



# PENNSYLVANIA COUPON REDEMPTION SERVICES REPORT 2018

## Year In Review

Pennsylvania Coupon Redemption Services, Inc. (PCRS), a subsidiary of the Pennsylvania Food Merchants Association (PFMA), is the largest retail coupon clearinghouse owned and operated by a state trade association. PCRS handles the processing and payment of all paper and digital manufacturer coupons, including all tobacco coupons.

“Our mission is to provide PFMA members and other food retailers nationwide with top quality, value-priced coupon processing services,” stated PCRS President Autumn Thomas, “and to generate revenues to support PFMA government relations and membership programs.”

PCRS had a very productive 2018, with added demand for our services, enhancements made to our proprietary coupon payment and reporting software and systems and strong financial performance. PCRS processed more than 15,000,000 paper and digital coupons last year for thousands of supermarkets, convenience stores and other retailers across the U.S. To accommodate growth, PCRS made IT investments such as virtualizing our Linux-based operating system on PFMA’s server and expanding customized client reporting with an emphasis on paperless options.

We are proud to work directly for PFMA member stores and retailers from the former East Central Ohio and Michigan food retailer associations and to provide third-party coupon processing services to the Connecticut Food Association, Illinois Food Retailers Association, New Hampshire Grocers Association, Utah Food Industry Association and Olean Wholesale. PCRS recently added the paper coupon business of Iowa-based Fareway Stores. This 120+ store grocery chain has been a PCRS digital coupon client for several years, and called on PCRS again when it decided to outsource its internal coupon processing program.

In addition to Fareway Stores, PCRS has active digital coupon processing programs with C&K Market, Inc., a 40-store independent grocery chain based in Medford, Oregon, C & S Wholesale Grocers, Redner’s Warehouse Markets and the Utah Food Industry Association/Associated Food Stores. A digital coupon program is currently in development for Caputo’s Fresh Markets/Illinois Food Retailers Association and PCRS is the preferred processor for retail customers of Accelitec and Invisipon.

The biggest challenge facing PCRS, and all retail coupon clearinghouses, is the decline in the number of paper coupons issued and used. It’s significant because paper coupons still

dominate – 94.5% of the total coupons issued today are the old-fashioned paper free-standing inserts (vs. 1.7% for digital coupons). Total U.S. coupon (paper and digital) distribution was 143 billion for the first six months of 2018, down 12.3% from the same period in 2017; and total U.S. redemption for the first half of 2018 was 925 million coupons, down 14.4% from 2017. Year-over-year paper coupon volume has been in decline for several years now – consumer packaged goods (CPG) coupon distribution was 293 billion in 2017 (off 1.2% from 297 billion in 2016) and total redemption dropped 9.2% in 2017 to 2.065 billion coupons.

The good news is that digital coupons are growing – for the first half of 2018 vs. the first half of 2017, digital coupon distribution rose 24% and redemption was up 6%. But the scale of the growth is not yet sufficient to replace lower paper coupon volume – with 10 million more digital coupons redeemed in the first six months of 2018 vs. 165 million fewer paper coupons used by shoppers over the same period.

But PCRS remains optimistic about the coupon’s future, as it still reigns supreme with manufacturers when it comes to incentivizing product trial and attracting new buyers. Coupons also give manufacturers valuable advertising exposure and encourage repeat purchases or brand switching.

Retailers benefit from couponing too – and by accepting coupons, retailers are doing much more than simply giving the shopper a discount. Couponing helps retailers attract high-consumption shoppers into their stores; moves product; provides shoppers with manufacturer-sponsored incentives and cushions price increases.

Retailers also have a lot to lose if they don’t accept coupons. A redeemed coupon is essentially free money, and free money is highly demanded by today’s savings-driven consumers. A recent Valassis study found that 94% of all consumers have used coupons, with 45% of respondents reporting being very active users. And it’s easy to understand their enthusiasm – in 2017 consumers received a collective \$3.1 billion in coupon savings.

