

SCRATCH UP SOME BETTER HIT RATES

The role of electronic scratch cards in e-marketing

The thought of getting something for nothing, or winning the lottery, or just getting a better than building society return are concepts that appeal to many people. Scratch cards have been around for many years, and while they are synonymous with gambling, the arrival of the electronic version is something that has many potential applications in business.

The great appeal of the scratch card is its immediacy. You know straight away whether you have won or not. It is also appealing in as much as it is different to the "average" on line or paper based competition, it generates excitement, and while it is not new, it is different. Having said this, why is it applicable to business, how can you use it, what benefits does it bring, and is it really cost effective?

How the electronic scratch card works

Basically the contestant is offered a prize in return for some personal information. They can, either prior to or following the information provision, use their mouse or other pointing device to "scratch away" an inviting image revealing either a win / lose situation or entry into a raffle. The electronic scratch card can be presented to any internet enabled device, a PC, PDA, kiosk or mobile phone. Depending upon the device, delivery can be a text message, email, website, banner or any other internet advertising means.

Behind the electronic scratch card is a comprehensive competition management system that identifies and manages winners, collects all the user data, and transfers it to the organiser.

Applications for electronic scratch cards

The obvious use for the technology is in the gaming environment, and it has been very successful at Svenska Spel, the Swedish Lottery operator. While gaming is big business it is specialised. In the wider business markets the potential applications for the technology are extremely large. These include:

- Customer contact
- Customer attraction / retention

- Market research and market testing
- Customer experience
- Loyalty management
- Brand building
- Differentiation
- Remarketing
- Telemarketing prequalification
- Exhibitions and launches.
- Promotions and offers

Customer contact

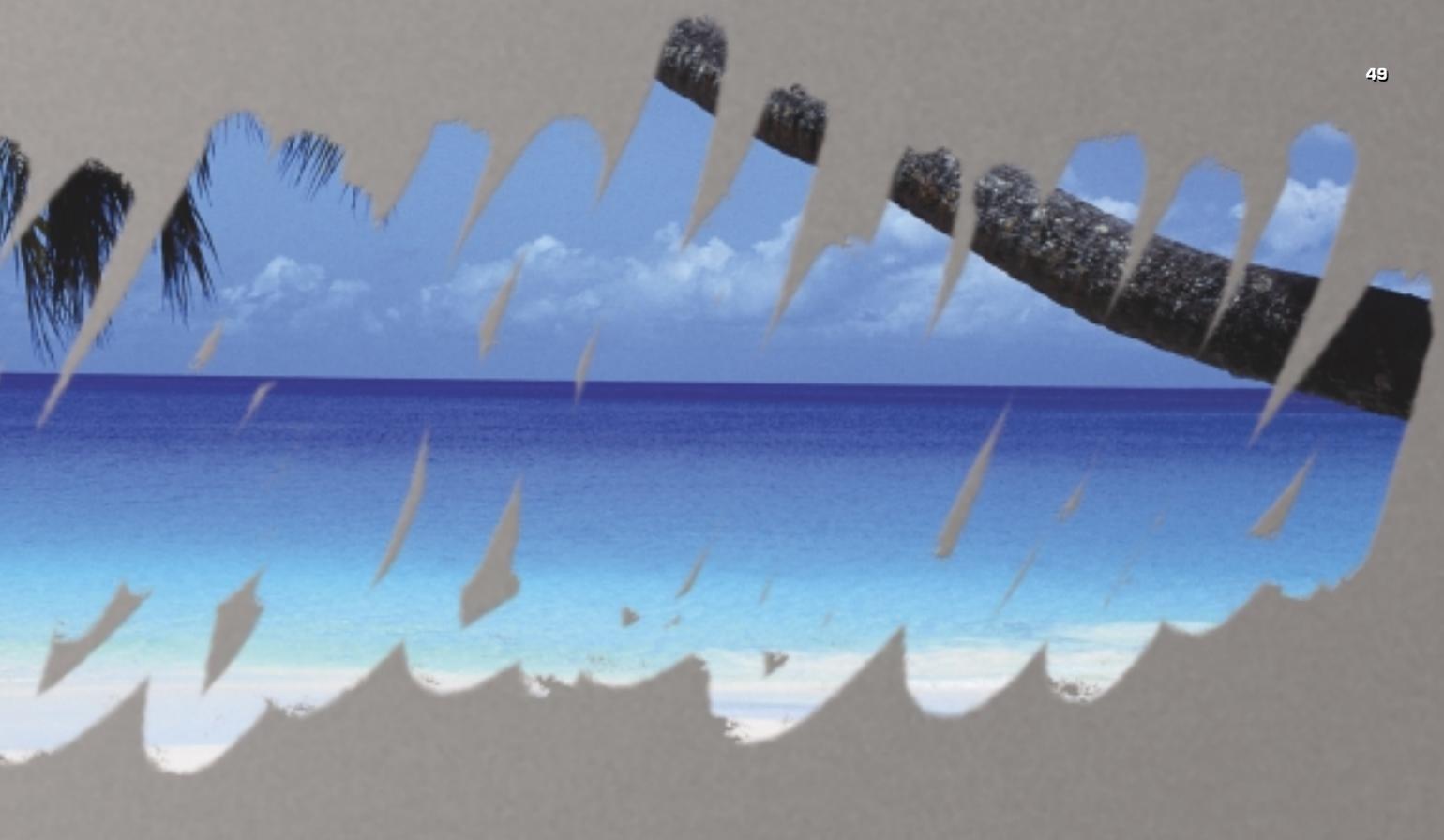
There is no doubt that making contact with potential customers can be very expensive. As can be seen in the tables below, the effectiveness of contact programmes vary. We are sure that specialists in all these fields will say that their methods result in much higher hit rates and much lower costs and for specific examples we would agree. The other side of the coin is that the scratch card suppliers will also say the same. One has evidence from a FTSE 100 company documenting a 60% response rate.

