

PROMO LITE

Promotional spending flattens out/Patricia E. Odell

What did you expect?

There's an economic downturn. So promotion marketers are trimming their sails, judging by Promo's 2008 Marketer Trends Survey.

Only 30% expect to increase their consumer promotion budgets this year, compared with 42% in 2007. And 16% are reducing them—in our last survey, that number was 7%.

And our respondents are doing more work in-house. For example,

20% now assign creative development to an outside firm, down from 38% in 2007.

What's this mean for marketing-department headcounts?

Not much. Of the marketers surveyed, 32% are adding more staff this year. But that's an increase of only two percentage points over 2007. In contrast, 18% are planning a decrease—and that number is almost double last year's.

We're not alone in seeing a certain flatness.

Promotional spending rose by just 3.5% in 2007, to \$45.81 billion, according to Veronis Suhler Stevens Communications Industry Forecast. (The report covers P-O-P, coupons, licensing, premiums, loyalty programs, product sampling and games, contests and sweepstakes.)

And there's anecdotal evidence that marketers are being more cautious.

"The bigger, national programs are still being conducted, but project work is at a near standstill," says Jeff Shifrin, president of Octagon Marketing North America. The reason? "Uncertainty over the economy," Shifrin says.

But don't worry. This slowdown in growth is only temporary, if intent means anything. Almost two-thirds of our respondents say that promotion is a large part of their marketing mix. That number was the same last year.

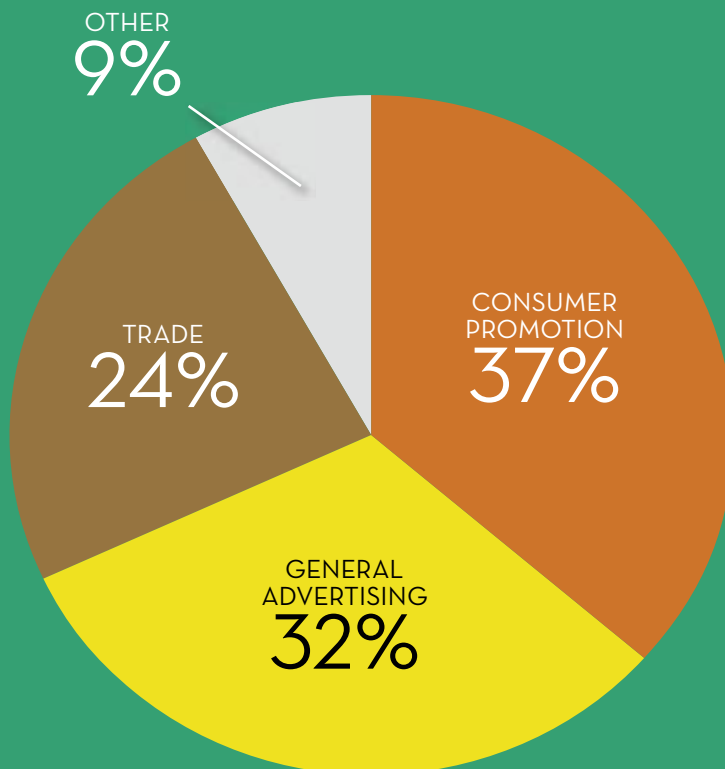
And it's no wonder, given the talent pool in the field. What other group of people could dream up the takeover of 7-Eleven's across the country by Bart Simpson? Or set up bathroom stalls in New York's Times Square so that anyone who passed by could test a toilet paper brand by using it for its intended purpose?

WHERE THE MONEY GOES

What are promotional marketers spending money on? Almost everything. Budgets are increasing for event marketing, loyalty, games, contests, P-O-P and product placement. But some gains are modest.

Direct mail is used by 30% of the marketers polled. Event/experiential/tour marketing and online are tied for

AVERAGE SPENDING ALLOCATIONS



NUMBERS DO NOT TOTAL 100% DUE TO ROUNDING.

second place at 26.8%. Ad specialties is third at 17.1%.

More firms are running joint promotions—42%, compared with 36% last year. And a growing number are conducting entertainment tie-ins—28%, up from 15% in 2007.

Case in point: 7-Eleven. It has put more focus on show business in an effort to reach its core consumer: the 18-year-old male. It recently created products around the films “Iron Man” and “The Incredible Hulk” and the video game “Madden NFL ’09.”

Entertainment programs allow 7-Eleven to choose a specific target and then reach it through multiple merchandising and sales activities at the retail level.

“Entertainment is fun and people like to feel they are having fun with a brand. That’s how you build toward advocacy, because people feel like you really get them,” says Bobbi Merkel, the director of convergence for FreshWorks, 7-Eleven’s agency. “It really does extend the amount of time and the opportunity for someone to interact with a property.”

METRICS

How do brands measure promotional success?

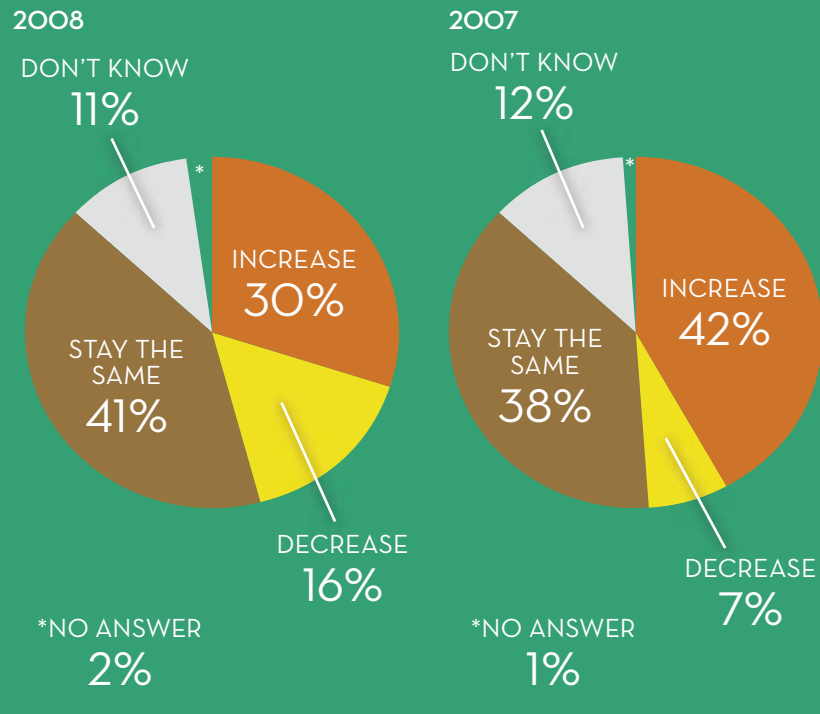
Sales growth aside, the top metric is brand awareness, followed by ROI. And many respondents cite four variables: incremental sales, response rates, lead generation and increased customer knowledge.

Of those who track ROI, half base it on campaign response. A third examine the total marketing campaign value and a third bottom-line profit. In addition to these three metrics, respondents also examine attendance, customer referrals, news clippings, Nielsen ratings information, viral chatter and Web site traffic.

