

CLOSED-LOOP ROI: THE “HOLY GRAIL” OF RETAIL MOBILE MARKETING

*As mobile marketing technology moves forward at warp speed,
marketers need to go right to the bleeding edge.*



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The Marketer's Quest

The practice of marketing has long searched for the ideal, one-to-one, marketer-customer communication channel – one that would allow two-way conversations and deliver masses of critical customer information back to the marketer. For marketers everywhere, this would be the marketing **“Holy Grail.”**

In the absence of the Grail, marketers have used many strategies over the second half of the last century in an attempt to build brand loyalty and repeat business. Leveraging broadcast in the 1960s and 70s, followed by direct mail and mass marketing in the 1980s, marketers were crafting clever messages and working long and hard to reach key audiences. Unfortunately, these methods offered little measurable return on investment, and almost no increased understanding of their customers.

“The ultimate goal is to drive more traffic, incremental sales, and create loyal customers.”

As marketing continued to evolve, the 1990s ushered in customer relationship management systems, and then in around 2000, the public acknowledged the Internet and the World Wide Web as the next genius marketing platform. More recently, communication via SMS (short message service) and tracking at POS emerged, finally giving way to Mobile Marketing 2.0.

STORMING THE CASTLE

Today's marketers are faced with ever-evolving marketing trends (the latest being Mobile Marketing 2.0), as well as a swift uptick in pace; change within technology-based marketing platforms occurs more rapidly than ever before. Where walking the path was acceptable in the past, now marketers must storm the castle.

Marketers today are expected to run cost-effective, efficient marketing programs that deliver better, faster, more measurable results. The ultimate goal is to, of course, drive more traffic, incremental sales, and create loyal customers. They are pressured to uncover the latest and greatest, and be the earliest adopters. Never has it been more true that the early bird catches the worm.



Knight in Shining Armor: Mobile Marketing

CONSUMER DEMAND

The first call ever made from a cellular phone was in 1973, but it took the public nearly 20 years to widely adopt cellular; it did not become popular until the 1990s. Today, things are different. Now it's difficult to believe that "mobile" itself has only been well known since the 1990s, when you look at how rapid, high and widespread adoption and proliferation have been.

Mobile devices are becoming omnipresent, and the associated applications along with them. Consumers across the world depend on their mobile devices more and more each day, and the trend is exponentially accelerating. Worldwide, there was an estimated 6 billion mobile subscribers at the end of 2011. That number is expected to grow and surpass 8 billion by year's end 2016. ¹

Mobile commerce in particular cannot be ignored, with, according to Gartner research firm, worldwide mobile payment transactions expecting to increase 62% this year to \$171.5 billion from \$105.9 billion in 2011. ²

Also according to the Aite Group Report, by 2015, mobile payments will account for \$214 billion in GDV, up from \$15 billion in 2010. This equates to mobile payments' GDV growing at a 68% compound annual growth rate in this time span. ³ It's clear that consumer behavior is indicating a growing demand for all things mobile.

¹ Portio Research Mobile Factbook 2012

² Gartner. Gartner Says Worldwide Mobile Payment Transaction Value to Surpass \$171.5 Billion. May 29, 2012

³ Aite Impact Report, U.S. Mobile Payments: The Time Has Come. November 2010



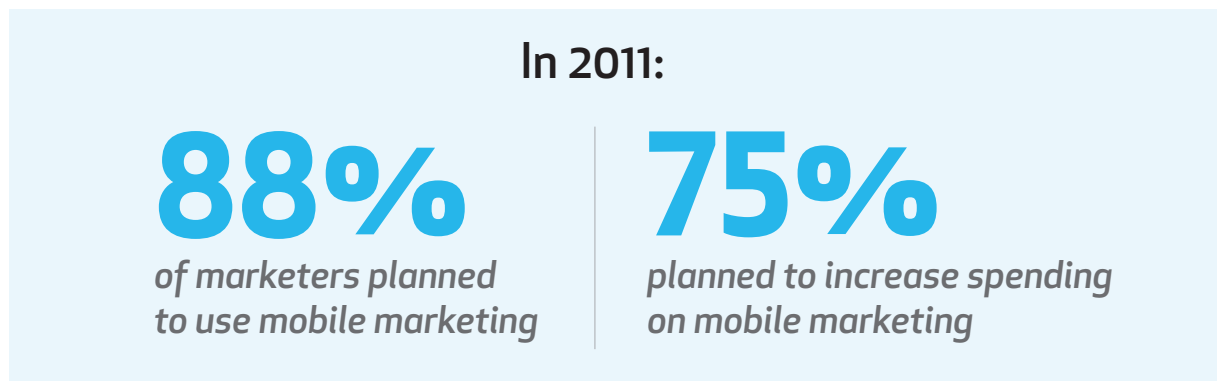
MERCHANT OPPORTUNITY

As consumers continue to use their mobile phones in every aspect of their lives, merchants and retailers have taken notice. They are now adopting mobile platforms that provide an additional channel to engage those consumers, and ultimately increase revenue and customer loyalty.

