How competition can moderate gains from text-message deals

Businesses sometimes use mobile devices to target consumers near their competitors by offering discounts and coupons, a tactic called geoconquesting. This can work, but competitors’ responses can dampen its effectiveness, according to a group of researchers including Chicago Booth’s Jean-Pierre Dubé.

The researchers conducted a field experiment involving two competing movie theaters in different shopping malls, located 4 kilometers (2.5 miles) apart. They monitored 18,000 smartphone subscribers within 500 meters of one of the malls, sending text-message offers for tickets at one or both theaters.

The distant theater had to offer subscribers near the other theater a steep 60 percent discount on ticket prices to see a sizable redemption rate. But when the nearby theater responded with a mere 20 percent discount, the distant theater’s redemption rate fell by more than half.