BEST PRACTICES IN PROMOTION PLANNING AND EXECUTION

Work Smarter and Improve Performance

DemandTec®
an IBM® Company

TABLE OF CONTENTS

Best Practices in Promotion Planning & Execution

WHERE ARE RETAIL PROMOTIONS HEADED?

The world of retail promotions is in the midst of a shift away from the era of mass marketing to a customer-focused, targeted approach. Next-generation retailers define customer segments based on needs, behaviors, and traits and develop marketing approaches that meet the demands of each segment.

Increasingly, retailers are seeing **multiple versions** of their promotions, whether from more targeting based on customer segments or geography, or to address a variety of needs from local regulations to price sensitivity. While versioning greatly improves effectiveness, it adds complexity and cost.

At the same time retailers are becoming increasingly cost conscious with respect to promotions and new media channels used to reach customers. Annual print budgets for ads and circulars alone exceed $100 million at many large retailers. Media investment is increasingly drawing close scrutiny from executives who demand better and more measurable returns. This cost consciousness extends beyond media buys for multichannel retailers that are increasingly seeking ways to consolidate redundant promotion planning and execution resources and control those operating costs across their online and in-store channels.

THE DEATH OF "AVERAGE" – WHAT'S DRIVING RETAIL EVOLUTION?

MASS ERA RETAIL	NEXT GENERATION RETAIL
• Mass markets	• Segmented markets
• Mass media	• Targeted media
• Prototype store	• Clustered stores
• Uniform assortments	• Cluster-level assortments
• Treat all shoppers the same	• Focus on key shoppers segments
• Share of market	• Share of wallet
• One optimized price	• Segment-targeted prices
• Uniform promotional offer	• Segment-targeted promotional offers

BETTER TOOLS CAN HELP

The pressure to deliver more targeted promotions means retailers find their current planning, production, and trafficking methods can't handle the complexities of a consumer-centric model and the added versions associated with it. Adding headcount is not a practical answer. Working smarter is.

For retailers to do more with less, they need smarter systems, better processes, and a framework for consistent execution. With strong analytical science "baked in" to the planning tools, retailers can consider an item's past promotional performance to determine best products to promote in an event, see cannibalization or halo effects of a particular product, and define optimized price points based on specific business objectives. Retailers with access to this type of information make better decisions faster—a competitive necessity, now and in the future.

" FOR RETAILERS TO DO MORE WITH LESS, THEY NEED SMARTER SYSTEMS, BETTER PROCESSES, AND A FRAMEWORK FOR CONSISTENT EXECUTION. "

IMPACT ACROSS RETAIL DEPARTMENTS

Managing promotions is a truly cross-functional process, spanning merchandising, marketing, and advertising. While the marketing team sets the strategy and calendar, and the merchandising team is tasked to drive revenue, the advertising team is "where the rubber meets the road."

As with any cross-departmental process, challenges abound.

- **Version Aversion.** When promotions get more consumer-centric, an explosion in the number of ad and promotion versions is inevitable, dramatically increasing workload.

