

Abstract

EFFICACY AND EFFECTIVENESS OF E-COUPONS: A STUDY OF THE IMPACT OF COLONISATION AND THE LEGAL SYSTEMS ON ACCOUNTING STANDARDS IN SUB-SAHARAN AFRICAN COUNTRIES

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FOR the past 100 years, coupons have sent consumers scurrying for their scissors. Recent trends show shoppers clipping with the click of a mouse and redemption rates as high as 90% as compared to no more than 30% to 40% with the traditional paper coupons.

History of Online Coupons

Campbell, 1995, Database Marketing Company launched the very first electronic coupon-clipping service. Consumers were required to download free software to be used off-line. Then once a week they would go back online to gather coupons.

Sender, 1997, Internet coupons were responsible for building traffic at store level. Internet specific coupons offered steep discounts.

Hein, 1997, Fraud-proof Cyber coupons are introduced by *www.supermarkets.com* <<http://www.supermarkets.com>> online coupon fraud prompts online retailers/marketers to offer fraud-proof coupons. Coupon is redeemed at the local retailers and local retailer electronically verifies the authenticity of coupons. State of Florida Catalina Marketing Network becomes the largest outlet for in-store coupon scanning system.

Hiltz, 1998, Online coupon ads created their own no-print-tie-in identity. Print coupon tie-in program suspended for Naples Metro (Florida).

Dalton, 1999, Major department stores such as J.C. Penny, Longs Drugs, Florsheim Shoes offer clip less coupons for Branded products via a Marketing Network program "*www.storecoupon.com* <<http://www.storecoupon.com/>>" Proprietary encryption allows for fraud-free coupon redemption.

The trends continues.

Online Coupon Redemption Rates

In order to entice people to visit their site, retailers offer coupons in the form of coupon codes. We are basically talking about an electronic coupon that is used just like a traditional one, usually made up of several digits and/or letters. The user browses the retailer's site, enters the coupon code sometime during the checkout process, and receives his or her discount.

With millions invested in venture capital and a significant fraction of their budgets devoted to marketing costs, retailers write off the losses from the use of these coupons as a marketing expense. And the incentives can be fantastic: \$30 off any purchase of \$30 or more, or \$75 off purchases of \$100 or more. All this they do to draw surfers to their sites.

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Many retailers use coupons as a part of their marketing strategy, though some more judiciously than others. 10 off coupons are often available from the likes of Barnesandnoble.com and CDNow.com. Since they are established and have significant market recognition, they accordingly offer minimal coupon discounts. Upstart companies might need to offer more eye-catching deals, often with savings of 50% or more. But how effective are they?

The numbers are impressive; while the redemption rate for traditional coupons in the U.S. is between 1-5% (and declining), for online coupons the rate hovers around 90%. It looks like a success for retailers, but there is more to this than just meets the eye.

Multiplying Redemption Rates

The redemption rate assumes a coupon can only be redeemed by one person. That is, the maximum redemption rate is 100%. However, with electronic coupons, this is not necessarily true, since many are redeemed by those the coupon was not intended for. For instance, a retailer sends a coupon code to 10 of its customers, you being one of them. You might forward the email to 10 of your friends, who in turn forward it to 10 of their friends. If everyone takes advantage of the deal, the redemption rate is 300%. There's a snowball effect that just does not happen with traditional coupons. There are even Web sites devoted to finding and posting these coupons, like <http://www.dealitup.com>, <http://www.dotdeals.com>, and <http://www.dealnews.com>. Some even have forums where deals can be shared among users.

The objective of this paper is to determine the efficacy and effectiveness of e-coupons in the current context of many companies offering highly secured mechanisms for clipping coupons. This paper will use the secondary data pooled from a variety of sources to determine the effectiveness and efficacy of e-coupons. The paper will discuss problems and provide implications for e-marketing.

A second major objective of this paper is to identify and discuss issues for further research such as:

1. Comparison of online coupons with traditional coupons
2. Online coupons vs. manufacturer rebates, efficacy and effectiveness
3. Deal Prone E-consumer *vis-a-vis* E-loyalty
4. Brand loyalty in the context of online coupon usage.
5. Impact of growth of online coupons on sales of national brands.