Discounts aren’t a growth strategy

Kyle Yeoman

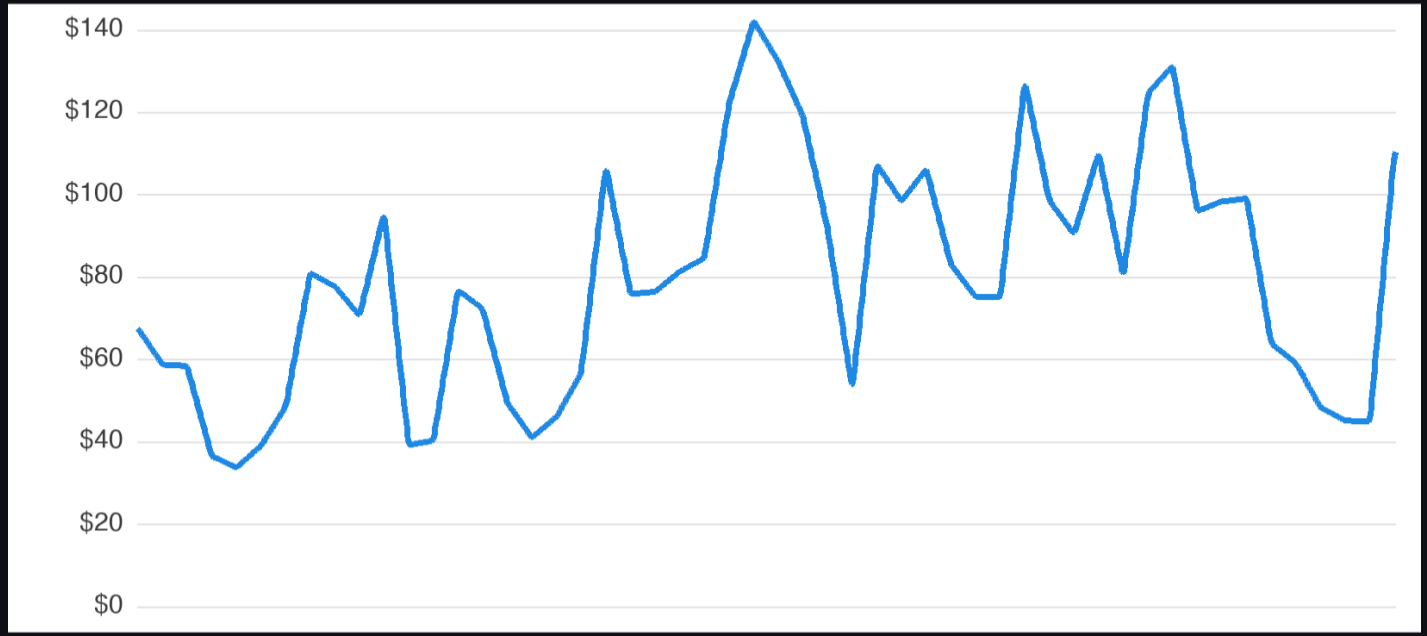
GROOVE

Kyle Yeoman

President, Groove.
Bootstrapped and profitable.
Mid 8 figures.

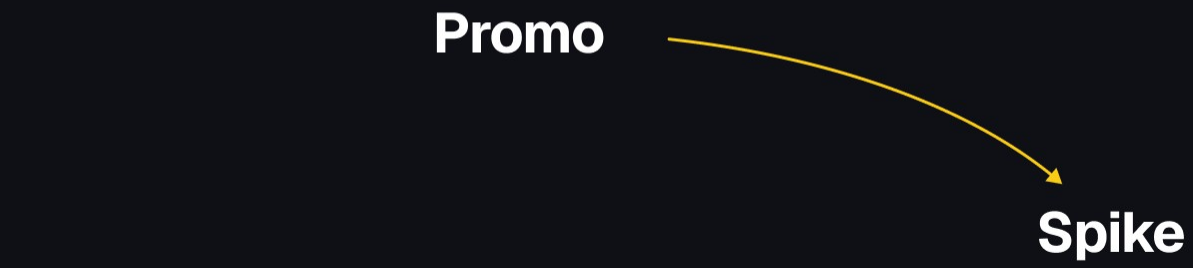
The trap.

How many of you live here?



We were giving away
a third of every dollar.

Most marketers turn to discounts too quickly.



