

The True Cost of Discounting: Does It Make Sense for Eniac?

What have we looked at?

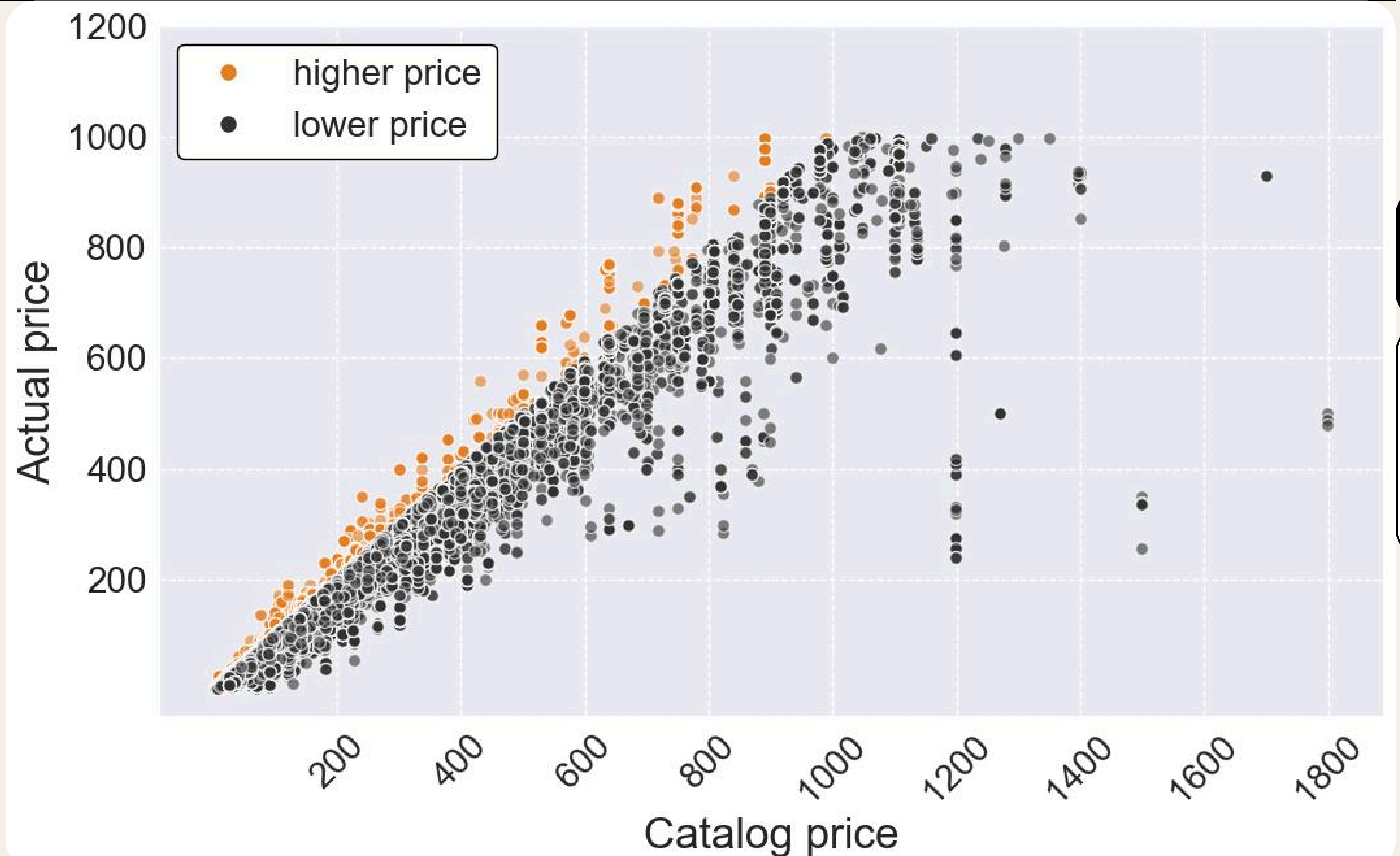
Dataset

all orders (40985)/ products (5098)/
discounts (\$1.390.217)
from 01/2017 until 03/2018

How do Eniads' discounts look like?

