



College Students Vs. Student Discounts - It Doesn't Have to be This Hard

SheerID

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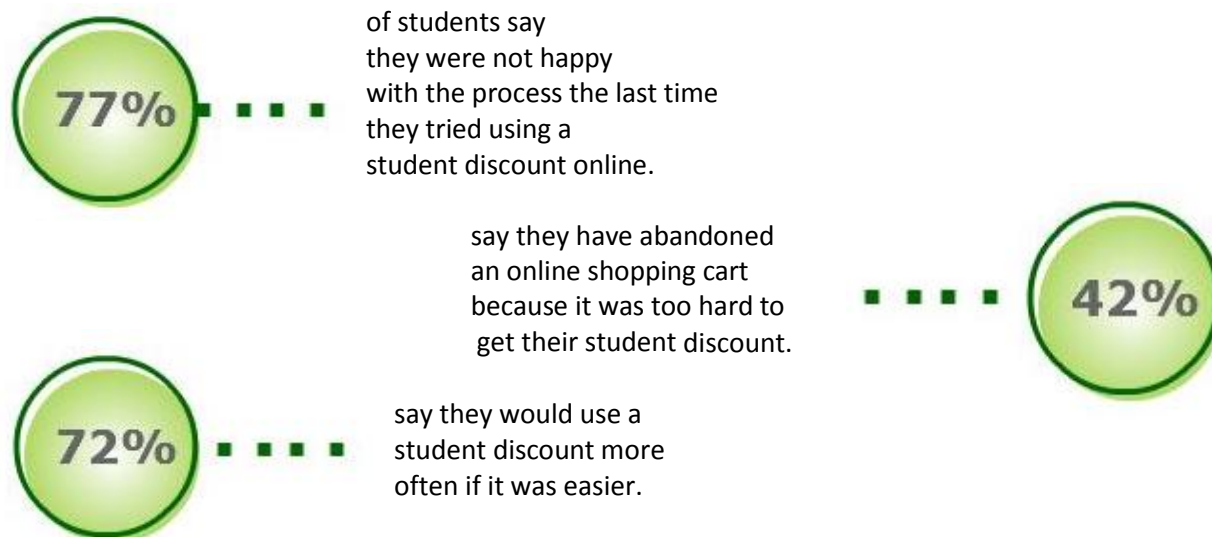
With over 20 million students enrolled in college, and with spending power of over \$417 billion, the college student market is one that demands attention. But in a survey conducted by SheerID, results showed that students, who are swayed by and open to receiving messages about student discounts, are not currently using those discounts online.

The SheerID Survey results showed that 77% of college students indicated they had made between one and three purchases online in the last 30 days. Yet only 17% of those students say they attempted to use a student discount on those online purchases.

Companies who focus on college students as their target market walk a fine line between creating a tipping point with exclusive discounts and protecting those discounts. The result is often a verification process that interrupts the online shopping process. This interruption results in lost sales through depressed conversion rates for retailers' online shopping carts, and the frustrating customer experience reflected in this survey.

“Offering a discount to a very targeted market is the holy grail to online retailers,” says Mark Tschetter, COO of Feynman Group, a full service website design & web application firm. “However, if your marketing drives people to your site, but the online shopping experience is poor, your marketing ROI plummets.”

The disheartening news for online marketers arose when the survey asked the students to gauge their over-all satisfaction and the frequency of their student discount usage online:



Why Students Are Frustrated

Three quarters of students reporting dissatisfaction with the process of using a student discount may be surprising until you understand how discounts are handled by online retailers. There are currently several variations of how online retailers verify if a customer is qualified to receive a student discount. Those variations can be categorized into three main themes:



Honor System

Companies who use the honor system have decided that the student market is very valuable and that delivering an elegant online customer experience to students is important enough to simply trust customers who say they qualify for a student discount.

