

# The Debating Group



A Parliamentary forum for Media and Marketing Debate

## **Are well-run promotions more important than good advertising to maintain a brand's reputation?**

**“Reputation is incredibly important. Without this, a brand is nothing but a product”. This was the view of Mike Spicer, Chairman, Media Square’s Marketing Division, proposing the motion ‘To maintain a brand’s reputation, well-run promotions are more important than good advertising’ at the Debating Group debate at the House of Commons on 10 March 2008. The debate was sponsored by the Institute of Sales Promotion and chaired by John Greenway, MP for Ryedale.**

**Mike Spicer** stressed that this was not a debate about whether advertising is good for awareness or whether promotions are good at driving sales – the classic reasons why both these marketing disciplines exist. We were also not here to determine and fight the corner for which discipline is the most important in the general marketing mix – this was not the classic sales promotion vs advertising argument. They both have their place and a complementary role in the marketing communications mix. The question is which can have the most effect upon a brand’s reputation.

Mike Spicer focused on the importance of reputation. It is built on the estimation a product or service is held by the community. A brand can have a personality and a positioning, but without a positive reputation these are meaningless. Reputation is critically important to brands. He instanced the case of Apple. “Could Apple”, he asked, “exist purely as the coolest electrical product or is it the fact that it has a reputation for simplicity, security and reliability?” Brands which were once great can be virtually destroyed if their reputation becomes tarnished. However, via successful promotions a brand can enhance its reputation and standing in the community.

Reputation is best enhanced through experience. What you feel, touch and smell. If consumers try it, buy it and interact with it, they will engage more with a brand than seeing an advertisement about it. Experience of a brand equals interaction, and promotions force this interaction between the consumer and a brand, and hence sit at the heart of the interaction that forges reputation. Promotions are in effect a contract with the consumer. If the consumer takes an appropriate action the brand promises that it, in turn, will take a further appropriate action in a timely manner. By entering into a contact in this way, there are opportunities for the promotion to be either a positive or negative experience and affect the consumer’s view of the brand. For example, if a prize, no matter how small, arrives, nicely packaged and with a warm note congratulating the winner on his good fortune, it creates a warm response in the recipient. Should the opposite happen and the prize either does not arrive at all or arrives broken or smashed, the consumer has a very different experience.

Mike Spicer went on to give examples of some classic promotional campaigns that have taken a brand which already had an excellent reputation and built upon it.

- Sainsbury's Active Kids promotion in which customers collected tokens on sports equipment for schools. Within the activity a focus was placed on fresh fruit and vegetables with emphasis on leading an active life. Over £52 million worth of sports equipment was raised over three years and this promotion positively enhanced the reputation of Sainsbury's within the community. A survey conducted by EdComs in June 2007 showed that 62% of respondents felt more positive about Sainsbury's as a direct result of Active Kids.
- Innocent Drinks Supergran promotion . This campaign was launched in 2005 and focused on the plight of the elderly at winter time. In partnership with Eat and later with Sainsbury's, Innocent explained their campaign by placing small knitted hats on their smoothies bottles. The hats were in fact knitted by the consumers of the brand as well as by the elderly residents that the promotion was set to help. For every bottle with a hat sold Innocent donated 50p to Age Concern. The promotion was a huge success raising over £12,000 for charity, but importantly for this debate it also helped build Innocent's reputation.

There followed examples of bad promotions:

- The Hoover Flights promotion is often quoted as the ultimate example of how not to run a promotion. It caused massive fall-out and seriously undermined the value of a once great brand. Hoover broke its contract with consumers when it was unable to deliver its promise of free flights. At its heart was the fundamental problem that the prize was worth far more than the required outlay to claim. The fiasco cost Hoover £50 million. Consumers have no reason to believe in a brand once their trust is broken. Promotions have the power to affect the reputation of brands.
- Cadbury Get Active. Although this was similar to Active Kids, it failed because of a wholly inappropriate link. Developed as a Cause Related Campaign to help fight obesity in children, it was pointed out that to claim a volley ball would require a consumption of 1.25 million calories! The lesson is that there must be a good fit between the brand and the promotional activity.
- GMTV whose phone competitions were exposed as money-making scams, with the winners being selected long before the phone lines closed. GMTV was fined £2 million and the company lost over £1 million per month in lost advertising revenue.