Meanwhile, there’s been a change in the way marketers assess promotional agencies. The main

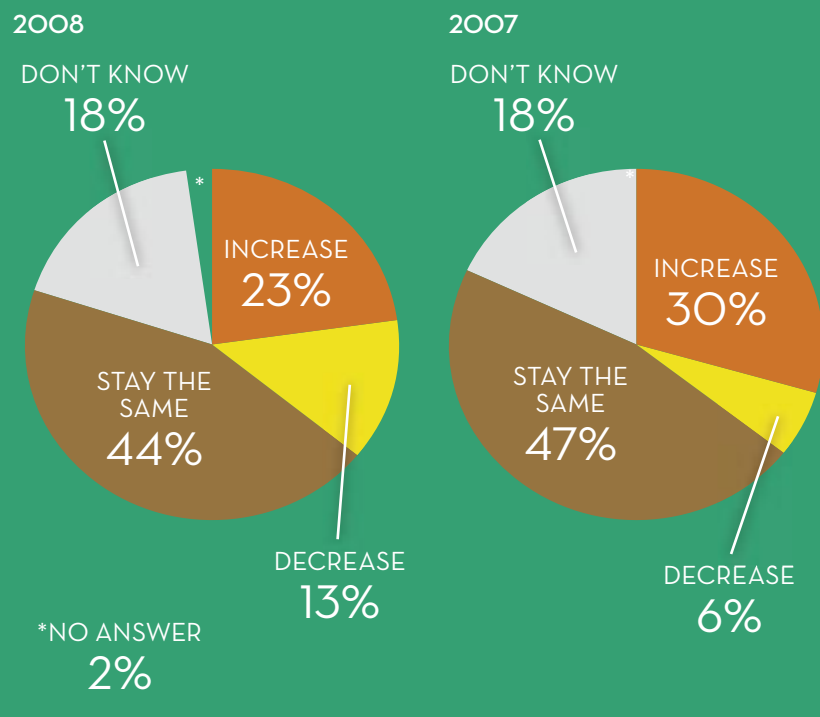
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CONSUMER PROMOTION BUDGETS



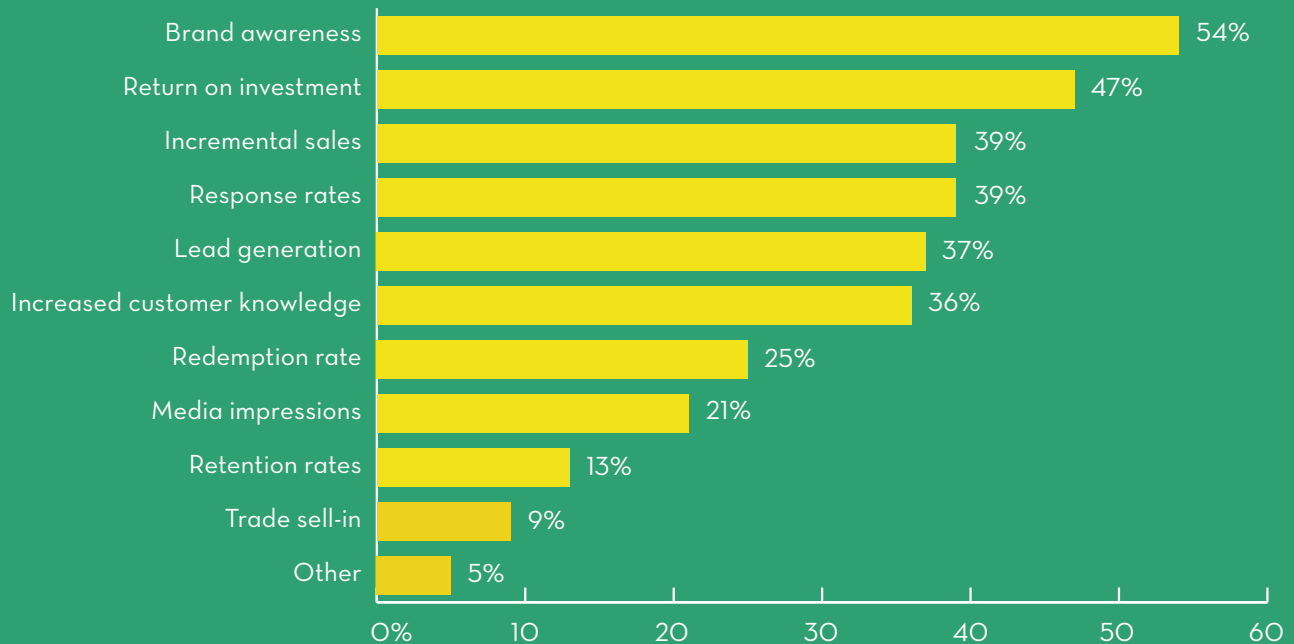
NUMBERS MAY NOT TOTAL 100% DUE TO ROUNDING.

TRADE PROMOTION BUDGETS



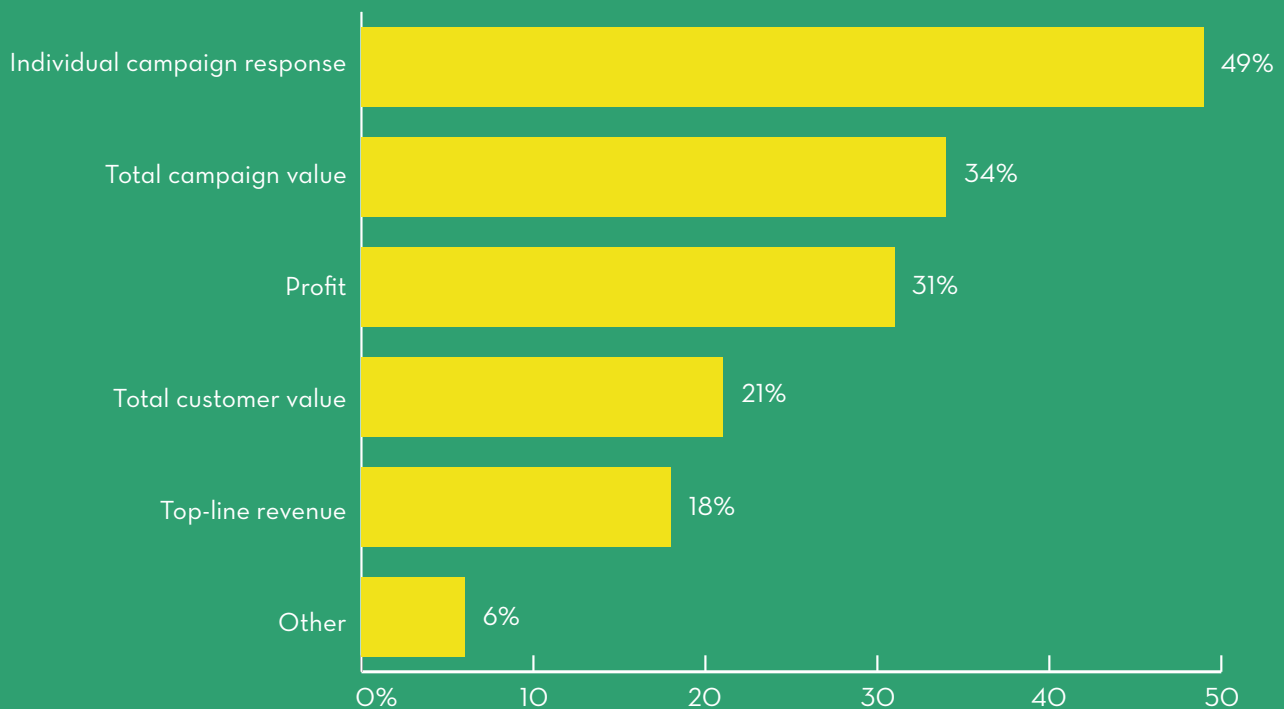
SUCCESS BY NUMBERS

HOW CAMPAIGNS ARE MEASURED



*EXCLUDING SALES GROWTH

THE BASIS OF ROI




OVERVIEW

PROMO LITE

Continued from page 15

factor is now quality of work, followed by price, then service. This marks a reverse from 2006 when the priorities were service, price, then creative work. Falling to the bottom of the list this year are category-specific performance, credentials and time to market.

“Look at the other marketing disciplines like advertising and public relations, where there are significant, long-term client-agency relationships,” Shifrin says. “The quality of the creative work has always been the priority consideration.”

He argues that promotion agencies should be held to a similar performance standard. 

