

Promotional Products

As

Marketing Drivers

Alan D. Fletcher, Ph.D.
Professor
Manship School of Mass Communication
Louisiana State University
Baton Rouge, Louisiana

Richard G. Ebel
Principal
Glenrich Business Studies
Corvallis, Oregon

A two-part lesson plan for incorporating promotional products into a comprehensive introductory course in advertising, public relations or integrated marketing communication

Promotional Products Association International
3125 Skyway Circle North
Irving, Texas 75038-3526
<http://www.ppa.org/>

Table of Contents

Introduction	3
Notes To The Professor	5
Objectives	6
Getting Ready	7
Assignment: Analysis Of Advertising	9
Lecture Outline, Part I	10
Lecture Outline, Part II	21
Assignment: Business-To-Business Program	32
Instructor's Notes	33
Assignment: Promotional Products As Incentives	34
Instructor's Notes	35
Assignment: Cross-Promotion	36
Instructor's Notes	37
Assignment: Customer Development	38
Instructor's Notes	39
Major Case History: Abita Springs Water Company, Inc.	40
Instructor's Notes	46

Promotional Products as Marketing Drivers

Introduction

The purpose of this lesson outline is to fill a void in many advertising, marketing and public relations curricula. Despite the fact that the promotional products medium has been around a lot longer than many other types of media, it tends to get minimal attention in the classroom. The irony is that marketers spent \$18.8 billion in 2006 on promotional products, a figure that places it high in the rankings of media expenditures.

Since many of your students will ultimately be responsible for advertising and promotion budgets, you may want to help them investigate the potential of promotional products so they can make better informed media selection and budget decisions when the time comes.

This lesson outline contains the following components:

- A lecture outline designed for a two-day unit on promotional products
- Four short cases, based on successful promotional products campaigns
- One introductory outside assignment
- Twelve examples describing applications and tactics related to promotional products
- A comprehensive case study examining an Abita Springs Water Company, Inc. bottled water promotion
- An outside assignment based on the Abita Springs study

We hope the contents of this lesson plan will encourage and facilitate teaching an important marketing method. We are convinced it is compatible with what must certainly be your aspiration—preparing students well by providing them with comprehensive instruction in advertising and marketing.

Alan D. Fletcher, Ph.D.
Professor
Manship School of Mass Communication
Louisiana State University
Baton Rouge, Louisiana

Richard G. Ebel
Principal
Glenrich Business Studies
Corvallis, Oregon

Notes To The Professor

For classroom support in teaching advertising, public relations or marketing, please feel free to use these materials. You may wish to make photocopies to distribute to your students or use the material as lecture notes.

If you have any questions or suggestions, please contact the Promotional Products Association International public relations department at 972-258-3041 or pr@ppa.org.

Objectives

At the completion of this two-part unit, your students will have become knowledgeable about the many ways they are likely to encounter promotional products in an advertising, marketing or public relations career.

Part I

- What promotional products are; a taxonomy of principal categories
- A ranking of product categories by popularity
- The effects of promotional products on marketing programs
- Examples of typical applications of promotional products

Part II

- How the industry is organized, including a description of its components
- The levels of complexity in planning and executing a promotion
- The role of creativity, overlays and tactics
- The future of the industry, including problems and opportunities
- How to incorporate promotional products effectively into an integrated marketing communications program. The instruction tool is an actual case.

Getting Ready: One class meeting before your discussion of promotional products...

Most students have not had much reason to think of promotional products. If they have, they may have thought of promotional products as an “extra little something” that a company uses to promote itself or its products.

To increase students’ awareness of promotional products, it is useful to make an introductory assignment such as one of these:

- (For minor credit) Assign students to write a brief paper such as the one suggested on the following page. It will demonstrate the ubiquity of promotional products and give them some sensitivity to effective use of promotional products.
- (For no credit) If you want only a brief opening discussion of promotional products, ask students to bring to class a promotional product they have received recently or a long time ago. Ask them to try to bring something unusual rather than a ballpoint pen. It may be a coffee mug their parent received as an award at work. It may be a t-shirt they received at a grand opening. The more unusual, the better. This discussion will demonstrate to your students the variety of applications of promotional products.

If you use either of these assignments, you may want to preface it with a brief discussion of what promotional products are. Here is a definition that should suffice:

Promotional products are useful or decorative articles of merchandise, sometimes imprinted with an organization’s name, message or logo, that are used as advertising, sales promotion and motivational communications media.

Promotional products are used in marketing, advertising and public relations programs. Many products can be used as specialty advertising items, premiums, business gifts, prizes or awards.

Assignment: Analysis Of Advertising
Due: Next class meeting

The purpose of this assignment is to give you experience in analyzing the appropriateness of using various media in an advertising campaign.

In most discussions of advertising, emphasis is on the major media—television, radio, magazines and newspapers. We don't often spend much time on other media.

So in this assignment, we will look at one of the less-discussed media, promotional products, and a subset, advertising specialties. An advertising specialty is usually imprinted with an advertiser's message or logo, and it is given without any conditions, such as requiring the recipient to make a purchase.

For this assignment, you will need to find an advertising specialty product you have received within the last year or so. If you have not received such an item, you may use one your roommate or a family member has received. Be sure to review your class notes so you are knowledgeable about these items.

1. First, identify the item you are using for your analysis. What is it? What company gave it to you?
2. Can you surmise the objective management had in mind while selecting the item to give to customers or other persons? Please explain.
3. To what extent do you believe the item is appropriate for the company to use in its promotional program? Please explain.
4. What does the item convey about the image of the company that gave it to you? Please explain.

Lecture Outline

(First of two class meetings)

- I. Introduction
Review Definition

Promotional products are useful or decorative articles of merchandise, often imprinted with an advertiser's name, logo and/or message, and often given free to recipients in hopes of influencing them. These articles are used as advertising, sales promotion and public relations and also have non-marketing applications.

- A. Categories of promotional products. Most promotional products fall into the following categories:
 1. Specialty advertising. These articles are almost always imprinted with the sponsor's identification or message, and they are issued free to the targeted audience. Common uses are to reinforce brand awareness; introduce new products, services, facilities; facilitate other media; or serve as a reminder, like a wall calendar, of the advertiser when the audience has a need to buy.
 2. Premiums. These articles may or may not carry the sponsor's imprint. Unlike advertising specialties, they are not given away free. That's because they are incentives for the audience to do something—make a purchase or donation, sign up for a program, open a checking account, answer a survey or test drive an automobile. Among the most popular types of premiums are these:
 - a) Self-liquidators. Recipients earn the premium merchandise by paying for it and often by submitting proof of purchase. The price of the premium is usually far below retail but sufficient to cover the sponsor's cost.

