greenPROFIT

Cover Story

10/1/2017

The Death of Discounts

Sid Raisch

It is time for the death of discounts; quite fitting for the zombie-fied month of this issue: October.

Some of you are irritated with me already. Hang in there and we may come together on the idea. You have to admit that our industry has a problem. We recognize there's important health and wellness, psychological and economic value to our products and services. Yet there's systemic and systematic discounting that erodes this very value and discounts it—literally. This is most pronounced in the fall, but if you subscribe to enough garden center email newsletters, you'll see that it's happening week in and week out. You should not only be alarmed by this, you should change it.

Let's start by looking at why our culture encourages retailers to discount so much in the first place.

Why do companies give up so much of their hard-to-come-by profits with discounts, coupons and giveaways? Here are the Top 5 reasons.

1. We-Too

It's almost expected from the giver's point of view. I mean what coffee shop in their right mind doesn't offer some sort of freebie card or club? Airlines? Hotels? Department Stores? Drug Stores? Can you imagine an airline or hotel today without a loyalty club? Monkey see, monkey do. These companies aren't exactly dummies, so why do they do dumb things? Because they can if they want to—or if someone high enough up wants to they can persuasively convince a few others. Or because it's what everyone else does and has become an expectation (entitlement) of their customers that they're simply not willing to deal with. I recently went to the airport to return home from the same city a colleague and I were visiting. We were returning to homes in different cities. He's a less-experienced traveler and didn't belong to the airline club, yet he was flying first class. He just didn't care to join another airline club … or any airline club. Yet most of us would perceive that this is an unmistakable expectation of every customer.

2. The Math

Unbelievable to me, but many companies just simply don't bother to do the math on these types of expenses (that's right, discounts are an expense). Discounts are budgeted as a marketing expense and anyone who questions them must do battle with the illogical nonsense, so they just don't bother. There's an ongoing hate relationship with marketing expenses in most companies and it's exactly like John Wannamaker said it was

way back in his day: “Half the money I spend on advertising is wasted; the trouble is I don’t know which half.” Begin with the death of discounts.

Try to argue with a marketer and they’ll belittle you, and make you feel like you’re failing the company by challenging them in a valiant attempt to mask their own ignorance of the absurdity.

3. Bullied

Rather than suffer the wrath of a few customers (unprofitable ones at that) or a few employees who don’t want to face them with the truth, companies “pay their dues” by working through resistance to reducing or eliminating discounts, and then wear down and reinstate them. Or, in some cases, they introduce a new layer of stupidity that costs them even more profit in a blundered attempt to do the right thing.

4. Flavor of the Month

When the CEO or someone in charge reads an article online, goes to the store or attends a seminar, they often come back with a plethora of deadly new discounting schemes. I recently presented at an industry event where the previous speaker touted 15 of their ideas for marketing to their customers—every one of which involved discounts. The enthusiasm and persuading skills that got the bosses where they got activated, and Heaven and Earth move aside to implement yet another scheme before anyone has a chance to figure out the unintended (but obvious) consequences that come along with the pros of the idea that everyone piled on during the brainstorming session.

5. Discount Culture

Think about whether you’re trying to sell the way you’re used to buying yourself. America has a deeply rooted culture of saving money. It’s in all of us. And it’s dangerous when those of us who are responsible for pricing and profit aren’t cognizant of the effect of this culture on ourselves as marketers. We have a natural tendency to sell the way we buy, instead of the way we can, and should, if we could only overcome the pull of the discount culture on our own decisions.

This problem goes all the way back to the early 1800s and the days of the original mass merchant, Sears & Roebuck, and is firmly engrained in our American culture. Sears was the original disruptor responsible for ghost towns and ghost downtowns. Thousands of homesteaders bypassed the mercantiles and went to the post office to mail in their orders and to pick up the goods they’d purchased. Later their stores allowed us to bypass the post office and go directly to the local Sears store. The one-stop-shop, choices of quality and price (Good, Better and Sears Best) and friendly staff worked their magic to disrupt Main Street retail way back then.

