

# cash\$ing in on the COUPON comeback

great savings

SALE 30% off

60% OFF

SALE

LOWEST PRICES

Save 20% 20%

BY PIET LEVY//STAFF WRITER  
plevy@ama.org



Coupons used to be the domain of thrifty grannies wielding kitchen shears and penny-wise parents who enjoy the thrill of the deal hunt. Yet suddenly coupon clipping—and clicking—is de rigueur, thanks in large part to digital marketing's evolution.

After a 14-year decline in CPG coupon redemption in the United States—with the redemption volume falling from a peak of 7.7 billion coupons in 1992 to 2.6 billion in 2006—redemption numbers are on the rise, according to NCH Marketing Services Inc., a coupon processing provider based in Deerfield, Ill. In 2009—following some tough years, economically speaking, for consumers and marketers alike—CPG coupon redemption volume lifted to 3.2 billion and rose again to 3.3 billion in 2010, according to NCH.

The recession, of course, deserves much of the credit for couponing's comeback, but popular digital tools also have played a significant role in expanding the marketing tactic's reach well beyond granny's kitchen. "Consumers are far more deal-sensitive and promotion-sensitive," says Bob Carter, president of Inmar Inc.'s promotion services division, based in Winston-Salem, N.C. Inmar offers technology solutions for reverse logistics, revenue recovery, information management and promotion services

for retailers, wholesalers and manufacturers. "There were a lot of stigmas that were not positive with [coupons]," Carter adds. "Now [they're] a badge of honor."

The wild success of social deal sites such as Groupon, LivingSocial and BuyWithMe, while not directly in the coupon space, are making deal hunting even hipper. Until the recession, among millennials and within Generation X specifically, "it wasn't cool to clip coupons," says Stuart Aitken, CEO of the U.S. division of dunnhumby, a London-based marketing consultancy specializing in retail and CPG. "Digital is making it cool again."

To make the most of the coupon evolution, many CPG and retail marketers are putting new twists on tested tactics. This applies not only to digital marketing—where mobile, social and other platforms offer enormous potential—but also to print, the medium that still commands the greatest revenue for couponing in terms of marketing spend and redemption value.



**Groupon** Featured Deal All Deals How It Works

**Los Angeles** Get Deals By Email

**\$20 for a Tamale-Making Class at Tarascos Restaurant (\$40 Value)**

**\$20 Buy!**

Value	Discount	You Save
\$40	50%	\$20

**Buy it for a friend!**

**Time Left To Buy**  
10:22:39


**555 bought**  
Limited quantity available

**The deal is on!**  
Tipped at 5:41AM with 25 bought

**The Fine Print**  
Expires Jul 2, 2011  
Limit 1 per person, may buy multiple as gifts. Reservation required 1 week in advance. Not valid with other offers.

**Highlights**

- Two-hour cooking class
- Morning or night sessions
- Bring a friend or meet new people



**Groupon** Featured Deal All Deals How It Works

**Chicago** Get Deals By Email

**\$45 for a Haircut and Kérastase Conditioning Treatment at Toujours Spa and Salon**

**\$45 Buy!**

Value	Discount	You Save
\$95	53%	\$50

**Buy it for a friend!**


**Time Left To Buy**  
1 day 8:17:19

**179 bought**  
The deal is on!  
Tipped at 8:47AM with 50 bought

**The Fine Print**  
Expires in 1 year  
Limit 1 per person, may buy 2 additional as gifts. Limit 1 per visit. By appointment only. Valid only with participating stylists: Phyllis, Tracy, and Gabriel. Upgrades available for

**Highlights**

- Experienced stylists
- Deep conditioning for dry hair
- Blow-dry & style included



**More Great Deals Nearby** See All

Up to 51% Off Spa Services at Lona's Day Spa in Highland Park. Choose from Three Options.

**\$22**  
\$45 value  
**View It!**

**Online Deal:**  
\$45 for One 16"x20" Gallery-Wrapped Canvas Including Shipping and Handling from Canvas on Demand (\$126.95 Value)

**Chicago:**  
\$20 for \$40 Worth of Mexican Fare at Don Juan Restaurant

**Online Deal:**  
\$20 for \$40 Worth of Gourmet Gift Baskets and More from

### The Power of Print

All of the prophesying about the print channel's decline isn't unfounded. According to the Audit Bureau of Circulations in Arlington Heights, Ill., average circulation for Sunday papers was down 4.5% in September 2010 from the year-ago period. But when it comes to couponing, print remains the biggest power player.

