

Promotions & Loyalty Schemes: Market Insights and Best Practices

Exploring discounts, vouchers,
and repeat purchase



Contents

Meet the experts	4
Methodology	5
Introduction	6
Discounting	7
Discounting's impact on revenue, transactions, and items	7
Monthly trends in discounted items	8
The correlation between poor trading and discounting	9
Increasing average item prices through discounts	10
Discounted item price trends by month	11
Voucher Codes	12
The use rate of voucher codes	12
The impact of voucher codes on revenue	13
Voucher codes Vs Regular discounts Vs Full price products	14
The usage of new customer voucher codes	15
Trends split by voucher code type	16
Voucher codes and customer acquisition – the 'One Third' rule	17

Contents - continued

Loyalty Schemes	18
The number of active loyalty schemes today	18
Loyalty scheme benefits offered by retailers	19
The use rate and profitability of loyalty schemes	20
Purchasing behaviour: Loyalty scheme vs regular customer	21
The growing popularity of loyalty schemes	22
Conclusion	23
Contact page	24

Meet the experts



“It’s our pleasure to present you with our Promotions & Loyalty Schemes: Market Insights and Best Practices report, supported by topic experts, RevLifter. Over the past few years, IMRG has observed consistent declines in the eCommerce industry, leading to a surge in demand from retailers eager to develop effective pricing and promotions strategies to enhance their performance. In response to our retail community’s needs, this report explores three critical areas: discounting, voucher codes, and loyalty schemes. Explore these insights to uncover effective tactics for driving growth and improving performance.”

About

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing, and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI and channel performance.

Editorial:



Ellie-Rose Davies, Content Executive at **IMRG**



Matthew Walsh, Data & Retail Director at **IMRG**



“Promotions are one of the biggest levers retailers can pull to improve their performance. Few things have the impact of a special offer, whether it’s driving first purchases, higher spending, specific product sales, or repeat purchases.

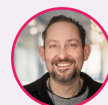
But there are trade-offs to using them, and overuse can be a real problem. A more strategic approach is necessary. The insights in this report should help retailers understand how the wider industry uses promotions and loyalty programs and inform their approach to these powerful tools.”

About

Our platform and support give retailers a proven way to improve their eCommerce performance. Intelligent offers reduce abandonment, increase conversions, and increase spend per customer while protecting brand and margin.

We provide a combination of a powerful and flexible platform, a team of experts to help you succeed, a test-and-learn plan to deliver success, and automation to get the right answers faster.

Editorial:



Dan Bond, VP of Marketing at **RevLifter**

Methodology

IMRG asked their retail community to provide their top areas of interest for 2024, and pricing and promotions was an in-demand topic. From this, IMRG decided to conduct a senior retail survey to gather insights into the discounting strategies of 35 household-named retailers over the last 24 months (May 2022 to April 2024), particularly focusing on the impact on revenue, order volumes, and item sales. It also explores the use of voucher codes and loyalty schemes among retailers and the impact varying approaches has on brands.

Our proud partner of this report and discounting expert, RevLifter, provides their own analysis of the survey findings, complemented in some cases by their own research.

The survey was completed in May 2024.

Please note: 'Discount' is defined as any transaction where the price has been reduced from a full price position, regardless of how the reduction in price occurred (e.g. voucher, promotion, stock clearance etc).



Introduction

Discounts and promotions have become vital tools for retailers seeking to attract price-sensitive customers and stimulate purchasing activity, especially during periods of economic downturns like the recent cost-of-living crisis. This report aids the strategic use of pricing and promotions, to help fulfil customers' demands while protecting margin.

By examining the survey results, this report aims to provide valuable insights into the effectiveness of these tactics and offer benchmarks for retailers to assess and refine their promotional strategies. It underscores the importance of balancing discounts with profitability and effectively leveraging loyalty programmes to enhance customer retention and lifetime value. As the eCommerce market continues to evolve, staying informed about these trends is crucial for retailers aiming to thrive in a competitive environment.



Discounting

Discounting's impact on revenue, transactions, and items

Q1. What was the % share of Discounted contributions to your gross Revenue, Order Volumes, and Number of Items sold by month over the last 24 months (May 22 to April 24)?

To understand the true value of discounting in eCommerce, we asked 35 retailers about their discounted sales over the past 24 months (May 2022 to April 2024).

Here's what we found:

Revenue: 54% of total revenue comes from discounted products.

Transactions: 52% of all transactions involve discounted items.

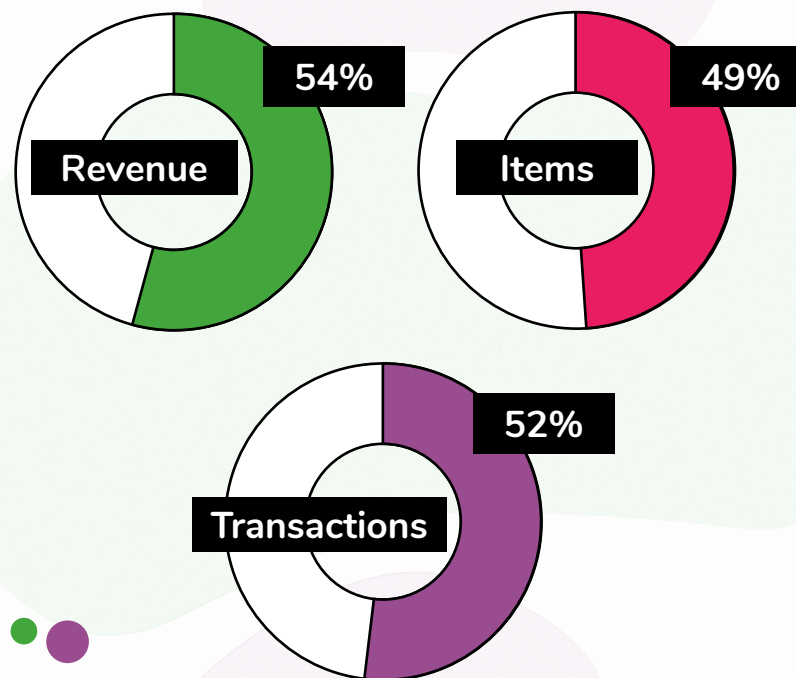
Items Sold: 49% of all items sold are discounted.

What's interesting is that while discounted items make up a smaller percentage of total items sold, they contribute more to revenue. This means that retailers are discounting higher-priced items, the type of items that would entail more consideration power, attracting customers who might hesitate to buy at full price.

RevLifter comments:

If a customer wants a product or service, there is a point at which the price will be right for them. Using discounts to find that price is a great way to drive more sales - dynamically serving offers and testing to find the right discount level.

Average share generated by discounted products
(May 22 to Apr 24)



Monthly trends in discounted items

This chart shows the percentage of items sold at a discount from May 2022 to April 2024, split by month.

Over this two-year period, there is only a slight increase in discounted items sold, indicated by the red trend line. Despite the cost-of-living crisis, which created tough trading conditions, the rise in discount-driven activity was less significant than expected.

