

the
tapestry
agency

Retail Leaders' Forum

Strategic Use of
Discounts for Business
Growth

February 2024



Agenda

1. Current market performance
2. Why discount?
3. Discounting strategies
4. Open discussion

**10%
OFF**

**50%
DISCOUNT**

**30%
SALE**

**70%
DISCOUNT**

**40%
OFF**

**20%
DISCOUNT**

**80%
OFF**

**90%
SALE**

**60%
SALE**

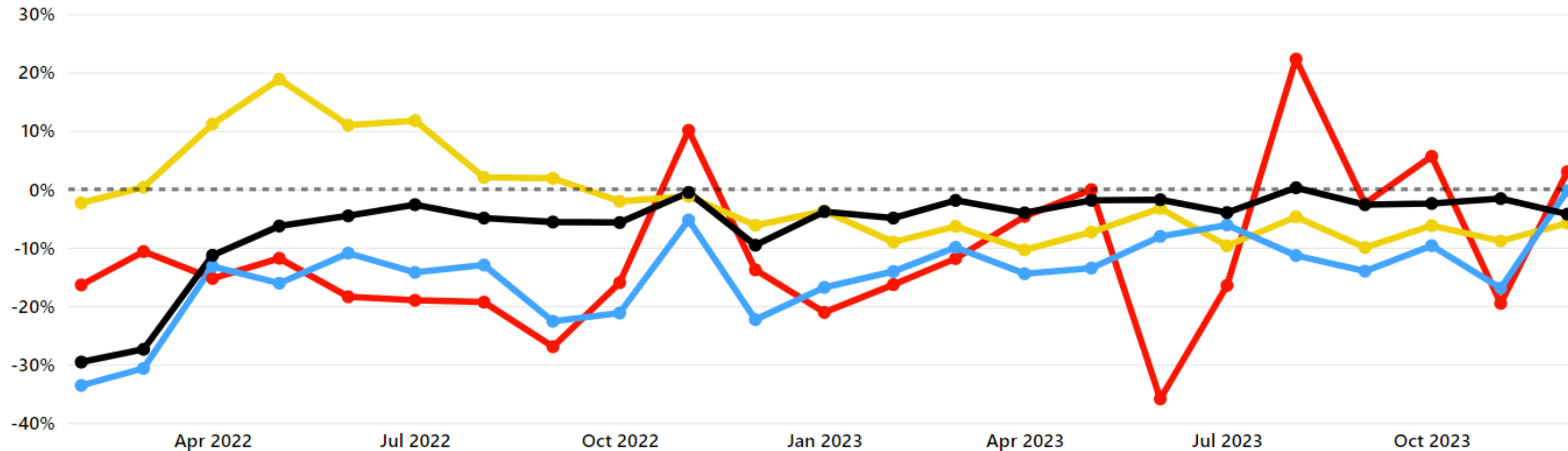
Current Market Performance



Current Market Performance

YoY Percentage Change for Revenue

● Beers & Wines ● Clothing ● Gifts ● Total Market



- The cost-of-living crisis has negatively impacted 2023 performance across most sectors.
- Economic factors continue to be main cause of concern with 2024 growth projected to be 0.4% (KPMG)
- Inflation is still over 4% with interest rates at 5.25%, their highest rates since 2018

