

Offer Strategy: The Numbers Never Lie

An Offer Too Good to (not) Refuse

When a major furniture retailer rebranded and redesigned their stores, they wanted to generate tons of traffic for their grand re-opening. They increased their radio and television advertising and store traffic increased modestly. Garritano Group recommended scaling back radio and television and using that money to send targeted e-mails and direct mail packages to previous customers and customers within 10 mile radius to the stores. Our courageous client agreed to let us offer \$50 to spend on ANYTHING in the store! We knew the sales team could convert a sufficient portion of that traffic into \$500 sales to make the program pay for itself.

To us, \$50 seemed arbitrary. Would \$10 work? Or \$25 or even \$100? We built an experimental test design to randomly assign people to different cells according to offer value and list source. As expected, \$25 pulled significantly better than \$10. Significantly means – enough incremental transactions of a necessary value occurred to justify the additional expense. \$50 pulled better than \$25 BUT it did not generate enough incremental revenue to justify the incremental expense. \$75 and \$100 offers pulled only modestly better than \$50.

So, \$25 wins, right? Not so fast. The goal of the program was to get as many people into the store as

possible to experience the new store layout and new product offerings. This was a brand-building endeavor. So, even though the \$50 offer did not satisfy the gains needed according to a straight revenue model – it did pull more customers into the store, at a cost substantially lower than adding marketing dollars to an already saturated media budget. \$50 offer wins.

Key learnings:

- ▶ Return on investment, while central to every Garritano Group strategy, must be taken in context of brand equity, budget utilization, relationship building and many other factors. Sometimes it is important to invest in future relationships. Especially when those dollars would otherwise be wasted on unmeasurable media or applied to an already saturated media schedule.
- ▶ Bigger is not always better. \$75 and \$100 did not pull in proportionally higher numbers. Sometimes offers can seem ‘too good to be true’ and disregarded by the audience.
- ▶ Regardless of your budget you should always test. We have very rarely discovered truth in anecdotal marketing ‘wisdom’.



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