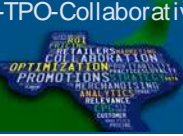


Collaborative Promotion Optimization & Continuous Improvement Summit

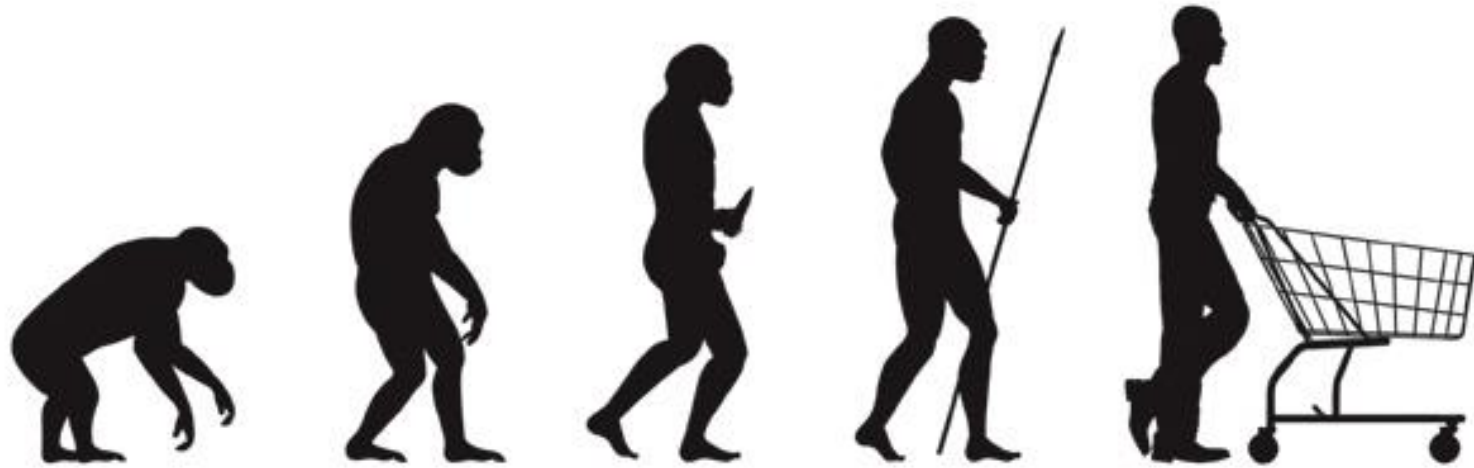


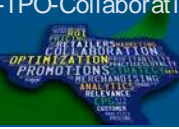
TPM-TPO-
Collaborative
Marketing
is BIGGER
in Dallas!

Separating the Myth's from the Realities of Retailer/Manufacturer Collaboration



History of Retailing





History of Retailing

The Early Years - 1970's

1800's

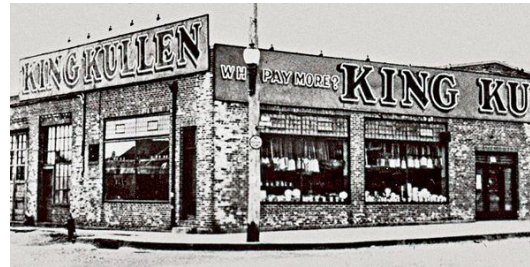
1930 - 1950

1950 - 1970



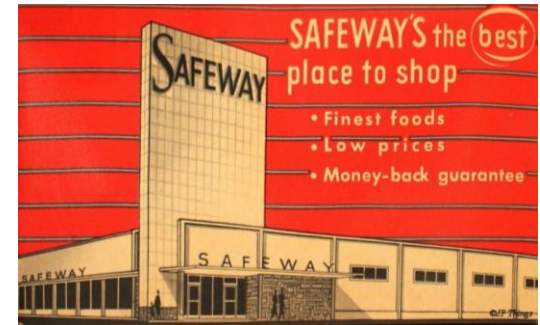
1859

A&P opens its first store. Prior to this date, retailers were independent entity's specializing in specific commodities. A&P, often considered the first grocery chain, began to change that by offering a wide variety of products, standardizing store selection and layout and creating it's own infrastructure to deliver products to the stores.



