



White Paper

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The Growth of Digital Coupons is placing a strain on Retailer's POS Systems...

Even though digital coupons count for less than 2% of the total distribution the surge in growth is double digits and is on track to account for as much as 10-15% of all distributions in the next few years. As more and more new age distribution vehicles like Mobile, Twitter, Social Networking Sites, and the Internet take distributions away from the 'old' paper guard the challenge will be for Retailer's and their POS applications to keep up. Electronic Marketing for POS systems was introduced almost 15 years ago with the intent to deliver limited targeted electronic discounts to loyal consumer's, it was a tremendous leap forward back then and is still in use by most retailers today.

Background:

The current POS Electronic Marketing applications in use today must be 'notified' ahead of time that a promotion definition exists, in order to redeem an electronic offer, the offer definition must be downloaded to the POS system. In addition there is a limit to the number of Electronic Offers available to any single customer and a limit to the number of promoted products which can be assigned to an Electronic Offer. Retailer's use many of the allotted Electronic Offer slots available for their own internal marketing and loyalty initiatives leaving fewer to assign to media companies wanting to deliver their digital offers.

If digital applications grow at the expected rates, the Electronic Marketing applications in use today will strain trying to keep up with all of the new age digital integrations and the complexities of handling coupon arbitration and deal stacking between digital offers and between digital and paper.

What's the solution?

This white paper begins to address a way to take the burden off the POS system and the Retailer's IT organization and placing it on a new generation of technology, one that uses the best of both worlds, the older paper distribution method, and new the new age digital distribution.

- Paper Coupons – Let's face it they're easy to use, easy for the consumer and the retailer. The POS system does not have to be 'told' ahead of time you are coming into the store to redeem a paper coupon.
- Digital Coupons – As consumers move away from print media and towards electronic media that's where they will look there for their coupons. They will want the coupons to be where they are when they are there; Mobile, Twitter, Social Media sites, Retailer Web sites, and the next new application.

So what's the answer?

One strategy is to remove the burden of coupon definitions and validation from the POS system and place it with a host application which can communicate in true "Real Time", Validate at the UPC Level, Handle complex validation rules associated with Coupon Arbitration, Deal Stacking, and easily integrate with all the new digital media companies without the need for retailer's IT support.

1 Server Side UPC Level Validation

Reliable Real Time connectivity to the POS which can transfer basket contents information and receive digital coupon information, and deliver that information into the 'live' transaction can solve a multitude of problems associated with digital and paper coupons. With Server Side UPC Level Validation the Host application can handle complex promotion rules and Bonus Structures, along with configurable Coupon Arbitration Rules, and Coupon Deal Stacking amongst multiple Digital offers AND Paper Coupons. (Coupon Arbitration is the term used to define the methodology used to determine which digital offer should be redeemed if the consumer has more than one available.) Today's POS applications do not have Coupon

Arbitration logic, the Digital offer redeemed is the one lucky enough to have the lowest velocity code range assigned to it at the time the integration with that particular media company was completed. Some of the POS hardware in use today is 20 plus years old and are 16 bit technology with physical memory limitations which can only be resolved by removing unused code or investing in new POS Hardware.

#2 Use Native POS Coupon Logic

POS systems already have a native ability to apply a manufacture coupon value with limited validation using the UPC-A system 5 Manufacture coupon code and soon the new GS1 Databar coupon code. Combine that ability with the previous mentioned Server Side UPC Level Validation and you greatly increase the functionality and extend the life of your current POS application. Comprehensive and complex Digital Coupon delivery can now be delivered to even the oldest POS platforms in use today.

#3 True “Real Time” Connectivity to the POS

Real Time connectivity has been available for years, but the key to having the right solution is one which can support the new Digital coupon age at the UPC level in the fast pace environment of Grocery Retail where the average basket size is up to 25 items and cashier scanning speed is measured and tracked. Everyone has stood in line at the grocery store waiting and watching the person in front of them checking out and looking for opportunities to save time and make things go a little bit faster. Thankfully today the technology exists which allows for the inspection of the basket contents at the UPC level and the validation and redemption of endless digital offers which the consumer has selected through one of the many digital media vehicles available today.

Digital coupon interactions must truly be ‘real time’ for today’s consumer. The solution must be agile and fast enough to allow a consumer to select, load to their Loyalty card, or ‘opt’ into promotions in the aisle as they are shopping or even at the end display at the checkout lane and have those digital offers redeem when they checkout. The consumer should not have to wait hours or days for their coupons to propagate through legacy systems where it can later be finally used at the POS. As the popularity of digital coupons continue to grow, software as a service support technologies have the ability to take the strain off retailer’s POS systems, helping retailers generate significant amounts of incremental sales and profits and savings them millions of dollars in the new capital investments in POS system upgrades needed to support the growth.

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