Counting (fingers & toes) — Abacus — Slide ruler — Pocket Calculator — Personal Computer — The Cloud Google & SNs

"When It's Time to Evolve to Optimization Planning"

CPG Matters LEAD Conference Webinar

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LEAD Marketing CONFERENCE
Loyalty · Engagement · Analytics · Digital
VIRTUAL EDITION

Shelley Fow

Shelley Fow, Solution Engineer – AFS TPM Retail/TPO

Shelley has more than 20 years experience in consumer packaged goods, holding positions in brand/product management; promotional management; and pricing management, with the last five years of experience on the software side working with consumer packaged goods companies on trade promotion management and optimization/predictive analytics.

Shelley earned the Certification in Pricing through the Professional Pricing Society in 2006.

Joel Cartwright

Joel Cartwright, Director Product Management, TPM Retail

20 years plus in Consumer Packaged Goods: Finance/Accounting, Sales Operations

- Sara Lee Foods US

- Sunny Delight Beverage

- Kimberly Clark

MEI TPM Solutions

IBM Demand Tec

AFS Technologies

"When It's Time to Evolve to Optimization Planning"

Webinar Objective:

To define the Points when trade optimization becomes a necessity, when challenged with an increase in top line growth, and no increase in trade budget. Identify what is the best practice for reviewing tactics, and price point. Specifically, if there is a need to overcome a pricing threshold, or retailer mandate for tactic participation.

Outline:

- Can you analyze and strategize with only historical data in the TPM tool?

- Define the challenge: Grow top line and keep trade budget flat year over year.

- Define your category trade marketing tactics: Merchandising, Pricing, or a combination of both.
  - Understanding the Price point and pricing thresholds.
  - Understanding the merchandising: cost, components, and complexity

- Define your Objectives: Growth
  - Define areas for growth: New points of distribution versus Shopping Cart Growth

- Define what you want to understand and Optimize: Know your category
  - Base volume: Everyday price at shelf optimization
  - Incremental: POS Tactics versus Price, and or combination

- Define Scope: Do I need to optimization planning for all my customers?

- Next steps: Optimization is needed

Can you properly analyze and strategize with only historical data?

- Are you analyzing more than just your own historical shipment data?

- Do you know what impact your display activities are getting?

- What lift did your feature ad generate?

- Was your competition running a promotion prior to or during your own promotion?

- Is the category you are competing in growing or declining?

Traditional Approaches are Falling Short
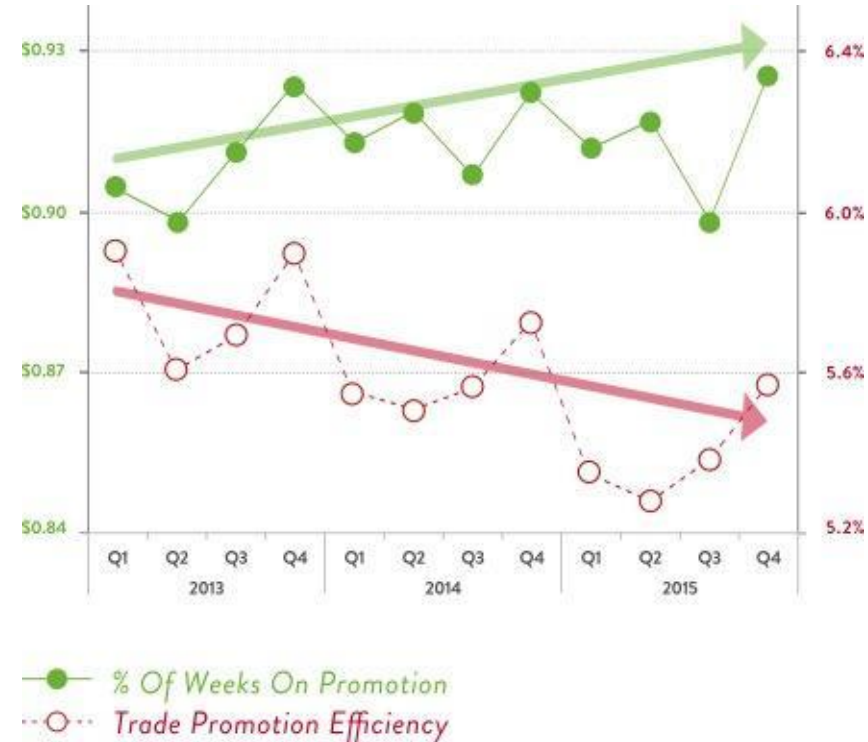
ADDING ITEMS TO THE SHELF
ISN'T WORKING

MORE FREQUENT PROMOTIONS,
BUT TRADE EFFICIENCY IS ERODING

$**18.7**B
NEW ITEMS

($**17.4**B)
EXISTING ITEMS

$ **1.3**B
NET GAIN

- ● % Of Weeks On Promotion
- ○ Trade Promotion Efficiency

Source: Nielsen Promotion Benchmark Analysis: 2013 Q1 - 2015 Q4, Nielsen Scantrack: xAOC 2013 vs. 2010

Poll Question Number 1:

What % of your Retail plans are a SALY plan? (Same As Last Year)

1. 90% and above Planned Retailers are on the SALY plan

2. 60% to 89% Planned Retailers are on the SALY plan

3. 20% to 59% Planned Retailers are on the SALY Plan

4. 19% and less Planned Retailers are on the SALY Plan

5. 20-59% Planned Retailers are SALY *(how to shorten)*

Define the challenge: Grow top line and keep trade budget flat year over year.

- Using the same trade dollars to achieve more revenue growth

- Strategizing the best promotional activities that generate greater lifts

Moving from costly confusion of Trade Investment to insight-driven results starts with integrating **analytics and execution** into your existing workflow.

