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## Has brand loyalty 'bogged' off?

20-Sep-07

Is brand loyalty dead? This is the question plaguing the owners of grocery brands as they give their products away for free in an attempt to boost sales. In this age of loyalty card points, promotional coupons, buy-one-get-one-free offers (bogofs) and free giveaways, brands are getting stuck on a treadmill of ever decreasing prices. The more they cut prices, the more they encourage shoppers to forget about brand values and simply seek out the lowest cost

Many brands blame supermarkets for forcing them to launch money-off offers, leading to an ever-downward spiral of price cutting. This may attract shoppers, but it benefits the retailers at the expense of brand values of the products involved.

That said, some brands are creating imaginative sales promotions as they look for ways to add value to their offers rather than simply giving the product away. That way they can keep voracious retailers happy and build their own brands at the same time. Meanwhile, when it comes to launching food and drink products, sampling and giveaways can prove effective at attracting customers, though only if the product really does taste good.

Nevertheless, running price promotions is an area of growing controversy for marketers. Some believe they are the most effective way of building long-term sales while others criticise them for destroying brand values.

From the retailers' perspective, shoppers are strongly attracted by price discounts, according to research carried out by YouGov on behalf of Catalina Marketing, the scheme which provides money-off vouchers to supermarket shoppers.

Some 40% of respondents in the survey said that discounted prices were the main reason they would remain loyal to a store or retailer. Bogofs were the second most popular form of promotion, cited by one-third of respondents as a reason for remaining loyal. The most popular rewards were money-off vouchers, which were preferred by half of the respondents, almost a fifth more than those wishing to collect loyalty points.

### Price is important

Mark Grice, managing director of Catalina Marketing, says: "This provides strong evidence that UK consumers are still heavily influenced by price. According to the survey, nearly two-thirds chose price even over convenience and locality when asked what would keep them visiting a store." He adds that only 12% said a retail brand was the main influence when choosing a store, reinforcing the importance of price perception compared to brand loyalty.

Research from Catalina Marketing in the US shows that coupon users make up about a third of shoppers, but account for 60% of sales and are far more valuable than non-coupon users. Grice adds: "In light of research like this, it would seem unwise to dismiss bogof offers. When these offers are backed with extensive customer insight and customised to target different types of shoppers, the results are even more effective."

### Disrupting the sales cycle

Many believe that such price promotions can benefit retailers and give brands a temporary uplift in sales, but do little for long term brand building. At the same time, the philosophy of Every Day Low Pricing is based on dispensing with temporary promotions.

A spike in sales from a bogof promotion means extra production and delivery capacity has to be made available. This can be relatively expensive as it is an occasional cost. Doing away with promotions makes it easier and cheaper to predict a smooth pattern of sales. While promotions were originally a way of making use of excess production capacity, they go against the idea of "just in time" delivery, where excess capacity is squeezed out of the system by careful planning and forecasting.

The increasing trend towards running cut-price offers and money-off coupon incentives is criticised by many in the industry. Daniel Todaro, managing director of field marketing agency Gekko, says: "It seems a shame that when millions of pounds and hours of creative brainstorming have gone into developing a brand, every second product is then given away. Such practices cheapen the brand and seem to suggest a company's lack of faith in the value of the product itself." He advocates instead building a "gradual and thorough" relationship with consumers based on education and interaction. He says this creates a type of loyalty that is far more meaningful and long term than "simply giving products away."

Meanwhile, Victoria White, head of activation at Tullio Marshall Warren, says: "Bogofs do nothing for brand identity. This type of activity can result in attracting customers who buy what is on bogof rather than having any true brand loyalty. Although bogofs are great for introducing brands to consumers which they wouldn't otherwise have bought, it is unlikely that the majority of consumers will stay loyal as they are buying on price as opposed to brand loyalty or quality."

She points to promotions that can successfully build brands as well as increasing sales, such as mobile operator Orange's "Orange Wednesdays" initiative, which offers Orange customers two-for-one cinema tickets on Wednesdays.



Prize giveaways are a way of making promotions fun without brands having to lower their trousers too far. As Justine Clements, managing director at incentive and prize specialists Unmissable, says: "Engaging consumers is key. A proven method is through experience-based prize promotions, but they need to be linked to the brand's persona and to reinforce its personality."

Another successful brand-building promotion was Coca-Cola's 2005 and 2006 Win a Player scheme to back its sponsorship of the English Football League and Scottish Premier League. Football fans could text the name of their favourite team to a

number promoted on 80 million Coke packs. The team with the most votes won £250,000 to buy a player, while entrants who voted for that team stood to win £10,000 in a prize draw. Both the Coke and Orange promotions were created by BD-NTWK.

Adding to the cacophony of voices decrying bogofs and promotional coupons is Graham Howarth, director of sales promotion at P&MM, who says they do nothing but devalue the brand. "They may, seemingly, create a sales uplift; however in reality they have a negative effect on everyone's margins - suppliers, retailers and channel partners," he says. He believes that on-pack promotions are far more effective in the long-term and are appreciated by consumers. "After all, consumers doing the weekly shop might not recall a few pence off the price of their teabags from one week to the next but they will if there is a prize competition or a gift feature on-pack. The opportunity to win an exotic holiday or even a weekend break proves powerful and effective for the brand."

### Overcoming stereotypes

Sometimes there is little alternative to giving products away. Getting people to sample new food or drink brands may be the only manner of persuading them they are worth trying. Unilever's launch of fruit drink range Adez made extensive use of sampling in supermarkets to get people accustomed to the taste and to overcome any prejudices about the product. Mike Garnham, chief executive of field marketing agency MSF, which carried out the sampling exercise, says: "Adez is a drinks range based on a range of fruit juices and non-GM soya protein plus vitamins and minerals. Because it is a new and unique product and because there is a relatively low awareness of the use of soya in the UK, creating trial has been key to the brand's success."

Some consumers might have been put off by the soya ingredient. There is a widely-held perception that soya is genetically modified - hence all Adez communications stress that it is the non-GM variety. Soya is better known as an ingredient of Soy Sauce, Tofu or Soy milk, not exactly a pleasant association with fruit juice. So getting the drink down people's throats was essential for overcoming these prejudices and showing that it tastes good.

The sampling campaign took place in 100 supermarkets with teams in branded uniforms working from stainless steel presentation units. Some 77,000 people sampled the product and MSF claims sales increased by 2,339% on the day of the sampling compared to the week before. This was followed by a 311% increase the following week and a sustained increase of 106%.

This shows that free trials can help build sales and encourage people to try out new products. But for brands, promotional offers should be used sparingly and with a carefully thought out rationale.

Unfortunately, retailers are constantly increasing the pressure on brand owners to cut prices as they battle with their rivals for the reputation of having the lowest prices. Brand loyalty may not be completely dead in packaged groceries, but it is certainly looking moribund.

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