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# How Brands Can Rejuvenate Their Online Coupons

by Christine Spivey Overby

BEST PRACTICES

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Includes Consumer Technographics® data



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## How Brands Can Rejuvenate Their Online Coupons

by **Christine Spivey Overby**

with Carrie A. Johnson, Chloe Stromberg, and Brian Tesch

### EXECUTIVE SUMMARY

Three years have passed since the online coupon scare sent consumer products (CP) marketers running for the hills. After Herculean efforts by the industry to instill a wide range of safeguards, educate retailers, and coax brands back, some marketers are taking a fresh look and asking what it will take to make their online coupon programs yield the tantalizing fruits they once promised. Today, online coupons make sense as a spicy ingredient for buzz-building campaigns, as a loyalty tool, as a source of offer and pricing insight, and maybe even as lift for products aimed at younger, hipper audiences. To get Web coupon programs up to speed, CP marketers need to understand how adoption has changed, bring big brands online to revitalize the channel for consumers, kick usability up a notch, throw in some email marketing basics, and get proactive in their relationships with vendors.

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Forrester conducted a survey of 5,273 individuals and weighted the data to demographically represent the adult North American population.

#### **Related Research Documents**

["Reaching Young Consumers On Their Terms"](#)  
December 2, 2005, Trends

["Scenario Design: A Disciplined Approach To Customer Experience"](#)  
July 19, 2004, Forrester Big Idea

["The X Internet And Consumer Privacy"](#)  
December 2, 2003, Report

["Internet Coupons: Not Your Mother's FSI"](#)  
April 22, 2003, Brief

## CP MARKETERS REVISIT ONLINE COUPONS AS FRAUD FEARS FADE

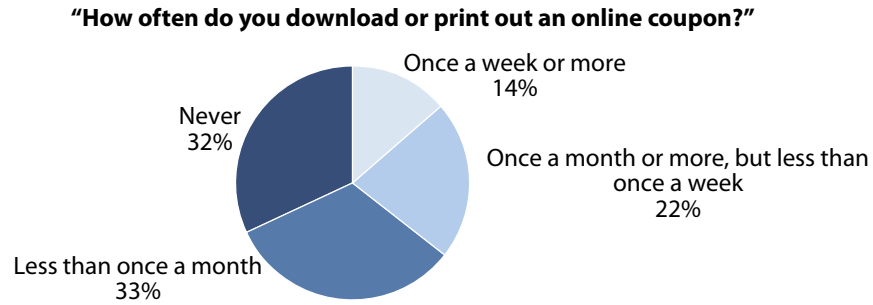
Online coupons — or printable coupons that consumers find online, print out, and take to the store — got off to a flying start in 1997 when coolsavings.com (now part of Q Interactive) rode the wave of a booming eCommerce sector.<sup>1</sup> But a double whammy — the burst of the tech bubble in 2001, followed by the fraudulent online coupons scare in 2003 — stunted robust growth and development of the sector.<sup>2</sup> Online coupons from manufacturers were hardest hit, as retailers like Publix and Kroger said they would no longer accept these promotions. Although retailers have since retracted these policies, they've had a lingering effect on CP executives' perceptions and the consumer's online coupon experience.

### Growth Continues While Adoption Changes Shape

A lot has changed since the fall of online coupons earlier in the decade.<sup>3</sup> The couponing industry took substantial steps to rebuild CP marketers' confidence in online coupons, issuing official Association of Coupon Professionals (ACP) design guidelines in 2004 and adding new distribution tactics to their solutions.<sup>4</sup> With these steps, the shape of adoption has changed:

- **More consumers have tried online coupons.** Despite fears that online coupon growth was slowing, CouponInfoNow (a service provided by CMS) reports that the number of online coupons distributed increased from 2004 to 2005, as did the number of coupons redeemed and the average coupon redemption.<sup>5</sup> According to our Consumer Technographics® data from Q3 2005, 36% of consumers download online coupons at least monthly (see Figure 1).
- **Retailer channels grow increasingly popular.** In 2003, coupon sites and brand sites were the most popular places to get online coupons, with retail sites and retailer email coming in a distant fourth and sixth place, respectively.<sup>6</sup> Since then, retailer email has become the most popular way to get online coupons, with retailer sites hot on the heels of coupon sites (see Figure 2). This rise in the popularity of retailer channels begs the question: Do consumers prefer to get coupons from retailers because they know where to redeem them, because retailers have stepped up their own coupon efforts, or both?
- **Email coupons are more common.** In 2003, few consumers got online coupons via email, reflecting the fact that many email vendors didn't support Web coupons and marketers' email marketing efforts were nascent. Since then, retailer email and brand email have grown in popularity as ways to get online coupons.
- **Users are still stymied by basics — finding coupons and printing them.** In 2003, consumers perceived little difference between traditional and online coupons when it came to "clipping" them or redeeming them, but simply finding online coupons was a killer. Today, roughly half of online coupon users still say that finding them is easier offline (see Figure 3). Meanwhile, online coupon users now say decisively that clipping coupons is easier offline; this comes as no surprise to brand marketers, who have been getting an earful from consumers about online coupon usability.

