

Paperless Coupon Usage On The Rise

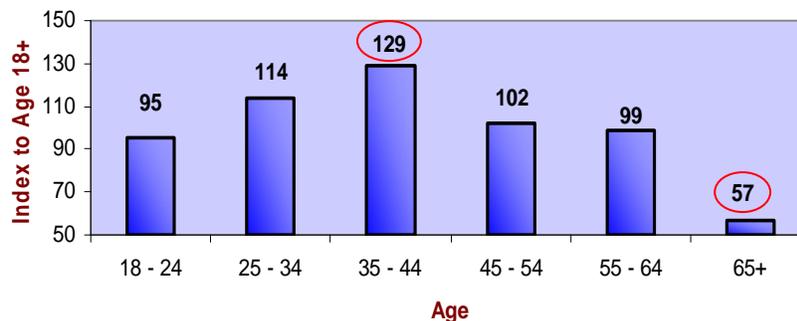
by Ellen Romer

Strong evidence suggests that consumer spending, a bulwark against recession over the last year even as energy prices surged and the housing market sputtered, has slowed sharply. The possibility of a decline in personal consumption (the first since 1991) would almost certainly push the entire economy into a recession in the middle of an election year. There are mounting anecdotal signs that beginning in December, Americans cut back significantly on personal consumption, which accounts for 70 percent of the economy.ⁱ

This in turn seems to have spurred coupon usage among consumers, who appear to be cutting back on luxuries and focusing on how to make their dollar go further. CMS, the leading provider of promotions logistics services, announced that over 331 billion dollars in potential consumer savings were distributed through coupons in 2006. With over 2.6 billion coupons redeemed, marketers found an eager audience in almost half of the country. Almost 142 million consumers used coupons in the past 12 months, with substantial usage across ethnic and demographic lines.ⁱⁱ

“Paperless” Coupon Usage by Age Group

Index of People Who Live in Households That Have Ever Used Internet or Email Coupons



Source: Simmons National Consumer Study/ Simmons National Hispanic Consumer Study (Spring 2007 Adult Full Year)

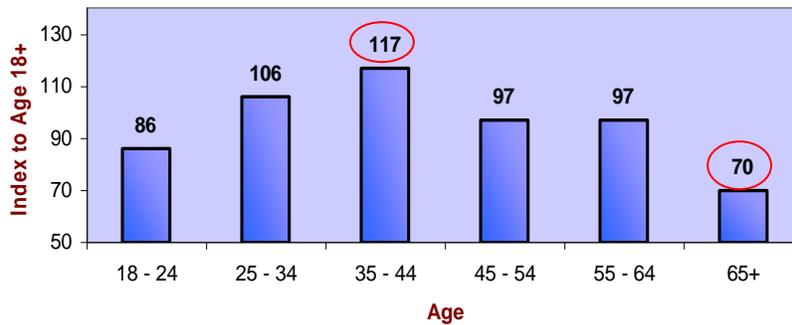
Kroger’s partnership with AOL’s Shortcuts Program allowing users to download coupons online and preload them onto their store card has marked the return of paperless coupons – after massive counterfeiting in 2003 and 2004 caused manufacturers to significantly scale back their paperless coupon campaigns. Higher redemption rates and associated increased

costs of paperless coupon campaigns can be balanced by a significant gain in consumer information. With customized coupons via the Internet, a code can be embedded in each coupon for more immediate and direct insights on consumer behavior for CPG companies.

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“Paperless” Coupon Usage by Age Group
(Filtered by those who have used the Internet at Home or At Work in the Last 7 Days)

Index of People who Live in Households That Have Ever Used Internet Or Email Coupons -Filtered by All Internet Users



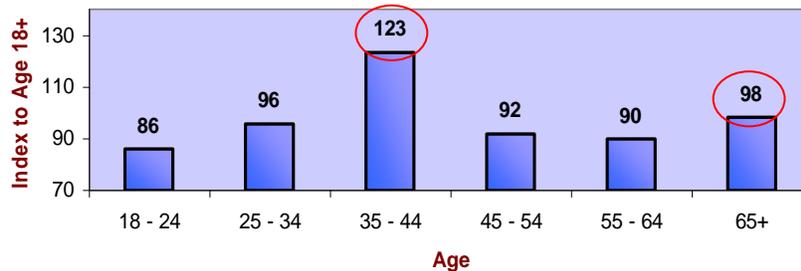
Source: Simmons National Consumer Study/ Simmons National Hispanic Consumer Study (Spring 2007 Adult Full Year)

According to the Simmons National Consumer Study, consumers across the nation in the 35-44 age range are the group most likely to live in households that use Internet or email coupons, and not surprisingly people in the 65+ age range are the least likely. However, it is somewhat surprising that people in the 55-64 age range are as likely as the market average to use such coupons.

