

Matching Coupon Values to Retailer Double Coupon Policies

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Ask the average coupon marketer how to determine the best face value and he or she will discuss factors like historical trends, competitive offers, percent of product price, and so on. However, a consideration that is often overlooked is how that face value will match the double coupon policies of the retailers in different regions. Matching those policies is crucial in planning successful promotions, because it has important implications for both retailer and consumer reaction.

A promotion that makes sense on paper can have very different results depending on the market. Consider the way coupon-savvy consumers in different markets perceive the same offer – 55 cents off when you buy one unit of a specific product.

- **Non-doubling markets.** In those markets where retailers don't have double coupon policies (Minneapolis, for example), retailers will not double a coupon worth 55 cents, meaning its value is simply the face value.
- **Low-value doubling markets.** In a market like Atlanta, where retailers double coupons with face values up to and including 50 cents, a coupon worth 55 cents will attract less consumer attention. That's because a coupon worth 50 cents will be worth a dollar when doubled, while one for 55 cents off won't be doubled and will always be worth 55 cents.
- **Mid-value doubling markets.** In Indianapolis, retailers double coupons with face values up to 50 cents and will give consumers a dollar credit for any coupons with face values between 50 and 99 cents. In this kind of doubling market, a coupon worth 55 cents will be on par with a coupon worth a dollar.
- **High-value doubling markets.** In Phoenix, where retailers double coupon values up to and including 99 cents, a value of 55 cents will actually attract more consumer attention than a dollar coupon. Here, 55 cents is worth \$1.10 due to doubling but the dollar coupon is simply worth its face value.

So, what does this mean to the consumer promotions marketer?

To understand that, a recent A/B split test¹ was used in a market that doubles coupon values up to 99 cents. The test looked to measure the difference in consumer response between a coupon valued at 75 cents and one worth a dollar. The doubling policies in this market would make 75 cents worth \$1.50 to the consumer, causing the lower value coupon to redeem higher than the dollar value.

The results: The coupon worth 75 cents redeemed 8% higher, moved 8% more units and cost the brand 19% less than the dollar coupon.

¹An A/B split test divides a distribution list into two segments. Each segment changes one variable for the test, such as a different face value or promotional message.

Don't underestimate the consumer's knowledge of their local retailers' double coupon policies. They are aware of and reacting to retailer doubling policies and consumer promotions managers can leverage this reaction to create efficiency for their brands.

In Southern California, where leading retailer Vons recently announced their intention to change coupon doubling practices, consumer reaction has been loud and negative. Time will tell whether these retailers are affected by their decisions and how competing retailers will respond.

As if consumer reaction isn't a weighty enough consideration, coupon marketers must also evaluate the reactions of retailers. Approximately 60% of US markets contain retailers with some double coupon policy. However, an estimated 10% of these retailers enforce special manufacturer-focused policies restricting the value of coupons, in an effort to limit the retailer's costs for the program. This is a lesson that many marketers have learned the hard way when they've dropped the wrong coupon value in certain areas.

Marketers that are aware of double coupon considerations react in differing ways. Often, they give in to pressure from their sales organization to broadly distribute higher face values because they don't have market level data to help make better decisions. Many, who understand the dangers of that approach, will simply rely on past market lists or what they consider "safe" values. Some, who don't completely understand the issue, will print "do not double" on their coupons – sometimes to avoid retailer hassles and sometimes because they think they're responsible for the cost of doubling. For the record, retailers are responsible for any value given to the consumer that is over and above the coupon's printed value.

Navigating the double coupon waters blindly is risky. Putting the wrong values on coupons in important markets could result in wasted money, ignored coupons and irate retailers.

There is a better way.

Smart marketers rely on companies, like Inmar VSI Promotion Consulting, that specialize in targeting coupon values by market. Inmar VSI does extensive market level research on retailer double coupon policies and uses that information when advising clients.

Regardless of the method used for determining coupon values, the retailer's double coupon policy is one consideration that should not be taken for granted.

For more information, contact Inmar VSI Promotion Consulting at (336) 631-2660.