



DEADLY DISCOUNTS

If you need to bring in some extra cash and think having a promotional sale will solve your problems, think again.

A SALE that grossly reduces your margins for an extended period of time can successfully put you out of business. What's more, offering a blanket discount over the whole store can weaken your brand and undervalue the service you provide.

I concede there can be a time and place for a promotional sale but I strongly believe sales are overused. If your brand or point of difference is lowest prices, then promotional sales and discounting will be a normal way of conducting business. This type of constant sale is mainly used by the larger retail chain stores which have a significant advantage over medium and smaller business in buying power and support network.

Promotional sales and discounting alone will never build customer loyalty to a business or brand. A small percentage of consumers are solely price driven but the majority look for other factors including service, relationship, convenience, habit, image, performance and quality. To even entertain the idea that price will counter all of these is naive. Customer loyalty is

driven by the whole customer experience, not price alone.

If you decide to have a sale, you need to maintain a high level of service, especially if part of your objective is to build a larger customer base. Many businesses fail to deliver great service during a sale as staff sometimes feel if the product is discounted, then so is the service.

Customers can soon discern which sales offer genuine value and which are a marketing ploy. A consumer who is solely driven by low prices is a consumer loyal to price only, not to you or your business. When your competitor has a promotional sale, your hard work will go to waste as the low price consumer will go to them.

A promotional sale which increases sales but decreases overall profit makes little business sense unless you can guarantee to increase sales by a large percentage and pick up add-on sales. If you need to boost sales through a promotional sale then it is important to be aware of the overall cost to your business.

You need to ask yourself if your promotional sale will increase traffic enough to warrant the marketing, book-keeping, staffing and extra logistical expenses involved in promotional sales. Can you and your team cope with the extra customer traffic?

If you have a promotional sale, be strategic in what you offer discounts on. Select specific products or services and discount those only. Ensure you have clear strategies to maximise add-on sales to compliment the purchase and up-sell when you believe it better suits the customer's needs.

Never offer a discount just because you can. The amount of discounts I see offered for no reason amazes me. I believe senseless discounting often happens due to a lack of confidence in sales ability and a poor understanding of the sales process.

Ask yourself the following question: Are you or your staff giving away unnecessary discounts and hence undermining the overall profitability and success of your business?