THE VICIOUS CYCLE


Promo
Spike
THE VICIOUS CYCLE
Comp Pressure
Bigger Promo


Promo
Spike
Comp Pressure
Bigger Promo
Repeat
THE VICIOUS CYCLE

Revenue up. Contribution margin down.



Your discount becomes
your everyday price.

Just ask Reddit.



The audit.

Pull yours.
Discounts ÷ gross sales,
last 12 months.

Under 10%

Full price. Protect it.

10% - 20%

Pay attention.

20% - 30%
Discount driven.

30% and up
Discount dependent.

If you run 30% off, how much more do you have to sell?

Break-even.

Discount Break-Even	
MSRP	$100
Gross margin	60%
Ad spend (% of revenue)	30%
Discount	30%
Extra units you need to sell to break even on contribution margin	**+233%**

Did your last promo make you any profit?

Promo post-mortem.

Promo Post-Mortem	
Grade a sale that already ran. Fill the yellow cells from Shopify sales over time.	
Days the promo ran	7
Revenue during the promo (net of discounts)	$350,000
Discount depth	30%
Baseline daily revenue, the 4 weeks before	$30,000
Daily revenue, the week after	$24,000
Gross margin	60%
Ad spend (% of revenue)	30%
Revenue you would have made anyway	$210,000
Lift you got	+67%
Lift you needed to break even	+233%
Contribution during the promo	$45,000
Contribution you would have made anyway	$63,000
Hangover: the week after, versus baseline	-$12,600
What the promo actually made you	**-$30,600**

Revenue leaks.

Gross sales	$10,000,000			
Orders	100,000			
Average order (gross sales ÷ orders)	$100			
Where it leaks	**Share of orders**	**Average give-away**	**Leaked per year**	**On your Discounts line?**
Welcome pop-up discount [1]	25%	15%	$375,000	Yes
Abandoned cart, exit and retargeting codes [2]	8%	10%	$80,000	Yes
Codes found on coupon sites (Honey, etc.) [3]	12%	12%	$144,000	Yes
Affiliate or cashback commission on those same orders [4]	12%	7%	$84,000	No
Loyalty points or VIP discounts stacked on sale prices [5]	10%	8%	$80,000	Yes
Post-purchase and win-back codes inside 30 days [6]	5%	15%	$75,000	Yes
Always-on strikethrough or sitewide markdown [7]	20%	20%	$400,000	No
Unconditional free shipping [8]	60%	$8.00	$480,000	No
Support codes and price adjustments [9]	1%	20%	$20,000	Yes
Margin leaking per year				
As a share of gross sales			17.4%	
Never shows on your Discounts line			$964,000	
Points of margin, if you closed every leak			17.4 pts	

Scan QR code to run your own numbers



Cut every discount today.
Does the business survive?

For us,
the answer was no.

The fix.

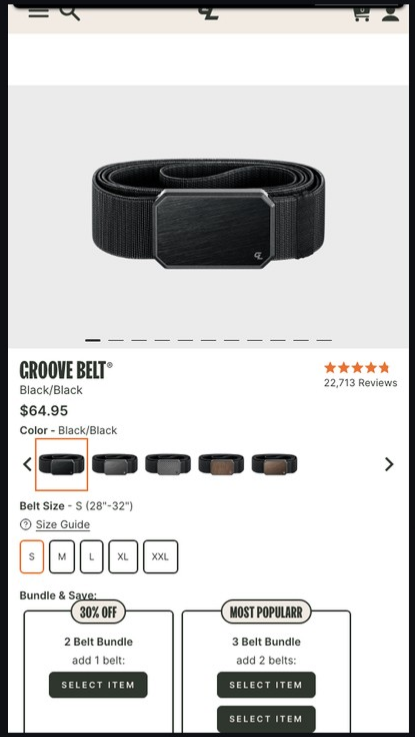
We cut opex in half.

