

Altman Dedicated Direct

STRATEGY... TACTICS... **RESULTS**

Column: "After the Phone Rings ..."

Month: **March 2006**

Topic: **Making the Most of Front-End Premiums and Bonus Gifts**

Almost every DRTV or DR Radio offer includes premiums or bonus gifts: "... FREE with your order..." The main purpose when including these offer "sweeteners" on the front-end, is to get a stronger response/acquire more customers with the same media investment.

But how do you derive the greatest increase in *paid* response from these? You want that premium to convince "fence sitters" that they should get off the couch and phone your telemarketing center or visit your web site and place an order. But you don't want prospective customers ordering solely to get the premium or bonus gift, and then return the main product.

There is a fine line between offering sufficient value to encourage an order, but not so much that "premium bandits" take advantage of you. Think carefully about the kinds of premiums your customers will truly appreciate and benefit from. By avoiding premiums unrelated to your core product(s) and customer profile, you will discourage "bandits" who only want the free gift.

The first key is ensuring the premium is a logical extension or related item to your main offer. For example, if you're selling a diet program, a premium recipe book that helps customers stick to their diet, or a food scale makes great sense. But offering a free necklace or airline tickets are much more likely to attract bandits who only want that necklace or tickets and will return the main product the first chance they get.

Once you have selected a category of premium that makes logical sense for your offer and prospective customers, pay attention to the perceived value. The higher the sales price for your main offer, the greater the perceived value of the premium should be. For a \$350 item, the perceived value of your bonus gift should be higher than when selling a \$39 item. You also don't want too low an absolute perceived value – who will make a purchase to get a free item valued at only two dollars? Look for premiums with a perceived value of at least 10% - 25% of the main offer.

Products that have an element of exclusivity have greater appeal in DRTV and all areas of direct marketing. It's also true with premiums and bonus gifts that the more exclusive the premium, the greater its appeal. Also pay attention to the cost of the premium. The ideal situation for you is an item you can purchase at a relatively low cost but has a perceived value to your prospective customers that is much higher than that cost.

Don't forget about using premiums and bonus gifts at different points in the selling process. You can offer a premium upon order or upon payment. If your offer is a free trial or deferred billing, you have the option to offer the premium upon shipment of the main item or upon processing the first payment. If you deliver the premium upon processing of the first payment you can and should offer a greater perceived value than if you deliver the premium upon receipt of the order (and before payment).



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Finally, consider whether your offer could benefit from an unannounced bonus gift -- a premium the customer doesn't know they will be receiving, but have the delightful surprise of seeing with their shipment. Unannounced bonus gifts go a long way towards promoting good will, reducing returns and encouraging repeat purchases. If you struggle to keep your return rates down, or have a continuity or back-end catalog program, unannounced bonus gifts delivered with the customer's first order may be just the key to improving retention rates and your ROI.

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