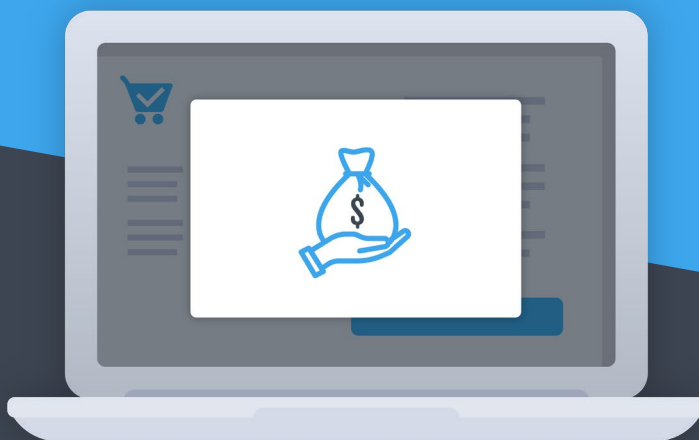


New Research: Blocking Coupon Extensions and the Impact on Merchant Revenues

Test Results Reveal How Much Coupon Extensions are Costing Ecommerce Merchants

The research team at clean.io conducted a study on the difference between blocking versus not blocking coupon extensions on live ecommerce websites. Results clearly indicate that blocking coupon extensions does not risk disengagement or lost sales, and even increases revenue through full price, non-discounted purchases.



Introduction: Coupons, Coupon Extensions and Ecommerce Websites

Potential buyers that visit ecommerce websites may have coupon extensions like Honey or CapitalOne Shopping installed on their browsers. The experience a buyer has when browsing an ecommerce website with an extension present may vary, but in nearly all cases the checkout experience is the most highly affected.

When a user goes to checkout, and they reach the stage of entering in a coupon code, the extension will pop up, search through the coupon codes it has stored for that website, and then automatically inject the code that provides the largest discount for the buyer.

Coupon extensions have many touted benefits, and ecommerce merchants use them with these benefits in mind:

- Marketers use coupons as part of a broader strategy for customer acquisition.
- Promo codes can be trackable and incentivize purchases.
- Coupons can help move surplus inventory and sell more products.
- Coupons are exciting and make users feel they are getting a better deal for their money.
- For some users, coupons are a kind of game that makes buying online more fun.
- Some more price sensitive shoppers will only buy online with coupon codes.

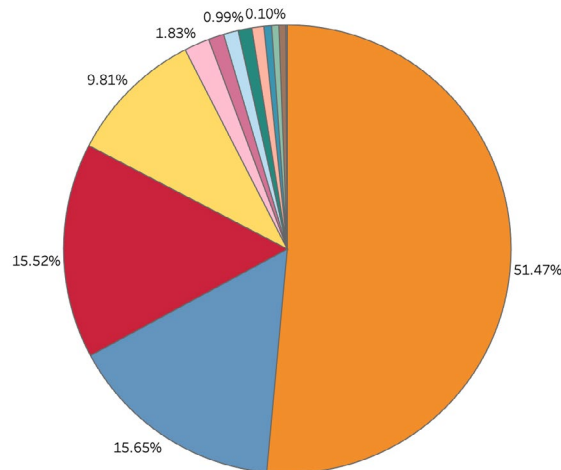
Here are the facts when it comes to coupon use and consumer behavior:

- 40% of U.S. smartphone shoppers have special sale or promotion app alerts activated.
- 37% of U.S. smartphone shoppers have mobile-only coupons or deal alerts activated.
- 41.9% of mobile shoppers have coupon and reward apps installed on their smartphones.
- 92% of shoppers in the U.S. search for online deals before making a purchase.
- Our data shows that an average of 7% of orders are affected by coupon extensions.

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Some of the top coupon extensions are Honey, Rakuten, Capital One Shopping, CouponCabin, and Ibotta. The largest of these, Honey, reports that it **decreased merchant revenue by \$1.6 billion in 2020**.