1930

King Kullen opens for business focusing on low expenses and high volume. Often considered the first supermarket, they changed the retail mindset by offering low prices, no credit, no delivery, and heavily advertised national brands.



1950

The post WWII boom in the economy caused the rapid expansion and store proliferation. This boom was led by local and regional chains focused on building consumer loyalty. As we reach further into this period, the acquisition and merger of local chains begins.

1970 - 1980

1980 - 1990

1990 - Today

**1976**

The 1970's brought the first club store. Price Club, Costco, and Sam's entered the retail world setting the stage for growth and expansion of new, additional formats with retailers such as Aldi, Trader Joe's, Save-a-Lot and joining in on the expansion.

**1988**

Walmart successfully expands their presence in the grocery trade with their first Supercenter. Opening stores at a breakneck pace, they went from being a virtual non-player in the grocery trade to being a dominant force. Also during this time, technology helped drive expansion and growth. Rapid expansion of products required more sophisticated technology systems and logistics helping to drive a competitive advantage to the larger chain retailers.



This can be considered the era of mergers and technology. The widespread use of technology is continuing to change the face of retail. Peapod, Amazon and many other internet driven retailers continue to push this change. During this internet era, increased competition and economic pressure is helping to spur the merger and acquisition of chains to more effectively compete in this changing face of retail.



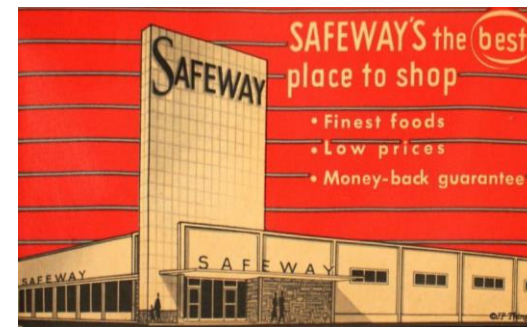
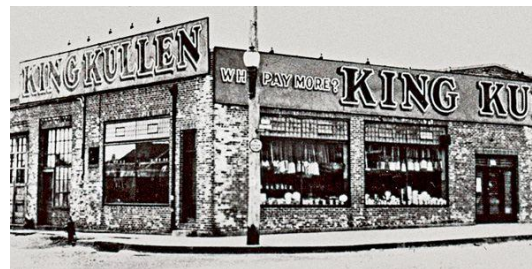
History of Retailing

The Early Years - 1970's

1800's

1930 - 1950

1950 - 1970



I Have Five Pound Sacks of Flour To Sell

I Have Five Pounds of Brand X Flour To Sell at a Low Price

I Have Five Pounds of Brand X Flour, Brand Y Flour and Brand Z Flour To Sell You at a Better Value Than Other Retailers

Retail Focus

Very little collaboration between retailer and manufacturer. Simple bid/buy negotiation.

The growth of national brands and price promotion forced some planning but during this era, it was primarily a bid/buy negotiation

Additional retail competition and brand competition helped to drive limited collaboration but overall, the relationships were adversarial and not focused on a win/win solution.

Collaboration



History of Retailing

The 1970's through Today

1970 - 1980

1980 - 1990

1990 - Today



I Have 25 Pounds of Brand X Flour To Sell You For an Low Price



I Have Five Pounds of Brand X Flour, Brand Y Flour and Brand Z Flour To Sell You at a Better Value Than Any Other Retailer



I Have Five Pounds of Brand X Flour, Brand Y Flour and Brand Z Flour and Other Varieties Including Organic, Non GMO, Etc. and Can Sell It To You at a Better Value and Maybe Even Deliver it

Retail Focus

Collaboration

New retail formats generated some collaborative planning. It is during the end of this era that some retailers and manufacturers began to see the value of a collaborative plan.

