

# The advantages and disadvantages of discounting goods



**ASSIGN  
BUSTER**

Discounting is reducing the selling price of goods. Many retail stores use this method to try to sell more products and gain more profits. The advantages and disadvantages of discounting have brought a drastic debate. Some supporters believe that it has noticeable benefits, while others suggest that it perhaps does more harm than good. In this essay, I will review both the comments for and against discounting goods to boost sales.

The advocates encourage discounting goods to attract more consumers and make more profits for the stores. For example, Black Friday is the day after Thanksgiving in the United States. It is the time when retail stores give the most discounts in a year [1]. On evidence of research conducted by Miller [2], “nearly 20% of annual retail sales occur in November and December.” By presenting and offering excessive discounts, the customers’ willingness to participate in this shopping feast is drastically encouraged. Since Black Friday leads the Christmas shopping season which is right before the end of the year, most of the retailers view this discounting holiday as an important opportunity to push for a profitable year and break the sales records. To accomplish their goals, retail stores may sell out a blouse which is originally \$40 USD for \$5 USD [3], and a big number of shoppers are likely to be motivated by the low price to do the purchase so that the margin of the retail stores can be increased.

However, some researchers indicate that discounting goods has effects that are less beneficial. Because of the large number of consumers, safety problems may occur. A stampede happened on November 29th, 2008 and caused one death and four injuries [4]. In addition, three people were killed and more than thirty injured at the supermarket Carrefour in Chongqing,

when the shop was offering 20% discounts on cooking oil [5]. Customers may have a high expectation for the low price [6], so many shoppers stand in the queue waiting for the store to open since midnight in order to get the discounted goods at the first time. Therefore, those who have waited for several hours cannot wait to enter the store when it opens. Stampedes are likely to happen while the impatient and frustrated crowd is pushing forward, especially in countries with high population density. Safety problem is usually a potential risk when there is a chaos.

Despite having the risk of causing safety problems, some researchers believe that giving discounts can give a short-time boost in the economy [6]. The growth in profit of the retail stores is advantageous to the economy. For example, Black Friday attracts numerous customers to spend a massive amount of money over the entire course of the Christmas shopping season following up. Data submitted by Ridgway [7] showed that “ Americans spent over \$11 billion in 2011 on the Friday following Thanksgiving”. The influx of money seems to improve the economy swiftly. Not only is there a rapid increase in GDP, but these stores hire part-time employees during the busy shopping season to meet the soaring demand for workers. Therefore, there will be an overall improvement in the economy. According to Davidson [8], it is essentially to have discounts because they bestow economic stimuli and create jobs.

Nevertheless, these positive consequences may happen, but not regular. Discounting goods may contribute to the growth of profits of large retail stores, but may put these small family enterprises out of business. Brennan and Lundsten [10] noted that the volume of customers had seemingly

dropped since large discount retail stores opened in town. These discount stores, such as Wal-Mart and Metro, can be overwhelmingly more favourable than tiny grocery stores in price and force them to bankruptcy. Therefore, the number of small shops will decrease and citizens will have to get to the suburban district where large retail stores centralize. It is especially inconvenient for the old and families without private cars. In addition, this phenomenon may result in monopoly that is against the law and cause a lack of substitute goods. In the long term, discounting goods may possibly spark off monetary disorder.

Obviously, there are both advantages and disadvantages of discounting goods. It enables retail stores to attract more customers as well as make more profits. In addition, it stimulates consumption and gives a boost to the economy. However, these benefits cannot suppress its deleterious effects. There may be safety problems, and small shops are likely to be weeded out by large discount stores and cause inconvenience to the citizens.

Taking these arguments into account, discounting goods to boost sales has both positive and negative effects. It has been the necessity because both individuals including retailers and shoppers and the overall economy may get short-term benefits. In the long term, however, it may cause some troubles. Therefore, the degree of discounting should be reasonable so that it will not result in the rat race. Retailers should decide the proper price to avoid a possible scenario that the sales volume rises but the profit drops. In addition, retail stores should strive to avoid public disorder and minimize the risk of having safety problems. By handling these potential threats

appropriately, discounting goods can be an effective approach to boost sales.

## References

1. L. Simpson, L. Taylor, K. O'Rourke and K. Shaw, " An Analysis of Consumer Behavior on Black Friday," American International Journal of Contemporary Research, vol. 1, no. 1, pp. 1-5, 2011.
2. Richard K. Miller ; Associates, " Christmas Holiday Shopping," in The 2006 Retail Market Research Yearbook. Loganville: Richard K. Miller ; Associates, 2005, pp. 101-102.
3. J. B. Thomas and C. Peters, " An exploratory investigation of Black Friday consumption rituals," International Journal of Retail ; Distribution Management, vol. 39, no. 7, pp. 522-537, 2011.
4. J. Gould, C. Trapasso and R. Schapiro, Worker dies at Long Island Wal-Mart after being trampled in Black Friday stampede, 2008. [Online] Available: [http://articles.nydailynews.com/2008-11-28/local/17910475\\_1\\_wal-mart-worker-long-island-wal-mart-jdimytai-damour](http://articles.nydailynews.com/2008-11-28/local/17910475_1_wal-mart-worker-long-island-wal-mart-jdimytai-damour) [Accessed November 23, 2012].
5. BBC, Three die in China sale stampede, 2007. [Online] Available: <http://news.bbc.co.uk/2/hi/asia-pacific/7088718.stm> [Accessed November 27, 2012].
6. B. Milavec, An Analysis of Consumer Misbehavior on Black Friday. Newark: University of Delaware, 2012.
7. S. Newell, The Emergence of Black Friday as an American Retail Holiday. Apopka: University of Florida, 2012.
8. N. Ridgway, Black Friday Sales Hit Record, 2011. [Online] Available: [http://money.cnn.com/2011/11/26/pf/black\\_friday\\_sales/index.htm](http://money.cnn.com/2011/11/26/pf/black_friday_sales/index.htm) [Accessed