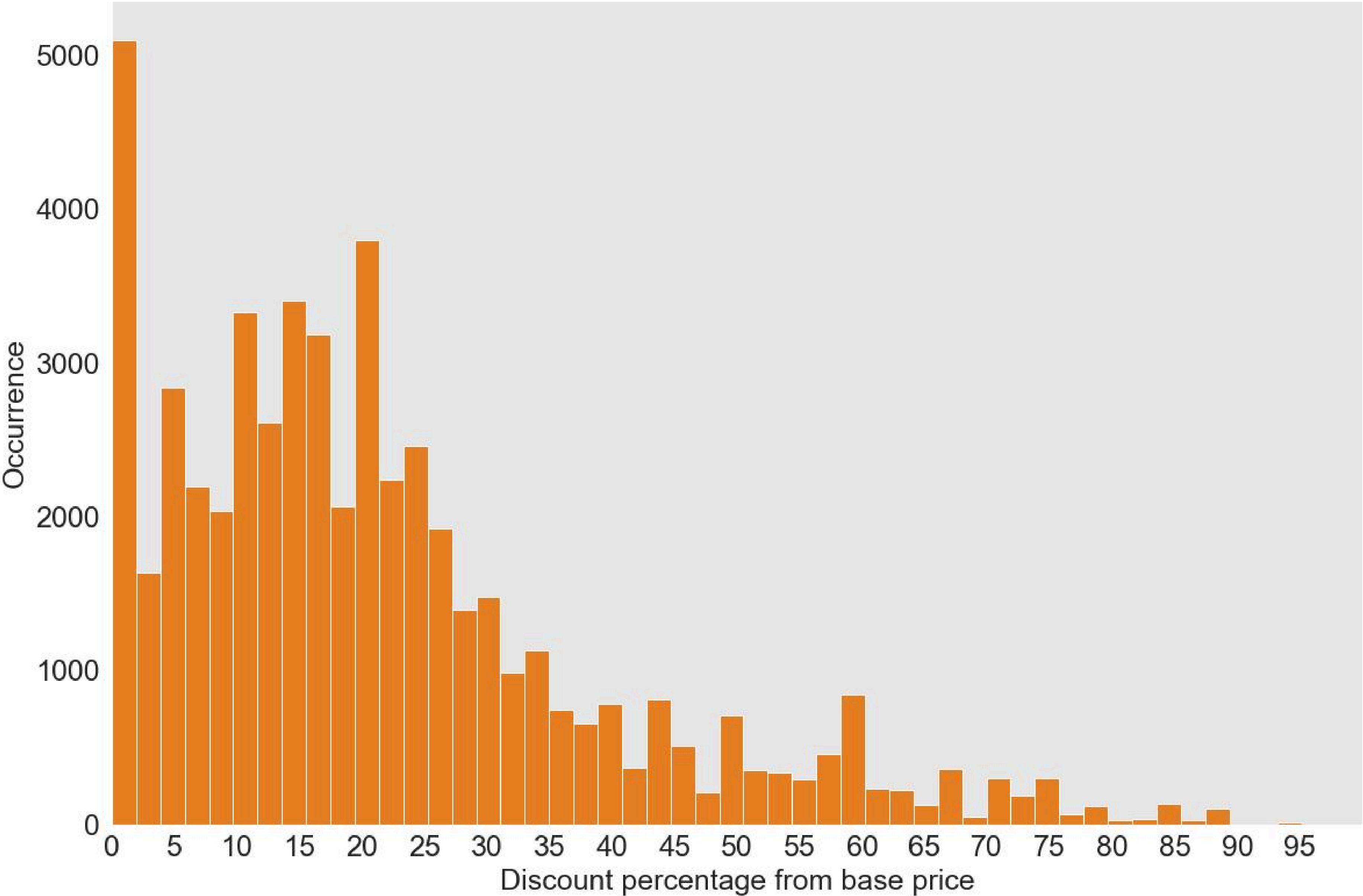
How many products are currently discounted?

