

Premiums Still An Effective Tool to Spur Publication Sales

You know you really don't need that copy of the newest book "*How To Survive The Real Estate Downturn And Become A Millionaire In The Process*," but you subscribe to *Money* magazine anyway. You know you don't need that die-cast, genuine certified Commemorative Medal of Freedom, but you subscribe to *Reader's Digest* anyway. Such is the power of the premium in publication sales – even smart, savvy, educated professionals react emotionally when they stand to gain something for "FREE."

The use of premiums in general marketing practice dates back to the turn of the century, with Sam Gold and later his son Gordon, who included premiums in the back of children's books and moved quickly into adding premium prizes to packaged foods like cereal. The basic method used then is virtually unchanged today – offer something extra along with the existing product to add value, entice a larger or slightly different audience or shift the focus of the product for a different use. In the case of the cereal promotions, the idea was to sell the children on the premium, and they would sell their parents on the real product, the cereal. This essentially shifted the product audience from the parent to the children, and hit them in a new way they could identify with. Premiums included balsa wood gliders, tin superhero rings, decoder rings tied to radio programs and promotions sponsored by the big cereal mills, and other novelty items that got the kids' attention. They added enough value to appeal to the parents, and engaged the kids to the point where they would become the "salesman" for the product. This came to full bloom with the origin of Cracker Jacks popcorn snacks, which sold the product by advertising the premiums with the line "the snack with the prize inside." Sam and Gordon eventually had over 20 factories turning out premiums for Cracker Jack alone.

That same paradigm is still valid today, and has been expanded exponentially to include products ranging from bubble gum to automobiles. Sometimes the premium is so strong it overshadows the existing product. Baseball cards are a prime example this. The cards were intended to help sell the gum, and eventually the cards became the product itself with the gum as a byproduct, eventually being left out altogether. Automobiles have been sold using "options" that can be seen as premiums, and with other related branded products like specialty sound systems, satellite radios, cellular phones, and other convenience products "thrown in" to make the sale. With the exception of funeral plots, even real estate can benefit from a premium to enhance an offer, albeit an expensive one, on a scale with the value of the property.

Publications feature prominently in the landscape of premium use, not only as the originator, but as a huge segment of the current marketing scheme. Publications, including magazines, newsletters, newspapers, books, are particularly well-suited to premium use for several reasons. Because most publications are periodic, the sale is ongoing throughout the life of the customer. They have to be sold for each renewal cycle, each new issue is an opportunity for cancellation, and the need for a reminder of the value of the publication is constant. Premiums can push the fence-sitting subscriber over the hump to subscribe for yet another cycle, adding just enough value to the offer to close the deal. Publications also lend themselves to use of premiums for other reasons. The audience consists firstly of readers, so providing additional reading material is a logical extension of the product, provides obvious value for the reader and is inexpensive for the publisher to produce. Publications and periodicals are primarily sold via more efficient direct marketing channels, where offers, premium types, price point and other elements

are tested and refined regularly for maximum impact and maximum response. Publication sales are usually high volume, mass audience vehicles (even the smallest niche is sized in the thousands) because of production efficiencies inherent in the printing process. High volume allows for higher margins due to this efficiency, and that allows for the addition of premiums in the net calculation to keep the volume up.

Club and association memberships have many of these same attributes, and also lend themselves to premium offers as a result. The NRA has used premiums to great advantage in their membership drives, creating one of the most loyal audiences in the country as a result. They offer a variety of premiums to a vast audience, each linked to a different level of membership, tied to length of membership. The longer the membership, the higher the perceived value of the premium. This serves to drive membership length upward, as well as broaden the offer to encompass a wider potential member pool.

Premiums are not always appropriate. There are some parameters that can help marketers make good selection decisions regarding the use of premiums. That starts with the decision to use a premium in the first place. Some products don't lend themselves to the use of premiums. Food staples, like milk, bread, eggs etc are seen as necessary, and don't need premiums to add value to push the sale. Non-packaged goods suffer from this same malady, including produce food items, hardware, lumber, masonry etc. They are largely seen as commodities, and branding efforts are weak in this area to start with.

Differentiating a brand by offering a premium in these categories is an expensive and not usually effective undertaking. Aside from these broad categories, premiums can be used to boost sales in almost any other product category. But there are some guidelines for success when selecting premiums.

Engagement. Premiums should engage the intended audience, by being of high perceived value, by scarcity, or by “uniqueness” – a specialty branded product that you can't get anywhere else without buying the main product. A premium that is only available with your offer immediately links your product to the value of the premium and reinforces your hold on the audience. An engaging premium stimulates different uses for the main product and fosters experimentation, increasing product purchase rates.

Linkage. There should be some sort of linkage between the premium and the product. It should link through functional extension (“Buy this special bottle opener and get our premium corkscrew free,” or “Buy this sand paper, and we'll throw in our premium sanding block free”), or be linked through brand association (“Free die-cast NASCAR model of Bobby Labonte's car when you buy a box of Cheerios” when Cheerios is the major sponsor of his NASCAR team). The latter is a brand linkage that is weaker and depends upon the customer having brand knowledge of the other product, in this case NASCAR and its sponsors. Functional linkage can extend to the type of premium as well. Written material for published products is a quick shortcut to making a good selection, as for those buying information, more information is an added value. Including a booklet with detergent, however, doesn't functionally resonate with the buying audience (unless it's a booklet on the history of laundry).

Functional Relevance. Premiums should be useful to the buyer of the main product – Golf balls to a subscriber of Golf Digest is extremely functionally relevant – a pen would not have the tight bond to the product and isn't specific to the audience. Calculators for an audience of engineers or accountants would be relevant for accounting books or

engineering software, but not as much for a biology book or a graphic design software. Sometimes you have to take a couple of steps to make the connection. A phone wouldn't seem terribly relevant to a magazine, but if the magazine is Sports Illustrated, and the phone is shaped like a football, suddenly the relevance is clear.

Relative Value. The perceived value of the premium should be different than the main product. It is often seen as less valuable than the main product, and in that instance is a value add or a “toss in” type of offer. A free measuring scoop with a bottle of Tide detergent is obviously less valuable than the product, but the product is a repeat purchase (hopefully) and you only need one scoop, so its value diminishes with respect to the total amount of Tide purchased, diluting its value. The other formula is where the premium is of greater value, and is used as a loss leader to get the refillable portion of the product sold more often. Sell the blades and give away the razor is a classic example of this strategy. The razor is of higher initial perceived value, but it moves a lot of less pricey blades for a long time to come. This strategy has been extended nicely into of all things, computer printers for home use – printers are thrown in with purchase of a computer. At \$150 for the printer, HP sells a lot of ink cartridges at \$45 a piece over the life of that printer. It has the nice advantage of moving a lot of computers as well, as they make the home computer “system” complete for the user.

If the products are of similar value, theoretically and functionally it becomes product bundling rather than a premium. This can also occur if the products don't function well without each other. Operating systems bundled into computers is a prime example of this – you wouldn't think of Windows as a premium, as the hardware won't function without some sort of operating system, and there are few choices available among free standing products.

Publication subscription offers can vary greatly from publication to publication, depending upon the type of publication, the audience characteristics and size, the periodicity of the publication, and the cost of the subscription. The use of premiums can reliably and predictably boost subscription rates and build profitability when executed properly. A smart selection of premium item that truly resonates with the audience can boost subscription rates, build circulation size with new subscribers, upsell or cross sell to other publications, open up new audience niches, expand market share, and build retention rates. Do some homework, select an appropriate premium for the purpose and the product, and make the premium benefit obvious, and you're on your way to a marketing success.

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