Order **ERP** Transaction Settlement **TPM** Analysis Planning **TPO** Optimization
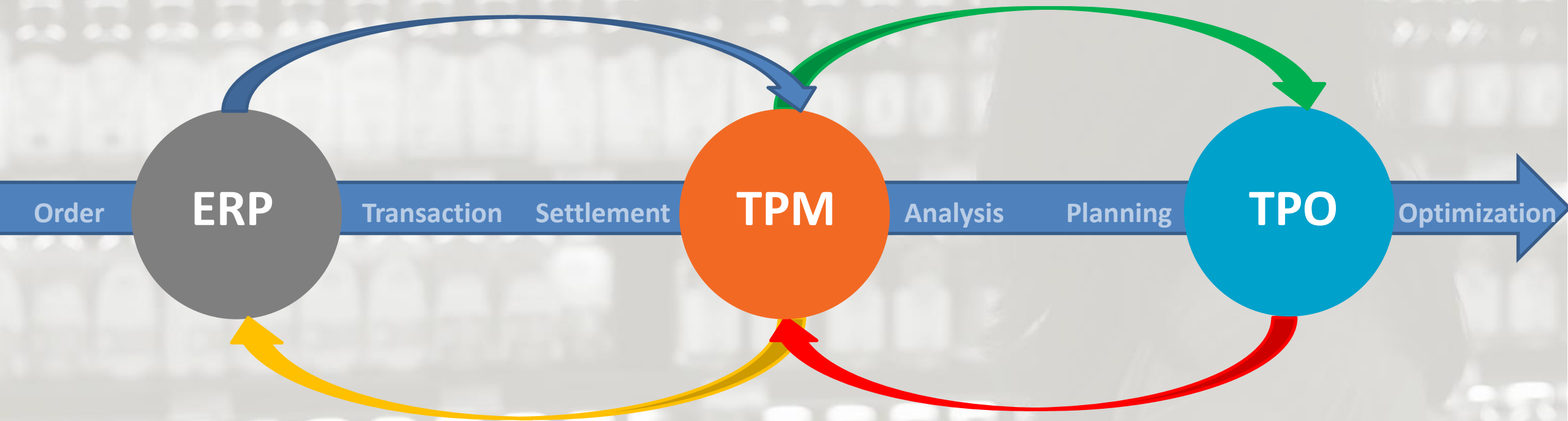
"The quality and capabilities of today's TPx solutions are at a level that there is really no reason for consumer goods manufacturers to either work from spreadsheets or build their own solutions."

– Gartner Market Guide for Trade Promotion Management and Optimization for the Consumer Goods Industry

Trade Promotion Optimization combines Post-Event Analysis with Predictive Planning to maximize the performance and effectiveness of your trade strategy.

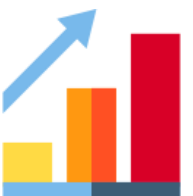Quantified Return on Trade Investment

Integrates with TPM Solution

Harmonization of disparate data silos (POS, Spend, COGs, Pricing, & Shipment)

Post-Event Analytics to foster data-driven decision making

Predictive What-If Scenario Planning providing both manufacturer and retailer KPIs

Event and Calendar Optimization using constraint-based modeling

The Result is Increased Pressure Around Trade Spend

Regular Price
- Own
- Own vs. Competitors

Seasonality, Store Effects, Others

Trade Activity (Own and Competitors)
- Features
- Displays
- Price Reductions

Sales Volume

Poll Question Number 2:

How likely are you to be a price leader in your category?

1. Very likely.

2. Somewhat likely.

3. It depends.

4. Not a Snowballs chance on the Sun!

Define your category trade marketing tactics:
Merchandising, Pricing, or a combination of both.

Understanding the Price Point and Pricing Thresholds
PRICING STRATEGY

Decision Framework for Price Changes & Promotional Discounts

Base Price Elasticity (vertical axis, High to Low)

Promotional Price Elasticity/Intensity (horizontal axis, Low to High)

EDLP
Divert trade investment away from promotions to keep base price low on an everyday basis

Options
Ability to leverage both base and promotion, depending on objectives and retailer's category strategy

High-Shallow
Reduce depth of promotional discounts or increase everyday price to recapture margin and drive additional GP

High-Low
Invest in promotion to drive volume and protect share by increasing base price to fund additional promotion depth/frequency

PRICE THRESHOLD

Price thresholds look for price points or gaps that consumers are more sensitive to. A price change that crosses a threshold will lead to a larger volume change than a same-size price change that does not cross a threshold.

