

"CUSTOM MAKES THE LAW"

Letter No. 9

The World if not Premium Advertising

MANY hundreds of delegates, representing the advertising interests of the entire world met in Chicago during the week of June 21st and discussed all phases of publicity. Their deliberations covered newspaper advertising, magazine advertising, billboard advertising, streetcar advertising, mail order house advertising and premium advertising. As President of the Sperry & Hutchinson Company and the Hamilton Corporation I was invited to present the views of these two important factors in the premium division of the advertising world and to place definitely before the men whose whole business is to expend the hundreds of millions of dollars of advertising appropriations annually, the cogent facts that have led to the growth of the profit-sharing policy in business and to its present universal use. The address was as follows:

About six months ago I lived in Chicago and felt and thought as only Chicagoans can. I had that general feeling of buoyant optimism and those thoughts of great things which are characteristic of Chicago. In addition, however, being a banker, I had the banker's habit of having the financial view of things, which is to be pessimistic when you are loaning money, and optimistic when you see the deposit coming in. There was something very attractive about the almighty dollar, and I might say, that all of that attractiveness is not worn off yet, even though I am now a member of the elite New York stock exchange, but I have not been transferred to New York.

On behalf of the Sperry and Hutchinson Company and the Hamilton Corporation, of which I am now the official head, I thank you for the honor accorded me, of participating in this meeting and appearing on your programs, but I have not been in the student young in experience in premium advertising.

In making this change, I have discovered twenty years of premium history in the records of my company, which I am trying to digest and comprehend. I have been and am yet, a stockholder in both manufacturing and merchandising corporations and have had the experience of living in none of them. As a banker, I also had much to do with credit ratings which involved improving the selling organization and increasing his output.

Now come back with something practical to offer him as a remedy rather than a mere suggestion, namely—the trading stamp and coupon. According to our esteemed educator, Nicholas Murray Butler, of Columbia University, there are several types of minds. There is the "Bourbon type," which is the "old-fashioned" type, and the "Forward" type, which is the "new-fangled" type. There is the "Open" type, which is the "liberal" type, and the "Closed" type, which is the "conservative" type. And there is the "Mind which reaches the conclusion first and the evidence afterwards."

The giving of premiums has an origin in the remote past. When it began we do not know. As a matter of fact, premium methods are used in Assyria before the Christian era, in early Rome and ancient Athens. Biblical lore also informs us that even Adam and Eve and Satan had an experience with premium in the Garden of Eden—the premium in this case being "the apple of knowledge."

The modern method of advertising now includes the use of billboards, circulars and signs, and all of relatively recent origin. Premium advertising is therefore really the oldest form known to man, and the great principle that was then involved is the same today—the creating of publicity by a gift made with the idea that the recipient would not be the giver, and that at some future time the latter might be favored.

Now let us pass from the ancient to the modern days and consider the scope of premium advertising as it exists. We all know there have been real advances in the advertising field, such as we have never dreamed of a few years ago.

building up his sales, increasing the aggregate. The "added value" which many manufacturers are willing to give in return for the consideration of consumers patronage is the trading stamp or coupon.

The proposition is so simple that it does not require any great explanation once the theory is understood. If human nature were not human nature, but were strictly something else, then the coupon might not be of benefit in such a case neither would advertising nor any form of service, but because a man or a woman likes to feel that their patronage is of some value, because he or she insists that this value shall be recognized by the manufacturer, the latter has no alternative but to use the coupon or trading stamp as a discount for cash sales.

It is the consumer (the people, if you will) who has made the giving of coupons not only desirable, but in many cases an absolute necessity. We have today those who decry premium advertising as being unwholesome, and those who are the opposite, who consider it as being something, perhaps, a sort of catch-penny affair, which was foreign to legitimate enterprise.

Those who take this view make no note of the human element in trade; they would reduce everything to strict rote and rule; they would figure statistics on the graves of their ancestors; they would try to measure the beauty and grandeur of the Rockies with an agate rule.

When you forget the human element you forget that which has made this world livable. When you try to measure human nature and measure a yard of goods you attempt the impossible.

