

Is it time  
to discount the  
effectiveness  
of couponing?

Maybe  
NOT



# Did you know?

Approximately

**320 billion**

coupons are distributed in the U.S. each year

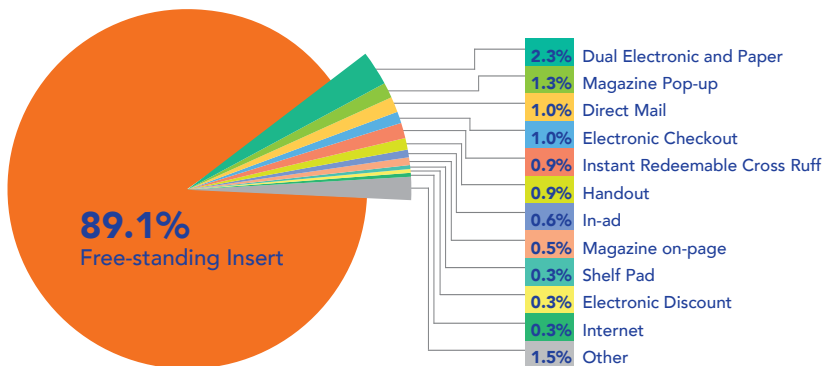
(includes print and digital)

Less than **1%** are redeemed

It's a jungle out there in the retail supermarket space, where everyone is fighting for survival. According to one study, there are roughly 35,500 products in a typical supermarket, from some 18,000 different brands. That's a lot of products competing for shopper's hearts, minds and eyes—and standing out in the crowd is no easy feat. **One marketing tactic used for many years by most consumer packaged goods companies is couponing. But is all couponing created equal, and does it still work?**

## Traditional coupon methods are waning

Coupon redemption rates have been steadily declining since 2011, when 3.5 billion coupons were redeemed. In 2015, only 2.6 billion were redeemed. Redemption rates can be correlated to a number of factors but some of the more common influencers include the Misery Index, newspaper distribution and shopper convenience.



Source: 2016 Inmar Coupon Trends

### Misery Index

The Misery Index is an economic indicator, created by economist Arthur Okun in the 1960's. It is used as an indicator to determine how the average citizen is doing economically. The index is calculated simply by adding the unemployment rate to the inflation rate.

Coupon redemption rates trend up when the Misery Index is high and will track down when the Misery Index is low. Coupon redemption peaked in 2011 as the US was nearing the end of

## The top barriers to coupon usage are:

I can't find coupons for the products I want to buy

**61%**

My coupons often expire before I have the chance to use them

**61%**

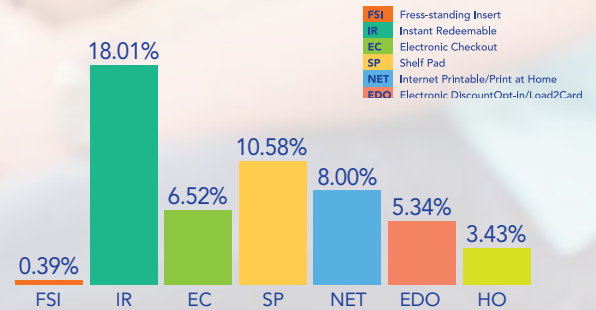
It takes too much time to find coupons

**43%**



For every 1,000 FSIs distributed, only 4 get redeemed.

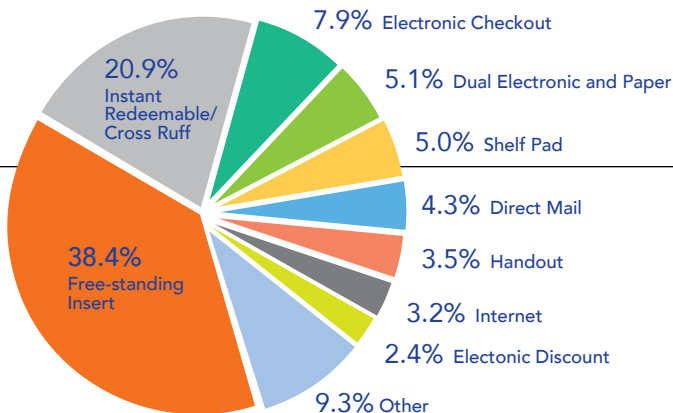
For every 1,000 IRCs distributed, 180 get redeemed



the Great Recession that occurred in the late 2000's—redemption has steadily declined as the US economy has been recovering over the last couple of years.