“Paperless” Coupon Usage by Age Group

(Filtered by those who have used the Internet at Home or At Work in the Last 7 Days and have Made a Purchase in the Last 30 Days)

Index of People who Live in Households that Have Every Used Internet or Email Coupons - Filtered by ALL Internet Users



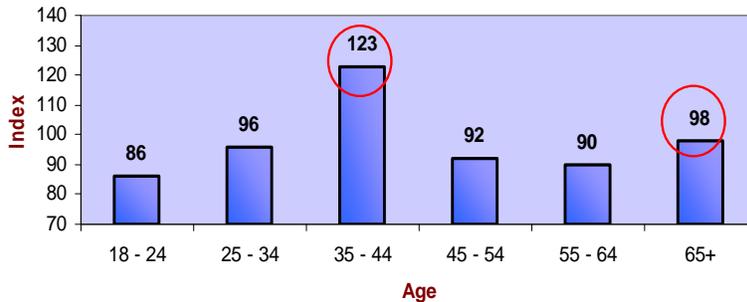
Source: Simmons National Consumer Study/ Simmons National Hispanic Consumer Study (Spring 2007 Adult Full Year)

The indexes are directionally the same in this chart, but are somewhat smoothed out with the application of the filter. Despite 18-24 year olds being online more, they may spend proportionally less time shopping and may be counter-influenced by peers not to use coupons. The index for those in the 65+ age range increased, but is still significantly under the market average of 100, which may be caused by general online habits rather than coupon usage specifically.

“Paperless” Coupon Usage by Age Group

(Filtered by those who have used the Internet at Home or At Work in the Last 7 Days and have Made a Purchase in the Last 30 Days)

Index of People who have Used Internet or Email Coupons by Age - Filtered



Source: Simmons National Consumer Study / Simmons National Hispanic Consumer Study: Spring 2007 Adult Full Year

Per the chart above, when filtering for consumers aged 65+ who have made online purchases recently, they are nearly as likely as the market average to be in a household using Internet coupons.

“Paperless” Coupon Usage by Demographics of People in Households That Use Coupons

Gender and Age

DEMOGRAPHY	INDEX
MALE	99
FEMALE	101
AGE: 18 - 24	95
AGE: 25 - 34	114
AGE: 35 - 44	129
AGE: 45 - 54	102
AGE: 55 - 64	99
AGE: 65+	57

Race & Ethnicity

DEMOGRAPHY	INDEX
RACE: WHITE	106
RACE: BLACK OR AFRICAN AMERICAN	69
RACE: ASIAN	113
RACE: SOME OTHER RACE	67
RACE: NOT WHITE OR BLACK	84
HISPANIC	50
NON-HISPANIC	108

Source: NCS/NHCS: SPRING 2007 ADULT FY

Within specific demographic groups, the data from Simmons National Consumer Study also exhibits interesting differences in paperless coupon usage, suggesting opportunities to more specifically target offers to preferences within those consumer segments.

“Paperless” Coupon Usage by Demographics of People in Households That Use Coupons

Household Income

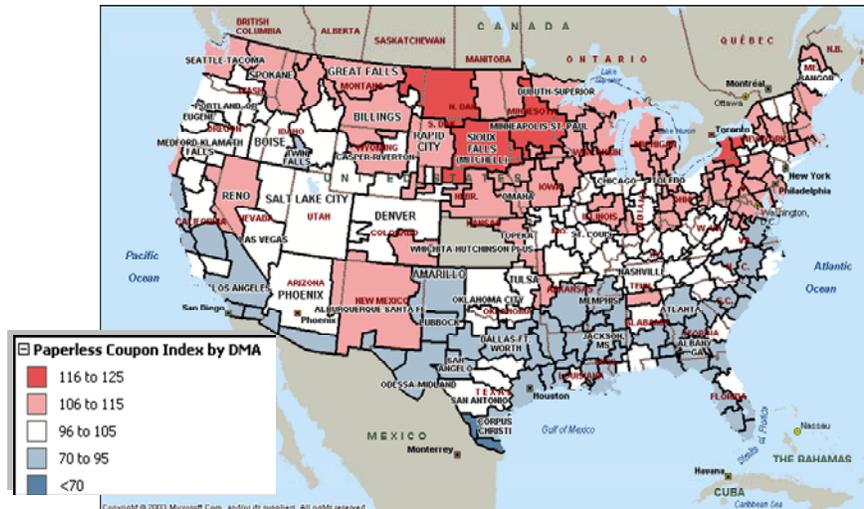
DEMOGRAPHY	INDEX
LESS THAN \$5,000	77
\$5000-\$19,999	48
\$20,000-\$39,999	73
\$40,000-\$59,999	96
\$60,000 - \$74,999	116
\$75,000 - \$99,999	113
\$100,000 - \$149,999	133
\$150,000 - \$249,999	150
\$250,000 +	102

