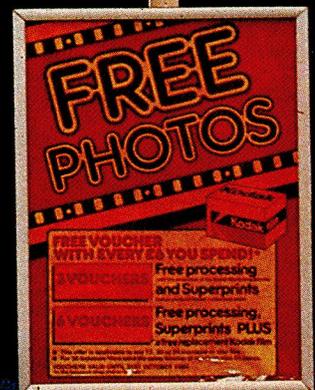
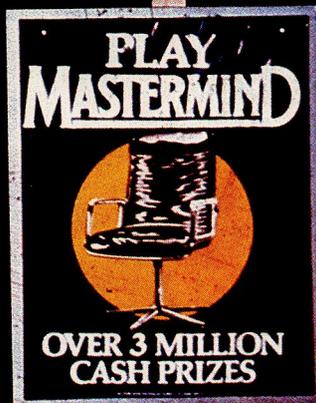


marketing

Sales promotion survey



Autumn 1984

Sales promotion

6 September 1984

Special report

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Games fuel pump wars

Not since the 60s has the motorist seen anything like this summer's promotional battle at petrol stations.

By David Churchill

The year 1984 will probably go down in the annals of sales promotion as the year when nostalgia returned to the forecourts of Britain's petrol stations. Motorists this summer might almost have been forgiven for thinking they were caught up in some sci-fi time warp as they queued to collect matching halves of bank notes from Shell outlets, picked up free drinking glasses from Esso, or even started a photo collection of cricketing heroes from Texaco stations. It needed only mid-60s prices at the pumps for the nostalgia to be complete.

Unfortunately, the reality of modern day competition among the oil majors, anxious to off-load their petrol surpluses, is of a different order of intensity from the balmy days of petrol retailing in the 60s. Then, the world had not been rocked by oil embargoes and price hikes. Whatever else may be familiar about this summer's promotional battles between the petrol stations, the international oil markets are certainly not the same.

What is more, the promotional war being fought on the forecourts this year has some marked differences from the battles of the 60s. At that time, the other oil companies declined to join Shell in competing with promotional games. While Shell had unprecedented success with its Make Money game, its rivals preferred to compete with collectables—such as the ubiquitous glasses, coins, medals or sporting miniatures. This time round, however, the emphasis has clearly been on games, with each new entrant trying to offer bigger prizes.

Yet, so far, Shell is the only one to get into round two of the promotional contest with another game promotion. It launched Mastermind in late July, while the others either let their

David Churchill is marketing and consumer affairs editor at the Financial Times.



Make Money: Started the game trend and helped boost petrol sales at some Shell garages by more than 25%

games promotions peter out or, like BP, switched to other types of promotion. BP is now offering free film and free developing for motorists who buy a certain amount of petrol.

'We think games are played out,' says Gerry Cowan, BP Oil's manager of network marketing. 'The novelty has worn off, as far as the motoring public is concerned. We think it is time for a loyalty promotion, where everyone gets a chance of winning.'

Key question

The key question remains just how far the promotional battle is going to go. Will it end up as a one-season wonder, or will games and collectables be a feature of the forecourts for the next 12 months? Certainly, the oil companies themselves appear to have a very fluid outlook on games and other promotions: it all depends on the oil market, the state of consumer demand and whether one of the majors wants to spark off a new price war.

In any case, some marketing experts have their doubts about the longer-term viability of games or even collectables. 'People get bored with games if they don't win, and collectables can become very mundane,' suggests Richard Eassie, a director of the KAE Development market research company. 'It's very difficult to keep injecting fresh ideas. My feeling is that promotions that do not have any intimate connection with the product don't tend to last.' This view does, however, ignore the current popularity and success of games in a wide range of markets.

Kent Bowden, chairman of Conoco Jet, has also made his position clear by stating that Jet will continue to serve 'the many motorists who prefer value for money to playing gambling games on the forecourt'. He believes that such 'games offer a very poor deal for the motorist'.

