



THE DISCOUNTING **PLAYBO%K**

How to cash in on genuine customer connections



INTRODUCTION

Recently, there's been much for ecommerce retailers to feel unsure about. From pandemics and shipping delays to privacy updates and rising inflation, the goalposts are always moving.

Every new hurdle puts pressure on your margins and your ability to grow your business. You're left wondering how to react without turning off both new and already loyal customers by compromising on customer experience.

So the only option outside of passing costs onto your consumers is to lean on promotions and discounts right? Wrong. There's more to it than that.

Our research shows that there's an opportunity to do things differently.

Not to just meet, but beat customer expectations.

Not to just make sales, but to form long-term emotional connections that drive growth and protect your profit margins.

Keep reading to find out how shoppers feel about discounts and what alternative incentives you should deploy instead.

Welcome to *The discounting playbook.*



TODAY'S SALES CULTURE

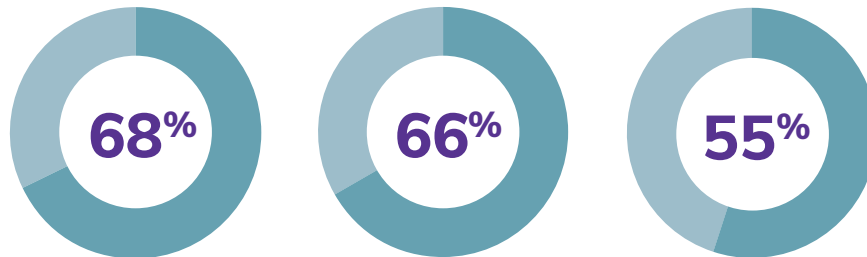
Back in simpler times, key discount events dominated retail calendars. Black Friday, seasonal promotions (like Valentine's Day), and end-of-season sales guaranteed quick sales spikes.

Today, these very specific sales periods are becoming less relevant for a few key reasons.

Firstly, consumer confidence is being regularly hit by worldwide economic factors that create spending uncertainty. For many ecommerce brands, the natural response is to continually run promotions and sales, keeping customers coming through the door and avoiding an overload of stock, but leaving the traditional sales calendar null and void.

Secondly, consumers are becoming more selective about the brands they shop with. No longer making decisions based purely on price and promotions, shoppers are prioritizing purchases with brands that are aligned with their values.

And finally, today's shoppers want a lot more in return for their purchase than just a discounted product. They want a high standard of customer service, to feel as though their custom is valued, and to connect with a brand on a deeper level.



of customers said they would be loyal to a brand if it **shared the same values as them**

of customers said they would join a loyalty program if they could **create ongoing relationships with the brands they like**

of customers say their loyalty would be won if they had an **emotional connection to a brand**

This means that a sales-dominated strategy is outdated. Relying on discounts isn't sustainable if you need to run them all year round. Plus those discounts no longer meet the priorities of your customers and won't help you to build lifetime value and brand loyalty.

So how do you update your discount strategy while protecting your profit margins AND connecting with your customers?



