



Shopper Marketing

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Digital Delivery

Shoppers expect loyalty card programs to include coupons

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As consumers continue to operate in an economy that has struggled to recover from a downturn, their shopping behaviors have fundamentally shifted to searching for deals wherever and whenever they can find them. Valassis-owned NCH Marketing Services, Deerfield, Ill., reported that the number of consumer packaged goods coupons distributed in 2010 was 332 billion, the most ever and an increase of 21 billion (or 6.8%) over 2009. “There’s a larger segment of consumers simply shopping on deal — almost permanently,” says Alec Newcomb, chief strategy officer at MyWebGrocer, Colchester, Vt.

Price, therefore, must be part of the conversation for both the brand and the retailer “in a way they haven’t experienced before,” Newcomb says. “So, of course, the brands and retailers are saying, ‘In this new environment, we need to find the most efficient ways to get these messages out because margins are thin for everyone.’”

It’s clear that digital couponing in its various forms has become among the most efficient ways. According to Minneapolis-based Kantar Media, the number of digital coupon events increased by 33.6% in 2010 across key websites tracked. Additionally, 290 manufacturers distributed digital coupon offers in 2010, an increase of 17.4% compared to 2009.

Google searches for the term “coupons” have risen 200% since the onset of the recession, according to Addie Braun, senior account executive at Chicago-based Google. “The term ‘coupons’ is still completely off the map in terms of volume,” she says. “It’s very hard to find a term that’s searched more inside of Google than ‘coupons’ and all of its related terms.”



Steve Horowitz, Coupons.com chief technology officer, says that what’s changing are the techniques for applying and delivering on promotions. “From traditional FSIs to digital to location to social to mobile, consumers are getting and accessing information in different ways. The fundamental premise of price promotion is a proven one, [and] it just has to adapt to the changes in society.”

Direct-to-Card Programs

Manufacturers and retailers are rapidly adopting “direct-to-card” coupon programs. It’s something all retailers should be doing, according to Laird Garner, president of Garner Consulting. “If you have a loyalty program, it’s expected now that you should be able to attach discounts and coupons to it,” he says. “From a consumer perception standpoint, certainly by the end of 2011, everyone is going to expect to be able to attach certain deals to any retailer’s loyalty card.”

YOU Technology in the News

Direct-to-card programs help build loyalty and drive traffic to retailer websites, while also being integrated into in-store merchandising and advertising efforts. “We’ve gone from a time when it was just one or two brands and mainly Kroger trying it out to a stage where you see multiple retailers and almost all CPGs trying to fit it into their strategies,” says Ken Fenyo, CEO of San Francisco-based YOU Technology. (YOU Technology has partnered with Kroger to create the retailer’s Digital Coupon Center, one of the more prominent such programs to date.)

Last year, Winston-Salem, N.C.-based Inmar was able to track that well over 150 brands actively participated in direct-to-card programs. “Many concepts are being tested and have been met with varying degrees of enthusiasm, but the direct-to-card program is one that has received the widest acceptance within the industry,” says Matthew Tilley, director, interactive communication. While Tilley says Inmar doesn’t yet have detailed statistical insights (i.e., redemption rates) on digital promotions, the company expects to start releasing that type of data later this year.

In an August 2010 Brandweek article, Fenyo said, “Rather than going to a bunch of sites looking for content, [Kroger’s Digital Coupon Center] pulls it all together and gives the best offers available. It’s a way to deliver more value and convenience to the consumer.” (Kroger declined comment for this article.)

YOU Technology collects shopper data on an opt-in basis for Kroger and other retailers, such as Supervalu and Safeway. “We’re working on the front end to collect any information that helps provide a more relevant experience for the user,” says Fenyo. YOU Technology also provides redemption-rate information on the back end (as well as other analytics such as market basket) to understand how well a program is performing.

Also on the back end, Kansas City, Kan.-based Zavers provides retailers such as The Great Atlantic & Pacific Tea Co.’s A&P and Pathmark with detailed information updated in real time. “We’re taking that measurement of marketing effectiveness in the digital world far beyond clicks and views and all the way to the cash register, to show which of these promotions and marketing activity led to a sale of a product,” says Bruce Pryor, Zavers’ vice president of marketing.

Launched in August 2010, Grand Rapids, Mich.-based Meijer’s mPerks program lets registered shoppers redeem pre-selected coupons at checkout by entering their mobile phone numbers, which double as their account codes, and without loyalty cards. Shoppers select coupons for national-brand and private-label products on a microsite linked to Meijer’s home page. “It’s one digital location taking away some of the manual steps consumers go through today, however they manage their coupons,” says Michael Ross, vice president of marketing and pricing. As the program evolves, he predicts it will “provide other features to further enhance the customer shopping experience with us. [Users] consent to allow us to text message communications to them. That ability to have a dialog with a consumer is very valuable.” Ross foresees opportunities to use more granular data when creating shopper marketing programs in-store.

