



Don't Waste Money on Premiums! Section 1

SIX KEY QUESTIONS AND ANSWERS TO HELP YOU SELECT AND USE THEM MORE EFFECTIVELY

Question 1: Do premiums work?

THUMBNAIL Answer: Yes!

Premiums influence market behavior. They increase subscriptions to the *Wall Street Journal*, *TIME Magazine* and *National Geographic Magazine*. They encourage people to visit the dealership to see the new Ford. They increase attendance at a professional sports event. Premiums build membership in university alumni associations. They are contribution incentives for highend nonprofits like the World Wildlife Fund and the Komen Race For the Cure.

Brands like these don't rely on guesswork and myth. They base everything on research. That research tells them premiums are incentives that influence their markets.

Question 2: Yeah but isn't programming our premium?

THUMBNAIL Answer: Sure it is! People contribute because of your programming. If that is enough incentive to attract all the revenue you need, great! Then you don't need premiums.

We agree with the premise of the question – your programming is your premium. Of course that programming should be adequately supported just because of its merits. In a perfect world, that would happen. But this is not a perfect world.

Many contributors have no interest in a premium. Others – lots of others – respond to an extra incentive. Those are the people premiums help push onto your renewal roster. Or up to the next membership level.

Those who respond to the extra incentive are all different. Some are unduly acquisitive. They want stuff! Others are lazy or passive – and need extra inducement to reach for the phone and a credit card. Most love the program or your station so much they want to own something with its logo – they want to flaunt that logo as evidence of their association with your station. And some think the premium you just pitched would be a great gift for Uncle Harry and Aunt Millie.

Motives vary. Who cares? It's results that count. You have expenses to cover. Don't let excess purity keep you from doing smart business.

So, back to the question: YES – throughout the year, programming is your premium! *During fundraisers a little extra incentive will bring in more cash to help you keep that programming on the air.* It's an imperfect world. A world where effectively pitched premiums generate extra revenue. So, if you run into cash problems down the road, come back here and read this article – or look it up in cyberseminar format in the Nonprofit Toolkit section of www.visability.com.

Question 3: What do premiums achieve?

THUMBNAIL Answer: Premiums achieve two things that count in our industry. 1) They motivate people to make contributions and upgrades you would not otherwise receive. 2) Then those contributors use the premiums in ways that billboard your station to the public.

Premiums provide visibility in your market and cash in your bank account. They do both of these things in ways, with limitations and for reasons you may not realize.

Premiums Enhance Revenue – We don't fly blind here. Premium effectiveness has been affirmed in a series of public broadcasting studies dating back to the late eighties.

They show that especially attractive premiums will produce contributions from station members who were not planning to renew. They also induce many renewing members to upgrade to the next gift level.

The financial results can be substantial. But the dynamics require you to impart the perceived value. *That is because the premium that enhances revenue is merely a trinket. It becomes a desirable contribution incentive through your ability to effectively communicate its relationship with your station and your programming.*

To restate that important point: premiums produce revenue. But you are the key to the success or failure of those premiums. **YOU!**

Premiums Enhance Station Visibility – When imprinted with your logo premiums are badges of affinity. So people will use them. And when they do, that use declares that the owner cares about your station and its programming. The premium empowers

your contributor to billboard your logo and their affinity to colleagues, friends, enemies, relatives, neighbors, customers and constituents. And to strangers.

Question 4: What makes premiums motivate people?

THUMBNAIL Answer: Here is the pivotal concept: While it is basic dogma for the broadcaster to visualize the audience as an individual listener, your marketing should consider the audience as a constituency – *an affinity market with shared values.*

If they are properly selected and presented, premiums have the strongest appeal to your core audience. These are the people most easily motivated to give. They are also the ones most likely to want a logo-item that demonstrates their affinity for the station.

Products with a logo that reflect the user's affinity are **personal descriptors**. The logo is a form of identity currency – visual shorthand of personal definition. Think how easily logos can announce identities like: Soccer Mom. Lakers Fan. Deadhead. Harvard Grad. Fly Fisherman. Political Conservative. Car Talk Fan. Sailing Enthusiast. Christian. Groupie. Goth. Veteran. Feminist. ProThis. AntiThat. WBUR Member. Morning Edition Addict. Scott Simon Groupie. KQED Underwriter.

Consider this contrast: we never see someone flaunt the Buick logo on a travel mug, T-shirt, picnic basket or a baseball cap. We constantly see the Harley Davidson logo. Several motorcycle brands have better technology and quality – yet they have miniscule logoware sales. By contrast, products with Harley Davidson logos generate over one billion dollars annually. Amazingly, those sales don't include the motorcycles. That billion dollars is spent on just the logo-stuff!

Careful brand management of distinctive products, institutions and services can somehow touch core values, basic interests, fundamental beliefs, personal aspirations of large segments of the population. An emotional bond is formed. An affinity market evolves. That dynamic created the Harley Mystique. The same dynamic created the Public Radio Mystique!

