

## Are Coupon Sites Ideal for Small Businesses?

Coupon sites such as Groupon, LivingSocial, and MyBestFriendStacey have become a recent trend among local businesses, but are these coupon sites a worthwhile endeavor for small businesses? Many small businesses view coupon sites as a way to increase their customer base because they offer a wide audience of locals who have opted-in to receive offers. It is true that coupon sites are a great tool to create awareness about a company and encourage consumers to try a service or product; however, the current challenge of small businesses is that many coupon users don't translate into loyal consumers.

Research by Utpal Dholakia, a professor of management at Rice University, has shown that only 20% of consumers who use a coupon from a coupon site become repeat customers. The survey found that consumers were most likely to become loyal customers when using coupons for photographers, education services, health and fitness services, tourism-related services, doctors and dentists. Cleaning services, retailers, restaurants and bars proved to be less profitable when using coupon sites. Most likely consumers are less invested in these areas and are just looking to grab the best deal from week to week.

In order to make coupon sites effective for your small business, you must first determine your intended result and set precise goals to that end. Next, ensure the structure of the coupon is in line with those goals. The benefits that coupon sites offer businesses include: brand awareness, measurable ROI, larger customer base and convenient marketing. As Charles Gaudet, CEO of PredictableProfits.com, stated on August 20, 2012, "Daily deal sites are a double-edged sword, and unless they are structured properly, they're likely to produce more harm than good." It is also important to keep in mind the financial break-even point on your product or service to determine if using a coupon site fits within your margins. Most coupons sites require close to a 50% discount on your product or service, keeping 25% and giving a 25% discount to the consumer.

When using a coupon site to increase brand awareness, your small business should always couple the coupon with other marketing tactics to help retain those customers. For example, if a small business has a loyalty program, the business should push to inform those consumers using a coupon about the program with the intent to persuade them into becoming repeat consumers.

Coupon sites can have a positive outcome for your small business when paired with a well thought out strategy and clean execution. To receive the optimal benefits from coupon sites we encourage you to set precise and attainable goals and integrate other marketing tactics into your execution.

