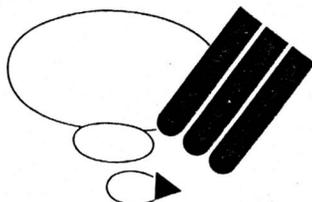


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With compliments



MC BAIN, NOEL-JOHNSON & CO. LTD.  
23 FITZROY SQUARE, LONDON W1P 6DJ. TEL: 01-387 7474

TO: Mr. John Donovan

DATE: 21/11/83

Please find enclosed a copy of a 1966 interim report on a 'Make Money' promotion relevant to Project Leo. We have been asked to send this to you by Mr. Mike Murphy of Ogilvy & Mather.

SIGNATURE

FOR YOUR INFORMATION    FOR YOUR APPROVAL    RETURNED WITH THANKS    FOR ACTION    AS ABOVE

MAKE MONEY - INTERIM REPORT

The Make Money game was launched by Shell-Mex and B.P. in the United Kingdom on Thursday, 21st July. At the time of writing this review the game is still in progress, but the decision has been taken to conclude it on Wednesday, 14th September, and notices to this effect have been printed in the Press and advice has been sent to dealers. Thus, the game will have operated for 8 complete weeks, against the original 10 weeks initially planned. The principle reason for concluding it 2 weeks sooner than intended has been that demand for envelopes on the sites is starting to outstrip production capabilities.

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1. General Situation in Which the Game was Introduced

National aggressive promotional campaigns in the petrol retailing market are a comparative novelty in the U.K. The curtain raiser in this field was probably the Esso Tiger-tails promotion in 1965. Forewarned by this and anticipating further promotional activity by that company in 1966, it was decided, when considering Shell Retail's S.P. & A. Plans, to bring to two months' readiness our own counter campaign - Make Money. In March 1966, when information was first received that Esso were launching another series of national competitions, it was decided to put Make Money on the market at the earliest available opportunity. At that time the earliest available opportunity was thought to be 25th May, and that was our target date. Due to the Seamen's Strike and the impact it had on the oil supply position in the country, shortly prior to that date a postponement had to be accepted. Not until the Seamen's Strike was over and the oil stocks had recovered could a launch be contemplated. The effective date, therefore, was ultimately 21st July.

The use of Make Money in the United Kingdom always entailed a legal risk. Games or promotions of this kind are governed by the Lotteries Act - a modern act which suffers, however, from a lack of clear interpretation by legal opinion, possibly due to the absence of case law or precedent. Very broadly, it may be said that it does not permit the winning of prizes if the winning depends basically on lot or chance. To overcome this, skill questions have traditionally been inserted in promotions so that it can be claimed that it is not only good fortune involved in the winning of the prize. Such a skill question - a word-making game - was introduced into Make Money. Nevertheless, the element of chance remained high in the game. To provide us with possible extra scope for legal manoeuvre should the game come under scrutiny, we introduced another rule which said that envelopes could be claimed without purchase of a product by any individual holding a bona fide driving licence. In short, the receipt of envelopes was not conditional on purchase. To date, our game has not been prosecuted and we have not had to avail ourselves of this manoeuvre.

It is known, nevertheless, that the Director of Public Prosecutions has taken lower court action against another company operating a promotion having similar legal features to our own. While the promotion company won the case in the lower court, it has now gone for appeal and it is expected to be heard in the higher court in September.

It was decided to offer the game only to Shell solus dealers and not to S.R. sites, i.e. those sites which carry all three brands marketed by Shell-Mex and B.P., or mixed sites. We have been assured that there is no legal reason or basis for complaint to the Monopolies Commission about our restricting this game to those we choose. In making this decision, we hope to persuade S.R. sites to change to Shell solus, which is part of our continuing policy.

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2. The Sell-in of Make Money

(a) Staff Briefing

Meetings were held for our 5 Regional Managers (our senior field managers) to present the game and the selling-in arrangements that had been made for it. They were shown the television commercials produced for the launch and the newspaper advertising. The game was thoroughly explained. The material produced for the dealer sell-in was exhibited and the system of order-taking covered. The Regional Managers, on return to their Regions, arranged similar sales briefings for their Area Managers and for the Sales Representatives.