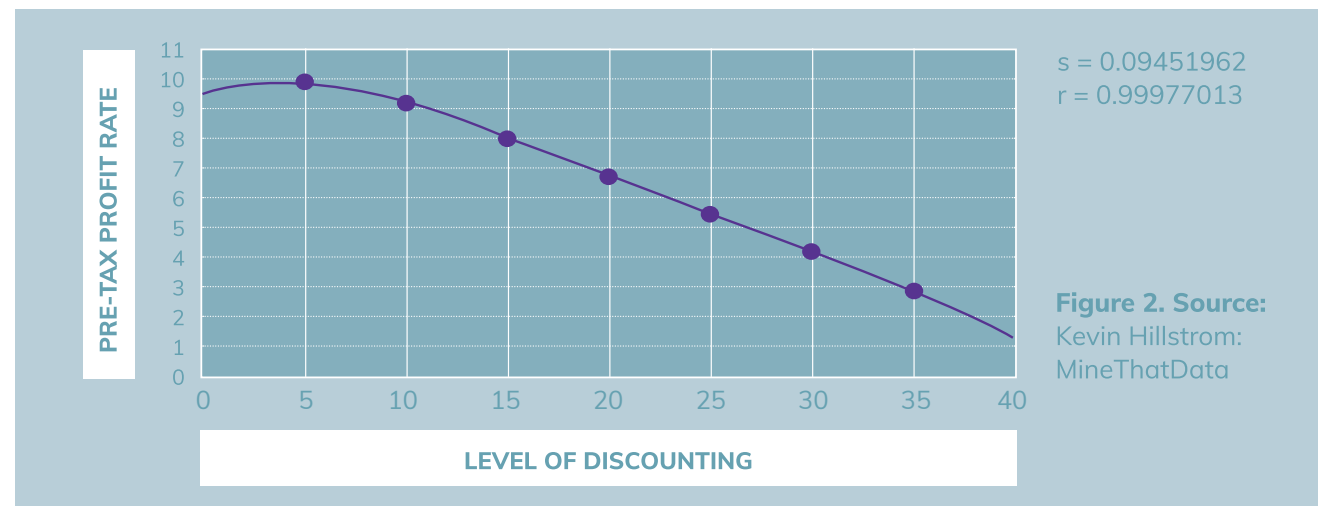
THE NEW OPPORTUNITY: ALTERNATIVES TO DISCOUNTS

To understand the opportunity that exists, we need to first understand the science behind discounting.

There's a psychological thrill that comes with saving money. **One study** found that consumers get feelings of excitement, pleasure, and happiness when they get a major discount. **Researchers also found** that people who received a discount had a 38% increase in the levels of the “feel-good” hormone, oxytocin.

Despite this, Management Consultants (such as **Kevin Hillstrom**) have long told us of the quadratic-style relationship that exists between levels of discounting and profitability.

Businesses with modest and infrequent discounts are healthier than those caught up in a sale-driven approach that erodes CLTV with each year a customer shops at a discounted rate. Plus, reversing out of a discount-heavy strategy can result in a sales decline while customers who are used to lower prices reassess their options.



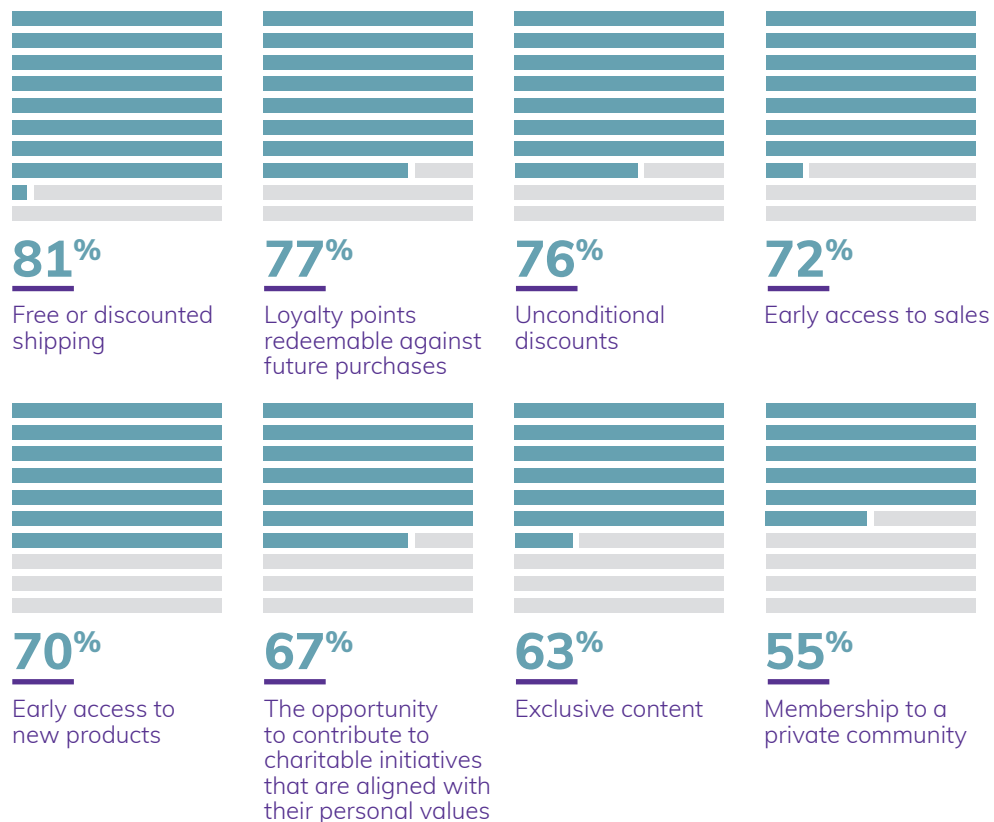
But what if we
told you that
you can reduce
your reliance on
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replicating that
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While our data showed that consumers continue to lean into unconditional discounts – **76%** of those we surveyed said that discounts make them feel positive towards brands – it also highlighted that there are other ways to create those positive feelings. As it happens, consumers feel equally as good about brands that offer alternative incentives that are less discount-driven.

