

SUCCESSFUL RETAILING DISCOUNTING



The amount of choice available to customers is empowering them to bargain

Trying their luck

Confident shoppers don't just expect fantastic service, they also expect a bargain. Sarah Jordan finds out how retailers should approach the discounting question

Type the words 'get a discount' into Google and you'll be met with 530 million search results. It may seem jarring to our British sensibilities, but haggling, bartering and simply asking for money off isn't reserved for beach markets on a two-week summer holiday - it is alive and well on the British high street.

According to a survey by Money Supermarket in 2015, hagglers experienced a 50% success rate in high street shops such as John Lewis, Homebase, Currys and PC World when they put the tactic to the test. The site also offers its "Top 20 haggling tips", including "get them to chuck something in for free",

"flaws mean discounts" and "don't fill the silence." If customers are armed with this advice, it's crucial that your staff are ready to respond with equally confident replies.

"This is something that we have only just spoken about at Wongs," explains Chelsea Jefferson, deputy store manager at Liverpool jeweller Wongs. "It seems there is a growing culture of people striving for the 'best deal.' I've seen TV programmes that educate in how to get the best discount and which retailers are easiest to bargain with, which hasn't helped."

For Debbie Barrow, managing director of sales training experts Virada Training, the shift towards in-store haggling has

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Debbie Barrow
Virada Training

been happening for years. She says: "A good place to start is by considering why customers ask for discounts, and why asking for a discount is current now, when it certainly wasn't 10 years ago."

According to Barrow, there are four key reasons why customers are increasingly asking for discounts, including more widely recognised legislation, market competition, consumer confidence and the cultural impact of international visitors.

She explains: "There is a greater awareness of what customers should expect and accept in terms of standards of quality and service. Secondly, there

is the growing amount of competition in the industry and more choice for customers. This again increases the power of the customer as they can, at the click of a button, find the right product at a price they want to pay. Again, this is more power to the customer and often this leads to a very price-focused buying transaction, when what the retailer really wants is to provide the best customer experience, create a sense of value."

So, what happens when a confident consumer meets a less-than-confident sales professional? Barrow believes the nervousness surrounding discounts can lead to a "self-fulfilling prophecy" of discounting. "As sales people hear the discount question so much, it creates an expectation that the customer will ask for a discount, so the mindset is already pre-empting that. As successful negotiation is about power and control and all the nuances that go with that, with an untrained team, the customer has the upper hand and margins are at risk."

Therefore, the solution has to be a carefully planned and agreed upon pattern of discounting, starting with up-selling techniques and ending with a percentage or cash value discount. As Barrow notes, not all customers who opportunistically ask for a discount will expect to receive one. "Interestingly, when I ask sales teams about the percentage of customers who would buy the product even if the salesperson said 'no' to a discount, they tell me that it could be between 40% and 70%, depending on the product and the price."

Of course, 'No' is a loaded word. "It can sound too apologetic, or perhaps a little sharp," Barrow adds. "Sometimes, nerves come across or there are worries that rapport is at stake. All of this weakens the credibility and power of the salesperson."

Instead of saying 'No', there are a number of stages the customer can be guided through, ensuring the power remains with the sales professional. Small gifts, bottles of champagne, free insurance or vouchers for an additional sale are all excellent options, but Barrow suggests starting elsewhere.

"You can offer a discount on an additional item. For example, the customer is buying the pendant and you offer a discount on the matching bracelet. That can often work, because the reason why someone may ask for a discount may not be due to an affordability issue; it's sometimes the need to get the feeling that they have 'won' something."

This power struggle between staff

and customer is at the heart of discount negotiations. If an additional item doesn't satisfy, it is essential to only reveal the other tricks up your sleeve slowly. Barrow says: "If two customers ask for a discount on the same product and one customer gets a straight 10% discount given really quickly, they often feel disappointed that they could have got more. This is compared with the other customer who got less discount, at 5%, but the negotiation process was more drawn out; that customer is more likely to feel that they got a good deal and that they had 'won'."

Speaking of Wongs Jewellers' approach to discounting, Jefferson explains: "As a general rule, I don't like to see any discount given - the staff try not to, but we can go up to 10% if necessary."

"The staff have been experimenting with giving another product instead of a discount too. The cost price of an item may only work out at a couple percent. For example, if someone buys a £3,000 ring, by giving them a silver bracelet that wholesales at £100, but retails at £300, it makes them feel like they are winning, but it's only cost Wongs 3%."

Similarly, Company of Master Jewellers chief executive Willie Hamilton says: "I remember one retailer telling me that a short conversation with another retailer completely changed their approach (and profitability) to haggling. This retailer

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Willie Hamilton
 Company of Master Jewellers

Wongs is trying the strategy of offering a free gift rather than discounting

had always taken the approach that, when clients asked for a discount, they would respond with 10% off, but their fellow retailer said they would always veer towards a cash value discount when it was a high-value item and only use a percentage when it was low value. It sounds obvious, but this approach saved the retailer a considerable sum over a year."

Aside from avoiding the 'discount question' altogether, sales professionals can get to the bottom of the request by ascertaining whether it is price-motivated or opportunistic. For example, it could be an affordability issue, a perceived value issue or a price-matching issue, where a customer seeks to balance a scale with an online or high street retailer offering the same product for a lower price. As a retailer, it is your choice to decide whether offering a percentage off or presenting a small gift is better customer service than saying 'No' (something that can, when done well, reinforce the inherent value of your product, store and service) on a case-by-case basis.

Michael Rawlinson, chief executive of the National Association of Jewellers, comments: "If a customer is coming into your shop to ask for a price-match when they have seen the item somewhere else, the shop should be asking the question, why? Do they really have it in stock, is the other shop's item damaged in some way? It may be necessary to give in on the price, but with proper training, there are ways to minimise the need to discount that can protect margins, profits, credibility and reputation."

"I was always told, if you discount your price, which part of your service are you not going to give? If you have priced your stock fairly, to give a discount can give the impression that you have over-priced an item in the first place, or you are trying rip the customer off."

Hamilton also argues against price-matching, noting: "I always advise retailers that, unless there are mitigating circumstances, they should not try to price-match, as the type of client who only wants to buy on price will never be loyal to them in the future: they are usually a client who will never be seen again or will always want to buy at the lowest price available, whether this is in store or online."

No matter how a discount request is packaged, it is clear that managers and staff need to be empowered to respond in the most considered way possible; whether that is tangoing with the customer or simply politely refusing. ●