Furthermore, nearly half of all consumers classify themselves as promotion sensitive, and although motivated by many things – from brand loyalty to convenience to shopping experiences – getting a good deal remains the top priority and influences where they shop. Accepting coupons just makes *cents* for retailers and helps to maximize customer satisfaction and loyalty.

For the vast majority of retailers who do redeem coupons, in order to be reimbursed for the free money discounts given to customers, the coupons must be submitted to the issuing manufacturers. Retailers can handle the job themselves, although with hundreds of different manufacturers offering coupons, it's very time-consuming and expensive to sort and tally the coupons by manufacturer, create invoices, mail the coupons to the manufacturers and track and reconcile manufacturer reimbursements. Instead, almost all retailers outsource the work to a third-party clearinghouse, such as PCRS.

Not a current PCRS client? Let us put our decades of experience and retailing perspective to work for you with:

**A LOW PROCESSING FEE:** for only pennies per coupon, PCRS will handle the processing and payment of all paper and digital manufacturer coupons.

**PROMPT PAYMENT:** PCRS pays on time, every time – and offers three payment plans for added flexibility.

**NO EXTRA CHARGES:** PCRS has zero miscellaneous fees and no fee for any manufacturer deductions a store may receive. Many PCRS competitors charge 16 cents or more for each coupon charged back.

**FAST AND ACCURATE PROCESSING:** PCRS utilizes the latest scanning technology, system controls and proprietary payments software to ensure you get paid properly for all coupons submitted.

**SIMPLE SUBMISSION PROCESS WITH NO MINIMUM SHIPMENT SIZE OR FEE:** there is no need to separate, sort or count your coupons. Simply keep them in a safe place after accepting them from customers and submit them to PCRS regularly.

**DETAILED AND CLEAR PAYMENT REPORTING:** the PCRS check and payment reports provide all the data necessary to help you track and manage this important segment of your business.

**EXPERIENCED AND PROFESSIONAL CUSTOMER SERVICE:** PCRS is customer-focused and help with coupon handling best practices, fraud issues and manufacturer deductions is always just a call or click away.

To maximize reimbursement from manufacturers, PCRS encourages its clients to implement several coupon handling best practices: (1) create and advertise a coupon policy that tells customers what coupons the store accepts and under what terms – post the policy at the customer service area and on the web and ensure all front-end personnel know and follow the policy; (2) do not alter the physical appearance of any coupon after accepting it from consumers, other than having cashiers write on the front of any “free product” coupon the amount of the discount given; (3) train cashiers to check every coupon's expiration date and only accept coupons that haven't expired; (4) submit coupons to PCRS at least every four to eight weeks – letting more time go between shipments may result in manufacturers denying payment if they decide the coupons are too far past their expiration dates and (5) secure coupons like cash and package the coupons carefully to ensure they are not damaged or destroyed in transit to PCRS.

Counterfeit coupons are one of the biggest coupon challenges facing retailers today. The current generation of fakes are very high quality and can too easily turn a 50-cent coupon into a \$5.00 offer that is hard to detect at point-of-sale. Most bogus coupons are print-at-home Internet offers for free products or with high values. Counterfeits that aren't caught by the retailer create financial harm because the manufacturer will not accept them for reimbursement. Counterfeits that are detected and rejected at the checkout may alienate the customer, who often is an unwitting participant in the fraud insofar as they downloaded what they thought was a legitimate coupon. Any Internet print-at-home coupon deserves extra scrutiny by cashiers or self-checkout attendants – especially if the coupon doesn't scan at checkout or is for a free item. There are no valid Internet print-at-home coupons that offer a free product or have a face value in excess of 75% of the sale price of the item.

PCRS collaborates with the Coupon Information Corporation (CIC), a not-for-profit association of CPG manufacturers aimed at fighting coupon fraud, to get the word out about counterfeit coupons. We encourage retailers to monitor the latest counterfeit coupon alerts issued by the CIC at:

<https://couponinformationcenter.com>