Over three-quarters (**81%**) reported feeling positive towards brands that offer free or discounted shipping. They also felt positive about brands that offer early access to sales (**72%**), or new products (**70%**).

Shoppers also showed extremely positive sentiments towards brands that give loyalty points, and the opportunity to contribute to an initiative aligned with their personal values.

What makes consumers feel positive or very positive about a brand



You may be thinking that positive feelings do not equate to sales in the same way that discounts do. Yet, when asked to think about a key sales period (like Black Friday or summer sales), alternative incentives proved just as likely to drive purchases.



When asked to think about their behavior during sales peaks...

76% | said a discount would get them to purchase

70% | said early access to sales and **69%** | said early access to new products would get them to purchase

59% | said that exclusive access to content would get them to purchase

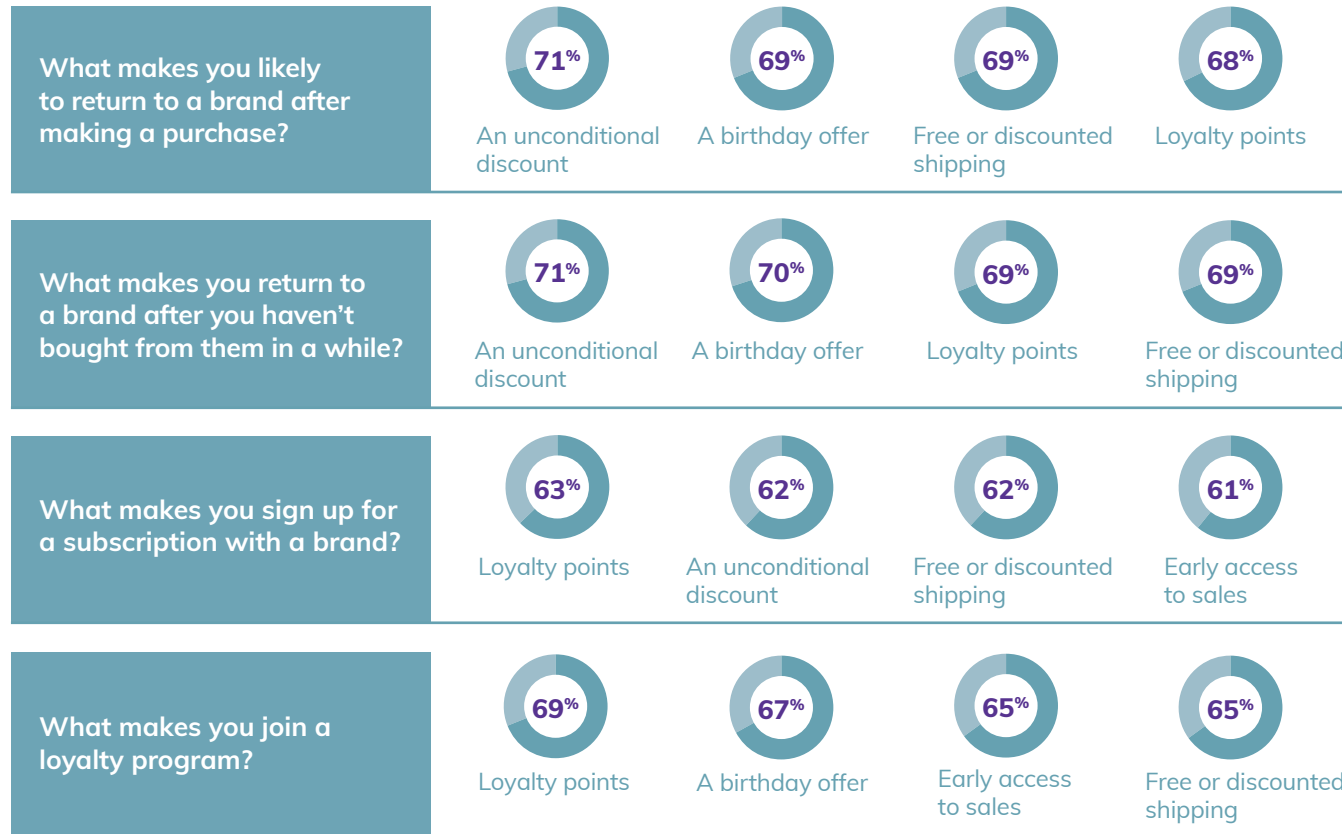
54% | said that membership to a private community of like-minded shoppers would get them to purchase