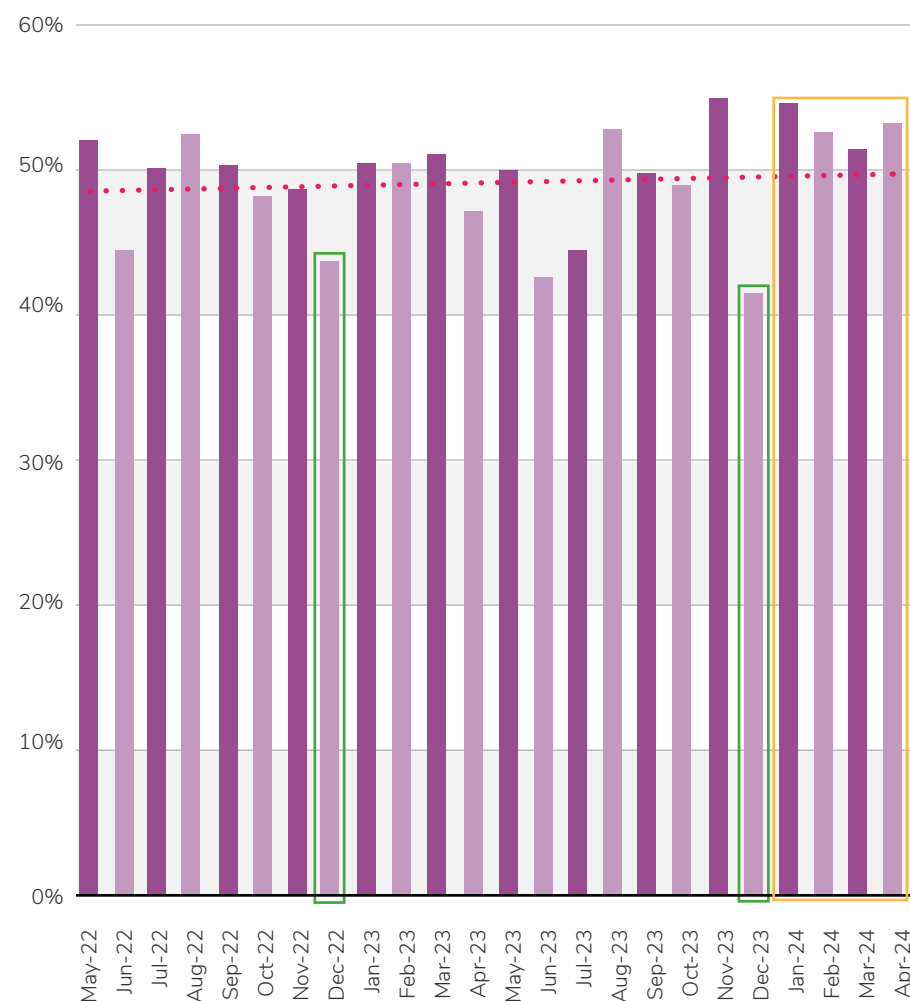
December, highlighted in green, consistently shows the lowest discount activity despite being the second highest revenue-generating month (just behind November, according to IMRG's Online Retail Index). This can owe to various factors, such as retailers turning off their Black Friday campaigns in December and customers focussing on buying the right Christmas gifts rather than saving money.

The first four months of 2024, marked in yellow, show the highest rate of discounted items sold than any other four consecutive months across the two-year period. This reflects a particularly challenging start to the year for retailers.

RevLifter comments:

Retailers often resort to discounts when sales aren't performing well. This can lead to a boom-bust cycle and excessive reliance on promotions. Retailers can break this cycle by strategically targeting and optimising offers intelligently and achieve a more consistent sales pattern.

Percentage of all items sold that were discounted

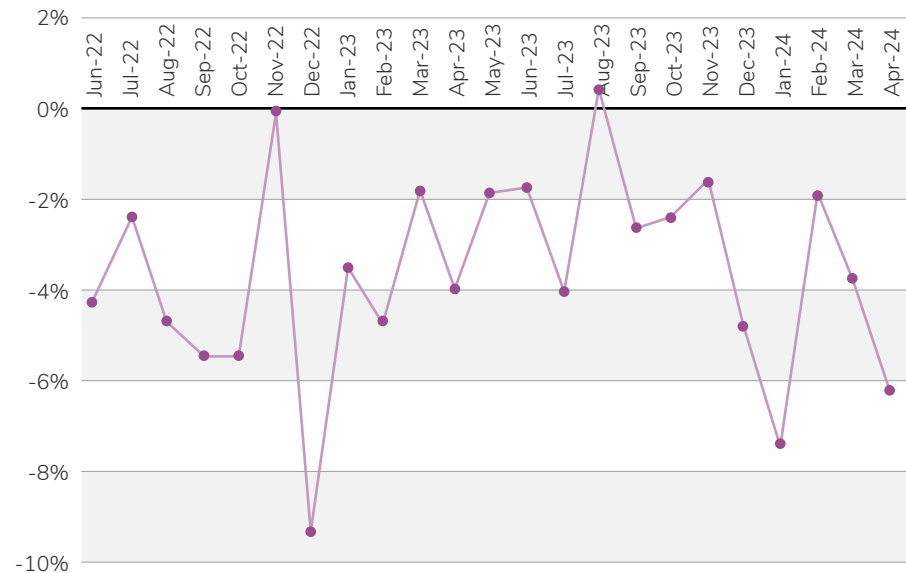


The correlation between poor trading and discounting

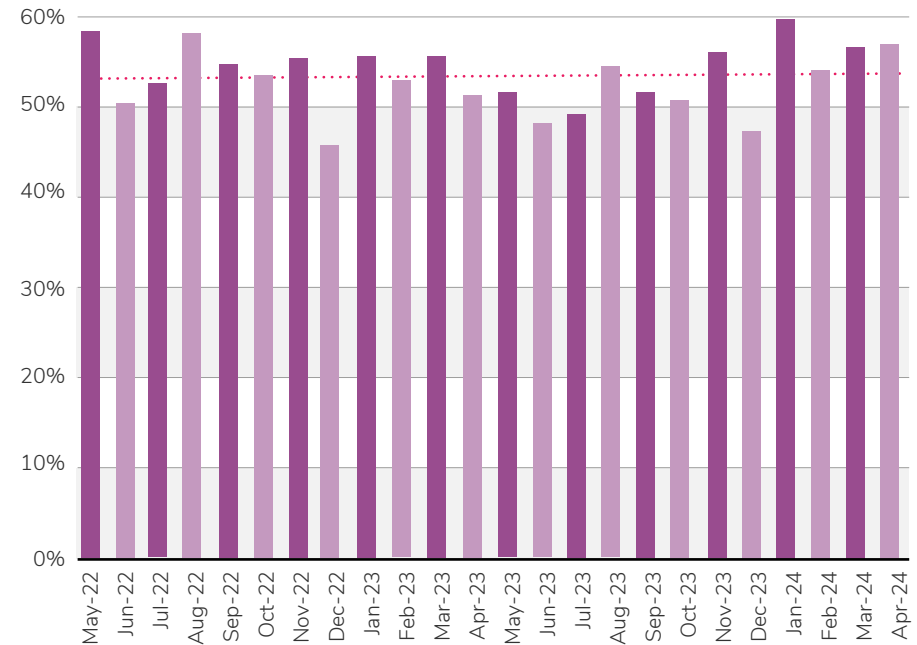
Comparing the percentage of items sold at a discount to the Year-on-Year (YoY) performance of the total market (see first chart), the first four months of the year represent the second worst run of any four consecutive months tracked in IMRG’s Online Retail Index. We can infer that at times of poor trading, there will be increased discounting activity across the industry.

The second chart shows that when there is increased discounting activity, it correlates with a higher percentage of revenue from discounted products. Often, retailers balance enticing customers with discounts with trying to protect their profits when customer demand is low.

YOY revenue growth for UK online retail



Percentage of all revenue from discounted products



Increasing average item prices through discounts

This chart reveals the average item price for all items sold versus discounted items only across 2022 to 2024. Discounted items make up fewer than half of all items sold (49%), but these items are often priced 20% higher than non-discounted items (£70 VS £56).