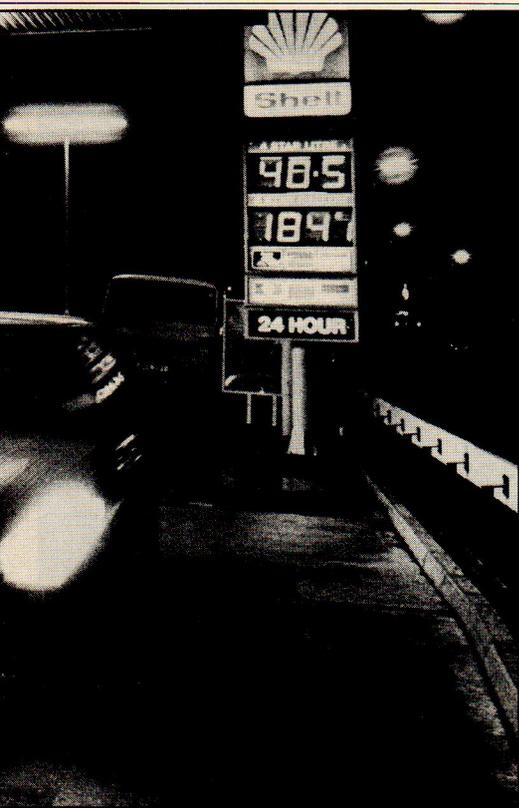
Of course, what Bowden says could be coloured by the fact that it is difficult for petrol companies other than the majors to run successful games, because they simply cannot afford the necessary promotional back-up and because their distribution is not wide enough. Indeed, Shell's retail advertising manager, Mike Beach reckons it is the 'minor majors' who have suffered most in the promotional battle.

So why did Shell, in February of this year, spark off the first promotional battle in petrol marketing for more than a decade? The answer, so the trade suggests, may have something to do with Shell wanting to put the squeeze on those minor majors and the smaller operators. Shell and the other oil majors had become rather shell-shocked by the bitter price wars of recent years, as marketing men were forced, not only to weather fluctuating prices of world oil and currencies, but also to keep an eye on what each competitor was doing.

Over the years, motorists had clearly come to the conclusion that petrol was simply a commodity purchase and there was no reason for brand loyalty. Price became the key factor, and the motoring public was quick to switch its custom to areas where there were many competing filling stations.

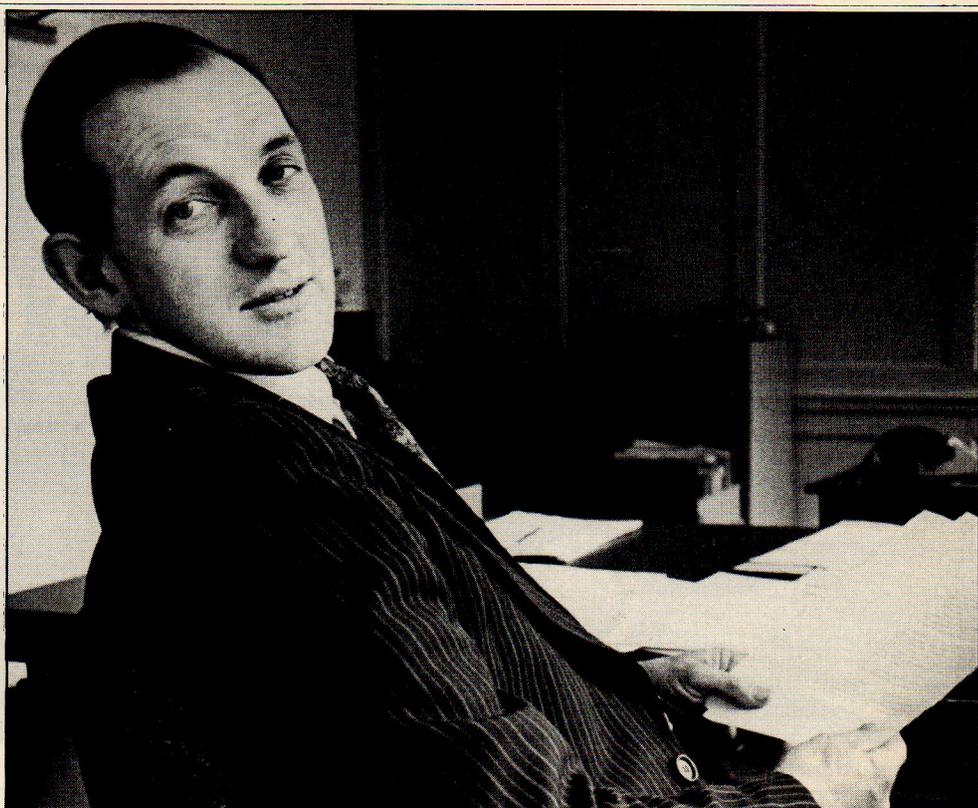
But in such a competitive market, and with such small operating margins on petrol sales, price wars were simply becoming too expensive. So, in the latter part of last year, price stability became the dominant feature of the market. However, the majors were still vulnerable at the margin to the cheaper prices offered by the smaller operators.

