



## CONSUMER RELATIONS COUPONS: BEST PRACTICES, RISKS AND RECOMMENDATIONS

RALPH MARESCO  
COUPON SOLUTIONS EXPERT, INMAR

**Consumer Relations (CR) coupons, sometimes referred to as “apology” coupons, are typically mailed out to consumers who contact a company after product purchase to report a complaint, ask a question or offer feedback.**

These coupons are typically either:

### **FREE OR HIGH-VALUE –**

Consumers get a product for free or at a significantly high discount; these are generally provided when a consumer reports a complaint or defective product. The brand’s intention is for the consumer to purchase a replacement product at little-to-no incremental cost so the consumer gives the brand a second chance;

**LOW-VALUE –** Consumers get these in response to other inquiries such as questions, suggestions or compliments. Companies also issue low-value CR coupons to promote other brands in their lineup. For example, when sending the consumer a free product coupon to replace the original purchase of Brand A, a company might also send additional cents off coupons for other brands in an effort to cross-market or generate trial of other products.

While CR coupons often represent <1% of a brand’s total coupon redemptions, the risk of fraud associated with these coupons is disproportionately high and usually related to free or high-value coupons. In some cases CR offers have experienced redemption rates of more than 1000% of the authorized distribution quantity. Here are some of the more common forms of fraud and misbehavior related to high-value CR coupons:

**PHOTO COPYING –** Due to the lucrative nature of these coupons, they’re often copied — in violation of the coupon’s legal terms of use — and used multiple times. The originally issued coupon is valid but the misuse can result in shelf-clearing (and even backroom inventory-clearing) at the retail store;

**COUNTERFEIT DESIGN –** A CR coupon’s barcode can be replicated into a fake print-at-home coupon template. It can then be printed, duplicated, sold and used multiple times rather than the one time that was originally intended. This unintended distribution and misuse can result in shelf-clearing (and backroom inventory-clearing) at the retail store;

**FAKE COMPLAINTS –** Fraudsters call a company, make a false complaint about a product and receive a high-value coupon in the mail that is copied and counterfeited. This practice gets communicated online, raising awareness of the availability of these coupons and encouraging this fraudulent behavior;

**FAKE COMPLAINT SERVICES –** There is a cottage industry of fraudsters who, for a fee, will call any number of companies on behalf of their “clients” and file false complaints. The person paying the fee typically receives multiple high-value CR coupons sent in response to the complaints and can then copy or counterfeit them for use multiple times.

It's important for marketers to keep in mind that counterfeit CR coupons in circulation cannot be effectively blocked via the industry's Early Warning File because there are likely to be, at the same time, consumers trying to redeem honestly acquired, legitimate versions of those CR coupons with identical barcodes and data strings. Therefore, if a brand should decide to block a CR coupon because of counterfeiting, they run the risk of refusing acceptance of an offer that should otherwise be accepted – and find themselves undoing the good that was done when the coupon was sent to the consumer in the first place.



## WAYS TO ADDRESS FRAUD

In situations where a CR coupon has been heavily counterfeited, it may be prudent for the brand to withdraw the offer in order to limit their financial liability. However, this action carries with it significant complexity as the brand would need to contact every consumer who received a legitimate version of the coupon in order to prevent the relationship-damaging offer-refusal scenario referenced above.

Over the years brands have tried numerous approaches to securing and controlling high-value CR coupons but results have been mixed at best as the fraudsters often devise work-around solutions.

For example, holograms are often placed on CR coupons; however, even holograms have been counterfeited and there are documented cases of fraudsters accessing legitimate hologram paper. Moreover, retailers may not train cashiers on when to look for a hologram or how to inspect it for authenticity.

Most brands place consumer name, address and ID number on CR coupons and even embed them in the barcode. However, these controls have not proven particularly effective as it is virtually impossible to determine if the fraud related to the originally-distributed, legitimate CR coupon was committed by the intended recipient or someone else. Further, duplicate redemptions of the same CR coupon aren't discovered until the coupons have already been redeemed in the store and are being processed.

The misuse of high-value CR coupons creates an ill effect where legitimate use is questioned by the cashier — or even denied at check-out. This is an unintended consequence resulting from the good intentions of retailers working to combat the rise of counterfeit coupons in the industry.

Some retailers have implemented point-of-sale coupon controls that require cashier inspection and/or manager involvement for any coupon presented at checkout with a value of \$5 or more. Other retailers are refusing to allow high-value coupons to be scanned in self-checkout lanes.

While these efforts are commendable, their implementation creates potential for the customer's poor experience to be compounded. The brand's attempt to make good on the initial concern now faces that same customer being treated with suspicion and having another negative experience.

Some brands have begun issuing prepaid debit cards or personal checks as alternatives to high-value CR coupons. The positive in this approach is that brands can effectively limit their financial liability to the cost of the debit card or the amount of the check. The negative is that there is no guarantee that the recipient of either one will use it to re-purchase the initial product and give the brand a second chance to deliver satisfaction.

## Other in-market alternatives to traditional CR coupons that brands can consider using include:



### DIGITAL REBATES

Enables consumers to re-purchase a replacement product and provides a digital record of that purchase. Digital rebates can be personalized with unique URLs sent via email, SMS text or messaging applications which curtail counterfeiting. However, not all consumers are comfortable in the digital environment and some may feel that they're working too hard for compensation. Paper rebates sent via direct mail are a more traditional version for some demographics; however, pose the same consumer experience risk.



### DIGITAL LOAD-TO-CARD CR COUPONS

Leveraging existing digital coupon technology, this approach eliminates the risk of counterfeiting and coupon copying. Like the CR paper offers, it ensures consumers get the discount upfront. That said, the delivery of these coupons requires that consumers leverage a retailer's digital wallet that is accessible by the brand for distribution.



### SHIPPING A REPLACEMENT PRODUCT TO THE CONSUMER

This is, of course, an effective way to put the originally purchased product back in the hands of the consumer. But, there is a cost-benefit balance that may prove difficult to maintain relative to the cost of shipping the product and related administration.

## Recommendations for a well-controlled CR coupon program include:

- ▶ Placing the consumer's name and address on the coupon as a simple first step to help deter misuse.
- ▶ Using Void/Copy-Stop technology to prevent mass-copying of the original coupon.
- ▶ Shortening the redemption period to a maximum of 90 days; preferably shorter.
- ▶ Ensuring the Consumer Relations department keeps a frequent caller log to monitor repeat complaint calls. Consider cutting off coupon mailings to any address identified as being the source of excessive or overly-frequent complaints.
- ▶ Limiting the value of CR coupons to no more than \$5 and employ readily available alternative methods for higher values.

**Protecting consumer relations has always been, and will continue to be, an inexact science. As challenging as it is to maintain brand loyalty while limiting financial liability, it always has been, and will continue to be, worth the effort. Successful programs can be built with custom consideration to risk and reward for your product and customer loyalty.**

**CALL YOUR ACCOUNT REPRESENTATIVE OR (866) 440-6917 FOR MORE INFORMATION**