

# Cash Backs – A Winning Marketing Strategy

Kavya Nivedhitha | PGP 2019-2021 | kavyan\_mbab19@ifmr.ac.in

Institute for Financial Management and Research – Graduate School of Business

## INTRODUCTION:

Cash backs are nothing but one of the major components of Affiliate Marketing which are growing at a rapid pace as that of the e-commerce market. Cashback industry and e-commerce industries complement each other's growth better, especially during Big billion sale seasons. Cashback allows customers to earn when they spend essentially. It is indeed a promotional method of winning over other brands. From a digital standpoint, technology and marketing are emerging, and hence traditional marketing is no longer adequate in this digital era. Companies need to reach their audiences using different channels in order to increase their brand awareness and favorability.

From a seller's viewpoint, cashback keeps the customers coming back. In simple terms, Brands use cash backs to ensure customers keep coming back to them, in exchange for a small benefit that you get as cashback. So technically, customers are just part of the chain that benefits the sellers. It helps the customers to choose from a plethora of cashback options which would make the customers repeat their transactions with the existing companies or sellers.

## HOW CASHBACKS ARE DIFFERENT FROM DISCOUNTS WHEN IT COMES TO MARKETING?

Customers get into a psychological feeling that "More the discounts, bad the quality of the product is." They accept discounts only when they are at the initial stages of a business or deep discounts during festive seasons. So this makes

them stock up the product and order only when the company comes up with better discounts. This technically makes the brands lose their credibility.

So cashback promotions are way better than continuous discounts as this would not just help in sales enhancement but also improves customer loyalty. Cashback promotions are mostly towards loyal customers and not to those who are looking to save money.

## HOW HAVE CASHBACKS IMPACTED THE SELLERS?

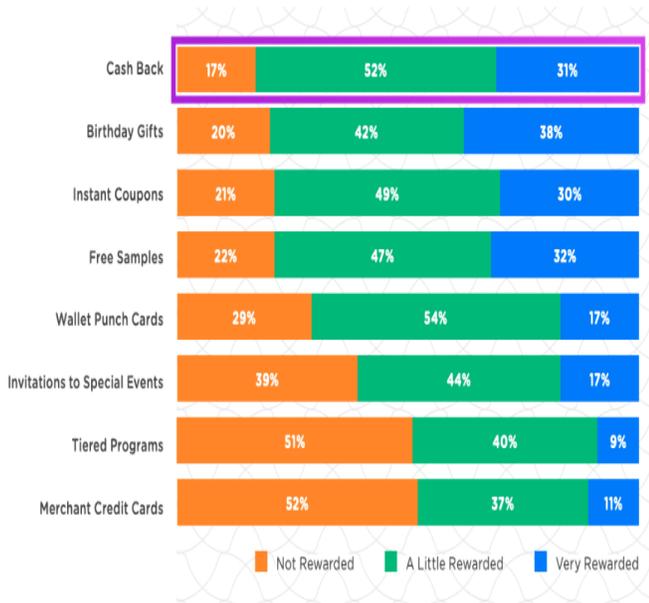
Off late, Cash backs are not just a great way to save but also have become a reason a customer chooses a brand or a product. To sellers, it is a marketing gimmick to hook the customers to their products, but unfortunately, customers have fallen for it as their prey.

This helps the customers to come back to the product often. But how? Cash backs are always not a part of the bill that goes to the customer but also credits the customer's account with store points or coupons, which can be used for future purchases from the same retailer.

Gone are the days when the coupons came with terms and conditions where you need to wait for a certain period of time for it to get redeemed. Cashback credits the customer's account immediately with no absolute delay, thereby attracting more customers.

## IS IT REALLY A WINNING MARKETING STRATEGY?

In this era of marketing, this indeed works and has worked for various brands. For example: When Paytm was launched, it incentivized people through **Paytm cash backs** every time a customer makes a transaction, using its app. In



doing so, the customers indeed started getting used to the wallet and continue to use it even if there is no cashback on offer. According to a very recent Cash backs has benefitted the companies to a greater extent, as it is actually seen as a sign of customer loyalty.

## BENEFITS OF CASHBACKS TO THE STAKEHOLDERS:

Both the customers and the retailers have benefits attached due to cashback, and they are listed below:

### To Consumer:

1. Best available deals at one place
2. Money-saving in cashback
3. Customer Satisfaction

### To Retailer:

1. Customer acquisition
2. Revenue generation
3. Brand name

4. Customer loyalty
5. Enhanced sales

## CONCLUSION:

Although Cash backs create a Win-Win situation for both the seller as well as customers, how long will this continue? What if, among customers it creates the same image as that of discounts? As far as there is valued benefit on both sides this marketing strategy would be fruitful. Cash backs work on the concept of behavioral economics, which is in terms of sunk cost fallacy or the desire to make the most of something because you have already paid a part of the cost. Also as we know Paytm has set its target on cashback, shifting from online business, which in fact denotes that cashbacks are indeed a winning marketing strategy that companies are trying to adopt for winning their businesses. But, when it comes to India the awareness of cashback is very low as the marketing spend is comparatively less. E-commerce and cashback industries will sustain for at least a decade but cash back industries relying only on e-commerce sites will decrease their chance of existence. So these industries should move ahead by taking steps that would increase their sustenance in the market.

### Reference:

<https://www.smartinsights.com/ecommerce/ecommerce-strategy/digital-first-cash-back-most-popular-customer-loyalty-scheme>

