



Cinzano: The company took a risk with the first-ever on-pack scratch-card promotion, but it paid off

Consumers are fickle when it comes to special offers — but careful research helps a campaign succeed.

By David Moore

Consumer participation in sales promotion offers has increased dramatically over the past few years but the reactions of this fickle group are difficult to predict.

So how have sales promotion agencies attempted to solve the problems of the 100,000 Smurf T-shirts that no-one wants or the thousands of disgruntled old ladies waiting for their free sherry?

Two solutions have emerged as the industry has developed: an increase in pre- and post-campaign research and the use of promotional insurance.

Both are designed to protect the client's budget and are used mainly when a free offer is made to the consumer.

With years of experience behind us, we can list the types of merchandise falling into the "tights and tea towel" category, those evergreens of sales promotion that always generate high levels of participation.

Keith Bantick, chairman of Promotional Campaigns, doubts whether there is a piece of merchandise that never fails, "but if the audience is mostly young C1, C2 housewives then, on an fmcc brand, there are 'bankers' which will always work".

Glasswear, kitchen scissors, calculators and the ubiquitous carriage clock fall into this category. Other trade sectors add their own tried and tested favourites. Show me a free offer in the cosmetics industry which is not a bag of some kind.

Sufficient data and past case histories should be available to forecast accurately consumer response to "tights and tea towels" promotions. But how many agencies bother to build a data bank?

Innovative campaigns, which are difficult to research in any situation, present further problems.

Brian Francis, joint chief executive with FKB, created the

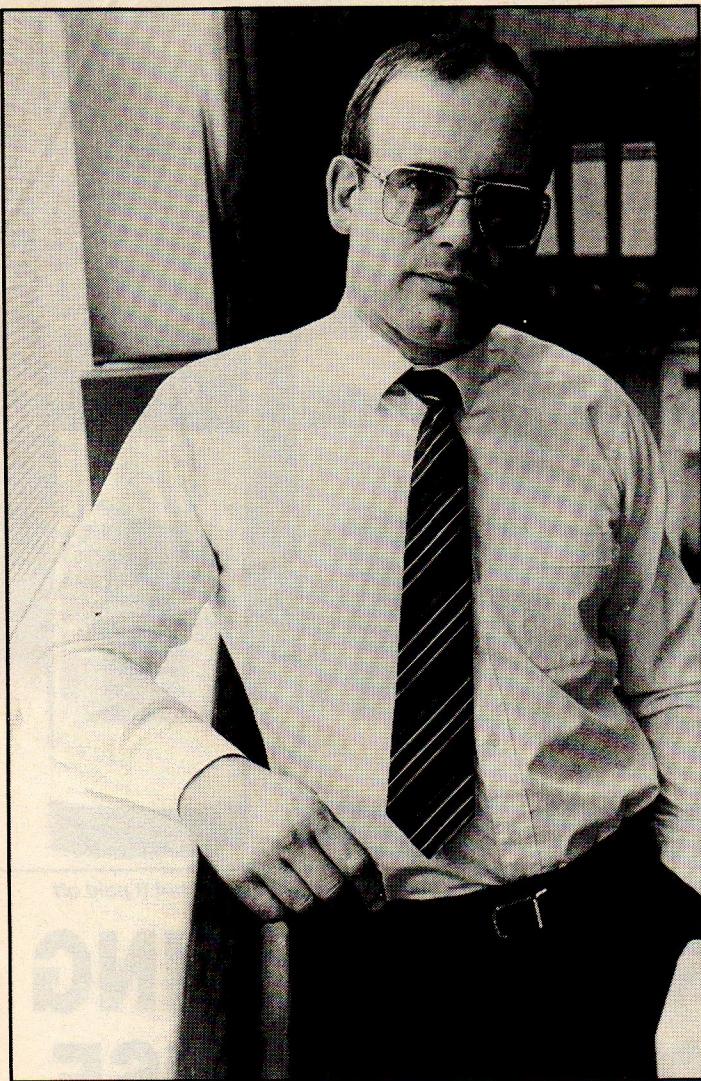
Heineken Telephone Trivial Pursuit where consumers were asked to phone in and play the game.

"In terms of awareness, it was a very effective promotion. But how could we have tested it? The sheer cost of setting it up would have been prohibitive. The only way was to go out and do it," he says.

This suggests that research and testing of sales promotions can sometimes be restrictive in the search for new ideas. There has to be that element of "finger in the air" — or intuition — combined with a client's willingness to take the gamble and allow an environment which, in the Heineken case, produced last year's Grand Prix winner at the ISP awards.