92,81% of
Eniacs
products
are
discounted

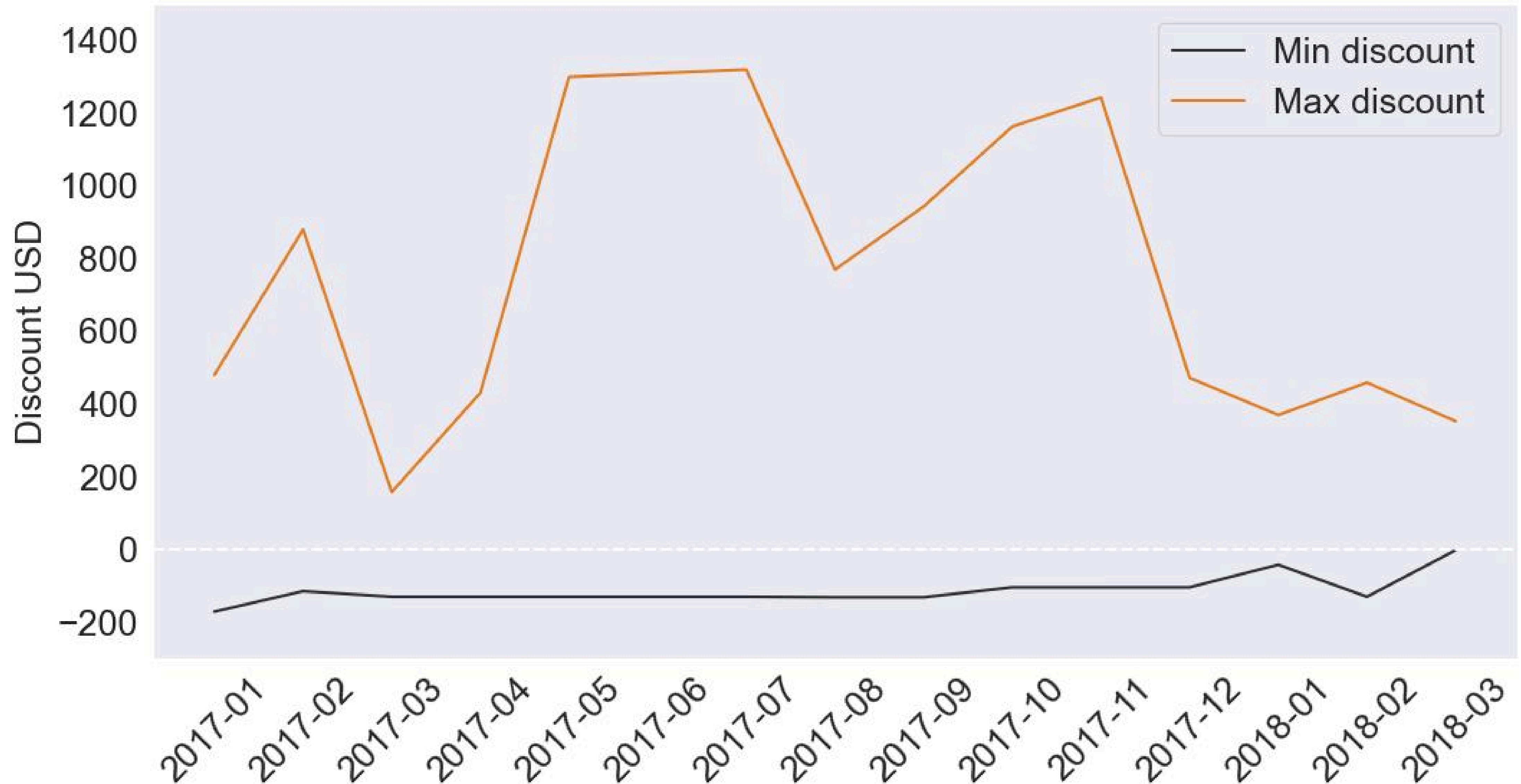