Within its product category and within its marketplace, your station is in a privileged position. Listeners regard it as the upscale broadcast medium that reflects their own upscale values. Your programming and community service earned an affinity market and its members proudly flaunt products bearing your logo. (You never see someone wearing a Clear Channel Radio T-shirt, do you?)

Premiums are badges of membership in your station's community - badges that are gratefully received and proudly used by your affinity market. *As a station's or program's value to an individual increases, so does the likelihood that the person will want to own evidence of affinity. To that committed listener, renewing membership or upgrading the contribution level seems like a perfectly reasonable step to get a premium with the desired affinity-logo.*

ANECDOTE from VisABILITY founder John

Burke: A few years ago, standing outside Car Talk Plaza on Harvard Square, Janice Gavan and I witnessed a logo-fest!

Bad planning on our part. Huge crowds. No parking. Congested sidewalks. Restaurants sold out. It was Graduation Day at Harvard.

What was interesting was the way parents and grandparents of graduates flaunted Harvard logo-wear. Young siblings wore "Class of 2002" T-shirts. We watched an ancient red "Harvard 1934" beanie bob its way through the crowd as a tall elderly gentleman pushed his walker down the sidewalk. There were old alums in class blazers, new ones with school T-shirts under unzipped graduation gowns, little kids with pennants. That spring day an affinity market was strutting its Gang Colors right in front of Car Talk's office building.

Then we entered the Harvard Coop across the street and observed a jungle of people buying more and more of the stuff!

Being in the logo-ware business, Janice and I were amused by the parade. All this plumage revealed pride of association with Harvard. Badges of affinity drew attention to a bond that helped those people define who they are and who they want to be.

Your audience has similar commitment. It might not have the crazed intensity we observed in Harvard Square that graduation day, but it is the most powerful affinity force in broadcasting.

It took Harvard, founded in the early 1600s, a few centuries to figure out that badges of affinity reinforce the bond they represent. We in public broadcasting picked it up within a couple decades.

Question 5: How can you tell us that premiums work? We have already proved that premiums do not work in our market. Besides, we know you want to sell them to us, so your analysis is biased. THUMBNAIL Answer: Premiums will work in every market. But only when handled properly. So try again. Do it right and you'll boost revenue.

The audience does not respond to premiums when the wrong premiums were offered or the right ones were used ineffectively. Or both! Oddly, this issue has created two entrenched camps. Both ignore the research and the obvious reasons for success and failure. Their claims and opinions don't make much sense to us, or to each other:

The first camp couldn't live without premiums. These premium boosters give too much credit to products and not enough to the marketing sense they and their colleagues apply to the premiums. They should really be saying – *"The experience at our station shows that appropriate premiums, when thoughtfully, enthusiastically and credibly pitched, reliably enhance the success of our fundraisers."*

The other camp asserts that premiums have failed to raise additional revenue for their stations. A more accurate way for them to report their lack of success might be to say, *"The premiums we selected, or the way we used them, have failed to produce revenue."*

Massive amounts of research have been done by the advertising industry, the direct mail industry, the promotional products industry and by public broadcasting. They prove premiums work. They build visibility, reinforce market niche and enhance brand loyalty. They work so well that in 2008 brand-intensive organizations spent \$20 Billion on products with their logos. **\$20 BILLION!** To enhance their brands they then gave away those products for free.

So perhaps the debate about premium virtues should be put aside. *In its place station marketers should discuss how to pick good premiums and how to use them effectively as contributor incentives and brand enhancers.*

ANECDOTE: Audience response has been consistent for over two decades to questions about the effectiveness of contributor incentives related to stations and programs. Our own university-supervised survey had responses from 7500 contributors in 79 station markets with 390,000 answers – plus 15,000 narrative

statements. By far the largest premium survey in public broadcasting at the time, it is now nearly twenty years old. So we put more reliance on current data. Dozens of smaller but more recent surveys have confirmed our original findings: well-chosen and well-presented premiums have a significant affirmative impact on contribution renewals and upgrades, with somewhat less dramatic and less consistent ability to pull new memberships.

Question 6: How should we make premiums work better?

THUMBNAIL Answer: There are so many ways to use premiums ineffectively. But it's pretty simple to use them correctly. We'll show you how in Section 2. Before you go there, consider the following...

We have already introduced the concept of affinity market. It is one of the two essential concepts that underscore effective use of contributor incentives. The other is this: *station attitude towards premiums and understanding of their dynamics is as important as the products themselves.*

As an inert item, the premium does not attract revenue. Until VisABILITY discovers a premium that can grab a microphone and tout its own merits, *the burden is on the station to generate the premium's perceived value. The same premium can be a success at one station and a bust at another. Same contributor incentive. Different presentations to the audience. Different results!*

You'll find plenty of information about how to do this in Section 2, along with guidance about teaching colleagues (and volunteers) the little tricks that will maximize their own contributions to premium success.



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