

Achieving Mutual Growth through Data Centered Collaboration





How Pricing and Promotions are Affecting the Global Market Place. Is Personalization the Answer?



Transformative solutions,
powered by insights.

Promotion Optimization Institute • Fall Summit 2016 • Dallas, TX

Achieving Mutual Growth through
Data Centered Collaboration



POI

Today's Presenter/Moderator and Panel



Graeme McVie
VP & GM
Precima



Ken Kaufmann
Executive Lead, CRM
Precima



Tim Barnes
Fmr Director, Net Revenue
Management, Unilever



Today's discussion topics

01

Shopper Perspective

Is personalization even important to shoppers?

02

Panel Discussion

What's happening with personalization in CPG and Retail?

03

Looking Forward

What does the future look like?

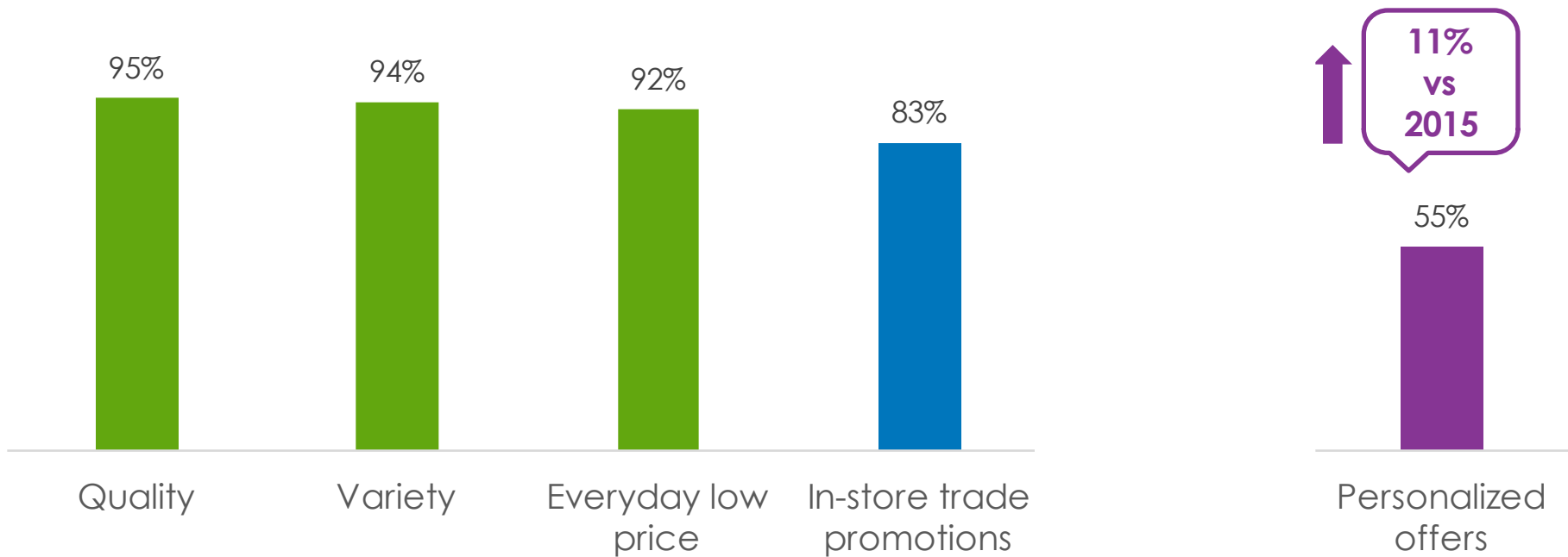
A photograph of a smiling woman in a grocery store, holding a shopping basket. The image is overlaid with a semi-transparent green filter. The text is centered on the image.

01

Shopper Perspective: Is personalization even important to shoppers?

