



2022 Digital Promotions Report

**YOUR GUIDE TO BUILDING HIGH-PERFORMING
PROMOTION CAMPAIGNS**

Table of Contents

- 02** EXECUTIVE SUMMARY
- 03** INTRODUCTION
- 04** FIVE KEY VARIABLES OF PROMOTION PERFORMANCE
- 07** THREE PHASES OF THE PROMOTION JOURNEY
- 13** RESEARCH FINDINGS & HOW BRANDS CAN ACT ON THEM
- 18** THE QUOTIENT APPROACH
- 19** CONCLUSION

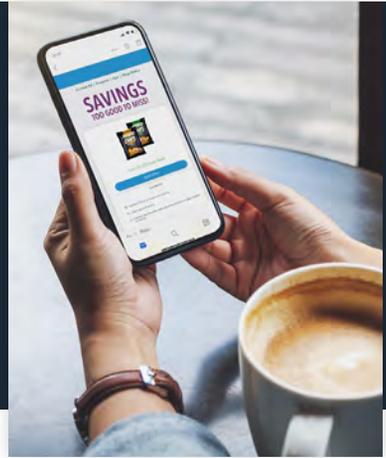
Executive Summary

To better understand how the characteristics of a promotion can influence activation, redemption and impact, Quotient conducted a three-year study of more than 100,000 promotion offers across multiple channels. Our findings reveal the most important variables of high-performing promotions and guide our recommendations and forecasting models for brands and advertisers.



“

Digital enables brands to target and deliver their promotions to value-driven consumers who are most likely to be interested in a specific product or category.



2022 DIGITAL PROMOTIONS REPORT

Introduction

Promotions—also commonly referred to as coupons, discounts, offers or rebates—are ubiquitous in the lives of consumers. Originally implemented through printed coupons delivered in newspapers, magazines, booklets or direct mail, promotions have expanded to digital formats and are now served via curated apps and websites, retail galleries and redeemable coupon codes.

Today, advertisers can maximize promotion performance with the data-driven capabilities of digital promotions. Digital enables brands to collect and leverage datasets of buying behavior

and demographic information. Empowered by these insights, brands can then target and deliver their promotions to value-driven consumers who are most likely to be interested in a specific product or category. Furthermore, by closely examining data around promotion activation and redemption, advertisers can fine-tune their promotion strategy to be as effective and efficient as possible.

Keep reading as we explore what matters most when designing a promotion campaign and the variables brands can manipulate to increase promotion performance.

» DIGITAL PROMOTIONS:

Any offer that is delivered via digital platforms, including web, mobile, and in-app.



2022 DIGITAL PROMOTIONS REPORT

Five Key Variables of Promotion Performance

When advertisers plan promotion campaigns, their ultimate goal is to increase sales by designing an offer that is attractive enough to inspire consumers to activate and redeem while still being cost-effective for the advertiser to run. However, the path advertisers take to achieve that goal can vary and often requires a balancing act of precision and scale.

Based on our study of more than 50 variables and their impact on promotion performance, below are the five most important ones for brands to understand and consider in their planning.

» ACTIVATION:

Activation refers to consumers' initial interest in a promotion when they clip or activate an offer. Activation velocity is a measurement calculated by dividing the number of activations by the number of days a promotion is available to consumers.



01. Category

Category indicates the type of product featured in the promotion—whether that be dish soap, canned soup, bottled water, etc. Category is a high-level performance variable that describes the product itself, independent of the brand or package size. Of the five key variables of promotion performance, category is the only one that can't be adjusted during the promotion.

02. Scale

Scale refers to the reach of the promotion, influenced by whether it is a shopper marketing campaign (available only at specific retailers) or a national campaign (available at all retailers). National campaigns inherently have more scale than shopper marketing campaigns, but brands can increase the reach and scale of shopper efforts by including more retailers in the campaign design. Shopper marketing campaigns can come to life as single-retailer campaigns or even channel campaigns that are available at all drug retailers or all grocery retailers, for instance.. While scale does not necessarily translate into better results, it does allow advertisers to more accurately predict the impact that their promotions will drive.





03. Offer Value

Offer value describes the monetary value of the promotion. For example, if a consumer receives a promotion for \$1 off a \$10 product, then the offer value is \$1.