(b) Dealer Briefings

For various reasons we were precluded from holding dealer meetings on Make Money. Dealers were, therefore, briefed individually by their representatives. On reflection, we are glad that this course was followed. Dealers' meetings often are swayed by a small vocal minority and it is impossible to hand-tailor the message to suit the temperament of all attending. Individual briefings on the dealer's site take time but do allow this important psychological hurdle to be overcome. Our representatives were armed with Sales Organisers as a selling-in aid. The Sales Organiser is a gaily, boldly-printed, thick-sheeted document which the representative went through page by page with the dealer. It outlined all the salient points and finished at the point of requiring an order. Accompanying it was a Ready Reckoner. The Ready Reckoner indicated to the dealer how many envelopes he should order in relation to the normal business he expected to do for the game period. As part of our estimates, this Ready Reckoner allowed for a 25% volume increase on the site because of Make Money. We dared not place this estimate higher as we were already under strong pressure because of the optimism we were considered to be showing. Order Forms were also printed with appropriate copies for Finance; our game piece distributors; and the organisation handling the on-site sales promotional material. Copies of these documents can be made available. At the time of the sell-in to dealers, our representatives were instructed to make no mention of the launch date as we wished to maintain utmost secrecy from our competitors. In fact, news of our eventual launch date did leak, but only shortly before, and this is probably inevitable.

As part of our plan, dealers were required to make a contribution of 1d. per envelope for those ordered. Immediately prior to the launch, every dealer participating received a full set of guidelines and necessary forms.

3. Advertising Support

Our main launch campaign was handled through national television. This medium reaches a far wider audience than the newspapers and the cost per thousand is more reasonable. The launch films on television were 30-second spots. Whilst the message we had to get across, i.e. the rules of the game, at first sight appear relatively simple, we know there was some misinterpretation about exactly what customers had to do to win prizes. It is probably inevitable that this will happen, but there is little doubt that within a few days of the game commencing, the great mass of the community clearly understood

25% VRC Increase

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what had to be done. Make Money is highly self-generative in terms of making itself known. Advertising schedules should be fashioned with this understood.

On the opening day only, we backed national television with a certain amount of National Press advertising in a few of the national dailies, e.g. Daily Express, Daily Mirror, Glasgow Herald, Belfast Telegraph. The rules were explained in detail and to add impetus to the take-off of the campaign we printed in these newspaper advertisements a half £10 note (losing half). We selected the £10 denomination for this process as we felt that to use a £100 losing half would only feed the natural cynicism of the English people, who suspect that the major prizes in any competition are rare and therefore unlikely to be won.

A few of our solus sites, as indicated above, did not choose to join in the game. It was necessary, therefore, to clearly identify those sites taking part. To this end we produced point of sale display material. Either a sign to be attached to the forecourt pole sign or, in those cases where this was impossible, a wall chart that could be displayed equally prominently. We had a girl beating a drum motif for this purpose which tied in with a similar symbol used on the television launch material. The whole message of our advertising was that Make Money envelopes could be obtained where this sign was displayed on Shell forecourts.

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4. The Problem with Customs

We were importing all our envelopes from the U.S.A. Customs clearance was therefore involved. We had hoped to use our small initial test deliveries to obtain from Customs assessment of the Duty and Purchase Tax applicable so that thereafter the major consignments would be expedited through the Customs Authorities. Customs refused to collaborate on this and insisted on assessing Duty only when the first major part of our consignment arrived. We have in Shell-Mex and B.P. a Deposit Account system with Customs which does facilitate the release of any dutiable goods. Even so, delays - short, but exasperating - were sustained. Though in the course of the process we found the Customs Authorities at London Airport soon came to recognise these goods and automatically assessed the Duty payable, when we brought consignments in through other airports, delays occurred of irritating length. The lesson to be learnt from this is that it is highly advisable to bring Make Money pieces through one port of entry where the Customs Authorities soon become acquainted with them and establish Duty charges in a routine manner. In our own case, we would ask Glendinning Associates in future to handle this particular obstacle as part of their service arrangements, so that we, as a company, picked up the game pieces at the port of entry with all formalities completed. This also means that the onus of declaring the value of the printed material would be Glendinnings' and would not involve our own staff in discerning between cost of envelopes and consultation fee, which may incur different rates of Customs Duty.

5. Distribution Arrangements - the Payout of Prizes

(a) Distribution

Our order for Make Money pieces was a large one - around 72.2m - and the volume of the material to be handled was therefore substantial. To those of us not particularly used to orders of this size, the bulk of our consignment was a surprise, not to say a shock. We used substantial warehouse space - around 4,500 sq. ft. - to handle our material and it should be mentioned that at no time did we have more than

72.2 Million

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22m pieces in the warehouse stores. Due to the urgency of our needs, some consignments were flown in. Boeing 707 charter aircraft were used - each aircraft lifting about 11m pieces. We used four 7-ton trucks to unload the aircraft. From all this it will be seen that it is important not to underestimate the space and facilities required for handling. trucks. X

Under normal circumstances all the cartons were taken to our distributors who had received copies of the dealers' initial orders. The distributors broke the consignments down in terms of the orders placed by each dealer, re-packaged them, addressed them and arranged for their final distribution. In our case, final distribution was handled by British Railways, with whom we specially contracted, both as regards price and the urgent handling facilities required.

