

The coupon report: Benchmark data and analysis for e-mail marketers

Coupon trends and strategies for successful e-mail marketing



Introduction

The Internet is quickly becoming a major channel for distributing coupons. In 2008, more than 36 million people used online coupons.¹ Furthermore, while the average redemption rate for newspaper coupons is 1.2 percent, recent studies indicate that online coupon redemption rates tend to fall anywhere between 5 percent and 20 percent.²

It should come as no surprise that in the online world, e-mail is deemed one of the most popular vehicles for coupon distribution. To determine the true impact of coupons sent through the e-mail channel and provide marketers with actionable insight regarding this trend, Experian® CheetahMail® took a closer look at relevant campaign data from its expansive client roster.

This white paper summarizes key points from Experian CheetahMail's research, provides a thorough analysis of trends surrounding coupons sent via e-mail and offers best practices and strategic recommendations stemming from the findings.

¹ 2008 Printable Consumer Pulse, Coupons, Inc., April 2008

² 2009 Marketing Sherpa Benchmarking Guide, Marketing Sherpa, 2008

The coupon report

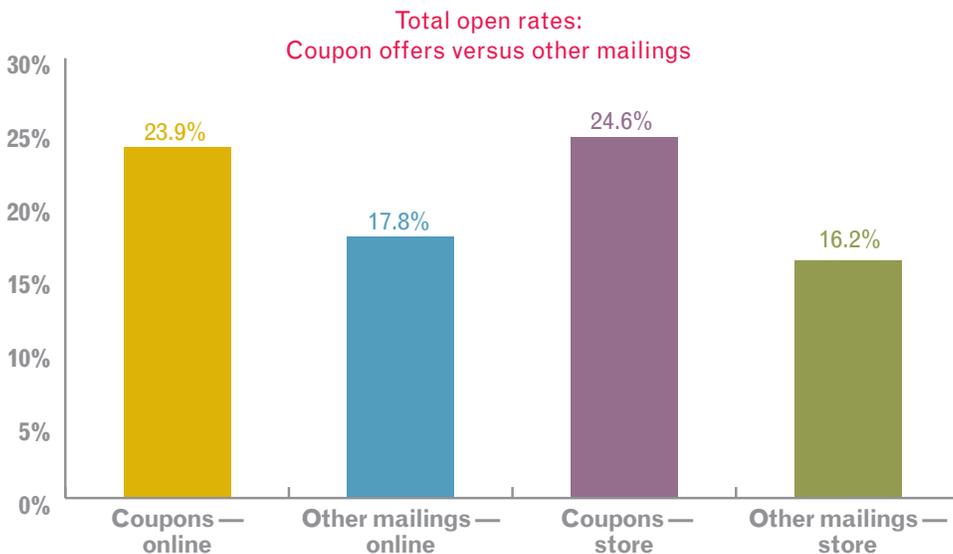
Coupons benchmarks and trends

The couponing benchmark and trend data summarized below is based on the e-mail campaign performance of 55 Experian CheetahMail clients from June of 2008 through May of 2009. More than 1,200 campaigns offering coupons were compared with the non-coupon campaigns by clients for the same time period. Participating clients fell into the business products and services, catalogers, consumer products and services, and multichannel retailer verticals.

Data was also analyzed by coupon type. In this study, Experian CheetahMail separated clients into those that used coupons that were redeemable online — usually by requiring a code at checkout — and those that used coupons to be printed for in-store redemption. The printable coupons included those with a generic code that could be printed directly from the e-mail by anyone, as well as those that were personalized for single use by a specific customer.

