

Special Report: Premiums & Incentives

Free car with \$30,000 watch!

by Sara Minogue (page 11)

On or around Sept. 11, 2001, cars in America went on sale, and stayed there.

Zero per cent financing offers and cash rebates have been widely credited with keeping the industry afloat. Individual car brands, however, have not profited from the discounts and a return to other types of premiums and incentives might be the answer.

"Competitively, the problem is that when you offer 0% financing rates, it no longer becomes a differentiator between brands and that can be very dangerous," says Chris Travell, a VP with Mississauga-based automotive and retail consultancy Maritz. "What we find is that other aspects of the sales experience take on more importance."

In December 2001, Ford of Mexico made an interesting study of a promotion designed to reclaim business to www.ford.com.mx after the October move of its central call centre caused sales to drop in what was Ford's largest online retail site in the world.

The promotion started with an e-mail to consumers who had visited the site and given permission to Ford to contact them. The message of the e-mail was in the form of a letter to Santa with a child requesting a new Ford car and a PalmPilot. He tells Santa not to worry about the Palm because if Santa bought the car online the Palm was free.

The promotion was attributed with 300 incremental sales.

"Nobody buys a \$20,000 plus car because they're going to get a \$200 PalmPilot," says Trish Wheaton, president of Toronto-based Wunderman. "But what it did do was serve as a tie-breaker between two or three parity options."

In other words - financial incentives will get people into the marketplace, but it takes a more unusual offer to get people to choose your brand. If you're in the market for a hot little import, for example, you could buy a Nissan or a Honda - but the new Mazda Speed comes with a free watch.

Test drives can be an effective way to get people into the showroom, and then give them something to take home. From walkie-talkies for the Ford Explorer to Serengeti sunglasses for Nissan Pathfinder or skis for the Subaru Forester, "what you want to produce is qualified traffic to an auto dealership," Wheaton says.

"With incentives it doesn't matter what the category. The objective is always balancing a qualified acquisition or lead versus someone who's just there to come and get the freebie. If you use the right incentive, you can see you've got a very qualified and involved customer who will continue to purchase if you're selling something that is continuity based. They'll stick around, they'll be loyal. That's what you want a good incentive to do."

Wheaton cautions against giving away just anything. After years of experience working on Time-Life books, she says: "You always knew you would get a bigger up-front response using a solar calculator or some electronic gizmo but you never got as loyal a customer as when you gave an affinity premium - something that had affinity to the actual product you're selling."

BMW Group Canada runs an ongoing test-drive incentive program through Clublink Canada, serving as the official vehicle at its "platinum" and "prestige" golf courses across the country since 1995.

The company sponsors member guests days in Ontario and Quebec where it offers a test-drive incentive to all tournament participants - as well as a free golf item (a tailor-made putter, wedges, golf apparel) just for coming in.

Those who purchase a car within three months will get a set of tailor-made clubs thrown in the trunk.

Kevin Marcotte, corporate communications manager with BMW Group Canada in Whitby, Ont., says that anywhere from 25% to 35% of participants will actually take a test drive. Twenty to 30 purchases a year are attributed to the program.

Since 2000, BMW has also run a driver-training program in Canada, offering BMW owners or non-owners a chance to spend one or two days at a racetrack learning advanced driving skills. The program will offer 148 full days of training this year - including eight days of Fascination driver training, a two-day culmination event for drivers who have completed Level I and II courses.

"What it does for the brand is promote our safety initiatives," says Marcotte. It also attracts new drivers. Training days are advertised nationally in The Globe and Mail as they occur, as well as to new owners.

Three years ago a typical session would see 75% BMW owners and 25% curious drivers. In the past three years the ratio has skewed the other way, with 60% non-owners trying out the cars. BMW has no numbers as to how many of those go on to buy a BMW but it is tracking the data.

Dennis Hancock at Maritz says that taking \$650 (the average price of the training days) off the price of a BMW would be "almost laughable" but offering driver training is a very effective marketing tool for a company that bills its cars as "the ultimate driving machine."

Hancock advises his clients to take it one step further and make use of the valuable leads events produce. He recently ran such a program for an unnamed luxury client.

After the event, Hancock ran an experiment. Attendees were split into two groups: one group received a \$1,000 discount on the car, the other was sent a \$1,000 "lifestyle experience." They were invited to phone into a lifestyle experience consultant and choose a visit to a Muskoka cottage, a winery tour or dinner and the theatre. Hancock says there was "literally a five-to-one take rate of those who were sent the experience and those who were sent the tangible cash discount."

"If a customer is spending \$1,200 a month on a car, do we really believe that a \$30-a-month difference makes them buy that vehicle or not? My professional opinion is no. What would make them buy it? All the things that brand needs to do for them in their lifestyle. A rebate might be a nice reward in a loyalty campaign, but it's not a motivator."

Other car companies have also found events to be an effective conveyor of the brand message, starting with the famous Harley-Davidson get-togethers all the way up to the Jeep Jamboree, which offers Jeep owners a chance to tackle some special off-road courses in their cars.

Mississauga, Ont.-based Subaru Canada ran its first consumer event for the Impreza WRX launch in 2001. Toronto's Myriad Marketing invited qualified leads (culled from auto shows, rallies and club meetings) to attend a Subaru event and take a grueling two- to three-hour driving lesson with a professional instructor.

At the end of the day participants received a goody bag with Subaru T-shirts, a WRX cap and the ever-popular rally stickers. Roman Szostak, director of creative services at Myriad, says that while the goodies were an important consideration, it was the experience that Subaru wanted to provide.

"As far as a really great takeaway - paramount - was providing some really great lifeskills when it comes to driving safely." That said, the paraphernalia can go a long way.

"People do a lot of research," Szostak says. "Any little something extra can help the buying decision."



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