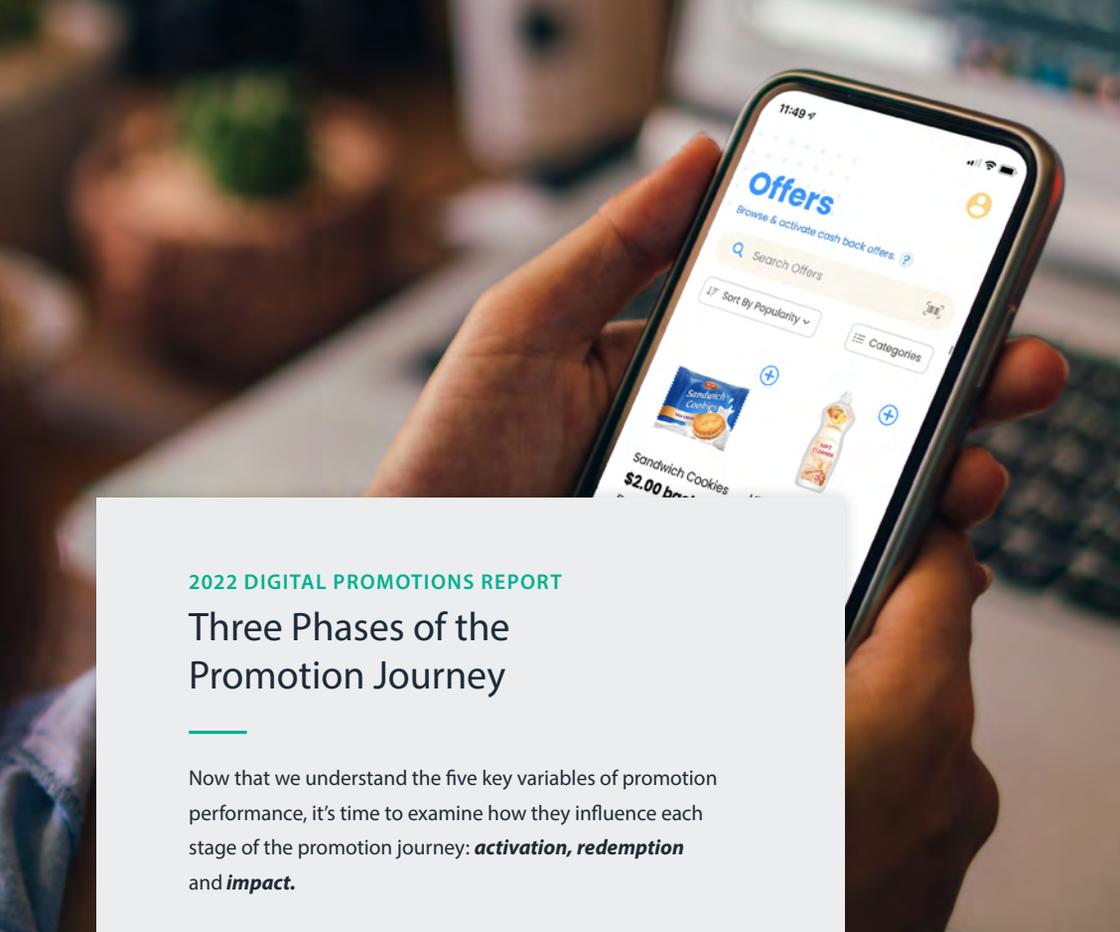
04. Effective Discount

Related to offer value, **effective discount** describes the percentage off that a consumer is receiving relative to the full value of the product. If we take the same example of a \$1 off promotion for a \$10 product, then the effective discount for that offer is 10%. For an offer of \$1 off a \$2 product, however, the effective discount would be 50%.



05. Required Purchase Quantity

Required purchase quantity is the number of individual products a consumer must purchase to qualify for the promotion. Think of this like a “Save \$1.00 on Two” deal in which the required purchase quantity is two.



2022 DIGITAL PROMOTIONS REPORT

Three Phases of the Promotion Journey

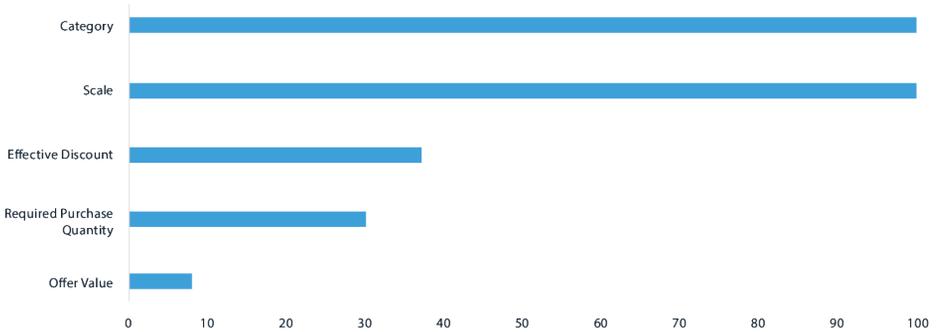
Now that we understand the five key variables of promotion performance, it's time to examine how they influence each stage of the promotion journey: **activation**, **redemption** and **impact**.

