

# The Paperless Chase

Retailers seek to engage consumers through easier delivery of e-coupons.

By John Karolefski



**D**igital coupons are currently a footnote in overall coupon distribution and redemption. Traditional free-standing inserts (FSIs) that shoppers receive in newspapers are overwhelmingly dominant.

But if newspaper readership is declining and so-called “Mobile Millennials” will be the key grocery shopper of the future, it’s clear that digital offers will grow.

Digital coupons are available on a grocer’s website or smartphone app. They can be loaded onto a store’s loyalty card. They’re also available on websites for coupon networks and coupon aggregators, which both draw a huge amount of traffic from deal seekers.

“Given the recent outstanding track record for digital promotions, there is no question that these offers are gaining momentum with both shoppers and marketers, and that there is tremendous future growth potential for them,” affirms John Ross, CMO of Winston-Salem, N.C.-based Inmar and president of Inmar Analytics, whose research has seen 100 percent year-over-year

growth for five consecutive years in share of overall redemption for paperless digital offers.

## Considering the Source

But which source for selecting and redeeming digital coupons will grocery shoppers rely on the most?

“Digital coupons have a value to consumers because they are convenient,” says David Ciano, senior customer strategist at Cincinnati-based Dunnhumby North America. “The best-in-class capabilities allow consumers to select and load hundreds of digital coupons directly to their loyalty card or to a mobile app, and redemption is automatic and painless for the shopper.”

“Grocery loyalty cards are fully saturated. Most grocery shoppers currently have loyalty cards for every grocery retailer they frequent,” contends Jonathan Treiber, of RevTrax. “CPGs are wary of providing lots of offer content in this category, because of the retailer-specified terms and conditions. They’re really more focused on providing just enough offer content to maintain a positive merchandising relationship with their key retail partners. You’ll find that

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CPGs rarely promote digital coupons via loyalty cards because they find them less effective than traditional print free-standing inserts and print-at-home coupons,” adds the president and co-founder of the New York-based company, which uses personalized offers to quantify digital marketing’s impact on in-store sales.

Other experts single out a retailer’s smartphone app as being the logical place to clip and redeem digital coupons. Gainesville, Ga.-based Invisipon, a new entry into the fray, promotes a Coupon Savings Account that provides an online “bank account” of coupons for consumers.

Despite the competition, statistics from Inmar show that growth of digital paperless load-to-card (L2C) coupons has been accelerating significantly for the past several years, although from a small base. The wider availability of L2C coupons contributed to a greater than 61 percent increase in redemption volume for these coupons during Q1 2015 versus Q1 2014. Concurrently, overall share of redemption for coupons that shoppers load directly to their retailer loyalty accounts grew from 1.5 percent in Q1 2014 to 2.7 percent in Q1 2015.

### A Question of Loyalty

Grocery retailers that have made these coupons a key feature of their frequent shopper loyalty programs are benefiting, notes Inmar, citing convenience and flexibility as major reasons for this.

In June, ShopRite stores, operated in the Northeast by members of Keasby, N.J.-based retailer co-operative Wakefern Food Corp., sought to persuade its shoppers to use digital coupons by promoting a Big Brand Bash campaign. For the most savings, the campaign instructed shoppers to go to the ShopRite website or mobile app, and select and load clipless coupons onto their Price Plus Club cards. Discounts were triggered automatically at checkout.

Similarly, shoppers at supermarkets operated by Cincinnati-based Kroger can sign up for digital coupons on their computers, tablets or the Kroger app on their smartphones. Then they can clip coupons, and sort and filter them on the Kroger website

or app. Once they find offers they want, they click “load to card,” which places the coupons on their Kroger Plus loyalty cards.

Aaron Glazer, of San Francisco-based Taplytics, says grocers benefit most by sending coupons through their own apps, rather than having customers discover them elsewhere. It boils down to being able to personalize that offer, which makes it more attractive and, subsequently, drives growth.

“That said, no single CPG brand or grocery retailer has really cornered the mobile space, so there’s plenty of room for one to break out from the pack,” says Glazer, CEO of the provider of an integrated, mobile A/B testing, push notification and analytics platform. “Mobile can help grocers reach their shoppers in a way that’s more intimate and relevant than any other channel. When they send a coupon, it’s going right into the consumer’s hand or pocket, and that’s a powerful thing that can’t be replicated on a website.”

Recently, Southeastern Grocers, the Jacksonville, Fla.-based parent company of Bi-Lo, Harveys and Winn-Dixie grocery stores, launched a program with Coupons.com, in Mountain View, Calif., that enables each banner to deliver personalized digital coupons to a smartphone app and website.

