

eBook

# Drive Sales Without Mass Discounts

How to design a tech-driven incentive strategy that moves away from sitewide promos



Session AI

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# Introduction: A more competitive market

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In the new era of ecommerce, retailers face growing competition to win customers.

Shoppers often buy less and split their purchases into wants versus needs, forcing marketing to work harder to engage them. At the same time, online sales channels are proliferating fast, and shoppers can easily discover prices for everything they want to buy.

For many consumers, price is the most important factor that determines where and when to shop. This trend often pushes retailers to compete by running sitewide sales, also known as promotions. Promotions, when they are strategic and efficient, can be incredibly effective in driving value for retailers.

However, this competitive landscape has led retailers to rely on promotions and discounts as their go-to strategy. While promotions have the short-term benefit of increased sales, relying too heavily on discounting tactics can negatively impact long-term growth and profitability.

Consequently, retailers are discovering they need to pull back on sitewide sales – but aren't sure how to change strategies without upsetting their conversion and profitability goals.

Modern AI-based tools unlock new ways for retailers to individualize incentives. These AI tools enable brands to reduce their reliance on sitewide promotions while still improving conversion and margin.

This ebook provides an introduction to this artificial intelligence and explains how retailers can best use it to move away from mass discounts.

What promotions  
can do for retail



# What promotions can do for retail

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**Promos, discounts, coupons, sales:** Whatever they are called, promotions can be very effective in driving value for retailers.

Here are several of the most important ways that retailers benefit from promos as a sales strategy:

- ▶ **Drive incremental sales volume.** Promos increase overall top-line sales volume by getting more consumers to buy. This result is important for revenue overall, and also for sales of specific product categories or SKUs targeted with discounts.
- ▶ **Increase conversion.** Offering discounts tends to get more of the available audience to buy because of time pressure and a perception of greater value. This effect is especially evident for ecommerce because visitors and conversion rates are easily measured.

- ▶ **Attract new customers.** Discounts can entice visitors to become first-time buyers. This is an especially important reason to use advertised promotions that can reach audiences who are not yet on site.
- ▶ **Drive brand loyalty.** The availability of discounts encourages existing customers to buy repeatedly when they perceive the retailer offers the best value. In particular, this effect means retailers can use discounts to attract existing customers to buy in new categories. However, these customers may expect continued discounts in order to keep buying.
- ▶ **Increase market share.** Especially in competitive categories, promos allow retailers to capture market share from other businesses that aren't offering similar discounts.

- ▶ **Create positive ROI.** At the end of each day, every business strategy must offer a business benefit. Retailers choose discount strategies because they offer compelling ROI overall, contributing to goals such as growth, share of wallet, and market expectations.

Certainly it makes sense for most retailers to use promotional strategies. Among all the above benefits, however, it is important to note that most do not require the discount be offered sitewide. Targeted offers – directed just to some potential customers – could have the same positives.

Just as the benefits of promos are clear, the disadvantages can't be ignored. Large-scale discounts can lead to long-term trouble.



How mass discounts can backfire

# How mass discounts can backfire

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For retail marketers, mass discounts can be like an addiction: they appear great at first, but eventually they create problems. Here are several of the most important ways that retailers suffer when they come to rely on price reductions as a sales strategy:

- ▶ **Reduced product margin.** Discounts increase topline sales at the cost of a decrease in the bottom line. This math is nearly guaranteed any time a promo is used. In competitive and low-margin categories, the use of discounts can be the difference between profit and loss during a reporting period.
- ▶ **Impaired brand perception.** Consumers associate price with quality, and products that are heavily and frequently discounted may appear to be of lower quality. Of greater long-term concern is that consumers may come to believe the retailer's brand itself is a lower-quality brand, or only offers low-quality products even when they are marked at full price.
- ▶ **Anchored expectations.** Once consumers are used to receiving discounts, they come to expect them. The 10% and 20% off sales no longer excite shoppers. Instead of prompting action and urgency, discounting can train consumers to wait for the next promotion and never buy at full price.
- ▶ **Price wars.** In some markets, discounts offered by one retailer will be quickly matched by rival retailers, creating a potential downward spiral where prices keep dropping. Though consumers may like price wars, they quickly lead to big losses with none of the expected benefits of promos.