Consumers can activate promotions prior to or during their shopping trip. For brands, this means that they need to catch the consumer's attention when they are planning their shopping trip or are actively in the store. Then, they must convince the consumer to purchase their product and redeem the offer when they go to check out.

One advantage of digital promotions is that activation can be measured through the "digital clip" of the promotion whereas paper promotions can only provide redemption data. Activation measurement gives brands insight into what strategies are working during this first critical step of the campaign and allows them to optimize current and future promotions.

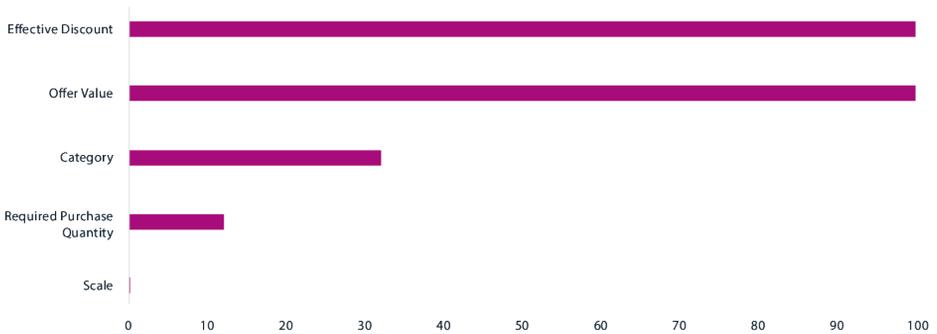
ACTIVATION

Relative Importance of Key Variables to Activation Velocity



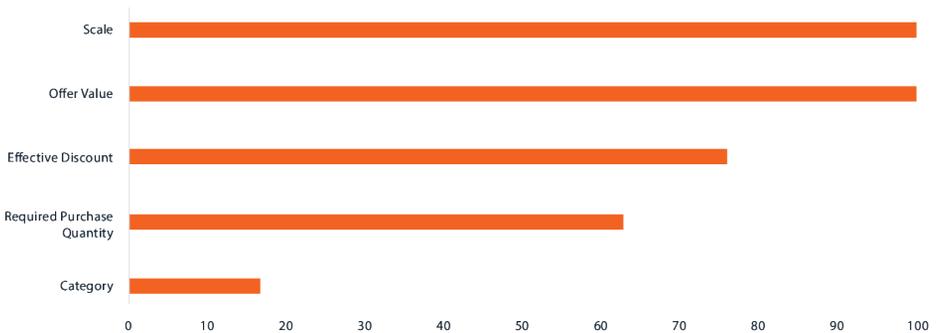
REDEMPTION

Relative Importance of Key Variables to Redemption Rate



IMPACT

Relative Importance of Key Variables to Incremental Dollars Per Activation



The importance of each promotion performance variable depends on the stage of the promotion journey.

Phase 01: Promotion Activation

THE CONSUMER ACTIVATES THE OFFER BY CLIPPING OR SAVING

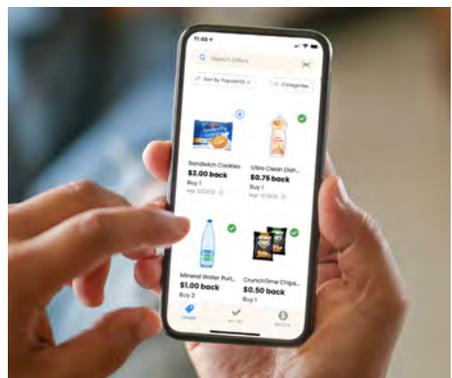
When it comes to convincing consumers to activate a promotion, **category** reigns supreme, followed closely by scale, effective discount, required purchase quantity and offer value.

Simply put, consumers generally activate promotions for product categories they are already interested in. This is why purchase behavior, audience targeting and personalization algorithms are so important when designing a promotion campaign. [Brands must understand their audience on a one-to-one level in order to accurately target them with offers that the consumer will find compelling enough to activate.](#)

Scale ranked as the second-most important performance variable influencing activation. Our findings indicate that scaled campaigns—whether national or shopper marketing—drive more consistent and predictable levels of activation because of their ability to reach more people. A larger audience results in greater performance predictability and allows brands to focus their efforts on the tactics that work best for them. Our study observed that national campaigns attracted the highest level of activation within the beverage, food and healthcare categories. By contrast, shopper marketing

campaigns saw their highest activation in personal care, household and pet care.