“It is evident marketers clearly see the opportunity, and are adjusting their marketing plans to include one, or more, forms of mobile marketing”

According to a recent study, 75% of client-side marketers say they will utilize mobile marketing within the next few years, and 70% plan to increase their spending on mobile marketing initiatives leading to \$2.6 billion spent on mobile in 2012 alone.⁴ It is evident marketers clearly see the opportunity, and are adjusting their marketing plans accordingly.

As mobile commerce replaces other forms of retail and e-tail – In 2011, for the first time in history, more smartphones were shipped than PCs with a margin of 73 million units⁵ – marketers are responding by adopting the newest technology.



⁴ eMarketer, *More Holdouts Plan to Begin Mobile Marketing*. June 25, 2012

⁵ Canalys, *Smart Phones Overtake Client PCs in 2011*. February 3, 2012



WHAT'S BEING USED TODAY?

According to the ANA study, more than a dozen distinct interactive mobile platforms are currently being used by marketers, with the highest adoption levels being seen among:

- **Mobile websites** – Allows customers to access the Internet from their mobile device.
- **Mobile apps** – Applications that are either pre-installed, or may be installed from an app store accessed via the Internet, on handheld devices and smartphones; they enable customers to email, text, fax, or browse the Web remotely.
- **Mobile messaging/SMS** – Allows customers and merchants to communicate via handhelds/remotely.
- **Mobile display ads** – Enables marketers to advertise on customers' handheld devices.
- **Mobile search** – Allows customers to search for merchant sites remotely/using a handheld or smartphone.
- **Location Based Services (LBS)** – ability to track individuals via GPS using their mobile handset.

Merchants are now broadly using mobile in the above categories, and, as evidenced by the high level of adoption, these have been established as today's best practices.

WHAT'S THE MOST EFFECTIVE PLATFORM?

As a whole, mobile marketing increases a retailer's levels of customer acquisition, engagement, and retention, and allows them to better measure ROI. Mobile marketing works because it allows a specific discourse between marketer and consumer; within this "conversation," messages from retailer to customer are carefully targeted, creating a greater likelihood of that customer responding.

Arguably, retailers should be employing a combination of marketing strategies, but ultimately, the mobile marketing platform that allows for the absolute most individualized, one-to-one dialogue, will be most effective, and offer the most bang for the marketing buck.



Where the Path is Leading

Since mobile commerce has become a major sales channel already, and continues to grow exponentially, marketers must get very serious about mobile marketing: it is where the path is leading, whether they take it or not. Retailers who don't add their own foot traffic to this path will be at a severe disadvantage, as consumers become more accustomed to transacting over their smart phones and expect to transact this way.

The best cutting-edge mobile marketing platforms allow marketers to have two-way conversations with customers, enabling them to build customer loyalty and retention, and carefully and accurately track ROI.

In addition to mobile commerce, a number of other Mobile 2.0 features are helping set the stage for the even further proliferation of mobile marketing. Examples include just-in-time incentives, such as coupons, harvesting campaigns, messaging promotions, RFM promotions, and day-part promotions.

Features of the best leading-edge platforms include:

- They offer the opportunity to reach more audiences. The proliferation of smart phone usage and dependence does not discriminate: it's worldwide. For marketers who implement a consistent mobile marketing system, this means reaching more customer groups that were difficult to reach via more traditional forms of marketing.
- Competitive advantage. Marketers who don't act on the market shift to mobile marketing will surely fall behind, as the trend statistics demonstrate.
- Location of the consumer is no longer an issue, resulting in ease of acquiring customers. With mobile marketing, retailers can reach customers anytime, anywhere. This translates to greater marketing reach, and efficiency in customer acquisition.
- They allow for successful use of RFM models (defined as recency, frequency and monetary spend) models, which effectively evaluate customer behaviors and define market sectors, making easier the process of targeting key customers with relevant offers.
- They build repeat and loyal customers by issuing targeted communications and offers to specific and defined demographic segments, and by including in-store redemption with integrated messaging.
- They ensure targeted marketing is relevant to consumers, promoting both initial and repeat customer engagement with the promotion (using mobile receipt messaging, for example).
- They encourage customer engagement by issuing communication before, during and after the transaction.
- They track both activity and commerce at every step in the process: harvesting, promotion, interaction (take rate or not take), redemption, and timing thereof.
- They offer the ability to reach all consumers, not just those using a specific handset or OS.
- They allow interoperability between physical and online transactions – seamless transition between the two worlds.



THE END OF THE ROAD FOR NON-CLOSED-LOOP ROI?

Most modern mobile marketing is what is termed “non-closed-loop,” meaning marketing messages are sent to the customer, but no customer data is gathered as part of the transaction. In other words, it is a one-way conversation.

While this form of mobile marketing can still be effective – it is currently being used by successful companies that include Foursquare, Shopkick, and Groupon (97% of whose featured merchants say they would use the service again) ⁹ – it lacks the ability to allow merchants to continuously refine messaging based on specific information and intelligence about their customers.

Companies such as the aforementioned are indeed succeeding from the standpoint of utilizing mobile marketing as a strategy—with the exponential growth in mobile across the board, they are surely following the trend that leads them to the primary medium consumers depend on to receive information—however, they are failing to take advantage of the next generation of such marketing, which is available in a closed-loop platform.

“Marketers are at a tremendous advantage, able not just to speak to their customers, but to hear them, thus being able to measure their marketing’s effectiveness, and consistently improve their results.”

Another example of this is in text coupons: the customer receives a coupon for a product or service the merchant wants to sell, but that merchant has no idea whether Customer A finds Offer B remotely relevant since the merchant has no statistics about the purchasing preferences of that customer. On the flip side, in a closed-loop scenario, marketers are at a tremendous advantage, able not just to speak to their customers, but to hear them, thus being able to measure their marketing's effectiveness, and consistently improve their results.

⁹ The Downside to Groupon, MSN.ca Money, by Jason Buckland, February 4, 2011



Marketing's "Holy Grail": Closed-Loop ROI Technology

The ability to measure marketing initiatives is the most challenging, yet most critical component of implementing an effective and cost-efficient marketing program; the quest for the answer has been ongoing as long as marketing has been in existence. The answer has arrived in the form of closed-loop ROI marketing technology.

THE BLEEDING EDGE – CLOSED-LOOP ROI TECHNOLOGY

There's no question that the latest marketing technology offers the best shot for marketers willing to lead the charge, but even mobile marketing has not delivered the complete system marketers have sought for so long ... until now. Enter the Grail: Closed-loop ROI technology.

Essentially, closed-loop ROI – as it marries to mobile marketing – facilitates outreach to customers on their mobile devices, and "closing the loop" by requiring that rewards are facilitated and redeemed at the point-of-sale.

Here is an example of the two-step process, at a very surface level:

- 1) The marketer reaches out to each customer via their handheld device and offers a reward in exchange for a purchase, along with a time limit to redeem;
- 2) the customer goes to the retailer, makes the purchase, and redeems the reward or offer at the retailer's point-of-sale.

Other mobile marketing solutions, such as text coupons, Foursquare, or Shopkick, do bring in more customers and increase marketing reach. However, they do not "close the loop" and, therefore, are often prone to fraud, including coupon forwarding, multiple uses, etc. Groupon and text coupons also often undervalue brands and draw price-shoppers only, rather than creating brand loyalty.



While the two elements of the process are easily understood at a base level, it's what's 'under the hood' that makes the difference. It is this engineering that makes closed-loop ROI marketing the "Holy Grail," and the only platform of its kind.

HOW IT WORKS

The platform's distinct set of key technological advantages is what makes it so effective. The features include:

- Marketing is in **real time**; the immediacy of offer-then-reward for the customer drives immediate behavior.
- The system collects unique and individual customer data by entering a code or swiping a barcode at the point-of-sale (data may include what the customer purchased, when redemption occurred, which offers were acted upon, etc.).
- Customer data collection occurs in real time.
- **ROI tracking** is built in; marketers learn what is driving sales, and what is not.
- **Tracking** tells merchants what messages the customer responds to, determining **how the retailer markets to that customer** in the future.
- The system uses its intelligence to send different offers to different customers to drive repeat behavior.
- Redemption at the point-of-sale ensures **secure transactions**; this removes a consumer sticking point.
- Integration is well engineered for ease of implementation for retailers.
- Available on any handset.
- Secure – does not risk leakage of any confidential data.
- Not hardware-dependent on a handset or POS



Who's Leading the Charge?

