

Payback time

Cashback sites are fast becoming a standard part of shopping for bargain-hunting consumers, and it's not just retail brands that are offering shoppers rewards

Cashback sites are reporting, perhaps unsurprisingly, that the recession has led to an explosion of interest in the sector as online shoppers search the web for bargains. Figures from ComScore show there has been growth at market leader Quidco, where unique users this March were up to 131,000, a gain of 35% year on year. Indeed, the site claims to be signing up 25,000 new members a month, while recent start-up TopCashBack claims traffic has trebled within its first year. The model is now so entrenched, it has attracted large media brands to provide their own cashback services, with GMTV, The Sun and News of the World launching schemes last year.

Gareth Herincx, new media editor at GMTV, says it was attracted to cashback by a white-label process from Submission Technology that took just "a matter of weeks" to build and launch. Interestingly, he's finding that the 60,000 shoppers on the site, which GMTV says it set up to offer the best deals available, are taking matters into their own hands to ensure they research a product fully and get the best price. "We have a number of commercial partnerships in place allowing our users to buy products and switch services," Herincx says. "Many people compare prices elsewhere on our site, then go to GMTV Cashback to match the best deal and get cashback."

Jim Mullen, director of products at News International, claims cashback isn't so much about monetising The Sun's and News of the World's audiences as matching the scale of its readership with the scale of retailers made available through cashback sites. While he may be underplaying the commercial attraction of cashback, he draws attention to the effort needed to make it work.

"If a media brand wants to get involved, it needs to have a properly staffed cashback team," Mullen says. "Although we use a white-label solution, we still have a team here who scan the site to make sure there's nothing offensive or inappropriate being offered for sale. Crucially, they engage in cashback shopping themselves to make sure goods are as described and orders are fulfilled properly. You also need a team to answer shoppers' questions. It's not just a case of putting your name to a third-party service, you have to staff it and manage it properly."

Submission Technology also runs its own sites, GreasyPalm and Cashback.co.uk. Co-founder Neil Durrant

"It's a great way for brands to get into ecommerce because they're not selling anything themselves, just redirecting their massive audiences"

Neil Durrant, Submission Technology



believes white-labelling is the biggest development to date. "Five years ago no one had really heard of cashback; now it's so mainstream we have huge media brands using our service and we're about to sign up a major ISP," he says. "It's a great way for brands to get into ecommerce because they're not selling anything themselves, they're just redirecting their massive audiences."

Just rewards

One of the major bonuses for cashback services today is the high degree of trust in the model from merchants, which genuinely appear satisfied that efforts to clean up the sector have worked. The Online Loyalty Association is central to these efforts. It was launched at the end of 2007 to tackle what its chairman Richard Yendall, co-founder of Rpoints, concedes were legitimate concerns that the sites were open to abuse.

"Since we launched the association, most major cashback sites have put systems in place to spot and stop people trying to abuse the system," he says. "We look to verify someone's address and act against people with multiple accounts or addresses that don't stand up to scrutiny. We also ensure there's a delay between a purchase and the cashback being awarded to prevent people buying items just to get the reward."

As one can imagine, this has been a concern for financial services providers, which have been concerned cooling-off periods were open to abuse. Steve Genders, head of online sales and marketing at Aviva, believes standards are now good. His main area of doubt lies far more around what happens in the long term for products that are bought a year at a time.

"We're confident that the sites only pay cashback when a policy is in place, so we don't think there's anything

quick take

- Comscore figures show unique users of market-leading cashback site Quidco were up 35% between 2008 and 2009
- Debenhams claims cashback is good for margins. A 2% cashback offer gives the same lift in sales as a 10-20%-off voucher code
- Major media brands like News International and GMTV see white-label cashback sites as a means of monetising their audience with minimal effort
- Kelkoo is the first price-comparison site to launch a cashback service. Experts say this will become commonplace
- Donating cashback to charity, family or green causes is also tipped as an increasing trend

Payback time

Cashback sites are fast becoming a standard part of shopping for bargain-hunting consumers, and it's not just retail brands that are offering shoppers rewards

Cashback sites are reporting, perhaps unsurprisingly, that the recession has led to an explosion of interest in the sector as online shoppers search the web for bargains. Figures from ComScore show there has been growth at market leader Quidco, where unique users this March were up to 131,000, a gain of 35% year on year. Indeed, the site claims to be signing up 25,000 new members a month, while recent start-up TopCashBack claims traffic has trebled within its first year. The model is now so entrenched, it has attracted large media brands to provide their own cashback services, with GMTV, The Sun and News of the World launching schemes last year.

