

# Consumer Premiums

Types of consumer premiums.

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## ***Developing A Consumer Incentive Strategy***

Consumer incentive programs almost always involve other external marketing tactics, such as advertising (which promotes the offer), in-store or event marketing (where the offer gets delivered), channel-building tactics (to help get buy-in from retailers) and sales incentive programs (to get buy-in from the sales force or distributors). The development of a consumer incentive strategy mirrors that of almost any other incentive program, with one exception: Implementation. Therefore, the details involved with marketing and distributing non-cash awards in conjunction with consumer offers, and working through retailers (who have their own business rules to obey) are different. Program tactics and the elements that apply to them are covered in the following.

## ***Promotional Vehicles In Consumer Promotions***

Consumer premium promotions use merchandise to get buyers to sample, purchase, or remain loyal to a brand or product. Consumers get a value-added offer via one of several promotional vehicles. These include the following:

***In-Pack, On-Pack, Near-Pack.*** Merchandise is packaged in, on or near a brand (used by packaged goods manufacturers).

***Self-Liquidator Or Free Mail-In Offer.*** Consumers can either purchase the item at a low cost (thus the sponsor breaks even) or receive it free by mail as a reward for choosing the brand (used by many top names in consumer products).

***Continuity Or Frequency Program.*** The premium is given to loyal consumers as a reward for repeat business (used heavily by airline companies and hotel chains).

***Gift-With-Purchase.*** An item that prompts people to make or increase purchases at the point of sale (used by fast-food restaurants, telecommunications companies, cosmetics companies and gas stations).

***Sweepstakes, Contests, Games.*** Promotions with prizes that get customer attention and generate increased response (used by Web sites and clothing retailers).

***Other Promotions.*** Among the other types of consumer premium promotions are traffic builders, door openers, direct-mail premiums and online premium promotions.

Creative, well-constructed premium promotions are known for delivering brand-enhancing and sales-building results. An article in *Promo* magazine, entitled “*The Premium as Brand-Builder,*” reads: “If brands are reacquainting themselves with the full promotional arsenal, marketers can’t continue to overlook a workhorse like premiums.”

## ***How Consumer Premium Promotions Generate Results***

Consumer premium promotions can generate results for three reasons:

***Immediacy.*** Many, though not all, premium promotions are instantaneous rewards that provide consumers with immediate gratification.

***Impact.*** A premium is a tangible, long-lasting prize (as opposed to a cash reward that can easily disappear into a wallet).

***Measurability.*** When marketers know their costs, the scope of the promotion and the objectives they want to accomplish, a consumer premium promotion becomes a highly measurable marketing tool.

## ***Historical Perspective***

George Meredith and Robert P. Fried report in their definitive book *Incentives in Marketing & Motivation* that the first formalized consumer premium promotion is credited to Babbitt’s soap. Done in 1851, the promotion sounds cumbersome. Consumers had to save 25 soap wrappers to redeem them for a color lithograph. Today the program would probably be described as a frequency program.

Meredith and Fried noted that premium promotions share a common purpose: The varieties of consumer premium that have grown over

time have all been modifications designed to deliver the consumer benefit and/or differentiation in a way that most surely reaches the desired end—customer satisfaction—for a given marketer in a given climate.

### ***Technology Has Changed The Marketplace***

Consumer premium promotions are proving powerful in today's tech-savvy marketplace. They can stimulate participation in a brand, allowing companies to collect data on loyal customers and ask for permission to market to them. Companies can then tailor future promotions to these consumers, striving to make the relationship interactive.

The premium offer provides marketers with a potent tool to drive traffic to a Web site, and premiums used for Internet promotions provide a tangible reward from cyberspace. Digital premiums, such as screensavers and other downloadable gifts, are coming into their own. For example, technology acted as the intermediary for Procter & Gamble to create one-to-one relationships with users of its Pampers disposable diapers. P&G offered parents a downloadable digital baby book for registering on the company's Web site, and that opened the door for Pampers to start an ongoing e-mail dialogue with parents.

Increasingly, companies are using the Internet to deliver consumer premiums. Also the Internet is providing ways to manage and track a variety of incentive and premium transactions.

### ***Cooperative Promotions***

Many companies are forming beneficial relationships with others for added leverage. Licensed Properties continue to be a hot trend in consumer premium promotions. Sports teams, cartoons and rock groups are getting in on the act.

### ***Calculating The Payoff***

Estimating the cost of doing a consumer premium promotion is complicated, but the potential payoff of a well-executed program is high. Remember to factor in costs for the following. It is important to consider all of these elements carefully. Trial and error can make or break a promotion.

*Premiums.* Developing the item, packaging, displays and collateral materials.

*Distribution.* Logistics of executing the promotion; fulfillment and mailing. Depending on the delivery vehicle, costs may vary widely for getting premiums inside packaging or attached to it. Premium offers that aren't instantaneous require special care. Do not disappoint recipients by failing to ship what they won on time.

*Promotion.* Notifying consumers about the premium offer with a TV, radio or magazine ad or by creating a freestanding newspaper insert (FSI) for a supermarket promotion.

*Tracking And Administration.* Evaluating the promotion. Were sales increases sustained? Companies want to look at brand movement, unit sales, volume, market share, long-term volume and share, as well as consumer/trade satisfaction.

## ***Planning Steps***

Brand managers and other marketers must allow sufficient lead-time to ensure smooth promotion development and operation. The most important step is setting objectives. What's the best vehicle to achieve those objectives? Don't fall in love with a premium: The promotional objectives should drive the premium item, not the other way around.

## ***Other Critical Steps***

- Identifying the target audience
- Reviewing successes and shortcomings of past premium promotions
- Researching competitors' strategies and market conditions
- Determining the budget
- Calling in and choosing experienced professionals to help coordinate, plan and execute the promotion
- Determining tactics and considering logistical concerns
- Generating and reviewing ideas
- Choosing the premium and the delivery method
- Safety testing of the premium
- Calling in the legal department to review the promotion
- Test-marketing and focus groups (if budget allows)
- Evaluating program results and return on investment
- Recording successes and pitfalls