

IN-STORE MARKETING  
**INSTITUTE**

PRESENTS:

## Sampling Sees Lift 20 Weeks Out

Loyalty-card research finds that in-store sampling boosts sales long after the event, lifts established products, and increases basket size



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### EXECUTIVE SUMMARY

- A Knowledge Networks/PDI study of in-store sampling found sales lifts lasting as long as 20 weeks after the event. This, in turn, suggests that sampling may be far more cost effective than previously thought.
- The study found that sampling not only increased sales of newly launched products, but line extensions and even well-established existing products, as well.
- The study reports that sampling can have a positive “halo effect” on related merchandise, lifting the sales of non-sampled products within the parent brand’s franchise<sup>1</sup>.
- The study indicates that sampling can recruit new buyers to both sampled items and brand franchise items.
- Preliminary data also shows that the average shopping basket size of the test households (those exposed to the sampling event) increased 10% over the average frequent shopper basket of the retail chain.

## BACKGROUND

Measurement is something of a two-edged sword for the \$2.8 billion sampling industry. About half of all sampling done in the U.S. takes place<sup>2</sup> in-store, and the technique has become useful to brand managers because they can generate trial while instantly monitoring sales via a physical count of merchandise moved on the “day of event.” The instant feedback of this “day-of” data has helped make in-store sampling part of the integrated launch strategies for many new products, says Mike Kent, PromoWorks’ Vice Chairman and Co-Founder: “More than 90% of our business is centered around new product introductions,” he says, “because marketing executives want to get that new item into consumers’ hands, along with an incentive, so they can jump-start the new brand and report sales at a peak.”

But therein lies a problem, says Kent: “We all know that sampling garners big numbers on the day of event; there have been lots of very good studies on that.” However, he notes, by focusing only on day-of-event metrics, brand managers and agencies have come to view in-store sampling as merely a short-term tactic that’s suitable only for new item launches.

When viewed only through the lens of one day’s sales lift, the average cost of \$200 per store for a 6-hour sampling event may seem expensive.

It’s not their fault, Kent adds: “We’re always giving clients different day-of-event data points for success: percentage of stores that had a secondary display; percentage of stores where the product was on temporary price reduction; how many incremental units per store were forced in... It’s all we had.” But

PromoWorks executives also suspected, through their years of field

experience, that sampling produced many tangible, strategic benefits such as stimulating repeat purchase behavior months after the event (they call it the “long tail”), as well as boosting shopping basket sizes and even raising sales for related, non-sampled items.

There were suspicions, says John Stermer, executive vice president of sales & marketing, but no metrics to quantify them: “POS data tells you what sales we got, but it can’t quantify who the shoppers were, what their previous behavior was, and most importantly, what their future behavior is going to be. And that, after all, is

### Sampling boosts sales for new items, line extensions and even older brands — and long after the day of the event

	NEW PRODUCT LAUNCH		LINE EXTENSION		ESTABLISHED BRAND	
	Sampled Items	Brand Franchise <sup>1</sup>	Sampled Items	Brand Franchise <sup>1</sup>	Sampled Items	Brand Franchise <sup>1</sup>
<b>DAY OF EVENT:</b> Percent of \$\$ sales lift for Test Households over Control Households	<b>+329%</b>	<b>+156%</b>	<b>+919%</b>	<b>+61%</b>	<b>+177%</b>	<b>+104%</b>
<b>20 WEEKS AFTER EVENT:</b> Percent of \$\$ sales lift for Test Households over Control Households	<b>+60%</b>	<b>+32%</b>	<b>+107%</b>	<b>+10%</b>	<b>+57%</b>	<b>+21%</b>

