



measuring RETURN ON INVESTMENT
WITH PROMOTIONAL PRODUCTS



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What is ROI?

ROI is defined as the total profit or savings less the original investment. It also acts as a measurement of the effectiveness of promotional products in achieving a desired result.

$$\text{ROI} = \frac{\text{Net Profit or Savings}}{\text{Total Investment}}$$

ROI creates the connection between sales and marketing for organizations that are serious about measuring the effectiveness of their internal and external marketing spending.



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The Importance of ROI

Measuring ROI is important because it proves that promotional products for internal and external programs work. ROI measurements demonstrate that promotional products save money and increase profits. ROI helps justify the use of promotional products. ROI is a financial comparison that relates the return (the net present value of incremental profits less the initial investment) to the original marketing investment. The aim of measuring ROI is ultimately to achieve maximum profit potential.



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Case Study #1 – Sales Increase

Most common sales objectives:

- Overall sales increase (dollars, units, or percent gain)
- Increase sales of specific products
- Generation of new accounts
- Cross-selling of products
- Increase number of calls in a given time period
- Increase in market share

A national manufacturer of widgets is looking to grow sales by 25% in a given time period.
Question – what is the company willing to spend per thousand dollars to increase profit?

Current average weekly sales: 80 widgets

Incentive threshold: 100 widgets

Profit per widget: \$200

20 additional widgets, therefore, add \$4,000 in profit (20 widgets x \$200 each).

Winning sales people receive \$500 in products.

Investment	= \$ 500.00
Return	= \$ 4,000.00
Incremental Profit	= \$ 3,500.00

700% Return on Investment



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The Role of Promotional Products

Use of promotional products increases market share, strengthens brand image, and builds both employee and customer loyalty. Promotional products play an important role in driving improvements in both brand opinion and purchase intention. Distributor sales people who position their sales differently, who are results oriented, and who understand the objectives that their clients want to achieve, will help promotional products to be perceived as a more valuable marketing tool that can have a calculable ROI.



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Case Study #2 – Safety/Attendance Programs

Most common safety and attendance objectives:

- Accident free days, weeks, months, etc.
- Reduction of lost time days or accidents
- Attendance improvement over a base period
- Combination of accident free days and attendance

A large national home builder wanted to reduce the number of lost work days over a six month period from 97 to 80. An internal audit had determined that it cost the company \$2,500 per lost work day. Questions asked – What are the reasons for the absences? How much is it worth per lost day?

Each worker was provided with a brochure that featured products that could be purchased with points. Points were earned with each month of perfect attendance. Points doubled each month as the worker accumulated consistent perfect attendance months. Points were also awarded to everyone for accident free months.

Through this program, the company was able to reduce their lost days to 80 in that six month window. With an average lost day cost of \$2,500, the following can be determined.

Investment – \$25,000. This was the investment in merchandise, brochure and management of the program.

Cost Savings – \$42,500. Lost days in six month window down to 80 from 97 after implementation of program.

R.O.I. – \$ 17,500



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There are dozens of types of media



Promotional products have a lifespan well in excess of other mediums. Promotional products have the highest percentage recognition recall of all media. Tech items such as memory sticks, MP3 players, and computer accessories have the highest “I still have them” ranking one year later.



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Case Study #3 – Employee Retention

A premier brokerage firm's goal is to maintain 5,000 brokers across the country. Over the past five years, the firm saw 800 brokers per year leave. In order to keep the total number of brokers at 5,000, they were spending \$4 million per year (\$5,000 per broker) training new brokers to replace those who had left.

The firm implemented a travel incentive program in an effort to increase broker retention. If brokers reached certain levels of sales, they were awarded a trip. The firm's tracking showed that brokers qualifying for trips were 84% more likely to remain with the firm than those who did not. The return on investment in this case was driven from the cost to train new brokers.