Breakdown of Coupon Extensions by Market Share



Extension	% of Extensions ..
Honey	51.47%
Wikibuy from Capital One	15.65%
Rakuten: Get Cash Back F..	15.52%
Amazon Assistant for Chr..	9.81%
Piggy	1.83%
Slickdeals: Automatic Cou..	1.13%
SwagButton	1.06%
Coupert - Automatic Coup..	0.99%
Cently (Coupons at Check..	0.87%
InvisibleHand	0.55%
BeFrugal: Automatic Coup..	0.52%
Acorns Found Money	0.49%
PriceBlink Lite - Coupons ..	0.10%
Indxu - Automatic Coupon..	0.01%
Otto - Gift Card and Coup..	0.01%
RetailMeNot Deal Finder™	0.00%

So, the landscape is this:

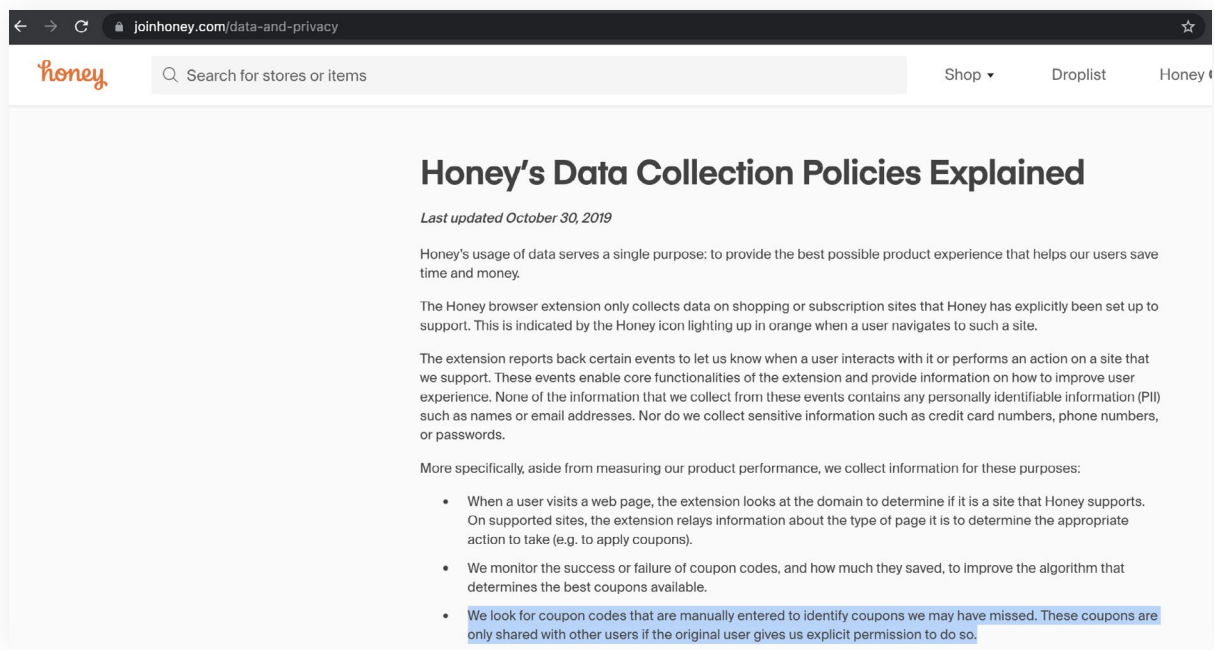
- Many people have coupon extensions or apps downloaded, and use them as they shop.
- While coupon extensions tout their ability to save shoppers money, in many cases the consequences of that are decreased margins for online retailers.

Even while coupon extensions run the risk of undermining user experience, site performance, data, and transaction value, merchants are hesitant to ban them due to the belief that they help reduce cart abandonment while driving net new customers to their sites.

It is essential that merchants understand that coupon extensions pose more than an abstract threat. New research, conducted by the team at clean.io on real and active ecommerce websites, provides compelling insights into what really happens when users with coupon extensions visit an ecommerce website.

