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T H E F O R R E S T E R R E P O R T

The CPG Digital Marketing Gap

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The CPG Digital Marketing Gap

Consumers have integrated the Web into their household routines. But CPG marketers haven't kept up. The time has come for grocery products to close the gap by taking advantage of new ways to touch consumers.

2 MARKET OVERVIEW

- 44% of consumers use the Web for grocery-related tasks.
- 87% of brand Web sites lack one of consumers' top desires: promotion, samples, or product information.

8 ANALYSIS

- Consumer activity, online ad impact, and low prices ripen CPG online market opportunities.
- Product categories need different digital marketing mixes.

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- Use the brand site to solicit consumer feedback.
- Make interactive specialists part of the planning team.

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- The quality of consumer attention replaces reach.
- Ad agencies team up with Hollywood talent moguls.

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MARKET OVERVIEW

Consumers Go Online For CPG-Related Tasks

The Web has become a tool for routine household chores like meal planning and budget stretching for the 44% of grocery shoppers that are online. They are willing to let CPG marketers help them with these tasks, but most brand sites fall short of giving consumers what they want.

THE WEB BECOMES A RESOURCE FOR EVERYDAY NEEDS

Researching products and services is the third most common online activity, making the Internet a boon for information-intensive purchases like new cars or investments (see the May 2000 Forrester Report “Retail & Media Data Overview”).¹ But do consumers research their laundry detergent or even respond to CPG ads online? To determine the role the Web can play in the media mix for CPG marketers, Forrester:

- 1) Surveyed 6,271 members of Information Resources Inc.’s (IRI) Shoppers’ Hotline panel to determine how the online behavior of these primary grocery shoppers affects their purchases.
- 2) Reviewed 145 magazine ads and 225 product packages to discern the level of visibility that marketers give their site URL or other online initiative.
- 3) Audited 38 of the highest trafficked brand Web sites to determine how well they deliver the features that consumers want.

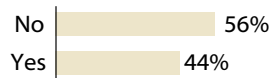
Grocery Shoppers Connect With Online Content And Promotions

We asked consumers how frequently they engage in 13 grocery-related activities online. Forty-four percent of respondents say they turn to the Web every week for grocery content, promotions, or product information (see Figure 1-1).

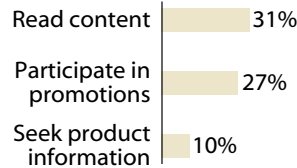
- **Recipes are the most popular content.** Twenty-one percent of the panelists that are online get recipes off the Net each week, while 10% go to sites like epicurious.com each week to read articles about cooking (see Figure 1-2). comScore Networks’ traffic data echoes this popularity: Allrecipes.com saw 1.3 million unique visitors in April, and Kraft Interactive Kitchen attracted 849,000 visitors.²

Figure 1 Consumers Use The Web For Everyday Tasks

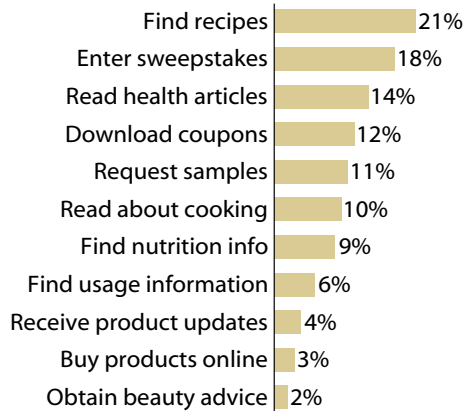
1-1 "Do you routinely* engage in grocery-related activities online?"



"What kinds of activities do you routinely* do online?"



1-2 "What specific activities do you routinely* do online?"



(multiple responses accepted)

*routinely = at least once per week

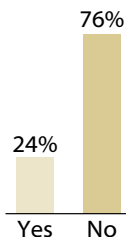
1-3 "For which of the following types of grocery products have you ever . . ."

	Researched online	Visited manufacturer Web sites	Used online ads or promotions
Beauty products	18%	13%	11%
Vitamins	15%	8%	5%
Pet food	13%	8%	6%
General merchandise	13%	7%	6%
Household supplies	10%	6%	5%
Baby products	9%	8%	6%
Laundry cleaning	8%	5%	4%
Breakfast foods	7%	6%	4%
Snacks	7%	5%	5%
Frozen products	6%	5%	4%
Alcoholic beverages	5%	4%	2%
Nonalcoholic beverages	5%	5%	3%

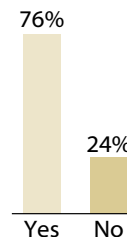
(multiple responses accepted)

1-4 Consumers will interact with CPG manufacturers via email and brand sites

"Do you visit grocery brand Web sites?"



"Would you like to receive emails from CPG manufacturers?"



Percent of online consumers
Based on a survey of 6,271 grocery shoppers in January 2001

Source: Information Resources, Inc. and Forrester Research, Inc.

- **Promotions are a big draw.** Sweepstakes are the most popular online promotion -- 18% of panelists search for sweeps to enter each week -- and 12% download coupons every week (see the June 2001 Forrester Report “Net-Powered Promotions”).³ Again, comScore traffic data reflects this interest. Coupon site coolsavings.com received 6.5 million unique visitors in April, the second-most-visited grocery-related site behind content leader iVillage.
- **Product-specific activity is less common.** Consumers’ needs are not all editorial and penny-pinching. Only 10% routinely look for product information.

