

Promotional Intent

What do you intend your promotion to accomplish?

by Brian Woolf (May 4, 2015)

- **Mix and Match: Buy Any 10 for \$10!**
- **Buy One Get One Free!**
- **5% Senior Discount Every Wednesday!**
- **Triple Coupons: 3 Days Only!**

The above are typical food retailer promotions. Are they strong or weak, smart or not so smart? We cannot say: that all depends upon the intent of the promotion. So what might be their intent and that of many other promotions we see in weekly circulars and advertisements?

Mix and Match

I recently saw a Mix and Match newspaper ad displaying 15 different items at “10 for \$10, Mix or Match, Purchase of 10 Items Not Required”. The ad was attractive but what was its intent? In effect, it was a \$1 sale of 15 different items. Was the marketer’s primary intent to compete with Dollar stores? Or was it to increase its average basket size? If the former, will one ad of 15 items do the trick or will it need possibly a full-page ad weekly for 6 months and, even then, are Dollar store customers a key customer segment for it to target? If the latter, with the item price so low, how many items will have to be sold in a transaction to make an impact on the store’s average transaction size? Afterwards, as with every important promotion, a reflective marketer will ask himself two questions:

1. Did the results achieve my intention?
2. Was this the best way to spend these promotional and markdown dollars?

Buy One Get One Free

Buy One Get One Free (BOGO) promotions must add a lot of dollars to a retailer’s bottom line because there seems to be so many of them. Is, then, a profitable promotion the marketer’s primary BOGO intent? Or is the primary intent to draw people to the store to buy other items that are profitable in which case the intent may be to achieve a higher-profit week. BOGOs are a fascinating promotion: some retailers require that the customer has two BOGO items in her transaction (you actually buy one and get one free) while others allow customers to buy just one

BOGO item and pay for it at half-price. Either way, apart from some slow-moving items, there are few store items with a gross profit percentage over 50%, so whether and how much gross profit the BOGO item promotion in total delivers depends upon how much promotional funding the retailer receives from the vendors.

Here's what puzzles me: if the BOGO promotion generates gross profits, why would you ever call the promotion "Buy One Get One Free" and not expect the customer to take two items of this great deal to increase your item movement and profits? Conversely, if two items are not required, why not call it by its more accurate and dramatic description, Half Price Sale? The answer lies in the marketer's intention. Like before, from time to time, a reflective marketer will ask himself:

1. Are my BOGO results achieving my intention (which is...)?
2. Are BOGO promotions the best way to spend these promotional and markdown dollars?

Senior Discounts

If a Senior Citizen discount is such a good idea why doesn't every food retailer offer it? Some do, some don't. Obviously, the deciding factors lies in the marketing intent, influenced by both philosophical and economic factors.

Who is a "senior"? In the US, some retailers define seniors to be as young as 55, with 60 being a common threshold. At age 60, current Government projections show men living to 81 and women to 84. This means that by offering customers a once-a-week discount from age 60 onwards a retailer is giving them a discount that covers about one-third of their adult life! It's a discount given purely because of a person's age, regardless of how rich or poor the customer is and regardless of how much or how little the customers spends in the retailer's stores either generally or on the weekly discount day (where orders may comprise mostly low-margin specials). Offering a 5% Senior Discount is an open-ended, one-day-a-week discount to an increasing share of your customers that incurs a cost that, in turn, must be spread over all customers.

Is it worthwhile? That depends on the retailer's intent and its understanding of its seniors' economics (which can be estimated using its customer database). Seared into my mind are the economics of one food retailer who offered its seniors 10%-off all purchases every Monday. We found that two-thirds (67%) of its seniors' total weekly spending occurred on Mondays, five times the rate of other customers (whose Monday spending was only 13% of their weekly spend). Besides reinforcing the concept that behavior follows rewards it made me wonder with what other retailers did the seniors shop in the other six days?

A retailer considering or reviewing its senior discount program assesses whether it has a moral or social responsibility to every customer over 60 (in addition to the Government's) by offering them a weekly discount. Then, if not, he will ask himself:

1. What is my business intention regarding seniors?
2. From a company viewpoint, is a once-a-week 5% discount to them the best way to spend these promotional and markdown dollars?

Triple Coupons

Because of the cost of offering customers Triple Coupons, even if only for 3 days, the marketer's intention is all-important: is he seeking new customers, rewarding existing customers, or anticipating an increase in sales?

As in the earlier promotions, a reflective marketer will later ask himself:

1. Did my Triple Coupon results achieve my intention?
2. Are Triple Coupons the best way to spend these promotional and markdown dollars?

Closing Comments

The above are not trick questions. The right answer is how closely did results align with the marketer's intentions (which may not necessarily synch with short or long term profit maximization). The questions raised can be applied to most promotional offers one sees in weekly advertisements. Indeed, to the whole advertisement itself. A non-quantifiable question can also be added: is this promotion memorable or forgettable? Obviously, the former trumps the latter.

These questions are raised as a reminder that we should think about the real intention of our primary promotions and challenge our thinking as to whether our promotional intentions truly align with the goals and best interests of our company.

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About the author...

Brian Woolf is a global leader in loyalty marketing and has written three definitive works on the subject, *Measured Marketing: A Tool to Shape Food Store Strategy*, *Customer Specific Marketing*, and *Loyalty Marketing: The Second Act*. He devotes his time to helping retailers develop, critique and strengthen their loyalty programs.

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