian Market. Unlike Indian and US Markets, the uptake of coupons has been very slow in Pakistan. This study aimed to check consumer willingness to use mobile coupons in Pakistan revealed that the interest and usage of mobile applications is growing with each day. People are willing to convert from traditional to digital platforms, similar to what we have noticed in the secondary research. Hi-Tec HHD devices are expanding throughout along with the usage. This research showed that the people are fond of downloading free mobile apps, which are mainly social, and gaming apps and a very small portion of the audience downloads paid apps (high-end market). It has been analyzed that the 50% of the audience would like to download a paid coupons app, which offers buy one get one free but there is a small portion of the population who is willing to spend Rs.4500 on purchasing the coupons book like Vouch365. There is a great potential for a business in Pakistan for the companies like Entertain Asia to penetrate in to the market.

Keywords: *digital coupons, marketing device, marketing tool, mobile apps, mobile coupon*

INTRODUCTION

Asa Chandler, then owner of Coca-Cola 1887, created a new marketing device, which he named after the French word 'couper', which translates to 'to cut', and hence creating the first 'coupon' which could be clipped from the daily newspaper and presented at the store to avail discounts (Coupon Sherpa, a US based digital and print based coupon site). The invention of the internet in the 1990s changed the scope of the traditional physical coupons with the arrival of the digital age. By 1997, 83% Americans were active coupon users, saving around \$2.9 billion by redeeming \$4.8 billion in coupons. Online coupons have since then ridden the wave of digital marketing as usage increased by 236% during 2008 and 2009 in the USA alone. The digital coupon market in India is bound to head the U.S. market way, where according to eMarketer, 92.5 million people redeemed a digital coupon in 2012 and the number of mobile coupon users rose from 12.3 million in 2010 to 53.2 million in 2014. The South Asian market according to

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iPrice, which operates in seven countries (Malaysia, Singapore, Philippines, Indonesia, Hong Kong, Vietnam and Thailand), with online search volume hitting 740,000 in 2015.

According to Juniper Research (2018), mobile coupon users will pass 1 billion by the year of 2019, driven by increased consumer engagement as retailers reach out through more mobile channels to tap into consumer loyalty online. However, unlike the international trend, the model does not seem to have the desired uptake in Pakistan; hence, the present study focused on discovering the attitude of Pakistani consumers towards online digital / mobile coupons. This study was conducted over a sample of 50 individuals, selected using a convenience and quota sample in Karachi. The focused group interview and perception survey results revealed that the attitude of consumers towards digital/mobile coupons is positive. They are more inclined to avail food discounts, and interested in medical and dental services, fitness, movies, travels, hotel accommodation keeping in view of its return on investment. 86% of people feel that discount coupons are useful and discounts coupons triggers 69.5% of the consumers to avail the services.

The present study focuses on studying what is the willingness of the Pakistani consumer to purchase a digital coupon, considering various variables such as age, gender and price. The insights derived from this will help identify which segments are most likely to engage in redemption of online coupons and how to better customize offers to attract these segments. This research can then be shared with Vouch365's business partners to create an improved understanding of the active customer profile. According to Watson, McCarthy & Rowley (2013), one of the fastest growing mobile solution companies, m-commerce trends predicted for the upcoming year include the increased conversion of the physical and online world, which means that the mobile device will become the ultimate medium where this conversion of worlds occurs. Moreover, they highlight that 85% of the time spent on mobile devices is on applications, and according to research 20-30% of a retailers mobile sales come from their applications. Hence, customer loyalty is also a key component in m-commerce applications equation. Therefore, it is believed that Vouch365 offers a unique value proposition in the m-commerce age, bringing together brands and consumers, offering increased connection and loyalty for brands and savings for consumers. Through this study, it is aimed to further close the bridge between consumers and brands by helping Vouch365 identify the level of consumer willingness to use digital coupons in Pakistan, and factors that affect this level, which include age, gender and price and how these factors can be used to better customize the value proposition offered by Vouch365.