**Figure 1** 36% Of US Online Consumers Download Online Coupons At Least Monthly



Base: 30 Fortune 1,000 companies

Source: Consumer Technographics® Q3 2005 North American Media & Marketing Online Survey

Source: Forrester Research, Inc.

**Figure 2** Retailer Channels Are Increasingly Popular

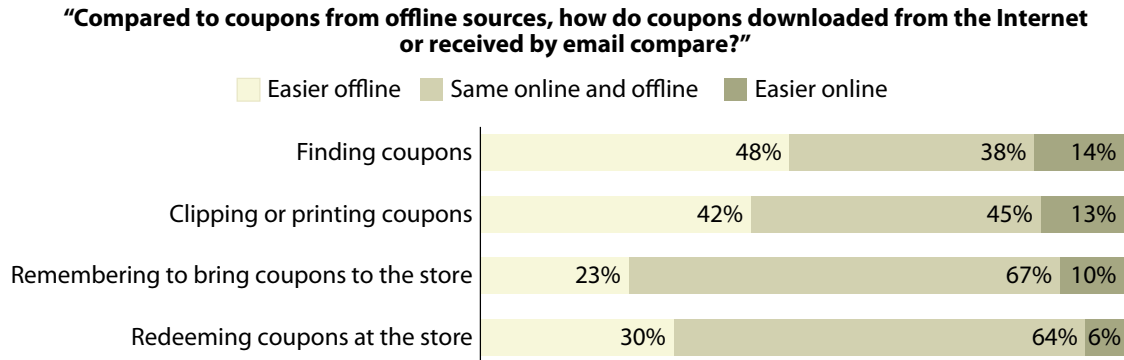


Base: US primary grocery shoppers who are online at least monthly and have used Internet coupons (multiple responses accepted)

Source: Forrester’s Consumer Technographics® December 2004 North American Study

Source: Forrester Research, Inc.

**Figure 3** Consumers Are Still Stymied By The Basics: Finding And Printing Online Coupons



Base: US primary grocery shoppers who are online at least monthly and have used Internet coupons  
 Source: Forrester’s Consumer Technographics® December 2004 North American Study

Source: Forrester Research, Inc.

**Next-Generation Online Coupons Promise Tantalizing Benefits**

With the fraud cases that have occurred, many brands have an ambivalent relationship with online coupons. But vendor steps to curb fraud and continued consumer interest make it clear that these promotions deserve a place in CP marketers’ toolkits (see Figure 4). CP marketers that revitalize their online couponing efforts will reap attractive rewards by using them as:

- **A spicy ingredient for buzz-building campaigns.** As marketers launch new products aimed at younger, more tech-savvy audiences, they’re looking for new ways to engage those audiences. Online coupons promise to do a better job of reaching and mobilizing this base, who are less likely to get a Sunday paper or see themselves as “coupon-clippers.” Online coupons are faster to deploy than freestanding inserts (FSIs), and they can be adapted to campaign-leading, word-of-mouth technologies like blogs, RSS feeds, and banners on entertainment and social networking sites.
- **An important tool for generating business from loyal customers.** For marketers hoping to maximize sales from loyal consumers, online coupons promise to fulfill two important functions: 1) They can be exchanged repeatedly for consumer information, facilitating the gradual development of a rich data set; and 2) with knowledge about consumer life stage or purchase frequency, CP marketers can time coupons to arrive when the consumer is most likely to take action.
- **A fast and flexible way to gain pricing intelligence.** For promotions departments, online coupons are a useful intelligence-gathering tool because they’re fast to deploy and adjustable while in the field. Advanced promotions departments, for example, can do A/B testing on

two promotions for the same product. The benefit? Feedback on which coupon to use on a larger scale and in offline vehicles. Additionally, they can target online coupons to a particular demographic, adjusting offer values to find the optimal offer/conversion combination.