- b) Direct premiums. The recipient acquires the premium at no charge in return for making a purchase. Often the premium is part of the packaging of the purchased product and is variously described as an on-pack or in-pack premium.
 - c) Dealer incentives. These are items of merchandise that dealers or retailers can earn by purchasing the manufacturer's products in specified quantities. Not to be confused with dealer premiums or programs that are offered to dealers for meeting specific sales or performance standards.
 - d) Continuity premiums. Generally self-liquidators, these premiums are usually related items offered over a period of several weeks. Tableware and sets of encyclopedias are examples.
 - e) Referral premiums. Merchandise awarded to customers in return for facilitating a sale by recommending or putting in a good word with friends or associates.
3. Business or executive gifts. For higher value customers, a company may give gifts for special occasions such as holidays, birthdays and anniversaries. This category also includes gift certificates. Because the items are likely to be more expensive and estimable than typical advertising specialties, the sponsor's identification is often omitted or limited to a subtly displayed logo. However, the items will be accompanied by a card that leaves no doubt as to who the giver is.
4. Prize and award incentives. Merchandise prizes, imprinted or unimprinted, are motivators used in conjunction with drawings and sweepstakes. Awards in the form of plaques, trophies, certificates or useful merchandise are issued to recognize achievement in meeting or exceeding performance standards. They are a staple in employee motivation programs.

5. Commemoratives. Often used in a marketing context to capitalize on anniversaries or milestones, commemoratives are typically historical replicas or depictions of organizations or their products.

B. Applications. Promotional products are used to attain a myriad of marketing and non-marketing objectives. As we shall see in Section III, a number of these are beyond the practical reach of mass media. In 2005, promotional consultants were surveyed to obtain information about purchasing in 30 customer industries. The study, underwritten by PPAI, revealed the most popular uses of promotional products, in rank order, were:

1. Business gifts
2. Tradeshows
3. Brand awareness
4. Employee relations and events
5. Public relations
6. Dealer/distributor programs
7. New customer/account generation
8. New product/service introduction
9. Employee service awards
10. Not-for-profit programs

Pre-Class Assignment

If you gave your students the suggested outside assignment, this may be a convenient point to refer to it. Ask your students to describe the promotional items they have received.

Are any of the items unusual?

Have any of the items been useful to the student?

Without looking first, do they recall the identity of the sponsor?

Do the students recognize the purpose for which the promotional products were issued to them?

To what degree do the students believe the items accomplished that purpose?

C. What items are used as promotional products? And how many types are there? The answer to the latter is, nobody really knows. Examination of suppliers' catalogs indicate the number would be in the tens of thousands. But many items popping up in promotions are not found in the catalogs of industry suppliers.

During the past 20 years, the most popular category of items—in terms of sales—is wearables. These include t-shirts, jackets, polo shirts, warm-up suits, baseball caps, neckwear, wrist bands and uniforms. Most of these items are pretty conventional. But you also have such things as beach sandals, debossed on the sole with an advertiser's logo so it appears on every footstep in the sand.

Product Category	2005 Market Share
Wearables	29.2%
Writing instruments: pens, pencils, markers	10.4%
Calendars	7.2%
Glassware/ceramics (mugs, crystal, china, figurines)	6.2%
Bags (totes, shopping, cosmetics etc.)	6.0%
Desk/office/business accessories	6.0%
Recognition/awards/trophies	4.5%
Other unspecified	2.7%
Textiles (flags, towels, umbrellas, pennants etc.)	2.6%
Sporting goods, leisure products, travel accessories	2.4%
Magnets	2.4%
Housewares/tools	2.4%
Computer products (software, mouse pads etc.)	2.3%
Automotive accessories	2.3%
Clocks/watches	2.2%
Buttons/badges/ribbons/stickers/magnets	2.1%
Stickers/Decals	2.0%
Electronic devices/accessories	1.9%
Games/toys/playing cards/inflatables	1.8%

Food gifts	1.7%
Personal/pocket-purse products	1.6%

II. What Impact Do Promotion Products Have On Target Audiences?

Since marketers spend more than \$18.8 billion a year on promotional products, presumably they expect to get something for it. For over the past 20 years, PPAI has attempted to quantify, through independent studies, what reasonably can be expected from either campaigns or distribution of promotional products.

The industry has long claimed that, because promotional products are useful, recipients will keep them. Unlike the fleeting impressions of most other media, the longevity of promotional products' usage guarantees long-term exposure to the message, particularly in the case of imprinted advertising specialties.

Using an intercept methodology, researchers for PPAI put this claim to the test. Interviews with 403 business persons who had received at least one promotional product within the previous six months revealed:

Behavior	Response
Recipients using promotional products daily	31%
Recipients using promotional products at least weekly	24%
Able to recall sponsor's name/message	68%
Noticed name/message when using promotional products	69%

Another claim made by the industry is that the giving of a promotional product is likely to enhance an advertiser's standing in the mind of the recipient. Researchers in the aforementioned study found that 56 percent of the subjects had a favorable impression of the advertiser before receiving a promotional product, 71 percent did after receiving an item.

This finding prompts a number of questions. For example, what effect, if any, does the perceived value of the gift have on how the recipient views the giver? Do impressions become more favorable as the cost goes up? Also, can a promotional product have a negative impact? Most people in the industry recognize that a poor quality item is likely to create an impression opposite of what the advertiser desires. In any event, PPAI continues to explore questions such as these through new or replication research.

The Association has also commissioned experimental studies to determine the behavioral impact of promotional products.

A study by the marketing faculty of Baylor University compared the response rates of direct mail using different stimuli, including a dimensional, or “impact mail,” advertising specialty.

Treatment	Response
Sales letter alone	1.9%
Sales letter plus advertising specialty	2.1%
Sales letter plus dimensional advertising specialty	3.3%

Additional research indicates that offering an incentive to respond works well in direct mail.

