

1010DATA™



**Promotional Effectiveness:
Turbocharging In-Store
Performance**

Promotions have enormous power to draw customers and generate value for both retailers and brands. When executed effectively, investing in them justifies the effort. According to a survey by Invesp, nearly two-thirds of respondents claimed that a promotion or coupon often plays a decisive role in their purchase decisions. Additionally, **22 percent of customers exclusively purchase products from their preferred brand during promotional periods**, illustrating the power of marketing and advertising.

However, great execution is rare, and return on investment is even rarer. Why? If one were to track a promotion campaign from start to finish, including concept, planning, design, production, execution, measurement and accounting, the complexity across organizations and their partners is astounding. And there lies the Rube Goldberg-esque nature of promotions as planned and executed today: deviously complex processes with little technology support driving an impractical implementation.

The tools that make for more effective promotion planning are more available than they've ever been. Technology can facilitate big leaps in efficiency, from driving decisions with data to eliminating waste from processes. If the objective is to increase customer value and engagement, the key to getting there is efficient planning and superb execution. Gains made will allow organizations to focus on continuous improvement and innovation. This paper offers a streamlined approach that allows you to channel your energy into actions that count.

Mastering Effective Promotion Planning is an Art and a Science

When planning a promotion, typically retailers and their partners look at what they did in previous years. The planning process is time-consuming and complex, so it's tempting to simply make minor adjustments to last year's plan, adapting for assortment changes, budget adjustments or aiming for marginal improvements. The goal is to achieve a 2 to 3 percent increase.

But when last year's promotions failed to meet objectives, basing this year's plan on last year's execution recalls Albert Einstein's famous statement about repeatedly doing things the same way yet expecting different results. Yet typically, team members lack a clear measurement of past performance. Flying blind to past performance and lacking the time and technology to change the system, leads to the earlier stated goal of outperforming past performance by 2-3 percent.

Ineffective promotions happen in significant numbers, though corporate offices are hesitant to acknowledge this. A study conducted by Boston Consulting Group estimated that anywhere from 20 to 50 percent of promotions yield no tangible results. These promotions can also be detrimental, eroding profit margins as shoppers opt for discounted items instead of purchasing other brands at their suggested retail prices. Furthermore, promotions as currently executed are capital-intensive, constituting the second-largest expense for retailers after the cost of goods sold. This can typically range from 15 to 25 percent of total sales.

By analyzing the shortcomings of past campaigns and assessing where improvements can be affected, retailers can break the cycle of repeating ineffective strategies. Eliminating poor performing promotions frees time and resources to more productively engage in the planning cycle.

Understanding that promotions can be done differently opens the door to strategies that are more cost effective, more sustainable, and easier to implement using a graduated, data-driven approach. But the first questions are: "Do we have the data we need?" and "If so, how can we leverage it?"

In-Store Promotions Reign Supreme in Post-Pandemic Consumer Choices

Physical retail is working its way back from Covid by creating welcoming environments that inspire customers to spend—often thanks to in-store promotions. Indeed, we've seen a shift in 2023 whereby promotions have become the deciding factor consumers consider when selecting a retailer. Reportedly, **70 percent of millennial shoppers are looking for special offers before they'll purchase anything**. So it follows that when executed strategically, in-store promotions are a way for brick-and-mortar retailers to compete against their online counterparts.

But the in-store promotion development process needs a major overhaul. The majority of promotions fail due to a combination of flawed planning and the inability to track and quickly course correct during the execution of the promotion. Today, organizations are capable of better understanding promotional effectiveness, going beyond the simple measure of product or brand incremental sales.

Applying a set of models segmented by product selling characteristics, it is possible to gain significant advantage in executing promotions by better understanding customer response and measuring the impact of a campaign on categories and the brands that matter most. At the core of this approach is a simple ethos—prioritize what has been working and eliminate or revise improving what has not.



The first steps in this process are easy

1

Do more of what is already working, better. Analyzing historical performance with advanced machine learning retailers and brands learn what worked and where they failed to generate sufficient consumer demand. Where promotions met their objectives, repetition is warranted, and the focus should shift to brilliant execution and localized optimization.

2

Eliminate ineffective promotions. Traditional promotion measurement practices rely too heavily on the sheer number of items being sold. A more scientific view of promotional data should be taken to successfully evolve, adapt and redesign offers. Marketers need to know not just if a promotion hits its mark, but why. A true measurement of promotional success combines incrementality for the product and the category with measures of customer engagement, brand strategy, and financial results. Simply put – was it good for our customers, the brands we care about, and did it make money? If not, stop running the offer or replan using insights from data science modelling past performance.

