

To Each His Own: Managing Highly Variable Redemption Factors

An Industry White Paper by Inmar VSI Promotion Consulting

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The question, “What kind of redemption should I expect for this coupon,” may have some quintessential answers. But the best answers include a variation of “it depends.” That’s not usually heartening when you want a single, easy answer. But it’s nonetheless reality when dealing with the redemption of a coupon promotion.

That’s one of the conclusions of a recent Inmar VSI Promotion Consulting study that examined the factors of coupon redemption. After an analysis of the context and results of over 2,500 offers distributed over a 6-year period, 12 key and controllable factors emerged.

However, not all of the factors impacted promotions equally. In fact, five of the 12 factors were termed “highly variable,” indicating that their impact was very dependent on the specific brand and competitive environment.

In this paper, the second in a series on the factors affecting coupon redemption, we provide an in-depth look at these five highly variable factors to provide guidance for evaluating their impact on your promotional environment.

Month	Redemption Index
Jan	109
Feb	95
Mar	98
Apr	81
May	100
Jun	96
Jul	80
Aug	102
Sep	112
Oct	82
Nov	113
Dec	104

Timing Things Correctly

When considering coupon redemption overall, there are generally three strong redemption periods each year: January for Super Bowl promotions, September for “Back to School” promotions and November for Thanksgiving and the holidays.

But using this overall timing as guidance would be foolish. It’s important to understand your brand history as well as overall FSI redemption trends. For example, some brands are very seasonal. Ice cream in the middle of winter or hot soup in the middle of summer may simply not move very well, with or without a promotion.

Also, the timing of trade events could have a wide range of impact, depending on both the type and timing of the event.

What’s the Other Guy Doing?

While you certainly can’t control what your competition is doing, you can control how you react to it. But there’s hardly a one-size-fits-all response. That’s due, in part, to the fact that almost every competitive environment is different and few competitors are truly predictable.

However, all things being equal, and assuming a predictable competitor, preempting the competition by 2-3 weeks is almost always best. But do keep in mind that preemption may not mean keeping pace with their face values. Further, too much focus on preemption could cause you to miss a key time period that’s best for your brand objectives.

To BOGO or Not To BOGO



On the surface, it would seem that a BOGO (Buy-One-Get-One) offer would be an instant hit with consumers. Not exactly; in fact, BOGOs may not redeem as well as straightforward cents off coupons, and the cost per unit moved is almost always higher.

On the plus side, BOGOs can have a big impact at the point-of-purchase, when the consumer has the actual price of the product in front of them. So in-store BOGOs are ideal. They do not work as well, however, in an FSI intending to drive traffic into the store. A consumer sitting at home has no external point of reference for the value of that BOGO and may underestimate its value, whereas a straight \$1 off coupon is difficult to argue with.

The upshot: depending on the situation and your objective, you may want to either use or avoid BOGOs. Either way, do the financial analysis to ensure that you'll get the payout you expect from these kinds of promotions.

How Many Must I Buy?

Wise use of multiple purchase requirements pays off in higher volume at lower price. However, some brands react more strongly to high purchase requirements than others. For example, requiring several cans of cat food might be reasonable, but you might be pushing it to insist that a consumer buy 3 jars of peanut butter to enjoy the savings.

<h3>Low Multiple</h3>  <p>REACH/ NUMBER OF RESPONSES</p> <ul style="list-style-type: none">● Appeals to more consumers● Generates most responses (when not used on lower-appeal products)● Best for generating trial and awareness● Potential to boost buy rate via increased 'penetration'	<h3>High Multiple</h3>  <p>VOLUME/EFFICIENCY</p> <ul style="list-style-type: none">● Moves more volume● Most efficient● Very good potential to boost buy rate via increased 'purchase per occasion'● Does not require 'tie-in' to multiples used during in-store deals
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Understand and adjust your consumers' purchase cycle and historical buying trends. That may mean being able to require two or three units or permission to require six or seven units. The goal is to find the point where you get maximum volume movement without a significant drop off in consumer response.