As discovered in our meetings with the company management, compared to its international counter parts, the model does not seem to have the desired uptake in Pakistan; hence our research was focused on discovering the attitude of Pakistani consumers towards online coupons. Through analyzing the attitude of the Pakistani consumer towards online coupons with respect to variables including, age, gender and pricing we will aim to provide market insights to players of mobile coupon launching companies that will help them capture the market more effectively and customize their value offering accordingly to achieve greater success. The main objective of this study is to identify and analyze the factors affecting consumers' behavioral attitude, perception and intention towards the consumption digital coupons. It specifies how digital discount coupons affect consumers' purchase decision and determines whether demographic and socio-economic factors influence the willingness of consumers to purchase digital or mobile coupons. Furthermore, findings of this research prove to be a source of valuable information and provide potential value opportunities to the relevant companies in e-commerce industry.

This study follows a deductive approach where hypotheses are formulated beforehand based on secondary data and theories. It seeks the answers of the following questions:

- Are Consumers in Pakistan are willing to use digital coupons?
- Is there is a difference in willingness to use digital coupons with respect to gender?
- Is there is a difference in willingness to use digital coupons with respect to age?
- Is there is a difference in willingness to use digital coupons with respect to price?

The scope of this research is limited to Karachi only due to limited accessibility and time constraints. Moreover, the sample size is restricted to 50 individuals, 25 males and 25 females falling under the following age groups based on the research objectives.

Age Groups	Gender Distribution of Sample
15-20	5 Males + 5 Females = 10
21-25	5 Males + 5 Females = 10
26-30	5 Males + 5 Females = 10
31-35	5 Males + 5 Females = 10
36-40	5 Males + 5 Females = 10
Total Sample	50 Individuals

Emergence of Coupons

Chandler created the coupon in 1887 as a new marketing device and his strategy was to increase the uptake of ‘tonic drink’ through offering newspaper coupons for one free glass at 5 cents was a tremendous success, as between 1894 and 1913, more than 8,500,000 free drinks had been served, and by 1895, Coca-Cola was available in every US state. The Great Depression further fueled the rise of coupons as the average American consumer became saving conscious, using coupons for grocery shopping, encouraging supermarket chains to offer coupons to increase their own customer base. By 1957, the coupon industry was already in significant boom, so significant that the Nielson Clearing House was founded to manage coupon redemption and assess how much money was owed to retailers. Other industries jumped on the bandwagon, using coupons to market everything from fast food to financial services, the focus moved to increasing reach by using direct mail, shopping receipts, and even electronic shelf coupons to encourage point-of-sales purchase.

Traditional physical coupons changed with the arrival of digital age and invention of Internet in 1990’s. Consumers could now download coupons and print them instead of clipping them from newspapers. Online coupons have since then ridden the wave of digital marketing as usage increased by 236% during 2008 and 2009 in the USA alone. Another source also estimates that as of November 2013, more than half the shoppers in North America used their smart phone to know about coupons, sales or special offers. As per industry figures, there are more than 103 million digital coupon users in the United States with the projections of 124.4 million digital coupon users in 2016. Further, with advances in m-commerce technology (such as smart mobile phones) have enabled a variety of new applications to bundle coupons based on consumer profile and make them available on customer fingertips. Emails with some form of coupons generate 14% higher unique open rate, resulting into 48 % improvement in revenue per email compared to other promotional emails as reported by Experian 2013 Q4 Email

Benchmark report (Experian Information Solutions, 2013).

Coupon Usage in the South Asian Market

While the West has been relatively quicker to adapt to changing technology and trends, being the pioneers in most technological advances, the South Asian market presents a different case. According to iprice group, the average Asian customer is not inclined to look for the 'best deals' or swap coupons for discounts; not only is the concept foreign to the average Asian customer, but they presume the vendor is undercutting them in some way hence the suspicion with regard to sales. However, despite this, coupon usage has been on the increase in the South Asian market according to iprice, which operates in seven countries (Malaysia, Singapore, Philippines, Indonesia, Hong Kong, Vietnam and Thailand), with online search volume hitting 740,000 in 2015. This changing trend can be attributed to the rise of e-commerce and m-commerce in the region, enveloping more and digital technology users in the conversion funnel.