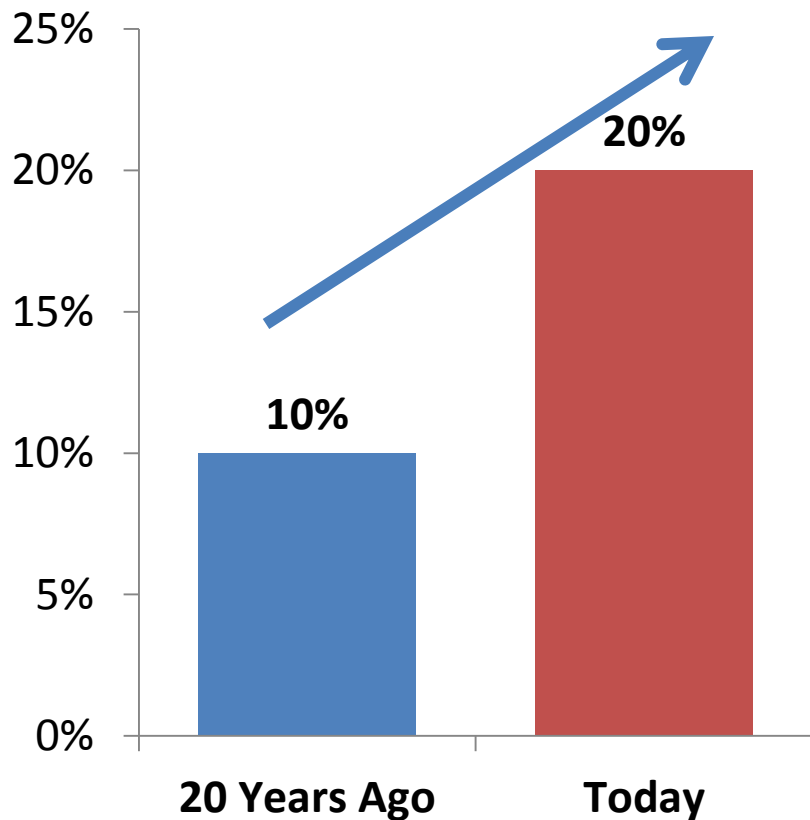
It is during the end of this era that that some retailers and manufacturers began to see the value of a collaborative plan in managing the business.

Collaboration moves into high gear during the early 1990's. Category Management is a major focus and as it is defined, requires the retailer and manufacturer to manage a specific category together to deliver improved results and additional consumer value.



Trade Spending Rate

Trade Promotion % of Sales



Over the last 20 years, trade spending has increased dramatically rising to more than 20% of annual sales

**Source: Strategy& Formerly Booz Allen Hamilton - Boosting the Bottom line Through improved Trade Promotion Effectiveness*