How Coupon Extensions Really Work

Merchants don't have to speculate about how coupon extensions work or where they get the codes that they share. Platforms like Honey disclose it for all to see:



“We look for coupon codes that are manually entered to identify coupons we may have missed. These coupons are only shared with other users if the original user gives us explicit permission to do so.”

The research team at clean.io tested what happens when a non-existent coupon is entered at checkout by a Honey user, and what kind of data Honey collects.

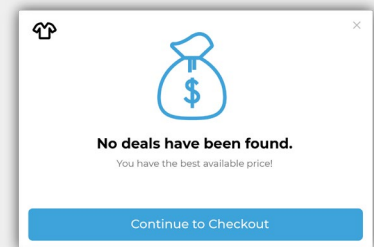
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First, we tested entering a non-existent coupon at checkout to see if Honey would collect it. That coupon was automatically parsed out by Honey and submitted for tracking in the following payload:

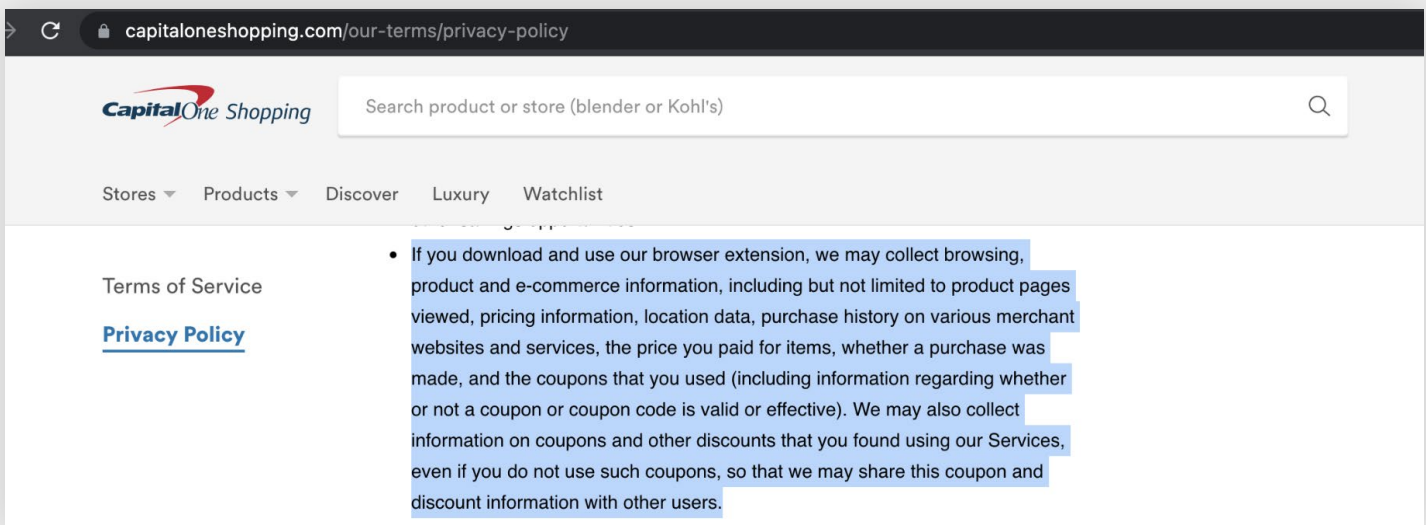
```
"is_logged_in": false,  
  "reason": "Identify working coupons that we can ask users to share,  
helping improve coupon inventory for other users. For more information, please visit  
www.joinhoney.com/data-and-privacy.",  
  "session_id": 1627653862830,  
  "store": {  
    "id": "7616888804999216702",  
    "session_id": 1627960924924  
  }  
}, {  
  "client_ts": 1627960976127,  
  "referrer_url": "https://checkout.ensorings.com/1886126193/  
checkouts/6b21e4200a582cf8194c06119145f2c9?c=undefined&_  
ga=2.5151926.467665641.1627960925-377686799.1627960924",  
  "coupon_code": "QQQWERTTTY",  
  "savings": 0,  
  "skip_prompt_reason": "savings-not-found",  
  "tab_id": 403,  
  "code": "ext004503",  
  "extension": {  
    "screenview_id": "8535203930177746736"  
  },
```

