



The QR Question

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Few marketing trends are currently hotter than QR (Quick Response) codes – those 2D black and white, square images that can be scanned by smartphones. QR codes have appeared in print advertisements, direct mail, in-store signage, even television and billboards, spanning nearly every industry including retail, healthcare, automotive, building and hospitality.

What advantages do QR codes bring to the marketing arsenal? First, there is a theoretical market for them. With more than 82.2 million smartphone users in the United States, an enabled consumer landscape exists. It is a well-established fact that mobile data traffic has steadily been increasing with the advent of wireless connectivity, high-speed Internet and Internet-enabled mobile phones. Secondly, QR codes are free to generate and use. You can easily get your own QR code and embed it in promotional materials, business cards, company letterheads and merchandise. What's more, it is easier to deploy QR code strategies and measure their effectiveness than some more traditional tactics. Third, unlike in broadcast or print advertising, there are no limits on information in terms of length, size and space. The code delivers the viewer to an online destination that can house whatever is desired.

Despite the hype, however, QR codes are not without detractors. Critics argue that the steps required for interacting with a QR code – downloading an app and scanning – make the likelihood of mass consumer acceptance a questionable proposition. Furthermore, there are those who allege the massive influx of “me-too” marketers into the space has quickly reduced the device to clutter in the eyes of consumers.

Do consumers believe the value proposition involved in scanning a QR code is worthwhile?

All of this raises an interesting question: are these cryptic glyphs the future of marketing or merely a passing fad?

Strategic marketing firm, Russell Herder, recently conducted an online survey of more than 500 United States residents to gain insight into awareness levels of QR codes and attitudes towards their use among consumers. Our research, which included a broad sampling of age groups and gender, sought to learn the following:

- To what extent do consumers possess unaided knowledge of what a QR code is and how it works?
- Are consumers scanning QR codes now, and do they foresee doing so in the future?
- Do consumers believe the value proposition involved in scanning a QR code is worthwhile?
- Does attitude and awareness differ significantly by age, gender and smartphone ownership?

Background

While QR codes are perceived to be recent technology, their origins actually date back to 1994. Created by Toyota subsidiary Denso Wave, the images were originally designed to help track auto parts. The technology allowed for the easy encoding of long strings of data (numbers, letters and otherwise) into a concise, recognizable format. The decoding process was similarly quick and reliable.

One of the most significant factors contributing to the rise of the QR code was Denso Wave's explicit decision to not exercise its patent rights, effectively open-sourcing the technology. The free disclosure of QR codes' technological specifications ultimately helped crowd competing technologies, such as JAGTAGs and Microsoft Tag, out of the market.

The use of QR codes in a marketing capacity also originated in Japan, but not until 2002. Unlike other countries which endured a fragmented 2D barcode market, Japanese mobile networks and handset players collaborated to develop industry standards for the QR code. The 3Gvision reader (later, i-nigma), capable of decoding QR codes, came

pre-installed on virtually all Japanese mobile devices. Consequently, QR codes are now recognized by 90 percent of Japanese mobile users and scanned by over half of them.¹

The ability to embed long strings of characters naturally lent QR codes to marketing uses. Via QR codes, marketers are able to embed websites, text messages, emails and other types of information into a variety of media. According to a June 2011 Comscore study, printed magazines, newspapers, product packaging, websites, kiosk signage, business cards, brochures, product storefronts and television were the most likely places in which QR codes would be scanned by consumers.

Slowly but steadily, QR codes migrated to the United States. The Comscore study² found that an estimated 14 million Americans scanned QR codes on their mobile phones in June 2011. In addition, the research reported that QR code scanners were more likely to be males between ages 18 and 34 – findings confirmed by our own research.

The growth in U.S. QR code usage likely owes to increasing rates of smartphone adoption. In July 2011, Pew Internet reported that 35 percent of American adults are now smartphone owners, and two-thirds of them access the internet or email via their smartphone on a daily basis.³ Similarly, Nielsen reported that, as a percentage of all mobile subscribers, smartphone owners grew 33 percent from Q4 2009 to Q3 2010.⁴

Mass consumer acceptance of QR codes, however, still faces obstacles above and beyond the logistical issues entailed in the physical act of scanning. Despite the fact that 22 percent of Fortune 50 companies are experimenting with QR codes in marketing applications,⁵ actual examples of QR codes delivering ROI are sketchy. In March 2011, technology giant Google removed QR codes as a feature from Google Places, its platform for local businesses.

