

# Collaborative Marketing Driven by Advanced Analytics Summit

Ensuring Your Successful TPM-TPO  
Retail Execution Journey



## Consumer and Shopper Centric Revenue Growth Management Practices

# CONSUMER FOCUSED AND SHOPPER CENTRIC

## MANUFACTURERS



- **Consumers** are at the center of all decisions
- **Brands** must serve consumers by delivering superior performance

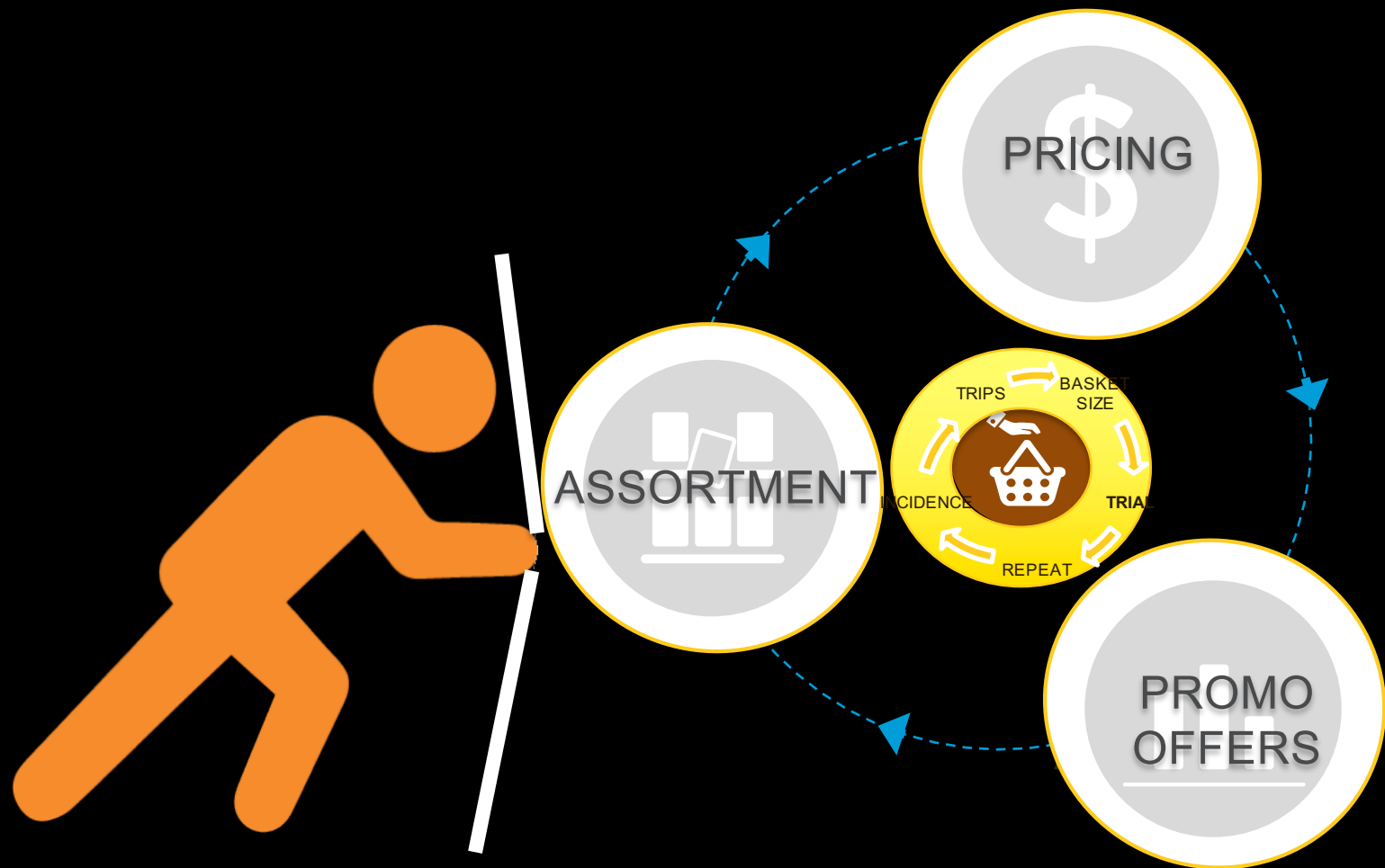
## RETAILERS



- **Shoppers** are at the center of all decisions
- **Store** experience must serve shoppers by meeting their shopping habits

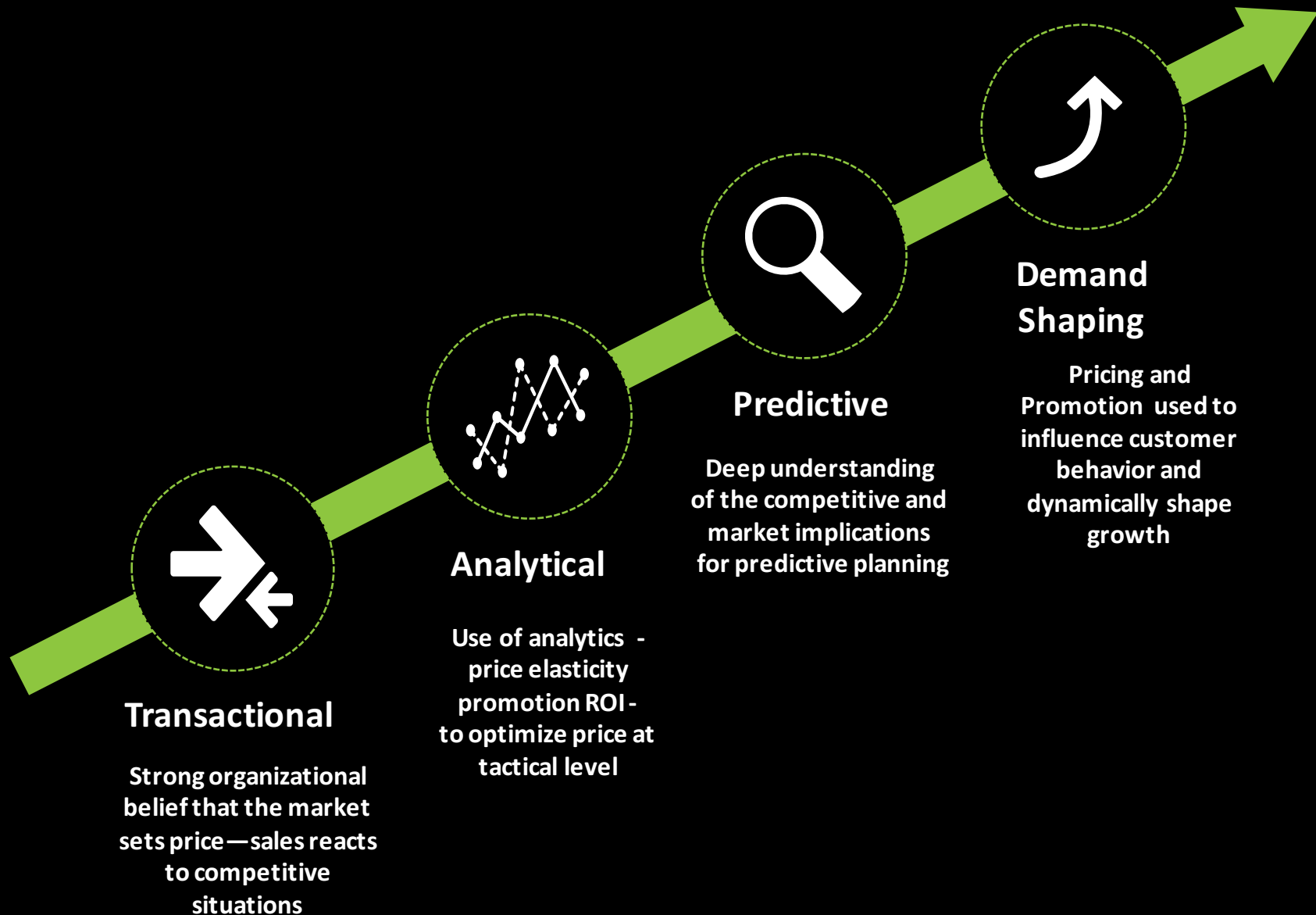
# REVENUE GROWTH MANAGEMENT MANDATE

DEVELOP UNTAPPED PROFIT POOLS TO REINVEST FOR GROWTH



*Revenue Management* → *Investment* → *Growth*

# ASSESSING CURRENT MATURITY STATE



# CONSUMER FOCUSED AND SHOPPER CENTRIC

## MANUFACTURERS



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## RETAILERS



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# TARGETING CONSUMER DEMAND FOR WHITE SPACE OPPORTUNITIES



## Expand

“Bring new shoppers into the store”



## Convert

“Drive purchase and increase the basket size of current shoppers”



## Profit

“Increase the overall profitability of the category”



Meet Current,  
Latent &  
Emerging  
Consumer  
Demand

+

Drive  
Retailer  
Category  
Relevance &  
Growth





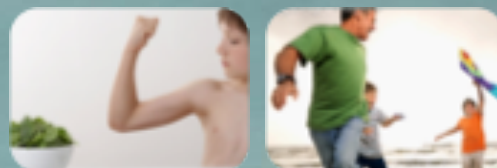
# TARGETING CONSUMER DEMAND FOR WHITE SPACE OPPORTUNITIES

Vision:

*To enable consumers to lead a healthier lifestyle through wholesome and great tasting solutions that inspire them to desire our Brands*

## Key Objectives

- Heighten consumer interest in the category
- Increase dollar ring and purchase frequency
- Get consumers to shop and choose based on nutrition, taste, and convenience
- Make product & category benefits apparent again
- Price to value delivered



**Category  
Growth**

# TARGETING CONSUMER DEMAND FOR WHITE SPACE OPPORTUNITIES

## Quality of Life

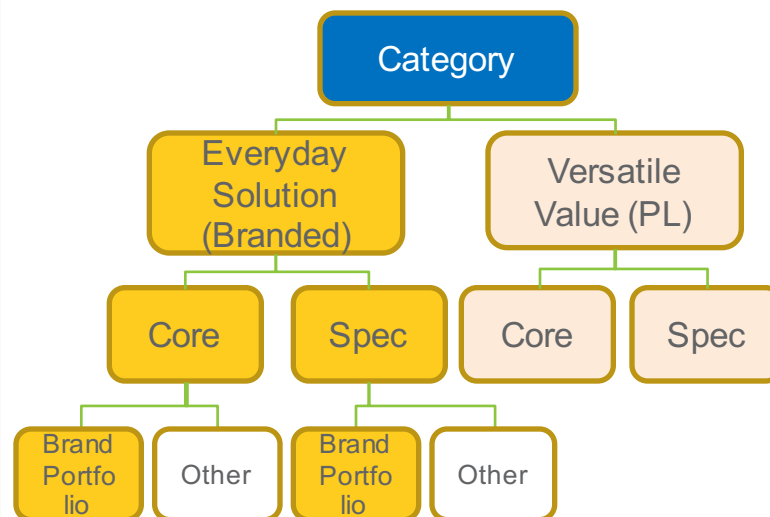


- Healthy Lifestyle, Personal Enjoyment
- Quality Orientation
- Brand Strength
- Positive/Aspirational
- *Delivered via quality product: nutritional content, production methods, ingredients*

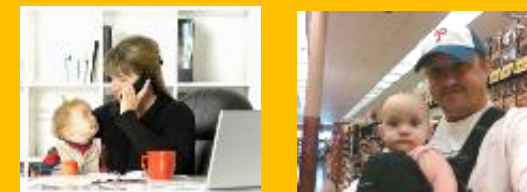
***Building loyalty among high engagement consumer targets, particularly Healthy Explorers***

***(Pricing = Cue of Quality)***

## How Shoppers Buy



## Family Responsibility



- Fiscal Realities/Pressure
- Dominated by Price, Private Label
- Daily Grind
- *Delivered via low price/ great value*