Distribution of all discounts

Most discounts are up to 30%



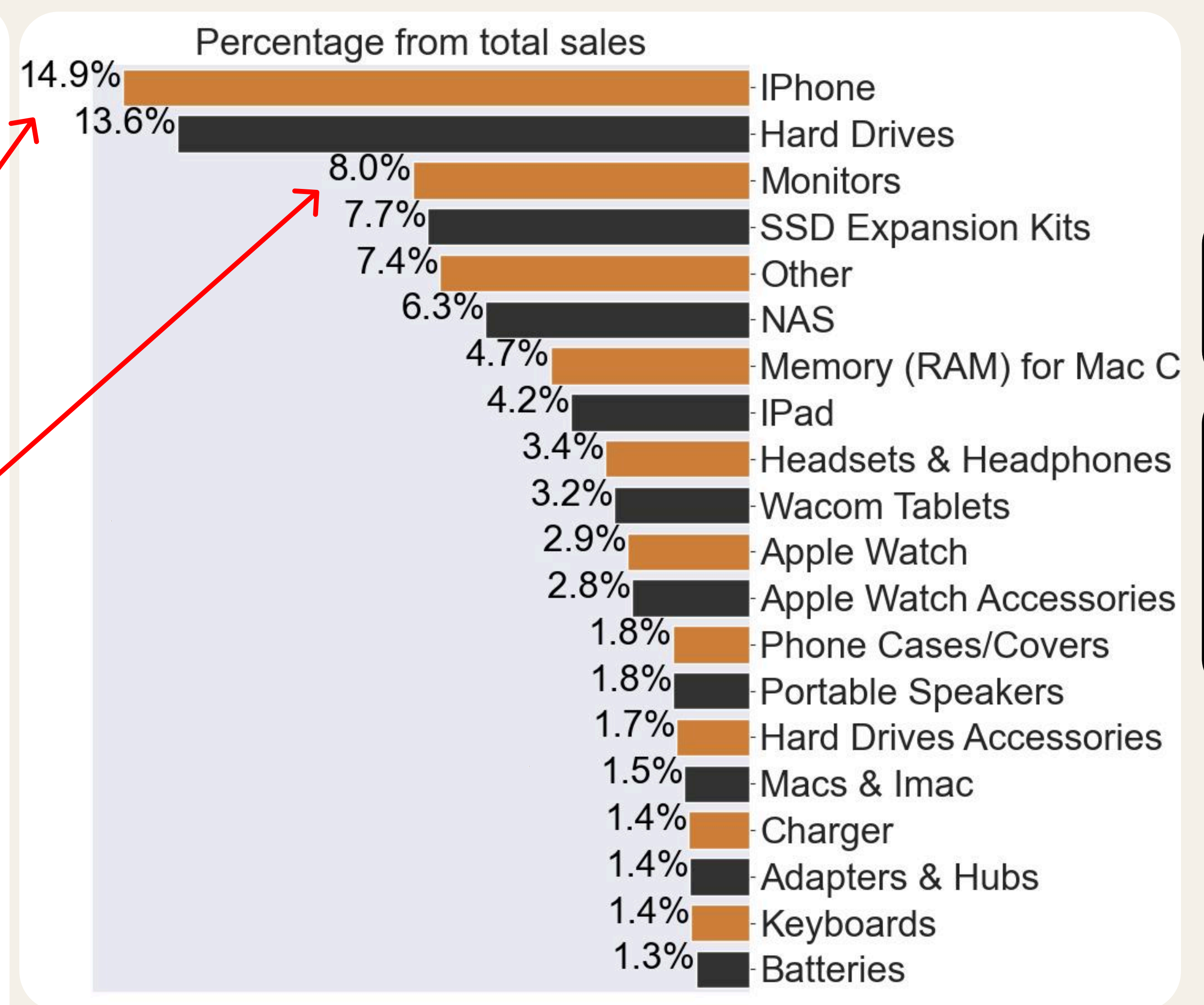
