

Premiums and Freemiums – Who’s Doing What?

By Shira Linden

Just like in the fashion industry, premium has their hot sellers and their has-beens. The industry is sensitive to changes in technology that render some premium obsolete, and to political events that affect the business climate.

Stan Konik, President of *Konik and Company*, a merchandise premium supplier to the publishing industry for over 30 years, reports that cameras, which used to be very popular, are now defunct, thanks to digital photography. Calculators and many electronics have also gone by the wayside, he added. Some premium simply go out of vogue. Pens, for example, are now dead. Umbrellas are only used on a limited basis, because the quality is not there at the price point marketers want to pay – between \$2.00 and \$2.50 per item and decreasing. “People are looking for lower priced items with high perceived value,” Konik declares. He reports that many want imprinting, so his firm offers customized products as well as drop-shipping.

September 11 turned the premium industry on its head. “All business ceased,” said Konik. He noted that now business is back to pre-9/11 levels, but the nature of the business has changed. Scissors and knives were popular before 9/11, but have practically disappeared, save for one magazine catering to hunters. Conversely, security devices, such as radios with attached flashlights and sirens are good movers.

Current top sellers include jumbo display clocks with time, temperature and date, travel alarm clocks with temperature, date and alarm, binoculars, mini radios and scan radios, data-banks (mini PDAs that incorporate calculators), pedometers, especially for health newsletters, and tools like the motorized power driver screwdriver. Stainless steel travel mugs and tote bags are also doing well.

Konik likes to see clients feature the premium on the envelope, on a 4-color buckslip and in the letter. He claims that when the premium is predominantly featured, marketers will see a 28% lift in response versus a non-premium mailing.

FREE HIDDEN PICTURES™ Calendar
plus over 40 Special Occasion Stickers with each subscription you order!

Send HIGHLIGHTS now...bill me later
Send a 1-year subscription (12 issues) of HIGHLIGHTS to the children I've listed below at only \$1.97 per issue, plus 20¢ an issue postage and handling. My satisfaction is guaranteed.

The first issue of my gift subscription will be delivered in December, along with a FREE Hidden Pictures Calendar. (Special cards I can send to announce my gift will be sent to me in time for the holidays!)

Bill me in three monthly installments.
For orders outside the U.S., please add \$12.00 postage and handling.

Please be sure to fill this in:
Mr./Mrs. Buyer Ms./Ms.
Address _____ (please print)
City _____ Apt. _____
Phone (____) _____ State _____ ZIP _____

Send HIGHLIGHTS to:
1. Child's Name _____ NAMCHO
Address _____ Age _____
City _____ (if different from buyer) State _____ Zip _____ Apt. _____
2. Child's Name _____
Address _____ Age _____
City _____ (if different from buyer) State _____ Zip _____ Apt. _____

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FREE with order!

Example #1-- Highlights for Children "Free Calendar" Gift Subscription Offer

COSMOPOLITAN®
Special Bonus! *yes, yes, yes!*

I want 12 issues of COSMO and my **BONUS** 6-issue subscription to MARIE CLAIRE. All for COSMO's regular low intro price of **just \$18!**

I SAVE 70% off the cover prices!

Payment enclosed
 Bill me in 3 monthly installments just \$6 each

Name _____ (Please Print)
Address _____
City _____ State _____ Zip _____ code _____

Mail This Card Start Saving TODAY!

GM 2002 COSXCM024

Example #2-- Cosmopolitan Blow-in offering a Six Issue Bonus Sub to Marie Clair

Premiums Can Send Results South

Overall, the majority of marketers who weighed in looked favorably upon freemiums and premium. The exception was VNU. Neil Eisenberg, Circulation Director of *VNU Business Publications*, stated that *American Artist* previously used pamphlet-sized books with repackaged editorial content, such as 101 Tips for Painters, as well as canvas duffle bags.

When they removed the premium about three years ago, response went up. “I can’t say why – I don’t know if it was just luck or the premium didn’t inspire our prospects to reply,” Eisenberg stated.