Treatment	Response
Sales letter alone	1.8%
Sales letter plus advertising specialty	2.7%
Sales letter plus offer of premium incentive for response	7.3%

An experiment by Southern Methodist University advertising faculty on behalf of PPAI was designed to measure customer loyalty in terms of purchasing behavior. New customers of a dry cleaning establishment serving two locations were divided into three test groups. One group received three advertising specialties during a period of eight months. Another group received a discount of similar value, and the control group received only a welcome letter.

Active Purchasers During Eight-Month Period

Received advertising specialties	12.8%
Received discount	8.6%
Received only a welcome letter	7.3%

Average Spending By Group

Received advertising specialties	\$218.95
Received discount	\$172.85
Received only a welcome letter	\$ 91.73

Return On Promotional Investment

Received advertising specialties	\$19,068
Received discount	\$15,898
Received only welcome letter	\$ 8,548

Additional information about these and other studies may be obtained from PPAI.

III. Typical Promotional Products Applications

Promotional products are often used to accomplish objectives similar to those that mass media address. The difference, of course, is that promotional products are best suited for reaching and influencing narrowly defined audiences.

Also, there are other aspects of the selling process—ones that are not likely to be resolved by an otherwise successful media blitz—which can be addressed by promotional products. Some typical situations:

- The advertiser's sales force wasn't sufficiently motivated or didn't understand and couldn't explain the features of the advertised product.
- Non-marketing employees were not mobilized to support the sales force.
- Consumers saw the ad, regarded the product favorably but didn't like the price.

- Offering a large selection of products, including your competitors', makes dealers and retailers see no reason to go the extra mile to push yours.

These are among the many challenges to be met before the cash register rings or the sale is closed. Following are some examples of how promotional products can lend a hand:

- A 1. Introduce new products, services, facilities
- A 2. Secure appointments for salespeople

Example: A company seeks appointments to introduce its new home maintenance service to owners of beach-front vacation homes. Since the company's name is SHIP Inc., a nautical-theme direct mail piece is created. Mailed to a target audience of 100 homeowners is a custom-designed cardboard box with the company's logo. Inside the box, homeowners find a color photograph of their home, a brochure explaining the new service, a nautical compass and a whistle key fob. Certainly a memorable mailing, it paves the way for the sales staff to call homeowners and set up appointments. At the ensuing visits, the sales force presents homeowners with a logo-imprinted beverage set—a carafe and four cups. Eighteen percent of the targeted homeowners contract for the service.

- B. Motivate dealers and retailers.

Example: The Nylon Products Division of Honeywell mails information about its new, self-paced CD-ROM training program to 5,000 salespeople of carpet retailers and includes a request postcard. Management knows the idea of spending time watching a CD-ROM and participating in a vendor's training program isn't likely to appeal to many salespeople. Worse, the training program is to conclude with a test! Certainly an incentive is required. Salespeople who score 80 percent or higher on the exam are promised a selection of merchandise rewards, ranging from a sports watch to a Vivitar Point-and-Shoot camera. Honeywell exceeds its goal for CD-ROM requests by 40 percent.

Example: Point-of-sale displays are to be used to introduce a new product, Frozen Coca Cola, at Burger King restaurants. Marketing management recognizes the problem of getting the cooperation of store managers, since participation involving display kits is said to be about 2 percent. Therefore, the kits shipped to the stores contain a camera with graphics depicting the promoted beverage. BK managers are encouraged to pose at the drive-through with their newly displayed POS materials and have their picture taken. By submitting the photo, the managers verify use of the display and qualify for a drawing for a cash reward. The program generates a 20-percent response.

C. Enlist non-sales employees in marketing support

Example: Recognizing that non-sales employees, with their various contacts, could be a valuable source for new-business referrals, Waste Management Inc. launches a program to convert this unused asset into a revenue generator. Employees are encouraged to enhance their knowledge of the company's services by viewing a training video and being tested on what they have learned. A passing grade is rewarded with a pen and duffel bag with the corporate logo. The promotion's "You Make the Call" theme is played out as employees earn merchandise awards by reporting qualified leads by phone, fax or online. Each month five names are drawn; the winners receive a leather jacket with the logo of a sports team of their choice.

D. Facilitate other media

Example: Nine hundred decision-makers in the ocean-shipping industry are targeted by Norton Lilly in a promotion to drive them to the shipping agency's website. They receive a series of mailings in patriotic red-white-and-blue graphics symbolic of a company that is one of the few American-owned firms in the industry. Packed in boxes resembling miniature shipping containers are a sound card (with fireworks graphics headlined "Bursting Onto the Scene"), a mouse pad silk-screened with the web address and a thermochromic coffee mug. When the mug is filled with hot liquid, promotional copy appears. The promotion has an impact. Within a month, the website receives 120,000 hits.

E. Neutralize a price increase

Example: The food and beverage division of a National Football League team wonders how it can increase the price of 32-ounce soft drinks at sporting events without provoking the fans to balk. To marketing management, the obvious answer is to provide added value. The decision agreed upon is to make the plastic 32-ounce cups take-home collectibles so they become as important to the fans as the soft drink itself. Each of three cups features a star player of the Carolina Panthers. Their images appear in lenticular graphics which depict action initiated by the motion of the cups being used. The quarterback is seen throwing a pass, the linebacker making a tackle and the kicker booting a field goal. Sales of the first cup serving increase 70 percent above the norm and continue with the other cups in the series. And since so many of the cups are now being taken home, there is a reduction in after-game clean-up.

F. Facilitate behavioral change

Example: Operators of a university bookstore find that their profitability is being adversely effected by faculty and textbook selectors who are slow in announcing their book adoptions for the school year. To motivate the educators to conform to the deadlines, the operators decide on a travel incentive. A textbook adoption packet is created. Inserted in it is a passport wallet with a brochure describing the vacation offer and how to qualify. Romancing the vacation theme, bookstore personnel wearing sunglasses and Hawaiian-theme T-shirts hand-deliver the packets, along with helium balloons, to the target audience. On the first day of the textbook buy-back, the 65-percent norm for adoption rises to 95 percent.

G. Boost survey response rates

Example: Administrators of a Georgia hospital hope to build a database to which they can target mailings promoting the hospital's maternity center. To gain information, 5,000 randomly selected women of child-bearing age are mailed a questionnaire. Given the national trend to drastically diminishing response rates to mail

surveys, the administrators realize the women will have to be motivated to respond. Therefore, the questionnaire is accompanied by a logo-imprinted phone card. The targeted women are told their response will activate the card for 10 free minutes of long-distance calling. Not only that, but they will qualify for a drawing to earn 1,000 free minutes. Stimulated by promotion, the survey produces a 10-percent response rate.