- **Need for Speed.** This pressure is compounded by requirements to become more competitive by executing promotions closer to the dates they are delivered to the consumer.
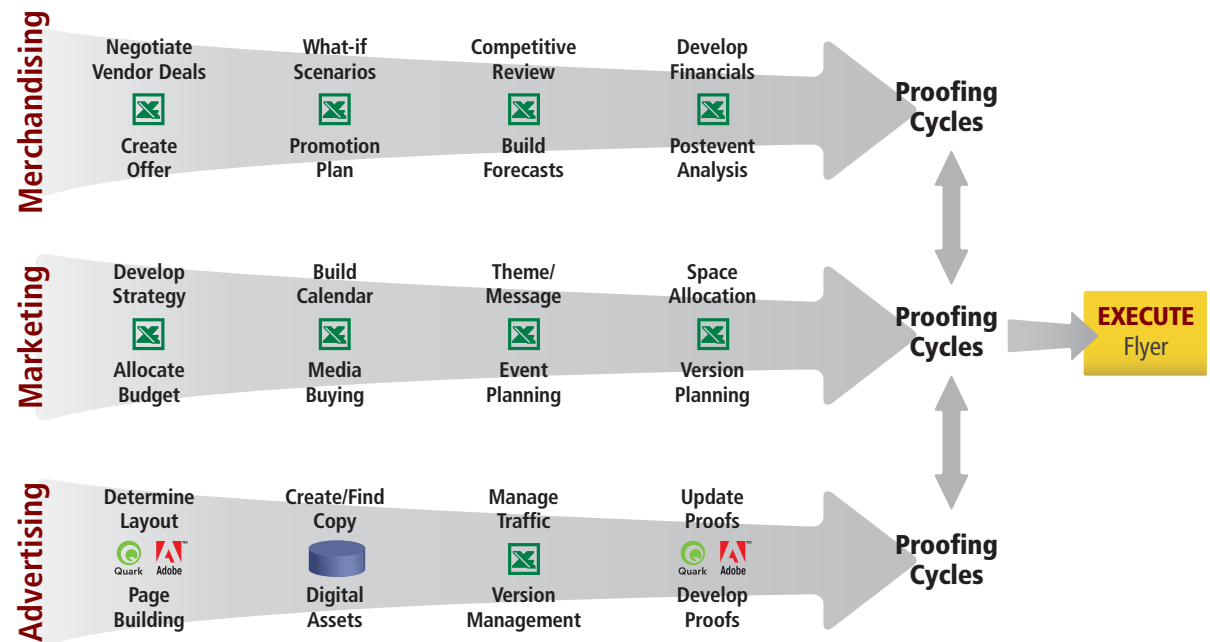
- **Changing Channels.** As the number of channels increases, retailers are challenged to deliver consistent and accurate messages that are tailored to each channel.

- **Details, Details.** Retailers must do much more and do it faster. But accuracy cannot be sacrificed—with so many messages flowing out to consumers, there is far less margin for error.

Retailers looking to succeed must meet these challenges by improving their processes and ensuring they are working smarter operationally and in terms of the decisions they make.

> " RETAILERS LOOKING TO SUCCEED MUST MEET THESE CHALLENGES BY IMPROVING THEIR PROCESSES AND ENSURING THEY ARE WORKING SMARTER. "

TYPICAL RETAIL PROMOTION PROCESS USED TODAY

To better understand these challenges, let's look briefly at the current or "as is" promotion process in place at most retail organizations. For the sake of simplicity, we'll focus on the steps taken to execute just one widely used promotional channel—the weekly flyer.

Merchandising

Negotiate Vendor Deals	What-if Scenarios	Competitive Review	Develop Financials
Create Offer	Promotion Plan	Build Forecasts	Postevent Analysis

Proofing Cycles

Marketing

Develop Strategy	Build Calendar	Theme/ Message	Space Allocation
Allocate Budget	Media Buying	Event Planning	Version Planning

Proofing Cycles

EXECUTE Flyer

Advertising

Determine Layout	Create/Find Copy	Manage Traffic	Update Proofs
Page Building	Digital Assets	Version Management	Develop Proofs

Proofing Cycles

Best Practices in Promotion Planning & Execution

SEPARATE AND DISCONNECTED PROCESSES

Each team—merchandising, marketing, and advertising—is conducting a set of tasks in parallel, each using its own system with little collaboration or automation throughout the process. As a result, cycles are long, labor-intensive, and as data is passed between teams, there is plenty of room for error. Let's look at an overview of each team's key tasks.

- **Marketing Team.** Promotions begin with the marketing organization who sets the overall promotional strategy, allocates the budget dollars, manages the marketing calendar and the media buying plan, and defines the themes of specific events. This is followed by a space allocation process that determines the categories or departments featured in the flyer and version planning based on pricing zones, geographic regions, and/or store clusters.

- **Merchandising Team.** At the same time, buyers negotiate deals with their vendors that ultimately become consumer-facing promotions. Buyers modify promotional plans based on market dynamics and category goals, and new forecasts are run to ensure financial goals are met. Finally, buyers track their performance and apply those insights to subsequent plans.

- **Advertising Team.** The advertising team builds out the promotional plan creatively, manages copy creation, and coordinates the digital assets (product images, etc.) that are used to support the items being promoted. Managing versions is one of the most challenging functions—most retailers create somewhere between a dozen and 25 versions of a flyer, with variations in prices, items offered, copy, or imagery.