However, to cover ourselves in the event of a breakdown of this system, we laid on buffer stocks, both at our Regional Offices, Area Offices and with our representatives - the latter carrying around with him in his car an agreed number of Make Money envelopes with which to replenish dealers who had run out of stock. These transactions were on a cash basis.

Distribution of the winning halves of our three lower denominations, i.e. £10, £1, 10/0 were made on a completely random basis. In the case of our £100 winning halves, we were slightly more selective. We were theoretically to be able to identify the individual "shoe boxes" which contained the £100 winners, that is we knew within 500 game pieces where the £100 winners were situated. This did not, in fact, work out and we only knew which cartons contained these winning pieces, that is we knew within 5,000 game pieces. Nevertheless, this was adequate. We arranged for all our 5 Regions to receive broadly equivalent numbers of the £100 winning halves. We say broadly because South East Region - which includes the London area - were given slightly more at the expense of Scottish Region. We also arranged with our game piece distributors that the cartons containing the £100 winners should be sent in the great majority of cases to those of our sites handling larger gallonages. Despite these precautions, it is, of course, possible for a winning £100 half to be received first, which is then matched with a losing £100 half received on a small throughput outlet. We know this did happen on occasions. X

(b) Payment of Prizes

We required our dealers taking part in the scheme to pay out immediately to winning customers the three lower denominations in our game, i.e. £10, £1, 10/-. Before making payment they had to satisfy themselves that the skill question had been correctly answered and, where appropriate, to obtain a signed publicity release form from the winner so that we could use his name or picture for success advertising if required. Our top denomination of £100 was not paid out immediately by the dealer, as we could not expect him to carry this level of spare cash. In the case of the lower denominations our representatives were instructed to visit every dealer site at least each fortnight, to re-imbure the dealer for any winnings he had paid out. For this purpose, representatives were issued with a special cash float of £100 which was daily replenished

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by the Regional Cashier. In making these payments representatives received back from the dealer completed winning notes which he had honoured. In the case of £100 winners, the dealers immediately telephoned our Area Offices advising them the name and address of the winner and arrangements were immediately put in hand for the £100 to be available at the Shell site of the winner's choosing for the presentation of the prize. To this end, Area Managers could requisition for cash on the Regional Cashier. All prizes were paid in cash - not by cheque - and we used dealers extensively to make the presentation more often than company staff. No criticism was received about these methods.

6. Sales Progress of Campaign

It is most important that during the Make Money campaign prompt assessments are obtained of the sales progress being made. Quite apart from the very strong natural interest the Company has in the progress, it is important that this information is available both to determine whether extra advertising support should be provided and as a guide to the strains likely to be felt on the supply situation, both of oil and game pieces.

In the U.K. we asked for a sample of 400 sites, (approximately 5% of our network) to report week by week on their sales delivery progress (pump meter reading) during the campaign. The 400 sites were selected having due regard to urban, rural and main highway locations. We measured on these sites the sales for a base week, which in our case was some 3 weeks before the launch of the campaign. Each campaign week was then assessed in terms of percentage growth against that base week. We plan to continue this recording for 5 weeks after the end of the campaign so that we have an indication as to the degree of tail-off that occurs. To put these readings in their proper perspective, it is necessary to calculate the normal seasonal variations occurring during the whole period measured as between the base week and the weeks in question.

It is important that the week by week readings are available very quickly after the week's end. We started off none too well, but within a week or two of providing these measurements the system had improved so that we had a reading over our 400 site sample within two days of the week being completed. It is important that this level of efficiency at least should be reached, so that prompt advice is available as mentioned above to trigger off advertising support and check on the supply position.

Additionally, we had provided for us a market research attitudinal survey on the Make Money game. From this we had hoped to learn how a campaign of this kind was being received by the public. Our experience of their qualitative survey was extremely disappointing. The reactions we received shed no new light on the situation and only corroborated information which had already crossed our desks from customers, dealers, field staff, etc. The promotion is a strong one and the reasons for its being so are easily understandable. We decided to take the attitudinal survey no further.

