

# POI Global Promotion Optimization Summit



*Big Data*  
*Pricing* **TPO**  
*Retail Execution*  
*Mobility* **TPM**

Presented By: Dale Hagemeyer, Partner,  
Promotion Optimization Institute

# Achieving the possible...



...requires

collaboration



# Key Points

- ✓ Manufacturers and retailers must work together against threats to growth and margin.
- ✓ Neither party is positioned well or progressing.
- ✓ “The answer” is a combination of human and technology elements.
- ✓ New go-to-market formats have the potential to fend off disruptors while optimizing both demand creation and demand fulfillment.



# Amazon is a serious threat



- ✓ Banning firms that trade on its website from selling goods more cheaply elsewhere on the internet.
- ✓ Products sold on Amazon, has seen its worldwide sales surge by 44 per cent.
- ✓ Traders who sell products more cheaply on other sites face expulsion from the Amazon catalogue unless they agree to raise their prices...
- ✓ In the UK, Amazon has achieved an extraordinary domination of the online shopping industry. 20 per cent share of the market
- ✓ Tesco takes £1 in every £10 spent in British shops.





# And is highly disruptive



- ✓ But it's Amazon's relationship with its suppliers that makes the company worse than **Wal-Mart**
- ✓ Amazon has less incentive to make any specific supplier successful
- ✓ That's why relationships with suppliers, always contentious, will be particularly problematic at Amazon, especially when Amazon controls so much of the retail market share.

Source: Time Magazine on line. June 11, 2014

# In many ways

## THE NEWS

### Amazon Drones Could Deliver Packages for Just \$1, Study Suggests



By Spencer Soper April 10, 2015  
Bloomberg

- ✓ Deliveries may arrive in as soon as 30 minutes
- ✓ Flights as fast as 100 miles an hour and as high as 400 feet off the ground...
- ✓ Amazon charges \$7.99 for one-hour delivery of shampoo, paper towels and thousands of other products
- ✓ Upfront cost of about \$100 million to buy tens of thousands of drones. See expenses of about \$300 million to deploy them to deliver 400 million orders annually...
- ✓ Amazon would need to hire thousands of operators



# And now turning a profit...

## THE NEWS



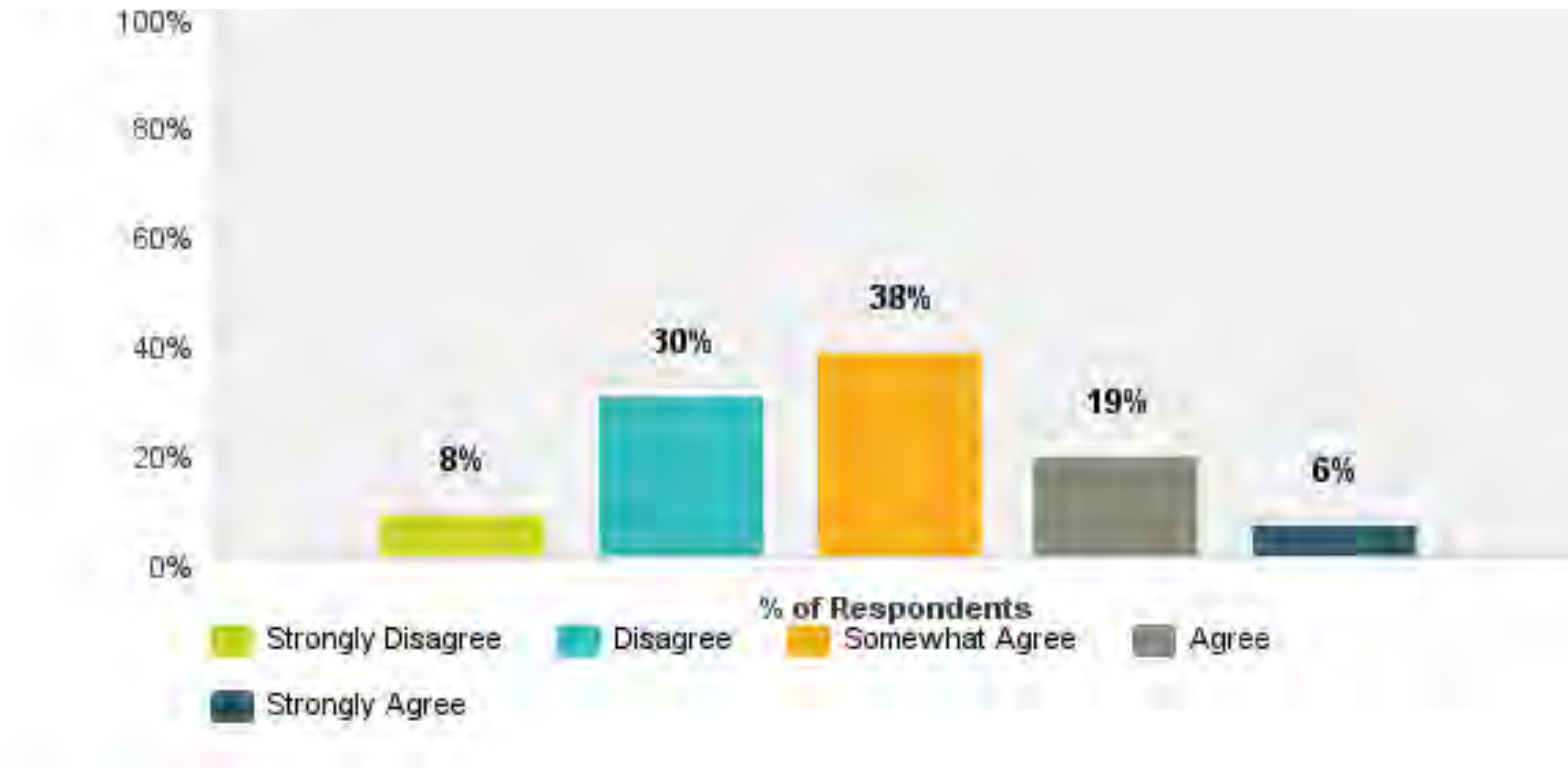
Amazon distribution center in Bad Hersfeld, Germany. (AP Photo/Jens Meyer)

Source: Washington Post. April 28, 2016

- ✓ “...booming sales in its e-commerce operation while also putting into sharp focus how central its younger cloud computing business is to its future.”
- ✓ “...revenue leaped to \$29.1 billion, a 28 percent increase over the same period last year. And it delivered a profit of \$513 million.”
- ✓ “...expanded the products available for order with Dash buttons, which are small, Internet-enabled devices that can be placed in a pantry or laundry room so shoppers can stock up on items like granola bars, coffee or detergent with the touch of the button.”

# FMCG Manufacturers do not see the threat

Q14: [You have] Concerns about doing business with Amazon.

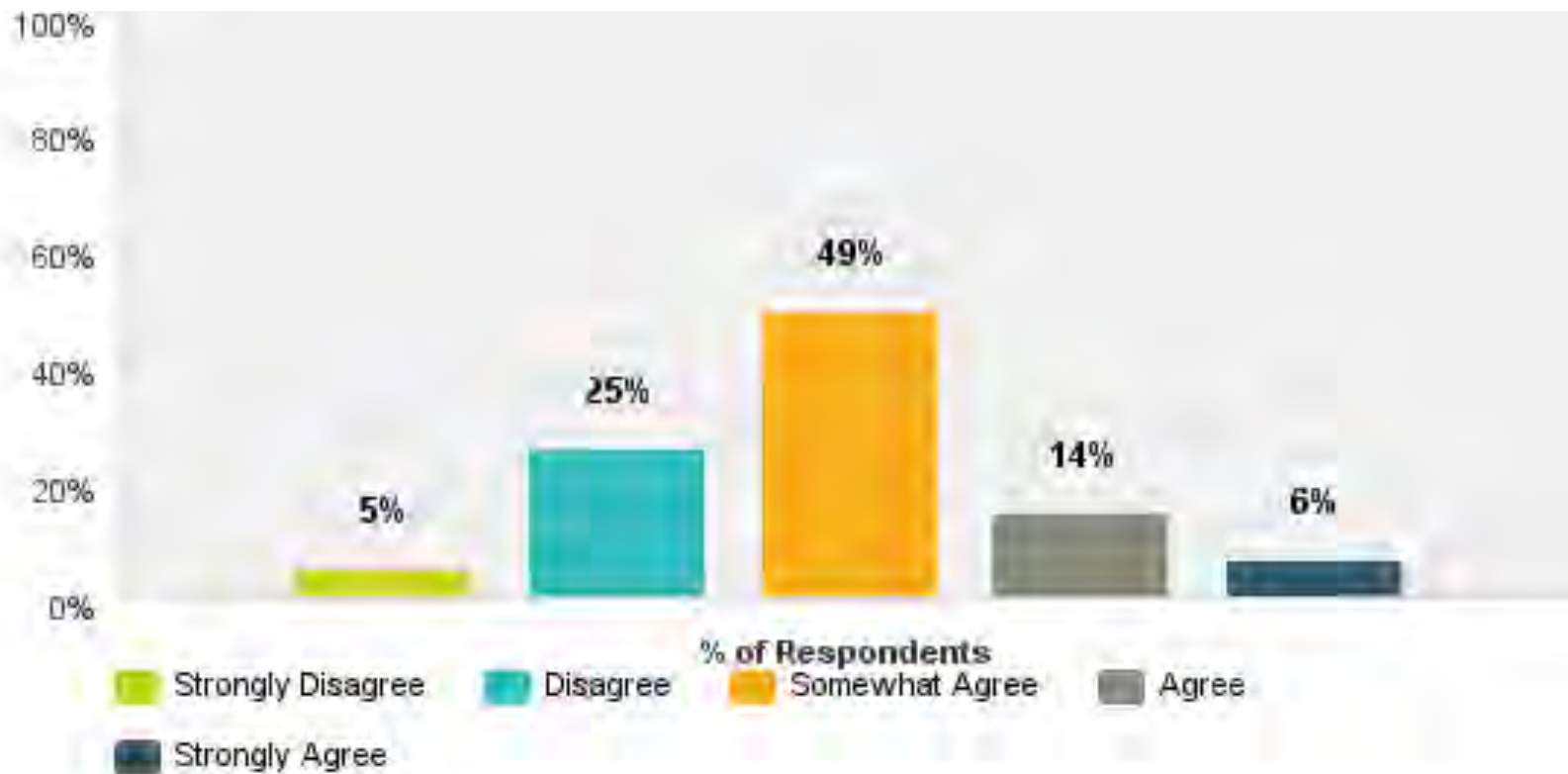


Source: POI Research. "The POI 2015 TPx and Retail Execution Survey".



