

## The Analysis of "buy one get one 50% off" marketing mean

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**Keywords:** buy one get one 50% off, pricing strategy, cost, sales

**Abstract:** "Buy one get one 50% off" is common marketing means in our daily life as we can always see it when we are shopping. This marketing mean are able to attract many consumers because we think it is really cheap if we buy two pieces at a time. Although the price is not high, the merchants can make a profit from it. This paper analyses why this marketing mean is favored by business.

### 1. Introduction

The "Double Eleventh Shopping Carnival" refers to the online promotional day on November 11. On such e-commerce festivals, major e-commerce platforms will launch " buy one get one 50% off " promotions. On some special days, some stores will also post advertising slogans of "second half price", such as KFC, McDonald's and other fast food brands. The tagline is designed to entice customers to spend more. Usually, most people will be cheated by the title, thinking that they can profit from this activity and it is really cheaper to buy two at a time. To be frank, consumers with this idea fall into the "trap" of merchants who expand profits and reduce losses by increasing sales and reducing inventory. An analysis what follows in the passage will reveal the secrets of the marketing means.

### 2. The reason why the second one can be half price

#### 2.1 Product cost

Under the "buy one get one 50% off" rule, If the payer wants to enjoy the discount, the realization way is to buy the second one. According to the law of diminishing marginal utility, the utility consumers enjoy from the second product is far less than the first one. So it is usually difficult for consumers to actively purchase the second product. The promotion gives consumers the reason to buy the second product leading to the increase of the sales. From the perspective of scale economy, to a certain extent, the higher the output, the higher the utilization rate of machinery and equipment etc., the unit fixed cost can be greatly reduced through the allocation of a large number of products, so the unit cost is also reduced. From the perspective of management accounting, after exceeding the guaranteed sales volume, this pricing is generally feasible as long as the product pricing is higher than the unit variable cost. The second half price reduces the price of goods while ensuring profits by increasing sales volume.

#### 2.2 Market supply and demand

We can see that the products under "buy one get one 50% off" promotion activity such as slipper and socks are the kind of goods whose supply exceeds demand and the volume of inventory is really high. In a market of supply outweighing demand, considering the fierce competition and the buyers' domination, prices are liable to fall. What 's more, there are many substitutes in similar industries such as clothing and catering. In the fierce industry competition, "the second half price" is

undoubtedly a mean to expand sales and ensure profit.

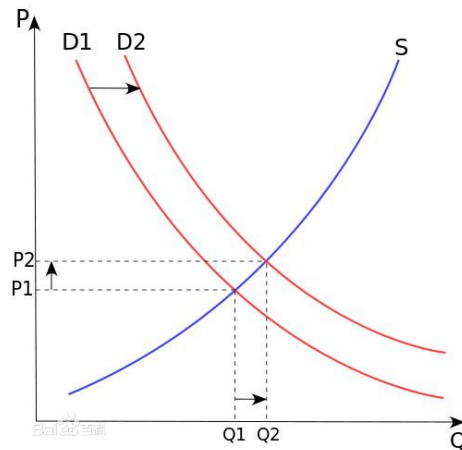


Figure 1. Supply Curve

### 3. Pricing strategy of "buy one get one 50% off "

#### 3.1 Demand differential Pricing

Demand differential pricing refers to the sale of a product or service by an enterprise at two or more different prices that do not reflect the cost. For the demand difference pricing method, the price difference of the same product is not caused by the difference of product cost, but mainly determined by the difference of consumer demand. This kind of pricing method makes two or more prices of the same commodity in the same market, or makes the difference between the prices of different commodities greater than the difference between their costs. Its advantage is that it can make the pricing of enterprises meet the market demand to the maximum extent, promote the sale of goods, and help enterprises to obtain the best economic benefits.

From the perspective of customer differences, "second half price" is to charge different prices for different quantities of the same buyer. For price-sensitive consumers, under the circumstance of diminishing marginal utility, it is difficult to make consumers pay the original price for the second product, and the way of half-price for the second product can just compensate for this consumption psychology.