Standard Elasticity

E.g. elasticity = -1.88

Price Threshold

E.g. Threshold at $1.99 with 5% impact

Volume Change

Price Change

	$1.79 -10%	$1.83 -8%	$1.87 -6%	$1.91 -4%	$1.95 -2%	$1.99 0%	$2.03 2%	$2.07 4%	$2.11 6%	$2.15 8%	$2.19 10%
Brand Example	21.9%	17.0%	12.3%	8.0%	3.9%	0.0%	-3.7%	-7.1%	-10.4%	-13.5%	-16.4%
Price Threshold	28.0%	22.8%	18.0%	13.4%	9.1%	0.0%	-8.5%	-11.8%	-14.9%	-17.8%	-20.6%
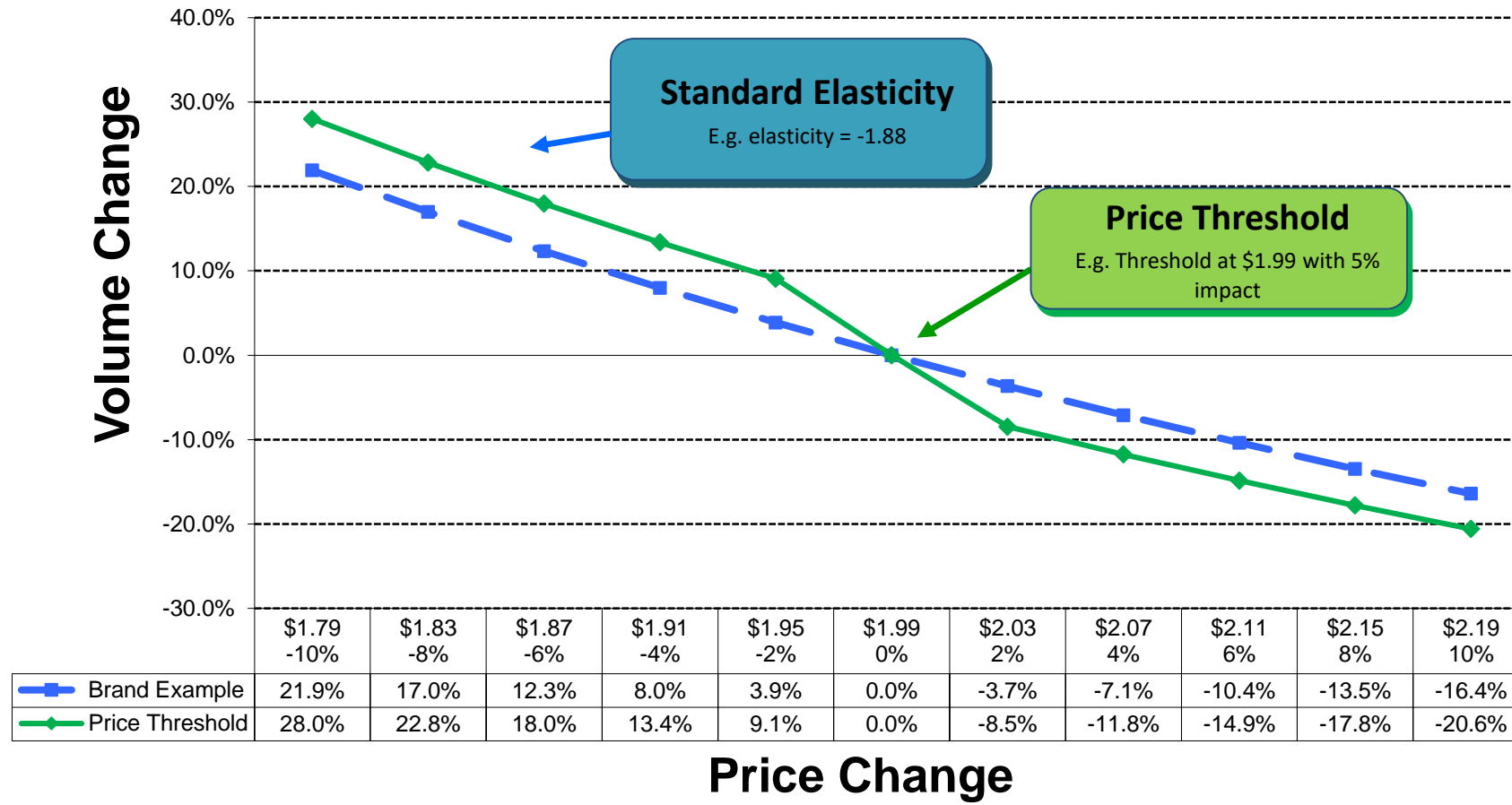
UNDERSTANDING WHAT TRADE SPEND DRIVES THE MOST VOLUME

Comparison of Brand X at an 15% Promoted Price Discount

Ave. Weekly Base Units	11,121,500	1,827,274	926,099

Feature outperforms Display in both lift and cost to run.

Legend:
- TPR Only
- Display
- Feature
- F&D

SEGMENT 1: 31, 82, 60, 125
SEGMENT 2: 25, 77, 48, 92
SEGMENT 3: 36, 75, 60
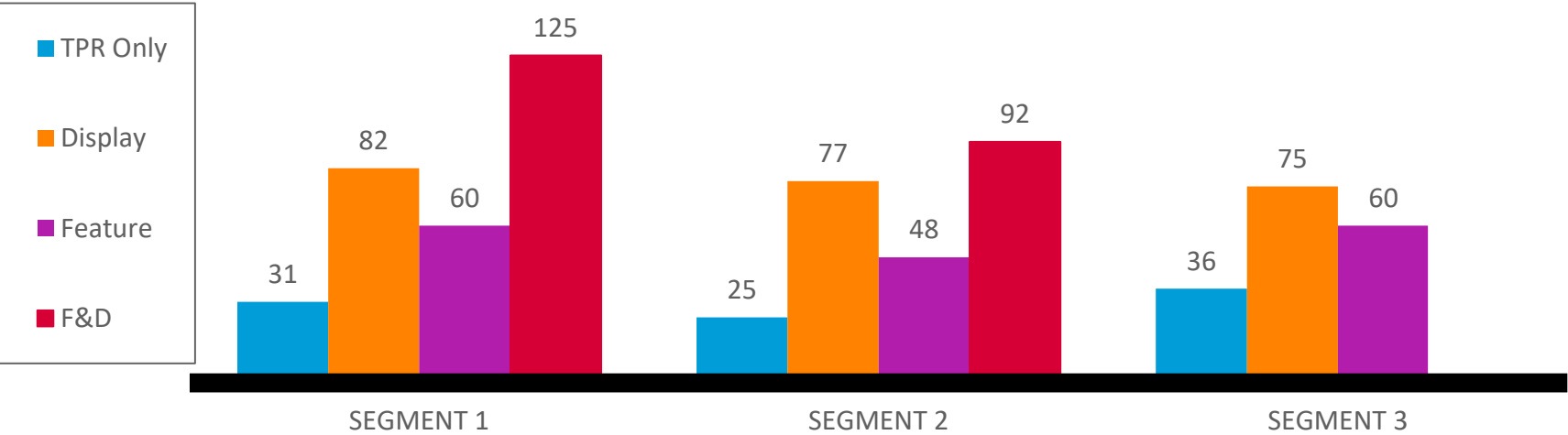
Base Support Weeks (L52 Weeks)

