Quantifying and Achieving Shopper Marketing ROI - Case Studies

Speakers

Mike Pommer, VP Analytics, Genpact, Inc.
Eric Nordquist, VP Analytics, Genpact, Inc.

In this session, learn how other manufacturers have approached measuring the impact of Shopper Marketing programs, and incorporated the findings to improve utilization of spending.
What we would like to share with you today....

• Examples of how different manufacturers have measured Shopper Marketing impact
  – Retailer specific events
  – Total Market events

• Implications and observations
  – Suggestions for how to improve your measurement and evaluation of Retailer Shopper Marketing
Shopper Marketing – Multiple Definitions

Classic Definition:

“Understanding how one’s target consumers behave as shoppers, in different channels and formats, and leveraging this intelligence to the benefit of all stakeholders, defined as:

• Brands
• Consumers
• Retailers
• And, Shopper’s

A shorter version from Chris Hoyt:

• “Shopper Marketing is brand Marketing in the retail environment”
Shopper Marketing – Trade Promotion Overlaps

Shopper Marketing Execution differs across the “marketing mix”

Four P’s translation:
• Product: Size, shape, color, material, package, package messages and graphics
• Price: Discounts, bundled offers, price communications, coupons
• Place: Store concept, lighting, shelves, and placement of special presentations
• Promotion: On-pack promotions, store promotions, special presentations, in-store media (TV, shelf signage, cart signage, floor signage, etc.)

For today, we are focusing on price and promotion Shopper Marketing strategies/tactics.
Shopper Marketing Growth

- Growing part of manufacturer spending directed at building business with retail partners

- Recent study quoted by Supermarket News suggests that reported Shopper Marketing investment has doubled from 2012 – 2014
  - Reported overall annual investment of $34 Billion in the US.

- With this level of spending, more importance to answer management questions for:
  - Volume impact
  - Return on investment – payback versus alternatives
Case Studies and Examples

• Retailer Specific Shopper Marketing Programs

• Total Market Shopper Marketing Programs
Retailer Specific Shopper Marketing Promotions

Typically combined with “classic” trade promotion tactics

• Shorter term cycle (sell in to execution)
• Large number of events and tactics
  – Multi Buys
  – Consumer coupons (digital, “classic” distribution)
  – FSP tie – in’s
  – In-store merchandising
  – Demo’s
  – Seasonal sponsorships

• Manufacturer Objectives
  – Volume lift
  – Generate increased “shopper” occasions
  – Meet manufacturer financial goals
Retailer Specific Shopper Marketing Promotions

Safeway
Olympics Multi Buy

Jewel Racing-”NASCAR”
Key Challenges in Evaluating Retailer Shopper Marketing Promotions

- Retailer specific, with each event being relatively “unique”
  - Mix of products
  - Tactic differences
  - Timing differences

- Limited timeframe
  - Event impact over 2 to 6 week periods

- Limited causal data
  - Syndicated sources do not specifically measure
Key Challenges in Evaluating Retailer Shopper Marketing Promotions

- Event execution details may be hard to track down, and store for post promotion evaluation
  - Event/Offer details
  - Volume results
  - Spending, fixed and variable

- Trade-off’s in measurement techniques:
  - Cost-timing-accuracy
  - Pick two out of three!
Fundamental Measurement Issue: How do I measure the “Incremental”?
Case Studies and Examples

- Examples from two large CPG products manufacturers
  - Full Portfolios of brands
  - Broad range of shopper marketing events
    - Retailer Events
    - Total Market Events
  - Central team to provide direction and advice, but substantial freedom for account teams to develop or execute programs for Retailer events
    - More modest flexibility for Total market events
Case Study #1 – Retailer Shopper Marketing Promotions

Manufacturer Goals

• Establish cost effective and reliable method of measuring over 400 events annually

• Have low impact on field account teams for evaluation

• Establish benchmarks for:
  • Lift and ROI by product
  • Lift and ROI by retailer
  • Lift and ROI by tactic
Case Study #1 – Retailer Shopper Marketing Promotions

What they did....

