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## Clip and Save Holds Its Own Against Point and Click



By **STEVE LOHR**

In an Internet age, it would seem to be a scene from the past. But for Kristine Davis, as for millions of shoppers across the country, it remains a Sunday morning ritual: retrieving the newspaper from the driveway and quickly extracting the coupon inserts.

By shrewdly using coupons, and tracking store sales, Ms. Davis says she can cut the monthly grocery bill by 30 or 40 percent for her family of four in Marietta, Ga., a suburb of Atlanta.

"It makes me feel terrible when I go to the store and don't have a coupon," she said. "It's a way of life."

It is a way of life, at first glance, that seems especially vulnerable to the relentless advance of the Internet, with its ability to aim at narrow groups of consumers and measure results. An estimated 99 percent of the roughly 300 billion coupons distributed annually in the United States — mainly in Sunday newspapers — end up in the trash, unused and unredeemed.

An Internet assault on the paper-clipping coupon business is indeed under way, and [Google](#) has now entered the fray. But while the cool logic of efficiency suggests the traditional paper coupon is in imminent peril, the marketplace tells another story — at least so far.

The coupon business is a case of new technology confronting a deep-seated commercial culture. Market practices, business relationships and consumer expectations developed over decades are not likely to be quickly swept aside.

There are, to be sure, other holdouts against the supposedly inevitable triumph of digital technology and the Internet. At one time or other, the endangered species list of commerce has included books, bricks-and-mortar stores and business travel for face-to-face meetings. But the resilience of the humble paper coupon appears particularly remarkable. Consumer surveys have shown that most American households use coupons, and that the coupon inserts are the second-most-read part of the Sunday newspaper, after the front page.

"Coupons are an ingrained part of the nation's shopping culture," said Charles Brown, co-chairman of the Coupon Council, a coupon advocacy group.

The paper coupon, Mr. Brown insists, is a powerful marketing vehicle to reach millions of consumers and build brands and customer loyalty. Proof of the coupon's worth, he said, is that major companies like [Procter & Gamble](#), S. C. Johnson, [General Mills](#) and Kraft continue to rely on traditional coupons, and that the yearly number of coupons distributed keeps rising slightly.

Some marketing experts say that while old habits resist change, the demise of the paper coupon is a sure thing. It is, they say, the marketing equivalent of a blunderbuss, while the Internet offers a laser shot.

"The paper coupon is the single most inefficient marketing tool you could imagine," said Peter Sealey, a former chief marketing officer at [Coca-Cola](#) who is a marketing consultant in Sausalito, Calif. "The traditional paper coupon is going to die. It can't survive in the Internet world."

Two weeks ago, Google announced that it would begin offering local discount coupons to people who use its Google Maps

service. The search giant is joining companies that have been distributing online coupons for years, like ValPak and [CoolSavings](#), and Silicon Valley start-ups like Coupons Inc. and Zixxo, which are bringing new technology to the business of marketing national or local coupons over the Internet.

The use of online coupons is rising rapidly, by more than 50 percent a year, but they still account for less than 1 percent of the consumer goods coupons distributed, according to the Promotion Marketing Association, a trade group.

Coupon sites like ValPak and CoolSavings, a subsidiary of Q Interactive, offer coupons for local merchants or nationally branded products. But digital coupons are also spread across many Web sites, just as ads are. So those looking for information on baby care might see an online coupon for diapers, while a person looking at a Web site for motorcycle enthusiasts would be more likely to see a coupon for helmets or leather jackets.

That kind of selective marketing, showing consumers advertising and promotions related to their browsing interests, is the potential Internet advantage.

Digital coupons typically must be printed and physically turned in at a store. So, there is still some paper handling. The next stage, according to marketing experts, will come with the spread of digital cellphones with location-tracking and automatic short-range communication technology. Electronic coupons will be delivered to cellphone owners on demand and redeemed by whisking the phone past a cash register scanner, eliminating all paper.

“That’s going to be the nuclear explosion in the coupon business,” said Mr. Sealey, the consultant, who expects that shift to occur in five years or so.

For its part, Google is going after the local coupon market. A person types in a city name or ZIP code and a buying interest, like “pizza,” and Google Maps presents a street map with locations flagged and a list of pizza shops beside the Web map.

Google will give merchants simple Web tools for making digital coupons. It is distributing online coupons, including ones from ValPak, without charge to the local businesses. Google plans to make money mainly by selling more ads to small businesses, linked to search words.

“The economics of distributing coupons digitally is very attractive,” said Shailesh Rao, Google’s director of local search. “We think a big opportunity is there.”

Coupons Inc., a start-up in Mountain View, Calif., is trying to move the coupons for national consumer brands online. Steven R. Boal, the chief executive, recalled that he was struck by the inefficiency of distributing and handling paper coupons when he first looked at the business.

“It was a forehead slapper,” said Mr. Boal, a former vice president for derivatives technology at [J. P. Morgan](#). “This industry is ripe for change.”

In the last few years, the company has built a Web-based system for securely offering printable coupons for many large consumer companies. The number of coupons printed on the Coupons Inc. system has increased more than tenfold this year, Mr. Boal said. The company charges a small transaction fee to the manufacturers when someone prints a digital coupon.

The big transformation of the paper coupon business came in the early 1970’s, when George F. Valassis, a printer and marketing entrepreneur, persuaded consumer product companies to offer coupons that he would aggregate in Sunday newspaper inserts nationwide.

Today, this national coupon industry is estimated at more than \$6 billion a year. About half of that is in incentive payments: the amount consumers save when they redeem coupons. The rest goes to all the middlemen involved in distributing, collecting and clearing coupon transactions. Fees are paid at each stage of handling, with retailers typically receiving 8 cents for each coupon they collect and pass along. S. C. Johnson & Son, the maker of Windex, Pledge, Glade and other household products, uses billions of paper coupons annually in its marketing. The nation’s Sunday newspapers can put a coupon in more than 50 million homes, noted Pat Penman, director of marketing services at S. C. Johnson.

“Online coupons are more targeted, but the traditional coupon is a big, pervasive marketing technique,” Mr. Penman said.

And while coupon clippers, Ms. Penman added, are looking for savings, they are also browsing for new products. So last month when the company introduced its Glade PlugIns Scented Oil Light Show, an air freshener in a light that changes color, it started an aggressive coupon campaign in Sunday newspapers.

“The Internet is having a big impact in how we market,” Ms. Penman observed. “But it’s not a light switch. It’s a transition.”

Coupon fanatics, it seems, will find plenty in their Sunday papers for years to come. But even for those coupons, the Internet can be a tool. Ms. Davis, in the Atlanta suburbs, frequents Web sites like [www.couponmom.com](#), run by Stephanie Nelson, whose “virtual coupon organizer” is a state-by-state Web database of coupon offers in newspaper circulars.

Consumer product companies issue coupons to encourage people to sample new products, to make impulse purchases and to foster brand loyalty — not to enable the coupon cognoscenti to routinely save 30 or 40 percent on the monthly grocery bills.

So the two sides — producer and consumer — use different terms to describe certain shopping tactics. Sometimes, for example, a product will go on sale weeks after a coupon is published, but shortly before the coupon expires. The resulting savings can be huge — the item can be almost free — and that is not what the product maker had in mind with promotional campaigns that just barely overlap. To companies, this tactic is “stacking,” suggesting a gaming of the system. To shoppers, it is a “double play,” a cleverly timed move.

“That’s really exciting,” Ms. Davis said.