

Can't find a coupon code? This startup does all the work for you

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Ryan Hudson was trying to order pizza online for his two children when he was prompted to enter a coupon code at checkout.

Hudson knew better than to bother searching for a discount. His kids were hungry and he didn't have time to scan the internet for coupons that had either expired or didn't apply to the cheese pizza he wanted to order.

"And then it hit me. Why can't I just automate the process?" said Hudson, a computer engineer turned entrepreneur.

The software Hudson cobbled together that night would form the basis for a startup he cofounded called Honey.

Headquartered in downtown Los Angeles, Honey offers a free extension for Google Chrome, Firefox and Safari that aggregates discount codes for whichever shopping site a user visits.

When it comes time to make an online purchase, the extension automatically applies any code it finds that saves the shopper the most money. Since there's no need for customers to navigate away from a checkout page in search of coupons, shoppers who use Honey's extension are 55 percent more likely to complete a transaction than those that don't, the company says.

"It's better for the shopper because you don't have that feeling you paid too much," said George Ruan, Honey's other cofounder. "But it's also

better for the merchant because people are completing the purchase."

Honey's extension, which appears at the top right corner of the browser, works with thousands of online stores. The company's 5 million users save an average of \$32 a month. Already this year, users have collectively saved \$170 million through discounts, more than the \$109 million saved all of last year.

Honey compiles information about the coupons that work and the ones that don't through its users (kind of like how drivers feed traffic data to Waze). The company says it does not share that data with any third parties.

In addition to its extension, Honey operates a website promoting shopping deals, which garners 10 million unique monthly visitors.

"We see a lot of opportunity to make it easier for people to shop across stores," said Hudson, 37, who launched the company in 2012 with Ruan. "There hasn't been anybody helping the average consumer solve this problem."

The company makes money from commissions earned by directing users to specific merchants. Honey splits those commissions with users who sign up for a no-cost rewards program called Honey Gold.

Hudson and Ruan scraped together \$100,000 to launch the company, but have since raised \$40.8 million in venture backing - most of which came from a previously unreported \$26 million Series C funding round in March led by Anthos Capital.

The infusion of cash has helped Honey launch a hiring spree. The company started the year with 30 employees. It now has 100 and has plans to add another 50 staffers.

Bryan Kelly, managing partner at Anthos, said Hudson and Ruan never pitched the startup to his firm. Rather, Anthos employees discovered Honey because they were hooked on the extension.

"Their approach is genius," Kelly said. "They're not asking the consumer to do anything other than save money. The experience is frictionless."

Hudson and Ruan said Honey was profitable, but declined to disclose its revenue.

Honey currently offers discount deals for 21,000 online merchants. About 9,000 of those merchants pay Honey commissions for delivering sales, including Macy's, Target and Wal-Mart.

Amazon, however, isn't one of them - and that represents Honey's biggest risk. The online retailing giant currently commands 37 percent of all U.S. e-commerce sales, according to Needham & Co.

By 2021, that number is expected to reach 50 percent, leaving Honey with even fewer merchants as potential partners.

Hudson and Ruan say there's little they can do except hope consumers shop elsewhere in recognition Amazon needs competition to keep prices down.

Still, Honey has found a way to stay relevant to Amazon shoppers by including a price-tracking feature in its coupon code extension. The tracker, called Droplist, can be programmed to notify Honey users when an item's price on Amazon has fallen to a desired level so they can pounce on the purchase.

Honey is currently only available on desktop - which explains why Hudson and Ruan failed to interest investors when they first started.

Despite the mobile revolution, Honey's founders argued [comparison shopping](#) still lived - and lives - on desktop.

"Most Americans have 20 years' experience of comparison shopping on their desktops," said Ruan, 38. "So our thesis was it was very difficult to get people comfortable checking out on one site only. It's very hard to do comparison shopping and look up coupons on your phone."

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