### Sampling cost-effectively triggers trial & repeat purchases for both sampled items and brand franchises<sup>1</sup>

	NEW PRODUCT LAUNCH		LINE EXTENSION		ESTABLISHED BRAND	
	Sampled Items	Brand Franchise <sup>1</sup>	Sampled Items	Brand Franchise <sup>1</sup>	Sampled Items	Brand Franchise <sup>1</sup>
<b>TRIAL:</b> Percent of Test Households over Control Households that purchased an item for the First Time	<b>+47%</b>	<b>+22%</b>	<b>+78%</b>	<b>+9%</b>	<b>+51%</b>	<b>+26%</b>
<b>REPEAT:</b> Percent of Test Households over Control Households that, after the trial purchase, made a second purchase at a later date	<b>+19%</b>	<b>+13%</b>	<b>+7%</b>	<b>+0.2%</b>	<b>+7%</b>	<b>+5%</b>



PromoWorks’ demonstrators, called “brand ambassadors,” have a 99.2% track record, according to the company, for event execution. Virtually every activity, from arrival at the designated store through inventory purchases and coupon/sample distribution, is monitored in real time at the company’s headquarters.

why you do sampling.”

“We believe that sampling should be utilized,” Stermer adds, “whether it’s a new item or not, for building market share because it is a vehicle for trial generation. Unless a brand already has 100% household penetration, they should be using sampling as part of their annual promotion tactics as a strategic market-share builder.”

So last year, the company began searching for a new set of metrics to measure the extended brand benefits of in-store sampling events. “We basically wanted to know how the consumers who participated in our sampling programs behaved after the day-of-event,” Stermer says. The effort, which would later be dubbed “R.I.S.E.” (Report on In-store Sampling Effectiveness), began in the spring of 2008 with visits to various experts, including Prof. Don E. Schultz of Northwestern University, as well as POS-based data suppliers. “We first considered using panel data, and talked to IRI and Nielsen, but discovered that trying to track their panelists for a long period of time was going to be difficult because the sample sizes weren’t adequate for this initiative,” says Jim Rollberg, Vice President, Consumer Insights.

“The best predictor of purchase behavior is purchase behavior,” says Stermer, so PromoWorks executives eventually turned toward the evolving field of frequent shopper data. The company reached out to Knowledge Networks/Promotion Decisions Inc. (KN/PDI), a research firm with a massive database of loyalty card users. “They not only had the breadth and depth of data we’d need, but presented a unique methodology that involved shopper loyalty cards and time stamping,” says Rollberg. “It was the first time that I had ever heard that we were going to be able to take a ‘snapshot of time’ within a store and look specifically at consumers and what they did during that timeframe.” In December of 2008, PromoWorks commissioned KN/PDI to design a study.

## PROMOWORKS AT A GLANCE

**HQ:** Schaumburg, Ill.

**‘08 Revenue:** \$123 million

**Ownership:** Privately held

**Chief Executive:** Mike Kent

**Key Retail Services:** Product sampling and demonstration services; event marketing; consumer marketing services; staffing solutions; POP and display creation; merchandising; mystery shopping; promotion consultation.

**History:** Founded in 1999 with just nine employees, today there are more than 400 full-time employees, including regional and district managers, throughout the US and Canada. The company has executed more than 5.2 million events to date.

**Clients:** CPG manufacturers in various classes of trade including grocery, mass, drug, convenience, pet, home improvement and specialty. It is the agency of record for 36 retailers and represents over 400 CPG manufacturers.

**Field Representation:** 36,000 “brand product ambassadors,” with approximately 15,000-20,000 deployed every weekend. PromoWorks’ grocery footprint extends over 50% of the USACV in grocery.

**Other Services:** PromoWorks delivers “direct to consumer” sampling that engage targeted consumers where they *live* (direct to home, in a very targeted way); *learn* (i.e. college students, pre-schoolers, kids in middle school, high school, etc.); *play* (experiential events, such as sampling in and around Wrigley Field); and *shop*. ■



PromoWorks’ executive team, from left to right: John Stermer, EVP-sales & marketing; Mike Kent, vice chairman & co-founder; Dee Rossi, EVP-operations; Laurie Carlson McGrath, VP-marketing; and Jim Rollberg, VP-consumer insights.