- **A source of lift (maybe).** With online coupons representing a small fraction of overall redemption, they are a less effective source of sales lift than traditional FSIs. However, for marketers trying to move product with younger, more tech savvy audiences, online coupons give FSIs a run for their money, particularly when costs are factored in. Vendors point out that FSI redemption is around 1%, whereas consumers redeem 10% to 20% of printed coupons. That means 10,000 redeemed coupons requires just 50,000-100,000 prints.

**Figure 4** Brands Should Match Priorities To Online Coupon Opportunities

To achieve . . .	Marketers need to focus on . . .
Buzz	<ul style="list-style-type: none"> <li>• Innovative distribution channels</li> <li>• Forward-to-a-friend functionality</li> <li>• Modular coupon elements that can be used with different channels</li> <li>• Broad distribution networks</li> <li>• Landing pages for coupons on brand sites</li> <li>• Usability expertise</li> </ul>
More business from loyal customers	<ul style="list-style-type: none"> <li>• High degree of email delivery control</li> <li>• Tie-in to brand-sponsored loyalty programs</li> <li>• Modular coupon elements that can be used with different channels</li> <li>• Landing pages for coupons on brand sites</li> <li>• Usability expertise</li> <li>• Simple coupon printer download</li> </ul>
Pricing/offer intelligence	<ul style="list-style-type: none"> <li>• Rich behavioral, demographic data set</li> <li>• Real-time targeting capability</li> <li>• Sophisticated reporting tools</li> <li>• Broad distribution network</li> <li>• Consumer coupon site (e.g., coolsavings.com, coupons.com)</li> <li>• Retailer tie-in</li> <li>• In-house analytics expertise</li> </ul>
Lift	<ul style="list-style-type: none"> <li>• Broad distribution network</li> <li>• Consumer coupon site (e.g., coolsavings.com, coupons.com)</li> <li>• Retailer tie-in</li> <li>• Sophisticated reporting tools</li> <li>• Simple coupon printer download</li> </ul>

Source: Forrester Research, Inc.

## MARKETERS MUST SHIFT FOCUS FROM FRAUD TO PERFORMANCE

To realize the benefits of online coupons, CP marketers must change their stance from defense to offense. This requires three commitments:

### Bringing Big Brands Online

If CP marketers want to help consumers to find coupons on the Web, it would help if the coupons they were looking for were actually there. By only issuing online coupons for newer brands, CP companies effectively teach consumers to look elsewhere for a broad selection, which works against their own interests in creating a thriving online coupon channel. If CP firms want the online coupon channel to mature, they have to provide an attractive selection of offers from all of their brands, not just the untested ones. Where to start? In categories with high online redemption rates like frozen foods.<sup>8</sup>

### Holding Online Coupons To The Same Usability Standard As Brand Sites

CP marketers tend to treat online coupons as an emerging or experimental channel. As such, these efforts fly under the radar of the larger usability initiatives that are reserved for site design. But marketers can easily leverage some fundamental usability principles to drive performance improvements in their online coupon campaigns.<sup>9</sup> They can then apply key steps to their online coupon campaigns by:

- **Using personas and goals to identify conversion sticking points.** Marketers must identify their primary targets for online coupon campaigns; write short descriptions of consumers who might fall into these profiles; lay out consumers' goals in interacting with the coupon campaign; adopt these personas like an actor in a play; and then attempt to accomplish these goals by opening up an email with an online coupon, or visiting a site where they would download it.<sup>10</sup> By collecting screenshots of each step along the way, marketers can identify and communicate exactly where in the user's interaction with the online coupon they're getting stuck. This list of sticking points becomes a starting place for making changes that will improve conversion rates.
- **Eliminating unnecessary steps in sign-up, download, and printing processes.** As marketers look for areas to improve, they should pay attention to a usability fundamental: Eliminate unnecessary steps in a user's task flow. In this case, "necessary" doesn't refer to the marketer's or the vendor's needs; it refers to the user's perception of whether they think they should have to take a given step. For example, when a user has signed up for online coupon offers, receives an email with an offer, and then goes to print the coupon, is she forced to sign in again? One skincare brand sent users on an endless chase for a \$3 off coupon, changing offer terms at each click and forcing them to fill out multiple, unnecessary forms along the way. Eliminating these unnecessary steps will move consumers to their goals faster, boosting signup and download conversions.

- **Providing contextual help during sign-up and beyond.** Another fundamental that marketers must look for is providing information that users need to know before moving from one step to the next. A critical place in the online coupon process is the printer download. A best practice that marketers can implement on their own or with their vendor partners is to give consumers a quick explanation of the process before asking them to proceed. Simply preparing consumers for the Windows dialog boxes that lie ahead and reminding them why they're going through the process encourages consumers to make it to the end. The Gerber brand site, powered by E-centives, takes this approach, laying out the three-step download process in bullets, providing screenshots of the dialog boxes, and adding a glossy image of the offer, as well as a big "PRINT COUPON!" button to urge them on (see Figure 5).