Another approach is the eValues program at Sam’s Club, where traditional coupons have never been accepted. The warehouse club delivers coupons on fresh foods, health and beauty products, office supplies and various other goods and services based on a member’s purchase history at the chain. Coupon values are deducted automatically at checkout, although members can review and manage their offers online. “Once we have enough data on a member to place them into one of our profile categories, they’ll receive targeted discounts on some of the purchases they make or other complementary items,” says Kristy Reed, manager, corporate communications, at the Bentonville, Ark.-based Walmart chain. “Our members told us this is what they want. They were asking for discounts that make sense for the products they buy from us regularly, as opposed to them having to seek out coupons that fit their lifestyles from the local newspaper or some other source.” The eValues offers are delivered online, via email, through a Sam’s Club mobile app, and from kiosks in the club. “The efficiencies in being able to receive the coupons directly as opposed to having to go out and seek them, is certainly a benefit,” says Reed.



Similarly, Pleasanton, Calif.-based Safeway Inc.'s Just4U program allows consumers to go online and download deals specifically selected for them based on their buying history. "Our desire to deliver the best incentives as easily and effectively as possible is constant," says Teena Massingill, director of public affairs. "The technology keeps changing, allowing us to more easily reach our customers and meet them where they are."

Safeway's Vons chain is piloting a rewards platform built on top of its existing loyalty program through a partnership with Purchase, N.Y.-based PepsiCo and mobile phone app provider foursquare. Program members earn rewards based on their foursquare activity — such as where, when and how often they "check in" on the location-based app. Rewards are "unlocked" based on the foursquare badges users have earned. "By connecting foursquare to loyalty cards, it's seamless," said Tristan Walker, head of business development at foursquare, in a November 2010 release. "The idea is: How can we redefine what loyalty means not only for retailers but for consumer packaged goods? How can we give them an opportunity to connect with consumers through foursquare and build affection for their brands?"

In a move that may help simplify and consolidate the coupon-to-card process, Valassis in January announced a strategic relationship with AOL Inc. that creates one of the largest paperless digital coupon footprints in the U.S. The agreement enables the sharing of digital coupon offer content across each other's online and mobile

networks, including AOL's Shortcuts.com. According to a media release citing research conducted by Valassis and BIGresearch, 80% of shoppers subscribe to grocery/drug frequent shopper programs, and two out of three of those consumers have expressed an interest in saving coupons from the Internet directly to their frequent shopper cards/IDs. "We've joined forces with AOL and the retail partners they have partnered with [such as Kroger's chains and Safeway] to do coupon-to-card, clipless coupons or print-at-home coupons so we can do cross-publishing," says Suzie Brown, chief marketing officer at Valassis. "Our values appear on their website, and their values appear on our network of sites. We're able to leverage off each other's retail partnerships where essentially one of us is the last mile between the retailer frequent shopper card and delivering the value to that card."

Engaging the Consumer

Zavers' Pryor says his company's platform provides access to digital couponing however the consumer wants to engage, whether online or mobile. "Obviously the mobile piece brings in the ability to do things in-store as well, with instant-redemption capabilities." Consumers select the coupons they want added to their account, which he and many others believe is a crucial aspect of making this delivery method pay off for the manufacturers. "They want consumers to engage with their products," Pryor says. "It's part of their advertising support."

"I don't think retailers or manufacturers want to give an offer without any kind of acknowledgement," says Erik Keptner, senior vice president, marketing and consumer insight, at Carlisle, Pa.-based Ahold USA. "There is either a pre- or post- communication to tell a customer why they receive something or it becomes irrelevant." Keptner believes customers have high expectations. "They expect to be compensated for giving us their time and information. The technology advancements through media and data mining allow us to deliver more relevant offers to the vehicles, but there's still plenty of room to grow as customers become more empowered and as technology continues to advance."

Digital Shopping Lists

The evolution to digital couponing comes with certain obstacles. When considering the coupon-to-card capabilities and other digital platforms, one major hurdle to clear is the absence of physical reminders when the consumer begins the actual shopping process. Inmar's Tilley sees this as a marketing challenge: "While the push seems to be about efficient delivery of the promotion, we can't ignore the value of the 'token' in the hand of the consumer, reminding them of what it is we want them to buy." Says Newcomb of MyWebGrocer: "People simply forget to buy the product because the coupon is not right in front of them."

MyWebGrocer, a provider of ecommerce tools to retailers such as Kroger, Publix and A&P, has addressed this issue by providing shopping list solutions. Online shoppers create accounts that tie into participating retailers and are able to create customized lists. "What we try to do is remind [brands] that it's about getting the right message at the right time — then they can affect behavior," says Newcomb.

