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A new way
to clip -
online couponing

Developing an online coupon strategy

Coupons have long been used in marketing strategies to boost sales and promote products. With the advent of the Internet, coupons have now evolved into a tactic capable of so much more.

In 2009, Americans redeemed over 3 billion coupons.¹ While many of these coupons were found in newspaper circulars or distributed in stores, some 8.6 million households report regular use of online coupons². While the average redemption rate for print coupons is about 1.2 percent, recent studies have indicated that online coupon redemption rates are upward of 10 to 15 percent³.

Increased redemption isn't the only benefit to moving coupons from print to online: Online coupons allow for highly targeted distribution, ease of use for both the consumer and business, and reduced costs in production and distribution of coupons.

An online coupon strategy should be considered by businesses looking to:

1. Incentivize purchases
2. Drive Web traffic
3. Build customer loyalty
4. Measure the effectiveness of communications channels
5. Increase word of mouth among target audiences



But there's more to online coupons than simply creating promotion codes or e-mailing offers promoting percentages off purchases. The implementation of online coupons requires an overall online coupon strategy, along with some basic knowledge of the different kinds of online couponing and sales cycles.

Honing in on your target audience

Before beginning any coupon strategies, it is imperative to understand your target audiences and the profile of a typical "coupon redeemer." Consider these general statistics when identifying your coupon audiences:

- 55 percent of online coupon users are between the ages of 25-44⁴.

¹ Inmar. "Inmar Consumer Study: Consumer Coupon Usage Findings." Inmar. 01 Nov. 2009. Web. 15 Feb. 2010. <<http://www.inmar.com/promotion-services/news-events/articles/inmar-consumer-study-consumer-coupon-usage-findings.htm>>.

² MarketingProfs. "E-Coupons Gaining in Popularity." MarketingProfs: Marketing Resources for Marketing Professionals. 29 Sept. 2009. Web. 13 Feb. 2010. <<http://www.marketingprofs.com/charts/2009/3060/e-coupons-gaining-in-popularity>>.

³ Grasse, Nicole. "Once just a fad, online coupons are catching on big with retailers and shoppers." InternetRetailer.com. Web. 21 Feb. 2010. <<http://www.internetretailer.com/internet/marketing-conference/89118-once-just-fad-online-coupons-are-catching-big-retailers-shoppers.html>>.

⁴ "Bright Future for Online Coupons." ClickZ - News and expert advice for the digital marketer since 1997 - ClickZ. Web. 21 Feb. 2010. <<http://www.clickz.com/153561>>.

- One third of online coupon users have a household income of over \$75,000⁵.
- Online coupon users are 51% more likely than non-coupon consumers to hold a college degree⁶.
- 25 percent of online coupon users said they like to try new products and services before others⁷.
- 54 percent of online shoppers have classified online couponing sites as important to their shopping process⁸.

What do you hope to achieve?

While some retailers do offer coupons strictly as a feel-good service to consumers, there's usually a bigger picture approach to offering online promotions or deals. Coupons can serve a much larger purpose in reaching overall business, marketing and sales goals. But, in order for that to occur, clear objectives as to what your business is hoping to achieve from implementing a coupon strategy should be defined. Look to these objectives for inspiration:

- **Ramp up sales**—Coupons provide an incentive to buy and a reason to buy from you.
- **Increase Web traffic**—Coupons can push consumers to your Web site to either obtain coupons or to redeem them, subsequently driving Web traffic. Great Web design and content will entice them to stay.
- **Heighten customer loyalty**—Coupons can provide consumers with the feeling of gaining a bargain and the belief that they are being treated as a special and valued customer.
- **Proliferate word of mouth**—If executed to do so, coupons can be easily shared through social networks or e-mail. Everyone likes a good deal and even more people like being the frugalista hero. Specifically in the case of e-mail marketing efforts featuring online coupons, studies have indicated that referral rates for online coupons were more than 1.4 times higher than for non-coupon e-mails.⁹



⁵ "Bright Future for Online Coupons." ClickZ - News and expert advice for the digital marketer since 1997 - ClickZ. Web. 21 Feb. 2010. <<http://www.clickz.com/153561>>.

