

Discount as a Marketing Strategy

Student's Name

Affiliated Institution

Discount as a Marketing Strategy

Discounting is essential in marketing because it enables firms to increase their sales, attract new clients, and achieve customer loyalty. Nagle and Müller (2017) explain that discounting is a popular marketing strategy used by successful firms such as Coca-Cola to help them gain a competitive edge in the market. The authors opine that 95% percent of shoppers like discounts and approximately 60% look for items with discounts. In this regard, the authors suggest that the regular use of discounts helps firms to create a constant stream of customers and increased sales. Besides, discounts can improve a firm's market area by attracting new customers and maintaining old ones. However, it is essential for firms to plan before issuing discounts because they should know their current breakeven point, current profit margin, and markup (Gabler et al. 2017). Planning also enables businesses to calculate the best discount price to maintain a favorable profit margin. This paper explores how discount marketing can be used by start-up firms effectively to help them gain a competitive advantage in the market. Discount marketing can be used by new firms to attract and maintain clients by providing a sign-up discount. However, the sign-up discount should be determined by offering different discount variants before the firm decides the standard sign-up offer.

How to determine the Right Discount Rate

Discount marketing can be used by new firms to attract and maintain clients by providing a sign-up discount. Nagle and Müller (2017) argue that discounts are important to firms because they help them to move stock, attract new clients, and reach their sales target during low peak periods. In this regard, the authors suggest that new businesses can use personalized incentives to attain customer loyalty. The authors explain that personalized incentives can help firms to collect

evident-based data regarding their clients. For this reason, companies can use different discount variants before deciding the standard sign-up offer. For instance, a firm can offer a 10% off coupon in the first week for the first order and a 10% auto-applied discount after a week. Gift cards can also be used for clients with orders above \$50. Gabler et al. (2017) opine that regular testing for different discount variables can provide a firm with credible clues on the best discount type and timeframes. Therefore, firms should use real-time data to assess how customers react to different discount plans.

How to Create an Effective Discount Plan

It is important for companies to plan before they offer discounts to make sure that they still maintain a favorable profit margin. Ascarza et al. (2018) suggest that firms should understand how their discounting schemes affect their profit margins and sales targets before they start issuing discounts. The authors insinuate that businesses should evaluate their current profit margin, breakeven point, and markup to calculate the best discount price that is profitable. Besides, the authors also state that firms should evaluate what their competitors are offering and their pricing strategies before issuing discounts to help them to create a competitive discounting plan. Ostensibly, it is vital for businesses to understand how the discount price will affect their profit margins and sales target.

How to Make Discounts Useful

Discounts can be used by firms to gain vital customer information in return and to move dead stock. Nagle and Müller (2017) suggest that businesses can assess vital customer information such as their emails or phone numbers when issuing discounts. This strategy can be useful to firms because this can help firms to offer clients with other compelling orders in the future. Moreover,

firms can use discounts to help them move their dead stock in low peak seasons. Therefore, firms should use effective planning to ensure that their discount plans are useful.

Summary

The evidence provided in this paper shows that a start-up firm can develop the right discount rate by assessing their gross margin, breakeven, and markup figures. Moreover, a start-up firm should also evaluate how the discounted price affects their profit margin. Presumably, discounts should help a firm to increase its competitive edge and its sales margin. An effective discount plan for a start-up business should enable the firm to develop a competitive pricing strategy that will make their products or services more attractive compared to their competitors. However, a discount plan should be accurate to help the business to attain its target profit. For instance, discounts should have the right timeframes and they should be attached to the right products or services to enable the firm to make the desired profit. For instance, discounts are mostly used on consumer goods because they attract a wide variety of customers compared to other goods. Similarly, discounts can also be used for new products or services to appeal to customers and create brand awareness.

Conclusion

In general, this paper shows that start-up firms should determine the right discount rate, create an effective discount plan, and make discounts useful. Besides, discount marketing is essential to help start-up firms to achieve the right competitive advantage in the market. Discount as a marketing strategy can also be used to gain useful customer information such as their email and phone number, which can be used to provide them with future offers. Therefore, discount as a marketing strategy is very important for new firms.

SAMPLE

References

- Gabler, C. B., Landers, V. M., & Reynolds, K. E. (2017). Purchase decision regret: Negative consequences of the Steadily Increasing Discount strategy. *Journal of Business Research*, 76, 201-208.
- Nagle, T. T., & Müller, G. (2017). *The strategy and tactics of pricing: A guide to growing more profitably*. Routledge.
- Ascarza, E., Neslin, S. A., Netzer, O., Anderson, Z., Fader, P. S., Gupta, S., ... & Provost, F. (2018). In Pursuit of Enhanced Customer Retention Management: Review, Key Issues, and Future Directions. *Customer Needs and Solutions*, 5(1-2), 65-81.