RETAIL

Department stores' emphasis on discounts causes indifference

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Shoppers are largely uninterested in discounts thanks to department store's emphasis on it. Image credit: Neiman Marcus

By BRIELLE JAEKEL

Consumers' interest in discounts has reached a plateau as shoppers become more concerned with quality, opening up opportunity for luxury brands.

According to a report from First Insight, 53 percent of consumers claim to care most about quality compared to price. Ninety-eight percent of those surveyed said that a discount had no impact on their purchases in regards to furniture sales.

"For years, consumers have been trained by department stores and mass merchants to focus on finding deals, and many retailers have responded with deep discounts," said Greg Petro, CEO and founder of First Insight. "The results of this study indicate that we may be reaching a tipping point, as retailers who have been focused on providing consumers with the quality, differentiated products they want and the price they expect are gaining greater traction and changing the consumer mindset."

The report surveyed 1,000 participants in the U.S. on their shopping habits, purchase behavior and the influences driving their decisions and tracked changes in consumer sentiment on the impact of discounting by department stores and mass merchants from March 2017 to December 2017.

Discounts and sentiment
Furniture was the segment with the largest indifference to discounts, followed by automotive, with 74 percent of consumers saying price reductions had no impact on their purchase choice.
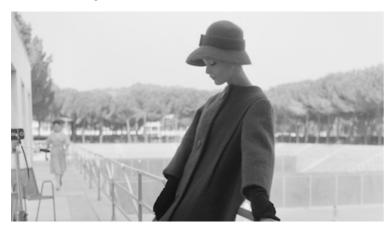
Barneys New York is avoiding discounting despite pressure from competition. Image credit: Barneys New York

The percentage of women who claimed discounts had no affect on their car buying decisions almost doubled within a year. Percentages for this increased for most sectors except smartphones.

Discounts are proving to still have pull with smartphone sales, impacting decisions for women and those in Gen X.

Men's lack of interest in discounts saw a percentage increase across all sectors, as it also did with millennials and baby boomers.

Baby boomers and men who claimed that discounts made no impact more than doubled when it came to furniture at 128 percent and 111 percent, respectively. The percentage of millennials in this category who said the same also doubled at 94 percent.

Luxury department stores are even turning to discounting, omnichannel and off-price subsidiaries to regain customers. Image credit: L2

Appliance sales are the least impacted by these shifting views with millennials still seeing some benefit to discount offers. The portion of millennials who believe discounts have not affected their appliance buying only rose 3 percent.

Discounts and luxury
While discounting in this report has showed not to be a factor in purchase decisions, discounting is on the rise in the luxury sector, as retailers strive to make up for slowed spending by cutting prices.

The annual post-holiday sales last year promised price cuts of up to 80 percent. While discounting may drive traffic and sales, is the hit to retailers' positioning and profits worthwhile (see story)?

According to L2, brands such as Manolo Blahnik and Burberry are even seeing steeper discounting on the secondary market than those known for particularly exclusive items.

To answer the question "Which brands are the most discounted on resale sites?", L2 looked at data from four resale sites that consign luxury goods: Vestiaire Collective, Grailed, The RealReal and Tradesy. Based on its research, L2 found that discounts on luxury goods vary significantly by brand (see story).

"As the pendulum swings away from discounts, retailers have an opportunity to capture greater sales through quality products in every category, from apparel to furniture and appliances," Mr. Petro said.

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