Far From Redemption

An important update in the world of coupons

Inside

A white paper by leading coupon planning and clearing house, MRM – Multi Resource Marketing Limited. An update that explains the digitalisation of coupons and what the future holds for brand managers, manufacturers and retailers alike.

Digital Coupons

Digital Distribution

Validated Redemptions

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About the Author

Far From Redemption

Peter Kerr is the founder and Executive Chair of MRM and is instrumental in driving the business since its establishment in 1993. Well known in the industry through his long-standing association with the IPM – the Institute of Promotional Marketing, Peter was nominated to join the board of the IPM in 1999 and held the office of chair for three years and he is the current President of IMPACT council in Europe.

About the Company

MRM's experience in the coupon market spans over 30 years of supplying the largest and best-known brands with an end-to-end coupon service, ensures that the information and expertise in this white paper is an invaluable and first-hand account of this marketing specialism.

MRM welcomes your interest and feedback and is happy to answer any questions you may have.
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The Benefits of Promotional Coupons

Couponing has been for many years one of the most effective promotional marketing techniques. It can be delivered discreetly or to mass markets, can be used tactically to boost sales or counter competitor activity or be part of a more strategic loyalty process.

In terms of execution, coupons take very little time to plan and are by far the most productive promotional technique in terms of cost efficiency. Coupons are consistently favoured by consumers* (77% of the United States population uses coupons, saving over $3 billion in 2003) and even Tesco & Sainsbury can attest to the power of circulating mass coupons through Clubcard & Nectar ahead of all key financial announcements.

Coupons help in.....

- Raising brand awareness
- Promoting existing product lines
- Engaging new customers
- Re-engaging lapsed customers
- Rewarding loyalty

*https://link.springer.com/chapter/10.1007/978-3-319-11779-9_15

How Effective are Coupons?

A 2018 report by Inmar Intelligence found that 83% of consumers reported that coupons were a reason for a difference in their shopping behaviour.

https://www.inmar.com/sites/default/files/inmar-2018-shopper-behavior-study-infographic.pdf

39% bought a product much sooner than they would have planned because of a coupon.

38% reported buying more than they planned to because of a coupon.

In reference to digital coupons and associated loyalty programmes, Inmar also reported.

https://www.inmar.com/sites/default/files/Inmar%20Intelligence%20Digital%20Coupons%20Usage%20Survey%20Overview%20-%20August%202021.pdf

67% of people will access a loyalty programme to access featured coupons and discounts.

The Origins and Growth of Coupons

The earliest form of coupons were first circulated by Coca Cola in 1887 and while this was a low key test of the concept, by the mid 1900's the circulation of coupons in the UK had reached over 500m rising to 5 billion by the end of the 20th century. These were being circulated by all the leading brands and manufacturers. Not many techniques have consistently accompanied the meteoric growth of such brands.
https://business.time.com/2010/04/06/the-history-of-coupons/

The First Coupon

Asa Candler had a brainstorm in 1887 when he created the first coupon. At the time, brainstorm referred to a brief period of insanity, but you can't question the Coca-Cola co-owner's sanity when he hit upon this invaluable marketing device.

Candler's invention transformed Coca-Cola from an insignificant tonic into a market-dominating drink. His hand-written tickets offered consumers a free glass of Coca-Cola, then priced at five cents. Between 1894 and 1913, an estimated one-in-nine Americans had received a free Coca-Cola, for a total of 8,500,000 free drinks. By 1895, Coca-Cola was being served in every state.

The Deterioration of Coupons in the early part of the 21st Century

As coupons gained recognition for their effectiveness, instances of misuse began to rise. Initially by leading Retailers offering to exchange coupons for cash regardless of the value, the product or even if it was another Retailer's coupon. This abuse encouraged consumer misuse of coupons and mis-redemption, as you'll see highlighted in these three high profile examples.

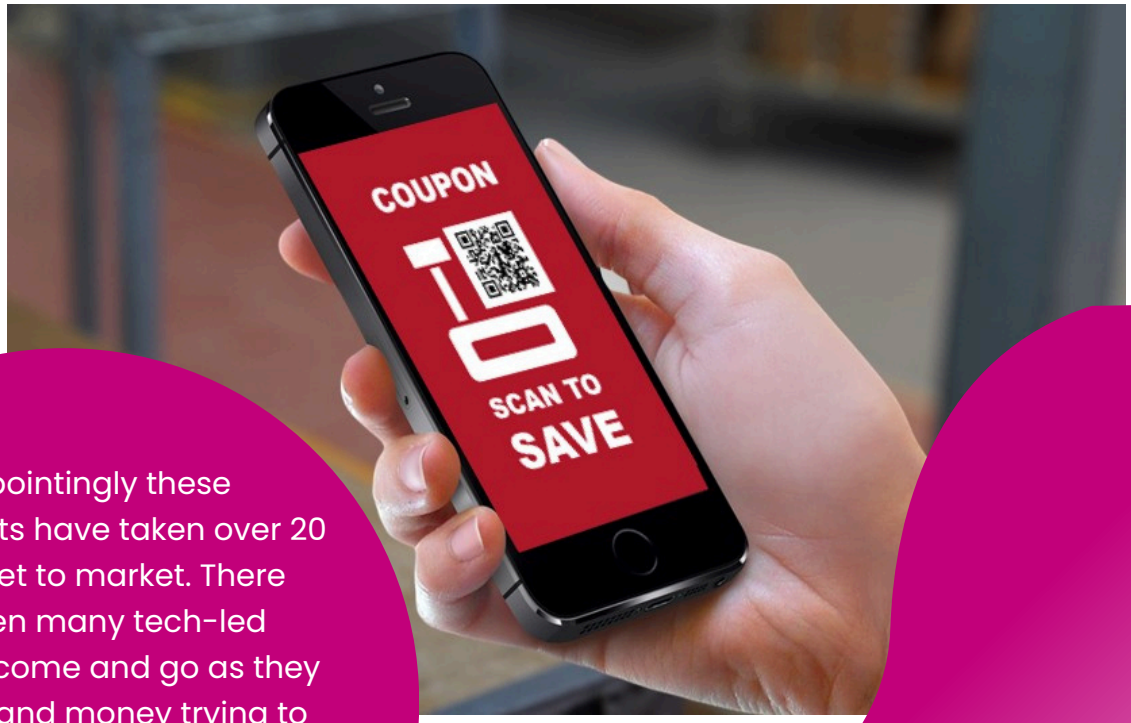
https://www.unit21.ai/trust-safety-dictionary/coupon-fraud