⁶ MarketingProfs. "E-Coupons Gaining in Popularity." MarketingProfs: Marketing Resources for Marketing Professionals. 29 Sept. 2009. Web. 13 Feb. 2010. <<http://www.marketingprofs.com/charts/2009/3060/e-coupons-gaining-in-popularity>>.

⁷ Megna, Michelle. "E-Coupons 101: Offering Digital Discounts eCommerce-Guide.com." ECommerce-Guide to News, Reviews and Technology Solutions - ECommerce-Guide. 22 Mar. 2008. Web. 19 Feb. 2010. <<http://www.e-commerce-guide.com/article.php/3667331>>.

⁸ "Bright Future for Online Coupons." ClickZ - News and expert advice for the digital marketer since 1997 - ClickZ. Web. 21 Feb. 2010. <<http://www.clickz.com/153561>>.

⁹ Inmar. "Inmar Consumer Study: Consumer Coupon Usage Findings." Inmar. 01 Nov. 2009. Web. 15 Feb. 2010. <<http://www.inmar.com/promotion-services/news-events/articles/inmar-consumer-study-consumer-coupon-usage-findings.htm>>.

Lather, rinse repeat

With your objectives firmly in place, implementation of your coupon strategy can begin. Implementation will be strongest if you consider at what point within the sales cycle your coupons will be most effective in obtaining your predefined objectives. Additionally, key sales cycle placement often allows customers to be shepherded from one part of the sales cycle to another. Most sales cycles consist of four phases¹⁰:

1. Awareness

Without consumer brand awareness or knowledge of a product or promotion, a marketing or sales campaign is unlikely to succeed. Marketers work to constantly educate and engage target audiences. At this first step in the sales cycle process, coupons are a great tool for building this awareness.

2. Recruitment

This second step in the process refers to when a business can successfully make a call to action with the promise of delivering something in return to consumers who follow the lead—a value exchange. Coupons provide a currency to make this type of request—“Take our survey and receive 10% off your next purchase!”

3. Engagement

In the online realm, engagement can be active or passive but every brand strives for active engagement in part because it is extremely quantifiable. Use coupons as a way to reward consumers for actively engaging with a brand, product or service.

4. Motivation and purchase

And in this last step of the sales cycle, this is where the marketing pays off—when the consumer makes a purchase. Coupons can provide the motivation that many online consumers need to make a purchase or they can prevent cart abandonment with instant gratification offers like free shipping.



Determining the offer¹¹

As you continue to fine tune your implementation strategy, the details of the coupons' promotions will need to be identified, tested and measured. Depending on your audiences, different promotions will prove to be more successful in accomplishing your objectives.

¹⁰ Weitzman, Jeff. "5 Ways to Win with Online Coupons." *I Media Connection*. 23 Oct. 2008. Web. 20 Feb. 2010. <<http://www.imediaconnection.com/content/20895.asp>>.

¹¹ "20 tips on coupon marketing | *Ecommerce Journal*." *Ecommerce Journal-more about virtual economy|money and ecommerce news|banks|stock and articles news|forex|hi-tech and finance news|gambling*. Web. 26 Feb. 2010. <http://www.ecommerce-journal.com/articles/16078_20_tips_on_coupon_marketing>.

Many online retailers determine the amount of a coupon or discount based on the average order through its Web site. For example, if transactions are less than \$100, merchants tend to offer a flat rate discount in dollars, such as \$10 off a purchase of \$50 or more. If transactions are more than \$100, it makes more sense to offer a percentage discount, such as 10 percent off a purchase of \$100 or more.

Additionally, many online retailers find success in setting a minimum spending requirement that is slightly higher than the average transaction total—this helps encourage customers to add a couple of extra items to the shopping cart in order to take advantage of a promotion. For example, if a business's average order totals \$50, they might offer a coupon for 10 percent off purchases totaling \$60 or more.

Offers don't have to be limited to an amount or percentage off, either. Consider free shipping on minimum order purchases or buy-one-get-one half off deals, too. Before creating an online coupon strategy, be sure to consult your e-commerce solutions or shopping cart functions to make sure any offer you are prepared to make can be supported by your business's or site's technology.

