CONSUMER'S WORLD

CONSUMER'S WORLD; Electronic 'Coupons': Savings but No Scissors

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Electronic 'Coupons': Savings but No Scissors

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Both shopper and producer are reaping benefits.

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The time-consuming task of clipping and saving discount coupons is gradually yielding to electronic discounts that are being provided at supermarkets, drugstores and other retail outlets.

Electronic ''coupons'' are becoming increasingly popular in the stores where they are distributed. Among the supermarket chains that use them in at least some of their stores are the Vons Companies and Ralphs Grocery Company in southern California and Ukrop's in Richmond.

''There's an immediacy factor,'' said John Moorhead, vice president of marketing services for the Pepsi-Cola Company. And Herman Livingston, director of consumer promotions of the Warner-Lambert Company, remarked, ''Consumers do not have to go through the process of going through the Sunday paper and sorting coupons.''

Electronic coupons are also a boon for manufacturers and retailers because they provide still another way to track consumer purchases and to learn what is selling well and where and why.

Big Brother Is Watching

Although the technique is still being tested in many areas, its retail proponents believe that the future is bright. ''Consumers are offered an opportunity to save money on products for which they've already demonstrated an affinity,'' said Terry Peets, senior vice president of merchandising for Ralphs Grocery Company in Los Angeles. ''They don't have to do anything other than shop as they normally would.''

In a sense, Big Brother is watching more and more often when you pull that can of soup off the supermarket shelf, but both the shopper and the producer are reaping benefits. The result is that electronic coupons are finally making a major impact, after almost a decade of abortive efforts and false starts.

This week, the Winn-Dixie chain agreed to participate in an electronic coupon program operated by the Catalina Marketing Corporation in Anaheim, Calif. Last week, ActMedia, of Darien, Conn., introduced a machine to dispense coupons at the

shelves where products are sold. And about a half-dozen other vendors of electronic marketing systems now sell various kinds of equipment to dispense coupons.

The world's first coupon was issued in 1908. Today, most coupons are distributed through free-standing inserts in newspapers, with lesser numbers reaching the consumer through direct mail, magazines and other outlets. Last year, consumers redeemed $3.12 billion worth of coupons, according to the Nielsen Clearing House, a Chicago coupon processor.

But redemption of paper coupons has leveled off since 1986. The Nielsen concern reports that consumers redeemed about 7.1 billion paper coupons in each of the last four years, even though the number distributed increased to 267.8 billion from 202.6 billion in the same period. And that leveling off has been one of the strong motivations for electronic discounts.

More Impulse Buying

Some of it can be attributed to impulse purchases. ''The consumer is becoming increasingly an impulse customer,'' said Stephen D. Tannen, president of TSS Ltd., of Stamford, Conn., which markets an electronic coupon service called the Savings Spot.

Patricia Melanson, a senior director of Catalina, pointed out, ''We can target a consumer based on actual purchase behavior.''

The growth of Universal Product Codes and the scanning machinery to read them has brought greater technological capability to the checkout counter. Coupons can be distributed based on actual purchases of preprogrammed products and sales can be tracked regularly.

For example, a manufacturer of a soft drink or a pet food can arrange to automatically print and issue a discount coupon at the register to shoppers who have bought either their product or a competitor's brand. Similarly, a vintner might give electronic discount coupons to purchasers of expensive cheeses and foie gras, assuming that wine would be of particular appeal to that customer.

''We can identify specific households and specific products, and automatically give you savings on a list of items'' those households use, said William J. Ahearn, a spokesman for Citicorp POS Information Services, a vendor of electronic coupon equipment.

Wayne W. LoCurto, president of ActMedia, said, ''The electronic aspect gets you to people who are really interested in buying your product.'' Does electronic snooping in the interest of sales go too far? ''It's certainly manipulative in that it invades people's privacy,'' said Robert Ellis Smith, publisher of the Privacy Journal, a Washington newsletter.

''People's personal choices in groceries, cosmetics, drugs and even paperback books will become known to manufacturers and retailers.''

But Ray Ahlgren, director of retail technology at Super Valu Stores, a Minneapolis food wholesaler that supplies more than 3,000 supermarkets, noted: ''We know we're dealing with privacy and confidentiality. Our business is customer-driven and we're not going to do anything to jeopardize that relationship.''

DISCOUNT SYSTEMS: 3 WAYS THEY WORK

Three major types of electronic discount systems are being used today in retail stores. Here is how they work.

Post-purchase discounts: Readers, printers and video screens interface with scanning equipment at cash registers and issue coupons for designated products. These are based on what the customer has bought or is expected to buy in the next visit.

Pre-purchase discounts: Machines that dispense coupons are in the shopping areas, and consumers choose coupons for the products they want, often by touching the screen of the dispensing machine. They then select the products they want and take them and the coupons to the checkout counter.

Frequent shopper programs: Customers who use the same store regularly sign up for plastic identification cards. A shopper gives the card to the checkout clerk, who inserts it in a machine that records the shopper's identification number and all of the purchases. When certain quantities or products have been bought, customers get either free merchandise or cash rebates.

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