

Consider Discounting in Today's Economy

It is time to retire words like never and always

"We never discount" is a sentiment still heard among high-end brands and luxury hotels. We have also never seen an economic situation like the one we are facing today. It is time to retire words like never and always, and start to question everything. Not only is it possible to discount your product or service while maintaining your brand integrity, but it is necessary in light of the international financial circumstances. Long-term profitability can be achieved through correct, strategic positioning of discount-oriented marketing.

Market Position: Today's economic turmoil has set up new rules for discounting. First, consumers expect discounts, just as they expect value. Second, consumers are surrounded by discounts and other promotions. The noise level has grown, as has your competitive set. If you want to pry dollar bills out of consumers' hands, you are now fighting against your entire category. It is no longer hotel versus hotel, but anything considered entertainment. Families are broadening consideration sets as choices become tougher. With a growing competitive set and the expectation of discounts, the positioning has to change—it must stand out above the noise and shout for the attention of your target market.

Brand Position: Even if your brand is not the type to "shout for attention," discounting is still possible. As with any marketing communication, a discount promotion must be inline with the brand promise. In the hospitality industry, channels of distribution can play a very important roll in achieving sales while upholding brand integrity. For a hotel, the worst thing is to have an empty room, yet your brand image limits your price point. On an opaque Web site, such as LastMinuteTravel.com, branded properties can fulfill their business objectives of selling rooms and ensure there is no brand dilution. These hotels are price leaders. By not disclosing the name of the hotel until after it has been booked, LastMinuteTravel.com allows hotels to maintain their price integrity yet capitalize on RevPAR.

PROFITABILITY: If it isn't profitable don't do it—such a simple phrase that most of us insist we follow, but are you really carrying out each task because it will make money, or because it has always been? Again, it is time to question everything. An additional



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consideration to long-term ROI is the brand loyalty that can surge when customers' expectations are exceeded during hard financial times. During the Great Depression, for instance, consumers didn't stop spending, they just started looking for better deals. The companies who provided those better deals came out stronger and were rewarded when spending picked up as consumer loyalty remained. Most of the companies that thrived during the Depression did so by maintaining or increasing marketing spend when everyone else cut budgets. With any marketing campaign including discounts, you must ensure it will make money in the long term, assuming you can bear any short-term loss that might occur. Be wary of marketing concepts that promise short-term results, these often come at the cost of brand integrity, which will inevitably affect long-term profitability.

Tying up these three concepts, LastMinuteTravel.com recently went "undercover" (opaque) with its entire hotel inventory. To launch this change, we ran a discount-promotion entitled, The World for \$1. For two weeks, every hotel

was listed for \$1 for a total of 15 minutes per day. Consumers could sign up for e-mail hints and watch viral videos to narrow the sale window. Because this idea was intrinsically viral, it allowed us to use inexpensive marketing communications including press relations, online social media and viral videos. The discount was loud with an element of crazy and inline with our brand promise of providing last-minute prices, in advance. Finally, we were willing to take the short-term loss to meet long-term goals: increase brand recognition and increase customer retention by educating visitors about the site and its benefits. During the campaign, we got air time with the likes of Peter Greenburg and Frommers' Travel, the site visits were double those averaged by Expedia, and we collected thousands of e-mail addresses. Of course, the success of The World for \$1 campaign will be measured over the long term.

Consumers are choosier than ever as to how they allocate their dollars. Bottom line: if it makes money and fulfills long-term objects, you have to do it. For those who have never previously considered running a discount, step outside of the box and explore whether or not a discount will make money. In doing so, rethink the meaning of "discount." Positioned correctly and strategically, a discount-oriented marketing campaign can provide return on investment over the long term while maintaining brand integrity.