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GROUPON GOES INTO SUPERMARKETS VIA LOYALTY CARDS

Deal Has 'Potential to Revolutionize Grocery-Marketing Landscape'

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Groupon is joining two Boston marketing-services and analytics firms to get deeper into the traditional grocery coupon business with a test today by Springfield, Mass.-based Big Y in a program expected to be joined by other supermarket chains and ultimately packaged-goods brands.



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In a first for Groupon, today's Big Y deal in Massachusetts uses supermarket loyalty cards to conduct the transaction. Shoppers can get a \$39.99 seafood grill pack with lobster tails, clams, mussels and other seafood for \$24, with the prepaid deal loaded into their accounts and reflected at checkout.

The Massachusetts model moves Groupon toward far more direct competition with big traditional coupon players Valassis Communications and News Corp.'s SmartSource and potentially removes key obstacles that have kept it out of the multibillion-dollar national-promotion budgets of packaged-goods marketers.

It also creates the possibility of Groupon as a retailer-driven promotion, allowing chains with big loyalty programs like Kroger Co., Safeway, CVS or Walgreens to become conduits syndicating deals across multiple supplier brands and categories.

The first CPG Groupon deal with General Mills in San Francisco and Minneapolis involved shipping a basket of products direct to consumers. That requires bypassing traditional retailers -- a proposition that could rankle CPG players' main distributors -- and a marketer with a broad enough assortment of brands to get consumers to buy a lot of products at once, \$40 worth in General Mills' case.

Groupon is working on the project with HaloEffect, a Boston marketing firm that has served as a consultant to the company since 2009, and Incentive Targeting, a Cambridge, Mass.-based promotion analytics and software firm.

U.S. consumers spend \$550 billion annually on groceries, and CPG companies spend \$35 billion annually on marketing and promotion, said Tom Schneider, president of HaloEffect in a statement, adding that he sees the partnership "having the potential to revolutionize the grocery-marketing landscape."

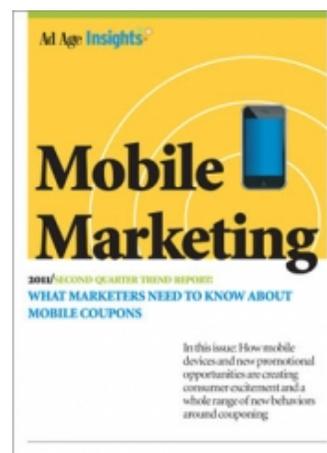
Other retailers and packaged-goods companies are expected to participate in similar deals in the weeks ahead, said Ben Sprecher, VP-marketing of Incentive Targeting, who said using loyalty cards as a fulfillment mechanism solves a host of problems that prevented use of Groupons at supermarkets or by most CPG players up to now.

Using supermarket loyalty programs eliminates the fraud concerns that have kept some big CPG players like Procter & Gamble Co. from using print-at-home internet-distributed coupons, Mr. Sprecher said, and required approval from a manager for redemption of other high-value coupons at supermarkets in the past.

Using loyalty data also will allow supermarkets and CPG brands to answer another key question that has dogged Groupon in other sectors of its business -- whether these deep-discount deals really pay out in the long run, Mr. Sprecher said.

The retailers, and, provided they're given access to the data, CPG brands, will be able to see how shoppers' prior purchase patterns were altered after using the Groupon.

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