Part II

(Second of two class meetings)

I. How The Promotional Products Industry Is Organized

A. Suppliers. These firms produce or provide promotional products. Most are manufacturers, but a sizable number are simply assemblers and importers. There are approximately 3,500 firms identified as suppliers to the industry. The majority are smaller companies that are unknown outside of the industry. Others have a strong retail and brand presence, such as A.T. Cross, 3M, Zippo, Rand McNally, Fruit of the Loom, Sony, and Bulova to name a few.

Some other characteristics of suppliers:

1. Channel. Suppliers' primary channel for marketing promotional products is independent promotional consultants. To expose their products and product lines to promotional consultants, they exhibit at tradeshow, stage private "traveling" tabletop exhibits, publish and distribute catalogs. They often employ field representatives as an interface with promotional consultants.
2. Direct sales. Some suppliers sell directly to end users (marketers), particularly when large orders are involved. This is a calculated risk since it puts suppliers in competition with their promotional consultants who view this practice as a betrayal of loyalty.
3. Line names. Suppliers generally drop-ship orders to end users, and these shipments are identified with the supplier's line name or the distributor's mailing label. Line names are used to mask the supplier's identity, thus preventing end users from seeking to circumvent the distributor and buy direct.

4. Imprinting. Virtually all suppliers have the capability to imprint an advertiser's name, logo or message on their products. Typical imprinting processes are offset printing, hot stamping, silk screening, embroidery, laser engraving, die striking and die casting.
 5. Open versus restricted lines. A majority of suppliers have open sales policies, which is to say they will accept orders from credit-worthy distributors. Others have restricted lines, selling only to selected promotional consultants, based on sales volume or geographic territory. For example, A.T. Cross has a restricted sales policy. Suppose a distributor not carrying that line has a client who insists on ordering Cross pens. What does the distributor do? Probably buy the pens from a Cross-franchised distributor and live with a greatly reduced mark-up.
- B. Promotional consultants. Some 20,000 firms in the U.S. operate as distributors (also referred to as promotional consultants) of promotional products. Promotional consultants—at least those who hope for repeat business—understand that their allegiance is to their clients, the end-user advertisers. Furthermore, many promotional consultants are bona fide sales promotion and marketing services agencies, dealing also in sweepstakes, point-of-purchase and similar promotion media. Many promotional consultants maintain showrooms where clients can view merchandise samples.

Some other characteristics of promotional consultants:

1. Small businesses. The vast majority of distributor firms are small businesses—with almost two thirds having gross sales of under \$500,000. With few exceptions, even the largest promotional consultants that have sales branches in all 50 states are privately held companies.
2. Types of promotional consultants. Promotional consultants are classified by sales and service capabilities. Many imaginative descriptors have been coined for a distributor

taxonomy, but basically it comes down to two that also apply to many other industries:

- a) Transactional. Typically, these promotional consultants make the sale, place the order and see that it is delivered—normally an uncomplicated transaction. Since they provide no other service, they often rely on low margins to compete.
- b) Consultative. Solutions-oriented, the consultative distributor works with the client to find the best way to address marketing objectives with promotional products. With the client, and possibly with its ad agency, these promotional consultants help develop strategies and execute promotions. Often they are called on to handle fulfillment in programs involving substantial SKUs.

Whether the promotional consultant is transactional or consultative, the principal and the salesperson must be knowledgeable of the supplier's imprinting processes as they may apply to clients' orders.

- C. Cyberspace sellers. Before the dot.com implosion in 2001-2002, a number of online promotional consultants were established with the expectation that soon they would be a major, if not dominant, channel for promotional products. This has not come to pass. However, most brick-and-mortar promotional consultants have adopted an internet sales capability. It is used primarily as an "order taker" conduit, freeing up salespeople for accounts requiring more face-to-face communication.
- D. End users (or buyers). This group comprises the promotional consultants' customers. A subset includes advertising and public relations agencies.
- E. Trade support organizations. The industry has one national membership trade association—Promotional Products Association International (PPAI). This not-for-profit organization is somewhat of a rarity in that its 7,500 member companies

include both the manufacturing (supplier) and distribution (promotional consultant) components of the industry. PPAI offers education, tradeshow, business products and services, mentoring, technology and legislative support to its global members.

There are also about 28 independent regional associations.

II. Promotional Products' Use: Levels Of Complexity And Planning

From concept to publication, an advertisement typically makes the rounds within an ad agency—visiting the account team, the creative department and the media-buying staff, all of whom have their fingerprints on what the viewer or reader ultimately sees. Before a typical print ad is placed, a number of questions will have been asked and answered: How much money is there to spend? To what audience shall we direct our ad? Which vehicles—*Parade, USA Today, Newsweek, and so on*—will give us the best exposure to this audience? How many ads should we place? And what should our ad say?

Similar questions may arise before executing a promotional products application. It depends on the complexity of the program.

- A. Passive distribution. Not complex at all. An example is a tray of imprinted matchbooks placed at a store's cash register. The matchbooks are for the taking by anyone who wants them, presumably a customer of the establishment.

Company stores, a lucrative business for many promotional consultants, are another example. These are retail operations of client companies, often located on premises, where employees may purchase merchandise with the corporate logo.

- B. Goal-oriented promotion. Although a typical promotional consultantship may not have all of the departments that an ad agency has, the person in charge of the promotion will need to address the same questions—and perhaps more—that are considered in a mass media campaign.

1. Objective. What are we to accomplish with this promotion?
2. Budget. How much money do we have to work with?
3. Target audience. Who—and how many—are we trying to reach and influence?
4. Product selection. What items best fit the audience, the objective and the budget?
5. Delivery. How are we going to distribute the promotional items to the target audience? By mail? Personal delivery on sales calls? Through a third-party? On-premises display or on-product (e.g., an in-pack or on-pack premium)?
6. Copy. What will the message, slogan or logo be? Will we use collateral material to supplement?
7. Theme. What words, graphics or atmosphere can we use to tie all elements together and give the promotion cohesiveness and memorability?
8. Results. What measurement do we use to ascertain what our promotion accomplished?