Additionally, in the U.K. we receive reports from what is called a Diary Panel. The Diary Panel consists of a number of motorists whose reactions to petrol retailing (including campaigns) are measured frequently. We are finding this record useful in that it is the

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earliest information we get of the switch in brand loyalties as a result of the promotion. It reflected very quickly, i.e. within 10 days of the launch of the campaign, a substantial upswing in Shell share which, of course, we expected. A panel of this kind is useful in gauging the impact one is having on competitors.

7. Stock Control of Envelopes

With over 7,000 sites participating in the game, we decided at the outset that a site by site stock record of envelopes was impractical. By the time the data had been assimilated and produced in an understandable form the situation would have changed. We have, therefore, had to resort to a stock report from the 400 audit sites which were originally chosen to record our sales progress. Hopefully, we have had to assume that they reflected the nation-wide position. Additionally, each of our Regions was supplementing this by their own rather more detailed systems of stock check on a larger number of sites. We found this to be perfectly adequate.

All retail sites had also been provided with an "emergency card". By ringing various emergency telephone numbers it showed (i.e. game piece distributors; appropriate Area Office) extra supplies could be obtained in a hurry. The representatives were also able to top up as mentioned earlier.

8. Public Response to Make Money

Many members of the public have contacted us about the Make Money game. Although the numbers of people so doing seem large, when weighed against the total number of customers we have in a day, they represent but a tiny minority. Some communications were flattering but most, and this is probably to be expected, were not. The main point of attack made by the public was about our rule which said that no purchase was necessary to obtain an envelope. The reasons for including this rule have already been given. Unfortunately, a number of our outlets, having contributed towards the cost of the envelopes, felt free to impose their own local conditions. One such condition often imposed required a minimum purchase before an envelope would be given. The common complaint we received therefore was to the effect - why do you advertise one thing when the garages are not prepared to honour it? We met this by producing a standard answer which, broadly, pointed out that our dealers were independent businesses who contributed towards the game and to some extent were outside our jurisdiction. We explained, however, that our sales force was working hard to bring them into the general rules and meantime enclosed a Make Money envelope to the writer as a sign of our good intentions. We have learnt our lesson painfully. If we repeated this game we should either make no mention of envelopes without purchase or we should specify a minimum purchase. In either case we would require our dealers to sign an undertaking that they would abide by our conditions before we would let them join the promotion.

|| dealer agreement

We have also had some comment about motorists driving on to sites displaying the Make Money sign, filling with petrol, only then to be told that the site was temporarily out of envelopes. Is this fair, we were asked. Fortunately, we had cleared our own yardarm by providing dealers with flashes to be pinned across their Make Money sign explaining that the site was temporarily out of stock of envelopes. Our recommendation would be that the low cost of this printing should be accepted.

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Our Make Money coupon advises on the notice to be given of closure of the game. We believe the form of words is the standard used by Glendinning. It reads "offer closes 14 days after a closing date to be announced in the Press". It is rather ambiguous. To cover ourselves all ways, we gave 14 days' notice in the Press of the cessation of the distribution of envelopes and are allowing 14 days thereafter for the redemption by customers of any winning matches.

9. Public Relations

Our public relations attitude has been determined to an important extent by the economic situation prevailing at the time in the United Kingdom. We felt it would be inadvisable at a time of national economic stringency to announce too blatantly to the Press, etc. some details of our game. Particularly, we had in mind that it would be unwise to reveal the cost to us of the promotion, the total prize monies we were paying out, or any other kindred aspect which could easily boomerang on us in demands for reduced selling prices. This is not to say that we dodged giving information. We did not. Television, radio, and many, many newspapers, both national and local, were avid enquirers. We decided early in the game, however, that we would not release certain information. For example, as already indicated, we did not say how much the game is costing us, nor until we received extremely persistent enquiries in the latter part of the game would we talk of the total prize monies we expected to pay out. We did not give definitive information about the sales volume success of the game in order not to give authoratative guidance to our competitors. We certainly avoided drawing attention to the dollar outlay we were incurring by printing the game pieces in the United States. We did, however, release, if requested, information on the number of winners to date - albeit it had to be in approximate terms - and we did give a day-by-day accurate account of the number of £100 winners.

10. Prize Structure - Campaign Costs

Final figures are not available. At the time of writing, the picture is as follows:-

(a) Prize Structure

On 72.2m envelopes placed into circulation, the potential prize structure is as follows:-

<u>Value</u>	<u>No. of winners</u>	<u>Total Potential Winnings</u>
£100	300	£30,000
£10	2,500	£25,000
£1	25,000	£25,000
10/-	315,500	£157,750
	<u>343,300</u>	<u>£237,750</u>

Of course, we do not anticipate all potential winners being paid out. Glendinnings' past experience indicates a take-up of winners in the following proportions:-

£100	-	100%
£10	-	95%
£1	-	80%
10/-	-	70%

On this basis the total prizes we expect to bear amounts to £184,175.

