



Stephen Rinaldo, director of specialist retail brand agency Rubicon Retail, helps retailers to achieve a powerful brand presence and take their business to the next level.

To discount or not to discount...

To discount or not to discount? That is the question on all retailers' minds as they prepare to battle the post-Christmas sale season.

'If I don't discount, I can't compete and, to be honest, the customers are expecting it.' How did the retail landscape end up in such a predicament? Simple. Most retailers can no longer claim to have a point of difference. Gone are the days when customer service and quality played a role in the decision-making process; these days it's simply price. And it seems like the bigger the discount, the better!

As far as the customer is concerned, they'll buy it from whomever as long as the price is the cheapest. We can't blame the customer for thinking like this; retailers predicted it, created it and are now paying for it.

Price and price alone is now the sole contributing factor in the purchasing decision. But does it have to be? I say, when in Rome don't do as the Romans do. When it comes to discounting, simply market smart and stick to your guns. Offer more than just a discount and you will guarantee your long-term survival. What is it that you offer that your competitor simply can't? Find that and you have your value add right there.

GREAT BUSINESSES ARE BUILT ON LONGEVITY

As a retailer, to enter the price war is to simply reduce the life of your business. Why? Well, think about it. In recent times, the local greengrocer made way for the larger super-

market, simply because they had better buying power and the ability to reduce prices. We, the consumers, convinced ourselves that driving to the larger complex was more convenient because we were saving time and money.

But wait a second. Weren't we now spending more on fuel and taking longer to get there?

It wasn't long before we started to complain about the lack of personal service, the inferior quality and poor range. Price was dictating our choice, yet we were happy to accept this throwaway society we had created. In the

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long run, we were paying less per item, but now replacing that item more often. It doesn't make sense.

So, in fact, are we really saving? Given the choice, wouldn't most customers prefer local personal service, trustworthy quality and reasonable prices? Surely, most of us would opt for convenient and memorable 'peace of mind' shopping. It's this memorable shopping experience that builds loyalty, creates trust and, ultimately, lays down the foundation of a great customer base.

CUSTOMERS PREFER BRANDS

This leads me to the fact that all indicators suggest that loyal customers would rather

buy a brand; and by that I don't mean a label, but a brand that meets all of their shopping requirements (not just price). Essentially, they want the right products, at the right price, backed by the right shopping experience. Memorable and pleasant, enjoyable and fulfilling; customers will pay for service, quality and trust.

And, as a retailer, don't you want your brand to be respected? Coveted even? Do you really want a business built on customers who only purchase on price? I wouldn't. And you don't need to.

WHEN DISCOUNTING MAKES SENSE

So when is discounting your products the right thing to do? Discounting should only be used when it's time to clear out old season stock. Odd quantities, sizes and colours, new designs: these all give you the perfect excuse to discount. And why not? Your customers will thank you.

On the other hand, discount every day or just because it's expected (e.g. post-Christmas sales season) and it will do two things to your customers:

1. It will create a perception and a benchmark of your pricing structure.
2. It will destroy their trust. Your customer will start to believe you're overcharging on

price. Statements such as 'How can they afford to discount that product so much? It must be highly inflated' or worse, 'I paid full price for that three months ago. I'll just wait 'till they have it on sale again' will start to surface.

Both situations will only damage your brand and that is not the way to build a strong, loyal customer base. Every retailer requires repeat business and that is achieved by loyal customers continuing to shop with you and, better still, spreading your worth favourably, through word of mouth.

IF NOT DISCOUNTING, THEN WHAT?

As soon as you disengage from the race and move away from the discounting mindset, the answer is simple.

Think smart!

Find another way to create a value add around your offering. How can you add value to your customers' shopping experience? Through specially sourced 'Gift with Purchase' ideas that don't detract from your margins, loyalty programs, pre-season customer purchasing evenings with a 'first in, best dressed' sales opportunity, innovation in your product range, hassle-free after sales and returns policies, fast delivery... the list goes on and on, yet not once have I mentioned offering a discount. Now market smart! Promote and keep promoting. Advertise the benefits of shopping with you and make sure your competitor can't offer the same. Think certain car manufacturers, who never discount. Their customers wouldn't dare walk in expecting to haggle on price. They never promote discounted vehicles, yet continue to sell through difficult economic times in record numbers, while their heavily-discounted competitors struggle to maintain sales. Why? They simply refuse to compete on price.

That's not to say you can market cheap products as though they are luxury items. If your brand is one of cheap, heavily-discounted items, then discounting is for you. But if it isn't?

Let's say you know your customer, know what they want and how much they're willing to pay for it. As a result, you have built a good reputation on providing those quality products, reasonably priced. Additionally, you pride yourself on being the most experienced, offering the best customer service and holding the largest range in town. If you market

yourself well, you absolutely can be known for all of the above.

FIND YOUR POINT OF DIFFERENCE

Marketing yourself well, incidentally, all revolves around that key central point, which is to know your point of difference from your competitors. When you understand what sets you apart from the competition, you can set about building a marketing strategy around it: one that explores the best avenues for communicating your point of difference to your target audiences and carries you through specific milestones to achieve your long-term goals.

To surmise, before you implement a knee-jerk discounting strategy, consider the market worth of your products and services. Your

customers will expect to pay a price for that and they happily will. Only those who aren't your customers will not see the value.

As soon as you discount, you lose your point of difference and become like your competitor, who until now wasn't really comparable. But now they are. Your customer will suddenly not identify your differences, but compare you on price alone. Any marketing budget spent on building up that brand will be destroyed overnight. I can hear you saying, "Well, what if my competitor has the same item at a reduced price?"

Well, what should you do?

If you can't answer that, then ask yourself, why should a customer decide to buy from you other than on price? **M**

