



LOOKING FOR A BARGAIN

It's obvious that discounting is taking place on the high street: all those blaring posters declaring 50%, 60% or even 80% "off". Penelope Ody discovers that discounting is proliferating just as rapidly online.

ONE is told, by those who seem to know such things, that the sales staff in retail outlets of major consumer electrical goods chains, each have a daily "float" – one, two, three hundred pounds or whatever – that they can use to give ad hoc discounts to prospective customers who start to haggle on price. Make them an offer, it seems, and the odds are you might well end up with a bargain.

Online bargaining is perhaps not quite so straightforward, but the discounts are out there just the same and as consumer spending continues to be hit by the "credit crunch", "recession", "downturn" or whatever else you want to call it, these offers too are proliferating. No one in "the know", it seems, is actually paying the full price for almost anything anymore.

First point of call for the savvy shopper is one of the proliferating coupon or coded rewards sites. According to Nielsen Online the coupons/rewards sector is growing at almost eight times the level of internet trade generally with sites like MyVoucherCodes showing year-on-year increases in customer traffic of around 1200%.

"Code sites are a fairly new concept although they have existed for a while," says Nielsen Online European Internet analyst, Alex Burmaster. "They were a very niche concept but are now starting to gain traction as people need to save money and are willing to spend time searching such sites for discount offers."

Some, like MyVoucherCodes, encourage community spirit by asking site visitors to share any discount codes and promotional offers on the site that they might encounter in other media. "Communities are a key part of the internet," adds

Burmaster, "so this sort of sharing activity is important."

Such code sites list all the known offers for a particular online retailer with links to the actual store sites so that potential customers can check out deals before they buy. A year or so ago not that many people could be bothered about visiting additional sites to check for discounts but the credit crunch has changed all that.

At codes.co.uk, merchants send in their discount offers to be listed on the site. "We're starting to see some really good offers coming through," says account specialist Matt Gazulis, "as retailers try to kick start the holiday shopping period." Gazulis – based in the US where codes.co.uk's parent began operations back in 2000 – looks after the UK site, launched last October. "In the last two weeks in September alone we saw a 10% increase in traffic to the UK site," he says, "and a 15% increase in sign up for email offer notification. People really do want to be kept informed about discount offers."

TESTING OFFERS

According to Gazulis, many of the merchants putting offers on the codes.co.uk site are testing various discount formats for a short period to see what attracts consumers before giving the most popular offers wider publicity. Typical offers range from free delivery to discounts of 25% (at Laura Ashley for a weekend only) or 50% (furniture at Argos).

"We're currently seeing growth in fashion offers from the likes of Marks & Spencer, as well as smaller operations and in consumer electronics from Dixons, Currys, Argos and others. Offers for men's grooming and skin care products are also growing quickly," adds Gazulis.

While codes and discount vouchers can be found online for just about every leading retailer selling on the internet, the channel is also proving popular with real world bargain hunters busily printing their own money-off coupons from their home PCs. Couponstar – which claims to be the market leader in this space with its secure CouponNet platform for distributing and tracking the coupons launched in 2006 – is

currently reporting a 652% increase year-on-year in redemption rates for these DIY coupons with a 513% increase in the numbers of coupons shoppers are choosing to print out.

European General Manager, Oli Felstead, reports significant growth in coupon distribution in recent months from FMCG branded manufacturers eager to keep its customer base loyal and dissuade them from switching to cheaper retail own label products. "With coupons distributed through print media or mailings the typical redemption rates are down at around 1-2%," he says, "but with printable coupons the average is around 25% and if it is a well targeted campaign then it can be up to 60%. Fewer people print out the coupons than would receive them in, say, a magazine or newspaper advertisement, but we can guarantee the level of redemption a manufacturer needs."

Most FMCG manufacturers already have extensive consumer email lists from such activities as pet care information or mother and baby clubs and are thus able to target likely shoppers directly rather than needing to work through retailers. "All consumers are feeling the pinch," adds Felstead, "and are becoming very value driven so the brands have to work hard to maintain their sales and loyalty; delivering value really is now a Board level interest."

