

## Discounting not the only way to spread Christmas cheer

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# Discounting not the only way to spread Christmas cheer

Many retailers are hooked on discounting, but some resilient smaller stores are profiting by offering service over sales.

Jessica Gardner

As Christmas approaches, retailers hope to make up for a slow trading year. Many will turn to aggressive discounting, but some smaller retailers are adamant that dropping prices is not the answer.

"I'm definitely not a believer in discounting," says Susie Loudon, the owner of Sydney homewares store The Bay Tree.

"It damages the credibility of the product, because [it makes the

consumer ask] 'why is it being discounted?'"

"People expect well-priced goods and if the product is well-priced, then that's how it sells," she adds.

The expectation that goods will be on sale more often has become more prevalent, Ms Loudon says. But she prefers to offer a bonus gift if a client is particularly loyal or has spent up big. In this way, she removes the link between promotion and a discounted price.

It's a simple way to wean customers off discounts and one of many strategies that retailers could put in place to ensure this Christmas is a profitable one.

Research from analysts Dun & Bradstreet suggests that although retailers are confident sales will rise this Christmas, their expectations of

price are close to the lowest levels in more than two decades.

Jane Cay of women's fashion retailer Birdsnest, which is located in the regional NSW town of Cooma, but takes about 90 per cent of its revenue from online, thinks this is madness. "At that time of year, you could sell ice to eskimos," she says. "I just don't understand why you would discount at that critical retailing time."

Cay says a more sustainable way to encourage sales is to build a relationship with customers and all Birdsnest deliveries come with a handwritten note.

Retailers could also approach their marketing more strategically, Cay suggests.

The Birdsnest customer database can be "cut in different ways" for

targeted marketing, for example based on what brands, sizes or styles a customer has bought in the past. These initiatives are "more successful in terms of conversion rate" than wide marketing she says.

Retailers should move away from price-based advertising, to halt the discounts, according to the founder of consultancy PricingProphets Jon Manning. Bundling multiple products is one way to drive a higher sale at the till, but crucially those items need to be more expensive when purchased individually, he says.

With Christmas Day landing on a Monday in 2012, he expects many shoppers to do a last weekend rush, but retailers can manage this by putting a time limit on their offers.

In fact, Manning reckons a good

strategy for bricks and mortar retailers is to have a price promotion in November, when they are competing with online. Then, as the window for delivery from an online store narrows, they can move their prices back up. "Why wouldn't a retailer actually [offer] their most competitive prices very soon. Then they can move them up and up. That way you're going to extract a premium from those last-minute shoppers when you can't get anything sent to you."

Appealing to a niche is another way to avoid aggressively discounting. Andrew Poole owns Sydney specialty toy stores Terrific Scientific and Monkey Puzzle Toys. "We're doing quality toys," he says, "not the same ones you can get in Kmart or Target."