



## EconoMag

### Loss Leaders and Rotisserie Chickens©

by Alex Hurst

Hello, from EnglishWaves radio I'm Alex Hurst, and this is Economag. As you may have been able to tell from the intro music, we're talking about...chicken.

So here's the thing with rotisserie chickens - and I'm sure that we've all wondered the same thing at some point. How can they be so cheap? The price of the uncooked chicken, and the rotisserie chicken is usually the same. So it's almost as if the butcher, or the store, has done a bunch of *free* stuff for you. The butter, the herbs, the heat...

A website called Priceonomics had the same question, and they decided to answer it. They tested 14 chickens - American chickens - both raw and rotisserie, and found that the raw chicken almost always weighed more after being cooked than did a rotisserie chicken sold at the same price.

The website found that, in general, you save between \$1 and \$3 per pound by purchasing a raw chicken and cooking it at home.

However, that doesn't mean that some stores don't still use rotisserie chickens as "loss leaders." What do I mean by loss leader?

When I was sixteen, I received a free razor and shaving cream in the mail from Gillette—I have no idea how the company knew my address, or that I had turned sixteen, that part is kind of unnerving. But I remember the package well—the razor, a Fusion 5, and a can of shaving cream came in an orange box with a note that said, "Happy Birthday, from Gillette."

And so for years afterwards, because I already had that cheap plastic handle, I kept buying Gillette's expensive replacement razor blades.

That strategy is called the "loss leader," where businesses - mainly stores - often sell one product at a price so low that they actually lose money on it, as a way to entice consumers into the store, where they will hopefully spend even more money purchasing additional, more expensive products.

The American big box retailer Costco has used rotisserie chickens as loss leaders for years—buying a rotisserie chicken from Costco actually *saves* you money when compared to a raw chicken. The brand has continued to sell them for \$4.99 even as inflation has pushed the actual cost upwards. Priceonomics talked with Costco, and found that the chain loses 30 to 40 million dollars a year on the rotisserie chickens.

However, to get to that cheap, cheap chicken, consumers have to walk past rows and rows of other products, sold in bulk.

So next time you're taking advantage of a sale, getting a really inexpensive product, you can think to yourself about the motives behind the sale, and wonder whether actually, it's a way to get you to spend even more money than you otherwise would have.

As for me, I stopped buying Fusion 5 blades. They're really expensive, and I don't see that much difference between razors with 5 blades and razors with three. Rotisserie chickens though, I'll probably keep buying those. The deal might not seem as good, but on the way home from work, nothing beats the convenience of a poulet roti.

I'm Alex Hurst for English Waves, you've been listening to Economag, tune in next time for more economics broken down.