• Evaluated multiple measurement methods

• Developed a standard template and portal for collecting promotion details and spending

• Established benchmarks, after measuring a large number of
  • Events
  • Tactic’s

• Central team diligently shared findings and observations
Case Study #1 – ROI Performance Over Time

- Year 2 Program Changes Yielded Lower Performance
Case Study #1 – Diagnosis of Year 2 Results

- Shift in Q4 to Seasonal Buying Themes drove ROI
- Established goal of $1.50 for SM portion of events
Case Study #1 – Diagnostics Lift and ROI by Tactic

- Identified significant differences in lift and ROI by tactic.
- Shifted tactics towards higher lift/ROI opportunities
Case Study #1 – Reporting of Findings

- Consistent and Robust Reporting of findings and what to potentially change.

**MEASURE**

- Part of Safeway corporate event
- Selection of brands make sense – focuses on Safeway’s FamilyFocused T&P
- For relatively small cost, able to get trade benefit of merchandising for
- Fortunate to have movie tie-in with event.

**LEARN**

- Next year, no movie tie-in so the team will need to be selective on brands.
- Continue to participate in corporate events in order to leverage for better merchandising.

**CHANGE**

- SM Spend: $108,000
- SM Incr CSUs: 25,881
From an increasing number of event measurements...

- Limiting the number of brands to 5-6 per event increased overall ROI
- Simpler consumer offers increased ROI
- Promotion themes leveraging product usage occasions directly increased ROI
  - “Seasonal Themes” directly related to product usage more powerful than NASCAR/“Super Bowl” themed events.

Estimated +20% year on year increase in event and tactic effectiveness
• Event execution appears in many key elements of the brand-marketing mix (example: Sports sponsorships, Super Bowl, Movie Sponsorships)
  – Trade Promotion – In-Store Merchandising
  – Packaging
  – Broad Market Advertising (TV, Digital, other)
• Geographic impact can be national, regional
• Limited # of discrete events per brand-business group per year
Case Study #2 – Total Market Event-Promotions

Major Beverage Manufacturer-Distributor

Manufacturer Goals

- Establish Valid and reliable method of measuring 5-6 National promotion events annually
- Consider both consumer impact and retailer/bottler support impact
- Establish benchmarks for:
  - Lift and ROI by program
  - Lift and ROI by product
  - Lift and ROI by Retailer
• Case Study #2 – Total Market Event-Promotions

Movie Tie-in Programs

Holiday Programs-Halloween

“Super Bowl”
Case Study #2– Total Market Event Promotions

What they did....

• Evaluated multiple measurement methods

• Established benchmarks, after measuring a larger number of
  • Events
  • Tactic’s

• Experimented with different combinations of tactics
  • Incorporated Findings into future plans
Separate out the consumer impact-lift, from the trade merchandising impact-lift.

\[
\begin{align*}
\text{Consumer} & \quad + \quad \text{Trade} \\
\uparrow & \\
\text{Increase in Effectiveness on the consumer’s response due to the Event} & \\
\uparrow & \\
\text{Some of the impact of events comes from the value in gaining support} & \\
\end{align*}
\]
Case Study #2– Total Market Event Promotions - Lift

- Major Sports Holiday (Super Bowl) and Q4 Holiday events provided the largest volume lift

**Total Incremental Contribution Summarized By Event Type**

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Lift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sports Holiday</td>
<td>9.1%</td>
</tr>
<tr>
<td>Q4 Holiday</td>
<td>5.6%</td>
</tr>
<tr>
<td>College Sports</td>
<td>4.6%</td>
</tr>
<tr>
<td>Early Summer</td>
<td>2.9%</td>
</tr>
<tr>
<td>Fall Holiday</td>
<td>2.9%</td>
</tr>
<tr>
<td>Mid Summer</td>
<td>2.7%</td>
</tr>
<tr>
<td>Late Summer</td>
<td>1.9%</td>
</tr>
</tbody>
</table>
Case Study #2– Total Market Event Promotions - ROI