Total Weeks	11.9	13.9	11.7
TPR Only	9.1	9.8	10.5
Display & TPR	0.7	1.2	0.8
Feature & TPR	1.8	2.6	0.4
F&D & TPR	0.4	0.4	0.0

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Define your Objectives: Growth

Setting an expectation on a growth target, using optimization planning.
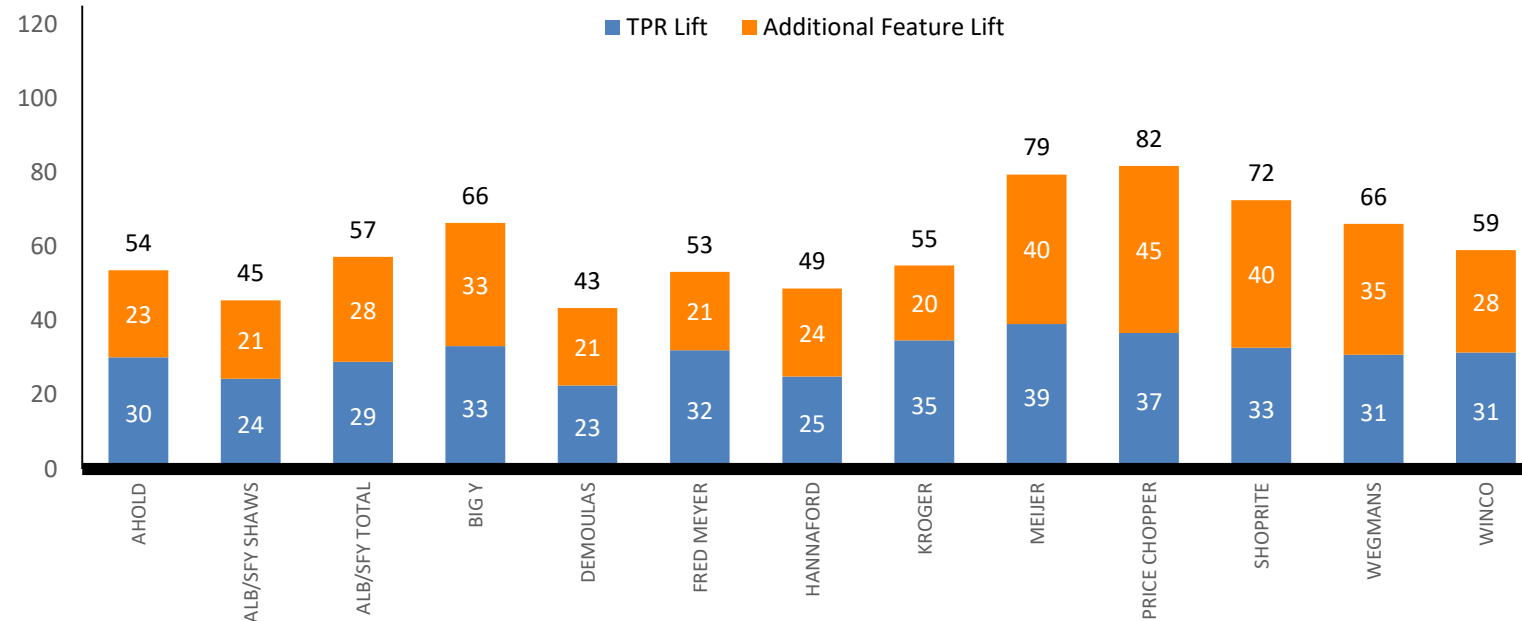
- Define areas for growth: New points of distribution versus Shopping Cart Growth.
- Will Optimization provide insight?

WHAT ACCOUNTS ARE MOST RESPONSIVE?

Shift promotional funds to highly responsive accounts

## Promotional Lifts @ 15% Discount – Brand X Segment 1

Legend: ■ TPR Lift ■ Additional Feature Lift

Chart values (TPR Lift / Additional Feature Lift / Total):
- AHOLD: 30 / 23 / 54
- ALB/SFY SHAWS: 24 / 21 / 45
- ALB/SFY TOTAL: 29 / 28 / 57
- BIG Y: 33 / 33 / 66
- DEMOULAS: 23 / 21 / 43
- FRED MEYER: 32 / 21 / 53
- HANNAFORD: 25 / 24 / 49
- KROGER: 35 / 20 / 55
- MEIJER: 39 / 40 / 79
- PRICE CHOPPER: 37 / 45 / 82
- SHOPRITE: 33 / 40 / 72
- WEGMANS: 31 / 35 / 66
- WINCO: 31 / 28 / 59

Base Support Weeks (L52 Weeks)

	AHOLD	ALB/SFY SHAWS	ALB/SFY TOTAL	BIG Y	DEMOULAS	FRED MEYER	HANNAFORD	KROGER	MEIJER	PRICE CHOPPER	SHOPRITE	WEGMANS	WINCO
Total Weeks	21.5	35.1	16.4	32.8	16.2	6.7	3.1	10.2	12.4	11.1	11.0	2.5	10.7
TPR Only	15.6	6.9	12.2	23.0	7.6	5.7	2.3	9.9	12.3	3.7	9.5	0.8	6.6
Ad Only	3.99	14.36	2.77	7.47	4.67	1.00	0.00	0.31	0.00	4.72	1.27	0.00	0.00