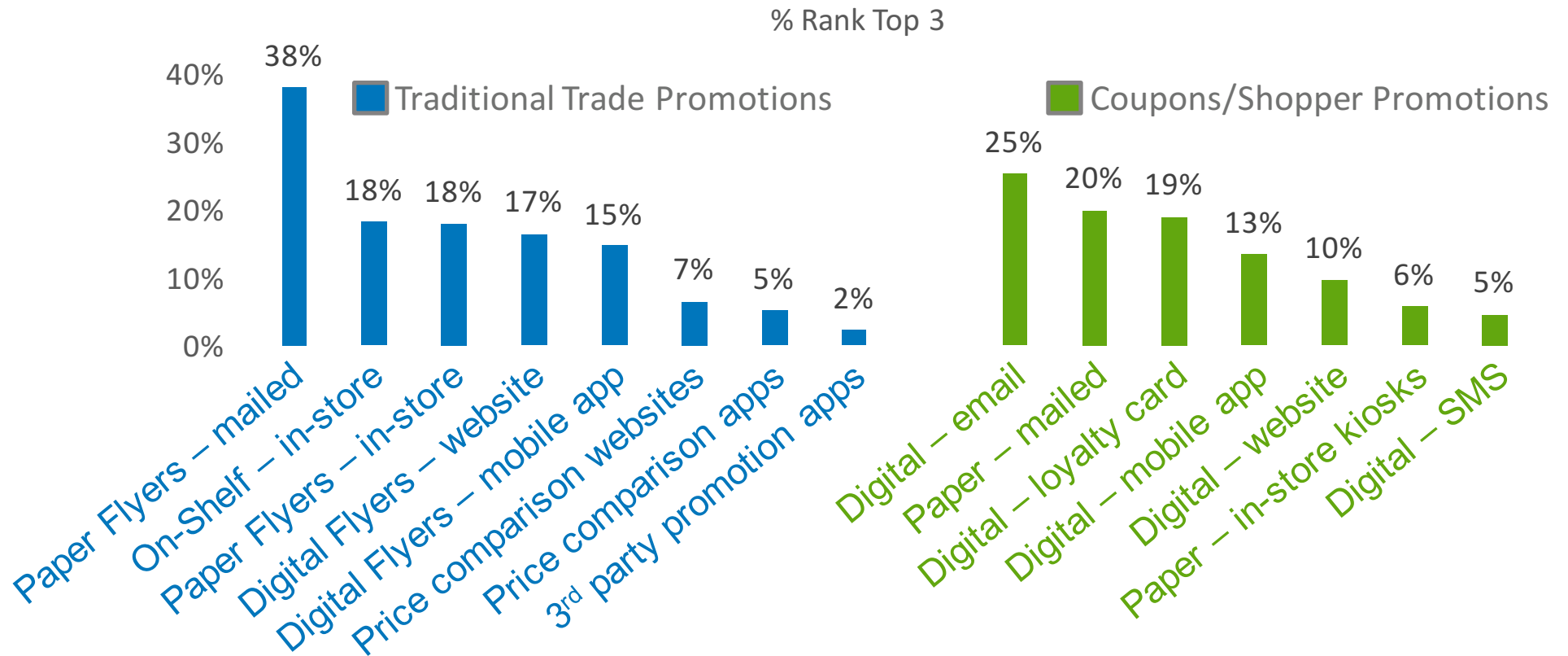


Trade promotions are a top 4 factor when choosing where to shop; personalized offers are lower but growing



Importance of **traditional trade promotions**, **personalized promotions**, and other factors

Shoppers like mailed paper flyers but emailed customer promotions are popular



Source: Precima Grocery Promotional Research Study 2016

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What types of shoppers have found traditional trade promotions to be important?



Older Generations

Boomers and older customers are more reliant on flyers and in-store promotions than younger generations



Less Loyal

More likely to shop at multiple grocery stores



Spend Less

Are significantly more likely to spend less than 40% of their weekly grocery budget at their primary store



There's a significant generational gap when it comes to relevance of traditional flyers



+75%

75% of Boomers find traditional flyers to be relevant



+50%

50% of Millennials don't find traditional flyers to be relevant anymore



What types of shoppers have found personalized promotions to be important?