- Lower cost Early Summer and Fall Holiday events provided higher ROI
- Higher cost sports sponsorship (March Madness) and movie sponsorships provided lower ROI

![Chart showing Topline ROI Summarized By Event Type]

- Sports Holiday: $1.11
- Holiday: $0.99
- College Sports: $1.64
- Early Summer: $1.81
- Fall Holiday: $1.08
- Mid Summer: $1.27
Case Study #2– Total Market Event Promotions

- Across all events, a 4.0% Lift was considered to be the threshold level.
Case Study #2– Total Market Event Promotions – Diagnostics

• The Year 4 Super Bowl event underperformed prior events due to a planned reduction in price support

Super Bowl Incremental by Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Themed</th>
<th>Merch</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>1.0%</td>
<td>0.9%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Year 2</td>
<td>1.5%</td>
<td>1.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Year 3</td>
<td>2.1%</td>
<td>1.8%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Year 4</td>
<td>1.1%</td>
<td>2.2%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>
Case Study #2 – Summary of Changes

- Included a price promotion component in all future events
- Avoided high cost/low ROI events requiring significant licensing fees or sponsorship costs
  - Movie sponsorships are boom or bust
  - March Madness, high cost, lower than threshold incremental volume
  - Continue to participate in the high volume occasions, but focus a bit more on optimizing pre summer and post summer holidays
Summary – Considerations for Measuring Shopper Marketing

• Determine the value of measuring and necessary coverage
  – Establish a cost threshold for event measurement
  – What breadth of coverage – all events, top accounts only, or a projectable sample?

• What level of accuracy and reliability?
  – Given the measurement challenge, having a “close” and consistent technique, may outweigh having high levels of statistical accuracy
  – At the very least, have a common method of determining “incremental”
Summary – Considerations for Measuring Shopper Marketing

• **Consistent process for capturing the details**
  – Determine a means of capturing key details for events, and keeping on hand
    • Products/timing
    • Event tactics
    • Variable and fixed spend

• **Criteria for Financial evaluation**
  – Net Margin ROI and Payback above the cost of the event is hard to achieve for short term events.
  – Consider measures that include retail partner goals (payback on retail sales, category impact)

• **Don’t forget the Consumer!**
  – As available, use other data sources (HH panel, FSP data)
    • Determining best combination of products for multi product events
    • Post event evaluation for expanding trips or basket size
Summary – Considerations for Measuring Shopper Marketing

• Developing Benchmarks
  – Identify reasonable threshold levels for lift and ROI, and evaluate over time

• Evaluating tactics and Implementing results
  – Standard/common templates for sharing findings
  – Regular team evaluation, and best practice sharing among
    • Field account teams
    • HQ, Central Support teams
    • And, Retail Partners
Parallel Track with Building TPO Collaboration!

Getting There One Step at a Time

**Transactional**
- Limited capabilities
- Business as usual

**Analytical/ Tech-Heavy**
- Rear-view approach
- Performance gaps help identify goals and needs

**Manual but Collaborative**
- Beginning to understand components of optimization and key metrics
- Integrating data points

**Optimization & Collaboration**
- Have committed organizations to consistently contribute to the mutual profitability of the trading partner relationship
- Shared success in serving shared shopper/consumers

**TPO – Trade Promotion Optimization**
- Created trading partner teams
- Able to integrate, interpret and share data, mutual KPIs
- Improved profitability

Source: Joint POI and Gartner research
Thank You!

COLLABORATIVE MARKETING TO EXECUTE AT THE RATE OF CHANGE SUMMIT

Promotion Optimization Institute • Spring Summit 2015 • Chicago, IL