



BY JERRY SOVERINSKY

CASHING IN ON COUPONS

Finally, coupon technology that makes cents for convenience stores.



Like countless Netflix watchers like me may recall a recent TLC show, “Extreme Couponing,” which follows the shopping prowess of obsessive coupon clippers. Think “Doomsday Preppers” meets “Hoarders,” throw in pallets of off-brand paper towels, and you’re up-to-speed on the show’s premise.

Nearly every episode (40+) ends at a store checkout, with the subject unloading items from an endless procession of shopping carts, and an overwhelmed cashier manually scanning thousands of products and coupons. The tension is nearly always heightened by the subject’s six or seven kids, who cheer on their parent for finding a way to purchase four dozen bottles of dishwasher liquid and vanilla wafers for exactly nothing.

The checkout process unfolds much to the chagrin of an irked store manager, whose staff and customers endure an incredible shopping inconvenience, with such disproportionate attention allocated to just one customer.

There’s not much to recommend about the show—it will undoubtedly trigger associations with a challenging customer experience—but the summary underscores the importance of the evolution of digital coupons, a technological improvement that enable stores to more efficiently process discounts without overtaxing their staff. And for the convenience retailer especially, whose operation is ill-suited to accommodate the traditional paper coupon, digital offerings present an efficient and effective means to drive traffic and sales.



SALE!

DIGITAL COUPON

Offer valid with coupon. Cannot be combined with any other offer. First time customers only.

EXPIRES 01/22/17

25% OFF DISCOUNT

BUY ONE! GET ONE!

DIGITAL COUPON

Offer valid with coupon. Cannot be combined with any other offer. First time customers only.

EXPIRES 02/13/17

SAVE ON ANY TWO ITEMS

DIGITAL COUPON

Offer valid with coupon. Cannot be combined with any other offer. First time customers only.

EXPIRES 02/13/17



\$10 OFF

DIGITAL COUPON

Offer valid with coupon. Cannot be combined with any other offer. First time customers only.

EXPIRES 03/27/17

\$10 OFF

DIGITAL COUPON

Offer valid with coupon. Cannot be combined with any other offer. First time customers only.

EXPIRES 03/27/17

SALE!

DIGITAL COUPON

Offer valid with coupon. Cannot be combined with any other offer. First time customers only.

EXPIRES 01/22/17

% OFF COUNT

DIGITAL COUPON

Offer valid with coupon. Cannot be combined with any other offer. First time customers only.

EXPIRES 02/13/17



NOT ANOTHER COUPON ...

“Convenience stores don’t do paper coupons well. They accept them but they don’t accept them well,” said Linda Toth, director of standards for Conexus. “They’re time-intensive, as the clerk must manually inspect the coupon. And coupons can be copied, which leads to counterfeits.” Counterfeiting is a prickly issue for suppliers, who often issue high-value coupons and want to control the number of coupons distributed—a difficult task as a paper coupon is easily photocopied.

“Also, they don’t maintain the proper codes, which are updated frequently. It’s not that they don’t want to, it’s just not a high priority for them. There are coupons that don’t match the item purchased, and the clearing house doesn’t then honor the promotion,” Toth said.

As a result, convenience stores lose a sizable share of the coupons that they accept. “If they send in \$100 worth of coupons, they’ll probably get back \$80,” said David Ezell, principal software architect at Verifone and co-chair of W3C Web Payments Interest Group. “Plus, it’s a hassle—they have to track them and bundle them up and wait six to eight weeks for the money.”

Enter the digital offer, a promotional tool that allows stores to build on what they created with mobile loyalty while overcoming most of the

shortcomings associated with paper coupons. “It allows retailers far better control of the process,” Toth said, an important feature for both retailers and suppliers.

“Consider the supplier who offers age-restricted products,” Toth said. “If I’m a tobacco manufacturer, I can validate a purchaser’s age via their mobile device, and I can follow-up by sending them age-appropriate offers.”

