

PMGUIDE

2016 PERFORMANCE MARKETING GUIDE

Voucher and Incentive Strategy

IN ASSOCIATION WITH



VOUCHERBOX
.co.uk

Over the past number of years, the “incentive” part of the affiliate mix has gone through a vast array of changes, at the same time cementing itself as one of the leading drivers of advertiser revenue.

Coming to prominence during the global financial crisis that kickstarted in 2007, voucher code and incentive publishers have proven to be a driving force within the affiliate industry and continue to deliver just over 50% of revenue on affiliate programmes, according to statistics from Affiliate Window.

With the demand for continuous discounts, retailers are evaluating their strategies and reviewing how best to leverage the massive reach and revenue-driving potential that incentive publishers possess.

Highlighted by the recent insolvency of BHS, brands need to strategically evaluate not only their level of discounting, but also the goals they seek by engaging with these publisher types to ensure that incremental and long-term value can be generated.

Publisher types

Generally speaking, there are four types of publishers within the incentive category, each carrying their own unique proposition to consumers.

Voucher code publishers offer discounts to consumers based upon an alphanumerical code which users can submit within the shopping basket of a given retailer. These groups regularly promote an assortment of deals and promotions which may be of interest to these users. Consumers can enjoy the largest discounts available within this sector, although many are time-sensitive to capitalise on key periods.

Cashback publishers utilise the commission provided by advertisers for sales generated and pay this back to the user. Some cashback sites offer up to 105% of the commission awarded back to the user to acknowledge their loyalty. Whilst the discounts from cashback sites may not be as high as those for voucher codes, they do have the benefit of being always available.

Loyalty publishers reward consumers with points for the purchases they make with participating retailers, allowing the users to trade their points with products, services and even gift cards. Whilst the points may not have a direct correlation to their intrinsic real-world value, consumers enjoy saving their points to purchase available products.

Influencers are a new entrant into the incentive space. Their involvement is a bi-product of brands wanting to improve the measurement of what they do with celebrities and other figures carrying a high degree of respect among certain audiences. They utilise their followings on social platforms like Twitter and Instagram to connect brands with their fans. Here's an example featuring 'Breaking Bad' star Aaron Paul promoting car-sharing service Uber to drive new customers.



It is also worth mentioning that the lines between the different types of incentive publishers have continued to blur as they mix their business models, with cashback sites offering voucher codes and vice versa. This means it may become difficult for advertisers and the industry to determine the type of a given publisher, which is important when aligning commission rates.

Getting your strategy right

Due to the inherent size of the incentive sector, it is vital that advertisers have a thoroughly reviewed strategy for their campaign to ensure the sought ROI is achieved and all stakeholders appreciate its ability to deliver value to their bottom line.

Whilst voucher code and incentive publishers may not be a strategic fit for all brands (think premium outfits looking to safeguard their prestige) advertisers seeking to drive revenue volume or engagement with a specific type of user will often turn to these sites to achieve their goals. When combined with specific focus of the promotion, these channels can prove to be extremely rewarding and beneficial.

The below scenarios include relevant strategies for the voucher code industry, although the tactics can be applied to other incentive sites as well.

Scenario one: Driving maximum revenue

Consumers love a bargain and receiving a discount on their purchase is music to their ears. By offering a discount on all sales, you ensure that your campaign appeals to as many potential consumers as possible and does not rule out specific segments unnecessarily.

An example of this promotion would be “20% off everything” with no minimum spend exclusions.

When employing this strategy it is vital to consider available margins and whether the given level of discounting can be sustained.

Scenario two: Increasing average order value (AOV)

While discounting and increasing the average order value may sound like a conflict of interests, it is a strategy regularly employed within the voucher code industry, particularly amongst premium brands.

By evaluating the average order value when not discounting, advertisers can utilise this knowledge to employ minimum order values on provided discounts to encourage people to spend more and take advantage of the discount.

When employing this strategy, it's important to carefully analyse the minimum spend requirements for the promotion and ensure the increased value is not too high, which could inadvertently turn the consumer away from taking advantage.