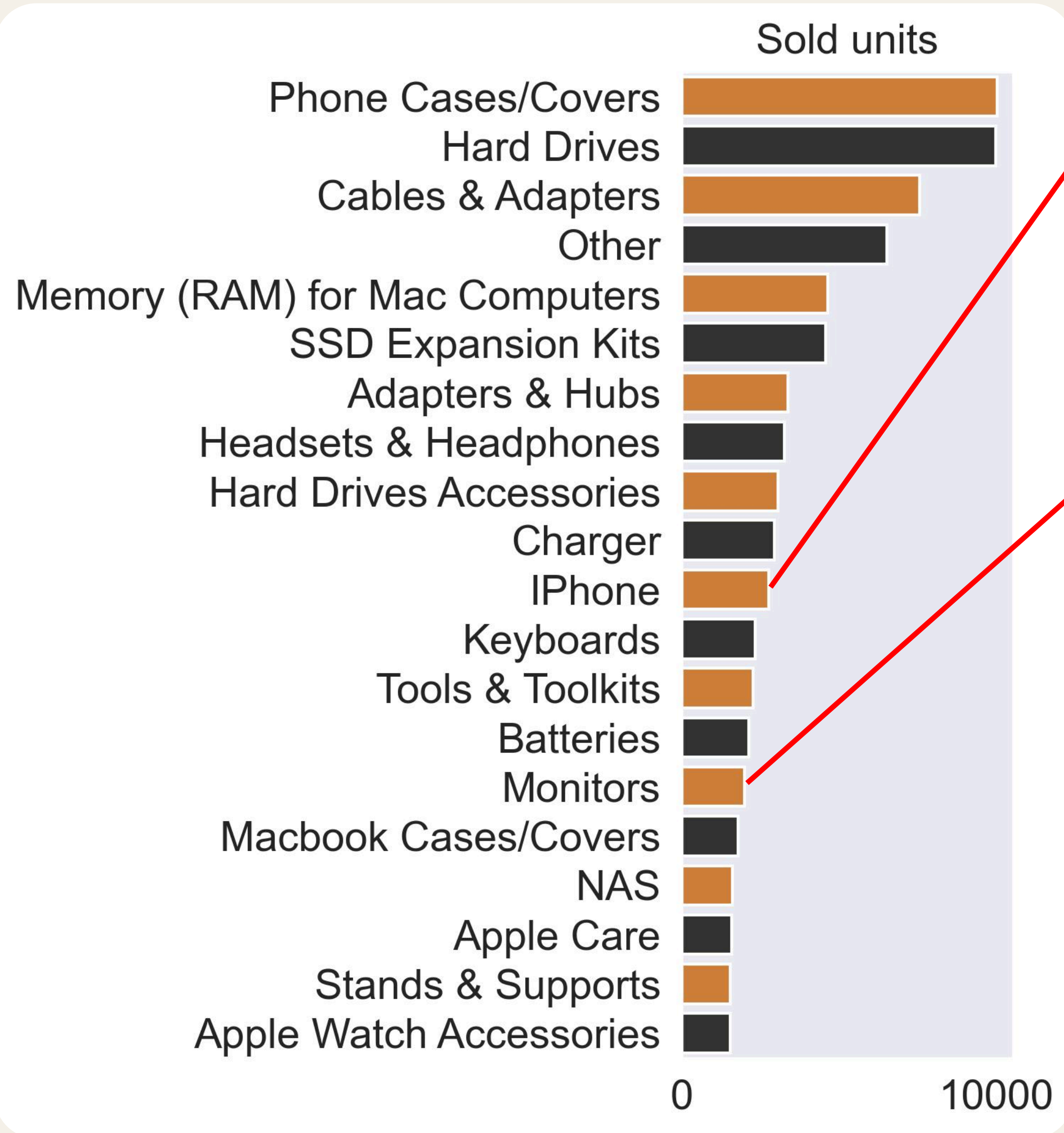
How high are the discounts throughout the year?



