



Secrets of Online Shopping Discounts

Retailers Crack Down as Consumers Attempt to Save Money Online

By CHRISTINA CARON

May 8, 2008 —

The economy may be sluggish, but online shopping is still going strong.

Hoping to find a deal? A quick visit to any number of coupon-sharing Web sites yields a code for free shipping, 20 percent off, or both. Just copy the code, paste it into the promotional code box, retabulate and voila: Your order just got cheaper.

Point. Click. Buy. It's so easy.

Maybe too easy.

Behind the computer screens major retailers are balking at customers' no-holds-barred access to discounts, demanding that their coupon codes be removed.

In this "David and Goliath" scenario coupon-sharing Web sites are caught in a conundrum: Do they remove the codes or keep them? As it turns out, bargain hunters may be the ones making that decision.

Thrill of the Hunt

For price-conscious online shoppers, the adrenaline rush of finding a good deal often justifies the purchase. The decision whether or not to spend \$200 on a coat becomes easier when the price without a code would have been \$250.

Anwulika Okafor, 27, a writer living in New York, scours Web sites every week for great deals -- like the Bloomingdales sale she found earlier this year.

She had never shopped at Bloomingdales.com before, but a coupon code offering an additional 40 percent off sale items proved irresistible.

Online coupon research often leads to monthly purchases for Okafor whose clothing-buying habit thrives, despite the confines of a tiny studio apartment, largely due to her "strategic folding" technique.

While on Bloomingdales.com, she resisted the urge to buy "an obscene amount of stuff," instead spending a little under \$350 for 14 items.

"I would never have went to the site if I hadn't seen it on RetailMeNot.com," Okafor

said. "I don't always go on to look for a specific store's coupon code. The great thing about [RetailMeNot.com] was that you could roam through and find a deal."

RetailMeNot.com provides a forum for users to share codes and other online store promotions. Users then rate the codes by effectiveness, a higher score meaning that the code worked for most people who tried it. The site also posts links to ongoing sales provided by the retailer.

Guy King and Bevan Clark, RetailMeNot.com's Australian co-founders, say 90 percent of the visitors to their site are from the United States.

Since the Web site's inception in November 2006, they have seen traffic grow from 2,000 users a day to more than 130,000. King attributes their success to "the whole people power thing."

Sites that offer online codes typically make money when users click through links to retailer sites, but RetailMeNot posts codes without requiring users to click.

"We can force users to click on a link to view coupon codes and as a result we'd get a lot more commissions but that makes the site a lot harder to use," said King. "It's really the community that is responsible for success in some ways. Even with a staff of 50 we couldn't generate this amount of content."

But at the beginning of the year Okafor noticed that some user-submitted coupon codes were disappearing, replaced by a message saying, "Sorry for the inconvenience but this merchant has specifically requested to have all user contributed coupons removed from the RetailMeNot system."

To Okafor's chagrin, J.Crew was one of them. "That one really stuck out to me. I took offense to that," said Okafor, who has been a faithful J.Crew customer for many years.

Big Companies Cut Back

J. Crew was not alone in asking to have its codes removed. So did the Gap and Bed Bath & Beyond. All three companies declined to comment for this story.

"I'm a little surprised that some merchants choose to have sharing disabled," King said. According to King, less than 1 percent of RetailMeNot.com's more than 13,000 online stores have pulled codes from the site. Even so, some of the merchants who have pulled their codes are huge companies.

Another one of them is Target.

"In the past, Target has occasionally made codes available for specific guests, which were then distributed more broadly by others," said Target spokeswoman Jana O'Leary in an e-mail. "In these few cases, we've honored the coupons but have asked our online partners to remove them. Additionally, because these online incentives change frequently, we may ask partners to remove outdated offers."

O'Leary suggested customers sign up for Target's e-mail list to learn about the latest sales and free shipping deals.

Clark said, "Merchants love the idea of coupons being shared but I think maybe something a lot of them haven't considered yet is just how effective and easy the Internet can make that sharing. It's a new model and can be a bit scary."

"There's a bit of uncertainty," King said. "This is breaking new ground, which the Internet is famous for doing."

A Love-Hate Relationship

Ellen Davis, a spokeswoman at shop.org, a trade and lobbying organization for online retailers, explained that some retailers intend certain coupons for a select group of consumers. When everyone gets the coupon, she said, it "really loses its importance for the people it was meant for."

"I'm not bashing the coupon sites, but it's important to realize that there might be a bit of a love-hate relationship," she said. "Online retailers like online-sharing Web sites because it helps attract people to their brand. What's difficult though is that many online retailers use codes to connect with online customers."

RetailMeNot considers its coupon codes to be fair use. "We believe that rather than attempting to force merchants, who ultimately control whether they accept a coupon or not to share coupons, the sheer weight of consumer demand will gently persuade them," Clark said.

But when consumers band together to share coupons, experts say there isn't any legal reason why Web sites ought to stop posting coupon codes.

"There isn't a copyright interest in the codes themselves. Copyright doesn't protect words or short phrases. No one is claiming [a coupon code] is expressive in a way copyright should protect," said Wendy Seltzer, an assistant professor at Northeastern University School of Law.

As founder of the Chilling Effects Clearinghouse, an online resource to help Internet users understand their rights, Seltzer regularly posts cease and desist letters received by Web sites including one recent letter pharmacy chain CVS sent to a Web site called IHeartCVS.com.

