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Coupons

Are coupons just another way to discount your products ...or are they the new age of advertising?

By mary macdonell belisle

The frenzy over coupon savings is escalating. Computer and mobile phone technology, Internet and social media are transforming the humble one-cent prototype coupon C.W. Post put into Grape Nuts® a hundred years ago into today's digital dynamo.

Ken Fenyo, CEO of YOU Technology, predicts retailer websites, social networking, and mobile couponing will continue to have an impact throughout 2012 and beyond. Jeff Hudson, co-founder of Grocery Coupon Network, notes the "SoLoMo" (social-local-mobile) trend "is the next cutting edge move for digital businesses." John Audette, 406Strategies.com, makes this ominous observation: "In the 15+ years that I have been doing Internet marketing, I have never encountered a marketing strategy as potentially dangerous as this one."

So, let's meet Jennifer Z., couponer. A single working mother and university student, she says using 20 coupons while shopping isn't considered extreme. Jennifer hasn't paid for laundry detergent for a year and averages \$50 weekly on household shopping. She uses local newspaper, retail, web, digital, and manufacturers' online coupons, plus sales and register rewards savings in any creative combination one can imagine.

Goals & Strategy

Online couponing is a way for consumers, like Jennifer, to try the service, according to Bill Hatling of Hatling Flint, a St. Cloud and Minneapolis marketing and communications firm. "Once we've made a connection, now we've got the opportunity to reconnect on an ongoing basis. Then we move customers to your preferred platform -- Facebook or other e-mail marketing -- in order to communicate with them. What's the endgame? For the consumer to become a 'Fan' in the social environment."

"But, remember, only a portion of your market will take advantage of the coupon, so it shouldn't eat up so much of your budget that it prevents you from promoting through other media," advises Kelly Zaske, owner of Gaslight Creative, a St. Cloud company that specializes in multi-media marketing campaigns. "I would be comfortable with a 15 percent budget allocation," she said. Hatling suggests 10 – 20 percent.

Daily Deals

Groupon® and LivingSocial® offer Daily Deals in select U.S. cities, including Minneapolis/St. Paul. Customers register online to receive email vouchers, which they print or save as digital coupons on their smartphones. Discounts are 50 percent and more. In Groupon's case, the company takes half of that 50 percent, leaving the retailer with 25 percent.

"The obvious benefit is that it doesn't cost a business anything out-of-pocket to do this," according to Don Farleo, ADCo, St. Cloud and Minneapolis, noting that the sites also market for you. Customers have asked to receive this offer, and when they purchase coupons and redeem them, they're open to giving feedback about their experience. "Businesses love this," says Farleo. These sites also have tracking tools that tally purchases, redemptions, and add-on sales.

In a recent Rice University study, 66 percent of businesses said their experience was profitable; 32 percent said unprofitable, and 40 percent won't use Groupon again. There ARE some potential pitfalls, notes Hatling. "You

haven't enough inventory. You're inundated with calls. Or worse, consumers aren't interested in your deal and don't respond to it. Seventy-five percent of the time the deals don't apply to us in this market."

"Don't be afraid to ask a lot of questions and to ask for references of other businesses that have used the service," advises Zaske.

Learn from Jesse Burke, Posie's Café in Portland, Oregon, where the average sale is about \$5. She lost \$10,000 with Groupon in 2011, as nearly 900 customers used her half-off coupon on a \$13 value. (Google "Posie's Café" for the story of her marketing misfire.)

Retailer Websites

"Retailer websites are becoming *the* primary destination," blogs Fenyo, noting 25 percent of shoppers visit a retailer or CPG Facebook page at least once a month, and 80 percent of all *digital coupons* are downloaded from retailer websites.

Locally owned Ciatti's Ristorante works the web angle. Its site features Click 'n' Save (and print) discount certificates, a "Join Our eClub" email capture, and a coupon on the "Frugal Finders" blog. Click the Facebook link, and "Like" Ciatti's for additional coupon offers. In the social network, you want web presence, where anyone who sees your offer can promote it throughout their social network.

Digital coupons

According to Nielsen polling, 79 percent of consumers used smartphones or tablets while shopping during the first quarter of 2012 – 62 percent used their phones for price checking; 42 percent used their tablets to make a purchase; and 28 percent of tablet users and 27 percent of phone users paid via the device.

Customers scan QR and UPC codes that bring them to a retail website, or to the product itself, for information and to buy. The smartphone is scanned at the checkout. Currently, of the 257 million mobile phones in the U.S., 50 percent are smartphones, according to Nielsen and the Pew Internet & American Life Project survey.

"The smartphone is the bomb," says Jennifer, our couponer. "You always have it with you."

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Local Variations

Local coupon programs combine traditional and online options.

[DealChicken.com](#) -- Operated by the *St. Cloud Times*, customers register online to view deals and receive email deal notifications. Vouchers are bought and downloaded. The exclusive deals run from 50 – 90 percent off, and each retailer's particular deal is negotiated with the account rep.

[TheBestofCoupons.com](#) -- Brad Stroot, MB Marketing, Inc., Sartell, offers deals that are exclusive to his clients and packaged in monthly direct-mail coupon books, promoted on the website, Facebook, and other social media. Stroot charges a flat fee.

St. Cloud Radio Marketplace -- Leighton Broadcasting offers coupons that are promoted via broadcast and the station's website. Customers register and buy coupons online, pick them up at the station, and redeem them with local vendors. In exchange, businesses receive the value of the item in radio advertising.

The Value Connection -- Owned by Townsquare Media, The Value Connection is one of the area's older business coupon programs and works in a similar fashion to Leighton's Marketplace. The Value Connection offers goods and services from Central Minnesota businesses at a discount, typically 20-30 percent.

Strong Offers

- Make sure the deal is a perceived value to the consumer, relevant and true, and unique to the distribution channel. – Bill Hatling, Hatlingflint
- Don't overdo it. If businesses discount more frequently than quarterly, customers become trained to only buy at discounts. – Don Farleo, ADCo
- Watch your ROI. When figuring costs, keep in mind the cost of running the coupon, but also the discount that you are offering. Businesses sometimes forget that honoring a coupon can mean a smaller profit margin per sale. – Kelly Zaske, Gaslight Creative

The Future

TESCO/HomePlus in South Korea offers customers virtual grocery stores in subways. Lighted billboards replicate the actual physical store, allowing customers to scan QR codes and pay for groceries with their smartphones. The groceries are then delivered to their homes. For a video of the HomePlus virtual grocery experience, visit www.BusinessCentralMagazine.com