# Optimizing Promotional Execution in Grocery Retail
What is it Worth?

While trade promotion spend by CPG manufacturers continues to increase, retailer compliance is trending downward, especially when performance is measured at the store/day/SKU level. This paper examines the most common culprits of non-compliance and the power of retailer Electronic Point of Sale data to drive promotional ROI by improving the planning, execution and effectiveness of current and future promotions.

STAY IN FRONT ®

20:20 Retail Data Insight
A StayinFront Company
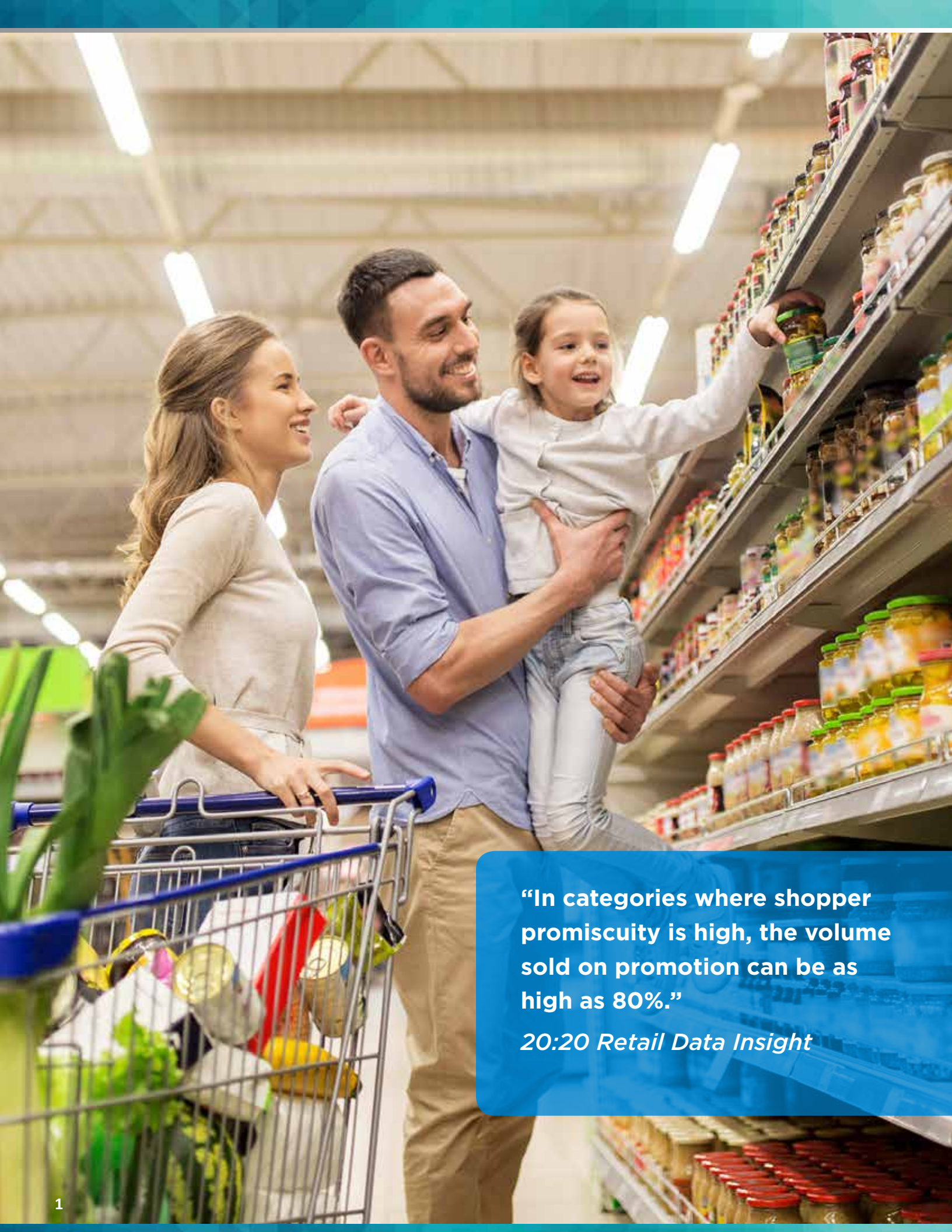
> "In categories where shopper promiscuity is high, the volume sold on promotion can be as high as 80%."
>
> *20:20 Retail Data Insight*