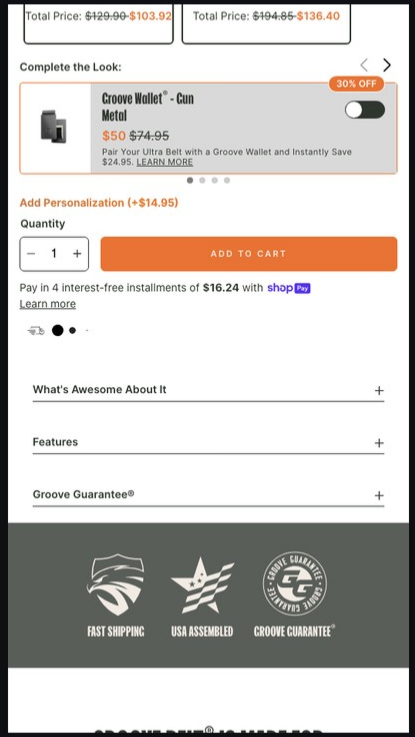
Then we cut our discount rate from

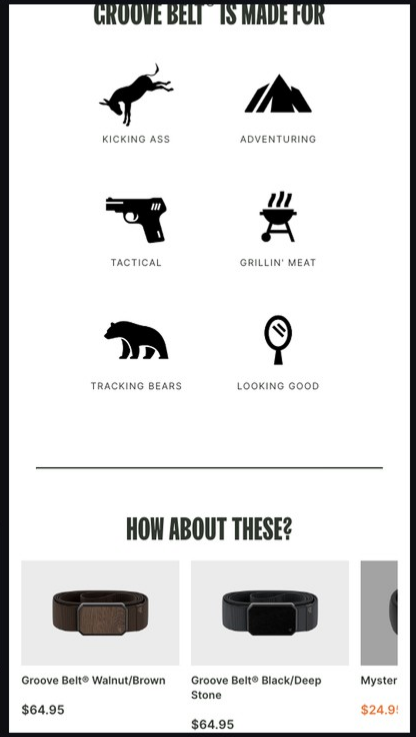
33.7% to 2.9%

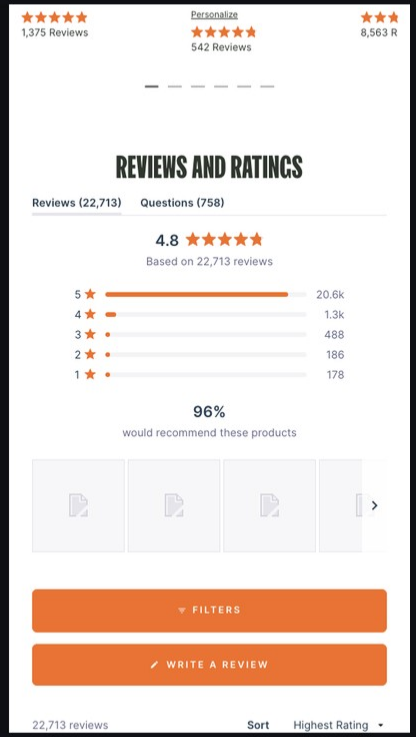
We stopped discounting and started persuading.

Before.

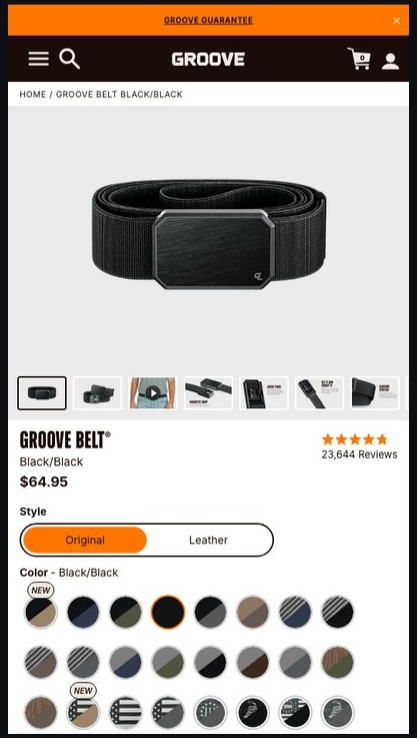

CROOVE BELT®
Black/Black
$64.95
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Color - Black/Black
Belt Size - S (28"-32")
Size Guide
S
M
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30% OFF
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SELECT ITEM
MOST POPULARR
3 Belt Bundle
add 2 belts:
SELECT ITEM
SELECT ITEM