SPEAKING OUT

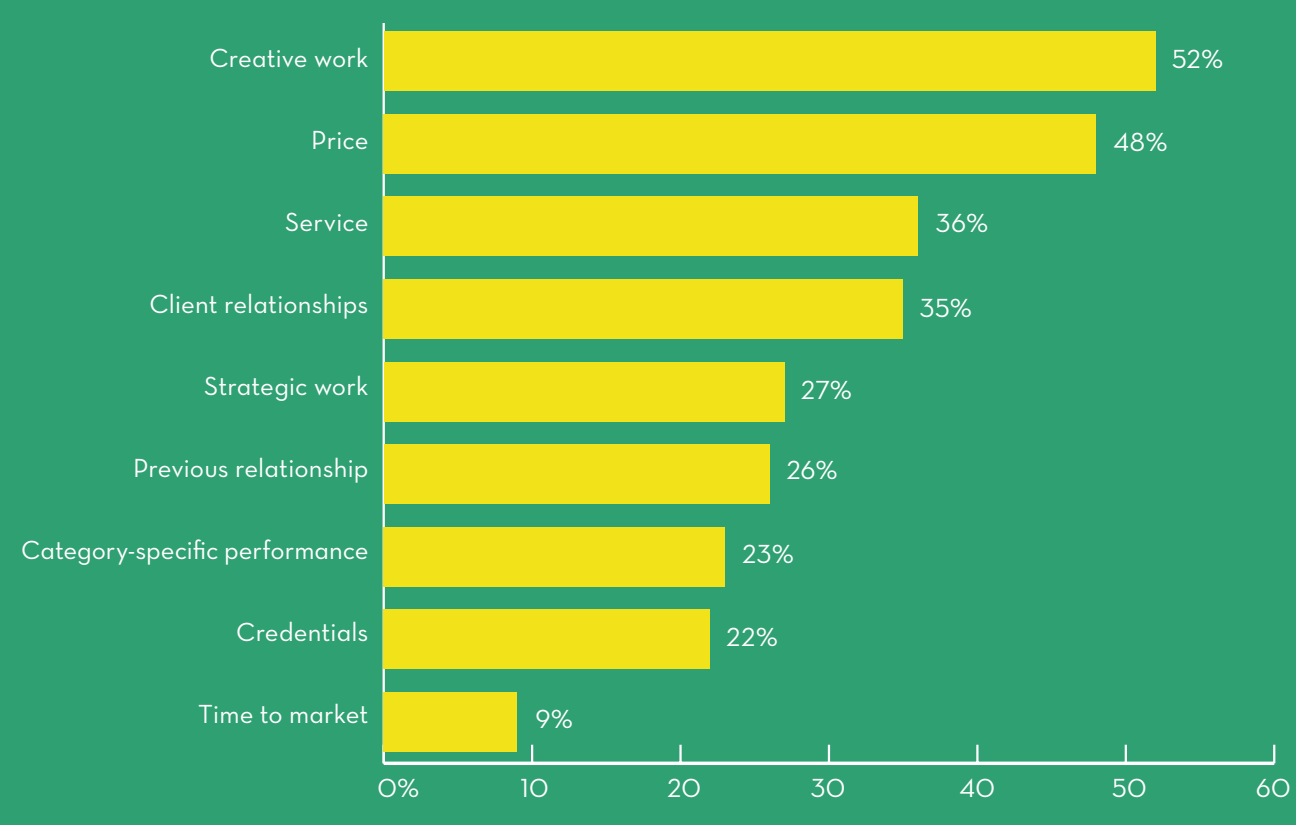
Comments from our survey respondents:

- Collectively, we will have to continue to be more creative with our promotional dollars going forward in getting more while working with less.
- Budgets have tightened and I would like to see more return for my outlay.
- Entertainment is becoming more reliant on promotions, which used to be considered an adjunct to publicity (print and electronic press).
- I would like to see other companies more willing to look into the idea of promotions as a source of generating sales/traffic/etc. instead of being stuck in “old” ways.
- If the economy picks up, we’ll be increasing our staff.

METHODOLOGY

The survey was conducted for Promo by Penton Research, an in-house firm, between Aug. 28 and Sept. 4, 2008. It was e-mailed to 21,773 of the magazine’s e-newsletter and print subscribers. Results are based on surveys returned by 257 qualified participants.

WHAT DRIVES AGENCY REVIEWS



DIRECT MAIL

MAIL BONDING

Direct mail is still a mainstay for getting the word out/**Brian Quinton**

Let them have their National Football League sponsorships, their virtual worlds, advergames and campaigns on Twitter. When it comes to the number-one popular choice for promotional tactics, marketers once again have chosen the U.S. mails.

As it was last year, direct mail was named as one of the top-three promotional tools of choice more often by respondents to Promo's 2008 Marketer Trends Survey than any other. It was chosen by 30.4% of the survey population, ahead of both live events and Internet marketing, both of which received votes of 26.8%. Almost one-quarter of respondents said they outsource their direct mail tasks.

AstraZeneca's campaign for Zomig used a thumb drive and Web site to give doctors deeper information—and make it easier to order samples.

\$15.60 for every dollar spent, according to the DMA. That comes in below this year's anticipated ROI of \$45.65 for commercial e-mail and \$20.19 for non-e-mail Internet marketing.

Overall, 82% of the companies surveyed by the DMA for its June Integrated Marketing Media Mix report said they conduct integrated campaigns. Of the campaigns studied,

health care professionals could plug into a USB drive. The Zomig "power Key" directed them to a protected Web site where they could learn more about the medication, access other treatment resources and order product samples.

The campaign began producing results almost immediately as physicians started logging into the Zomig Health Care Professional site within five days of the launch.

"The paper mailing gives information people can use quickly," says Kyp Systems CEO Lou Vastardis. "But the Web key technology connects recipients to a Web destination that lets them become instantly immersed in a richer information experience."

Sometimes the value-add direct mail brings to an integrated campaign is user convenience. Agency Neo Marketing created a



79.1% used e-mail, but 75.4% integrated direct mail into their mix.

"Even as marketers are bringing more digital media into their integrated campaigns, traditional media remain a core component of the marketing mix," DMA research manager Yoram Wormser said at the report's publication.

A June 2008 campaign by pharmaceutical maker AstraZeneca integrated direct mail with digital media to educate physicians about its migraine relief medication Zomig. The company worked with agency Digitas Health and vendor Kyp Systems to produce a dimensional paper mailer that included a Web thumb drive that

promotion to encourage car owners to come in to the Montrose Auto Group of Alliance, OH, for a price quote on their current rides. The campaign sent direct mail out to lists of auto owners in the region who drove cars of the make and age Montrose was interested in purchasing—and who might then be good prospects for a new car.

The mail pieces contained a unique reservation ID and directed recipients to a Web site, www.BuyBackYourVehicle.com, to schedule an appointment for a car inspection and a possible offer to buy. Entering the ID at the Web site auto-filled a form with the owners' publicly available information. **D**

According to the DMA's Power of Direct Marketing 2007-2008 report, spending on non-catalog direct mail is set to reach \$36.4 billion globally in 2008, up 5.6% from the \$34.5 billion spent in the channel last year. That makes direct mail the second highest item in the marketing budget,

behind only telemarketing, on which \$47 billion will be spent this year. By 2012, the DMA forecasts, non-catalog direct mail spending will reach \$44.5 billion for a compound annual growth rate 2007-2012 of 5.2%.

The study found that direct mail produces a lower return on investment (ROI) than other media: in 2008,

SNAPSHOT

Non-catalog direct mail spending will grow to \$44.5 billion by 2012

75.4% of marketers use direct mail in integrated campaigns

More than 30% of marketers count direct mail one of their top-three promo tactics

YOUR INBOX IS FULL

Spending on and use of e-mail to skyrocket / Patricia Odell

Marketers really like e-mail.

About 840 billion messages will hit inboxes by 2013, compared to 418 billion this year. The boom can be attributed to e-mail's low cost and high return.

Spending on e-mail is expected to reach \$4 billion by 2012, compared to \$3.1 billion in 2008, according to Forrester Research.

Small businesses, slow to catch on, are expected to greatly increase mailings, grow their lists and experiment with segmentation and testing.

Over the last three years, the battle for online dollars in the retail sector has some high-end retailers moving from sending two or three messages a week to e-mailing subscribers daily.

"One retailer noticed click-through rates went down, but overall revenue returns went up, so it worked for them," says Julie Katz, an analyst at Forrester.

It's good news for those companies whose customers have opted in to receive marketing messages.

Those people are likely to spend 138% more than non opt-in customers, says Jeanniy Mullen, the founder of the Direct Marketing Association's E-mail Experience Council.

These customers also purchase

products 25% faster when notified through e-mail about specials, discounts, new products and services.

Response rates vary significantly based on the type of e-mail.

Service e-mails, or those used to welcome new customers, say thank you or confirm an order, offer the best response at 70% to 80%. Newsletters, most often used as retention vehicles, follow with a 30% to 60% response, according to the

E-mail Experience Council.