The final **proofing process** involves all of these departments and is typically done without automation, resulting in somewhere between three and eight proofing cycles. The large number of changes made throughout this process requires that merchants proof their offer details repeatedly to ensure they are executed correctly. Since advertising is ultimately responsible for execution—packaging the final versions as files and coordinating print production—it is typically playing the role of chief cat-herder during the proofing process.

# BEST PRACTICES IN PROMOTION PLANNING AND EXECUTION

Today, leading retailers are automating and linking the processes described earlier in a comprehensive system to ensure that they successfully execute a consumer-centric strategy across channels, with multiple versions. Such a system incorporates best practices that apply across departments at a retailer, as well as department-specific best practices. Let's begin with the six overarching best practices.

1. FIRST, FOCUS ON THE CUSTOMER

Focus less on individual media plans and zero in on the best ways to message to customer groups across all media types and channels. Design messages, offers, and events to target customers or customer segments. This is versioning, a critical control point for customer centricity and a key revenue driver.

2. SIMPLIFY AND SHORTEN THE PROCESS THROUGH INTEGRATION

React to market conditions more quickly. This is enabled by an infrastructure that eliminates duplicate effort, provides tight integration, and supports a coordinated workflow.
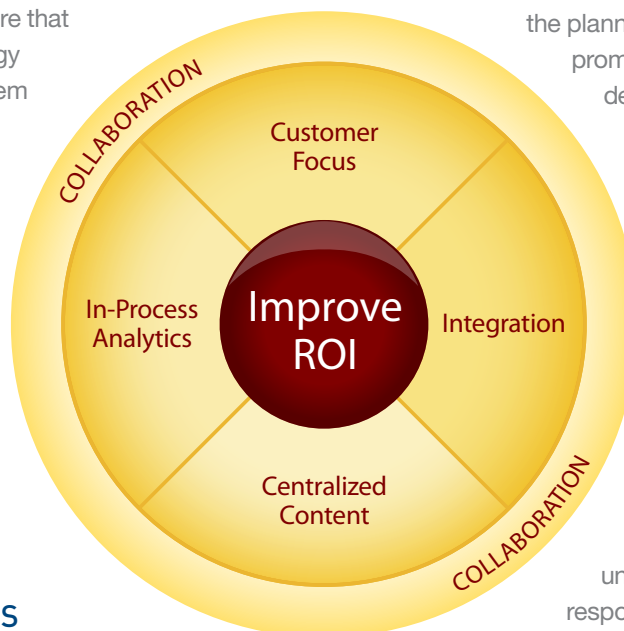
For price revisions are entered once and then flow to the creative people and directly through to the store without having to rekey or conduct multiple proof cycles.

3. IMPROVE DECISION MAKING WITH BETTER IN-PROCESS ANALYTICS

The third best practice is to adopt an infrastructure that supports better decision making with access to analytics directly within the planning tool. For example, while a merchant is planning a promotion, the system can display historical performance details on the item and access an analytics engine that permits comparison of forecasted performance for alternate offer types and pricing.

4. CENTRALLY MANAGE CONTENT

Major process improvements depend on managing all the promotional content in one location. This eliminates redundant data entry and provides the foundation necessary to achieve zero-defect production.

5. MAINTAIN A SHARED, COLLABORATIVE ENVIRONMENT

Maintain a shared environment, with common underlying systems, across all the departments responsible for collaborating in the promotional process.

6. SET ROI GOALS AND MEASURE RESULTS

Retailers must track their results, and compare them to their goals—for specific products and categories, as well as for events. This tracking allows retailers to improve performance and to accurately calculate and review the ROI.

INCREASE VERSIONS 300% AND MAINTAIN REGULATORY COMPLIANCE

CHALLENGES

This large specialty retailer was already versioning ads when its executives decided to increase targeting, requiring a 300 percent increase in versions. At the same time, it faced issues with regulatory compliance around rebates, price, and disclaimer display in the ads and in the store.

SOLUTION AND RESULTS

By uniting advertising, marketing, and merchandising in a common promotional framework, supported by DemandTec technology, this retailer increased versions and adhered to the new plans. In addition, it was able to improve compliance by configuring the software to automatically follow complex state regulations.

BENEFITS

- Increased sales, credited by the retailer to the additional ad versions.
- Decreased process time from better collaboration between departments.
- Improved compliance and reduced penalties from automatic enforcement of detailed local laws.
- Developed better forecasts and tracking from promotional product groupings.