And for the retailer, digital offers update behind-the-scenes, eliminating the manual processes for store clerks while ensuring that each coupon tendered is legitimate and associated with the proper product.

The ability to send very precise and appropriate offers fosters greater consumer engagement, a major reason why digital offers are well on-pace to overtake paper coupons. “We’re already seeing that direct mail and newspaper circulars are playing a diminished role in retail marketing,” according to a 2013 McKinsey & Company report. “Mass advertising will not disappear overnight, but its influence is certainly waning. Ads are shifting toward not just digitization but also personalization, powered by increasingly sophisticated algorithms and predictive models that analyze transaction data and digital-media trends.”

How effective are those algorithms? “Already, 35% of what consumers purchase on Amazon and 75% of what they watch on Netflix comes from product recommendations based on such algorithms,” McKinsey wrote.

ALL DIGITAL OFFERS ARE NOT CREATED EQUAL

As you consider the digital offer landscape, understand that not all digital offers have the same security and functionality. “When we speak of digital offers, these are secure, single-use offers, not e-coupons,” explained Don Frieden, president and CEO of P97 Networks Inc. “E-coupons can be replicated. They’re essentially just a bar code coupon that is delivered via a mobile device. The problem with that is that you can take a picture of it and reuse it as many times as you want.”

A secure digital offer is different, Frieden said. “These transform the game for CPG companies and retailers. “It’s a holistic program in a platform that can deliver different types of offers to consumers, allowing you to control a number of aspects, such

BY THE NUMBERS

Koupon Media’s 2016 *State of the Mobile Coupon Industry Report* found that mobile coupon usage is rising sharply in the United States—up 18% in 2015 to 92.6 million consumers, and projected to reach 104 million adult users by the end of 2016. Other key stats in the report include:

42% of mobile users have used a mobile coupon

39% of customers spend more if they receive a personalized coupon

60% of customers would adopt mobile payments if offered coupons



THE ABILITY TO SEND VERY PRECISE AND APPROPRIATE OFFERS FOSTERS GREATER CONSUMER ENGAGEMENT, A MAJOR REASON WHY DIGITAL OFFERS ARE WELL ON-PACE TO OVERTAKE PAPER COUPONS.

as location-based offers and time-sensitive offers. For the first time ever, we can deliver offers during the consumer's purchasing journey and actually influence the purchase."

For instance, as a consumer travels within a certain distance of your store at a certain time of day, you can push an offer that aligns with previous purchasing history.

Additionally, these digital offers eliminate the hassle of settling coupon redemptions with a clearinghouse. "Digital offers allow us to do near real-time settlement on the offers, since they can be integrated into the basket details within the POS system. The retailer can settle directly with a CPG company just like a credit card transaction," Frieden said.

If the idea of deploying yet another tech initiative seems daunting, fear not: The mobile coupon can integrate seamlessly with other digital programs and platforms. "There are two ways of looking at how digital offers can integrate [with your existing tech platform]," Ezell said. "As either an extension of loyalty or as an integral part of payment settlement." And either can work within your existing operations with the help of a dedicated digital offers company.

GETTING STARTED

At just over five years old, Texas-based Koupon Media is providing mobile offers for both CPG companies and retailers. Its proprietary platform creates and distributes digital offers across a variety of media channels—email, SMS, mobile app, social media, loyalty, digital ads—while its Offer Network integrates with a store's POS system to support the instant redemption of mobile offers. The integrated system works with retailers of all sizes, no matter how sophisticated their techie capabilities.

"It's fairly simple: We try to meet the retailer where they are," said Bill Ogle, CEO of Koupon Media. "Within the c-store environment, there is a huge disparity between POS systems, and we try to offer solutions to work with everybody, no matter how sophisticated."

No loyalty program or mobile app? No problem. "For stores without an app, we'll work with them to do something with their email database," Ogle said. "We can send out texts with links that connect to our server. We can then apply our geo-location services as we develop a powerful offer."

