

An Early Scratch

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Reynolds Hardware and Automotive Supply (RHAS), a national automotive/hardware retailer, distributed a “Scratch & Win” promotional card through the local newspaper. The three-day promotion gave the shopper a chance to win one of three prizes: a \$5-off coupon toward the purchase of merchandise worth more than \$5 in total (before taxes) at one of its stores during the identified time period (elsewhere on the card it states \$5 or more), a coupon for six free uncooked beef burgers at a specified national food store, or a RHAS gift card worth \$5,000. Scratching a designated area on the promotional card reveals the prize to be won. The promotional card states that the card must be scratched at the checkout area in the store. If the promotional card indicates the winning of a \$5 coupon, the cashier follows a specified procedure and reduces the purchase tally by \$5.00. If the coupon reveals the winning of the beef burgers, the cashier follows a similar procedure, but this time gives the customer a separate coupon for the burgers to redeem at the identified food store. If the promotional card reveals the \$5,000 gift card prize, the store manager is paged and a different procedure is followed in order for the customer to receive the prize. The odds of winning a \$5 coupon is about 1 in 6 million, as is the case for the beef burgers. There are only 3 store gift cards (\$5,000 each) available to be won. The total value of all prizes is approximately \$88 million. The odds of winning the major prize (i.e., a \$5,000 gift card) is approximately 1 in 4 million. The odds of winning either of the two smaller prizes (i.e., a \$5 coupon or the beef burgers) is essentially 1 in 1. In order to win a prize, the customer with a winning promotional card needs to correctly answer a “skill-testing” arithmetic question (e.g., $[4 \times 3] \div 6 + 62 - 14 = ?$). Other conditions apply.

Questions:

1. Why is this situation considered to be a form of sales promotion?
2. What is the difference between a sweepstake and a contest? How would this situation be classified? Explain. What is the nature of the legislation in your country that deals with sweepstakes and contests?
3. What are the odds of winning any prize in this promotion? How many “losers” (i.e., non-winners) are possible in this promotion? Explain.
4. What is the marketing goal and what is the marketing objective of this promotion?
5. Why does the store want the customer to scratch the prize area at the checkout stand? If the customer scratched the prize area before arriving at the checkout area (i.e., early), what should the cashier do? Explain. What would the customer expect to happen?