

by Rus Kinzinger

IT TAKES **MORE** THAN SALES TO MAINTAIN PROFITABILITY

A recent article in a leading business monthly 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 *over* invest in price promotions and *under* invest in advertising, new-product development, and new forms of distribution.”¹

Retail thrift shops are not exactly well-known for new-product development, but most everything else in this article 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 moments.

A New Way of Thinking

According to this article, sales promotions may not supply the big bang thrift retailers think they do. Admittedly, sales event revenues provide a powerful incentive to do it again—and again. 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 that there is a positive effect on total sales over time.

Surprising Findings

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 than 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? Maybe it is this—in the rush to increase your revenues, be careful not to develop an over reliance on sales promotions, especially if there is any level of *predictability* to the sales. Your customers will learn the pattern, and shop it!

Over the long haul, your revenue baseline will not appreciably increase.

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What Then?

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