Consumer products marketers are expected to increase their use of newsletters to learn what customers want. Kraft Foods incorporates surveys into its communications to learn how its customers feel about content, frequency, formats and other things, Forrester found.

But will consumers tire of being bombarded by all these e-mails?

SO WHO'S SENDING ALL THESE E-MAILS? (IN BILLIONS)		
	2008	2013
Consumer products	7	13
Financial services	5	14
Media and entertainment	9	18
Manufacturing (high-tech)	11	21
Business services	13	32
Retail and wholesale trade	158	258
Travel and hospitality	216	482

Source: Forrester Research, Inc.

Signs of fatigue are clear. Some 77% of U.S. online adults responding to a Forrester survey were annoyed with e-mail volume, and they are beginning to lessen their usage in favor of other channels. Eighty-three percent said they use e-mail weekly or more often in 2008, compared to 90% in 2007. Visits to social networking sites are up (16% in 2008, versus 13% in 2007), as is the use of weekly text messaging (35% in 2008, compared to 29% in 2007), according to Forrester.

In-house e-mail lists work best, providing a 15% to 20% response. Rented files drop the response rate to 8% to 10%. The lists can cost anywhere from \$30 to \$200 per 1,000 addresses, depending on the quality of the names.

The costs to send e-mail are dropping as marketers push service providers for volume discounts and the return-on-investment remains strong. Companies average a \$48 return for every \$1 spent, Mullen says.

E-mail budgets are increasing, but not at a significant pace—about 25% to 30% year over year for the last five years.

"It's a deceptive number because e-


mail is very inexpensive, but volume-wise it can be 70% of the messaging that is sent out to consumers," Mullen says.

The most frequent types of messages sent are service related, followed by promotions, up-sell and cross-sell, newsletters or retention-based communications, educational and viral.

"Everybody who's doing e-mail will include the opportunity to send viral messages, but there is a low usage of the messaging," Mullen says. "Companies

are putting them in, but customers are not leveraging them at high rates because it's easier to click the forward button and choose people from your address book than to fill out a send-to-a-friend form."

This year, for the first time, marketers began in earnest using social networks like Twitter, LinkedIn and Facebook to organize groups around specific products or services that they can then send messages to through a different application than their e-mail engine. This method is expected to significantly increase next year.

"That influencer is connected to over 100 of his or her friends and they will share that message," she says. "You get immediate exposure from a trusted source." 

SNAPSHOT

E-mail volumes to reach 840 billion messages by 2013

Return on investment remains strong

77% of respondents to a survey annoyed by e-mail

COUPONS

DISHING OUT DISCOUNTS

In tough times marketers push out coupons, shoppers turn them in /Patricia Odell

Coupons were distributed in big numbers last year and shoppers, troubled by economic woes, turned in billions of them, marking the first time in 16 years that redemption did not decline.

Consumer packaged goods marketers issued 302 billion coupons in 2007, an impressive 6% increase over 2006, or a whopping 16 billion more coupons.

They also fine-tuned the mix, reducing the number of offers by more than 8% while increasing the circulation of those offers by nearly 5%, according to CMS, a promotions logistics company.

“It’s a different strategy to more mass marketing versus a more targeted approach,” says Matthew Tilley, director of marketing for CMS.

The value of the coupons totaled about \$387 billion, a big jump compared to the \$337 billion in 2006. Making coupons even more attractive, the average value of an offer increased 10 cents, to \$1.28, outpacing the price increases of food for the first time, CMS said.

“If the value doesn’t appear worth as much as the year before, it doesn’t feel like it’s worth the effort,” Tilley says. “That also plays into the mass advertising strategy, because when trying to attract new buyers, you need to offer them a richer offer versus a loyal customer who will probably buy your product even without the rich incentive.”

The boost in value and sheer number of coupons available helped improve redemption. Consumers turned in \$2.8 billion of the total \$387 billion in available coupon value, or \$8.57 per person. That added up to 2.6 billion coupons redeemed in 2007, or 2.6%, the first time since 1992 that redemption did not decline, CMS said.

Early reports through the first half of 2008 indicate that the economy

continues to play a role in maintaining flat redemption, Tilley says.

Internet coupons redeemed at 1.82%, according to CMS.

“As the economy softens and the economic indicators point south, coupon usage picks up,” he says.

azines (2.1%), newspapers (1.2%), in/on-pack (1.2%), Internet (0.4%) and military (0.1%), NCH said.

“It’s an inexpensive way to reach millions of consumers at one time; the typical FSI on a given week will reach 60 million households,” Brown says.

Eight-nine percent of consumers surveyed said they use the coupons, with 64% using them with “some regularity.”

NCH also found that for the first time in over a decade, redemption had not declined but remained flat with last year at 2.6%.

When consumers were asked why they had clipped coupons but not used them, 31% said they found

TOP RETAILERS IN U.S. CPG COUPON REDEMPTION		
Retailer	2007 Coupon Rank	2006 Coupon Rank
Walmart	1	1
Kroger	2	2
Military Commissaries	3	3
Ahold	4	5
Supervalu	5	4

Source: NCH Marketing

NCH Marketing, a promotional marketing services company, also reported an increase, albeit a smaller one. It reported that of the overall 285 billion consumer packaged goods coupons offered, the share of grocery coupons distributed grew to 66.8%, or 190 billion, in 2007, from 63.9% in 2006.

“Food prices increased in 2007 for consumers, so that would mean that the marketer needed to promote to the consumer to help compensate for that and keep sales at or above goals,” says Charlie Brown, the vice president of marketing for NCH.

On the other hand, coupons for health and beauty products dipped to 33.2%, or 94.8 billion coupons, from 36.1% in 2006, NCH found.

Free-standing inserts continue to lead the way marketers distribute coupons (88.1%), followed by handouts (4.7%), direct mail (2.2%), mag-

another product at a better price in the store, 24% reported that the purchase requirement was too high, 13% ended up not buying that product at all, 11% said the coupon had expired, and 8% said the discount was too small, NCH said.

Marketers cut the average redemption time down from 2.9 months to 2.5 months in a bid to suppress redemptions and cut costs.

“These marketers are printing money. They don’t want more than 1% of those to ever get turned in, but in spite of the fact that marketers tried to suppress redemption, consumers wanted to save,” Brown says. ☛

SNAPSHOT

302 billion coupons issued in 2007, a 6% jump over 2006

Redemption remains flat at 2.6% for first time since 1992

Free-standing inserts top list of distribution methods

DIRECT IMPACT

Marketers find events affordable and efficient/
Richard Tedesco

Event marketing is hitting a high note in these low economic times by enabling marketers to stage effective, efficient promotions as an alternative to pricier media messages.

“Budgets are being tightened and companies don’t have the luxury of spending in the mass traditional space, and they want to make sure that what they spend is going to get impact,” says Laura Shuler, president of Jack Morton Worldwide-USA.

Evidence of that media migration is in the numbers. Event marketing and sponsorships were the largest branded entertainment category in 2007, according to the annual Veronis Suhler Stevenson Communications Industry Forecast, growing 12.2% to \$19.18 billion, up from \$17.1 billion the year before. Sports and entertainment events make up the majority of events in the category, followed by road shows and mobile marketing.

And in Promo’s Marketer Trends Study, event/experiential/tour marketing ranked second in terms of where firms spent the most promotional money in 2007. Direct mail was No. 1.

Many clients are consulting experiential agencies as a primary partner, Shuler says.

“It’s being recognized as a more sophisticated discipline by clients,” she says.

In some cases, technology can help. Marketers can track the impact of events by counting how many attendees are driven to a Web site, for example.

But sometimes the tech is a bit more

movable. Many firms are making an indelible impression at events by using the Segway, that two-wheeled, single-person electric vehicle that’s still novel enough to be fun. Segways can display signage or video on their front 4-foot by 5-foot “shields.” Massive Media is among the agencies using fleets of the gizmos to give their events a certain gloss.

“In the case of Segways, the medium is almost the message,” says Beth Gottlieb, Massive Media’s national program director. “They’re a huge hit, particularly in dusk hours.”

The basic objective is to enable clients to open a dialogue, with most events enabling that with an online component.