At the top end of the response scales there is no doubt that scratch cards are more effective than other contact methods and at the bottom end equally so.

Table 1: Customer contact effectiveness

Method	Cost	Hit Rate %	Effectiveness
Catalogue	Medium	2.52	Low
Direct mail	Medium	2.54	Low
Telemarketing	Medium	7.44	Medium
Mobile	Low	5	Medium
Internet ads (Banners)	Low	0.5 - 1.0	Low/Declining
Pay per click	Low/Medium	2 - 17	Low/Improving
E-mail	Low	1.88	Low
Scratch card	Low	10 - 25	Medium/High

Sources: Direct Marketing Association, iBoost Journal/Net Imperative/Double Click, ICM, Other figures supplied by Illovo Consulting Ltd.



There are a number of other issues to consider in this. Firstly banner click through rates are continuing to fall and of course click through does not guarantee contact. As companies increase their use of sponsored links (Pay per Click), as opposed to free listings the cost of winning auctions will increase. While mobile marketing continues to gain momentum the use of premium tariffs by providers discourages response from the consumer.

Attention / retention

Customers today are significantly different to those of even a few short years ago. They are:

- Increasingly value (price) conscious
- Less loyal
- Time critical
- More discerning
- Awash with choice
- Technologically aware, and
- They have more disposable income / credit

Having invested heavily in attracting potential customers to your company / web site, and having invested even more in that, how do you keep them there? The big differentiators are price, brand, and quality (service). In an increasingly commoditised environment price becomes even more important. However, one can still achieve differentiation through innovative and exciting packaging. The scratch card is a method for achieving both the packaging and retention of customer attention, and ultimately retention of the customer. It has the added value of being simple, well known and offers the opportunity to give the customer something for nothing. Viral scratch cards accessible via mobile phone, PC or PDA, add a different dimension, offering multiple win opportunities, and make satisfied customers electronic ambassadors for a company's products and services.

Top level benefits

The use of electronic scratch cards can generate the following benefits:

- Higher hit rate - Electronic scratch cards are proven to deliver higher responses than traditional marketing methods
- Differentiation - The technology is innovative and company's can be seen in this light by association. It is more exciting than advertising, direct mail and telemarketing
- Extends market reach - While not every consumer has a PC a very large proportion of potential customers have mobile phones
- Broadens mix - It provides an exciting alternative to standard contact methods and can be used in conjunction with all electronic communications to enhance response rates
- Better return per marketing pound - Better hit rate combined with lower cost per contact drives better value
- Customer acquisition - The product will through its innovative and exciting nature help attract new customers.
- Customer retention - By using the electronic scratch card as a method of capturing a customer's experience, and rewarding them for so doing enhances customer retention.
- Customer data collection - Electronic scratch cards will help companies collect data through their seductive proposition. Few people can resist the opportunity to win.
- Better targeting and remarketing - Companies can target electronic scratch card respondents with appropriate offers. Similarly they can use it to identify those customers who do not respond to this approach.
- Price and discount control - By targeting a specific customer set and by offering the opportunity to win a discount, the seller can improve profitability at the customer level, rather than offering the same discount to everybody. In essence they can improve profitability.

This new technology is low cost in relation to the potential return and is worthy of consideration. It is ideal for those organisations who wish to exploit their existing e-customer infrastructure, and for those who wish to reduce their sales and marketing costs by moving in that direction. Having said that, it also has applications in the standard retail environment and in the business to business arena, for which there are practical examples available ■