Impending death for paper coupons?

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Anita Bhappu said digital, m-coupons forgo the need to ever print coupons and, with the use of a loyalty card or device, would be automatically and electronically redeemed at the register. Her investigation revealed that producers have much to learn if this technology is to be successful. Credit: Beatriz Verdugo / UANews

Representing a relatively new phenomenon in shopping, digital coupons show great promise for revolutionizing couponing.

In studying the marketing and usability of a specific type of electronic coupon - digital coupons - one University of Arizona research team has found some interesting and important preliminary findings about what consumers thought of digital coupons, how they used them, why they used them and what problems were associated with their use.

"In the literature, there is some information about these coupons, but there is no empirical data," said Anita Bhappu, the UA PetSmart

associate professor and division chair of retailing and consumer sciences who headed up the research project.

Focused on grocery retailing, the effort is one of the first empirical investigations of consumer perceptions and use of digital coupons for "consumer packaged goods," which includes food items, beverages and products for cleaning.

In their study, Bhappu and her student researchers in the John & Doris North School fo Family and Consumer Sciences learned that digital coupons are used both for advertising and promoting products, but users often found them difficult to use.

The team held focus groups and administered surveys before and after a one-week trial of digital coupons, which included heavy users of paper coupons who Bhappu refers to as the "coupon divas," as well as non-users.

Not to be confused with electronic coupons available online that have to be printed out before being redeemed, these new digital coupons are downloaded directly to store loyalty cards. Fry's, Safeway and Sam's Club are among retailers currently testing digital coupons.

After loading the coupons to their loyalty cards via an Internet connection, many could not recall what coupons were available.

Also, many reported that the coupons did not redeem at checkout and cashiers did not know how to correct this service failure.

"The promise, or at least the implied promise, behind digital is that it is more convenient than paper and the way in which this convenience is delivered becomes a service," said Bhappu, also a research fellow in the Terry J. Lundgren Center for Retailing, which funded the project.

It was the service aspect that troubled users the most. Therefore, as services stand, the format is not yet "up to par," the team noted.

"While the promotional aspect of the coupon was just as important, the consumers were dissatisfied with the experience related to service," Bhappu said.

Project collaborators included Jennifer Andrews, Charles Lawry and Zeinou Toure - all graduate students in retailing and consumer sciences. Also, UA alumna Mireya Gomez conducted a historical study of coupons for her honors thesis prior to graduating.

Gomez, a UA Honors College student who earned her degree in May in retailing and consumer sciences, determined that about 3 billion paper coupons are issued in the U.S. annually but only 1 to 2 percent are redeemed.

"Personally, I am not sure that coupons as we know them will continue in their paper format," Bhappu said. "The word 'coupon' no longer implies something that you have to cut out."

But, she noted, the future of digital couponing appears strongly linked to the future of digital payment and m-commerce, or mobile commerce.

Wireless phone carriers and credit card issuers are working with software companies to offer what Bhappu said is a "digital wallet" for consumers to store their credit card information, along with digital coupons, on their smart phones.

Consumers would be able to pay for purchases simply by tapping their smart phones on a point-of-sale payment device, which would also recognize and redeem their stored digital coupons.

Bhappu and her students are preparing a research paper of their findings, with Andrews having already presented one paper on the team's methods during the Hawaii International Conference on System Sciences held earlier this year. The paper earned a "best paper" nomination during the conference.

"What we're learning today becomes very important for the future of digital coupons," Bhappu said.

"The consumer just wants a seamless service and doesn't want to go through something extra, like downloading individual coupons. It has to be more convenient for them," Bhappu also said.

"But we can learn from consumers today as they try what is available how to make tomorrow's technology better," she added. "Firms need to think about this because if they do not do a good job integrating digital coupons into existing systems and training employees on the technology, they will experience service failure."

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