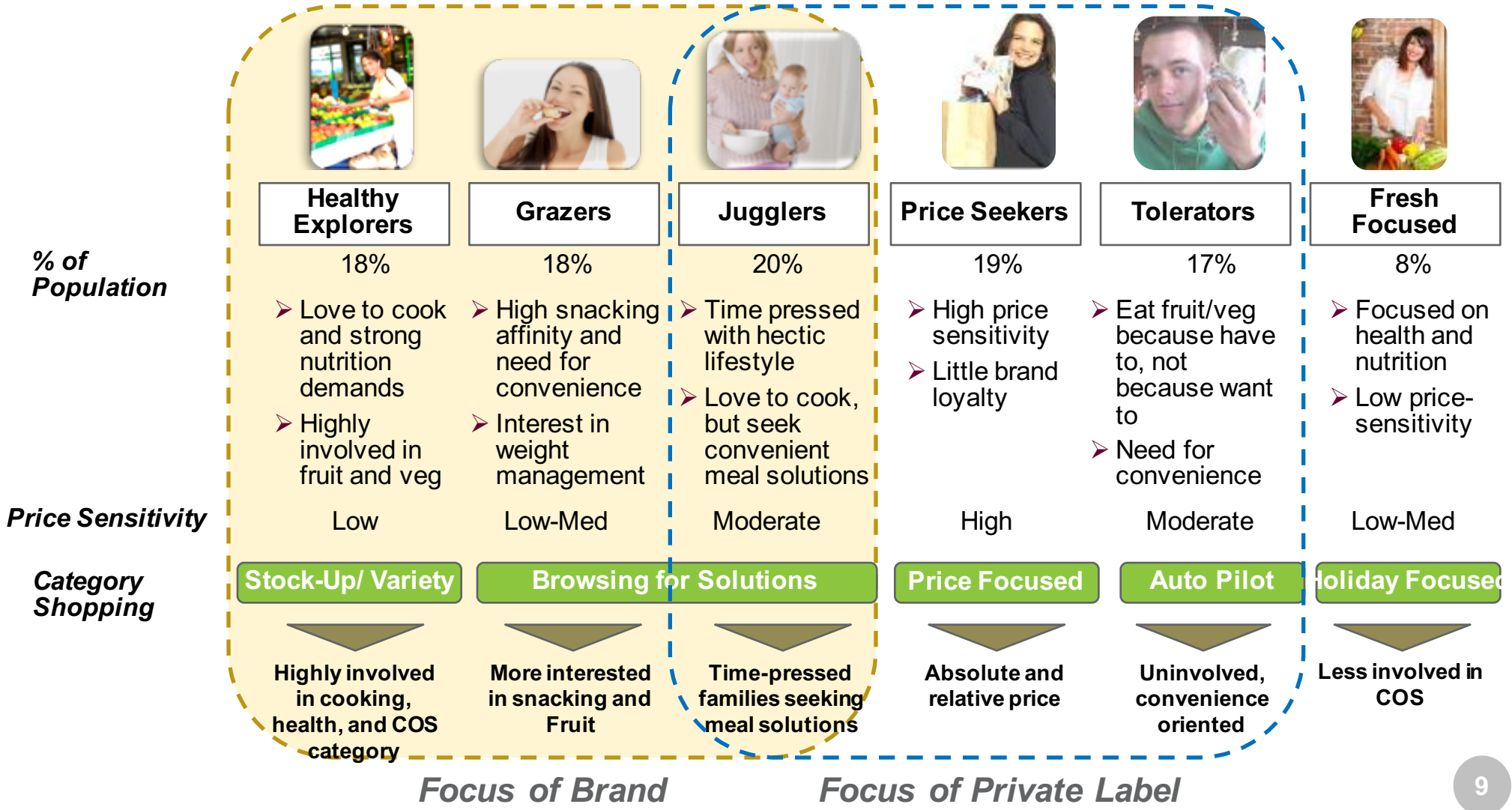
***Delivering great value to price-oriented shoppers and brand switchers***

***(Pricing = Measure of Value)***



# TARGETING CONSUMER DEMAND FOR WHITE SPACE OPPORTUNITIES

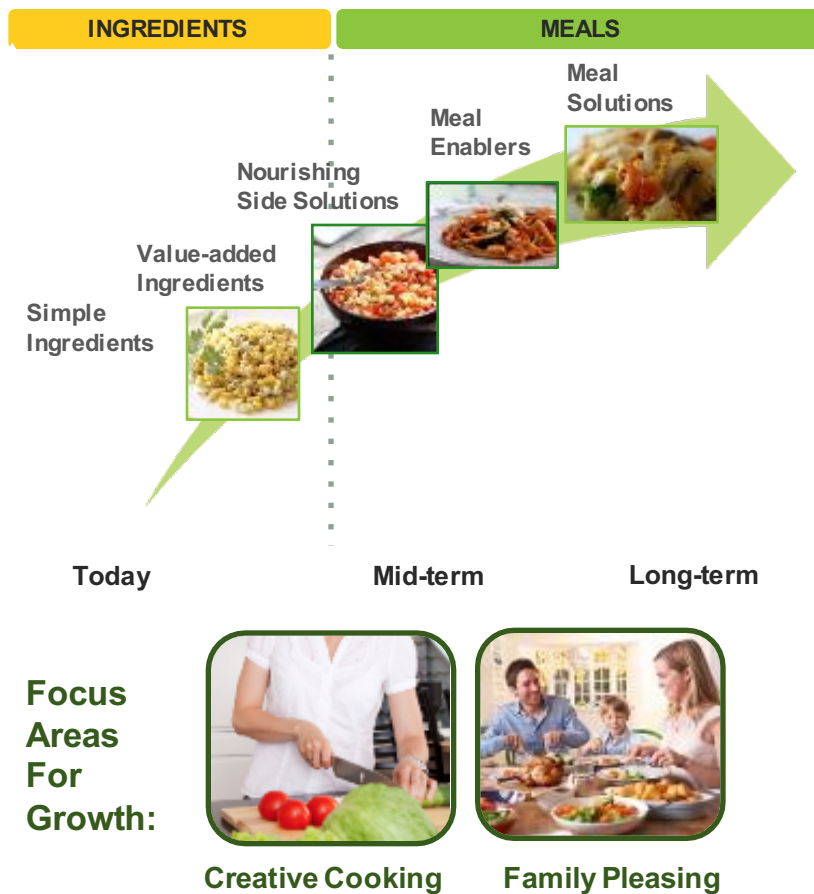
## Consumer Demand Segments



# SPUR SHORT AND LONG TERM GROWTH POTENTIAL

## Category A

Extend from ingredient  
across the meal continuum



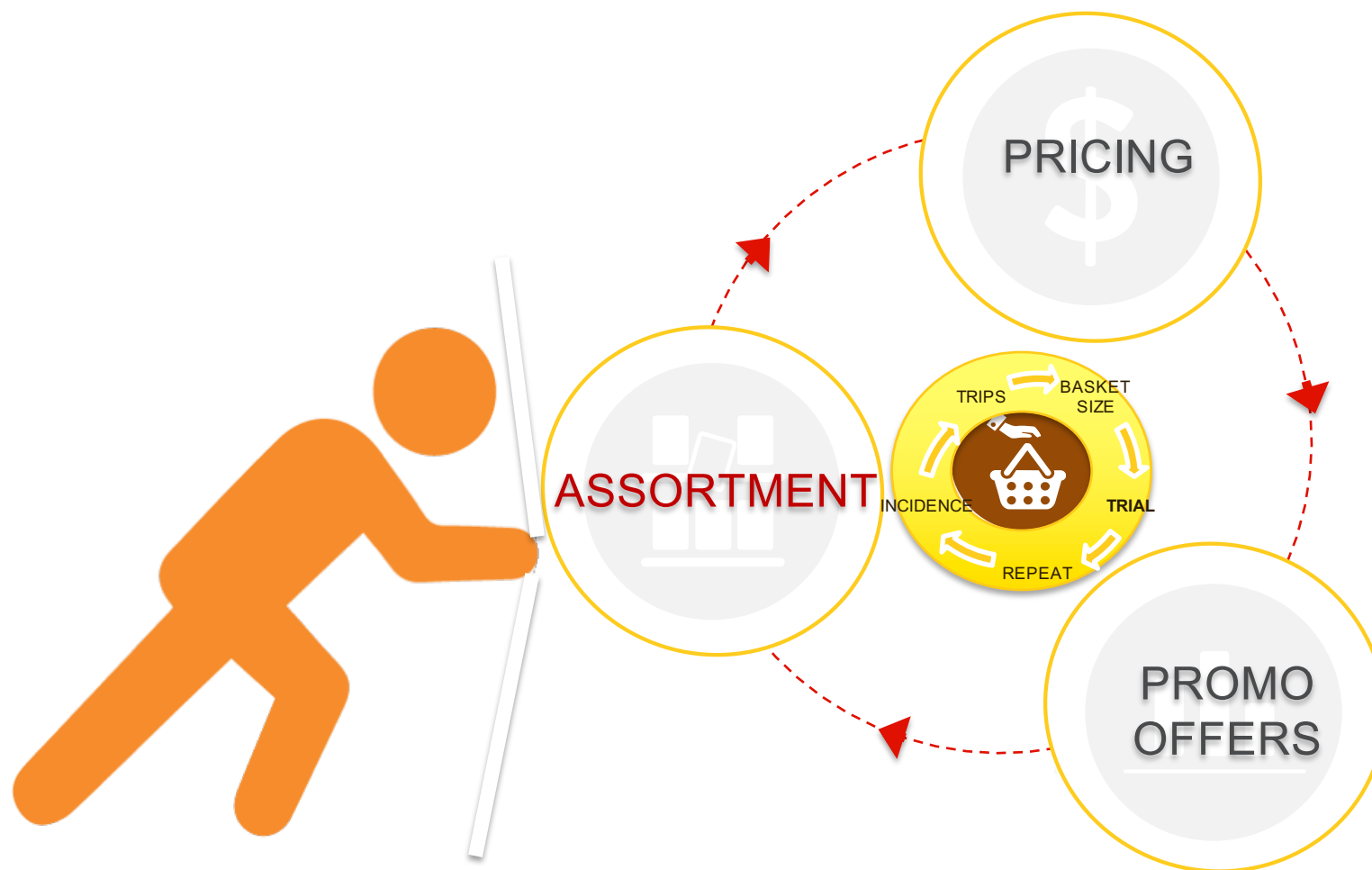
## Category B

Extend with enhanced taste  
and health and across day parts



# REVENUE GROWTH MANAGEMENT MANDATE

DISCOVER UNTAPPED PROFIT POOLS TO REINVEST FOR GROWTH



*Revenue Management* → *Investment* → *Growth*

# PRODUCT MIX – ASSORTMENT

## Store Segmentation

- Segment stores based on:
- **Physical attributes** of the stores
- **Shoppers** in the store



**Size**  
**Sales**  
**Channel**  
**SEL**  
**Location**  
**Missions**  
**Occasions**



## Generate strategies for each store cluster

Right Brands			
Right Packages			
Right Prices			
Right Occasions			
	Speedy Fill-in	Urgent Items	HH Stock-up