Tactics, tools and distribution— getting the word out

Online coupon strategies are extremely versatile in execution. Depending on objectives and audiences, businesses have many options when choosing specific tactics, tools and distribution methods to implement, including:

Distribution online and redemption in-store

Coupons or discounts are distributed via e-mail, on a business's Web site, online ads, social media mentions or third-party coupon Web sites and can only be used offline, in-store. This tactic is recommended for businesses that do not have e-commerce capabilities on their Web sites, offer services instead of products, or that have customers who have been found through previous market research to be more likely to make a purchase in store than online. For businesses that do allow online consumer purchases, this tactic is likely to cause more frustration than appreciation.

Distribution in-store and redemption online

Many stores, particularly clothing retailers, have found success in distributing coupons with codes (also called coupon codes, promotion codes, discount codes, etc.) at the point of sale that can be redeemed both in-store or online. Some retailers have even gone so far as to add these codes to all coupons distributed in print to allow the consumer to decide how they want to redeem. The code is specific to online purchases and



entered by the consumer during the online check out process. This option is also particularly great when done in small runs as a way for businesses to test and track how coupons are being used online versus in-store.

Distribution online and redemption online

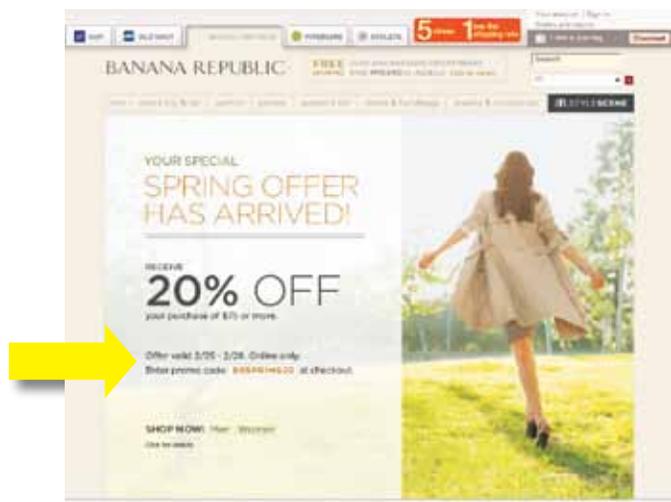
Arguably the most popular tactic used by retailers, this option combines a little bit of both of the previous methods. Coupons or coupon codes are distributed via e-mail, on the Web or a third-party coupon site and can only be redeemed online. This tactic can be broken down further to encompass two specific types of online coupons: **Embedded coupons**—which is a coupon in a link that when clicked on takes a consumer directly to the online storefront and where the discount is applied automatically; or **Code coupons**—which were mentioned previously and require the user to enter the code in order to redeem the coupon or apply the discount.

Here is some further insight on coupon execution:

Web coupons

While technically all online coupons could be referred to as “Web” coupons, this specifically refers to the distribution of coupons on a business’s Web site, often the home page, promoting a coupon or discount code that is available to all consumers. The benefits to online couponing in this way are reduced costs, the opportunity to build customer loyalty and clear messaging to buy immediately upon entering a business’s site.

Take a look at clothing retailer, Banana Republic’s (www.BananaRepublic.com) spring promotion on its site recently:



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Another Web option for online coupon distribution is a page within a business's Web site that is dedicated specifically for coupons or other promotions. Keep in mind that this page is less likely to be seen than a home page, but is probably more effective displaying multiple promotional offers. This tactic also holds added search engine optimization benefits to a business's search result returns. An example of such a page is Overstock.com's® [coupon listing](#):



E-mail coupons

E-mail coupons are just what they sound like—coupons or promotion codes that are distributed to consumers via e-mail. Whether used to drive a marketing campaign or as an ongoing strategy, coupons distributed through e-mail have proven to be highly effective. Some businesses add coupons to their e-newsletters, while others have found success in offering e-mail subscriptions featuring just coupons and promotions. Further, many online retailers offer customers the ability to select to receive e-mail communications of coupons and promotions somewhere within the check out process or as RSS (Real Simple Syndication) feeds.

