



# Our Bittersweet Relationship with Online Coupon Codes

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There are so many fun, flashy, useful, efficient tools out there for online marketers to use. Things like Twitter, Facebook, Pinterest, Google Adwords all get tons of buzz. They are effective, they are pretty easy to use, they are free or inexpensive, and they are easy to create a “Top 10 Tips” list about.

Instead of joining the voices about how marketers can use Pinterest or get the most out of Google Analytics, this paper is going to focus on a tool that isn’t nearly as much fun to talk about—online coupon codes.

### **Why marketers hate online coupon codes**

Coupon codes bring groans from marketers for several reasons:

- They go viral
- They are difficult to track
- They lower average ring
- They train consumers to watch for them before buying
- They are hard to channel so you can attract your target market

All of the items listed above can be attributed to the first one really—online, coupon codes go viral.

While sometimes it is a good thing that they go viral, more often than not, you wish the coupon code would stay right where you put it so you can track the effectiveness of the ad, the channel, and/or the campaign.



### **Why marketers use them even though they hate them**

With all that said, coupon codes are a necessary evil as part of any kind of robust marketing strategy. They are often the only way to track effectiveness of a partnership, and they are usually the cleanest way to create that tipping point that comes with offering a discount.

And, of course, customers dig ‘em!



A recent survey shows that:

- 55% of online shoppers say they use online coupons
- 66% of shoppers project that they will use one in the next 12 months
- Nearly 30% say they use them for 50% of their online purchases
- Online shoppers expect to save 30% more in the next year through increased coupon code usage

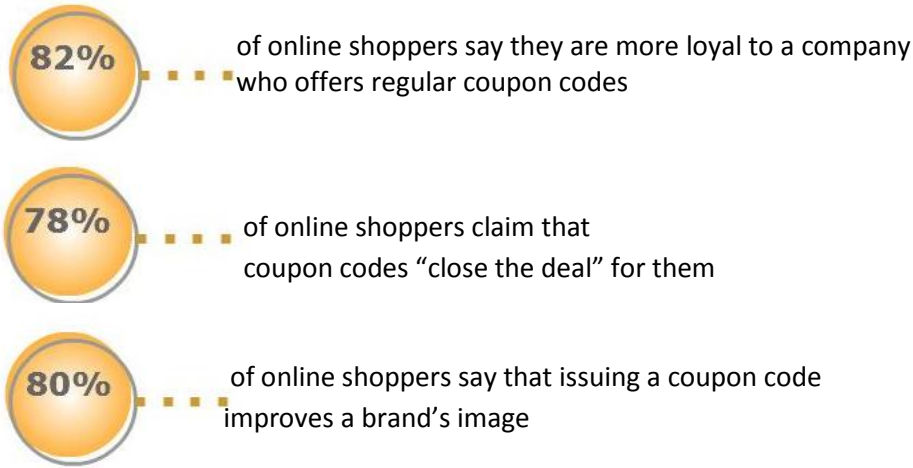


What those stats mean for your business? Nearly 70% of customers could be swayed from your competitor to you with just a well-placed coupon.

#### **Are coupon users the customers you want?**

In a word...yes.

Online shoppers, including your customers, are demanding. The variety available to them on the Internet has made them that way. They expect to find exactly what they want in the color and size they want, then they expect to find it cheaper and not pay for shipping. The name of the game is keeping a customer once you get them. When customers were asked how to keep them loyal, one of the most popular answers was "coupon codes."



There literally isn’t a single reason not to work coupon codes into your marketing strategy, well, except how hard they are to manage as listed above.

