





Cotter
Cunningham's
revolutionary
site *RetailMeNot*
is a simple
concept that
helps shoppers
save big on
everyday
items—and
rakes in millions
while doing it

BY STEVE UHLER

PHOTOGRAPHY BY ANDREW CHAN

VISITORS TO THE COMPANY HEADQUARTERS OF RETAILMENOT

six stories above Congress Avenue may be forgiven if they think they've gotten off at the wrong floor. Instead of being met with the stony visage of a receptionist obscured behind a glass fortress, the first thing guests see is an invitingly spacious, fully equipped coffee bar. The barista, a fresh-faced young woman introducing herself as Leslie, cheerfully recommends the cappuccino. "Sweet, or without sugar?" she asks.

Make no mistake: The brains behind one of the hottest global finance success stories of the past decade want to leave you with the impression that this is not your father's old, conservative corporate headquarters. And they succeed, with or without sugar.



RetailMeNot (RMN) deals in digital coupons—millions of digital coupons. Coupons for free shipping, coupons for 20 percent off, coupons for giant retailers like Macy's and The Gap as well as small regional mom 'n' pop operations. Coupons you can scan, coupons you can share, coupons you can receive on your smartphone and cash in at the register. In the past year, the company has logged more than 500 million visits to its website worldwide.

In short, RMN is a homegrown bonanza—the biggest coupon site in the world—planted in our own backyard. "RetailMeNot underscores what can happen when you have a big idea that's backed by big investors," says *Austin Business Journal* tech writer Christopher Calnan. "Trust me, the result is not small potatoes."

In fact, in the third quarter of 2013, RetailMeNot posted net revenue of \$47.4 million, an increase of 39 percent from the year prior. And when the company went public on NASDAQ last July, it was ranked among the top 10 best performing IPOs in the world. The company began with one man and a vision, and it now boasts more than 400 employees worldwide, 300 in Austin alone. It's also gobbled up other coupon sites in the U.K., France, Germany and Canada—and shows no signs of slowing down.

RMN is not so much expanding as exploding, currently occupying three entire floors of a sleek downtown skyscraper, and will soon engulf two additional floors as well. There are few doors, barriers or offices; nearly everything is clearly visible behind transparent glass. True to its former moniker, Whaleshark Media, Inc., the corporate office resembles a giant aquarium of cyber commerce. "We don't have offices here," explains Brian Hoyt, vice president of communications. "It's an open concept. Even our CEO,

CFO, CTO, they all sit with their teams in a newsroom-style setting.”

Behind the glass, an army of intense young faces swarm in a buzz of organized chaos, relentlessly combing the global beach for coupons, scrutinizing every grain of digital sand for deals and discounts to contribute to the site. Ad-hoc marketing committees brainstorm while lounging in plush lounge chairs in mini-conference cubicles; and trans-global video conference calls occupy a large media room known as the “round table.” A fully-stocked kitchen is perpetually open to refuel flagging energy, and tickers and digital clocks throughout the office countdown the days until Black Friday—the most profitable shopping day of the year. The energy is as tangible as static electricity. No pressure here.

THE CAPTAIN

Walking serenely through the center of all this maelstrom is RMN’s Founder and CEO, Cotter Cunningham, the Henry Ford of online coupons. Tall, down-to-earth and approachably affable, Cunningham does not comport himself like an archetypal CEO. As the son of former longtime Arkansas Rep. Ernest Cunningham, Cunningham thought he was destined for a life in public office. After graduating in 1985, he got a job working for then-governor Bill Clinton’s Economic Development Office. “Because of my father and his background in public office, I thought I’d love that combination of public service and business,” he says. “The truth was, I hated it. I moved slowly, it was political. . . the wheels of bureaucracy ground on me in a way that meant I didn’t want to do that. So I really shifted gears. I went from, ‘I’m going to be in politics the rest of my life’ to ‘I’m going to go to business school and do something else.’”