When considering any of these tactics, businesses should be cognizant of e-mail marketing best practices. To not be labeled as SPAM, e-mail distribution requires prior opt-in from customers—they must sign up to receive this communication and must be given the opportunity for easy opt-out at any time in each e-mail. Additionally, it's typically not customer-friendly to require customers to "de-select" that they would like to receive e-mail correspondence. Let them register or check mark the box that indicates they want to be the recipient of your e-communications.

Mobile and geo-located coupons

Perhaps the latest tactic for online coupon strategies involves the use of mobile phones. In this tactic, coupons are distributed through text messages (SMS message) or applications (commonly referred to as "apps"). Much like e-mail distribution of online coupons, mobile distribution requires opt-in from

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the consumer. Once opted in, coupons can be sent directly to a consumer's mobile phone, in effect making the coupon mobile, too. Retailers often allow redemption of mobile coupons by simply presenting the coupon on the mobile phone in-store, or by allowing users with mobile Internet access to click through the coupon and buy immediately.

Because consumers are accessing these coupons on the go, a new mobile marketing tactic has emerged that involves geo-located couponing. Meaning, coupons are sent to mobile subscribers based on the subscriber's exact location. For example, a consumer could be shopping on Main Street when a mobile coupon for a coffee shop located around the corner on Oak Street is sent to them—convenience and serendipity all in one. Currently, the popular platform for distributing these coupons is called [foursquare](#)[®]. Users sign up for the application and subsequently use their mobile phones to “check in” at certain locations, earning points and coupons. Other geo-location platforms that allow for similar highly targeted coupon distribution include [Geodetic](#)SM and [GoWalla](#)SM.

Online ads

Some businesses include coupon codes or promotional links through online advertising on Web sites other than their own or through search engines, similar to this example:



Online bookseller Barnes & NobleSM not only returns organically in this search with a link to its site, but as a sponsored link (a GoogleSM ad for which they paid) that includes a coupon code for 15 percent off any one item. This ad serves to sway a person likely already on his or her way to purchasing a book with an incentive to choose Barnes & Noble over other retailers.

Social Media

Social media sites like [Facebook](#)SM, [Twitter](#)SM, [MySpace](#)SM, [YouTube](#)SM and others, provide yet another world of opportunity for online coupon strategies. These sites can act as tools for broadcasting or sharing coupon codes or other promotions and are perfect for businesses with an objective of creating brand awareness or increasing word of mouth referrals.

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Couponing by way of these sites usually happens very much on purpose, such as through the creation of a Twitter account solely to push online coupons, or very much on accident, such as consumers hearing about online coupons elsewhere and sharing these codes or coupon links with their social networks.

Dell® Outlet is known for its [Twitter account](#) that pushes exclusive online coupon codes and other promotions to its followers:



Some social media sites, particularly Facebook, have the opportunity for specific ad campaigns. Facebook ad campaigns can be highly targeted—down to a person’s occupation or their favorite movie—and are relatively inexpensive compared to comparable banner ads elsewhere on the Web.

Third-party coupon Web sites

Sites like [FatWallet.com](#)®, [CouponCabin](#)™, and [Restaurant.com](#)® are Web sites designed to provide consumers with online coupons (or printable coupons for redemption in-store) to a number of online retailers. Though it depends on the site used, most businesses submit coupon codes or other promotions to these sites for a fee. Other sites, such as [RetailMeNot.com](#), are produced by consumers who collect and share various promotion codes they’ve encountered while shopping online. While some businesses aren’t bothered by such sites, other businesses loathe them, especially those that have created coupon codes to assist in tracking how consumers are finding their site or consumer shopping behavior.

However, research has shown that third-party coupon sites are quite popular among consumers and therefore hold the potential to work to a business’s advantage—some 3 million households are registered on coupon sites that see traffic close to that number on a daily basis.¹²

“Online coupons give consumers what they want, in the right place at the right time,” says Dadi Akhavan, president and co-founder of [E-Centives](#)®, a company

¹² Grasse, Nicole. “Once just a fad, online coupons are catching on big with retailers and shoppers.” *InternetRetailer.com*. Web. 21 Feb. 2010. <<http://www.internetretailer.com/internet/marketing-conference/89118-once-just-fad-online-coupons-are-catching-big-retailers-shoppers.html>>.

