

COLUMNS

4 tips to build Gen Y loyalty with mobile rebates

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Kane McCord is chief operating officer of Ibotta

By Kane McCord

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Millennials, also known as Generation Y, hold an immense amount of purchasing power, so it is now more critical than ever that retailers understand their shopping and saving habits.

These shoppers are savvy in using technology and hunting for a good deal. This makes it crucial to reach these shoppers where digital technologies and savings intersect.

As marketers scramble to identify marketing tactics to more effectively reach these mobile-savvy millennials, several problems have emerged.

Down low on apps

First, the consumer industry has shown an over-reliance on coupons.

Since Coca-Cola first introduced the coupon more than 125 years ago, its primary problem has remained the same it is overly transactional, providing the consumer with a discount while failing to engage or create a connection with the shopper.

Moreover, the majority of these coupons is delivered via legacy paper or print at home channels.

According to studies by Inmar and Morgan Stanley, brands and retailers spend north of \$25 billion annually on coupons, with more than 90 percent being delivered in physical paper-based channels. This is in spite of the fact that more than 85 percent of millennials do not subscribe to a newspaper, per our own research.

A second challenge of traditional coupon and discount tactics is an over-dependence on retailer specific mobile applications.

While most large retailers strive to have an aggressive mobile strategy, they tend to struggle with the phenomena of app fragmentation.

According to 2015 data from comScore, United States smartphone owners only frequently use about three of their mobile apps. And with an abundance of these consumers already using apps such as Facebook, Twitter, and weather and map properties, there simply is not enough remaining consumer mindshare to engage with retailer-specific apps.

We found that an average app loses 90 percent of its daily active users within 30 days of the original install, and given that the average millennial shops at a number of different retail banners annually, most will be unwilling to have apps for each of their favorite stores.

Lastly, when retailers deliver discounts to consumers on their own mobile apps, they fail to reach an incremental shopper, as any shopper who already has the retailer app is by definition almost certainly already a shopper of that particular brand or retailer.

To evolve beyond transactional coupons and an over-reliance on retailer apps to effectively reach millennials, here are four tips to build loyalty and deliver incremental sales:

1. Engage, do not just discount

Rather than deliver a transactional margin giveaway, instead, engage your consumers with rich mobile media.

In their Harvard Business Review article, "Don't Let Big Data Bury Your Brand," Peter Horst and Robert Duboff discuss the importance of balancing equity building with near-term sales pressures.

Brands can effectively strike this balance by creating digital display ads, such as videos on YouTube or Facebook, while then linking to a specific offer based on an in-store purchase.

Other apps, including Ibotta and KIIP, require users to interact.

For instance, Ibotta asks consumers to voluntarily engage with videos, trivia and facts to unlock custom rebates that are earned after an in-store purchase.

The key to both of these approaches is to engage by delivering an effective media message prior to providing a discount or offer.

2. Embrace third-party mobile apps as a source of incremental traffic

Rather than trying to run promotions exclusively through your own retail or branded app i.e., an either/or strategy embrace third-party mobile platforms as an incremental source of traffic.

Any deal or promotion delivered on your own mobile app will by definition speak nearly exclusively to your existing shopper base since consumers do not download retail and consumer packaged goods apps for brands where they do not already shop.

Instead, apply an "and" strategy where you use your existing app to grow the number, trips or average order value from existing shoppers, and use third-party apps that can reach the incremental consumers not currently shopping at your stores.

3. Rebate, do not discount

Consumer rebates have long been popular since the days of mail-in rebates. Advances in technology have now streamlined the rebate process, allowing consumers to upload a copy of their receipt using a mobile apps, and trigger a near-instant rebate by delivering cash directly to the consumer via PayPal or Venmo.

Rebates hold numerous advantages over discounts, including:

Receipt-based rebates require no point-of-sale integration requirements that have the potential to slow down the flow of consumer transactions at point of purchase

Rebates do not apply a discount during purchase, which means shoppers spend more money directly with retailers

Rebates maintain the equity in your brand by asking the consumer to pay the shelf price for the item, therein avoiding a trend where consumers "shop to the sale" and devalue your brands by paying less than your shelf price

Rebates have a distinct psychological value with consumers, as "earning cash" is perceived as a lot more fun than receiving a discount

Cash proceeds from a rebate can be spent on anything that the consumer wants, including reinvesting these proceeds in your e-gift currency

4. Tailor offers to achieve a segmented cost per acquisition (CPA)

Mobile marketing allows brands and retailers the opportunity to speak to consumers with tailored one-to-one messaging.

Accordingly, gone are the days where every consumer needs to see the same 20 percent discount, or \$10 off a \$75

purchase.

Instead, leading brands and retailers are partnering directly with third-party apps and services such as LiveRamp to customize and tailor their offers based on a shopper's likelihood to convert.

As such, leading marketers are demanding differential CPAs based on detailed customer segmentation, to avoid over-paying for customers who are already loyal to their brands.

AS MILLENNIALS continue to increase their purchasing power, winning brands and retailers will be those who directly engage these shoppers with compelling media content and personalized rebates aimed at delivering incremental sales and acquiring new customers.

By engaging shoppers on your own apps, and leveraging at-scale third party resources, the brands that rise above the noise will reach shoppers on their mobile phones with the tailored offers by segment during the precise moments that they are considering where to shop and what to buy.

Kane McCord is chief operating officer of [Ibotta](#), Denver, CO. Reach him at kane@ibotta.com.

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