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(b) Campaign Costs (Estimated)

Envelopes, freight and insurance	129,600
Consultancy	151,700
Distribution	58,000
Dealer Literature	5,300
→ Duty and Tax	199,300
Prize Structure	184,000
Display	74,000
Advertising - TV	113,000
Press	21,500
Poster	10,000
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Gross Cost	946,400
Dealer Contribution	301,000
	<hr/>
NETT COST	£645,400

11. Sales Results - Payout of Campaign

(a) Sales Results

Sales results have been extremely encouraging. The launch of the scheme unhappily coincided with a rise in petrol duty of 4d. per gal. which aided the out-price sector of the market. There was also a marked swing of television viewers from the commercial channels to BBC resulting from the World Cup coverage, which reduced the effective exposure of our opening television campaign. Nevertheless, our sales quickly responded. The upswing of sales on the 400 sample sites being assessed showed percentage increases as follows, when measured against our base week.

	<u>% increase over base week</u>
1st week campaign	14.7%
2nd week campaign	44.8%
3rd week campaign	61.4%
4th week campaign	74.4%
5th week campaign	78.0%
6th week campaign	87.4%
7th week campaign	68.4%

These figures, if representative of the country as a whole, suggest a 50% volume increase for the game period (which is something like 1m gallons per day) after allowing for seasonal fluctuations. Such an increase is equivalent to a market share rise of approximately 1.5% for the whole of 1966.

Such information that we have to hand shows that other regular price marketers bore a substantial part of our gain, notably Esso, though we have reason to suppose that even cheap marketers have suffered.

(b) Payout of Campaign

At this juncture it is still impossible to give other than a broad estimate of the likely financial success of this game. A part of the sales success of the Shell Brand was borne by our two stable brands, BP and MB. Thus looked at from the point of view of the Shell-Mex and B.P. Group it is necessary to determine the total nett effect that the game had on SMBP's retail business. With some information still to come to hand, notably the sales effect on agency deriv, and the more

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accurate appraisal of retail deriv, it seems fair to say that the total nett contribution to profit and overheads from incremental gallonage will not be less than £700,000. This figure nets off the Shell gains against the BP and NB losses. It is based on a contribution figure of approximately 4d. per gallon. If the cost of the game is deducted from this item, then an indication is given of the final nett extra contribution to profit and overheads.

Of course, this is a somewhat limited figure. It assumes that the scheme has only earned for Shell-Mex and B.P. incremental gallons during the period that the game will run. Clearly, we do not anticipate holding the very large increases achieved during the game period, but it remains to be seen whether some of our new customers remain faithful to us. If they do, then the incremental gallonage picture will benefit.

## 12. The Future

We believe the magnetism of Make Money is easy to understand.

It is simple to play.

The sealed envelope gives an air of excitement and even tension to the customer.

The size of the prizes makes winning appear likely.

The prize is money - the biggest lure of all.

It is clad in a quality image.

All the family enjoy playing it, including children.

It costs the motorist nothing.

There is even a quasi-psychological point. We believe most people instinctively feel that each Make Money note has been printed as a whole and then cut in half. Thus for each right half there must be a left half, so whatever they receive, the chase is on. It is only later that it dawns on them that the halves are separately printed and rationed accordingly.

Make Money has delighted us all with the power of its impact; its ready acceptance at customer level and the highly satisfactory sales results it has achieved. Provided the legal/governmental environment in this country permits the operation of such a scheme next, we will re-run it in 1967. The game may well be clad in slightly different clothes. We may, for example, add a bonus prize. The points we would attend to in running the game again are:-

1. Clarifying Rule 4, i.e. the no-purchase rule.
2. We would try for printing resources nearer home, preferably in England, in order to eliminate our foreign currency outlay; reduce freight charges; reduce Duty and Purchase Tax charges, and facilitate production control.
3. In our current game, the left halves of three denominations are the winning halves and the right

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half of one denomination. This was a mistake in that it has given the general impression that only the left halves are of any consequence. In future games we would see that the winning halves were represented equally by right and left halves.

4. Too many losing halves of our top denomination note (£100) were circulated. They should not have been rare but they should have been much more restricted in number.
5. Our advertising was probably too "busy". It is a straight-forward story to be told with punch.
6. If the general climate permitted, it would be sensible to make use of the total prize structure as a PH/Advertising weapon.
7. We would probably reduce our advertising launch outlay.
8. We would hope to judge more accurately the total number of envelopes required.

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