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that creates and manages online coupon strategies and campaigns for some of the nation's largest retailers¹³.

Additional tips for success

Once objectives have been outlined, target audiences identified, and tactics and distribution explored, a few more points still need to be considered prior to implementing an online coupon strategy^{14, 15}:

1. Avoid online coupons that are valid only for a specific product or product range. This often times prevents customers from perusing sites to look at other products, potentially limiting the overall sale potential.
2. Do not pursue an online coupon strategy without first assessing current financials. If margins are already tight, coupons may not be the best fit.
3. Businesses using coupon codes should aim to keep codes short and memorable, like "SAVE10" or "FREESHIP."
4. Provide some limitations as a way to entice coupon recipients even more, such as setting an expiration date.
5. Online coupon strategies are rarely a one-off strategy—incorporate couponing into your overall marketing plan and be sure to consistently offer new codes, coupons and promotions to maintain customer loyalty and keep customers coming back.
6. Test and measure! Test coupons and codes before distribution and promotion and determine those incentives that offer the best bang for YOUR buck.
7. Consider partnering with other complementary Web sites to place coupon codes in exchange for giving them placement on yours. For instance, an athletic retailer may place an ad with a coupon code on a gym's Web site and vice versa. Partnerships like this provide added visibility to like-minded consumers.
8. Add a "Share with a friend!" or a "Share on Twitter!/Facebook!" option to online coupons to increase the potential for word of mouth promotion.
9. Studies have shown that new online customers typically have larger orders than repeat customers and subsequently, it may serve customer loyalty well to offer larger discounts for first-time buyers.



¹³ Grasse, Nicole. "Once just a fad, online coupons are catching on big with retailers and shoppers." *InternetRetailer.com*. Web. 21 Feb. 2010. <<http://www.internetretailer.com/internet/marketing-conference/89118-once-just-fad-online-coupons-are-catching-big-retailers-shoppers.html>>.

¹⁴ Megna, Michelle. "E-Coupons 101: Offering Digital Discounts *ECommerce-Guide.com*." *ECommerce-Guide to News, Reviews and Technology Solutions - ECommerce-Guide*. 22 Mar. 2008. Web. 19 Feb. 2010. <<http://www.ecommerce-guide.com/article.php/3667331>>.

¹⁵ "20 tips on coupon marketing | *Ecommerce Journal*." *Ecommerce Journal-more about virtual economy|money and ecommerce news|banks|stock and articles news|forex|hi-tech and finance news|gambling*. Web. 26 Feb. 2010. <http://www.ecommerce-journal.com/articles/16078_20_tips_on_coupon_marketing>.

If you're offering a 10 percent off coupon to regular customers, bump it up to 15 percent for new customers.

10. When using coupon codes, retailers should be sure that the coupon code box for redemption is located in a prominent location on the e-commerce page and in an intuitive point within the check out process. Consumers should be able to see the discount applied immediately upon entering it into the box, such as in a line item in the shopping cart, prior to completing the sale.



Measurement

Measurement of online coupon strategies primarily revolves around redemption rates—who is redeeming the coupons, when and where. Online coupon codes are relatively easy to track as are in-store coupons that have similar codes to be entered by a sales person in the register at the point of sale. The major question to ask in order to determine the success or the failure of an online coupon strategy is did sales increase enough to not only recoup the cost of the coupon and campaign, but also increase enough to make a profit?

However, if a business is more focused on building customer loyalty or obtaining new customers, measurement of an online coupon strategy is best done over time, based on these individuals' future buying habits—are they returning to make more purchases? How often? What is the average cart total?

Like other online marketing efforts, a portion of measurement should also be based on Web site traffic and word of mouth—are people sharing your coupons online and if so, with whom?

All of these factors will work together to help you determine what impact your online coupon strategy has had with your target audiences.

Online coupons allow for highly targeted distribution, ease of use for both the consumer and business, and reduced costs in production and distribution of coupons. With a strategic and thoughtful approach, businesses that use coupons can incentivize purchases, drive web traffic, build customer loyalty, measure the effectiveness of communications channels, and increase word of mouth among target audiences. Get your consumers to put away those scissors and pull out a laptop to choose your business.