Gareth Herincx, new media editor at GMTV, says it was attracted to cashback by a white-label process from Submission Technology that took just "a matter of weeks" to build and launch. Interestingly, he's finding that the 60,000 shoppers on the site, which GMTV says it set up to offer the best deals available, are taking matters into their own hands to ensure they research a product fully and get the best price. "We have a number of commercial partnerships in place allowing our users to buy products and switch services," Herincx says. "Many people compare prices elsewhere on our site, then go to GMTV Cashback to match the best deal and get cashback."

Jim Mullen, director of products at News International, claims cashback isn't so much about monetising The Sun's and News of the World's audiences as matching the scale of its readership with the scale of retailers made available through cashback sites. While he may be underplaying the commercial attraction of cashback, he draws attention to the effort needed to make it work.

"If a media brand wants to get involved, it needs to have a properly staffed cashback team," Mullen says. "Although we use a white-label solution, we still have a team here who scan the site to make sure there's nothing offensive or inappropriate being offered for sale. Crucially, they engage in cashback shopping themselves to make sure goods are as described and orders are fulfilled properly. You also need a team to answer shoppers' questions. It's not just a case of putting your name to a third-party service, you have to staff it and manage it properly."

Submission Technology also runs its own sites, GreasyPalm and Cashback.co.uk. Co-founder Neil Durrant

"It's a great way for brands to get into ecommerce because they're not selling anything themselves, just redirecting their massive audiences"

Neil Durrant, Submission Technology



believes white-labelling is the biggest development to date. "Five years ago no one had really heard of cashback; now it's so mainstream we have huge media brands using our service and we're about to sign up a major ISP," he says. "It's a great way for brands to get into ecommerce because they're not selling anything themselves, they're just redirecting their massive audiences."

Just rewards

One of the major bonuses for cashback services today is the high degree of trust in the model from merchants, which genuinely appear satisfied that efforts to clean up the sector have worked. The Online Loyalty Association is central to these efforts. It was launched at the end of 2007 to tackle what its chairman Richard Yendall, co-founder of Rpoints, concedes were legitimate concerns that the sites were open to abuse.

"Since we launched the association, most major cashback sites have put systems in place to spot and stop people trying to abuse the system," he says. "We look to verify someone's address and act against people with multiple accounts or addresses that don't stand up to scrutiny. We also ensure there's a delay between a purchase and the cashback being awarded to prevent people buying items just to get the reward."

As one can imagine, this has been a concern for financial services providers, which have been concerned cooling-off periods were open to abuse. Steve Genders, head of online sales and marketing at Aviva, believes standards are now good. His main area of doubt lies far more around what happens in the long term for products that are bought a year at a time.

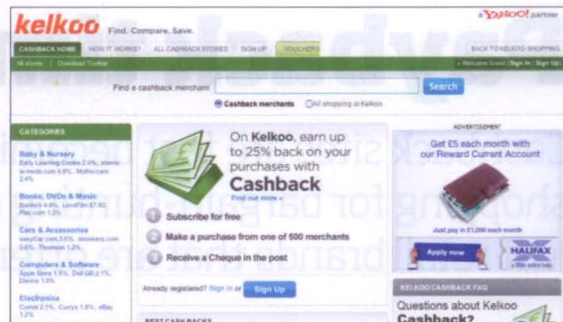
"We're confident that the sites only pay cashback when a policy is in place, so we don't think there's anything

quick take

- Comscore figures show unique users of market-leading cashback site Quidco were up 35% between 2008 and 2009
- Debenhams claims cashback is good for margins. A 2% cashback offer gives the same lift in sales as a 10-20%-off voucher code
- Major media brands like News International and GMTV see white-label cashback sites as a means of monetising their audience with minimal effort
- Kelkoo is the first price-comparison site to launch a cashback service. Experts say this will become commonplace
- Donating cashback to charity, family or green causes is also tipped as an increasing trend

GMTV CASHBACK

uses a white-label service by Submission Technology, while **KELKOO** is the first price-comparison site to add cashback

**MAKEPEACE**

"Regular discounting potentially conditions users to wait for the next sale or discount"



wrong with the system," he says. "Where we do have doubt is over what happens to people a year on, when the insurance they signed up for expires. Do they go back through the cashback site? If they automatically renew, should cashback be awarded again?"

Genders thinks this needs further investigation. "We're going to be looking at our figures to see how we progress and whether we need to constantly be giving cashback. We believe that people who have received a service from us may choose to stay with us through having a good experience, but we're going to be spending the next few months looking at renewals and loyalty."