### Newspaper Distribution

The most popular method for delivering coupons, Free-standing Inserts (FSIs) in newspapers and magazines, account for 89% of coupon distribution. But their effectiveness is actually surprisingly low.



### Redemption Influencer

	Trending in 2017	Impact on Redemption
Misery Index	Downward arrow	Downward arrow
Newspaper Distribution	Downward arrow	Downward arrow
Shopper Convenience	Upward arrow	Upward arrow



Although FSIs encompass 38% of all coupon redemptions, this is primarily due to their widespread distribution. In fact, the redemption rate for FSIs is very low—less than half a percent (0.39%). And as the penetration of printed daily newspapers declines across the country and the use of digital technology and the internet increases exponentially, replacing traditional print media, we can expect this redemption rate to decline even further.

#### Shopper Convenience

It's simple, the easier it is for a shopper to get their hands on a coupon, the more likely it is they will redeem it. In fact, one study shows that one of the top 5 places a shopper regularly discovers a coupon is when they peel it right off the package in the store...now that is convenient! As coupon suppliers and CPG's strive to make coupons more easily accessible to shoppers, we can expect redemption rates to increase. This is a major reason digital couponing has become so popular over the last several years and will continue to make an impact in this industry.

## Convenience means bringing the coupon to the customer

While traditional coupon methods are waning, alternative coupon methods are still going strong. Instant redeemable (in-store) coupons accounted for the next largest share of redemptions:

**While representing only .9% of all coupons distributed, instant coupons account for 20.9% of coupons redeemed.**

## Convenience

is the key factor impacting redemption rate. Higher redemption rate leads to:

- Increased product trial
- Repeat purchases
- Brand loyalty
- Increased brand awareness



## On-pack coupons

### offer an excellent opportunity to:

- Drive impulse purchases
- Encourage larger purchases  
(buy 2, save \$1.00)
- Promote other products  
(save \$2 when you buy [product] with this item)
- Offer rebates
- Enhance brand and message



In today's fast-paced digital age, hurried shoppers with short attention spans and information overload are used to having information at their fingertips. The solution? Put the information and promotions consumers seek directly on the product package, where they're sure to see it, and they can't misplace or forget it.

For consumer brands, IRCs are appealing because they can be used for product promotion, encouraging trial and rewarding brand loyalty. IRC labels are a good way to attract attention to existing products and provide an edge on the shelf at the moment of truth. **They have the highest redemption rate because customers simply peel and redeem, with no clipping, saving or searching.**

Further, IRCs offer a way to inform, engage and interact with customers to help build brand loyalty and repeat purchases. Whether customers are being rewarded through IRCs delivering price discounts, or brands are using them to offer recipes, health tips or other promotional incentives, these devices provide a timely and unique way for brands to interact with customers.

36% of shoppers indicate they regularly discover coupons on the product package in the store.



## The current mechanics of coupon application may be stuck in the past

The most common IRCs—pressure-sensitive labels (PSLs) attached to the product package with adhesive—bring their own challenges and limitations from a manufacturing and merchandising standpoint. PSL application can be very manual in nature, driving up labor costs. Some processes involve moving the packaging from one area of plant to another for the labels to be applied, a drag on efficiency and productivity. In fact, this is such an inconvenience that it is becoming common practice for manufacturing plants to invoice the marketing group for any inefficiencies realized while running PSL promotions.

**The current application process can also take a toll on brand identity due to inconsistent and unattractive placement on packages, which may result in a lost merchandising opportunity.**

With limited placement control of traditional label application processes, PSLs are often misplaced, covering a window, a brand name, or critical messaging and graphics. PSLs are also highly inconsistent—in many cases, PSL technology only has a 70%-90% application rate, meaning up to 30% of product packages don't carry your promotion. And if the product gets placed on the store shelf without the label...you guessed it—the shopper won't see the promotion and as a result is more likely to choose a competitive product.

Finally, coupons need to be tough to withstand the many steps of the redemption process—going from consumer, to retailer, to clearinghouse without losing shape or legibility.