Mike Spicer concluded that bad promotions could pull a brand down. A well-run promotion has the power to add huge amounts of warmth and good feeling to a brand. Promotions wield consumer influence in a way that advertising can only dream of. Advertising is after all only a communications vehicle and is often used to inform the public that a promotion is running. Promotions are the interaction that brands need to build reputations.

### **Long-term brand health**

Opposing the motion **Phil Nunn**, Founding Partner, Trinity Communications and former Managing Partner of Manning Gottlieb OMD, believed that good advertising is more important than good promotions. He cited some great advertising campaigns which made a difference:

- Stella Artois – a bog-standard beer from Belgium which was put on a pedestal by Lowe's excellent campaign, 'Reassuringly expensive'.
- Guinness 'It's worth the wait' campaign. This is an advertising solution, stressing that Guinness is special.
- M & S which won the IPA Grand Prix.
- IPA Gold and Silver Awards for Volkswagen, Famous Grouse, Kwik Fit.

In fact, looking at recent IPA Effectiveness Awards, Phil Nunn struggled to find Marketing Effectiveness papers that relied solely on Sales Promotion. The winners were brands with solutions to the long-term health of a brand. Advertising provides better return on marketing investment. Promotions deliver short-term effects.

Phil Nunn suggested that the Tesco Loyalty Card, while a fabulous sales promotion device, has not enhanced the brand as much as everyday low pricing. EDLP was adopted by P & G, and Walmart (ASDA) to break the spiral of money-offs and the discount culture. They did this because the downside of sales promotion can be either that the price perception of a product is devalued, not enhanced or sales promotion can cannibalise sales. It does not directly invest in new customers. It gives more to current loyals. Studies have shown that it is the company's regular customers who use promotions most and they were going to buy anyway. Sales promotions are therefore often an unnecessary marketing drive and can devalue a great reputation already in place.

PIMS has been used to study the effect of communication approaches on a brand's performance. In a study of 3,000 exercises on this database Professor Buzzell, Professor of Marketing at Harvard, found that businesses with a promotional emphasis to their marketing saw an 18% return on marketing investment; those with a brand advertising emphasis saw a 30% return.

Professor Peter Doyle defines brand image as a good product, plus a distinct identity plus perceived added values. This brand image alchemy is the result of customers decoding the 'signals emitted from the brand'. Always-on sales promotions can actually devalue price and product perception. Whilst sales promotion is great for trial, impact and immediate sales it is not a brand image builder by itself. On the other hand, advertising can encourage increased usage, add more to product identity and can adapt the perceptions of the product's economic value to the customer. It is a much broader and effective tool. Advertising's job is to create intangible, distinctive and ownable soft assets. Advertising is cheaper and more effective for a business in the long run because of the greater lifetime ROI delivered.

Phil Nunn cited his own experience on brands like John Lewis, AA and Virgin which did not use sales promotions to create their reputation. Such companies also use marketing econometrics to look at the long-term ROI that is delivered from their investments. He asked "How many brands can you say have been rejuvenated for the long term by sales promotion?" Advertising has been responsible for the rejuvenation of, for example, Skoda, M & S, and Cadbury's Gorilla.

When sales promotion goes wrong, it goes very wrong e.g. 'Doing a Hoover'. Well-run promotions have a place at the marketing communications table, but whilst they are important, advertising is more important, delivering greater ROI, a wider mix of capabilities and as a powerful tool to rejuvenate a business for the long term. Advertising builds a greater brand reputation than sales promotion.