# PRODUCT MIX – ASSORTMENT

	1	2	3	4	5
	Rural	Mainstream	Suburban Upscale	Urban Upscale	Urban Flavors
Stores	31%	28%	17%	11%	12%
Beverages	<ul style="list-style-type: none"> <li>Sparkling - Regular</li> <li>Sports Drinks</li> <li>Energy Drinks</li> </ul>	<ul style="list-style-type: none"> <li>“Average” so tend to have few skews</li> <li>Sparkling – Diet cola</li> <li>Ginger ale</li> <li>Tea</li> <li>Water</li> <li>Energy</li> </ul>	<ul style="list-style-type: none"> <li>A lot of variety:</li> <li>Sparkling- Diet</li> <li>Water</li> <li>Tea</li> <li>Sports drinks</li> </ul>	<ul style="list-style-type: none"> <li>Sparkling - Diet Cola</li> <li>Sparkling - Orange</li> <li>Ginger ale</li> <li>Water</li> <li>Energy</li> <li>Tea</li> <li>“New” beverages</li> </ul>	<ul style="list-style-type: none"> <li>Sparkling – Regular</li> <li>Sparkling - Flavors (lemon-lime, orange)</li> <li>Ginger ale</li> </ul>
Packs	<ul style="list-style-type: none"> <li>Mixed – 12 pack, 12 oz., 5L</li> </ul>	<ul style="list-style-type: none"> <li>Mixed - 12 pack, 24 oz. 6 pack</li> </ul>	<ul style="list-style-type: none"> <li>Largest – 12 and 24 pack, 12 oz/8 pack PB</li> </ul>	<ul style="list-style-type: none"> <li>Smaller – 6 pack, 2 L</li> </ul>	<ul style="list-style-type: none"> <li>Smaller – 1L, 2 L, 3L, 6 pack, 20 oz.</li> </ul>
Income	<ul style="list-style-type: none"> <li>Low to moderate</li> </ul>	<ul style="list-style-type: none"> <li>Moderate</li> </ul>	<ul style="list-style-type: none"> <li>Highest</li> </ul>	<ul style="list-style-type: none"> <li>High</li> </ul>	<ul style="list-style-type: none"> <li>Lowest</li> </ul>
Demos/Lifestyle	<ul style="list-style-type: none"> <li>Lifestyle – Country &amp; Rural</li> <li>Education - High School or Less</li> <li>Predominantly White Non-Hispanic</li> </ul>	<ul style="list-style-type: none"> <li>Lifestyle – Suburban middle class</li> <li>Education - College</li> </ul>	<ul style="list-style-type: none"> <li>Lifestyle - Suburban, Exurban Upscale</li> <li>Education - College</li> <li>Predominantly White Non-Hispanic</li> </ul>	<ul style="list-style-type: none"> <li>Lifestyle - Upscale Urban</li> <li>Education - College</li> <li>Ethnically Diverse</li> </ul>	<ul style="list-style-type: none"> <li>Lifestyle - Downscale Urban</li> <li>Education - High School or less</li> <li>AA &amp; Hispanic Skew</li> <li>HH with Children</li> </ul>



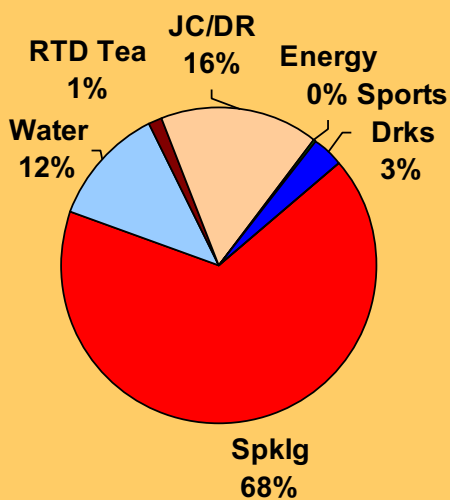
# PRODUCT MIX – ASSORTMENT

1

Rural



## Beverage Purchase



## Lifestyle Profile

- Country & rural lifestyle
- High school or less education
- Predominantly white
- Low to moderate income
- Enjoy auto racing, outdoor activities (e.g., fishing and hunting) and country music

## Beverage Focus

- Sparkling – Regular (111)
- Sports (127)
- Energy Drinks (142)

## Need States

- Speedy Fill-In (21%)
- Household Stock-Up (17%)
- Bargain Hunting (12%)

## Packages

- 24oz/6 Pk (114)
- 12oz/24 Pk (115)
- 12oz/8 Pk (113)
- 20 oz (113)
- .5L (131)

# PRODUCT MIX – ASSORTMENT

Considering product incrementality eliminates the risk of delisting the wrong products

	Sales	Ranking	Inc (%)	Inc (Sales)
Sparkling Flav	27.93	<del>X</del> → 1	26%	7.19
Sports Drinks	27.32	<del>X</del> → 2	27%	
Sparkling Colas	27.11	<del>X</del> → 3	73%	
Lemonades	12.30	<del>X</del> → 4		
Energy Drinks	10.95	<del>X</del> → 5		

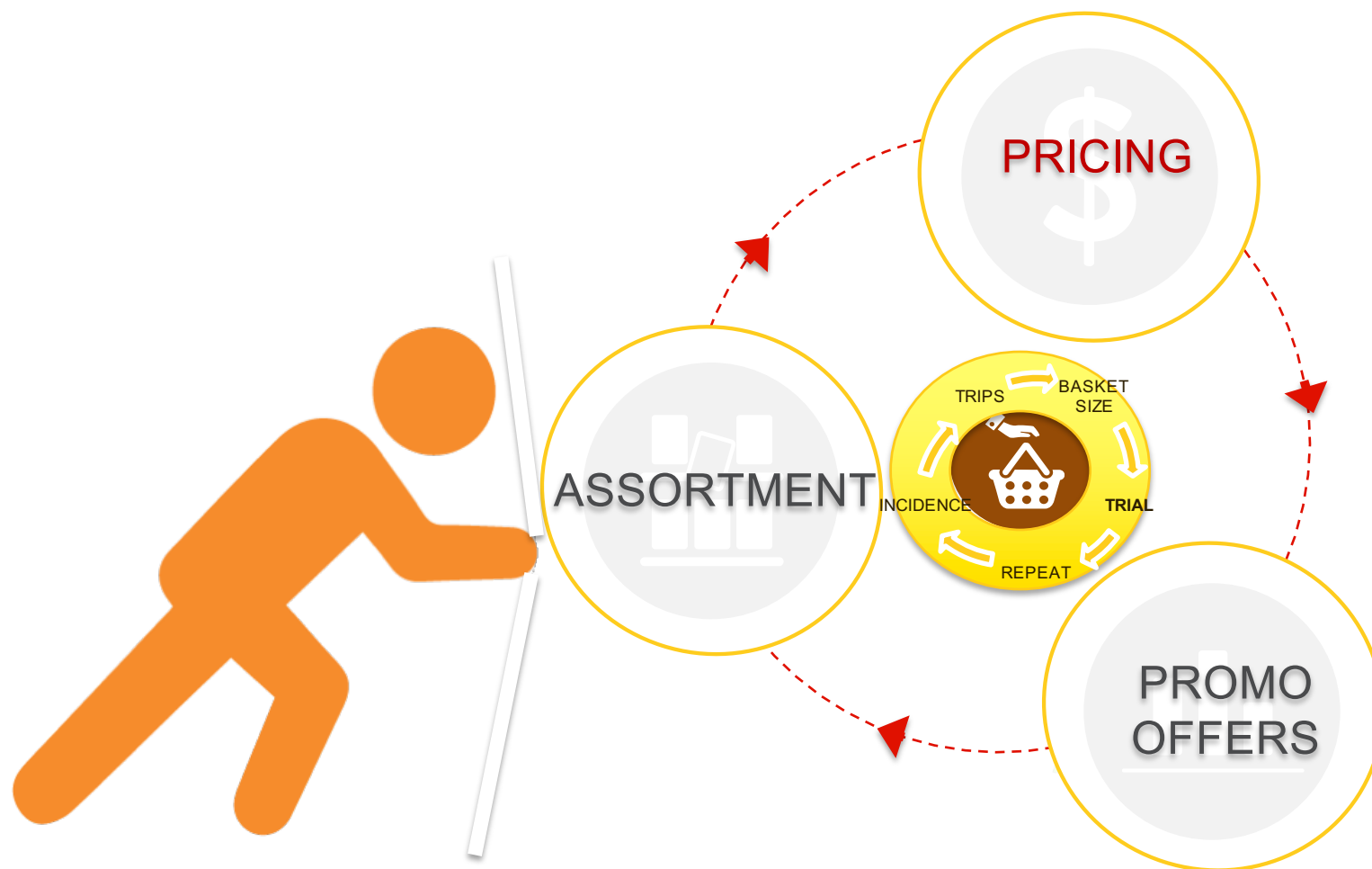
To maximize the category performance, develop Energy Drinks before Juice Drinks, Sparkling Flavors and Lemonades

Energy Drink rank 1

... but contribute the high

# REVENUE GROWTH MANAGEMENT MANDATE

CONSUMER FOCUSED AND SHOPPER CENTRIC



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# CONSUMER DEMAND BASED PRICE ARCHITECTURE

Defines prices based on what consumers are willing to pay

- Costs
- Margins
- Price-Demand Relationship
- Consumer Perspective
- Competition



# MEASURE CONSUMER PREFERENCE TO PAY

Use statistical techniques used to determine how consumers value different product attributes and understand their purchases

The objective is to determine the **combination of attributes** that is **the most influent in the purchase decision**.

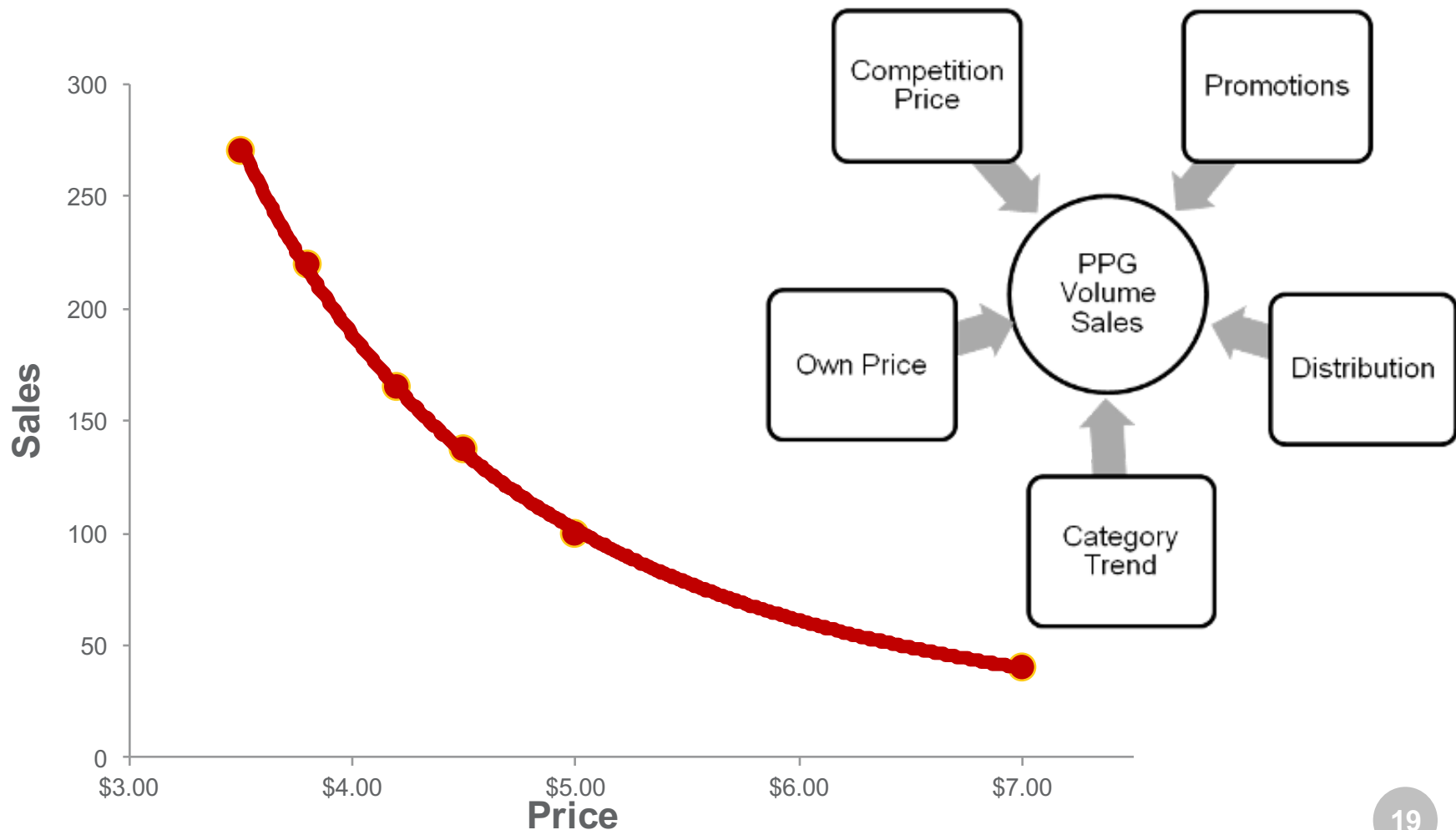
Instead of directly asking consumers about their preferences, different **scenarios with simulated purchases** are presented to them and the **implicit evaluation** of the individual elements that make a product (utilities) are determined.