The Shell 'game plan' clearly foresaw that its major rivals would be forced to compete along similar lines, thus cancelling out most of the initial market share gains. However, the company obviously reckoned that the smaller



KEITH McMILLAN

Now Shell has entered round two



JAMES JOHNSON

Eassie: 'People get bored with games if they don't win'

operators would be unable or unwilling to compete as vigorously on non-price promotions, and would thus lose to the majors.

Shell, to be fair, had other reasons for wanting to boost market share by promotions rather than by price cutting. It had just completed a massive investment in rationalising, refurbishing, and converting its filling station outlets to self-service, and needed to boost customer traffic to make the investment pay off. 'We felt it important to re-establish the Shell brand, following more than a decade in which we had not promoted it, either above or below the line, other than through price,' points out Beach. 'The company's advertising during that time was purely corporate in nature.'

Persistence

The decision to go for a promotional game had been prompted by the persistence of Don Marketing, the Essex based promotional games company, which had, for more than two years, been pressing on Shell the potential of a game to boost sales. Any doubts that Shell may have harboured about the popularity of the game with motorists were quickly dispelled when the promotion received massive press and television publicity, and sales at many petrol stations soared by more than 25%. The big question was: how would Shell's competitors — especially Esso, which was vying for market leadership with Shell — react?

At first it looked as if Shell's game plan had misfired, because Esso's response was a 4p a gallon price cut. But this time round, the consumer was more interested in the chance of winning £10,000 than saving a few pence on petrol.

BP was caught up in some embarrassment when chairman Sir Peter Walter pronounced his opposition to 'silly games' at about the same time as his marketing executives were dusting

off contingency plans for their own 'silly game', launched at the end of March. This game, called 'Money Match' was similar to the Shell game in that it involved matching two halves of cards. BP, however, upped the stakes, making its top prize £20,000, compared with Shell's £10,000.

Esso, too, was forced to re-assess its initial lack of enthusiasm for promotional games, and launched a defensive promotion, offering free drinking glasses for every £10 spent on petrol, before coming up with its own game, called Find the Tiger.

Find the Tiger — the Esso symbol — involved matching up symbols, fruit-machine style. Each Esso retailer received game cards in boxes of 2,500 which, since one card was normally supplied for every four gallons sold, meant that the sale of 10,000 gallons of petrol was covered. Each box contained a guaranteed maximum number of winners that limited retailers' prize pay-out liability to £49.50. Since there was expected to be only an 80% redemption rate, the actual pay-out was nearer £39.60 a box. The larger prizes, up to £25,000, were handled directly by Esso.

With the big three companies now engaged in games warfare, the other majors were forced to join in the fray. Texaco, which had been running low-key regional promotions for some months, decided to capitalise on its sponsorship of the three one-day cricket internationals by launching a game called 'Lucky Stars', with a top prize of £25,000. This promotion included collecting photographs of famous cricketers, as well as vouchers for buying seats at county championship games.