## METHODOLOGY

“When Jim Rollberg mentioned the issues that they were trying to tackle, I knew we had a natural fit,” says Neal Heffernan, senior vice president & general manager at Cincinnati-based Knowledge Networks/Promotion Decisions Inc. Heffernan’s company mines data from a specialized household panel, called the National Shopper Lab (NSL), which comprises more than 16 million individual frequent-shopper-card households that carry a loyalty card for a given chain. KN/PDI follows all of the purchasing activity in those households within the chains they’re loyal to. Unlike “opt-in” shopper panels, which rely on households to accurately self-scan their purchases at home after a shopping trip, the NSL uses purchasing data that’s captured automatically and comprehensively at checkout.

Loyalty card panels are also more chain specific. With frequent shopper data, Heffernan says, researchers must apply a ‘static’: “Of the 16 million households in our panel, we use about 1.8 million that we call ‘research quality.’ These are households that are regularly using their card and their baskets are large enough that we know their dollars are loyal to a specific chain. In other shopper panels, households may go to their local supermarket for a filler trip, but then shop at a Walmart for the big stock-up trip. If you use these people, you’ll statistically miss key transactions and especially both trial and repeat purchases. So we use people that predominantly go to specific chains (who represent those chains’ best customers) so we can get consistent data from a consistent consumer group.”

Why isn’t POS data alone sufficient? “You can’t get a clean read on this unless you get it to the household level,” Heffernan explains. Some retailers can’t even get the POS data reporting down to the day – they give it to you for the week. How can you pick out a sales bump from in-store sampling when it’s six hours out of an entire week’s worth of sales? It gets buried in the noise of the data. That’s why this household-level analysis is important. It can finally bring attention to the true lift from all of the consumers who are exposed to a promotion.”

One of KN/PDI’s key research offerings is a coupon-ROI model called “Coupon Profit.” It utilizes NSL data to quantify the incrementality of various programs ranging from in-store coupon machines to national freestanding inserts. Because coupon redemption is a discrete measure, KN/PDI analysts can utilize an experimental design. They create redeemer/non-redeemer groups (i.e. a test group vs. a control group) and then compare the purchasing activity of households that redeem coupons to households that do not. For the PromoWorks R.I.S.E. study, KN/PDI rewrote its matched-panel test-and-control research design for couponing programs and applied it (both companies believe for the first time ever) to in-store sampling. After agreeing on the approach, the R.I.S.E. team reviewed all of PromoWorks sampling activity for 2008, looking for standard, one-time six-hour demo events that took place in NSL-monitored chains and that had enough scale to be statistically

significant. Three in-store sampling programs that had run in an East Coast supermarket chain in March 2008 were selected. One was a classic new product launch; a second was a line extension (a new flavor added to

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**Mike Kent, Vice Chairman and Co-Founder, PromoWorks**



a product line-up without much additional promotional support); and the third was an existing product that simply was being re-staged with a slight packaging alteration. The number of stores involved in these three sampling events ranged from 25 to 100, although Rollberg says that the number of stores isn’t as significant<sup>3</sup> as the number of shoppers, which were 3,000, 15,000 and 30,000. “We had a very high confidence level and a very tight read because the design was very large in sample size,” he says. “Just at 3,000 ... that’s more than adequate.”

KN/PDI then separated its shopper panel households into test and control groups. The test group was identified as individual panel members who KN/PDI knew:

- Regularly shopped at this supermarket chain;
- Had not previously bought the sampled category or brand. (Fifty-two weeks worth of pre-event loyalty card data was searched to confirm that these shoppers would truly represent actual first-time triers);

- Were known (through their time-stamped loyalty card activity) to have been present in the store between 11 a.m. and 5 p.m. on the day<sup>4</sup> of the sampling event; and
- Had a minimum basket size of \$20 on the day of the event (to ensure they walked the store long enough to at least be exposed to the event), but that was less than \$200 (suggestive of unusual activity such as shopping for a party).

The control group comprised households within the KN/PDI database who:

- Were *not* in the store between 11 a.m. and 5 p.m. on the day of the sampling event;
- But did shop in the store in the two weeks surrounding the event.
- All of the other static and market basket criteria applied to the test group were applied to the control group.