What is Eniac actually selling?

Most sold

Generating revenue



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Is discounting our products driving up our sales?

Orders in our observed time window

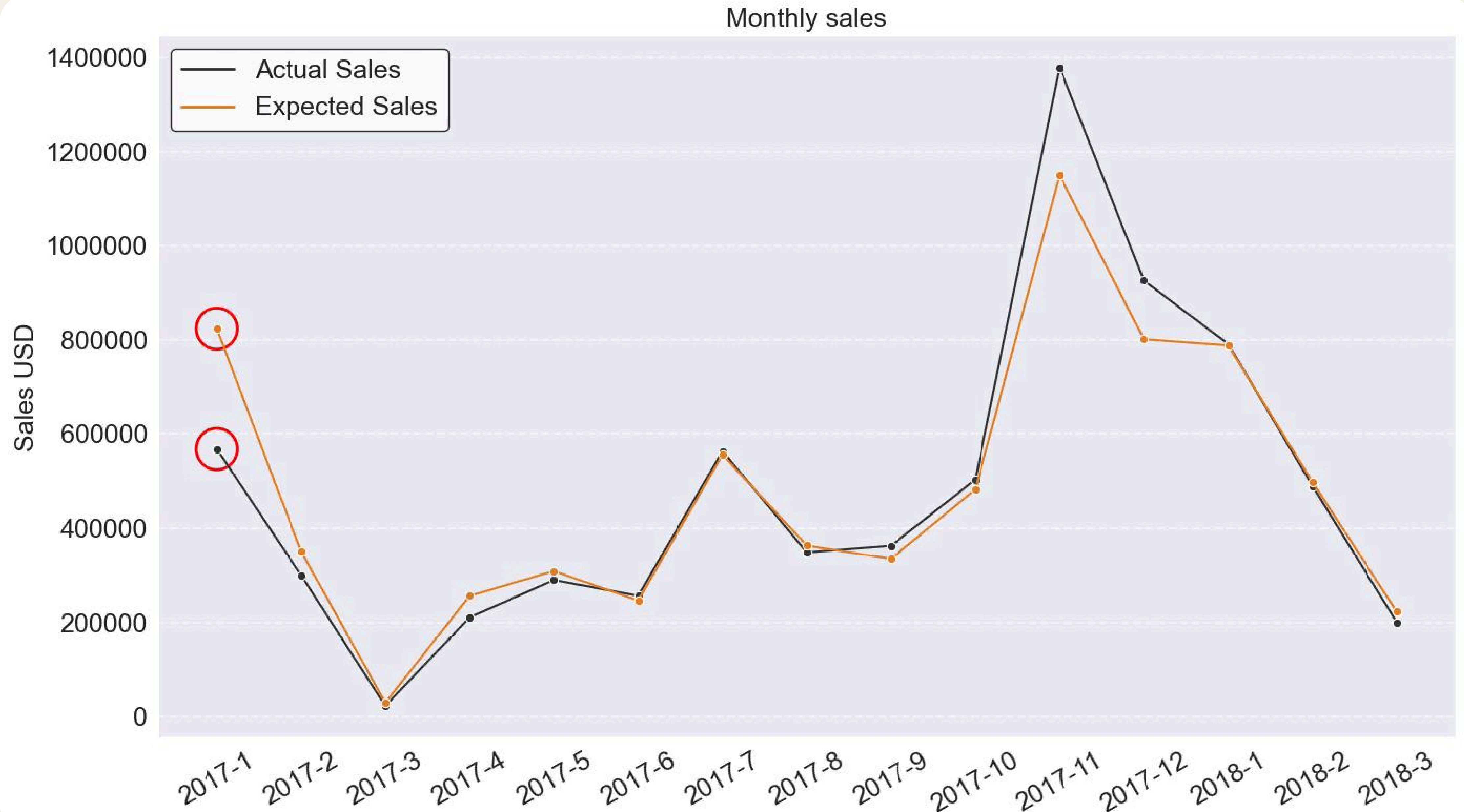
Most
orders are
placed
between
November
and
January



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Sales in our observed time window