3

Use fresh data to uncover more options. Retailers are investing in hardware investments such as cameras, drones, or robots to see what is happening in stores. These represent huge investments that may not yield actionable insights. More prudently investments logically start with more frequent data updates or trickle data being assessed to identify and alert to issues. Near-real-time assessments can be shared to stores, distributors, and suppliers enabling course correction and capturing what would have been lost sales. If a product is on promotion without a shelf tag, display, or signage is it really being promoted?

4

Collaborate. Collaborating with suppliers around a clear set of goals and using data to drive priorities and decisions both enhances the planning process and inspires customers to the desired behaviors. Collaboration is key when implementing a holistic, data-driven approach—sharing historical data with like-minded brands to accurately forecast future promotions. This collaboration—not just with data divisions but with supply chain personnel as well—significantly enhances the planning process.

Efficiency Drives Value: Reinventing Promotional Practices for Success in a Volatile Retail Market

In the dynamic world of retail today, maintaining competitiveness requires organizations to prioritize efficiency. To achieve this, it becomes crucial to streamline the entire process, encompassing idea generation, offers, planning, store allocation, design, development, distribution, and execution tracking. Nevertheless, the challenge often lies in the gap between planning and execution, which frequently arises due to fragmented communication across various areas. It is essential for insights to flow seamlessly throughout the entire value chain, involving retailers, suppliers, and vendors alike. All parties involved in planning, design, development, printing, and distribution of promotions must be well-coordinated and working off the same information, insights and statuses. By fostering transparency in these processes, it becomes possible to make necessary adjustments and seize opportunities for continuous improvement.

Leveraging technology such as mobile apps can enhance execution tracking and facilitate task management. Sending tasks directly to team members via mobile apps provides advantages in managing directions and distributing assignments efficiently. In cases where mobile devices are not available in-store, printing relevant directions based on delivered materials and specific fixture allocations for each location can still bring efficiencies.

Ideally, team members will provide feedback through the app or checklists to confirm execution. However, considering resource limitations, adding additional responsibilities may not always be feasible. In such cases, verification can be ascertained using POS data. Analytics engines can confirm compliance at the store level by checking promotional facts such as promoted prices and employ ML and AI to extend compliance assessment further. By comparing sales to granular forecasts with a high degree of certainty, it becomes possible to identify issues ranging from the presence of tags, signage, and displays to on-shelf availability problems based on sales data.

By combining these approaches and ensuring effective communication, organizations can streamline the entire process, reduce time, cost, and waste, and enhance agility in promotional planning to stay competitive in the retail industry.

Tailor Your Data to Know Your Strengths and Weaknesses

Combining approaches is not an instant fix-all. The new analytics infrastructure must be carefully tailored to an organization's unique needs and goals. Putting in place centralized solutions often requires significant software implementation and a massive change management initiative, which can be resource-intensive and unrealistic near-term. Alternatively, taking a piecemeal approach involves understanding and improving various aspects of an organization's infrastructure incrementally to reap benefits. While it may seem counterintuitive to improve processes out of sequence, it's a practical approach that considers an organization's readiness, available resources, and specific requirements.

Enhanced data analytics capabilities streamline the offer submission and deal processes, which have become an ongoing series of time-consuming and frustrating reviews. Many organizations are reluctant to digitize this process out of fear that without reviews and human-to-human negotiations they will lose control of the process and advantage. However, this fear is increasingly unsubstantiated, as programs that facilitate workflows incorporating data and model driven feedback enable better decisions and focus time on what matters. Digitization greatly simplifies capturing key details, enabling reviews, and transferring approved offers to downstream systems.

The science exists today for companies with the data to feed these models to benefit from it. With historical data on prior plans, sales, and product distribution, promotional responses can be analyzed and improved, creating a clear picture of performance beyond incrementality. Answering key questions regarding what drove an uplift and how it impacted other brands is critical—but getting to the core of profitability is more difficult.

Volume-based analysis can hide cannibalization rates—the impact of a discount discouraging buyers from buying product B at full price may outweigh the positive impact of increased sales volumes of product A at a discount. The analysis must be advanced enough to weigh transaction size against basket size to determine the effectiveness of a promotion. Measurements must not be isolated to a specific promotional product—a promotion creates ripples throughout a store's entire ecosystem. Comparing against overall category and department goals is critical in guiding where to continue investing, versus where better promotional events are needed.

