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Starting Up: The Art of the Gimmick

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By Diana Ransom

FOR START-UP BUSINESS owners, nothing says "here I am" like an enticing sales promotion.

When a young couple getting married in Boston last November spotted rain, they weren't upset a bit. That same day, Richard Berberian, owner of Elyse Fine Jewelers in Reading, Mass., where the couple purchased their engagement and wedding rings, was doing what he calls "the happy dance."

Six months earlier, Berberian had started a sales promotion that called for a full refund of the price of a couple's engagement and wedding rings if the National Weather Service at Boston's Logan International Airport reported half an inch of precipitation on the couple's wedding day.

To limit his risk, Berberian had sought out prize insurance, which took about six months to find. "It is very difficult to insure a program like this," he says, largely because the payout hinges on nothing more than the weather. But from that one fateful day, the couple got back the \$13,000 they paid for their rings and Berberian — who didn't have to pay anything besides roughly \$1,300 for the insurance premium — won an impressive amount of publicity, including a front-page story in the Boston Globe and numerous television reports. Thanks to the promotion, the four-year-old business now "sells three to four more engagement rings a month," he says. "At about \$11,000 to \$14,000 a pop, that's a lot of money."

Being the new kid on the block poses a challenge for any business owner. While a big business often gets its name out via high-priced advertising campaigns or blow-out sales, a small business typically can't afford such strategies. For this reason, many entrepreneurs like Berberian are increasingly turning to marketing gimmicks to get noticed.

An over-the-top sales promotion can be a great way to gain attention and boost sales. But if things go wrong, such promotions "can be an expensive way of building awareness," says Bonnie Carlson, president of the Promotion Marketing Association in New York.

That was the case for Lee Peppard, who in 1972 started the first-ever national foosball championship in Missoula, Mont., with a \$1,500 prize. Peppard, who sold foosball tables through his company Tournament Soccer, hosted more and more tournaments, eventually doling out some \$3 million in prizes at 100 events through 1980. One unfortunate problem: He didn't count on foosball's popularity to fade. Not only did Tournament Soccer declare bankruptcy in 1981, but Peppard had to pay winners' cash prizes out of his own pocket, according to Johnny Lott, co-author of the recently released "World Table Soccer Almanac." (Peppard who went on to head

Medalist Marketing Corp., a soft-tip dart promotion company based in Pacific, Wash., was traveling in Europe and unable to comment for this story.)

For business owners considering making a similarly high-stakes bet, be sure to take the necessary precautions. Here are some ways to not only limit your risk but also translate promotional enthusiasm into long-lasting customer relationships:

Keys to Promotional Success

Promotional success starts with a consistent message, says John Jantsch, author of "Duct Tape Marketing" and a Kansas City, Mo.,-based marketing coach. "People really like getting free stuff," he says, but if there's no association between the giveaway item and your brand, your efforts and the promotion's cost will likely be spent in vain. Instead, he says, "spend some time finding an item that has a natural or metaphorical tie-in to [your business's] core message."

From the very beginning, sisters Casey and Sloane Simmons started their Kansas City, Mo., designer arts-and-crafts store Stuff with "people, not product" in mind, says Casey. For nearly 11 years, Stuff has sponsored large-scale promotional events such as "Diva Day" geared toward women customers, and "Wings of Hope," a cancer fundraiser for the holiday season. About 600 to 700 people usually pile into the sisters' 1,700-square-foot store to attend the two-day events, which are typically replete with entertainment, demonstrations and giveaways. It's an opportunity, she says, for people to see brand-new works of the season, donate to a worthy charity and to connect with artisans and other community members. The major events, she says, score solid sales and serve as the "top performing days of the year."

It's also a good idea to target your message. For instance, Jantsch says, a local accountant might send out about a hundred or so calculators with the business's name and contact information stenciled prominently on the outer casing to select residents. In this situation, he says, timing is also important. That same accountant, for example, might have a greater response if the calculators are sent out just before tax time.

Be sure to also follow up with customers and clients. Bruce Hollander, executive vice president at Don Jagoda Associates, a promotional marketing agency in New York, recommends establishing a database of customers during promotions. "As you begin to compile a database and do follow-up marketing, promotions can allow you to sell more products going forward," he says.

Ways to Reduce Risk

It's also a good idea to get prize insurance, especially if you're considering a large-scale promotion. A number of companies offer this unusual insurance. One is Grand Prize Promotions, in Richardson, Texas, which sells policies covering prizes worth \$5,000 to \$1 million, starting at \$700 per event, according to Brad Henderson, a spokesman for the insurer.

When Debbie Martinez and her husband planned the first Annual Fight "Fore" Sight Golf Invitational at her family's Terrace Hill Golf Course in Algonquin, Ill., the couple tapped Hole In One International, a Reno, Nev., company that specializes in insurance for golf contests.

For a \$1,000 premium (which Sam's Club, a sponsor of the charity event, agreed to fund), the insurer covered \$30,000 worth of prizes at the event. A person scoring a hole-in-one on certain holes throughout the course would have been able to choose between a new BMW, a custom motorcycle or \$25,000 in cash. "We wouldn't have paid anything out of pocket," says Debbie. As it turned out, no golfer made a hole-in-one, but the event raised \$27,000 for a foundation for the Martinezes' twin sons, who are seeing-impaired, and also made Terrace Hill more well-known in the community. Since the event allowed nonmembers to attend, "quite a few people signed up for the waiting list," she says.

Another option for cutting costs and limiting risk is to give away donated prizes. For instance, Virtual Instruments, a magazine that focuses on music software, has offered readers a "chance to win" ever since its first issue in June 2005. Various companies that want their own publicity will give items to the magazine for free; the magazine in turn advertises the prizes on its front cover. The current giveaway item is music-creation software valued at \$249. According to Nick Batzdorf, the magazine's founder in Los Angeles, about 300 people enter each contest. And at \$4.95 an issue, that attention, he says, "helps us with newsstand sales."

("Starting Up," a weekly column written by Diana Ransom for smSmallBiz.com, follows entrepreneurs through the early stages of launching a business. Write to her at dransom@smartmoney.com.)

Correction:

According to Elyse Fine Jewelers' sales promotion, at least half an inch of precipitation must fall on a couple's wedding day for the rings to be free. An earlier version of this story incorrectly stated that over an inch and a half of precipitation needed to fall.