Premiums, Freemiums = Business as Usual

On the other hand, several publications use premium routinely. For over a decade, *Highlights for Children* has

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been using premiums and freemiums in their packages to consumers as well as teachers. "We're famous for our freemiums," said Bill Hummel, Senior Vice President of Marketing. "We use them as door openers. We get lots of brand identity with those. They definitely lift response and have a high perceived value. We create our own – they're unique and distinctive, and tie into the publication. We've used them for so long it's pretty much a given with us."

Most, although not all *Highlights* packages also have premiums. Their gift sub offer includes a free "Hidden Pictures Calendar" with each gift subscription ordered, a premium that refreshes itself, which makes it attractive -- see Example #1 on previous page. *Highlights* also mails a teacher package, which includes a choice of items teachers can use in the classroom, such as reward stickers.

Premiums Out, Freemiums In

For the past year, freemiums have substituted for premiums at *Kiplinger's Personal Finance Magazine*. The freemium enclosed in their statement of benefits package, "12 Grade-A Ways to Build a Nest Egg for Retirement," is an attractive, 4-color laminated insert -- see Example #3. Subsequently, Kiplinger's dropped the lamination, and went to a lesser paper weight with an aqueous coating and results still held up.

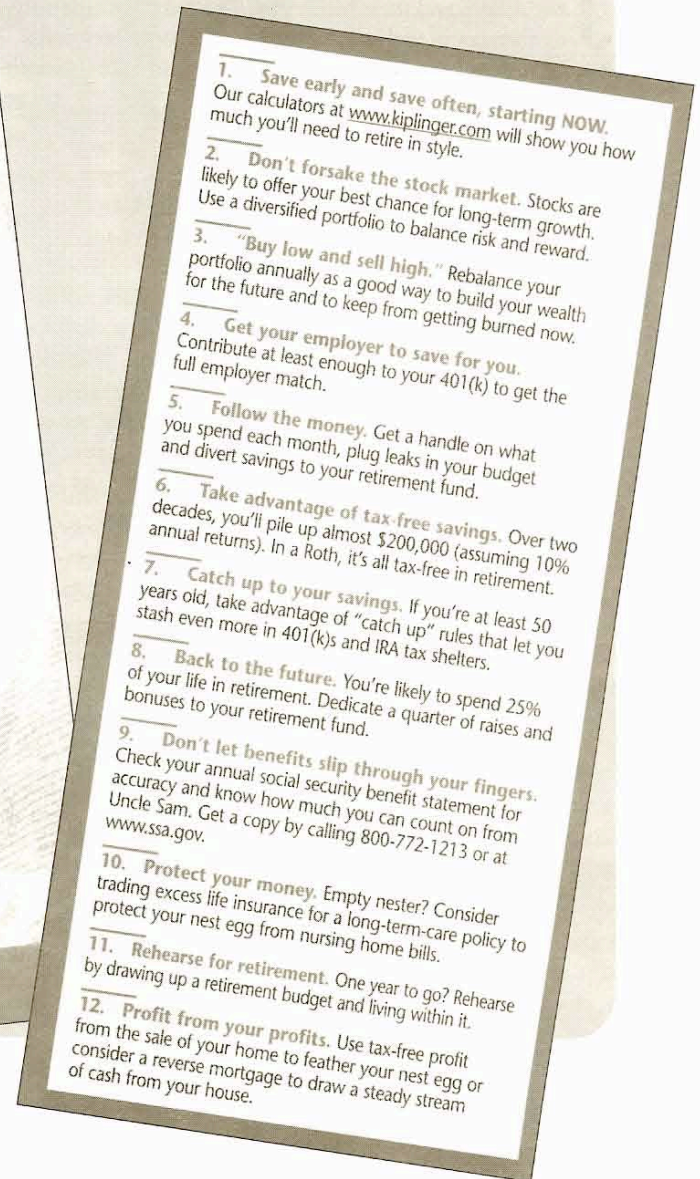
Carol LePere, Circulation Director and Associate Publisher, indicated they tested the freemium along with a new package. "The whole package worked like gangbusters. The freemium doesn't cost much, yet provides a value-added benefit sub-

scribers have come to expect." Recently, they redesigned the freemium for their upcoming mailing to keep it fresh. LePere reports that retirement is the most popular personal finance topic, followed by taxes. The market changes too quickly for stock tips.