Younger Generations ...who are... Tech Enabled ...and who... Spend More

Millennials and Gen X like personalized promotions and expect retailers to become more personalized in the future



More likely to like offers through mobile app or SMS and like to pay via mobile

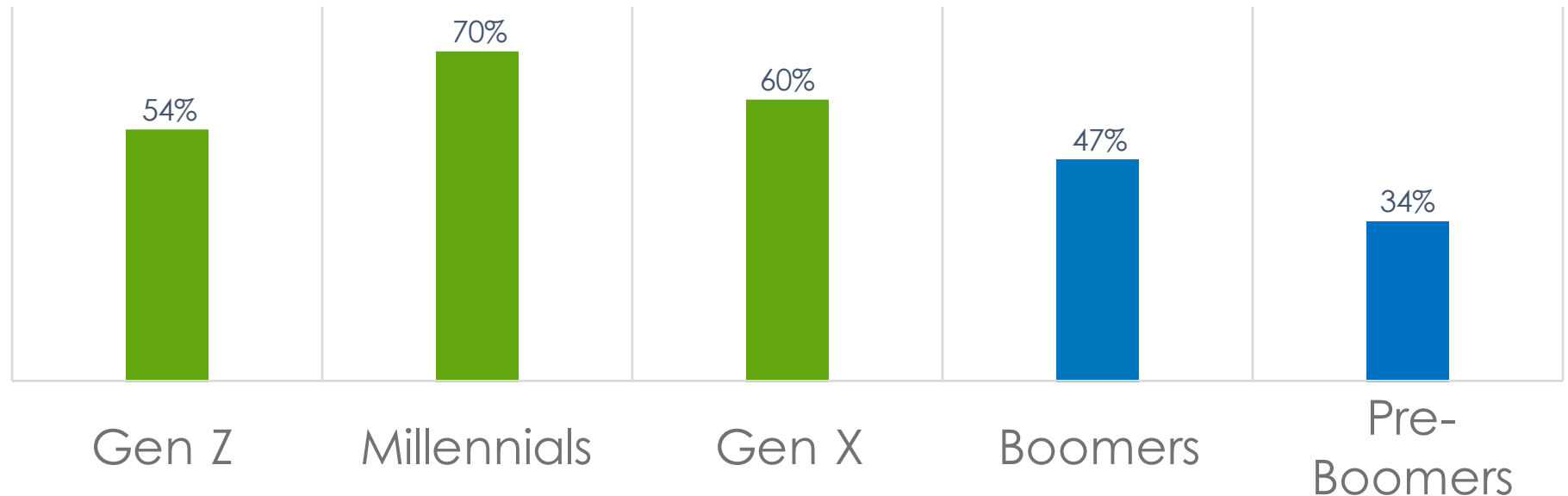


Are significantly more likely to spend more than 40% of their weekly grocery budget at their primary store



Millennial generation rate personalized offers as more important than other generations

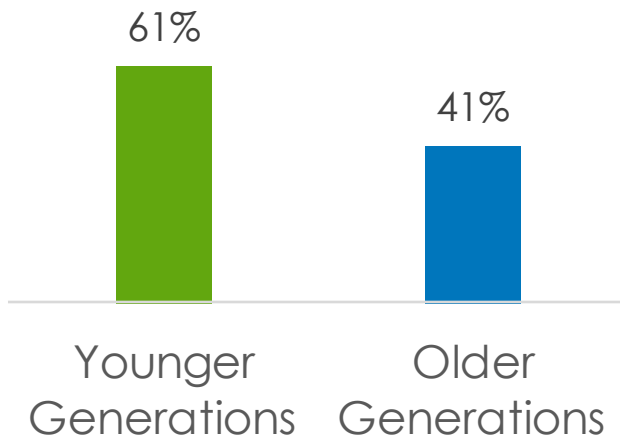
Importance of Personalized Offers by Generation



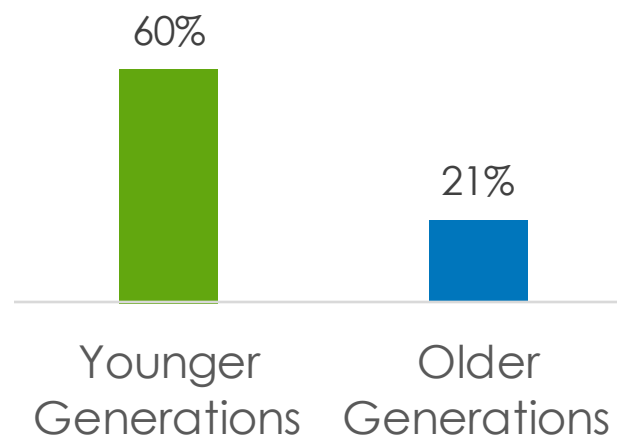


Technology is enabling further evolution in grocery with more generational differences