SUCCESS STORY

DEPARTMENT-SPECIFIC BEST PRACTICES

In addition to best practices across a retailer, there are best practices for marketing, merchandising, and advertising.

MARKETING

On the planning side, marketers must begin by setting and communicating marketing strategies and objectives for promotions clearly across the organization. Is there a theme (e.g., "Dollar Days") or an underlying strategy (e.g., "price image")? Is a customer segment with particular characteristics being targeted?

Operationally, it is important to centralize marketing content so that it is consistent across customer segments, promotional vehicles, and the general marketplace. Likewise, marketing will want to ensure that versioning is automated so that targeting goals can be achieved with accurate execution.

Finally, when all is said and done, marketers must ensure they know what they have accomplished. Tie promotion performance not only to an event but understand the performance of specific customer segments. As you increase your sophistication around targeting, you'll want to ensure that you understand both.

MARKETING
BEST PRACTICES

- SET STRATEGIES AND OBJECTIVES
- CENTRALIZE COPY AND BRAND MESSAGING
- AUTOMATE VERSIONING
- CONDUCT EVENT-SPECIFIC HISTORICAL ANALYSIS

ADVERTISING

In advertising, best practices involve centralizing and automating. The advertising team will want to maintain a workflow process to ensure milestones and tasks required for each event are visible and understood across the organization. This becomes increasingly important as new tactics, such as virtual flyers or gadgets, are introduced.

With targeting and an increase in versioning, the sheer number of variations can be staggering and impossible to manage manually or with homegrown tools. Therefore, it is crucial to systematically manage copy and images to support versioning. Because many items are promoted more than once, this type of a system will also make it easy to reuse content.

Automatic output of content to multiple production systems—pages, signs, etc.—is another crucial best practice. By using a single system that automatically integrates with the production systems, it is easy to share and reuse content.

Finally, the explosion in the number of versions that results from a targeted, consumer-centric strategy makes an online proofing system critical. Proofing electronically reduces the number of proof cycles required and gives users more flexibility in proofing their content.

ADVERTISING BEST PRACTICES

- CENTRALIZE CALENDAR AND WORKFLOW
- TRACK PRICE, PRODUCT, COPY, AND IMAGE ITEMS
- REUSE CONTENT
- AUTOMATE PRODUCTION OF PAGES, SIGNAGE, MAILERS, ETC.
- PROOF ONLINE

MERCHANDISING

Best practices for the merchandising team begin with the use of analytics to support decision making. An embedded analytics engine will provide the merchant with the ability to make better decisions, such as deciding which items should be promoted during a specific event.

Merchants will also want to ensure that they reuse promotions—either simultaneously in different channels, for instance, on the flyer and the Web site—or based on that particular item's promotion cadence. And, since assortment frequently changes within promotional groups—flavors are added or deleted from a food brand, or styles or colors appear and disappear over time—merchants will want to use dynamic product groups so that the system automatically recognizes valid SKUs in the group at the time of a promotion.

Finally, merchants will want to use scorecards to track key metrics of a promotion in process and as a checkpoint during planning. For example, merchants planning space on a page should be able to see a real-time update of the forecast for that page—or the entire promotion.

MERCHANDISING BEST PRACTICES

- EMBED ANALYTICS AT THE POINT OF DECISION
- CREATE REUSABLE OFFERS
- USE DYNAMIC PRODUCT GROUPINGS
- AUTOMATE VERSIONING
- EMBED SCORECARDS

MASS MERCHANDISER IMPROVES COMPETITIVENESS

CHALLENGES

This mass merchandiser faced damaging competition and was looking to increase competitiveness with a promotion management system that would reduce its lengthy ad production cycle and improve decision making with better data.