# MEASURE CONSUMER PRICE RESPONSIVENESS

To ensure the best estimation of the price elasticity other factors affecting sales like competitive prices, distribution, promotions, seasonality and category trends



# STRATEGIC CONDITIONS SUGGEST PORTFOLIO CAN SUPPORT PRICE INCREASES

## *Base Pricing Situation & Recommendation: Core Portfolio*

### Current Situation

#### COT Category Strategy

■ Key price point or leadership



#### Category Health and Role

■ Growth Rate



#### Mfg. Brand Health and Role

■ Business size and growth



#### Competitive Context

■ Relative share



#### Consumer Pricing Power

■ Elasticities



= Hard to take price



= Easy to take price

*Category decline risk*



### Recommendation

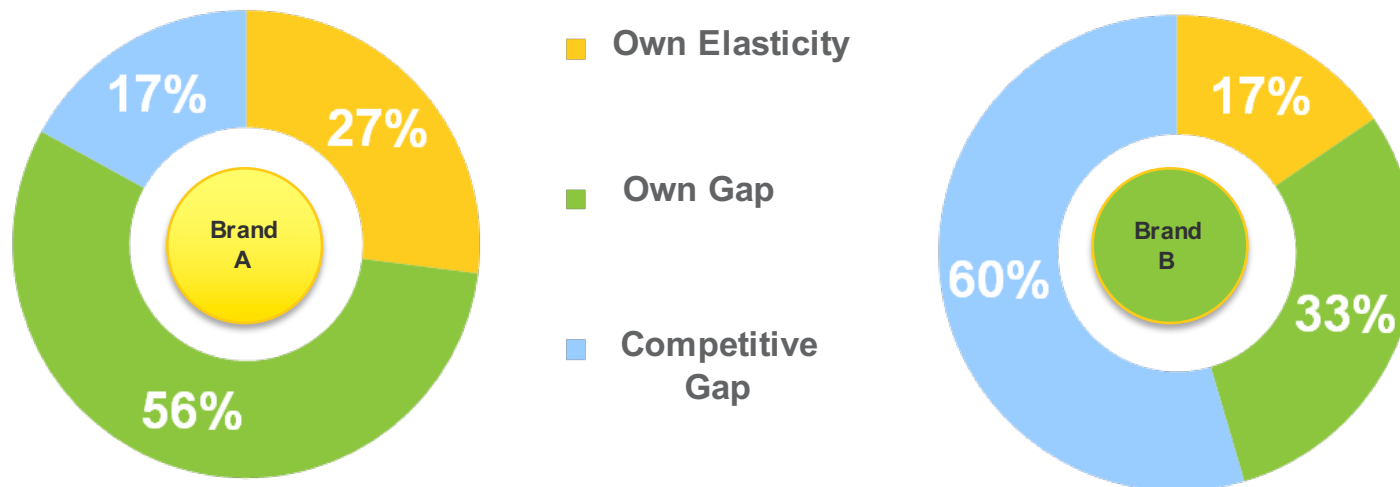
#### **Take Price 9% to Improve Profit**

- Elasticity is higher than Walmart and category context is less attractive than other retailers
- Raise base price but invest in promotion to drive volume and protect share
- Mfg. stands to gain profit from pricing action, regardless of Competition response

#### **Promote to Minimize Volume/Share Impact**

- Managing average price gap to PL through promotion will be important
- Promotional activity will help mitigate any volume losses as a result of pricing action

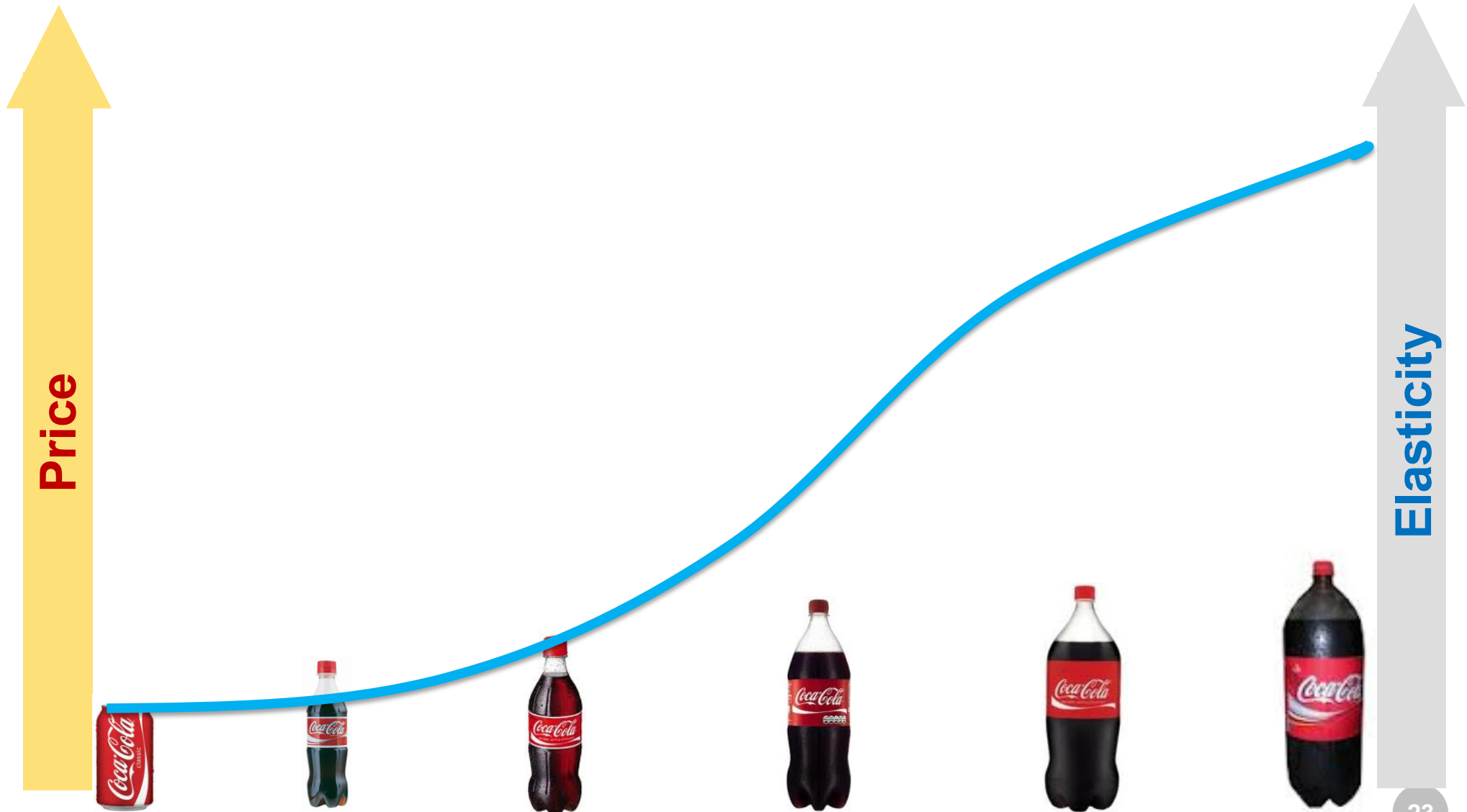
# CROSS ELASTICITY DETERMINES IF PRICE OR PRICE GAP TO COMPETITION IS THE KEY DEMAND DRIVER



# ABILITY TO LEAD PRICE INCREASE DEPENDS ON BRAND HEALTH AND PRICE ELASTICITY

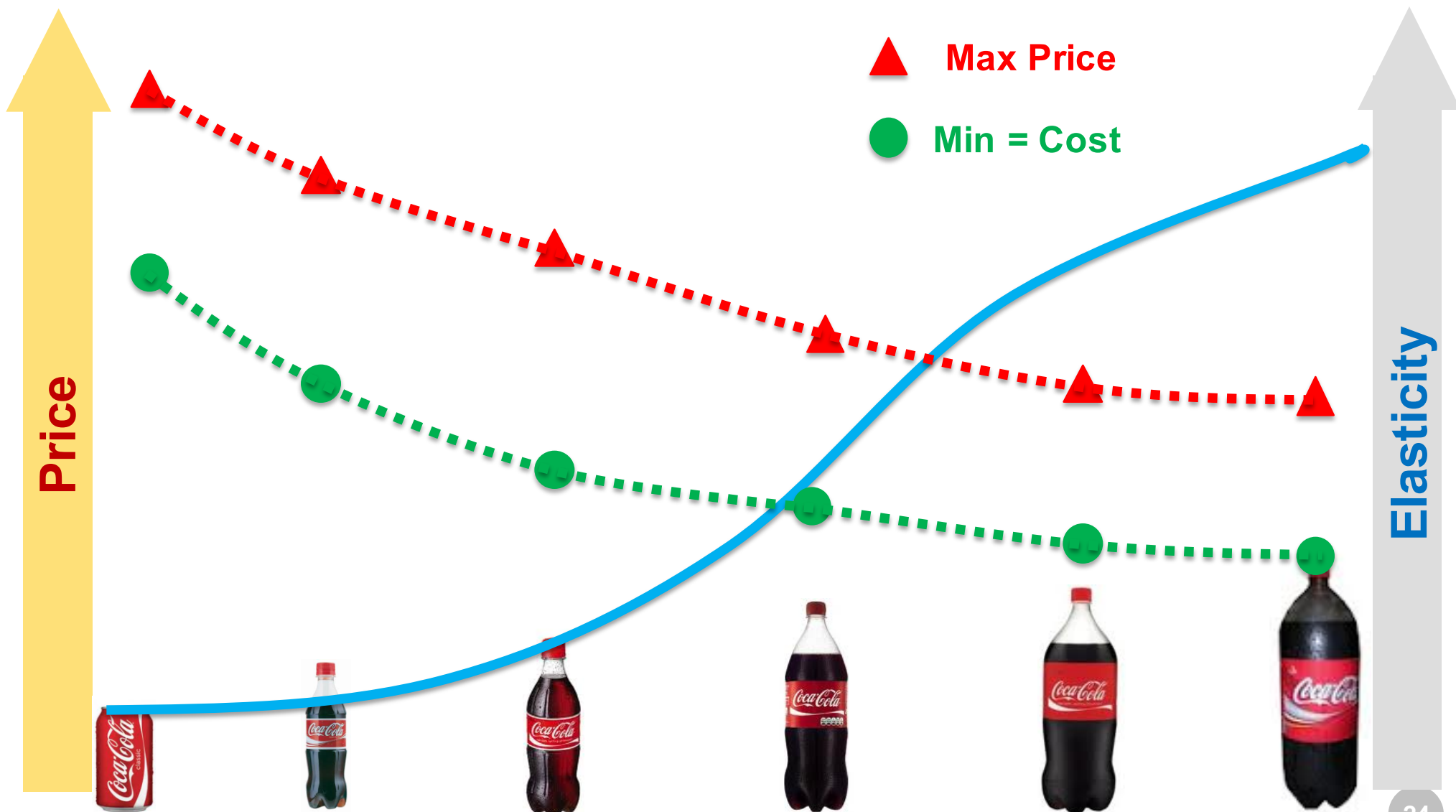
<b>Brand Health</b>	<b>Strong</b>	<p><b>Price Follower – Price Gap Strategy</b></p> <p><i>Price followership if volume impact is acceptable (otherwise hold)</i></p> <p><b>Brand C:</b> Follow on price to hold share given fragile market position (long-term vision to strengthen business and lead price as one company)</p>	<p><b>Price Leader - Price Point Strategy</b></p> <p><i>Price leadership where profit impact is attractive (acceptable volume losses)</i></p> <p><b>Portfolio A:</b> Lead 9% and 3% price increase to grow profit to support equity and innovation needed to reinvigorate the brand and category</p>
	<b>Weak</b>	<p><b>No Pricing</b></p>	<p><b>Future Pricing Potential</b></p>
		High Elasticity	Low Elasticity
<b>Elasticity (Including Cross Effects)</b>			