Under the R.I.S.E. experimental design methodology, the only variable that mattered was “exposure” to (as in opportunity to participate in, or at least see) the sampling event. The households in the test group had an opportunity to see the PromoWorks sampling event because they were in the store during the sampling event hours. The control group did not. Both the control and test groups were exposed to everything else, both outside the store (FSIs, advertising on TV, the Internet, billboards, etc.) as well as inside (floor graphics, displays, shelf signs, etc.).

“Once we created the groups,” says Heffernan, “we monitored those households for 20 weeks after the event and compared the test group’s purchase patterns to those of the control group. We looked at the lift on many data points, on a cumulative basis from day-of-event to 20 weeks later to see how much incremental volume the exposed households generated after the day of the event. That was the big question PromoWorks had: What’s the longer-term value of sampling?”

To account for any differences in the test- and control-household cells, Rollberg says, an Analysis of Covariance (ANCOVA<sup>5</sup>) was used to adjust over this 20-week test period that began on the day of the first sampling event. “All of our results came back at 99% significance level,” he says. “You can’t get any better than that.”



The R.I.S.E. study indicates that an in-store sampling event can drive trial and sales for a sampled product’s “brand franchise” (the other non-sampled SKUs in a sampled item’s family of brands).

## RESEARCH FINDINGS

- \* **The R.I.S.E. study confirmed older sampling-effectiveness studies by demonstrating that in-store sampling can, indeed, drive sales on the day of the event. Across the multiple categories of the study, the first day of sampling showed an average 475% cumulative dollar sales lift for the test households (those exposed to the sampling event) as compared to the control households (those not exposed) on the day of event.**
  - “This certainly doesn’t surprise us,” says Rollberg, noting that it is nonetheless nice to be able to confirm these kinds of sales lift numbers with a 99% statistical significance level. “But it was the later findings that are truly breakthrough.”
- \* **The study reported that in-store sampling can drive trial (which is defined as first-time purchase of the product) over time. The average cumulative trial for the sampled items was 58% higher — a full 20 weeks after the event — for the test households than for the control households.**
  - “The critical information here is the ‘long tail’ effect and how things occur over time,” says Kent. “We’re looking at 20 weeks out, and we still see a 58% sales bump for the test group over the control group. Sure, this reinforces the known positive effects of sampling on the day of the event, but more importantly, it demonstrates that sampling drives sales, in trial, over a much longer haul... 20 weeks, at least. Having that kind of sales impact that long after the day of event makes sampling incredibly cost effective. This is really big news. And until this study, nobody was really sure how that worked.”

\* R.I.S.E. reports that in-store sampling events can **drive repeat purchasing**. (Repeat is defined as a trial purchase plus at least one additional purchase at a later date within the 20-week study period.) Over the 20-week period, the average cumulative first- and additional-repeat purchase volume for the sampled products was 11% higher for the test group vs. the control group.

— “Nobody has been able to quantify repeat purchasing quite this way before,” says Stermer. “This gives us the tools and the foundation for determining the lifetime value of a customer that extends far beyond day-of-event lift.”

\* Sampling has a well-established track record for boosting sales of new product launches. The R.I.S.E. study, however, demonstrates that in-store sampling can also dramatically **lift sales for both line extensions and even established products**. The sales lift from sampling the line extension (a new flavor simply added to an existing product line with little or no other promotional fanfare) was +919% for the day-of-event and 107% after a 20-week period. The sales lift from sampling the existing product (which was being re-staged with updated packaging) was +177% for day of event and +57% after a 20-week period.

— “Simply put,” says Stermer, “sampling is not just for new products anymore.”

\* The study shows that in-store sampling can drive trial and **sales for an entire brand franchise<sup>1</sup>** (the other non-sampled SKUs within a sampled item’s brand family). For all three items sampled, the event produced a 107% average sales lift on the day of event for the brand franchise; it produced a 21% average sales lift for the franchise after a 20-week period; and the average cumulative trial for the brand franchise was +19% over a 20-week period.

