Ali Cort

is PR Director for digital marketing agency, Browser Media. Browser Media was born as an SEO agency, but has embraced the inbound marketing philosophy. The agency has always practised a PR-led approach to search engine marketing, and modern SEO is now proving itself to be based on building authority, rather than keywords and meta-tags. Browser Media's services include online strategy, SEO, PPC, online PR, social media and analytics/click-through rate optimization.

Keywords: promotional marketing, voucher codes, mobile marketing, retail

Consumers keen on discounts

Voucher codes now socially acceptable

Annual sales all year round

Browser Media, Office B, Stable 7, Stable Road, Colchester, Essex, CO2 7GL, UK.
Tel : +044 (0)207 099 0945
www.browsermedia.co.uk

Opinion Piece

Voucher codes — To discount or not to discount, that is the question

Ali Cort

Received (in revised form): 4th February 2015

Abstract

This article considers consumer research that shows a strong appetite for discounts and voucher codes. The author suggests that brands need to think carefully about whether to run such promotions year-round or whether margins could be better protected by targeted voucher codes at specific audiences or during specific trading periods.

Journal of Direct, Data and Digital Marketing Practice (2015) **16**, 169–171. doi:10.1057/dddmp.2015.5

I have just returned from a colleague's hen lunch, but in a frenzy of activity before we set out, all involved were Googling to find the best discount code for our chosen restaurant. That got me thinking about whether we ever pay full price for anything anymore.

Browser Media undertook some research (<http://www.browsermedia.co.uk/2014/11/27/discount-voucher-code-trends-usage/>) among 2,000 British adults (via ICM research agency) that shows that four out of five British adults have saved money by applying at least one voucher within the past year (and some enthusiasts claim to have used 50-plus). Therefore, our little lunchtime hen party is clearly not alone. Women are apparently more likely to use discount vouchers and codes than men (18 per year vs 15), yet men believe they are more savvy than women when it comes to getting a good deal online (44 vs 40 per cent).

The real differentiator for me in this particular piece of research is that, while the economic doom and gloom is lifting, our love of voucher codes remains strong: 41 per cent of people said that voucher codes have become much more socially acceptable and less of a clandestine activity than they were previously.

So should all online retailers be jumping head first into what is becoming an ever-growing voucher code pool? For the record, my short answer is no. We are very much in the middle of a year-round sales phenomenon — Boxing Day sales starting in mid-November, Black Friday sales in December, January Sales, mid-season sales in February and on it goes. If offering a discount does not sit well alongside your brand or product, then I would suggest that this type of retailing is not for

Figure 1: Google trends for voucher codes

you and you should be loud and proud in ring-fencing your sales to more traditional times.

Consumers keen on discounts

I also think that consumers can have too much of a good thing. The feel-good factor associated with buying an item for lower than its face value is lessened if it is experienced on every purchase, from the weekly shop to cinema tickets and even a wedding ring (I kid you not!). That may account for the flattening of the Google Trends ‘voucher codes’ (UK searches only) (see Figure 1).

Year-round fair prices

I believe there will come a time, in the not too distant future, where sales fatigue among consumers, combined with the cost to the retailer of implementing and promoting discount codes, will mean that retailers will start to offer fairer prices year-round. I regularly revert to the example of John Lewis. I have never really taken them on their ‘never knowingly undersold’ wording, but I do know that I do not really expect the cheapest price — simply a fair price with good service.

Time-poor consumers

As we emerge from the economic doldrums, I think more people will feel the same way. Yes, technology can enable us to save lots of money, but as individuals we are increasingly time-poor and sometimes saving 50p on a lunchtime sandwich via a discount code just isn’t worth the effort. There is definitely a price/effort correlation at play here, and retailers would do well to consider where they sit on the spectrum as a whole (or for individual products) before they embark on their affiliate or voucher code campaign.

Losing sales to voucher hunters

Brands that believe this is a suitable strategy should take heed, as retailers report up to a 27 per cent checkout abandonment rate as shoppers stray off-site to look for a voucher code and never return as they become distracted or find a better bargain elsewhere. While keeping the code field hidden until the last minute is an option, Browser Media’s research shows that 13 per cent of people actively dislike checkout processes that only allow the voucher code to be applied at the very end. Other options include displaying a discount code on your own site, but it

Heavyweight margins analysis

may need to be a less generous code than offered by affiliates in order to not upset the apple cart.

Further solutions are to only show a discount code field where the visitor arrives from an affiliate or discount code site, or alternatively automatically applying the discount when the individual arrives via an affiliate link. The logistics of the discount code field can be overcome with some serious split testing, but whether or not to discount initially can only be determined with some heavyweight margins analysis. I use the word 'discount' loosely here, as all affiliate marketing, whether simply offering free postage and packing or free returns, is discounting as the retailer is eating into profit margins twice — once by paying for the offer itself and once from the commission payable to the affiliate (and that is not including the internal resources required to manage these campaigns and partners).

Risk of losing trust

Before I get shot down by every affiliate out there, I am not anti-discount or voucher codes at all, but I think any brand that does year-round sales activity is at serious risk of losing customers through lack of trust. Why not price more fairly, more regularly, and use sales and voucher codes more tactically to grow your customer base in the off-season, reinvigorate existing customers periodically or shift specific stock and so on?

Sharing codes on social media

Some retailers get very precious about their discount codes going more viral than they expected. From my own experience via Facebook, I know precisely when a new Boden catalogue lands on doorsteps and when their offers follow shortly afterwards — social media enables sharing and no retailer in the world can control that, unless they use personalized codes. I would encourage more merchants to adopt this approach and celebrate the fact that they have handpicked existing customers to benefit. Consumers will understand that the code will not work elsewhere and so retailers are effectively controlling its use, but simultaneously making the customer feel valued.

Savvy retailers will win

If you have got enough margin to play with, then, by all means implement a discount voucher strategy. But there are no short cuts — testing and measuring on a regular basis will help you assess the success of offers and inform future decisions. My opinion is that voucher codes are here to stay, but I strongly believe that a more savvy retailer (with sufficient margins) will tailor their application of codes as time goes and that some may find that a fair pricing strategy all year round could still win the day.