III. Creativity And Overlays

When it comes to execution, the degree of complexity of a promotional products communication or motivation effort will vary. In passive distribution, the distributor's challenge may be no more than seeing that the imprint is in register. In a premium promotion, the challenge is in selecting products that appeal to the target audience; failure to do so usually leaves the advertiser with a warehouse full of unwanted merchandise. In other goal-oriented promotions, the distributor's imagination is tested, which is why so many industry events feature instruction on "thinking outside of the box."

Cleverly designed mass media campaigns are expected to make their point quickly and forcefully. There is no permanence in a 30-second spot.

Permanence is not a problem with promotional products. Being physical objects, they can certainly transmit a message and ensure a long shelf life. But the message had better be a short one, because there isn't much room for copy on the barrel of a ballpoint pen. For this reason, the dispensing of promotional products is often

dramatized or presented with bait. Two elements are often employed by promotional consultants:

- A. Overlays. *Promo* magazine defines a promotional overlay as “an extra aspect of an event, designed to make it more unique/interesting.” Often this calls for interaction with the target audience. An example is the Frozen Coca Cola promotion described earlier. Burger King store managers were given a camera and asked to prove, through a snapshot, they were displaying the POS materials.

- B. Tactics. Here the promotional consultant asks, What will the audience respond to? Gratification? A need to satisfy curiosity? A recommendation from a respected authority?

Typical of the tactics employed by promotional is *contingent fulfillment*. An example: The marketer issues a glove to the targeted prospect. Getting the other glove that makes a usable pair is contingent on the prospect responding in the desired manner.

Some other examples of tactics used with promotional products:

1. Compare for superiority

Example: Many mass-media users embrace comparative advertising. But nothing surpasses tangible objects such as promotional products for displaying—without commentary—competing assets to be judged. A manufacturer of bolts used on telephone poles decides to show prospective buyers how its brand is superior. After subjecting its bolt and a competitor’s sample to 30 days of weathering, Thomas & Betts has a bolt that looks as if it is fresh off the assembly line while the competitor’s product has corroded. The two bolts are embedded in a Lucite paperweight for presentation by salespeople calling on prospects. So stark is the side-by-side contrast that additional convincing is not necessary. The payoff for Thomas & Betts is millions of dollars in new business.

2. Arouse curiosity

Example: After identifying 2,000 prospects for construction loans, a bank in California figures out a way to secure more appointments for its loan officers. The target audience is mailed a two- by six-inch block of unvarnished wood with a hole drilled in the corner. There is no explanation other than the imprinted bank logo and message, “Wouldn’t it be nice to build a framework of real solutions with a construction-lending professional?” As expected, prospects are curious and willing to schedule a sales call, if only to find out what the nondescript scrap of lumber is for. Actually, it is the base to anchor the wooden desk pen that loan officers present when they call.

3. Influence influentials

Example: A non-profit organ donation and procurement agency in Arizona establishes a donor registry and hopes to get the word out. A common approach, particularly among non-profits, is to enlist the support of influentials, in this case, the media channels—TV, radio and newspaper. Each week during April, National Donate Life Month, a series of promotional products are mailed or hand-delivered to 250 editors and program announcers. Accompanied by articles extolling life-saving organ donations, the promotional items carry pertinent messages. A ballpoint pen displays rotating factoids on saving lives and the number of people waiting for organ transplants. The items include the number for prospective donors to register online. The final item is a desk bell. It has a sound chip of a cheering crowd, an appropriate thank-you to the media contacts for helping disseminate an important public service story.

4. Complete the chain

Example: Described sometimes as the *grand tour*, this treasure-hunt tactic can be an effective incentive to respond to all cues. At an industry tradeshow, 26 exhibitors of Wools of New Zealand products vie with 1,500 competing booths for the attention of carpet retailers. On their arrival, the retailers receive a map of participating exhibitors’ locations. At each booth shown on the map, they are issued a card with graphics made popular during the Pokemon craze. Collecting cards at 15 of the 26 promoted booths, retailers can redeem them for

a plush-toy lamb and qualify for an onsite drawing. Prizes range from portable CD players to sets of golf clubs.

IV. The Future Of The Promotional Products Industry

The industry entered the 21st Century on a roll. During the preceding decade, its distributor population enjoyed a string of double-digit sales increases that surpassed most other media.

Negative audience reaction that threatens some other advertising and marketing formats (TiVO erasures of TV commercials and do-not-call bans against telemarketers are examples) does not seem to be an issue for promotional products firms. Actually, audiences tend to favor the inobtrusive characteristics of the medium and, in the case of specialty advertising, getting something for free has seldom been a turnoff for anyone.

The industry has encountered—and continues to do so—a number of issues that will work to its benefit or disadvantage. Some of them are:

- A. Image. Research indicates that marketers, including ad agencies, have an ambivalent view of promotional consultants. On the one hand, many of them dismiss promotional consultants in general as either unprofessional or unsuited to meeting their needs. Yet they express respect for the ones with whom they work. Although the industry's image problem persists, buyer perception of promotional consultants and the usefulness of promotional products has improved significantly in recent years. Much of this progress must be attributed to the widely accepted education program, sponsored by PPAI and leading to professional certification.

Also related to image is the influence of ad agencies on what media is used in an integrated marketing campaign. This has long been a concern to promotional consultants, given the agencies' customary aloofness to the so-called "below the line" media. Today, many promotional consultants wonder if that

really matters. They tend to deal directly with the appropriate client department, whether it be public relations, purchasing or human resources; the most frequent source of orders is the marketing department.

- B. Accountability and performance measurements. Like other media, the promotional products industry would do well to address marketers' growing insistence on accountability. The ability to meet this challenge will probably determine the role of promotional merchandise in an integrated marketing communications campaign. Will it be recognized as an indispensable component or an ancillary decoration?

Some unscientific proprietary research has attempted to show that an imprinted coffee mug, calendar or something else is likely to produce an estimated X number of impressions everyday. Few would take this as a serious substitute for the GRPs of broadcast media.

For many promotional products applications, it would be extremely difficult to develop an acceptable standard of measurement. How does one quantify, for example, the degree of customer goodwill generated through promotional products?

On the other hand, some applications of promotional products offer the same precision to gauge impact as direct mail. That's because promotional products, like direct mail, are mostly used as targeted media. Moreover, tracing sales and calculating ROI on an incentive offer is not a difficult task.