It is the study of the human element, the effort to ascertain what the people really want, that has made the history of advertising what it is today. No man who is not a student of human nature, who has not learned in part what the child wants, what the boy or the girl wants, what the woman in the street wants, would ever have had the genius to establish premium advertising on a scale that would have differentiated it in a successful way from other forms of advertising.

The premium advertising plan is based upon the theory, live and let live. The manufacturer who does not continue forever to take his toll from those to whom he sells without giving something in return, is not a merchant; he is a parasite. He is a parasite who does not recognize the fact that he is contributing to the welfare of the community.

When a buyer comes to the city he is taken in charge by the merchant who has been advised and taken to the theater. This is repeated in the case of the merchant who sells to the manufacturer. This is repeated in the case of the manufacturer who sells to the merchant.

Premium advertising, where the manufacturer or merchant gives something directly of value, or gives a token which is redeemable in something of value through his own house, or a token redeemable by some third party, is essentially the same thing. It matters not whether it is called a trading stamp or a coupon, and you cannot be consistent and approve the one and damp the other.

as legitimate as any other form of service or advertising? There are no more arguments to be made in it some element of uncertainty. Advertising is not an exact science, and the man who would try to reduce it to a fixed mathematical rule faces a hopeless task.

Another question is of the most honest of all forms of advertising, because it frankly admits as its original promise that it depends upon the desire of men or women to secure the additional profit. It frankly admits that without a correct understanding of the sentiments that sway mankind its very purpose would be defeated. It proceeds on no false assumption. It is a frank admission that the person who that person may personally self-abet, there is some selfish feeling in the nature of the advertiser.

It appears because it is human. Other forms of advertising may be conducted with an assumed right place, but when they are analyzed they get down to the same level as the uppermost in the minds of every being on earth—How can it profit me? Advertising which does not benefit the one whom it seeks to reach has missed its aim.

It is not because the advertiser does anything that benefits the one who takes advantage of it. The benefit may be small or it may be great, but it is direct, and through the use of the premium there is a more absolute efficiency than there is in the case of other kinds of advertising. The service rendered by the advertiser is measured by the redemptions.

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This is pure advertising with the addition that it also performs a service. A merchant lets it be known that he will give a certain premium or a certain token, and this brings trade to his store. Frequently the big department stores will be found to stand high. It does produce results. The testimony of thousands who have tried this system is that it has increased their sales, and that it has brought them new customers.

The statement has been made that as competitors of newspaper advertising, the premium system had reduced or diverted the money, publishers would have received, to the premium houses. This statement is understood, is that of a competitor. Let me refer to this question just a moment. For it is cer-

tainly important, if true. The Bureau of Corporations at Washington in its 1911 report takes with reference to the Tobacco Trust, that since its dissolution, competition has developed and certain lines of expenses have been increased by the court's decree. The advertising bill in 1911 was \$11,900,000. For the seven successor companies in 1912, it was \$23,000,000 or more than twice as much. It is not fair to say that in this item of advertising was included their premium business, but this does not amount by any means to the sum paid newspapers, trade journals and magazines. I have made some inquiry into the amount of the trading stamp, and manufacturers' packing claims, the latter showing an increase in advertising. Not in every case, but taken as a whole.

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The audience of premium advertising representatives gave attentive hearing to the above. No statements were made that the premium business was an incubus; that it was a detrimental element in trade; that it added to the costs of merchandise without aiding in its distribution or any of the other slurs and baseless accusations that are brought against profit sharing by the few who, for personal profit, are desirous of seeing the premium business driven from the field of legitimate advertising. William Woodhead, president of the Associated Advertising Clubs of the World, in an informal talk at the conference of the National Premium Advertising Association, in the Auditorium Theatre in Chicago, placed the stamp of official approval on the premium plan by declaring that in his judgment the system of using premiums as a means of advertising or service was of vital importance and as legitimate as other forms of advertising.

This is to extend my personal and official appreciation to the members of the Associated Advertising Clubs of the World for their courtesy and fair treatment to a branch of their profession which has been ruthlessly and uncompromisingly assailed by a few special interests.

GEORGE B. CALDWELL, President.

IF THE PEOPLE ARE DEPRIVED OF PROFIT SHARING STAMPS AND COUPONS, WHAT WILL TAKE THEIR PLACE?