Ultimately, consumers seek value, so it's not surprising that **effective discount** ranked as the third-most important variable for promotion activation. Our results suggest that consumers understand the relationship between **offer value**, **required purchase quantity** and the price of the promoted product because their interest increases for promotions offering higher effective discounts. Therefore, presenting a compelling effective discount should be a top priority when designing promotion campaigns to ensure consumers clip the offer and add the brand to their shopping lists.



Phase 02: Promotion Redemption

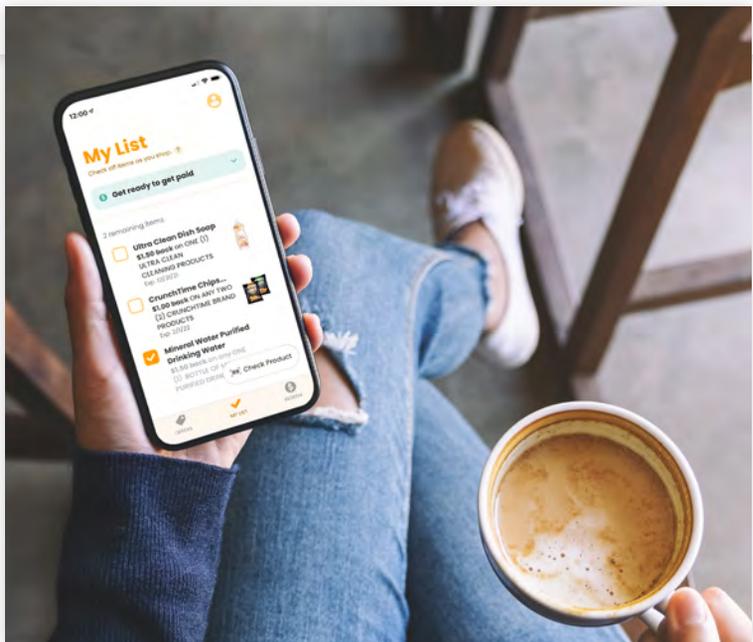
THE CONSUMER REDEEMS THE OFFER AT THE POINT OF SALE

Once a consumer has activated the promotion, the **effective discount** is the most impactful way for brands to convince them to redeem, followed by offer value, category and required purchase quantity.

Consumers are savvy when it comes to assessing the perceived value of a promotion, which is why **effective discount is the most significant performance variable for incentivizing promotion redemption**. When designing promotions, advertisers must strike a balance between an

effective discount that is compelling enough to convince the consumer to redeem the offer while still being efficient enough for the advertiser to run.

Offer value presents a similar trade-off. When analyzing the relationship between offer values, effective discounts and redemption rates, we found that even when offer value is high, consumers are less likely to redeem if the effective discount is insufficient relative to the price of the product.



AVERAGE PRICE VS. AVERAGE OFFER VALUE AND REDEMPTION RATE



Redemption rate declines if the offer value doesn't keep pace with the price of the product.

When influencing promotion redemption, **category** becomes more important than the purchase quantity required for redemption. Some categories may not lend themselves to bulk purchasing when the required purchase quantity is beyond what the consumer may use during the purchase cycle. For example, many consumers

are unlikely to stock up on fresh produce but they may be more willing to purchase multiple units of canned or frozen goods. Determining the **required purchase quantity** requires brands to understand how often their products are typically purchased and used by consumers.

Phase 03: Promotion Impact

THE ADVERTISER EVALUATES THE MEASURABLE OUTCOME FOR THE BRAND

Advertisers want to have confidence that their planned promotion spend will achieve a positive return on investment. By looking at prior campaign results, brands can more accurately predict how well their promotions will perform within a given period. Furthermore, **time-frame-based planning allows brands to coordinate their promotion efforts with retailer merchandising and other consumer touchpoints to drive stronger outcomes.**

A standard measure of promotion impact is incremental dollars per activation, or the amount consumers spent on a product during a promotion above what they would have spent had they not engaged with the offer. The most important variables driving promotion impact are scale, offer value, effective discount, required purchase quantity and category, in that order.

Scale ranks as the most significant variable for promotion impact, and promotions that are

scaled—generally national and multi-retailer campaigns—generate more consistent results because of their ability to reach more consumers. This doesn't mean that national campaigns necessarily deliver better results than shopper marketing campaigns, but **promotions of greater scale provide advertisers with more consistent and predictable results.** If a brand cannot execute a promotion nationally, increasing the reach from a single retailer to a single channel can decrease the variability of the promotion's forecasted impact.