# Just as they underestimated Wal-Mart

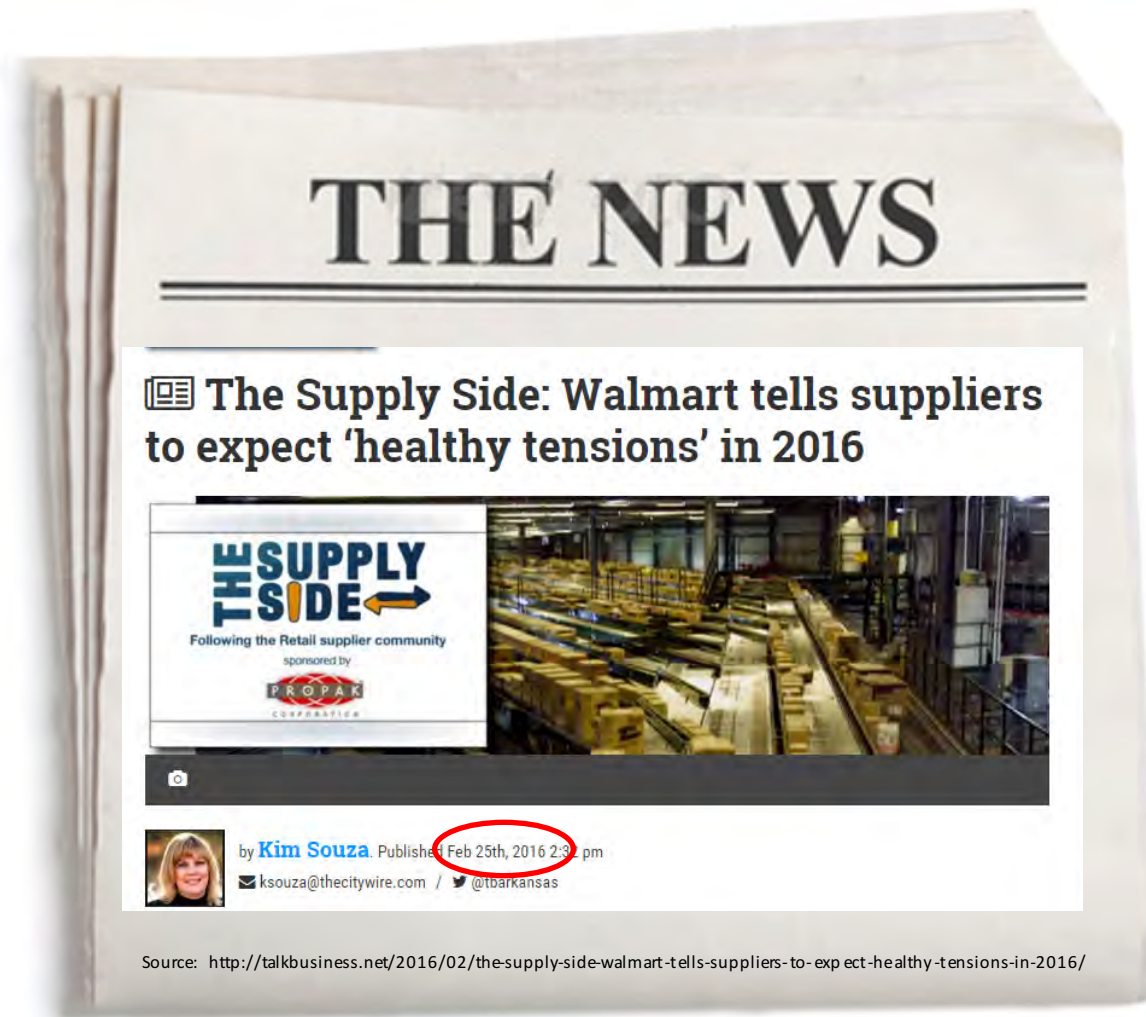
Q13: [You have] Challenges making a profit selling to Wal-Mart.



Source: POI Research. "The POI 2015 TPx and Retail Execution Survey".



# And it won't improve in 2016...

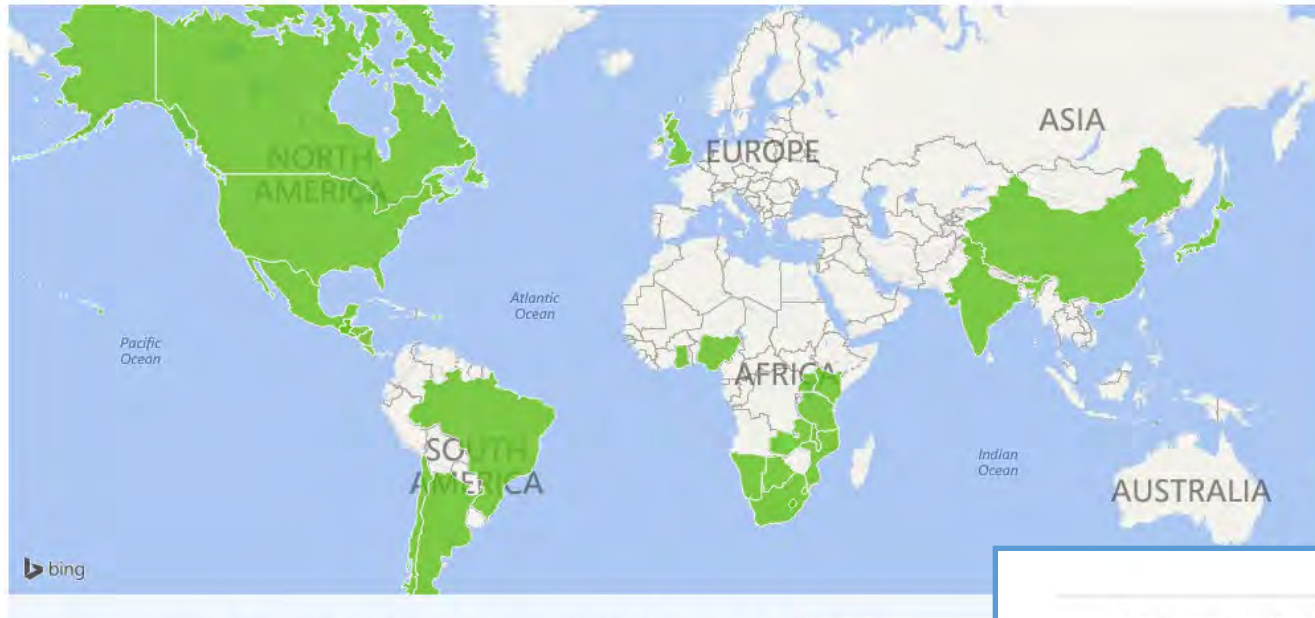


Source: <http://talkbusiness.net/2016/02/the-supply-side-walmart-tells-suppliers-to-expect-healthy-tensions-in-2016/>

- ✓ “Topline growth is key focus for this year. ... We will ask each vendor to support Walmart and our EDLP philosophy,” he said during the meeting with suppliers. “We have work to do – we will reclaim EDLP,”
- ✓ “We will be maniacal about managing costs,” he said. “Every merchant has been told we will not accept any conditions that increase our costs.”
- ✓ “...each vendor should participate in being aggressive with costs, “innovate and activate their brands in-store. We stall when we don’t innovate.”



# Vast Presence...but Influence as Well!



Walmart 2016 Revenue = \$482 Billion

2015 GDP Rankings:

- #26 Belgium @ \$459 Billion
- #25 Poland @ \$481 Billion
- #24 Sweden @ \$484 Billion