Further, QR codes also suffer from a problem currently plaguing social media marketers in that consumers are primarily interested in engaging only to the extent they are afforded special promotional deals. A March 2011 study by marketing firm MGH found that getting a coupon, discount, or deal along with entering a sweepstakes were by far the most likely reasons consumers would be interested in scanning a QR code.⁶ These findings were consistent with a study of QR code use in Japan, a more mature market with respect to the technology. NetAsia Research reported that, for more than three in five Japanese adults, obtaining a special deal or promotion was the primary reason for scanning QR codes.⁷

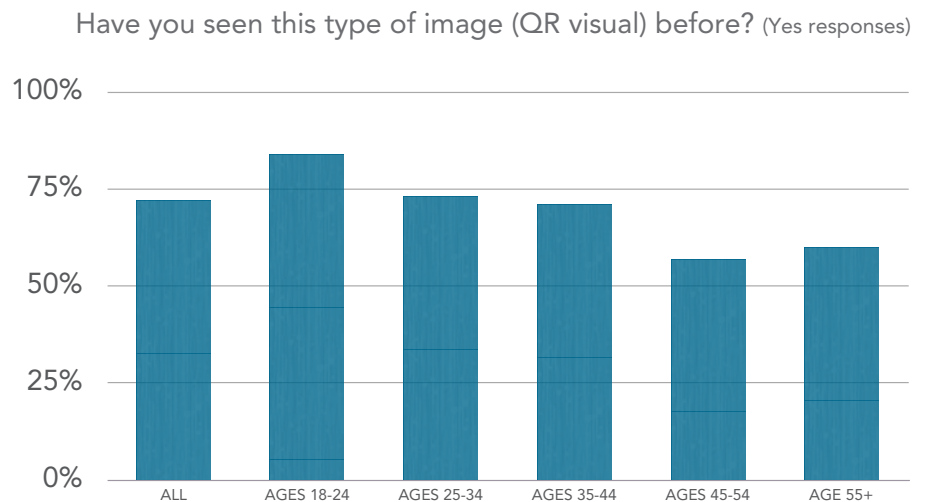
- 1 QR Codes – History and Technical Background – QR Code Guide – August 2011
- 2 14 Million Americans Scanned QR Codes on their Mobile Phones in June 2011 – Comscore – June 2011
- 3 Smartphone Adoption and Usage – Pew Internet and American Life Project – July 2011
- 4 Mobile Snapshot: Smartphones Now 28% of U.S. Cellphone Market – Nielsen – November 2010
- 5 Fortune 50 Use of Mobile – Burson-Marsteller – January 2011
- 6 72 Percent of Smartphone Users Likely to Recall an Ad with a QR Code – MGH – March 2011
- 7 NetAsia Research – June 2009

Key Findings

Despite trends in smartphone adoption that might lead one to believe otherwise, a surprising number of consumers demonstrate a significant lack of understanding as to what QR codes are or how they work. Furthermore, attitudes among respondents indicate that the marketing device has a long way to go before it can be considered a wholly legitimate vehicle for consumer engagement. Select findings from the online survey we conducted in August 2011 follow here.

Seventy-two percent of consumers say they have seen a QR code, yet nearly three in 10 *do not know what it is*. Further, nearly one in five people who regularly go online via their mobile phone do not know what a QR code is.

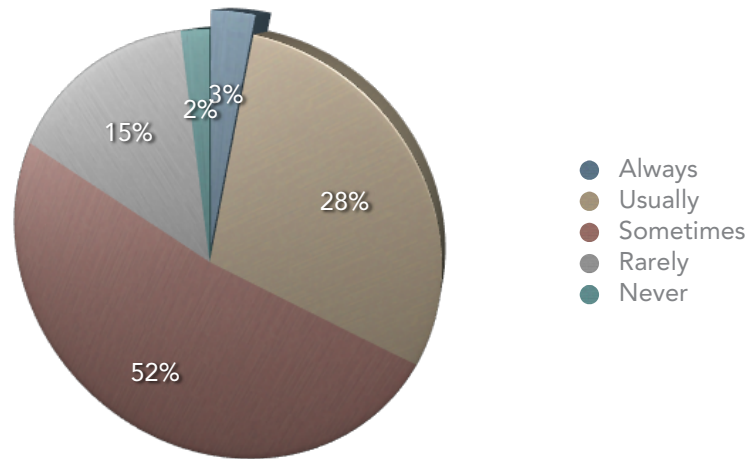
A surprising number of consumers demonstrate a significant lack of understanding as to what QR codes are or how they work.