PROMOTION RESPONSE VARIES DRAMATICALLY BY RETAILER

PROMOTIONAL LIFT / CLASS OF TRADE / BY RETAILER – 15% DISCOUNT

Legend: ■ TPR Lift ■ Display Lift ■ Feature Lift ■ F&D Lift
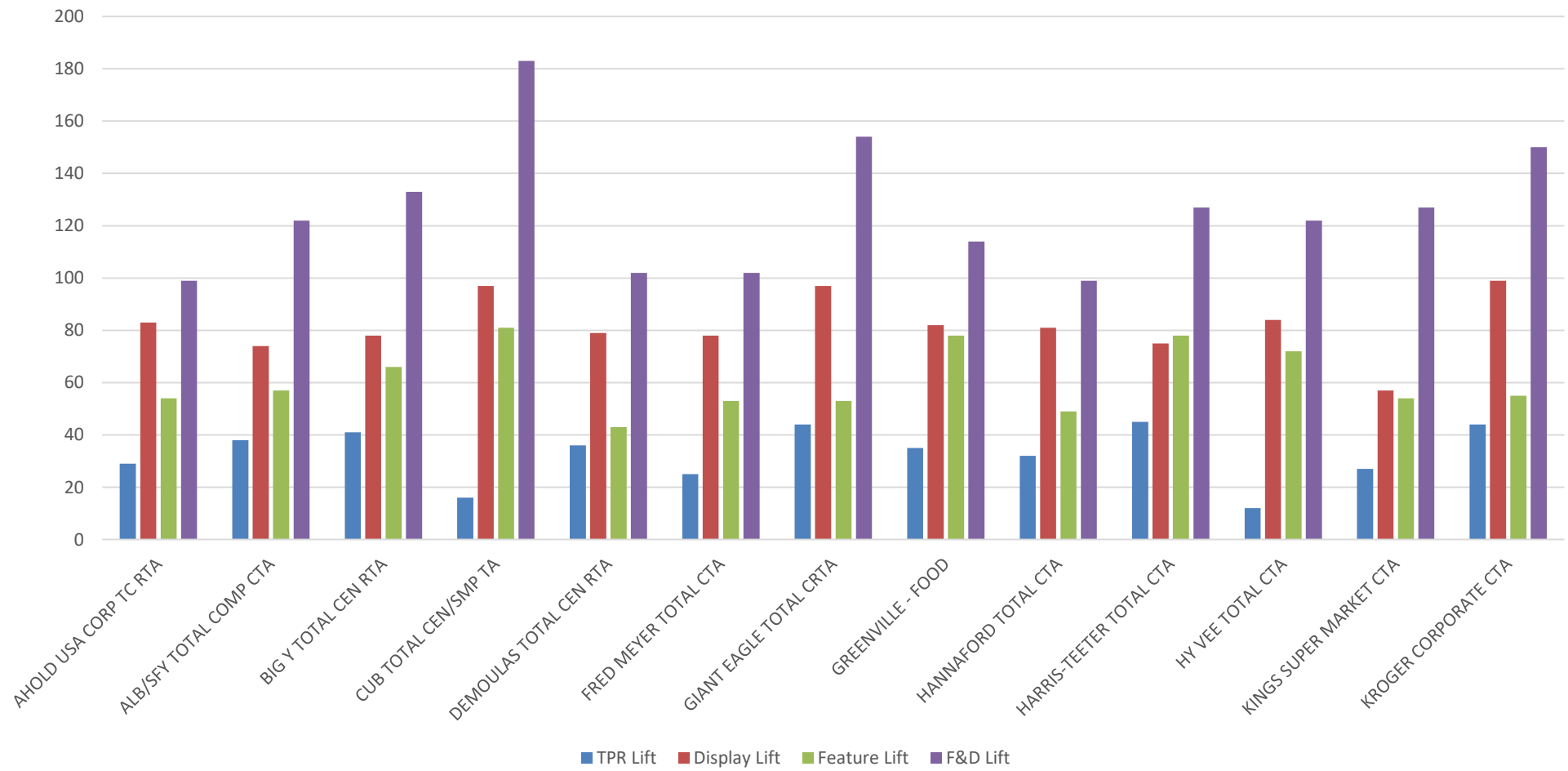
You can't analyze what you can't see