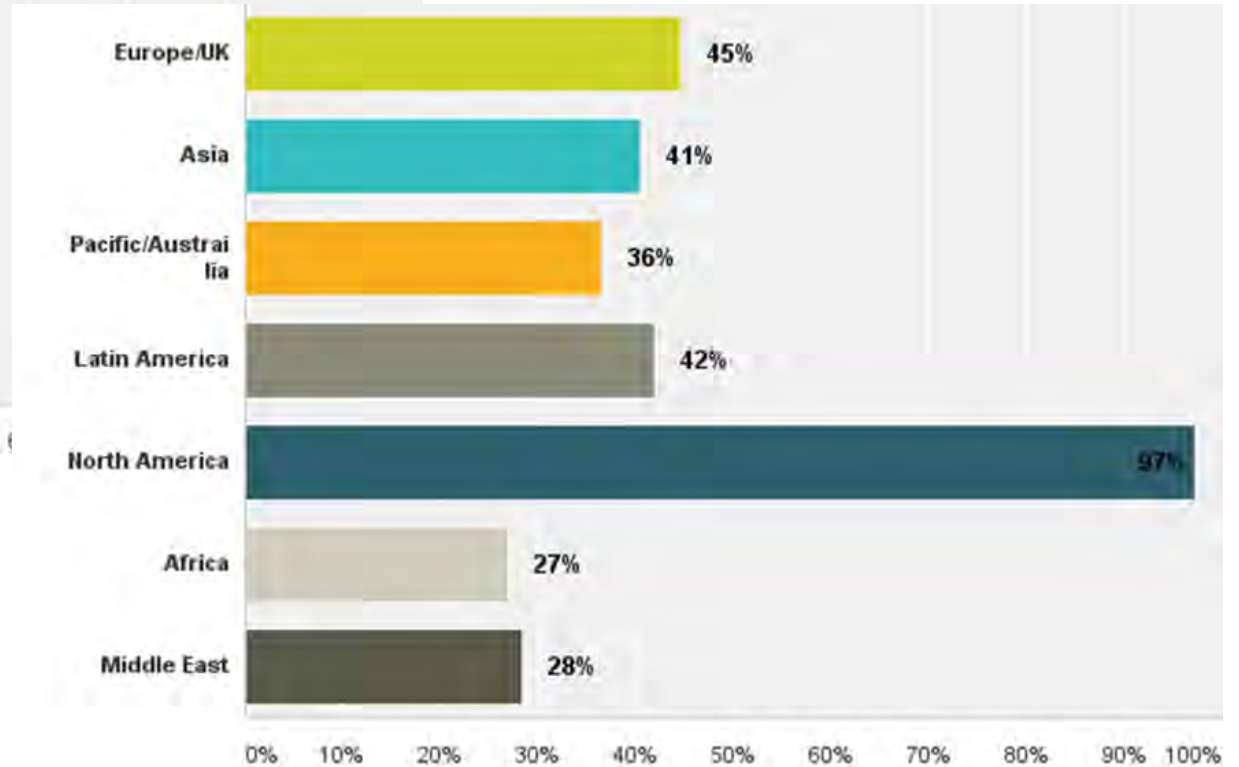
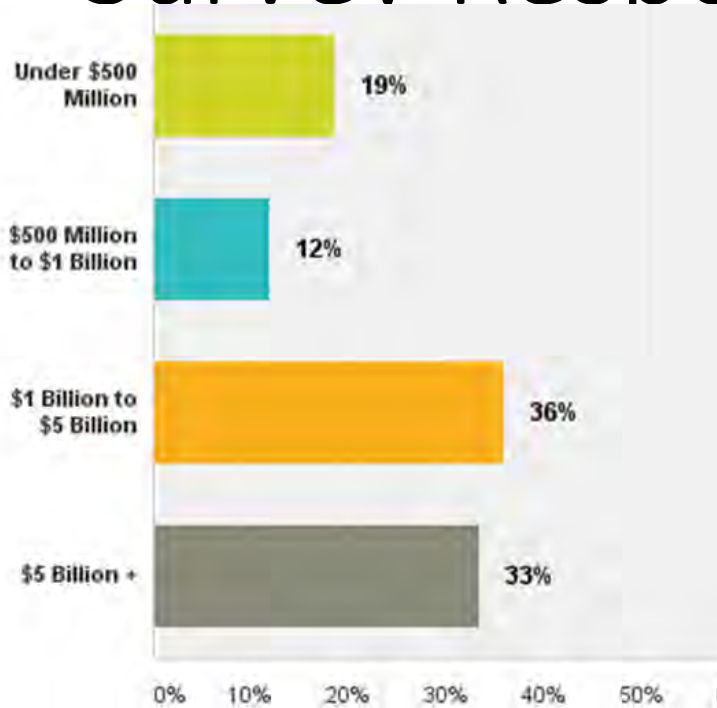
Total retail units on Feb. 29, 2016	11,527
Walmart U.S	4,573
Sam's Club	651
Walmart International	6,303



The rest of the market players are  
deeply mired in the status quo and...



# Survey Respondents are Diverse





# Not positioned for Success

## Manufacturer

- Lack of qualified personnel.
- Lack of trust in systems.
- Inability to move from transactional to analytical.
- Inability to evaluate promotions.
- Inability to make decisions at store level.
- No predictive capabilities.
- Struggles executing through channel partners.



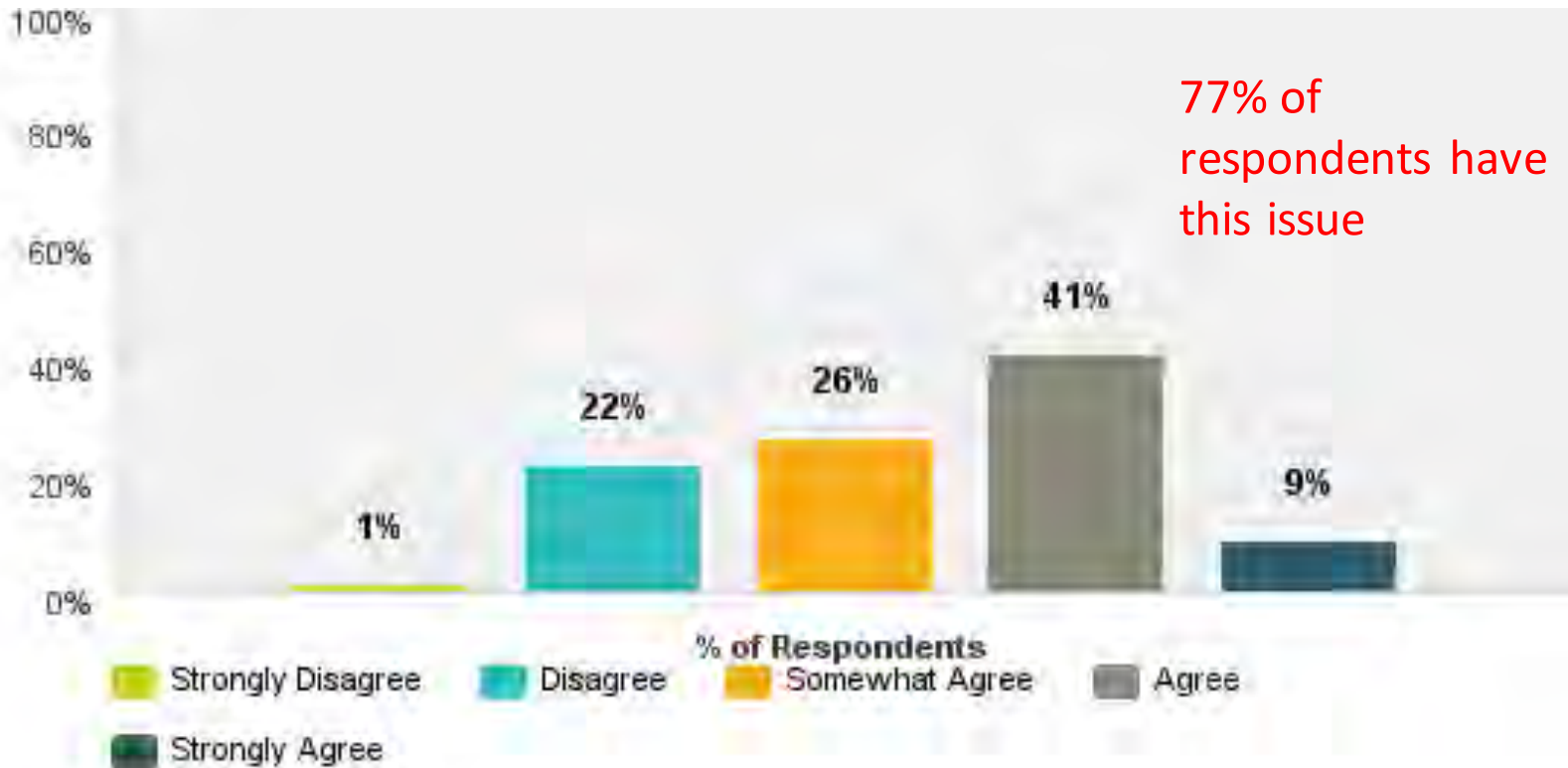
## Retailer

- Data quality issues
- Unwillingness to share data
- Denying store access
- Promotional non-compliance
- “Just give me money” vs optimizing



# Lack of qualified personnel

Q8: [You have] Challenges finding qualified personnel who can use and understand existing solutions.

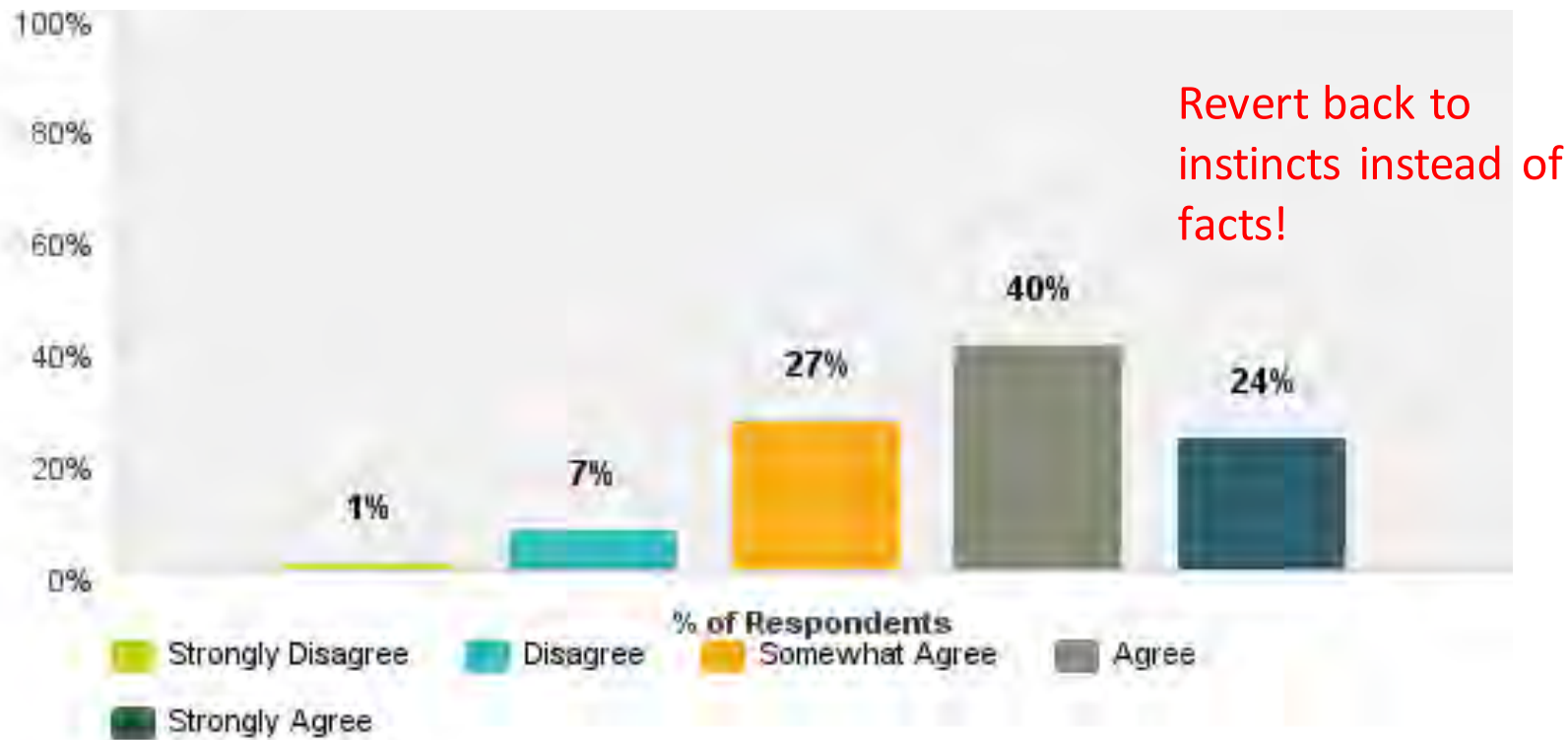


Source: POI Research. "The POI 2015 TPx and Retail Execution Survey".