# RE-ARCHITECT NEW PRICING CONSTRUCT

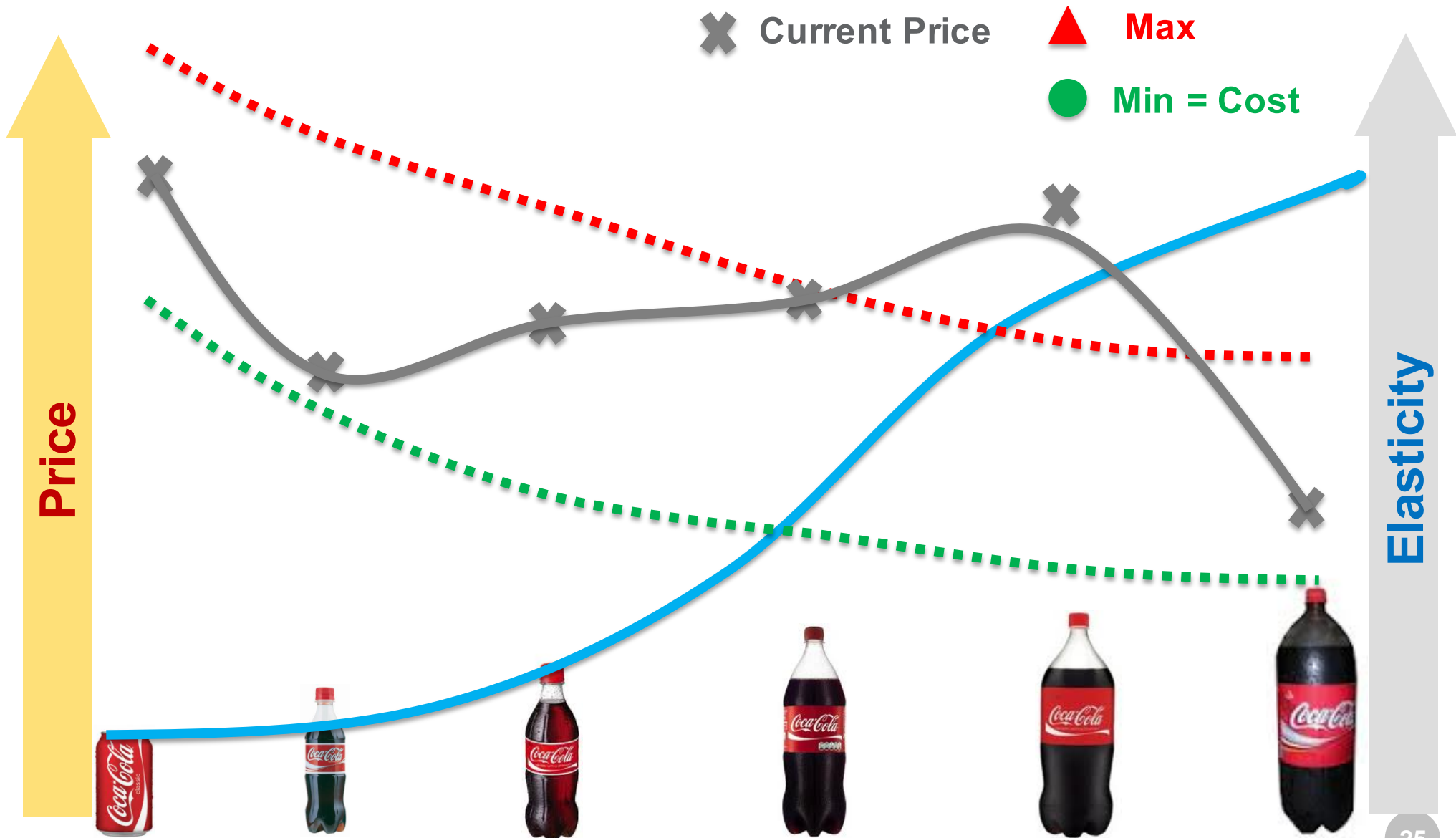




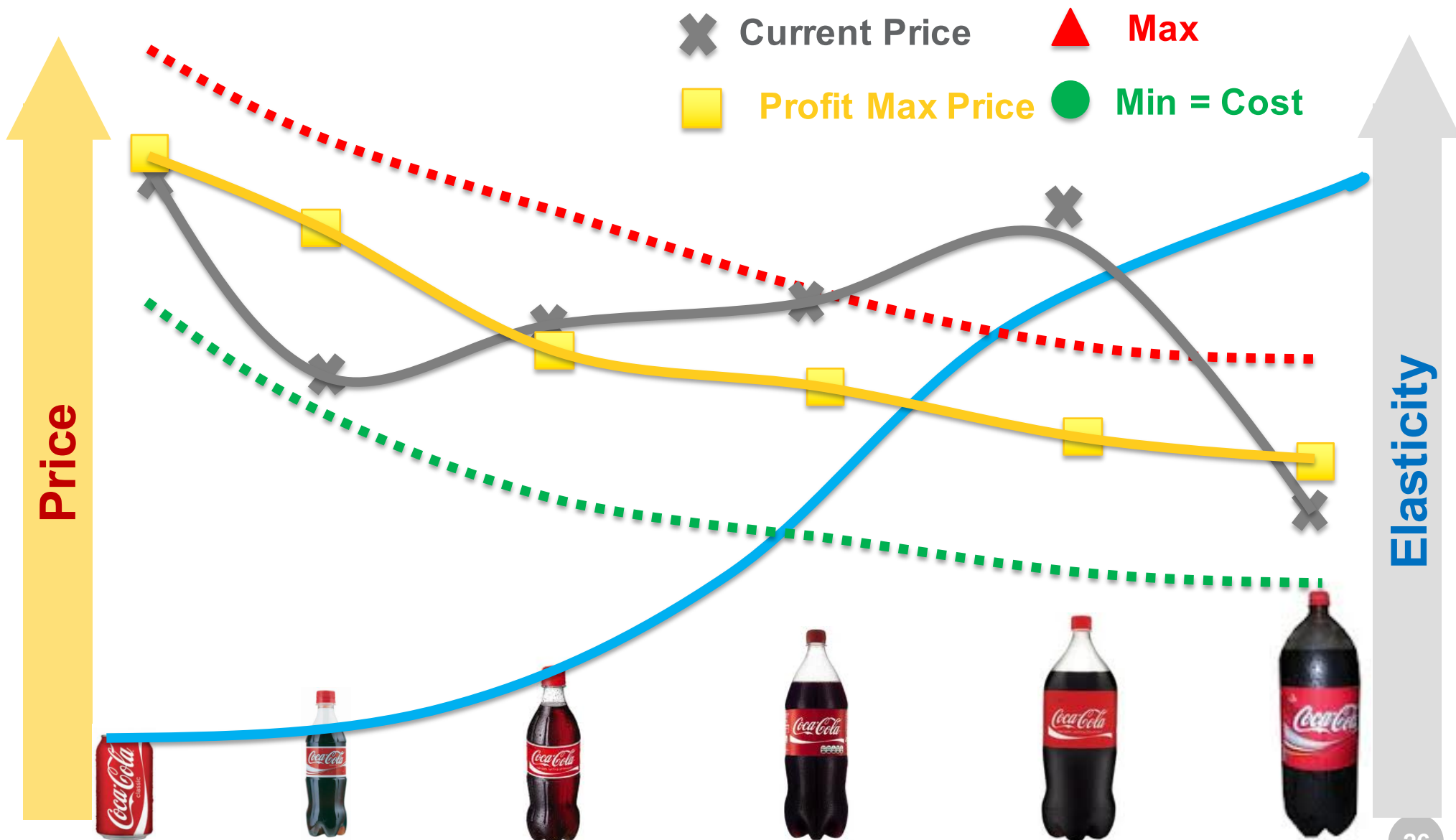
# CONSUMER DEMAND DEFINES NEW PRICING CONSTRUCT



# RE-ARCHITECT NEW PRICING CONSTRUCT



# RE-ARCHITECT NEW PRICING CONSTRUCT



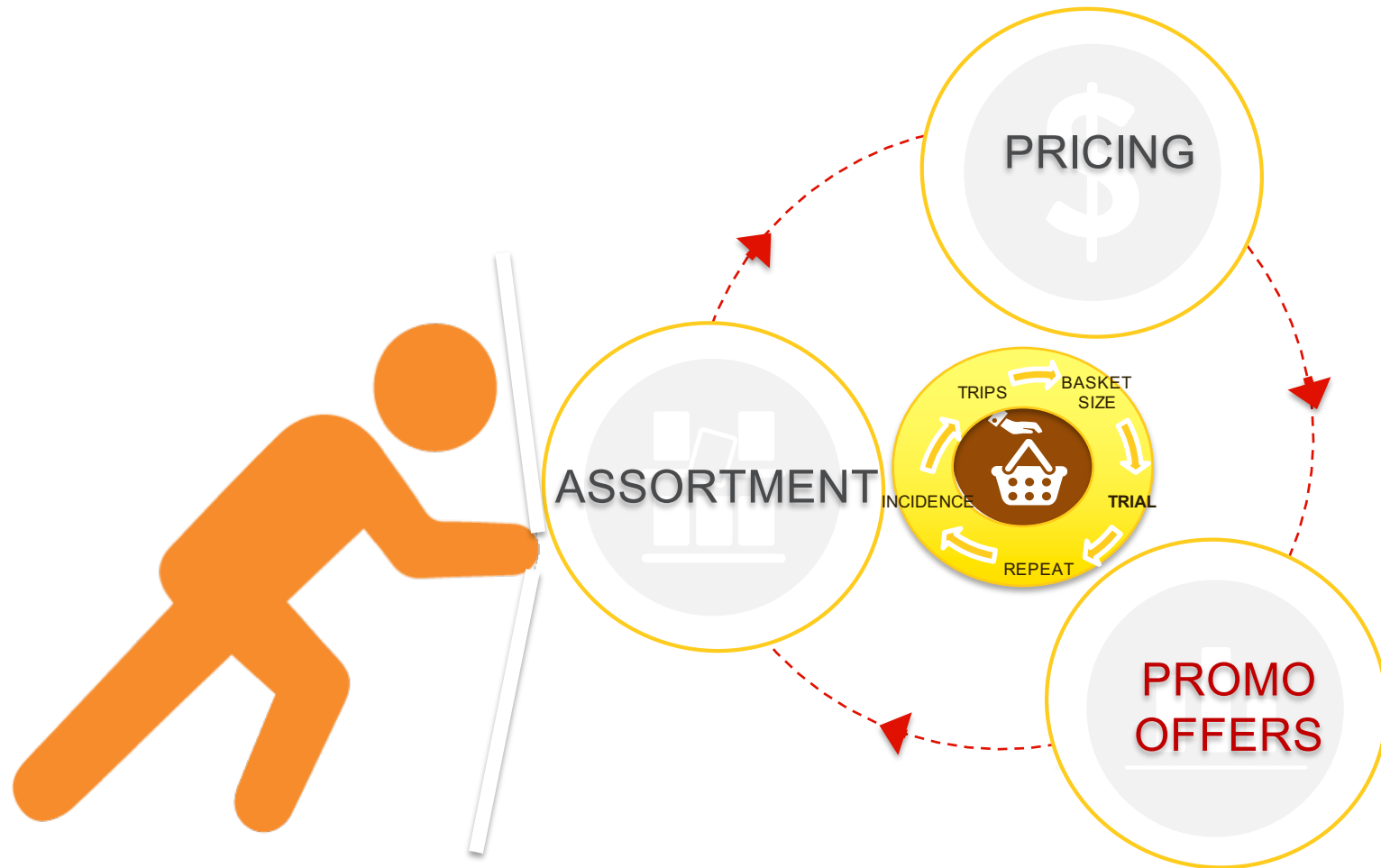
# PRICE ARCHITECTURE MAXIMIZES PORTFOLIO PROFIT

