



## How the Economy is Impacting Promotion Plans and Product Sampling Results

- A White Paper on Effective Promotion Planning

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Sampling Effectiveness Advisors (SEA) provides direction to help brands improve results and low-cost options to measure sampling effectiveness results. SEA's clients include brand marketers, promotion agencies, and sampling program vendors. SEA is the only company 100% focused on improving product sampling success rates.

Undoubtedly the economy is taking its toll on the majority of US households. **More than 80% of consumers now say the economy is their greatest source of stress** (*American Psychology Association*). More than two-thirds of us are worried about maintaining our standard of living; a 30% increase over last year! (*PROMO Apr.2009*)\*. Psychologists say consumers can better handle the uncertainty and anxiety caused by these uncertain times when they begin to take more control of their individual situations. While the impulse might be to put your head under the pillow, put your money under the mattress, and say "Wake me when it's over"....the better course of action is to get a handle on decisions concerning finances and to keep spending under control by shopping with a list. It wasn't too long ago that marketing experts were quoting percentages as high as 80% for the percentage of shopping decisions made in-store. However a recent study by IRI indicates the majority of shopping decisions are now being made at home for the bulk of US households (76%). With credit card limits tightening, consumers aren't in a position to make as many impulse buying decisions in the store, like they have in past years. We are definitely in a new era of decision making!

Besides a more controlled approach to shopping, consumers are also looking for more meaning in life. They are yearning to discover deeper connections with others. More consumers are turning to volunteering to lift their spirits. On-line dating memberships were up 16% in January 2009, compared to the same time in 2008. (*O Magazine, May, 2009*). People are nesting; they want to be cozy and safe at home. The Food Marketing Institute survey reported 71% of respondents were eating out less often and cooking more at home (*Brand Week*). More of us are looking for comfort in our homes; 82% of us say that spending more time at home gives us the most comfort and relaxation... and two-thirds of us are spending more time at home than we have in previous years (KN Comfort Survey, Sun-Sentinal).

WordSpy defines the word "**homedulgence**" as "*during a recession, the need for consumers to prefer home-based indulgences, such as dinner parties*". The move to homedulgence is one way consumers can ride out the recession and is predicted to extend to other areas of life, such as mix-your-own cocktails and home dining parties (*Louise Jack, Marketing Week, Jan.2009*). Rather than spend \$100 on a dinner for two at a five-star restaurant, consumers are spending that same amount of money to host a small dinner party for friends. Instead





of spending \$30 on fast-food to feed her family one meal, moms are using that same money to make three balanced-meals at home. According to 80% of shoppers, our behavior is now influenced by price. (Kay McCarthy, *Sunday Business Post*, Nov. 30, 2008). Promo Magazine (March 17, 2009) reported that 20% of consumers are buying more private label brands and that coupon redemptions grew 10% in the last quarter of 2008 - the first jump in redemptions since the early 90's. CouponInfoNow.com just reported that redemptions were also up 19% in the first quarter of 2009.

Today's shopper is also more thoughtful and organized; she is purchasing brands she has confidence in. In a nationwide poll of 431 women with children, 65% said they have begun eliminating from their spending "anything I don't feel is absolutely necessary for my lifestyle." Only 12% told pollsters they haven't altered their household finances in any way. (PROMO magazine, Nov. 2008)

Not only are consumers looking for efficiencies with their grocery budgets, they are looking for quality and healthy choices. With 66% of adults being considered overweight, it doesn't make sense to spend three times the amount of money to dine out in restaurants, where the portions are too large and ingredients are often high in fat. However despite the economy, consumers are showing a willingness to pay more for organic or natural products - per a study released by the Natural Marketing Institute and the Nielson Company.

Consumers are beginning to take off the goggles and pull their heads out of the sand. The only way to feel any amount of control over this situation is to take charge of their spending habits; this means making shopping lists at home, looking for value and quality, limiting the consumption of calories, eating at home, and making the most of the dollars shoppers available to them. With shoppers making fewer trips to the grocery store these days (down 19% from 2001), impulse buying is less likely. Shoppers are using lists to stock up on the items they commonly use. Marketers and advertisers can take much of the perceived risk out of purchases and encourage Moms to try new things by offering a money-back guarantee, showing the versatility of their product across categories, and **increasing product sampling** (Elizabeth Harris, Sr. VP - Rivet Chicago, for Promo Magazine).