Measuring what matters, including accurately tracking promotional compliance and assessing impact on customers, sales, and brands will help future planning and reduce uncertainties regarding future plan execution and success rates.



Going From Historical to Predictive Is a Collaborative Process

The communication process between category managers, buyers, and merchandising teams is often not standardized—resulting in valuable promotional information being lost in translation. Category managers, buyers, and merchandising teams working with their counterparts at suppliers are running continual marathons throughout the year. Communication pathways are inefficient at best, and at worst, highly manual and variable from team to team and supplier to supplier.

Simply transforming all of the data into the right format is a challenge, and one where many companies fail regularly, causing critical technology issues as plans fail to load to operational systems. From homegrown systems to vendor-provided software, digitization is still evolving to capture the key details, enable reviews, and transfer approved offers to downstream systems. Digitization is one step in the journey, and a very positive one: however, evaluation is often overlooked, and still leaves much to be improved upon.

Evolving the modelled metrics from historical analysis to descriptive and predictive is an absolute necessity. Successful organizations don't merely use data for historical analysis, they model their metrics to be predictive. Applying consistent science upstream during planning enables proactive minimization of bad promotions and a collaborative opportunity to get to the right offer from suppliers, supported by display and advertising from the retailer to ensure success and drive intended customer response. A data-driven approach can simulate a potential promotion to predetermine its effectiveness—so, rather than simply deeming a past promotion unprofitable, it prevents it from happening in the first place. This simulation also facilitates and expedites collaboration with suppliers—using the simulation as a vote of confidence towards a potential partnership. Using the science to plan together represents a significant opportunity to turn the tide, de-risking change and moving away from minor adjustments where significant change is required.



Promotional Materials Targeted to Specific Locations Multiplies Efficiency

Retailers and Consumer Brands should focus on improving the process of generating in-store promotions in a more cost-effective way. There are countless merchandising assets that need to be designed, produced, distributed, and set up in the store. Inefficiencies occurring during this phase are legendary, ranging from lack of store fixture inventories to manually tracked design, development, and distribution. Companies need to enhance collaboration among team members, partners, and vendors to speed up the design, development and distribution elements, tailoring to individual locations and reducing physical waste.

Modern promotions management software means, for example, that stores will no longer receive directions to setup more displays than they have space for or be directed to advertise products not in their inventory. This inefficiency is eliminated by predictive data, streamlined communications, and excellent execution. Digitizing this workflow does not mean taking away the preferred tools from an organization's creative team, but rather puts the review, collaboration, and asset management processes into a centralized workflow system. Doing so also enables a higher level of efficiency in future design and development projects. And when jobs no longer need to be rushed without reviews or quality assurance steps, there's less likelihood of negative impact to budgets. As an added bonus, sustainable business practices also play a powerful role in customer retention and brand loyalty.

A Successful Promotion Depends on Flawless Execution, No Matter How Well It's Planned

Do managers truly know what's in their stores today -- not the merchandise itself, but rather the fixtures and spaces where their teams can unleash their creativity—where they can strategically place signage, set up captivating displays, and effectively communicate vital messages to the customer? The following happens all too often: store teams are in a retail location where they are instructed to set up more displays than there's room for, or they're given signs to place in areas that simply don't exist, promoting products that aren't even part of the assortment. This frequently occurring scenario leaves store teams in the awkward position of having to prioritize promotions hastily, often with little opportunity to communicate the challenges they face, as stores are usually reset late in the day or overnight. What inevitably ensues is massive waste, when materials that have provided no value must then be sent to the landfill or be recycled.

Building an inventory of store fixtures for marketing purposes might not initially appear to be the most important challenge, but the resulting productivity gains and savings can be truly substantial. 1010data and its partners have documented remarkable cost savings for companies that optimize their operations based on these inventories. By delivering the right offer in the right place, with the right assets, it's possible to dramatically reduce costs and eliminate confusion for store teams who often work with limited staff and are seriously time constrained.

Regardless of how impeccably a promotion is planned, its ultimate success hinges upon flawless execution. Adopting a data-driven approach ensures that the back end operates harmoniously with the front end. It guarantees that each store receives the appropriate number of promotional items, strategically displays the promotional material, and optimizes every aspect to maximize customer interaction with the promotion—sale tags are meticulously attached, the correct items and quantities are featured on the endcap. And in the event of surplus promotional items, they are managed in a cost-efficient and sustainable manner, further minimizing waste and its environmental impact.