Discovering an aptitude for mergers and acquisitions, Cunningham started consulting. When one of his clients became CFO for H&R Block, Cunningham followed him. “That’s when I got into the world of the internet, around 1992, because H&R Block owned CompuServe, one of the old online ISPs,” he

says. “I’m not a visionary, but even I could see the potential there.” Awakened to the possibilities of online commerce, the budding entrepreneur started running an online agency in Kansas City. “Our big clients were Northwest Airlines and AMC Theaters. We did the websites for these guys,” he says. When one of his clients, BankRate, went public, Cunningham was invited to join the company, moving to Florida to serve as COO.

But after eight years at BankRate, Cunningham grew frustrated. “At some point,” he says, “after they give you your third CEO, it hits you: You’re not going to be CEO of this

company, right? They’ve clearly decided you’re not the guy. And I wanted to be CEO; I wanted to try my hand. So I left and did a little start-up called Smallponds.”

friends locally, so you turn to the internet. I love that connection you can make.” Smallponds floundered and eventually failed, but not before attracting the attention of capital consortium Austin Ventures, which saw potential in Cunningham’s vision. “They called me and said, ‘Hey, we like you.

OPPOSITE PAGE
Dirty chai lattes are a staff favorite at the free coffee bar.

THIS PAGE
RMN kitchens are always stocked with food and drinks; there are also at least seven catered meals each week.



Inspired by an online support group for recent divorcees, Smallponds was conceived around the idea of online commonalities, a patchwork quilt of small websites devoted to niche markets. Cunningham recognized the potential for online communities early on. “I love life events,” he says. “In the old days, if you were buying a car, planning a wedding, having a baby, you’d talk to your friends, your neighbors, your family. Now we’ve become removed in some ways. You can’t always turn to your family or close

Why don’t you move to Austin and we’ll work with you on your next project?” he says. “Considering the other alternative was look for a job, it sounded pretty good.”

Hooking up with Austin Ventures and moving to Austin in 2009, “We started looking at companies,” he says, “mostly to buy one.” It would prove to be a prescient harbinger of things to come.

THE BIG IDEA

A confluence of elements made for the perfect storm of opportunity. “One of the guys at Austin Ventures, Tom Ball, had experience with paper coupons and we started looking into that,” recalls Cunningham. “We were talk-

ing to a guy in Oklahoma who had an online coupon site—I'll never forget it. It was clear that he wasn't working that many hours a day, but he was making great money and the business was crazy profitable. And it was like the fourth time I'd heard this from one of these coupon guys. Literally during the conversation I thought, 'Hmmm . . . what if you bought a couple of these and brought them together and ran them like a business? And instead of

BELOW
COO Kelli Beougher
chats with merchandising
coordinator Sloane Garvey.



taking the money and buying Lamborghinis and fancy houses, you plow the money back into the business and hire the best people you could find that had experience? What could this become? And that's what we did."

Cunningham began compiling a list of about 100 coupon sites. About half agreed to meet with him. "We were very straightforward," he says. "We said, 'We're looking to get into this business—are you interested in selling?' And a handful were. We ended up buying three." In quick order, the fledgling venture swooped up CouponsLimited.com, CheapStingyBargains.com and Deals2Buy.com. In November 2009, Cunningham officially found himself in the digital coupon business.

In the midst of reimagining his business template, Cunningham decided a new company name was in order. "The concept behind Smallponds was that we were going to develop a series of sites that focused on niches that were small, and be sort of the big fish in a small pond," he says. "When we decided to pivot a bit and go into the coupon space, we said, 'We're just going to be the big fish.' What's the biggest fish in the ocean? The Whale Shark. So we became WhaleShark Media."