### **So how do you manage them?**

Good thing this is a white paper instead of a tweet because that is a big question. The answer is--you gotta get creative. Here are five have-to’s in strategically managing your discount campaigns:

1. Know how much you can discount
2. Get a solution in place to keep your targeted marketing targeted
3. Find partners to spread the word
4. Get exclusive
5. Make sure it’s all trackable

## **1. Know how much you can discount**

Let’s start with your lifetime value of a customer (LVC). To get your LVC number, you need:

- How often a typical customer purchases from you, like ever, their total number of purchases
- How much your average order size is
- Multiply the two together

Unless you are extremely sophisticated and have already calculated your LVC, come up with a range instead of either a hard number or a different number for every type of customer. You can get caught up in slicing your customers’ lifetime value by age, or location, or how they found you. Instead, start with a basic number range so you can at least get started. You can move into advanced math later. Come up with a low and high range you feel comfortable with and then get it tattooed on your forehead.



Now that you have your LVC number, figure out what you are willing to spend to bring in a new customer. If your lifetime value of a customer is \$650 and you have margins of 50%, and you are hoping to spend no more than about 25% of your profits on marketing (every industry and company's number will be different) then you should actually be able to spend around \$81 to bring in a new customer.

Now pull out your calculators. Here we go, that was:

$$\text{(LVC x margin) x \% for marketing budget} \\ = \text{spend for new customer}$$

$$(\$650 \times .50) \times .25 = \$81$$

See how much fun math can be? Now you know how much you can spend on every new customer you bring in. When calculating your "spend" consider how much you are willing to discount your product as part of that spend--now you should have a range of how big of a discount you can offer.

Of course the math gets more complicated when discounting beyond new customers, your discounts will probably be less than what you are willing to offer for a new customer. We talk about some of those scenarios below.

## 2. Get a solution to keep your targeted marketing targeted

There are several levels of solutions you can put in place. In house, you can have your tech peeps connect your database to your shopping cart and allow you to:

- Create discounts for new customers only
- Create discounts for loyal customers only

Or, for the next level of sophistication, there are third party companies who will verify your coupons against ANY database. Some examples could be:

- You sell knitting supplies and you buy or rent a subscriber list to a knitting magazine
- You sell Cher dolls and you develop a partnership with a business that sells Sonny dolls so you can market to each other's customers.
- You sell aphid eating ladybugs in bulk and you develop a partnership with [mastergardenersofamerica.org](http://mastergardenersofamerica.org) so you can market to their members
- You've patented the pencil sharpener of the future and you want to reach teachers

These third party companies will quickly install a bridge (they actually use an API for those of you who are techie enough to know what that is) between your shopping cart and the data base of people you want to target. They then verify your customer's eligibility to use the coupon code right in your shopping cart. This process can be so seamless that your customer often won't realize they are being verified.



You need one of these solutions so you can market far and wide. Imagine having the power to decide if your coupon code goes viral or not. Your campaign tracking will be precise, your campaigns will be targeted.

### 3. Find partners to spread the word

Now is where the fun really begins. You know how much you can discount to bring in a new customer profitably, and you've protected your discount with the ability to connect to databases, now you get to spread the word.

Set a meeting with your biz dev guy. If you don't have a biz dev guy (most companies don't) then get new business cards made with a "Vice President of Business Development" title under the other four you already have. Here are three quick steps to finding a bunch of partners to post your discounts for you.

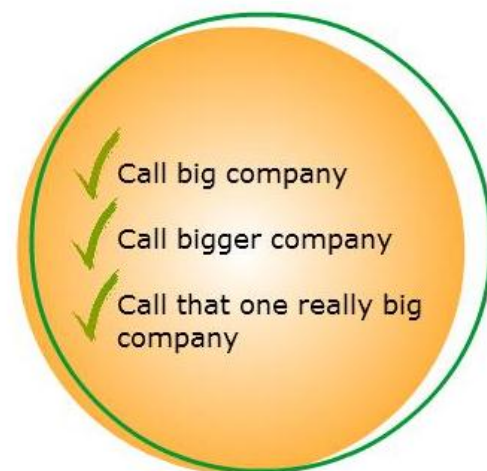
#### **Partner with someone bigger**

Make a list of the partners you would like to work with and be fearless about it.

LegalZoom is a big company with a lot of small businesses as customers. They partner with dozens of other companies who sell products to small businesses. Those companies are all different sizes. LegalZoom looks for the best products, not necessarily giant companies to work with. LegalZoom's customers get discounts and special offers from those partners.

