

Interview

Client Reinvestment Program

An Interview with Ric Roth,
President, IGT Media Holdings



Ric Roth

EDITORS' NOTE After graduating from Boston University, Ric Roth directed the operations of RMR Advertising Inc., a media planning and buying organization founded by his father, Robert Roth. He formed IGT Media Holdings, and its predecessor company, in 1985.

What do you believe distinguishes IGT Media Holdings from the myriad of media buying and planning entities?

Our family advertising businesses, Admarketing Inc., and RMR Advertising were started in the mid-'60s, and as time went on, we found we were selling a commodity. Yes, our service was exceptional, but media had become more of a commodity. Invariably, when you're selling a commodity, a customer's buying decision comes down to price. So about a year and a half ago, we created our Client Reinvestment Program® (CRP®), which differentiates our offerings from those of any competitor out there. In fact, there is a patent pending on the business model that was created under Client Reinvestment Program.

Who do you market your services to?

Our model works for any organization that is budgeting corporate funds for printing, promotional items, and media – both traditional consumer media, and online and alternative media. Last year, our owned and operated ad agencies billed a little more than \$300 million with a wide range of accounts. Over the years, we've worked with accounts such as

Avon, Sprint, Palm Treo, Circuit City, and Home Depot, providing services in radio, television, outdoor, and print. In the next year or two, I believe we'll sign about 100 accounts spending from \$1 million to \$10 million annually. Ideally, we'd love to deal with multinational companies with larger budgets, but the concept is so new and, in that space, there aren't as many people willing to test a new concept as we'd like. So today our sweet spot is clients that spend between \$1 million and \$20 million annually on media, printing, and promotional items.

For most companies, this is a new concept. Have you found that most of the companies you have approached understand the opportunities your Client Reinvestment Program presents?

When we launched the CRP a little over a year ago, we didn't expect either the positive reaction to the offering nor the skepticism people felt, because the concept, to be honest, sounds too good to be true. The program is very simple: Every time a client purchases media, printing, or promotional items from our organization, we reinvest a portion of the client's overall expenditures back into their business through our purchase of the client's products and services. For instance, a major quick-service restaurant chain ran a broadcast campaign with us, and we reinvested 30 percent back into the client's business through our purchase of our client's gift cards. In answer to the question, the skepticism was a real challenge and, to overcome it, we've created opportunities for our potential clients to test the program. Some of our clients have tested the CRP program with orders as low as \$10,000. Now those clients are placing millions of dollars annually with IGT.

Do you think other media agencies will try to imitate the Client Reinvestment Program?

Others will try to emulate what we are doing. For over 20 years, my family has been buying products and services in one-off type situations from our clients and then utilizing these purchases to drive new customers into our clients' businesses. So our core competencies allow us a great competitive advantage. When we decided to launch this program, we wanted to separate ourselves from the people who were discounting media, printing, and promotional items. It's not our model to discount media, because our experience has shown us that clients who purchase from us just because of price are

not always the most loyal clients. Under our CRP program, we work with the client's marketing team and outside advertising agency, and provide our clients the same rates they would normally pay, but we have the patent-pending Client Reinvestment Program. The program is fairly easy: We execute a client's marketing plan and write them a check to buy their products and services for a percentage of that plan. Our real challenge lies in finding something to do with the product. Here's a real-life example: We were working with a professional sports team with an advertising budget of several million dollars. We did a test CRP for them and matched their historic media rate, and purchased tickets from them valued at 20 percent of their media plan. We then provided those tickets to a retail chain to use in a promotion. It's important to note that because we understand the client's brand and price integrity, our clients approve every

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promotion in which IGT utilizes their products and/or services. So in this instance, we created a value proposition for the retail chain that made sense for them to purchase the tickets. They did a radio promotion that encouraged consumers to visit their stores to register to win two tickets to the game. The professional sports team also got added-value promotion through the retailers' radio spots, at no cost.

In another example, we are currently working with a publicly traded, quick-service restaurant group under our CRP program. We are providing this organization with printing of their point-of-purchase marketing materials, and their broadcast and outdoor advertising. Since our first test with this client, we have purchased well over 30,000 gift cards from them. We have created numerous promotions in which we remarketed our gift cards together with a radio network's on/off air giveaway of 10,000 gift cards. It is our goal to have the ultimate recipient of our CRP purchases receive the product as an incentive or in a promotional give-away. We don't want to be in the business of discounting to the consumer. We are remarketing product that we buy for full price and, every day, our clients receive money from us. That's kind of strange for an ad agency to send their clients money, but we've created an effective way for our clients to leverage their media, printing, and promotional items.