Marital & Parental Status

DEMOGRAPHY	INDEX
PRESENTLY MARRIED	110
WIDOWED	44
DIVORCED	78
SEPARATED	90
NEVER MARRIED	102
PRESENCE OF 1+ CHILDREN IN HH	118
NO CHILDREN IN HH	90

Looking specifically at household income, the Simmons data is supported by PriceRunner.com’s latest survey of 1,000 consumers with internet access, which surprisingly found that coupon usage increased with income. While 58 percent of respondents with annual household incomes of less than \$35,000 have used an online coupon at least once in the past six months, nearly three-quarters of those (74 percent) with incomes between \$35,000 and \$74,000 have done so, according to survey results. This pattern persists with higher income households earning \$75,000 or more with coupon usage rising again, as did frequency. Eighty-four percent of the higher income households had used online coupons at least once in the last six months, of which 48 percent had used online coupons four or more times in the same period.^{iv}

Paperless Coupon Usage by DMA



Source: Experian Local Market Services Local Consumer Study Spring 2007

To determine the geographic distribution of paperless coupons, the Simmons National Consumer Survey data is mapped across the continental US. The resulting distribution shows that, for the most part, consumers residing in the north are heavier users of paperless coupons. With a few exceptions, the DMAs with the highest paperless coupon usage lie in the north.

Conclusion: Mobile Coupons Next?

Mobile discount offers and mobile coupons appear to be gaining traction as leading retailers begin to experiment in this arena. Cellfire Inc., a nationwide mobile discount offer and coupon service, identified the top 10 cities in America for mobile coupon usage. Building on its first mobile coupon metrics, released in July 2007, these new findings show a more than doubling usage of mobile coupons (119 percent) over the last six months, with 94 percent of metro areas increasing in usage.^v

Although the majority (70 percent) of coupons redeemed are from mobile-savvy shoppers under age 34, there is significant and increasing activity among older consumers. Mobile coupon redemption by consumers over age 34 more than tripled in the last six months, and this age group now represents 30 percent of all mobile coupon users.^{vi}

"Mobile coupons will offer flexibility and the ability to target prospective consumers most likely to respond to an offer," said David Schatsky, President of JupiterResearch. "Just how effective a tactic this is will be determined by the level of measurement. Because this

technology is still evolving, it represents a solid opportunity to establish meaningful methods of measurement.”^{vii}

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With over 20 years of research experience, Ellen Romer leverages expertise gained across multiple sectors and in both customized and syndicated market research. In her current role at Experian Research Services, Ellen oversees brand management and new product development, placing special emphasis on providing unique and relevant solutions to clients using Simmons’ syndicated databases, proprietary modeling and data integration techniques.

About Experian Research Services

The mission of the group is to enable clients to optimize communications with their customers and prospects across multiple channels by providing a robust description of the American Consumer. Experian Research Services delivers the full suite of Simmons and Vente products and services. Simmons surveys have been The Voice of the American Consumer for over 50 years and Vente capabilities have delivered real-time, online quality lead generation service for over 20 years. In 2006, Experian Research Services was ranked the fastest growing market research company by Jack Honomichl, the leading market research industry authority.

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ⁱ <http://www.nytimes.com/2008/01/14/business/14spend.html>, by Michael Barbaro and Louis Uchitelle. New York Times (January 14, 2008)

ⁱⁱ http://couponing.about.com/gi/dynamic/offsite.htm?zi=1/XJ&sdn=couponing&cdn=shopping&tm=14&gps=275_716_1020_588&f=11&tt=2&bt=0&bts=0&zu=http%3A//www.couponinfonow.com/Couponing/2007trendsoverview.cfm (2008)

ⁱⁱⁱ <http://www.yupingliu.com/wordpress/2008/03/14/implications-of-instantaneous-coupons/>, March 14, 2008

^{iv} http://www.bizreport.com/2007/06/online_coupon_usage_increases_with_income.html, June 13, 2007

^v <http://www.reuters.com/article/pressRelease/idUS144465+07-Feb-2008+PRN20080207> Feb 7, 2008

^{vi} <http://www.reuters.com/article/pressRelease/idUS144465+07-Feb-2008+PRN20080207>, Feb 7, 2008

^{vii} <http://www.paymentsnews.com/2008/03/a-look-at-mobil.html>, March 10, 2008