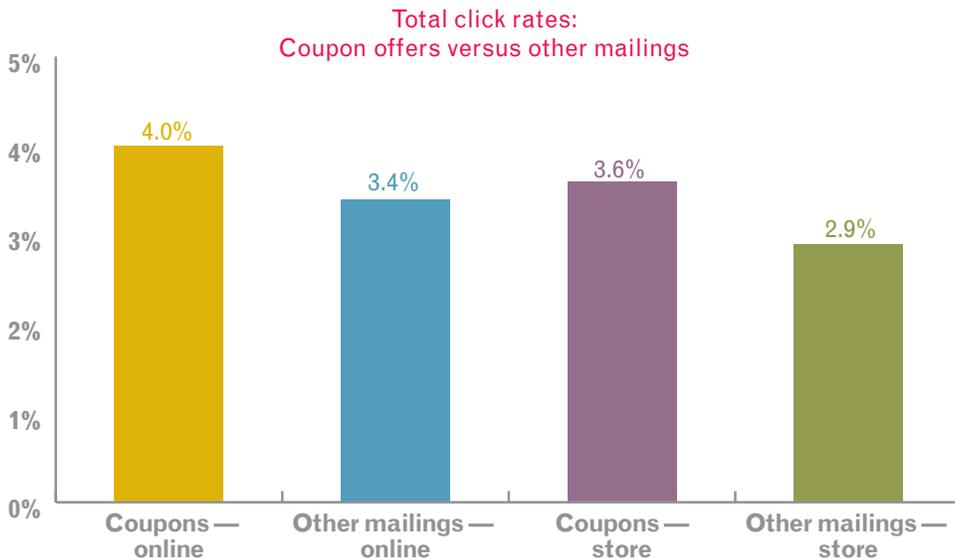
Open and click rates

Experian CheetahMail data indicates that on average, 70 percent of coupon-based e-mail campaigns have higher open and click rates than other mailings sent by the same brands. Recent analysis indicates that e-mail coupons available for online redemption provide a 34 percent average increase in open rates (23.9 percent versus 17.8 percent), while those with in-store redemption have an even greater average increase in open rates of 51 percent (24.6 percent versus 16.2 percent).



The coupon report

Click rates also trended higher for coupon e-mails, with average lifts of 17 percent for coupons redeemed online and 24 percent for coupons redeemed in-store. In addition, 70 percent of businesses included in the analyses that sent e-mail coupons for online redemption and 51 percent of those sending e-mails with coupons for in-store redemption garnered higher clickthrough rates than non-coupon mailings. It is important to note that these positive trends existed for campaigns that utilized segmentation as well as for mailings that were sent to full subscriber lists.



Transactions

E-mail coupons can provide impressive monetary increases for brands today. Experian CheetahMail's analysis indicates a 64 percent average increase in revenue per e-mail, as well as increases in all other transaction metrics. Eighty percent of online coupon mailings garnered higher transaction-to-click rates and transaction rates than the non-coupon campaigns. Of this group, 78 percent produced higher revenue per e-mail. Furthermore, average order values and transaction rates increased by 6 percent and 48 percent respectively when using e-mail coupons.

These metrics show that coupons drive sales and increase customer engagement. Customers are much more likely to make a purchase when offered a coupon via e-mail, and businesses have a great chance of increasing return on investment by implementing this type of promotion.

The coupon report

For example, if a company with an average order value of \$200 sends a 10-percent-off coupon (equivalent to a \$20 discount) to 200,000 customers, it would likely accrue more than \$11,000 in additional revenue. If that same company e-mailed its customers a 20-percent-off coupon (equivalent to a \$40 discount), it would garner less of a gain but still exceed \$6,000 in additional revenue.

			Discount: 10%	Discount: 20%
	Transaction rate	Total transactions	Total revenue	Total revenue
Coupon email	0.13%	262	\$47,249	\$41,999
Standard email (no coupon)	0.09%	178	\$35,591	\$35,591
Revenue increase			\$11,658	\$6,408

Coupon best practices

It is clear that coupons can have a strong and positive effect on an e-mail program. When combined with proper strategy and industry best practices, online and in-store coupons sent via e-mail can translate to increases in store traffic, customer engagement and revenue generation for many businesses.

The following recommendations draw from the data and trend analyses within this document as well as the advice of experienced industry professionals. The aim of this list is to provide e-mail marketers and online retailers with proven strategies for competitively advantageous campaign optimization and deeper customer engagement.

Use testing to keep response high and costs low

E-mails providing coupons to existing or high-value customers do not need to be as frequent or as aggressive as those needed to attract new buyers. Test coupons at various levels to determine what low or infrequent offers can still garner high response levels from each segment of your file.