Fighting the Discount Culture

The past recession reignited the passion of retailers to discount, the same as every recession does. The ill effects of discounts, deals and coupons (hereafter in this article referred to singly as “discounts” as in discounts from full margin and profit) has taken its toll on retail. Consumers became “frugal fatigued” several years ago and are over it, yet retailers are addicted, fooled by their own culture for it, and can’t kick the habit. Even the best of the “mark-it-up-to-mark-it-down” retailers are being challenged by their “loyal-by-discount” customers and they now cannot get them to buy without a deal (if they buy at all) because these customers don’t trust them anymore knowing everything is marked up to mark down. If you become serious about

erasing the effects of this culture, you'll be enabled by reading the book, "Cheap—the High Cost of Discount Culture" by Ellen Ruppel Schell. I hear it's on sale now on Amazon (just kidding). It's not on sale, it is for sale, a very different proposition. And you'll gladly pay full price if you want to read it … or pay nothing if you don't.

Recognizing the Cycle

Discounts are an addiction. This is not an overstatement. Our culture is so strong with discounting that it's a self-reinforcing, ever-expanding cycle. Everywhere you look, listen and shop there are discounts, coupons, giveaways and a plethora of gimmicks that systematically drain profits before they're ever earned. This isn't going to be easy. Just like any other addiction, there must be a plan to go along with the decision to stop doing whatever you're addicted to. Here are the beginning steps for recovery.

Switch Vocabulary

It's necessary to replace the words you're using that reinforce the former culture with new words that build a new culture. Call a special meeting to symbolically and ceremonially have your circle of associates and family each write down the words "discount, coupon and deals" on a piece of paper. In unison, crumple those up and throw them into the trash can. Now, have each of them write the words "WE BUILD VALUE" boldly on large, bright-colored Post-It notes and put them up at their primary work station. You may want to go further and put them up other places, such as next to the time clock and on a bigger sign in your back room.

Switch Practices

Changing a culture is a big job. It's been said that it takes seven years to change a culture. This doesn't mean it takes seven years to change your practices. The practices reinforce the change you're trying to make, but you must stay your course. Start with the practice of marking up, replacing the practice of marking down. You may still need to mark down. However, wherever you can build value, it will go a long way to eliminating the need to mark down later.

Pay Your Dues: Resist the Resisters

When you decide to do something new instead of something you always did, some people will want the old back again. Some of them will be adamant and bold about it. This can be anticipated and requires preparation with a firm explanation worked out in advance.

For the very hardiest of resistors, you may need to tell them to get over it because you've heard them and yet have decided that you're moving forward. Begin with how you go about making a change. You can probably identify who'll have a problem, so you may as well begin in advance by involving them in the change that's about to occur so they can understand the need and the process. The truth is that leaving them out early is the root of later problems.

Change Safe

Distraction is your friend. Change in ways customers don't notice. Introduce something of noticeable benefit to the customer when discontinuing something else. This is simply doing what you're supposed to be doing anyway: building value. Consider improving your facility in a tangible way. These types of improvements require an up-front investment, without the long-term ill effects of investing in discounts and customers tend to appreciate them more. Besides that, most businesses have a long laundry list of deferred maintenance items and updates that need to be made anyway and many of these can be funded by simply discontinuing some

discounting.

That's a good start, but we'll continue the rest of the recovery in the near future. Until then, let's focus on what we're supposed to be doing and build value. **GP**

Sid is a consulting Service Provider to The Garden Center Group and also serves as President/CEO of Bower & Branch. Sid has been inventing and reinventing the way things "don't get done" into "get it done" strategies that increase profit-ability, market-ability, oper-ability and owner-ability of garden centers, landscape operations and a few wise suppliers of plants and products. Contact Sid at (937) 302-0423 or email to sid@horticulturaladvantage.com