The £14 difference between these figures reverberates how higher priced items are being discounted, while lower cost products are most kept at full price. Retailers looking to experience revenue growth should consider discounting their more expensive items, prompting greater average order values while giving their customers a bargain.

RevLifter comments:

It's great to see that discounts drive the purchase of items at a higher price. The next step would be to optimise the performance of these promotions and see if you can improve conversion and AOV or reduce the margin given away. Running tests with clear hypotheses on these offers could really accelerate performance.

Average item price across the period of May 2022 to April 2024, All items vs discounted items

All items sold average item price...

£56

Discounted items only average item price...

£70

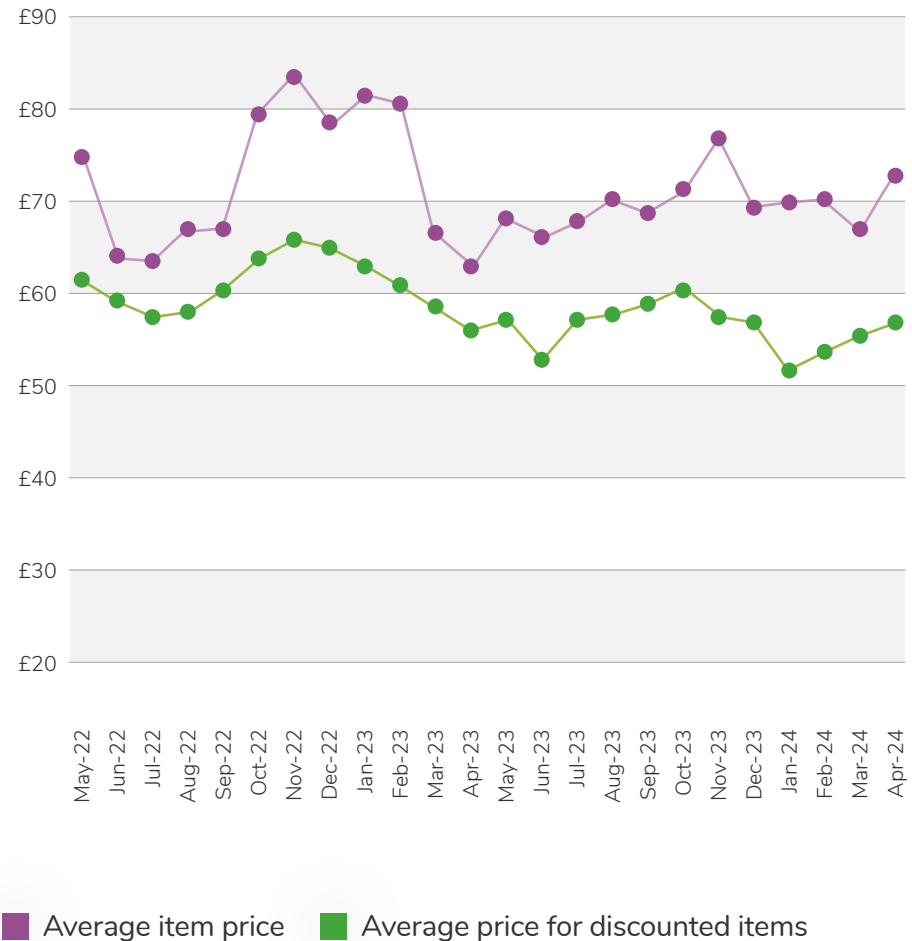
Discounted item price trends by month

This chart compares the average price of discounted items (represented by the green line) to the average price of all items sold over a two-year period (represented by the purple line). For over 80% of the retailers surveyed, their discounted item price was higher than their average item price. On average, this was price was 20% higher, and sometimes even higher during seasonal peaks.

Understanding customer purchasing behaviour in response to these discounts could provide deeper insights. Retailers can do testing to see if their customers are waiting for discounts to purchase high-value items, and how this varies during big retail events such as Black Friday.

RevLifter comments:
 We've seen real differences in performance between peak and off-peak. Often, during peak, it's about maximising AOV for retailers, and outside peak, it's more about targeted improvement of conversion rates. Different promotions achieve different goals, so it's important for retailers to prioritise what's important.

Av item price Vs discounted item price



Voucher Codes

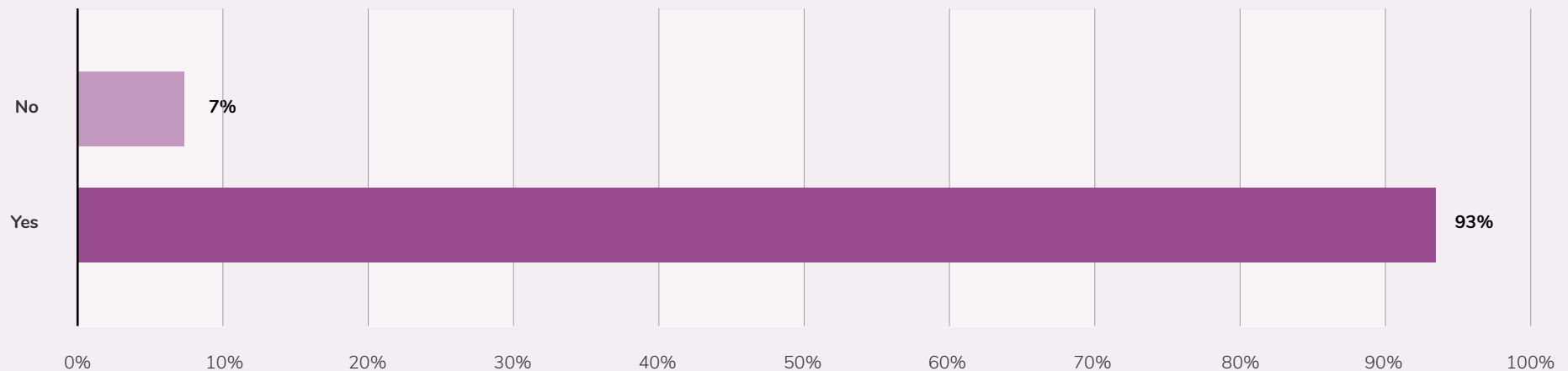
The use rate of voucher codes

Q3. Do you use voucher codes on your website (i.e. codes used on affiliate sites or codes emailed out to shoppers – not just gift card codes)?

Voucher codes, i.e. codes used on affiliate sites or codes emailed out to shoppers, are used by the overwhelming majority of retailers (93%).

Of the 7% who answered 'no,' there was no particular trend to reveal why that might be, e.g., if they were all premium or high-end brands. They represent a variety of retailer types, and each have different product prices.

Do you use voucher codes?



The impact of voucher codes on revenue

Q4. What percentage of your revenue came from orders using a voucher code for each of the last 12 months (May 23 to Apr 24)?