With the rise of online shopping, many online retailers use coupons as a means of converting the shopping cart to a purchase by offering checkout discounts. As a result, the consumer has not to pay full price and save 30% or availing free shipping at checkout in minutes, promoting repeated purchases (Chen, Guo & Gondwe, 2016). Indian coupon market witnessed an impressive growth of 629 percent in 2011 the main catalyst to this growth has been the digital coupons as per a strategic white paper on digital coupon market published by Pepperwood Partners,. The Indian digital coupon market beat the U.S. market way, where as per eMarketer, 92.5 million people redeemed a digital coupon during 2012 while the mobile coupon users increased from 12.3 million in 2010 to 53.2 million in 2014. The coupon business is 13.5 per cent of the total e-commerce audience in India with the growth rate of 62.9 percent with 7.6 million unique users a month as reported by ComScore (Warikoo, 2014).

It is pertinent to mention that by 2010, there was nothing like coupons available in India for online shopping. The coupon concept and market heavily built up slowly over time. The Consumers started using coupons and liked it. Merchants noticed results from coupons and were encouraged to start offering more coupons, which provided users even more coupon choices and it keep repeating. Nowadays Restaurant coupons are a great success. "A few years ago, there was no such thing as restaurant coupons," said Sameer Parwani, CEO of CouponDunia (Das, 2015). CouponDunia is one of the largest online discount businesses in India. With international giants such as Amazon and Ebay, its business is vast, so much so that its targets revenue of \$200Million for FY 17. It also offers a unique Cash-back feature, which practically pays back consumers up to 25% of their purchase. According to Saleh (2018), "68% of consumers believe that coupons build brand awareness. 68% also state coupons generate loyalty. 60% of consumers love to receive digital coupons. 50% are more likely to visit a store if they have received one. 77% of consumers spend \$10-\$50 more than anticipated when redeeming mobile coupons, compared to 17%, who spend over \$50, 59% of consumers state that out of all the different types of promotions a retailer can employ. Digital coupons still sway them the most when it comes to influencing a purchase decision 62% of smartphone owners are extremely or very likely to use digital coupons in the future" (p.n.d).

The emails with an attachment of a coupon have greater open rate of more than 14%, while clicks rate of 34%, 27% increase in transaction completion rate as a result revenue per

Email increased by 48%. The consumer visiting the stores, 55% of them are using a smartphone to find a coupon whereas 83% of all digital coupon users will be using mobile coupons by 2015. The 39% of the shoppers while shopping in-store spend more who receive personalized coupons, promotions, or recommendations. 18% of worldwide online consumers utilize digital coupons during shopping in stores, and 65% have shown their intent to use them 49% of US smart phone users have utilized mobile coupons on their devices, as compared to 10% of tablet users. Nearly 54% of smart phone users obtain their digital coupons directly from the business offering them, followed by 31 percent at daily deal sites. Approximately 40% of smart phone users will redeem a mobile coupon at some point during 2016.

The Merchant Point of View

The usage of coupons may seem contradictory considering the Merchant's goal of maximizing the cash value of each sale; however, the truth is that the goal of merchants is to have a steady stream of customers as a reasonable profit margin. Merchants are using coupons in ways that maximize long-term profits by creating brand value, e.g. discounts on sign up and buy one get one free; all such deals encourage initial purchases and consumer evangelism and loyalty. According to Iprice Team (2015), the top three coupon search categories include Home & Garden, Fashion and Sport, Fitness & Outdoors. Merchants and consumers alike can benefit from the usage of coupons, especially during holiday seasons, special occasions, new product launches and weekends. According to Juniper Research (2018), mobile coupon users will pass 1 billion by the year 2019, driven by increased consumer engagement as retailers reach out through more mobile channels to tap into consumer loyalty online. Businesses will focus on becoming more agile as they incorporate the digital movement to better utilize online channels to change and maximize competitiveness.

Liz Gould Zito, Experian's director pointed out that digital coupon is an effective tool when customers do not buy because coupons give marketers an opportunity to implement their reactivation campaign (Experian Information Solutions, 2013). Marketers can use auto email triggers if a customer is not responding since trigger emails can entice customers back and get them through purchase funnel. Seaman (2013) defines the digital coupons as falling into three major categories including Internet Coupons, Daily Coupons, and Digital Coupons. From this perspective, Internet Coupons can be downloaded by customers, printed at home and redeemed like paper coupons. They can only be printed once. Daily Coupons redeemed via Grocery Loyalty Cards. These coupons are selected on the website and loaded to the grocery loyalty card, from which the discount is applied directly at the point of sales. The Digital Coupons are redeemed via Mobile Device: Consumers select the coupon on a website or application; these can then be scanned at a checkout counter to activate the coupon.

