

Advent of Cut-Price Coupons

By Yoshinobu Hiratsuka

Although newspapers in the United States and other countries routinely carry advertising with coupons entitling the coupon holder to money off the product being advertised, such advertisements were not allowed in Japanese newspapers until October 1, 1990. In fact, they had not even been allowed in magazines until 1987. The restrictions are now off for both magazines and newspapers, and the only area that is still off-limits is that of newspaper inserts.

The main impetus for banning coupon-carrying advertising in newspapers had come from the newspaper editorial departments' fear that rampant couponing would undermine the rules of engagement by attracting readers not on the basis of editorial content but simply for the money-off coupons. In December 1976, the Daiei superstore chain did run a coupon ad in the newspapers, but it was then decided not to lift the ban.

There was not a lot of discussion once the ban was reaffirmed in 1976, but the Fair Trade Commission revived the issue in 1987 with a push for couponing to be allowed in magazines. This move also prompted the newspaper industry to start studying the situation again.

One of the reasons for this rethinking was that U.S. companies were complaining that the coupon ban was a trade barrier. Understandably, these companies wanted to use the same marketing tools in Japan that they had used so effectively in the United States. Yet they found the coupon ban crimping their style. (This problem was compounded by the subsidiary restrictions on promotional gifts.) The fact that they were unable to run coupons as part of their newspaper advertising was also bemoaned as depriving them of broad regional appeal.

So intense was this that the issue was included in last year's Structural Impediments Initiative (SII) talks.

Of course, it was more than foreign complaints that led to the rethinking. Newspapers were also very interested in expanding their advertising customer base and revitalizing advertising revenues. Many of the newspaper business departments have been working for

more than a decade to lift the ban.

Although the ban on coupons in the general-circulation daily newspapers was not lifted until last year, the giveaway newspaper *Sankei Living* (published by the Fuji-Sankei group and distributed to 7.2 million households weekly) has been running manufacturers' coupons since 1981. Today, these coupons are handled through Japan Coupon System Co. (JCS), a member company of the group.

JCS also has over a decade of experience with magazine coupons, free-standing insert coupons, coupon books, direct-mail coupons and coupons for in-store distribution. JCS has handled coupons for over 1,500 items for about 230 manufacturers and has processed the redemption of about 50 million coupons over the past decade. As such, it has the same basic technical expertise that American companies have. It does not, however, have the same experience with massive issues with broad geographical reach, since its experience has been concentrated in the Tokyo and Osaka areas.

In addition to JCS, Video Research, Coupon Marketing Center and a number of other companies have also started gaining coupon experience, and there is every indication that coupons are going to be big business in the years ahead.

Even since the ban on newspaper coupons was lifted, most of the coupons have been in-store coupons and there have been very few manufacturers' coupons. Among the main issuers have been the big superstores (general merchandise stores), movie companies, restaurants, discounters, home electrical appliance outlets, and even chains of stores selling eyeglasses. For the most part, these have been stores that have a number of outlets within the newspaper's circulation area.

Most of these advertisers used to rely on inserts, but they have now switched to coupons within corporate advertisements (the coupons for quick response and the corporate advertising for lasting impact). While they have found that ads containing coupons are more likely to be noticed and read than conventional advertisements, the coupons have not had as much sales impact as they had hoped for.

For example, one major superstore ran

coupons for both the house brand and national brand products but found that the redemption rate was fairly low (0.01 to 0.03% per item) because many readers did not have a store in their neighborhood. Using several newspapers at once doubles or triples their advertising costs. Thus these superstores find it more effective to use the newspaper inserts that are distributed only to the local area around each store, and they are looking forward to the lifting of the ban on insert coupons in April.

The Japan Newspaper Publishers and Editors Association and individual newspaper companies have made a major effort to educate their readers (customers) about coupons, and most people understand what coupons are and how to use them. However, advertisers are reluctant to put coupons in their newspaper advertisements because of circulation questions, because of poor area overlap and for a number of other reasons, and it is unlikely that newspaper advertising coupons will be that widely used. It is more likely that advertisers will look to special supplements printed for each area and to inserts.

The lack of a national clearing house and the problem of store reactions have also hurt. The three companies mentioned earlier do act as clearing houses, but none of the systems is nationwide yet—nor can they be made nationwide without strong support from the advertisers and the stores. It is very difficult to expect coupons to be effective until the stores are brought into the process and their active cooperation is gained. Consumers would like to see a situation where any given manufacturer's coupon could be redeemed at any store that handles the product. Yet Japan is not there yet.

Lifting the ban on newspaper coupons has made manufacturers, stores, consumers and advertisers much more aware of couponing's potential. The coupon age is just getting started in Japan. ■

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