While Honey's code included a reason for collecting the data ("Identify working coupons that we can ask users to share, helping improve coupon inventory for other users. For more information, please visit www.joinhoney.com/data-and-privacy."), CapitalOne Shopping was less descriptive but also collected the fake coupon:

```
"properties": {  
  "domain": null,  
  "priceCheckId": null,  
  "extensionVersion": "0.1.1005.730",  
  "features": [...],  
  "roles": ["shadow", "user", "unverified", "cookie_only"],  
  "installId": "fa9e8944-b61d-419c-a50f-e40885e38efa",  
  "profileId": "9ee85ebd-5512-4f25-a842-9b96d4248acb",  
  "hasOrdered": false,  
  "platform": "Shopify",  
  "tld": "ensorings.com",  
  "code": "QQQWERTTTY",  
  "tabUrl": "https://checkout.ensorings.com/1886126193/checkouts/6b21e4200a582cf-  
8194c06119145f2c9?c=undefined&_ga=2.5151926.467665641.1627960925-377686799.1627960924",  
  "tabId": "ensorings.com",  
  "applyUrl": "https://checkout.ensorings.com/1886126193/checkouts/6b21e4200a582cf-  
8194c06119145f2c9"  
},
```



The second largest platform in the world of coupon extensions is CapitalOne Shopping. It describes its data collection policy this way:



“We may collect ... the coupons that you used (including information regarding whether or not a coupon or coupon code is valid or effective). We may also collect information on coupons and other discounts that you found using our Services, even if you do not use such coupons, so that we may share this coupon and discount information with other users.”

Coupon Extension Data Collection and Sharing

Common phrases that show up in both of these policies that merchants should be aware of include:

- “look for [valid coupons]”
- “collect/identify [effective/successful] uses of coupons”
- “share coupons with other users”

Consider this: Even if Honey or CapitalOne Shopping receives consent from some users, the users never had the right to consent in the first place, as the coupon does not belong to them, it belongs to the merchant instead.

For more open-access information, [here is a public analysis of the breadth of data collected by Honey](#).

The methods that coupon extensions use to collect coupon codes mean that merchants have absolutely no control over which coupon codes those extensions know about, store in their databases, share with users, and inject at checkout.



What Happens When Merchants Start Blocking Coupon Extensions?

The number of users with coupon extensions has grown considerably in recent years, and with them, the number of ecommerce websites for which coupon extensions have discount codes stored in their system.

At clean.io, we've worked with countless ecommerce businesses, enabling cleanCART as a way to block coupon extensions from automatically injecting coupon codes at checkout.

While blocking coupon extensions has an immediate positive impact on average order value (AOV), many merchants wonder whether increased AOV is offset by a reduction in conversions or an increase in cart abandonment.

We set out to answer this question by conducting a series of split tests on ecommerce websites, where coupon extensions were blocked on 50% of the site traffic, and not blocked on the other 50%.

Here is a summary of what we learned.



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Coupon Extension Usage Data

Until today, little has been known about just how coupon extensions affect ecommerce sales, profit margins, conversion rates, and more.

By analyzing data from the 50 plus ecommerce websites across the cleanCART network, we've found the following:

- The average discount injected by coupon extensions is 10%
- An average of 7% of checkouts are impacted by coupon extensions
- Merchants lose an average of \$17 per transaction when coupon extensions inject discount codes
- The largest single discount we've seen is \$495.80
- Discount extensions have a library of, on average, 102 unique discount codes per ecommerce website



cleanCART

Click here to learn more
about cleanCART for Shopify
Plus users

Want to learn more? Visit clean.io.

How are Different Industry Verticals Impacted by Coupon Extensions?