At the beginning of June, Mobil launched perhaps the best of the first round responses to Shell's 'Make Money'. The Mobil game was itself based on Scrabble, the very popular board

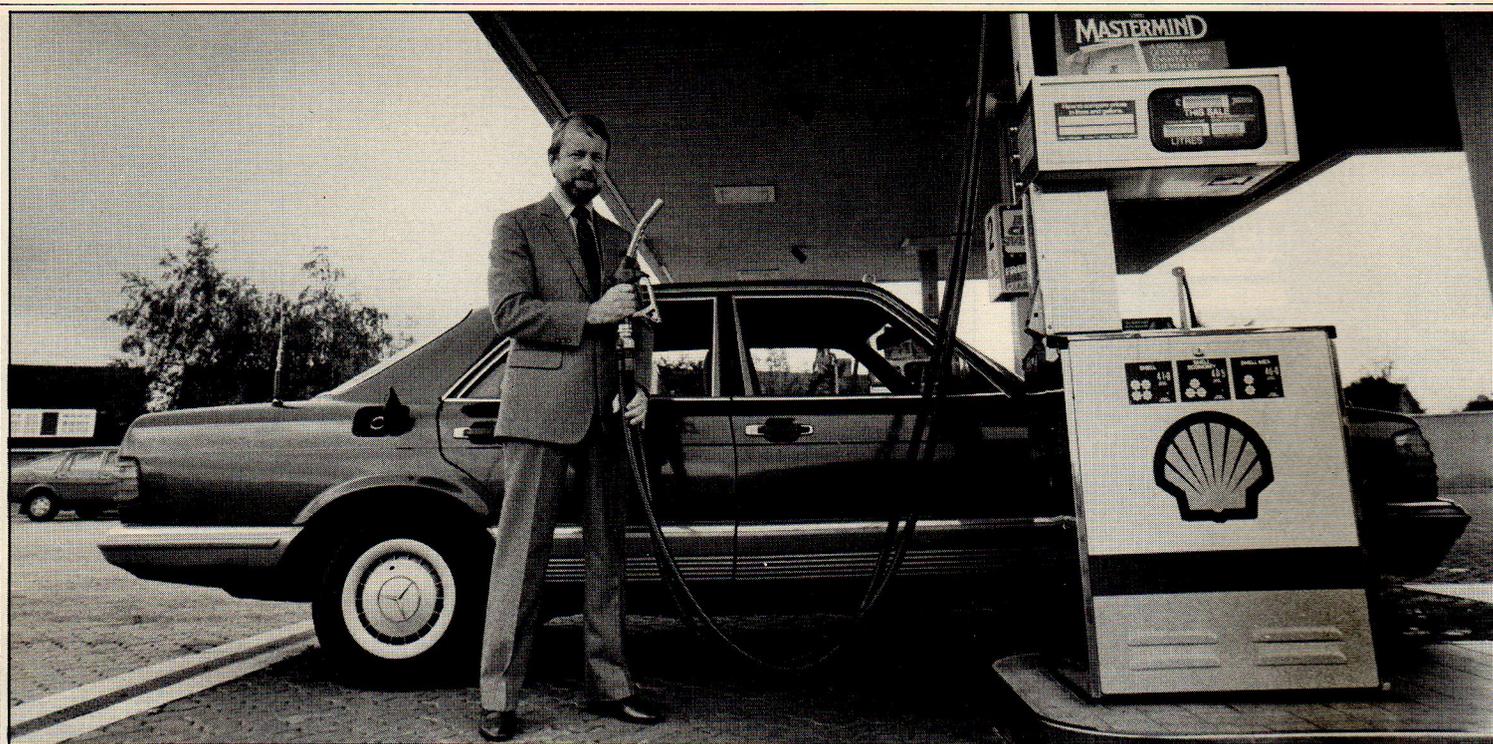
game. Motorists were given letters each time they bought petrol. If they could make up certain words, they could win up to £50,000 in cash or an up-market car, such as an Audi. Mobil reports that one motorist believed he had formed the word Audi, which would have won him the car, until he realised he had lost the letter 'd' in his rush to claim his prize. 'He was on the phone to us for about 20 minutes, weeping uncontrollably,' according to a Mobil spokesman.