## **Engagement**

Seconding the motion, **Jeremy Stern**, Managing Director, Promo Veritas, commented that we have seen how simple failures in a promotion can cause damage. He could not find an example of a bad advertisement actually killing a brand. Shake 'n Vac is an example of a bad advertisement, but the brand is still going strong after about 20 years. There is a website called 'TV's worst ads'. In the top 10 are Moonpig.com, Halifax, Head and Shoulders and Glade Touch and Fresh. Has it hurt these brands? Moonpig is now the world's biggest personalised card company, Halifax is one of the top five financial institutions, Head and Shoulders is a clear market leader and growing and Touch and Fresh have market leadership with over 20 years of using the same old format.

Jeremy Stern suggested that the reason is to do with engagement. Ads are there, they are seen, they are heard, but they can also wash over us without our getting involved. Promotions on the other hand are designed to get us involved and to generate an interaction. Consumers take a chance with promotions. Advertising does not involve a contract or a mutual agreement.

Jeremy Stern gave some examples of sales promotions which built a brand's reputation:

- **Andrex.** The promotion was collecting tokens to get a puppy, but you got a whole lot more. The packaging was a hutch, it came with a lead to take it for walks and a calendar to cement the relationship for a full 12 months plus each puppy had a unique name and personality on a Certificate. He claimed this was a perfect example of a brand going that bit further. The brand cared and its reputation was enhanced.
- **Renault Kangaroo test drive.** Renault created a fleet of black and yellow cars and visitors to a safari park were given the opportunity to go round the park in one – an hour-long test drive. Details included a CD in the car playing music for the children, information on the animals and the car and having a photo taken for free collection at the dealer's. This promotion had excellent results and was perfect for the brand's reputation.

Jeremy Stern concluded that promotions have more of the weight of reputation on their shoulders, but because of their one-to-one nature are more capable of satisfying it.

### **Promotional schizophrenia**

Seconding the opposition **James Murphy**, Founding Partner of Adam & Eve and former Chief Executive of Rainey Kelly Campbell Roalfe/Y & R, maintained that we are all in sales promotion. We use creativity to sell. The line between brand enhancing activity and sales promotion is fatuous. You build and manage brands so people are drawn to your product, value it, are loyal to it and will pay a premium for it. If sales promotion isn't doing anything to enhance this, then it's wrong. Some pretty famous and highly regarded brands have sales promotion at the core of their activity and, in fact, some promotions have become brand icons in their own right e.g. BA World Offers, Harrods' The Sale, Guinness: The Perfect Pint and St Patrick's Day. When a brand promotes within its meaning it can be very powerful.

However, James Murphy warned against promotional schizophrenia. This can happen when the marketing function is fragmented or at odds with the sales team and when the agency partners are not working effectively together. Also rooted slightly in the absurdity of the motion is the idea that somehow markets are managing their brand values with one part of the brain and then piling them high and selling them cheap with another. An example is Stella Artois. How can something 'Reassuringly Expensive' be constantly on promotion?

Great examples of things working together are:

- **Virgin trains:** plane relief, eco ads, underpinned with promotions to achieve a multiple effect;
- **First Direct:** cash redemption of £25 to join a current account which ran in concert with advertisements.

Sales promotion is about action. It is not designed to be informative – a role to which advertising is much better suited. It is, however, great when you create a consistent campaign and all the messaging and relevance you've built up through advertising can be activated by a brilliant and powerful promotion. M & S's one-day spectacular at Christmas built on a powerful and memorable advertising campaign with excellent use of discounts on new lines and categories to get people shopping across the floor. Great advertising was activated in-store with a huge increase in footfalls. Similarly M & S' 'Look behind the Label' campaign for Fair-trade Cotton was followed by special offers and BOGOFs on specific fair-trade products.

Sometimes the promotion is the brand idea e.g. Nike Run London; Andrex (what came first: the ad or the promotion?).

James Murphy concluded by regretting that there is not enough cross-fertilization between advertising and sales promotion.