Then there is the quest to compare promotional products' effectiveness versus mass media. That is likely to be a fruitless pursuit. Alluding to this issue, a former American Marketing Association president had the right answer: "You can't compare the performance of a quarterback with that of a wide receiver. They have different jobs."

- C. Promotional consultants' role in verifying results. The average dollar order in a promotional products sale does not justify the cost of measuring the audience response. Only the larger

orders have the necessary profitability—and repeat business at stake—to make methodical examination of results practical. And usually this is done by the client. As buyers become increasingly pressed to justify their media choices, will promotional consultants be required to play a larger role in acquiring evidence to support their clients' decisions?

D. Competition from current and new media. The two main roles of promotional products—as lingering message carriers and as incentives—are always subject to challenge.

1. Travel incentives, for example, compete with merchandise incentives as a means of pushing the sales force to meet and surpass contest quotas. There is a lot of motivational punch to be said for an award cruise on the Queen Mary 2.
2. Online communication has been a valuable marketing, artwork-transfer and order-processing tool for the industry. But will customers see e-mail as an inexpensive alternative to some of their current applications for promotional products?

E. Technology. Both promotional consultants and suppliers have greatly benefited from technological innovation. So many processes are now being done faster and cheaper. Only a few years ago, the elapsed time between receipt of an order and delivery—typically two to four weeks—precluded the use of promotional products in situations requiring immediacy. New production processes, including digital printing, now assure quick turnarounds and minimize that concern.

F. Specialization. Unlike ad agencies, which are usually unable to represent competing brands because of perceived conflict of interest, promotional consultants have far more latitude in their client list. Actually, many promotional consultants specialize in banks, pharmaceuticals and other specific industries. Consequently, their account personnel are as knowledgeable about the businesses as their clients.

- G. Franchising. Love selling and client contact, hate the paperwork. This ambivalence, along with the ability to achieve some economies of scale, has fueled the movement of a sizable portion of the distributor population to franchise operations. While retaining their independence, many primarily small promotional consultants have affiliated with franchisors that provide them with administrative services, working capital to pay suppliers and volume buying power. As franchisees, many believe their companies can stay competitive with larger firms. All for a fee, of course.
- H. Running against the grain. As recent recessions have shown, promotional products firms are as vulnerable to business downturns as those in other media. But a depressed customer industry does not necessarily become a prospecting wasteland for promotional consultants. Education in 2003 became the No. 1 customer industry for promotional products distributors despite the fact that school boards everywhere were meeting revenue shortfalls with budget cuts. Therefore, what couldn't be provided by taxes—band instruments, art supplies, etc.—was obtained by widespread parent and booster fundraising activities, many of which were stimulated by promotional products.

Assignment: Business-to-Business Program

Due: This time next week

Name _____

The purpose of this assignment is to give you experience in using promotional products in a business-to-business program to segmented audiences. The company is Cemstone Products Company, a producer of concrete. Cemstone has invested in a “liquid color” batching system that allows it to turn normal grey concrete into a rainbow of colors. This concrete is used extensively in sidewalks, commercial buildings and residential patios.

You are a newly hired representative of a local promotional products distributor. Your task is to introduce the liquid-color system and pave the way for presentations by salespeople. This is to be done through one or more direct mailings to the company’s A List—350 key customers—and to 1,500 others who have done business with Cemstone during the past five years. The budget is \$15,000 for promotional products.

In your two or three page (plus any illustrations) report, please address these questions:

1. What theme do you recommend as a means of communicating the new capability you have introduced into the construction marketplace?
2. What promotional products will you use?
3. What will each of the mailings contain? What criteria will you use in establishing the schedule?
4. What measurement(s) will you use to determine the effect of the promotion?

Instructor's Notes for Cemstone Products Company

Although your students inevitably will develop some inventive promotional proposals, they will want to know how the company handled the task. Here is what actually happened.

Cemstone split the audience into two groups: key customers and others. Key customers received three mailings in February, March, April and May 2003. In addition to a cover letter and a brochure, each monthly mailing to key customers included an acrylic "ooze" box featuring compartments of various colored liquids, a liquid-filled mouse pad and a magnet/postcard. The other group received only the cover letter, the brochure and the direct mail magnet/postcard.

Key to the selection of the promotional items was the need to highlight the creative possibilities associated with the product. "Liquid" and "color" served to emphasize to customers that they need not rely on ordinary grey concrete when they could easily use a variety of colors.

During sales calls, salespersons made a brief PowerPoint presentation about the company's product. Salespersons also promoted use of the company's website for additional information.

Cemstone Products Company was delighted with the results. The company received numerous telephone calls praising the campaign, and these calls also generated more than 200 presentations. Cemstone management cited a 59-percent increase in sales and \$100,000 of incremental gross profit.

Assignment: Use of Promotional Products as Incentives

Due: This time next week.

Name _____

The purpose of this assignment is to give you experience in using promotional products as a means of communicating with consumers.

Dover Federal Credit Union wanted to generate new accounts and encourage deposits during the introductory period of a new children's program. Management took the position, recognized by many marketers, that developing and cultivating a very young target audience is one technique for building lucrative markets in the future.

Most young people do not have the funds to build large savings accounts, but many of their parents train them in the responsibility of handling money. That is why Dover Federal has identified children as an important means of cultivating new depositors.

You have been asked to develop a program that will appeal to children and encourage their propensity to save. You want to make saving at Dover Federal Credit Union an important and even enjoyable habit.

You will want to address these questions:

1. Management wants you to develop a small program aimed at the target, spending no more than \$10 per year on each person. What item(s) will you recommend? What theme will you recommend?
2. What rationale can you provide as a means of showing the client that the theme you have created is likely to be effective?
3. What measurements will you use to determine the promotion's effectiveness?

Your proposal will be approximately two pages, not including any illustrations you may use.

Instructor's Notes for Dover Federal Credit Union

This is a small-scale case that calls for reaching a well-defined target market with a message appropriate to the financial status of the target.

Here is the promotional approach the credit union took. It created the "Kids Making Cents Club" and kicked it off with a Grand Opening event for 1,700 invited children of the credit union's existing members. It considered these children as most likely to respond positively to the opportunity to open a savings account.