Risking what may be a significant amount of fraud, companies market heavily to college students with exclusive discounts, because discounts work in increasing sales. Additional SheerID survey results show that *82% of college students say a 20% discount would be the tipping point to make them choose to buy*. Offering a discount not only works to get that first sale, but it marks the beginning of a lucrative lifetime relationship. When choosing to trust that customers are in fact college students, companies must make a decision internally about how much fraud they are willing to accept. The other side of the honor system is the size of the discount offered. Logically, the more exclusive you can make a discount, the bigger the discount you can offer. If you are too successful with your marketing around a discount that doesn't require verification; eventually the discount has to be discontinued or reduced to keep your margins where they should be. That reduction in the value of special offers to students has been noted recently by bloggers who follow student discounts. Some of the biggest players in the college student market who rely on the honor system or on simple verification solutions have reduced the value of their special offers in the last couple of years.

.edu Email Loop

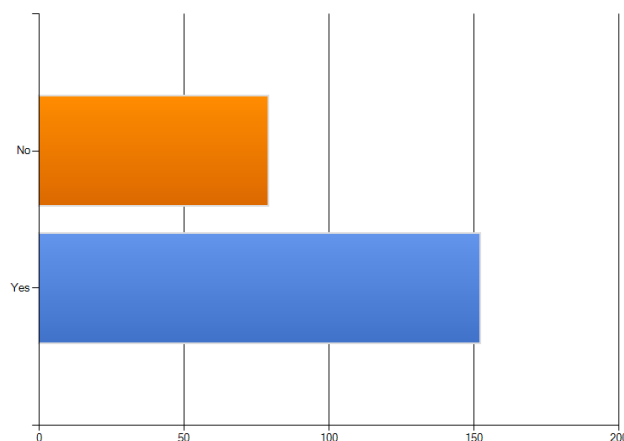
The “.edu email loop” solution is when a company asks a student to prove that they have a .edu email address as verification that they are a current college student.

There are three fatal flaws with automating a verification process by relying on the college student having a .edu email address.

- 34% of all college students don't have a .edu email address. The retailer leads a student into a buying process online with the promise of a discount, only to tell 34% of them that they don't qualify because they don't go to the “right” school.
- Although the “.edu email loop” is an “automated” system of verification, online shopping cart conversion rates are still compromised, because a step is added to the check-out process. Several studies show that a conversion rate drops by up to 30% with the addition of a password or a coupon code. The .edu loop requires the student to leave the retailers site completely to retrieve an email with disastrous results to the conversion rate.
- A second survey conducted by SheerID shows that 68% of college alumni keep their .edu email address for years after they graduate or withdraw from college. On the other hand, the retailer still makes them jump through the email loop, and it is fraudulent use of the student discount.

A marketing campaign around a student discount that uses a .edu email loop to verify qualified customers alienates 34% of currently enrolled college students, then alienates customers in the shopping cart by asking them to leave the cart to complete the transaction, and finally doesn't offer even a 50% protection against fraudulent use.

Were you issued a .edu email address at any college or university that you attended?





Customer Service Involvement

During the back-to-school shopping season of 2011, a large technology company and its participating partners offered a free video game console with the purchase of a computer. The offer was for college students only. There were TV ads, ads in magazines, and prominent banner ads online. Curious about the process, a team member at SheerID, who has a .edu email address, went through the process of redeeming the offer. Here were the steps she went through as a potential customer to be verified as a college student to receive the free video game console:

- Clicked on the specific section of their website that messaged the free video game console.
- Per their instructions, called the phone number they published to verify she was a student.
- Choose from four vague choices in the phone-tree (redemption of the offer was not one of the choices), chose the wrong one, hung up, called again.
- Chose the correct choice in the phone tree, was transferred to a customer representative.
- Spoke with a customer service representative who asked for a valid .edu email address.
- Waited while the customer service representative sent an email to that address while our staff member was on hold.
- The representative asked her to retrieve the email and read the code back that was within the email.
- He then asked our staff member which computer she wanted.
- She explained that she hadn't shopped yet for a computer at all. She explained that the first message she saw was to call the number which led her to speak to the customer service representative.
- He asked our staff member what she wanted in a computer. She again explained that what she wanted to be able to do was shop online to determine which computer would meet her needs.
- The customer service representative explained that the only computers she could buy to receive the free video game console were computers that he sent her links to within another email.
- She half-heartedly told the customer service representative that she wanted a light, small, yet powerful laptop, because she carries it back and forth with her every day. He then sent our staff member an email with a link to three laptops to choose from.
- She read the email, got discouraged and distracted, and decided that her one year old Toshiba netbook is fine for now -- and that she didn't really want a new video game console anyway. She then went shopping online for bargain backcountry skis instead.