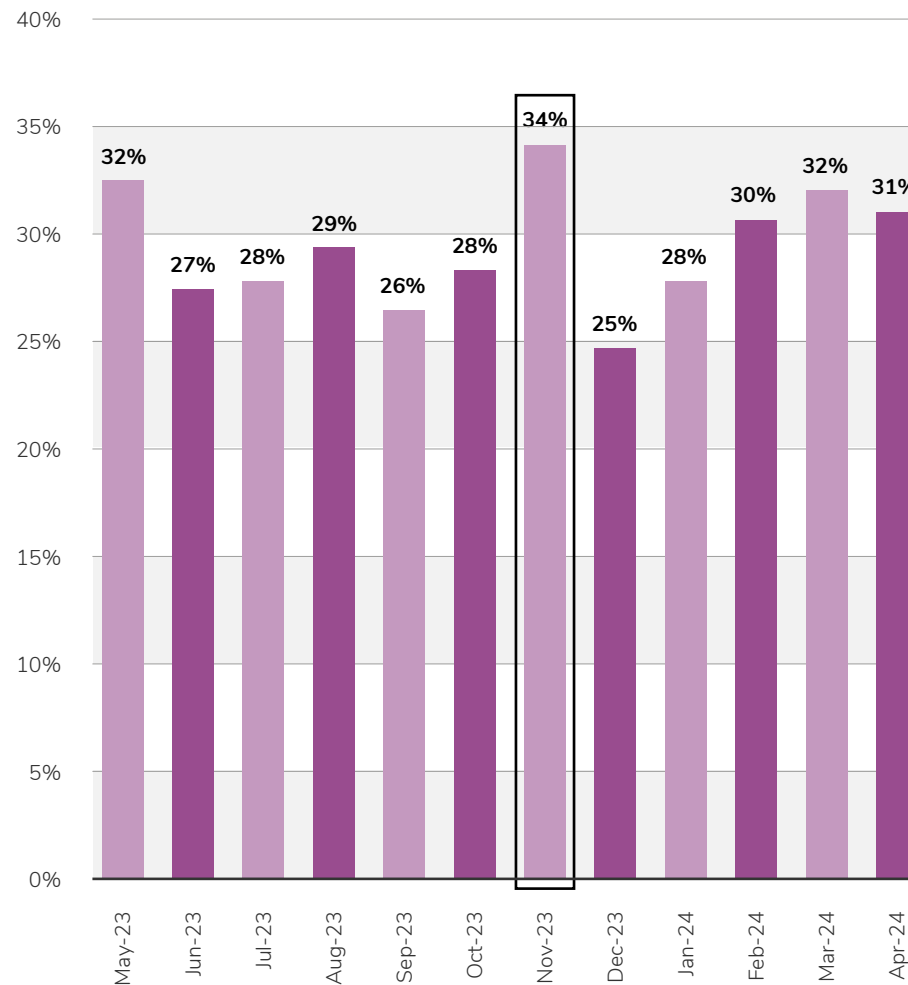
Voucher code usage includes any form of entry into the voucher code box, regardless of a codes origin e.g. an affiliate site email, own website promo code etc...

Retailers, on average, reported that 30% of their revenue comes from orders using voucher codes. Interestingly, this figure aligns with findings from a similar IMRG survey conducted five years ago on the use of voucher codes. The lack of movement suggests that the use of voucher codes has not risen despite the cost-of-living challenges.

It appears that customers who habitually use voucher codes continue to do so, while those who do not are still hesitant. It might also indicate that retailers have not significantly increased the amount of voucher codes they distribute.

On the chart, you will see November highlighted in black. This month had the highest rate of voucher code usage, representing 34% of an average retailers' revenue. This is to be expected given that it is a heavily discount-orientated month.

Average share of revenue via voucher codes

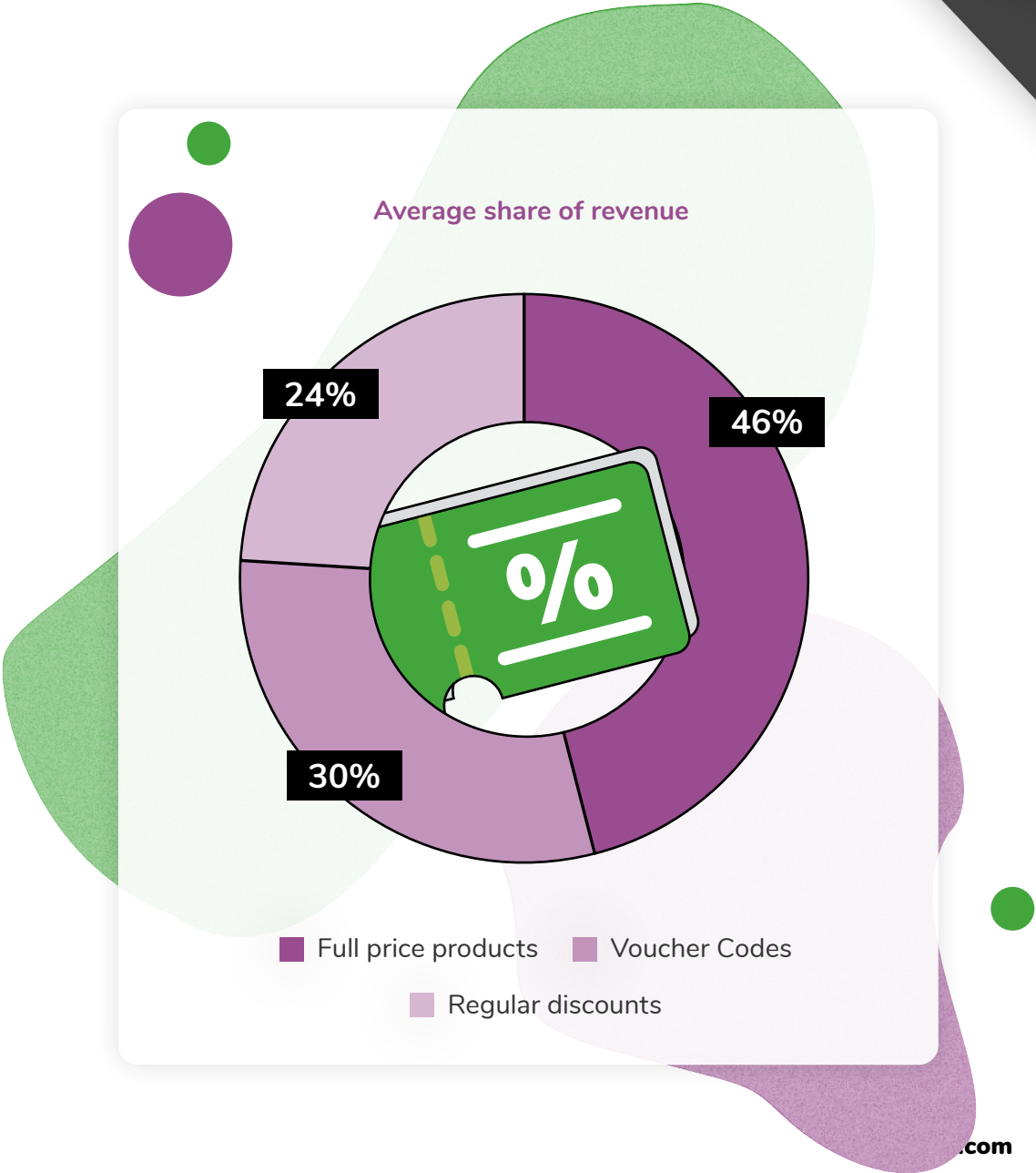


Voucher codes Vs Regular discounts Vs Full price products

From the results so far, we can provide useful market benchmarks for retailers looking to optimise their discounting strategies. We now know that the average retailer will have a 46% share of revenue for full priced products, 30% for voucher codes, and 24% for regular discounts.

These benchmarks reveal if a retailer is pushing too much revenue through their own discounts. Excessive discounting can be detrimental, as it may lead customers to become conditioned to always wait for sales before making purchases.

RevLifter comments:
Many retailers come to us with the problem of overusing discounts. Treating them as a last resort and making them a key part of your strategy is key. Target them carefully and only use them to solve specific performance challenges.