THE VITAL IMPORTANCE OF PROMOTIONS

Let's be clear about it from the start. Promotions are vitally important for both retailers and suppliers. Despite some retailers' focus on Every Day Low Pricing (EDLP) and the growing emergence of discount retailers, promotions play an integral part in driving category volumes and profitability for retailers. For brand owners, the role of promotions is just as crucial. Promotions can drive volume and steal market share, and are key in encouraging shopper behavior with respect to trial and switching.

A HIGH STAKES GAME

The stakes are high for both retailers and brand owners across the globe. Nielsen reports that in Australia, 40% of total grocery sales were sold on promotion. New Zealand surpassed that with 57% of total grocery sales sold on promotion. This compares with other major markets such as the United States (37%) and across Europe, including the United Kingdom (33%), Italy (27%), Spain (21%), Germany (18%) and France (17%).* In addition, 20:20 Retail Data Insight field research has shown that in categories where shopper promiscuity is high, the volume sold on promotion can be as high as 80%.**

Brand owners are investing up to 25% of their gross sales revenues in funding promotional events with a rich mixture of gate fees to retailers, temporary point of sale material and the cost of subsidizing the shopper discount. For brand owners, it is the biggest single expense item on the P&L.

Most Consumer Packaged Goods (CPG) companies recognize this and have invested in Trade Promotion Management (TPM) software to help plan, approve and, subsequently, measure promotional activity.

The planning phase is critical. CPGs need a process for forecasting the increased demand and balancing the investment in the offer with the likely return. This enables the deal to be signed off by the business and the demand forecast to be adjusted so that manufacturing and logistics can ensure availability.

Many events are variably funded, so TPM plays a fundamental role in measuring the impact of the promotional event and calculating the payments due to the retailers. However, TPM software doesn't deal with the execution of the promotion as it happens. TPM helps plan and measure the effects, but does nothing to optimize the event in real time.

SOURCE: *Nielsen Homescan 2014
        ** 20:20 Retail Data Insight 2017

UNDERSTANDING THE TRUE STATE OF COMPLIANCE

CPGs with field sales resources turn to their sales teams to audit and fix execution issues at retail. This measurement is typically referred to as 'entry/exit' compliance.

The sales rep checks the agreed promotional site, ensures that all the SKUs (stock keeping units or products) are on the display and that the shopper offer is clearly indicated. The store's execution can then be measured as "compliant" — meeting the actual criteria as agreed to with the retailer's head office — or as "non-compliant" on-entry.

In the event of non-compliance being discovered on-entry, the role of the sales rep is to resolve the issues so that the store can be declared compliant on-exit (as the sales rep leaves the store).

It is clear that promotional compliance is not perfect. Even in sophisticated international grocery environments, it is common to find on-entry compliance recorded by the field sales team at 50%-70%. However, field sales teams can't be at every store in a retailer's chain at 8:00 a.m. on the first day of the promotion, so these figures mask even poorer performance.

If we look to Electronic Point of Sale (EPoS) data to measure the number of stores achieving the expected promotional lift in sales on Day 1, figures will be closer to 30%-45%, especially on promotions occupying secondary sites. So, there is a significant opportunity for improvement in grocery.

Promotions are critical to retailer and supplier success, and trade spend is already significant and increasing. However, execution at store level is imperfect, and every hour, every day and every week of imperfect execution costs CPGs in lost sales and market share.

6 REASONS PROMOTIONS CAN GO OFF TRACK

Field sales teams can be used to audit on-entry compliance, but it is evident that this approach has limitations. The first step is understanding the various ways in which a promotion can be imperfectly executed at the store level, or how a store could be considered to be non-compliant.

1. Non-Participant
The store doesn't run the promotion at all. In this case, the retailer agreed to run the promotion in 400 stores, but only 375 actually participated.

2. Late Starter
The store runs the promotion, but starts late. 20:20 RDI research shows that stores can start up to one week late during a 21-day event.