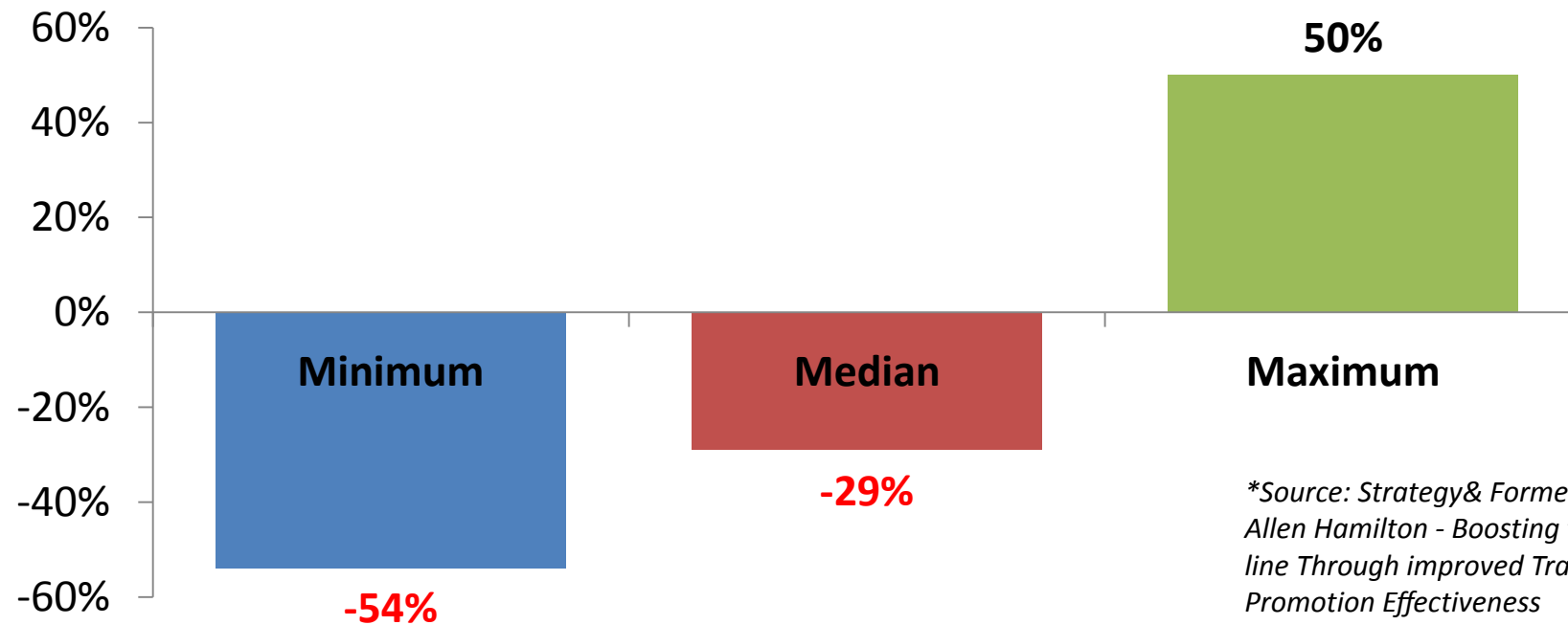


Trade Promotion

Effectiveness of the Investment

Most manufacturers lose nearly one third of the money they invest in promotions

Return on Trade Spend*



**Source: Strategy& Formerly Booz
Allen Hamilton - Boosting the Bottom
line Through improved Trade
Promotion Effectiveness*



Retailer Motivations

- Store and Category Execution
- Shoppers have become more demanding, selective and sophisticated.
- The game has changed – can no longer play by the old rules.
- Shared Insights and Strategies.
- Expectations and demands around supply chain efficiency, effectiveness, reliability and agility are intensifying daily.
- Lower inventory and safety stock levels.
- Improving on-shelf availability.
- Better understanding of the shopper journey.
- Improved promotional design, forecasting and execution.
- Better new product introductions.
- Improving the shopper/customer experience.
- Better Category Management.
- Improved planogram management.

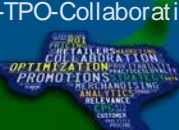
Retailer Focus = Stores and Categories



CPG Motivations

- Brand Execution
- Excess and incorrect inventory.
- Inefficient product development.
- Irrelevant assortment.
- Promotional and Marketing investment opportunities.
- Strategic business planning.
- Demand insights to drive jointly developed products or new product development.
- Optimized assortments.
- Lower inventory and safety stock levels.
- Sensing of product category changes.
- Better sales force targeting and campaign execution.
- Improving the shopper/customer experience.
- POS data sharing.

