

How to maximise the value of promotions

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Promotions are a popular tool used by both brands and retailers to raise sales figures over a short period of time. However, understanding if and how these promotions alter the shoppers' existing behaviour patterns is key to an effective promotional strategy. A study carried out among the purchases of the 20,000 households from our panel in France, combined with an analysis of a retailer's promotional leaflet campaign, provides useful insight on this.

How can promotions help brands

The analysis made in France started by measuring how popular promotions are among consumers. All of the consumers studied had bought at least one product on promotion over the year and 66% admitted to reading promotional leaflets. But, contrary to popular belief, promotions are of limited value in attracting new customers – only 25% of new buyers for a brand buy it on promotion. This means that 75% of new buyers buy the brand on shelf without any discount.

Three quarters of the products bought on promotion are bought by the brand's regular customers, so that means that the brand is effectively selling their product cheaper to people who would have bought it anyway - but most of the time they will be buying more of it when on promotion. We can say one of the roles of promotions is to "buy loyalty".

There were, though, in our study some specific examples of how promotions could be used to benefit the brand.

- **Introducing something new:** One was to introduce new ideas and encourage trial. Offering a promotion tempts the customer to purchase something they otherwise wouldn't and so sample the newly-introduced product. Two examples of this are Tourtel Twist and Coca-Cola Life, for which promotions resulted a respective increase in customers of 37% and 31% within a few months compared to an average of 13% over a year.
- **Targeting the price sensitive:** Promotions were used to target specific demographic groups who were more price sensitive, for example families who purchase 50% of the promotions on offer despite only representing one third of the population. Young people were also disproportionately effected by promotions.

How promotions can help retailers

The leaflet analysis revealed that promotions follow broadly the same pattern for retailers, particularly in the respect that they have the most effect on the retailer's regular customers, 43%

in the case of the 2015 "Purchasing Superpowers" initiative by E.Leclerc. Overall there were three clear rules from this initiative:

- **Overall spend:** Promotions increased how much regular customers spend.
- **Frequency:** The leaflets had a clear effect on the frequency of purchases and thus on the traffic to the retailer.
- **Best Online:** Promotional leaflets were particularly successful for the Drive format (Click and Collect) - 81% of the online purchases contained at least one item on promotion vs 48% of in store.

What is clear from this analysis in France, but a common lesson globally, is that the environment in which promotions are being used in and the objectives of the exercise must be fully considered in order to maximise their effectiveness.



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