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Kroger Takes Online Coupons to Next Level

Grocery store chain launches coupon center

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The ritual of clipping coupons from a Sunday newspaper isn't completely passé, but it's quickly being replaced by online searches for digital versions that can easily be loaded onto store rewards cards. Kroger Co. is taking advantage of the trend and trying to make it simpler for consumers to find deals. At the same time, the supermarket chain is looking to boost traffic and loyalty.

Kroger, which has been offering some digital coupons for about three years, has rolled out a new service for consumers that puts more than 100 coupons on its Web site for private label and name-brand items. Dubbed the Digital Coupon Center, it's shepherded by San Francisco-based YOU Technology, which has worked with the chain and various packaged-goods marketers on previous Kroger digital efforts and the current "Summer of Savings" sweepstakes and promotion.

This is the first time there's been a Kroger clearinghouse for consumers to gather coupons for everything from Tide to Pringles to Private Selection frozen entrees. "Rather than going to a bunch of sites looking for content, [the site] pulls it all together and gives the best offers available," said Ken Fenyo, YOU Technology's CEO. "It's a way to deliver more value and convenience to the consumer."

It's no wonder that retailers like Kroger want to tap further into digital coupons. According to a recent Knowledge Networks study, 29 percent of consumers who use coupons are exclusively using digital versions. The digital coupon user is also an attractive consumer: 53 percent of those redeeming digital coupons are trying a product for the first time (compared to 32 percent who redeem traditional paper coupons).

Redemption rates are considerably higher for digital coupons – somewhere between 5 percent and 20 percent – per ABI Research. Some retailers have reported 40 percent redemption rates for highly targeted offers.

Digital couponing, in general, jumped by 84 percent in the first half of this year, compared to the same period in 2009, Kantar Media found. There are 200 manufacturers now distributing digital coupons, a 31.5 percent increase.

It has been a tussle between retailers and manufacturers to see who would take the lead, but the two sides seem to be tag teaming these days to streamline the process. They're also making digital coupons part of larger marketing strategies that aim to bump up store visits and purchase intent.

Industry analysts expect other chains, and not just grocery retailers, to follow Kroger's lead in aggregating digital coupons.

"Kroger seems to try new technology and innovate early," said Rita Wheat, director of digital strategy and research at G2 USA. "And this program makes sense because every retailer is trying to create a more personalized experience, drive store loyalty and stand out."

Digital coupons are part of a wave that includes mobile marketing and interactive promotions, which are still in nascent stages, but are on a fast track for growth.



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