Vertical reporting and benchmarking is important to understand whether there are unique dynamics that impact how discount code use and coupon extensions impact your specific business as compared to similar businesses in your space.

Here is a breakdown of data collected by [vertical](#):

Vertical	Cart completion rate with coupon extension blocking	Average order value with coupon extension blocking	Percent of revenue recovered by coupon extension blocking
Food	62.65%	\$121.83	11.23%
Cosmetics	62.43%	\$129.71	0.18%
Eyewear	57.84%	\$78.83	29.89%
Health foods	57.67%	\$85.79	10.71%
Apparel/clothing	50.39%	\$133.54	8.13%
Home decor	49.53%	\$76.37	14.27%
Men's personal	48.12%	\$79.28	8.12%
Toys and games	47.74%	\$90.33	15.28%
Footwear	41.66%	\$149.83	17.19%
Beverage	39.82%	\$56.98	27.93%
Personal accessories	18.04%	\$42.46	7.99%
Cookware	14.82%	\$170.65	9.21%

Based on average order value and the percent of revenue recovered, the amount of revenue recovered in verticals with higher priced products (such as apparel, footwear, and eyewear) is highest, whereas verticals with lower priced items (like personal accessories) rank lowest.

The data also reveals how the number of discount codes attempted per checkout varies by vertical. Apparel websites average 4.58 discount code attempts per checkout, cookware and health foods average 4, whereas footwear averages more than 8 discount code attempts per transaction.

A/B Testing Data

The team at clean.io utilized A/B testing to measure the impact on key metrics with and without coupon extension blocking. Coupon extensions were blocked on a random sample of 50% of carts. Key metrics were then compared across the carts with coupon blocking enabled, and those without it

Points of comparison included:

- Conversion rates (measuring completed orders as a percent of total sessions)
- Cart completion rates (measuring completed orders as a percent of total checkouts reached)

Over a two week period, we learned the following:

- The percentage of user sessions that reached checkout was similar between the two cohorts.
- Conversion rate was 16.68% for with coupon extension blocking enabled and 16.55% without it, meaning blocking coupon extensions from auto-injecting codes at checkout had no negative impact on conversions.
- Cart completion rate was 85.03% with coupon extension blocking enabled and 81.5% without it, meaning blocking coupon codes actually resulted in a 3.5% increase in cart completion.
- Average order value (AOV) was \$36.38 when coupon extension blocking was enabled, which was 3.65% higher than without it.

***Every key
ecommerce
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In short, every key ecommerce metric measured during the test improved when coupon extensions were blocked versus when they were allowed to run unchecked on the site.

Do the Pros of Coupons Outweigh the Cons of Coupon Extensions?

While there are clearly some advantages to blocking coupon extensions, many merchants still find that issuing coupons is an important part of the ecommerce marketing mix. Here, we break down the advantage of using coupon codes versus the disadvantages of coupon extensions.

Pros of Coupon Codes

There are a number of good reasons for ecommerce merchants to issue coupon codes, including:

- They are an effective way to reward subscribers, engage buyers, and get more referrals
- They are a powerful tool to re-engage customers who have not purchased in some time
- They can be used to reduce shopping cart abandonment
- Issuing coupon codes builds customer loyalty and satisfaction



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The Cons of Coupon Extensions

While there are many benefits to using coupon codes, there are also a number of inherent risks relating to coupon extensions including:

- Coupons can encourage one-time buyers or price-driven bargain hunters, making it difficult to recoup the loss you incur by offering a discount
- Discount boxes may increase cart abandonment by alerting shoppers to the possibility of a discount, and encouraging them to leave the site to search for a valid code
- Discounts and deals can cheapen your brand presentation/reputation
- Coupon fraud is real: coupons can be accessed by groups they shouldn't be (intentionally or unintentionally)
 - If coupons are not limited, they can be used in unauthorized ways or stolen
 - Honey and CapitalOne Shopping (and similar extensions) automatically inject codes scraped directly from your site, skewing your attribution reporting
 - Paid affiliates can artificially inflate their commissions by sharing coupons on discount sites

Ultimately, while coupon strategies can be a great benefit to your business, merchants must actually be able to control when and how they are used—and unfortunately, coupon extensions do not allow control or oversight.

