

## Where Marketing Plans Go Wrong...

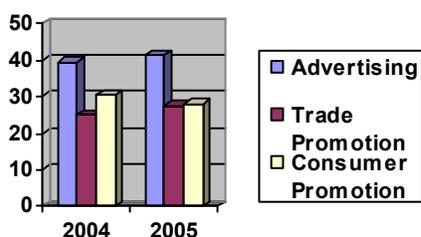
The CPG marketing revolution continues to claim victims. The average tenure of CMOs at major CPG marketers is less than two years and continues to drop <sup>1</sup>. As if the revolving door in brand marketing weren't bad enough; most brands now outsource promotion planning to agencies, where continuity is even less-common. The old marketing objective was about building awareness; the new objective is about changing consumer behavior. The old metrics were GRPs, impressions, share, frequency (all inputs). The new metrics are ROI, ROI, ROI (the ultimate output).

Ironically, the marketing tactic that most directly changes consumer behavior is frequently left at the bottom of the marketing budget. Study after study confirms a direct correlation between trial and purchase. IMI International's recent survey <sup>2</sup> indicated that **sampling has the greatest impact on consumer purchase** (consistent for past 15 years). The study also indicated that 60% of all promotions result in "insufficient awareness and comprehension" and that 41% of all promotions "should not have been launched".

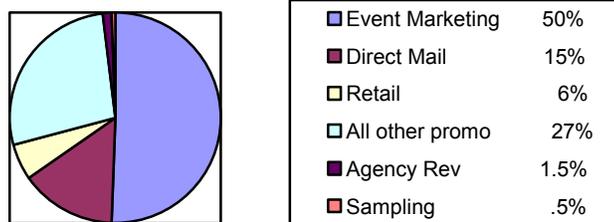
The surest way to generate trial is to simply give a product sample to a targeted consumer (one that is pre-disposed to a brand's product). According to a recent survey <sup>3</sup>, a whopping 92% of consumers said they'd buy a new product if they tried and liked the sample they received (if the purchase price was acceptable). When asked "if a brand wanted to convince you to buy its product, which type of advertising/promotion would most likely convince you to switch brands and buy the other product", **62% of consumers selected product sampling** to other types of promotion or advertising <sup>2</sup> directed towards them (i.e., TV advertising, direct mail, print ads, coupons, etc.).

So why then, do CPG brands allocate **less than 1% of their promotion budget** on product sampling? (*PROMO's 2006 Industry Trends Report*).

**TOTAL MARKETING BUDGET - %'s**



**2005 PROMOTION SPENDING - %'s**



That's the question that the Promotion Marketing Association's (PMA) Product Sampling Council set out to uncover. In a survey directed at many of the nation's largest consumer-goods companies <sup>3</sup>, brand marketers were asked if company executives were supportive of product sampling efforts. While 72% said "yes", they were also quick to add that product sampling is often the first thing to go when budgets are cut. **When asked if product sampling has a less desirable image than other forms of marketing, 64% of marketers also said "yes"**. Those marketers indicated that "product sampling lacks the glitz-factor other marketing techniques have gained" and that "product sampling is seen as an entry-level marketing assignment" and that it "doesn't result in gratuitous self-promotion". When asked, "*What is the main reason for not doing more product sampling?*" most marketers agreed that it "takes too much of the brand's promotion budget" (which may be a fraction of the overall marketing budget). One company representative stated that media levels are reported to Wall Street and that's what gets the attention of company execs (which drives budget authorizations).

The study asked if their brands were measuring large-scale sampling programs (to know whether or not programs were delivering a positive ROI). While 63% said “yes”, the majority of those respondents stated that small market research budgets are often an issue and prevent many programs from being measured. One company representative stated that even with good results, “*tried & true* programs are often abandoned for new, sexy marketing programs”.

The Product Sampling Council was interested in learning if another suspicion was correct; the Council believed that brand spending in traditional product sampling programs (programs owned by companies specializing in product sampling) had either decreased in recent years – or that a spending shift had resulted in promotion agencies developing more event marketing/sampling programs for their brands. When asked “*has product sampling spending shifted from traditional sampling programs to agency-driven event programs?*” – 72% of marketers said “yes”. When asked *Why?*, the common answer was that product sampling is now integrated into the overall marketing plan, under the guise of “integrated marketing strategy”. (So perhaps the issue is not the shift in control to agencies, but rather the direction from the brand as to how to integrate product sampling.)