A year ago, adds Felstead, he and his colleagues had to actively go out and sell the printable coupon concept, now they are inundated with companies contacting them.

CUSTOMER LOYALTY

Just as brand promotion becomes even more significant during a downturn, so too does encouraging customer loyalty. A survey this summer by Right Now highlighted the key factors that concern online shoppers in a downturn. Of the 1,000 shoppers questioned in the survey, 79% said they were either likely or very likely to be influenced by competitive prices while a similar proportion suggested that more appropriate discounts would be a deciding factor in making a purchase.

This is very different from a couple of years ago when similar surveys put "price" well down the list after such factors as product assortment or service. However, in the Right Now survey, good service and



an "easy" web experience follow closely on price as key parameters. "While price may tempt a customer to buy from a website the first time, it is service and satisfaction that count in winning repeat business," says Right Now's general manager for EMEA, Joe Brown. "In our survey 57% said their purchasing decisions were 'likely' or 'very likely' to be influenced by good customer service whereas just 40% had the same view on brand."

Other important factors when deciding to purchase online highlighted in the survey included free delivery (wanted by 72% of online shoppers) as well as information about delivery costs before reaching the checkout.

Alex Burmaster at Nielsen Online also sees a new emphasis on service: "One of the interesting factors we're seeing in internet usage is that people are not visiting more sites," he says. "They are becoming more habitual in their behaviour and surfing less. They are more familiar with the internet and there are sites that they use regularly, so keeping current customers loyal becomes far more important. It is becoming much

harder to attract new people to your site so you need to look after the regulars with exclusive offers and regular email promotion."

Certainly, as anyone who buys regularly from an online site will be only too well aware in recent months, the level of email promotion has increased significantly - as has the level of innovation and creativity displayed in promotions. Boden, for example, ran a timed discount offer coinciding with the launch of one of its autumn catalogues (order before Friday get 15% off, leave it until Monday and it falls to 12% etc) followed by a "last garment for £1" when you buy four items. These emailed offers were rather better than those currently found on MyVoucherCodes or codes.co.uk (10% off, free delivery, or a free woolly hat with certain items). The increased activity seems to have paid off as Boden was "really far too busy at the moment" to talk to us.

While internet sales are continuing to grow rather faster than high street retailing, the trend is certainly less pronounced than it was a year ago: "We are now seeing a plateauing," says Burmaster, "as the market matures." Nielsen suggests that the average internet shopper is currently spending around 6% more online than they did a year ago. "We're never going to see the sort of growth rates recorded by the likes of Google in the past couple of years again," says Burmaster.

Even so, a lot of internet activity at present is involved with looking for bargains - ideally something for nothing: while Couponstar is reporting increases in excess of 500%, the summer's top growth site, according to Nielsen, was Walker's Snack Foods - up 2575% year-on-year thanks to its "brit trips" promotion offering discounts on UK "days out" in return for coded coupons in its crisp packets. In second place was "Trovit" a search engine that trawls classified ads for rented homes, jobs and cars; while in third place was

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FindStuff (up 1443%) largely a price comparison operation.

Significantly, too, despite the downturn Nielsen has seen no growth in the sort of collective bargaining that was once expected to dominate internet shopping: consumers banding together to negotiate bigger discounts for bulk purchases. "We've not seen any growth here," says Burmaster. "You need people in a similar geography all wanting to make a purchase of the same fridge or wide screen TV at the same time - and organising that is easier said than done."

So where does all this leave online shopping in the credit crunch? Certainly not having an easier ride than the high street since consumers looking for good prices are tending to shop on familiar sites rather than indulging in excessive surfing and experimentation. In these tough times, the means by which they seek discounts are more effective than before. Whether through loyalty or laziness this discount hunting is not universal, but only a foolish retailer would depend on customer laziness as their USP or competitive advantage!



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