Children who subsequently became members received a membership folder containing a custom coin-saver holder, account passbook, coloring book, pencil and a flyer outlining account details. When making deposits of specified amounts, children received sports bottles, stickers, activity books, reflective bicycle spoke sliders, shirts and piggy bank key chains.

Member children received an invitation to the annual meeting, where they were recognized for contributions to their savings accounts. At that time they received their choice of a fanny pack or teddy bear.

Did the promotion produce results? After nine months of the program, the credit union opened 869 new accounts for the children it targeted.

Assignment: Cross-Promotion Program

Due: This time next week

Name _____

The purpose of this assignment is to give you experience in using promotional products in a cross-promotion program. In this case, the programs to be coordinated are the Discovery Channel retail stores and the cable television Discovery Channel.

The Discovery Channel and the Discovery Channel retail stores are an example of integrated marketing with very visible connections: the names, both of which include "Discovery," and program and merchandise mixes that are designed to complement each other.

As the consultant to Discovery, you are concerned that many shoppers in malls, and many viewers of cable television, may not make the connection between the Discovery stores and the Discovery Channel. You decide to build traffic to the stores and to build awareness of the TV channel and, not incidentally, the website.

Using \$10 per recipient as a guide for the expense of the program you develop, describe a program that will be appropriate to the nature of the Discovery name.

1. What theme do you recommend as a means to tying the entire promotion into a cohesive program?
2. What is there about Discovery that will require a theme or tone unlike one you might develop for other retailers or cable channels?
3. What criteria will you use in measuring the effectiveness of the promotional effort? For future campaigns, what direction would you suggest that Discovery provide before asking you to develop a theme?

Your proposal will be approximately two pages, not including any illustrations you may use.

Instructor's Notes for Discovery Case

The emphasis on science and science-related games, books and equipment gives the stores uniqueness among most mall stores, and the Discovery Channel is somewhat more educationally serious than most other channels.

What did the company do? The centerpiece of the promotion was a television special, *When Dinosaurs Roamed America*. As part of the promotion, store employees wore theme-imprinted hats and caps and gave away temporary tattoos.

Store customers were invited to have their Polaroid pictures taken with full-size dinosaur dioramas, and they were given metal picture frames to hold their photographs.

Results? In this case, the company used only a single measure: sales. On the day of the promotion, stores' sales increased by two thirds in the 12 mall locations that were involved. Based on this result, Discovery began to plan another promotion.

Assignment: Customer Development Program

Due: This time next week

Name _____

The purpose of this assignment is to give you experience in using promotional products in developing customer recognition and customer demand. MBNA America Bank wants to invigorate its credit card business, which has not been as active as management has wanted.

With this new client, you have been asked to develop a program that will increase the number of credit card applications taken at MBNA partner banks throughout the United States. Because of the numerous ongoing mass media advertising campaigns bombarding consumers in every market in the United States, the company decided to follow a quieter and more direct strategy, using premiums to draw applicants for the credit card. This means providing useful, unusual and attractive incentives to the target audience.

In your report please address these questions:

1. What will be the general theme of your program? How will you let people know about it?
2. What is there about the theme that makes it appropriate to the target?
3. What specific premiums will you provide for customers who apply for a card? How will they be delivered?
4. Can bank employees be enlisted to refer customers to the credit card program? If so, how would you encourage employee participation?
5. How will you judge the effectiveness of your plan?

Instructor's Notes for MBNA America Bank

In part because of the stresses facing the United States, such as the 9-11 attacks and the continuing war in Iraq, it was decided to use an upbeat, enthusiastic and patriotic theme for the recruitment effort. Thus, when a customer signed up for a credit card, he or she made a selection from two categories of premiums. The "Spirit of America" premiums included products imprinted with a "Spirit of America" design. They included a ball cap, tumbler mug, tote bag and playing cards. The "Simplify Your Life" premiums included a Rand McNally pocket atlas, memo tape measure, booklight pen, mini-tool set, bubbleman clock, custom stress card, note jotter with pen and an umbrella.

To encourage their participation, bank employees were rewarded when they referred customers to field representatives taking applications in the lobby. Employees were awarded food gifts such as Hershey bars and microwave popcorn in credit card packaging and a jelly bean-filled, light bulb-shaped jar with a "Think of yourself as a customer" message.

During the one-year period, this promotion produced an average increase of 50 applications per month in each bank, which was an overall increase of 5,000 percent.

PROMOTING A DIFFICULT-TO-DIFFERENTIATE PRODUCT TO DEMANDING HOUSEHOLDS

Water is water. Right? Not necessarily.

There's ordinary water, which comes from the tap or from a drinking fountain. Then there is bottled water, which to the market that uses it, is a truly different product.

Even within bottled water are several categories: spring water, purified water, mineral water, sparkling bottled water, Artesian water/Artesian well water and ordinary well water. These products are available in numerous bottle sizes, including gallon and multigallon, 12 ounce, half liter and liter.

According to estimates, U.S. sales of bottled water have grown to nearly \$8 billion per year. Average consumption has risen from an average of 10 gallons per year to more than 21 gallons.¹ As a category, bottled water sales are growing so fast that the Beverage Marketing Corporation of New York City expects consumption to surpass coffee and milk and become second only to soft drinks.

The bottled water category is broadening to include sweetened, flavored, caffeinated and vitamin-enriched products. Coca-Cola, Gatorade and Reebok-branded products are on the market. K9 Water Company, Inc. now markets waters flavored especially for dogs, such as chicken, beef, liver and lamb.²

Not only are bottled waters available in grocery stores and convenience markets, they are marketed in vending machines wherever soft drinks are sold. Hotels are stocking in-room refrigerators with bottled water, often charging as much as the \$4.45 per bottle charged in one major hotel chain.

Why have sales of bottled water risen dramatically over the past 20 years? Especially for the portable sizes, users cite convenience,

¹ Quick, David, "The Bottled Water Boom," *The Post and Courier*, Charleston, SC, September 22, 2003 (www.charleston.net/stories/o92203/sci_22bwater.shtml)

² *Ibid.*

healthful qualities of bottled water and dislike for the flavor of local tap water. Many users prefer to avoid caffeinated and sugared soft drinks but don't want a hot drink such as coffee. One might surmise that demand for bottled water may go beyond these reasons and include socially charged motivations to use bottled water.

