

# world<sub>class</sub> customer execution

## Trade Promotions The Challenge For Grocery Leaders

# Purpose of Commercial Advantage's session

- Give you our insights from 100+ trade investment projects conducted over the last few years
- Explain why in addressing the 'Promotions' challenge you must think 'total business'
- Help you visualise what a **world class solution** could look like in your organisation

# Promotion spend continues to spiral out of control

- Promotion spend is the biggest P&L challenge in consumer goods
- Costs range from 10-22%\* of turnover
- One of the two largest controllable costs and hardest to manage
- Dramatic increase in activity in last 18 months and worse to come
- Less than half\* of suppliers' promotions fully aligned to the consumer behaviour objectives of their brands
- Introduction of GSCOP has put further pressure on JBP negotiations

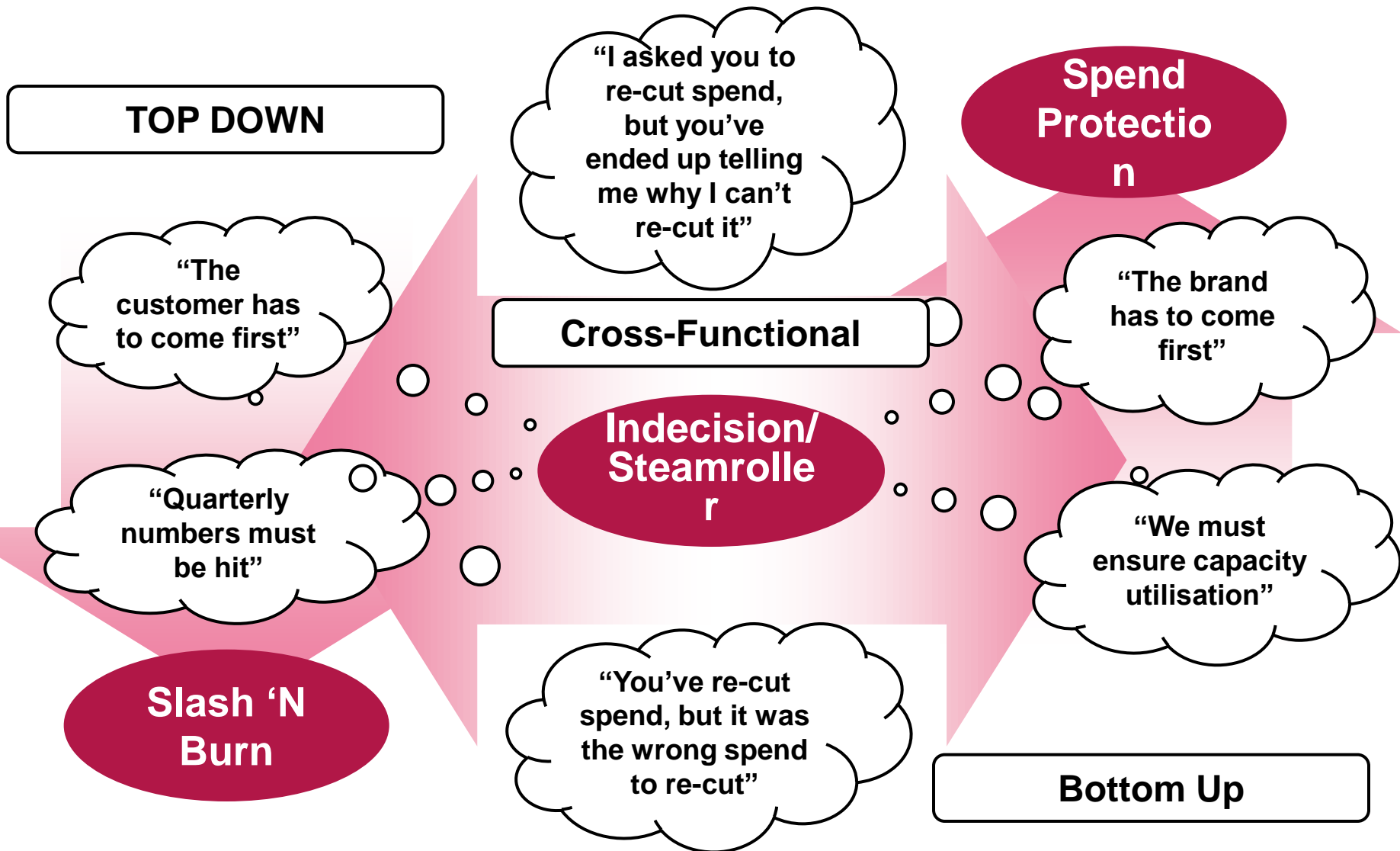
\* CA 2009-2010 research

# Supplier teams are confronted by extreme complexity

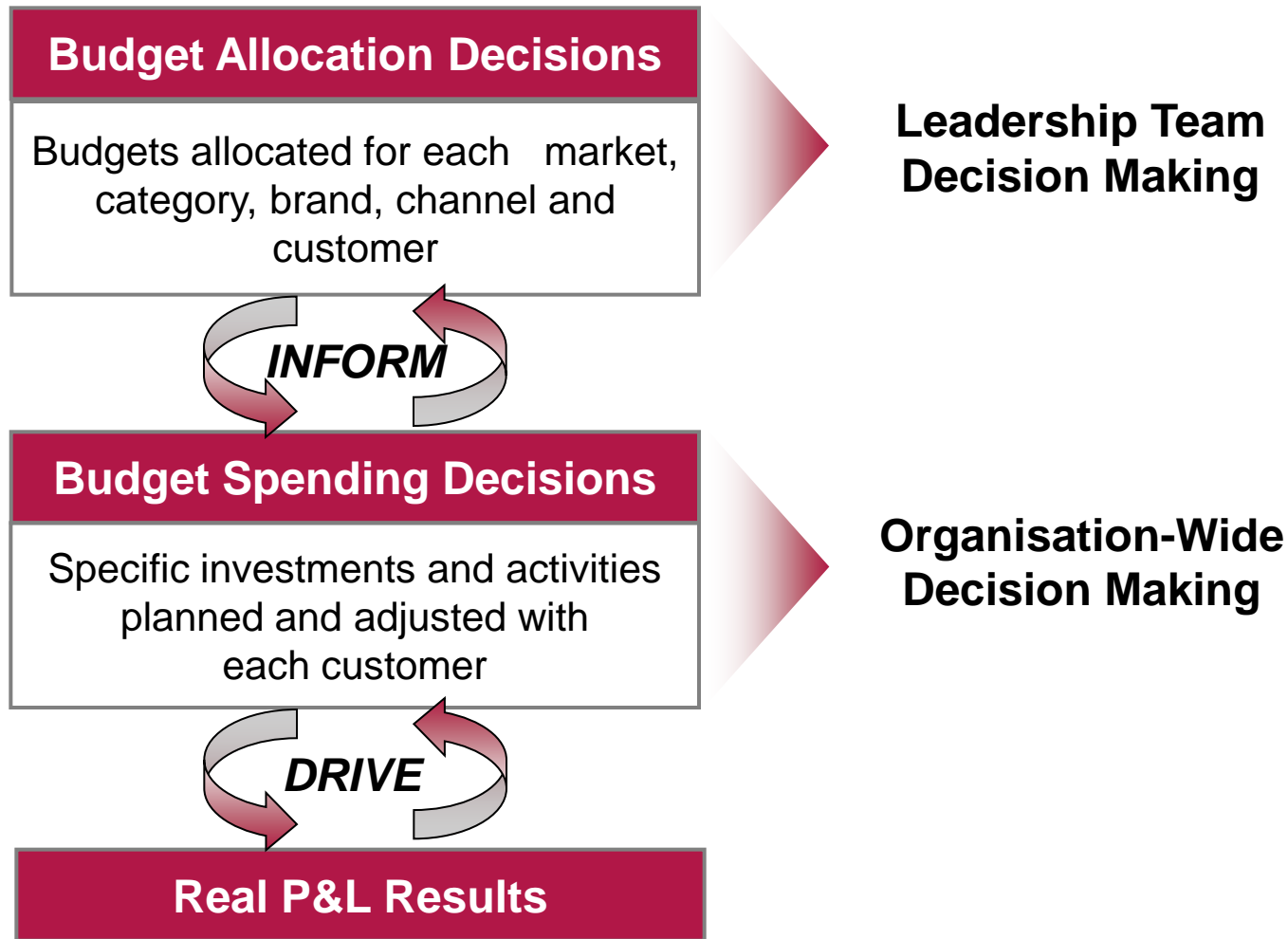
- Volume, frequency and complexity of transactions drives loss of control
- Sands shift throughout the year - budgeted, planned, committed, actual?
- Technology is only as useful as the data captured
- Much of the critical insight lies in people's heads
- Trade promotion decision making is dispersed across most functions and 50+ people and your customers!