SOLUTION AND RESULTS

This retailer improved its promotional process, supported by DemandTec's technology, and was able to:
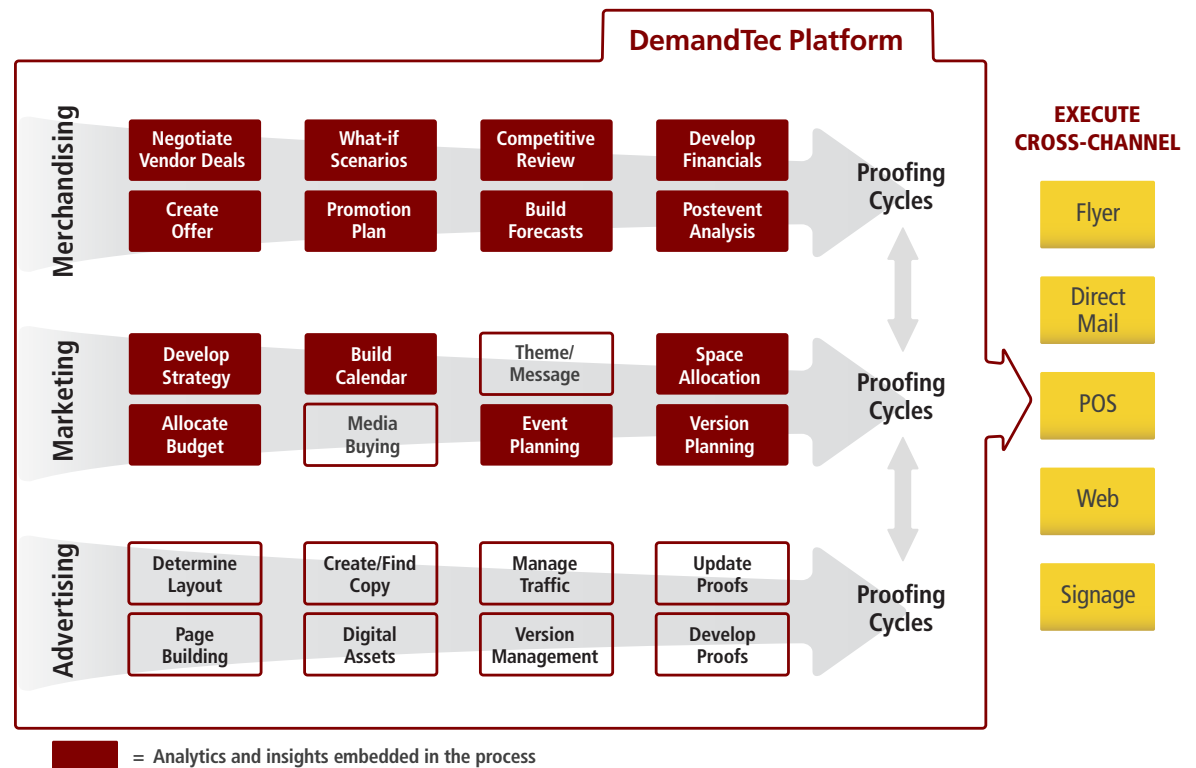
- Version promotions based on product and price to better compete with localized, relevant offers.

- Reduce ad production cycles by 40 percent with a new workflow that automated manual tasks.

- Track historical promotion information easily to see where and how an item had been promoted.

SUCCESS STORY

MODEL PROMOTION PROCESS

Let's look again at the promotion planning and execution process and the technology that reflects the best practices above. Key characteristics of the process and technology include integration, collaboration, automation, and embedded analytics.

It is crucial to put a technology and business process workflow "wrapper" around promotion-related processes, across all departments. This gives all parties involved access to the information required to do their jobs better, faster, and with the ability to handle the version requirements of consumer-centric retailing.

DemandTec Platform

EXECUTE CROSS-CHANNEL

Merchandising
- Negotiate Vendor Deals
- Create Offer
- What-if Scenarios
- Promotion Plan
- Competitive Review
- Build Forecasts
- Develop Financials
- Postevent Analysis

Proofing Cycles

Marketing
- Develop Strategy
- Allocate Budget
- Build Calendar
- Media Buying
- Theme/ Message
- Event Planning
- Space Allocation
- Version Planning

Proofing Cycles

Advertising
- Determine Layout
- Page Building
- Create/Find Copy
- Digital Assets
- Manage Traffic
- Version Management
- Update Proofs
- Develop Proofs

Proofing Cycles

- Flyer
- Direct Mail
- POS
- Web
- Signage

■ = Analytics and insights embedded in the process

It is also critical to leverage consumer demand science—based on advanced science applied to POS or transaction log data—at multiple decision points within the process. For marketers, consumer demand science supports strategy setting, provides insights into ad space allocation, tracks which items perform better on different pages or in different channels, and helps in determining the number of unique versions required. For merchants, advanced science is used to optimize price points, to predict consumer response at those price points, and to promote the right products to meet business objectives.