“Events are a way to begin a relationship,” Shuler says. “You need to look at them as a piece in a much broader community-building effort with your customer base.”

Some events enable a “halo” effect as attendees share their experiences with as many as 50 acquaintances. A Jack Morton demonstration event for Samsung during Fashion Week last month in New York City centered on a retrospective exhibit of the work of designer Valentino Garavani. But guests of the weeklong exhibit were also watching video clips of an upcoming TV documentary about Valentino on the Samsung moni-

tors, engaging an influential crowd of people whose opinions matter with their peers.

In terms of scale and reach, sports events are still in a league of their own in creating basic brand association. This year’s DHL All-Star FanFest, which drew more than 150,000 pro baseball die-hards to New York’s Jacob Javits Convention Center, provided a compelling showcase for Chevrolet vehicles, as well as branded



Samsung monitors were conspicuous at the recent New York City exhibit about the work of designer Valentino Garavani.

activities for a boatload of other sponsors.

The National Basketball Association has similarly created a growing menu of sponsored events for fans around its annual All-Star Weekend.

But the scale of its pre-season tours and fan events in Europe, boasting 23 sponsors last fall, and China, is helping to build a fan base overseas that put \$430 million in the association’s merchandising coffers last year.

“This continues our goal to increase the fan base for basketball throughout Europe,” NBA Commissioner David Stern said earlier this year.

EA Sports is onboard again as presenting sponsor, with Coca-Cola, Adidas, Champion and Spalding also on the NBA’s pre-season All-Star marketing roster. **D**

SNAPSHOT

Event marketing and sponsorship spending up 12.2% last year.

Double-digit growth expected this year for event sponsorship

Largest event sponsorship segment: sports, drawing \$7.61 billion in '07

GAMES, CONTESTS AND SWEEPSTAKES SPENDING

2002

\$1.796 billion

2005

\$1.804 billion

2008

\$1.854 billion

COMPANIES WILL DROP ABOUT \$1.86 BILLION ON GAMES, CONTESTS AND SWEEPSTAKES THIS YEAR, ABOUT FLAT WITH \$1.83 BILLION IN 2006.

Veronis Suhler Stevenson Communications Industry Forecast

GAMES, CONTESTS AND SWEEPSTAKES

PLAYING THE GAME

A saturated field makes for flat spending/*Amy Johannes*

Spending on games and contests may be flat, but consumers don't seem to notice. They are too busy posting photos, developing videos and singing jingles.

"It's about empowering the consumer and letting them make their mark," Bruce Hollander, executive vice president of Don Jagoda Associates, says. "We're seeing more and more of that."

SNAPSHOT

Marketers are expected to spend \$1.86 billion this year building games, contests and sweepstakes

Sweepstakes and contests calling for user-generated content are still tops

Spending will average 0.8% at a compound annual growth rate through 2012

Companies will drop about \$1.86 billion on games, contests and sweepstakes this year, about flat with \$1.83 billion in 2006, a trend that has continued over the last five years, according to the Veronis Suhler Stevenson Communications Industry Forecast.

"It's not as high a priority on brand marketers' lists," says Leo Kivijarv,

vice president of research for PQ Media, the custom media research firm that partnered with Veronis Suhler Stevenson on the forecast.

The slow growth is a result of a softening economy coupled with the saturation of games, contests and sweepstakes, Kivijarv explains. But brand marketers playing in the space are still looking for ways to stand out in the crowded field.

One way is to move beyond the Web to the third screen, says Marc Wortsman, executive vice president of Marden-Kane, Inc.

CBS Mobile, for example, has run a fantasy league for the popular "Survivor" reality show with Sprint. In it, players earned points based on certain actions and could switch their team members and monitor the action from their mobile phones.

"It's becoming the battleground of the screens," Wortsman says.

Companies are also offering more ways for people to enter.


This summer, Subway brought back its popular "Subway" game in which customers peeled off game pieces from beverage cups and sandwich wrappers for a shot at instant

prizes in-store. They then went online to play an instant-win game or spell out key words for a chance at other prizes. Nearly four times as many people registered for the game compared to last year, says Lydia Kennedy, managing director of Catapult Action-Biased Marketing, the agency that handled the promotion.

Capturing consumer data is still a top priority for running games and contests. For example, Subway will use the database of opt-in subscribers from its Scrabble game to talk about new sandwiches and other programs.

"It's one of the main reasons you run a game or contest," says Paul Kramer, Catapult's COO. "The future of marketing is about building ongoing relationships."

On the legal front, the Promotion Marketing Association was able to modify the impact of a California bill, SB 1400, that would have made it difficult to market sweepstakes in that state. (See page 10.)

"Common sense prevailed," says Ed Kabak, chief legal officer of the Promotional Marketing Association. "The result is something the industry can live with." 

INTERACTIVE

NOW MORE THAN EVER

A tough marketing climate should drive more online campaigns/**Brian Quinton**

There's little question that this is the year for interactive promotions. Heck fire, this is the *century* for them. The only unknowns are where the money will come from, where it will be spent, and how quickly the Next Big Web Thing will loom out of the fog.

While many forecasters have cut their projections for online advertising, it's still expected to be a growth year for Internet marketing generally.

In early September, analyst Imran Khan with JP Morgan lowered his previous estimate for U.S. display ads in 2008 to 14% growth rather than the expected 20%. In adjusting downward, Morgan joins investment bank Cowen, which dampened earlier U.S. predictions of 19% growth in 2008 to 16%.

Most experts see search growth beating the overall average handily this year and next. Cost-conscious marketers, the thinking goes, will be increasingly drawn to online ad products that charge by the click or otherwise link payment to performance. Morgan's forecast says U.S. search spending this year will increase 27% over 2007—down from its earlier 32% expectation, but still robust.

Web monitor Nielsen Online found that financial services companies—from banks and mortgage lenders to credit providers—spent 27% less on “image ads” in the first half of this year than in the first six months of 2007, while retailers cut back 7% on their display, and telcos dropped off 5%.

On the other hand, brands in other categories posted hefty display spending increases, signaling that marketers in these verticals are deciding that online ads can benefit



Video as premium: Users who **clicked on the ad** got access to special scenes, not just trailers.

their brands. The same first half that saw lenders

using display less saw automotive brands increasing online display spending by 45%, CPG brands by 32%, and entertainment companies by a whopping 47%.

“Companies are recognizing the Web’s potential to play a leading role in the broader branding campaigns,” says Jon Gibs, vice president for media analytics with Nielsen Online. “This is movement by large advertisers into online and signals what we believe to be good long-term growth for online advertising overall.”

Of course, much spending on online promotions falls outside the narrow confines of either display or search advertising. Widgets, for example, act like downloadable display ads, but they also usually offer features or content that drive their spread virally, particularly among audiences who use social networks. Forrester has predicted that the marketing spend in “emerging channels” such as widgets will grow from an expected \$2.1 billion globally in 2008 to \$10.6 billion by 2012.

Online video is another multipurpose marketing tool that resonates beyond advertising. Marketers can rely on ads placed before, within or after video content that users want to see.

“Marketers want video advertising for its far greater branding power than other online formats,” says David Hallerman, eMarketer senior analyst.

Used in banners or widgets, video can serve as a kind of premium in itself, leading users to click through and engage with a promotion. The campaign for the hit movie “Pineapple Express” used ads in YouTube and MySpace that played restricted-access content in high definition, along with offering games and ringtones.

Then, too, online video can be deployed as a component in promotions and contests relying on user-generated content. Earlier this year Jones Soda launched a site designed to give its Handycam-wielding customers the same public visibility it offers to the folks who shoot its label photos—with no prize in mind.

“Smart brands realize that if they can turn their customers into advocates, everything in the business changes,” says Steve Rosenbaum, chief executive officer of Magnify.net, which provides the video platform for www.MyJonesVideo.com. “Jones figured out that their customers were fundamentally creative, and they’re tapping into that excitement to create a sustainable online community.”

SNAPSHOT

Automotive, CPG brands put more dollars online 2008

More than half of U.S. online users visit social network sites

Video ad spending up 55.9% this year over 2007

LICENSING

LICENSING LANGUOR

Entertainment characters attempt to revive flat growth/Amy Johannes

Many little girls across the country are likely snuggling down tonight in bedding decorated with all things Hannah Montana.

