

# Editorial

## The Lessons of Hoover

One of the preoccupations of the sales promotion industry is to debate whether sales promotion activities can help build brands – or whether this is something that can only be done through advertising. What is now all too clear is that, whether or not sales promotion can help build brands, a sales promotion scheme that goes wrong can certainly contribute to the undermining of a brand.

Throughout Britain, major companies are looking at their promotions and asking whether they could suffer the same fate as Hoover. Very many anxious business people have looked on in horror as one of the greatest household names of manufacturing industry has been subjected to a tidal wave of bad publicity, resulting in the sacking of several senior staff, the installing of an American task force, and the possibility of a bill of at least £20 million. And time alone will tell what the long-term costs will be, both in profits and in jobs.

The irony of the Hoover story is that Hoover was a victim of its own success. It demonstrated all too visibly that sales promotion can be phenomenally successfully at shifting goods and services. The very effectiveness of their free flights promotion was its undoing.

One of the most difficult problems with sales promotion is estimating the likely take-up of an offer. Almost any promotion can run into difficulty if substantially more people take up the offer than are catered for in the assumptions which have been made by the promoter.

The importance of accurately estimating likely take-up is the reason for a fundamental requirement in the British Code of Sales Promotion Practice. Paragraph 5.9.2 says: "... it is the promoter's responsibility to ensure that a reasonable estimate of the response is made."

Also relevant is Paragraph 5.9.4: "If an unexpectedly high level of demand might lead to an inability on the promoter's part to supply consumers with the promised goods, contingency plans should be made to supply consumers with an alternative (either in cash or in kind) of equal or greater perceived value." "Product" in this connection is defined so as to

include services – hence the relevance to free flight promotions. And in Paragraph 5.10 we read: "Sales promotions should be administered with adequate resources and under proper supervision."

Hoover's offer was both unusual and very, very attractive. One could obtain two return free flights to either New York or Orlando by purchasing any Hoover appliance costing £100 or more. Whereas a promotion will normally persuade the consumer to buy Brand X rather than Brand Y, in this case the value of the promotion was worth more than the consumer had to pay out. So, thousands bought Hoovers who did not need or want one in order to get the free flights. This meant that the level of "falling by the wayside" was much lower than would ordinarily have been the case. After all, if you bought a Hoover you did not want in order to get two free flights to America, you are not going to let the matter drop. Hence the complaints to BBC Watchdog and others, when the degree of take-up proved difficult for Hoover to cope with.

A few, such as Labour's Consumer Affairs spokesman, have tried to argue that Hoover's problems have made the case for new controls on sales promotion. But it is hard to see what further controls could be imposed. Can one really suggest that making an error of judgement on the take-up of a promotion should be a criminal offence? In any event, as we have seen, the commercial costs of getting that pre-estimate of demand wrong are far more serious than any penalties which could be imposed by law or through industry self-regulation.

Some of the biggest lessons to be learned are not on the regulatory front at all. For a start, the Hoover story will become a classic example of how not to handle a firm's public relations. Although Hoover quite reasonably hoped to weather the storm and not make the storm worse than it already was, they should have put up a very senior official, if not the most senior, at an earlier stage to answer to the problems that had arisen. If they had done so, and if the Hoover official had said the right thing, the publicity would not have proved as damaging as it did.

The best way to defuse public concern is to offer, as soon as possible, an honest, sincere apology,

an explanation of what has gone wrong, a pledge to use one's best efforts to sort out the problems, and maybe a help line for the public to use. And this should be done before the promoter is forced into a corner.

Rightly, the Sales Promotion Code stresses the need for good administration of a promotion. Often, there are many different companies and individuals involved in one promotion. Proper communication and administration is vital. This must involve careful scrutiny of those who will have the job of fulfilling the promotion in practice, whether they be handling houses or travel agents. Can they deliver if the assumptions on take-up prove wrong? What contingency plans are in place? These are the questions that promoters must ask and get answered satisfactorily.

Good, competent administration of a promotion is just as vital as getting legal approval of the initial proposals. And that will include preparing an effective response to any problems that may still arise, despite the precautions that have been taken.

Some in the industry have questioned the complexity of the Hoover "free flights" promotion. However, travel promotions may need complex terms and conditions attached to them. Sometimes, the more powerful the promotion, the more important becomes the "small print". What can be said is that it is crucial to make these terms as clear as possible, consistent with the level of detail which is needed.

Finally, the biggest lesson from the Hoover case is that a sales promotion scheme that goes wrong can probably do more harm to a company than an advertising campaign that goes wrong. Accordingly, companies need to take their sales promotion activities more seriously, and at a more senior level in the company, than they may have done in the past.

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