

DIGITAL vs. TRADITIONAL COUPONS

Who Are the Users — and Are They Delivering ROI? — by *Neal Heffernan*

Digital coupons are rewriting the marketing mix rules – but how deep into the story have we actually come? Establishing the true shifts in coupon use, and understanding the effectiveness of digital coupons compared to print, are essential elements of judicious marketing plans.

Knowledge Networks has just completed a comprehensive analysis of coupon use, leveraging loyalty card data from over 2 million shoppers from our **National Shopper Lab**. In addition to investigating trends in overall coupon redemption, our research compared digital print-at-home and print (“traditional”) Sunday FSI coupons for

- attracting new buyers
- ability to drive incremental volume
- ultimate return on investment, and
- Life Stage profiles of heavy versus light users.

The analysis looked at both digital (n=22) and print (n=41) coupons from five similar CPG categories (4 food and 1 non-food) over the last three years (CY 2008-2010).

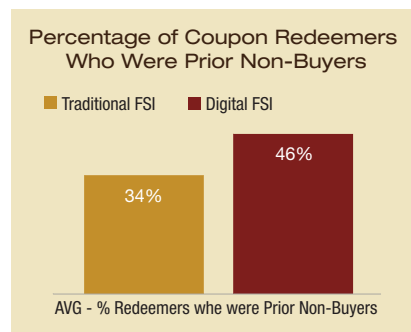
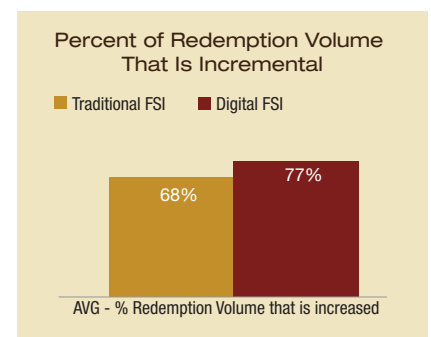
With consumers more budget conscious in the current recession, overall coupon use is up 27% since 2008, according to Inmar. And print FSIs still represent the majority of the redemptions, with a 44% share of market.

But marketers need to take

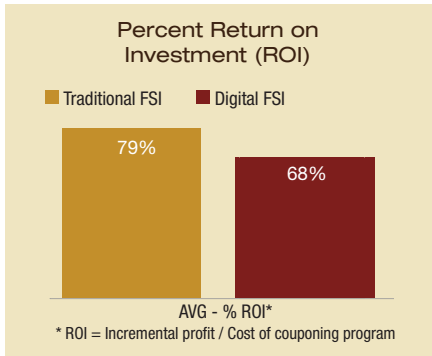
note: Our analysis shows that digital coupons are showing important strengths. For the digital coupon events analyzed, 46% of redeemers were prior non-buyers of the product,

compared to 34% for traditional print FSI coupons. Overall, digital coupons are attracting more new buyers than print coupons by a margin of 35%.

In addition, digital coupons drive more incremental redemptions. For digital coupons, 77% of redemption volume is incremental, versus 68% for print coupons.



However, digital coupons yield a lower return on investment due to their higher redemption rates and the historically lower distribution costs for print FSIs. Overall, digital coupons trail print FSIs in ROI by 18%.



