



Using Incentives & Offers to Drive Sales

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Holiday Sales Frenzy

There's no shortage of offers and incentives around the holidays. From Black Friday, to Small Business Saturday to Cyber Monday and on through the post-season, all-sized retailers try desperately to influence loyal and prospect customers to consider buying at, shopping at... heck, even passing by, their retail establishment, whether in person or online. They do so in an effort to stimulate a sale and earn your expected and much anticipated holiday spend. And, they use all forms of media from traditional, such as print, direct mail and catalogs, to more interactive and integrated marketing tactics such as online, email, social and mobile.

This marketing frenzy, although voracious, is totally understandable and commonplace during this season. For one time only, one thing is certain—purchase decisions will be made and big money will be spent. What separates this holiday from most other gift purchase-give holidays such as Valentines, which caters mostly to couples, however, is that every product or service for just about every potential recipient, albeit friend, colleague or loved one, is fair game. From neck ties to expensive shiny red cars to home watch services and gift cards for everything in between, nothing says “Happy Holidays” like a thoughtful gift of some kind. My point here—if you have a product or service to sell to consumers and even some businesses, this is an opportune time to spike sales!

The flip side of the retailer holiday sales opportunity is that everyone knows about it and is in on the game. Competition is fierce and marketing dollars fly out the window faster than Santa's sleigh before dawn. It's one thing to know your customers will be spending money—easy. It's another thing to ensure they spend their money with you—not so easy. So, the pressure is on. The one with the best and most ubiquitous marketing and/or offer and incentive usually wins.

“Free Money!”

Being a marketing guy and married to a consummate, savvy shopper with great taste and ‘deal-sensibility,’ I am particularly enamored by the flood of incentives and offers that stuff our mailbox and household during the holidays. Discounts are the most common. 10% off here. \$25 off your purchase of \$100 or more there. ...And similar, read as headlines across catalogs and postcards. Sure, they're great and we save them all it seems. But they come with strings attached—I have to buy something in order to benefit from the offer. I get it. That makes sense. Hey, nothing is free, right? The other day we received one for 35% off our entire purchase at the Gap between December 3 and 5. Certainly the marketing gurus at the Gap are trying, in this case, to optimize early holiday sales by swooping up available dollars before they're already spent. They have most likely carefully calculated that this is worth 35% off of everything in the store and have figured out that it's an offer more competitive than most. In summary, the Gap is willing to sacrifice margins to drive sales for 3 days only. Makes me think how much those margins are on off days when I go in and pay full price. Perhaps I could be saving



a boatload if I did all of my year's Gap shopping from December 3 – 5... Anyways, it got my attention as one offer that was extraordinarily generous, yet time-sensitive.

The most startling offer/incentive received to date was prior to the Thanksgiving holiday from Tommy Bahamas. *I admit it. That store and restaurant are cool. Their merchandise is high quality and I've never had a bad dining experience.* An obvious \$50 gift card in an envelope showed up in the mail (see image to the right) and simply stated "As one of our most valued guests, we invite you to kick off your holiday season at Tommy Bahama!" The offer was an invitation to dine, drink or shop with them in person or online. It went on, "Enjoy spending the enclosed. **No strings attached!**" "What?!?" I thought. "No strings attached!?" I carefully inspected the direct mail piece, turned it over several times and thought, clearly, there must be some 'catch' to this whole thing. I mean, no one gives away free money like this. Granted, their stuff is a little expensive but \$50 is pretty cool. "Has Tommy gone mad?" I questioned.



Once the consumer in me settled down from the excitement and the marketing in me took control of the situation did I realize—"brilliant move! Mr. Bahama." Give \$50 away with no strings attached. How can a customer turn that down? They will "have" to visit your brand now. It's likely some small percentage will only spend just that but it's also highly likely that a large percentage will spend more, much more and tell their friends—which is what Tommy and his smart marketing folks are banking on. Come to find out, this was nothing new for the intelligent marketer. According to the article "Use CRM to Increase Sales" from *Integrated Solutions for Retailers* magazine, "In November, 2008, the company created and mailed its first ever catalog along with a \$50 gift card to 225,000 of its loyal customers listed in the CRM (Customer Relationship Management) database. The names were chosen based on customer behavior... The retailer projects a 30% to 60% incremental increase in in-store sales from the \$50 gift card with this loyalty program offer." Well, apparently it worked in 2008, as here it is 2010 and Tommy Bahamas is still offering \$50 gift cards with "no strings attached," and not only with in-store but online and dining purchases, as well.

Now if only all my other favorite retailers gave me \$50 cards... hmmmnnn

Your Own Offers & Incentives

In developing your own offers and incentives to drive sales, following are a few suggestions:

1. **Plan ahead:** Obviously know your margins and what you can afford. Estimate success metrics of what you expect to generate in terms of unit, revenue and other residual sales value (i.e. referrals, facebook friends/likes, new customers). Carefully calculate your marketing expense to promote your offer/incentive and



do the return on investment math. Consider best and worst case scenarios and your threshold for the level of offer.

2. **Be different:** Try a time or an offer/incentive that is unlike your competition and something your customers would expect, to generate interest/awareness and stimulate immediate response.
3. **Be smart:** If you plan to make a significantly generous offer, only offer it for a very limited time, or to your most loyal customers, for example. The Gap's offer was pretty amazing but the time to take advantage of it was very finite. Tommy Bahama's offer was also pretty significant but only for loyal customers who have exhibited a propensity to shop/dine with them on a regular basis. You may want to make several offers to various customer segments and see which work the best to stimulate sales on all cylinders, as one suggestion.
4. **Use integrated marketing to promote your offer:** Know what your customers respond to and how to best reach them with your offer/incentive. The \$50 Tommy Bahama gift card, delivered with a gift card in envelope was pretty exciting as it was tangible and sent directly to me. I held on to it and didn't want to lose it or I would have missed out on the opportunity (and the candle I want to buy my parents for Christmas, saving \$50 from yours truly here). I'm not sure if the \$50 gift certificate came via email it would not have been as impactful or exclusive.
5. **Test and track your efforts:** An offer/incentive is good if it can be tested and measured appropriately. You will never know unless you try. However, overwhelming success or failure could break the bank and/or damage your brand. It's advised to test an offer before making it available to a larger audience so you can manage margins and marketing expense accordingly.

Consumers and buyers of everything are a funny bunch. Today they are more informed and smarter than ever. Successful use of offers and incentives coupled with appropriate reach and influence where and when they are ready to buy will result in increased sales. Plan wisely. Track your efforts for subsequent success and marketing fine tuning and reap the benefits! Happy holidays *shopping season!*

About the Author

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