## Recommendation Price Increase Impact

	Single Serve Small			Single Serve Large			Multi Serve Family Size			Multi Serve Party Size		
	% Volume Change	% Net Revenue Change	% Mfg Profit Change	% Volume Change	% Net Revenue Change	% Mfg Profit Change	% Volume Change	% Net Revenue Change	% Mfg Profit Change	% Volume Change	% Net Revenue Change	% Mfg Profit Change
<b>5% Price Increase Brand A Portfolio A</b>	-12%	-3%	<b>5%</b>	-14%	-5%	<b>3%</b>	-2%	-1%	<b>4%</b>	-2%	1%	<b>3%</b>
	Single Serve Small			Single Serve Large			Multi Serve Family Size			Multi Serve Party Size		
	% Volume Change	% Net Revenue Change	% Mfg Profit Change	% Volume Change	% Net Revenue Change	% Mfg Profit Change	% Volume Change	% Net Revenue Change	% Mfg Profit Change	% Volume Change	% Net Revenue Change	% Mfg Profit Change
<b>3% Price Increase Brand A Portfolio A</b>	-9%	-2%	<b>4%</b>	0%	0%	0%	-18%	-4%	<b>29%</b>	0%	0%	0%

# REVENUE GROWTH MANAGEMENT MANDATE

## PROMOTION OPTIMIZATION

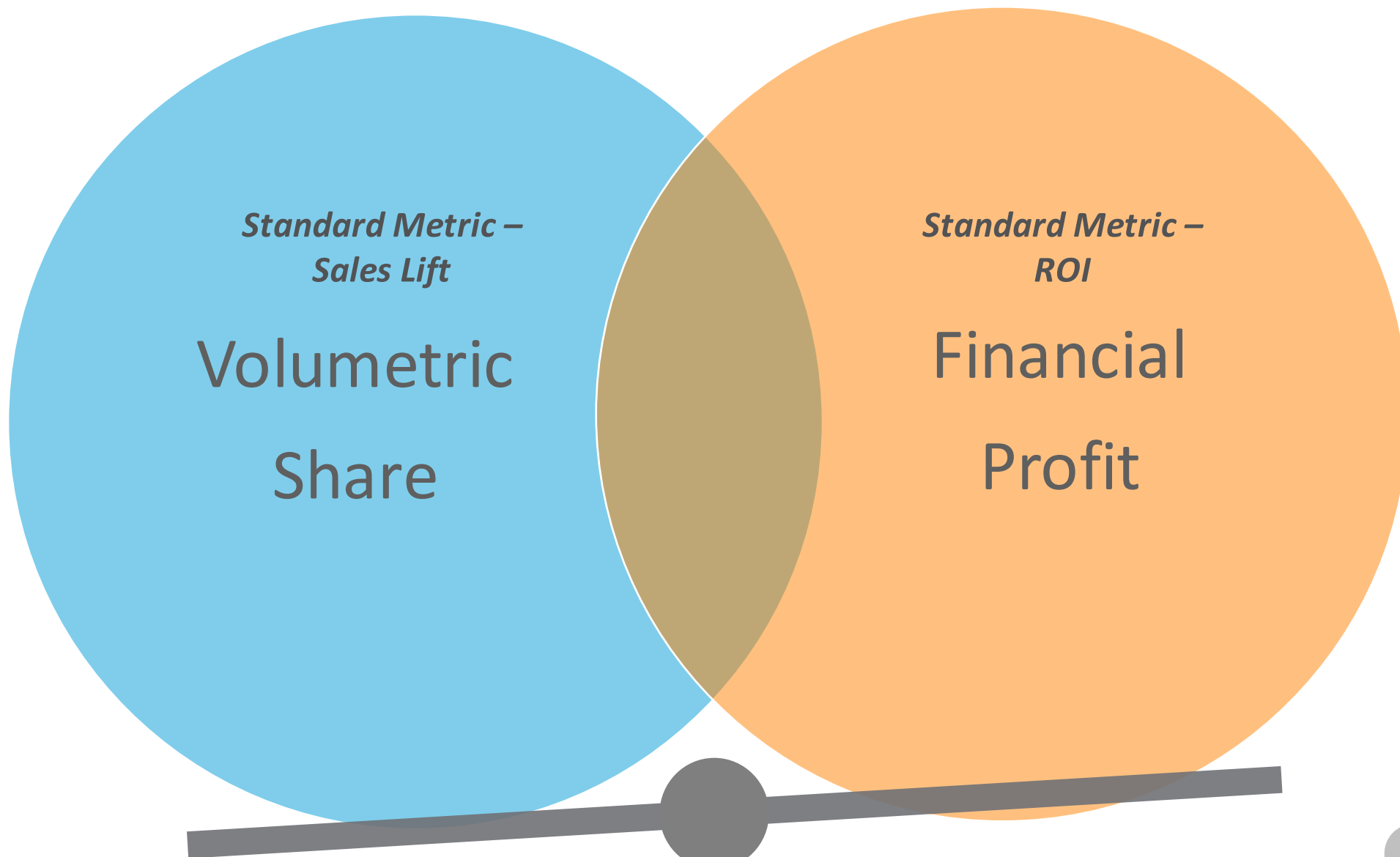


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# MOVING BEYOND STANDARD VOLUME AND FINANCIAL IMPACT OF TRADE EVENTS



# MOVING BEYOND STANDARD VOLUME AND FINANCIAL IMPACT OF TRADE IS ESSENTIAL

Understanding which buyers respond to trade promotions key to driving increased trade efficiency



## Add the “Who”

Do trade events...

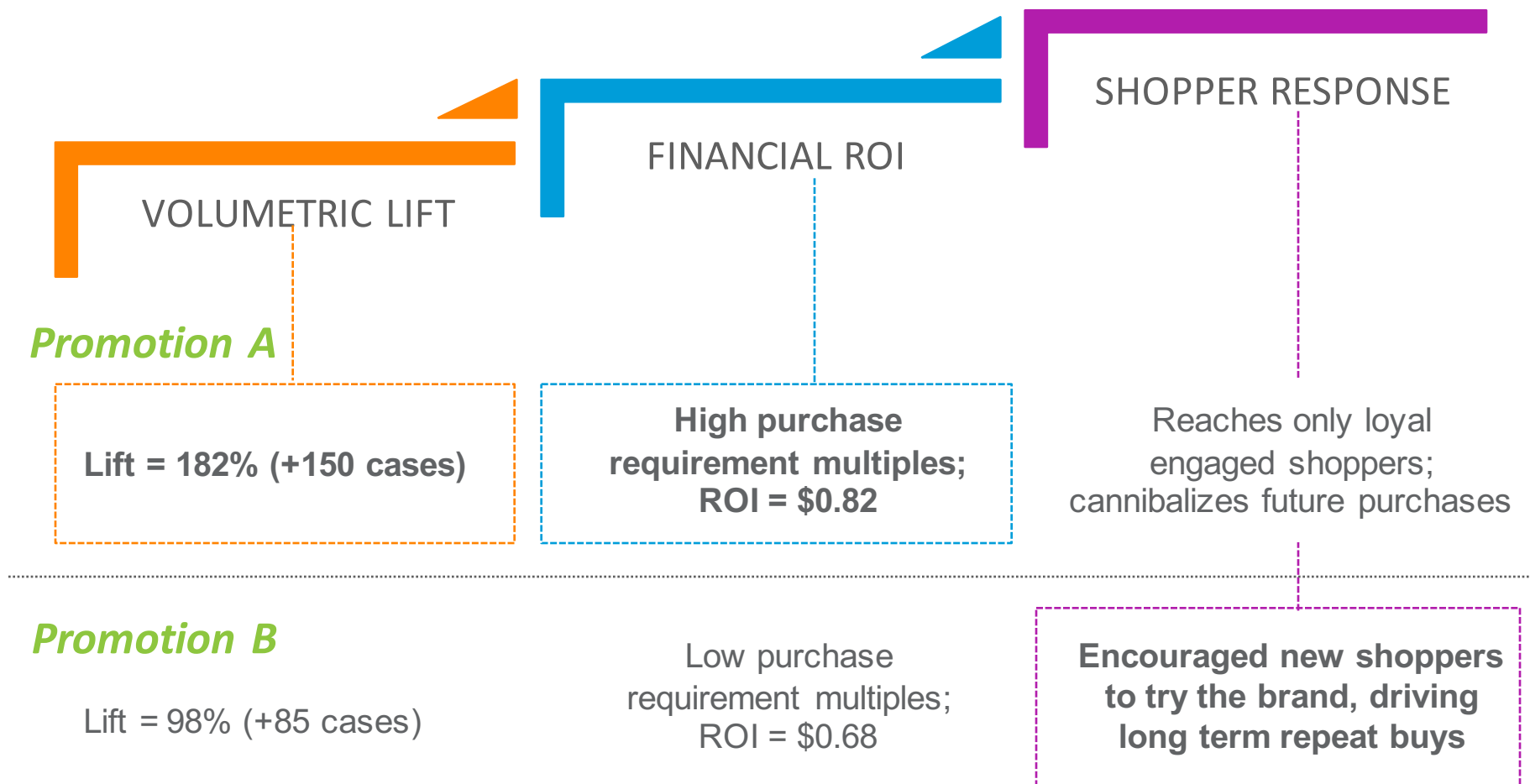
- Attract the right buyer?

- Drive loyalty?

i.e. who responded to my promotion?



# ...AND FURTHER REFINES THE INSIGHTS FROM VOLUMETRIC AND FINANCIAL ROI ANALYSIS



# SHOPPER DIMENSION ENABLES BETTER DECISIONS ABOUT HOW TO SPEND TRADE DOLLARS...

Some promotions might not appear to make sense in the volume/profit numbers, but could be a good investment if they secure buyers

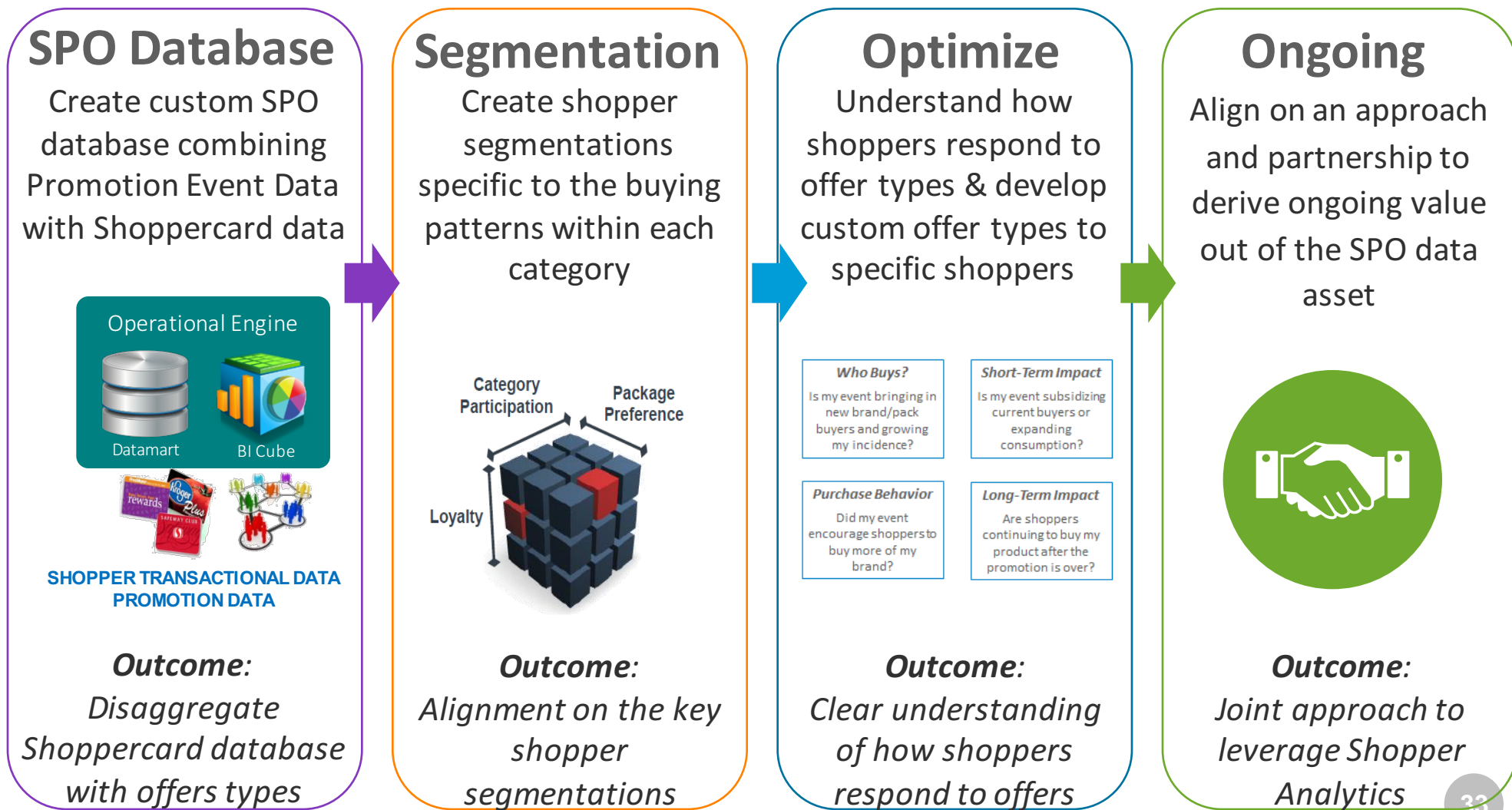


## *Did my promotion event:*

- bring new or infrequent buyers into the category?
- steal loyal buyers from a competitive brands?
- simply cause my loyal buyers to stock up at a lower price?