Younger respondents are more likely to demonstrate unaided recall of QR codes. Owners of smartphones who regularly go online with them demonstrate similarly stronger recall.

Nearly four in five of those who have scanned a QR code have done so more than once. Perhaps more importantly, however, only 31 percent report that what they receive in return is worth their time.

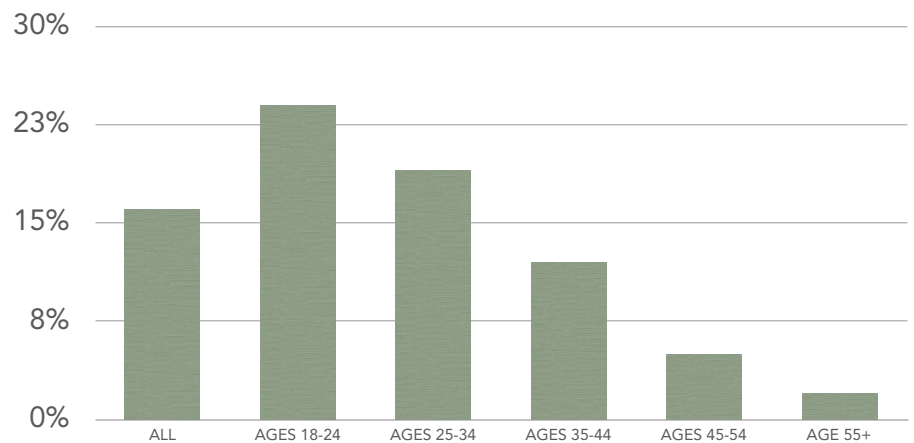
If you have scanned QR codes more than once, do you feel that what you got in return for doing so was worth your time?



Also, more than half of repeat scanners are on the fence as to whether what they receive in return is worth their time.

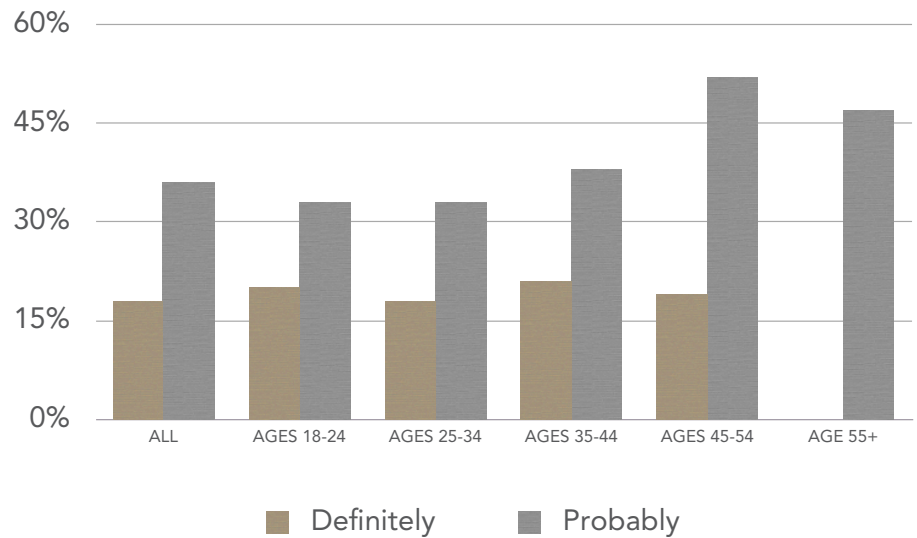
Consumers who have seen a QR code, know what it is and have scanned one with their mobile device tend to be younger (ages 18-34), male and regularly go online via their phone.

Have you ever scanned a QR code with your mobile phone? (Yes responses)



* Asked only of those who had both seen a QR code and knew what it was.

Do you foresee yourself scanning QR codes in the future? (Asked only of mobile phone owners who know what a QR code is.)



Among people who know what a QR code is, and own a mobile device that is capable of going online, 54 percent say they are likely to scan one.