3. Early Finisher
The store runs the promotion, but finishes early. The store's aim is to remove the promotion a day or two early, often after the final weekend, so the store is not left with excess stock when the product's rate of sale has returned to pre-promotional levels.

4. Incomplete Execution
Not all the SKUs are on the display. In this case, the agreed promotion should cover 6 SKUs in a brand family, but the store staff only places 5 SKUs on the display. The display is full, but one SKU doesn't realize the expected increase in sales. This could be a supply chain issue, a result of phantom inventory or simply an oversight by a store employee.

5. Non-Compliant Display
The allocated secondary display either doesn't materialize or is not allocated to the agreed brands over the entire period of the promotion. In some cases, 20:20 RDI field research has found that the retailer's head office thought the store had a category display site which did not actually exist.

6. Inconsistent/Slow Replenishment
The promotion works well and the rate of sale of the relevant products increases, but the store staff doesn't keep up with the rise in demand. This results in periods, over the course of the promotion, where sales decline due to lack of availability. This is most common in the most popular SKUs.

FINDING ANSWERS
WITH RETAILER EPOS DATA

Having defined the various paths of poor compliance, the next step for CPGs is to identify stores in each of these root cause categories.

Many retailers provide suppliers with access to store-level sales of their own products, typically via intranet portals. If this data is at the right level of granularity, it can be used to identify non-compliant stores, and to infer a potential root cause, generating an actionable insight.

Promotions normally run for short periods of time — from 2 or 3 days, up to 28 days in most circumstances. Daily store sales data at the SKU level is needed to spot stores which haven't executed perfectly as the promotion runs its course.

Once the sales of the store for Day 1 of the promotion have been uploaded to the retailer's portal (typically by early morning of the second day), EPoS analysis can be performed to identify which stores have underperformed.

RECOGNIZING PATTERNS

Algorithms can check for patterns of sales (or gaps in sales) that suggest certain root causes. Some are pretty obvious. For example, if the majority of stores have recorded a 100% increase in sales versus baseline (the baseline is typically the average daily rate of sale for the previous 4 weeks), then a store with a much lower increase is most likely not running the event. This often means that the price has changed in store, and that while the shelf edge label reflects the reduced price, the feature display site has not been filled with the promoted SKUs.

EPoS data can also be used to recognize other anomalies. For example, if only 4 of 5 SKUs on promotion have achieved an uplift, it's likely that the SKU with a low or no uplift has not made it to the display area.

MEASURING COMPLIANCE

One way to express the level of compliance using this data is to measure the performance of each SKU on each day of the promotion, comparing its uplift to a cohort of similar size stores running the same promotion.

Store-level sales are compared daily to the expected level of uplift (that being achieved by compliant stores and measured by looking at a % increase over baseline), and each non-compliant SKU is recorded. For each day of a promotion, every participating SKU is subjected to the test on a 'pass or fail' basis with rules agreed to with the brand owner.

The number of qualifying 'SKU promotional days' is recorded and then compared to the maximum potential. The result is expressed as a percent compliance figure.

For example, if there are 10 SKUs in a 21-day gondola end cap promotion where the expected uplift is 500% (although this could vary for each of the SKUs):

- the minimum expected uplift might be set at 150% of baseline sales (again, variable for each SKU)
- there are 210 possibilities for the store to be compliant
- the number of SKU non-compliant days is 65
- the store's compliance is recorded as 69% (see example raw data below)
- the Lost Sales Value (LSV) is calculated by estimating the sales a store would have achieved had it been fully compliant

> **Model calculates promotional compliance in granular way - daily, by SKUs, there are 210 opportunities for the store to produce the expected uplifts. Each sales day is analyzed against the expected performance and a % rating is produced - example below shows 65 non-compliant days of 210, 31% of days.**
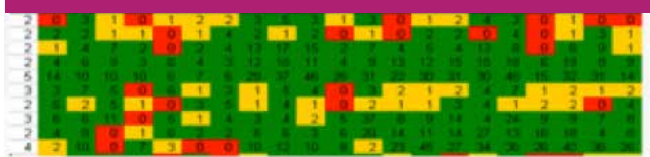
Now that the issue has been defined, the brand owner can further consider the financial impact of this imperfect execution.

