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Eeva Solja  
*Hanken School of Economics, eeva.solja@hanken.fi*

Jaakko Aspa  
*Hanken School of Economics, jaakko.aspara@hanken.fi*

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Eeva Solja, Department of Marketing, Hanken School of Economics, Helsinki, Finland, eeva.solja@hanken.fi
Jaakko Aspara, Department of Marketing, Hanken School of Economics, Helsinki, Finland, jaakko.aspara@hanken.fi

Abstract

The ubiquitous use of smartphones has enabled an explosive popularity of mobile applications (apps). According recent estimates over 220 billion apps will be downloaded in 2016. This has made mobile marketing attractive for companies. Marketers are especially interested in the possibilities offered by branded app coupons due to their potential to engage and persuade consumers. Despite these potential advantages there is a paucity of studies that address the attitudinal and behavioral impact of branded app coupons on consumers. There is also a lack of studies on how different elements, like story formed content and price discount depth affect these consumer responses. The persuasiveness of stories has earned them a solid place in traditional advertising efforts, but has not yet made them prevalent in mobile app coupons. Pricing, on the other hand, has a well-recognized, but not always an unambiguous influence on consumers’ purchasing behavior. It is hence of interest to investigate the effects of branded app coupons with story vs. non-story formed messages on consumers’ attitude, intentions, price sensitivity, and purchase behavior. The purpose of the study will be addressed through two experiments conducted in June 2016. The study will offer significant contributions to both theory and practice.

Keywords: Mobile Marketing, Branded Apps, Coupons, Storytelling, Narrative Processing, Experiment, Pricing.
INTRODUCTION

The use of smartphones has exploded worldwide. Since the launch of the first multi-touch interface smartphone by Apple in 2007 (Apple 2007) the penetration rates have soared. In 2013 smartphones outsold for the first time regular cell phones globally (Svensson 2013) and a year later, in 2014, two-thirds of all phones sold were smartphones (Gartner 2015). The amount of mobile applications (apps) has accelerated in a similar vein. In 2015 the two leading app providers Google Play and Apple’s App Store offered 1.6 and 1.5 million apps respectively (Statista 2015). Only two years earlier, in 2013, the numbers were 1 and 0.9 million each (Ownby 2013). The widespread use of smartphones and the surge of app downloads have quickly made mobile marketing activities attractive for companies. Marketers are especially interested in the possibilities offered by branded mobile apps and their promotional tools, like coupons, due to their potential to engage and persuade consumers as well as enhance their brand attitude (Bellman 2011; Hutton & Rodnick 2009; Shen 2015) and loyalty (Chang 2015; Kim & Yu 2016). Branded mobile app coupons also have the potential to be effective promotional tools owing to their capacity to generating high net returns (Shankar et al. 2010). Indeed, many globally successful companies like McDonald’s, Dairy Queen, and Dunkin Donuts have launched their own branded apps containing coupons.

However, besides the opportunities offered by branded mobile app coupons, they also pose several challenges for marketers. First, the mobile app market is highly competitive due to the immense amount of apps available (Statista 2015). Second, knowing how to design and manage branded app coupons in order to gain the proposed advantages is crucial (Bellman et al. 2011; Chang 2015). Third, branded app coupons might, as a downside to being effective promotional tools, devalue consumers’ price perception and thereby the brand’s equity (Shankar et al. 2010). Despite these practical concerns and the positive potential offered by branded mobile app coupons, there is a paucity of studies that address the impact of branded app coupons on consumers (Bellman 2011; Shen 2015).

The persuasiveness of stories and their influence on consumers have been acknowledged in marketing, particularly within the field of advertising (e.g. Brechman & Purvis 2015; Ching et al. 2013; Escalas 2004; Phillips & McGuarrie 2010). Stories have, in the context of advertisements, a shown positive effect consumers’ purchase intentions and brand attitude as compared to other forms of communication (Brechman & Purvis 2015; Escalas 2004). Nothing indicates that stories would have dissimilar effects in a branded app coupon context. However, no decisive conclusions can be made as no studies have, up to date, looked at the effectiveness of stories in the context of branded app coupons.