It's questions like these which underline how cashback is now such an accepted part of an affiliate programme for thousands of household-name merchants that they're concentrating on such points of detail. "They're putting a lot of effort into finding out whether they would have made a sale with or without cashback sites, and so whether they're discounting purchases they could have made directly anyway," says Cheryl Ingram, client development director at affiliate network Commission Junction. "We think most merchants are coming to the conclusion that everything has a cost for acquisition, so they're happy to know upfront what that is and to see, in many cases, that it's cost-effective as the whole or nearly all of the cost is passed on to consumers."

At Lastminute.com, affiliates partnerships manager Linda Patel says there's a major in-house project afoot to improve understanding of how people who come through cashback sites interact with Lastminute and, crucially, whether they come back directly or via the same or another cashback site. "We're looking to improve our understanding of user journeys to find out what role cashback is playing and whether people keep coming back through cashback sites to always get a deal or if they develop loyalty to our brand and perhaps buy extra products they may not have bought otherwise," she says. "It may be that we're getting a lot of custom that we would never have got had we not been on the cashback sites. We're working on the systems now and expect to start getting answers during the summer."

Rival payouts

Over the past year to 18 months, voucher sites have sprung up across the web promising retailers huge swells in traffic volumes in return for publicising offers. Cashback site owners have said all along that such sites require increasingly generous offers to maintain user interest.

"To get special coverage with a cashback site, a 2% increase in the reward may be required; to get special coverage on a voucher code site, the discount might need to be 10-20%, which hits margins," says Gillian Makepeace, affiliate marketing co-ordinator at Debenhams. "There's also discounting's effect on the brand to consider. Regular discounting potentially conditions users to wait for the next sale or discount, hitting prime sales."

Debenhams' use of cashback sites has matured over the

past couple of years to take advantage of their ability to bring particular offers to a huge audience, but it's mindful this should be used tactically rather than permanently on all goods, and particularly not on goods that are exclusive to the retailer and should sell on their own merit.

"The question retailers need to ask is whether cashback customers would shop with them if they weren't listed," says Makepeace. "If the purchase is an exclusive, then they possibly would, but if it was a little black dress, say, they'd potentially shop at a competitor if it was listed on their favourite cashback site and we weren't."

Dialaphone has been grappling with the same issue recently. Affiliate manager Richard Buckton points out that the great promise of cashback sites is speed but, to his mind, this is best used on a particular offer rather than across the board. "If we gave our affiliates £10 incentive, it would take a while for them to process it, put it on their sites and get traffic through to us," he says. "With cashback it's instant and usually all or nearly all of that incentive is passed on, so it's both speedy and cost-efficient. We had an offer in April for £10 off Vodafone contracts. We put it straight out to cashback sites and the result was huge and immediate. We were very impressed."

Where Buckton thinks there's considerable room for improvement, however, is in the scant product details cashback sites offer. He believes price-comparison sites, which offer more detail, will start to offer cashback services. This has been kicked off in the UK by Kelkoo, which has had a cashback element to its sites since shortly before Christmas. Marketing director Lloyd Price believes that it's there to provide exactly the kinds of service merchants are calling for.

"There's not a great deal of choice on cashback sites. You just click on who's offering some money back and see what they have to offer," Price says. "With Kelkoo cashback there's a far wider choice and a lot more information about the products. And, of course, you can compare those products from several retailers. At the moment the cashback side is separate but we're working on integrating this into the main search so you can get a list of merchants for a product and see which are offering cashback."

Quidco and Rpoints are predicting that the community features they offer, through which basic profiles can be set up and shopping groups organised, will lead to cashback sites finally making the break from being just a cog in an affiliate network to developing their own brands.

Michael Murphy, recently appointed executive chairman of Quidco, says, "Some brands are white-labelling and concentrating on opening lots of sites to generate more traffic, but we're concentrating on building a brand. I see the market developing whereby there are a minority of players, like us, allowing people to communicate and socialise around their shopping, and there are others just launching site after site but never becoming a name themselves. We've been at this for a few years now and we think the big picture is in building a brand. That's where the value is."

cashback with a conscience

Altruistic cashback is an area where sites have evolved in a way that probably couldn't have been foreseen. Many leading sites now have the option of cashback being given to good causes, and there are now a plethora of start-ups designed around either solely or mostly shopping for good causes. These include Charity Champions Cash Back, Ecomonkey, Froggybank, Give or Take and UShopUCare.

An early player in this field is KidStart, which allows users to put their cashback into children's savings accounts. Co-founder Chris Hodgson says, "We saw more emotionally based cashback sites were starting to take off in the US so we launched in the UK. We've done tests with cashback offers where people can put money into a child's account or keep it and the former was around two to three times more popular. People like a good deal, but the small amounts of money they get back mean a lot more to them if it's for their family's future."

