



**Promotion at the speed  
of customer demand**

**XC**Commerce™

# Introduction

**Promotions have become synonymous with price reductions. This idea is wrong, because putting lower prices at the heart of the offer is one of the major reasons retail margins are so depressed for so many players.**

**Promotions are creative tools for exciting and rewarding the customer** and they need to combine multiple offers, product mix, customer segmentation, rewards and coupons.

However, **success depends on retailers understanding their customers'** shopping behaviours and preferences and therefore being able to create and execute cross-channel promotions, e-offers and loyalty packages.

This is the way to break the current defensive strategy of reducing price to drive sales.

Right now **retailers are giving away too much margin**, accepting modest returns on

their promotional investment and missing opportunities by not being able to react quickly enough to customer needs or provide both a consistent and at times differential strategy across multiple existing and emerging channels.

The call goes out to take a **more intelligent approach** to promotions management where retailers can convert diverse and often dispersed inventories to cash faster and profitably.

The imperative to act is overwhelming. In the shadow of Covid-19, it is now well understood that an already demanding, sophisticated, fickle and connected shopper has shifted to present an even bigger challenge to retailers unable to construct and execute compelling promotions.



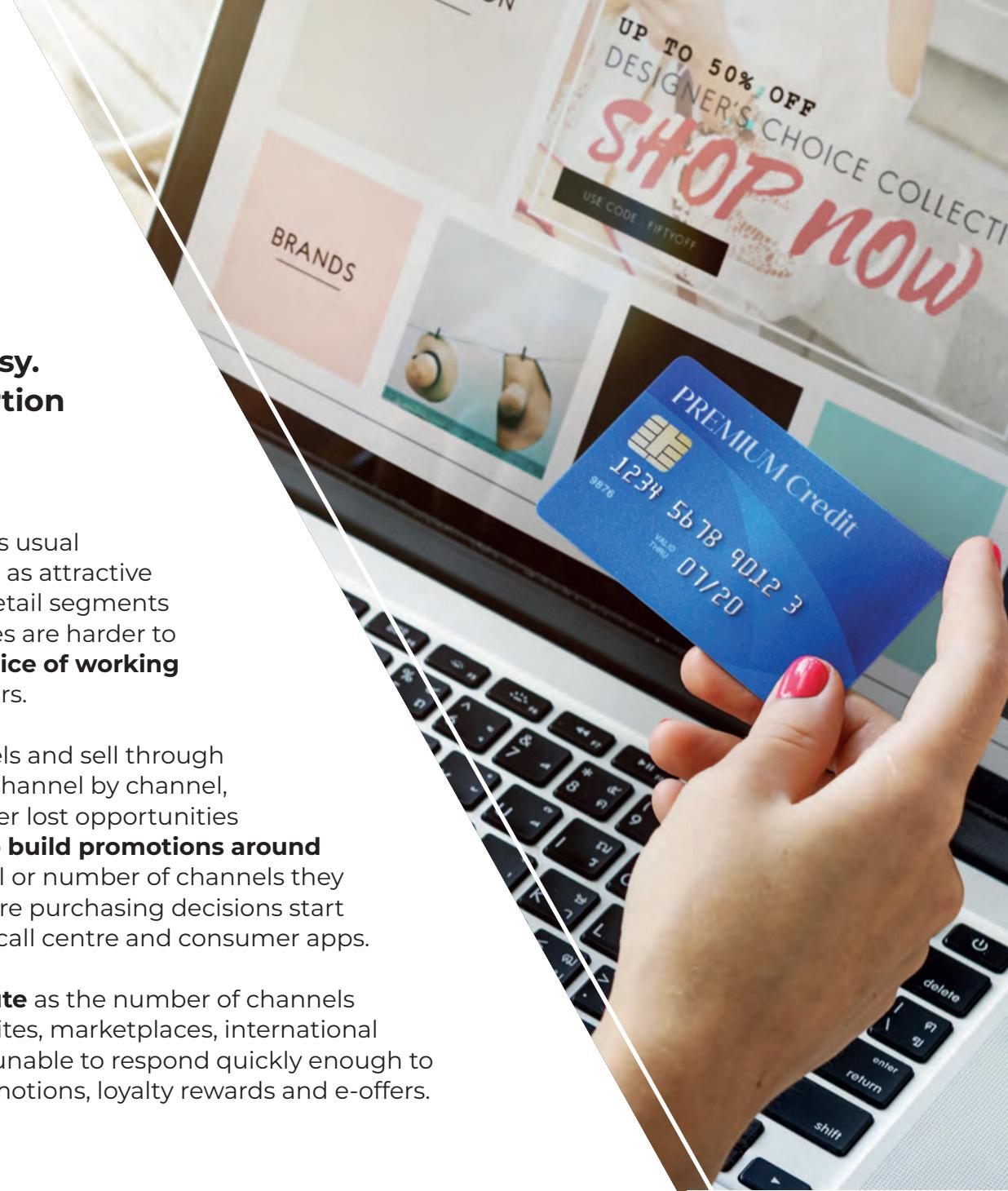
## Breaking the habit

**Breaking the habit will not be quick or easy. Promotions account for a growing proportion of sales in most retail sectors, with the attendant loss of margin.**

For some retailers promotions have become business as usual across the entire product range, with discounts held up as attractive by being compared against an often fictitious RRP. In retail segments where promotion is dominated by trade deals and prices are harder to reduce, poor **returns have become accepted as the price of working with brands** rather than considering more creative offers.

Promotions are also typically planned around stock levels and sell through rates rather than customer insight and then executed channel by channel, which results in lost revenue, unnecessary cost and other lost opportunities around brand equity with customers. **Retailers need to build promotions around the needs of the customer**, regardless of what channel or number of channels they use to shop, particularly since Covid where so many more purchasing decisions start online, yet need to be supported in-store, via kiosk, the call centre and consumer apps.

And that is **getting harder to plan, manage and execute** as the number of channels to customer proliferates - owned and affiliate internet sites, marketplaces, international wholesale, and social shopping. Moreover, retailers are unable to respond quickly enough to emerging customer and competitive demands for promotions, loyalty rewards and e-offers.

