



Fixing the Broken Trade Promotions Process

Why manufacturers and retailers are concerned and what they're doing about it

Introduction

The world of trade marketing is beset by mixed messaging. On the one hand, trade promotions consume about half of most marketing budgets for CPG manufacturers, a share that has steadily increased over the last two decades.

The consultancy company Kantar Retail assessed this trajectory and reported in 2012 that trade promotion now stands at the center of major industry trends, especially as it becomes integrated with shopper-focused marketing techniques.

But as many manufacturers will attest, the reality on the ground isn't as promising.

A 2011 Nielsen study observed that 55% of trade promotion spending fails to benefit either the manufacturer or the retailer. Management consulting firm Bain & Company goes even further, citing other studies that estimate up to 90% of trade promotions are simply not profitable.

What are we to make of a marketing technique so fraught with questions and ambiguities?

Trade promotions: Do they help or hinder?

The answer, in short, is both.



See What's in Store.



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***Trade Marketing:** The various ways that a manufacturer promotes its product to the retailer, generally expressed at the point of purchase by in-store displays, temporary price reductions, coupons, etc.*

There's no doubt that trade marketing plays an essential role in brand development and category growth for CPG manufacturers. Ditto for product manufacturers in adjacent retail channels (e.g., sporting goods, hardware, apparel) where CPG-like marketing and category management practices are increasingly being adopted by both suppliers and retailers. In the hyper-competitive retail environment, trade promotions help companies distinguish their product, increase visibility, improve distribution, and introduce new products, not to mention strengthen relationships with retailers.

Beyond these intuitive gains, however, trade promotion effectiveness is scattered; sometimes beneficial, it can also be an utter waste of time and money.

The pitfalls are many:

- Trade promotions can cause retailers to stock up on goods, without passing the savings on to customers.
- The promotions may also wreck the supply chain, by creating artificial peaks and valleys.
- Sometimes trade promotions benefit the manufacturer but not the retailer, particularly if the promotion cuts into profits from other higher-label brands, straining the relationship and mitigating future buy-in.
- And sometimes they simply produce no sales.

Despite their tendency to inefficiency, two simple truths will keep trade promotions at the forefront of most marketing programs:

- 1) The vast majority of buying decisions are unplanned and occur at the store.
- 2) Brand loyalty is in decline.

Trade promotions, broadly defined, carry the possibility of responding flexibly and creatively to these contingencies.

But how to make them work?



Tracking and analyzing sales data from past promotions drives the creation of successful future promotions.

The foundation of every successful trade promotion program is observation.

“The core requirement is the development of an effective measurement system: one that is accessible, timely, inexpensive, reproducible, and generally undistorted,” wrote the designers of P&G’s guide to out-of-stock reductions, and the proposition applies just as well to trade promotions.

Companies need to know which trade promotion tactics are working and which ones aren’t, in order to make sound decisions about future marketing investments.

Simply put, accurate historical sales data is required.

Leveraging robust retail analytics to drive success

By using retail analytics acquired through big data, product manufacturers can reduce trade promotion spending without reducing volume, and to increase their ROI on trade promotion events.

Today’s retail intelligence platforms allow manufacturers and retailers to overcome trade promotion’s primary enemy: **the scarcity of detailed, timely and reliable information.**

And since poor information almost always results in compromised interpretation, operating without lucid retail analytics compromises a company’s ability to plan future promotions based on solid product forecasts.

Trade promotions have been a double-edged sword, often hurting as much as they help, but with the right guides, manufacturers can use them to cut to the front of the retail competition. Otherwise, they’re just swinging in the dark.

Take a step back and look at the intelligence foundation for your trade promotions:



- What kind of retail analytics are you using?
- Are they clear and well-visualized?
- Are they being adequately shared?

With the right tools, you'll know right away if a promotion isn't working, and you'll be able to get the most out of the ones that do.



About Askuity®

Askuity is a cross-retailer Big Data analytics platform that connects retailers and product vendors with insight and information, enabling better collaboration, decision-making and retail execution. Accessible in the cloud from any device, at any time, Askuity combines secure product- and store-level data sharing with a full suite of analytic tools to help reduce out-of-stocks, increase inventory turns and optimize promotional spend.

Askuity – See What’s in Store®.

www.askuity.com
info@askuity.com
(416) 583-5830