As consumers now map out their spending plans in advance of shopping trips to save money, they're more conditioned to seek out coupons for discounts before making purchases, says Dan Kitrell, vice president of account solutions for Marx, the Edina, Minn.-based coupon research division of Kantar Media. That's why marketers have invested more resources in free-standing insert (FSI) coupon distribution, the print medium that has long dominated coupon distribution and redemption, and today, still commands a 90% share of the coupon market, Kitrell says.

Marketers spent \$19.9 billion for FSI coupon distribution in 2010, a 5% increase from 2009 according to Marx. FSI coupon activity increased 7.2% last year, with more than 291 billion print coupons dropped, the highest level of activity in the past decade. "It's a traditional, proven, long-standing medium," Kitrell says. "When you think about planning for next year, one of the easiest things to do is build off of what you did last year. So if print is part of the program historically, it's a safer bet for a brand manager to keep print in the budget."

There's no denying that FSIs are still generating huge revenue for brands and retailers, and print still carries a lot of clout in the industry. But Aitken says that there's a movement afoot, a quest for better-targeted coupon strategies than print can offer. FSI is a "mass communication with horrendous redemption rates," he says. According to NCH, the overall redemption rate for FSI coupons for CPG products was 0.7% in 2010. "Targeting is the wave of the future regardless of your medium," Aitken says. "With FSI, the greatest targeting you can do is [by] zip code."

Some of Aitken's clients rely more on in-store print couponing to drive point-of-sale purchases. Clients also rely on direct mail to serve their print couponing needs and to better serve consumers with more relevant offers. "If retailers have a purchase history and understand the consumer, absolutely it's more targeted, or at least it should be to the point where your ROI from a piece going out in the mail is extraordinarily more impressive than what you get with FSI," he says.

Some marketers are using other tactics to entice greater print redemption, such as themed coupon pages that showcase multiple brands produced by the same manufacturer, which can make more of an impact than a single coupon, Kitrell says. The Procter & Gamble Co., for instance, regularly distributes its P&GbrandSaver coupon book in Sunday newspapers. P&G marketers recently promoted a P&GbrandSaver book exclusively for Walmart, running TV spots prior to the book's distribution on Feb. 27.

### Clicking vs. Clipping Coupons

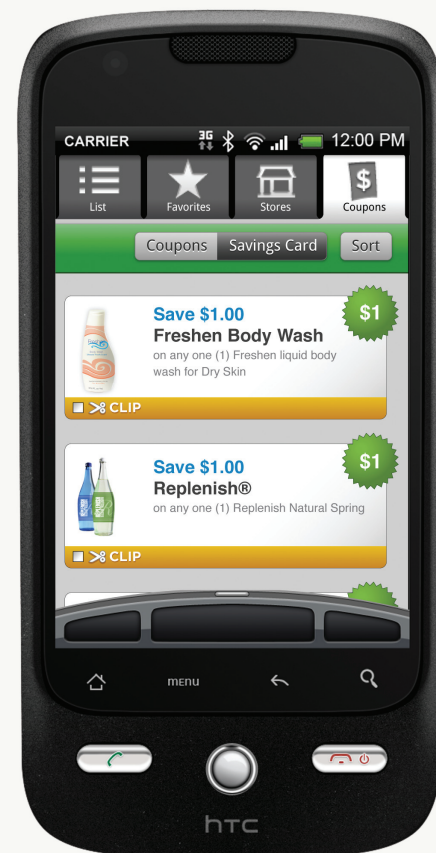
Compared with print, the number of coupons offered through digital channels—such as coupon sites, social media and e-mail—is growing at a faster rate, and that's no surprise given consumers' ever-growing embrace of the digital space. Marx reports that the number of individual digital coupon offers on distinct websites increased by 33.6% in 2010 and that 290 manufacturers distributed digital coupons in 2010, a 17.4% increase from the year prior. But Kitrell cautions that digital coupons still represent a paltry 1% of total coupon distribution in the U.S. and that the 33% growth in digital coupons still pales when compared with the 7% growth in the distribution of FSI coupons.

Why isn't digital a bigger deal in the couponing space today? For starters, given its youth, it's starting at a lower point in terms of the number of advertisers invested in digital and the number of consumers using it, Kitrell says. He adds that digital couponing initially was hindered by concerns of fraudulent distribution or redemption, which many retailers have since addressed.

Digital's redemption share also is improving, according to NCH, which reports that the digital coupon redemption share was 9.8% of total coupon redemption in 2009, up from just 1.1% in 2006. In that same time period, the print FSI redemption share—out of the total number of coupons redeemed—dropped from 63% to 50%. And while NCH reports that the redemption rate for FSI coupons for consumer goods is less than 1%, amongst digital coupons for CPG products printed by consumers, 15.8% are redeemed.