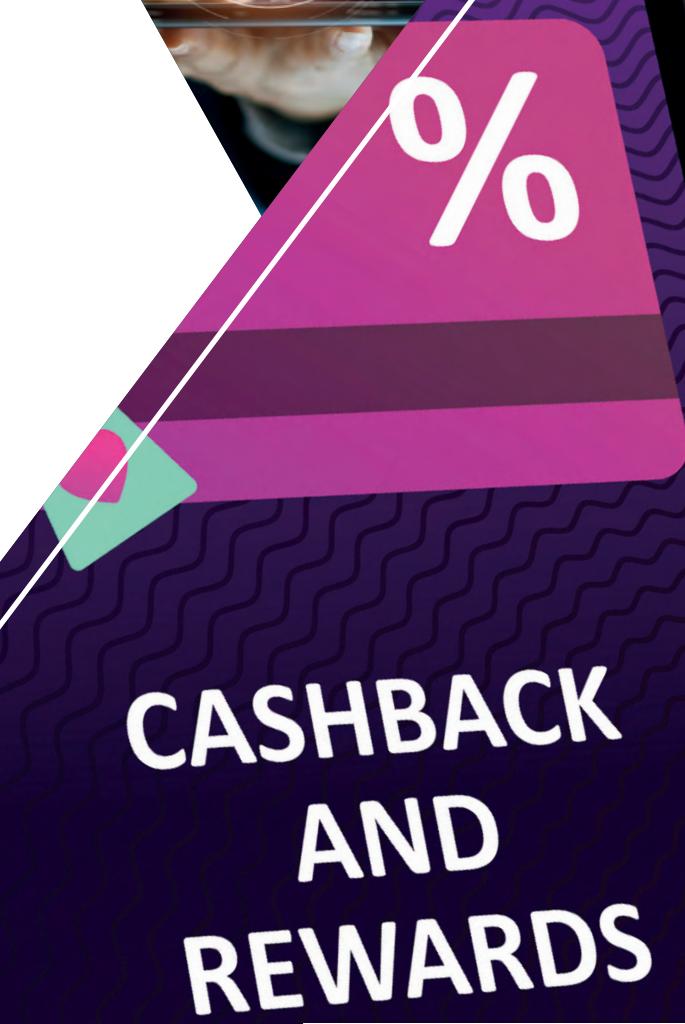


However, while promotion types and techniques have developed at a similar pace to these new channels, **retailers are not able to take full advantage of them because they lack the tools to manage those promotions** in a way that is consistent from channel to channel. Or they are restricted by the facilities present in their PoS and/or central systems. Therefore they are not able to track and respond to the mixed-channel journey that customers are making, and thus lose many of them on the way.

Now, the technology exists that will release the marketing and trading teams from their technical shackles, by **enabling them to implement consistent and well thought out** omni-channel promotions, that promote customer loyalty and drive margin, at the speed of thought, without the need for complex, costly changes to their legacy systems. This technology enables promotions to be managed and executed as a service, separated from the retailer's core systems.

### The imperative to integrate promotions across channels

- The shift by consumers to digital for initiating or making purchases
- Emergence of new channels to market
- New competitors unencumbered by legacy able to move quickly
- Consumers looking for value and shopping digitally expecting the same value and service in store .



## Customer context

The key to better-performing promotional activity is **an understanding of how consumers have changed**. It is well established that they are **more demanding than ever** and that their power is consolidating with improving access to information, ever widening choice of goods and services, and opportunities to share their experiences more widely. **With consumers expecting more, it is harder for businesses to keep up.**

With more choice, and actually more time since Covid, consumers need to be wooed, **promotions need to reflect their likes and dislikes** and need to change regularly, prompting return visits and encouraging repeat shopping and investigation.

The ability to constantly change promotions, in the light of performance, spending and the market, encouraging consumers to visit and explore, is important. **Original research of 2,000 consumers undertaken by XCCommerce gets closer by revealing their promotional attitudes.**



## The environment has got tougher in 2020 for most retailers

- **60%** of respondents spending less because of Covid
- **2%** of respondents say spending hasn't changed
- **10%** are spending more despite the pandemic



## Consumer attitudes towards promotional offers and shopping have changed

- **56%** say discounts will be the most important factor when considering where to shop
- This increases to **70%** of 18-24-year olds and falls to just **40%** of the over 65s year olds
- **52%** say they have always prioritised finding discounts and say this is now more important



# What consumers look for in promotions has changed in terms of what types of offers are most likely to make them buy a product

## Most popular :

- Money off the products themselves – **78%**
- Access to free shipping – **55%**
- A cheaper unit price if they buy more than one/ multi-buy – **46%**



## Least popular :

- Access to free services – for example a free Disney + subscription - **20%**
- Access to further members only discounts – **15%**
- Access to a subscription service where they get money off future buys - **10%**
- Access to exclusive content – **9%**



## **There is great variation between retailers as to which are seen to offer the best promotions**

- Grocery supermarkets – **45%** (increasing to **56%** of 55 – 64 year olds)
- Grocery discounts (Aldi) – **24%**
- Fashion – **8%** (increasing to **19%** of 18-24-year olds)
- Value retail – **6%**
- Fast fashion and convenience = at **5%**



## **The pandemic and the resulting economic uncertainty has changed the amount of time they spend looking for offers**

- **32%** say they are spending more time researching offers than a year ago (rising to **29%** of 35-44-year olds)
- **29%** are spending the same amount of time researching offers as they did a year ago
- Just **8%** of people are spending more time researching offers in Lockdown 2 than they did in Lockdown 1