The usage of new customer voucher codes

Close to one-third of all new customers use a voucher code on their first transaction. This behaviour can be attributed to several factors, including:

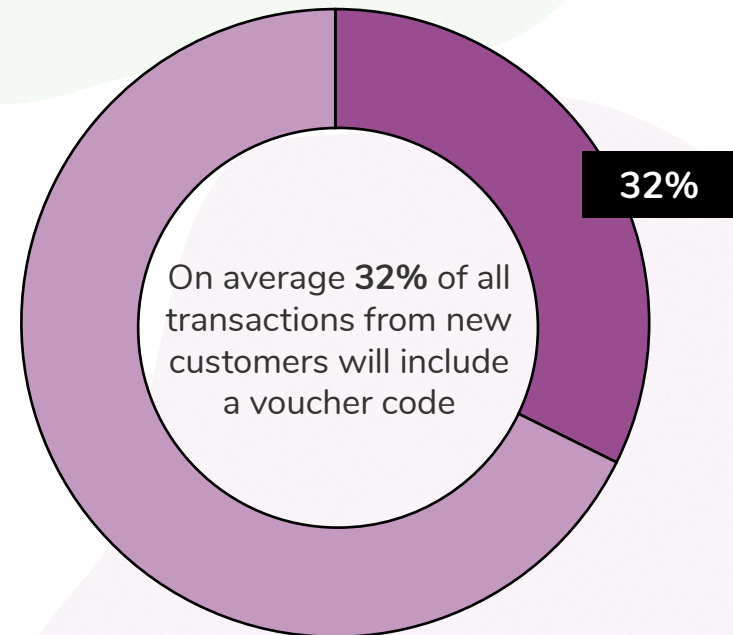
- **Attraction to Discounts:** New customers are often drawn to retailers by the promise of discounts, which are commonly advertised on the website and through various marketing channels.
- **Risk Reduction:** Using a voucher code lowers the initial cost, making new customers more comfortable with trying a brand they are unfamiliar with.
- **Feeling Rewarded:** Voucher codes for new customers are often positioned as a welcome gift, creating a positive first impression, a sense of reward, and fostering long-term loyalty.

Retailers can benefit from analysing the behaviour of new customers post-voucher code usage. By segmenting customers based on their subsequent purchasing patterns - whether they continue to buy at full price or wait for more discounts — retailers can tailor their messaging accordingly to better convert these groups.

RevLifter comments:

New customer discounts are a classic, widely used play. But they are prone to set and forget. They are a great area to test and optimise the impact of using a higher or lower offer on acquisition rate, AOV, margin, and LTV.

New customers transactions



Trends split by voucher code type

Q6. What is the split in usage and revenue of voucher codes types based on their origin?

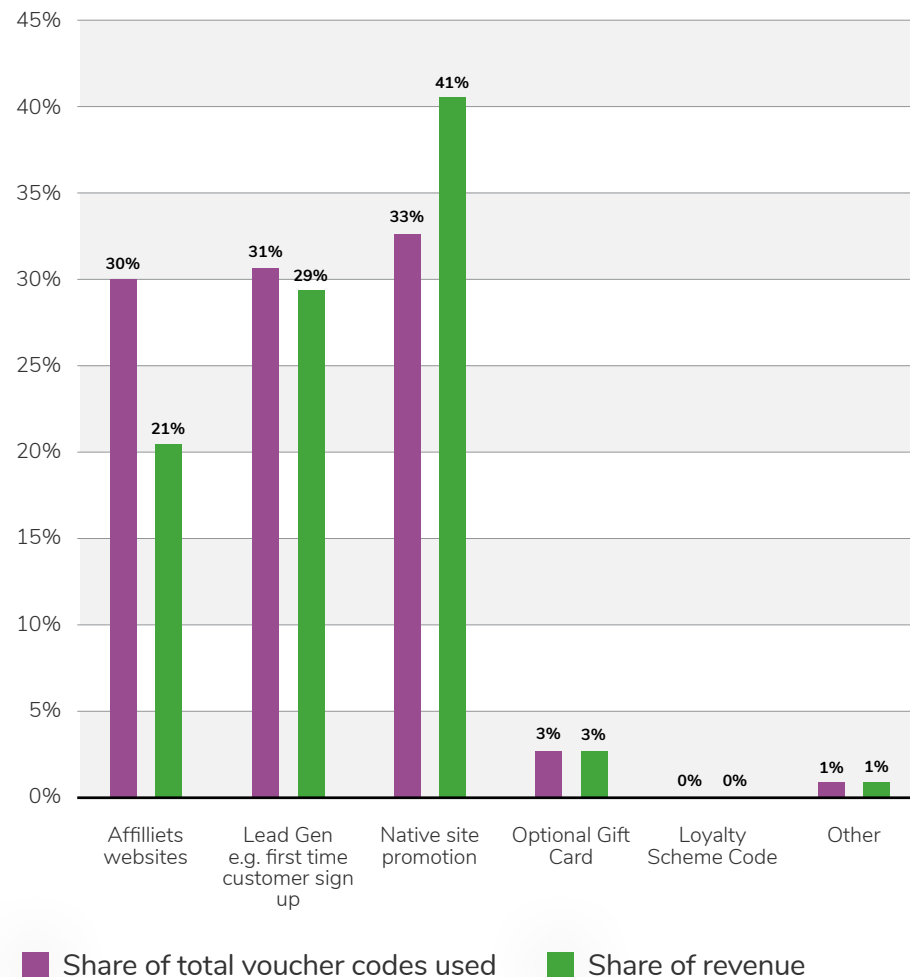
We asked the retailers to tell us the share of total voucher codes used and the share of revenue for each voucher code type.

Native site promotions had the highest percentage of usage (33%) and they account for a far higher share of revenue (41%), implying that these types of codes are being applied to higher basket values.

Lead gen codes, such as first-time customer codes, have similar adoption among customers (31%) but account for less revenue, suggesting that new customers may be less inclined to make high basket value purchases.

Codes generated through affiliate websites are used by 30% but only account for 21% of revenue, indicating that they're being applied to cheaper products, smaller basket sizes, or that the code is limited to a single product or range instead of entire baskets.

