

TO: Mr. James Spector

DATE: January 31, 1986

FROM: Dave Mackey

SUBJECT: Coupon Redemption Patterns

Numerous questions have been raised regarding the length of time involved in coupon redemption. Attached is a series of charts that should address some of the concerns that have been voiced. The data is based on all grocery products, and the coupon values were varied. Our own experience will not necessarily follow these examples closely, but they do provide a basis for an overview.

Charts 1-6 show coupon redemption at retail by media. In most cases, heavy redemption occurs over three to four months, and continues at a lower rate for many months beyond that.

Once the coupons have reached retail they must be processed and mailed to Nielsen. The second series of charts (7-10) shows the timing of clearance through Nielsen indicating when the coupons are processed, paid and mailed. Month one on these charts occurs one to three months after the coupon drop. At this level, most of the activity again occurs over the first three or four months, and continues at a lower rate for quite some time.

To cite an example from the Players Lights 25's program, consider the magazine pop-up coupons. These were dropped in late July in Denver and Des Moines. Following chart 1, by December (month 5) 82% of the normal retail redemption would have occurred. At the same time, following chart 7, December should be month three at the clearing house level, and only 27% of the coupons would have been processed and reported. Only now are the quantities getting large enough for Nielsen to begin forecasting final redemption rates for a few publications. During the next several months, a large volume of coupons from this drop will continue to be processed and forecasts for the remaining publications will begin to come in.

POP-UP COUPON REDEMPTION THROUGH DECEMBER
(July Coupon Drop)

<u>Magazine</u>	<u>Denver</u>	<u>Des Moines</u>
	<u>% Redeemed</u>	<u>% Redeemed</u>
Time	0.2	0.9
Newsweek	0.2	0.8
Sports Illustrated	0.3	0.6
U.S. News	0.4	-
People	0.3	0.9
Better Homes & Gardens	0.3	0.4
Ladies Home Journal	0.5	0.3
McCalls	0.3	0.6
Redbook	0.6	1.3

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In short, three primary factors influence the redemption process:

- Consumers do not redeem coupons immediately. Many people hold them over a relatively long period of time.
- Many retailers do not process and submit coupons quickly. While large retailers tend to submit rapidly, a large quantity of coupons flows at a much slower rate.
- Nielsen requires 21-28 days from the receipt of coupons to the mailing of checks. From what we have been told by other clearing houses, this is the industry norm.

Clearly, we are all anxious to learn from our early couponing experiences. It is apparent, however that we will continue to operate without accurate data for some months to come. Until we gain significant experience, we will not know what is normal for our coupons and our products.

I hope this report will be informative to you now, and a useful reference until we have our own data to work with. If you wish to discuss this, or would like additional information, please let me know.



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