

It Takes More Than Sales

By Rus Kinzinger

A recent article in the [Harvard Business Review](#) had this to say: “Our research into the role of marketing strategy in brand performance indicates that companies are paying too much attention to short-term data and not enough to the long-term health of their brands. They routinely overinvest in price promotions and underinvest in advertising, new-product development, and new forms of distribution.” (1.) Now retail thrifths are not well-known for new-product development but most everything else in this HBR citing had an application for us. And whereas this article is chocked full of good information, there is one especially-meaty point I want to focus on for a few minutes.

Here’s what it is—sales promotions may not supply the big bang thrift retailers think they do. Admittedly, sales promotion revenues provide a powerful lure to repeat promotions but a careful study of shopper behavior suggests that over time, a strategy of heavy utilization will actually decrease profit margins. “Shoppers aren’t naïve; regular sales promotions encourage them to wait for the next sale rather than purchase a product at full price.” (2) In short, sales promotions may drive spiked revenue streams, but there is little evidence to suggest a positive effect on total sales over time. The article goes on to say that the total impact of discounts is only 80% of their short-term effect. To say it another way, the effects measured over the long-term are 20% less positive that they first appear. By contrast, the long-term effect of advertising can be 60% *greater than* its short-term impact.

So what do we do with this information? I guess it might be this. In the rush to increase your revenues, don’t develop an over reliance on sales promotions—especially if any level of predictability to the sales. Shoppers will learn the pattern . . . and shop it. Over the long haul, your revenue baseline will not appreciably increase. A better practice might be to invest more heavily in getting shoppers to come to your store then, impress them with the quality of your brand. Retail thrift shoppers already expect low cost items: that’s why they shop you. Why not limit sales but impress your customers with the total experience. Have fun!

1. Leonard M. Lodish and Carl F. Mela, “[If Brands Are Built over Years, Why Are They Managed over Quarters?](#)” *Harvard Business Review*, (July –August 2007) p.105
2. *Ibid*, p 108