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Macy's cuts coupons, sales tank

Terry J. Lundgren, the retailing whiz-kid who bought out Federated Department Stores and rebranded them nationwide as the 410 Macy's stores, cut way back on couponing, heeding the advice of California marketing consultant Peter Sealey:

"The traditional paper coupon is going to die," Sealey counseled.

Sealey had company. In 1999, Jay Walker — whom The New York Times once called a man who "could sell Viagra to a eunuch" — stunned 2,000 attendees at New York's Direct Marketing Days by describing a revolutionary direct-marketing business model, based on Internet communications, that would all but eliminate printed promotions.

At the end of Walker's talk, according to the Times, the entire audience "was ready to slash its collective lists."

Fortunately, writes veteran marketer Denny Hatch, Walker was dead wrong.

Hatch writes that coupon promotions have survived and thrived. He points out that:

- Coupons are "hot potatoes" — attention-getters that spur potential customers to buy now, while the getting is good. They make an urgent offer that is hard to refuse.
- They arrive conveniently in the home or workplace
- They serve as physical cues to buy
- They enjoy definite perceived value
- They save money
- They serve to guarantee — especially if properly designed — that the money-

Web couponing may be convenient and cheap for marketers, but won't move anywhere near the amount that paper coupons will.

— Denny Hatch

saving discount will be honored

Coupons move merchandise. That is why marketers distributed 270 billion coupons in 2006 alone — or 2,500 certificates for every U.S. household. Which did not keep Macy's boss Lundgren from bucking the trend. He slashed Macy's couponing.

The tactic backfired badly, the Times reports. "With fewer coupons to clip, thousands of people from Washington to Los Angeles turned their backs on Macy's."

"Sales at Macy's tanked all across the country, and the stock plummeted 40%."

Though couponing offers are rife on the Internet, only about 12% of the 175 million U.S. Internet users take advantage of them, according to authoritative reporting firm comScore Media Metrix. The rest of American consumers quite happily peruse coupons they receive in the mail or in newspapers and magazines.

Macy's top management, according to Denny Hatch, goofed by ignoring the three cardinal rules of direct marketing:

- Test everything.
- See Rule #1.
- If it ain't broke, don't fix it.

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