73% | said loyalty points would get them to purchase

76% | said free or discounted shipping would get them to purchase

62% | said that the opportunity to contribute to a charity that's aligned with their values would get them to purchase

It's not just at the point of purchase that these alternatives to discounts increase conversions, engagement, and brand loyalty. They can promote the same positive reaction across the customer journey too.



Alternative incentives can be as effective at reducing cart abandonment and winning back at-risk customers as they are at driving sales. They also encourage customers to make long-term commitments to a brand, either by starting a subscription or joining a loyalty program.

THE SALES PLEDGE: HOW TO MOVE AWAY FROM MASS-DISCOUNT MARKETING

To recap, discounts do have a place in your operations. They bring shoppers through the door and get them to convert. But, ask yourself, are they attracting the right customers?

Will they return and repeat purchase when your products are back at full price? Will they act as advocates and shout about your brand? Will they be emotionally connected and invested?

Before you lean into a discount-only strategy to respond to pandemics, production delays, and rising inflation, think about the kinds of relationships this will build. It's likely you'll attract drifters and lurkers that are unreliable and fickle. Ultimately, hindering your growth as you'll be unable to make up the investment you put in to acquire them.

Our research shows that alternative incentives will bring shoppers in and convert them just as successfully as discounts. But they will attract customers that are willing to enter into a longer-term, more lucrative relationship with your brand?

By deploying alternatives alongside your discounts, you can grow a community of Insiders who advocate for your brand, spend often, and come to you all year long (regardless of whether you have a sale on).



Next, we're going to take a look at how to run six of these alternative incentives to build sustainable growth and CLTV.



I. Loyalty points and rewards

73% of consumers told us that loyalty points redeemable for rewards would encourage them to buy over sales peaks.

Giving customers points for shopping and engaging gives them the same surge of oxytocin discounts do, without you lowering your prices.

Try running double point days – when a customer gets double the points for every dollar spent – or launch bonus point events in place of discounts. You could also launch marketing campaigns to tell new customers they'll get points for non-transactional engagements too (like social follows or referring friends).

As they see their point balance grow, they'll return to redeem rewards. This will accelerate their next purchase and make them feel good. So much so, that they'll continue to return to your brands to get that feeling over and over again. Their spending will also be higher. Customers who redeem rewards have a **165% higher annual spend** than customers who don't.