Conclusions: Five Key Takeaways For Marketers

The mere employment of QR codes is not enough to drive consumer engagement and marketing results. How can marketers capitalize on QR codes and optimize deployment?

Know Your Demographic

The novelty of digital technology sometimes causes marketers to lose sight of their demographics' behaviors. Is your target market using QR codes? If so, what incents them to do so? It is important to remember that although smartphone adoption and usage is increasing across virtually all demographics, the heaviest users (and documented QR devotees) still skew younger (typically ages 18-34) and male.

Consider the Medium

Until technological improvements dictate otherwise, scanning a QR code involves downloading the scanning app, carefully scanning the code with the aid of the phone's viewscreen and taking the next step, such as visiting the returned website or sending the decoded SMS text message. It is important to be mindful of this ritual. Brands that place QR codes in 30-second television spots or roadside billboards must realize the inher-

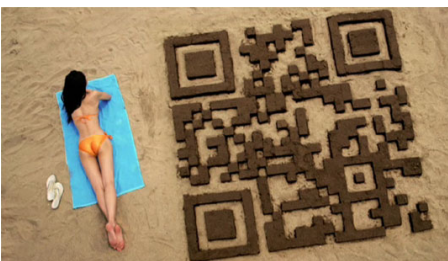
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Consumer scanning the Tesco "subway shop" QR codes in Korea.



Diesel, a retail clothing outlet in Europe, used QR codes to encourage consumers to scan and "like" their jeans on Facebook.



One example of creative QR code construction.

ent time limitations these mediums present. Not only that, marketers should also be wary of using a QR code when an easier means of engagement is available. According to Comscore, 27 percent of those who scanned QR codes did so from a website. There is little a QR code could communicate – other than adding another experiential step – that a regular link or text-based call-to-action could not have. The ideal location for a QR code is one where the user has both enough time to pull out their phone to scan the code and no other means to quickly engage with the messaging. Examples of such locations include offline print ads (newspaper and magazine), product packaging, direct mail and point-of-purchase signage.

Add Value

If people are not going to scan your QR codes, there is little point to using them. Novelty alone is not going to motivate people to pull out their phone and scan. If you expect people to engage with your marketing, you need to give them a reason to do so. While anybody can rent an engaged audience by offering a channel-specific promotion or coupon, several brands have been able to offer legitimate consumer value through QR codes in a variety of unique ways:

- Korean retailer Tesco built mock stores in subway stations where busy workers could purchase goods via QR codes. Subsequently, over 10,000 consumers visited the online store and online sales rose 130 percent.
- European clothing retailer Diesel placed QR codes on in-store signage that enabled scanners to "like" specific products publicly via Facebook.

Cut Through Clutter

Being that the vast majority of QR codes appear to be virtually identical, it is easy for them to become "invisible" to consumers. This fatigue will likely worsen as QR codes (and the free tools which allow anyone to create them) saturate the market.

Although most QR codes are small and monochromatic, in reality, they do not have to be. Ultimately, QR code scanners are little more than pattern recognition devices. So long as enough contrast exists between the foreground and background elements, there is virtually no limit to the creative expression that can be explored with QR codes. Sandcastles, sugar cubes and even Tetris blocks have been used to creatively construct readable QR codes.



Calvin Klein outdoor campaign

The benefits of a unique, creative approach to QR codes do not stop at just helping brands cut through clutter. Planned properly, a creative QR code can be a PR opportunity for brands, generating earned media and impressions.

- Platinum-recording artist Lupe Fiasco promoted the release of his 2011 album, *Lasers*, via a video projection of a QR code on a building in Union Square, New York. Once scanned, the code allowed fans to pre-order the album and purchase merchandise.
- Calvin Klein employed a similar technique, hanging two massive QR code billboards over buildings in Times Square. Users scanning the code were directed to a steamy, controversial online video, creating a heavy online ripple effect.

Track Results

Like any form of digital marketing, results can and should be diligently tracked. Many mobile advertising platforms offer back-end support for analytics and campaign evaluation. If you are not measuring results, you are operating on faith and, as such, less able to justify your successes and learn from missteps.

Even if you are not employing a platform with robust analytics, there are still ways to measure the success of your QR code initiatives. Proper UTM coding of links can isolate traffic to a website generated by QR codes. Similarly, measuring opt-ins (email, SMS or both) generated via QR codes can provide another metric of success.

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