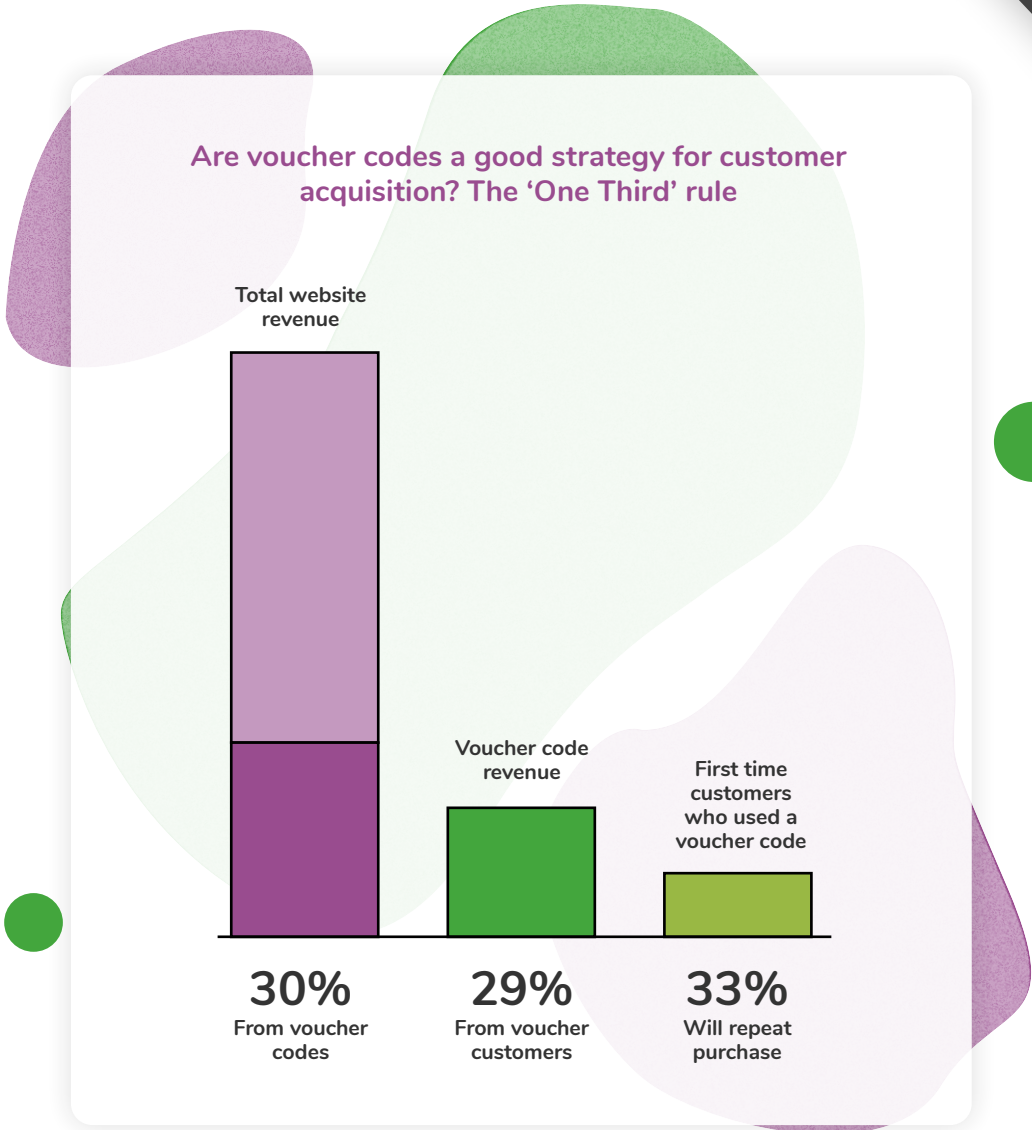
Voucher code type



Voucher codes and customer acquisition – the ‘One Third’ rule

The data on the chart underscores the ‘One Third’ Rule: around one-third of total revenue comes from voucher codes, roughly one-third of voucher code revenue comes from new customers, and one third of first-time customers will make a repeat purchase after using a voucher code. Therefore, voucher codes are a powerful strategy for both customer acquisition and retention.

RevLifter comments:
 There is no bigger lever for driving conversion than discounts or voucher codes. Whether someone buys for the first time or is a repeat purchaser, getting the right price is most likely to win the sale. The key is knowing when the discount will make the difference and when it's best not to use it.



Loyalty Schemes

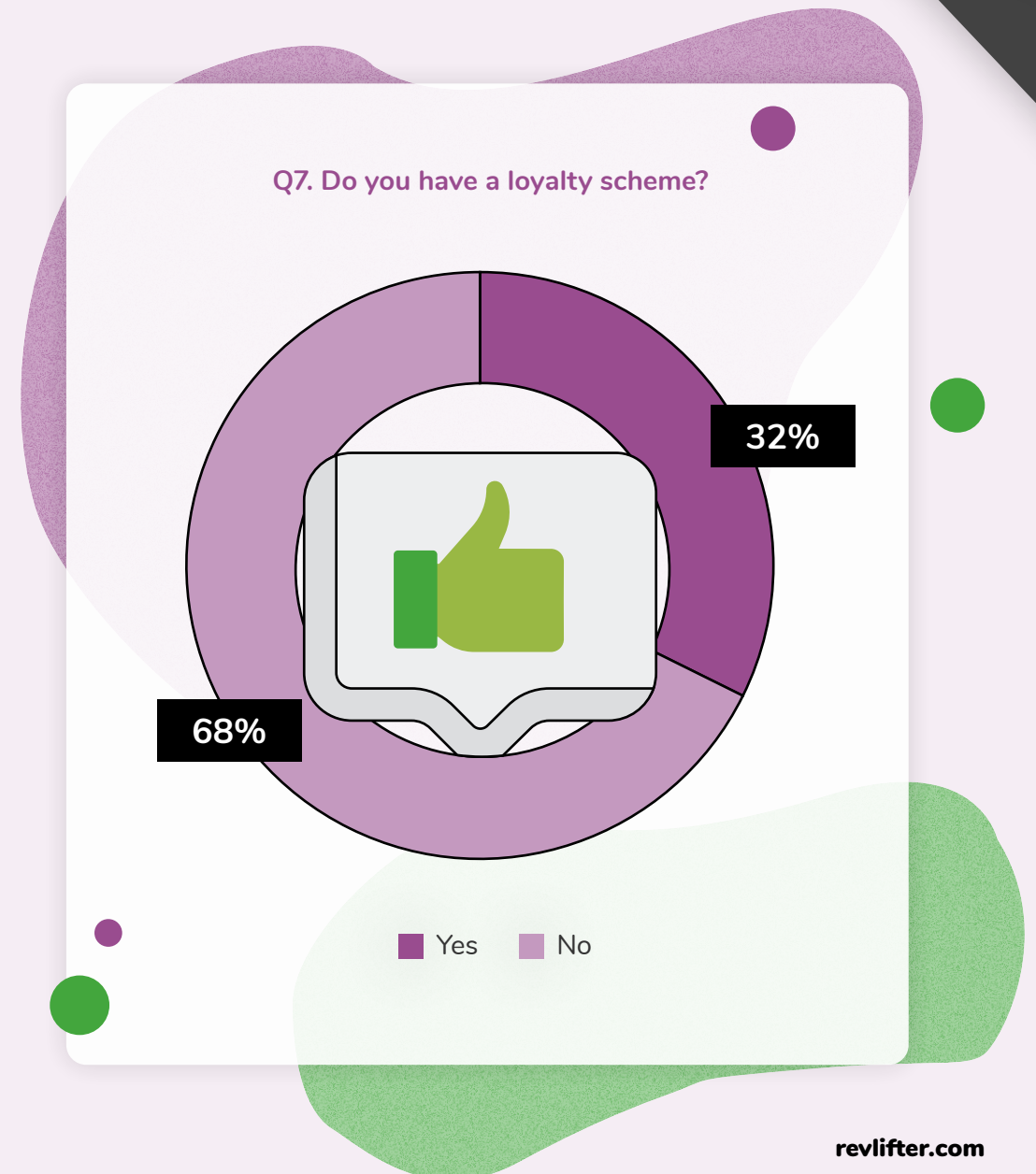
The number of active loyalty schemes today

Only 32% of the 32 retailers surveyed have an active loyalty scheme. This doesn't imply that the remaining 68% never reward their customers; instead, it underscores the challenges and resource demands involved in setting up these schemes.

To ensure success, it's essential for retailers to develop loyalty schemes that resonate with their brand values and offer compelling benefits to customers, driving engagement and achieving the desired results.

RevLifter comments:

Loyalty schemes need careful consideration. If your only goal is driving repeat purchases, there may be an easier way to do that with lower operational costs. Retailers must be clear on what they're trying to achieve and ensure that any scheme incentivises customers correctly.