Mobile and email offers more relevant than flyers



Want personalized offers through their mobile device



Mobile shoppers spend >\$550/month

Shopper incomes of <\$34,999 least likely to value mobile offers



Retailers believe they're being shopper-centric, but half of shoppers aren't feeling it

- Executive management has strong commitment to shopper-centricity
- We consistently deliver personalized marketing communications
- We leverage shopper insights to develop strategies and plans



- They don't ask for my feedback after I shop
- The personal data they collect does not benefit me
- They don't send me attractive offers based on my shopping





Personalization: Buzzword or key to success

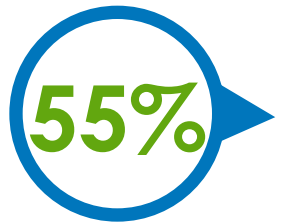
Traditional trade promotions are still the number one most important promotion factor when choosing a store



80%

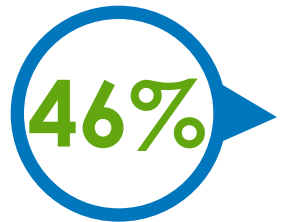
of grocery shoppers still place importance in traditional trade promotions

Shoppers see personalization as the future



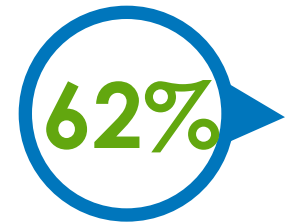
55%

Say personalized offers are important



46%

Prefer personalized promotions



62%

Expecting more personalized offers to be sent

A woman and a man are standing in a grocery store aisle, looking at a tablet together. The woman is in the foreground, smiling slightly, and the man is behind her, looking at the screen. The background shows shelves stocked with various products. The entire image has a green overlay.

02

**Panel Discussion:
What's happening with
personalization in CPG & Retail?**



Trade promo performance can disappoint; personalized offers deliver positive ROI



20% - 50% of trade promotions
generate no noticeable lift in sales



20% to 30% dilute margins



5-8 X ROI with personalization

**Trade Promotions
Budget:**
12%-18% of CPG
Revenue

**Consumer/Shopper
Promotions Budget:**
2%-4% of CPG Revenue



03

Looking Forward: What does the future look like?



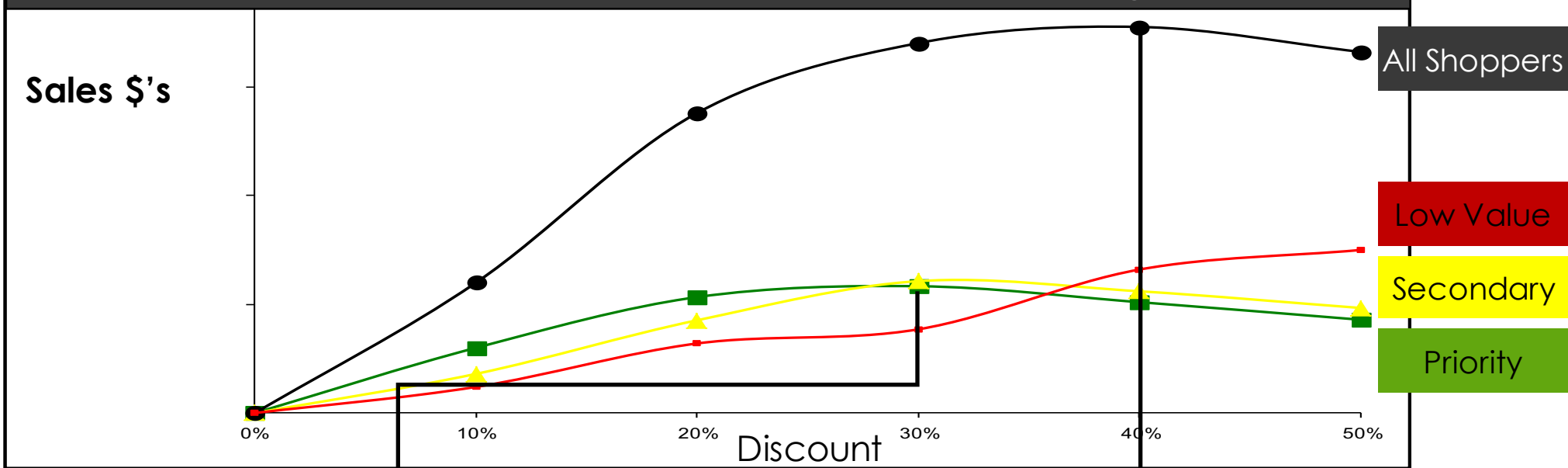
Promotions can be more shopper-centric; Design promotions for loyal shoppers