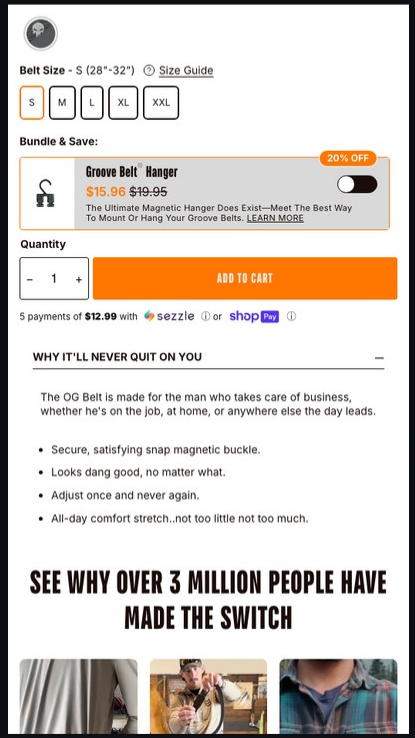

Total Price: $129.90 $103.92
Total Price: $194.85 $136.40
Complete the Look:
30% OFF
Groove Wallet® - Gun Metal
$50 $74.95
Pair Your Ultra Belt with a Groove Wallet and Instantly Save $24.95. LEARN MORE
Add Personalization (+$14.95)
Quantity
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ADD TO CART
Pay in 4 interest-free installments of $16.24 with shop Pay
Learn more
What's Awesome About It
Features
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FAST SHIPPING
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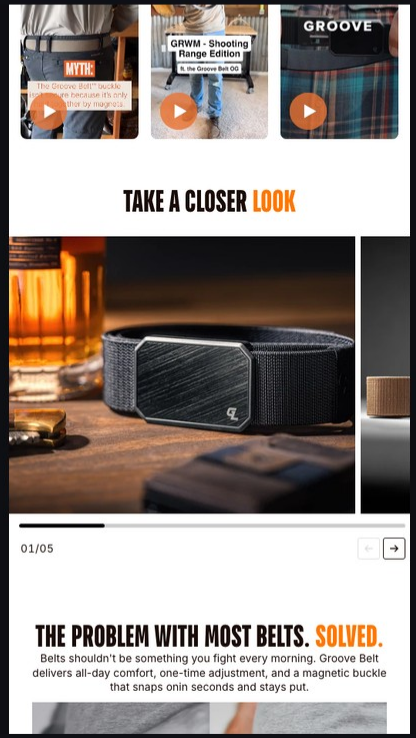

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KICKING ASS
ADVENTURING
TACTICAL
GRILLIN' MEAT
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HOW ABOUT THESE?
Groove Belt® Walnut/Brown
$64.95
Groove Belt® Black/Deep Stone
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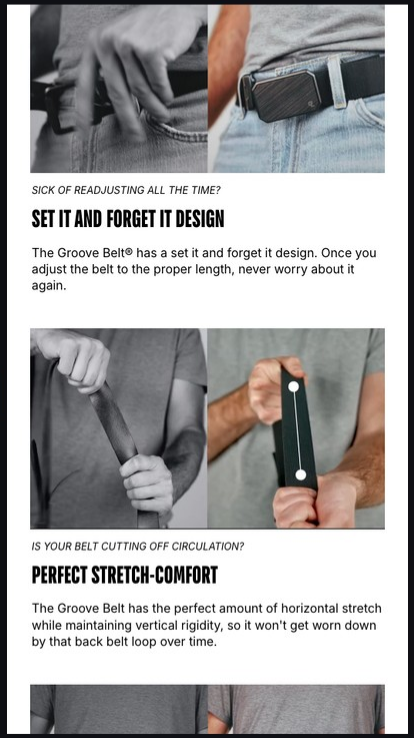

1,375 Reviews
Personalize
542 Reviews
8,563 R
REVIEWS AND RATINGS
Reviews (22,713)
Questions (758)
4.8
Based on 22,713 reviews
5 20.6k
4 1.3k
3 488
2 186
1 178
96%
would recommend these products
FILTERS
WRITE A REVIEW
22,713 reviews
Sort
Highest Rating

Same product. Same price.
+61% conversion.