Key Competitive Promotions & Merchandising
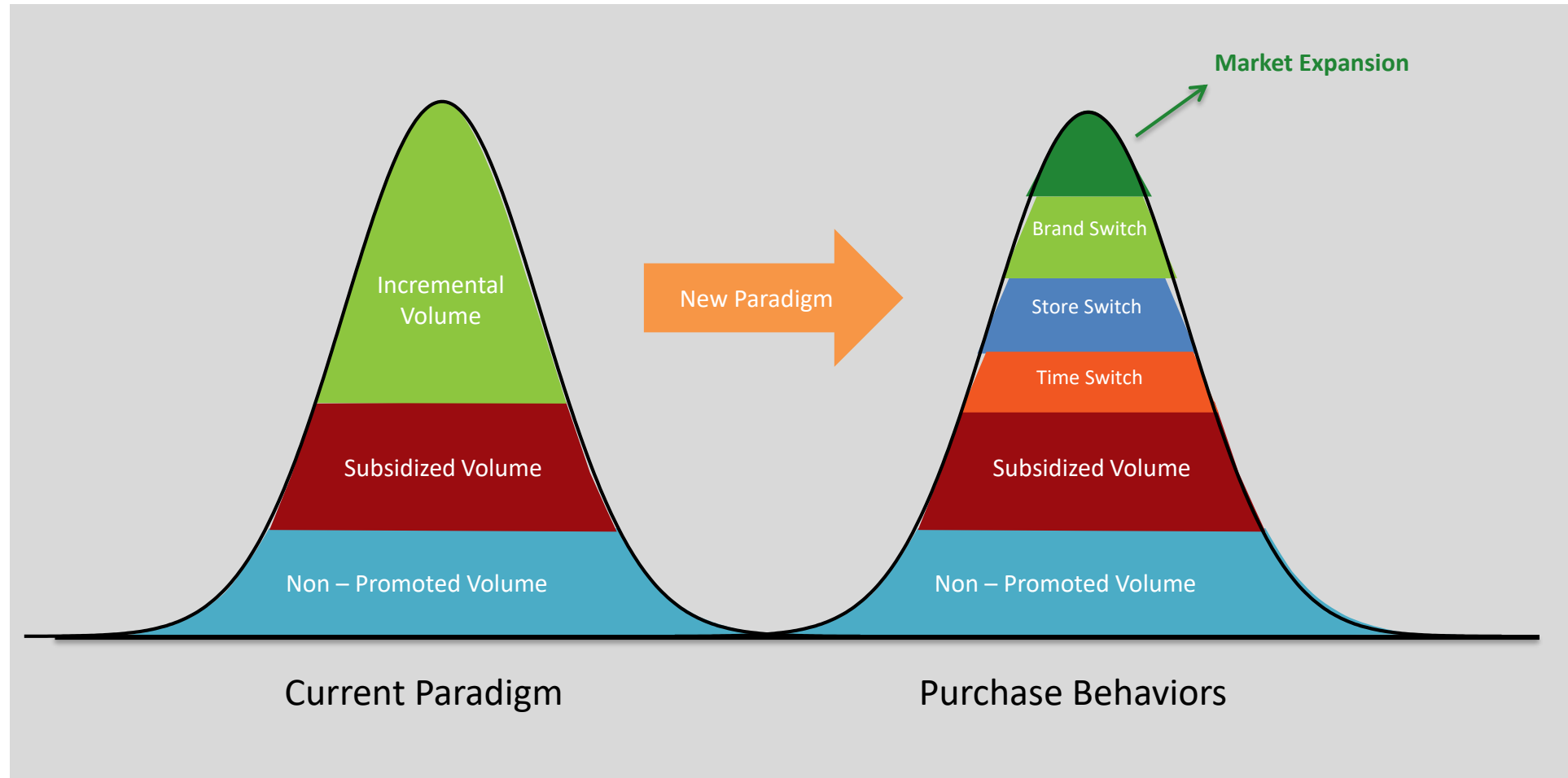
TPM Data with KPI's
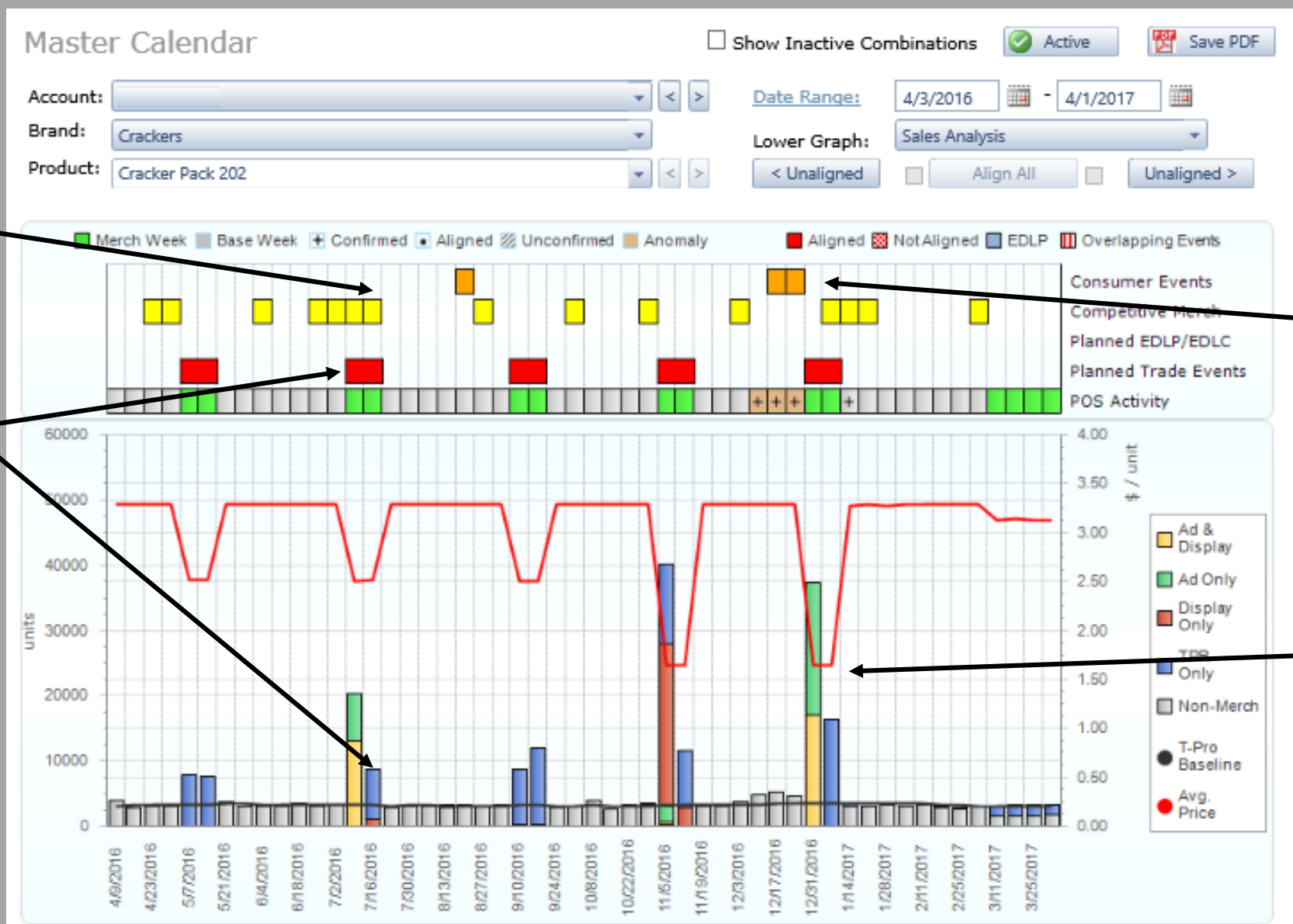
Consumer Promotion Events & Impact

