

# Firms' marketing departments are big winners in contest mania

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One of Canada Post's best customers is tucked away on a quiet street in Paris, population 9,500.

Every morning, a mail truck disgorges thousands of envelopes at the head office of **Marco Sales and Incentives Ltd.** The letters pour in from across Canada and from people in all walks of life, but the senders have one thing in common: They desperately want to win something.

It doesn't matter if the prize is a big-screen TV or a lifetime supply of throat lozenges, Marco knows consumers will fill out contest ballots until their hands cramp.

The contest industry is on a roll, and nobody knows that better than the folks at Marco. As one of Canada's biggest contest managers, it has never been busier running sweepstakes, scratch 'n' wins and other games for marketers such as Kraft Ltd., Kellogg Canada Inc. and Unilever Canada Ltd.

How good is business? Marco was handing out so many free trips that it bought its own travel agency. When the Internet came along and allowed people to enter on-line, its contest division got even busier.

"With the Web, it's just opened up a whole new avenue," said Scott Cruickshank, senior account director with Marco. "It's wild."

These days, contests are everywhere. Flip through a magazine, open your mailbox or visit a Web site, and chances are someone will be urging you to fill out a ballot. Right now, Benjamin Moore Paint is offering a vacation to France, Visa wants to send you to Walt Disney World and MasterCard is promoting a trip to the 2004 Stanley Cup final.

Those are only the trips. McCain Foods Ltd. is giving away a Mazda minivan, Look Communications is offering a Dell computer and RCA flat-screen TV, and Bell Canada just closed a contest for a two-year lease on a Beetle convertible or \$15,000 in cash.

Marco's competitors have their hands full, too. At **NCH Promotional Services Ltd.** in Toronto, "our business is growing," said Wayne Moulard, vice-president of analytical services. NCH's clients include blue-chip marketers such as Procter & Gamble Inc., Visa and Tim Hortons, whose ubiquitous Roll Up The Rim To Win promotion is one of the most successful Canadian contests in history.

Why are so many companies giving stuff away? Contests have been around for decades, but they're enjoying a resurgence as a marketing tool for a few reasons. Chief among them is the uncertain economy.

"Consumers have dropped their spending; they are nervous about the economy and where it's going and there's just a reluctance to spend," said John Gustavson, president of the Canadian Marketing Association.

"Contests bring them out and get them involved with your product. The response rates go up for these things in difficult economic times. People love this stuff. It's human nature."

Compared with a glitzy advertising campaign, a contest can be a more cost-effective way to generate buzz. "It's a good way to reach customers

in a relatively cheap fashion. It creates awareness of the company's brand," said Toronto lawyer Brenda Pritchard, who specializes in advertising and marketing law.

Bell Canada, for instance, uses contests to attract consumers to its Web site. "Contests drive action," said David Inns, Bell's vice-president of consumer markets for wireline.

Contests work off-line as well. In retail stores and at trade shows, a catchy contest display generates traffic and sales. Getting people to fill out ballots is also a time-honoured way to create a consumer database, which companies use for marketing purposes.

For credit card companies, contests drive card usage. Visa and MasterCard both are running contests that automatically enter customers when they use their cards. Visa card purchases spike by as much as 6 per cent when a contest is on. "It definitely works," said Brenda Woods, vice-president of marketing at Visa Canada.

Another plus of contests: They generate goodwill toward brands.

"For those people who win, they have a very warm and fuzzy feeling about the company that gave them the prize, so it creates loyalty," Ms. Pritchard said. Winners spread that good news to friends and family.

More contests are springing up even as the weak economy causes companies to trim budgets for other forms of marketing. Last year, spending on games, contests and sweepstakes by U.S.-based marketers rose 9 per cent to \$1.8-billion (U.S.), according to trade magazine Promo.

Contests faded in popularity several years ago when marketers got hooked on frequent-buyer cards and other rewards programs, said Alan Middleton, professor of marketing at York University in Toronto. But some of those loyalty schemes haven't panned out the way companies had hoped, and now marketers are shifting dollars back into contests in a bid to give their brands a boost.

"Contests have come back," he said. "What they do is add a little bit of excitement to the brand."

What makes a contest a winner?

Contests that give away lots of small prizes -- in addition to an eye-catching grand prize -- are often the most successful, Mr. Middleton said. Roll Up The Rim gives customers a one-in-nine chance to win a coffee, doughnut or muffin. It may not sound like much, but it keeps people coming back to Tim's.

