

# American Express OPEN Forum

Denise Lee Yohn/President/Consulting Partner, Denise Lee Yohn Recent Posts

May 24, 2012

To use daily deals, or not to use them—that is the question.

Some businesses swear by the awareness and results a Groupon or Living Social deal produced for them—others are adamantly against daily deals, saying they're ineffective and expensive.



The reality is, there isn't a right or wrong answer. A daily deal program, just like any other promotion, can serve a small business well because it creates news and attracts attention when you have little awareness and a limited marketing budget. Such promotions can also help overcome the customer's perceived risk of trying out an unfamiliar brand, a common hurdle for small, less-established businesses.

But if designed incorrectly, daily deals and other price-centered promotions can hurt your brand more than help it. Giving away free or heavily discounted products, putting the focus on price and copying competitors' offers detract from the perceived value of your brand. These promotional approaches may prompt a spike in sales, but they do little to grow businesses in a sustainable way.

Promotions based on price alone don't make a lasting impression—and if they do, they may actually train customers to buy from you only when you offer deals. And when people are bombarded with similar promotional messages, it's confusing and difficult to distinguish between them or remember them. Your brand and its unique attributes and benefits become an afterthought.

Here are four ways to use promotional strategies to build—not detract from—your brand value.

**Design promotions to make your brand meaningful.** Promotions shouldn't simply be newsworthy; they should be relevant to target customers and what's important to them.

In today's economy, it may seem consumers are only motivated by deep discounts and free giveaways. But that's simply not the case. Most consumers have learned that lower prices don't necessarily mean better value.

They prefer companies that deliver greater value by better meeting their specific needs (like product bundles perfect for large families), saving them time (like a no-wait guarantee), lasting longer (like a product that endures repeated usage) and including services (like free installation).

So design promotions to make appeals based on these types of offerings instead of on price alone.

**Differentiate your brand through creative promotions.** The problem with most deals is that they've been done before or they're easily copied. Instead, they should reinforce your brand differentiation by promoting the distinctive attributes of your brand.

One coffee shop designed a punch card promotion with moxie. To convey its bold brand attitude and superior customer experience, the shop invited people to fill their punch cards by visiting other local coffee shops—and then return to get a free coffee at its location. The message was "try all the rest, and then come to the best." It certainly got people's attention, and was far more memorable than your standard "buy nine, get the 10<sup>th</sup> free" message.

**Promote value beyond a specific product or offering.** A promotional campaign which focuses

on a single item or offer usually sells the brand short. It may make that item more attractive, but it does little to improve the value perception of the brand overall. In fact, such a limited offering is likely to simply cannibalize sales from higher margin products.

Promotions with the most positive impact on your brand are those which transcend any given product or offer. They make a statement about the value of your brand overall.

Subway's \$5 Footlong promotions cast a positive shadow on its brand overall. By applying the compelling price to all of its regular subs and consistently promoting it over time, the company made its brand synonymous with the \$5 offer. The simple, memorable pricing strategy strengthened value perceptions of Subway across the board.

**Use deals as the first step to customer relationships.** Integrate new customer deals into programs that convert them into profitable regulars. Try to upsell and cross-sell them, or use bounce-back offers at the point of sale to prompt a return visit. Be sure to collect their contact information so you can run email or mobile campaigns to communicate with them in the future. Drive them to your Facebook page and encourage them to tweet or check-in so you benefit from exposure among their friends and followers.

Conventional thinking says that deals drive sales in the short term and brand campaigns build brands in the long term. But you can do both with promotional strategies that create news and strengthen your brand.

*How has your business used daily deals? What kind of results did they yield?*

*Photo credit: Groupon*