

How Marketers Are Using Promotional Risk Management to Motivate Consumers

Why do companies dangle incentives like a million-dollar prize for making a half-court shot, or offer consumers the chance to win a \$500,000 dream home in an online game? Brands like Sara Lee, Pepsi, and the New York Lottery have increased sales and grabbed customer mindshare through engaging promotions that bribe consumers with an incentive that piques their interest. To do this, it's important to GO BIG!

"You've got to put a prize out there better than the next guy. Small prizes won't generate any excitement - it has to be \$50,000, \$100,000 or \$1 million."

Increasing sales is the name of the game, and building mindshare is where it starts. During a recent NBA playoff game a fan successfully made an incredible series of basketball shots in which the odds were in excess of 300:1. The crowd roared; however, the soft drink manufacturer sponsoring the promotion fell flat in the press when word got out that all the fan had won was a year's supply of soft drinks valued at only \$100. With similar contests awarding new vehicles and cash prizes ranging from \$10,000 to \$1 million, the backlash wasn't a surprise. When aiming to capture consumer mindshare and positive sentiment, it's critical the prize be worth the effort it takes to win.

There are two types of incentives, merchandise and cash. Merchandise incentives can work well when targeting niche groups and can sometimes portray a higher perceived value. These types of programs prove particularly effective if the promotion is targeting a niche group with an item of sincere interest to that group. An example would be an incentive program offering automobile enthusiasts the chance to win a very rare, classic automobile. However, when marketing to a mass audience, nothing can match the allure of a cash prize.

“ We all know the Point of Sale is the ultimate moment of truth for brands today.”

- OgilvyAction

CASH IS KING -

APPEALING TO THE GREATEST COMMON DENOMINATOR

According to Bob Hamman, president and founder of SCA Promotions, the leader in promotional risk coverage, “sales promotions are about motivating customers to behave in a way that satisfies corporate objectives, and cash reigns supreme as the motivating force that shapes decision-making.”

“The chance to win is the number one most effective tool to motivate consumers to participate in permission-based marketing efforts.”

- eMarketer



Cash-based incentive programs are nothing new. Time and time again marketers turn to these initiatives for proven results. Why are these types of promotions so successful? It's simple; it's human nature to ask, "what's in it for me?" Cash universally answers this question. Take for instance the proliferation of game shows offering cash prizes. Networks continue to invest millions in development of new programs with the central theme of winning BIG. Cash can motivate a person to do everything from eating a record number of camel spiders on television's Fear Factor, to 'liking' a Facebook page.

Another example would be the case of state-sponsored lotteries. Despite the fact that the odds of winning the jackpot are stacked against players, lotteries have become an accepted way to raise state revenue. Consumers' lottery purchase behavior demonstrates that the size of the prize matters - when the lottery jackpot grows, so do ticket sales.

LEVERAGING YOUR BUDGET

Which sounds more appealing, the chance to win \$1,000,000, or a sweepstakes offering the chance at a guaranteed \$1,000? Most people would rather take their chances on the larger prize. Whether it is a sweepstakes or skill-based contest, the consumer has only a chance of winning in each scenario.

But how can marketers afford to offer such big prizes? In today's economy, marketers are finding creative ways to leverage their budget and get the most bang for their buck with promotional risk management. By turning a guaranteed sweepstakes into a probability-based contest, marketers can leverage their budget through the use of promotional risk coverage.

PROMOTIONAL RISK MANAGEMENT - A MARKETER'S TOOL

Promotional risk management is the management of prizes and financial exposure as they relate to promotions. Prizes are an essential part of the marketing mix and can make or break any promotion. Savvy marketers are increasingly taking advantage of promotional risk management solutions to offer larger prizes and avoid budget disasters that result when too many promotional offers are redeemed.

GRAND PRIZE COVERAGE

For pennies on the dollar, marketers are able to offer big prizes of \$50,000, \$100,000 or \$1,000,000 for as little as \$5,000. Typical promotional risk coverage fees range from 3%-8% of the prize value.

OVER-REDEMPTION COVERAGE

Another way marketers are utilizing promotional risk management is to fix their financial exposure. As an alternative to cannibalizing price, marketers will frequently offer rebates or premiums with purchase of their product. Oftentimes there is a track record of similar campaigns from which a budget can be predicted with a level of comfort. However, as marketers push the envelope by offering more attractive and creative incentives, forecasting redemption becomes a guessing game. By eliminating the company's financial exposure with over-redemption coverage provided by a third party, marketers free up funds that otherwise would be held to pay for potential redemptions. A healthy dose of job security is a plus as well.

RISK MANAGEMENT IN ACTION - CASE STUDY

To boost sales of Sara Lee State Fair Brand® corn dogs, Sara Lee ran an instant win program offering consumers the chance to win a \$500,000 grand prize, good towards the winner's dream home.

The "Win \$500,000 Towards Your Dream Home Instant Win Game" was a success, garnering more than 1.5 million game code redemptions from 250,000 unique customers, and growing the brand's online consumer database by 400%. The promotional mobile overlay was a winner as well, generating a mobile database of 1,900 SMS opt-ins with an 80 percent opt-in retention rate.

The promotion was developed by Launch Creative and executed with the help of promotional risk coverage provided by SCA Promotions. When one lucky corn dog fanatic won, SCA Promotions paid the \$500,000 prize.

To read more about the Sara Lee State Fair Brand® corn dog promotion, click here:
<http://scapromotions.com/promotions/case-studies/saralee.htm>

If you're interested in learning more about how promotional risk management can motivate and incentivize your customers, call the leader in promotional risk and over-redemption coverage, SCA Promotions, today at 1-888-860-3789 or email them at scainfo@scapromo.com.