Manufacturers became wary of distributing high volumes of coupons and this saw the rapid decline in newspaper and door-to-door coupon distribution and only those distribution channels considered "safe" such as direct mail, in-store, inserts or on-pack coupons prevailed. This decline led to the rapid development of Retailer led schemes such as Nectar and Clubcard where the Retailer could offer the brand access to "their" customers directly through a loyalty programme. You could say until that point, the brand owned the customer relationship and now that connection was constrained to one individual Retailer. Brand advertising speaks to all consumers as did promotions at that time, now that battle ground has been seized by the main store groups.

To protect the brand, malredemptions have traditionally been covered by trade funds or promotion insurance.

The False Dawn of Digital, 1999 the first digital promotion

Digital promotions have been around since 1999 when MRM introduced 'Coke Auction' on behalf of Coca Cola. It was clear then that coupons would have a much healthier future in a digital world rather than the more insecure, paper driven, processes that were the norm. The advantages of digital I will explain in more detail, as they offer more highly targeted delivery and validated redemptions, allowing for secure redemption and better ROI in campaign management.



Disappointingly these developments have taken over 20 years to get to market. There have been many tech-led companies come and go as they spent time and money trying to compete with retailer developments, which were more powerful and shall we say - more persuasive.

A New Dawn of Accelerated Development

Digital Distribution

Validated Redemptions

Thankfully development of more sustainable services has accelerated over the last 5 years and the coupon market looks set for a huge renaissance. These developments fall into two areas, **Digital distribution** and **Validated redemptions.**

Digital Distribution

The concept of delivering a coupon to a consumers smart-phone is well established and through customer-scanning devices at tills we are seeing more coupon campaigns managed this way.

This development initially laboured due to Retailers wanting to control access to their customers and insisting in participation in their own tailormade programmes. This fragments brand development and becomes more of a trade marketing approach.

A more generic “open market” service has taken time to come to market, but there are few service providers able to deliver a direct brand-to-consumer process and enhance this delivery mechanism by also gathering quality first party data.

The brand can fully utilise their social media channels to incentivise consumers in an “active” manner.

These services offer real-time targeting and activation and a much tighter budget control as the brand can dial up or down the value or volume to suit their needs.

These independent services have had security issues over coupon reproduction or repeat usage at self-checkout tills, but these are being addressed and will be closed down.

More concerning is that these services rely on Retailer co-operation, as unlike a paper coupon which is a physical receipt which will be reimbursed, these digital scan’s need to be set-up with the entire estate of Retailers so they can be recognised by their EPOS systems on presentation. You also need agreement with each retailer in order to manage the reimbursement process.

At the time of writing this post, the latter is a major challenge as Retailers seem to want to resist these standalone independent services which we consider to an unfair practice.

Validated Redemptions

The most significant digital development and the one of greatest value to brands is the move towards digital-scanning at point of purchase. This means that any coupons, paper or digital are scanned within the transaction and the retailer directly deducts the value of the coupon from the brands trading account or through a third party clearer.

No physical redemption process is required and subsequently this reduces the price of coupon management for both brands and Retailers. The real benefit for brands is that these systems can also check that the coupon presented for the specific product it was intended for, has been purchased.

Validating redemptions offers brands the reassurance to be able to coupon at will using any distribution method, safe in the knowledge that only genuine purchases will be discounted.

This is perhaps the biggest advance in couponing since its humble beginnings and glorious past.

There are several suppliers in this market and they operate an independent set-up of coupons which is a bind for brands to administer, however this can be easily managed by your existing couponing agent.

In Summary

Benefits for promoters
These new developments offer brands a lower cost of operation and redemption and the security to coupon innovatively and more widely, secure in the knowledge that each redemption represents a brand purchase.

Future developments in digital
Once the developments of digital distribution and validated redemptions are firmly established, we will have moved the dial of innovation and security immeasurably in the coupon market. This will open opportunities for even more tech driven services such as activated advertising and near field coupon pushes at point of purchase and beyond.

Consultation
The direction of travel is very exciting and full of benefits, but it's a market in transition so if you want more in-depth consultation about the new opportunities and how they dovetail existing processes please don't hesitate to call us, it doesn't matter if you are an MRM client or not.

More detail on coupons and MRM services can be found at www.mrm.co.uk