THE PRICE OF IMPERFECT EXECUTION

The financial impact of lost sales can be enormous. If a promotion generates $1M of incremental sales but only operates at a compliance level of 70%, then over $400,000 of sales are lost (depending on the SKU mix of the non-compliance).

Of course, for the brand owner, there is also the ROI of the gate fee to consider. Retailers charge suppliers to run their promotions – the better the promotional location, the higher the cost. If the supplier pays for a 14-day slot in 400 stores but suffers from poor execution, the value generated by its investment is reduced. Arguably, the payment to the retailer should be reduced pro rata with the level of non-compliance, but that is a story for another day.

CALCULATING THE VALUE OF LOST SALES (LSV)

EPoS data can track uplifts at the store and SKU level, versus both a baseline for the store and similar stores in its cohort or comparison group. As each day is marked compliant or non-compliant, a picture of opportunity at store level emerges. From here, the LSV at a store level, as well as the total lost sales, is calculated, both live 'in flight', and then later after the event has finished.

MAXIMIZING PROMOTIONAL ROI

Dashboards can be deployed to produce a series of charts showing the promotional sales (units or value), baseline sales, incremental sales and percentage uplift of the entire retailer estate, as well as allowing a click through to the individual banner or store.

Home | Sales Reports | Promo Reports | Alerts | Distribution | SOP | Help | Text | Logout
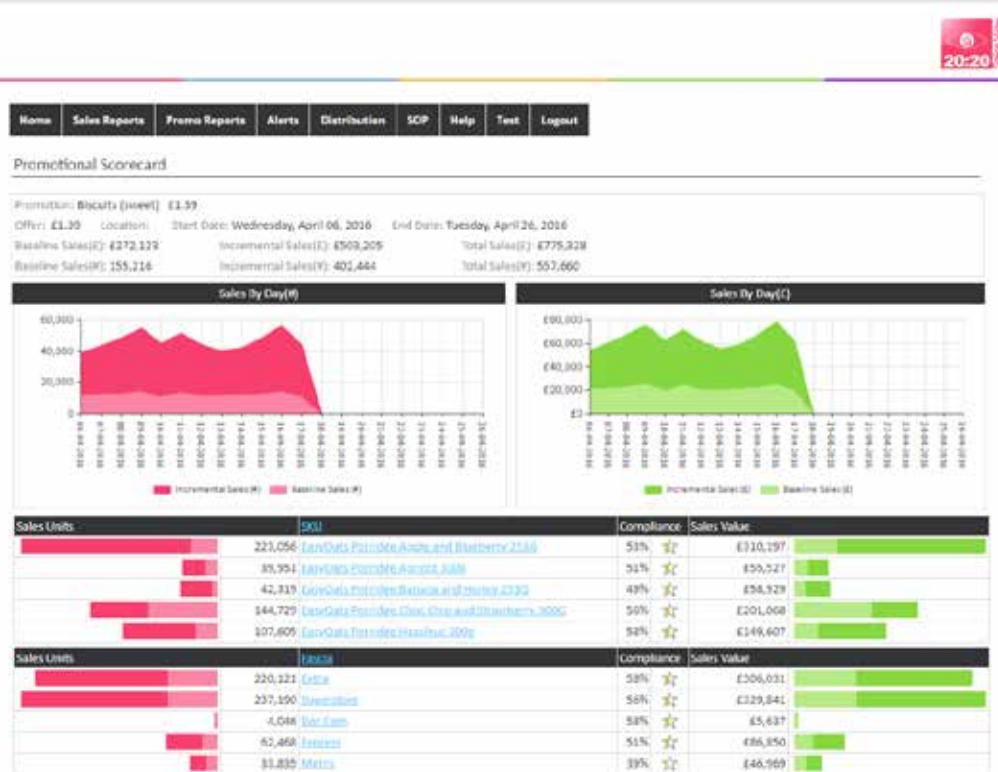
Promotional Fascia Scorecard - Extra

Promotion: Biscuits (sweet) £1.39
Offer: £1.39 Location: Start Date: Wednesday, April 06, 2016 End Date: Tuesday, April 26, 2016
Baseline Sales(£): £107,102   Incremental Sales(£): £198,929   Total Sales(£): £306,031
Baseline Sales(#): 60,571   Incremental Sales(#): 159,550   Total Sales(#): 220,121

Return to Main Score Card

Sales Units		Fascia	Compliance	Sales Value	
	220,121 Extra		58%	£306,031	

Show All Fascias

Sales By Day(#) / Sales By Day(£) / Compliance By Day(%)

▶ Drill down to an individual SKU to show sales by day over the promotion, distribution (scanning SKUs) over the same dates, and finally the % compliance (number of stores complying) by day, by SKU.