As valuable as promotions are, there are definitely reasons to deploy them carefully, not to overuse them, and to ensure they have the right commercial benefits.

What retailers must do is make the most out of every promo dollar. Above all, they must pursue promo strategies that can drive the important conversion and topline revenue benefits without the extensive risks of mass discounting.

One answer is to shift strategies from sitewide promotions to targeted incentives, which offer the same benefits with fewer risks.

Moving from  
sitewide to  
targeted incentives



# Moving from sitewide to targeted incentives

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Moving from sitewide promos to targeted incentives takes some preparation. Frequently, this new strategy is championed by a head of ecommerce, a CMO, a head of operations, or an executive with responsibility for innovation. At a high level, the following five steps are needed for any retailer to make this transition:

- 1. Plan strategy and goals.** Every retailer is different, with different history, product categories, customer bases, leadership, and more. Therefore the first step in pulling back from mass promotions is to get consensus on this objective and plan what it will look like for the retailer. Is the objective to fully rid one's site of sitewide offers, or only to reduce them? What are the desired commercial outcomes? Where within the organization does it make sense to have responsibility for the transformation, and where should support come from? Are there other commercial needs, such as the holiday season, that suggest a timeline either to complete a transition or that must not be interrupted? These are just some of the important questions that need to be asked and answered.
- 2. Acquire necessary tools.** Once a strategy is aligned, the responsible team must acquire the tools needed to deliver targeted incentives. Most likely these will not be the same promo management platforms that are effective for sitewide offers because these technologies cannot determine which site visitors should receive discounts. At this stage, retailers should consider an in-session marketing platform that is ideally suited to a strategy of targeted incentives.
- 3. Segment visitors.** Perhaps using new technologies, the retailer must segment its site visitors to determine who receives a targeted incentive. Critically, this segmentation must take place in real time in order to have the same impact that an immediate sitewide promo can have. Methods of segmentation that rely on customer data will miss the share of site traffic that is anonymous, which is the majority of traffic on most sites. An in-session marketing platform uses only on-site behavior for segmentation, and uses AI to build segments automatically.

# Moving from sitewide to targeted incentives

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**4. Serve incentives to selected visitors.** With their new segments, retailers must deliver the right targeted incentives that will achieve goals such as higher conversion and revenue. Using an in-session marketing platform, retailers can deliver immediate incentives to the most influenceable visitors, holding these incentives back from shoppers who don't need them to convert. Such incentives can start to take the place of sitewide promotions, typically over a period of weeks to months as the strategy is fully put in place.

**5. Measure and optimize.** Targeted incentives have the added benefit of built-in A/B testing, so the exact impact of each incentive can be measured against the relative benefit of a sitewide promotion, a different targeted incentive, or doing nothing. Because every retail site is different and consumer needs change over time, the retailer must continually measure results and optimize the incentives to the needs of their business.

This “steady-state” process is fundamentally the same as managing a daily promotion calendar, only with more data to inform each decision.

The entire transformation process can be accomplished in a matter of months, with transparent reporting of the benefits. Where blanket discounts can still be helpful – such as in advertising – they will remain. Where targeted incentives are more efficient – on the site itself – they will take the place of most sitewide promotions.

The ability to achieve this business transformation has become possible due to the latest advances in AI technology.

## What is a targeted incentive?

A targeted incentive is an action delivered to a site visitor in real time. Unlike a sitewide promotion, the targeted incentive is selected for each visitor based on what is most likely to create a desired response from the visitor, such as a purchase.



Why AI is the  
key to targeted  
promotions

# Why AI is the key to targeted promotions

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New advances in artificial intelligence make it possible to segment site visitors, select the visitors who would benefit from an incentive, and deliver that incentive in real time. Other technology approaches could not take these important steps or do them nearly as well for several reasons.