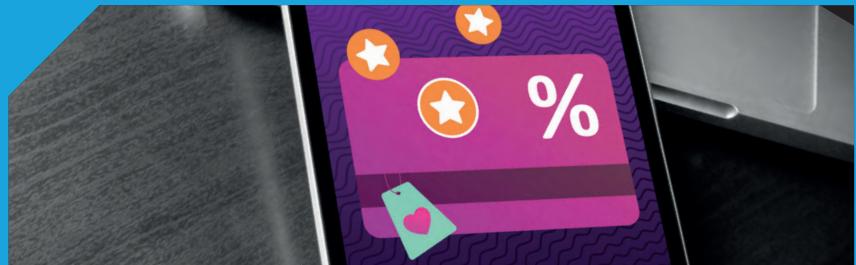
**Since the initial lockdown and the subsequent reopening of non-essential retail, the way consumers have been accessing promotions from retailers and brands has also, unsurprisingly, changed**

- 52% are accessing offers via mail coupons and offers from retailers and brands (rising to 56% of 55-64 year olds)
- In-store via promoted offers 36%
- Promotions received as part of a loyalty programme 28%
- Promotions via push notifications from a retailer's app 24%
- Printed promotions delivered via the post (coupons, mailers, catalogues) 23%
- Price comparison sites including emailed newsletters detailing latest offers 22%
- 20% of 18-24-year-olds are accessing promotions via SMS/ 21% of 18-24 year olds are accessing offers through tv advertising
- 33% of 24-35 year olds accessing promotions via push notifications from an app
- App usage highest in younger demographics with 30% of 18 – 35 year olds
- Accessing promotions via a loyalty programme highest amongst older reusers – 41% of 65+ year olds



## In-store, online or via an app, consumers often resist retailers' promotional appeals

- **44%** of respondents don't buy the additional products recommended by a retailer (e.g. 'customers who bought this also bought')
- **46%** of respondents says when retailers over communicate offers to me, it puts me off buying from them



## However, crucially, consumers want promotions

- **72%** want more promotions
- **69%** make that the reason they bought from a retailer
- **77%** want coupons, vouchers etc
- **62%** are loyal to retailers who offer promotions
- **62%** want targeted promotions



# Conclusion

**It is clear that there is a growing gulf between consumers' expectations and the way that retailers are able to fulfil them, and this gulf will only widen as a result of their behaviours changing even more dramatically during the Covid crisis and beyond as more business shifts permanently to digital channels.**

**The current scenario will be familiar to most retailers**

- They cannot respond quickly enough to competitive threats, or ideas from their own staff that can drive opportunity and margin.
- Promotion setup and implementation need to be in the hands of technical staff, not marketing, digital or other business staff

- Unified and consistent promotions cannot be implemented across channels **due to different platforms** and tools and a lack of a single cross-platform promotion solution.
- **It is difficult to create complex promotions at the Head Office** due to a lack of functionality at the ERP system level, making it difficult to create promotions quickly and cost effectively.

As a result, retailers struggle to **automate the execution of complex promotions in-store or online** due to a lack of capabilities. This has forced them to either scale back on their promotion campaigns or place the burden of manually executing promotions on their staff, resulting in longer check out times and a high error rate.

**This causes frustrated customers**, because of wait times and also because the offer they have seen isn't supported on their channel of choice.



