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Live issue: Consumers seek out SP as hard times hit; Survey

As the economy nosedives, shoppers are more likely than ever to buy a brand running a promotion. Jane Bainbridge reports on our exclusive poll.

From retailers to manufacturers, companies are bracing themselves for a period of less lavish spending, during which they will have to fight harder for consumers' disposable income. So, what does the downturn mean for those in the promotional industries - and are promotions more or less likely to hold their own in the marketing mix in the eyes of consumers?

For those of us who have been here before, the answer will come as no surprise: as hard times hit, consumers increasingly look for added value, and nowhere more so than at the point of purchase. This recession shows no sign of being different when it comes to SP, according to exclusive research carried out for P&I by Maximiles.

The survey canvassed the views of more than 1,000 people who responded on the ipoints.co.uk website in October.

More than 85 per cent of respondents said the financial crisis means they will participate more in promotional activity - including on-pack competitions, gift with purchase, prize draws, etc. Of these respondents, 77 per cent are more likely to buy a brand if it is running a promotion.

Unsurprisingly, top of the most-wanted list are freebies. The most popular of these is extra fill (cited by 20 per cent of respondents), followed by money off next purchase (15 per cent) and gift with purchase (14 per cent). Coupons scored highly as a second and third choice of drivers to action, but with escalating food and utility prices, and the subsequent concern over basic expenditure, cash is by far the most powerful incentive, followed by holidays and white goods.

SP aficionados know that price will only take a brand so far. As Millward Brown's research from its brand equity database illustrates, price-based calls to action deliver only limited impact among a small proportion of consumers who are not loyal to brands. And they can damage brands once consumers become accustomed to price slashes.

Misredemption, over-redemption

So far, so good. But the survey findings highlight three main areas of concern for marketers: coupon misredemption; the level of consumer interest in online activity; and the attraction of charity tie-ups.

The issue of misredemption is ongoing. While 91 per cent of people turn to coupons when needed, according to CCB fast.MAP Marketing GAP research, the Institute of Sales Promotion reports a 40 per cent drop in the number of coupons issued annually, from 6.5 billion to four billion (P&I, October 2008). This is due in no small part to misredemption, and the P&I/Maximiles survey offers no hope that more consumers will start playing by the rules: about two-thirds of respondents had in the past two years redeemed a money-off coupon against the wrong brand - and this habit shows no sign of abating.

Clive Mishon, chairman of the Institute of Sales Promotion, says the trade body is working hard to tackle coupon misredemption and thinks the solution is a mixture of behavioural change and technology. 'We've got a plan in place and have stakeholders discussing the issues more. Where there are systematic failures, we'll look at a longer-term plan, but there are no quick fixes to behavioural and ingrained issues,' he says. But he adds: 'There has been an increase in the use of coupons, especially in the past few months, with a greater propensity to use them as meant, rather than simply as free money.'

Jean-Pierre Lincoln, promotional communications director at integrated agency Touch DDB, says it is an invidious situation because retailers are so powerful. 'But if coupons still do a job for the manufacturer and drive enough sales to the brand, they'll do it,' he adds.

For some marketers, however, the level of misredemption revealed by the survey is alarming. Andrew Ovens, group marketing manager at New Covent Garden Soup, is one such marketer, but says the brand must accept misredemption as a fact of life. 'Correctly targeted coupons can be valuable and a useful incentive to purchase a product,' he states.

Multiple entries are also an area of concern to marketers keen to avoid over-redemption and its associated costs. They have good cause to worry: thirty-four per cent of respondents have sent in multiple entries to competitions. Realistically, controlling such behaviour is not an option, and on this Mishon is sanguine. 'If the terms allow it, and the way it is done works, then it is part of the rules of engagement,' he says. 'There are far more issues that have greater impact than multiple entries. The issues people highlight with competitions are more about the distribution of prizes and keeping entrants informed - they concern the transparency of the promotion.'

In the survey, competitions scored relatively low as a device to change purchasing behaviour. Only eight per cent cited it as the biggest reason to participate in a promotion, falling to seven per cent for online competitions.

'Competitions are good to build a brand but they are not a strong mechanic to drive behaviour,' says Lincoln. 'To drive behaviour, you have to have an offer for everyone, and then it's tangible. With competitions, you don't find out if you're a winner for ages, so there's not the same immediacy.'

While online competitions might not be viewed as a big draw by those surveyed, there is no question that the digital calls to action are a priority for marketers engaged in brand building. Even some companies that have taken a while to be won over to this channel are moving in that direction. This year, for instance, Walkers launched its Brit Trip promotion offering customers reduced-price trips to British tourist attractions such as Alton Towers and Butlins.

Online engagement

Not only did this signal Walkers' return to promotional activity after several years of inaction, it was also the first time the brand had used digital in isolation. Katherine Tupper, senior account director at The Big Kick, the agency responsible for the campaign, says: 'Online was the way to go because there were so many offers involved. It was a way to communicate and get consumers to search for them.'

She adds that while a few years ago there were concerns about the extent to which mothers would be involved in online activity, those fears have been allayed. In fact, she says, it was mothers who represented the majority of those setting up accounts for Brit Trip.

The reason online is so popular is its ability to sustain ongoing engagement. 'You only have a few seconds in-store, but online you can keep customers there longer, so it's vital for engagement,' says Tupper. 'About 60 per cent of Brit Trips respondents opted in for ongoing dialogue.'

One of the few options faring worse in the survey than online competitions was cause-related marketing. Fewer than one per cent of respondents named it as their top choice. It seems altruism falls down the pecking order when times are tough. But New Covent Garden Soup regularly partners charities, and its 'Halloween soup' ran a linked promotion to the Bat Conservation Trust.

'We have been involved in charities for a number of years as part of our brand activity. It's a natural thing for us to do, but it's not the be all and end all of our sales activity. It's more about the equity of the brand,' says Ovens. He adds that promotions will become more prominent in the marketing mix as the economic downturn continues.

Mishon concludes: 'Promotions deliver short-term results. They are tactical activity as part of a long-term strategy, and in these times people want to get through this week, this month and so on. Promotions do deliver fast returns and that is why marketers use them now. Companies might have greater emphasis on promotions, but not at the expense of brand equity.'