Taken together, branded apps build a suitable platform to persuade consumers via coupons and story formed marketing messages have a proven positive effect on consumers’ purchase intentions and attitudes. It is hence of interest to examine whether storytelling could offer a way to optimize the marketing potential of branded app coupons. The purpose of this study is based on this notion and is twofold. First, to investigate the causal effects of branded app coupons with story vs. non-story formed messages on consumers’ price sensitivity and purchase behavior. More specifically, it is of interest to find out whether consumers’ purchase behavior varies according to the message form of the coupon (story vs. non-story) and level of price discount (low vs. moderate vs. high). Second, it is of interest to shed light on the potential attitudinal and behavioral intention effects of story formed branded app coupons in terms of brand attitude and future spending intentions. The purpose of the study is addressed through two experiments that will be conducted in cooperation with a locally well-known coffee house brand.

BACKGROUND AND HYPOTHESES

2.1 Branded mobile apps

Branded mobile apps are defined as “software downloadable to a mobile device which prominently displays a brand identity, often via the name of the app and the appearance of a brand logo or icon,
throughout the user experience” (Bellman 2011: 191). Branded mobile apps are downloaded and used on smartphones. Smartphones differ significantly from other Internet-based and traditional marketing channels due to their unique characteristics: smartphones are portable, personal, networked (i.e. they enable a continuous, fast access to the Internet), textual/visual, and converged (i.e. smartphones can be used to engage in a large array of functions and services) (Larivière et al. 2013). These unique traits portray the context in which mobile marketing is consumed and offer several advantages for branded apps as compared to other mobile marketing efforts, like SMSs and push notifications. Research shows that consumers hold negative attitudes towards receiving mobile ads (Tsang et al. 2004). Due to the portable, personal and networked nature of smartphones consumers feel irritated and intruded by SMSs and push notifications that they have not subscribed to (Shankar et al. 2010; Tsang et al. 2004). Here branded app coupons have an advantage: a branded app is sought out by a consumer who makes the conscious decision to download the app and thereafter decides when and where s/he uses the app and the coupons offered by it (Bellman 2011).

Branded apps typically consist of several elements which vary pending on the type of brand and offering. Typical elements offered in branded apps by coffee house brands include coupons, reward or loyalty programs, store locators, pre-order and payment possibilities, as well as product information (Barista LavAzza 2016; Dunkin Donuts 2016; Starbucks 2016; Tully’s Coffee 2016). Out of these elements, coupons have a high productive potential as they are welcomed by consumers and provide brands with high returns on investment due to the low cost of offering them (Shankar et al. 2010). However, as a downside continuous offers might derogate app users’ value perception making them more price sensitive in the long-term (Mela et al. 1997). Managing to create offers that have a large redemption rate but with a low discount level would hence be valuable. In this paper we seek to examine whether consumers’ level of price sensitivity may be lowered by combining branded mobile app coupons with story-formed messages.

2.2 Storytelling and narrative processing

This study builds on narrative processing theory and hence assumes that the structure of stories causes consumers to tap into a narrative mode of processing (Escalas 2004; Shank & Abelson 1995; Pennington & Hastie 1992). This means that when information is presented as a story, a narrative mode of processing is activated. When the same information is presented in another way, for instance as a list of features, other processing modes are more likely triggered. When engaged in narrative processing consumers relate incoming information to stories they hold in their memory or impose a story-structure on the information (Shank & Abelson 1995). This process enables the creation of meaning, which may be used to make evaluations, form judgements, as well as develop attitudes and beliefs (Adaval & Wyer 1998; Pennington & Hastie 1992). Research shows that narrative processing may in this way lead to specific affective, attitudinal, and behavioral consumer responses.