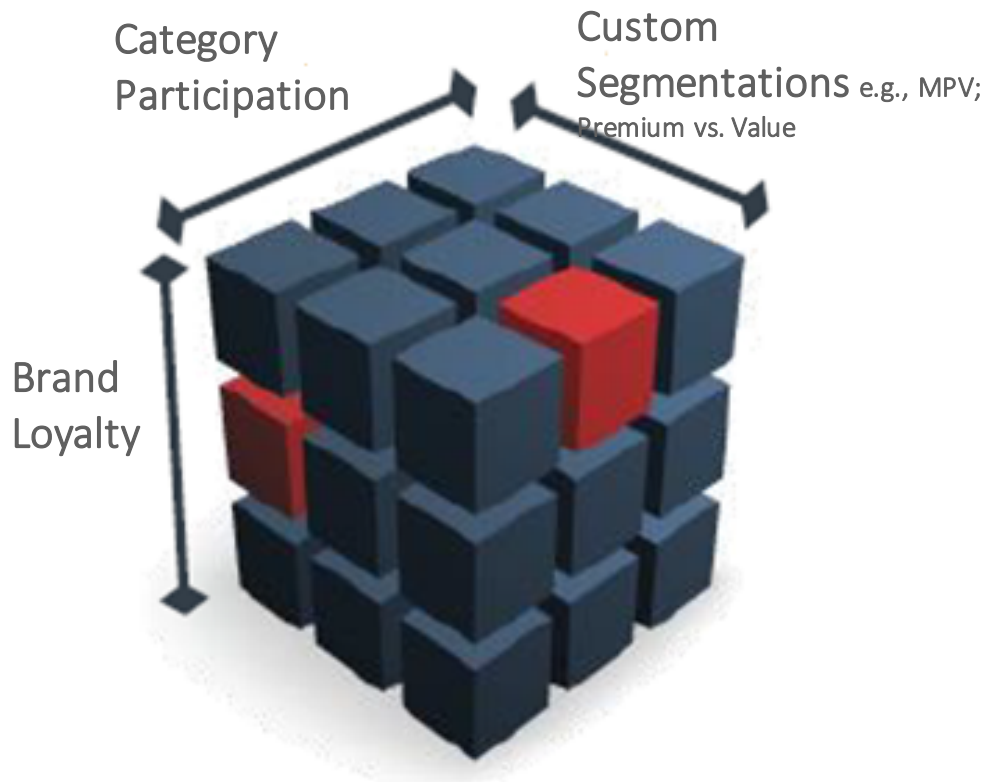
# SHOPPER PROMOTION OPTIMIZATION

Clarify how best shoppers respond to in-store promotion offers



# BUILDING LONG-TERM BRAND EQUITY IS ALL ABOUT ATTRACTING YOUR BEST CUSTOMERS

## SHOPPER SEGMENTS



## KEY BUSINESS QUESTIONS

### *Who Buys?*

Is my event bringing in new brand/pack buyers and growing my incidence?

### *Short-Term Impact*

Is my event subsidizing current buyers or expanding consumption?

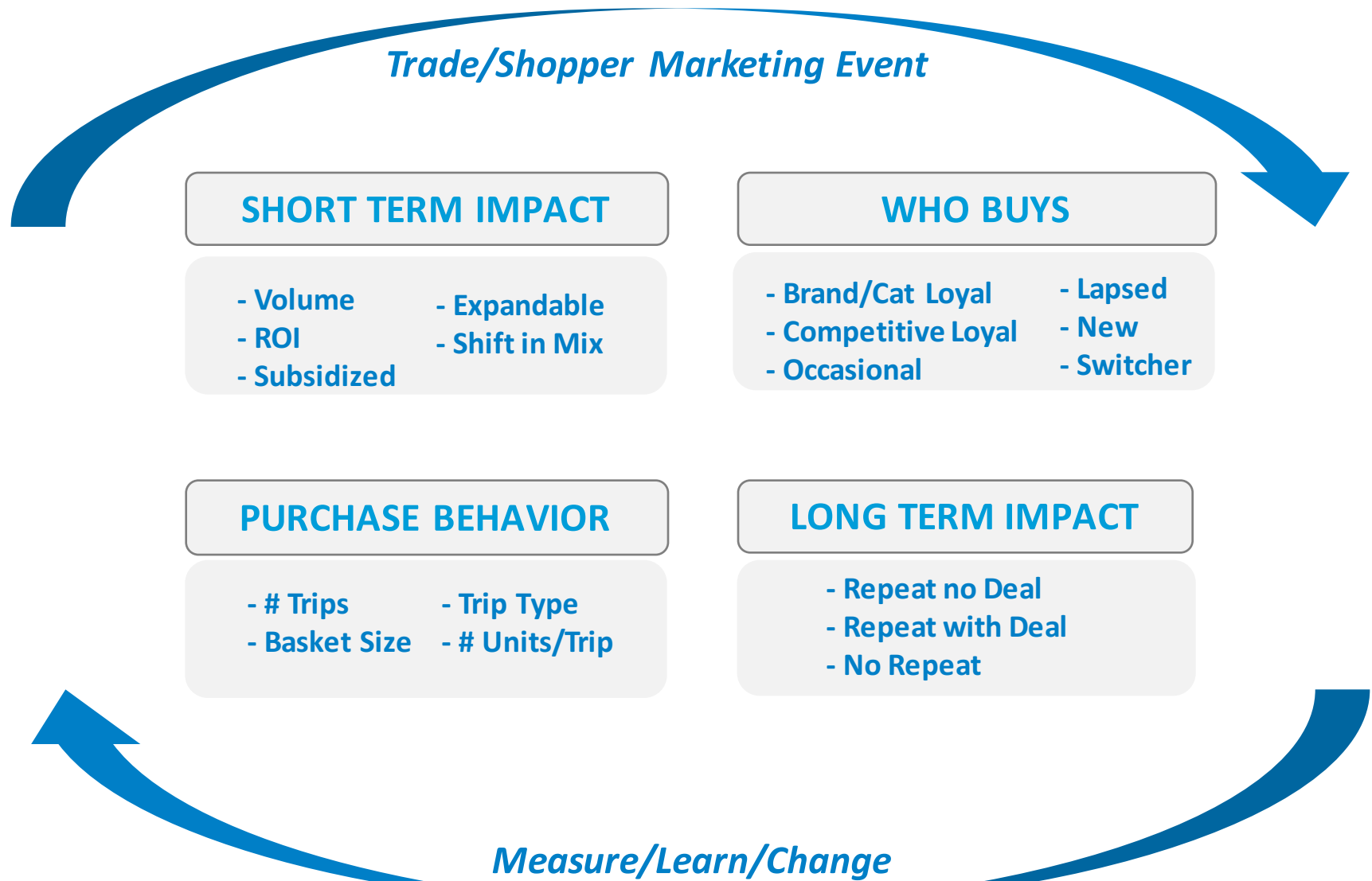
### *Purchase Behavior*

Did my event encourage shoppers to buy more of my brand?

### *Long-Term Impact*

Are shoppers continuing to buy my product after the promotion is over?

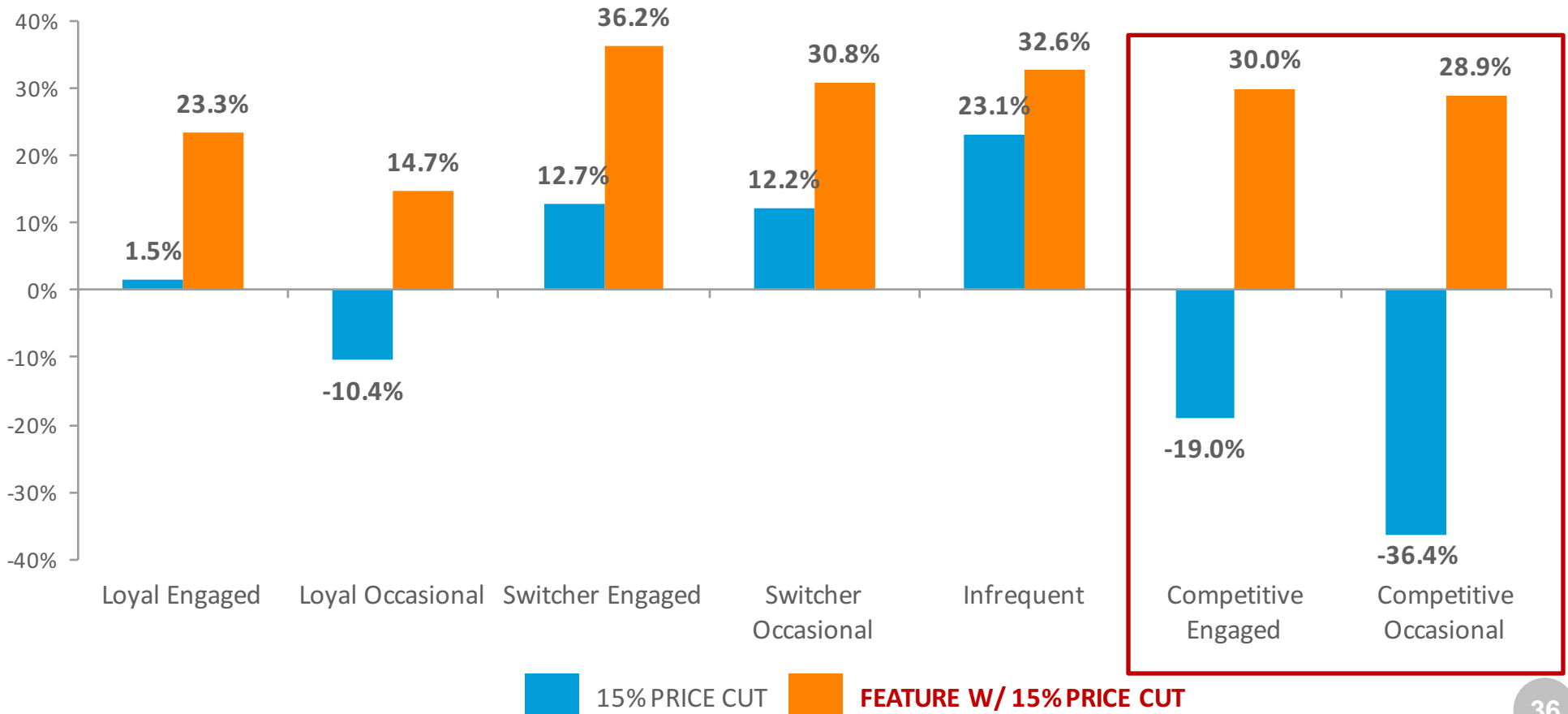
# DEVELOP PROMOTION PLANS THAT SATISFY CUSTOMER NEEDS WHILE DELIVERING MAXIMUM VALUE TO THE RETAILER



# EXAMPLE INSIGHT: WHO BUYS

ACTION: **Feature Ad w/50% Price Cut** grows volume among Competitive Brand Shoppers and steals share

