

Donations over Discounts for Building Long-term Customers

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Discounts may get customers through the door, but those same customers are often robbing you of profits then leaving you without their long-term conversion to a lasting customer base.

While the temptation to see a spike in short-term revenue is tempting and sometimes seemingly necessary, discounts create low-value customers who don't care about brand loyalty or about finding companies whose causes they support.

Why discounts are tempting but harmful

Discounts are known to drive immediate inflation of sales. If you are in the eCommerce business, your argument in favor of discounts likely amounts to a belief that your product is good enough that consumers will be hooked upon sampling, discounts help to hit customer growth metrics, and your YoY numbers need to match the previous year's.

Customers that come into your brand via discounts, however, offer the lowest lifetime value. Discount-driven customers are the least likely to repurchase, and if they do repurchase it takes a very long time because they've tried other discounted products or services, as well, before returning to you. Over time, this can degrade the value of the brand because your customers have become trained to think that the full price of an item should never be paid. So, if you are not running a

sale again, your discount customer will pause and often not purchase. This cycle traps you into having to run discounts the same day, week, or month next year to make your year-over-year numbers look good into perpetuity.

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Donation incentives perform better

Customers that come into your brand through donation incentives, whereby your company donates a percentage of sales to charity, are consistently the highest lifetime value customers, coming back often and repurchasing. This type of activity builds up the value of your brand and enables the company to genuinely and authentically call out the causes it supports while sometimes leaving charitable decisions up to their customers, regarding which charities to support over others. A donation model can help with real-world events that are relevant to what the brand stands for, allowing not only a short-term boost in sales but meaningful assistance to those in need. Additionally, authentic user-generated content talking about how the brand supports a favorite charity is positive marketing that money can't often buy.

At the very least, replacing some discounts with donation incentives, or combining discounts with donations, often produces amazing results. For instance, a "Get, Give" principle can be implemented to look something like "Get 10 percent off and Give 10 percent back to charity," which would traditionally perform better than a 20 percent discount code yet still appeal to the discount-seekers as well as those simply interested in bettering the world.

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Apps can help

There are a small number of donation apps that could plug and play into your business, plugging into Shopify websites seamlessly. You can check the app store related to your e-commerce platform and pick the option that aligns best with your goals.

Utilizing the app of your choice, you can select a handful of charities for your customers to choose from at check-out. You don't have to select charities to commit to for the long run. You can choose seasonally for current causes that align with your marketing strategy. For example, you may want to donate to a mix of animal shelters during experiencing overcrowding after a natural disaster, or give your customer's the option to pick a charity that empowers women during International Women's Day.

In the end, a philosophy of donations over discounts leads to profit and purpose alike.

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