Product-Specific Activity Is Limited But Valuable

Forrester delved more deeply into shoppers’ product-specific research online, exploring what categories they will and won’t investigate and how this activity affects their total annual grocery spending. The results were compelling: Consumers who seek product information online spend more on groceries.

- **Product-engaged consumers spend 21% more.** While the average annual grocery bill for all respondents is \$6,769, consumers who pursue product information online spend up to \$8,161 -- 21% more than their peers who only read content or participate in promotions and up to 26% more than consumers who don’t engage in *any* online CPG activities.
- **Health and beauty products are most popular.** Only five CPG categories experience 10% or more of online consumers researching their products (see Figure 1-3). Beauty products attract the highest level of online research, manufacturer site visits, and ad interactions, followed by vitamins and pet food.
- **Staples and commodity products have little potential.** Consumers have little interest in other grocery products. Less than 6% of consumers express interest in researching soda, alcoholic beverages, and frozen products online.

Consumers Are Willing To Interact With Brand Favorites

While shoppers’ interactions with brands is relatively modest today, they are willing to enter a closer relationship with the brands they use.

- **Seventy-six percent of consumers are open to email.** A large majority of grocery shoppers who are online indicate they would like to receive promotions, new product information, and recipes via email from brands (see Figure 1-4).

- **More than two-thirds of consumers want to express their opinions.** Consumers are reluctant to provide personal information but aren't shy when it comes to providing feedback about products: 72% are willing to tell manufacturers how satisfied they are with their products, and more than 50% will tell manufacturers about their needs and preferences.
- **Holdouts can be convinced.** Among the 76% of consumers who haven't gone to a brand Web site, only 7% give hard-core reasons like they believe the site "has no value" or they are "not interested." Almost half are "unaware of brands' sites" or "haven't seen the need" to visit these sites, attitudes that, with the right benefit and incentive, could be reversed.

CONSUMERS AND BRANDS DON'T CONNECT ONLINE

Despite consumers' openness to engage online, most brand marketers ignore opportunities to connect with their customers. Our audit of 38 of the highest trafficked brand sites showed that most fall short of delivering what consumers want. Similarly, we found that CPG brands don't effectively promote their Web address on packages or magazine ads -- the two places consumers are most likely to look for the URL.

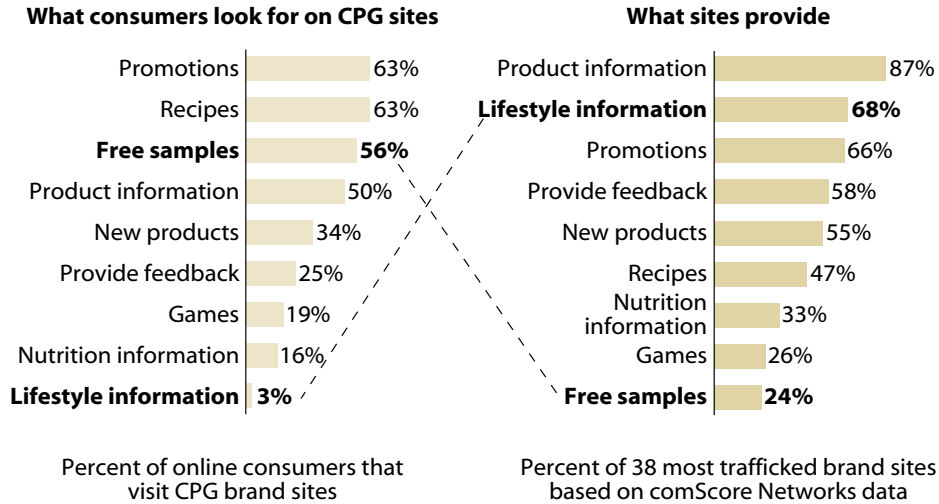
Brand Sites Don't Deliver On Consumer Needs

Most of the 38 sites we reviewed deliver the basic product tips and usage instructions that most users want. But they came up short in other important areas (see Figure 2-1).

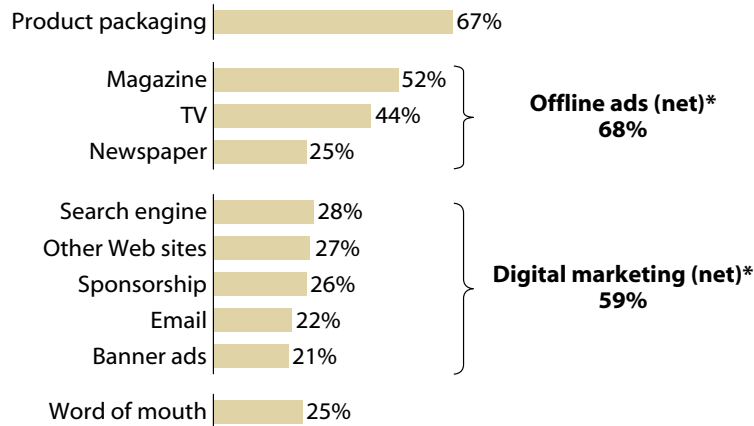
- **Many sites ignore promotion opportunities.** While almost two-thirds of consumers go to a brand site hoping to register for a promotion, 34% of sites disappoint them. Reckitt Benckiser and Eastman Kodak offer no promotions, while Ragú has a prominent sweepstakes navigation link that takes the consumer to a page that tells the consumer to "check back in a few weeks."
- **Lifestyle content is a big loser.** Only 3% of consumers go to a brand site for lifestyle information, but 68% of sites bog down consumers with this low-interest content. I Can't Believe It's Not Butter's site, tasteyoulove.com, features "Samantha's Diary," a story of a young woman's search for love in the big city. Given that comScore tracked only 14,000 unique visitors to the site in April, Samantha's Diary is safer online than if she hid it in her dresser drawer.
- **Few met consumers' interest in samples.** Free samples rank just behind promotions and recipes in consumer priorities, but 76% of sites -- including such brands as Purina, Taster's Choice, and Kellogg's -- do not offer them.