— “We always suspected that sampling in-store might have a ‘halo’ effect on that brand’s franchise,” says Kent. “If you’re sampling chocolate Pop Tarts and giving out a coupon, we know that some people will switch to blueberry or strawberry, or a different package size or SKU, because the coupon is good on the entire franchise. But we had no idea that the franchise or ‘halo’ effect was this powerful, and this extended over time.”



PromoWorks’ I.T. department collects, analyzes and shares data from a wide variety of sources including Nielsen, POS information suppliers and consumer/shopping panels to field managers and brand ambassadors. The company has executed more than 5.2 million sampling events over the past decade.

\* In-store sampling can **deliver new buyers both to the sampled items and to the brand franchise**. (R.I.S.E.’s methodology includes searching through the participating test and control group households’ frequent

shopper data for 52 weeks prior to the sampling event to ensure that they would represent first-time triers.) The average cumulative (over a 20- week period) new buyers for the sampled products was 85%, according to the study, and 23% for the brand franchise.

— “This was very big news to all of the brand managers we’ve talked to,” says Rollberg. “Basically, the data shows that we brought new buyers in and we got them to come back. Maybe they were buying ‘brand A’ before, but they also bought the sampled brand on trial. We don’t know if, the next time they came back, they bought brand A again or not. But they definitely bought brand B again. So the data shows that

we definitely brought people into a franchise that hadn't been there before."

\* **In-store sampling can increase the average household shopping basket size.** As a result of the sampling event, the involved consumers' overall shopping basket expenditure increased 10%, as compared to the average frequent shopper basket for the participating retailer.

- "This is a very interesting finding in that it suggests that sampling creates a positive purchasing environment for retail customers," says Heffernan. "The theory, and we'll want to do this at least 30 more times to prove it out, is that people who interact with sampling events are more valuable to a chain and ultimately tend to spend more than they intended. You might be getting an extra 10% per ring from these households."

"This does suggest sampling contributes to incremental growth and does not cannibalize other items within the brands' own franchise," add Stermer. "We think it helps contradict the old theory that during a sampling event, shoppers just replace an item that they were planning on buying with the sampled item."



"We believe that sampling should be utilized," says John Stermer, EVP-sales & marketing, "for building market share because it is a vehicle for trial generation. Unless a brand already has 100% household penetration, they should be using sampling."

## KEY TERMINOLOGY

- **Accountability Platform:** Key to PromoWorks operations. The three tenets are, "be accountable for (1) targeting, (2) delivery of execution, and (3) the outcome."
  - a. PromoWorks targets certain stores and areas for sampling events using Nielsen, Spectra and panel data.
  - b. According to PromoWorks executives, the sampling industry's average rate of execution is 88%; PromoWorks is measurable up to 99.2%. PromoWorks executives say the company fields the largest supervisory team of regional and district managers in the industry.
- **National Shopper Lab (NSL):** The home of 16,000,000 frequent shopper households that is maintained on a weekly basis along with three years of rolling data. There are a variety of grocery and drug retailers represented in the NSL. These chains are kept anonymous, and agree that their data can be aggregated with other retailer data for analytical purposes. PDI was the first firm to really use loyalty data back in 1991.
- **PromoIntelligence™:** Provides clients with access to the historical data analysis for more effective allocation of future capital spending. It helps clients select the best retail stores against which to spend their promotion dollars. Answers questions such as: "Which stores consistently support demos with displays? - or - Which have consistently higher traffic counts?" Information is built on the 5.2 million sampling events PromoWorks has executed over the past 10 years.
- **PromoPin® card:** Tracks and ranks the sales performance for individual event personnel. It enhances overall levels of accountability. Each demonstrator also carries a debit card that comes new with each program. This gives an extra assurance of financial control and validation.
- **PromoReports®:** A real-time Internet communication and reporting system that allows clients to assess the effectiveness of the campaigns.
- **SampleSafe®:** Every PromoWorks brand ambassador who does food sampling must be "Sample Safe Certified." This means that they have completed and passed a food-safety training program.