The advantages of digital couponing include greater access to a wider and more diverse customer base. They offer a new way to deliver discounts directly to customers where the customer has more control over usage. Digital coupons are more convenient as there is no need to physically clip or save the coupon. According to Dickinger and Kleijnen (2008), majority users of digital coupons fall in the millennial demographic, as they are active users of mobile and Internet technology. Digital coupons also offer faster reimbursement compared to paper coupons, as there are fewer misredemption. For merchants, digital coupons also provide a plethora of digital data that is updated real time, for example page views of digital coupons,

demographic of users such as income group, age, gender etc., additionally redemption data is also updated real time. Finally, they offer a more environment friendly image to the consumer, as they are paperless and hence no cost incurred, environmental or financial, in terms of shipping, printing or waste disposal.

Conducting study on “Understanding Digital Markets” Smith, Bailey, and Brynjolfsson, (2001) review evidence on to what extent are internet markets more efficient than conventional markets, concluding that the emerging digital market will dramatically change the shopping and retail experience, as they are more efficient than conventional markets, specifically with respect to price levels, menu costs and price elasticity. According to Ahmed (2014), the Experian’s director of strategic accounts and cross-channel marketing says, “Mobile is so hot right now. There’s an ability to understand the customer’s location, past transactions, propensity to buy, and create a personalized offer” (p.n.d). Furthermore, he advised the marketers to assess the requirements of customer and design campaigns in accordance to the demand.

Consumer Willingness to Use Mobile Coupons

Since the advent of mobile coupons, various studies have been conducted around the world to assess factors that determine consumer’s willingness to use mobile coupons. One of such study, conducted in Austria by Dickinger and Kleijnen (2008) found that the effort involved in redeeming m-coupons strongly affects consumers’ attitudes toward m-coupons, and fear of mobile spam influences consumers’ perceived control with regard to commercial SMS. Value seekers are more sensitive to the effort involved in redeeming m-coupons and to mobile spam than are other consumers. Their results have also suggested that firms should not overwhelm consumers with m-coupons, should consider the usability of m-coupons in deciding the right offer, and educate their consumers about how to use the m-coupons.

Another research study, conducted in USA by Im and Ha (2013), concluded that ‘Perceived risk’ and ‘subjective norm’ are particularly important for consumers with no experience of using mobile coupons. In addition, providing personal information has been identified as another barrier to the initial adoption of mobile marketing. Ajzen (1991) conducting a study in Malaysia tested the Theory of Planned Behavior in determining intention to use digital coupon among university students. In this study, Ajzen concluded that the factors ‘attitude’, ‘subjective norms’ and ‘perceived behavioral control’ influences the intention to use digital coupon among university students, and thus serves as predictors of the coupon usage.

Pakistan Case – Key Players

Vouch 365

Given the boom in the e-commerce industry in Pakistan, online shopping has emerged as a promising market that connects a new breed of buyers and sellers. The number of players in the discount coupon industry has been increasing in recent years. Research shows that within the past couple of years with USD 30 million being spent on online purchases currently portray a highly positive picture for the future and the size of Pakistan’s e-commerce market is more likely to reach over USD 600 million by 2017. Dawn, (2015) reveals that “People in developing nations, including Pakistan, are quickly catching up on their adoption of technology, especially mobile and social media use” (p.n.d). From this perspective, 53% of the Pakistani population now owns a cell phone. Although, the pace of mobile technology adopting is still much slower

compared to other countries, this is an opportunity for mobile-based electronic commerce to ride the wave of technology uptake. In this regard, with the rise of e-commerce, new ventures like Vouch365 can gain a valuable foothold in a market and set the pace for the mass shift to m-commerce, or mobile commerce.

Mobile Commerce, different from Electronic commerce focuses on the applications and services that may be accessible through Internet enabled mobile devices, including cell phones and tablets. Compared to e-commerce, m-commerce involves new technologies, services and often entirely different business models, as mobile technology compared to traditional desktop and laptops, has more accessibility and a far wider reach into our lives. Hence, Vouch365 is a prime example of what m-commerce has to offer for the Pakistani consumer; online coupons representing popular brands across 6 categories, including; Restaurants, Salons & Spas, Health & Fitness, leisure, Retail, Services and Travel (Author, 2015).