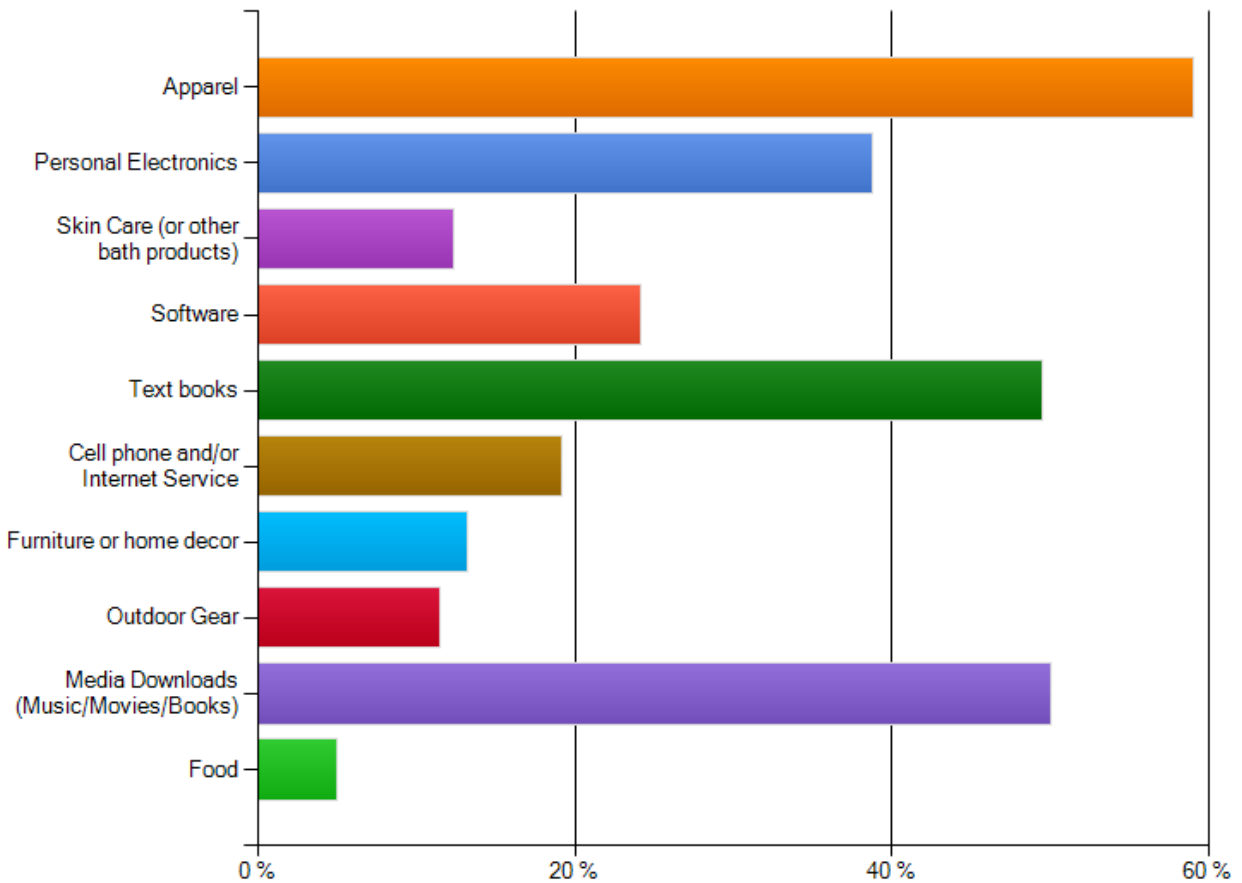


When a company is giving away a video game console with a value of around \$299 to college students, the company is counting on the fact that the exclusive offer will only go to the targeted group. Opening the discount to people outside the target reduces the effectiveness of the offer. A customer service verification process can lead to additional distractions that drive the student buyer further from a purchase point than when they started. It starts to become obvious why *over 75% of students said that they have been frustrated with using a discount and would use student discounts more if they were easier to use.*