CPG Focus = Brands and Consumer



Retailer & CPG Desires

**What
Retailers
Want**



**What
Manufacturers
Want**



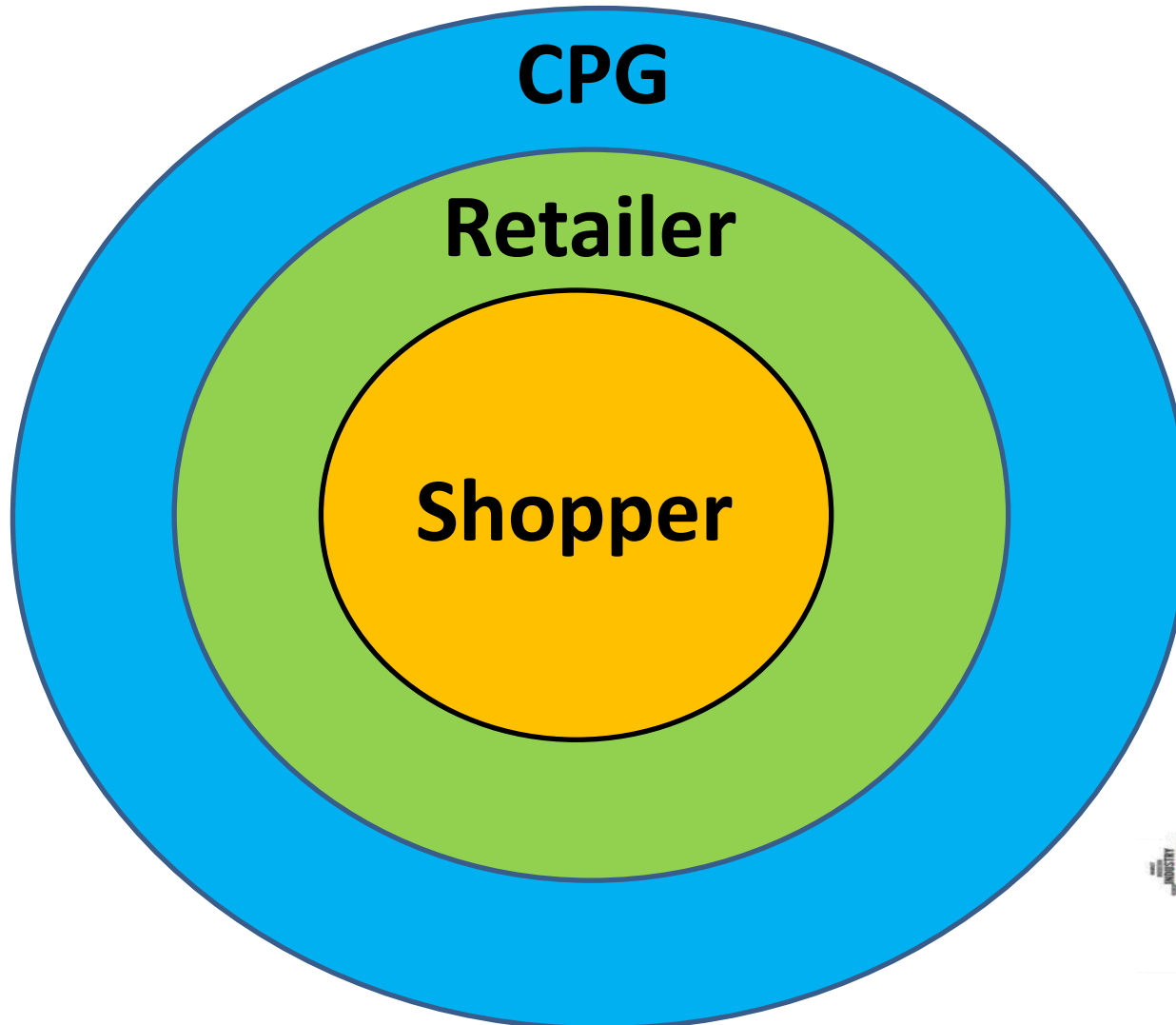


Shopper Motivations

- Hierarchy of needs
- Value
- Ease of shopping
- Low Price
- Frequent Sales and Promotions
- Food Quality
- Store atmosphere / offer
- Experience / service
- Unique assortments