Discounts should be designed for loyal shoppers to encourage right behavior

Sales \$'s at Different Discount Depths Overall and by Segment



At 30%: priority shopper revenue starts decreasing;
low value shopper revenue increases

At 40%: overall revenue begins to decrease



Shopper-centric pricing is possible; Invest where it matters most to loyal shoppers

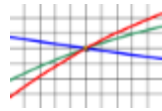
ITEM A

Price change: -10%

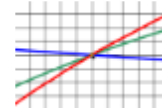
ITEM B

Price change: -10%

All

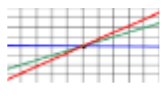


Volume change: +12%

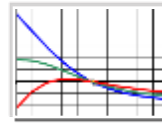


Volume change: +10%

1st

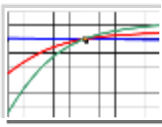


Volume change: 0%

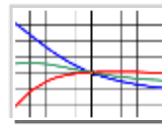


Volume change: +12%

2nd

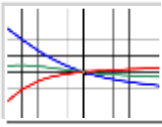


Volume change: +3%

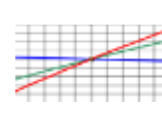


Volume change: +8%

3rd



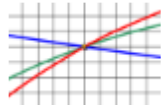
Volume change: +20%



Volume change: +2%

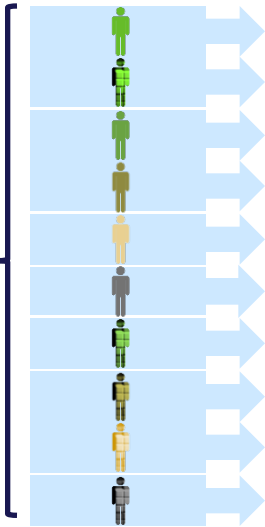
Personalized pricing is possible; Deliver personalized prices to most loyal shoppers

90% of Shoppers



Price	Volume	Sales	GP\$'s	Delivery
\$1.99	+2.2%	+2.3%	+1.4%	Shelf

10% of Shoppers



Price	Current Value	Potential Value	Intent	Delivery
\$1.89	high	low	Defend & retain	email
\$1.85	high	med	Retain & grow	app
\$1.95	med	high	Grow	paper
\$1.80	high	low	Defend & retain	email
\$1.75	high	low	Defend & retain	email
\$1.80	high	med	Retain & grow	app
\$1.65	med	high	Grow	email
\$1.69	high	low	Defend & retain	app
\$1.79	med	high	Grow	paper
\$1.89	high	low	Defend & retain	app

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Offer optimization delivers 100% personalized prices/offers



Offer & Personalized Prices Bank

Content & Channel Bank

100% PERSONALIZED

\$50 when you spend more than \$100

Email

Paper

Web





Personalization should be leveraged broadly to maximize value



Loyalty Programs



Shopper Marketing



Merchandising



Supplier Collaboration

ROI

1-1.5X

2-3X

4-6X

5-8X



Goals can be achieved with personalization but approach needs to be measured

A

Promotions

Design trade promotions for loyal shoppers
Right size promotional intensity (depth/frequency)

B

Pricing

Invest in low shelf prices where it matters most to
loyal shoppers
Identify where personalized prices make sense

C

Personalization

Deliver personalized prices and personalized
shopper promotions to key shoppers

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Q&A

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Coming up

- Precima Sponsored White Paper with POI, January, 2017
- *Personalized Offers: The Cure for Tired, Ineffective Trade Promotions*
- NRF's Big Show: January 15-17, 2017, New York, NY
- FMI Midwinter: January 28-31, 2017, Scottsdale, AZ

For more information, visit www.precima.com

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Thank you for attending

Graeme McVie

VP & GM of Business Development
Precima

gmcvie@precima.com

(301) 652-0694

@GraemeMcVie

@Precima

Ken Kaufmann

Executive Lead, CRM
Precima

kkaufmann@precima.com

(240) 506-8516

@Ken_Kaufmann

@Precima



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