Figure 2 Brands And Consumers Don't Connect Online

2-1 CPG brand sites don't deliver



2-2 "How do you find out about CPG brand sites?"



Based on a survey of 6,271 grocery shoppers in January 2001
*Percentages include consumers who cited at least one of the specific vehicles

2-3 Few CPG companies promote their URL on packages and ads

		On product packaging	In a magazine ad
No visibility ↓ High visibility	No URL	45%	40%
	Small URL	27%	36%
	Large URL	12%	8%
	URL with call to action	7%	13%
	Space devoted to Web	4%	3%

Source: Audit of 74 brands' product packaging and 97 brands' magazine ads

Source: Information Resources, Inc. and Forrester Research, Inc.

- **Sites don't listen to their consumers.** While most sites have a "contact us" area, few provide surveys to solicit customer ideas or complaints. Kodak.com, Nescafeusa.com, and NabiscoWorld have no feedback mechanism on their sites.

Marketers Relegate Site URLs To A Footnote

When consumers want to go to a brand's Web site, they turn to materials they have right at hand: More than two-thirds of consumers cite product packaging and offline ads as their source to find brand sites (see Figure 2-2). But our audit of 145 ads and 225 packages found that marketers underuse these low-cost opportunities to drive consumers to a site (see Figure 2-3).

- **Product packaging hides the URL.** More than 70% of packages either have no URL or hide it to the point of invisibility, in small type or tucked away on a side panels. Ortega Mexican foods is a rare exception: the back panel of its boxes of taco shells and burrito dinner kits include a small area highlighting the Web site that states, "for over 100 great recipes, come to www.ortega.com."
- **Magazine ads lack a site address.** Magazine ads were the second most frequent place consumers said they found URLs. But 40% of ads we audited did not mention a URL. Only 13% of the ads provided a reason for the consumer to go to the site. Betty Crocker leverages its current "What a Great Idea" tagline to suggest that readers "find more great ideas at www.BettyCrocker.com."
- **Online sources put in a respectable showing.** The most potent online drivers of traffic were search engines, small Web sites like MyFreebies.com, and email. In addition, more than 20% of consumers cite either banners or sponsorships as the source for finding URLs -- a significant number considering CPG companies spent a paltry \$44 million online in 2000 according to Competitive Media Reporting.⁴

CONCLUSIONS

Based on consumers' online activity and an audit of CPG sites, Forrester finds that:

- **Grocery shoppers are active online.** Grocery purchasers use the Web for daily chores, creating an effective environment for CPG ads.
- **Consumers are open to information from manufacturers.** These shoppers welcome communication from the brands, especially promotions sent via email.
- **Manufacturers lag their consumers.** CPG-makers' modest online efforts aren't in tune with consumers' needs.

ANALYSIS

Digital Marketing's Time Has Arrived

CPG marketers should stop thinking about the Internet as a separate medium and instead use it to extend the impact of every offline campaign. Consumers' purchase frequency of -- and loyalty to -- the brand determine the roles that Web sites, email, and online ads will play.

THE CASE FOR DIGITAL MARKETING

Consumers' weekly Web usage for coupons, recipes, and cooking articles creates the right environment online for grocery brands. But Forrester sees three additional factors converging to earn digital marketing a place in the CPG marketing mix.

- **Online ads affect brand metrics.** Millward Brown and DynamicLogic have shown that banners can consistently increase several brand advertising metrics (see Figure 3). New formats are likely to increase these results: Millward Brown's early tests of the new "big box" ad units show four times the increase in brand awareness as banners do. Streaming ads produces a sevenfold increase.
- **Brand impact leads to sales.** Little testing has been done to link banner ad exposure to sales, but one test by DoubleClick and IRI proved that for an impulse food product, banners increased sales 19% (see the October 4, 2000 Forrester Brief "Banner Ads Can Influence Sales Volume").⁵
- **The price is right.** Online ads are a bargain compared with offline ads in terms of the cost to reach an effective level of exposure. Offline, four exposures are considered necessary to be effective, and magazines like *Better Homes and Gardens* command a \$36 CPM -- resulting in a \$0.14 cost to achieve the effective frequency per individual. The banner ad sales impact test revealed that seven to 10 exposures maximizes sales lift. At today's single-digit CPMs, SMARTFOOD popcorn could buy 10 online exposures for as low as \$0.06 on second-tier sites like ClubMom.com or FamilyTime.com -- less than half the price of the magazine.