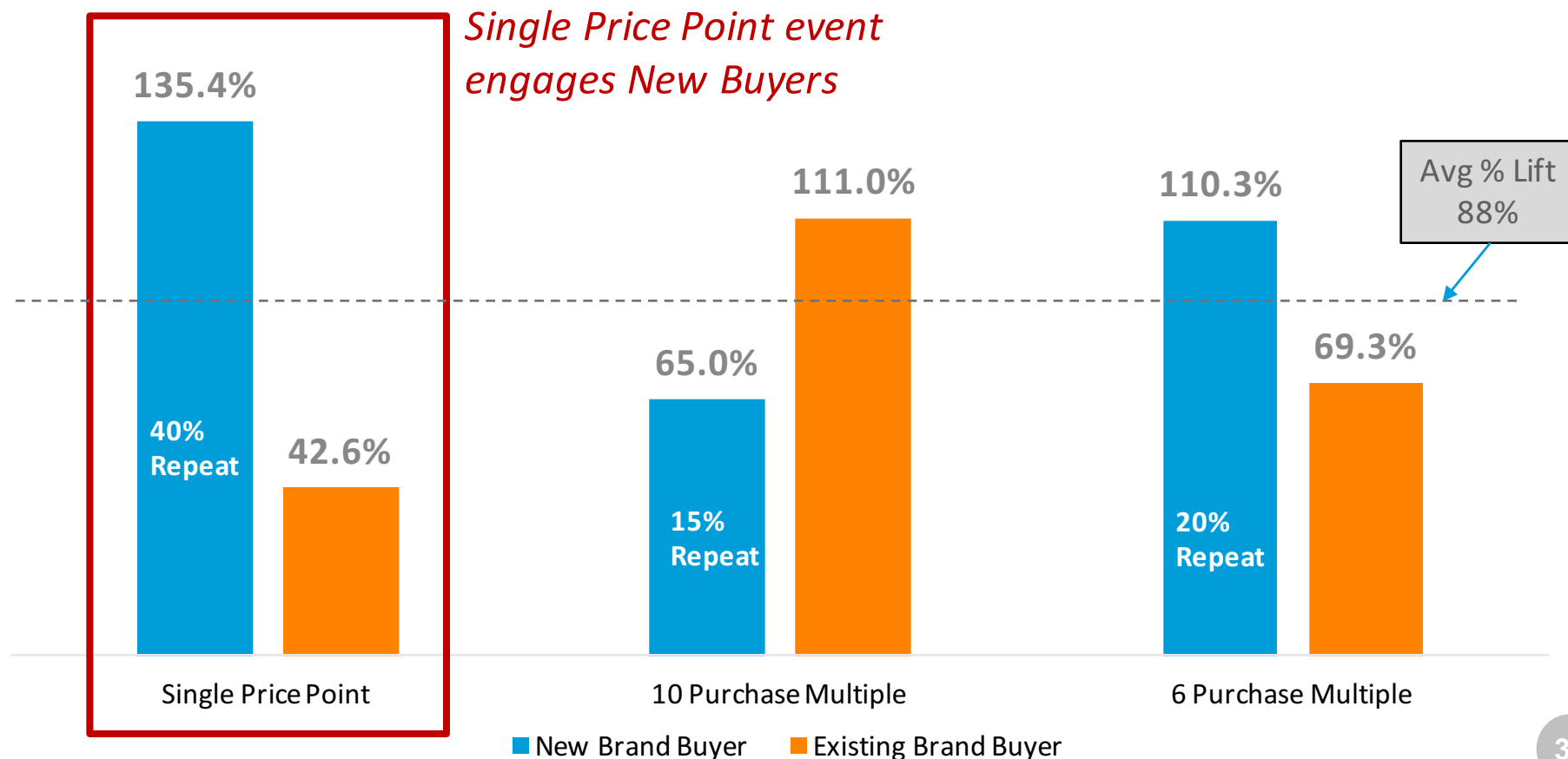
Product A Shopper Segment Purchase % Lift



# EXAMPLE INSIGHT: IMPACT OF PRICE MULTIPLES

ACTION: Despite similar lifts across different Price Multiple events, **Single Price Point offers** bring New Buyers into the Franchise and drive higher repeat

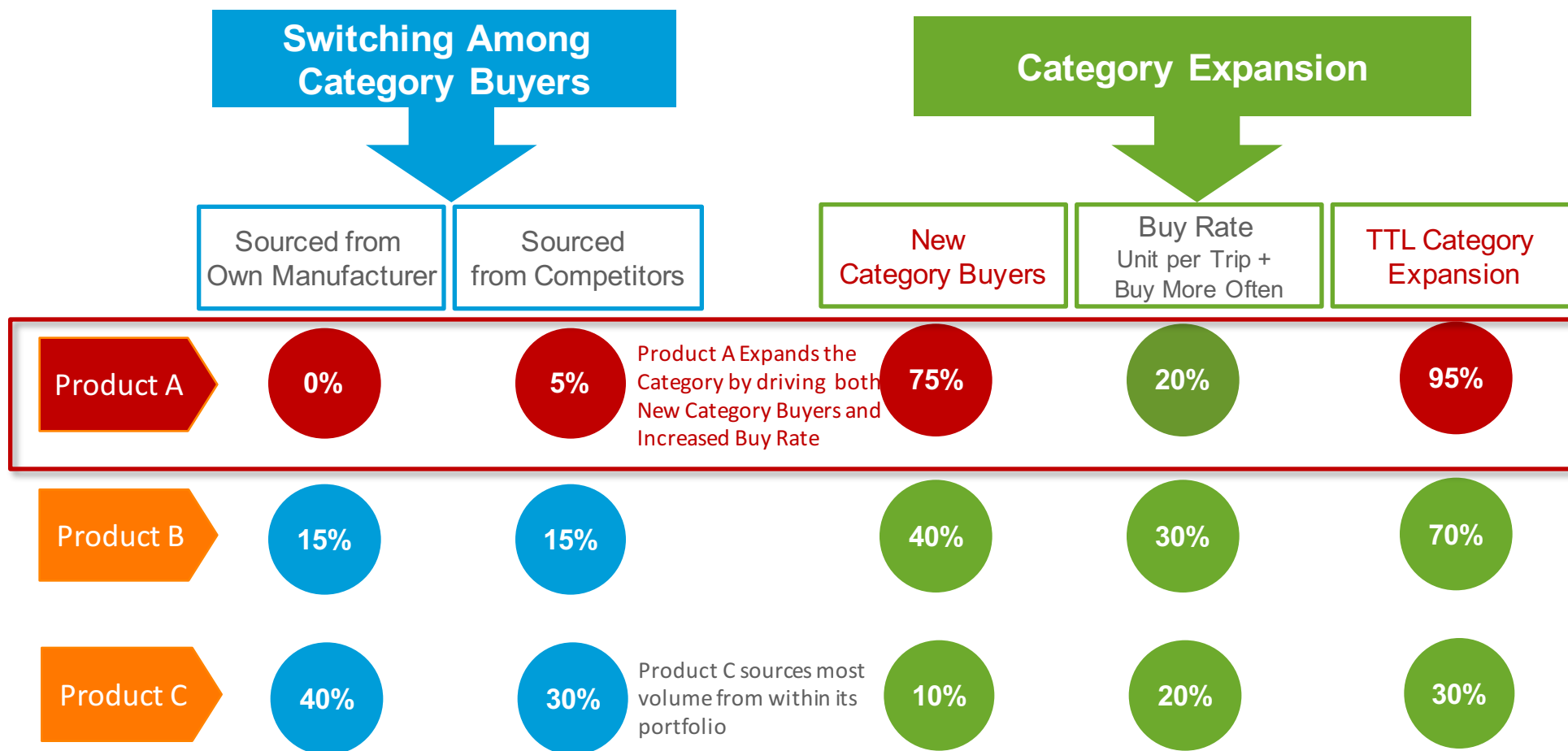
## Product A Price Multiples – Promotion Lift by Consumer Group





# EXAMPLE INSIGHT: CATEGORY EXPANSION

ACTION: Promote **Product A** to drive **Category Expansion**, by both attracting New Category Buyers and driving increased Buy Rate



# WINNING WITH SHOPPER ANALYTICS

Understanding the shopper response to trade can help develop better brand trade strategies and increase partnership with your key customers

## Develop New Trade Strategies

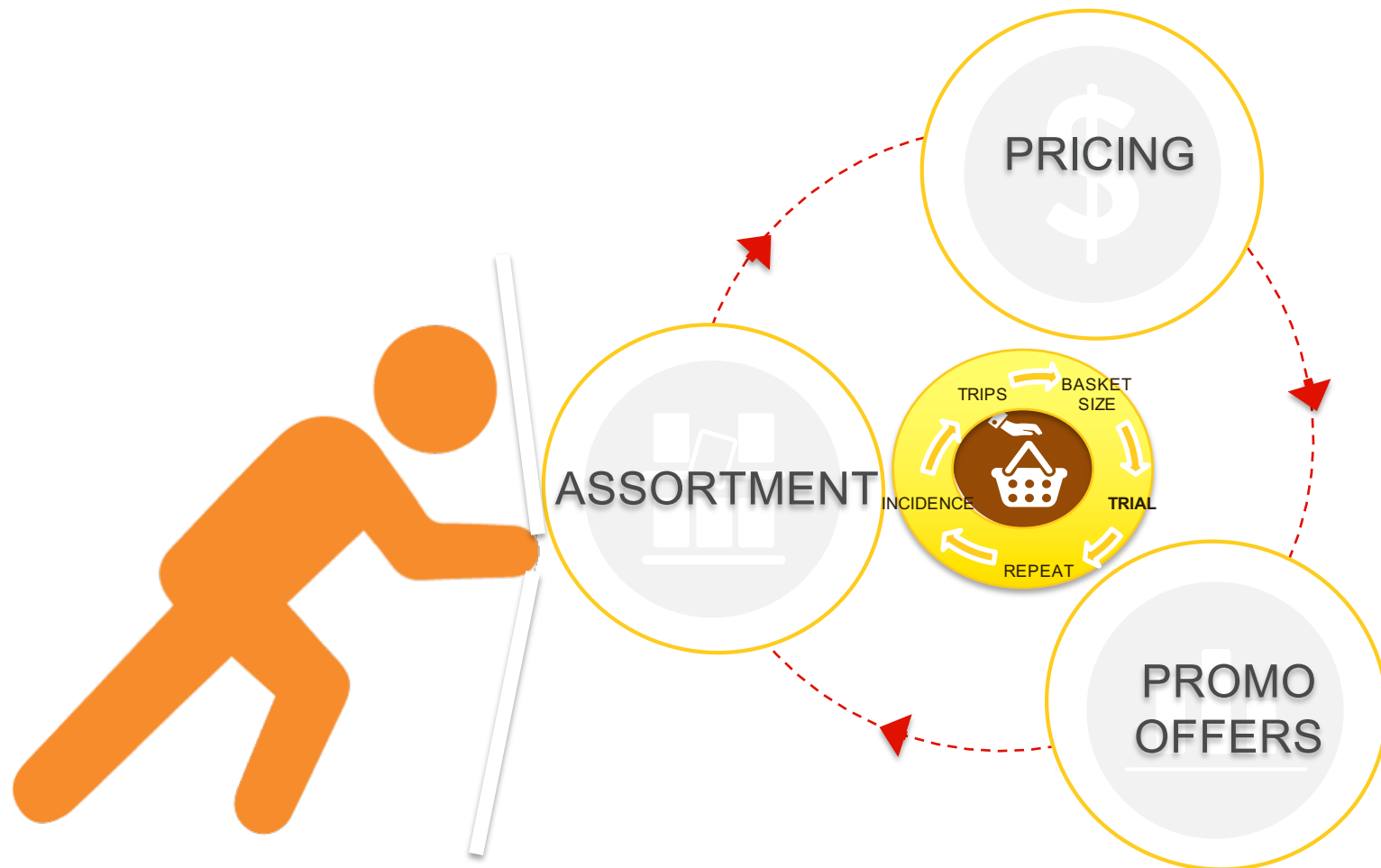
- Focus trade spend on the products and events that drive the most long-term return on investment
- Build strategies that drive response from targeted consumers
- Refine trade strategies through a deeper understanding of how promotions are impacting consumers

## Increase Retailer Sell-in & Partnership

- Bring new and differentiated insights to your customers
- Understand your retailers' most valuable shopper and how your brands can help win with this critical shopper
- Increase sell-in by quantifying how your promotions drive the most net category growth

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