"EPoS data can track uplifts at the store and SKU level versus both a baseline for the store and similar stores in its cohort or comparison group."
- Ron Temperley, Managing Director, 20:20 Retail Data Insight

◀ Historic promotional performance can be reviewed to spot persistently good/bad store level uplift and compliance over several events. Here is an example where over 30 promotions are stored in the library and each store is ordered according to the total LSV (Lost Sales Value) attributed to the store over the various events it should have run.

In this way, it is possible to quantify the amount of sales lost in any promotion at a national level, SKU or category level and finally at store level.

Home | Sales Reports | Promo Reports | Alerts | Distribution | SOP | Help | Text | Logout

Historic Store Compliance

Outlet	Retailer Name	Fascia	Region	# Promos	LSV	Compliance(%)
Westside(452)	Morrisons	Morrisons	South Coast	24	£11,091	33.8%
Southgate Circus(4563)	Asda	Superstore	949 NORTH & WEST LONDON	34	£10,450	60.8%
Rayleigh(4263)	Asda	Supermarket	815 SM KENT & ESSEX	33	£9,192	53.0%
Lower Earley(4195)	Asda	Superstore	952 SOUTH COAST	34	£9,056	55.8%
Bridge Of Dee(4128)	Asda	Wal-mart Supercentre	929 EAST SCOTLAND	34	£8,730	61.5%
Wood Green(313)	Morrisons	Morrisons	Essex	23	£8,592	48.0%
Stratford - London(309)	Morrisons	Morrisons	Essex	24	£8,485	37.1%
South Woodham Ferrers(4184)	Asda	Superstore	948 ESSEX	34	£8,265	56.7%
Wembley(4688)	Asda	Superstore	949 NORTH & WEST LONDON	34	£8,221	65.2%
Queensbury(307)	Morrisons	Morrisons	Buckingham	24	£7,599	36.8%
Oadby(4979)	Asda	Superstore	946 EAST MIDLANDS & ANGLIA	34	£7,578	61.2%
Thamesmead(311)	Morrisons	Morrisons	Kent& Surry	25	£7,534	29.4%
Dagenham(4140)	Asda	Superstore	950 SOUTH & EAST LONDON	34	£7,506	59.5%
Watford(4642)	Asda	Wal-mart Supercentre	949 NORTH & WEST LONDON	34	£7,391	64.1%
Luton(4976)	Asda	Superstore	948 ESSEX	34	£7,102	62.3%
Eastleigh(4967)	Asda	Wal-mart Supercentre	952 SOUTH COAST	34	£7,091	68.7%
Colindale(4634)	Asda	Superstore	949 NORTH & WEST LONDON	34	£6,861	62.9%
Greenhithe(4659)	Asda	Superstore	951 KENT & SUSSEX	33	£6,814	59.2%
Camden(303)	Morrisons	Morrisons	Essex	23	£6,577	35.3%
Portlethen(4637)	Asda	Superstore	929 EAST SCOTLAND	34	£6,565	58.6%
High Wycombe(4619)	Asda	Superstore	949 NORTH & WEST LONDON	33	£6,515	58.1%
Linwood(4946)	Asda	Superstore	930 WEST SCOTLAND	34	£6,405	60.9%
Govan(4661)	Asda	Wal-mart Supercentre	930 WEST SCOTLAND	34	£6,260	55.8%
Cambourne(118)	Morrisons	Morrisons	Cambridgeshire & Northamptonshire	24	£6,230	37.7%
Acton(302)	Morrisons	Morrisons	Buckingham	23	£6,226	34.0%
Swanley(4656)	Asda	Superstore	950 SOUTH & EAST LONDON	34	£6,179	67.8%
Bromborough(4933)	Asda	Superstore	944 NORTH WALES & LIVERPOOL	34	£6,144	59.1%
Slough(4154)	Asda	Superstore	949 NORTH & WEST LONDON	34	£6,095	62.7%
Isle Of Dogs(4622)	Asda	Superstore	950 SOUTH & EAST LONDON	34	£6,081	62.3%
Lindsayfield(171)	Morrisons	Morrisons	Northern Scotland	29	£6,108	70.3%

