

## **DISCOUNTS AS AN INSTRUMENT OF MARKETING COMMUNICATION**

Nowadays, the key objective of any company is promotion of products more effectively. To achieve the goal marketers use various instruments of marketing communication such as advertising, tastings, contests, bonuses, discounts, etc. The discounts are vitally important for both companies and customers. The purpose of this paper is to consider the benefits and risks of discounts for them in today's business.

Discount is the tool for attraction customers through reduction price for goods and services.

Competition is forcing companies to use discounts. They attract new customers. Consumers love discounts for obvious reasons—they save money and feel like a savvy shopper. Consumer behavior is at the heart of discount marketing. Our brain gravitates towards special deals and has a sense of urgency to avoid the fear of missing out, which means that people want to know everything about discounts. Consumers are attracted by discounts and tend to share them via word-of-mouth—an efficient way to reach new customers.

New customers bring money to the company. Money means profit. Companies strive to be both attractive and profitable. Discounts play their role, but not all discounts are created equal, and without the right strategy in place, a company can put their brand's profits or reputation at risk.

If prices are too high, customers will look for a company with lower prices. But too much discounting can make a product less valuable which will result in reducing the number of customers. Also, timing is an important part of business planning of discounts for companies. For instance, sales within holidays help get away from excess merchandise, while discounts during slow times increase the number of customers. The discount may not work if marketers use the wrong time to implement it.

Discounts have both advantages and disadvantages. Here are five advantages of offering a discount:

- Discounts create the perception that people are getting more for their money;
- Company can control inventory through discounts which allows businesses to get rid of old and excess inventory, making room for new goods;
- Providing discounts helps to increase the number of loyal customers;
- Discounts help to build brand loyalty by creating positive moments of appreciation and value. And happy, repeat customers tend to spend more and have a higher customer lifetime value;
- Strategic discounts can actually improve your image and brand reputation.

But each coin has two sides. On the other side we see some negatives, among which the following ones can be mentioned:

- Businesses with high variable costs can reduce profit margin in order to sell their products at a lower price.
- Discounting can devalue the brand.
- Companies reduce price on substitute products to win customers and get the major share of market. It may cause market destabilisation.

Moreover, when a company offers a mass discount for everyone, it risks adding to the noise in a crowded market and drowning out brand's own voice. And if a company promotes discounts too often, it will train the customers to wait for the next sale instead of making regular purchases at regular prices. The wrong discounting strategy can attract bargain hunters who only shop for deals. These new shoppers may inflate company's short-term sales numbers, but aren't likely to become long-term customers or build loyalty over time. A proper discounting strategy, on the other hand, will result in customers who will increase long-term sales. A common discount that companies use to attract potential long-term customers is one plus one equals three.

I've conducted a survey about a special offer 'one plus one equals three'. I was interested to know the popularity of this discount among consumers, its positive and negative effects. 'One plus one equals three' is a special offer when consumers buy three products for the price of two and get a 100% discount on the cheapest of them. Based on my survey lots of people know about this offer (83,1%) and 85,7% of them use the discount. This awareness among the customers indicates that the marketers are promoting their special offers effectively. This offer is most often found when buying clothes, shoes, food and in coffee shops. The weakness of the offer is that expiring products can be used to sell as one plus one equals three. The consumer may not notice this and simply not have time to use the products.

In conclusion, we can say that discounts are really effective as a marketing communications instrument. They allow firms to promote products to consumers. The use of various discounts allows companies to gain an advantage over its competitors in the current market situation. With the proper application of discounts, companies will be able to maximise their profits and attract new consumers.

### **REFERENCES:**

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