Online Consumers Are Marketing Participants, Not Just Ad Targets

Advertising on the Web is necessary as online time steals consumers from offline activities, but awareness building and persuasion are not the Internet's most powerful attribute. The Internet gives marketing a whole new level of impact and efficiency by:

Figure 3 Banners Have An Impact Across The Brand Metric Cycle

Media performance levels according to the Advertising Research Foundation				
Type of ad	Effect on ad attentiveness	Effect on ad communication	Effect on ad persuasion	Sample size
Banner ad -- all products	+11%	+4%	N/A	90,000 surveys involving 90 unique ads
Large format ad -- all products	+24%	+13%	N/A	N/A
Streaming ad -- all products	+41%	+22%	N/A	N/A
Source: Millward Brown				
Banner ad -- all products	N/A	+3%	+1%	69,375 surveys
Banner ad -- CPG products	N/A	+5%	+5%	27,305 surveys involving 18 unique campaigns
Interactive banner ad -- CPG products	N/A	+46%	+4%	4,000 surveys involving 6 creative executions
Source: DynamicLogic				

Percents represent the increase in consumers who registered that level of advertising impact

Source: Forrester Research, Inc.

- **Extending offline marketing initiatives.** Even the most riveting TV ad is limited to engaging the consumer for 30 seconds. But adding an online element to every marketing campaign can tap the interest that an offline campaign can spur. The Miller Brewing Company’s “Get the Goods Beer Bucks” promotion features on-pack instructions and in-store signs to send consumers online to collect the points and bid on prizes. As a result, 750,000 Miller consumers spent between 12 and 37 minutes per session on the Get the Goods site.
- **Streamlining unwieldy marketing programs.** The pre-Web version of the Pepsistuff loyalty promotion was marginally successful: The costs to print 140 million 16-page catalogs and handle the avalanche of proofs-of-purchase mailed in to redeem prizes outweighed the revenue boost. Online, consumers input their points codes and the site eliminated the need for a prize catalog, slashing costs and turning the program’s 5% increase in sales into a profit contributor.
- **Helping to launch new products.** CPG manufacturers face layers of distributors and retailers between them and the end user, requiring massive efforts to gain shelf space for a new product. Crest’s online launch of Whitestrips sold \$23 million of the tooth-whitening product and convinced Kroger to put the product on special trucks to have it in stores the day after its release for mass distribution.

- **Tapping into brand enthusiasm.** As the media landscape fragments and consumers increasingly eat dinner, read magazines, or talk on the phone while watching TV, it becomes increasingly hard for marketers to get enough of the consumer's attention to get their message across. But comScore data shows that consumers give a typical brand Web site more than 4.5 minutes of undivided attention.

Marketers Should Weave Digital Marketing Throughout Their Plans

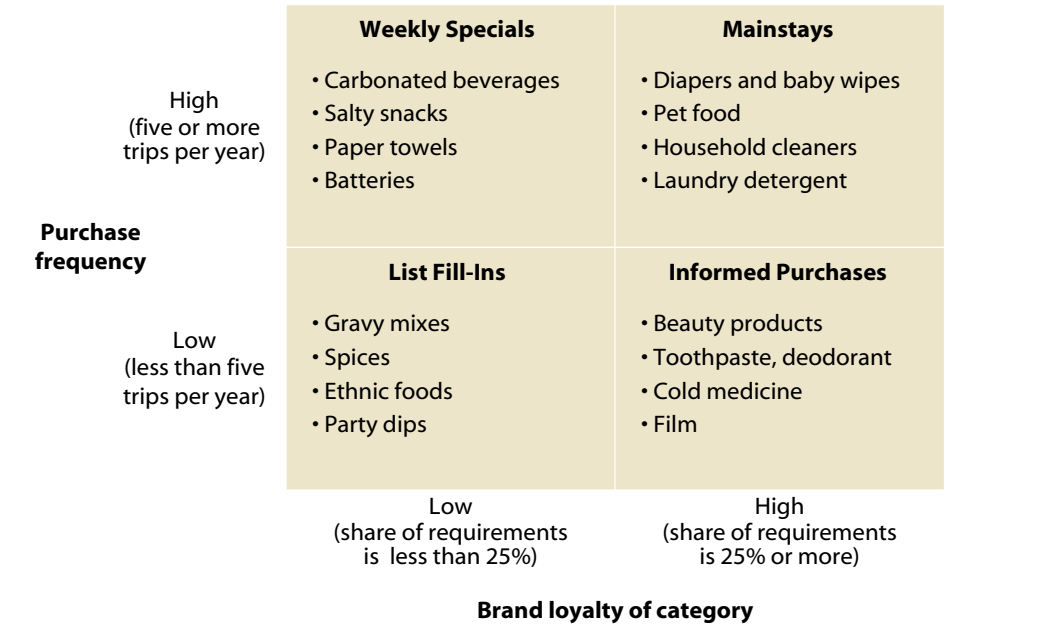
The Web's on-demand access and two-way communication make it a complement to -- rather than a replacement for -- TV, radio, and print in consumers' information and entertainment choices. Four digital tools can help link a brand's total marketing mix.