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OPTIONS FOR FIXING THE PROBLEM

One way to minimise the lost sales from poor promotional compliance is to leverage tools and technology to ensure perfect execution from the first to the last day of the promotion and across all of the stores which were originally intended to participate.

That means analysing the EPoS data from Day 1 to highlight execution gaps, and then communicating those gaps to the relevant stakeholders in the business throughout the duration of the promotion.

Typically, this means generating automated alerts for key account managers and supply chain staff.

At the macro level, it is important to clarify whether the problems are caused internally by the brand owner, perhaps as a result of availability issues in the supply chain, in which case alerts to the retailer would make no sense.
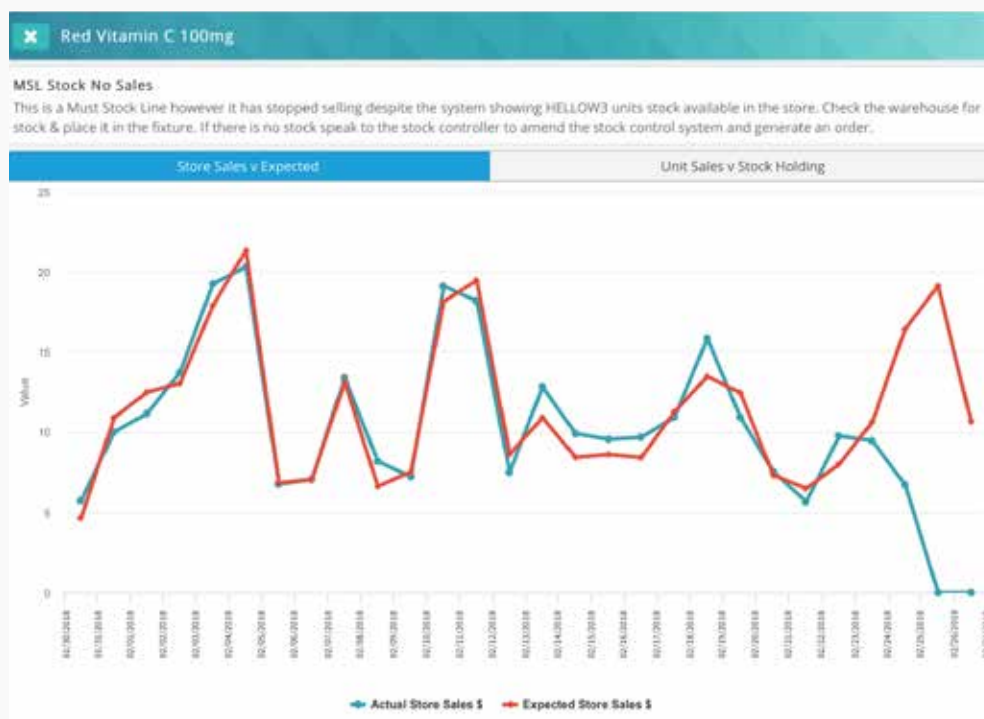
If the problem clearly rests with the retailer, then the routing of the alert message should depend on the scale and uniformity of the issue. If a manufacturer knows they have stock in all the retailer's regional depot has for example, but that all the stores supplied by one retailer's regional depots have no stock in store, then the alert should be sent to the supply chain and re-routed to the retailer's logistics team.

On the other hand, if the problem is not endemic across major parts of the store's estate, but scattered more broadly or localised in a minority of random stores, then alerts can be routed directly to field sales personnel and store management.

The root cause of the issue can be inferred from reviewing the patterns in the sales data, and the issues prioritised by value. EPoS data can be used to calculate the sales lost to date and then projected forward over the next several days of the promotion to draw attention to the scale and importance of the problem.