## Information overload!

# Conflicting objectives drive indecision or steamroller



# Budget allocation and spending decisions lead to **real results**



# Budget spending decisions are extremely complex

*What is the financial objective for this brand and pack?*

*Is this the best timing for this activity?*

*What will my customer do if I am not authorised to run this promotion?*

*How will my competitors react to this activity?*

*How does the retail format impact the appropriateness of this mechanic*

*Will I be able to get this feature?*

*What shopper behaviour are we trying to drive?*

*Does this activity fit with our marketing calendar?*

*What consumer behaviour are we trying to drive?*

*What is the optimal feature for this promotion?*

*How does this compare to last year's plan?*

*What is the best mechanic for NSV?*

*Is the consumer behaviour changing due to the economy?*

*How can I reduce the fixed cost, or what else can I get for it?*

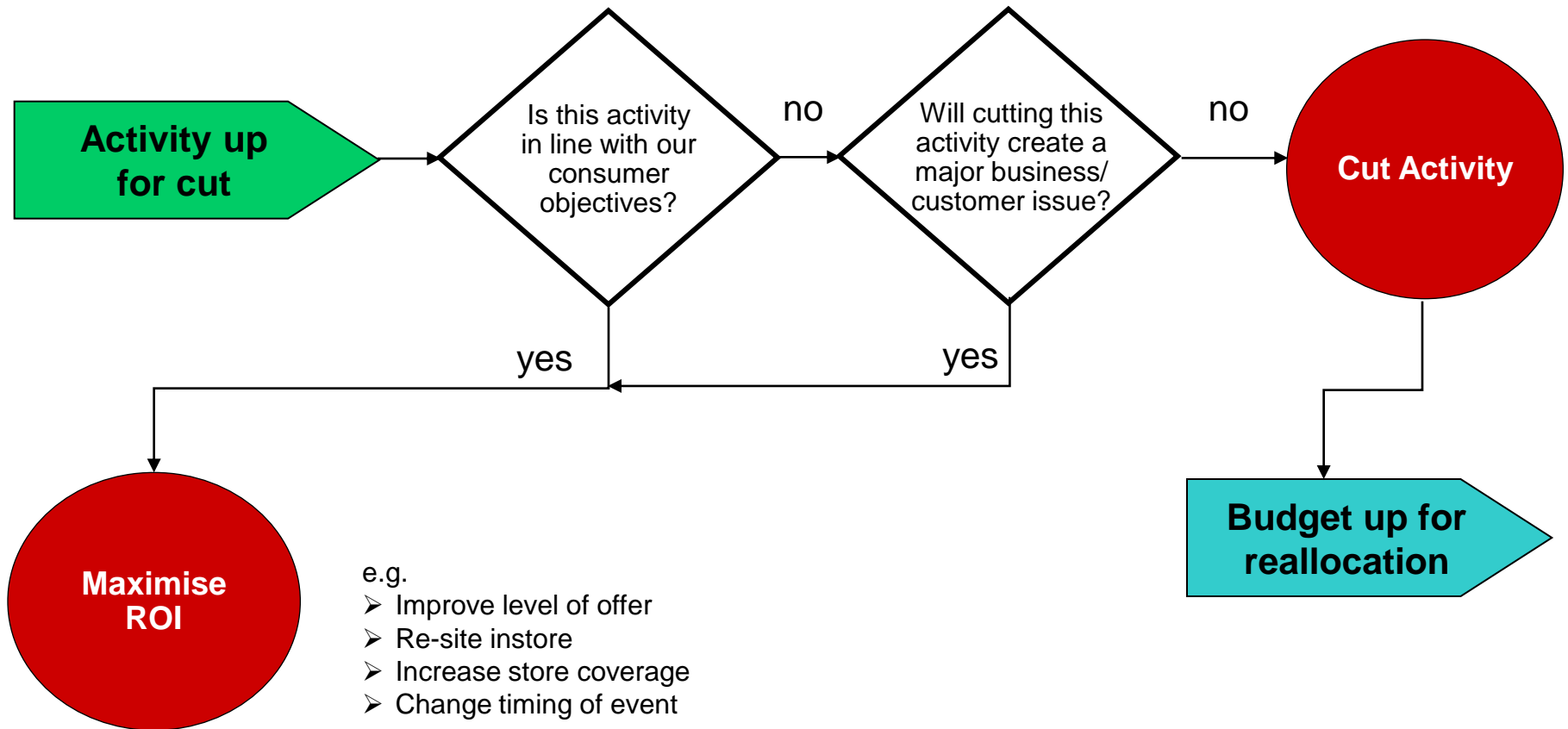
*What is the most profitable mechanic in this account?*

