

Results through people and processes

## Internet coupons are the latest craze, are they the best for your business?



Internet coupons, such as Groupon and LivingSocial, typically offer consumers between 40-60% off on all sorts of products and services. There are clear benefits; however, some businesses have been hurt by attempting these coupons. There are several things to look at before moving forward with one these for your business! **The two key factors are:** What are the true costs, and how to gain repeat business or loyalty.

Coupons get customers in the door and promote your name to thousands of people quickly. With new promotions daily, you must have a way to get them to come back. The coupons can be particularly beneficial if you gain repeat loyal customers.

This can be hard as people use them as a way to just get a deal. This approach should be seen as a cost-effective marketing tool.

**The true costs of these coupons** can be confusing or deceptive. In the graph below are examples of our last two client projects. If we sold 100 of the food coupons in the graph below, we would have a loss of \$300 or \$3 per coupon. This would require over \$400 in upselling beyond the coupon just to recover the expense of the coupon. *Having staff upselling over the coupon is also very important.* Your company's variable cost will be different so try plotting it on the empty row on the graph.

Client	Typical Retail	Sales Price on Coupon Site	Revenue to Coupon Company	Revenue to You	Variable Cost	Net Profit
Food	\$30	\$15	\$7	\$8	\$11	-\$3
Entertainment Experience	\$375	\$175	\$70	\$105	\$119	-\$14
Your Company						

*At every company I spoke with, terms were negotiable. There are many areas to look at: from the splits and credit card fees, to exclusivity, be sure you are getting the best deal.*

**The real value is in repeat customers!** Make your offer creative, **develop a continuous offer** providing many contacts with your customer, such as “of the month club”, multiple visit coupons, and group packages. Introduce them to other elements of your business. Your offer should be visible and inviting in both your location and on your website. Are you prepared to **make ordering on your website easy** for the customer?

**Techniques to insure customers come back.** When redeeming their coupon, capture as much information as possible. Sign them up for a loyalty program. Many businesses offer loyalty cards, giving customers cash back or free gift promotions based on dollars spent. At the very least get their contact information. Future company offers include mailed or emailed coupons, newsletters and other specials. These are a small price to pay. **Does your website have cookies so you capture and communicate with visitors?**



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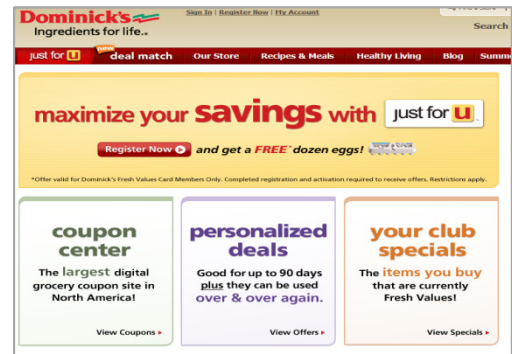


**Events** can range from advising people to come in and see something new or to hear someone such as the supplier or chef. My Aunt used to have a private sale six weeks before Christmas, before others had a chance to see all the new offerings. She served refreshments and it was the largest sale day of her year.

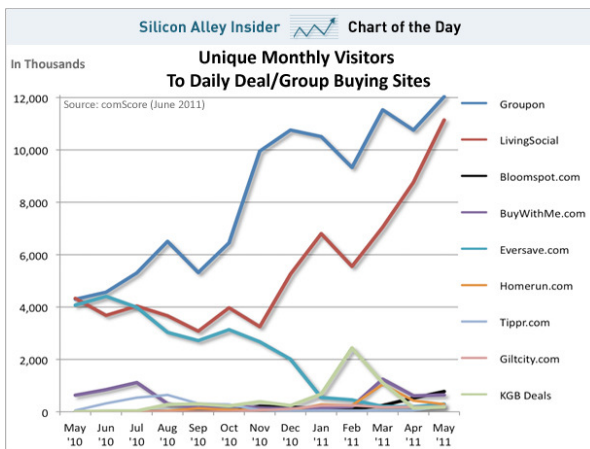
Consider calling or emailing customers afterwards to learn about their experience. Asking questions will help you to understand their needs and wants and demonstrate that you care.

### Who's doing a good job couponing?

[Dominick's](#) grocery stores "Just for U" campaign is a great example of how to create loyalty. The web site offers a digital coupon center, personalized deals based on your purchase history, club specials and deal-matching against their competitors. When you buy any of these products and give them your loyalty card at the checkout, the savings are automatically applied to your bill and demonstrated on your receipt.



### How do the various sites stack up?



**New coupon sites pop up every day.** Smaller sites often offer greater revenue splits to your company, but do not offer the same amount of exposure as larger sites. In the graph to the left, you can see Groupon and LivingSocial own a lion's share of the market and should be able to get you greater exposure.

*I have worked on both sides of the fence; I like couponing both as a consumer and advisor to companies. I have used some great coupons and enjoy getting the daily email to see what is new; I am a regular. When redeeming coupons, I am particularly attentive to what actions the companies take upon redemption, and **one in five has made an attempt to draw me back in**, not good at all! From an advisory perspective, I look at some of these coupons and ask is that company prepared or getting itself into trouble? How did they make this offer valuable to them? Have fun, but be careful!*