Scenario three: Attracting specific user segments

Retailers often seek to attract a specific type of user, like new customers or students, with their campaigns. These user segments are valuable to retailers as it increases their share of a given target market, or exposes more users to their products or services.

It may sound obvious, but when employing this strategy it is critical that any codes or incentives which are issued to entice these users are only functional for the given segment. Utilising a voucher code which is promoted as being only available for new customers, when it actually functions for all users regardless of their status, runs the risk of being shared socially as the user enjoys the thrill of gaining bargains they shouldn't normally have.

Scenario four: Raising awareness of a product or range

Many advertisers are attracted to incentive publishers to drive sales for a given product or range. Whilst the primary channels of these publishers tend not to be the most effective way to gain the desired awareness, especially if it is a new product or range, the secondary channels, such as social media and email marketing, are highly effective.

By turning to influencers and their marketing capabilities, recommendations are seen to be more trustworthy than if they were delivered via the retailer's own marketing communications, and when combined with an incentive, they become hard to resist.

Scenario five: Exclusive promotions

In order to achieve certain goals, advertisers will offer exclusive voucher codes or cashback rates to publishers to secure increased exposure. This is particularly appealing to publishers as it provides them with an edge over the competition, and when implemented strategically, can drive significant value.

As with all the above, having clear communications regarding the campaign details and expectation is critical to a successful program. Due to the [IAB's Voucher Code of Conduct](#), discount publishers are required to make full details regarding an offer available to users. Unfortunately these aren't often communicated to them, requiring additional resources on both the advertiser and publisher side to ensure that consumers are correctly informed.

Discount types

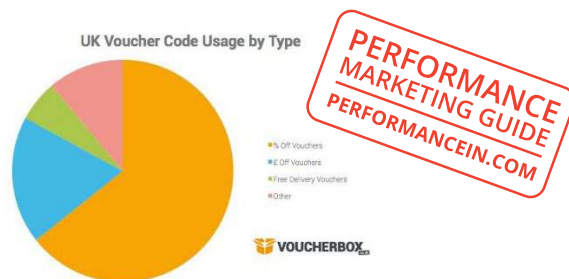
There are countless options and variations of the discount values which retailers can utilise to drive revenue. Three primary tactics are:

1. Fixed value discount, such as £40 off
2. Percentage value discount, such as 40% off
3. Free benefit discount, such as free delivery, free gift, buy one get one free or free gift card

Within these values, retailers further utilise various restrictions in order to focus upon delivering internal goals. These may include minimum order values, new customer restrictions, validity only on selected ranges or products and validity in conjunction with other selected products.

Whilst these are only restricted by creativity and technical possibilities, each option must take into account strategic goals and should be used with caution.

In regards to the usage of these codes, discounts which subtract a relative percentage are by far the most popular with retailers, primarily due to their constant value to consumers in comparison to fixed value discounts, which have decreasing value as consumers increase their spend.



Considerations

Now that you have a strategy in place which aligns with the goals of your business, it's vital to keep on top of developments within both the industry and the economy.

The tightening of consumer spending power will inevitably continue to result in higher expectations on retailers to discount, and offer more for their purchases.

However, technological advances continue to force a change of approach by retailers. As multi-channel experiences attempt to drive retailers towards rethinking their internal strategies, voucher and incentive publishers are also fine-tuning what they can offer to brands.

By providing more engaging mobile and in-store propositions, retailers can capitalise on an always-online generation which demands more for its money. With so many groups now reporting that mobile is contributing over [50% of their traffic](#), it becomes paramount to reevaluate how this affects the business, and how incentive sites are used.

PMGUIDE

2016 PERFORMANCE MARKETING GUIDE

PRODUCED BY

Performance IN

"We are a publisher and curator of content focused on maximising the potential of performance marketing. We connect and engage with our community whilst facilitating industry debate, education and rewarding innovation, success and best practice."

ORGANISERS OF THE PERFORMANCE MARKETING AWARDS



Entries Close January 27