*How does this compare to my competitor's promotion plan?*

*What impact will this promotion have on my JBP?*

PROMOTION PRE EVALUATION			
Promotion Summary			
Account	Tesco	Internal Reference Number	542786
Period	2	Start Date	13/05/2010
		Duration	3 weeks
Category	Category A	Pack	6 pk
Brand	Brand 1	Standard Instore Price	£1.39
Promo Description	Buy 3 For £3	Feature Level	End 4
Offer Type	Multi-buy	Discount Level	25%
Financial Summary			
Incremental NSV	£1,064,578	Total Spend	£657,154
NSV ROI	1.62	Trigger Spend	£602,154
Incremental Margin	£182,435	Fixed Spend	£55,000
Margin ROI	0.28		

# A Spending Decision Logic is the key to success





# Why a Spending Decision Logic works

- The right logic places the consumer at the heart of spending decisions
- Breaks the upward spiral by starting with cutting
- Clarifies that customers' objectives are actually your constraints
- Recognises that all plans are live and key inputs change, resulting in different decision outcomes
- Balances decision making with quantitative and qualitative inputs
- Encourages teamwork and creates decisions people believe in
- Ensures technology solutions don't create information overload
- Retailers care about the consumer just as much as you do!

**So how do we move towards *world class*?**

# 4 key principles will apply to any *world class* solution



1. Have very clear objectives, based on insight and grounded in reality



2. Clearly prioritise where you focus your investment



3. Establish a KPI dashboard that helps you to make decisions



4. Collaborate cross functionally with your customers to execute successfully



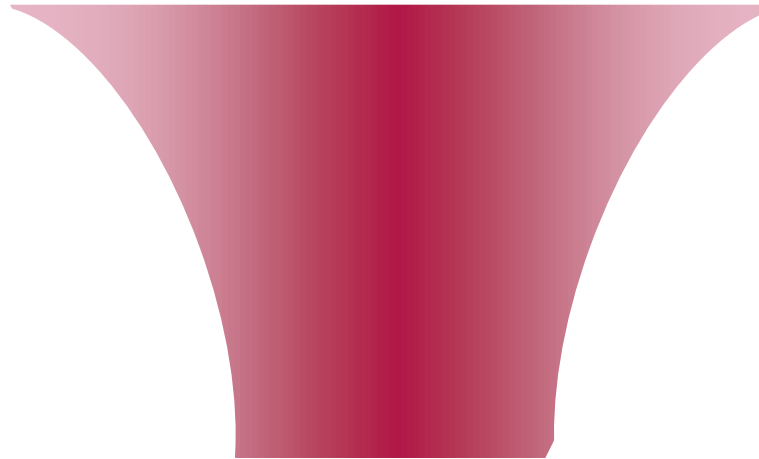
# Build clear objectives based on insight

- Brand & Consumer Objectives need to **based on insight** and detail the desired **change in shopping behaviour** in your target audience and grounded in reality
  - Not simply who...  
    **“To increase sales in 16-40 year old males”**
  - But also, the precise target shopper and detail their desired behaviour...  
    **“To recruit new buyers from brands X and Y to add our brand to their repertoire”**
- Build a process that enables ***“Freedom within a Framework”***
  - **OBJECTIVES** not **RULES**
  - Empower the NAMs to make the right decisions to achieve the brand objective according to the objectives and constraints of their customer