# Lack of trust in systems

Q11: [You have] Challenges getting users to trust what they see in the TPx solution, whether it is the calculated profit from a past promotion, a prediction of a future outcome, or something else.



Source: POI Research. "The POI 2015 TPx and Retail Execution Survey".

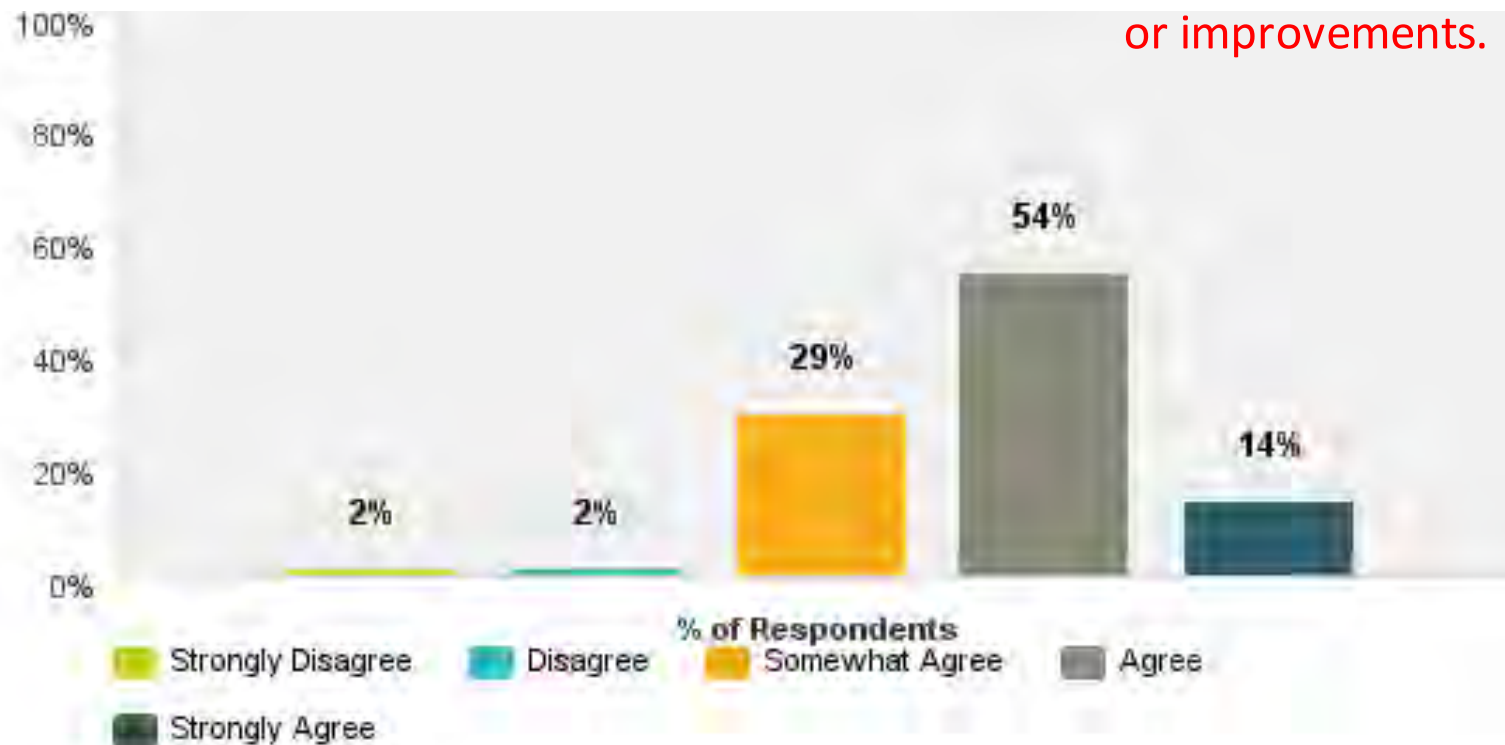




# Inability to move from transactional to analytical

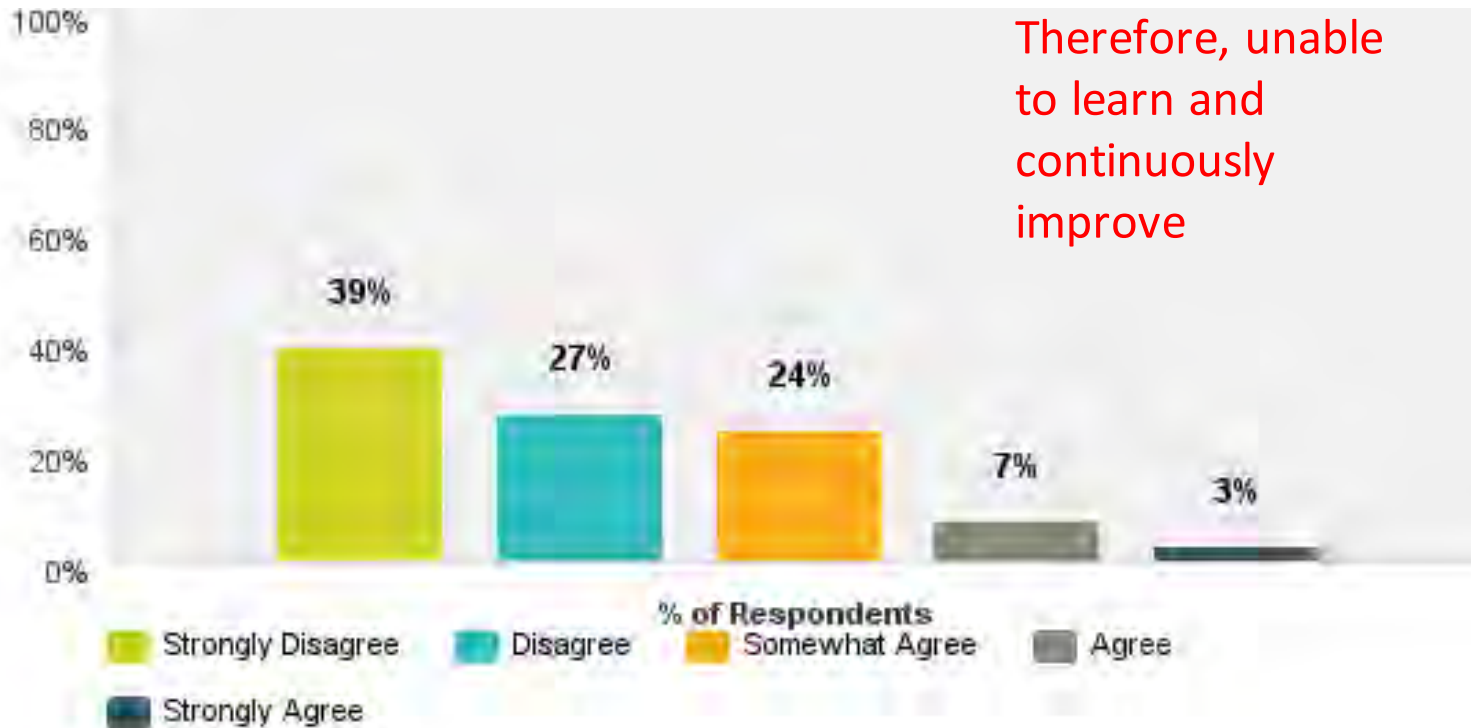
Q44: [You have] Challenges moving capabilities from being transactional to more analytical.

Yikes! No insights or improvements.



# Inability to evaluate past promotions

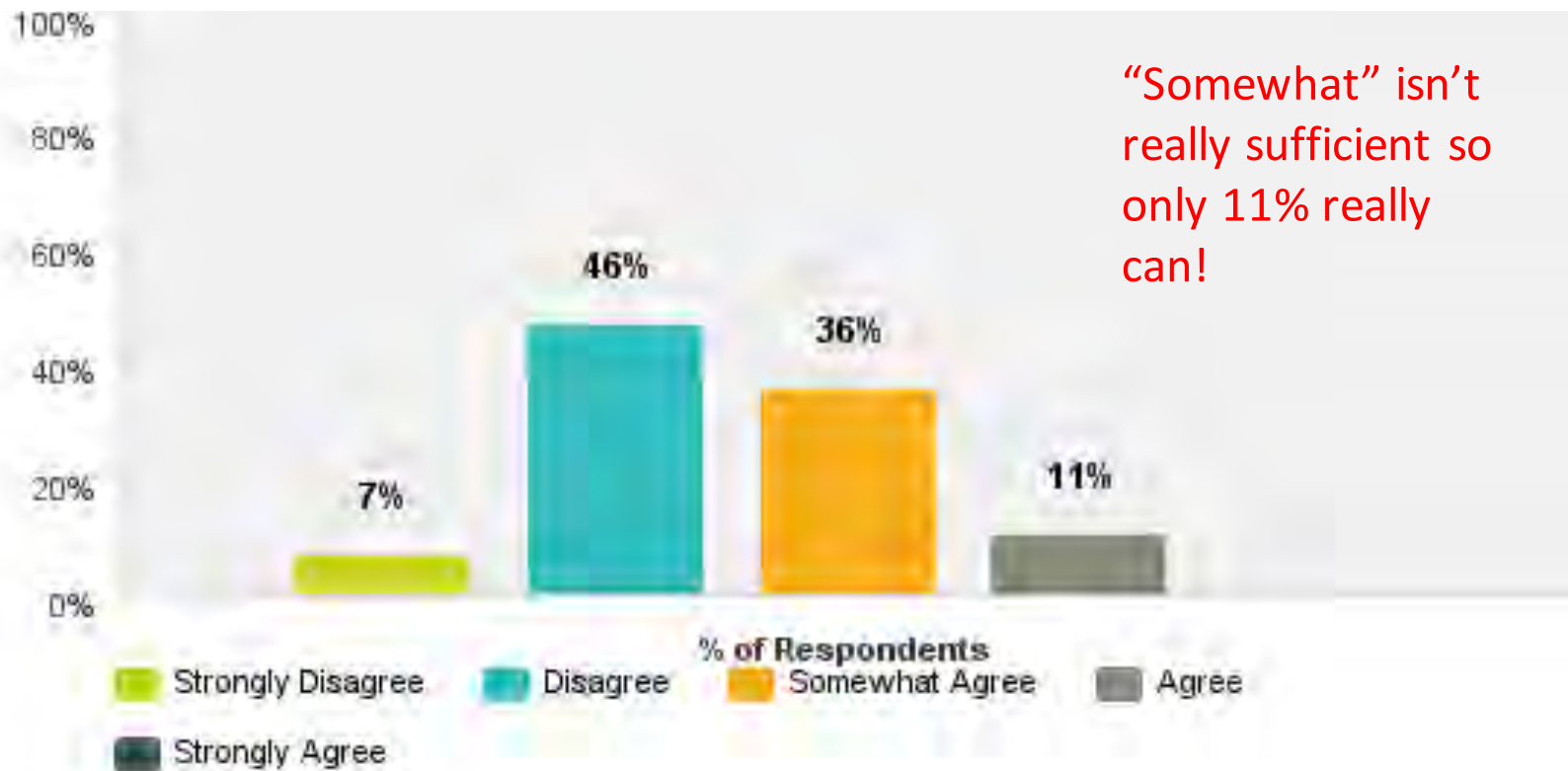
Q16: Your post event analysis process is automated so that reports are automatically populated and you can view as many promotions as you want as often as you want.