Separate from the three main ways that retailers verify identities online, many of the biggest online retailers who also have a brick and mortar presence will offer students who present their ID at checkout discounts in physical stores to avoid any of the above pitfalls. However, many students don't have direct access to a car; many are living within some kind of campus environment and rarely venture far from there. Students are also demanding and expect instant gratification, as they have become accustomed to from growing up with the Internet as a way of life. Not targeting students online translates to missing out on college students altogether as a market. *77% of college students indicated they had made between one and three purchases online in the last 30 days, and they buy a wide variety of products online as illustrated in the graph on the next page*

Products Students Buy Online



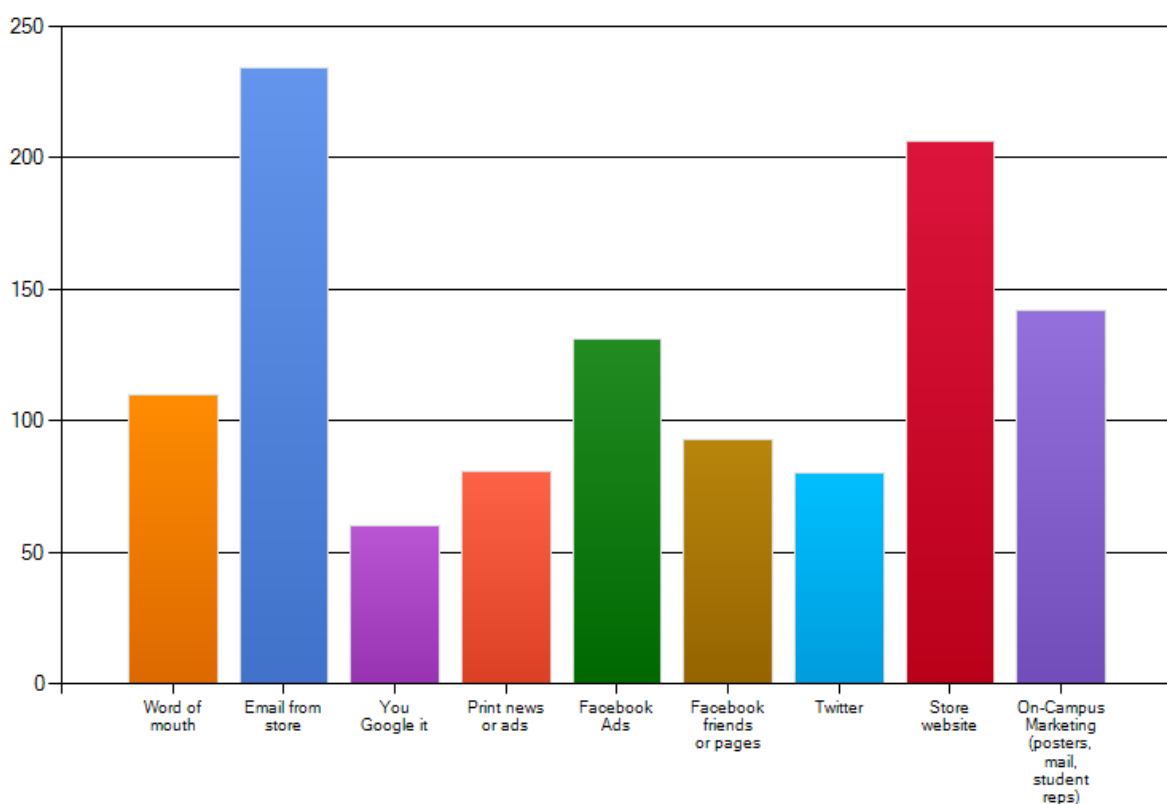


Reaching College Students

The good news for marketers is that students want to hear about student discounts of any size:

- As stated above, 82% say a 20% discount will get their attention, with 32% saying a 10% discount will sway them to purchase.
- 64% want to receive emails about student discounts.
- 55% said that stores should post the student discounts prominently on their websites.
- 82.5% said that retailers should reach them through Twitter and Facebook with 35% of those saying that Facebook ads are a good place to talk about student discounts.

If you could tell your favorite stores how to reach you with student discount information, what would you recommend to them? Click all that apply.

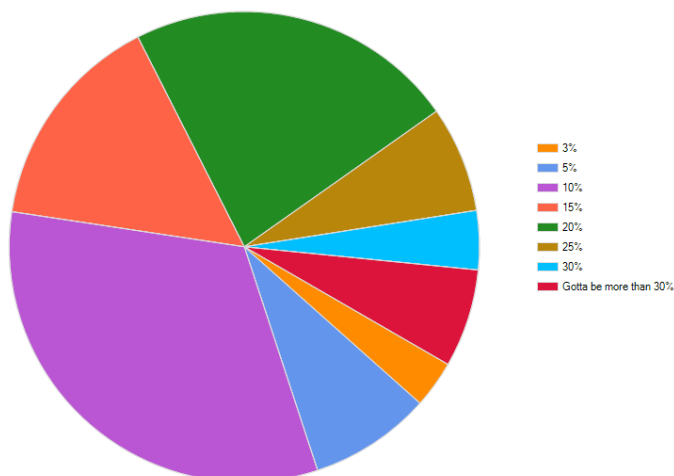


When talking to small and medium size companies about offering student discounts they often say “can you help me reach college students?” In actuality, college students are enthusiastic consumers-- they like being marketed to. Being marketed to by new companies is a rite of passage - a sign that one is becoming an adult and a valued part of society.

As a target market, college students are also easy and inexpensive to reach through the mediums they consume. In addition to the statistics listed above, 38% of students say that on-campus advertising is a good way to reach them—there isn’t another target market that gathers in one location quite as conveniently as college students do.



When you're shopping online, what's the minimum a discount has to be for it to catch your attention?



If you have a message that is specifically relevant to college students, they can be a very receptive audience. If you communicate to them that you understand their needs and that you have a legitimate solution for one of their needs, then reaching them is easier than reaching other target markets as a group.

Take the time to Google “college student discount”, and you’ll see dozens of ads for between 3% and 5% off your purchase, or \$30 off airline tickets, or a discount off the “list” price, or a special offer like the video

game console example with hoops to jump through. College students are Internet super-users. A 3% discount will be discovered quickly as disingenuous. Once a student searches “coupon” next to a brand, or an aggregator of flights or any type of product, they will find an equal or better discount. This strips those brands of their relevancy to the college market. College students will even perceive that this is an empty message, a possible bait and switch, and certainly not a valid attempt at gaining their loyalty as a customer.

The key to communicating with students is being genuine and relevant. Our survey results show you can reach over 80% of college students with just a 20% discount—a legitimate discount level. In your message and your medium, be genuine as well. If you feel that “research” is required to determine your message, make it informal. Add someone to your team, even part time or on a contract basis who actually knows what will work. That often means hiring a student—a confident, opinionated, passionate student, and there are plenty of them out there. Do not pay to conduct focus group studies, or have manager’s meeting on it. Also, be careful copying other brands’ campaigns, even the biggest of brands, unless you hear from students that they are respected and effective. Find someone to be a voice of the student, and try it. Even if it isn’t quite right the first time, at least it will be genuine and can then be adjusted.

The Power of Word of Mouth

The “elephant in the room” with college students is word of mouth. Marketers have a love/hate relationship with word of mouth. When it is harnessed and channeled it is a powerful tool that expands the reach of your marketing budget exponentially. But, it is difficult to track, and difficult to measure quantitatively.