## Meeting these challenges requires a new approach. Welcome to promotions automation

- Promotion management
- Coupon management
- Promotion execution
- Continuity promotions

... across any channel, segment, tier, geography, IT platform

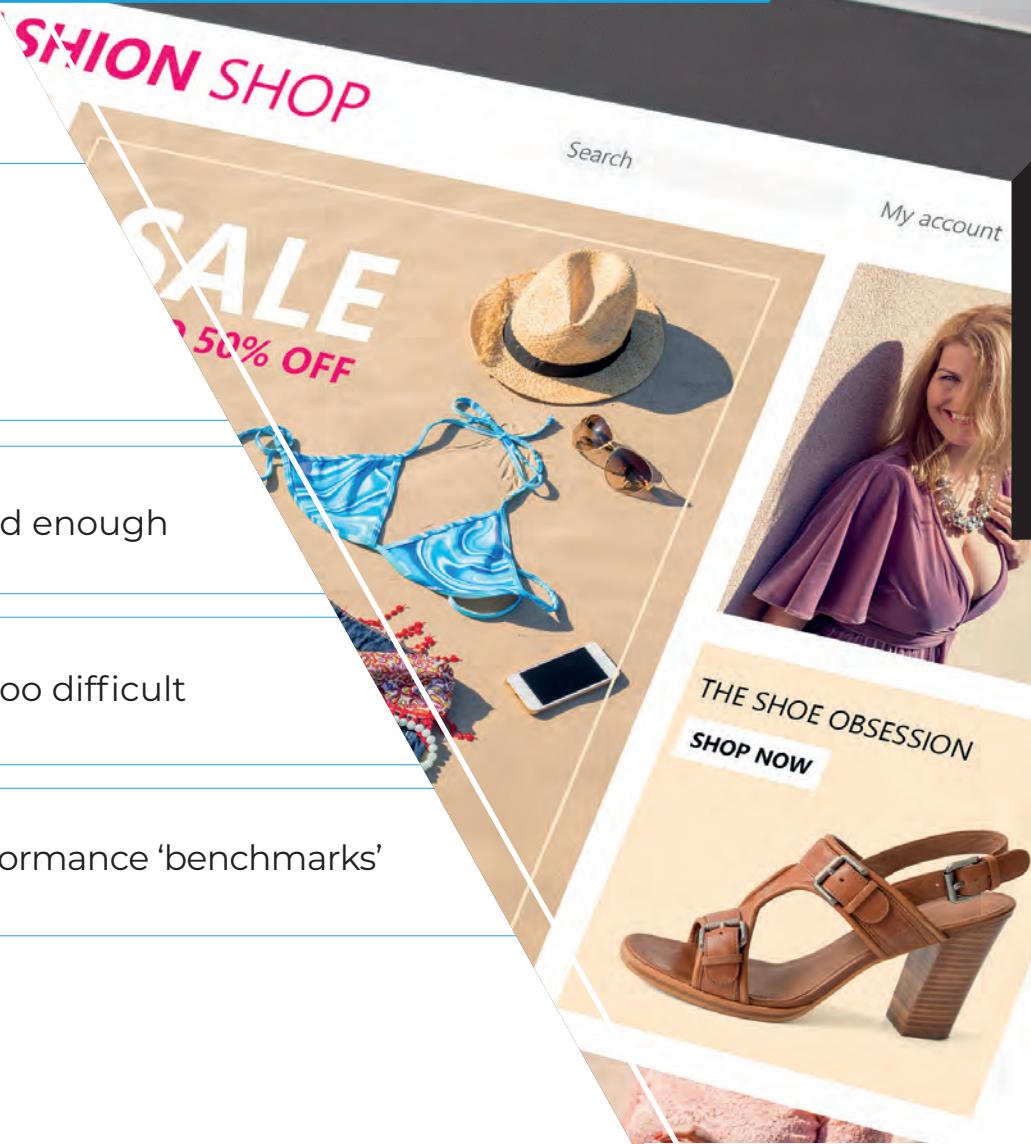
Future proofed to cope with emerging promotional and loyalty strategies, and different channels, without the need for changes to core systems

Automation of the core elements of a promotional system requires fewer resources and frees people to deliver more value

ROI is sustainable because it is driven by cost reductions so that retailers can fund activities to drive revenue and so increase their competitiveness and customer loyalty