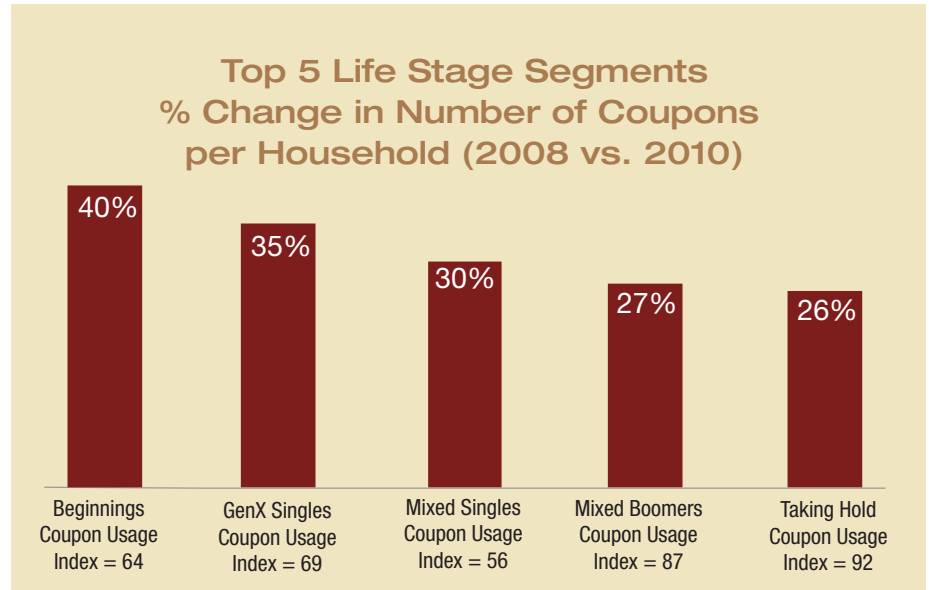
THE NEW FACE OF COUPON USE

Digital coupons are ushering in a new era for couponing – attracting segments of the population generally not drawn to traditional coupon clipping.

We have coded our data to the Acxiom Personix Life Stages, which divide the population into 21 segments; looking at change since 2008 – when the recession began – we have seen the greatest increase in *all* coupon use by

- young adults who were among the first to grow up in a digital world (Beginnings segment)
- young, upwardly mobile people who move often and own homes in the top 20% of the market (Taking Hold)
- single households with no children and lower incomes (GenX Singles, Mixed Singles)
- boomers on limited incomes (Mixed Boomers)

In terms of volume, however, the most prolific coupon redeemers – for digital and print alike – tend to be more traditional groups that every brand wants to attract. Households that fall in the top 10% for family size



(Jumbo Families segment) use coupons at almost 2.5 times the rate of the general population. Boomer Barons, Flush Families, and Gen X Parents are also above-average users of digital coupons.

In fact, we find that – with one exception – the very same segments are also the heaviest users of traditional coupons; this suggests a marketer needs to use a combination of digital and traditional print to maximize consumer promotion dollars.

Top Digital Coupon User Segments

RANK	LIFE STAGE CLUSTER	% DIGITAL REDEEMERS	TOTAL US POP	DIGITAL INDEX TO TOTAL US POP
1	JUMBO FAMILIES	15.6%	6.5%	240
2	BOOMER BARONS	8.5%	6.6%	129
3	FLUSH FAMILIES	8.0%	5.5%	145
4	GOLDEN YEARS	6.8%	5.5%	123
5	GEN X PARENTS	6.1%	5.1%	120

Top Print FSI Coupon User Segments

RANK	LIFE STAGE CLUSTER	% TRADITIONAL FSI REDEEMERS	TOTAL US POP	FSI INDEX TO TOTAL US POP
1	JUMBO FAMILIES	11.6%	6.5%	179
2	FLUSH FAMILIES	8.6%	5.5%	155
3	GOLDEN YEARS	7.0%	5.5%	128
4	OUR TURN	6.9%	5.3%	130
5	BOOMER BARONS	6.7%	6.6%	102



Percent of Redeemers by Life Stage — Digital Better Than Traditional

Life Stage	Traditional FSI Redeemers	Digital FSI Redeemers	Digital vs. Traditional Index	Total US Population	Traditional FSI Index to total US	Digital FSI Index to Total US
TRANSITION BLUES	3.2%	4.9%	154	3.2%	101	155
JUMBO FAMILIES	11.6%	15.6%	134	6.5%	179	240
BOOMER BARONS	6.7%	8.5%	126	6.6%	102	129
BEGINNINGS	3.9%	4.7%	120	5.5%	72	86
TAKING HOLD	4.0%	4.6%	116	3.5%	114	132

It is crucial to note, though, that some of the strongest and most attractive coupon user segments – Jumbo Families and Boomer Barons – are more in the digital camp than they are in print. So, also, are two groups of younger consumers in the “next generation” of couponing (Taking Hold and Beginnings).

A REVOLUTION IN PROGRESS

The Knowledge Networks analysis shows that digital coupons are transforming the coupon marketplace – bringing in new users, and gaining heavy redemption from prolific couponers in more traditional user groups.

The shift to digital, however, is still very much in progress; the bulk of the business remains in print, and will for sometime. The fact that print is also more profitable means that this business will not be going away anytime soon. But as more and more coupons can be carried on smartphones and loyalty cards, digital couponing will become more ingrained and less demanding.

Of course, couponing needs to be considered as just one element of the marketing mix – and every marketing effort needs to be guided by its intended targets. Which targets respond best to coupons, and are coupons more effective with this group than advertising or in-store promotion? These calculations require a customized approach driven by clear goals and careful research and analysis.



To learn more about KN’s coupon research, click here or contact:



Neal Heffernan
nheffernan@knowledgegenetworks.com
 (513) 559-3922

Neal Heffernan is Senior Vice President and General Manager at Knowledge Networks.