As the data shows, coupon extensions erode margins by decreasing average order value and reducing conversions, without positively impacting cart abandonment.

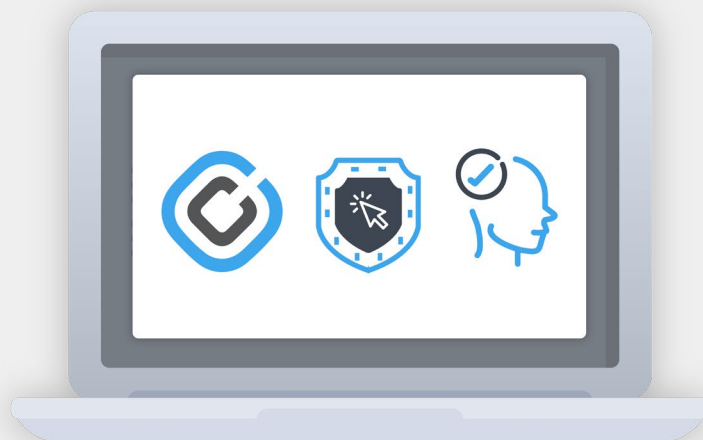
While coupon strategies can be a great benefit to your business, merchants must actually be able to control when and how they are used—and unfortunately, coupon extensions do not allow control or oversight.

Coupon Codes Distort Attribution Metrics

Ecommerce retailers rely on their website performance metrics to make key decisions about where to invest their marketing dollars and what kinds of discounts to offer customers. Coupon extensions actively distort this data, which causes problems for online businesses.

Attribution models can become seriously distorted, even useless, as coupon extensions continuously claim attribution for sales they didn't actually drive or as data relating to coupon code usage becomes impossible to rely upon. Many ecommerce merchants rely on attribution models, whether first click, last click, linear, or some other model, to make important decisions about where to spend their marketing dollars.

If you use coupon codes for specific audiences (for limited use), coupon extensions can disrupt that entire data set by scraping and serving up the codes to non-targeted users. Knowing what works and what doesn't work in terms of marketing and return drives long-term strategy. Even minor disruptions in this can lead you to making misinformed decisions.



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Case Studies

It's helpful to see this damage lived out, and understand what solutions work to restore an ecommerce website to better health.

Road iD: Scaling an Ambassador Program and Eliminating Revenue Loss

[Read the Road iD case study here](#)

Road iD provides athletic identification gear. It manufactures life-saving products for emergency responses. The team realized they were experiencing significant revenue losses due to ecommerce coupon extensions, specifically Honey and CapitalOne Shopping. They saw clear indicators that individual coupon use was far exceeding the intended use for specific audiences. The team first tried manual observation and spent countless hours exercising control over coupon use.

Coupon misuse was also disrupting Road iD's highly effective ambassador program, and manual attempts at exercising control over ambassador code use resulted in some tension. By blocking coupon extensions with cleanCART, Road iD was able to:

- Increase average order value by 3.65%
- Increase cart completion rate by 3% with cleanCART

Hygge & West: Ending Unauthorized Coupon Usage

[Read the Hygge and West case study here](#)

Hygge & West sells boutique wallpaper and home goods. The team realized that the coupon codes used in their marketing campaigns had leaked to coupon extensions. A discount strategy both for email newsletters and opt-in text promos were the key sources of misuse. Excessive use of these codes put the internal team on high alert, especially when they realized that coupon code users hadn't signed up for emails or texts.

The entire discount strategy was threatened, and profits were in jeopardy. This abuse ultimately hurt the user experience, as Hygge & West was forced to cancel some orders when retail customers were able to use wholesale codes injected by coupon extensions. After implementing cleanCART, they had zero incidences of coupon code misuse and achieved a 500% return on investment in cleanCART

The Disruption of Distorted Ecommerce Data

Road iD and Hygge & West are merely two illustrations of an enormous group of well-intentioned ecommerce merchants who want to use coupon codes to grow their business, but have fallen victim to coupon leakage and abuse due to coupon extensions.