Francis agrees that a lot of emotion is still involved, particularly in the grocery trade.

"A promotion's success is largely determined by how ex-



"At the very early stages of an offer we are able to measure how all these results are likely to turn out"

— Terry McCarthy

cited the sales force and trade are about it. If they support it, it works better."

Questioning the role of research, Francis says it can "prove anything you want it to".

"Experience in business still tells you the right thing to do and that allows for the entrepreneurial spirit. While research is a great aid, experience, judgement and gut feelings are used and no amount of research covers up for that," he says.

The first scratch-card promotion to appear on-pack has been one of the most innovative promotions of the past few years. The game, on the back of a Cinzano bottle label, gave consumers the chance of winning a share of £100,000.

No research was available to test consumer and trade reaction and for security reasons it was impractical to test the promotion. But it proved the most successful ever pre-Christmas promotion run by Cinzano, generating immense

trade support due to the appeal of the new technique.

The best ideals are always copied, but not always with the same success. One carbon copy attempt failed, not because of lack of research, but because the German printer produced a scratch card where consumers could actually read through the latex. The promotion didn't run, but the promotional investment had been made.

"Obviously one can sue but it might take two to three years to get your money back and a

small company may just decide to go bust," says Francis.

So new techniques can bring new pitfalls for the agency.

Heineken's outstanding success with its Telephone Trivial Pursuit led to over-redemption. Interestingly, the promotion was insured.

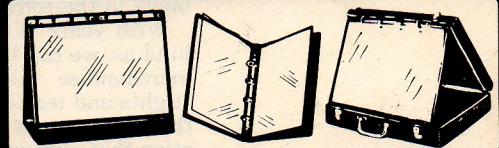
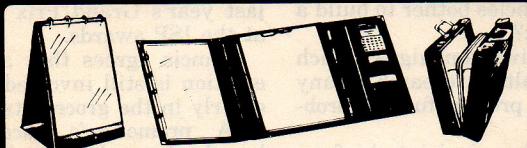
FKB and Promotional Insurance Management Services (PIMS) sat down and examined previous telephone promotions, the brand's previous promotions, plus offers using similar merchandise, but in the end the promotion was the subject of a claim.

Charles O'Reilly, assistant director of PIMS admits "it was hard work and we got it wrong".

"We always make a particular effort to insure new techniques as this is where we can be most supportive and encourage creativity," he says. "But really it is considerably harder because there is little information to work with."

O'Reilly puts the over-

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redemption down to the use of advertising plus the telephone and concludes that such add-ons to simple, free mail-in promotions considerably increase response.

"Any playability in the promotion or device which makes participation easier, such as the telephone, has a marked effect, as does the advertising," he says.

"Promotions aimed at children and advertised on television, for example, show a 50 per cent increase over expected redemption, whereas advertising a promotion to housewives has historically made little difference — perhaps only a ten per cent increase."

As Francis says: "Any agency which does not have promotional indemnity insurance has to be mad."

Not so, says Bantick.

"We don't insure. You can't just take out insurance and say 'we don't have to worry about it'. Insurance is not there as a cover against all the hard work necessary to make sure your estimates for the promotion are right."

Promotional Campaigns relies more heavily on research to ensure its response forecasts are right. This includes all panel data and sales figures available at the briefing plus field research to look at the problem at first hand.

Clients' facts and figures on their previous promotions are combined with 20 years of agency experience.

"We keep meticulous records of response rates to all promotions we run and I think we are in a pretty good position to advise the client on where we would pitch the response level," says Bantick.

He is adamant that gut-reaction is not involved.

"You have to use your experience with that particular product and product group and your experience of other promotions using similar merchandise or similar budgets. Then you can control what is happening by building slippage factors into the device."

Then there are the promotions where no amount of research can highlight the element of the unknown.

Bantick recalls one brand of sherry which offered a free bottle "from the directors". No-one was aware before this of the existence of a hard core of sherry drinkers.

"It appeared there is a group of charming — I am sure —

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little old ladies out there who go through a bottle of sherry in a couple of days. We had considerable over-redemption."

Perhaps — with hindsight — a perfect example for the use of promotional insurance where lack of research made response difficult to predict?