- **Tool No. 1: The site is the communication hub.** Once brands have built a site with basic product and promotion information, they should upgrade the "contact us" section with tools to harness the power of the consumer relationship. PlanetFeedback.com's satisfaction survey and product rating tools reveal consumers insights by enticing visitors to share ideas and complaints.
- **Tool No. 2: Email revolves around consumer motivations, not brands.** Just as 40% of consumers tune out TV commercials, consumers will ignore emails that are nothing but endless "buy this product" messages.⁶ Procter & Gamble (P&G) created its "Home Made Simple" newsletter with high-quality decorating and entertaining editorial, substituting free samples and offers for hard-sell ads.
- **Tool No. 3: Free and performance-based placements drive traffic.** Consumers told us search engines and "other Web sites" were the most popular online brand URL sources. Sites like Direct Freebies post offers for free. Performance-based marketing services like Performics optimize search engine placements and drive traffic with their affiliate network for a cost-per-click or cost-per-action fee.
- **Tool No. 4: Paid placements are for branding.** Since 25% of grocery shoppers go to brand Web sites, online ads and sponsorships are needed to reach most consumers. Based on consumers' online grocery-related activities, 3.3% of a brand's media budget should go to online ads.⁷ Brands like Arm & Hammer and Similac, for which TV is unaffordable or inefficient, should spend more online.

CONSUMER BEHAVIOR DRIVES THE DIGITAL MARKETING MIX

Consumer behavior and competitive realities should guide marketers in selecting the right digital marketing tactics for different product types. To understand how consumers relate to different products, Forrester segmented consumer products along two dimensions: frequency of purchase and brand loyalty within a category (see Figure 4).⁸

Figure 4 Consumers Relate To Brands Based On Loyalty And Purchasing Trips



Source: Forrester Research, Inc.

Mainstays Ride The Coattails Of An Important Customer Goal

Mainstay products are fortunate: Frequent, loyal purchases of pet foods and baby products show consumers’ strong affinity for the brand already. Job No. 1 is to change this relationship from a cash register transaction to an ongoing dialogue, using email as the core tactic (see Figure 5). At the helm should be a cohort manager -- a marketer with deep insight into consumers’ interests and motivations -- to create programs that align a bundle of brands with customers’ life goals (see the December 2000 Forrester Report “Manage Cohorts, Not Brands”).⁹

- **Information, not brand pitches, deepens the relationship.** For the consumer, the brand is ancillary, not central, to the goal of being a better parent or eating a healthier diet. Mainstay products should connect to the consumer’s goal by delivering a variety of relevant information, offers, and products. Ralston Purina learns about consumers’ goals by asking whether they view their pets as “a playmate for the kids” or “a friend to spend time with.”
- **Every customer touch builds the email list.** Consumers’ first touch with the program is likely to be the Web site. But the site’s reason to exist is to prove the value of the relationship and to get the consumer to subscribe to the email. In addition to the site, the brand’s customer relations hotline should offer to sign up

Figure 5 Mainstays Focus On Email

Mainstays			
Overall goal: Transform a transaction-based relationship into an ongoing dialogue			
Online tools	Implementation	Key vendors	Annual budget per brand
Site	<ul style="list-style-type: none"> Demonstrate brand's ability to help consumers meet their goals Capture email addresses with promotions Provide opportunities for interaction through surveys and new product tests 	PlanetFeedback, Digitas	\$500,000
Email	<ul style="list-style-type: none"> Monthly emails deliver fresh tips and ideas Mix content, promotions, new products, and surveys Cohort manager should control editorial and promotion calendar 	DoubleClick, Digital Impact	\$250,000
Advertising	<ul style="list-style-type: none"> Sponsorship serves as sample of email content and solicits opt-in addresses Link ads to microsite that provides a sample issue of an email newsletter and solicits a subscription 	iVillage, Allrecipes.com	3.0% of total media spend

Source: Forrester Research, Inc.

callers, offline ads should point the consumer to the site, and coupons should let the consumer opt in. As the relationship deepens, HUGGIES can offer coupons for Kleenex Viva paper towels that make cleanup after feeding the baby easier.

Informed Purchases Need Infrequent, Deep Information

Because of their loyalty, consumers will tend to turn to their favorite brands to get the latest look from cosmetics or the right pain relief from an analgesic. These brands should focus their online spending on an informative site, sponsorships, and interactive ads to meet consumers' specific, solution-oriented goals (see Figure 6).

- **The site should offer solutions, not just products.** Cohorts -- groups of brand users who have similar motivations -- will need different information. In addition to the product-centric navigation brands commonly use today, sites should provide solution-oriented links, such as Advil's "Learning Center" with links for different conditions like dental pain, menstrual symptoms, and backache.
- **Sponsorships and interactive ads deliver the information.** Online consumers want expert advice on subjects like health and beauty. P&G's sponsorship of "Beautiful You" on Women.com provides unbiased beauty advice while promoting P&G's beauty

Figure 6 Informed Purchases Cement Current Users

Informed Purchases			
Overall goal: Provide core users with tips, answers, and product selection guidance			
Online tools	Implementation	Key vendors	Annual budget per brand
Site	<ul style="list-style-type: none"> • Provide detailed product features, benefits, and usage tips • Organize information around solutions to common consumer problems • Build product selector to let users match their needs to the right products 	Organic, Tribal DDB	\$350,000
Email	<ul style="list-style-type: none"> • Quarterly communications provide seasonal news and product usage tips 	EchoMail, @ Once	\$70,000
Advertising	<ul style="list-style-type: none"> • Embed product information in interactive marketing “skyscraper” units • Create and test Unicast superstitial ad formats to distribute rich interactions across multiple sites 	FamilyTime.com, Prevention.com, Unicast, 24/7 Media	1.5% of total media spend

Source: Forrester Research, Inc.

products. But a cold sufferer doesn’t need extensive sponsored content. TYLENOL should use a Flash-based ad built on the new IAB interactive marketing unit standards that provides several informative pages to help the consumer select among the allergy, sinus, and flu formulations for the best relief.