Once a customer creates an account and registers her reward card, personalized coupons will be delivered online or via the mobile app. Customers can easily click and save offers and redeem them using either a physical reward card, phone number lookup, or the app’s digital reward card at the register.

According to Bert DuMars, VP of digital marketing at Southeastern Grocers: “The coupons on our new app and site are unique in that they are delivered to each customer based on his or her shopping behaviors and geographic interests and then prioritized, so those that most closely match their preferences appear first. No other grocer in the Southeast offers this kind of personalization.”

### Growing Potential

Retailers and brands will need to collaborate on the development of a true mobile coupon solution to fully realize the benefits of digital promotions, according to Inmar’s Ross. “As smartphone and device penetration continues to accelerate exponentially and consumers transfer more and more daily activities from their desktops to their mobile devices, the demand for such a solution is only going to grow,” he says. “Consumer behavior has shifted, media preferences are changing, and the industry needs to respond.”

Taplytics’ Glazer sees mobile couponing attracting more consumers as they grow comfortable showing their smartphones to cashiers at checkout, and as promotions become more relevant and targeted. One of the newer and most effective ways that brands are delivering coupons into customers’



hands, he says, is by sending them push notifications on their smartphones. This draws users back to the app, so they can build even more app engagement and loyalty, which is something brands and retailers are struggling to achieve.

"One consideration retailers like Safeway and Kroger have made is to ensure that the app works equally well on the tablet or smaller mobile phones," says Darcy Douglas, director of account solutions at Minneapolis-based Kantar Media Marx. "Not all retailers have committed to this level of coverage in support of shopper ease. This method has a real potential to take off, since both tablet and smartphone deliver a different experience to the shopper."

"Mobile coupons are turning out to be one of the favorite promotional tools for grocers to influence, incentivize and encourage customers towards trying their products," says Anil Kaul, CEO of San Francisco-based Absolutdata, a provider of advanced analytics. "The ability to identify customers individually, track their purchase behavior and send personalized offers are the main reasons for the growth of this channel."

Meanwhile, RevTrax's Treiber contends that loading digital coupons to a retailer's app is mis-

leading because it's probably either being loaded to a loyalty card synced with the user account or a user account without a loyalty card. "But consumers will most likely continue to adopt digital coupons by clipping them via the retailer's mobile app, as mobile adoption continues to grow at a disproportionate rate to desktop. Tablet for coupons will likely be last, behind desktop and mobile," he predicts.

L2C digital coupons aren't confined to a grocer's loyalty card. Kroger links digital coupons to its Kroger Plus credit card. While such applications are rare, that may change soon: Boston-based Linkable Networks has launched a program for retailers that enables shoppers to link digital coupons to a credit or debit card.

Nearly eight out of 10 consumers didn't make a CPG purchase in the store because they forgot a coupon, according to Linkable Networks CMO John Caron, citing a study that Cambridge, Mass.-based Forrester Research did on behalf of his company. "This is costing retailers and brands real revenue," he asserts. "Card-linked offers and load-to-card both solve this. The second-biggest issue for consumers is ease of use. Print-at-home and

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## Technology

### Digital Coupons

load-to-smartphone are ranked lowest for ease of use, while the 'lowly' FSI and on-package come in at one and two, respectively. What's a close third? Card-linked offers. They solve the fundamental issue around digital coupons, because they're insanely easy to use, you cannot forget them and, in time, you can use them everywhere."

Linkable is one of the first vendors in the market with a solution. "Our pilot with Supervalu is going incredibly well," notes Caron. "Time will tell, but personalization, automatic or invisible redemption, always available, and fully digital are changing how CPG brands and retailers provide value to their consumers." **PG**

## L2C Coupons Engage Millennials

Millennials respond to digital coupons loaded onto a store's loyalty card more than other shopper groups do, according to research by Winston-Salem, N.C.-based Inmar.

"Digital coupons are an entrenched and broadly accepted aspect of retailer loyalty programs — with their popularity proven and growing," says John Ross, CMO, Inmar and president, Inmar Analytics. "If retailers can be effective in meeting shoppers' expectations regarding loyalty program participation and the online experience, they can, in turn, expect digital promotions to help keep customers and grow their business."

In Inmar's "2015 Shopper Behavior Study," 37 percent of Millennials reported that they "usually" or "always" use

coupons loaded to their retail store loyalty cards, compared with 29 percent of older shoppers. More recently, research for Inmar's "Q1 2015 Shopper Promotion Impact Report" found that 20 percent of the coupons used by Millennials in the first three months of the year were load-to-card (L2C) offers, versus 9 percent of the coupons used by older shoppers.

"While digital coupons are popular with Millennials," Ross observes, "paperless offers are being used regularly across all shopper segments and represent an established and well-accepted element of most retailer loyalty programs."

—John Karolefski