## Discussion from the floor

The following contributions were made:

### For the motion

- This is not a debate between advertising and sales promotion. Integration is everything and yet the debate still rages as to which is more effective. The contributor was impressed that the speakers for sales promotion were honest about bad sales promotion campaigns. He suggested that Tesco's Loyalty Card is not so much a sales promotion campaign as a marketing approach, which is linked with its financial results.  
Advertising is fragmented. Sales promotion is complementary. We now know what does and does not work.  
The seconder for the opposition spoke of the power of integration. It is interesting that five years ago sales promotion did not have the same gravitas it has now. In five years' time it will have even more.
- We are all in sales promotion, trying to convey a message. Sales promotion is a part of advertising, not distinct. A badly run sales promotion campaign can damage the brand. Bad advertising has not the same effect. You can lose your reputation through bad promotion, so good sales promotions are important to maintain reputation. If the consumer has a bad experience the reputation of the brand will fall very quickly.
- A speaker from Nielsen pointed out the difference between Stella Artois' advertising and its promotions. Advertising of a high-quality brand has been devalued by the promotions. He did not know whether this was the fault of sales promotion or factors outside its control. If this is the fault of sales promotion he would have to side for the motion.
- The contributor identified a temporal shift. In the past advertising has been responsible for building brands. Advertising is now fragmented. Companies may own products, but consumers own brands. Nowadays sales promotion is more important.
- People remember sales promotions more than advertisements. Advertising is not working. The contributor compared the policies of politicians with advertising and sales promotion, suggesting that £250 for children in the Child Trust Fund is a promotion.
- Sales promotion is for maintaining not building a brand's reputation. Sales promotion involves a physical engagement.
- Most money is spent on trial of a brand. The contributor cited Innocent Soft Drinks and Lovefilm which were products which relied on promotions rather than advertising.
- We are at a point where things are tipping. Maintaining reputation is the biggest problem. Historically this was advertising's job, but the balance is moving to sales promotion. Customers are bonding with brands. If you are an fmcg leader advertising is still key to keeping presence. If you are no 2 you need a new angle and sales promotion. The future is going to be different. There will have to be the right mix of advertising and sales promotion. If you are thinking of maintenance, historically advertising wins, but if it's the future, sales promotion wins.

### Against the motion

- The debate is not about good or bad sales promotion. The motion says 'maintain' and 'more important'. The contributor believes that the Andrex puppy was built up through advertising. You have to use advertising to tell people about promotions, not vice versa. The BMW brand was built up entirely through advertising. Which is 'more important'? The most important thing is good advertising to build a brand's reputation.
- The contributor could not believe that Sainsbury's would have embraced the sales promotion agenda without the strong Jamie Oliver advertising campaign. They were integrated together.

## **Summing up**

Summing up for the opposition, **Phil Nunn** stressed the importance of a total communications mix comprising good advertising and well-run promotions. The consumer is now more sophisticated and expects a cacophony of appeals. While well-run promotions do maintain a brand's reputation, good advertising can lead to seismic shifts in business. Maintenance is fine, but if you cease to maintain you can drop off a cliff. If promotions stop you do not lose the brand.

Summing up for the motion **Mike Spicer** re-iterated that this is not a debate about sales promotion versus advertising. We are all in sales promotion. The motion is clear that the important word is 'maintain'. Sales promotion will do more for a brand's reputation by encouraging relationships with consumers.

The Tesco Club Card is not a short-term strategy – it is ten years old. The BA promotion is at the heart of its image. Cadbury's advertising is fantastic but its simultaneous on-pack promotions are part of its marketing mix.

There are complaints about bad promotions and praise for good ones. Promotions are a vital part of the marketing mix.

## **The result**

The motion was carried.

## **Next Debate**

The next debate will take place on Monday 12<sup>th</sup> May 2008, sponsored by the Advertising Association. Details from the Debating Group Secretary, Doreen Blythe (Tel: 020 8994 9177) e-mail: [dblythe@varinternational.com](mailto:dblythe@varinternational.com)