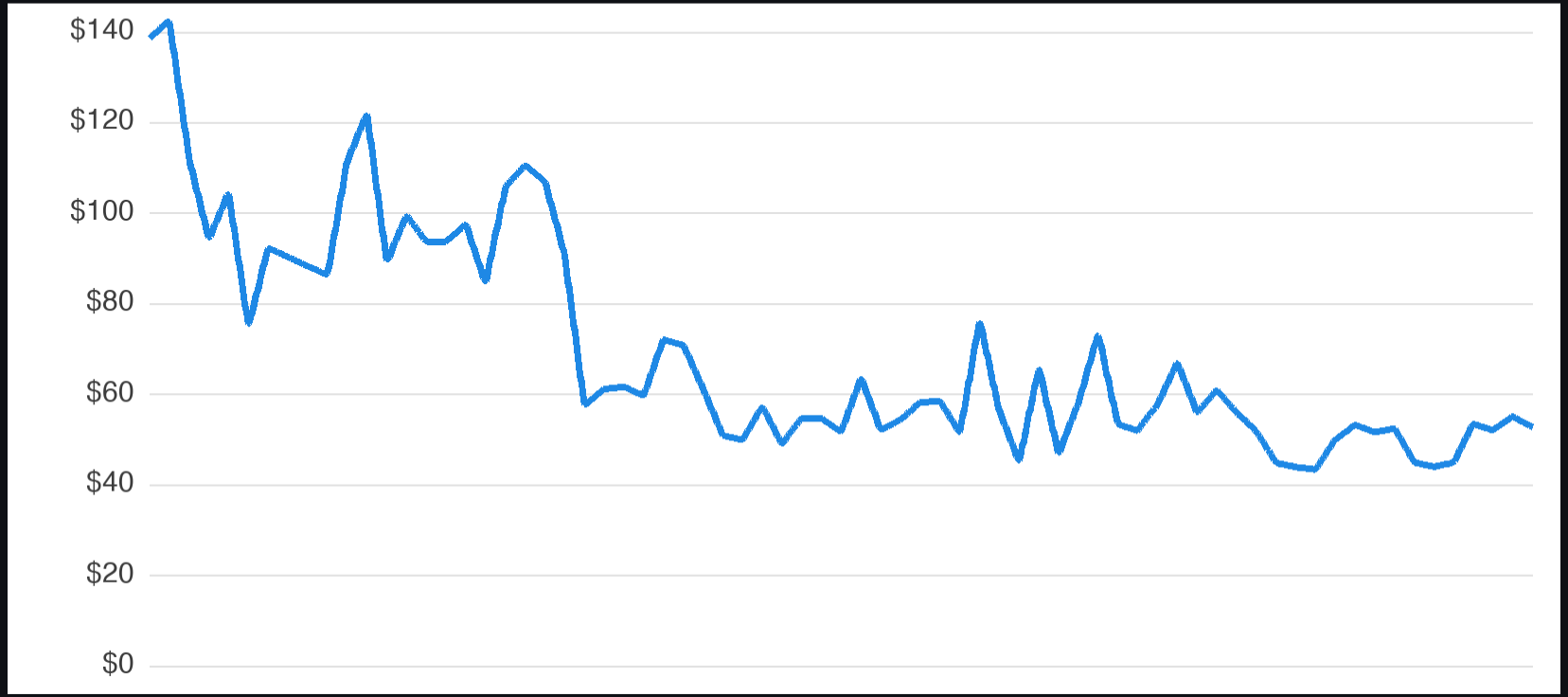








Meta CPA down 52%.
Same ads.



Same list price.
+30% collected per unit.

Non-promo revenue +14%. On 1% less ad spend.

3X net profit YTD.

