

Instant promo success, but potential long-term loss...?

By  Jason (Frich) Frichol

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I've bought all my instant coffee for a year. I'm not a bargain hunter, a fickle switcher nor pantry-filler. I'm a cross-shopper. A cross-shopper that does keep his eye on the most expensive goods that frequents his basket.



Retailer A - Fresh Goods Destination 1. Instant coffee promotional price of R150 for two and save R49.90.

I typically patronize three different stores for my monthly and weekly shopping trips. One is a destination for my fresh produce; the other for the remainder of my weekly perishables, and my monthly destination is mainly for cleaning materials, condiments, health and beauty. My monthly trip also included instant coffee for the month (I buy two jars a month) until I found it at a consistently better price at my fresh produce destination.

To my surprise, at the end of July, I stumbled across this gondola end with a great offer. Buy two for R150 and save R49.90 (33% saving). I've seen a 10% discount offered before to loyalty cardholders and figured it was a month-end promotion so I bought four. Then two weeks later, mid-month, I see the special again and then buy a whole lot more. As a shopper, I have won but have the retailer and the brand?

Behaviourial changes

I've been pretty vocal about discounts that promote the wrong shopper behaviour or [fail to deliver](#) a good return for both brand and retailers, but this is something I can't get my head around...

From a retailer's perspective the promotion interrupted me before I hit the hot beverage aisle. When I entered this aisle I also typically shopped other categories (more impulse driven) and threw in pastries and cakes. Especially those double delicious Lamington Slices when I yield to my kid's pester power. Easily a trip down this aisle could add 10% more to the basket... but this could now be bypassed completely.



Retailer B - Comparative RSP @ R125 for one.

The second notable behavioural change is that once I had established that the product was offered at a good consistent price at this specific retailer, it became part of my habitual routine. The new promotion [engaged my conscious mind](#) and now I'm actively looking at all the retailers and their price on the product.

Missing the mark

From the brand's perspective, if they were looking to invest in switching a shopper from their competitor, they targeted the wrong the shopper (and I posit most shoppers in this channel). What's more, I also question why I have been buying the product at such a high price point when they can run a promotion this deep for such an extended period of time? Quality has also come into the spotlight as I doubled-checked expiry dates, change of size, ingredients and origin.

The retailer has easily lost over R3,000 a year on complementary category sales on just one shopper. I've saved over R500 for the year on instant coffee, which is a lot of money to spend on an existing loyal shopper.

Herb Sorenson in his shopper marketing book, [Inside the Mind of the Shopper: The Science of Retailing states](#), "Plainly, many price promotions result in a price reduction on significant amounts of inventory that would have been sold anyway..."



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This means that marketers are paying a heavy price for making some extra sales from price promotions - for every extra sale, they are often giving away margin on another two times as much volume (or more)."

Did it work?

I haven't had exposure to the hot beverage category for some time now, so I don't know the competitive dynamics. Did the promotion bring new shoppers in the store to justify the loss of habitually loyal shopper revenue? Will the deep investment from brand justify the market share gain for the medium and long term? Competitors (brand and retailers) will follow suit, even private label offerings will react and sadly this will probably lead to the overall commoditisation of the premium sub-category.

Yes, a few shoppers have won, as has the retailer in the short-term but I bet if one looks at the category in six months time, the shopper (watch RSP spike in the next few months), the category and its brands will have lost.

ABOUT JASON (FRICH) FRICHOL

My passions are shopper marketing, consumer packaging, visual merchandising, ideation, bankable innovation, integrated marketing, tangible ROI, and execution efficacy. My motto is, "Passion and persistence will get you everywhere." I strive for simplicity, practicality and information frugality.

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