The sales person then receives a detailed prompt outlining the value at risk or SOP (Size of Prize), a brief explanation of why there is an issue and some suggestions about what to do to resolve the problem (see example screenshot from 20:20 RDI's Field View app below).

20:20 RDI Field View App ▼

Red Vitamin C 100mg

MSL Stock No Sales
This is a Must Stock Line however it has stopped selling despite the system showing HELLOW3 units stock available in the store. Check the warehouse for stock & place it in the fixture. If there is no stock speak to the stock controller to amend the stock control system and generate an order.

Over time, companies can identify which stores persistently perform poorly and allocate resources accordingly. This may mean that the sales rep's route plan reflects the probability of a store perfectly executing promotions on time and in full. A store that consistently performs well may be visited on Day 3 or Day 4 of the promotional schedule, while a persistently poorly performing store may be visited early on Day 1 of the promotion.

As the brand owner takes proactive and reactive measures to make improvements to promotional execution, there will be resultant increases in sales and improvements in ROI.

This should lead to a better quality of debate between the key account manager and the retailer, illuminated by more analysis and insight and specific actions to ensure continuous improvement.

That does bring with it a fresh set of issues to consider. More stores executing on time and in full compliance will result in increased sales. That means that the sales of the optimized promotion will be greater than the similar promotion run at the same time 12 months previous. Subsequently, the forecast for the soon-to-be optimized promotion needs to reflect the anticipated sales improvement rather than simply mirror the sales forecast of a year ago.

If the forecast is not increased, the brand owner would simply see the promotion get off to a flying start in all stores, only for stores to run out of stock during the first weekend. Automatic replenishment systems should bring stock up to appropriate levels, but only after significant levels of lost sales across the majority of stores in the retailer's estate.

Therefore, improved forecasting is another side benefit of reducing non-compliance in promotions.

SUMMARY

- → The stakes are getting higher as trade promotion spend by brand owners continues to increase.

- → Retailer compliance is generally poor, especially when performance is measured at the store/day/sku level.

- → EPoS data can be used to improve both planning and execution.

- → Promotional uplifts vary widely from store to store.

- → 3 main compliance 'culprits' are late starters, early finishers and incomplete executors.

- → Historic performance is a good indicator of future performance.

- → Certain actions to improve execution can be taken at the head office level.

- → Others can be resolved at the store level by using field sales resources.

- → Promotional ROI can be improved significantly as a result.

TURNING INSIGHT INTO ACTION

The relentless pace of change and reductions in head office support staff have resulted in more work for suppliers who are now expected to manage much more of the fine detail. This involves ensuring availability by managing all parts of the supply chain, project managing promotional planning and implementation, and policing retailer compliance to ranging new product launch and promotional agreements.

EPoS data provides a treasure trove of information for improving in-store execution — all the way down to an individual SKU selling in a specific store on a specific day — but the burden for turning this raw data into usable and actionable information falls on the brand owner.

20:20 RDI's Sales View® and Field View® software, integrated into the StayinFront Consumer Goods platform, provides a fast track to this actionable insight, with a series of automated alerts sent to the inbox of the right stakeholder, standardized graphs and charts and compliance tracking reports which transform the performance of the customer management teams. With functionality designed to support sales teams, category and customer marketing teams and supply chain personnel, Sales View responds to an increasingly complex world.

> **"StayinFront is now enabling deeper analytics and insights with 20:20 Retail Data Insight. This provides for the current of clean and timely data required to drive insights down to the store level."**
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> *Dale Hagemeyer, Partner at Promotion Optimization Institute*
> *POI Vendor Panorama for Retail Execution and Monitoring in Consumer Goods 2018*

WHAT TO DO NEXT

StayinFront and 20:20 Retail Data Insight offer a 30-minute consultation and demo. We'll share best practices and intelligence on improving execution and maximizing promotional ROI. Our team has worked successfully with organizations ranging from small and mid-size companies to Fortune 100 corporations, to improve sales, forecasting and ROI.

SCHEDULE A CONSULT AND DEMO

Contact StayinFront at
sales@stayinfront.com
or visit **stayinfront.com**

Contact Ron Temperley at
rtemperley@2020rdi.com
or visit **2020rdi.com**

About StayinFront, Inc.