Source: POI Research. "The POI 2015 TPx and Retail Execution Survey".

# Inability to make decisions at store level

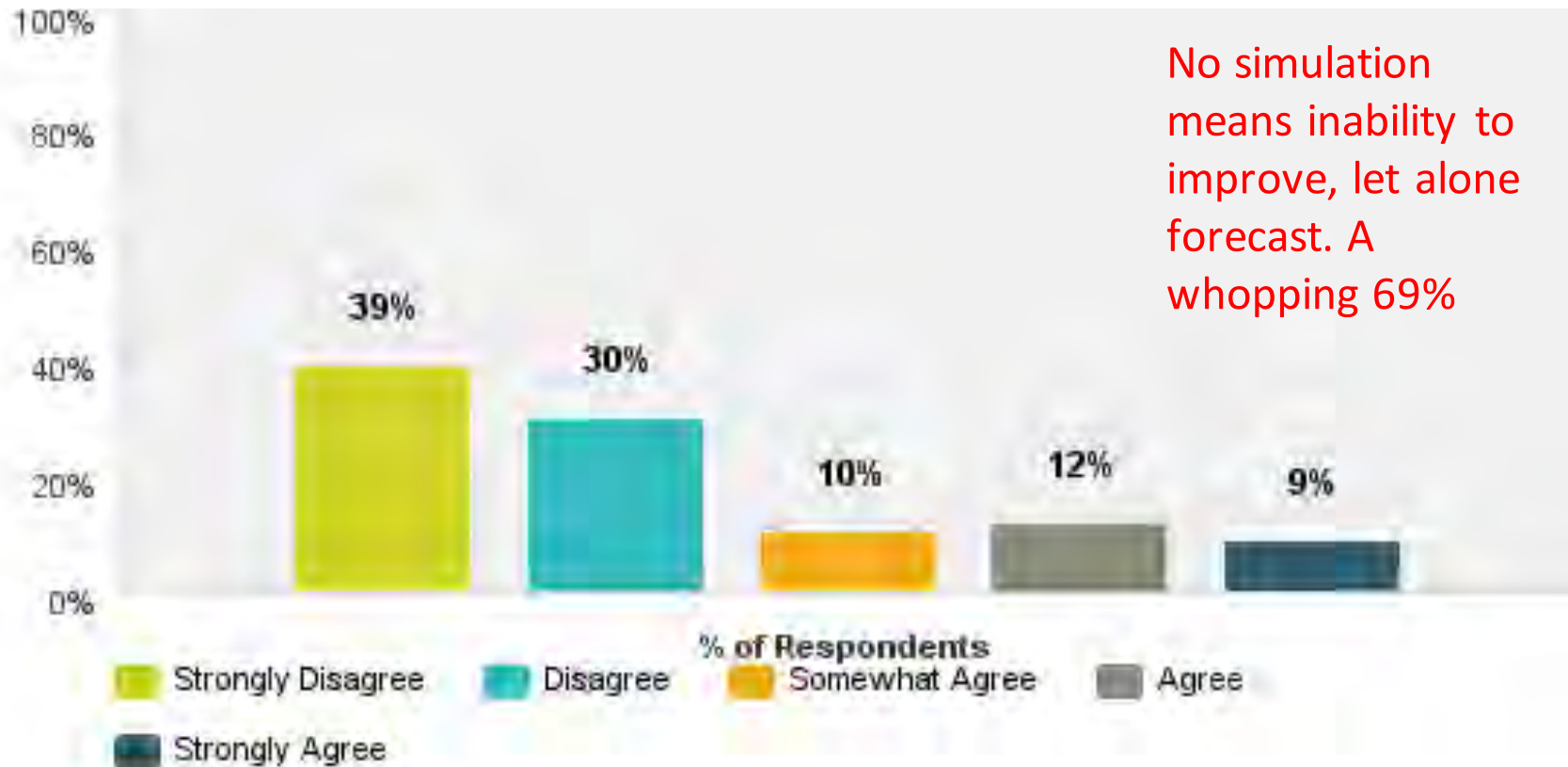
Q60: Your retail execution solution provides the analytical capabilities required to make appropriate decisions at the store level.





# No predictive capabilities

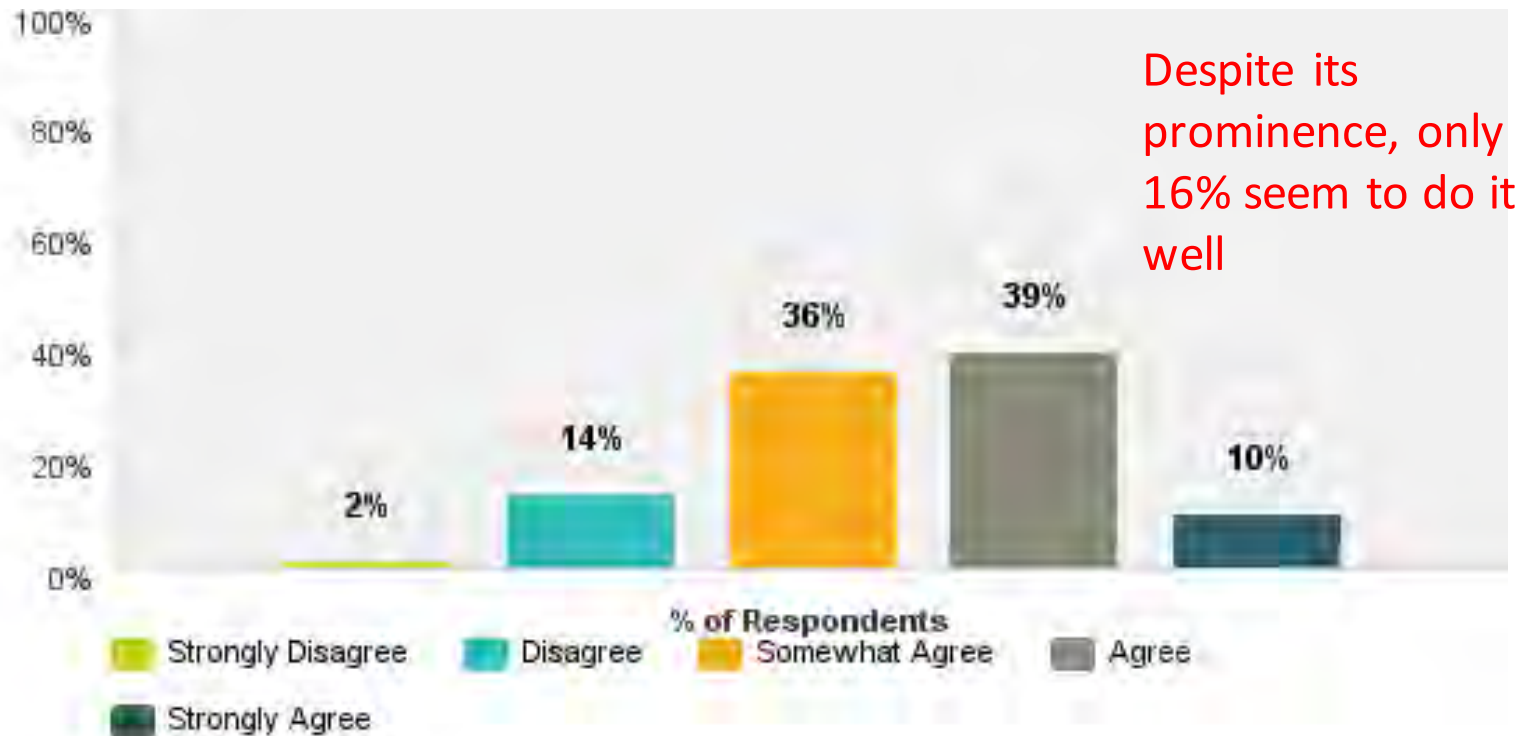
Q18: You have trade promotion optimization (TPO), which is to say, the use of predictive models to determine promotional outcomes, in the hands of your field users today.





# Struggles executing through brokers

Q48: Challenges working through third parties, such as brokers, while having the quality of execution as well as visibility into market conditions.