Promotion Price and Merchandising Support

PROMOTION ANALYTICS CAN TELL YOU ALSO WHAT'S IN THE PROMOTIONAL SALES BUMP

Market Expansion

Brand Switch
Store Switch
Time Switch
Subsidized Volume
Non – Promoted Volume

Incremental Volume
Subsidized Volume
Non – Promoted Volume

New Paradigm

Current Paradigm

Purchase Behaviors

BUILDING ANALYTICS IN TO PLANNING

JC

The output of the Live Simulator session will be a series of validated planning scenarios and a winning scenario that optimizes performance against key KPIs

Session Scenarios

Scenario Descriptions

Winning Scenario

Financial Metrics

Scenario:	Projected	Base Plan	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Description:	$3.69 Everyday 30 wks / 7 Everyday 22 wks / LP $0.285 / List Price $2.52 / 12 Ads: 12 @ $2.99 / $11.99 Everyday 24 wks / $12.99 Everyday 28 wks / EDLP $0.79 / List Price $7.93 / 9 wks TPR $11.47 / 3 wks ad $10.60	2/$7 Everyday / EDLP $0.285 / List Price $2.52 / 12 wks Ad $2.99 / $0.12 EDLP shopper spend	$3.69 Everyday / EDLP $0.285 / List Price $2.52 / 12 wks Ad $2.99 / No shopper spend / $11.99 Everyday 24 wks / $12.99 Everyday 28 wks / EDLP $0.79 / List Price $7.93 / 9 wks TPR $11.47 / 3 wks ad $10.60	$3.69 Everyday / EDLP $0.285 / List Price $2.52 / 12 wks Ad $2.99 / No shopper spend	2/$7 Everyday / EDLP $0.285 / List Price $2.52 / 8 wks Ad $2.99 / No shopper spend	2/$7 Everyday / EDLP $0.285 / List Price $2.52 / 12 wks Ad $2.99 / No shopper spend
Mfr. Profit	115,093	98,711	109,393	108,972	115,850	117,867
Retailer % Margin (Total)	34.7%	37.5%	36.6%	36.6%	34.7%	34.0%
Trade Rate	11.4%	16.1%	11.3%	11.3%	11.3%	11.3%
Retailer Profit	179,172	194,585	184,393	183,683	180,148	177,498
Gross Revenue	380,777	385,663	360,352	358,966	381,624	388,266
Advertisement Fees	500	-	-	-	-	-
Discretionary Funds	-	-	-	-	-	-
Retailer Cost	337,713	323,682	319,598	318,369	338,464	344,355
Total Accrual	-	-	-	-	-	-
Total Sales Units	151,102	153,041	142,997	142,447	151,438	154,074
Total Sales Value	516,385	518,266	503,991	502,052	518,612	521,853
Total Spend	43,564	61,982	40,754	40,597	43,160	43,911
Accrual Cost	-	-	-	-	-	-
Baseline Sales Units	140,016	145,243	134,442	133,925	145,803	145,779
Baseline Sales Value	504,805	508,351	496,091	494,183	510,311	510,227
Distributor Profit	-	-	-	-	-	-
EDLP Spend	43,064	61,982	40,754	40,597	43,160	43,911
Mfr. Cost	222,620	224,970	210,206	209,397	222,614	226,489
Manufacturer Net Revenue	337,713	323,682	319,598	318,369	338,464	344,355
Manufacturer % Margin (Total)	30.2%	25.6%	30.4%	30.4%	30.4%	30.4%
Mfr ROI	-73.4%	-86.8%	-78.0%	-78.0%	-86.3%	-80.2%
Sales Units - Base	140,016	145,243	134,442	133,925	145,803	145,779
Sales Units - Incremental	11,087	7,797	8,555	8,521	5,636	8,295
Sales Units - Non Promoted	44,559	684	106,879	106,468	310	689

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CREATE WIN/WIN SCENARIOS

Detailed output will be created for each potential plan to determine the best strategy