Black Friday Week Performance

Source: IMRG

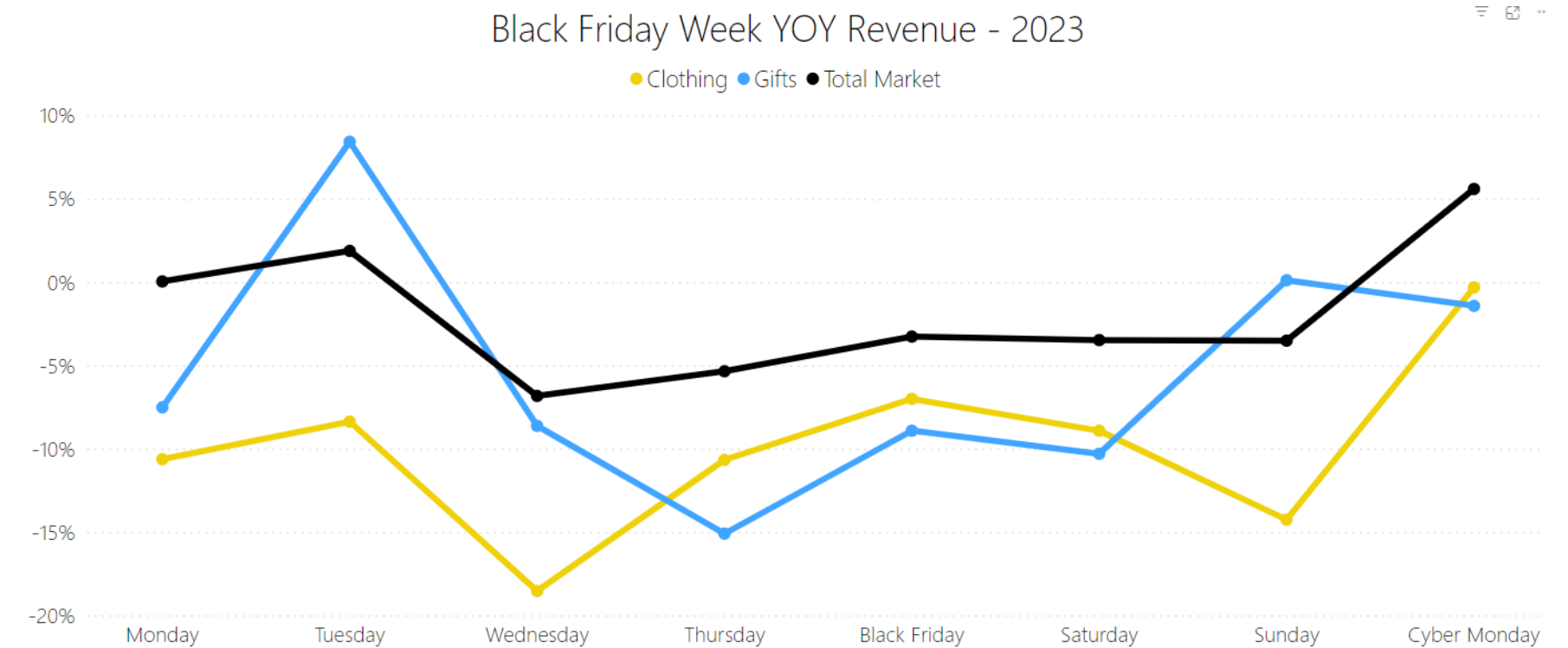
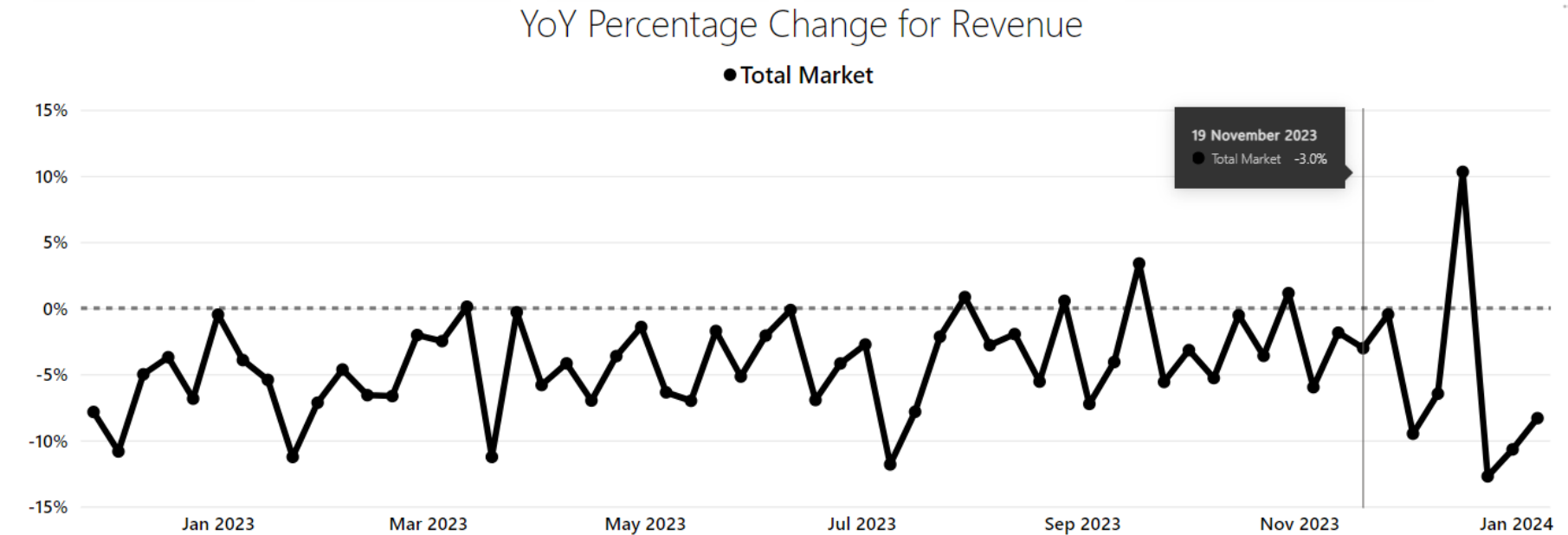
YOY revenue