Mocapay Inc., is the leader in closed-loop ROI mobile marketing. Mocapay is the only mobile marketing platform that fully integrates with any retail POS without requiring that the merchant upgrade or add on hardware, or that the consumer upgrade their handset. Instead, Mocapay gives customers a one-time use authorization code to conduct point-of-sale payments from prepaid accounts using mobile handsets. In doing so, Mocapay has the ability to drive all coupons, loyalty points, gift cards or rewards offers through the purchase transaction so that true ROI can be seen.

Mocapay's closed-loop ROI systems are impressive from an integration standpoint (the platform can be live at retail in less than 30 days and POS-system installation in less than 30 minutes), as well as in terms of ROI: a recent Mocapay fast-casual restaurant pilot delivered a 24% redemption rate at the point-of-sale and a nearly \$10 average ticket.

Beyond the functionality and effectiveness of Mocapay's closed-loop ROI platform, there are several features that make it even more revolutionary:

SECURITY

Mocapay has developed a patented security process that protects all sensitive customer data through a cloud-based storage system. Essentially, a one-time use perishable code is requested and sent directly to a customer's mobile device; the customer brings the mobile device to the point-of-sale, where the code is scanned and then destroyed immediately. This built-in security system removes any trepidation – on the part of both marketer and customer – about re-use of the code, or customer data leaking, because no critical information is ever housed on the phone, unlike other hardware.

Additionally, this procedure works with any transaction: cash payment, loyalty payment, coupon, etc. It is not limited to any particular type of tender or transaction system; it is fully integrable.



IMPACTING CONSUMER BEHAVIOR

Mocapay's closed-loop-ROI technology allows for the most direct, one-to-one communication available today between marketer and customer, resulting in the greatest direct impact on consumer behavior. The technology delivers the merchant offer to each customer's handheld device in real time, and incents the customer to come redeem within an established timeframe. There is a positive urgency this conveys to the customer, which is being shown to drive much more immediate action on the part of the customer.

TRACKING CONSUMER BEHAVIOR

Probably the most progressive aspect of Mocapay's closed-loop-ROI technology offering is its ability to track specific consumer behavior in real time. For a merchant, there is nothing more valuable than understanding their customers; Mocapay's product delivers immediate, accurate information on each customer. The information it collects includes:

- Which offers each customer redeems.
- Which offers each customer does not redeem.
- Time and date of each redemption.

For the merchant, obtaining this information is critical. It determines what's working and what's not for each customer, allowing marketers to make the right offers to the right customers on an ongoing basis. In other words, merchants are able to learn about their customers' preferences in real time, even as they evolve, and make offers that drive customers to act.

While promotion-engine market leaders like Groupon and Living Social are indeed leveraging a form of mobile marketing, they are not allowing merchants to understand their customers, or even market to the right types of customers; on top of that, they are very expensive. Through these means, marketers often end up undervaluing their own brands, since their marketing message resonates most with price-shoppers, versus loyal and repeat customers. There is no "information share" between these engines and their merchants: the marketing loop is never closed.



Conclusion

After many years of searching, and a seemingly endless discovery of obstacles, marketing has finally found its “Holy Grail” in the form of mobile marketing closed-loop-ROI technology. Capitalizing on the high adoption, usage and proliferation of smart phones across the world, companies like Mocupay have developed true, bleeding-edge technology that delivers never-before-available results.

“The earliest adopters of closed-loop ROI technology will be miles ahead of their competitors in terms of customer acquisition, retention and engagement.”

Through closed-loop-ROI technology, companies like Mocupay are bringing marketers something they've always sought but never found: a way

to have two-way conversions with customers, individually and in real time; an abundance of critical customer behavior and habit information; the ability to plan and execute marketing programs that really drive sales; and an easy method to effectively track ROI.

The bottom line is this: the earliest adopters of closed-loop ROI technology will be miles ahead of their competitors in terms of customer acquisition, retention and engagement. For all retailers and merchants, it's worth a hard look. And once they make the leap, the Grail will be theirs.

