

meet the experts

# Unleashing the **Power** of Trade Promotions



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## Quick Take

- > The value of trade promotions is under increased scrutiny.
- > Too little attention has been paid to trade promotion's influence on the shopper.
- > More robust data analysis is required to measure shopper penetration, frequency and spend.

**W**ith retailers and consumer goods manufacturers taking a closer look at returns on trade promotions, Inside Advantage recently turned to Jennifer Gruber, vice president, analytics, Ai2, who offered her insights on using shopper metrics to drive results.

**Q** Discussion about the limits of trade promotion is growing. What, in your opinion, is the underlying problem creating ineffective and inefficient spending and poor returns?

**A** Across IRI-tracked categories, about one-third of sales come from promoted activity, yet less than 15% of sales are incremental to the business. We spend a great deal of time and energy planning for and assessing the results of these activities and, in many instances, we're finding that we are subsidizing sales and not get-

ting the incrementality or ROI we need or expect. Part of that stems from the focus on core, scan-level sales metrics with little attention paid to how the activity impacted — or was impacted by — the shopper. If you read articles on trade planning, trade promotion management or trade promotion effectiveness, you'd be hard pressed to find one that speaks to actually measuring the shopper effect.

With e-commerce presenting limitless virtual shelves, creating new go-to-market trade strategies and redefining what a competitive market really is, we need to be able to leverage a more robust set of data and ensure that investments in promotional activity drive the shopper metrics that matter — penetration, frequency and spend — and are building relationships for both the retailer and the manufacturer.

**Q** What is preventing more manufacturers from incorporating shopper metrics into their promotions planning?

**A** It's much more complex to operate this way. Oftentimes, trade planning starts with a calendar that comes out corporately through shopper marketing teams, laying out seasonal or licensed themed promotions supported by activities like advertising, couponing, special packs, shippers and more. Those events are brought to the retailer and programs are laid in to enhance the activity at store level using displays and temporary price reduction activity. While these events

are built for the shopper of the brand or brands, we are not looking at how that themed event or product portfolio fits with the shopper that shops at that retailer. The same could be said of everyday events on product portfolios as well.

Also, measurement itself is more complicated. While there is a wide range of tools out there for tracking trade promotion effectiveness — from simple Excel spreadsheets to sophisticated predictive simulations — the focus of those tools is on volume, pricing, cost and profitability, with no focus on the shopper. Today, panel, geodemographic and scan-level data all reside in different components of IRI and Nielsen and cannot be integrated into one, streamlined data pull, requiring a very manual approach to bringing all of the pieces together.

In addition, limitations in the sample sizes used for panel data make it extremely difficult to draw a perfect, one-to-one correlation between a weekly event and a shopper response. These one-to-one correlations can be achieved by leveraging retailer-specific shopper platforms, but today those platforms exist for the larger retailers and cost may prohibit some manufacturers from the opportunity to leverage that information.

**Q** How can we overcome some of these obstacles to improve trade promotion effectiveness?

**A** While we often like to focus on these perfect, one-to-one relationships, we know in many cases that is not possible. Instead, we can directionally understand how our strategies and tactics have impacted those key shopper levers — penetration, frequency and spend — by taking a higher-level look at our brands' performance.

“ We need to ensure that investments in promotional activity drive the shopper metrics that matter. ”

Consider these strategies:

- When looking at your annual trade performance, look at how the tactics drove penetration, frequency or spend for the year.
- If an event worked really well (or conversely, did not work really well), leverage geodemographic data to understand why.
- When creating programs for retailers, leverage geodemographic data to understand the best stores to receive shippers or other promotion support.



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