Network Solutions' strategy is similar. They work with any company who could provide a benefit to their customers, including companies a fraction of their size.

Make a list and start sending emails and making phone calls. Actually, back up one step, first, picture your discount in Network Solutions' "partners" page. Would that be just awesome? Ok, now make a list and start sending emails and making phone calls. If your product is great, if your discount is solid, and if working with you would benefit their customers, even gigantic companies will meet with you for a discussion.



#### **Figure out what you can offer (there is always something)**

You sell black lipstick and you want to partner with Comic-Con (the giant comic convention in San Diego). It's not an exact fit, but wow, you'd love to get in front of the 130,000 fringe-type people that attend. What do you have?



You have ½ dozen goth/straight-edge/scream-o bands that are loyal to your product because it doesn't smear. All of them do acoustic sets to round out their tours. You can make those introductions. They agree to play for free at Comic-Con to gain the exposure.

You have relationships with several of your vendors who also do events and are looking for new opportunities. They would have never considered selling at Comic-Con but a quick convo with them about how well their nose rings, plugs, spikes, and collars will go over would add several vendors to Comic-Con's event.

You have an email list of 51k people who have opted-in to receive information from you about goth goings-on. 35k of them are on the West Coast. If you are partnering with Comic-Con, you can send several emails about the event, bringing them possible new customers.

See where this is going? You have stuff they want. Make a list and have it at hand for that call.

### Get creative

A small software company who makes business planning software looked into partnering with business magazines. Of course the business magazines wanted the software company to run an ad with them. Duh. Instead, after a lot of conversations, the software company got a good chunk of cash FROM one of the biggest magazines by licensing their software to them. The magazine sold it on their site and ran ads in their magazine for free. It was a win all around, but a HUGE win in branding, in validation, in exposure, and in cash for the small software company. That's creative.

So back to our black lipstick company...what do you want from Comic-Con? A free booth? Sure. But if you remember, before this tangent, we were supposed to be talking about coupon codes. Your lifetime value of a customer is \$250 because you also offer the best charcoal eyeliner and white face powder. You've also just launched goth teeth-whitener and eye-whitener (like Visine, but, you know, goth) which you think will increase your LVC to near \$400. Your profit margin is 68% and you can spend 40% of that on marketing.

Remember?

$$\begin{aligned} &[\text{LVCx margin}] \times \% \text{ of marketing spend} \\ &= \text{spend for new customer} \end{aligned}$$

$$(\$400 \times .68) \times .40 = \$109$$

Fun. You can spend \$109 on getting a new customer!

Your lipstick is \$12. Your teeth-whitener is \$45. Your eye-whitener is \$12.

You decide that with all your marketing, you can afford to give "50% off first purchase" coupons to gain a new customer.



You can protect your discount because you took care of that with step 2. This section is called “Get creative” so now what?

- Negotiate with Comic-Con to be able to put a coupon as a bag stuffer, so everyone who walks the show gets one.
- Partner with those bands and vendors you are friends with who are also attending Comic-Con. Give them coupons to hand out at their booths and during their shows.
- Ask Comic-Con for a free ad in their program guide with a 50% coupon code.
- Ask Comic-Con to be included in one of the emails that goes to all attendees with a 50% coupon code.

Because you protected your discount, you don’t have to worry about it going viral. That keeps all of your existing customers using it and dropping your overall average ring by 50%. You can target your marketing to the new audience of Comic-Con.

See a light at the end of this proverbial tunnel? Maybe coupon codes don’t deserve to sit permanently in the naughty corner? We’ve got two more points to go.

*Note: If the to-do that you take from this paper is to call Comic-Con, you might want to try eating a better breakfast tomorrow morning. For sake of example, I chose the biggest show I could think of. Every time I say “Comic-Con,” you should be inserting the big companies that you should be partnering with in your industry.*

## 4. Get exclusive

Here is a recent email subject line from Moosejaw that I think sums up how we feel about discounting:

“Sale! 40% off outerwear that didn’t sell at 25% off!”