A brand story in an advertisement may create positive brand associations (Chiu et al. 2012; Escalas 2004), produce higher levels of brand attitude (Ching et al. 2013; Lien & Chen 2013), increase brand recall (Brechman & Purvis 2015), make consumers more likely to engage with the brand (Escalas 2004), and result in more favorable evaluations (Lien & Chen 2013; Polyuria et al. 2007; Adaval & Wyer 1998). Brand stories may also lead to increased purchase intentions (Chiu et al. 2012; Escalas 2004). Stories are hence an attractive communication form for companies aiming to persuade consumers.

2.2.1 Defining a brand story

Stories have been defined in various ways pending on the context. In the focal study a story is defined based on key elements used by other marketing-related storytelling studies: a brand story is defined as a company-designed narrative of an incident or a sequence of causally linked or interconnected events about the brand, arranged temporally, and involving characters as agents of activity (e.g. Delgadillo & Escalas 2004; Green & Brock 2000; Peracchio & Escalas 2008). A brand story thus has a beginning, middle, and end.
2.2.2 Storytelling and services

Services are an interesting object for storytelling research for two main reasons. First, services are especially suitable for story formed advertising (Padgett & Allen 1997) since they consist of a series of experiences, which are made sense of and organized in terms of stories by the human mind (Bruner 1986). A story formed advertisement may hence evoke narrative processing, which is able to both lead the consumer to create symbolic meanings associated with the service brand, and demonstrate its functional benefits (Padgett & Allen 1997). Yet few empirical studies have explored the effects of story formed advertising of services – the majority of studies have been conducted on products. There is an even larger paucity of studies on story formed service advertising that address the causal effects of storytelling beyond laboratory experiments. Much of the academic research has been aimed at investigating changes in consumers’ responses, such as attitude towards the ad, ad induced feelings, purchase intention (Mattila 2000), and the overall evaluation of the advertised service (Adaval & Wyer 1998). However, these measures are essentially based on consumers’ own assessments, not actual behavior. It is hence fundamental to strengthen the current findings with studies that address consumers in real-life settings and hence observe actual behavior. The object of the focal study is a service brand and the purpose of the study will be approached both through a field and a laboratory experiment. This enables capturing both actual consumer behavior as well as consumers’ perceptions.

2.3 Narrative processing

People think and store information in story form (Bruner 1986). This means that incoming story formed information is matched with existing stories and knowledge to make sense of the new information (Bruner 1986; Shank & Abelson 1995). This makes the consumer prone to consider the information in a story as a whole through narrative processing instead of fragmenting it into detached pieces of information to be judged separately (Pennington & Hastie 1992). When information on a product or brand is considered and subsequently judged as a whole, the information becomes easy to grasp and hence appears instinctively correct and coherent (Pennington & Hastie 1992).

When a message is conveyed for instance as a list of arguments instead of a story, the receiver is prone to adopt a piecemeal information processing strategy (Adaval & Wyer 1998). This entails that the receiver evaluates the separate statements in the message and shows as a result more critical thoughts as compared to when assessing the content of a story through a holistic processing mode (Pennington & Hastie 1992).

2.3.1 Attitudinal and behavioral intention responses to brand stories in mobile app coupons

Narrative processing implies that consumers evaluate story formed information more effortlessly than for instance list formed information (Adaval & Wyer 1998). Story formed information is hence perceived as more credible (Pennington & Hastie 1992) and evaluated more favorably, given that the information itself is positively charged. Based on this assumption it is expected that a story formed branded app coupon enhances the development of a positive brand attitude. The following is hence hypothesized:

\[ H1 \text{ (main effect of story formed message): A mobile app coupon with a story formed message has a positive effect on the level of brand attitude (compared with non-story formed message).} \]