# Clearly prioritise where you focus your investment

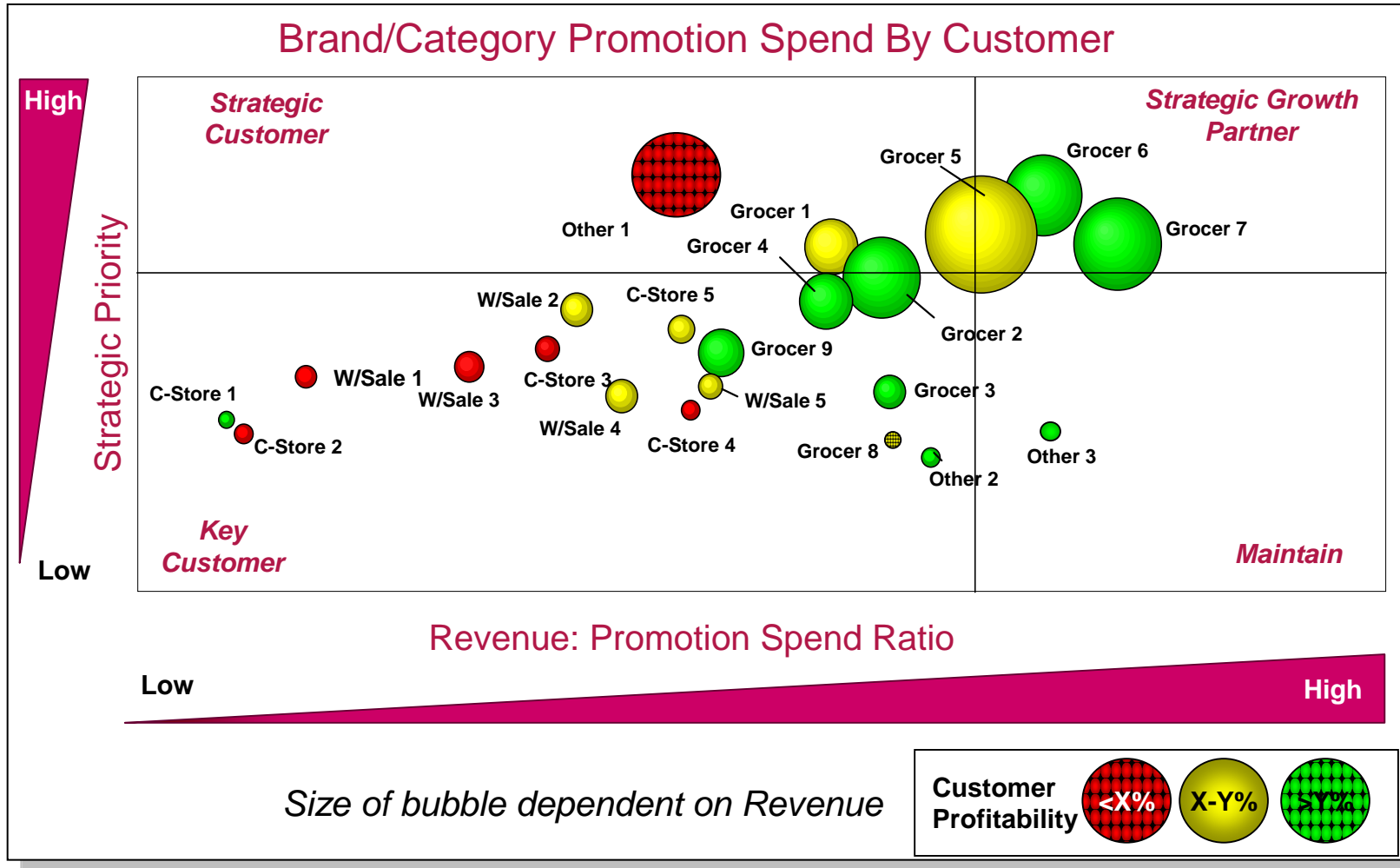
*Consumer Trends*      *Customer Dynamics*      *Category Strategy*

*Brand Strategies*      *Shopper Trends*      *Customer P&L*      *Current Budget Allocation*



?