Effective Planning Unleashes the Power of Brilliant Execution

The seamless progression of a well-executed promotion involves synchronizing all aspects, from initial ideas and offers through planning, store allocation, design, development, distribution, and finally execution tracking. Many organizations overlook in-store promotions once the design phase is complete, but by expanding the workflow to involve print partners, production tracking becomes possible. It is also advisable to extend this approach to monitor the shipment of assets to stores. Introducing transparency affords more opportunities for course correction and continuous improvement. By confirming that print vendors have delivered to the correct stores, the next opportunity for continuous improvement shifts to in-store execution.

Directly sending tasks to team members via mobile apps offers a clear advantage, as it allows for easy management of directions and efficient distribution of assignments. In cases where mobile devices are not yet accessible in-store, printing relevant directions based on delivered materials and specific fixture allocations for each location still increases efficiency. Ideally, team members would provide feedback through the app or checklists to ensure proper execution.

Where it is not feasible to confirm execution via first-party reference, verification can still be ascertained using POS data. For example, 1010data uses its analytics engine to confirm compliance at the store level, checking promotional facts such as promoted price, and can extend further compliance with machine learning (ML) and artificial intelligence (AI). Comparing sales to granular forecasts with a high degree of certainty, it can be determined whether there are issues ranging from presence of tags, signage, and displays to on-shelf availability issues based upon sales velocity.

The key goal is that, once issues have been pinpointed, it's possible to issue instructions directly, to course correct and gain the intended value while the promotion is still going on. Further, this data gets preserved for analysis and continuous improvement as well as adjusting forecasts. The primary goal is to ensure that in the complex and dynamic store environment, teams are able to execute at an optimal level, having received the correct materials, instructions, and feedback to capture opportunities and avoid waste.

Innovate and Operate at the Next Level, Tailored to Each Customer

There is a promising future for optimizing in-store promotions if organizations can adopt a new approach to their planning processes. Adopting the strategies mentioned above can significantly enhance efficiency, allowing critical time to be devoted to improving execution to better meet objectives and captivate customers.

However, other traps lurk, for example trying to serve all customers equally, regardless of their shopping habits; or using newly freed-up resources by increasing promotions volume; or not keeping a close eye on vendors' creative license driven by billing hours. Neither is the advantage gained a once-and-done. It's necessary to invest newfound time and resources into understanding customer response and the distribution of promotions. Consider who is not being enticed or inspired due to their shopping habits and needs.

Also, it's impossible to reach everyone with a one-size-fits-all approach. Personalization presents a cost-effective and highly productive means of engaging customers, especially when delivered digitally. This allows for workflow management, eliminating print processes and focusing on electronic distribution. The same infrastructure that enhances promotional effectiveness can be extended to streamline the development of personalized offers, making a significant difference in targeting customers.

Our primary recommendation is to evaluate your current state and develop a phased approach. By leveraging modern data analytics practices, organizations can break away from the culture of incremental improvements on poorly performing promotion and strive for a complete overhaul of inefficient processes rather than settling for minor gains.

Lack of data or process complexity should not be a reason to delay progress. While personalization alone will not solve all promotional challenges and may add complexity for your already stretched team, using fresh data as a focal point is an excellent starting position. However, if data is lacking, concentrate on refining the process to reclaim valuable time.

Wherever feasible, pursue digitization to capture the necessary data for improved workflows and future data-driven processes. Gaining a deep understanding of your stores will naturally eliminate waste. Providing clear and unambiguous directions to support your operators, along with effective monitoring, will enable continuous course correction and boost revenue capture.

The path to effective promotion planning can begin from many starting points. By combining advanced analytics with great retail execution, organizations can plan and execute promotions that are sustainable, efficient, and profitable. This benefits not only the bottom line but also shareholders, retail employees, and customers. Assessing your organization's current position, setting realistic goals, and establishing milestones will allow for progress toward inspiring customers, driving loyalty, and ensuring a greater return on investment to support strategic growth.

1010data provides decision science and data management solutions that empower companies to identify the insights needed to make timely and accurate business decisions. For over 20 years, we've helped retailers and brands build for the future by deepening their consumer and market insights. Experience how you can "see what you need" in your sales and operational performance to optimize for today, while being responsive for tomorrow.

To learn more, visit 1010data.com.