

Is Bigger Really Better?

An Industry White Paper by Inmar VSI Promotion Consulting

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Conventional wisdom suggests that bigger is often best. When applied to coupons, that wisdom is interpreted to mean offering more – delivering richer offers and generally making a bigger splash in the Sunday inserts. But when Inmar VSI Promotion Consulting took a closer look at what determines coupon redemption, that assumption was hardly assured.

Inmar VSI analyzed the context and results of over 2,500 offers distributed over a 6-year period, and found 12 key and controllable factors that hold significant sway over the outcome. However, two factors – face value and event type – were noted as having “medium” variability, indicating that their impact was generally predictable, but somewhat dependent on the specific brand and competitive environment.

Coincidentally, these are exactly the two factors that could make or break the “bigger is better” claim for a coupon.

In this paper, the third in a series on the factors affecting coupon redemption, we provide an in-depth look at these two factors and offer what may be surprising findings and will be useful guidance for evaluating the impact of these factors on your promotional environment.

Going it Alone

The first test of the “bigger is better” hypothesis is to look at the impact of event type. When choosing the type, a marketer has five major types of events, listed below from the “smallest” to the “biggest” in terms of expected splash and attention:

1. **Solo Base Events.** This is a basic coupon event promoting a single product.
2. **Solo New Item Events.** This is much like the basic event, only done to introduce a new product. Presumably, new = big = better.
3. **Masterbrand Events.** In these events, there may be multiple products promoted, but under the heading of a single brand. The products might be various flavors, different packaging/sizes or different product types sharing a single brand name.
4. **Tie-in Events.** These events combine the forces of two or more brands that – other than a logical connection such as complimentary use – have no corporate affiliation.
5. **Corporate Events.** Corporate programs usually include a variety of brands under a single corporate heading (e.g. P&G BrandSaver).

The first general finding from the Inmar VSI research was that solo base events typically had the highest redemption. The reason is simple – there simply aren't as many distractions and other promotions pulling at the consumer. Instead, a solo base event has a simple, straightforward message and offer.

The second general finding was that corporate and tie-in events offered the most efficiency. What these kinds of events lacked in actual redemption, they made up for in a lower cost per product unit moved for the individual brands involved. The economics of these events made them up to 40% more efficient.

Event Type	Redemption Index	CPUM Index
Solo Base	115	105
Solo New Item	70	80
Masterbrand	93	95
Corporate	107	145
Tie In	97	124

While those findings were generally true, event type is a factor with “medium” variability. That suggests that the findings may or may not be true for your brand, depending on a number of circumstances. What remains true in all cases, however, is that bigger doesn't necessarily equate to more or better consumer response. Increasing the number of brands and products in an offer may reduce the individual loads each brand has to bear, but that may come at the cost of lower redemption for the overall promotion.

The Value of the Offer

Conventional wisdom suggests that higher face values make for the highest redemption.

That's both right and wrong at the same time. Certainly, giving away free products will be a draw. But with a cents-off promotion, bigger is not always better. In fact, lower face values often garner higher relative redemption.

This is due, in part, to the unseen effect of double coupon markets. Almost all double coupon markets involve doubling of values at least up to 50 cents. So, it should be no surprise that three of the highest redemption indices were for values of 25, 30 and 35 cents. These low end face values got more attention from consumers than values that were as much as 8 times higher.

The face values of 50 cents and \$1 also garnered notable redemption indices. These “magic numbers” are the high end of certain double coupon policies. Those policies can, for the savvy consumer, make a coupon worth 50 cents even more valuable than one worth 75 cents. Hence, 50 cents outperforms 75 cents.

Face Value	Redemption Index
\$ 0.25	109
\$ 0.30	118
\$ 0.35	108
\$ 0.40	94
\$ 0.45	63
\$ 0.50	111
\$ 0.55	100
\$ 0.60	76
\$ 0.75	81
\$ 1.00	105
\$ 1.50	98
\$ 2.00	95

Finally, the absolute face value appears to have more impact than the unit value (the savings per item, accounting for multiple purchases). The reason is simple: consumers generally don't do the math. They see 50 cents off, not the fact that it's 50 cents on two products. So 50 cents off two

will likely perform as well as, or even better than 25 cents off one, even though both offers are basically the same value.

Once again, these observations are generally true, but can have some variability between brands depending on things such as unit price, competition and brand loyalty.

How Inmar VSI Promotion Consulting Can Help

Of course, the key is that brands do behave very differently. There are some rules of thumb, but it is important to review, evaluate and understand your brand's history and market environment when trying to apply these learnings.

That's exactly where Inmar VSI can help. Inmar VSI's promotional assessment service integrates all of the various data points including coupon history, brand/category development, double coupon policies, retail penetration, coupon-prone markets, pricing, demographics and much more. The result is true coupon optimization and answers to your tough questions about how your promotional program will perform.

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