Winning Scenario Summary Tab

	F'15 TRADE PROMOTION OPTIMIZATION SCORECARD Updated 8/27/14					TPO Projections										
						Manufacturer Impact						Retailer Impact				
Accounts	Modeling Session Date	Attendees	Current Tactics	RPM Recommended Action	Optimized Pricing and Promotion Tactics	$ Sales Chg	% Sales Chg	$ Profit Change	$ Profit % Change	Margin Pt Chg	Trade Rate pt. Chg	$ Sales Chg	% Sales Chg	$ Profit Change	$ Profit % Change	Margin Pt. Chg
Masked Deliverable			$3.33 Everyday (2/$7 w/ 2/$6 in Portland, Denver, Texas) EDLP $0.27 List Price 2.54 2 Supercoupon Ads @ 2/$7 Nitro Promos	Move to 2/$7 Everyday in **all divisions** Add 3 super coupon ads @ 2/$7 Shifted 25% of Display support to 12CT	2/$7 Everyday (all divisions) EDLP $0.27 List Price $2.54 5 Supercoupon Ads @ 2/$7 3 Ads @ 2/$7 50% Display	-$544,050	-6.5%	-$162,787	-6.5%	-	-	$76,098	0.7%	$562,316	17.9%	5.1
			$11.33 Everyday EDLP $0.60 List Price $7.95 No promotions	$9.99 everyday in premium stores to drive trial and awareness (gain add'l display support in 25% of stores)	$11.33 Everyday (75% ACV) $9.99 Everyday (25% ACV) EDLP $0.60 List Price $7.95 25% Display @ $9.99 New Distribution (100% growth) *Does not incorporate new shelf set with 12CT on top shelf*	$2,497,977	335.4%	$669,269	335.4%	-	-	$3,140,221	295.8%	$830,771	222.6%	(6.5)

Descriptive Information
- Account Planned
- Date Planned
- Attendees
- Current Account Tactics
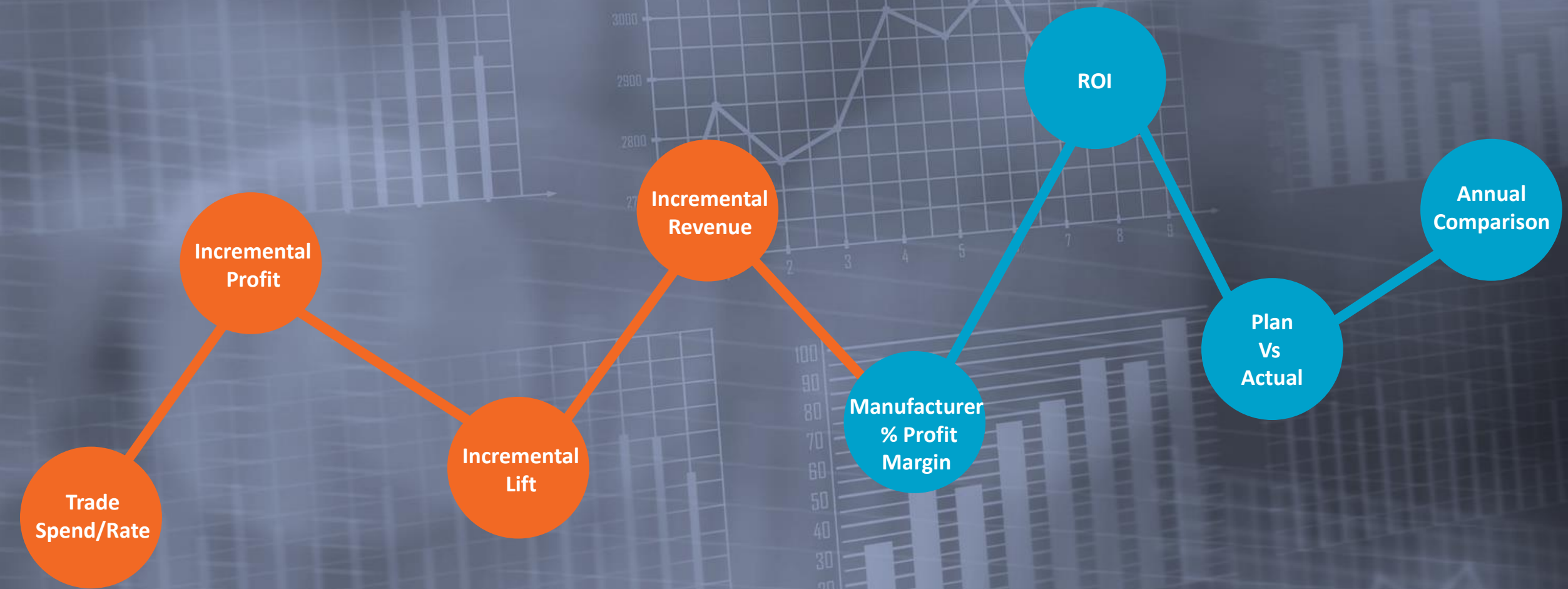- Recommended Change
- Optimized Account Tactics

Financial Implications (Manufacturer)
- Mfg Gross Revenue
- Mfg Profit Dollars
- Mfg Margin
- Trade Rate

Financial Implications (Retailer)
- Retail Sales Dollars
- Retail Profit Dollars
- Retailer Margin

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Next Steps: Evaluation Quiz

Apply what you have learned today, and know the three C 's.

Next Steps: Using this information. Evaluate your current situation. Determine if you are ready for Optimization.

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Collaborate

Are my retail partners executing the plans we have agreed upon?

What is the profit and ROI of my promotions for my retail partner?

Where is there room for improvement?

Compete

When are my competitors running promotions?

How are my competitors promotions affecting my performance?

What tactics and prices are my competitors using?

Compare

What tactics drive the most revenue, profit and volume?

How does consumer marketing affect my trade promotion performance?

How does my plan compare to what actually happened?

If your answer is "No or I don't Know"?

Time For Questions?

Contact Details

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About AFS Technologies

AFS Technologies (AFS) is the leading provider of software solutions purpose-built for consumer goods companies. We are committed to generating improved outcomes at the point of purchase coupled with generating efficiencies in trade spend, retail execution and supply chain. With experience developed over its 30 year history, AFS serves more than 1,300 customers of all sizes in over 50 countries around the world. The AFS products are innovative, configurable solutions that are proven to optimize your potential with automated processes, improved productivity and rapid time to value.

To learn more about AFS, visit www.afsi.com.

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