**Figure 5** Gerber's Site, Powered By E-centives, Prepares Consumers For The Download Process

**Gerber** *Shouldn't your baby be a Gerber baby?*

## Print and Save! Printing Your Coupon Is Easy!

This coupon can be quickly printed from your computer and redeemed at your neighborhood store.

Your Coupon Is Good for...

**Save 50¢**

when you buy any 1 Gerber Graduates® Garden Mashers™

Offer Expires 04-05-2006

### Unlock Your Savings:

- First, make sure your printer is ready to print.
- Next, click the "PRINT COUPON!" button below and then click "Yes" or "Grant" when the window shown at the right appears.
- Your coupon will automatically print in seconds with a 56k modem.

**PRINT COUPON!**

\* Coupon valid for U.S. residents only. Microsoft Windows or Mac OS X operating systems required to print coupon.

[Back to Toddler ▶](#)

**Internet Explorer:**  
Click "Yes" if you see this window pop-up.

**Netscape:**  
Click "Grant" if you see this window pop-up.

Problems with this website? [Contact Technical Support](#)

powered by **E-CENTIVES™**

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

Source: Forrester Research, Inc.

### Bringing Online Coupons In Line With Email Marketing Strategy And Best Practices

Because online couponing requires information from the consumer and because most online couponing practices involve email, CP marketers must ensure that online coupon efforts are in line with their email marketing strategies.<sup>11</sup> Marketers can make the following improvements in their coupon campaigns:

- **Scale coupon rewards to the information that's asked.** As marketers design sign-up forms, they should keep in mind that each piece of information they ask for has a cost in terms of consumer privacy concerns and expectations about what they'll receive in return. The good news: The majority of consumers will reveal some personal information in return for discounts.<sup>12</sup> When designing promotions, marketers should take a two-pronged approach: 1) Combine coupon offers with crystal clear explanations of why the data is needed and what will be done with it; and 2) A/B test offer values and compare conversion rates to get the most bang for the campaign buck.
- **Send confirmations and follow-up coupons when the time is right.** As marketers know, timing plays a big role in email marketing; online coupon communications should follow suit. Two places online coupon marketers should look first: 1) registration confirmations sent immediately following user submission, and 2) follow-up coupons sent to coincide with likely purchase events and on days of the week — Wednesday through Friday — when users are most likely to open them. Timing online couponing communications will improve conversion rates and conserve brand equity by not annoying consumers.

#### RECOMMENDATIONS

##### THREE IMMEDIATE STEPS THAT REJUVENATE ONLINE COUPONING

CP marketers' tentativeness with online coupons and the industry's ongoing focus on fraud have created a stale atmosphere in the space. It's time for CP marketers to rejuvenate their online couponing efforts by taking a proactive stance not only towards improving their own campaigns, but also towards getting what they need from vendor relationships. This means:

- **Identifying online coupon objectives first, then choosing vendors.** Online coupon distribution is dominated by three vendors that have carved out niches from a broad array of distribution possibilities and expertise — so CP marketers won't find easy apples-to-apples comparisons. To choose the right partner, marketers must identify campaign goals they're most likely to pursue, note factors that will make or break their success, and measure vendors against this yardstick. For example, a marketer leveraging Web coupons for buzz-building campaigns might choose Coupons, Inc. for its broad reach and innovative distribution channels like Concordance keyword-linked coupons, RSS coupons, and video coupons.

Marketers looking for insight into promotion design and pricing might choose Q Interactive to leverage rich demographic and behavioral data that it delivers through retailer “clip to card” loyalty programs. A marketer adding coupons to communications with highly valued consumers might choose E-centives to leverage its email marketing platform and focus on streamlined consumer experience.

- **Taking advantage of rich educational resources.** Once CP marketers set their sights on factors that are most critical to their Web coupon goals, they can build their expertise in these areas by taking advantage of the rich educational resources that the industry provides for free. CouponInfoNow offers easy-to-digest best practices articles on topics like choosing offer values, as well as news about online coupon trends. The ACP’s Web site provides guidelines on a range of topics that affect campaign success, such as designing online coupons and understanding hard-to-handle coupons. And in its “Coupon College” pages, NCH Marketing Services provides excellent FAQs on the entire coupon cycle to help marketers understand the redemption back end and their role in that part of the process.<sup>13</sup>
- **Push vendors to reform their own practices.** Marketers’ commitment to online coupon performance shouldn’t stop at the vendor’s door. If marketers identify sticking points that are outside of their control, they need to ask for explicit changes. CP marketers should use their personas to bolster their argument for reform. For example, a CP marketer might ask: Would a middle-class woman in her early fifties who is loyal to a classic baking product, be familiar with the location of the ActiveX scripting security controls on her browser? Not likely.<sup>14</sup> In this case, vendors must resolve antispysware incompatibility issues before a campaign proceeds.