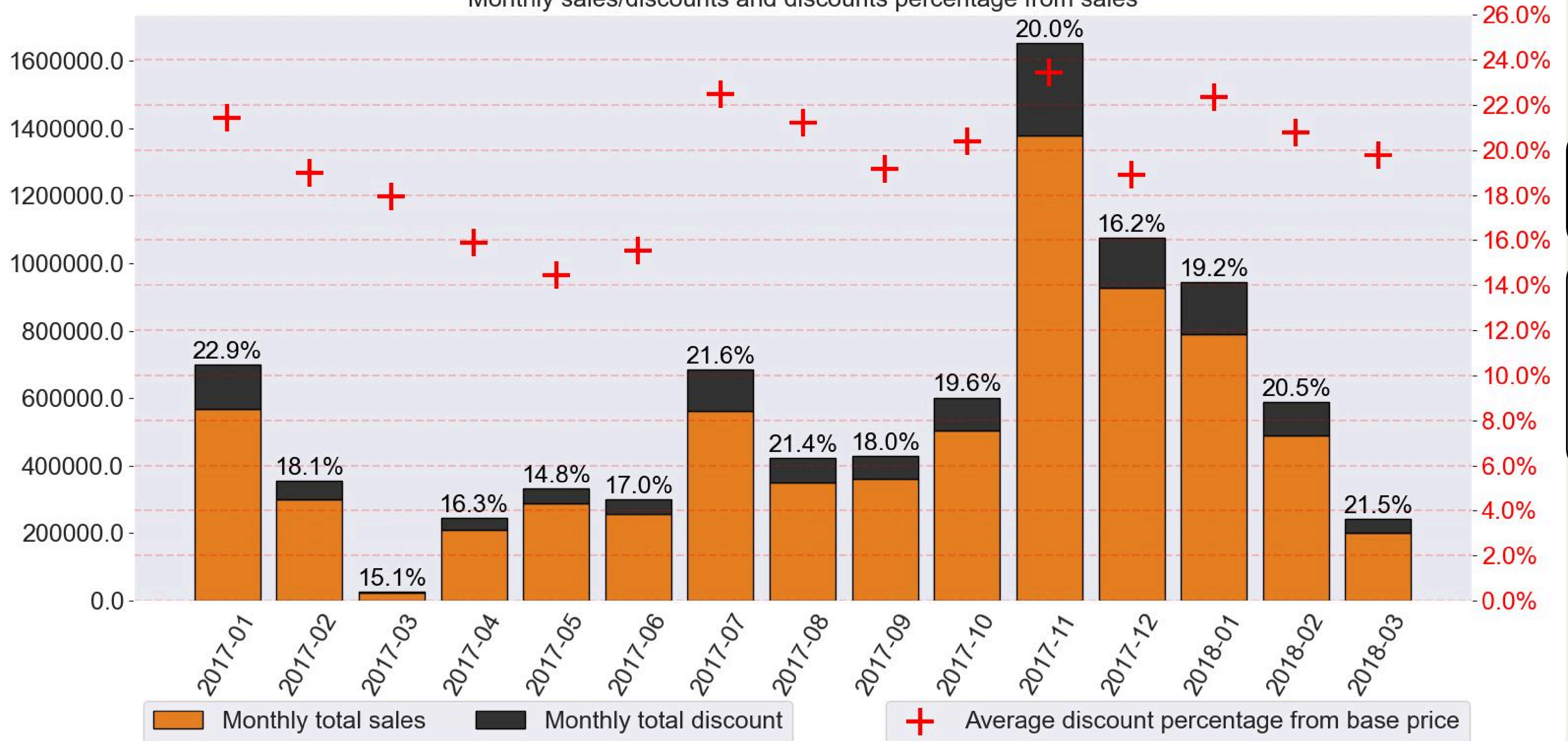


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How do the discounts impact sales?

