

Putting people at the centre of multi-buy promotions

 By [Lauren Hartzenberg](#)

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In the midst of tough economic conditions, businesses seeking growth must constantly re-examine and refine strategies to ensure efforts are contributing to the bottom line. In the South African retail and manufacturing sectors, promotions have become a popular tool to attain this growth.

“If we look at a typical South African basket and we look at the percentage of unit sales from promotions over the last year, it has gone from 22% to 45%. Promotions are becoming a much bigger part of where our volumes are coming from. It’s therefore important to understand how we can drive them most effectively.”

This is according to Liezel Matthee, head of analytics and consulting at [IRI South Africa](#). She spoke at a recent breakfast hosted by the company, offering guidance on using shopper data strategically to define a price and promo strategy, with a specific focus on multi-buys.



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“Multi-buys are a hot topic in South Africa. All you have to do is open up a newspaper and you’re inundated with multi-buy promotions used to drive sales and growth, and increase the average rate of purchase.”

One simply needs to look at the crowd-drawing power of ‘Buy 2, get 1 free’ deals, for example, to understand why brands do them. Competition is fierce, and businesses are competing for a share of the customer’s wallet.

Promoting profitably

But promotions come at a high cost for retailers and manufacturers alike, and requires an understanding of the true opportunities and return on investment. At the end of the day, promotions are meant to be profitable.

Referencing the ‘[7 P’s of marketing](#)’, Matthee stated, “A lot of times price and promo are easy levers we can use to get short-term uplift. But we also need to consider how our pricing and promotional strategies impact the long-term growth of our brand.”

She stressed the importance of leveraging ALL sales levers to drive this growth, and urged event attendees to ask questions such as:

Which depth of promotion delivers the highest incremental sales, the best repurchase rate and attracts new clients? If we reduced the frequency of promotions – or increased the frequency at a slightly higher price – what is likely to happen? What about bringing in the rest of the marketing mix? What if we time-aligned our below-the-line and above-the-line marketing? Which works best to attract customers into the store and drives a higher repurchase rate?

Customer data as a driver

Despite pressure to reach targets and the resultant appeal to simply drop prices, Matthee said companies need to go beyond driving volume. “In South Africa, we have found that retailers and manufacturers are extremely good at measuring results, but not as good at measuring the drivers. Shopper data drives all the results that we’re measuring – it tells us the ‘why’.”

For example, before concocting a promotion it’s important that one looks at the frequency of purchases and the amount purchased, and then build upon that knowledge. Customer behaviour needs to be at the centre of all decision-making.

“Shopper data is going to become more and more important. You can either embrace it or be left behind. If you need to win in this industry for the next five to ten years, you have to measure the drivers and not just the results.”

Key considerations for multi-buys

Matthee offered the following three considerations when designing effective multi-buys, based on her findings analysing over 2,000 promotions in the last four years.

1. Actual deal offering

Combo deals: When looking at combo deals (e.g. 'buy a box of nappies and get toiletries for free') she said that redemption rates tend to be low when the deal is too complex. Ideally, items forming the combo should be situated in the same section of the store for convenience, and these items should be frequently purchased together as part of the same basket. Think about the items’ relevance to each other and to the customer.

Size of the deal: When determining the size of the deal, it’s important to look at the average basket. A promotion involving five deodorants for R100 is likely to show a poor redemption rate because the average shopper purchases a maximum of two units at a time. The likelihood of a retailer uptrading shoppers from one or two units to five units is slim.

Practical issues: A combo deal on bulk items, like a 2kg bag of frozen chips, shows low redemption rates due to the average customer’s lack of storage space.

What works: Expandable categories – soft drinks, ice-cream, chips and biscuits – work especially well for multi-buys, but Matthee suggests not limiting customers to one flavour and offering a variety to choose from instead.

2. Timing

When timing promotions, Matthee’s first point was that if a number one brand and a number two brand are on promotion at the same time, number one will win. While the number two brand may get sales uplift, it won’t be as high. Staggering the promotions would prove more effective. Secondly, multibuys are especially effective for driving trial on any newly launched products. And thirdly, consumers are most likely to redeem multibuys during tough times. “This means that for the next year or two we’ll continue to see redemption, we just have to be smart about which multibuys we do on and how we use it to drive margin.”

3. Marketing

Matthee couldn’t stress the importance of marketing enough, stating that the most effective promotions are backed by marketing communications by the retailer. “Understanding your shopper is key and talking to your customers sets you apart,” she noted.

Looking ahead

While multi-buys are driving volume for South Africa at the moment, Matthee mentioned that in the UK they're rethinking their approach to pricing and promotion; they've got less volume on deal, but they've increased their price reductions. They're also adopting the stance of 'everyday low prices', with some UK supermarket chains [like Sainsbury's](#) ending multibuys altogether.

But she was quick to make it known that the South African market is different. "In the UK, customers buy frequently, shopping as the need arises. In SA, however, we often still see the bulk grocery shop, which is where multi-buys work."

Ultimately she said a mixture of these two approaches is ideal in South Africa, but businesses need to avoid entering into a price war.

"Descending into a price war is not the goal, it's a dangerous situation to be in. The entire European FMCG industry was in decline [amid its price war](#). We have a real responsibility in our industry to ensure that we price and promote responsibly and effectively."

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