THIS MODEL PROCESS YIELDS SIGNIFICANT BENEFITS:

- Across departments, the proofing process is now managed online, reducing the time required to proof, automating the process with the underlying workflow system.

- In this proven model, cross-channel promotion planning and execution are all managed in one place, with improved decision making and greater accuracy.

- With a promotion planning and execution solution in place, users can make better decisions faster with analytics integrated within the business process.

- The entire process is automated to eliminate redundant data entry and streamline the process, enabling merchants, marketers, and ad managers get more done faster and with fewer errors.

- Centralization delivers a consistent message platform capable of managing information across all retail channels.

This model is ideal for today's consumer-centric targeted marketing programs, at any level of granularity required to support business objectives.

CONSUMER DEMAND SCIENCE HELPS ANSWER QUESTIONS

- Which items are most sensitive to placement in an ad?

- How should I allocate space across categories?

- Which categories do best in a specific type of ad event?

- How many pages should an ad have?

- How much should I charge for this item in this promotion?

- How productive are the different parts of each page?

- How productive are individual pages in my ads?

- Which categories are best for driving volume?

- How should I vary category space allocations across ad zones?

- What basket items do my advertised items pull through with them?

Best Practices in Promotion Planning & Execution

HARDWARE CO-OP GOES LOCAL

CHALLENGES

This large hardware co-op with thousands of independently owned stores was challenged to manage national promotions and thousands of localized versions simultaneously.

Its challenge was compounded because half of ad production was done in-house and half was outsourced, with no integration between the various groups.

SOLUTION AND RESULTS

By improving its promotional process, with DemandTec technology, this retailer was able to manage its national promotions while allowing independent store owners to customize the promotions for their local market or store.

The end result was a system that linked outsourced production to in-house systems and enabled the production of localized ad versions that met the needs of member store owners. Moreover, the new system reduced errors and increased interdepartmental collaboration.

SUCCESS STORY

DEMANDTEC PROVEN SOLUTIONS

Promotions are an integral part of retail. Retailers need to manage these activities efficiently and effectively to address increasing competition and complexity.

With the success and continued expansion of consumer-centric marketing strategies, managing complexity has become impossible with legacy systems. Most retailers can handle manual processes up to a point—but the pressure to do more, more rapidly causes these older systems to falter. It has become critical to establish a common framework to underpin the entire promotion collaboration process.

The good news is that proven solutions exist and retailers are leveraging them today to compete more effectively—to manage intricate ad and promotion versions, to make faster, better decisions, to respond more rapidly to competitive initiatives.

FIFTEEN YEARS OF EXPERIENCE PROVES THESE TOOLS WORK.

DemandTec's End-to-End Promotion Management solution incorporates science, analytics, and superior data into the decision-making process. DemandTec delivers timely and valuable information to users at the point in time when they need to make better, faster decisions. It's integrated, automated, and unfailingly consistent.

> " PROVEN SOLUTIONS EXIST AND RETAILERS ARE LEVERAGING THEM TODAY TO COMPETE MORE EFFECTIVELY. "

ABOUT DEMANDTEC, AN IBM COMPANY

DemandTec, an IBM Company, is a network of cloud apps and insights for more than 500 retailers and consumer products companies, providing common solutions to transact, interact, and collaborate on core merchandising and marketing activities. DemandTec's services enable customers to achieve their sales volume, revenue, shopper loyalty, and profitability objectives. Approximately 16,000 retailer and manufacturer end-users on DemandTec collaborated on more than five million trade deals to date. DemandTec software and analytical services utilize a science-based platform to model and understand consumer behavior. DemandTec customers include leading retailers and consumer products companies such as Ahold USA, Best Buy, ConAgra Foods, Delhaize America, General Mills, The Home Depot, Monoprix, PETCO, Safeway, Sara Lee, Target, Walmart, and WH Smith.

CONTACT US
DemandTec, an IBM Company
One Franklin Parkway
Building 910
San Mateo, CA 94403
USA

INQUIRIES
Phone: +1.650.645.7100
Please visit www.demandtec.com