- -3% YOY in Black Friday week with a lift on Tues and Cyber Monday performance.
- HSBC two factor authentication failed on Friday morning (15 million customers).
- Clothing -12.6% YOY in the week
- Beauty -20.8% YOY in the week
- Gifting -20.8% YOY in the week
- Home -0.8% YOY in the week
- Gaming, computing and audio realized YOY growth



Mobile and online banking

We're really sorry if you're impacted by the disruption to online and mobile banking right now, we're working hard to fix it. If you're not able to authorise an online card purchase via the app, you can opt for a one time passcode via SMS.



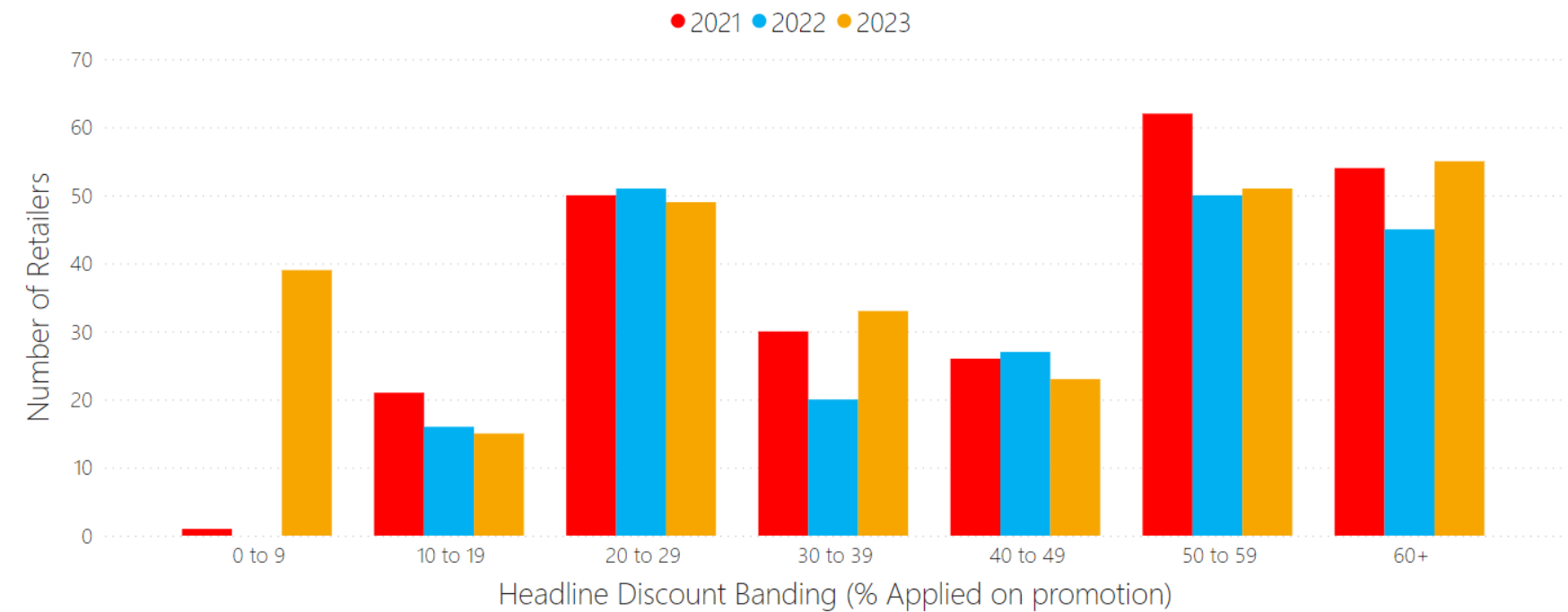
Black Friday Week Performance

Source: IMRG

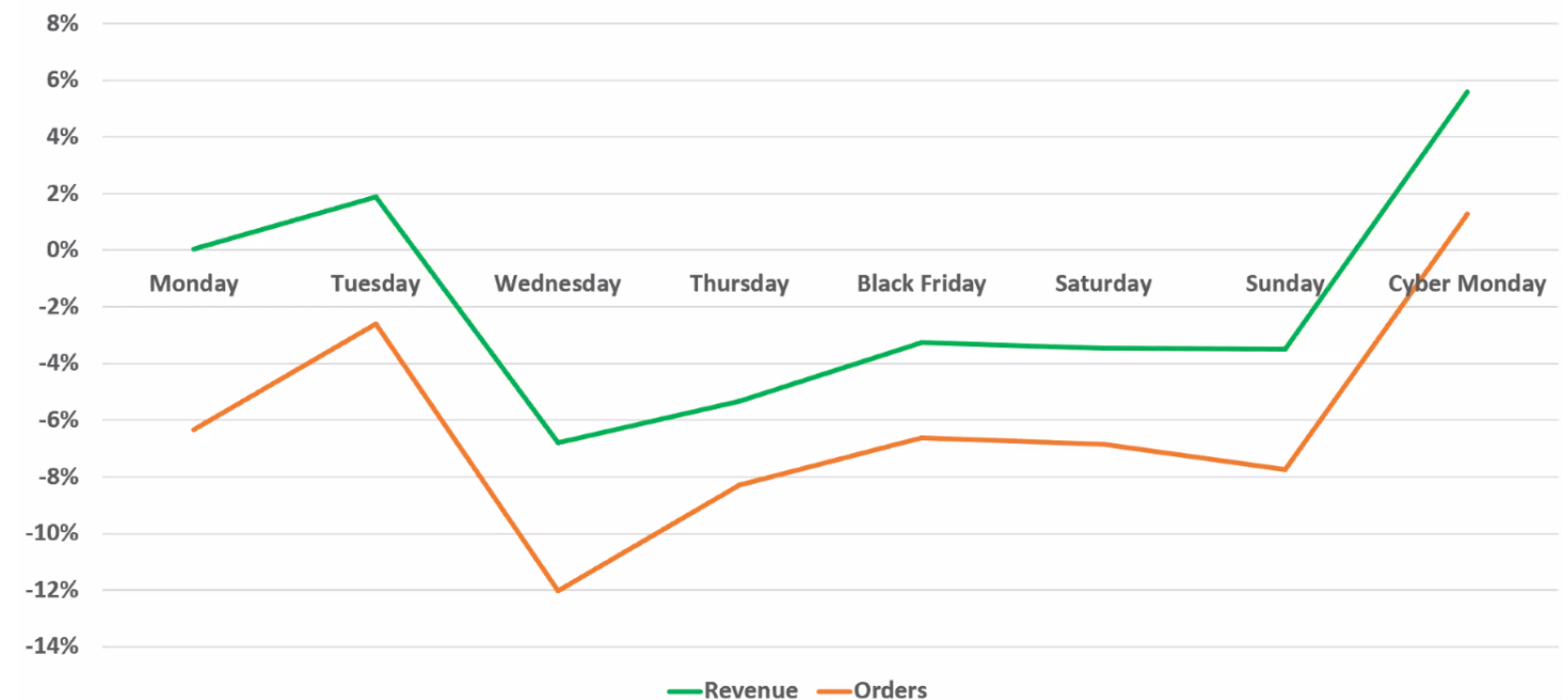
YOY performance

- 50%+ discounts were applied across most retailers, 20% discounts was also popular.
- Fewer orders were placed but they were of higher value
- Data indicates more considered purchases, less influenced by discounts... however less compelling discount offers could also have played a part.