- ▶ **AI models and adjusts, rules-based tools don't.** Without AI, it is difficult to segment visitors in an effective way. Non-AI platforms can use rule sets to decide who receives an incentive and who does not, but these rules are limited and can't adjust for changing visitor behavior. AI models visitor behavior according to the business goal of customer segmentation – usually, the likelihood each visitor will complete a purchase – and adjusts segments continuously as visitors use the site. The result is a much greater possible financial benefit to the retailer for the same amount of human effort in defining and maintaining segments.
- ▶ **Personalization is limited to the known.** Many technologies exist to use customer data for segmentation and targeting. These technologies often use sophisticated AI models, but also face a fundamental challenge: they work only for known traffic, and most traffic is anonymous. For anonymous traffic, an in-session marketing platform that uses only on-site behavior to segment visitors is a better form of AI. Such technology can apply to 100% of site traffic, both the known and anonymous audience.
- ▶ **Offline modeling is too slow.** Retailers and other businesses have used AI to model their customer bases for years. These data science approaches, invaluable for buyer insights, can't solve for sitewide promotions because they work offline. When a visitor is on the site, there isn't time to acquire the data, run a model, interpret results, and then choose the right incentive to use with the visitor. Even semi-automated approaches will take too long, when the needed action must be taken in milliseconds. AI-driven in-session marketing applies visitor behavior against an existing purpose-built model, so speed is optimized.

# Why AI is the key to targeted promotions

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► **Outside measurement is also slow, and expensive.**

Sitewide promo strategies and other blanket campaigns, such as advertising, are constantly monitored for their impact on demand. Judging whether the strategy resulted in the proper business benefit can only occur after the fact, or can be partially judged using add-on A/B testing tools – either of which creates manual effort. In-session marketing A/B tests everything, showing not just the uplift to sales, but also the effectiveness of the incentive. A natively AI-powered approach provides daily, comprehensive measurement.

► **AI works at scale.** The modern capability of AI systems can support an Internet with billions of users. Applied to targeted incentives, purpose-built in-session marketing AI scales to sites even with hundreds of millions of monthly visitors. Other types of technology may or may not be architected to such scale needs.

Targeted promotions – driving sales without mass discounts – represent a new capability of modern technology to create topline revenue, higher conversion, and other critical commercial benefits for retail brands.

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## In-session marketing case study: An \$11B retailer

A major US retailer with \$11B in turnover and hundreds of stores was growing quickly in its ecommerce channel, with about 7% of total revenue online. To drive this growth, the company had turned to sitewide offers and spent more than \$110M on coupons in the previous year. Topline revenue increased at the cost of lower margins. The company turned to Session AI's in-session marketing platform to reduce overall use of mass discounts.

Segmenting its customers by their purchase intent, the company discovered that more than 75% of their promotions budget was going to customers who already intended to buy. Using real-time incentives, the company gradually switched from sitewide promotions to real-time incentives that only appeared to visitors who were not sure of their purchase.

This intervention dramatically changed commercial outcomes. The retailer saved more than one-third of its promotional budget – millions of dollars each month – while at the same time increasing overall conversion rates because incentives were better targeted. The company saw both topline and bottom-line benefits with in-session marketing, and continues to measure and optimize its use of targeted incentives to grow its results even further.

# Session AI: The answer to sitewide discounts



## Session AI: The answer to sitewide discounts

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As consumers continue to price shop and look for discounts, marketers will need to work harder to engage them. Mass promotions and discounts have become the go-to strategy for many ecommerce businesses, but the short-term benefit of increased sales is often outweighed by the impact on long-term growth and profitability.

As this ebook has demonstrated, the solution to sitewide discounts is targeted incentives that maintain the benefits of discounting with few of the disadvantages. Retailers can replace most of their blanket discounts with targeted incentives that boost multiple critical metrics.

Session AI delivers a critical technology, in-session marketing, that enables retailers to make this transition from mass discounts to targeted promotions. For forward-looking brands that embrace modern technology, in-session marketing demands a close look.



## About Session AI

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Session AI is the pioneer of in-session marketing, the critical capability online retailers need to convert site visitors in a privacy-first world. Using patented artificial intelligence, Session AI predicts purchase intent in five clicks, enabling online retailers to provide each visitor with the right incentive in real time. Major brands rely on Session AI to increase revenue and engagement without the need for personally identifiable information or third-party cookies.

Learn more about the future of ecommerce marketing at [www.sessionai.com](http://www.sessionai.com).