"We're starting to see how many exposures we need by category, and how we flip that consumer behavior over. If a brand is trying to create a lasting ROI and consumer shift, or only move something for a two-week period, that determines the brand messaging."

Similarly, the basic premise of Coupons.com's GroceryIQ, says Horowitz, is taking what has historically been a paper-based shopping list and bringing it to a mobile or digital device. "We're taking advantage of these devices in the areas they are most useful, and we've also built coupons into that. Consumers have access to hundreds of offers, hundreds of dollars of savings and offers are available automatically." GroceryIQ allows users to create specific or "any store" lists by entering product details, including package size, price and aisle location. Additional features include adding items to a "favorites" list, automatically sorting items by aisle, and printing or emailing coupons. GroceryIQ is also linked to some shopper loyalty cards. The lists, which include the offers and details of the product, are accessible as the shopper walks aisle to aisle.

For Now, Digital Coupons Not Adversaries of FSIs

While digital couponing has increased manufacturers' efficiencies in reaching specific consumers, the age-old ritual of clipping coupons has not become a thing of the past. Kantar Media, Minneapolis, reports that freestanding insert (FSI) coupon activity increased 7.2% in 2010, with more than 291 billion coupons dropped, marking the highest level of activity in the past decade.

But the jury is out on how long print coupons will survive. Some retailers, in fact, have opined privately that newspapers — and the FSIs they deliver — could be dead within five to 10 years. Those same retailers are increasingly impressed by the power of digital. For now, digital coupons seem to complement FSIs as the technology is only taking shape and still not being used by a substantial portion of the population. That could change in the not-too-distant future. It may not matter how useful FSIs are if their delivery system disappears.

NCH Marketing Services' year-end report showed that 87.7% of all CPG coupons were distributed via the FSI in 2010. "The FSI is still the fastest, easiest way consumers can go about finding values, matching values and getting the very best deal," says Suzie Brown, chief marketing officer at NCH's parent, Valassis, Livonia, Mich. She believes garnering value from the digital marketplace is an augmentation to current behavior, not a substitute.

With the decline in newspaper circulation, though, FSI providers are making adjustments. "We've moved a portion of our distribution in low-performing newspaper markets into our shared mail package, which reaches more than 70 million households on a weekly basis," says Brown.



“FSIs remain a staple of CPG promotional marketing because their results are predictable, their reach is formidable and their readership is attractive,” says Matthew Tilley, director, interactive communication at promotions logistics firm Inmar Inc., Winston-Salem, N.C. “Ultimately I see them evolving along with the broader media landscape.”

Digital promotions may well prove to be a better alternative in some cases since they allow manufacturers and retailers to get more value out of their promotional events. “Digital promotions can help them deliver on the promise of shopper marketing and help improve the ROI on the current marketing spend, simply by supplementing the gaps of existing paper efforts,” Tilley says.

He also stresses, however, that the two do not necessarily compete. “The consumer who is swayed by a newspaper insert is likely a very different consumer, in a very different buying mode, than one who is signing up for mobile phone alerts about deals at their favorite grocer. Retailers and manufacturers should not see this as an either/or proposition; instead, based on marketing objectives and target audience behaviors, offers may need to use a varying mix of digital and print distribution.”

The FSI has its advantages. “There is no way for a brand to make a single buy that can cover what the FSI can,” says Henri Lellouche, senior vice president of the SmartSource iGroup for Wilton, Conn.-based News America Marketing. “I tell brands all the time that they need to have digital as part of the sizzle of their campaign, but really the thing that still moves the product, the thing that still gets the retailers’ attention and that the sales forces use to gain product support, display activity and feature activity, is the FSI.”

A winning strategy in Lellouche’s mind is one that hits consumers from all angles. He points to a recent Johnson & Johnson multi-brand scale event. It included an online component and a “very large” placement of FSIs, along with an equally heavy placement on SmartSource.com for printable coupons. The company also had two promotional websites that News America hosted on its behalf. “I would really call that a textbook example on how to do it right,” he says. “It was a multi-dimensional approach, bringing print and digital together.”

Dan Kitrell, vice president, account solutions at Kantar Media, says that not only are there no exclusivity clauses in digital, but during those key weeks that everyone is fighting for ad space in FSIs, the brands that don’t get in are beginning to aggressively turn to digital. “That has potential benefits for the consumer, but it obviously also has potential to diminish the value of having exclusivity within a print vehicle,” he says. “We’re seeing that manufacturers are figuring out how to use digital as kind of a competitive tactic, both in terms of responding to a competitor’s activity as well as pre-empting a competitor’s activity.”

Lellouche says some manufacturers are diverting FSI funds over to digital, “but the large majority are finding other dollars to use,” he says. “I believe it all needs to be in the brands’ playbooks — direct-to-card, printable, mobile and social couponing — because they have to appear forward-looking in terms of appealing to the young people and to their retail constituency.”



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