Loyalty scheme benefits offered by retailers

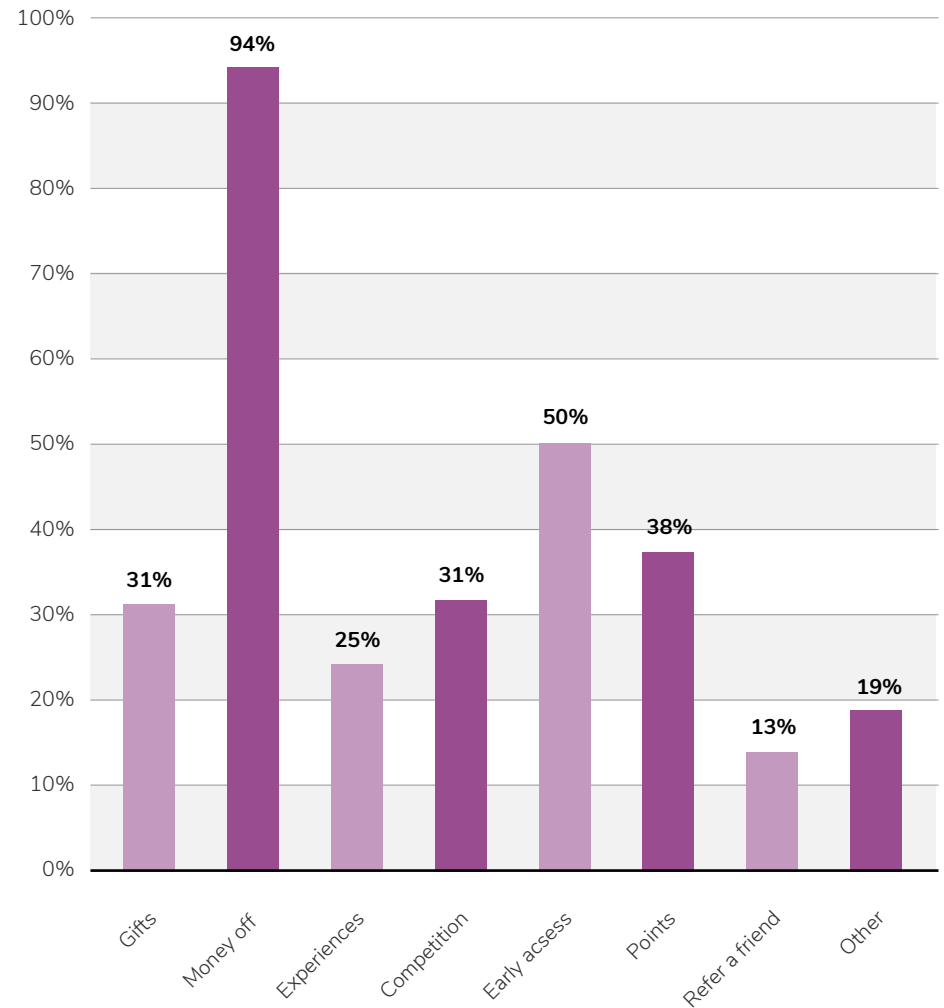
Q8. What does your loyalty scheme offer? (retailers selected several where applicable, hence the totals adding up to more than 100%)

Among the retailers with a loyalty scheme (32%), the most common benefit offered is 'Money off' (94%), which is not surprising given that price remains the top consideration for customers according to IMRG research.

Half of these retailers provide 'Early access' to their loyalty scheme members. This is a strategic move, as it incurs minimal cost to the retailer while generating excitement and urgency around new products. The 'Fear Of Missing Out' (FOMO) can drive quicker conversions as customers rush to purchase items before they go on general sale.

38% of retailers offer a points-based scheme, encouraging customers to log into their accounts for each purchase to get closer to rewards. Gifts and competitions are also popular, often incorporating gamification elements such as 'spin the wheel' to win prizes.

What do loyalty schemes offer the customer?



The use rate and profitability of loyalty schemes

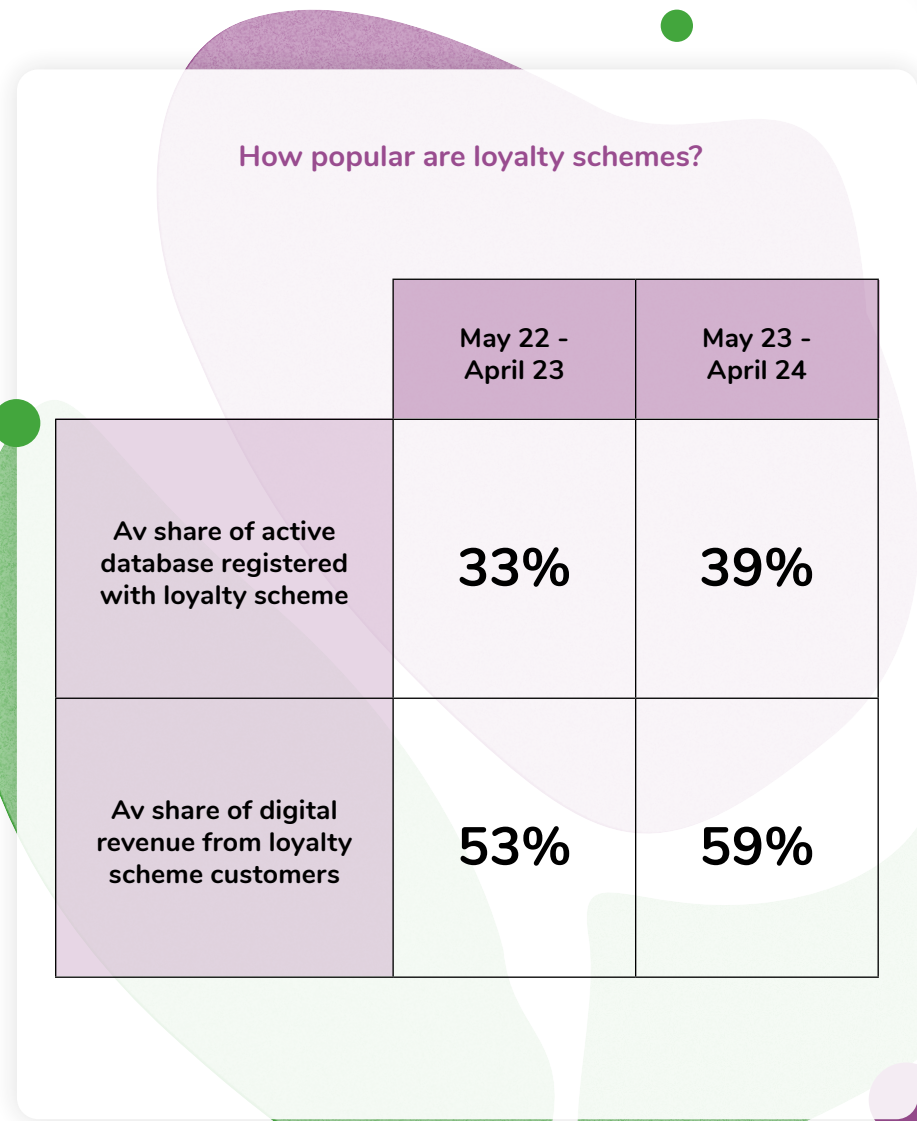
Q9. What share of your active customer database were registered with your loyalty scheme and what share of overall digital revenue did they represent?

01/04/2023 (active customer time frame counted as May 22 to April 23)

01/04/2024 (active customer time frame counted as May 23 to April 24)

We surveyed the retailers on the changes in their loyalty programs from May 2022 – Apr 2023, and May 2023 - April 2024. Over this period, we noticed significant growth in two key areas: the percentage of active customers registered in loyalty schemes increased from 33% to 39%, and the digital revenue share from these schemes rose from 53% to 59%, reflecting a 6% rise in both cases.