From the perspective of time difference, the utility of the same product in different time periods is completely different, and the demand intensity of customers is also different. In the peak demand season, goods are easy to sell. When the demand is off-season, the price demand elasticity is high, and the method of reducing the price can be adopted to attract more customers. For example, clothing sold in the off-season and winter ice cream can be promoted to increase sales.

#### 3.2 Solicit pricing strategy

The strategy of soliciting pricing is to take advantage of consumers' interest in low-priced goods and reduce the prices of a few commodities to below the market price or even below the cost, so as to attract customers and increase the collateral purchase of other goods, so as to achieve the purpose of expanding sales. Toilet paper, slippers, ice cream and other commodities that most people need, and most customers are familiar with the market price can attract consumers' attention through the second half price. This way makes customers easily understand that their price is lower than the market price and can meet their desire for low price. Therefore, merchants are able to attract more customers and promote the consumption of other commodities.

### 4. Advantages

#### 4.1 Promote new product sales

For new products, the way of "second half price" can increase the popularity of products and

make them enter the public vision faster. And then, sales will increase. To some extent, it can alleviate the problem that new products are difficult to be accepted by the public.

#### 4.2 Accelerate inventory turnover

A large number of inventories are unavoidable for the products that are updated quickly and easily outdated. And it can lead to many problems, such as inventory devaluation, insufficient capital turnover, and business crisis. "Buy one get one 50% off" can reduce inventory by attracting consumers and pull the consumption of specific products.

#### 4.3 Attract attention

Suppose that the price of the first product is 100 yuan, and the price of the second one is 50 yuan. The total price of two products is 150 yuan, and 75 yuan for each. By calculation, we can easily find that "buy one get one 50% off" is actually a 25% discount on each item. But compared with "25% discount per piece" and other promotional means, "buy one get one 50% off" is undoubtedly more attractive, which greatly drives consumption.

#### 4.4 Expand profits

Most consumers tend to shopping together. In most cases, people may want to buy some goods which are what their partners buy. This mean not only satisfies consumers' psychology of "following the crowd" and "buying together", but also saves consumers' expenses and stimulates consumers' desire to buy. At the same time, the customers will also let their partners buy together to meet the preferential terms so as to meet their psychology of "taking advantage of the discount". Therefore, additional consumption is promoted and sales increase. After that, the unit cost of each product will also be reduced and the profit will inevitably increase.

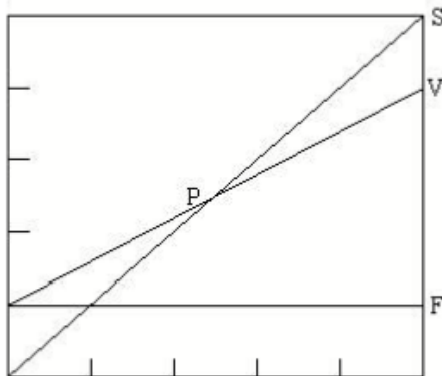


Figure 2. cost-volume-profit analysis

#### 4.5 Take the opportunity to raise prices

If the merchant wants to raise price, it will inevitably lead to the decline of the sales volume. Through the way of half-price of the second piece, it can alleviate the consumers' resistance psychology. So the sharp decrease of the sales volume can be avoided and the merchants can gently raise goods price.

### 5. Conclusion

In conclusion, the second half price expands sales by satisfying the consumers' psychology of taking advantage of discount. Meanwhile, the realization of economies of scale reduces the product cost, creating conditions for merchants to seize the market and create profits. At the same time, it has many other advantages, such as helping new products break into the market, promoting product upgrades and so on. However, the premise of this kind of promotion is to accurately calculate the cost of the product, to avoid the phenomenon that the price is lower than the cost result in loss. What's more, the control of the supply chain should be strengthened to ensure that sizes are complete

and goods are sufficient, otherwise it will damage the brand image.

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