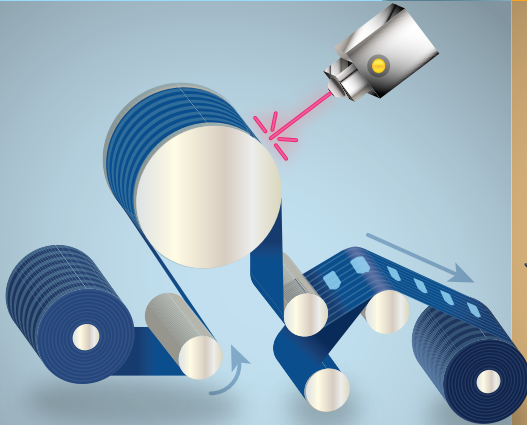




# Not all coupon application processes are created equal. Introducing the PromoPeel™ integrated label solution from Sonoco

1

Using our expertise in material science, we are able to harness LASER scoring to cut into the structure at a precisely controlled depth.



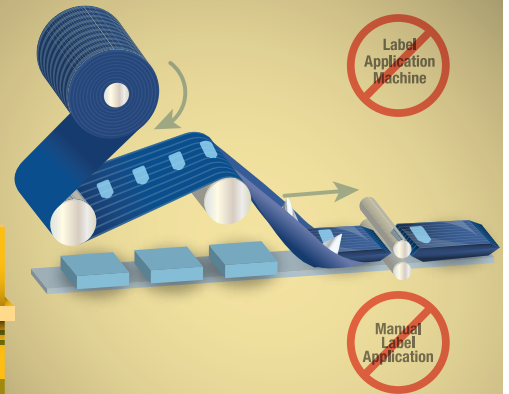
2

Once the film has been printed and scored, it is ready to be shipped to the customer.



3

The Sonoco patented film roll is then formed, filled and sealed on existing packaging equipment. This increases productivity by completely eliminating the cumbersome process of PSL application, which can be both costly and inefficient.



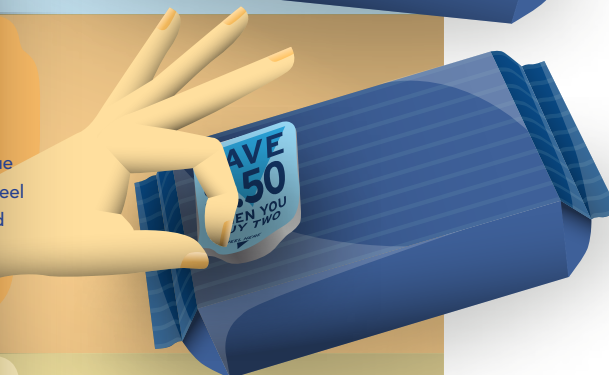
1

Highly accurate label placement means visual brand integrity is maintained on the retail shelf, and other purchasing cues are not interrupted by the promotional label.



2

Nothing could be easier for the shopper. They simply peel the label to reveal the brand's promotion. With no adhesive residue and a lay-flat performance, PromoPeel label technology is also appreciated by retail cashiers and downstream stakeholders who are part of the coupon clearinghouse process.



3

PromoPeel technology enables brands to deliver messages on both sides of the peel-away label.

The surfaces can be used for price discounts/coupons with scannable barcodes, recipes, peel/reveal games, trivia, cross promotions, or websites to drive further customer engagement.

Placeholder text for the reverse side of the label.



Promote your product. *Protect your brand.*

Sonoco recognized the inefficiency, reduction in productivity and increased labor costs current PSL coupon systems deliver, and in response developed a seamless, in-line process with efficiency and productivity in mind.

Sonoco's unique laser scoring knowledge and technical competency allows the company to fully integrate the label application into the converting production process. First, the label is laser scored on the film substrate, then the film is shipped directly to the customer, where it drops right into an existing filling process.

PromoPeel™ technology eliminates the need for an extra step and an extra piece of equipment in the form of a label application machine, while also eliminating the need for manual application, which is time-consuming, labor intensive and inefficient.

So, if you're looking for a way to create a more interactive experience with your customers while driving trial, reinforcing brand loyalty and streamlining your label application process, visit [www.sonoco.com/promopeel](http://www.sonoco.com/promopeel).

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