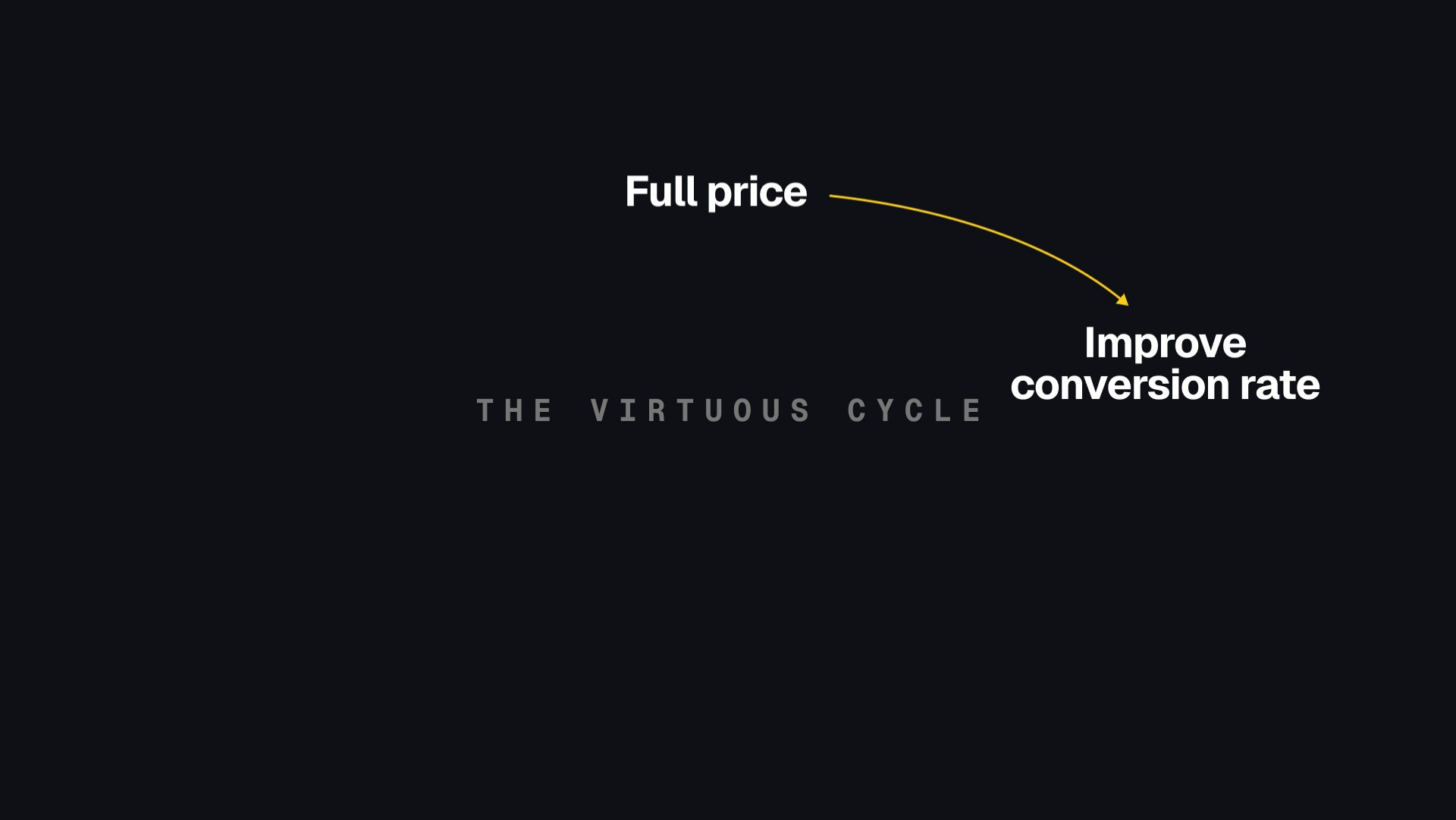
Sounds great... what should I do?

