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An Essential Guide to Cashback Promotions

Cashback Promotions

Today's consumer seeks value from their transactions. But what is the best way to offer it? Cashback promotions can be used to present an attractive deal to your customers while also taking care of your bottom line.

With the rise in living costs, we're seeing a delay in purchases across many product lines. Promotions, like Cashbacks, play a crucial role in encouraging purchases by offering savings and flexibility. In this guide, you'll find all you need to consider when choosing Cashbacks to promote your products and services. It covers areas including:

- What are Cashbacks, and how do they work?
- What are their benefits?
- How can you plan and budget for a Cashback promotion?
- How does the claims process work?
- What metrics can you use to evaluate success?
- What are the legal and compliance considerations?



How Do Cashbacks Work?

With a Cashback promotion, customers buying a selected product are offered a fixed cash amount or a percentage amount off their purchase price. A Cashback promotion highlights the customers' savings rather than the reduced price point. Presenting value in this way is proven to enhance motivation to buy.

The key difference between Cashbacks and traditional instant discounting is that with Cashbacks customers need to claim the incentive. It is not given automatically at the point of purchase. The process includes:

- 1) Purchase of the selected product in the promotion.
- 2) Claim the reward via a branded digital microsite.
- 3) Receive the reward via bank transfer, prepaid card or other specified methods.



Core Benefits of Cashback Promotions

Cashbacks are excellent tools for driving sales, reducing stock or end-of-product life cycles, and can be used for B2B and B2C markets. Furthermore, using a time-limited offer creates a sense of urgency that accelerates buying behaviour.

Better value for your consumers and your brand

Cashbacks meet consumer demands for lower prices in a way that is not detrimental to business profitability, with only the most engaged customers redeeming their reward and avoiding the indiscriminate payouts of immediate discounts.

Creating market differentiation

Cashback promotions can be uniquely tailored, bundling products on offer or offering customer value- adds, such as insurance or delivery. These bespoke campaigns provide market differentiation and create a competitive edge.

Avoiding price erosion

Unlike discounting, Cashbacks allow the base price to remain static, locking in margins and preventing price erosion through retail price wars.

Maintaining brand reputation

Price and brand value are intertwined. Simply cutting prices can destabilise brand integrity. In contrast, Cashback promotions protect brand positioning as they focus on the customer benefits offered and enhance brand value.

Increased brand awareness

Imaginative Cashback promotions will get your audience talking and create a buzz around your brand that widens your reach.

Strengthening brand & retailer relationships

OEM brands and retailers can partner in these promotions with a shared goal of driving sales. Effective Cashback campaigns will increase retail footfall with a knock-on positive effect on other items. As a brand, this will strengthen relationships with your retailers, improve brand favourability and enhance future investment possibilities.

Building valuable insights

Cashback promotions provide the opportunity to gather customers' data and learn more about their preferences. These valuable insights support more targeted campaigns in the future.

Planning and Budgeting

A cashback promotion requires careful planning to ensure it delivers the optimum ROI and overall profitability. It also requires expertise in various areas alongside sales and marketing, including logistics, IT, legal and financial. While it is possible to deliver successful Cashback promotions leveraging skills in-house, many brands choose to partner with an experienced promotional agency, such as Opia, that can support all these areas, ensuring a seamless customer journey and a successful end result.

Key considerations to a successful campaign:

1) Set clear goals

As with any sales and marketing activity, it is only possible to measure the success of your promotion by establishing your commercial KPIs and their measurement from the outset. These KPIs should be based on your overall business objectives. KPIs could include boosting sales on a specified product line, clearing end-of-line stock, attracting new customers, or increasing market share. It is also vital to identify where your business challenges lie. Is there one product category that requires a boost in sales, or is an overall sales uplift needed?

An experienced sales promotions partner will have the expertise to help align your promotional objectives with your overall business needs and devise promotion evaluation methods.

2) Determine budgets and risk management

Identifying the promotional cost can be challenging as it depends on customer behaviour and redemption levels. These factors can be unpredictable - the more customers who redeem, the less profitable your campaign becomes.

Therefore, once you have identified a suitable budget, it is worth considering risk management options. These could include providers who will deliver the promotion at a capped cost. Backed by insurance protection, risk management providers can offer a fixed fee per unit sold, no matter the redemption level, locking in your profit and eliminating risk.

3) Align your promotion with the overall marketing strategy

When planning your Cashback promotion, it is helpful to look ahead at your overall marketing calendar. Identify when and where you focus your marketing efforts. For example, you may build seasonal sales and marketing campaigns around holidays like Christmas or Thanksgiving or specific events like 'Back to School'. Cashbacks can help you during peak sales pushes and boost sales during quieter periods. Cashbacks sit alongside other mechanics, such as Gift with Purchase offers and risk-free trials, as tactical promotions that create compelling reasons to buy. They drive product volumes in the short term and encourage new customer acquisition and brand-switching.