## ENDNOTES

- <sup>1</sup> Coolsavings.com’s rollercoaster ride is chronicled in the following article. Source: Julia Chang, “Seeing Double: CoolSavings’ Cool Revenues,” *Sales & Marketing Management*, September 2004.
- <sup>2</sup> An *Advertising Age* article chronicles how free product coupons were counterfeited and sold on eBay, prompting retailers including Publix, ShopRite, and Kroger, to temporarily stop taking coupons printed from the Web. Source: Jack Neff, “Internet Enabling Coupon Fraud Biz,” *Advertising Age*, October 20, 2003. This article prompted a letter to the editor from CoolSavings President and CEO Matthew Moog, who pointed out that, “A closer look at the recent coupon-fraud incidences referred to in the article shows that the vast majority of them were, in fact, originally distributed off line, then scanned and re-sold via online auctions.” Source: *Advertising Age*, December 1, 2003.
- <sup>3</sup> Shoppers clip Internet coupons with the same ease as standard paper coupons. CPG marketers, however, must measure the success of Internet coupon efforts using new marketing effectiveness goals — not traditional volume metrics. See the April 22, 2003, Brief “[Internet Coupons: Not Your Mother’s FSI.](#)”
- <sup>4</sup> The ACP lays out steps that marketers can take to ensure that their Internet coupons can be tracked back to the consumers who printed them, can be identified by retailers, and are difficult to manipulate or reproduce.

Source: The ACP Guide to Internet Coupons: Recommendations for Designing Internet Coupons ([http://www.couponpros.org/html/4\\_youshouldknow/1\\_guidelines/1\\_Internet%20Coupon%20Guide/1a\\_internetcouponguide%205designing.htm](http://www.couponpros.org/html/4_youshouldknow/1_guidelines/1_Internet%20Coupon%20Guide/1a_internetcouponguide%205designing.htm)).

- <sup>5</sup> NCH Marketing told *Prepared Foods* that online coupons grew only 10% in 2004, compared with three years of consecutive 50% growth. Source: “Called for Clipping,” *Prepared Foods*, August 2005.
- <sup>6</sup> Please note that the data source for this report was a phone survey, and as such, the numbers are not directly comparable to the numbers in Forrester’s Consumer Technographics December 2004 North American Survey. We have been careful here to compare only the relative rankings of channels, which is unlikely to be affected by the difference in survey collection method.
- <sup>7</sup> The next generation of consumers favor gadgets and Web-based entertainment. They also favor social marketing, or telling friends about products and brands they like via email, IM, and cell phone. See the December 2, 2005, Trends “[Reaching Young Consumers On Their Terms](#).”
- <sup>8</sup> CouponInfoNow reports that the highest redemption rates for online coupons are in the frozen foods category and the lowest are in personal care.
- <sup>9</sup> Forrester has published on how usability improvements impact business performance. See the May 6, 2005, Best Practices “[Executive Q&A: Web Site Reviews](#).”
- <sup>10</sup> Marketers can get a persona refresher from past Forrester research. See the July 19, 2004, Forrester Big Idea “[Scenario Design: A Disciplined Approach To Customer Experience](#).”
- <sup>11</sup> An introduction on email marketing is available from past Forrester research. See the March 21, 2005, Best Practices “[Email Marketing FAQs For Beginners](#).”
- <sup>12</sup> Consumers are willing to suspend their privacy concerns for certain online transactions. See the December 2, 2003, Report “[The X Internet And Consumer Privacy](#).”
- <sup>13</sup> Sources: CouponInfoNow (<http://www.couponinnow.com>), the ACP ([http://www.couponpros.com/html/4\\_youshouldknow.htm](http://www.couponpros.com/html/4_youshouldknow.htm)), and NCH Marketing Services’ Coupon College (<http://www.nchmarketing.com/us/cou/index.asp>).
- <sup>14</sup> Men are one-third more likely to protect their PCs with ad-blocking software than women are, suggesting that women are less likely to be familiar with security settings. See the August 17, 2005, Trends “[Men Are From CNET, Women Are From iVillage](#).”

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