"Part of what makes Tim Hortons exciting and a Canadian institution is every so often I get to win neat stuff," he said.

Whether the prize is big or small, it helps if it reinforces the brand message. Ocean Spray International, for instance, launched a rectangular bottle designed to fit in the door of a fridge. To drive home that benefit, it is giving away four Whirlpool refrigerators -- retail value: \$2,599 (Canadian) each -- in a sweepstakes that runs until Aug. 31. Even as companies give out more smaller prizes, grand prizes are getting splashier. Giving away something big is one way to stand out from hundreds of other contests vying for consumers' attention.

This summer, Pepsi-Cola Co. and AOL Time Warner Inc.'s The WB Network are sponsoring "Pepsi Play for a Billion," a sweepstakes that will give contestants a chance to win \$1-billion (U.S.) on a TV game show in September.

One contestant is guaranteed a \$1-million prize and a chance to play for \$1-billion. The odds of winning the grand prize are one in 1,000. Pepsi isn't taking any chances; it has insured itself for the entire amount.

Think holding a contest is as simple as drawing a ballot and delivering a prize? Wrong. Contests are fraught with legal complexity and, if they're managed improperly, can blow up in a company's face. Ms. Pritchard, a partner at Gowling Lafleur Henderson, has chronicled numerous instances in a paper titled *Avoiding Contest Catastrophes*.

One of the biggest contest disasters happened to Pepsi in the Philippines. Because of a computer error, 500,000 people claimed the grand prize, putting Pepsi on the hook for \$18-million. The soft-drink maker settled for a total of \$10-million, but that didn't prevent a consumer backlash. Angry contestants vandalized Pepsi's property and its market share plunged.

In New Brunswick two years ago, Ultramar Ltd. intended to give away three grand prizes of \$1,500 (Canadian) worth of gas. But because of a printing error, 50,000 to 60,000 "winning" coupons were distributed. The company declared them invalid, citing a clause in its rules. Customers were left fuming.

Awarding too many prizes isn't the only hazard of contests. Another challenge is professional contest players, who devote long hours to filling out ballots and exploiting loopholes in contest rules.

One of the most successful contest players is Lynn Goutbeck of Edmonton. She has collected thousands of prizes over the years, including a car, an \$8,000 scholarship, a barbecue, three or four stereo systems, a washer and dryer, bicycles, clothes, groceries and about 20 trips.

At the peak of her contest career, she was spending \$100 a month on stamps. She even wrote a book about her experiences, called *Winning Ways*, and was featured on TV and in *The National Enquirer*.

"I was winning three or four prizes a week. I won two trips in one day," said Ms. Goutbeck, who now only dabbles in contests.

Contest promoters hate people like her. They want to spread their prizes -- and goodwill -- to as many consumers as possible.

But pros go to great lengths to win, as Ms. Pritchard found out during a contest by a beverage company several years ago.

"The contest rules stated that each entry had to be in a separate stamped envelope. [A contestant] called me. His lawyer called me, and then he couriered the entries in envelopes with Easter Seals on them -- 30,000 of them. And we had to accept them," she said.

Most contests now insist on "postage-stamped envelopes."

Marketers have implemented other rules in a bid to thwart pros. Contests often limit entries to one a person, or one a person per day. Still, people use crafty methods to get around such restrictions. They use slightly different names on each entry, or they use names of friends and relatives on the understanding that the parties will split any prizes.

Computer systems are programmed to weed out multiple Internet entries, but the pros try to stay one step ahead. "Every day, they're out there trying to beat the system," said Mr. Cruickshank of Marco.

The vast majority of entrants don't win a thing, of course. At Marco, the entries that aren't drawn -- tens of thousands of them -- sit in cardboard boxes and bins on the third floor. This is their last stop before an appointment with the paper shredder.

But there will always be more where they came from.

**Entries win by the numbers,**

**but the new spin is electronic**

Technology is changing the way marketers conduct contests.

In the past, holding a prize draw was relatively simple. Organizers would put the entries into a drum, spin it and pull out a winner.

But the Internet has added a new wrinkle to the process.

These days, if a contest permits entries over the Internet -- and most do -- the random draw is per-

formed electronically.

At contest manager Marco Sales and Incentives Ltd. in Paris, Ont., entries received by mail are numbered manually. Each on-line entry is assigned a number electronically.

The computer then generates a random number, and the entry with the same number wins the prize.

*John Heinzl*