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## Is that your best offer?

It's no secret that the current economic situation has had a big impact on how shoppers behave. Many people have cut back on their purchases and have become better shoppers. Consumers who gave little thought to their expenditures in the past are now pinching pennies. When they do decide to make a purchase, shoppers are much more focused on getting the maximum value for every dollar they spend. This change makes advertising more important than ever. Advertising is the tool that consumers use to research the items they plan to buy. Our industry has always been offer oriented rather than brand or image oriented. Because of this people turn to free papers when searching for value. To generate good response rates in these tight times, it is critical that we work with our advertisers to craft clear compelling offers.

Consumers often turn to free papers for money saving coupons from local businesses. One effect of the current slowdown is a resurgence of coupon usage. Over the past 10 years coupon usage has declined slightly. This decline was a response to the booming economy. Many shoppers didn't think saving a few pennies here and there was worth the hassle when they were making a killing in the market. A recent study by ICOM Information and Communications found that 67% of shoppers surveyed were more likely to use a coupon in a recession (45% much more likely and 22% somewhat more likely). ICOM also found that coupon users come from some very desirable demographic groups. Many advertisers are migrating from print advertising to the web in an effort to capture the youth market. While many young people seldom read a daily newspaper they do love saving money and community papers. The ICOM study found that 71% of consumers aged 18 to 34 are more likely to use coupons in a recession. This compares to the 68% of shoppers 35 to 54 and 63% for shoppers aged 55 and older.

We often hear the objection "My upscale customers don't read free papers!" This represents a very distorted picture of the affluent consumer. Research into the shopping habits of high-income families has found that the affluent tend to be quite frugal. In their landmark book The Millionaire Next Door Thomas J Stanley and William D. Danko found that American millionaires typically buy their clothing at J.C. Penney's and prefer driving used Buicks rather than BMWs. The ICOM study found that income levels made little difference in coupon usage (68% of people earning less than \$50,000 per year are more likely to use coupons in a recession versus 67% of those earning more than \$50K.)

Coupons and other price offers are an important tool for businesses that want to survive and thrive through these tight economic times. A weak coupon offer, which fails to motivate a consumer, is a waste of money. Pure and simple – an

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offer is a bribe; it is a brazen attempt to pay a customer to do business with you. Sometimes advertisers try to cut corners by offering too small an incentive to potential shoppers. I have had advertisers say, “Why should I pay you to give away my hard earned money?” The answer is simple: the offer in your ad is a way to buy the one thing every business needs – customers. Advertisers need to think about the lifetime value of a customer. “The shopper who comes in today to get a free dessert with his dinner may eat another 50 meals at your restaurant in the next year and he may bring a few friends. Isn’t that worth the investment of a piece of lemon meringue pie?” Furthermore, research indicates that customers who use coupons often spend more than they would without them. They think, “I’m saving a few dollars so why not get a glass of wine?” I have a bakery customer who runs this coupon offer “\$1.00 off \$5.00 purchase, \$2.00 off purchase of \$10 or more.” He has trained his salespeople to use this to up sell customers “If you take another loaf of bread you can save another dollar.” This not only drives the bottom line but also creates the perception that his staff is trying to help his customers save money. This coupon also offers a significant discount (20%) on most purchases but protects the merchant when customers buy large items like wedding cakes by limiting the exposure to \$2.00.

Take the time to talk to your advertisers about their business. Ask good questions about which products/services generate the most profit. What items are most popular with their customers? Find out what they do or what they offer that makes them stand out from their competition. The best products to include in promotions are items that consumers need or want and which have a large profit margin. People are always looking to save money on these items and the wide margin allows the retailer to offer deep discounts without taking a loss. The goal is to find offers which shoppers will perceive to be a significant savings without hurting the customer’s bottom line.

Here are a few more thoughts on effective offers in an ad:

- Make the offer clear. The simplest way to do this is to offer a cash discount (\$5.00 off, Save \$10 etc.) Everyone knows what a dollar is worth and can readily understand the savings offered.
- Position the value, if you are using a percentage or the offer of a free product, spell out the value of the offer (save 30%--a \$15.00 value or Free printer (a \$79.95 value) with purchase of any PC.) Never assume the consumer knows the value of what you are offering – do the math for them.
- There is no more powerful word in the English language than FREE! If an advertiser is serious about attracting new customers there is no better way to accomplish this than to give something away. The gift has to be something of value and the fewer strings attached the better. When I owned a used

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bookstore I ran a coupon for a “Free book from our bargain rack – up to a \$5.00 value – no purchase necessary” I ran this coupon for several years and almost everyone who redeemed it made an additional purchase. This coupon introduced my store to many people who became valuable regular customers. Give away a free plastic key chain imprinted with your logo and the customer will feel cheated.

- To insure the best possible response, offer something that appeals to a wide range of potential shoppers. If you offer a “free kids meal” you are only reaching out to people with children. If you want to reach out to a wider customer base you must either broaden your offer or include several offers in the ad each appealing to different target markets.
- Make the offer prominent. Use big bold type and/or color to make the offer pop out of the ad. Include graphics of the product and give the offer prominent placement in the ad. People can only respond to what they see.
- Keep the legalese to a minimum. Limit one coupon per visit and an expiration date is okay but don’t make the coupon user jump through hoops – “Coupon only good on Thursdays during a full moon.” The more restrictions printed in an ad, the lower the response rate.
- Speaking of expiration dates on an offer: the expiration date should give consumers enough time to act on the offer but be short enough to create a sense of urgency. Many coupons with long expiration dates get clipped and forgotten. Few of us are sufficiently organized to remember the coupon we cut out last month. Another way to create a sense of urgency is to imply that quantities are limited. Phrases like “While supply lasts” or “Hurry, quantities limited” also have the effect of increasing the perceived value of the offer.
- If your offer is in the form of a coupon and it is designed to be clipped out be sure to include the business name and contact information. A consumer cannot redeem an offer if they cannot remember where to take it. Make it easy for shoppers to use your offer.

In the current tight economy we have to work harder to demonstrate the value of our products to our advertisers. Likewise our clients need to work harder to sell their customers. They need to present shoppers with clear compelling reasons to do business with their firm. When customers are in full recession mode they need to think like Don Vito Corleone – they have to make shoppers “an offer they can’t refuse.”

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