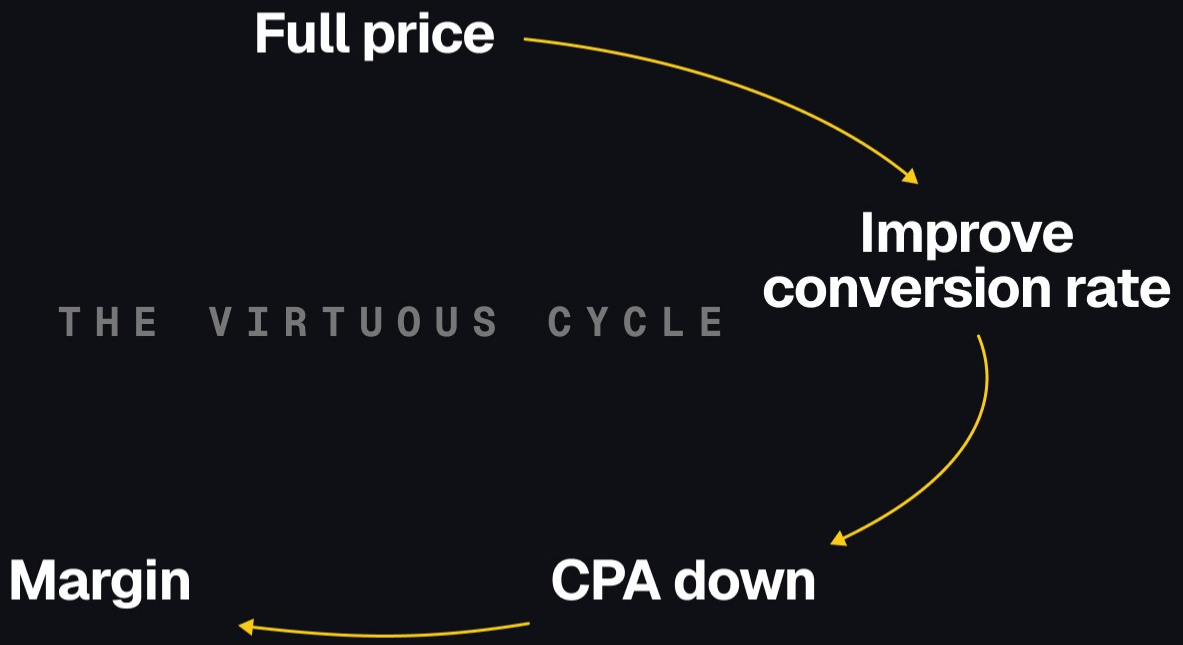
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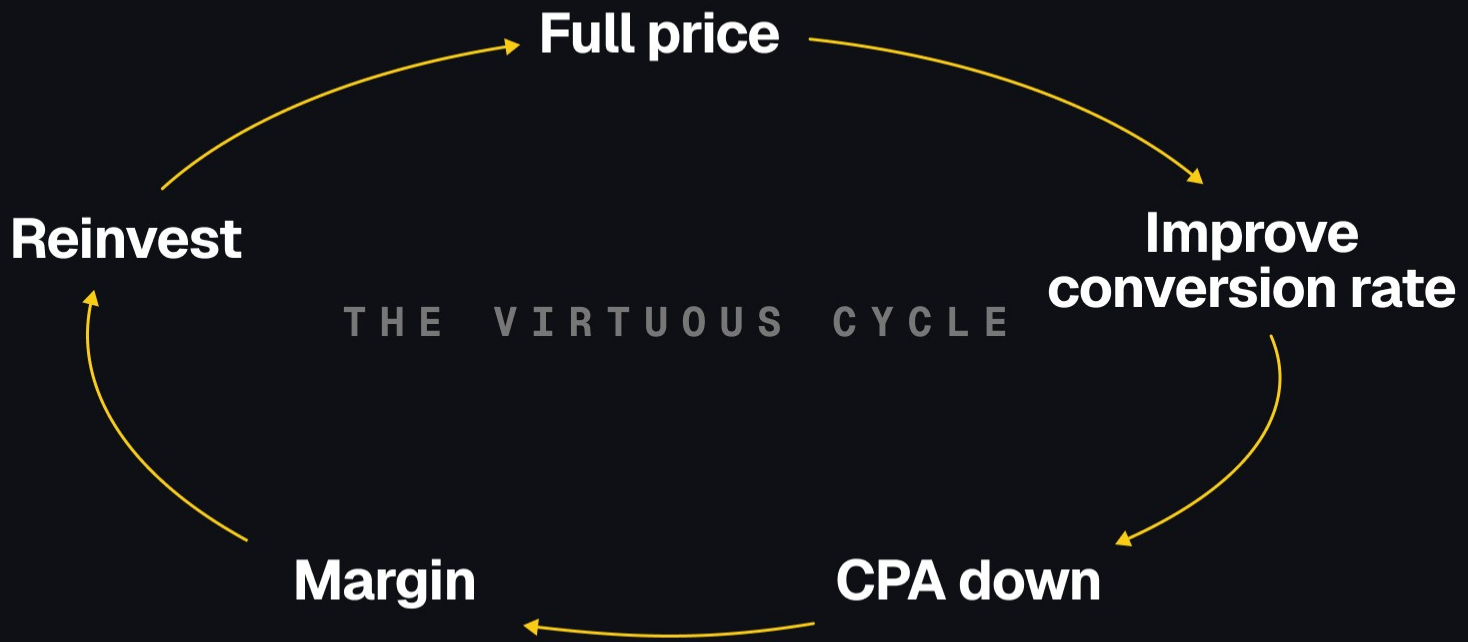
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CPA down
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CPA down
Margin
Reinvest
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Stop wasting time on bad A/B tests.

Rebuild one page from scratch.