2. Welcome offers and giveaways

Small discounts to welcome customers are a popular practice across ecommerce.

Instead of that introductory offer, try tying your welcome incentive to account creation. Not only will you have enrolled a customer into your program, but they'll know they're one step closer to unlocking a future reward. This could motivate them to make another purchase down the line. We recommend setting the point value for account creation at around 50% of the total amount needed for a reward. This will make sure they return within a good timeframe.

WELCOME TO I LOVE SLIME REWARDS

Hey slimers! Our loyalty program is better than ever! Now, you have even more ways to earn and redeem your points, plus get access to exclusive offers and more.



Create Account
(Get 500 Points)



Start Earning
(\$1 - 10 Points)



Get Your Rewards
(Spend Your Points)

Or, you could market the opportunity to enter a broad giveaway or contest in your welcome emails and comms. This way, you're only spending on one prize without giving every single new sign-up a bonus.



klaviyo



Brava Fabrics ended up with surprising results that ultimately benefited their profit margins. They used to offer a 10% discount if people subscribed. But, when they tested a contest where people could win €300 in free products for signing up, they discovered the two offers performed identically.

By giving one customer a single gift card, the brand ultimately saved money, without sacrificing their conversion rate.

Aubrey Harper,
Content Strategist EMEA at Klaviyo



3. Exclusive and early access to sales and products

79% of online shoppers say they're loyal to brands if they can unlock exclusive benefits. Try balancing discounts with experiences for existing customers.

Start by offering your most valuable customers early access to your sales, new products, or limited-edition items. Not only will these perks make customers feel like VIPs, but they'll be more likely to tell others about the positive experience too.

YOUR REWARD	THE BEGINNER	THE PROFESSIONAL (Subscribers Only)
Points per £1 spent	5	8
Exchange points for discounts	✓	✓
Bonus Birthday Points	✓	✓
Free shipping - always	✓	✓
15% off The Deodorant Balm - forever		✓
Exclusive discounts on products		✓
Priority access to new product releases		✓

First, pinpoint who your most loyal customers are and move them into the top tier of your loyalty program. Here, let them unlock early access to your sales or new products.

You could also launch an exclusive bundle or limited-edition product to loyalty program members to build that VIP feeling.

Bundles allow you to pass on the benefits of buying multiple products together and increase the average order value (AOV) of customers. Also, once a customer starts to enjoy one product in your bundle and it runs out, they're going to return to you to restock it.



Here's advice from Daasity and Nosto on more best practices for setting up bundles.



Analyze your historical sales data to identify which products have the right balance of volume and margin.

The opportunity lies in matching your high-volume, high-margin products with your low-volume, high-margin items. By presenting your customers with a bundle containing a profitable addition, you'll raise AOV and increase profitability.

Jeremy Horowitz, Director of Marketing at Daasity



Leverage dynamic bundles and create custom bundle recommendations for shoppers on product detail pages.

You can then convince them to spend more than the average shopper does on your site while also giving them a deal.

Chloe Pascal, Global Head of Marketing at Nosto

[Request a demo with Nosto to see how](#)

If this all seems a little overwhelming, it doesn't have to be. These exclusive experiences can be automated ahead of when your sales go live:



Schedule all your drops and launches ahead of your sales peaks via Shopify Launchpad. This means you can focus on service and fulfilling orders, rather than keeping your customer base engaged. You can also use Flows ([like this template](#)) and connect them up with Klaviyo to send emails to your subscribers once the event goes live.

Anna Bray
Marketing Lead EMEA at Shopify Plus



4. Free or discounted shipping

Free shipping allows you to replicate the feel-good factor of a financial reward without cheapening your products with discounts.



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Products aren't the only place to offer a discount, and complimentary shipping helps shoppers feel like they are getting a great deal. **9 out of 10** consumers say free shipping is the top incentive to shop online more, and free shipping is proven to drive nearly 30% higher order values.