Offer value also plays an important role in promotion impact since lower offer values will yield higher returns to the brand—but only as long as consumers activate and redeem. **Effective discount** closely follows offer value in importance given its critical role in driving activation and redemption.

» MEASURING PROMOTION IMPACT:

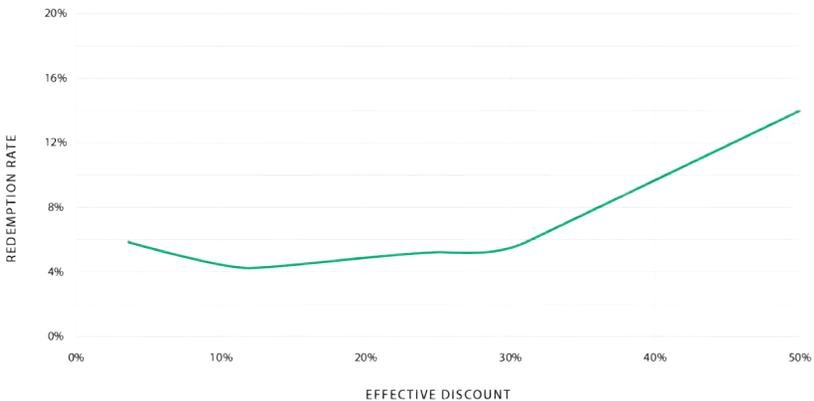
Promotion impact is commonly measured by incremental dollars per activation, or the amount consumers spent on a product during a promotion above what they would have spent had they not been exposed to the offer.

Research Findings & How Brands Can Act on Them

Now that we've laid out how each of the five key variables impact performance during the promotion journey, it's time to get into specific recommendations for brands. Below are three ways that you can put these findings into action.

01. Test and learn to understand the minimum effective discount needed to persuade consumers to activate and redeem a promotion.

EFFECTIVE DISCOUNT VS. REDEMPTION RATE



Redemption rate increases dramatically when the effective discount rises above 30%.

In addition to its significant impact on activation, **effective discount** is the primary driver of promotion redemption. While the data shows a steep increase in activation for effective discounts over 20%, it takes more to motivate consumers to redeem an offer. Effective discounts of 30% or more have the strongest influence on redemption.

However, because effective discount is the most important of the three variables for promotion

redemption, we recommend first understanding which effective discount will appeal to consumers in your category. Our research shows that activation rates increase steeply as effective discounts climb from 20% to 40% but continue at a slower pace at 50% and higher. When considering **category**, the results also show that products with higher price tags require higher effective discounts to influence activation.

EFFECTIVE DISCOUNT VS. INCREMENTAL DOLLARS PER ACTIVATION



Promotion impact, measured by incremental dollars per activation, increases steeply as effective discounts climb from 20% to 40% but continue at a slower pace for effective discounts of 50% and higher.

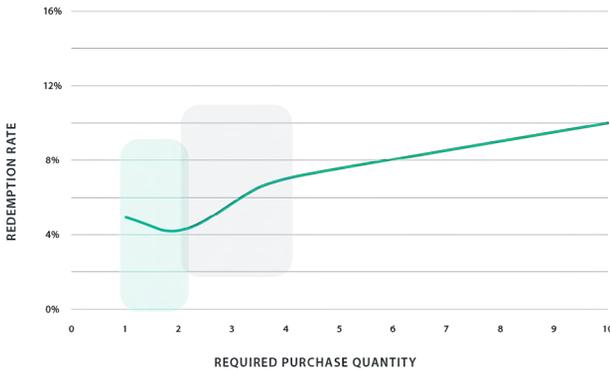
» RECOMMENDATION:

Plan the effective discount first—before offer value or purchase requirement—to better influence activation. Begin testing at 20% to find an effective discount that appeals to consumers.

02.

Evaluate the required purchase quantity alongside category when designing a promotion campaign.

REQUIRED PURCHASE QUANTITY VS. REDEMPTION RATE



Redemption rate increases for offers with a required purchase quantity of three or more, showing that consumers who activate those offers are more likely to redeem them. In suitable categories, advertisers can leverage higher required purchase quantities alongside attractive effective discounts to move a higher volume of redemption units.

Promotion impact, measured in incremental dollars per activation, sees significant increases when the offer has a required purchase quantity of two or three.

INCREMENTAL DOLLARS PER ACTIVATION FOR COMBINATIONS OF EFFECTIVE DISCOUNT AND REQUIRED PURCHASE QUANTITY



Carefully assessing the **required purchase quantity** is essential for effective promotion design.

When done right, a higher purchase quantity can increase promotion impact by 40% to 100%.