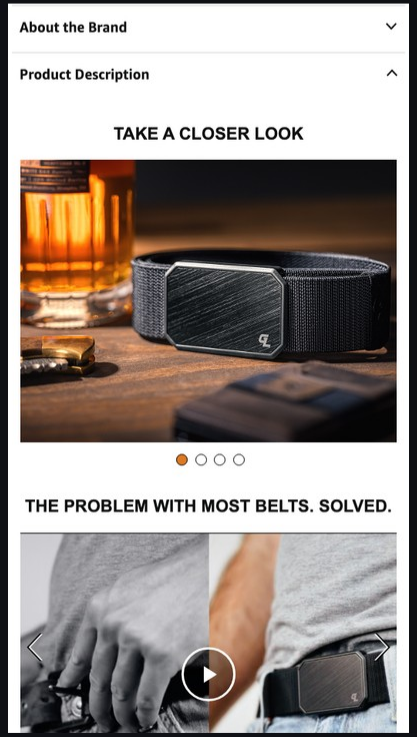
Change your messaging, not your price.

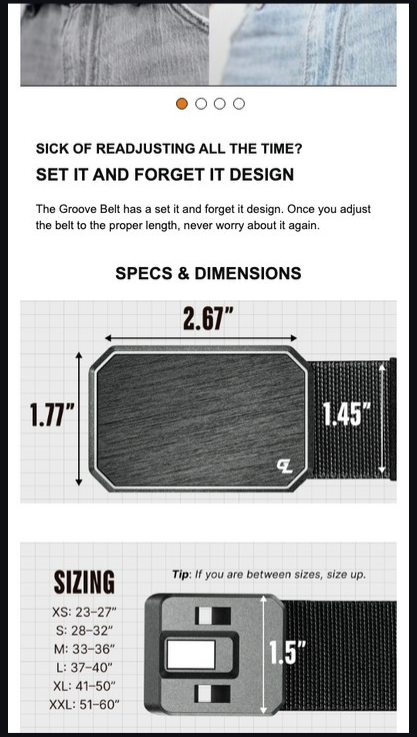
Quick hits.

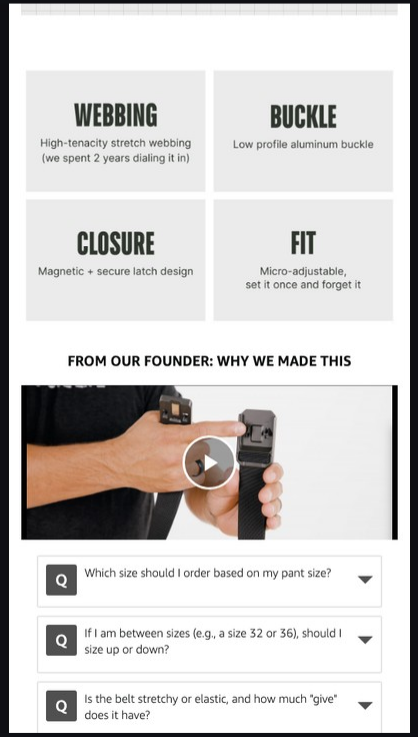
Know your discount rate.
Post-mortem your promos.
Rebuild one page from scratch.

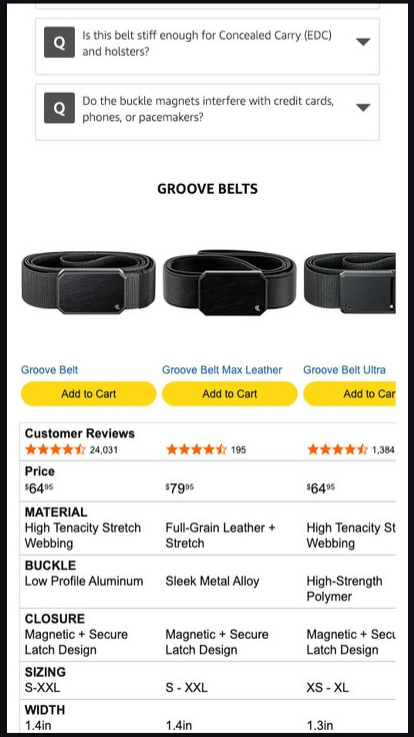
Bonus tip:
Update your A+ content.

Amazon.
The A+ content.









Scan QR code
for the toolkit



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