You seem committed to developing true partnerships with your client.

I want to make it perfectly clear. It is not our goal to replace a client's agency. We are happy to work alongside our clients' existing agencies. There are two ways that an agency makes money on media placements: they either bill their client a monthly fee or retainer, or the agency receives a commission equal to a percentage of the overall media spent. We're not looking to collect those fees, and we're not looking to replace the agency. We will actually pay the agency their full commission. Of course, if a client doesn't have an agency, we can provide all of the services that an agency can provide, and we don't charge our client any fees or any commissions – that's just part of the service we've always provided. But the beauty of our program is that our relationship does not end when a client purchases something from IGT. In fact, it only begins then. We are mandated, by virtue of the concept of the Client Reinvestment Program, to truly become the client's partner.

For example, the quick-service restaurant I mentioned earlier is one of the first accounts we signed, and every day, they send us more business. They're an expanding company with several hundred stores, and their parent company probably has close to 1,000 units. We work with these people every single day. Let's assume hypothetically that, next year, this client will spend \$5 million in media printing and promotional items. If the client were to make all their purchases through us, we would purchase over 100,000 gift cards next year. Two factors go into our determination of the CRP percentage: the plan that is presented to us to execute, and the products IGT will be purchasing from the client. Are we buying gift cards for a major retailer or department store chain? Those are pretty valuable in many different ways. Or are we buying last year's fashion product? We'll pretty much buy anything under our Client Reinvestment Program. For instance, we work with a hotel chain and use CRP dollars to purchase their rooms during low seasons. However, instead of a 30 percent CRP reinvestment originally proposed to the client for year-round availability, we are reinvesting only 15 percent CRP due to the limited availability. Based upon the client's media expenditures, this could amount to over 10,000 room nights in 2008.

Think about a retailer with a \$6 million marketing budget. We may purchase up to \$1.8 million in gift cards from the client. In turn, those gift card purchases mandate us to send new customers to the client. For instance, we'll buy 90,000 \$20 gift cards – in advance, and for full retail price – and remarket them to an organization like the Boy Scouts. The Boy Scouts then use those card to raise funds, and we donate \$450,000 of the sales to the Boy Scouts in our retail client's name. The client will also have 90,000 customers walking in their doors to use their gift cards. True, it takes a lot of steps to get to that point, but I have given our clients a reason to do business with us, and more importantly, we've shown our clients that there is a way to leverage their marketing expenditures and their agency. The client continues to work with their agency, but simply by allowing us to execute their plan, we sent them 90,000 customers. What do I charge them for that service? Nothing. We matched their historic rates for media, print, and promotional items, and reinvested our physical and financial resources to drive customers into

their business. So essentially, on all purchases made through our company, we provide our clients with a return on investment on their advertising, printing, and promotional investments that is sometimes as high as 40 percent. As a result, we're getting much positive feedback and many referrals. A year ago, we had a 40-year-old family history in marketing and advertising and a thriving advertising business, but we had a concept no one had ever heard of before. A year later, we have about 40 new CRP clients in the retail, travel, entertainment, manufacturing, restaurant, and service industries who will attest to the fact that our program works. A prospective client's skepticism can be overcome much easier now that they can just pick up the phone and ask one of our existing clients how our program works.

In getting the CRP message out to the market, have you personally spent a lot of time with prospective and current clients?

I try to touch base with every potential client, as well as with every existing client on a weekly basis. I've hired a group of really talented people to assist me with managing our company so that I, along with our account executives and our business development staff, can be out there, every day, talking to potential clients and servicing existing clients. We have to be out there. The clients have to understand the program and they have to hear about its successes. I feel I'm best suited to communicate that message.

You've been in this business a long time, yet you still seem to have a passion for it. Is the CRP driving that passion?

It truly is. We've created something that's never been done before. It's a win-win. I'm really excited about the program because we're truly helping our clients grow their businesses in a quantifiable way. We're much more than an advertising provider; we've truly become a marketing partner. We're actually sending one of our clients over 100,000 new customers a year through gift card promotions. Imagine the next time another agency offers that client media at a discount. Our client will ask them, "Well, are you going to guarantee to send me 90,000 new customers next year, too?" I believe we're creating a great advantage for our clients, as well as for ourselves, and it's going to be hard to compete with that. It's not about discounting, but about us doing what our clients set out to do in the first place – reaching new customers. ●