However, a cashback sales promotion is just the beginning of the customer journey, allowing you to build relationships and optimise the long-term value of your customers with more strategic approaches. For example, when a customer redeems their offer and shares their data, you can set up secondary campaigns, such as trade-ins, loyalty programmes and referral schemes to encourage recommendations and drive product refreshes or upgrades.

4) Consider the pillars of a strong offer

In today's consumer world, several basic principles ensure a strong offer that is more likely to engage a customer and result in a purchase. These include:

- Providing a clear and valuable saving; ideally, your reward should be less than 40% of your product's retail price to ensure the promotion's cost-effectiveness
- No requirement for additional purchases
- Being easy, quick and convenient for the customer to redeem the offer and receive the reward
- Offering flexibility and choice that caters to different needs
- Transparent and concise terms and conditions

5) Get creative with your campaign concept

For your Cashback promotion to be successful, it needs to engage your audience with a compelling campaign. Once you have determined the basic offer, it's time to get inventive with its marketing.

Think about triggers to buying; it may be a theme, trend, or current event that you can tie your promotion into to capture your market's attention. Examples include:

- A 'cash for goals' campaign - great for engagement during an important sporting event like the World Cup, boosting sales during quiet summer periods
- A special occasion 'tax back' promotion, where the customer can claim back the sales tax paid on their purchase
- A money-off utility bills campaign tailored to relevant products such as home appliances or TVs

This design aspect of your promotion is another area where an experienced promotional partner can add value. Seek out a partner who not only has exceptional creative skills but also bases their concepts on intelligent data analytics from your market.



6) Identify your promotional channels

Once your campaign concept is designed, the next step is identifying suitable promotional channels. Again, the effectiveness of your campaign will depend on a comprehensive effort across the organisation. Product teams need to be involved with devising the strategies, while marketing develops suitable messaging across landing pages and social media channels, and sales teams drive customer awareness, understanding and conversion.

If you are an OEM, working closely with your retailer and distribution is vital for ensuring the promotion is seamlessly available through the channel and across retail stores.

When creating marketing adverts for your promotion, consider these tips:

- Use an attention-grabbing headline with clarity on the offer
- Ensure the message is simple and concise but says enough to convert buyers
- Group key information together
- Make it visually bold and eye-catching
- Use large images to showcase the product and brand

7) Leverage technology for your campaign set-up

When setting up your campaign, it is advisable to have specialist software to ensure a high-quality customer experience. For example, you'll need a branded UI to manage your campaign redemption activity and provide customer support.

This platform may be a standalone solution or integrated into your POS systems. You'll also require back-end support for claims processing, reward fulfilment, security and reporting. For an efficient process that enables a high-quality customer experience, look for a promotional partner with the necessary software to support these processes.



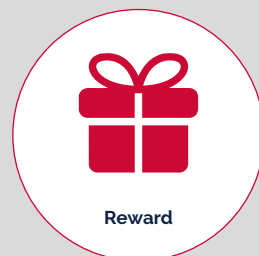
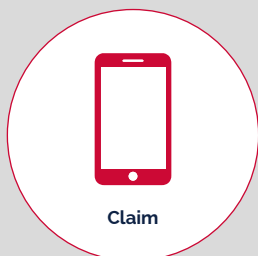
How Does The Claims Process Work?

The claims process is a critical part of the customer journey, and therefore, ensuring a high-quality experience is vital for optimising long-term customer value.

The claims process starts with the communication of the steps that the customer needs to take to redeem their reward. Make sure these are clearly and simply explained to encourage conversions. In most Cashbacks promotions, the customer must purchase a product during the specified promotion period. They then need to go to a branded digital microsite to submit proof of purchase and claim their reward. For Cashback promotions, payments are usually sent directly to the customer via bank transfer, prepaid card or providers such as PayPal/Venmo.

Digital Redemptions

Submitting and tracking a claim couldn't be any easier. This can be done from any device, computer, smartphone and tablet and can be completed easily and quickly with digital pictures of the proofs of purchase.



When creating competition-style Cashback promotions, such as 'Cash for Goals', customers will need to register on a site and nominate their team. You can then build excitement by using messages to keep customers updated with their team's score and the cashback they have accumulated.

Working with a sales promotion partner like Opia, can help ensure the customer experience is seamless. We are able to assist you with claim handling, which includes purchase verification, fraud prevention, reward transfers and adopting correct data processing protocols. With customers' personal data being submitted for your promotion (including bank details for payouts), it is vital to ensure all regulations and compliance are meticulously followed. Sales promotions partners can often provide valuable customer service support, too, answering any queries customers may have throughout the promotion process.

Evaluating Success

How you measure the success of your Cashback promotion will depend on the objectives or KPIs set at the planning stage.