The damage they do is evident in their impact on key ecommerce performance indicators.

Lifetime Value

Customer lifetime value (CLV) is something every ecommerce owner should track. Knowing how much a customer costs to acquire, then how much they are worth through the lifecycle of their buying journey, drives everything from product pricing to marketing budgets. As an ecommerce business grows, and transactions and customer numbers increase, the precision of these numbers is even more important.

When coupon extensions are present on an ecommerce website, extension users will benefit from discounts when they first convert, just like other new customers who are attracted by coupon offers. However, unlike other customers who may then return again and again and buy at full price, coupon extensions make it possible for those customers to use discounts every time they buy from the site.

Most ecommerce merchants are willing to take a loss by offering a discount to acquire a new customer if they believe the lifetime value of that customer (basically, the sum total of their future purchases) will enable them to recoup that initial loss.

Coupon extensions disrupt this equation and reduce the overall lifetime value of customers by encouraging perpetual discounting.

Customer Acquisition Cost

The cost to acquire a customer is calculated based on **cost per acquisition (CPA)** or sometimes cost per order (CPO) or cost per sale (CPS), and is a critical metric that ecommerce businesses use to determine which marketing channels to invest in, and how much to invest in them..

As we've already seen, attribution models can be severely disrupted by coupon extensions. For every cent a coupon extension throws these calculations off, companies lose on miscalculated projections, misaligned budgets, and misunderstood revenues.

Average Order Value

For every scraped and served up coupon code, the average order value of a transaction goes down. Coupon extensions kick in at checkout - the figurative "last mile" of the customer's buying journey. Customers who get to this point in the purchase process have expressed strong buying intent, and are typically willing to pay full price for the merchandise in their carts. At this point, a discount is a "nice to have", not a "need to have," so applying a coupon at this moment simply serves to decrease the value of the order.

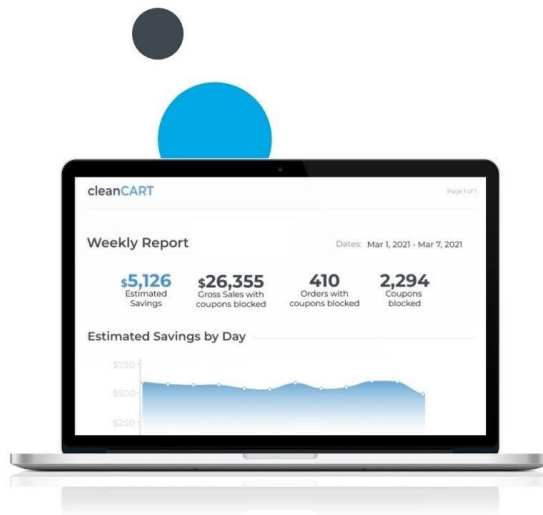
Dollar by dollar, this erodes margins and can add up to thousands of dollars a year. Consider the far-reaching damage if you regularly sell products for less than you want to sell them for. It calls into question the legitimacy of your pricing models, requires a reconfiguration of margins, and isn't even a reflection of actual market demand or what the average customer is willing to pay.

Cart Conversion Rate/Cart Completion Rate

Cart conversion is one of the most important metrics that ecommerce merchants track. Coupon extensions give buyers the immediate opportunity to find a better deal, and often give them the link to follow. This can hurt conversion rates by alerting shoppers to the possibility of a discount and causing them to leave the site in search of a better deal.

cleanCART for Blocking Coupon Extensions

Ecommerce is a crowded, highly competitive ecosystem plagued by thin margins. It's our mission to arm you with the data and tools to make smarter marketing decisions and improve the ROI of your discount strategy. To learn more about cleanCART, and how it blocks unwanted coupon extensions and protects your ecommerce website, [go here](#).



cleanCART

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