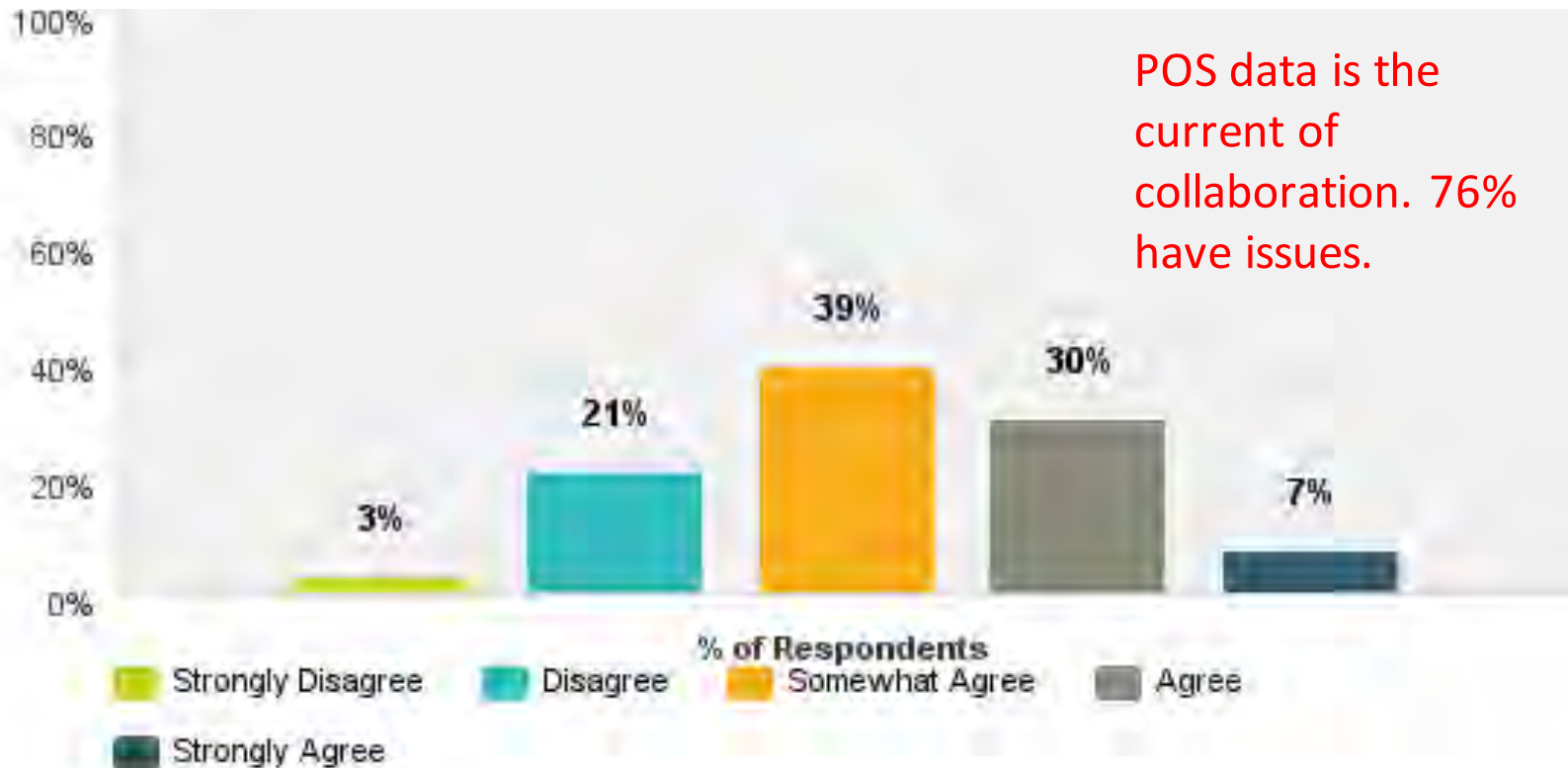


Switching over to retailer Issues...



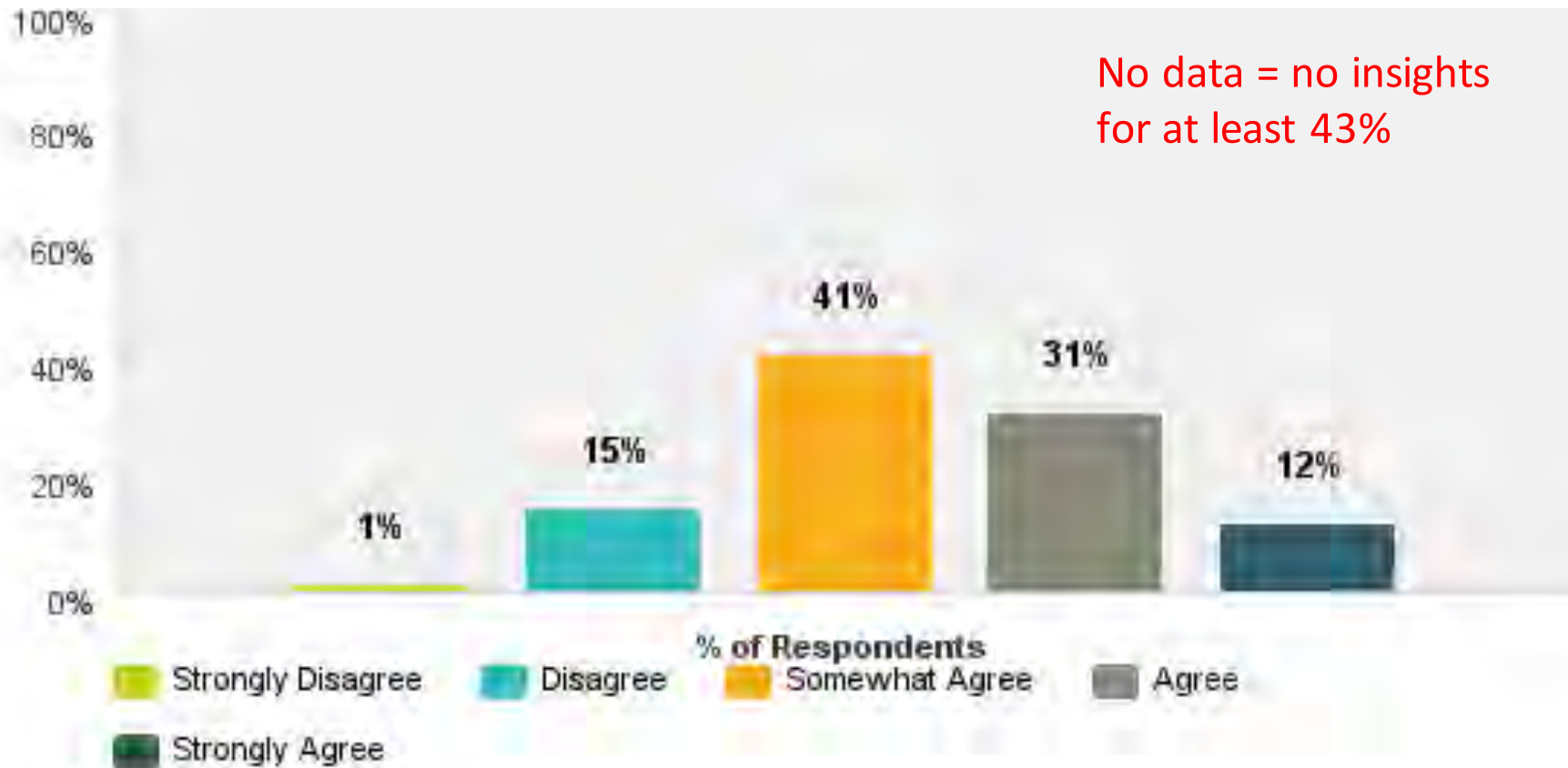
# Data quality issues

Q6: [You have] Data quality issues from external sources such as POS (ePOS), syndicated data, etc.



# Unwillingness to share data

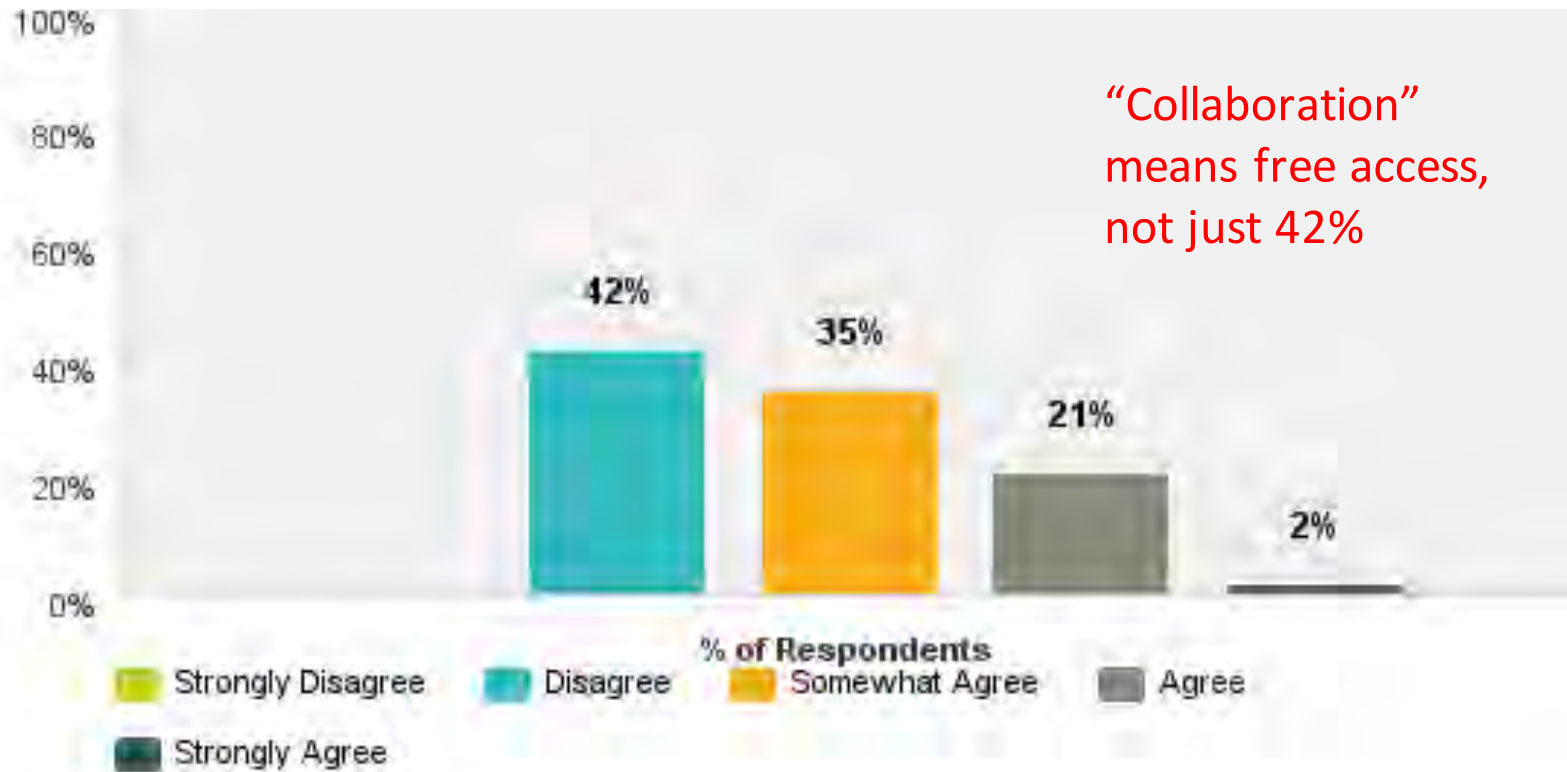
Q15: [You have] Challenges with retailers freely sharing key data such as POS with you.