For stores without advanced capabilities, Koupon Media offers the retailer full control of the coupon process. "We offer tools that allow them to create and manage mobile offers. It's simple and can be up and running in just a few minutes," Ogle said. "You've now got it set up, and our security mechanisms make it secure with timers and geo targets, etc. The timers make offers time sensitive, if that's what's wanted."

Additionally, the company works directly with brands, creating offers that retailers can either accept or reject. "We create deals with brands and then call our c-store contacts to see who has signed up for the offers," Ogle said. "The retailer has full control; they can either opt in or out."

The result is the creation of highly customized and targeted promotions that generate tangible sales lifts. Working with West Des Moines, Iowa-based Kum & Go L.C., Koupon Media studied the results of six mobile offer campaigns. On average, the campaigns increased





product unit sales by 12%, slightly higher than the average mobile offer redemption rate (10%) that Koupon touts from other campaigns. That's a sizable improvement over the paper coupon redemption rate, which the company estimated at 0.47%. And that's a performance lift that wasn't lost on Kum & Go.

"Koupon Media has been crucial to the success of [our] mobile marketing campaigns," said Mike Templeton, head of digital marketing at Kum & Go. "You simply can't argue with the results."

WIN, WIN, WIN

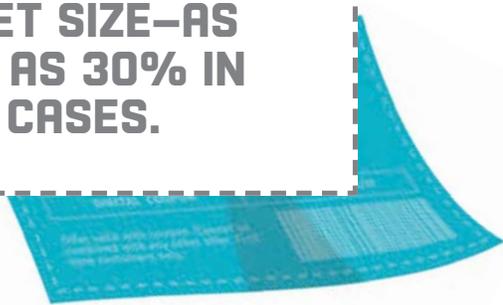
The benefits of mobile coupons extend beyond the brick-and-mortar merchant. "The value proposition benefits three parties," Frieden said. "For the merchant, they get people off the forecourt and into the store, increasing basket size." As much as 30% in some cases, he said.

"For the CPG company, it's the first time they can see specific details about consumers. If they know that you buy their product every day on the way to work ... they can use that information to get you to sample additional products.

"And for the oil company or fuel brand, there used to be a separation between loyalty and



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offers," Frieden said, adding, "That's now converging. We took a sample of customers who used mobile and that were rewarded for loyalty. That subset doubled the frequency of their visits compared to when there were no incentives ... That's a huge [increase]."

LOOKING AHEAD

If all of this sounds like a lot of upside with minimal headache, Frieden says the assessment is not far off. "This is really an exciting space and will be game-changing for merchants, oil companies and manufacturers." He says to fully leverage the opportunity, though, there is little time to wait.

"The first app that gets deployed and is successful really sets the expectation for consumers," Frieden said. "Once it's been adopted, it's difficult to get consumers to move. There's definitely an early adopter advantage here."

And what about those who remain on the sidelines? "They're leaving a lot of dollars and customers on the table," Ogle said. "[Mobile coupons] drive huge traffic and volume to convenience stores." **NACS**

WORD PLAY

When we speak of a digital offer, that is distinct from a coupon and e-coupon, said Don Frieden, president and CEO of P97 Networks.

- **Coupon:** A voucher entitling the holder to a discount for a particular product or service. Coupons are typically a paper-based format with a barcode (discount code or number that can be redeemed at the point of sale).
- **E-coupon:** The digitization of a traditional coupon—effectively, just automating the distribution of traditional paper-based coupons. E-coupons are typically scanned by the point of sale and applied as a method of payment against the overall sale.
- **Digital Offer:** A secure digital signed offer that is delivered through a digital distribution platform for mobile apps and are typically a single use and time expiring offer. The digital secure offer is directly linked to a customer and integrated with the point of sale, so the POS only applies the discount if the exact product is required. Also, acceptance and validation can be automated.



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