Digital Redemption of Coupons

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My First Lesson of Retailing

Save $2.00 on any flavor Super Size frozen yogurt.

"TCBY"

Cash value 1/100 cent. Not tested on animals. Contents may have shifted during flight. Please eat slowly as contents may be cold.

Coupon Redemption Online

gap.com coupon code

If you have received a gap.com coupon code that you would like to use for this order, enter it below.

enter code: [   ]

Gift Certificates & Promotion/Discount Codes
Enter your caSe SeNsitiVe code and click "Apply" to apply it to your order.

[   ] **Apply**

If you have an offer code, please enter it here

[   ] ▶ CHECKOUT

Traditional vs. Digital Coupons: Redemption

■ Traditional Coupons:

Surreptitious

Customer-initiated

Single use

■ Online:

All customers are prompted for coupons

Coupons are easy to "copy"

Traditional vs. Digital Coupons: Distribution

■ **Traditional Coupons:**

Targeting

(e.g., zip codes, purchase patterns)

Coupons to price-sensitive consumers.

Screening

(e.g., newspaper inserts)

Make obtaining coupons expensive.

■ **Online:**

Distribution channels for coupons
are not entirely company controlled

Coupon Repositories

1-800-flowers.com
the perfect gift is here

Enter your
Promotion Code:

Google

1-800-flowers coupon code

Google Search

1-800-flowers.com Coupons and **Coupon** Codes for 1800flowers
... 1-800-flowers.com Coupons $20 off $100 purchase **coupon**
code: DA2, expires: Unknown. **1-800-flowers** ...
1-800-flowers-com.coupons-coupon-codes.com/ - 16k - Cached - Similar pages

Research Questions

"Few things stir up a consumer revolt quicker than the notion that someone else is getting a better deal."

– David Streitfield, *Washington Post (2000)*

- What effect does online coupon prompting have on **satisfaction** and **purchase intention**?

- What role does the suggestion of the existence of coupons play in the **shopping cart abandonment** problem?

- Does the suppression of purchase intention negate the **benefits of market segmentation**?

- Is **market segmentation** through screening achievable?

Online Experiment
Fictitious Purchasing Decision

ToyMart.com

- ■ Acquiring the Cuddles Baby …

- ■ Steps:
  - searching for the item
  - adding the item to their cart
  - check-out

- ■ Pre / post testing
  - price fairness, satisfaction, future intentions
  - completion, willingness to pay

- ■ Treatments
  - presented with empty code field
  - presented with completed code field
  - no code field or mention of a code

Do Online Coupon Codes Make Sense?

Outline of Results:

1. **Your Code** ▶ Price fairness and satisfaction

2. **Your Code** ▶ Shopping cart abandonment

3. **Your Code** ▶ Profitability of market segmentation

4. **Your Code** ▶ Ability to segment through screening

1. Price Fairness & Satisfaction

Code prompting makes the "couponless"
less satisfied with their purchase
and less likely to return another day.

	Have Nots	Control	Haves
Price Fairness	3.90	4.50	4.96
Satisfaction	3.87	4.32	4.93
Future Intentions	4.27	4.58	4.73

1-7 Scale. 7 is best. All sig at 5%.

2. Shopping Cart Abandonment

The "couponless" are more likely
to abandon their carts mid-purchase.

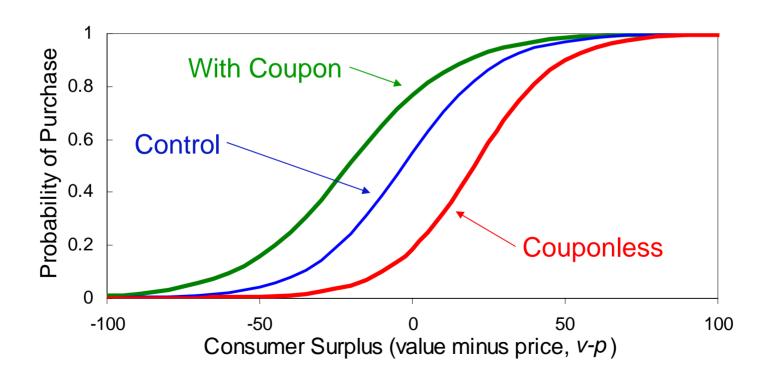|	Have Nots	Control	Haves
Likelihood of Abandonment	4.53	3.88	3.55

Abandonment could also be due to price

Goal:
Transform responses into probabilities,
adjusting for one's willingness to pay
(empirical logistic transformation)

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The "couponless" are more likely
to abandon their carts mid-purchase.