Dealtoday.pk

Dealtoday is a web-based business, which sells various physical discount coupons. Its website contains numerous discount offers of various brands. These offers change on daily basis. A customer can order any discount coupon online, which is delivered within 48 hours on Cash-on-Delivery basis. Product coupon will be exchanged with the product upon product's delivery few days later, and service coupons can be used at the brand's outlet. Coupons have a pre-specified validity date. Compared to Vouch 365, these coupons are short-term offers, with limited time validity, such as a week (DealToday.pk, 2018).

BOGO (Buy One Get One Free)

BOGO is another coupon-based business, which works in very similar way to the Vouch 365. BOGO's coupon book contains 200 buy-one-get-one-free coupons of 85 collaborating brands. The book is sold at 2000 Rupees with validity of 1 calendar year, and offers customers a total potential saving worth 400,000 Rupees. Although BOGO is very close business model to Vouch 365, it does not offer digital coupons at the moment (Bogo, 2018).

Lootlo.pk

Lootlo offers discount coupons via website and mobile app. It sells discount coupons for services, while products are sold at discounted price directly. Its website posts numerous discount offers for limited period of time, such as few days. Its mobile application also offers digital coupons with instant coupon redemption via online payment. Upon looking at the deals offered on the website, it seems that this business offers lower end brands, unlike Vouch365 which partner with premium brands (Lootlo.pk, 2018)).

The coupon concept since its emergence in 1887 in US as marketing tool gained lot of popularity in US market and emerged as effective marketing tool in South Asian Market. The Indian market has shown tremendous success in the use of coupon. With the advent of internet and on-line marketing the coupon usage has accelerated to new peak when the traditional paper coupons has been converted into digital coupons and now the use of mobile apps for these coupons has shown landmark success. Unlike Indian and US Markets, the uptake of coupons has been very slow in Pakistan. However, the research study conducted to check the consumer willingness to use mobile coupons in Pakistan revealed that the interest and usage of mobile applications is growing with each day. People are willing to convert from traditional

to digital platforms, similar to what we have noticed in the secondary research. The core reason behind this revolution is convenience. Hi Tec HHD devices are expanding throughout along with the usage.

CONCLUSION

This research showed that the people are fond of downloading free mobile apps, which are mainly social, and gaming apps and a very small portion of the audience downloads paid apps (high-end market). It has been analyzed that the 50% of the audience would like to download a paid coupons app, which offers buy one get one free but there is a small portion of the population who is willing to spend Rs.4500 on purchasing the coupons book like Vouch365. Based on the findings, it can be observed that there is a great potential for a business in Pakistan for the companies like Entertain Asia to penetrate into the market.

- By tapping in to the niche market which consists of consumers that are experimental, social, young adults, working professionals belonging to SEC B, B+ and A
- They should expand this business in to cities where people are food lovers
- The price of the product can be made more reasonable to increase acceptability
- They should also do campus drives in different schools, universities and other educational institutes to hit the relevant target audience
- They should eliminate product limitations
- The validity of one year should start from the day of purchase
- There needs to be a demo of the application where all the existing brands are revealed

The future of ecommerce trends is laid in the ability of online business to gain their foothold and establish trust in online shopping and e-commerce initiatives. There is a long way to go with just 3 per cent of the Pakistani population indulging in online shopping, several initiatives are starting with online businesses in Pakistan to reach out to their potential market, build up their credibility, and garner consumer trust. This is especially true for risk-averse shoppers. People are willing to convert from traditional to digital platforms, similar to what we have noticed in the secondary research. So on the basis of the qualitative research and the interviews of the consumers, it can be concluded that the behavior towards discounted apps is positive and aggressive more towards foods discounts; people are willing to purchase such an app keeping its return on investment in view. The research study have shown that in recent past, the Pakistan digital coupon market has expanded and a shift from small consumer base of price-conscious shoppers to a more diverse, mainstream audience has been noticed. The switch over to buying online and via mobile devices has accelerated this trend. Keeping the Pakistan's digital discount market into consideration many new players have entered this market which are underscored -Deal Today.pk, Vouch 365, 24 hours.pk, Buy One Get One free (BOGO), Lootlo.pk, Klypy Pakistan, Deals and offer.pk. The study aims to provide market insights to players of mobile coupon launching companies that will help them capture the market more effectively and customize their value offering accordingly to achieve greater success.

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