Weekly Specials Use The Web As A Reminder Medium

Digital marketing will play the smallest role for brands like Coca-Cola and Bounty. The key is to find precision placements that expose a consumer to the brand as close to the shopping trip as possible. Money spent on a site and email should be minimal, mainly supporting offline promotions and ad campaigns (see Figure 7).

- **Banners fill offline media gaps.** Banners’ ubiquity, simplicity, and bargain pricing make them a steal, supplementing ad frequency achieved offline. Buy run-of-channel ads for \$5 or less CPM on an ad network’s women’s channel. Cap frequency at seven to 10 impressions per week per viewer and limit the time of day ads run to lunch or late afternoon, when consumers think about personal chores.
- **Online shopping lists serve as timely reminders.** As physical grocers like Ahold USA meld frequent shopper databases with the online tools of Peapod, their sites

Figure 7 Weekly Specials Target Reminder Moments

Weekly Specials			
Overall goal: Deliver frequent reminder messages at key grocery-related opportunities			
Online tools	Implementation	Key vendors	Annual budget per brand
Site	<ul style="list-style-type: none"> • Provide comprehensive product line lists and nutrition information • Update content as needed to reflect offline campaigns and promotions 	SF Interactive, btldesign	\$100,000
Email	<ul style="list-style-type: none"> • Quarterly emails build awareness and excitement for offline promotions 	e2 Communications	\$50,000
Advertising	<ul style="list-style-type: none"> • Build brand presence on brick-and-mortar grocers' sites as they build online shopping lists tied to frequent shopper database • Buy low-cost run-of-channel ads on DoubleClick's and Engage's women's site networks 	Ahold USA, DoubleClick, Engage, MSN	6.0% of total media spend

Source: Forrester Research, Inc.

will host consumers' shopping lists. Brand managers for Weekly Specials should negotiate for presence on these lists along with shelf space, end caps, and other in-store promotions. Channel management technologies like iMediation help centralize control and distribution of different offers to various retailers.

- **Extend -- and protect -- offline campaigns.** TV ads and in-store promotions are unrivaled in generating broad awareness and excitement for a product, but without a Web component, these efforts are vulnerable. By grabbing the exclusive sponsorship on superbowl.com, Miller did an end run around Budweiser's beer category exclusive for Super Bowl television ads. The presence reinforced Miller's status as the game's official beer to all the fans who went to the official Super Bowl site up to three months before the big game -- and before they ever saw Bud's ads.

List Fill-Ins Target Usage Occasions With Sponsorships

A small base of consumers account for the bulk of sales for products like cake mixes and ethnic foods, and their purchases are sporadic.¹⁰ These products' two challenges are: 1) capture every purchase occasion, and 2) try to increase the number of times consumers crave a taco or bake a cake. Sponsorships of holiday and leisure content help intercept consumers who go online for new ideas to make celebrations special (see Figure 8).

Figure 8 List Fill-Ins Capture Usage Occasions

List Fill-Ins			
Overall goal: Maximize share of purchase occasions and stimulate additional usage			
Online tools	Implementation	Key vendors	Annual budget per brand
Site	<ul style="list-style-type: none"> • Provide recipes and serving suggestions • Update seasonally with new ideas and promotions to stimulate additional purchases 	K2 Digital, Digital Pulp	\$200,000
Email	<ul style="list-style-type: none"> • Enlist core group of heavy users • Send seasonal and occasion-specific content tailored to individuals' family events, holiday celebrations, and food preferences 	e-Dialog, BoldFish	\$140,000
Advertising	<ul style="list-style-type: none"> • Sponsor seasonal entertaining and recipe content • Embed promotions in recipes 	Meals.com, Television Food Network, FAMILY.COM	3.0% of total media spend

Source: Forrester Research, Inc.

- Content syndication boosts distribution and relevance.** Aside from working with the top-traffic women’s and family sites, marketers should work with Studio One Networks to create and syndicate quality sponsored content that matches consumer’s usage motivations. Identifying a correlation between barbecuing and paper towel purchases, Studio One created the “Real Families, Real Fun” sponsorship for Bounty and syndicated it to 26 sites, including the CompuServe Interactive Services parenting channel and BabiesRUs.com.
- Email bonds loyalists to the brands.** These products will enlist few consumers on their email list, but these consumers will be valuable users -- like Pillsbury Bake-Off entrants who sign up to receive contest update emails. Let consumers highly customize their email by inputting family members’ birthdays, holidays they celebrate, food preferences, and dates for events like church bake sales and family reunions. Email services provider e-Dialog can use this data to create and deliver relevant, tailored messages prior to a potential purchase event.