Instead of just having another sale, create some exclusivity--create something that people will talk about. If you have slow days or slow seasons, or clearance products that you need to discount, why not turn them into news by making them “exclusive?”

There are certain groups of people who are especially receptive to the exclusive discount message:

College students  
Military Personnel  
Teachers



Plus, the added bonus of offering a discount to those three groups is that even people who AREN’T in that group get the warm fuzzies about you for supporting those groups. It’s a win, win, win. Here’s how it works in practice.





For New York Yankee games, active duty and veteran military members are offered a complementary ticket in designated areas of the grandstand or bleacher sections for select Monday-Thursday games.

See how they did that? They didn't say "Our Monday – Thursday games don't sell as quickly, especially the bleacher section, so we're going to make them 30% cheaper." Instead, they created a message that is talked about by all the military publications and blogs, and they look patriotic. It's genius.

Ann Taylor Loft created an entire program just around attracting and keeping teachers as customers. They offer special coupons, exclusive sweepstakes, even grants and events. They put thought into it, they create news that allows them to continue to communicate with teachers, they keep it fresh. All of these pieces equal a talked about, elegant, exclusive marketing strategy.

In the college town where I live, all of the concert and movie venues give student discounts on Sunday – Wednesday nights. Those are the nights they struggle filling the seats, so they spin it into positive buzz. They immediately legitimize themselves to college students by offering a discount, and they fill a few more seats on school nights.

## 5. Make sure it's trackable

Can I start with the fact that I hate that spell-check doesn't recognize "trackable" as a legit word? I need to write a letter.

One of the great things about online marketing is that it's all trackable, right? It's all trackable to an almost creepy level, and it's all good.

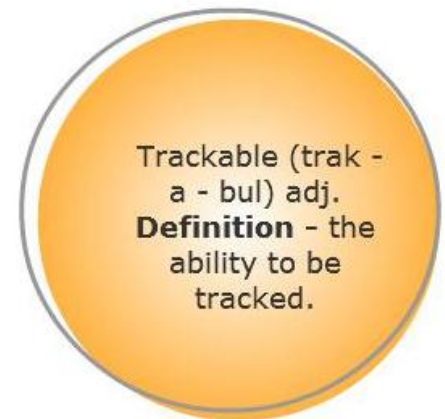
I know this paper is so long that you need a shave since you've started reading it, but remember where we talked about why we hate coupon codes? They go viral. And when they go viral, the tracking becomes qualitative at best, or just down right squishy.

All of the above examples of new, sexy online coupon code usage create that trackability that you want, need, and crave.

- By attaching your coupon codes to a database, they become trackable.
- By making them exclusive, they become trackable.
- By partnering with other groups, companies, non-profits, and associations, they become trackable.

If the Yankees had just said "Tuesday nights at Yankee Stadium are so quiet the crickets are nervous. Take 30% off," well, that's not trackable.

By offering discounts to military, they can define those sales as a specific market. If that doesn't warm the seats, next they could reach out to union members, or knitting groups, or partner with the black





lipstick company and have “Goth Night.” Then they can test and track and adjust and test some more until the crickets pack up and move to Shea Stadium (now Citi Field).

### **Whew, let’s wrap this up**

Don’t let online coupon codes push you around. They aren’t that bad. They are like the nail-gun in our tool box—deadly if used in a 1990’s Bruce Willis movie, but very effective if managed properly.

- You know how much you can discount
- You know how to keep track of them
- You’ve got some calls out to some organizations, non-profits, and bigger companies you can partner with
- You are tracking it all so well that your biz school professors are asking you to come back to guest lecture

Coupon codes--our customers want them, our competitors are using them, and you can now manage them better.

## **The End.**

### **Sources:**

- Forrester Research
- RetailMeNot
- MarketingCharts

### **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](mailto:info@SheerID.com) or call us Toll-Free at 855-SheerID (743-3743).