

Conscientiously Combating Coupon Fraud: It's Time to Stop Fraud Once and for All



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Coupon fraud represents a growing challenge for the industry. Counterfeit coupons have tripled over the past few years, with liability estimates exceeding \$100 million. In addition, a second category of coupon fraud -- known in social media circles as "glitching" or "glittering" -- is growing rapidly. This type of coupon fraud involves the intentional misuse of legitimate coupons on items for which the coupons were not intended and is typically enabled in one of three ways:

- The CPG codes the coupon incorrectly or too broadly. For example, a coupon for "large size only" gets coded so that it will scan on smaller sizes;
- The retailer doesn't properly validate coupons. Some retailers validate to the company level only and not to the family code;
- The cashier overrides coupons that won't scan properly. This occurs when the cashier wants to avoid confrontation and a poor shopper experience, is inadequately trained to resolve the issue or, in rare situations, is complicit in the deception.

Solutions to both forms of coupon fraud are limited, so it's imperative that coupon issuers are careful to ensure their coupons are used as intended and achieve the promotional outcomes for which they were designed. Here are five strategies for combating coupon counterfeiting and the mis-redemption of legitimate coupons:

1. Reduce or eliminate the use of print-at-home coupons.

Already suffering from a sharp decline in popularity, print-at-home coupons are the most susceptible to counterfeiting and misuse. Despite print controls and PIN numbers, these offers are easily copied, manipulated, shared and counterfeited. The emergence of "IP Fairies" -- coupon sellers who use "virtual machine" software to quickly drain the entire inventory of a printable offer -- has further increased the risks associated with print-at-home-coupons. CPGs continue to recognize these risks, as print-at-home redemptions declined by -42% in 2019 (vs. 2018). Print-at-home redemptions now represent only 1.5% of total coupon redemptions.

2. Control face values, redemption periods and ensure family codes are accurate.

The higher a coupon's face value, and the longer its redemption period, the more attractive it is to those looking

to misuse it or counterfeit it. With the advent of coupon decoding apps, e.g., QSeer, incomplete or inaccurate family coding on a coupon can be easily discovered, shared virally in social media and exploited for improper redemption.

3. Consider validated trade promotions over instantly-redeemable (IR) and tear pad coupons.

While these two methods are effective in driving at-shelf purchase decisions, both coupon types are vulnerable to theft and illicit sale and distribution. The improper removal of IR coupons may also damage the promoted product and render it unsaleable. A much more secure option is a validated trade promotion. Effectively controlled and cost-efficient, "scan down" trade promotions are proven to drive incremental volume and greater returns without coupon fraud risks.


4. Pursue alternatives to high-value consumer relations coupons.

Consumer Relations (CR) or "apology" coupons are coupons designed to rectify negative product experiences by offering affected consumers a second chance at a positive product experience. The high value of these coupons (that essentially results in a free product) makes them particularly alluring to counterfeiters and scammers and has led to a rise in fake complaints made to brands by individuals seeking to acquire these coupons. Brands should consider alternatives to CR coupons, such as prepaid debit cards or personal checks.

Additionally, there are rapidly developing digital alternatives, including conversational commerce, that can deliver personalized promotional offers. These should be explored to better engage the consumer while eliminating risks associated with CR coupons.

5. Leverage existing industry resources.

Brands and retailers share responsibility for timely dissemination of information around counterfeit coupons. Both groups should leverage existing counterfeit coupon notifications and fraud alerts offered by industry organizations and service providers. In addition, retailers should continue to prioritize point-of-sale interventions focused on flagging high-coupon transactions and limiting or eliminating cashier overrides.



Inmar Intelligence provides its CPG and retailer clients with best-in-class fraud detection and prevention controls to avoid wasteful spending and maximize promotional investment.

Here are six examples of Inmar's leadership in this space:

1. Counterfeit Data Management

Inmar is the only coupon settlement agent who provides retailers with daily updates of newly-discovered counterfeits on behalf of all our CPG clients. In today's environment, where counterfeiters fully understand the industry's blocking processes, new versions of counterfeit offers are being created at record pace. Inmar's daily process ensures retailers have the most up-to-date databar strings so that new counterfeits can be quickly blocked at point-of-sale.

2. Accurate Family Code structures

Inmar's Family Code Services team provides CPG clients with tight, accurate family code structures to ensure that paper coupons will only scan on the items for which they are intended. Our team works with clients to restructure family code hierarchies as the couponing intentions of brands change over time. Our focus is to ensure that coupons will scan on the proper brand, version and size, in accordance with our clients' strategy.

3. CNFRM™ Prevention Technology

Inmar's multi-functional, POS-integrated technology, CNFRM™ prevents counterfeit coupon redemption at the register. Through a cloud-based decision engine, CNFRM™ immediately validates every scan against positive and negative offer files, stopping invalid and counterfeit coupons before they can be redeemed.

4. Retailer Interventions

Inmar works with our settlement retailers on emerging best practices. While family code validation and counterfeit-blocking at point-of-sale are always top priorities, Inmar has

driven additional controls at retailers to further minimize fraud and mis-redemption. Recent POS control examples include: a) limiting the number of like coupons that can be used within a transaction; b) disabling the use of high-value (>\$5.00) coupons at self check-out; and c) limiting the number of items that can be scanned at self check-out to prevent egregious coupon fraud from taking place without retailer employee intervention.

5. Consultation with CPG clients on safe coupon executions.

Paper coupon risks can vary across form. As mentioned, print-at-home coupons carry the highest levels of risk, while FSIs, Instantly Redeemables (IR), tear pads, Consumer Relations, and other forms also carry varying levels of risk. Inmar consults with our clients on alternatives on ways to minimize all types of paper coupon risk, including face value, expiration dates, and alternatives to paper coupons that can achieve the brand's objectives without the risk of fraud (digital, trade, etc.).

6. Digital Mis-Redemption Controls

While digital coupons are clearly a safer alternative to paper coupons, fraudsters have discovered ways to "trick the system" in order to mis- or over-redeem digital coupon offers. Examples include digital accounts that can redeem an offer multiple times, or consumers who create multiple/fake digital accounts to accomplish this objective. Both of these practices can be counter to a brand's objective of limiting a digital offer to one use per consumer. Inmar has created the first and only digital exception reporting module that highlights digital transactions that violate a brand's digital coupon policy. Our clients can then make pay/no-pay decisions against these highlighted transactions.

While not the same as cash, coupons are virtual currency that are susceptible to numerous forms of fraud and abuse. Coupons require ongoing diligence and awareness to protect their integrity.