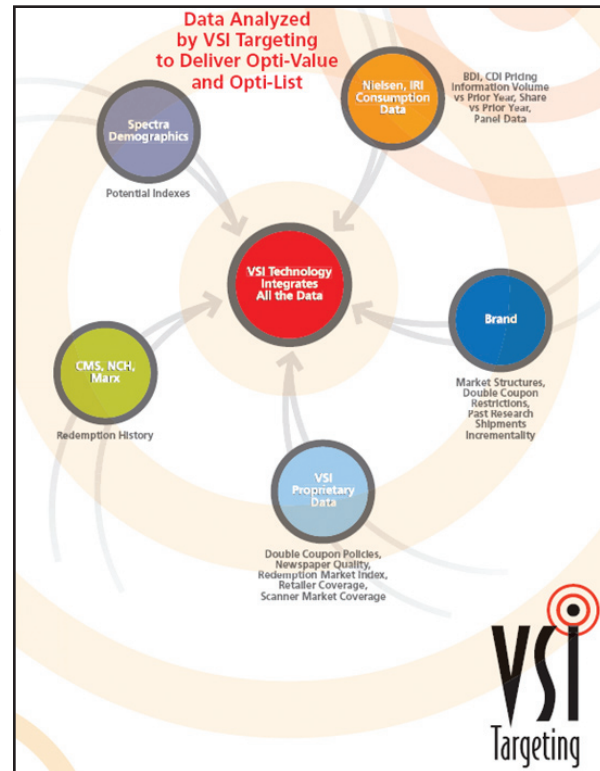
It's All About the Creative

A good ad can make or break a promotion. And since creative is, in large part, a subjective exercise, what's "good" can depend heavily on the brand. That being said, there are a few rules of thumb that can apply to most brands:

- Clutter is bad and simple is good.
- Testimonials can help, from the right spokesperson.
- Glamour shots of food may not be the cure all that you might think.
- Simple usage ideas often boost redemption while written recipes might lower redemption because of the added clutter.

Understanding the Factors in Context

The research conducted by Inmar VSI Promotion Consulting pinpointed 12 specific factors that influence coupon redemption. Each of the 12 is considered controllable, meaning that a savvy marketer can make choices related to these factors and influence the outcome. However, since the outcome may vary from brand to brand, each factor is placed into one of three categories, based on the variability of the factor's impact.



High Variability Factors:

- **Timing.** Refers to when a coupon is dropped.
- **Purchase Requirement.** Refers to the number of purchases required to use the coupon.
- **BOGOs.** Refers to the use of buy-one-get-one (BOGO) offers.
- **Competition.** Refers to how promotions interact with the activity of competitors.
- **Creative.** Refers to the color, copy and graphics of the coupon ad.

Medium Variability Factors:

- **Face value.** Refers to the value of the offer.
- **Event Types.** Refers to the distinction between solo brand events, multi-brand events and Masterbrand events.

Low Variability Factors:

- **Double Coupons.** Refers to the influence of retailers' double coupon policies.
- **Coupons per Page.** Refers to the number of coupons in the ad and/or on the FSI page.
- **Page Size.** Refers to the size of the ad, usually half page versus full page.
- **Overlays.** Refers to the presence of other promotions such as sweepstakes or recipes.
- **Focus.** Refers to the difference between a coupon promoting the entire product line or a specific sub-brand or SKU.

A Word about Methodology

The study examined over 2,500 individual coupon offers distributed from 2000-2006. These offers represented a wide range of product categories, including: refrigerated, frozen, dry grocery, dairy, health care and personal care. With limited visibility to the total sales impact of a promotion, Inmar VSI uses two metrics to evaluate the relative success of a coupon: CPUM (the cost per unit moved where "cost" includes distribution, face value, redemption and handling) and redemption rate (coupons redeemed divided by coupons distributed). To preserve data confidentiality, metrics are reported relatively, as an index.

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.

Contact Inmar VSI Promotion Consulting at (336) 631-2660 or info@vsitargeting.com for more information.