Popularity of Headline Discount Rate on Black Friday



Black Friday week orders / revenue



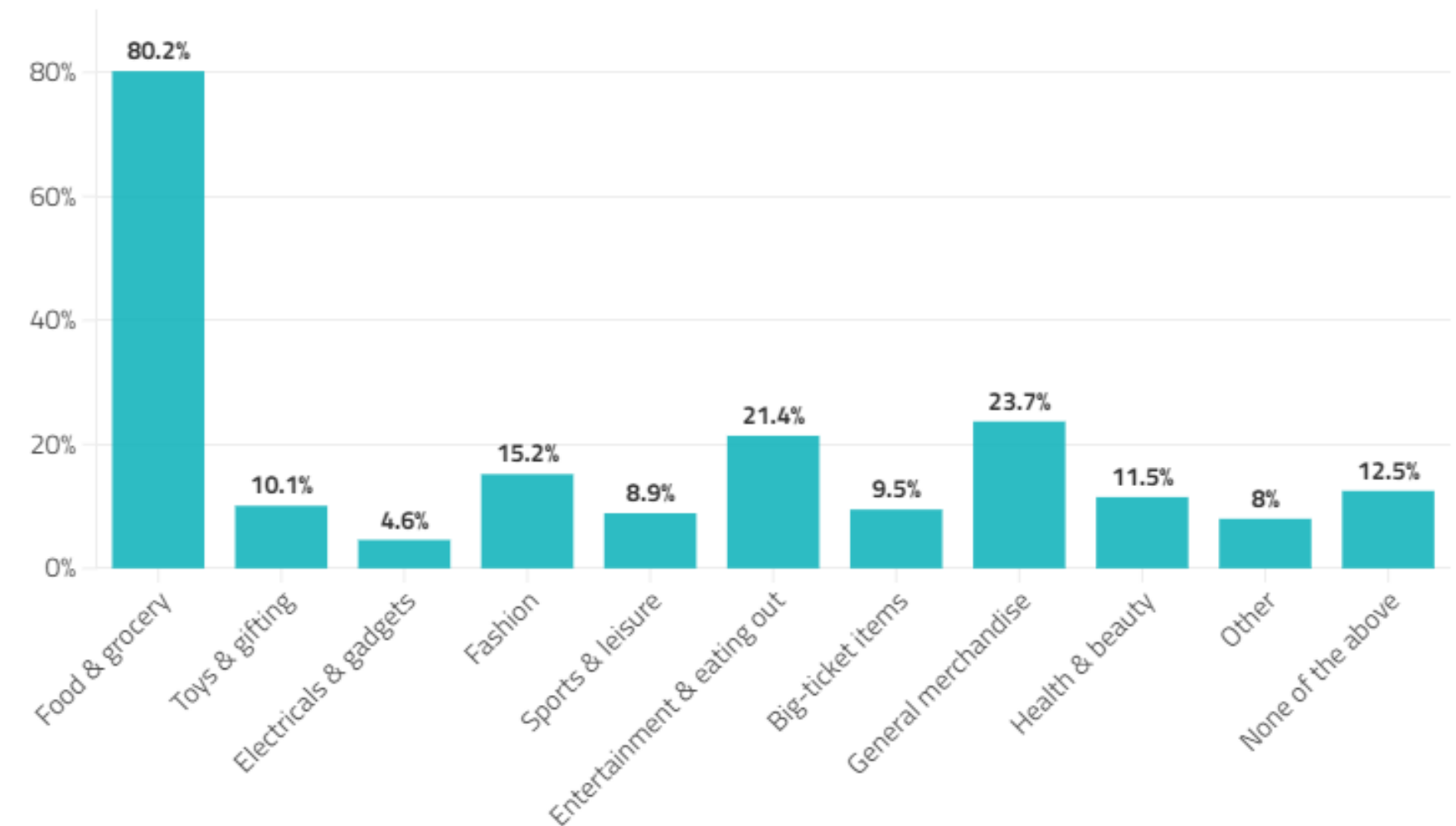
Consumer Trends 2024

Consumer spending priorities:

- 86% of UK customers are concerned about the cost-of-living crisis.
- 43% are focused on saving money going forward.
- Food and groceries are seen as priority purchases.
- Many consumers are choosing “essential” branded products.
- General merchandise, entertainment and fashion are secondary priorities in spend behaviour.

How are you prioritising spending on new items?

Select the top three new purchases you're prioritising



Source: YouGov, nShift and Retail Week survey of 1,000 UK adults (October 23, 2023)



Consumer Trends 2024

Consumer Attitudes:

- Human Connection:
 - Consumer desire for authentic human connections as a contrast to AI and algorithms.
 - “Made by human” “human as premium” theme is likely to emerge.
 - Nostalgia of a pre-tech world likely to become more appealing, even to younger audiences with no experience of low-tech.
- Quality and value:
 - Consumer shift towards value and quality purchases, reinforced by sustainability, added-value, heritage and convenience of the brand/product messaging.
- Brand Connections:
 - Consumers are choosing brands that represent their values...
 - And abandoning those that don't!
 - Brand history, tradition and longevity are important messages.

47%

of UK consumers who are concerned about the increasing prominence of AI are specifically concerned about having to interact with AI more than people (eg customer service, emergency response).

67%

of UK consumers who have bought furniture in the last 12 months prefer to spend more on high-quality furniture that lasts longer than buy cheaper furniture that needs replacing frequently.

Source: Mintel Consumer Report 2024

Consumer Trends 2024



French cooperative Ethikis has developed the Longtime label, a quality mark to help consumers identify durable products.

Source: Longtime Label



US food processing company Heinz has created a collectible sauce packet for all 50 US states, each one highlighting a regional delicacy from the state to bring Americans together rather than highlight what divides them.

Source: Heinz



Chinese baijiu brand Wuliangye has launched 'W Planet', a metaverse-based virtual space, aimed at encouraging young consumers to experience its brand culture.

Source: SocialBeta

Thailand has shifted its tourism industry from focusing on the number of tourists to delivering quality-based, sustainable and responsible tourism.

Source: thailandinsider.com



Source: Mintel Consumer Report 2024

Why Discount?



Why Do We Discount?

1



Inventory
Management

2



Competitive
Advantage

3



Increase
Traffic

4



Increase
Conversion

Drive incremental sales and profit!

Potential Benefits of Discounting



Increase Brand Awareness



Drive New Customers



Reduce CPAs



Call to Action -
Impulse purchase



Increase AOVs



Re-engage
customers

Potential Risks of Discounting



Brand
Damage



Lack of
Targeting



Poor Quality
Customers



Margin
Depletion



Price
Wars



Discount
Conditioning

Discounting Strategies



Customer Data Understanding

Customer Acquisition:

Discounting impact on LTV by:

- Value
- Channel
- Seasonality
- Product



Refine Your Targeting

New Customers by:

- Channel
- Price
- Discount level
- Seasonality
- Geography
- Product
- Closed Landing Pages



Customer Data Understanding

Existing Customers:

Discounting impact on:

- Order frequency
- Order value
- Incremental uplift in LTV
- Lapsing behaviour
- Reactivation success



Refine Your Targeting

Existing Customers by:

- Incrementality testing by channel
- Closed Landing Pages
- Lapsing behaviour
- AOV Builders
- Reactivation
- Previous discount interaction