# Denying store access

Q51: [You have] Challenges regarding retailers giving you sufficient access to their stores.



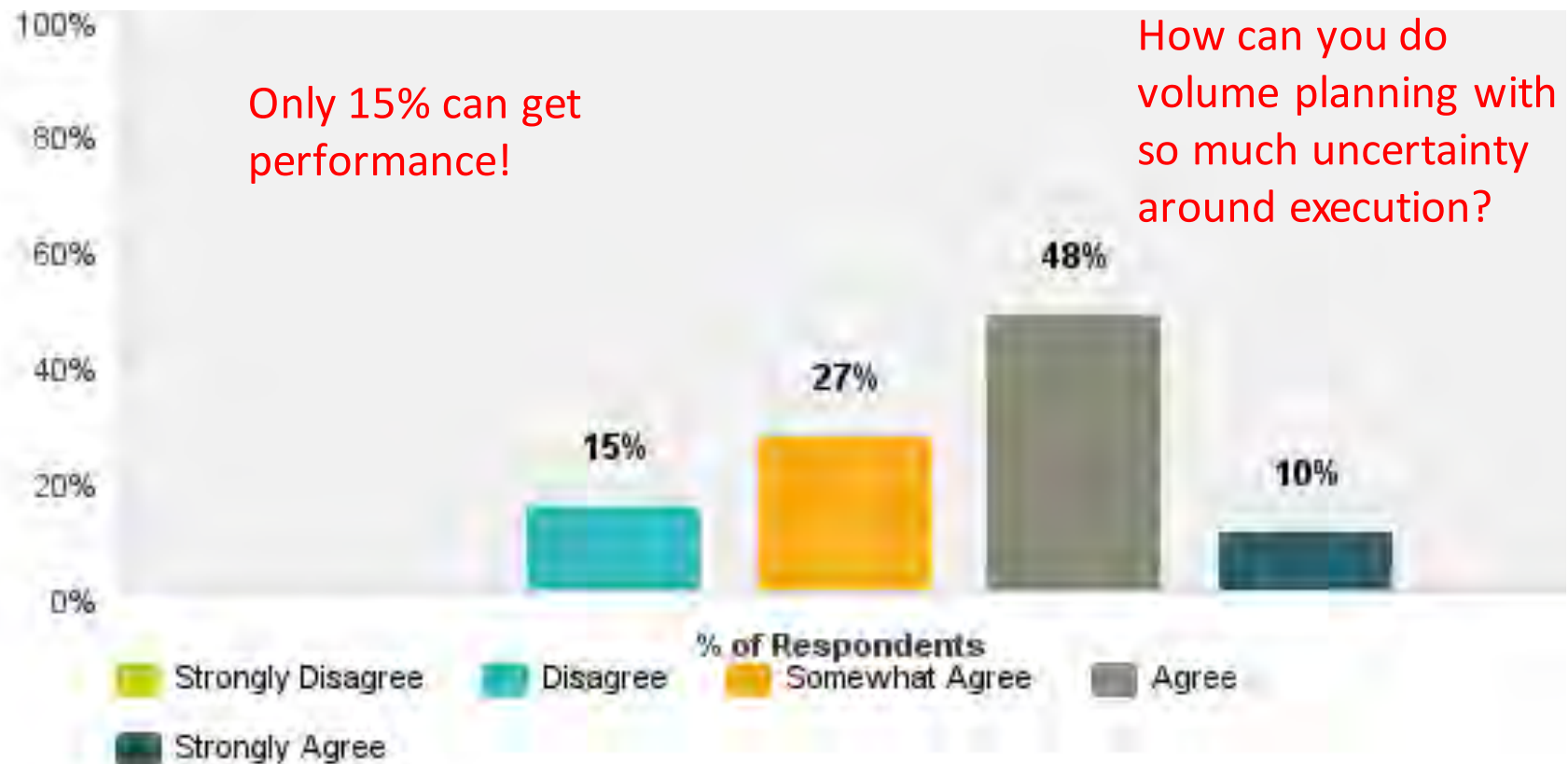
Source: POI Research. “The POI 2015 TPx and Retail Execution Survey”.





# Promotional non-compliance

Q12: [You have challenges with] Putting together a good plan, but not getting retailers to execute it as agreed upon (in other words, having compliance issues).



Source: POI Research. "The POI 2015 TPx and Retail Execution Survey".

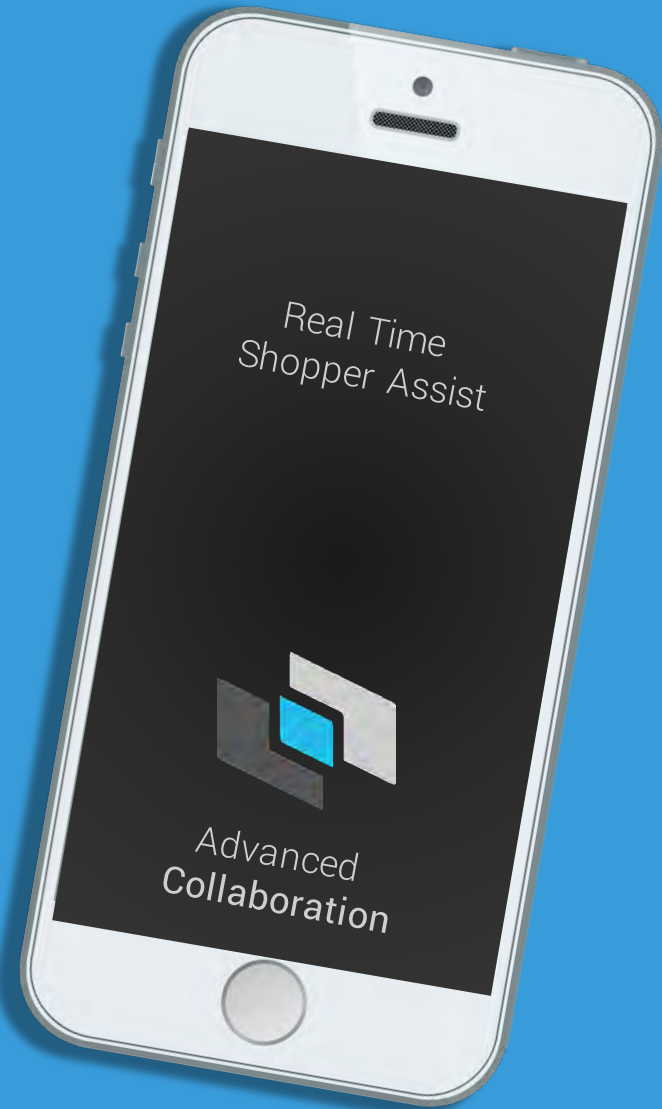


What might a more collaborative model look like in the future?

# Concept

introducing:  
The real time shopper assist

A new level of help and value-add that shoppers will appreciate, covet and come to depend on every time they have to shop.



# Benefits

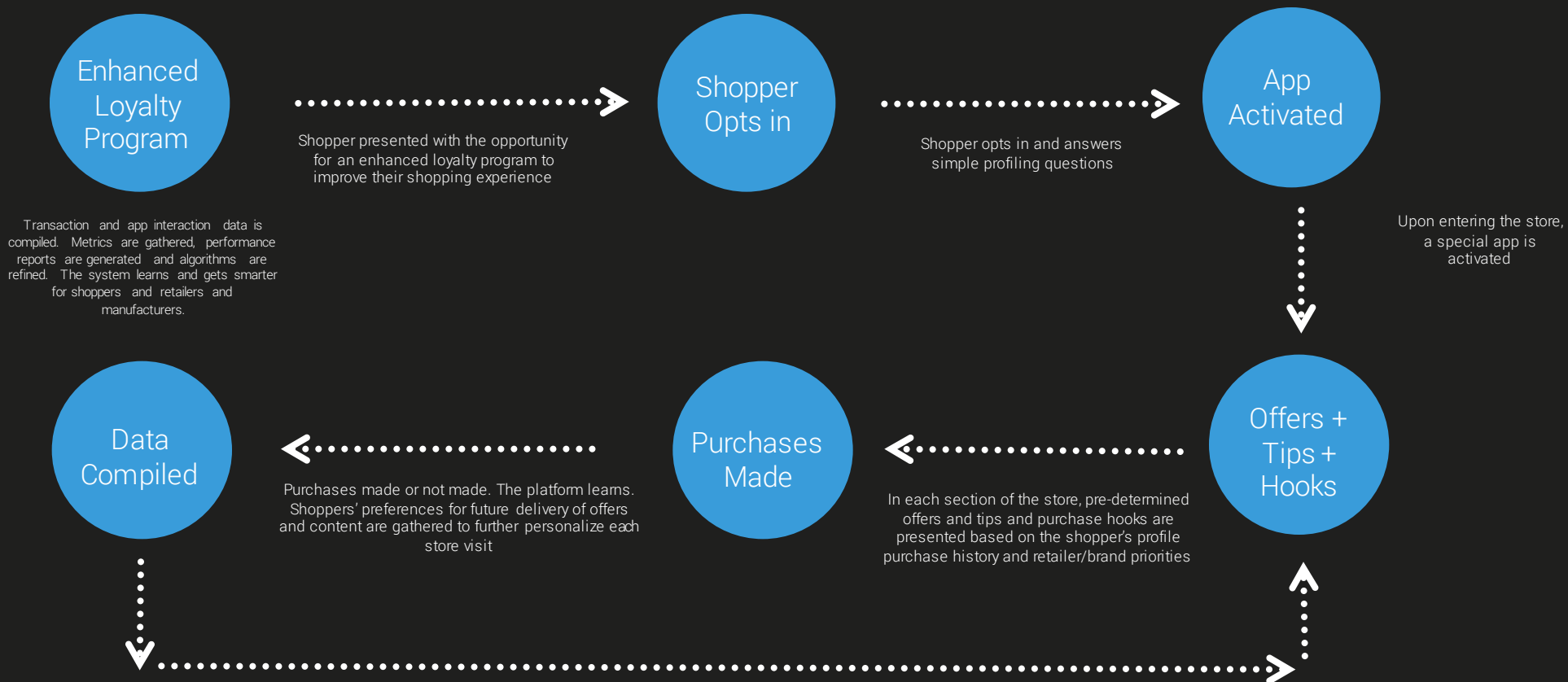
What if shoppers' purchase decision-making needs could be anticipated at every point in the store...and fulfilled **as desired?**

...imagine how it might make her feel about your brand?