### **The question is: How important is this information? Are these changes for the better?**

Or, could there be a problem with how marketers are thinking about their product sampling strategies? The Product Sampling Council believes there is a real problem and the problem is that neither the brand, nor the agency, are defining objectives, outlining success criteria, or thinking about how the sampling project will be measured. Neither are they considering whether there are better choices for the investment of their brand samples. Said one sampling vendor, “It’s no wonder some brands put millions of dollars into event sampling programs that never pay out because no one plans to meet any quantifiable objectives!”

What affect do these issues have on the brand’s marketing plan? “Less effective, less efficient sampling programs”, suggests Cindy Johnson, former Sampling Programs Manager at P&G – now the owner of Sampling Effectiveness Advisors (a specialty-consulting firm, specializing in product sampling effectiveness). “Product sampling is the most powerful marketing tool a brand can use; it is the actual brand experience! It can also be an expensive investment on a per-consumer basis, so to use product samples to support some other less-impactful marketing activity makes absolutely no sense. Product sampling can drive purchase on its own; without additional marketing support,” says Johnson.

“If a consumer tries your brand sample and likes it, why spend more of the marketing budget on other efforts directed at that consumer? Rather than use samples to support other aspects of the marketing plan, focus on designing a sampling program that will deliver the highest ROI from the beginning. Unlike some other types of promotion, the result of product sampling is **conversion**; not a one-time purchase of the brand. Product sampling is not a short-term promotion vehicle but rather, a long-term investment in brand loyalty.”

### **The misunderstanding and misuse of Integrated Marketing Strategy...**

The research among marketers also uncovered a key factor effecting product sampling decisions: several marketers reported that *integrated marketing* is the latest strategy brands seem to be following in regards to marketing decisions. The *Integrated Marketing Strategy* theory suggests that brands coordinate marketing tactics to enhance the effects of communication with consumers.

Typically the brand will determine who their target consumer is – usually in psychographic and demographic terms. Those targeted consumers are more easily segmented through traditional media than product sample distribution. “The principles of product sampling are consistent with integrated marketing strategy, but in order for the sampling portion to be effective, you have to be careful to not blindly execute it against the other media target definitions. In fact, we know that the key to product sampling is to sample when there is openness and trial is likely to occur. This can

be in certain environments: snack food samples at a sporting event, a skin crème at a dermatologist check up, or at a point where the product becomes relevant for the first time like diapers in maternity wards” says Cindy Tripp, Marketing Director, P&G. “Without thinking through when and where it is best to sample a product, you could never deliver true integrated marketing strategy intent.”

**If brand marketers are “doing it wrong”, what should they be doing?** Some sampling experts share their knowledge and direction:

Jesse Reif, (EURO RSCG Impact) believes brands need to develop a sampling campaign based on cost per trial. “Ask yourself, *Am I putting money into an elaborate execution out of vanity or because the incremental lift pays for itself?* If the brand has success criteria and a measurement strategy for the product sampling program alone, these types of decisions often answer themselves.”

Product Sampling Council member Doug Guyer (President of IDR’s - The Catalog Package Sampling Program™) adds that brands should, “Consider all the elements of a successful sampling campaign: What target will be receptive to my sample? When and where will trial most likely occur (in-home or somewhere else)? What can I do to make certain that my 2 million samples will get delivered to 2 million unique consumers that fit my target – not 700,000 (which often happens when consumers take extra samples in programs that have no controls in place). And equally important - Am I using vendors experienced in sample delivery? Generally companies with more experience know how to consult on issues like sample packaging, regulations, targeting, and know the program elements that will result in maximum trial & conversion numbers....numbers that will move the brands share.”

Art Averbook, President of CO-OP PROMOTIONS and co-author “ALL ABOUT SAMPLING” (publication available at [www.pmalink.org](http://www.pmalink.org)) has concerns relating to the trend towards experiential & event sampling. “The lack of control and security of samples and the promoters mis-forecast of attendance can both have a disastrous effect on the event. Much more precise targeting is available in other sampling venues. The biggest successes in sampling comes from not only demographic & psychographic targeting, but also from sampling at time of usage (receiving a sample of coffee creamer at a coffee-counter) and sampling near point-of-sale (food products that are both sampled and sold in-store). A very important thing for marketers to be aware of: most of the largest brands have gotten there by sampling and **continue to sample** to bring new users into the franchise!”