The mere adaptation of a branded app has been found to have an increasing effect on future spending (Kim et al. 2015). Furthermore, brand attitude has shown to be positively associated with purchase intentions in a marketing context (Escals 2004). A higher level of brand attitude elicited by a story is hence expected to impact future spending intentions positively. Based on this assumption, the following is hypothesized:

\[ H2 \text{ (main effect of story formed message): A mobile app coupon with a story formed message has a positive effect on future spending intentions (compared with non-story formed message).} \]
2.3.2 Behavioral responses to brand stories in mobile app coupons

Narrative processing makes story formed information easy to comprehend and appear instinctively correct and credible (Pennington & Hastie 1992). This has an impact on consumers’ subsequent decision making processes (Pennington & Hastie 1992). Stories may hence have a positive effect on consumers’ purchasing decisions. In addition, several studies show that brand attitude (cf. H1) is positively associated with purchase in a communication context (e.g. Spears & Singh 2004).

Pricing has a significant influence on consumers’ purchasing behavior (e.g. Athanassopoulos 2000; Hallowell 1996; Zeithaml 1988). Despite the critical role of pricing, the effects of price discounts have not been studied in connection storytelling. However, building on narrative processing it could be assumed that a large price discount might be perceived as appealing to the extent that it makes a consumer exposed to story formed information shift away from the narrative holistic information processing mode and tap into the piecemeal processing mode. This means that a deeper discount depth would reinforce the effects induced by non-story formed messages and moderate the effects induced by story formed messages by disturbing the holistic processing mode. A lower discount depth would, on the other hand, emphasize the effects elicited by story formed messages, but would not have an effect on effects induced by non-story formed messages. The above is translated into the following hypotheses:

\[ H3 \text{ (main effect of story formed message): A mobile app coupon with a story formed message has a positive effect on purchasing rate (compared with non-story formed message).} \]

\[ H4 \text{ (moderating effect on price sensitiveness): A mobile app coupon with a story formed message has a negative moderating influence on the effect of (deeper) price discounts on purchasing rate.} \]

3 METHOD

The purpose of this study will be addressed through two separate empirical studies that will be conducted in June 2016. Study 1 is a laboratory experiment and Study 2 is a field experiment. Both studies will be conducted in cooperation with a well-known local coffee house brand. The brand has a branded mobile app with around 4500 users and regularly offers different coupons to its users. The brand uses storytelling in its marketing communication, but has not, until now, integrated stories into coupons.

The participants in both experiments will be randomly assigned to the treatment conditions. Random assignment will be used to ensure that “differences between the groups on all variables, assessed or not, are nonsystematic” (Shaver 1993: 297). However, separate tests will also be conducted to ensure that demographic factors (such as gender, age, income level) or previous brand attitude levels are not subject to differences between the groups.

3.1 Study 1

The aim of Study 1 is to investigate the attitudinal and behavioral intention effects of story formed app coupons in terms of brand attitude and future spending intentions.

A 2 X 3 between-subjects laboratory experiment will be used to test the hypotheses H1 and H2. The independent factors will be app coupon message form (story vs. non-story) and discount depth (low vs. moderate vs. high). The non-story formed coupon will function as the control condition. The dependent variables will be brand attitude and future spending intentions.
3.1.1 Stimulus development

The stimulus will consist of a coupon with the offer to buy any coffee (e.g. café latte, cappuccino) for a discounted price. The offer content will vary in terms of coupon message form (story vs. non-story) and discount depth (low vs. moderate vs. high).

The coupons in the story condition will consist of the actual offer (including product, price, and discount depth information) as well as a short brand story. The story will recount how the founder of the coffee house brand charmed his future wife by making her a perfect cappuccino at his first coffee house. The story will conform to the definition of a short brand story and resemble the storytelling style of the focal coffee house brand. The story will be short (between 33 and 60 words) in order to fit the context (mobile app coupon).

The coupons in the non-story condition will consist of the actual offer (including product, price, and discount depth information) presented in the same way as in the story condition as well as a list of the facts that will be mentioned in the story condition. The key distinction between the story and the list is that the list is not narrated or based on temporality, nor does it have a plot or characters.