### **How does product sampling fit into this equation?**

First and foremost, no other marketing activity gives the consumer the actual brand experience or allows the consumer to make a purchase decision without a risk. Coupons are a preferred marketing tool during a recession (as evidenced by the increase in redemptions), **but if the coupon is for a new product, most households aren't in a position to risk a portion of their budget on a new item that might not be**

To get a new initiative off the ground in a slow economy, product sampling is CRITICAL to the success of the brand because it is the only way to ensure trial. Consumers are unwilling to invest even a small portion of their grocery budget on new items they might not like and that might end up in the garbage can.





**consumed.** (In a 2006 SEA survey, consumers reported spending no more than 10% of their total budget on new items.) To get a new initiative off the ground in a slow economy, product sampling is critical to the success of the brand because it's the only way to ensure trial. When consumer confidence is low (as it is now), brands must be willing to **prove** their product is exceptional - by offering a free sample.

### **What's the best way to approach sampling planning in these hard economic times?**

Obviously targeting is essential to the success of a sampling campaign. And while targeting is one of the key decisions of a successful sampling campaign, if sampling doesn't result in trial - the sampling campaign will not be successful. Consequently, marketers need to consider **when** and **where** to reach their target; otherwise the sample could very well be wasted. Beyond the basic sampling effectiveness principle of reaching the target when & where he/she is receptive, brand marketers must take into account the economic climate, its impact on shopping behavior, and the consumer's reluctance to risk any portion of the shopping budget. Brands also need to be aware that consumers are planning grocery shopping trips in advance and that there is a renewed interest in homemaking or "homedulgence".

**This means reaching consumers where they are planning their meals and considering needs in other categories; such as laundry & cleaning products, paper goods, and health & beauty items.**

By reaching the consumer at home, the brand is more likely to be considered and included on future shopping lists.

### **What are the requirements of a successful program today?**

Brand marketers should use the sampling effectiveness checklist below to make sure the program meets the 4 key requirements of a successful sampling campaign during a recession:

- Program must be able to meet brand targeting needs
- Sample must be delivered when & where trial will occur
- Program must be designed to control sample waste and re-sampling
- Sample must be delivered in a way that provides for a smooth transition to the grocery/shopping list

### **What programs will provide the best results in this economy?**

Not too long ago, brands were using event sampling or experiential type programs for sample delivery. Brand marketers wanted to reach consumers where they worked and played; marketers were convinced brands needed to avoid the "cluttered environment" of the home.

**Due to the economy and its impact on shopper behavior, it's officially a new ballgame!** Consumers are at-home and they are doing more planning and evaluating of their options. It seems almost everywhere we read, attendance at events is down. Air-travel is down

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by 10% (*The Travel Insider*, Jan. 2009); and 49% of consumers said they plan to cut back on leisure travel in the future (*Brand Week*, June 2008). Because consumers are attending fewer events and are traveling less, brands must find ways to reach consumers at home, in a relevant and uncluttered way.

When considering what types of programs will get the sample to the consumer in a meaningful, relevant way - SEA can assist brands in identifying programs which will meet all the necessary requirements. For example, home-delivery type programs reach targeted consumers at home and the sample will be delivered by a known, trusted-source. One example of this type of program is the Schwan's Consumer Network program, by Intellivent Group. Schwan's is a 50-year old home food delivery company. The Schwan's driver knows the household; down to the type of pet in many cases. Schwan's customers welcome the driver into their home and set up delivery of their next order. While the target can vary, Schwan's overall target is a prime target for most CPG brands (Married women with children, age 25-45, home owners, with a \$62K average HH income). This type of program would be very desirable for most CPG categories. While a mailed sample could potentially reach the same target, distribution costs are much less than direct mail and there's no need for special packaging to meet US mail standards.

Depending on the category, there may be other examples of home-delivery type programs that will provide brands with a great sample delivery vehicle. In the past, laundry and dishwasher detergent brands have used appliance repairmen to delivery samples; the sample is delivered in-home, by a trusted professional – at the point-of-use. For additional ideas on in-home sampling programs, contact Sampling Effectiveness Advisors to discuss your brands needs.

In past years, successful product sampling campaigns required the marketer to focus on reaching the brand's target, when & where they would be receptive to the sample, in a way that would limit sample waste. **Those success principles still apply** - but in this economic climate, brands must also remember to take into account the economy's impact on shopping behavior and deliver samples in a way that provides for a smooth transition to the weekly shopping list.

For more ideas on how to deliver your sample to your target consumer while incorporating all the principles of sampling effectiveness, contact Sampling Effectiveness Advisors. SEA's goals are the same regardless of who we work with: to provide a better return on the brand's sampling investment by reducing costs and increasing trial and purchase results.

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