The singing and TV star sensation is just one property that is ringing up big bucks licensing its brand. Even so, retail sales of licensed products in North America remained flat at an estimated \$107.8 billion in 2007, from \$107.4 billion in 2006, the result of soft economic conditions, according to the International Licensing Industry Merchandisers' Association (LIMA). Royalties also remained about flat, slipping 0.8% to \$5.98 billion last year after three consecutive years of growth.

Character licensing, which includes entertainment, TV and movie licensing, held the top spot in retail sales—and has for at least the last 10 years—accounting for about \$49 billion last year. The category, which was the only one to show growth last year, brought in \$2.71 billion in royalties in 2007, up 1.1%.

Characters make up 45% of the market. But despite the deep pool of options to choose from, retailers and others are becoming more selective.

"It's getting harder and harder to get into the space," Charles Riotto, LIMA's president, says. "Retailers seem to be focusing on a handful of licenses

they think will be most successful."

In grocery aisles, entertainment characters continue to dominate better-for-you products as consumer packaged goods marketers press the case that they are steering

kids toward more healthy foods. This year Safeway and Warner Bros. Consumer Products launched the "Eating Right Kids" food and beverage line, which features Looney Tunes characters on the packaging.

royalties. Despite a 1.2% dip from 2006, the category remains healthy, Brochstein says.

Fashion generated about \$14.6 billion in sales, while royalties dipped by 2.4%, to \$810 million.

Paris Hilton collaborated with the Antebi Footwear Group to launch a footwear line. That deal followed a 2007 sportswear collection with Dollhouse/BBC. The footwear will relaunch at Macy's stores this month.



Safeway is leveraging the popularity of licensed characters from Warner Bros. to push a new line of products for kids featuring 100 items across 30 categories in 1,700 stores.

"It's aspirational," says Michael Stone, CEO of The Beanstalk Group, which arranged the deal. "Consumers aspire to be like the person or like their

lifestyle. Everyone is chasing retailer exclusives right now. It seems to be the soup du jour."

What will 2009 bring? Riotto says it's too early to tell what impact this year's economic recession could have on the industry. But one thing is certain: Shoppers are already more selective with their discretionary spending.

"People will be a little more cautious about how they are spending their dollars," Riotto says. ☐

SNAPSHOT

Retail sales of licensed products reached \$107.8 billion last year

Royalties dipped slightly last year to \$5.98 billion

Character licensing still reigns as the top category

LOYALTY MARKETING

WINNING THE CUSTOMER COMEBACK

Financial services and automakers inspire loyalty; airlines and retail don't/
Richard Tedesco

When it comes to consumer loyalty, buyers feel connected to automobiles, but have little love for planes. Trains don't figure in the picture.

That's one conclusion from the most recent research from Carlson Marketing, a firm that tracks customer loyalty trends in the retail, financial, airline and automotive sectors.

On the macro level, overall spending on promotions tied to loyalty programs showed modest growth last year—approximately \$2.1 billion, a 3.6% rise over the \$2 billion spent in the previous year, according to the Veronis Suhler Stevenson Communications Industry Forecast.

The Carlson report, published in March, shows that some sectors are facing a particularly challenging prospect in maintaining customer loyalty. On an indexed scale of 1 to 7, with 7 as the strongest loyalty, Carlson reports that buyers currently feel relatively loyal to financial services and automotive brands (5.3 and 5.4, respectively) while showing less attachment for the big names in the retail and airline sectors (4.7 and 4.6).

And the trust factor for airlines (4.7) dives below the same ratings for retail (5.0), financials (5.7) or automotives (5.6).

"We're seeing quite an interesting play as airlines cope with rising fuel prices," says Luc Bondar, vice president of loyalty for Carlson Marketing.

better understand their loyal customers' impulses.

"Overall, loyalty programs are doing more research to find out what

LOYALTY PROMOTION SPENDING

Year	2003	2004	2005	2006	2007
Spending (in millions)	\$1,902	\$1,991	\$2,010	\$2,060	\$2,134
Growth	2.2%	4.7%	1.0%	2.5%	3.6%

Source: Veronis Suhler Stevenson Communications Industry Forecast

"They're seeking ways of using their loyalty programs to drive high margin streams with their frequent flier customers."

He says airlines are now offering alternative redemption options in the form of online shopping and other perks.

A recent report on loyalty marketing by the Direct Marketing Association and Colloquy showed that frequent flier miles were among the least redeemed rewards among loyalty programs that spanned several industries.

Airlines' alternative redemption ideas and other ways of encouraging loyalty are part of a larger trend among all businesses currently courting customer loyalty with programs.

"Across the board, one of the overarching trends we see is the expansion of customer choice, and enabling customers to identify benefits that are most interesting to them," Bondar says.

Michele Tiletnick, who wrote the DMA/Colloquy report, notes that companies in all sectors are trying to

makes customers tick," she says. "As we get deeper into the life cycles, you'll see brands offering experiences you can't get elsewhere."

Right now that's largely limited to credit card companies. The DMA/Colloquy report notes that nearly half of all banks and credit card companies have partners who offer unique services or experiences to their loyalty customers.

In the retail sector, activity with programs such as Coca-Cola's My Coke Rewards and Nike's Nike Plus are cleverly enabling brands to learn how and what consumers buy and offering choices of rewards.

With the average U.S. household linked to a dozen loyalty programs, that increasing competition will help drive creativity and will also keep most program membership free, Tiletnick expects. Some 70% of respondents to the DMA/Colloquy report reported keeping free membership as part of their rewards offering.

"How can you not offer them for free, unless you're giving something different?" she says. ☐

SNAPSHOT

Promotion spending related to loyalty programs increased 3.6% to \$2.1 billion in 2007

Frequent flier miles least redeemed rewards

Airlines and retail need work on relationship marketing

MOBILE MARKETING

MARKETING TO GO

Promoters see the handset as integral to their campaigns/**Brian Quinton**

The appeal of mobile devices for marketers is unquestionable. They're everywhere; they're personalized to one person and so (in theory) highly targetable; and they're becoming capable of higher functions all the time.

According to estimates from marketing research firm eMarketer, total U.S. mobile advertising spending will reach \$1.7 billion this year, up from \$878 million in 2007, and should hit \$6.5 bil-

lion by 2012. While that will be only a fraction of the \$1 billion spent worldwide on mobile marketing four years from now, U.S. mobile will be important beyond its dollar amount because the nation's economy is so highly interactive and offers so many chances for cross-media promotions.

In the U.S. right now it all begins with text messaging, something more than 137.7 million U.S. users do every month, according to stats from Nielsen Mobile. Earlier this year Hearst Magazines Digital Media struck a deal with mobile service ShopText to let readers of its magazines, including *Cosmopolitan*, *CosmoGirl* and *Seventeen*, use their mobile phones to buy products, request samples or enter sweepstakes they see advertised in the magazines.

"We started offering the service about two years ago, at a time when I was starting to see how many girls were just in love with their cell phones," says *CosmoGirl* editor in chief Susan Schulz. "They were literally sleeping with them,

using them as an alarm clock. They became a fashion accessory." Users register for a ShopText account and then can text in a short code to take part in sweepstakes or order products, if their account is linked to a credit card.

One item that can overcome mobile ad resistance is a coupon, according to a September study from ABI Research. That survey found that one-third of U.S. consumers who got text-message ads were more likely to respond if they also received an incentive, such as a coupon, free ringtone or music.

But big-name brands are paying attention to mobile coupons, too. In June Coupons.com announced a deal to put its coupons on the Yahoo Mobile service and offered its platform free to marketers for the next year. And rival coupon distributor Cellfire launched two marquee tests earlier this year: one with a regional McDonald's market in Utah, and one that would let Kroger grocery shoppers browse for coupons on their phones, choose the ones they want to redeem and have the discounts linked to their loyalty cards at checkout.

Mobile adver-games offer another opportunity for promotion. Agency AKQA and the dotMobi consortium found in June 2008 that 22% of respondents in the U.S. and the U.K. reported playing a game on their mobile handsets. But other research

suggests that relatively few users—3.4%—downloaded a game to their phones; most people prefer to play games already loaded at purchase or to "sideload" games from their PCs.