The letter claimed IHeartCVS had infringed on intellectual property rights by posting "links to in-store redeemable CVS coupons." The Web site was asked to "destroy any and all unauthorized reproductions of CVS' intellectual property."

"I'd argue that links to pages on CVS' site are not infringements of copyright," Seltzer said.

'Some Other Sites Want to Fight'

Even though Seltzer said sites such as RetailMeNot are not legally required to remove online codes, some still do so.

"RetailMeNot is a relatively small operation compared to a major retailer and we don't

believe that it is in the best interest of the RetailMeNot community for us to get involved in a dispute that is likely to only be won by the party that has the highest-priced lawyer," Clark said. "The companies that don't allow sharing are a minority, and shrinking, so we advise that the community favor those stores that provide coupons and allow them to be shared openly."

Tim Storm, the 39-year-old founder of coupon-sharing site FatWallet.com, takes a different approach.

"I'll point blank tell a merchant when we meet with them that the best thing they can do is be our No. 2 customer," he said. "And yes, their salespeople cringe at that."

A self-professed "computer geek" since the age of 10, Storm started FatWallet in 1999 as a hobby after he had seen "a few things online that wasn't up to date or done professionally." The site started out as a simple coupon listing but has grown to nearly 900,000 users.

He says Target broke off a relationship with FatWallet a few months ago, after he refused to take down user-submitted coupon codes.

"Some say, 'OK, we're going to end our relationship with you' and we say, 'OK, that's your choice.' We try to help them out with their situation and help them realize there are other alternatives," Storm said.

Storm has so far emerged victorious from difficult scuffles with big businesses. He's adamant that his company will survive.

"I think there will be some that just roll over and die. We're not going to be one of those," he said.

At the end of 2002 Wal-Mart threatened legal action after FatWallet forum users posted unpublished sale information. Wal-Mart asked FatWallet and other Web sites to remove the content and FatWallet complied, but forum users kept posting the sale information anyway.

Wal-Mart obtained a subpoena ordering FatWallet to identify the individual who had originally shared the day-after-Thanksgiving deals. Eventually Wal-Mart withdrew the subpoena after FatWallet sent a letter demanding that Wal-Mart back down.

RetailMeNot forum users have already figured out how to share J.Crew coupons again now that RetailMeNot has a separate "Shopping Community" forum. After signing up and creating a user name and password, users can join various groups, such as one dedicated to J.Crew, where they can post codes and list sale items.

Neal Rapoport, 38, founder of DealTaker.com, says he's noticed that "there are some stores that embrace the fact that people save money. And there are other that feel that sites are poaching the customer at the last minute."

As is the case with nearly every coupon code Web site, DealTaker has contractual "affiliate relationships" with stores. They make money when someone clicks through from their site to one of the stores.

His Web site, like many other coupon code sites, keeps gaining in popularity. DealTaker started in February 2004, and Rapoport says about 40,000 daily users visit his site.

He says he doesn't want to fight the stores. "We're good about respecting what they ask for," Rapoport said. "Some other sites want to fight."

Coupon Sites Abound

So far large companies haven't asked BradsDeals.com to remove any coupons, something founder Brad Wilson attributes to his vetting process.

"The stores take issue if things don't work. If we had a page for Dell for example, and we had 50 coupons and none of them worked, then I think Dell's issue with that is it's a bad consumer experience that reflects on them."

Similar to other coupon code gurus, Wilson, 27, began researching deals as a hobby when he was in college. He likes to shop and says he buys "about half the stuff on our site."

Two recent purchases included "Ralph Lauren monogrammed bath towels and a TomTom GPS for \$120 -- that's the all-time low and I've actually bought both of them," he said.

It's one of the ways he says he stands by the merchandise. "It's pretty clear that I'm behind the site," he said. "It's not an anonymous algorithm. It's what I'm doing and what stores I think are good and I think that's rare online and in shopping."

In the six years since launching Brad's Deals, he says growth has been exponential. They currently have about 70,000 users a day.

The Web site has about 500 coupons, vetted by his small staff to ensure that each code is valid.

"We filter things really well," he said. "We may have three codes but they all work."

The number of new coupon sharing sites keeps growing. In March Valerie Sauls, 28, a RetailMeNot fan from Houston, started her own blog, mybargainbliss.com, in part to repay the coupon code community.

"I'm having a lot of fun doing it," she said. "For years and years I was the person lurking and stealing all these deals and now I can give back."

She's also hoping to earn a little cash on the side. When she first started researching coupon codes, "I had no idea people actually made money off of promoting these things," said Sauls, who is "trying to tap into the marketing."

Sauls, who describes herself as a shopaholic on her blog, started using coupon codes eight years ago. At first, researching discounts was just a hobby.

"I'm probably spending a lot more money than I would be if I didn't have this habit," she said.

In the meantime, companies may be forced to come up with better solutions to control who benefits from their online deals. O'Leary said Target is currently looking into technical solutions to ensure that online coupons are used in the way the company intends.

"We think coupon sharing is entirely appropriate as long as it is intended per the specific marketing initiative," she wrote. "We are selective in determining our online marketing initiatives and are developing technology to prevent any potential misuse of our coupons."

Copyright © 2008 ABC News Internet Ventures