

Is the Time Right for Online Distribution?

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By Al Heller

The vast consumer reach of Sunday newspapers has made them the first choice for coupon inserts for decades. Yet today's media troubles of bankruptcies, fewer readers, smaller circulations, disappearing dividends, shrunken staffs and closed publications make CPG feel the numbers game is changing. Some knowledgeable experts believe this could prompt marketers to look hard at other avenues to distribute their coupons.

"The pajama factor of consumers waking up Sunday morning to find coupons in their newspaper – CPG brands don't need that anymore. They can give people access to coupons online," said Dadi Akhavan, president, chief marketing officer and co-founder, E-centives, a technology provider that powers CPG brand sites and retailer and publisher programs online. "There's more opportunity on the Web to target offers based on a brand's marketing objectives and a consumer's place in the marketing lifecycle.

"Some brands have built databases with millions of names of end-users. Many CPG companies are trying to foster active consumer relationships online, which include giving people coupons. In traditional off-line retailing, stores control the shopper relationships, but online the manufacturers can," he added. "CPG companies are at different stages of embracing this."

Akhavan cited the example of Cadbury Adams offering a coupon for its Trident sugarless gum at the Weight Watchers website, where it was promoting and advertising the brand. "This is a new world," he emphasized.

Concurring was Steven Boal, chief executive officer of Coupons.com, who described how "consumers go online, and brands need to meet them there. Savings promotion is clearly the most effective vehicle in a down economy. Digital couponing makes the most sense for boosting sales and building brand loyalty. CPG can now build programs that combine brand messaging, geographic differences, coupon issuance and observed behavior.

"Even a year ago, CPG and retailers didn't see the value of online as a mechanism for trade support like FSIs," he added. "It's evident to all constituents today that online is at least as valuable today as newspapers. It's all about transparency, adherence to privacy guidelines, and building a trust relationship with consumers."

Boal offered one caveat, however: "When we ask consumers for information online and provide coupons based on what they tell us, the information they give is polluted because they answer in order to elicit the highest value offer."

That aside, the public's media habits have changed: People spend more time online than in front of a television today, and committed newspaper readers are fewer. While print still commands the coupon distribution business, and online coupons hold just a 2% to 4% share, up from 1% a year ago, according to Boal, the question seems fair to raise: Is there a better way?

There are plenty of classic coupon cutters around. But new populations of savers in this recession and beyond might prefer to dispatch electronic coupons to their supermarket loyalty programs for automatic discounts when they next check out. Or they might visit the websites of their favorite CPG brands for coupons they'll use, or go to gallery sites like coupons.com to see what's available, select and print. Better than smudged fingertips on a Sunday morning?

CPG is paying more attention to coupon demand—especially since Nielsen data from December showed that 86% of households used coupons and drove 89% of all-outlet dollar sales. Heavy coupon users make 85 grocery trips and 28 drug store trips annually, vs. 44 grocery and 9 drug store trips for non-users, Nielsen added.

Also in 2008, for the first time in recent memory, coupon usage held steady rather than declined. With easier consumer access via the Internet, cell phones and in-store, CPG can anticipate more usage. But will bargain hunters trade their scissors for computer mouse? And will CPG marketers open their eyes to online distribution?

Online providers want to widen any recession-driven crack in the iconic strength of Sunday inserts. Also, it seems that CPG's re-evaluation of coupon distribution strategies has been long coming. Brand marketers have known that despite the vast numbers of coupons distributed, only about 1% were ever redeemed on average. Would CPG be wrong to think another way might allow them to more precisely target consumers, connect coupon offers to specific brand objectives (such as user trial), and raise redemption rates and brand performance?

This is where Akhavan and Boal weigh in on the new metrics of online couponing.

"Internet coupons are pay-for-performance models...Clients can be more granular in their activities and insights....They can compare the effectiveness of different delivery environments (banner ad, multi-coupon presentation, own website, or e-mail), which could vary by program, by category, by creative, and by life cycle of customer," described Akhavan, who noted the Association of Coupon Professionals is currently examining metrics to determine which ones matter most.

"It's not just about coupon prints and redemptions," said Boal. "We track and analyze impressions, time on brand, amount of times consumers see a brand before they interact, the times they interact before they print, the times they print before they redeem. Then we correlate print and redemption activity across categories....For example, we know that people who buy heat-and-serve meals are bigger buyers of frozen vegetables, so if they're buying these meals, we may deliver advertisements to promote frozen vegetables."

One result, according to Inmar, parent of the CMS coupon clearinghouse, is a 13% redemption to print rate for online coupons. Boal claimed a 17% average redemption rate in his company. He added that almost 40 million consumers currently print online coupons, and his traffic growth is up 200% year over year.

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