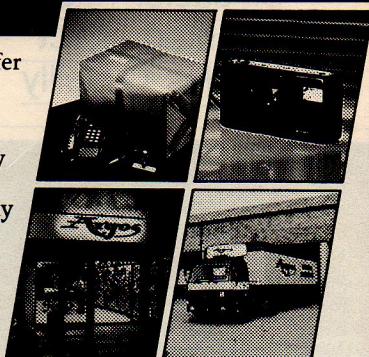
With five years' experience behind him, O'Reilly says he now finds free mail-ins and cash-backs are fairly easy to predict. But ten per cent of



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"Any playability in the promotion which makes participation easier has a marked effect"

— Charles O'Reilly

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insurances are still subject to claim and most of these are 100 per cent claims or double the expected response.

This compares with much lower claims on general insurance and is reflected in promotions premiums soaring to about 15 per cent of the sum insured.

O'Reilly defends the high premiums, pointing out that only the riskier offers are insured — the cases on his books are hardly a cross-section of all promotional activity.

As new devices are tried, and experience with these techniques builds up, so response becomes more predictable and agencies and clients are less likely to insure.

"As a result, the proportion of bread and butter cases to high risk offers is hardly in favour of low premium rates," says O'Reilly.

He also cites the large "but fortunately decreasing" numbers of clients and agencies that maintain poor records on previous promotions or are reluctant to release "confidential" information.

"This can sometimes be reflected in quotations as we can't provide the underwriter with the level of information required," he says.

Proposal forms are far more detailed now but the little boxes are more often filled in by guesswork than by groundwork because of lack of research.

O'Reilly estimates that 70 per cent of the top 50 sales promotion agencies use promotional insurance.

"But clients are very reluctant to admit they use insurance because they like to be seen to be funding every redemption," he says.

It could be argued that agencies share this reluctance if insurance is used as a disguise for a perceived weakness in ability to forecast redemptions.

O'Reilly sees his role as backing up the agency's calculations on response and, at the same time, covering for the unexpected we all know can happen.

He forecasts that these calculations will become easier as more agencies and clients build up their databases.

Just to hedge his bet, O'Reilly's company is currently creating its own database using post-research on both claimed and unclaimed promotions. This will provide information on all aspects of response and means PIMS can check agencies' forecasts.

What it won't allow for is the

innovative technique or the unlikely response. We're still stuck with the quirky reactions of the consumer.

Sourcing companies are also attempting to outguess the consumer, within the bounds of reason, and give agencies projected redemption rates.

Terry McCarthy, managing director of Product Plus, has brought in a specialist research company.

"This is quite a complicated research tool but we have been talking about using it to measure very carefully, at the very early stages of an offer, what the potential results are likely to be," he says.

Graham Green, managing director of LGM believes there should be far more research carried out in sales promotion and less reliance on insurance.

"There is too little research in sales promotion and too much in advertising. We pre-research wherever possible, especially on big consumer deals."

But this is combined with insurance where LGM is doing something "fairly new".

Green believes there is increasing pressure on both agency and client to create innovative campaigns where often a simple cash-back is what the brief requires.

"Agencies are under pressure to come up with something off-the-wall and imaginative to win the business. Brand management is under pressure to make a name for itself by producing outrageous promotions when something very simple and straightforward would do."

Forecasting consumer response is one problem which will never be finally solved. And if the guesswork is ever finally removed from the work, so the need for the creative genius of the sales promotion world will disappear. In other words, we'll all be out of work.

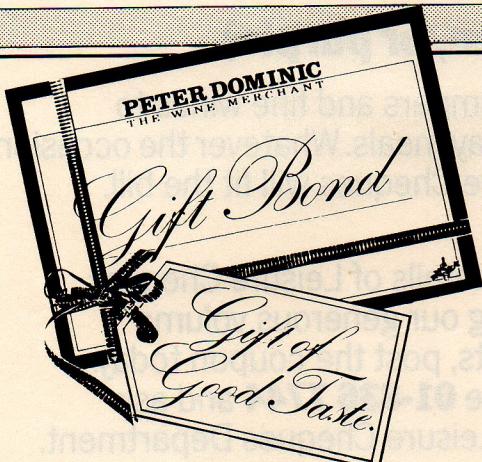
Until that day, efforts to be one step ahead of the consumer appear to demand a greater level of pre- and post-research on all promotions to build a sophisticated database.

But experience can only be translated so far into facts and figures. Computers cannot yet cope with gut feeling and that fine edge of instinct which knows when something will — or will not — work.

We must not allow this need for research to restrict the industry's creative and innovative thinking which has made it the best in the world.



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