# Mechanics

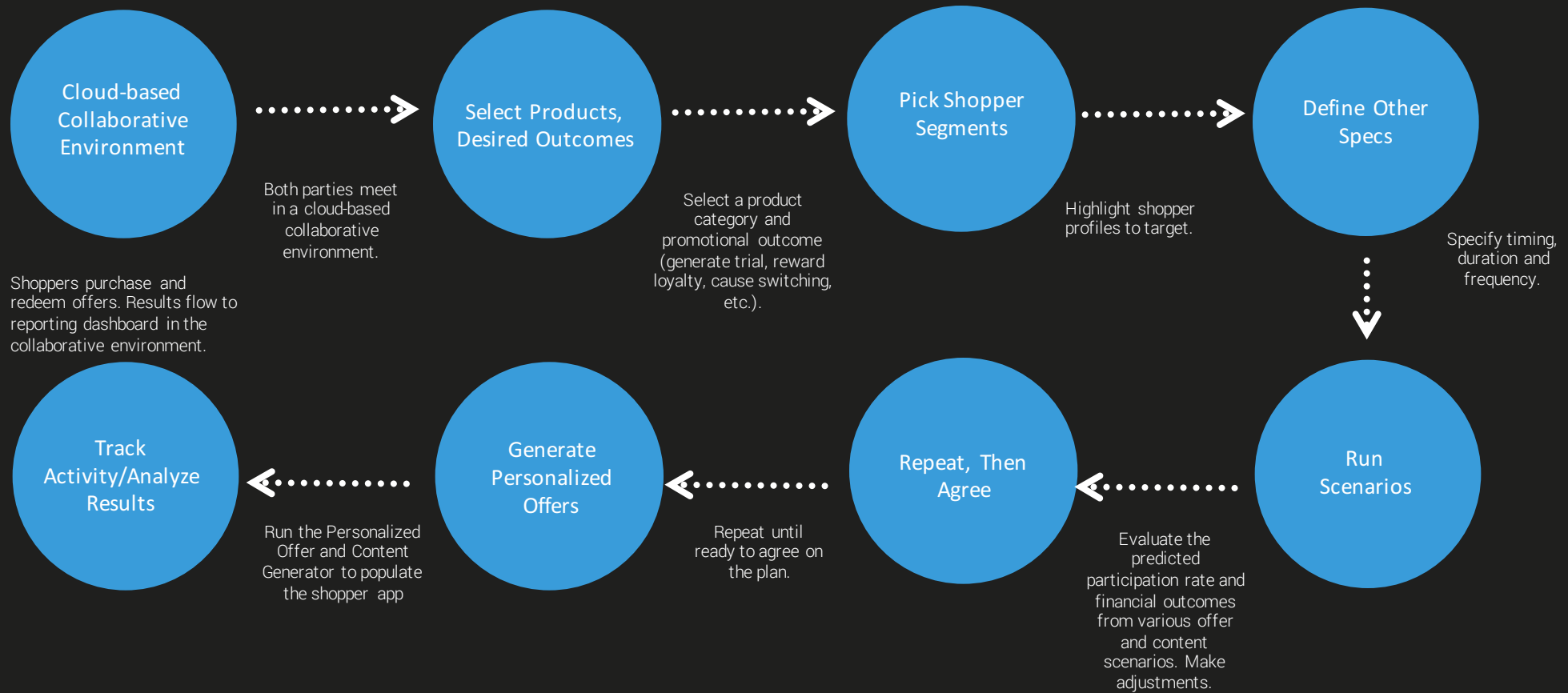
how would this work for the **shopper?**





# Mechanics

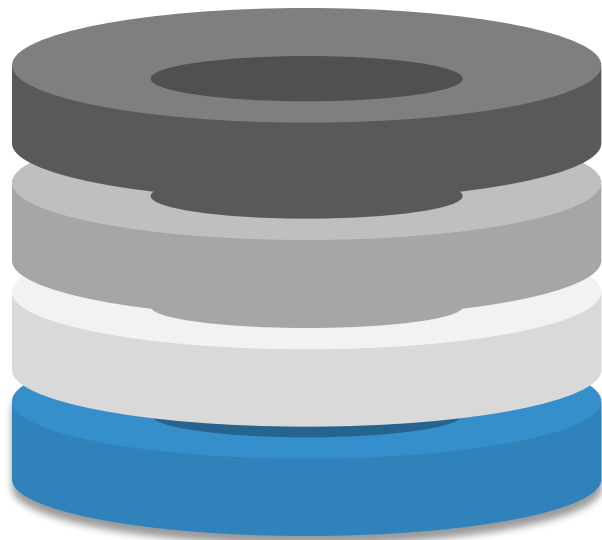
how would this work for the **manufacturer and retailer?**







# Components

## the component parts overview

what will make this all possible



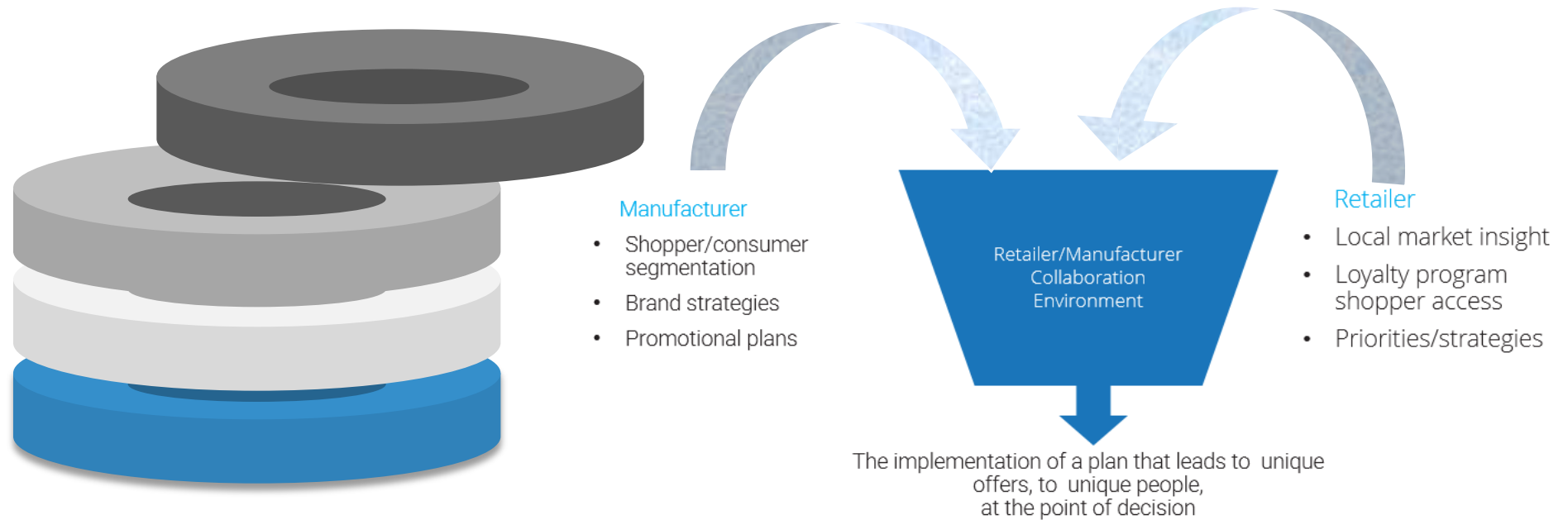
-  **Retailer/Manufacturer Collaboration Environment**  
Offer planning module and reporting dashboard that ensures retailer and brand goals are met.
-  **Mobile App**  
The delivery mechanism
-  **Offer and Content Recommendation Engine**  
The intelligence to make context aware, personalized offers and content recommendations
-  **The Database**  
The data that drives the initiative.

- Brings together what we know about each person/family
- Incorporates what they've purchased and responded to
- Considers context; buying situation and circumstances
- Processes product related segmentation
- Seamlessly incorporates shopper behavior insight
- Promotional offer expertise and recommendation algorithms
- Matches goals and priorities for retailer and manufacturer/brands

# Collaborative Environment: The Special Sauce

## retailer/manufacturer collaboration environment

The offer planning module and reporting dashboard that ensures retailer and brand goals are met





# Recommendations

- ✓ Have a new look at Amazon.
- ✓ Focus on being the “right partner”, then go seeking the same.
- ✓ People, process, and then technology – seriously!
- ✓ Invest in moving past transactional to analytical as competitive advantage.
- ✓ Let’s talk about new models!

## Parting Shot



*“Victory is preserved for those who are willing to pay its price”*

-Sun Tzu





I would love to get you involved in:

- Surveys
- Case studies
- Share groups
- A 1-on-1 conversation

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Let's keep the dialog going:

- Latin America Summit. Miami Beach. July 19-20
- Retail Execution Summit. St. Louis. September 27-27
- Fall Summit. Dallas. November 4-6.