Blake Imperl,
Partnerships Growth and Insights
at Attentive



Brightpearl



44% of consumers say an unsatisfactory returns policy would result in abandoning a retailer. To manage this increase, offer things like longer return windows, different options for shipping items back, and free returns to provide the best shopping experience.

Alex Weston,
Head of Partnerships
at Brightpearl

While customers do love this perk, be warned. Research shows that nearly half of consumers have had at least one bad experience related to delivery and tracking over the last year.

If you can't afford free shipping for all, try offering different levels of shipping perks based on a customers' loyalty. For example, only offer free shipping to members in the highest tier of your program. For other customers, give them a shipping discount if they spend over your AOV. This allows you to limit the impact of low-profit margins, while still providing a compelling alternative to sitewide discounts.

To limit shipping costs while maintaining a high-standard customer experience, you could also put in place automated returns processes based on customers' loyalty to your brand.



Or, if free or discounted shipping isn't an option, make sure you focus on your customer service standard instead. This will make sure customers don't feel undervalued if you're unable to fulfill their order.

You could even give priority customer support to members who are in the highest tier of your loyalty program (such as a 24-hour helpline or the option to video chat). By showing you want to give them the best experience, customers will be more forgiving if you're unable to meet discount-driven demand.



 **gorgias**



Make sure your team is well prepared with pre-written responses, AKA macros, that address your most frequently asked questions, as well as details about your discount alternatives.

You could also set up your help desk to automatically answer and close customer tickets for common questions like, 'where's my order?'. You then focus your customer support team's time on crafting answers to queries that need a more personal touch.

Chris Lavoie,
Senior Technology Partner Manager
at Gorgias

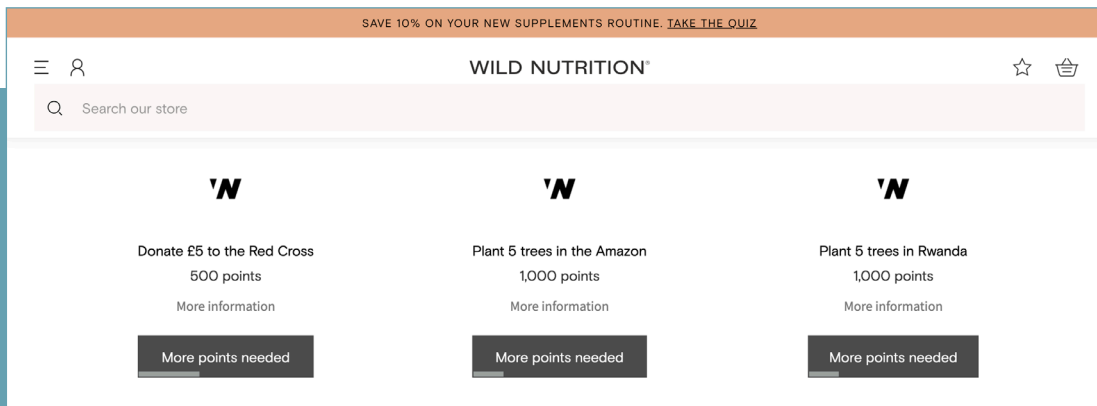


5. Contribution to charitable initiatives

Today customers are shopping more mindfully, prioritizing brands that align with their values.

If you connect with your shoppers on an emotional level, when they're ready to make a purchase they'll come to you first as they already love what you're about.

Show you're aligned with your customers by letting them contribute to initiatives linked with their values. You could let them trade in loyalty points to plant trees. Or, spend their points on charitable donations.



Customers will be more likely to spend with you again if they know their purchases aren't only benefiting them, but the planet and others in need too.

You can then also create content that shows the impact you've made through these initiatives and use it across your marketing to get buy-in from new customers.



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Sharing thoughtful content that provides insights into your brand, your employees, and your products will help you stand out from your competitors, deepen emotional connections with your consumers and build stronger brand affinity.