ACTION



Conduct a market mix model test.

To date, market mix models -- statistical analysis tools that leading CPG marketers use to measure the sales impact of offline advertising and promotion -- haven't been able to detect online ads' impact due to the low level of spending on this medium. But it can be relatively easily done without breaking the bank. Marketers should pick a few appropriate markets for the test, buy a significant level of online media, and work with Quova to geographically target the campaign. MMA or Knowledge Networks can then track increased sales and isolate the online campaign's contribution from TV's impact.



Make your site a communication hub.

A site filled with lifestyle content risks dragging the manufacturer into publishing and will disappoint consumers. A higher priority for marketers is to give consumers a channel to praise or complain about products. Before hiring editors and licensing content, marketers should install customer interaction tools like PlanetFeedback's Feedback Utility and BrandPulse reports to capture the enthusiasm of loyal users and identify potential defectors to save.



Redesign packaging with the Web in mind.

When 72% of brands give their site URL no or little visibility on product packaging, marketers waste valuable opportunities. Pepsi's Pepsistuff blitz used more than 1 billion packaging impressions to drive consumers to Yahoo!, where it captured 3.5 million responses and a 5% increase in single-serve sales. The Dannon Company signed a similar packaging-for-placement deal with Terra Lycos. Smart marketers will do the same and parlay offline reach into online relationships.



Invite interactive specialists into the planning huddle.

Treating the Net as an afterthought -- after the planning, budgeting, and creative are done -- prevents marketers from realizing the Net's full potential. To fully exploit the Internet's many different capabilities, from day one integrate Web thinking into planning a new campaign. Get all parties -- brand manager, traditional agency, and interactive specialist -- in a room to brainstorm and pose the following questions: Which consumers are we trying to reach?; what is the goal?; what can the Web do that offline media can't?; what incentive can we offer to lure consumers to the site? Then divide up the budget.

WHAT IT MEANS

! **Ad agencies will forge relationships with talent agencies.**

To combat consumers' evasion of ads, more marketers will pursue product placement like Diet Coke did on "Friends." Agencies will face a new crisis as the importance of their skill in buying ad time will wane and the ability to get feature roles for brands will rise in importance. As Coke moves its account back to Creative Artists Agency, Leo Burnett will invest in the William Morris Agency to pitch Tony the Tiger and the Jolly Green Giant to TV producers like Carsey-Werner.

! **Group buying will come of age.**

As grocers give customers access to their frequent shopper data on the Web, consumers will flex the muscle of their total annual purchase volume. At first, frequent ice-cream eaters will play Häagen-Dazs against Ben & Jerry's for better discounts. Then, parents in the same playgroup will pool their buying power for better deals on diapers, and soccer moms will organize to negotiate bulk buys of laundry supplies. Demand aggregation technologies like Mercata, which perished because they were ahead of their time, will see new life.

! **CPG marketers will begin to target men.**

Today, marketers believe women account for 70% or more of all household purchases. But once grocery lists are online, it will be just as easy for the husband to drop his preferred brand of shampoo on the list as it is to use whatever is in the shower. Clairol will launch a macho men's shampoo, hiring Bobby Knight to pitch Clairol's new brand in conjunction with the brand's March Madness sponsorship.

! **New metrics measure the quality of consumer attention.**

Researchers like Media Dynamics have begun to document "TV ad blindness," the tuning out of commercials. Personal video recorders will only exacerbate audience loss. The result: "Total minutes of audience attention" -- the sum of the number of viewers paying attention times the minutes focused on the message -- will replace gross rating points as the key ad metric. Marketers will realize that online attention beats offline attention in two ways: 1) 100% of site visitors are watching the screen as the page loads, and 2) online ads get credit for the amount of time that users who click through spend on the site.

RELATED MATERIAL

Data Sources And Methodology

Forrester surveyed 6,271 US households from a randomly selected sample of Information Resources, Inc.'s Shoppers' Hotline panel. Each household was required to be an active panel member for 52-week period and received incentives for participating. The entire sample was weighted to demographically represent the US population. The variables included in the weighting scheme were household size, household income, head of household age, census regions, and county size. The survey was fielded in January 2001. In addition, Forrester interviewed 15 marketing experts from top CPG manufacturers, as well as the technology vendors listed below.

Companies Interviewed For This Report

Advertising Research Foundation
www.arfsite.org

DirectStuff.com
www.directstuff.com

DoubleClick
www.doubleclick.net

DynamicLogic
www.dynamiclogic.com

iMediation
www.imediation.com

Marketing Science Institute
www.msi.org

Millward Brown
www.millwardbrown.com

MMA/Carat
www.mma.com

Modem Media
www.modemmedia.com

MSN
www.msn.com

Next Century Media
www.nextcenturymedia.com

Peapod
www.peapod.com

Performics.com
www.performics.com

Personify
www.personify.com

PlanetFeedback.com
www.planetfeedback.com

Promotion Decisions
www.promotiondecisions.com

Prophet
www.prophet.com

Reggie Brady Marketing Solutions

Studio One Networks
www.studioonenetworks.com

Unicast Communications
www.unicast.com

Women.com Networks
www.women.com

Yahoo!
www.yahoo.com

Zyman Marketing Group
www.zmarketing.com

Related Research

June 2001 Forrester Report "Net-Powered Promotions"

December 2000 Forrester Report "Manage Cohorts, Not Brands"

October 4, 2000 Forrester Brief "Banner Ads Can Influence Sales Volume"

August 2000 Forrester Report "Do Brand Managers Get The Net"

June 2000 Forrester Report "Branding Divorces Advertising"

G R A P E V I N E

Marketers should gift-wrap their messages.