## Automation addresses the main barriers to adopting a new approach

- Legacy infrastructure of systems from different vendors with varying and possibly incompatible capabilities, that are inflexible or simply unable to manage cross channel promotions
  
- Existing attitudes that carrying on as normal is good enough
  
- A belief that implementing a promotion service is too difficult
  
- Low expectations based on industry promotions performance 'benchmarks'



# The benefits of automation

Automation gives retailers control of complex and diversifying promotional strategies to deliver:

- **Higher promotional revenue**
- **A higher return** on promotions and loyalty management investment across all stock, but particularly through stock in distressed channels such as stores
- **Better marketing KPIs:**
  - Higher average order value
  - Increased lifetime value
  - Fewer returns
  - Faster stock turns
- **Continuous improvement** through visibility into channel and channel mix performance
- **Greater speed** to market to grab opportunities - inventory, peak events, new customer segments, new channels
- **More effective recovery** of lapsed or inactive customers
- **Greater integration** with marketing, customer and digital teams to reduce promotions dependency over time
- **The opportunity to develop** new techniques such as product and service bundling
- **Integration of customer loyalty** and targeted offers into the promotional strategy, moving away from pure mass marketing, giving customers what they want



# How will this benefit each stakeholder?

## → CMO

- Return on marketing investment
- Visibility of promotional activity
- Profitability of channels and channel mix
- Management of promotions by staff without recourse to technicians

## → CFO

- Capital return on distressed channels (stores)
- Margin visibility
- Cost and risk management

## → Ecommerce

- Cross channel effectiveness

## → Trading

- Margin growth
- Return on promotions in store

## → Merchandising

- Better data for negotiating supplier funds
- More effective pricing strategies to drive sales, clear stock and deliver revenue

## → CIO

- Limitations of promotions management within current ERP and POS systems overcome
- Ability of the business to create personalised promotions without wholesale systems changes, or costly IT involvement



## CASE STUDY

### Metro

**Metro needed a promotion and coupon solution that could support their current requirements, whilst future proofing them as new offers were needed, emerging sales channels added, and trading systems replaced.**

*"In a very dynamic food market, the Promotion software gives us a much needed competitive edge to retain and improve market share."*

Lyne Noël, Retail Information Systems, Metro Inc.