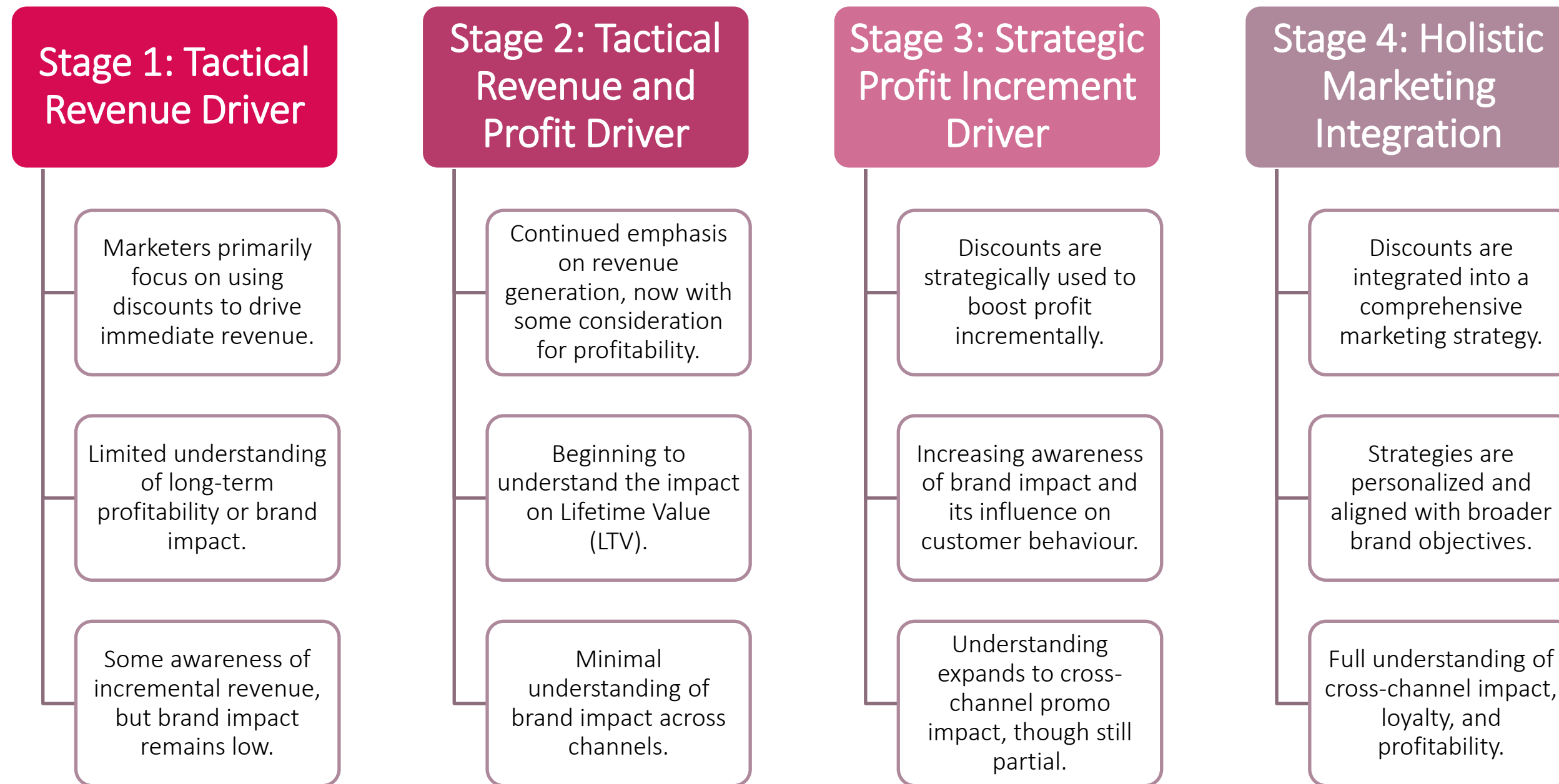


Well Structured Test Plans

- Precise objective
- Clear Targeting
- One thing at a time
- Test, control, hold-out
- Measures of success (time)
- Review
- Interpret
- Refine
- Roll-out



The Discount Effectiveness Journey



In our experience, few brands reach Stage 4, most reside in Stages 1, 2, or maybe 3.

WHERE DO YOU STAND?

SEEKING CLARITY ON YOUR DISCOUNT STRATEGY?

Discover if your discounts are not just boosting profits, but also attracting the ideal customers crucial for long-term loyalty and brand integrity.

Take Action Today!

Contact [Priya](#) to start uncovering insights!