Valuable metrics that can be used to evaluate your promotion include:

- Promotional site visits
- Retail stores participating in your promotion
- Promotional products sold
- Customers signing up for future marketing
- Proportion of sales targets achieved

Redemption rates will show engagement in the promotion, but unless customer engagement is a specific KPI, these do not necessarily indicate the promotion's success. Instead, this measurement is more helpful in understanding what proportion of your customers are value-seeking and how well this promotion was executed.

You can also use metrics such as the number of validated customer redemption requests and the total value of cashbacks delivered to understand the profitability of the promotion. You may also opt to conduct customer surveys to explore the promotion's impact in more detail. Areas of interest may include:

- Satisfaction rates
- Promotion influence, e.g.:
 - how much it motivated their purchase
 - whether they would have bought the product had it not been on promotion
 - whether it encouraged them to switch brands

Finally, website analytics will guide you on which digital marketing efforts were most effective at driving traffic.

The Legal and Compliance Considerations

When running a cashback promotion, it is highly recommended that you work with a provider that fully understands the legal landscape to avoid compliance pitfalls across all the regions in which your campaign is offered. By upholding the highest protocols in advertising and standards in the treatment of your customers, you will not only protect your brand but also improve sales and customer loyalty.

Key areas you'll need to consider:

Advertising & Marketing

When promoting your products to UK and EU consumers, you must ensure compliance with applicable advertising and marketing standards in the relevant market, or otherwise face sanctions, fines and negative publicity with resultant reputational damage.

For example, in the United Kingdom, consumers are protected from deceptive and misleading business practices under legislation, such as the Consumer Rights Act, Consumer Contracts Regulations, Misrepresentation Act and Consumer Protection from Unfair Trading Regulations.

A vital part of this adherence to these regulations is communicating the terms and conditions of your promotions in a transparent and accessible manner, i.e., you must make sure all promotional details are clearly provided so your customers can make an informed decision about their participation.

Consumer Law

EU consumer legislation can be a minefield for traders marketing their products across Member States. For example, the Omnibus Directive price reduction and establishment rules can be particularly tricky. However, when Cashback promotions are correctly created, their terms fall outside these rules. An experienced promotional partner should understand these rules and be able to deliver a campaign that adheres to the regulations while protecting your brand and the consumer.

Payment methods

When setting up your Cashback promotion, it is vital to consider what payment methods you can offer your customers, for example:

- Bank transfer
- Paypal
- Prepaid cards

Prepaid cards are a popular payment method in North America. As cash substitutes, they can be more effective than bank transfers at increasing customer loyalty and engagement.

If you are making Euro payments within the Single European Payments Area (SEPA), these will be subject to certain anti-discrimination rules. These rules have been created to ensure all consumers in all covered regions are treated equally. Note that the SEPA area extends beyond the European Union, covering three additional EEA countries, six non-EEA countries and four non-EEA territories.

When negotiating these rules and identifying where they apply, working with an experienced promotional partner will remove the worry about an unintended violation.

Data Protection

When promoting your products to UK and EU consumers, you must ensure compliance with applicable advertising and marketing standards in the relevant market, or otherwise face sanctions, fines and negative publicity with resultant reputational damage.

When offering a promotion to residents of the European Union and the United Kingdom, you must comply with the EU and UK General Data Protection Regulations (EU/UK GDPR) and the UK Data Protection Act 2018 (DPA), respectively. However, it's not just in the European Union and the United Kingdom where you'll need to follow data protection legislation carefully. Currently, over 120 nations worldwide have enacted some type of privacy legislation to protect the rights of individuals and their data with more stringent safeguards and controls.

For example, in the United States, the California Consumer Privacy Act of 2018 (CCPA) sets a 'gold standard' of compliance with other States. Meanwhile, in Canada, the Personal Information Protection and Electronic Documents Act (PIPEDA) sets out 10 Fair Information Principles for businesses to follow in managing personal data.

What should you look for in a promotional partner when considering legal compliance and data protection?

When executing cashback campaigns, working with a partner such as Opia who has the appropriate knowledge and deep understanding of the various data privacy laws and regulations in numerous countries, ensures compliance and protection of your brand.



Time To Take Action

While there is a lot to consider, the advantages of cashback promotions over traditional discounting are significant. If you'd like support with designing, delivering, and managing your campaigns, Opia can help. As a highly experienced global promotional partner, we know how to ensure your Cashback promotions succeed in meeting your commercial targets.

Our end-to-end promotional service makes running a Cashback campaign simple and convenient while providing an outstanding customer experience. Working as your promotional partner, we'll deliver mutual value for you and your customer that supports the long-term success and growth of your brand.

Zero Risk and Zero Touch

Opia run all the operational aspects of the campaign, so you can focus on your core business and on marketing the campaign to its full impact.



If you'd like to know more about how we can help with your next promotion, please get in contact with our team.

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