However, "digital coupons are limited with the marketing dollars they receive until they're monitored or measured along with other media," Kitrell says. "Marketers are still looking for proven ROI. Until they do that, it will be hard to tap into mainstream marketing budgets."

Marketers have known how to reach consumers in the paper world for the past couple of decades, Inmar's Carter says. But in digital, "there's not a clear answer which method definitely is best. There are a lot of people sticking a toe in the



Digital coupon distribution in the United States increased by

**33.6%**  
from 2009 to 2010,

according to Marx, with 290 manufacturers distributing digital coupons.

Redemption volume for CPG coupons in 2010 grew **3.1% to 3.3 billion**, the highest level since 1992 when U.S. consumers redeemed 7.7 billion CPG coupons,

according to NCH.

digital water to see how things work.”

Another issue is that the media cost to distribute digital coupons generally is greater than in mass print, says Charlie Brown, NCH's vice president of marketing.

NCH and Marx did not have data indicating the breakdown of upfront costs. Valassis Communications Inc., the Lansing, Mich.-based producer of the RedPlum coupon distribution vehicle and parent to NCH,

declined to share specific pricing information. “It is difficult to provide more specifics because of the variance in the level of distribution and targeting,” spokeswoman Cindy Hopman says.

Nevertheless, there is enough interest and potential to warrant significant year-over-year growth in the channel.

That's why ice cream retailer Cold Stone Creamery, a division of Scottsdale, Ariz.-based restaurant franchising group Kahala Corp., entered the digital fray in 2010, explains Jana Schneider, Cold Stone's director of marketing. The company took small yet significant steps forward, working with online coupon aggregator Coupons.com, basing its coupon strategy on its print offers and investing 20% of its couponing budget in digital. “The key was to take a step-by-step approach,” Schneider says. “We didn't do everything we could do with Coupons.com [in 2010]. Now we see some things that worked for us and we'll look at what else to do.”

Cold Stone saw enough success to justify further investment. Its digital couponing debut for ice cream cakes in fall 2010 on Coupons.com, which also was promoted to fans through e-mail and Facebook, contributed to a 16% increase in cake sales for the quarter, Schneider says. Digital coupons are being redeemed at a rate of 14%, Schneider says, far greater than the company's 0.02% redemption rate for print coupons, in part because consumers reached through Facebook and e-mail already are Cold Stone fans, increasing the chances that they'll use the offers.

The digital medium's combination of relevance and targeting makes digital couponing lucrative, Carter says. Marketers also can collect consumer information and purchase histories digitally, so consumers can receive coupons that matter to them and therefore will be more likely to redeem those coupons, he says. Steven Boal, CEO of Mountain View, Calif.-based Coupons.com, says that marketers can more quickly assess digital coupons' redemption rates versus print, have the flexibility to alter their couponing strategies, and can get offers up and running more quickly. And through Facebook, brands potentially can offer coupons to large numbers of people who aren't just consumers, but customers and fans of their brands.

#### Who's Downloading Digital Deals?

It's important to note that the digital coupon audience generally is different from the print coupon one. According to Coupons.com, consumers with a household income of more than \$100,000 are twice as likely to redeem online coupons as consumers whose household income is less than \$35,000 and 36% of digital coupon users have a college degree compared with 28% of consumers who use newspaper coupons.

Cold Stone's Schneider says her company's digital coupon audience typically is younger and has more discretionary spending than consumers who redeem its print coupons. Cold Stone also is learning that audiences differ across digital platforms and may respond better to different offers.

Cold Stone's ice cream cake offers were effective through e-mail because the medium previously had been used to promote cakes, Schneider says. But when Cold Stone ran a giveaway blitz to increase its Facebook fan base last fall and then promoted a cake coupon on its Facebook page available to redeem at Coupons.com, reaction was underwhelming because Cold Stone's Facebook fans loved the brand primarily for its ice cream, Schneider says. Based on fans' written feedback, later Facebook coupon references focused on ice cream with considerably more success, she says.

#### 2009 U.S. coupon redemption breakdown:

FSI: **50.0%**

Digital: **9.8%**

In-store handouts: **22.7%**

Direct mail: **6.2%**

SOURCE: NCH MARKETING SERVICES INC.

#### Mobile Takes Digital Coupons on the Road

While digital is a small piece of the couponing space compared with print, mobile is a much smaller piece within that small piece. “Mobile coupons are still less than 1% of all coupons issued,” says Paul Stanley, vice president of marketing and product management for mobile coupon provider Cellfire Inc. in San Jose, Calif. “There's not a whole lot of people making money in the mobile couponing space.” That said, there's growing interest; Stanley says that his company's revenue increased fourfold in 2010.