Success rate

The success rate of the different games varied. Shell, being the first in the market (and first to finish its game) lost most of its dramatic increase in volume, but was still estimated by trade sources to be at least 2% up on normal sales as a result of the promotion. This, clearly, was a more than adequate return for the £2m spent on the game, because achieving the same results with a price cut would probably have cost ten times as much.

Esso's game, according to a spokesman, enabled it to hold its own and claw back sales lost to Shell. The games operated by BP, Mobil and Texaco all had similar results, in enabling them to regain most of the ground lost to Shell without giving them a significant lead over their rivals. So round one ended with Shell probably the main winner, which was only to be expected since it initiated the strategy and therefore earned most of the credit in the motorist's mind.

Round two, however, is expected to prove a very different affair, with Shell unlikely to have it all its own way, as it did at the beginning of round one. At the end of July, Shell's new gambit was another promotional game, a sort of 'son of Make Money', but this time called Mastermind. This game is loosely based on the BBC television series and involves motorists



Chambers: *'Mastermind's question and answer approach is a good way of retaining interest'*

matching up half notes bearing questions and answers to win cash prizes of up to £10,000.

John Chambers of Don Marketing, which was heavily involved in developing and implementing the new game, claims that the question and answer approach 'is a good way of retaining interest'. He also points out that the new game has a more generous win ratio than the previous Shell game, with 50% more prizes. The game is due to run until the end of this month or early October, and is being backed up with a £1m national TV and press advertising campaign through Ogilvy and Mather.

Shell all alone

As yet, however, Shell is alone in round two of the promotional contest in plumping for another game. However, Mike Beach admits that Shell is not so wedded to games that it would not try any other type of promotion, though he remains convinced, at present, that games add 'some jollity to the often dreary business of buying petrol'. Beach is also honest

enough to admit that games are never going to achieve the sort of brand loyalty that was a feature of petrol retailing in the 50s and 60s.

Shell's rivals remain to be convinced of the value of more games. Esso, which only reluctantly moved into games as a result of Shell's success and admits to adopting 'rather a low profile' about its promotional activities, let its Find the Tiger game peter out slowly, as petrol stations gradually used up all the game cards. A Mobil spokesman also points out that, with its Scrabble game still going on through the summer, it is not 'rushing into any decision on further promotions'. Texaco, also, is wary of the longer-term implications of games, given the fickleness of motorists.

BP for one has definitely moved away from games. 'The effect of these games has been only to move shares around, rather than securing any new volume,' points out Gerry Cowan. Once the particular game ends, so does customer loyalty. Nevertheless, games and other promotions are still a cheaper bet than a

price war. BP has therefore decided that allowing every motorist the chance to get free film and developing is a better bet in round two than another game.

With Shell keeping the promotional pot boiling with its Mastermind game, the other oil majors are almost certainly going to have to respond with some type of promotion, even if it is only as a defensive measure. It could even be that one of the oil companies will respond with a return to trading stamps, as a means of boosting sales and maintaining customer loyalty.

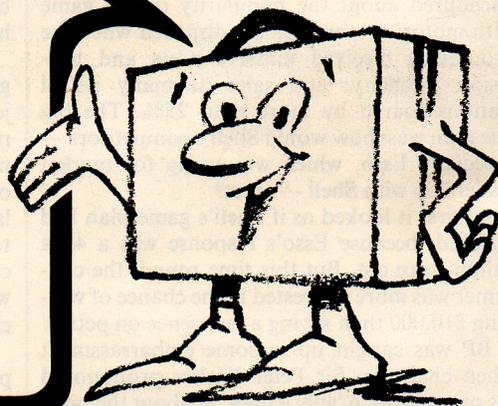
Already, some oil companies are believed to have contingency plans for using trading stamps as a promotional weapon, though there is great reluctance to get embroiled because stamps cannot be used in such a tactical way as either games or collectables. Of course, once the oil companies have gone the whole way and re-introduced stamps along with all the other nostalgic promotions of the 60s, some bright young marketing manager is going to come up with the clever idea of a price cut. □

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