In addition to the individual serving sizes of bottled water is the other category, the three- and five-gallon bottles that sit on dispenser stands and are delivered to homes and businesses. The precise market for home delivery may not match the market for portable-sized containers of water, but some similarities exist.

Still more competition comes from in-house purifiers, which attach to a kitchen faucet or are installed to serve the entire house.

That is why it is important for Abita Springs to break through the clutter of advertising for soft drinks and competing water companies with a communication plan that would attract the attention of potential Abita Springs customers. Management was not interested in an ordinary promotion, but wanted something different—different with a benefit.

The Objective

Abita Springs Water Company, Inc. is a Metairie, Louisiana-based company that serves Louisiana, Mississippi, Alabama and Florida. Management determined a need to boost sales among consumers at home and in businesses. In both of these places, the opportunity to build market size was promising, and management wanted a promotional plan aimed at the delivery market. The plan would not cover retail sales of portable bottle sizes, such as the half liter and liter sizes.

The question to be answered by management was, "How can we build the number of home delivery customers for Abita Springs water?"

Troy Cox, marketing manager of Abita Springs, turned to AIA/Insignia Marketing, Inc., a promotional products distributor in Metairie, Louisiana, for ideas.

The Budget

Because of the size of the budget, every dollar would have to perform exceptionally well. The total actually spent was \$14,587, which included the promotional products, design fees, brochures, shipping and print set-up. Because the actual number of free gifts awarded (552) exceeded the original goal of 500 on which the estimated budget was based, actual expenditures were higher than expected.

Promotional Objectives And General Strategy

The specific marketing objective, as stated by Abita Springs, was to acquire 500 new customers for the home delivery program. According to Christine McAtee, of AIA/Insignia Marketing, Inc., the objective of the promotional products portion of the program was to “entice and motivate existing home delivery customers to generate qualified referrals through desirable and attractive promotional item prizes with high-perceived value.” Further, “The items selected should represent the client’s brand colors while also promoting usage of Abita Springs water.”

The plan was to correct weaknesses that management saw in its previous program. This required giving special attention to the visual attractiveness of the incentives, the perceived value of the items and the overall appeal of the promotion to the target audience’s decision-makers.

What Did Abita Springs Actually Do?

The first phase of the revised “Family and Friends” program ran September 1, 2002, to August 31, 2003, with the expectation of its continuing if successful. It ran in Louisiana, Mississippi, Alabama and Florida.

For this program, Abita Springs selected approximately 5,000 households from its customer base. Its previous market research showed that the company’s client base was predominantly female, between the ages of 25-55, with an annual household income of

\$50,000 or more. Promotional items for this program were selected to appeal to the identified target.

To stimulate the response level, the effort was made to select merchandise having a higher-perceived value than actual value. Items were offered as sets and were given creative names, such as Patio Refreshment Set. All items were selected in part on their association with water consumption, i.e. drinking spring water, taking water with you, keeping water cold or preventing condensation on cups of cold spring water.

Through eye-catching brochures with color photographs which explained the reward program (left by delivery salespersons at each customer's home), clients were encouraged to recommend that friends and family sign up for delivery of Abita Springs water to their homes and offices. Customers could also obtain details of the program and the rewards by clicking on the company website. As shown in the brochures and on the website, a customer became eligible to receive a gift of her choice when one of her referrals signed up for delivery.

The heart of this promotion was the use of the promotional products as referral premiums. Programs such as this sometimes fail because the target audience isn't interested in the items being offered. But Abita Springs solved that problem by using a wide variety of items from which the customer could choose. Cleverly, Abita Springs also selected items that would encourage use of the Abita Springs product.

What Promotional Products Did Abita Springs Use?

Customers who effectively recruited new delivery customers selected one of four gift sets, including the following:

1. Patio Refreshment Set: four double-wall thermal insulated tumblers and an acrylic pitcher
2. Playground Pal: a portable folding chair with a cooler compartment and a deluxe insulated sports bottle
3. Easy Picnic Pak: an insulated soft cooler with a special food compartment and a squeeze sport bottle

4. Commuter Survival Kit: a no-spill acrylic travel mug, two coffee mugs and a squeeze bottle.

All of the gift sets featured the aqua and blue colors of the Abita Springs logo.

In order to provide prompt reinforcement of customers' actions, delivery salespersons delivered the gift sets on the delivery day after confirmation of the new order.

By Any Measure, a Highly Successful Promotion

By some standards, this was a very small scale and low-budget program. But the return on investment, in terms of the new customer lifetime value, was substantial.

When the program ended its first year, in August, 2003, Abita Springs had exceeded its objective by more than 10 percent. Management wanted 500 new customers and won 552. This means current customers responded better than expected to the referral premium promotion.

Further attesting to the success of the promotion is that Abita Springs Water Company, Inc. has expanded the program, doubling the number of additional customers it seeks.

* * * *

Acknowledgements

This promotional products campaign won a Silver (second place) Pyramid in the 46th Golden Pyramid competition for 2004, sponsored by the Promotional Products Association International.

Thanks to Troy Cox, marketing manager, Abita Springs Water Company, Inc., of Metairie, Louisiana, who contributed to the design of this plan and for his help in providing information for this case.

Thanks also to Christine Dumas McAtee, AIA/Insignia Marketing Inc., of Metairie, Louisiana, who also contributed to the design of the plan and provided information for this case.

Assignment: Abita Springs Water Company, Inc.

Given the success of this promotion, one might conclude that the client had the best ideas and concepts—ones that could not be improved upon. But inevitably the process involved numerous ideas, one or two of which originally may have been considered superior.

1. Develop your own promotional strategy unlike the existing strategy. Describe what you would propose and why you would propose it. Keep in mind that the best justification is based on fact. You may have to conduct some library or online research before making your proposals. Remember also that your justification should be full, extensive and persuasive; in a very real sense, your justification is your sales pitch.
2. Your promotional products budget is \$15,000, which includes \$8,000 for the promotional products items and \$7,000 for other costs, which might include brochure design and printing and other costs. Using trade sources in your school's community, such as catalogs that local promotional products promotional consultants use, calculate your costs per recipient and total costs for the entire promotional products campaign effort.
3. Consider how you would strengthen the use of the Abita Springs website in promoting home delivery of water.
4. Show how your selection of promotional products meets the objectives of Abita Springs Water Company, Inc., as stated in the case.