Loyalty scheme customers account for a much higher share of revenue compared to the overall customer database, showcasing the value of implementing such programmes. The incentives offered as part of the scheme could be driving their retained value. Though, many of these customers may have purchased without the scheme due to their dedication to the brand.



Purchasing behaviour: Loyalty scheme vs regular customer

Q10. Please calculate the Average Order Value (AOV) and Number of items (IPT) for Loyalty and Non-Loyalty members for the month of April 2024.

On average, members of a loyalty program spend 22% more than non-members. The survey results reveal that loyalty members spend on average £88, while non-members spend £72.

When it comes to the number of items purchased per transaction, loyalty members outshine non-members by a clear margin. On average, loyalty members buy 3.6 items per transaction, which is 38% more than the 2.6 items bought by non-members.

These findings make show that loyalty schemes not only boost spending but also encourage customers to buy more items per transaction, demonstrating their effectiveness in driving sales and customer engagement.

Are loyalty schemes worth it?

	Av order value	Av items per transactions
Non loyalty members	£72	2.6
Loyalty members	£88	3.6

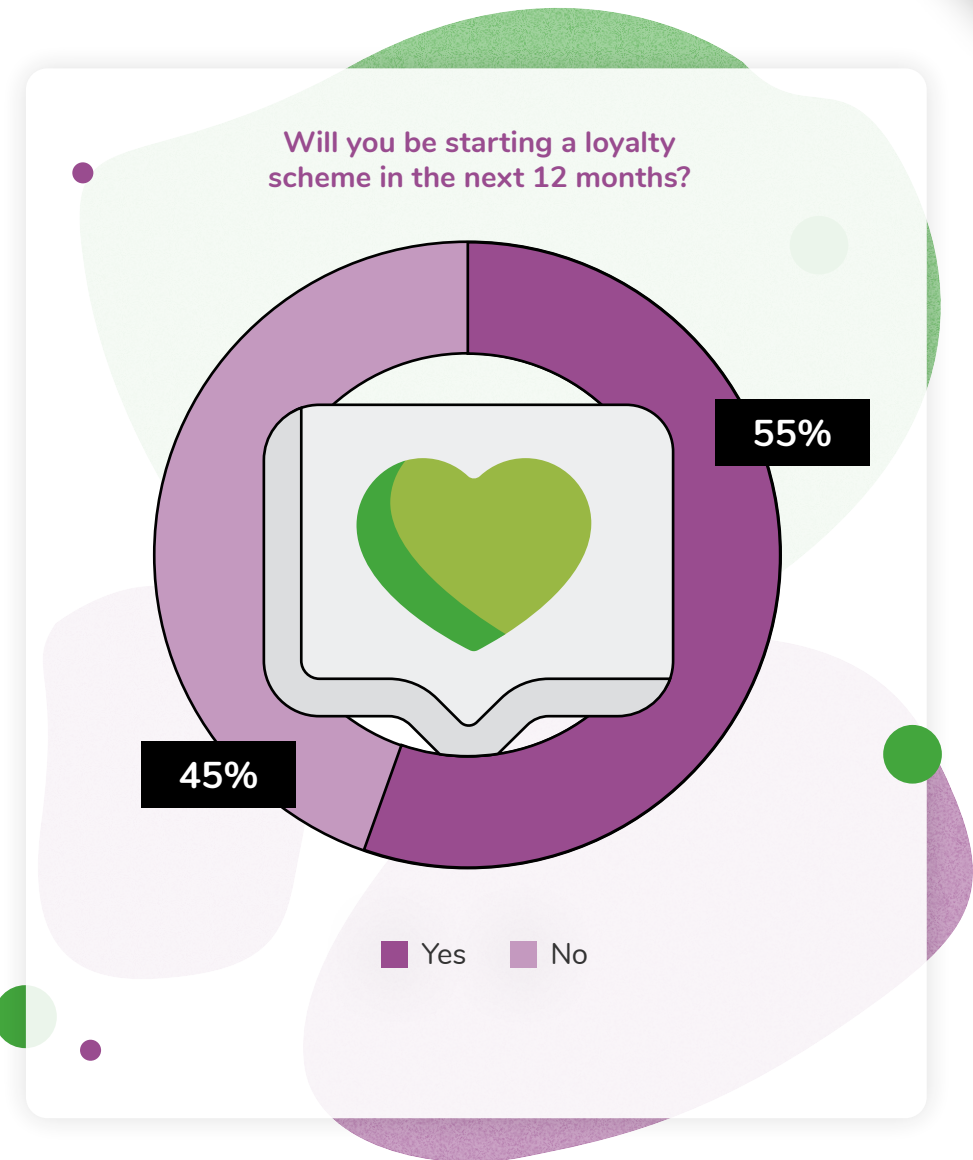
The growing popularity of loyalty schemes

Q11. Are you planning on introducing a loyalty scheme in the next 12 months?

Out of the 68% of retailers who do not have a loyalty scheme, 55% are planning to introduce one in the next 12 months. Given the encouraging figures shown throughout the report, it's understandable why over half of retailers plan on launching a scheme in the near future.

RevLifter comments:

If you are considering introducing a scheme, think carefully about what you want it to achieve. Do you need a simple repeat purchase programme driven by tiered discounts? Or are you more concerned with engagement and want customers to contribute to content and product development? Set clear goals and make sure you understand how your programme will achieve them.



Conclusion

This report has provided insights to help retailers refine their promotional strategies, balance discounting with profitability, and enhance customer loyalty schemes to drive sustained growth and customer satisfaction.

Some of the top takeaways are:

1

Strategic Discounting: Retailers are typically applying discounts to higher priced items, which can prompt greater average basket values. Trading has been difficult in the first four months of 2024, which is reflected in the increased number of discounted products sold. While retailers appear to be pushing growth through strategic discounting strategies, they should consider whether they are pushing too much growth through this means, affecting their margins.

2

Voucher Code Optimisation: Voucher codes make up more of the average share of revenue for retailers than regular discounts. The codes that are native site promotions are the most profitable, followed by lead gen codes such as new customer sign-ups. Voucher code distribution can drive new customer acquisition and retain existing customers without excessive discounting.

3

Loyalty Scheme Utilisation: Adopting and enhancing loyalty schemes can significantly boost customer spending and engagement. While only 32% of retailers have an active scheme running, 55% plan to implement one in the next 12 months, foregrounding their value. They show to increase average order values and the number of items per transaction, meaning that retailers who have a scheme have a competitive advantage.

5 key takeaways from RevLifter

1

Strategic Use of Promotions: Retailers should approach promotions strategically to avoid the pitfalls of overuse, which can lead to inconsistency in sales performance. Intelligent targeting and optimisation can help break the boom-bust cycle.

2

Maximising AOV During Peak Times: During peak periods, the goal is often to maximise the Average Order Value (AOV). Outside of peak times, the focus should shift to improving conversion rates through targeted promotions.

3

Testing for Optimal Performance: Running tests with clear hypotheses on promotional offers can accelerate performance by identifying the optimal discount levels that drive sales without excessively reducing margins.

4

Careful Use of Discounts: Discounts should not be treated as a default strategy. Instead, they should be carefully targeted to address specific performance challenges to avoid relying too heavily on them.

5

Purposeful Loyalty Programs: Loyalty schemes must be thoughtfully designed with clear goals. Whether the aim is to drive repeat purchases or engage customers in content and product development, the strategy must align with the desired outcomes and operational efficiency.



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