Our analysis shows that consumers will assess the required purchase quantity of the promotion based on the category and their typical buying habits. This is one explanation for why **category** ranks higher than required purchase quantity when it comes to influencing promotion redemption. For some categories, such as perishable foods, increasing the purchase quantity above normal buying behavior decreases the overall promotion redemption rate.

After all, there is only so much cheese a family can consume in a week. By contrast, brands can increase the required purchase quantity for nonperishable items—such as canned cat food and other shelf-stable products—while still seeing attractive promotion redemption as long as the effective discount remains compelling.

Raising the required purchase quantity from one to two presents the biggest barrier for consumers. If the category and value are deemed sufficient, however, the consumer will readily activate and redeem promotions that require them to purchase multiple products in order to redeem the offer.



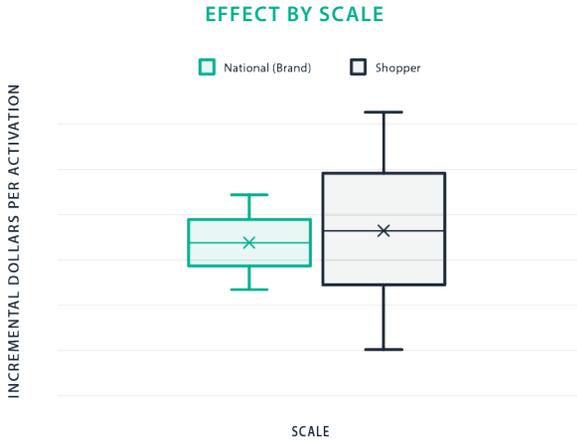
» RECOMMENDATION:

For brands in categories where consumers can stock up, include multiple unit purchase requirements while also ensuring that you're offering an appealing effective discount.



03.

Increase the scale of campaigns in order to improve consistency and predictability of campaign results.



National campaigns deliver more consistent incremental dollars per activation than shopper marketing campaigns, giving advertisers greater confidence in forecasted outcomes.

While national and shopper marketing campaigns deliver similar average incremental dollars per activation, our findings show that promotions with greater **scale**—whether a national campaign across all retailers or a channel campaign across multiple retailers—deliver more consistent results due to their ability to reach more consumers. In this study, promotion impact was measured in incremental dollars per activation.

Consistency in promotion results gives advertisers a higher degree of confidence in forecasted outcomes and their ability to reach specific consumer types. Furthermore, it's valuable in budget planning if brands can anticipate that the promotion will remain live for the full duration of the campaign.

» RECOMMENDATION:

If forecasting accuracy and predictability are priorities, start by testing offer designs in a scaled campaign—whether national or multi-retailer—to understand what level of effective discounts drives consumers to activate and redeem before developing more targeted plans that focus on specific business objectives.

The Quotient Approach

At Quotient, we use a duration-based forecasting model to plan our promotional campaigns. This model is powered by historical data and machine learning to produce accurate estimates of promotion performance within a given time frame.

In order for brands to effectively plan promotions and activate against their goals, they need to have confidence in how long the promotion will run and how many redemptions they can expect. By focusing on a duration-based strategy rather than one based on activation, brands ensure their offer remains live long enough to reach consumers throughout the purchase cycle and influences both planned and impulse purchases.

Our process begins by working with brands to align on campaign length and desired KPIs. Then, using machine learning to weight historical category and brand attributes, our forecasting model delivers an up-to-date estimate of expected promotion performance within the brand's timeline.

Using this model reduces the potential for a promotion to over-redeem and helps to ensure it remains live for the duration of the campaign. In turn, this empowers brands to confidently support their promotions with media, retail merchandising events and consumer activation touchpoints across platforms.

“By focusing on a duration-based strategy rather than one based on activation, brands ensure their offer remains live long enough to reach consumers throughout the purchase cycle and influences both planned and impulse purchases.”