Mobile technology is rapidly changing, which makes it difficult for marketers to make mobile coupons mainstream. There's also a hindrance when it comes to redemption, dunnhumby's Aitken says, because stores' registers have to be able to read mobile coupons and that's a costly

**“You have to have a very compelling value proposition to get share of mind of these consumers today.”** LEE BROWN, Groupon Inc.

infrastructure update. One way around a chain-wide overhaul is to tie mobile coupons to a customer's loyalty account, Aitken says, but according to Stanley, such loyalty-tied coupons still would necessitate changes at store registers, as well as employee training.

Yet Stanley predicts that mobile's potential will motivate twice as many retailers to invest in mobile redemption capabilities this year. Already, retailers such as Target offer exclusive coupons to mobile subscribers who opt in through text messaging. As with digital in general, mobile coupons can be more targeted not just because consumers can select their own coupons or receive relevant offers based on their purchase histories, but also because mobile is mobile, providing the possibility that consumers can be targeted with offers based on their location.

Small tests are happening in the mobile couponing space, Stanley says. For instance, some consumers of East Coast supermarket chain Stop & Shop Supermarket Co. can use their mobile devices' location tracking capabilities to get coupons for goods shelved in the aisles in which they're shopping. And with smartphone proliferation in the U.S. growing by 68% in 2010, according to comScore Inc., mobile coupon interest is only expected to grow, Inmar's Carter says, which could fundamentally change the coupon marketplace within the next two or three years.

#### Coupons by Consumer Demand

A lot of the chatter concerning digital deals these days centers on social deal sites such as Groupon, LivingSocial and BuyWithMe, which offer consumers deep discounts on products and services if enough consumers elect to pay for the deals through the site. *Forbes* proclaimed Chicago-based Groupon Inc. the fastest-growing company in history. Social deals also are entering the B-to-B marketing space: Groupon currently is experimenting with adding B-to-B offers to its repertoire and a new site called Bizy, slated to launch on March 28, will offer daily and weekly deals for small B-to-B businesses.

In 2010, marketers offered **\$451 billion** in discounts through FSI coupons, a 17.4% increase from the year prior,

according to Marx, the coupon research division of Kantar Media.

Continues on page 18



Many marketers might be wondering just how the entire coupon space will be affected by the social couponing model. "You have to have a very compelling value proposition to get share of mind of these consumers today," says Lee Brown, Groupon's senior vice president of national sales. Social buying could open the floodgates for deal-based promotions and transform what consumers expect from marketers' couponing strategies. "Right now we're presenting offers from merchants to consumers," Brown says. But Groupon is seeking to evolve social buying this year and allow consumers to propose which products and services fellow consumers should rally behind to get Groupon deals. If the concept takes off, social media will make it possible for consumers, not just companies, to call the shots on couponing strategies.

As consumers continue to make their purchase decisions based on which brands offer the best deals, discounts and value, couponing's popularity as a marketing tactic likely will continue, experts say. In fact, Marx's Kitrell predicts that the space could get so crowded—particularly in digital—that marketers might have to find new ways to attract consumers worn out by couponing fatigue.

Adds Carter: "The catalyst for the change behavior really was the economy, but it's made such a big impact on the consumer, it's certainly not going to go back to a paradigm where coupons are not cool. ... I think the excitement and interest in new technologies will drive that for a number of years, and keep deals and coupons top of mind." **m**

### Editor's Picks @ MarketingPower.com

#### For More on Couponing Strategies:

##### Podcast:

Marketing News Presents: *The Evolution of Couponing*  
Dan Kitrell from coupon research leader Marx gives an overview of the couponing landscape and its implications for marketers. Available beginning April 25.

##### Articles:

*Create Legal Guards for Coupon Programs*  
Get some couponing tips from this Marketing News feature.

*Who's Got the Coupon? Estimating Consumer Preferences and Coupon Usage from Aggregate Information*  
This *Journal of Marketing Research* article advocates using aggregate data to estimate couponing's behavioral implications.

## The Premier Source for Connecting with Healthcare Professionals

### Online Research

Fully integrated data collection department providing our partners access to a robust suite of the latest online tools.

### Recruitment

Our dogged and determined approach has earned us a reputation in the marketing research community for successfully recruiting even the most challenging segments.

### Qualitative Research

Focus groups, in-depth interviews and other custom protocols managed by a team of experienced in-house professionals.

### Analytic Services

We employ a mix of methodologies and techniques coupled with a rigorous approach to detail that provides practical solutions to today's business needs.

 **Olson Research Group, Inc.**  
Marketing Research  
Quality Data Collection | Recruitment | Analysis

New Jersey  
609.882.9888

Pennsylvania  
267.487.5500

California  
650.450.9700

[www.olsonresearchgroup.com](http://www.olsonresearchgroup.com)