

# Pushing Sales With Premiums

Bob Stimolo



I've interviewed hundreds of educators about their attitudes toward premiums or free gift offers. Not once in my 35 years of school marketing has an educator ever told me they would purchase an item to get a free gift.

Yet, I use premium offers with some regularity. And, when I do, seven times out of ten I get a significant lift in response rates and sales. How do I reconcile these two seemingly conflicting pieces of information?

### Premiums Entice Educators to Read Your Promotion

My conclusion is that educators don't purchase items to get free gifts. But they do read promotion materials that promise free gifts. And, readership is the most we can hope for as direct marketers.

We can't make people buy our products or services, even if they are the greatest products or services ever conceived. For a purchase to take place, there must be demand in the market, and demand is created with more than printed paper, mailing lists, and postage.

However, if we can maximize the readership of our promotion material, then we are likely to have the greatest success of which we are capable with our catalogs and direct mail.

### Premiums Should Be Desirable, Not Educational

Common sense suggests that the best premiums are ones that are compatible with the product or service we are selling or, at the very least, ones that

are educational. But hundreds of tests have convinced me that this is not so. To quote Dick Benson, a great direct marketer who is no longer with us, "the best premiums are the ones that are the most desirable."

What makes a premium desirable? There are two good indicators. First, the perceived value of the item must be significantly greater than the actual cost. Second, it must show well and photograph well.

Perceived value is what one thinks an item costs or what one would expect to pay. Typically the items that have the greatest perceived value relative to their actual cost are electronic or hardware items. Calculators, radios, flashlights, CD players, glue guns, MP3 players, and the like are examples of electronic and hardware items that look relatively expensive but actually cost much less.

Why is perceived value important? Because it appears that the buyer gets a lot in return for their purchase. The more buyers perceive they are getting for free, the easier it is for them to feel that the purchase is a good deal.

### Good Premiums Photograph Well

Why is the photography so important? Because it plays a major role when a prospect evaluates the desirability of the item. For example, there isn't much to a computer mouse pad. It doesn't have a good three dimensional presence, it may even be hard to tell exactly what it is in a photograph. On the other hand, a tote bag can be filled with items to overflowing to make a

powerful photograph. A radio headset can be shown on the head of an attractive person to add interest. A glue gun can be shown amidst a number of the projects for which it has been used. Together, the perceived value and the photography help to establish the desirability of the item.

Copy is important also. The more that can be said, the more specifications given, the more impressive the item becomes. Describing a radio as a "desk top AM/FM radio" doesn't sound as exciting as a radio that includes "sleek modern design, AM/FM reception, dual alarm, sleep function, snooze button, and LCD digital read out with battery back up."

My preference is to always describe premiums in a school environment. So when discussing a clock radio one can talk about "listening to soothing music while grading papers after class" or "using the dual alarm function to monitor test or quiz times."

### Premiums Are Discounted Discounts

Why do we use premiums? Because they are less expensive than discounts. If a premium is offered instead of a discount, the amount given away is the perceived value of the premium. We gain the difference between the perceived value and the actual cost. A 10% discount costs 10%, but the actual cost of a premium that appears to be a 10% discount may only be 5%.

What are some of the best applications for premiums? Premiums may pose a solution when margins are tight. For example, distributors or resellers whose cost of goods is relatively high and who operate in a competitive environment can use premiums to distinguish themselves from the competition at relatively low cost.

Premiums can be applied in a variety of ways. Offer a single premium with any size order. Offer a single premium with an order of a certain size. Offer a premium with a certain product or group of products.

A premium structure is another application that is particularly effective with catalogs. Typically, a minimum dollar amount entitles buyers to a single premium. A higher dollar amount

entitles them to a choice of two more attractive items. Yet a higher dollar amount entitles them to a choice of three even more attractive items and so forth. Premium structures are often responsible for increasing response rates and raising average order size.

When establishing order dollar amounts to associate with various premium options it's important to look at existing orders and where they tend to

congregate. An analysis of the number of orders for each dollar order amount is useful to this end. Average order size is not the way to go. Average orders are an amalgamation of large and small orders and almost never appropriate for determining premium cut-offs.

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## Popular Teacher Premiums



**Cooler Bags**



**Calculators**



**Desk Organizers**



**Tote Bags**



**Stickers**



**Radios**



**Radios**