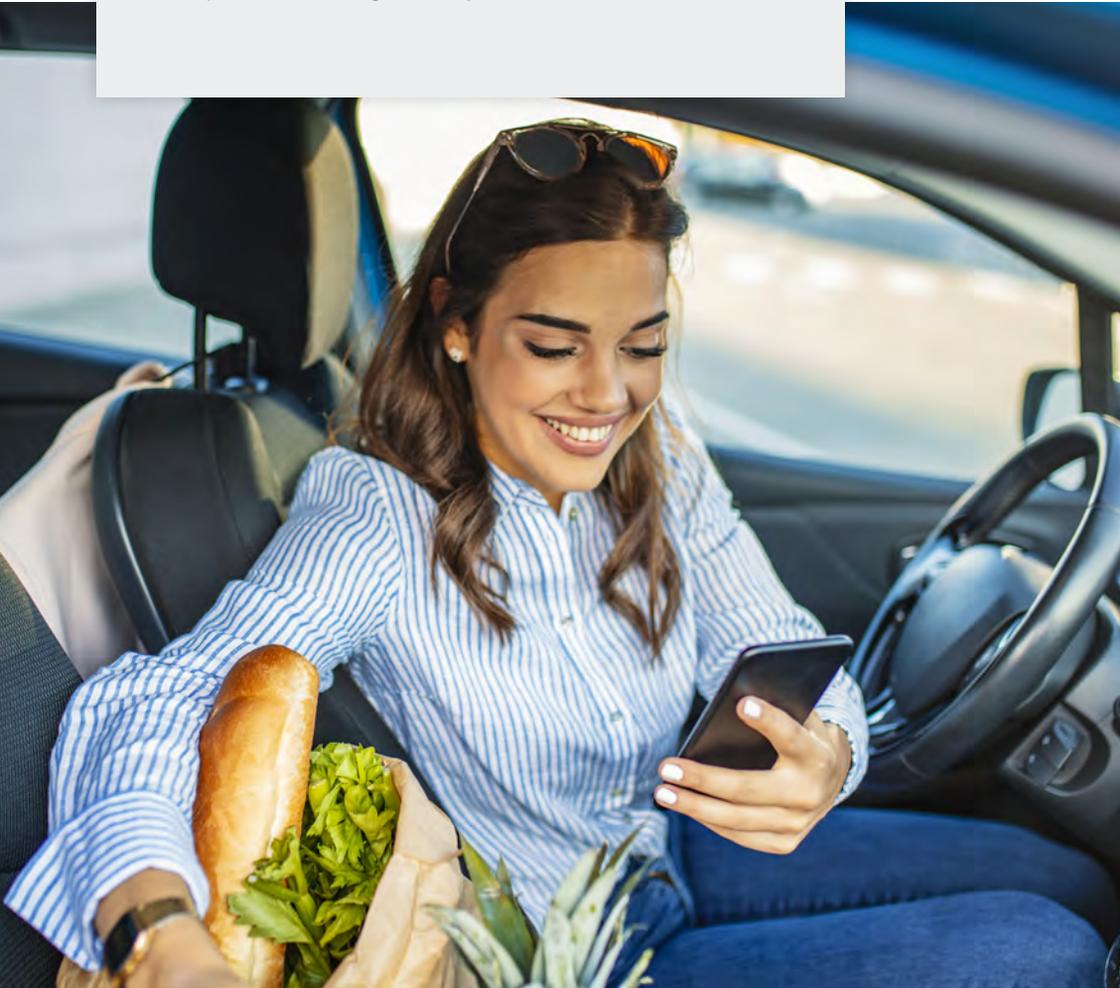
For further information, visit quotient.com or contact us at general@quotient.com

2022 DIGITAL PROMOTIONS REPORT

Conclusion

Ultimately, there are important trade-offs and best practices to consider when designing an effective promotion campaign. We hope this report offers valuable insight when it comes time to plan your brand's next promotion.

To better understand how our duration-based strategy rewards high-performing promotions built on the principles in this report, contact us at general@quotient.com.