That may create opportunities for ad-supported mobile games to cut the costs to consumers, but questions remain. Engaging mobile games are costly to produce, and many publishers offering advergames branded by names like Suzuki, Jeep and, most recently, Burger King still charge for the products, either as a flat purchase or as a subscription. In the case of the BK City mobile game, users pay \$2.99 a month for access to the games, marketed with in-store signage at the April 2008 launch.

Ad-supported models may also figure in mobile's future as a way to defray the cost of higher wireless functions like video. Google is currently

SNAPSHOT

Targeted mobile ads in 2008 valued at less than \$1 billion worldwide

Entertainment offers dominate in mobile marketing (4.4%), followed by food and beverage (21%) and beauty/personal care (15%)

Active users of mobile social networks will go from 54 million today to 730 million by 2013



Mobile games like McDonald's engage users, but may come up against sales resistance.

testing display ads on YouTube Mobile. And last month MTV Mobile began running pre-roll video ads for the U.S. Air Force on the programming it offers over several wireless carriers' video-on-demand platforms. **D**

PREMIUM CONNECTIONS

Promotional products find their mark / Amy Johannes

Believe it or not, those pens and calendars handed out at trade shows make a lasting impression.

Of the 71% of business people who received a promotional product in the last 12 months, 34% had the item with them at the time of the survey, the Promotional Products Association International (PPAI) found. Of that group, 35% kept the item after two years, and 22% kept it after six months. Even better, 76% of the group recalled the advertiser's name on the product they received, and 52% did business with the advertiser.

"When people have so many choices, it's important that they have a personal connection," says Sherri Lennarson, chair-elect of PPAI. "These brands become a part of people's everyday lives. There's a lot of intrinsic value."

Sales of promotional products jumped 3.5%, to \$19.4 billion, in 2007, a new record, the association says.

Apparel is the top category at 30.7%, followed by writing instruments (10.3%), bags (7%), drink ware (6.3%) and desk/office/business accessories (6.1%).

Education, financial, health care, not-for-profits and construction marketers are the top buyers. Restaurants and bars emerged for the

first time on the top-10 list. The average order size of the products is about \$1,000, Lennarson says.

Nearly half of the respondents to Promo's 2008 Premiums and Incentives Survey said they hand out



Items like the reusable, 100% organic cotton V Natural Organic grocery tote are high on distributors' wish lists as customer premiums.

premiums at events or on tours. And premiums appear to deliver better ROI (55%) compared to

ad specialties (15%), the survey found.

Perhaps the biggest change to hit the industry this year is the green movement. For instance, imprinted mugs and reusable water bottles are replacing disposable cups and bottles.

"Choices like this allow companies to repeat important messages and tangibly show good stewardship," Lennarson says.

Supplier Vitronic Promotional Group's V Natural line is one example. The firm introduced the line just over a year ago and has since added new items, including reusable totes available in organic cotton fabric or recycled materials geared for grocery shopping.

"It's one of our core focus areas," says JoAnn Riley Beckman, Vitronic Promotional Group's director of marketing and product development. "We are going to continue to see more products coming out."

Gift cards are also big business on both the consumer and business fronts. Shoppers are expected to spend

nearly \$100 billion this year, likely up 5% to 10% over 2007, says Dan Horne, associate professor of marketing at Providence College in Rhode Island. However, due to tough economic conditions, the types of items people buy are changing, he says.

"We see people buying socks and underwear," Horne adds. "In the past, gift cards were spent on something special."

Rising fuel and food costs are also giving new appeal to gas cards and grocery cards, says Rich Killian, president of RK Incentives. But the key to staying on top is innovation, he says.

"Technology is certainly going to help the category," Killian says.

A top trend dominating employee incentives is an increase in individual awards. Rather than pick a one-size-fits-all gift, companies are offering more choice to suit individual tastes. Instead of offering a gift card that can be used at any establishment, employees want something that speaks to their interests, such as a gift card to their favorite retailer or restaurant.

"We're all down to that basic need thing," says Bob Dawson, chairman of the Incentive Research Foundation's Research Committee. "It doesn't take a lot to be really creative, but it does take time to do something individual."

While internal incentive programs have dipped slightly, with 25% of firms running them this year, some 12% of companies plan to establish one within a year, Promo's P&I Survey shows.

"It all comes back to one thing—a movement toward one-to-one-marketing," adds Bruce Bolger, managing director of the Incentive Performance Center. **D**

SNAPSHOT

Promotional product sales hit \$19.4 billion

76% of people recalled an advertiser's name on the product they received in the last 12 months

Gift card spending is expected to near \$100 billion

Lisa Brenner plays an amnesiac accused of killing a federal agent in TNT's microseries "Blank Slate."



PRODUCT PLACEMENT

VIDEO PLACEMENTS PROLIFERATE

TV productions put product placements on creative edge/Richard Tedesco

Paid product placement was a particularly bright spot last year, as spending grew 33.7% to the \$2.9 billion mark, from \$2.2 billion in 2006, even though it was the slowest rate of growth since 2003, according to the Veronis Suhler Stevenson Communications Industry Forecast.

Most of that growth was on television, 71.6%, because of the frequency, exposure and reach that TV series offer. Coca-Cola's presence in "American Idol" is a prime-time example of the traditional placement approach.

Films took 25% of the spending. Other media, such as newspapers, magazines, videogames, the Internet, books, recorded music and radio, made up the other 3.4%, the report found.

VSS attributes the growth to "marketers pursuing innovative ways to make connections with consumers, as well as to circumvent DVR technology that allows viewers to skip commercials."

The leading edge in product placement is the creation of original content in serial form for placement in short-form series that appear as long-form ads embedded in TV series. These series are also placed online in Webisodes and accessible by cell phone.

Turner Entertainment has been particularly aggressive in creating triple-screen opportunities for advertisers in these short-form "microseries" that convey product messages.

A notable project was "Lucky Chance," created by TNT, one of Turner Entertainment's cable networks. "Lucky Chance" was a micro-series sponsored by Dodge and AT&T, with the Dodge Charger and AT&T wireless playing leading roles. Carried

in "Law & Order" episodes last summer, the microseries is a crime thriller about DEA agent Lucky Chance in a race against time to retrieve \$50 million for crime boss Frankie Cash, who is blackmailing him.

Chance gets his cues from Cash on an AT&T mobile phone and makes the necessary moves in a Dodge Challenger. The microseries comprised 20 two-minute segments and was also accessible on TNT.tv and via mobile phones. Dodge also ran a sweepstakes to give away a 2009 Dodge Challenger.

Turner Entertainment handles production of the microseries and also spins the video content to other sites in a viral tract. In another departure from form, "Lucky Chance" is likely to see a return engagement sometime next year.

Another microseries potboiler, "Blank Slate," started running during "Law & Order" last month, featuring the Acura TSX and RL playing primary roles. The series follows TNT's 20 two-minute-episode, triple-screen formula.

The objective is to implant product memories in couch potatoes inured to the traditional TV ad barrage, and to use the broadband and mobile platforms for broader reach.

"Marketers and clients are forced to be more savvy, sophisticated and proactive in getting their messages out," says Katherine Johnson, senior vice president of Turner Entertainment promotions and marketing.

Observers see a clear trend, particularly among cable networks, that figures to continue as networks and marketers strive to find magic bullets to break through the congested video landscape.

"It's another way station along the road as advertisers try to figure out the best way of putting a product on the screen," says media analyst Gary Arlen. "It's experimental, trying to do something with a different approach."

Johnson says the key is making the right match between content and client. In the Dodge case, the match was a winner as Dodge mobilized its customer base by e-mail and the Challenger elicited viewers' passion for muscle cars.

"When you have the best marriage, you get the best results," Johnson says. "It's easy for the brand to take a chance and, ultimately, it's more accepted by the viewers. The last thing you want to do is to jar the viewer."

MTV forged a logical alliance with Hewlett-Packard in a multi-platform play around "Engine Room," a short-form reality series that debuted last month on MTV and mtvU, MTV's college-oriented digital channel. It features 16 competitors in four teams vying for a \$400,000 grand prize in a competition involving animation, filmmaking and other skills using H-P hardware.