An online sponsorship can be anything from a guaranteed banner position to exclusive cobranded content like Clorox's "Generations & Innovations" on Women.com. Where on this spectrum should marketers aim? Andrew Sussman, CEO of sponsorship syndicator Studio One Networks, provided this test: "To be a true sponsorship, the consumer must feel that the content is a gift. The gratitude they feel for getting valuable information translates into higher purchase intent for the sponsor." We agree. The time-worn hard-sell ad approach doesn't work when consumers have control.

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Email stalkers beware.

i-Compass CEO Alvin Graylin recently briefed Forrester on "participatory marketing," his company's technology that gives consumers more control over their profile data and how marketers use it. What's wrong with opt-in, we asked? "Today email is like a blind date gone bad: He won't stop calling you and he is giving your number to all his friends." Forrester's data shows a marked increase in consumers wishing to get off email lists. i-Compass has a better way, letting consumers get less without opting out entirely.

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Advertisers chicken out on big ad units.

Evan Grossman, senior vice president at Havas Advertising subsidiary Media Planning Group, reported that a panel of executives at Yahoo!'s recent agency summit told the portal to run house ads using the new big ad units and measure consumer backlash before expecting marketers to use them. We understand agencies' concern about protecting their clients' brands. But they can't have it both ways, first complaining that banners limit their creativity then refusing to take a small risk to test new ideas.

ENDNOTES

- 1 More than 40% of consumers conduct research online weekly for products or services they plan to purchase.
- 2 comScore Networks electronically and confidentially monitors the Internet use of more than 1 million consumers around the world to provide comprehensive information about users' actual Internet behaviors from clicking on ads to buying online.
- 3 Without an offline element, online promotions can't compete with old-fashioned coupons and aisle end-caps. But CPG marketers can energize offline promotions by weaving the Net into these campaigns.
- 4 In the survey, 59% of consumers use at least one digital source to find brand site URLs (search engines, 28%; email, 22%; banner ads, 21%; sponsorships, 26%; other Web sites, 27%.) We then analyzed the responses for combinations of sources that provide the best results at the least cost and found that 44% of consumers use search engines or "other sites" to find the URLs. Adding email brings the percentage to 52%, about three-fourths of all consumers who cited digital sources. Thus the paid media sources -- banner ads and sponsorships -- added a modest 15 percentage points to what marketers can achieve through low-cost options. Given the low volume of CPG product advertising online and the brand and sales impact verified in other tests, this low showing may be attributed more to the low exposure to CPG ads online than the medium's effectiveness.
- 5 In the summer of 2000, Information Resources, Inc. conducted a 16-week test with 3,000 online consumers within its Shoppers' Hotline panel -- 55,000 households that record all grocery purchases using a handheld scanner. A test group was shown ads for three brands -- an impulse food product, a household cleaner, and a personal hygiene product -- and a control group was shown ads unrelated to the products tested. While the impulse food product showed a 19% lift in volume, the cleaner and personal products showed no lift.
- 6 Media Dynamics' report "TV Dimensions 2001" reviews several studies examining viewers' behavior during commercial breaks and concludes that up to 20% leave the room when an ad comes on and up to another 18% of viewers pay no attention to the ad even though they remain in the room. Up to another 4% are lost due to channel surfing or skipping the commercial when viewing a recorded program on their VCR.
- 7 The "Media Budget Allocation" tab on the spreadsheet found by clicking "Get Data" above Figure 5 to Figure 8 shows Forrester's calculation based on: 1) the percent of total US households online; 2) the percent of households that routinely participate in grocery-related activities online; and 3) the percent of total media consumption time that online activities represents.
- 8 To apply strategies to use the Internet in marketing CPG brands, we segmented products into four groups based on consumers' overall loyalty to brands and annual purchase frequency within different product categories, as follows: Mainstays -- products that consumers buy frequently and have strong brand preferences for like pet food and diapers; Informed Purchases -- products like beauty and personal hygiene that consumers buy for particular features and benefits; Weekly Specials -- products like salty snacks and soda that customers choose based on price; and List Fill-Ins -- infrequent purchases like sugar, canned veggies, and cake mix.
- 9 Cohort managers recognize that there is a core of profitable consumers for an entire portfolio of brands -- not just a single brand. Cohort managers will focus on fewer households and create efficiencies, for example, by controlling multiple brands' messages delivered to shared households by synchronizing activities like TV advertising, print media, and in-store promotions.
- 10 We analyzed consumers' shopping baskets using factor analysis -- a procedure that clusters households based on the correlation of brands they buy. We ran this process for 17 General Mills brands and learned that a cohort we called "Healthy Eaters" accounted for 74% of revenue for Cheerios, Columbo Yogurt, Nature Valley Granola Bars, Total, Pop Secret, and Wheaties.