

TOPshopper White paper

TOPshopper PROMOTION MANAGEMENT



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The objective of trade promotion is to sell more products to customers. The age old question is which customers? The retail account or their customer, the consumer? It turns out that neither the account or the consumer is the right answer. So what is? The shopper! Introducing TOPshopper Promotion Management – the first promotion management system that puts the shopper first, so that manufacturers and retailers don't come in last.





PROBLEM STATEMENT

Traditional trade promotion management is most often the second largest expenditure after cost of goods within a manufacturer's budget. Overall, it represents approximately 70% of the marketing budget and 17% of gross revenue. And yet, an overwhelming majority of manufacturers state that trade promotion is largely inefficient and ineffective to the point where it generates a negative ROI.

Simply stated, the traditional model for developing trade promotion budgets, allocations, and programs are not working.

At the center of the conflict is a classic struggle of buyer versus supplier power. Power, in this case, is a function of scale and market share owned by the manufacturer or the retailer.

The traditional process pits the manufacturer against the retailer, both working against a different set of objectives. The manufacturer's objectives include fighting private label, enhancing brand exposure, building brand equity, incenting price sensitive shoppers, moving excess inventory, and countering competition. Alternatively,

the retailer's objectives are to build store traffic, improve category sales, improve retail margins, minimize risk, and optimize ROI.

At the center of the conflict is a classic struggle of buyer versus supplier power. Power, in this case, is a function of scale and market share owned by the manufacturer or the retailer. This power is wielded at the point of trade promotion negotiation. Usually, the manufacturer is left to decide the overall budget while the retailer has more decision-making ability over allocations.

In general, the manufacturer seeks to allocate funds to pay-for-performance programs that are based on consumer takeaway in the store, such as scan-backs, bill-backs, and temporary price reductions. Retailers, on the other hand, push for ultimate flexibility via off-invoice allocations which could lead to diverting or forward buying.

Another issue regarding trade promotion management is the competing priorities and conflicting objectives of departments within the manufacturer. Brand marketing, consumer promotion, research, trade marketing, customer marketing, category management, agencies, and sales often are rewarded based on different performance criteria. This misalignment often creates a lack of



collaboration, ultimately not benefitting the manufacturer, the retailer, or the consumer.

A look over the past twenty years shows that the overall split between consumer promotion, trade promotion, and advertising has not changed dramatically. However, manufacturer intelligence via category management in the 1990s shifted allocations dramatically from off-invoice to pay-for-performance programs.

Recently, however, the pendulum has begun to shift back toward off-invoice funding as retail consolidation and in-housing of category management, combined with the growth of private label swings the power back to the retailer.

Some common manufacturer methods of combating trade promotion budget escalation include increasing budgets, pairing up brands, requiring marketing integration, and involving executive management in the development and negotiations. But even with the majority of top executives involved, most manufacturers remain skeptical that they are optimizing their return on marketing investment (ROMI).

PREVIOUS OPTIONS

Over the years manufacturers have reorganized and realigned to find the best structure to service retail accounts including: channel strategies by Food, Drug, Mass and Club; trade strategies to optimize hi/lo and EDLP; regional strategies to shift brand or category development indices; trade promotions strategy to leverage retail data; category management strategies to become category captain and the trusted advisor to the retail; customer marketing to better meet account needs, and more.

While each of these strategies has moved the manufacturer and retailer closer together towards a better solution, none of them focus on the most important thing: the shopper.

TopRight Solution

TOPshopper Promotion Management™ offers the manufacturer and the retailer a place to come together on common ground: the shopper experience.



Until recently, shopper segmentation and behaviors have been largely ignored by manufacturers. However, progressive retailers have been aggressively pursuing this avenue for years. When manufacturers and retailers come together to understand what makes shoppers TOPshoppers, driving equity and value to both, trade promotion management will become more efficient and effective.

THE TOPshopper

Not all shoppers are created equal. That's why it's important to find out who your TOPshoppers are and move them to the TopRight. In order to do this, manufacturers must think, feel, and act like a TOPshopper.



Think Like a TOPshopper:

When a TOPshopper shops, what are their expectations? How is running into a convenience store different than discovering what is available at a club store? What pricing is expected at mass versus food?

Feel Like a TOPshopper:

What is the experience the TOPshopper has when exploring the shelves of a drug store? How does the environment help them choose brands? Do service levels affect pricing expectations?

Act Like a TOPshopper:

How do TOPshoppers shop for items? By channel? By category? By need state? By usage occasion? By aisle? What impact do features, displays and in-store media have on the purchase decision?

In summary, when it comes to brands and retailers, shoppers have a wide variety from which to choose. Factors influencing the choice include convenience, time, finance, service, assortment, and price.

Manufacturers and retailers need to begin to work together in answering these types of questions and segment consumers based on shopper characteristics and consumption characteristics.

IMPLEMENTATION

TopRight provides a four step process that helps to identify the opportunity, develop the offer, go-to-market, and measure the results. Our approach involves all key stakeholders and alternates between taking the lead, advising company executives and service providers, and supporting your efforts.



SUMMARY

TOPshopper Promotion Management™ is the first comprehensive consulting program to help manufacturers and retailers leverage shopper marketing for optimal return on marketing investment (ROMI).

Our management and marketing consultants have a mix of industry knowledge from both the manufacturer and retail side. Are you TopRight and ready to Corner the Market?



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A visionary marketing thought leader with over 20 years of marketing and general management experience, Dave Sutton has worked with some of the world's biggest and best brands. With client experience in retail, consumer package goods, and food and beverage industries, Mr. Sutton has been instrumental in driving brand innovation and marketing performance, developing more effective brand and marketing organizations, and creating powerful global brand portfolios. Mr. Sutton has also been CEO of a publicly-traded international company and he is the former CEO of the renowned Zyman Group where he established himself as a pioneer in the field of Enterprise Marketing Management working along side one of the world's pre-eminent marketing practitioners, Sergio Zyman, the former Chief Marketing Officer of The Coca-Cola Company.

Mr. Sutton is the author of *Enterprise Marketing Management: The New Science of Marketing* – the ground-breaking book considered to be the definitive statement of a new business discipline designed to create sustained, profitable, organic growth.

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Bob Davis specializes in growth strategy development, sales & marketing, and operational improvement. Mr. Davis has over 20 years of consulting experience, including 7 years in the Chicago, Tokyo, and Atlanta offices of McKinsey and Company. While Mr. Davis was in the Atlanta office of McKinsey, he was a leader in McKinsey's North American Marketing Practice. Mr. Davis has led consulting engagements for over 50 clients including Chick-fil-A, The Coca-Cola Company, Havertys, InterContinental Hotels Group, GAP, United Airlines, Kaiser Permanente, and First Chicago.

Mr. Davis has significant experience growing revenues for clients using his expertise in business development, customer segmentation, value proposition design, new product development, pricing, marketing capability building, and sales force effectiveness. He also has experience in operational improvement, mergers and acquisitions and organizational redesign.