Among those who value a $40 toy at about …
$20 $80
A desire to abandon the purchase is reported among …

50% of those with a $10 coupon.	20% of those with a $10 coupon
66% of those without a coupon	33% of those without a coupon
80% of those prompted and couponless	50% of those prompted and couponless

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3. Profitability

Increased abandonment by the "couponless" negates any gain from market segmentation.

- Traditional Economic View
  - Target coupons towards customers who are unwilling to pay the current price.
  - Incremental sales result from this new segment without impacting profits from existing customers.

- Behavioral View
  - The existence of coupons decreases likelihood of purchase by current customers by about 15%.
  - This offsets any gains from the new sales.

4. Ability to Segment

Customers most likely to seek out coupons
are not the price sensitive but the tech-savvy.

- **Is it worth your time to search for coupons?**
    - We hope for "cost of time" segregation;
      The price-sensitive say "yes" and the wealthy say "no."
    - Not the case online.
        - Time to find a coupon can be very short.
        - Dependent on one's skill.

- **It is if I am technically competent, regardless of value.**
    - But – technical competency correlated with income.
    - Exactly the WRONG people search for coupons.

How Did This Happen?

"I find myself asking them: How do you want the site to look? How should it handle coupons and gift certificates? What page do I show a customer today who didn't complete his order yesterday? They answer: Isn't that what we hired you for?"

– Web Site developer for an Internet retailer

- Initially, technology dictated the method of online coupon redemption.
- Now, it is time to let "age old" economics and marketing driving practices in the "new" medium.

What to Do Tomorrow?

Customers are sensitive to terminology and framing:

■ Don't *ask*, just prompt simply.

| *from* | "Excuse me sir, do you have one of those special coupon codes for special people?" |
| *to* | "coupon code (optional):" |

■ Don't overemphasize multiple coupons.

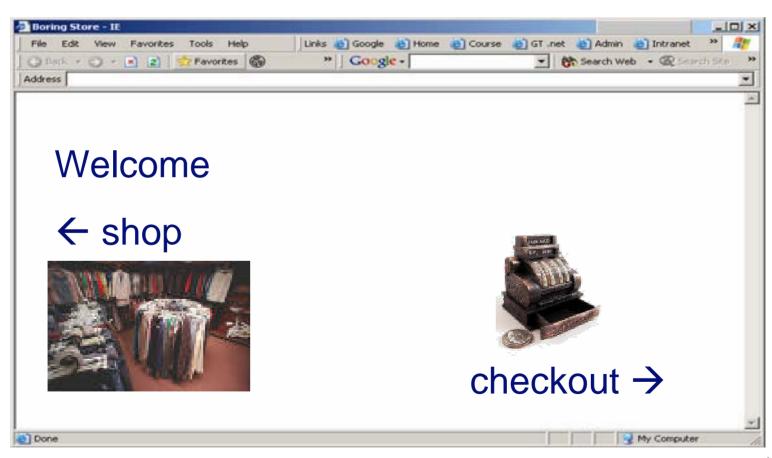| *from* | "You may use no more than 50 coupon codes per order, and they may not exceed the total price." |
| *to* | "coupon code (optional):" |

■ Call them "gift certificates."

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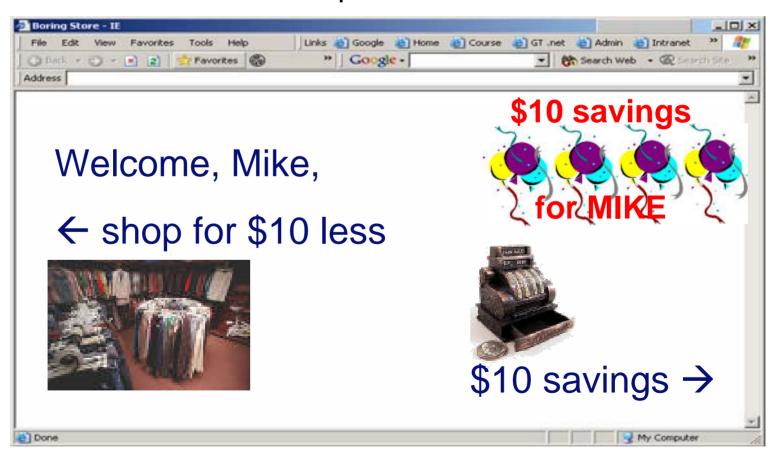7 November 2003

What to do Long Term

■ Make online stores more like traditional stores.

What to do Long Term

■ Go to mikestore.com/special?name=mike

Conclusion

- Online coupons may be driving customers away
- In an experiment, an additional 15% of customers abandon carts due to coupon code prompting
- Must rethink presentation of coupons

- Coupon delivery out of company control
- Self selection along tech-savvy lines
- Must rethink efficacy of couponing