The promotional products distributor uncovered an awareness issue as it related to the incentive program. New brokers were not well trained on how to qualify and many brokers never understood basic components of the program, so were not motivated to participate.

Brokers spend much of their day at a desk. The focus, then, was to build awareness at this touch point. A coffee tumbler was sent to every broker to kick off the annual incentive program. Information on the tumbler included thresholds for various trips and destinations. The tumbler even had a tip card inserted which covered all other FAQs.

Results – Following the promotion, turnover rate dropped from 800 to 700 in the first year.

Investment – \$50,000

Savings – \$500,000 (100 fewer new brokers to train x \$5,000 training cost)

Return on Investment – \$450,000



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Justifying Spending Through ROI

From a marketing standpoint, promotional products buyers need to measure ROI because they are being forced to justify the spend to their senior management.

ROI previously was not applied to promotional products because so many people think of them as giveaways and not necessarily a “means to an end.” As a result, other marketing mediums were thought of to produce better results.

There is increasing pressure to demonstrate that marketing dollars invested in promotional products create positive return on investment.



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Case Study #4 – Tradeshow Attendance

A manufacturer of a premium food service coffee maker invests \$25,000 in booth and staffing costs to attend a regional tradeshow. Their challenge was to increase return on the show investment through the in-booth sale of their coffee makers, which yield a profit of \$3,000 each.

Flash drives were mailed to pre-selected buyers attending the show. A pre-loaded link took them directly to a website, where they were asked to fill out a questionnaire about the kind of coffee maker they were seeking. At the end of the questionnaire, they were invited to stop by the manufacturer's booth, for a gift valued at \$100 (no purchase necessary). The buyer was simply asked to invest 15 minutes of their time for a brief presentation.

The cost of the flash drives and mailing to 500 buyers was \$15 per piece for a total of \$7,500. The cost of the web site was \$1,000.

The information was extracted from the web site and the leads were divided among the sales force. Each sales rep e-mailed their group of buyers with a specific time to visit the booth for their 15-minute presentation and gift.

Result – Of the 500 recipients of the mailing, 150 filled out the questionnaire and visited the booth for a presentation (resulting in gift investment of 150 x \$100, or \$15,000). From those 150 visitors, orders were placed on the spot for 30 of the coffee makers.

Investment – \$48,500 (Mailer, web site, show and gift)

Sales / Profit – \$90,000 (30 units x \$3,000 profit each)

Return on Investment – \$41,500



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Are you asking the right questions of your client?

- What are the problems you are faced with?
- What is the desired outcome of the promotion or campaign?
- What is the objective?
- What are you willing to spend to make the problem go away?
- What would you be willing to spend for every extra \$1,000 earned?
- What action do you want your recipients to take?
- Is there a theme to reinforce?
- Who is the audience?
- Do you need varied products for varying segments of the audience?



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Case Study #5 – Sales Incentives

A magazine wanted to increase their distribution through gaining more paid subscriptions. Two revenue sources would increase if they could get their circulation up by 5%. First they could charge more to advertisers by bringing in a higher circulation and second was from the subscriptions.

Their current circulation was 14,500 and their goal was to increase by 1,000 to 15,500. The per page advertising rate could be raised by \$600 if they hit their goal.

The \$600 would go right to the bottom line as there was no additional cost except the printing of the magazine, which would be covered by the consumer purchase price. Each subscription is \$55 annually, of which \$28 is profit.

In order to provide incentive for the consumer to sign up for a two year subscription, the magazine offered an MP3 player speaker. The cost of the speaker and fulfillment was \$18.50. After five months, the magazine reached its goal of 1,000 additional subscribers.

Investment –

\$18,500 – speakers and mailing

\$4,250 – increase in printing and mailing cost for 1,000 magazines

Return –

\$28,000 – profit from subscriptions (for one year)

\$79,200 – additional profit from advertisers (average of 22 pgs x \$600 x 6 months)

Return on Investment – \$84,450 or 370%



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