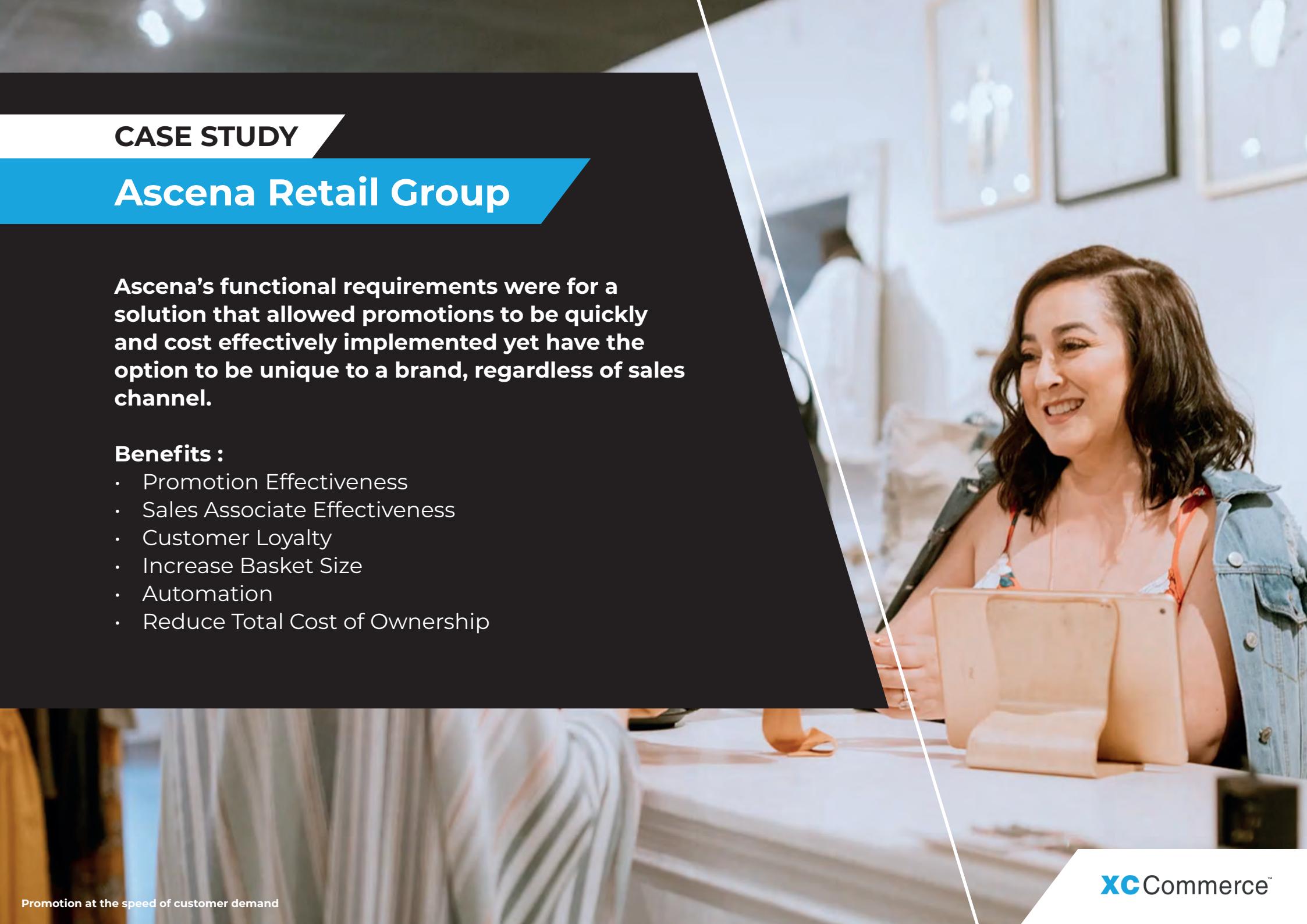
## CASE STUDY

### Ascena Retail Group

**Ascena's functional requirements were for a solution that allowed promotions to be quickly and cost effectively implemented yet have the option to be unique to a brand, regardless of sales channel.**

#### **Benefits :**

- Promotion Effectiveness
- Sales Associate Effectiveness
- Customer Loyalty
- Increase Basket Size
- Automation
- Reduce Total Cost of Ownership



## CASE STUDY

# Indigo

**XCommerce's Promotion solution was chosen to support the centralised generation and controlled execution of promotions within the trading systems.**

When Indigo launch new customer programs and promotions, they can now simply create these in XCommerce's centralised, rules based, promotion tool and are able to execute these programs without any need for technical changes. XCommerce's Central Coupon Module is used to support the Magic Gift Card program and setup coupons centrally. The solution has been rolled out across the ecommerce and consumer app channels, delivering consistency, scalability and a platform for the future.



A close-up photograph of a person's hands holding several printed coupons or loyalty cards. One card is clearly visible with text that includes "FREE", "2 for 1", and a QR code. The background is blurred, showing what appears to be a shopping cart.

**Integration is a relatively simple and proven step,  
you can be up and running in a matter of weeks.**

XCommerce is committed to helping you achieve your business goals. If you would like more information regarding our company or our products, please contact us, and an XCommerce representative will contact you.

**1155 Rene-Levesque Boul. West Suite 2700 Montreal, Quebec H3B 2K8**

**+1.514.393.9003**

**[marketing@xcommerce.com](mailto:marketing@xcommerce.com)**

**[www.xcommerce.com](http://www.xcommerce.com)**

**XC**Commerce™