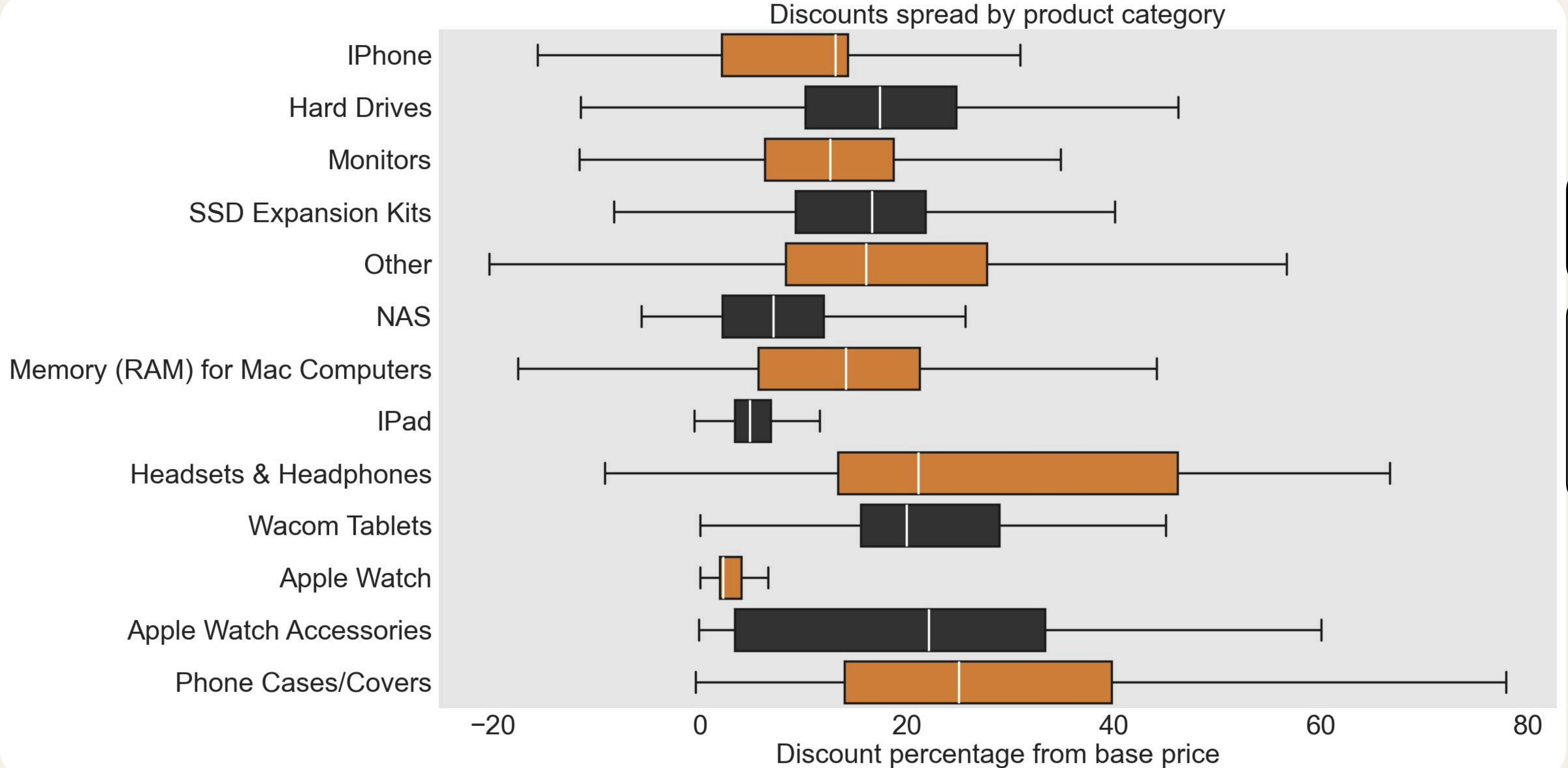
Monthly sales/discounts and discounts percentage from sales



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How do the discounts vary?



The danger of aggressive discount strategies

- Survey by **ProfitWell** revealed: over 70% of salesmen think discounting should be used to retain new customers
- nearly 80% believed a discount of +25% was appropriate

BUT on the long run customers may

- Have a lower willingness to pay (and may not think the product is worth the original price)
- Are more likely to cancel and “churn out” when the price is brought back up
- Have lower lifetime customer value

Conclusion

- To preserve discount effectivity, we should avoid offering constant discounts
- There should be a defined time frame where no discounts are offered to allow for comparison
- The discounts ranges should remain in some limits to preserve the product value
- While we want to be perceived as a luxury-product-seller, revenue streams demonstrate we are also dependent on cheaper products

What is our discount strategy?



Bundle-discounts
to link cheap and
expensive products

Below-Cost Pricing
selling at or below the
cost price to gain
market share

Black Friday /Cyber
Monday sales

Tiered Discounts
“Buy 2 get 1 free”

What would improve the data set?

- Information on purchasing prices (to calculate exact profit margins)
- Customer database with feedback info, location and numbers of returned items
- Data normalization and standardization (same number of decimal places, avoid scientific notation of float values)

Thank you!

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