College students are the masters of word of mouth marketing. Circling back to the difficult statistics around student discount usage and customer satisfaction around that process, the word of mouth effect can be a tsunami of bad buzz for each of those companies. The students that are turned away because they don’t have a .edu will vent their frustration. That list of 12 steps to get a free video game console was certainly shared with friends, classmates, and roommates. On the other hand, picture the wild-fire of buzz that would spread around a robust, targeted, student discount that was easy for them



to redeem. Make your product, your marketing, and your special offers relevant and unforgettable, and make your buying process so easy that it is completely forgettable. Your shopping cart is exactly what you DON'T want college students talking about.

Not only should the college student word-of-mouth machine be feared and respected, but the receptiveness of college students needs to be noted. 64% of college students say that word of mouth is a "key driver" in their purchase decisions. So while college students are open to being marketed to, they also hold the opinions of their peers in actionable high regard.

Summary

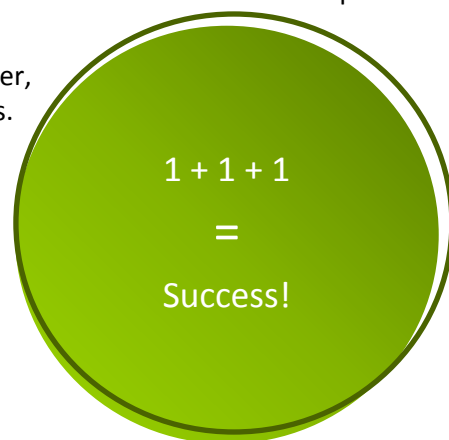
Creating a marketing campaign to reach college students effectively isn't unlike creating any marketing campaign around a target market. However, a magnifying glass applied to some of the details will help ensure a successful student campaign.

When you create your marketing campaign, including your special offer, make sure you understand the entire buying and shopping process. Create your projections for conversions lost with each extra step to understand what success will look like. Also consider what a complicated process will do to your word-of-mouth marketing efforts. An amazing offer can end up losing you customers and creating bad buzz, if it is difficult to redeem. After creating some basic projections you may choose to look at additional options for verifying your customers.

Do your research, and make sure you understand the facts around any verification solution you choose. As stated, a .edu email solution, used by many companies in the past, excludes nearly half the college students and allows former students to claim to be current students. Be careful to not create a wide reaching marketing campaign, only to leave out a large portion of your market through your verification solution.

Be genuine and relevant in your message and your offer, and do not underestimate the savvy of your audience. College students are early adopters and super users. They will conduct research both online and through their friends before buying. If your student discount is smaller than your competitors, smaller than other publicized offers, or even smaller than your offers of past years, you can count on losing customers, and you can count on negative referrals.

And, as if you don't have enough to worry about, keep in mind that when marketing to college students, your mistakes will flop harder and your successes will shine brighter than with other audiences.





Sources

The first SheerID survey was answered by 384 students currently enrolled in 2 year, 4 year, and graduate degree programs. The survey was taken both electronically and manually and focused on college students use of student discounts.

The second SheerID survey was answered by respondents representing 175 different 2 year, 4 year, and graduate degree programs. The survey was taken both electronically and manually and focused on past college students' access to .edu email addresses.

About the Author

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With 13 years of marketing leadership in online retail, Marci has a deep knowledge of social media, online marketing, and branding on the web. She was awarded Guerilla Marketing of the Year by Brandweek Magazine in 2006.

About SheerID

SheerID is an innovative technology company, whose flagship platform offers instant, accurate identity verification, enabling retailers and associations to offer exclusive, targeted discounts and special offers online. We have developed a verification gateway that allows immediate, online proof of identity with a turn-key shopping cart plug-in. Our solution is instant, seamless and accurate. We prevent fraud, protecting both the offered discount and margin.

For more information contact us at info@SheerID.com or call us Toll-Free at 855-SheerID (743-3743).