Blake Imperl,
Partnerships Growth and Insights at Attentive

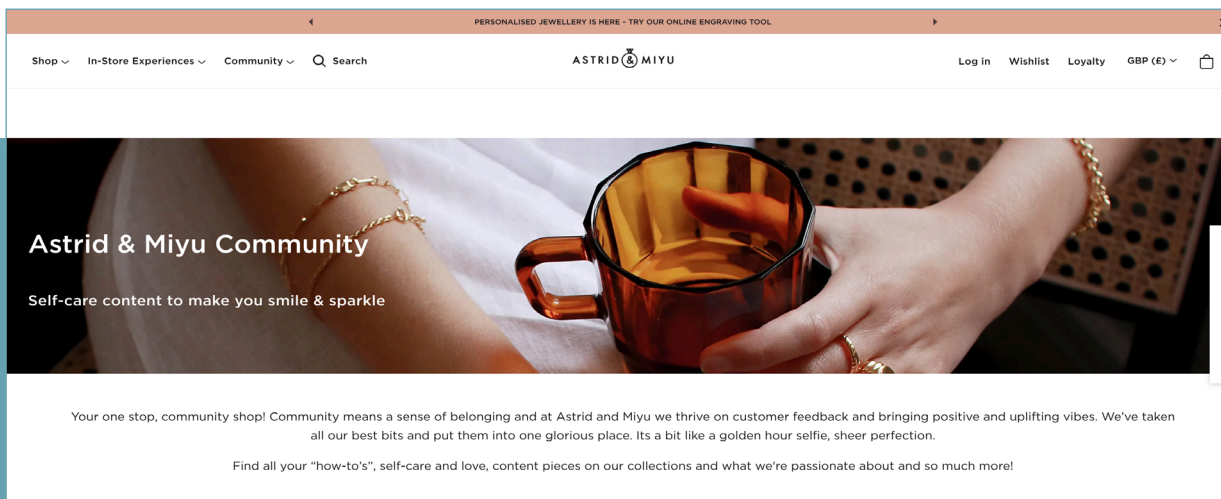




6. Membership to an insider community

54% say they would be loyal to a brand if they become part of a like-minded community. Give your most loyal customers membership to a VIP community that packages all your alternatives to discounts in one place.

You could post when early access to your sales is live, or give them points for engaging with key pieces of content. This will encourage customers to maintain a relationship with your brand, regardless of whether you're running a sale.



nosto



Showcase your community with personalized, visual user-generated content and testimonials at pivotal moments to make sure shoppers see the non-monetary benefit of becoming a customer themselves.

Chloe Pascal,
Global Head of Marketing at Nosto

Once your Insiders are a part of your community, use their experiences to attract new customers and show you provide value beyond low prices. Give your community loyalty points for completing non-transactional activities; like making referrals, writing reviews, or creating user-generated content (UGC).

Then use this as evidence across your site and social media to show new customers that your products are trustworthy and that being a part of your community is worthwhile.

IN CONCLUSION

At a time when consumers are savvier with their spending, discounts still have a part to play in your day-to-day operations. But they don't always bring in the right kind of customers.

Alternatives to discounts promote equally as positive sentiments towards a brand AND drive sales, and most importantly, repeat purchases.

Substituting promotions for the alternatives we've outlined here will reduce your reliance on discounting and build stronger, long-term customer relationships that keep your profits high all year round.

To rewrite your own discounting rules, chat with a member of the LoyaltyLion team by visiting loyaltylion.com or **book in a call with a loyalty expert.**



About LoyaltyLion

LoyaltyLion is a data-driven loyalty and engagement platform, helping fast-growth ecommerce merchants power longer-lasting relationships and sustainable growth. Our unique combination of best-in-class technology and dedicated loyalty expertise helps thousands of Marketers drive more revenue from highly-engaged, highly-valuable customers.

About the research

This research was conducted by Censuswide, with 4,023 consumers in the US and UK who have browsed or shopped with an independent, online retailer in the past twelve months aged 16+ between 03/08/2021 - 09/08/2021. Censuswide abides by and employs members of the Market Research Society which are based on the ESOMAR principles.



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