There will be three price discount conditions: low versus moderate versus high discounts. Low discounts will be operationalized as 15% off the regular price, whereas moderate discounts will be 30% and deep discounts 50% off.

The stimuli in Study 1 will consist of pictures of the mobile app coupons due to the laboratory setting. The pictures of the coupons will mimic the typical visual appearance of the actual mobile app coupons offered by the focal company.

3.1.2 Participants and procedure

The participants will be recruited from courses in business administration at a business school. Business students are deemed appropriate for the study, because students represent a considerable portion of the focal coffee house brands’ app user base.

The experiment will be conducted in a classroom setting and will consist of two phases. In the first phase all participants will get questionnaire with items to measure their current attitude towards the focal coffee house brand. After filling in the first questionnaire, the participants will in the second phase be given one of the six mobile app coupon pictures and a second questionnaire with items to measure the response variables related to the stimulus and to collect demographic information. The six treatments will be randomly distributed to the participants.

3.2 Study 2

The aim of Study 2 is to investigate the causal effects app coupons with story vs. non-story formed messages on consumers’ purchase behaviour. More specifically, it is of interest to find out whether consumers’ purchase behaviour varies according to the message form of the coupon (story vs. non-story) and level of price discount (low vs. moderate vs. high).

A 2 X 3 between-subjects field experiment will be used to test the hypotheses H3 and H4. A field setting provides benefits in terms of external validity over laboratory settings as it targets consumers in a real-life setting instead of volunteers in unnatural settings. Field experiments may hence capture actual purchasing and other behaviour better than laboratory experiments (Fong et al. 2015). The independent factors will be app coupon message form (story vs. non-story) and discount depth (low vs. moderate vs. high). The non-story formed coupon will function as the control condition. The dependent variables will be purchase rate and revenue.
3.2.1 Stimulus development

The stimulus will, as in Study 1, consist of a coupon with the offer to buy any coffee (e.g. café latte, cappuccino) for a discounted price. The offer content will vary in terms of coupon message form (story vs. non-story) and discount depth (low vs. moderate vs. high).

The coupons will be equivalent to the stimuli in Study 1 in terms of message form and discount depth in order to enable comparison between the two studies. However, as Study 2 is conducted as a field experiment the stimuli will consist of real mobile app coupons.

3.2.2 Participants and procedure

The participants will consist of the actual users of the focal coffee house brands’ branded app (n= 4500). The participants will be randomly assigned to one of the six mobile app coupon conditions. Each participant will receive one of the six coupons to their smartphone through the branded app. The offer will be valid for one week for all participants.

4 EXPECTED CONTRIBUTION

The focal study will contribute to both theory and practice. It will contribute to the mobile marketing and the storytelling literature in three ways. First, the focal study will advance the mobile marketing research by gaining insights on the impact of branded app coupons on consumers’ actual and intended behaviour, brand attitude, and future spending level. The study will be conducted in a real-life setting in addition to a laboratory setting and will hence shed light on the causal effects and application of the results in practice by assessing actual behaviour instead of results merely based on consumers’ own assessments of future behaviour.

Second, the study will widen the application context of previous storytelling studies in marketing by investigating the effects of stories in a previously unexplored medium, branded apps. The majority of previous storytelling studies have looked at certain types of media, like advertisements (e.g. Brechman & Purvis 2015; Ching et al. 2013; Escalas 2004; Phillips & McGuarrie 2010), although research addressing the effects of different types of media has been called for (Van Laer et al. 2013).

Finally, this study will be the first to examine the moderating effect of pricing on story formed communication.

The study will offer two significant managerial implications. First, the study will offer managers’ tools to optimize the effectiveness of branded mobile app coupons in terms of sales and revenue. Second, it will give indications on the use of stories in branded apps with the aim to increase brand attitude and future spending.

References