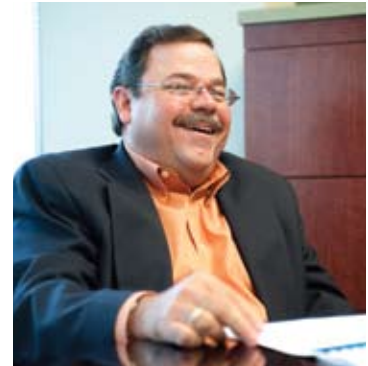
## CONCLUSIONS & IMPLICATIONS

PromoWorks executives say that they are committed to continuing the R.I.S.E. study, most likely extending the next phase from 20 weeks to 52 weeks. "This is just the beginning of this research," says Heffernan. "It is a state-of-the-art way to peel back the POS data to understand who's really impacted by the sampling and what their purchase patterns look like over time. At this point, it's early, but the initial findings are really exciting. Personally, I'd love to do this on a regular basis as an approved methodology."

"This is really a big turning point," says Kent. "We're measuring historical trend lines in purchase behavior at a customer level. Now we can see how individuals react. As a brand manufacturer, you don't want to create a shopper just for a day; you try to create a shopper for a lifetime."

**With an ANCOVA adjusting the 20-week test period, 'All of our results came back at 99% significance level. You can't get any better than that.'**

**Jim Rollberg,  
VP-Consumer Insights,  
PromoWorks**



Stermer, who has presented the R.I.S.E. data to a number of research executives at CPG companies, reports that they have been positive: "One said, 'We've always looked at in-store sampling through marketing mix analysis, but this offers us a whole different lens that we'd never considered. We've been mismeasuring ROI by simply measuring lift. We're not getting the lifetime value of those customers.'"

Rollberg believes that if PromoWorks can keep compiling data, it can be predictive for clients. "After an initial launch – four, eight, 12 weeks down the road, for example – if we see a lull in sales activity, we could place another, more targeted sampling event into the market to continue the longevity of the effort. This is a big potential value that clients have seen in this."

At a minimum, Kent notes, the study should help product marketers view in-store sampling in a new light. "The competition isn't other sampling companies," he says. "The competition is FSIs, coupons, floor ads, national TV — anything that takes budgets away from in-store sampling." ■

### FOOTNOTES

<sup>1</sup>Throughout this document, the term "brand franchise" = [the sampled items within the brand franchise] + [the remainder of the SKUs within the brand franchise].

<sup>2</sup>The other half is conducted in a variety of ways and places, such as inserts in delivered newspaper bags or handouts at entertainment venues and street corners.

<sup>3</sup>Every sampling event did not take place on the exact same day. Some took place within a window of time around that originally scheduled event day.

<sup>4</sup>"The focus should be on the number of shoppers – 30,000 – and not the number of stores," says Rollberg. "That, quite frankly, has been one of our challenges in bringing this to our clients. They are so used to studies that put all the statistical rigor into the number of stores. We'll say to them, 'We know you've been doing it one way for 25 years, but if you think about it this way, you can not only track the sales lift, but you can track the trial-per-person, the repeat-per-person, and you can follow the life of this consumer past the immediate data we usually engage in.'"

<sup>5</sup>Analysis of covariance or ANCOVA looks for variability between the test and control groups over time. If independent variables like price, promotion, items available, etc., change over time, they could impact the store sales of that item. So those terms are put into the model and any adjustments up or down are made to isolate the effect of the in-store sampling. The ANCOVA is done at the end of the study.

### ABOUT THE IN-STORE MARKETING INSTITUTE

The In-Store Marketing Institute is a global organization of brand marketers, retailers, agencies and manufacturers focused on improving retail marketing strategy worldwide. The Institute serves the needs of its membership by providing information, research, education and training, networking opportunities, trade publications and a trade show designed to further the understanding, acceptance and effectiveness of in-store marketing. For more information, go to [www.instoremarketer.org](http://www.instoremarketer.org).



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