"It represents a new way of partnering with our sponsors to create compelling programming," says mtvU's Ross Martin, senior vice president of programming.

It's the first of several such series MTV plans, including one featuring Ford vehicles in "College 500," a cross-country road race among collegians that will debut this fall. **D**

SNAPSHOT
Paid product placement spending rose 33.7%, to \$2.9 billion

Slowest growth since 2003

Short-form series latest placement invention

WATCHING THE CARTS

Marketers focus on shopper experience to boost lagging economy/*Amy Johannes*

While there's no softening the blow of the troubled economy, retailers worked hard this year to keep shoppers returning to their stores.

New technologies helped.

Stop & Shop is rolling out handheld devices so customers can scan and bag items at the same time. The scanners track spending and cut down on wait time in lines.

"The consumer is in charge right now," says Mike Gatti, executive director of the Retail Advertising and Marketing Association.

Digital signage has moved to the forefront. Companies like Borders and Limited Too are entertaining and educating customers with the technology, offering everything from new products and specials to recipes and promotions. It's a smart move, since nearly 30% of people wait

until they are in the store to decide which brand they will buy, according to OgilvyAction's recent global shopper study.

Another 10% of shoppers change their minds in the store and buy a different brand.

And 20% will buy from categories they had no intention of buying from, OgilvyAction found.

Walmart is updating its satellite-based in-store TV network to the Walmart Smart Network, a new system powered by Internet proto-

col television. Advertisers can offer short clips and place the screens at eye level on end caps to better catch shoppers' attention. The technology will be in place chain-wide by 2010.

P-O-P is also playing a bigger role. Marketers increased spending on P-O-P by 5.2% last year, to \$20.3 billion, making it the largest consumer promo-

marketing for OgilvyAction.

Some 73% of consumer packaged goods manufacturers and 86% of retailers ranked shopper marketing programs among the top-four activities that deliver meaningful ROI, according to a recent study by Deloitte Consulting LLP.

Companies that use shopper marketing typically generate \$1 for every \$1 they spend, Bonnie Carlson, president of the Promotion Marketing Association, says.

The PMA released its first comprehensive study on shopper marketing this year and found that 60% of retailer and manufacturer respondents practice it. And it seems to work. Two-thirds of retailers said they received sales increases and profitability improvements. Manufacturers also

reported similar results.

Watch for continued work in the "green" arena. Sustainability remains a key buzz word in a time of higher material and energy costs, and firms are looking to product redesigns for better efficiency, RAMA's Gatti says.

Costco and Walmart have redesigned their traditional gallon-size milk jugs to square-shaped containers that cost less to ship and are better for the environment. The change trickled down as savings for the consumer, some of whom complained about it, saying milk spills more easily from the jugs.

For 2009, expect a continued sluggish economy and, therefore, greater emphasis on marketing to consumers once they're inside the store walls. The takeaway? "We're going to have to be smarter with less," Carlson says. ☐

Walmart is upgrading its in-store TV network from satellite to IPTV to message more effectively.



tions category, according to the Veronis Suhler Stevenson Communications Industry Forecast.

"P-O-P is an essential part of the marketing mix," says Dick Blatt, CEO of POPAI.

P-O-P was the biggest expense for 8.6% of marketers last year, according to Promo's 2008 Marketer Trends Study.

Increased efforts—and dollars—are being put into understanding the shopper. The data produced is driving the strategic planning around everything from signage, store layout and packaging to promotion and product location.

"Retailers and manufacturers are looking for more meaningful insights that will help them decode and quantify the shoppers' trip behavior," says Ken Featherston, director of shopper

SNAPSHOT

Spending on P-O-P grew by 5.2% to \$20.3 billion in 2007

Manufacturers, retailers improve in-store experiences with shopper marketing

Brands think green with packaging changes, reductions

SAMPLING

THE HANDS-ON EXPERIENCE

A product in hand is still worth more than 1,000 words of copy/Brian Quinton

When you were little and had to sneeze, reaching for a magazine could get you a slap on the hand.

But millions of newspaper and magazine readers will be able to do just that with impunity this month when Kimberly-Clark launches the broadest sampling program in the history of its Kleenex brand, in support of its newly enhanced tissue-with-lotion product.

The enhancement comes via a proprietary surface technology years in the making that makes the new tissues both softer and stronger. Kimberly-Clark is confident users will feel the difference—if they can feel the product.

For that reason, the company this month is mounting a sampling campaign that will put 60 million samples in places you couldn't previously find a Kleenex. Free-standing and shelf retail displays will include dispensers so shoppers can pop up a Kleenex with Lotion and try it. Magazine spreads in O and Good Housekeeping will offer sample tissues, as will newspaper coupon inserts targeted at young families. A sampling van will tour selected U.S. cities later this winter.

Why such a broad initiative? Because just talking about the new product won't do, says Amy Popp, Kleenex associate brand manager. "We realized in focus groups that once people had the chance to feel the product, they understood what a dramatic improvement this was," she says. "We had to look at marketing differently and find new ways to get the product into consumers' hands."

According to the Veronis

Suhler Stevenson Communications Industry Forecast, marketers will spend almost \$2.3 billion on product sampling in 2008, an increase of about 5% over the \$2.15 billion spent in the same channel last year.

As in past years, sampling in 2008 has tended to get out of the store and off the street corner and into more targeted environments.

For example, last month General Mills set out packaged samples of its Chocolate Turtle Chex Mix product at 500 "meal-assembly kitchens," central cooking locations where busy moms can prepare several meals at once. Customers were able to snack on the product while putting together their meals, or to bring some home along with pre-cooked meals.

"We believe this promotion will generate trial with a key demographic for us—busy moms," General Mills marketing manager Molly King said in a statement.

Online sampling is also gathering momentum as Web communities bring together individuals who share a common interest in trying new products—and very often in spreading the word in their own blogs and discussion groups.

Earlier this year nail-polish company OPI introduced a brush-and-go

lacquer pen called Nic's Sticks, and wanted to sell the product to consumers rather than to professional salon experts. To generate awareness, the company worked with SheSpeaks.com to encourage trials and drive retail sales. SheSpeaks members, who must register and provide demographic targeting information before joining the network, were able to log onto a Web site and order one of five colors along with five \$1 coupons toward product purchase at Walmart and Target.

From April through June, the Nic's Sticks campaign saw 800,000 conversations on the SheSpeaks.com network and generated 120,000 unit sales. Each woman "sold" 13 pens to her friends, either through straight word of mouth or by passing along coupons, which they were encouraged to do. And about 30% of members write their own blogs, amplifying the impact of any promotion they take part in.

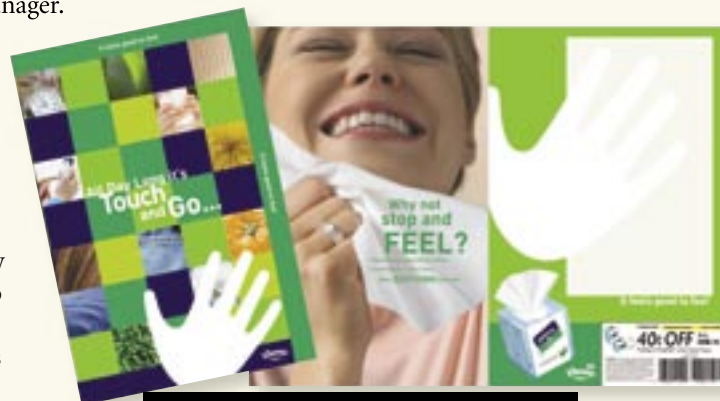
The OPI coupon redemption rate with SheSpeaks was 300% over what the company achieved with a magazine coupon running at the same time, and 1,200% greater than

an FSI initiative. Why? "One, it's a targeted female population," says SheSpeaks founder and CEO Alize Freud. "Two, this is opt-in permission-based marketing. These people volunteered to engage with the brand, and that's critical to making any campaign work well." ☺

SNAPSHOT

Sampling spending will reach \$2.3 billion in 2008

Web communities help marketers target their samples to specific demographics



Sixty million Kleenex with Lotion samples will go out through magazines and FSIs, as well as through in-store channels.