StayinFront is the global leader in providing mobile cloud-based field force solutions that enable consumer goods companies to do more, know more and sell more in every store visit.

Using configurable, role-based retail execution technology, companies are able to cost effectively deploy a single solution across all its sales, merchandising, van sales, direct store delivery and management teams.

Businesses of all sizes – from global Fortune 100 companies and distributors to niche manufacturers and contract sales organizations – have deployed StayinFront's full suite of retail execution capabilities and analytics to standardize best practices, improve visibility and increase selling opportunities. 20:20 Retail Data Insight retail EPoS data, seamlessly integrated in StayinFront TouchCG® and StayinFront EdgeCG®, deliver deeper analytics and insight, and the ability to drive action at the store level.

StayinFront's integrated solutions for EPoS data analysis, digital merchandising, guided selling and social chat have been recognized by leading industry experts and analysts, earning Best-in-Class rankings for Analytical Insights, Guided Selling, Coaching, Interactive Customer Presentations, Retail Activity Optimization and Mobile UX. To learn more, visit stayinfront.com.

About 20:20 Retail Data Insight

As part of the StayinFront family, 20:20 Retail Data Insight enables consumer goods companies to maximize sales and their return on trade promotion investments by driving actionable insights from retail Electronic Point of Sale (EPoS) data.

20:20 RDI supports major grocers and retailers globally and its technology and services are used by many Fortune 500 companies, including the four largest food companies in the world. Multiple stakeholders across the organization, from sales directors to mobile field sales, utilize 20:20 RDI's cloud-based field applications, dashboards and alerts, to optimize sales effectiveness and drive promotional ROI by improving the planning, execution and effectiveness of current and future promotions. With 20:20 RDI's intelligent retail data, companies can quickly identify issues and opportunities, and direct sales teams to the stores with the greatest potential.

20:20 RDI solutions, delivered as a standalone solution or seamlessly integrated with StayinFront TouchCG® and StayinFront EdgeCG®, provide actionable insights to mobile sales reps and their managers.

For more details about 20:20 Retail Data Insight services and solutions, visit 2020rdi.com

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StayinFront, Inc.

Corporate Headquarters

107 Little Falls Road
Fairfield, NJ 07004-2105
Phone 973.461.4800
Toll Free +1.800.422.4520

🌐 **stayinfront.com**

✉ **sales@stayinfront.com**

20:20 Retail Data Insight

Unit 15 Think Tank,
Ruston Way, Lincoln
LN6 7FL
Phone +44.1522.837.252

🌐 **2020rdi.com**

✉ **info@2020rdi.com**

Global Offices

Australia

Level 1 Building C
Talavera Corporate Centre
12-24 Talavera Road
Macquarie Park, NSW 2113
Australia
Phone +61.2.9900.1100

Australia

140 William Street
Melbourne, VIC 3000
Australia
Phone +61.3.9221.6330

Canada

6551 A Mississauga Road
Mississauga, Ontario
L5N 1A6
Canada
Phone +1.905.821.9210

China

1111 Changshou Road,
Yueda 889, Unit 1601A
Jing'an District, Shanghai
China 200042
Phone +86.21.3252.2116
     ext. 6700

India

301, IT Tower I, InfoCity
Gandhinagar - 382009
Gujarat, India
Phone +91.79.6671.9000

Ireland

15 Killegland Street
Ashbourne
County Meath, Ireland
Phone +353.1.83.57.774

New Zealand

Level 1
50 Anzac Avenue
Auckland Central 1010
New Zealand
Phone +64.9.361.0888
Toll Free 0800.0800.355

Singapore

250 North Bridge Rd
#14-03 Raffles City Tower
Singapore 179101
Phone +65.6334.9318

Turkey

Büyükdere Caddesi
Yapi Kredi Plaza C
Blok 40-41 k17 Ofis 8
Istanbul, Turkey
Phone +90 (212) 317 41 56

United Kingdom

1 Twyford Place
Lincolns Inn Office Village
Lincoln Road
High Wycombe
HP12 3RE
Phone +44 (0)1494 429560
Toll Free 800.422.4520