Within two months, Cunningham realized he would need some help. In January 2010, he hired one of WhaleShark's core additions,

Kelli Beougher. In a company dominated by "imported leadership," Beougher is, uniquely, the only Austin-bred member of upper-tier management. After graduating from UT, Beougher moved to New York to work for LinkShare, eventually becoming SVP of Client Services, where she developed prodigious skills at dealing with large retailers and advertisers. Returning to Austin in 2010, she was recruited by WhaleShark to serve as COO. The detail-fixated Beougher counter-balanced Cunningham's bigger-picture ambitions to good effect. "Kelli is incredible," says Cunningham. "She's everything I'm not. She's super detail-oriented, so we're a nice pairing."

"What was fun for me in the first year was working really closely with the founders, to learn the product from the consumer side of things," recalls Beougher. "At the time there was very little sophistication in the space. Nobody was really doing it right in terms of investing in more strategic relationships with retailers, building a great product and user experience, really focusing on the marketing of the brand. That was a big part of our focus the first year."

Cunningham and his small staff spent the next year learning the business and expanding WhaleShark one small pond at a time,

until he had accumulated a substantial body of water. In the early days, things didn't always go swimmingly. Mistakes were made, lessons were learned and improvements were implemented. The company experienced inevitable glitches establishing itself in a self-inventing, ever-mutating digital hub, from retailers that didn't recognize "third-party coupons" and invalid or expired codes to unenlightened cashiers unfamiliar with the evolving marketplace.

Often the problem was a simple case of unevenly distributed technology compounded by brand name unfamiliarity. Cashiers at some stores didn't have compatible scanners to accept coupons or read mobile devices, and WhaleShark's profile was not as ubiquitous as Groupon or LivingSocial in the online zeitgeist. The company

responded by aggressively reaching out to educate and enlist major retail partners, as well as soliciting direct feedback from its users. "At the end of the day, we can't directly reach out to the cashier," says Cunningham. "We have to work with retailers to do that. The last thing any retailer wants is you at a cash register in front of a long line making a scene. They hate that. They very much want you to have a good experience."

As WhaleShark refined its strategies and honed its competitive edge, it rapidly gained an industry reputation for innovation and due diligence. Retailers began recognizing the name and the benefits, and a virtual online community of users began to evolve, sharing

data, deals and discounts. WhaleShark was becoming exactly what Cunningham had envisioned: the biggest fish.

The fish may have been getting bigger, but the space was not. The original headquarters for WhaleShark was a single floor housed in a large office space a floor above the Freebirds on South Congress. "Everybody went home at the end of the day smelling like chicken," remembers Hoyt.

Nick Shiffert, now director of mobile innovation, was typical of the talent drawn to the venture in the early days. A former software engineer for MySpace in California, Shiffert joined WhaleShark in July 2010 as software engineer, just as the business was beginning to boom. "Our building was the old headquarters for Sweet Leaf Tea," he recalls. "There were a couple of dogs who were just residents there. My first day of work, the head of marketing showed up in her cubicle and there was dog poop under the desk."

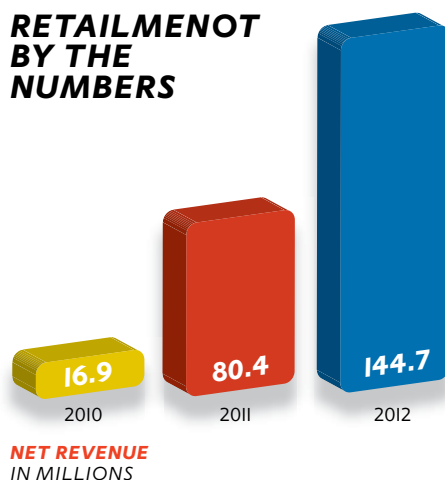
Space became increasingly cramped; eventually 70 employees squeezed into the single floor. "I had a guy working 3 inches to my right, and another guy 2 inches behind me," remembers Shiffert. "I couldn't get up to go the bathroom." The company eventually relocated to its present location in September 2011. The dogs did not come with the package.