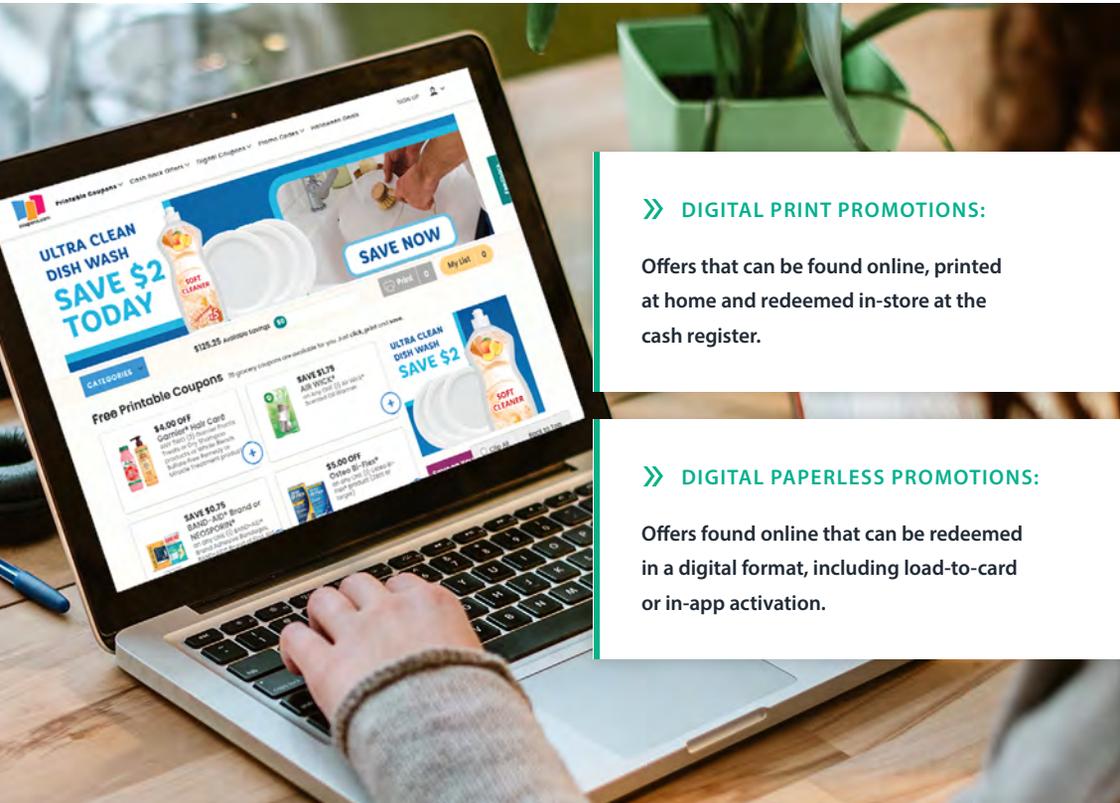
Methodology

We analyzed 111,131 promotion offers from 37,000 campaigns between January 2017 and January 2020 to understand how different variables impact promotion activation, redemption and impact. The study included 300 consumer packaged goods (CPG) companies representing more than 800 brands and 128 product categories across drug, grocery, mass merchandiser and dollar stores.

During the study period, consumers activated promotions across a digital ecosystem—whether through a retailer's app or website or on

Coupons.com—and could redeem the offers in a variety of ways, including digital print or digital paperless options.

Ultimately, the analysis considered over 50 unique input variables to identify the most important drivers of promotion performance and ranked their impact at each stage of the promotion journey. The conclusions presented in this report form the basis of Quotient's promotions offering, which uses machine learning and historical data to produce accurate, up-to-date estimates for campaign performance.



» DIGITAL PRINT PROMOTIONS:

Offers that can be found online, printed at home and redeemed in-store at the cash register.

» DIGITAL PAPERLESS PROMOTIONS:

Offers found online that can be redeemed in a digital format, including load-to-card or in-app activation.

Appendix:

Activation references consumers' initial interest in a promotion and is measured by activation velocity.

Activation velocity is calculated by dividing the number of activations by the number of days a promotion is available to consumers.

Category is a high-level performance variable that describes the product on promotion, independent of brand or package size.

Channel refers to the type of store, such as grocery, drug, dollar or mass merchandiser.

Digital promotions refer to any offer that is delivered via digital platforms, including web, mobile and in-app.

Digital print promotions are offers that can be found online, printed at home and redeemed in-store at the cash register.

Digital paperless promotions are offers found online that can be redeemed in a digital format, including load-to-card or in-app activation.

Effective discount is the percentage savings calculated by the offer value divided by the full price of the product.

Impact is the final stage of the promotion journey in which the advertiser evaluates measurable outcome for the brand. Impact is commonly measured by incremental dollars per activation.

Incremental dollars per activation is the amount consumers spent on a product during a promotion above what they would have spent had they not been exposed to the promotion.

National campaigns are available at all retailers, giving these promotions greater scale and more consistent performance results.

Scale describes the size and reach of a campaign. National campaigns have the greatest scale, while shopper marketing campaigns can be limited in scale.

Offer value is also known as face value; this is the dollar amount representing the discount a consumer will receive when they purchase the promoted product.

Promotion impact describes how well the promotion performed relative to the advertiser's budget and is commonly measured by incremental dollars per activation.

Redemption references the consumers' committed interest in a promotion and occurs when the consumer converts by redeeming the promotion at the point of sale.

Redemption rate is calculated by dividing the number of redemptions by the number of activations.

Required purchase quantity is the number of units a consumer must purchase before redeeming a promotion.

Shopper marketing campaigns are limited in scale and can come to life as single-retailer campaigns, regional campaigns or even channel campaigns that are available at all drug retailers or all grocery retailers, for instance.

Subsidizing occurs when a consumer activates and redeems a promotion for a product they would have purchased even without the influence of the promotion.



Get in touch:



quotient.com

general@quotient.com