Sampling expert Justin Garberg (COO, Sunflower Group) added that, "Sampling is the most convincing tactic a brand can activate. It's important that the sampling company running the event have the proper experience. A lot of variables and planning are involved in each event and because no two events are the same, you need a company that has a proven track record for success, has processes already in place to handle your event, and the resources to make sure your event is flawless"

Because product sampling takes years of experience to master and because it can take multiple executions of the same program to develop good sample controls- it's not likely that most promotion agencies could develop an effective sampling campaign the first time out of the box. Many sampling program vendors have been improving their programs for years and have mastered the issues that drive great results. These companies can also give brands better sample distribution pricing because they have the experience necessary to put together the most efficient programs.

### **Other factors driving brand sampling decisions...**

Most of the marketers surveyed agreed that the main reason brands don't do more product sampling is because it is expensive and that they usually only sample behind the introduction of a new brand or line-extension. "Most manufacturers still consider sampling to be a tactic for only "new items". In reality, sampling should **consistently be part of a brand's marketing mix** to continually gain new users in their category/brand to grow the business," says Cheryl O'Keeffe, Manager of Marketing Services at GlaxoSmithKline. While sampling may seem to take a bite out of the marketing budget, brand marketers need to consider the powerful results of sampling and the lifetime value of a new customer.

Brands may also want to consider that sampling is only expensive if they look at the inputs (total out-of-pocket). In **considering the output**, it is much more efficient than some other promotions. Many brands say their repurchase rate is great, but that they can't get initial purchase. So they run more coupons and fail. Because sample trial rates are so high (70%-80% for most CPG categories), a sampling campaign can generate 2-3 times as many trials as an FSI coupon (with 1 - 2% redemption) for the same budget.

While some promotions result in a one-time purchase of the brand, the purpose of sampling is to introduce the consumer to a brand which will hopefully become a staple in their household. Because the largest portion of a consumers grocery-shopping budget is allocated to brands consumers are familiar with, **most shoppers are reluctant to invest much of their household-grocery budget on products they have no experience with**. In the Product Sampling Council consumer survey <sup>3</sup>, shoppers were asked, "What % of your grocery budget would you say you usually spend on brands you have never tried before?". **The average was just 10%**. Imagine the thousands of brands that compete for this small portion of the grocery-shopping budget! "We have received tens of thousands of e-mails from sample recipients who have written in saying things like, *"Thank you for the sample! I would never have tried this product without it as I was satisfied with my current brand. This product was so great I bought it right away and now it's a staple on my shopping list,"* says Guyer.

### **What's next?**

While there is no easy way to resolve the issues relating to budgeting priorities, the Product Sampling Council wants to help marketers feel more comfortable about the investment that product sampling takes by developing tools to help them improve program results. Because some marketers said that they'd be willing to shift spending if there was data to support the belief that product sampling was a better investment than other areas of marketing, the Council plans to help brand marketers and promotion agencies understand exactly what sampling does for their business and ways to get the most of their investment. A new webpage has been developed to make product sampling data and tools available to marketers who are interested, at **[www.samplingeffectiveness.com/tools](http://www.samplingeffectiveness.com/tools)**. At the end of the day, an increase in awareness and recall alone won't grow the brands business – but trial and conversion will. Marketers must make the most of the sampling investment to make that happen.

### **Members of the PMA Product Sampling Council include:**

Chair: Cindy Johnson (Sampling Effectiveness Advisors), Doug Guyer (IDR - The Catalog Package Sampling Program™), Art Averbook (CO-OP Promotions), Trevor Garberg (The Sunflower Group), Matthew Tilley (Inmar), Robert Bugai (College Marketing Intelligence), Jim Hines (Classmates Marketing), Stacey Barrett (Valassis), and Maureen Galloway (Ogilvy).

<sup>1</sup> BrandWeek – August 22, 2006

<sup>2</sup> PROMO 2006 – IMI International study

<sup>3</sup> Product Sampling Council – CPG Marketer survey Feb. 2007, Consumer research, Mar. 2007