# Clearly prioritise where you focus your investment



All data indicative and for example only



# Establish a KPI dashboard to help you make decisions

- The Decision Logic shows you HOW to make decisions, so the right KPI dashboard is required to measure alignment to your objectives & success of the strategy.
- The KPI dashboard should be simple, regularly updated and focused on enabling decision making buy using both Lead and Lag indicators

## Example LAG indicators

- Sales
- Brand share
- Penetration
- Frequency of purchase
- Average weight of Purchase
- Actual ROI on promotional spend

## Example LEAD Indicators

- Alignment of future promotional plan to consumer objectives
- Planned feature space for future promotions
- Brand awareness
- Projected ROI on promotional spend

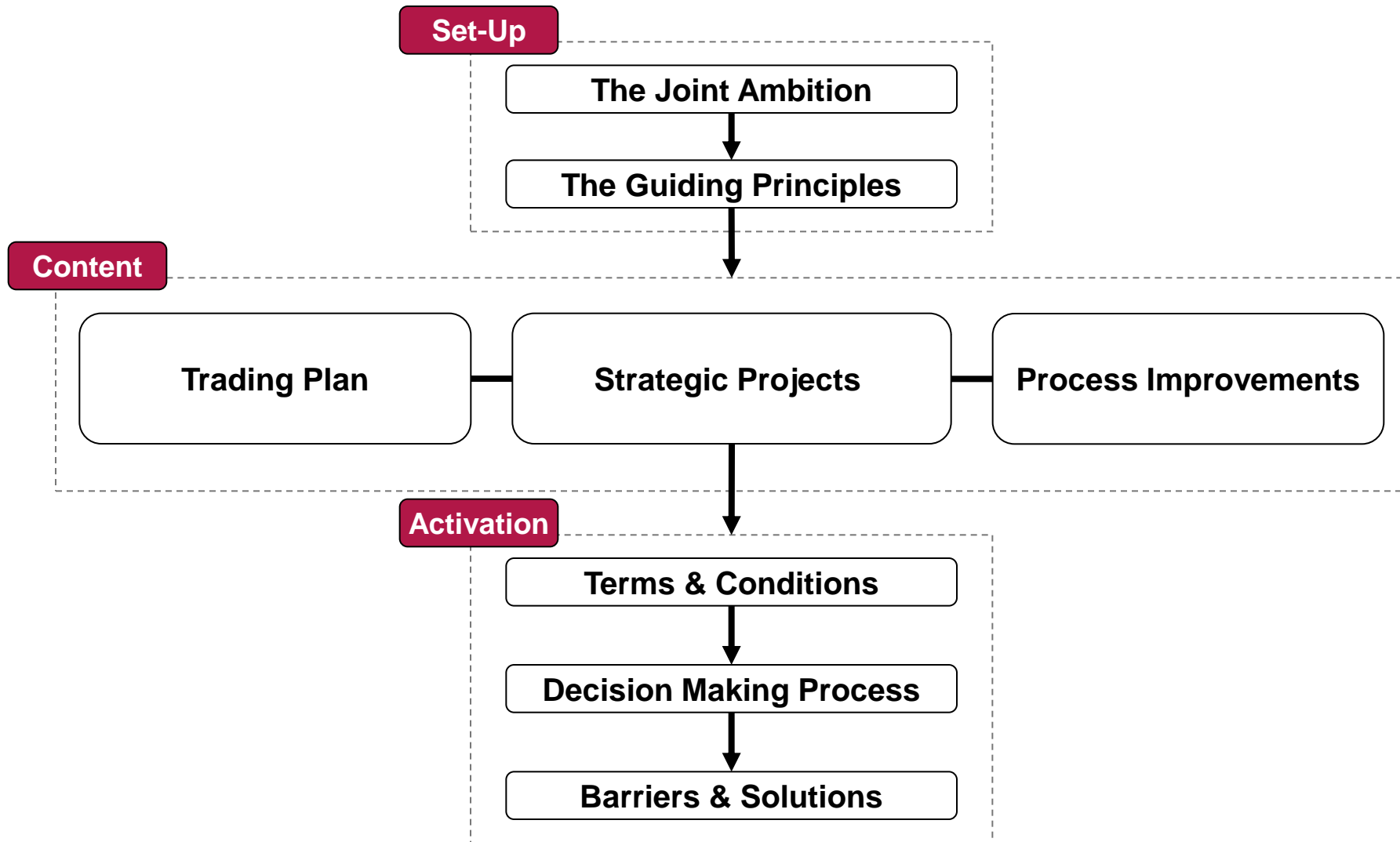


# Collaborate cross functionally with your customers

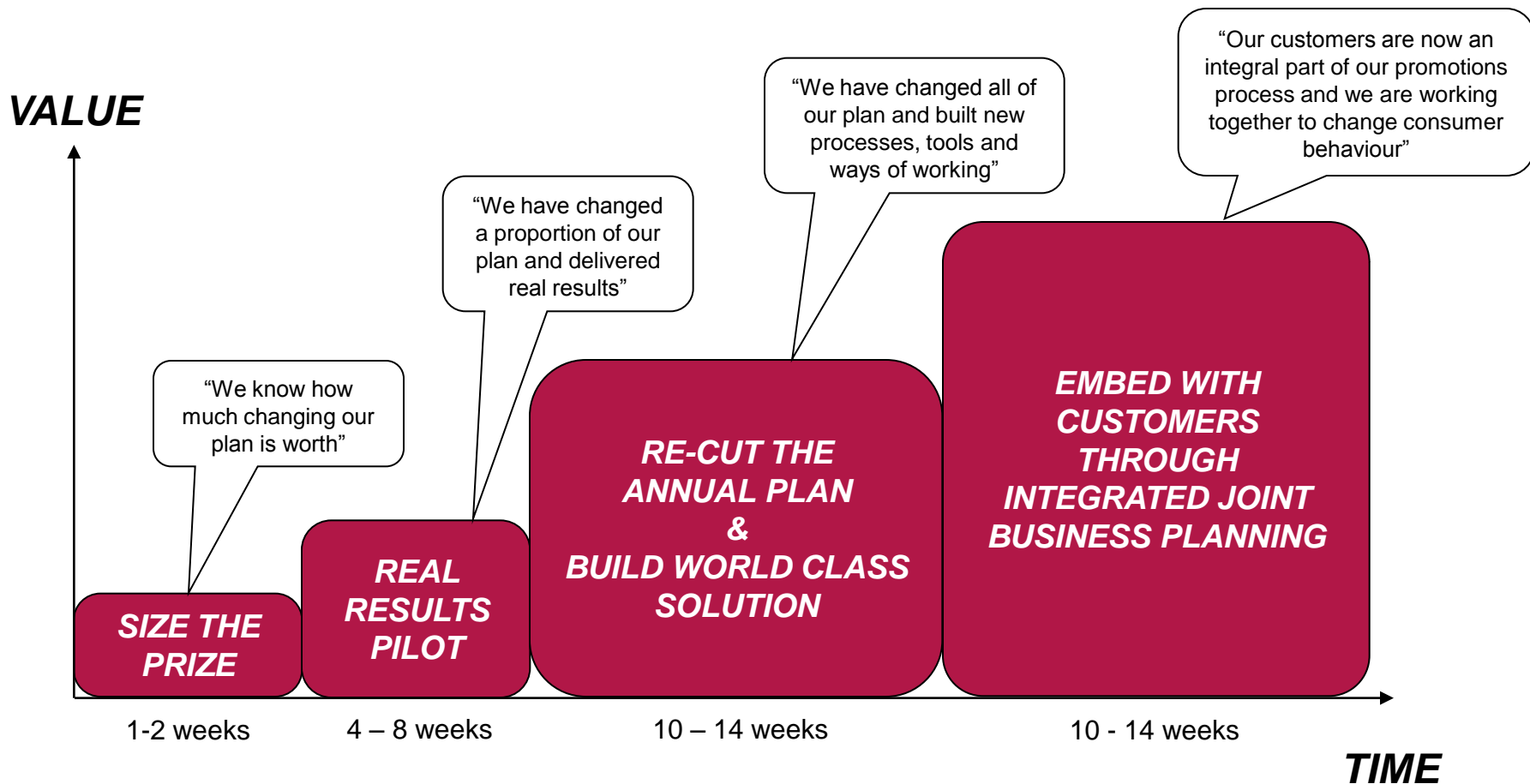
- Your customers expect you to provide the resources to execute the plans & bring expertise to their business
- Whether you are the brand leader, or a category innovator, the whole business has a role to play to effectively manage the major grocers
- Identify the Unique Value Proposition that binds you and your customer & leverage it
- Engage your customers with a joint business plan that is focussed on developing the category over the long term – not just a trading plan



# Customers are engaged through *world class* JBPs



# Moving to *world class* is a 4 step process



# Suggested actions for you

- Engage your senior leadership team in the promotion challenge
- Create permission to size the prize
- Run a real results pilot to prove a different approach
- Talk to your customers about how you can best serve the needs of the consumer together
- Talk to us today if you want to learn more

## Q&A

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