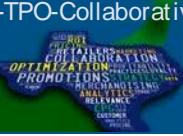
Shopper Centric Focus





Roadmap to Full Collaboration



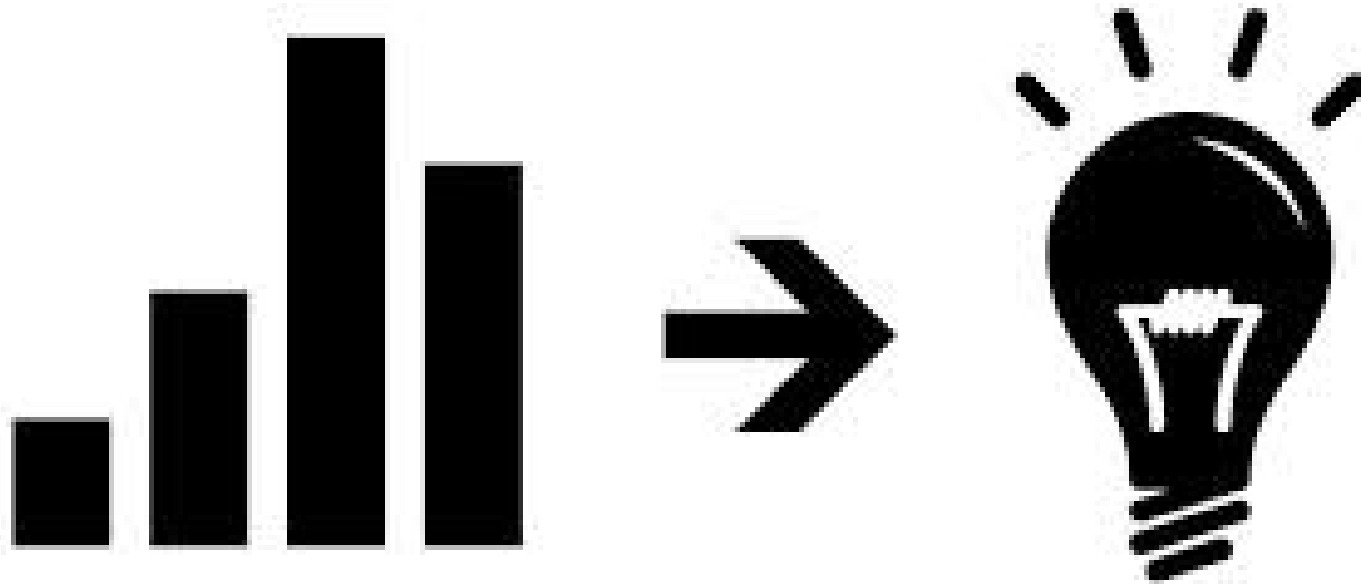


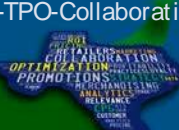
Communication





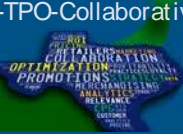
Insights





Strategy





Planning





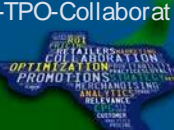
Measurement





Refinement





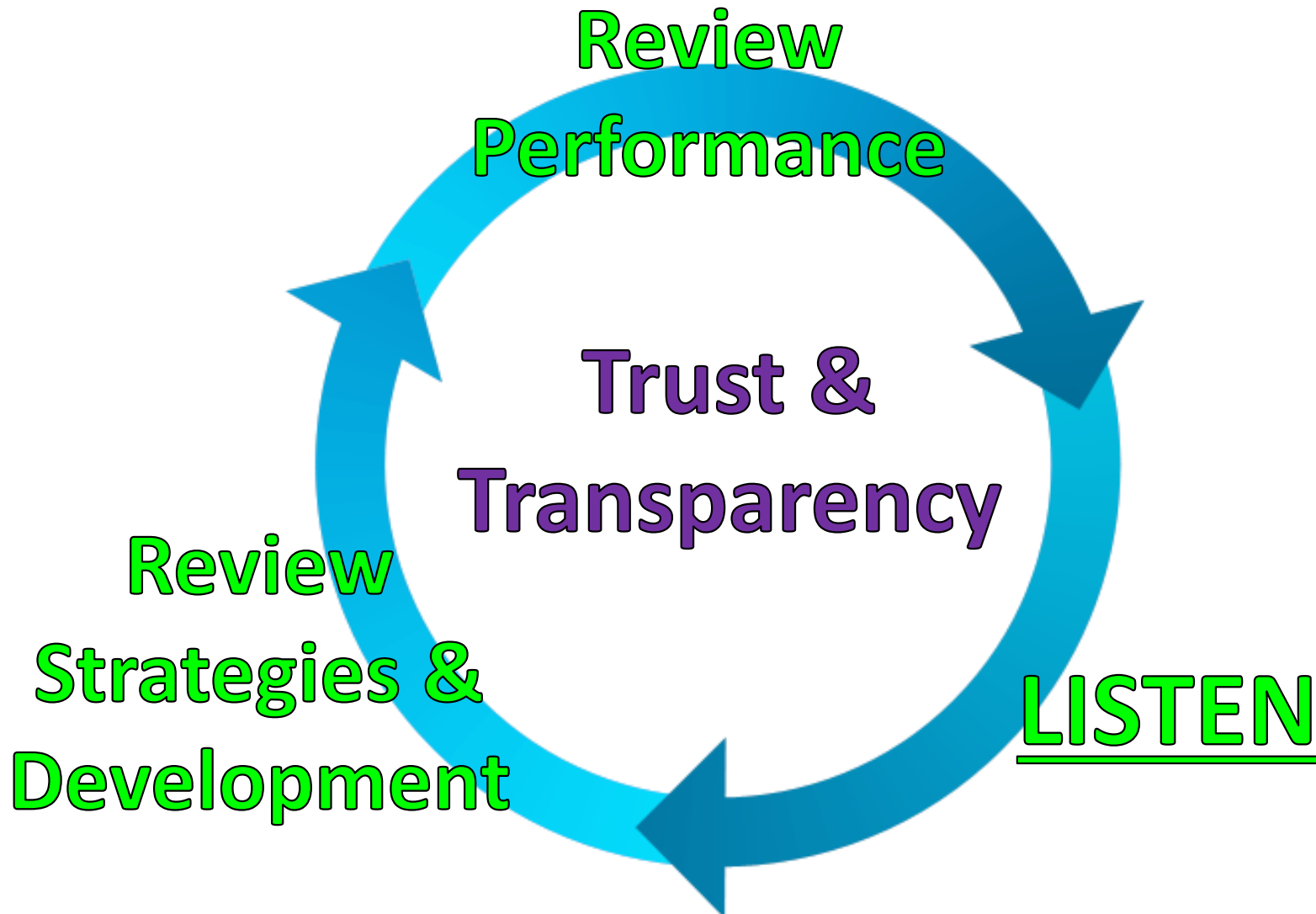
How do we connect at the right level?

- Collaborate in areas where you have a solid footing.
- Turn win-lose situations into win-win opportunities.
- Select the right partners (based on capability, strategic goals and value potential).
- Invest in the right infrastructure and **people**.
- Establish a joint performance-management system.
- Collaborate for the long term.





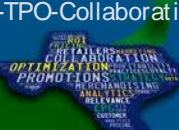
How do we connect at the right level?





Annual Business Plan





A Perspective...

- Not all retailers are good collaborators
- Sometimes the best CPG company to collaborate with is the second tier suppliers
- Not everyone understands what true collaboration really is.
- Retailer, CPG and Shopper Motivations must be considered.
- Don't under estimate the Roadmap to full collaboration.
- Connecting at the right level
- Annual Business Planning
- The partners who get it right... Win!