Target the right segments

While coupons sent to subscribers of loyalty programs and membership clubs continued to top the performance charts, campaigns targeting professional groups and wholesale buyers, many of which were business-to-business campaigns, showed notably high responses to coupons offered via e-mail. Make sure to consider including consumers who meet these criteria in your coupon-based e-mail campaigns. There is a very good chance it will be worthwhile.

It also may prove extremely valuable to send e-mail coupons to new subscribers. Data indicates that using coupons as part of a “Welcome” e-mail campaign is a particularly effective means of converting new members into buyers.

Also, consider segmenting your subscriber file by online and offline past purchases to gauge the response that both customer types have to different types of coupons. There is a high chance of variation. Also consider sending tests to your less-active subscribers to identify if online and offline coupons prove to be an effective re-engagement tool for your audience.



Pictured above is an example of a highly targeted coupon offer Lamps Plus sends to their segment of professional customers.

The coupon report

Create a sense of urgency and exclusivity

E-mail and online coupons have the unique advantage of being able to offer instant discounts through the use of codes that are redeemable at online checkout. Despite this advantage, many customers may take a long time to reach a buying decision. You can shorten this lag period by creating limited-time offers that create the sense of urgency needed to get them to convert. This tactic works well for both online and in-store coupons.

The word “exclusive” also seems to capture the immediate attention of e-mail subscribers. It speaks to consumers’ desire to feel special and often leads to high e-mail campaign performance. Marketers are likely to see a strong return on e-mails using similar words, especially when targeting their high-value customers. In Experian CheetahMail’s benchmark study, average total open rates for e-mails with the word, exclusive in the subject line exceeded 35 percent.



APC creates a sense of urgency by prominently displaying "4 days only!"

The coupon report

Tailor coupons to business cycles and needs

Sending e-mail coupons in conjunction with seasonal product lines and product cycles is an effective way to clear out inventory. Data indicates that mailings announcing deeper discounts, typically of 30 percent or more, drive high performance rates when offered in addition to clearance prices or aggressive sales on specific items.

The image shows a screenshot of an email coupon from Eastern Mountain Sports. At the top is the logo for Eastern Mountain Sports (ems.com) and a navigation bar with categories: Men's | Women's | Footwear | Camp/Hike | Climb | Snowboard | Snowshoe | Tele/AT Ski. Below this is a black banner with 'Email Exclusive' on the left and 'OFFER EXPIRES MARCH 24, 2009' on the right. The main offer is '25% OFF * ONE FULL-PRICE ITEM' in large white text on a red background. Below this, it says 'Use Coupon Code at Checkout: 25FRIDAY'. The central part of the email features five vertical panels of outdoor activities: a man kayaking, a woman hiking, a man trail running, a person mountain biking, and a person rock climbing. A 'SHOP NOW' button is in the top right of this section. At the bottom, there are two more promotional banners: '20% OFF** All Yakima®' with a 'SHOP NOW' button and an image of a Yakima gear, and 'UP TO 50% OFF** Spring Gear' with a 'SHOP NOW' button.

Eastern Mountain Sports tailors emails to their business cycles, such as in the example above, which offers deep discounts on Spring items.

The coupon report

Use coupons to drive word of mouth

Ensure that you prominently display the “share with your network” and “forward to a friend” features in your e-mail creative to increase the viral marketing potential of your unrestricted coupon campaigns. Referral rates for coupon e-mail campaigns were more than 1.4 times higher than for non-coupon mailings.

Conclusion

Today, more people than ever are looking for coupons and savings when purchasing the products they want and need. As print and newspaper distribution declines and Internet usage rises, e-mail coupons will prove even more valuable for marketers in the future.

As with any e-mail component, it is important to test the best coupon strategies for your particular business needs while remaining mindful of factors such as seasonality, product mix and the timing of other promotions. Remember to use diligent testing in conjunction with the best practices mentioned above. All these steps will help you build a cost-effective and engaging e-mail program to which your customers will continually respond.

Experian Marketing Services
955 American Lane
Schaumburg, IL 60173
1 888 404 6911
www.experianmarketingservices.com



© 2009 Experian Information Solutions, Inc. • All rights reserved

Experian and the marks used herein are service marks or registered trademarks of Experian Information Solutions, Inc.

Other product and company names mentioned herein may be the trademarks of their respective owners.

10/09