



Hoover's Big Blunder

**The Promotion that Brought
the Hoover Company Down**

It was the best of ads... it was the worst of ads. Read about the paradoxical promotion that caused sales at the Hoover vacuum cleaner company to skyrocket... yet simultaneously bring the company down.

Advertising is a billion-dollar industry in the United States, and executives have long recognized the power of a good ad to boost sales, regardless of a product's actual merits. The basic premise of advertising is to make a product appear appealing either by emphasizing its benefits, by means of association, or through some other promotion.

Promotions in which the consumer is promised some additional benefit in return for purchasing the advertised product can be tricky. The advertiser has to make sure that the offer is enticing enough to attract buyers, yet not so expensive as to make the sale unprofitable for the seller. This sometimes means walking a fine line—and when that line is crossed, the results can be disastrous.

Just ask Hoover.

Maytag Buys Hoover

The Maytag Company was founded in the early 1900s and quickly became the leading marketer of washing machines. After a period of low sales, the company realized that it would have to expand its line of products if it wanted to remain stable, and it soon began manufacturing a complete line of household appliances. Company executives set a goal of achieving a dominant position in the American appliance market, and this goal was soon reached.

In 1988, Maytag officials decided that they had already cornered the American market and it was time to expand to Europe. They soon opened branches in England, France, Portugal and even far-away Australia. In 1989, Maytag purchased England's Hoover Company, and this rapidly turned into a most important segment of its presence in England. Hoover vacuum cleaners were so popular in England that the name Hoover has become synonymous with vacuums. In the UK, people refer to any vacuum cleaner as a "Hoover" regardless of its actual make, just as photocopying is known in America



The Maytag and Hoover Companies' logos.



Maytag headquarters in Newton, Iowa.

as "Xeroxing" and paper tissues are known as "Kleenex" because those were the brands that popularized them.

The Winning/Losing Deal

In 1992, Maytag-UK found itself backlogged with an overstock of vacuum cleaners that weren't selling. With a budget deficit above £10 million, company executives were desperate to turn the business around and were prepared to resort to a desperate measure.

Maytag introduced a promotion that captured the interest of tens of thousands of Britons: For just £100 worth of any Maytag or Hoover product, customers would be eligible to two free return airplane tickets to England from major cities in Europe. The offer sounded too good to be true... and it was, as many Hoover customers learned the hard way over the coming 21 months.

The exchange rate at the time was US \$1.98 per British pound (£1). In short, by purchasing \$198 worth of Hoover or Maytag products, a British customer could obtain free tickets to return from Europe, which

were worth more than the money spent. It doesn't take too much calculating to realize that such a promotion could not be kept up for long.

What were executives at Hoover thinking when they made such an impossible offer? They were relying on three points that they believed would play out in their favor.

- 1) Consumers would buy but fail to take advantage of the offer because of the red tape involved in redemption.
- 2) Dealer sales reps would successfully upsell consumers with accessories or more expensive models.
- 3) Travel agency reps would sell additional travel add-ons to those hardy souls who actually tried to redeem their free-ticket offers.

Unfortunately for Hoover, consumers were much savvier than the executives assumed. They smelled a good deal and descended on Maytag and especially Hoover vacuum products like a pack of hungry wolves. Sales exploded as people who had no need for the products bought in to avail themselves of the free return tickets at a final price below what the tickets would have cost them directly from a travel agency.

Hoover's main factory in Scotland began to work around the clock to meet the inflated demand and 75 new workers were hired after the promotion was launched. Executives at Maytag were so delighted with the early results of their campaign that they decided to expand it in order to bring in even more customers: They began to offer free return tickets from America.

"Two Return Seats: Unbelievable!" the ads enticed people all over England. And unbelievable they were.

It seems that Maytag's fatal flaw was in imagining that it could discourage customers from redeeming their free return tickets with the same ease that typical consumers are discouraged from cashing in



A vintage Maytag washing machine.



Vacuum sold by Hoover under the free ticket program.