THE BIG GET

In 2010, the rapidly growing company acquired the popular Australian coupon site, retailmenot.com, deciding to capitalize on the brand name. In March 2013, WhaleShark officially changed its name once again, to RetailMeNot, Inc. (Cunningham still nurses a proprietary and paternal attachment to his former company; the distinctive old Whaleshark logo still adorns the walls.) By then, RetailMeNot also expanded its reach, acquiring several sites throughout Europe, spreading its coupon empire on a global level. "The business took off like a rocket ship at that point," says Hoyt. "The idea was effectively, 'Now we own the biggest coupon site in the U.S.—we're going to own similar companies like this around the world.'"

Up until that point, RetailMeNot had been largely financed by a small coterie of backers, Austin Ventures, Norwest Partners and JP Morgan Asset Management among them. With momentum in their favor, the time was propitious for a major change. "Going public was an opportunity to generate capital to scale the business," says Cunningham. When RetailMeNot went public on NASDAQ in July 2013, salivating investors leapt at the

RETAILMENOT BY THE NUMBERS



NET REVENUE IN MILLIONS



GLOBAL SITE VISITS IN MILLIONS

opportunity. Priced at \$21 a share, the stock opened at \$27.70 the first day of trading.

RMN also began aggressively expanding its branding efforts into more traditional media. "We started doing TV advertising in 2012," says Hoyt. "We're promoting through TV, radio, online. We want to build our brand awareness, our traffic to the site and the app."

RetailMeNot is big on apps. Mobile traffic now accounts for nearly half of RMN's hits, up from less than 10 percent only two years ago. The RMN app is another advance in the evolution of digital couponing. Linked to various GPS technology in smartphones, iPads and Androids, RMN can instantly alert consumers to in-store discounts as they're pulling into the parking lot. "Digital coupons are replacing physical, paper coupons throughout the retail industry, just as digital payment systems are replacing actual currency and even credit cards," observes Calnan. "RetailMeNot is operating in the sweet spot created by the widespread adoption of smartphones and their accompanying applications, coupled with the

ability to buy discounted products and retailers wanting to market those products."

The question arises: How, exactly, does RMN make its profits? "In a nutshell," says Hoyt, "we get paid a modest commission when we help a monetized merchant facilitate a sale via one of the consumers who uses a coupon in our database to go shopping. It's a CPA model, largely, cost per acquisition, which is something that retailers prefer, because they only pay when we help them facilitate a sale." RMN also gets some cash from ads on its site, though the company tried to minimize the clutter of obtrusive billboards and preferential pop-ups.

THE FUTURE

What's next for RetailMeNot? In the immediate future, more innovation, according to Shiffert. They're currently working to fine-tune an evolving "beacon" technology where small, hockey-puck sized beacons with sensors placed strategically throughout stores can detect a smartphone in a shopping aisle and instantly alert consumers to deals literally within their reach. "Imagine walking through a big box retailer and you're browsing TVs," says Shiffert. "As you get closer to a certain type of TV, your cell phone beeps and says 'Hey, noticed you're looking at this TV. Tell you what—we'll give you a hundred bucks off if you buy it today.'"

In the bigger picture, some observers see challenges ahead. "RetailMeNot is really dependent on digital coupons and the question remains whether that space will change at all in the coming years," says Calnan. "Will someone introduce a more innovative way of getting digital coupons and make the existing process obsolete? It will be interesting to see."

It's a concern Cunningham shares. "I don't really worry about competitors in our space," he says. "I worry more that two women in a garage in South Austin somewhere have come up with a cool way to hook up Twitter with coupons or something else, and we didn't see it coming. Next thing you know, it's the next big thing. That's what I worry about: Innovation that we ignore."

It's a brave new world of digital discounts, online sharing communities, mobile tracking devices and, in Cunningham's words, "the next big thing." If the future is a blank canvas of possibilities, then RetailMeNot is more than happy to provide a coupon for the paint set and brushes.

Did we mention that you get free shipping with that? 