Previously, the magazine relied on editorial premiums with their



Example #3 -- *Kiplinger's Personal Finance Retirement Tips* "Freemium"



renewal promotions. They also tied editorial premiums into a soft offer.

Combination Offer

"We're not a big premium user," said Ken Godshall, Senior Vice President of Consumer Marketing at *Hearst magazines*. "We like to sell the magazine on its merits at a reasonable price." But when *Hearst* tried a combination sale in the Quality School Plan setting, "It boosted response so much it got our

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YOUR FREE GIFT

This Digital Organizer is yours Free with your paid subscription.

U.S. News & World Report

FREE Digital Organizer

Here's everything you need to keep yourself organized when you're away from home or the office. Whether you're calculating a tip or storing phone numbers, now you'll never lose track of all the details.

- Clock mode with time, date and day-of-the-week display
- Storage for phone numbers, reminders and memos for quick and easy access
- Automatic alpha-sort feature
- Fully-functioning calculator, currencies converter, and work time mode
- Slim-folding carrying case

DATA3

Example #4--Digital Organizer Premium Flyer

attention. We wanted to appeal to a younger female consumer, so the offer was buy *Seventeen* and get a six month subscription to *Cosmo Girl*.

It turned out to be one of the biggest successes in publishing last year."

A blow-in card enticed prospective *Cosmo* subscribers with a bonus 6-issue sub to *Marie Claire* -- see Example #2 on page 7. Goodshall indicated the combination sale is quite new -- just one to two years old. He called it, "smart marketing," indicating they've had some success in renewals as well, which makes the response even more attractive.

But every marketing coup has its down side. "We can't do it all the time. The limitation is that we can't make this offer continuously, just a few times per year," he said.

Winners Rely on Premiums

According to Hallie Mummert, writing in *Target Marketing*, "Blockbuster Direct Mail -- Secrets of the decade's most successful controls," April 2005, "The biggest predictor of success between long-term controls and those that burn out within two years can be boiled down to one word: gifts.

Grand Control winners (257 Axel Andersson winners whose mailings were tracked over the last decade) offered premiums or freemiums in their efforts nearly 400 percent more than their general mail counterparts. Specifically, 44.7 percent of the Grand Controls used such incentives as name and address labels, special reports, tote bags, plush animals, flower bulbs, stickers, calendars and calculators to drive response."

Or do they?

Yet, according to the CircTrack 2004 study of paid consumer magazine circulation, premium usage in direct mail control offers has dropped from 41% in 2000 to 26% in 2003, the last year that figures were available. When consumers were queried in the CircTrack 2004 consumer survey, 58% of consumer magazine subscribers prefer price discounts, 21% favor an extended term subscription and only 14% prefer gifts. Of those who have renewed a magazine subscription in the past 12

months, 64.3% were motivated by a price discount, 20.6% by extended term, 7.4% by gifts and 6% by the editorial product itself.

The CircTrack findings are upheld by ParadyszMatera, a leading list brokerage and consulting firm serving the magazine publishing industry. Glenn Lalich, Vice President, reports premium use was down across the consumer magazine marketplace, dropping from 51% in 2003 to 47% in 2004, although not all types of incentives saw declines. The most common incentive, premium upon payment, held steady at 36% of consumer magazine promotions in 2003 and 2004. Freemiums stayed at 7% for both years. As expected given the growth of hard bill-me offers tied to voucher packages, incentives designed to increase upfront response (premium on order) declined from 9% in 2003 to only 6% in 2004.

Lalich reports use of editorial versus merchandise premiums has seen little movement in recent years, adding that on the merchandise front, one of the more popular items of the past year or so has been the personal organizer from mailers like *Time*, *U.S. News & World Report* and even *Details* -- see Example #4. Conde Nast also offers a variety of interesting fashion bags/handbags for titles like *Glamour*, *Lucky* and *Vogue*. **SM**

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