

Achieving the possible...



...requires

collaboration

Presented By: Dale Hagemeyer, Partner

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



Source: Time Magazine on line. June 11, 2014

- ✓ But it's Amazon's relationship with its suppliers that makes the company worse than **Walmart**
- ✓ 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.

In many ways

THE NEWS

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

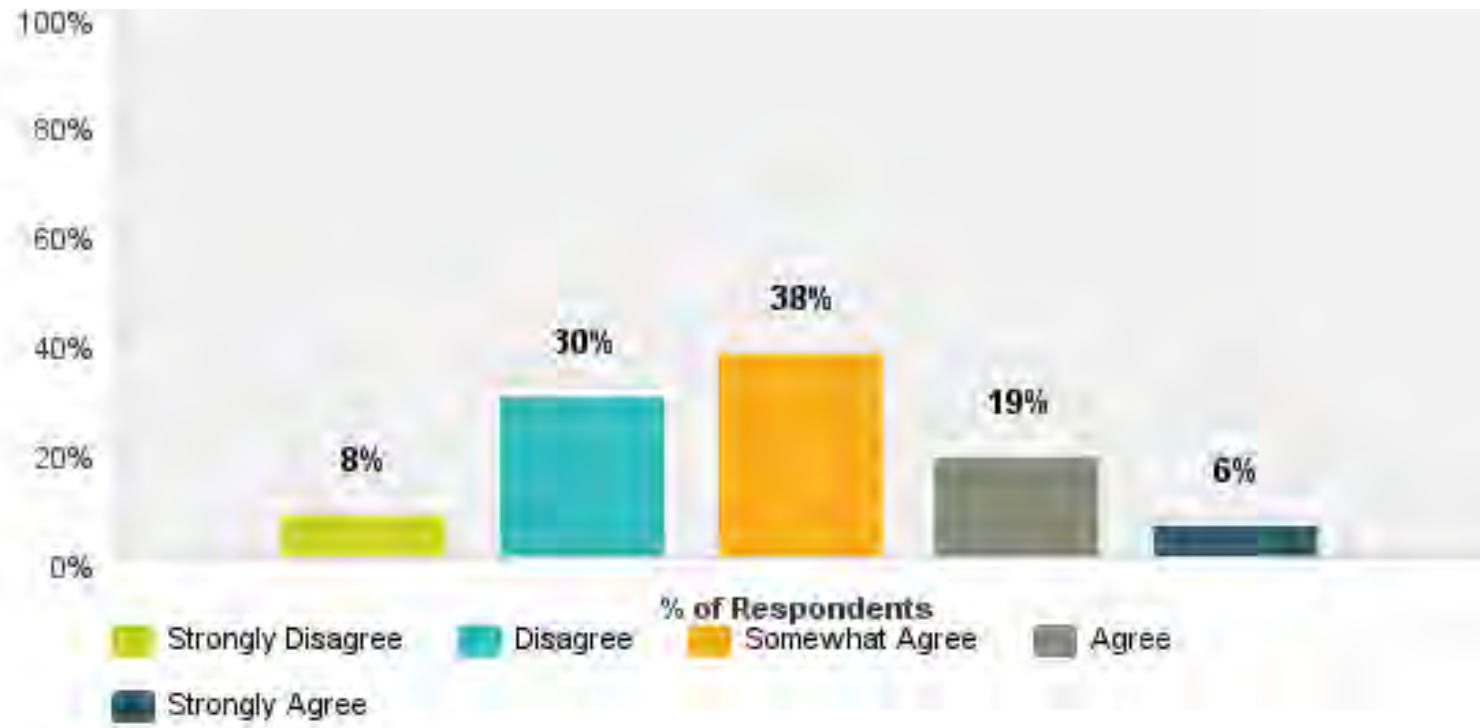


By Spencer Soper April 10, 2015
Bloomberg

- ✓ 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

CG Manufacturers do not see the threat

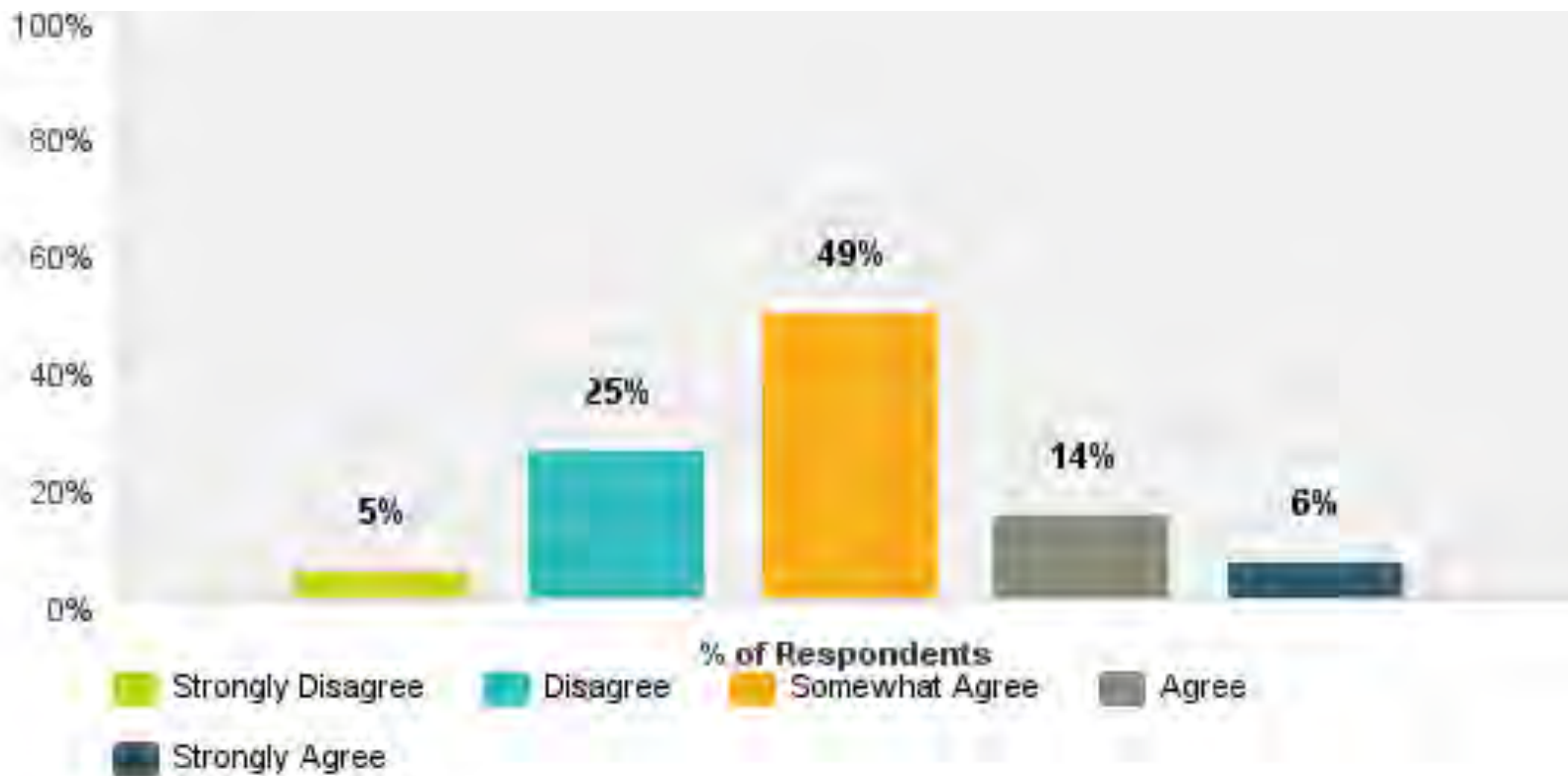
Q14: [You have] Concerns about doing business with Amazon.



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

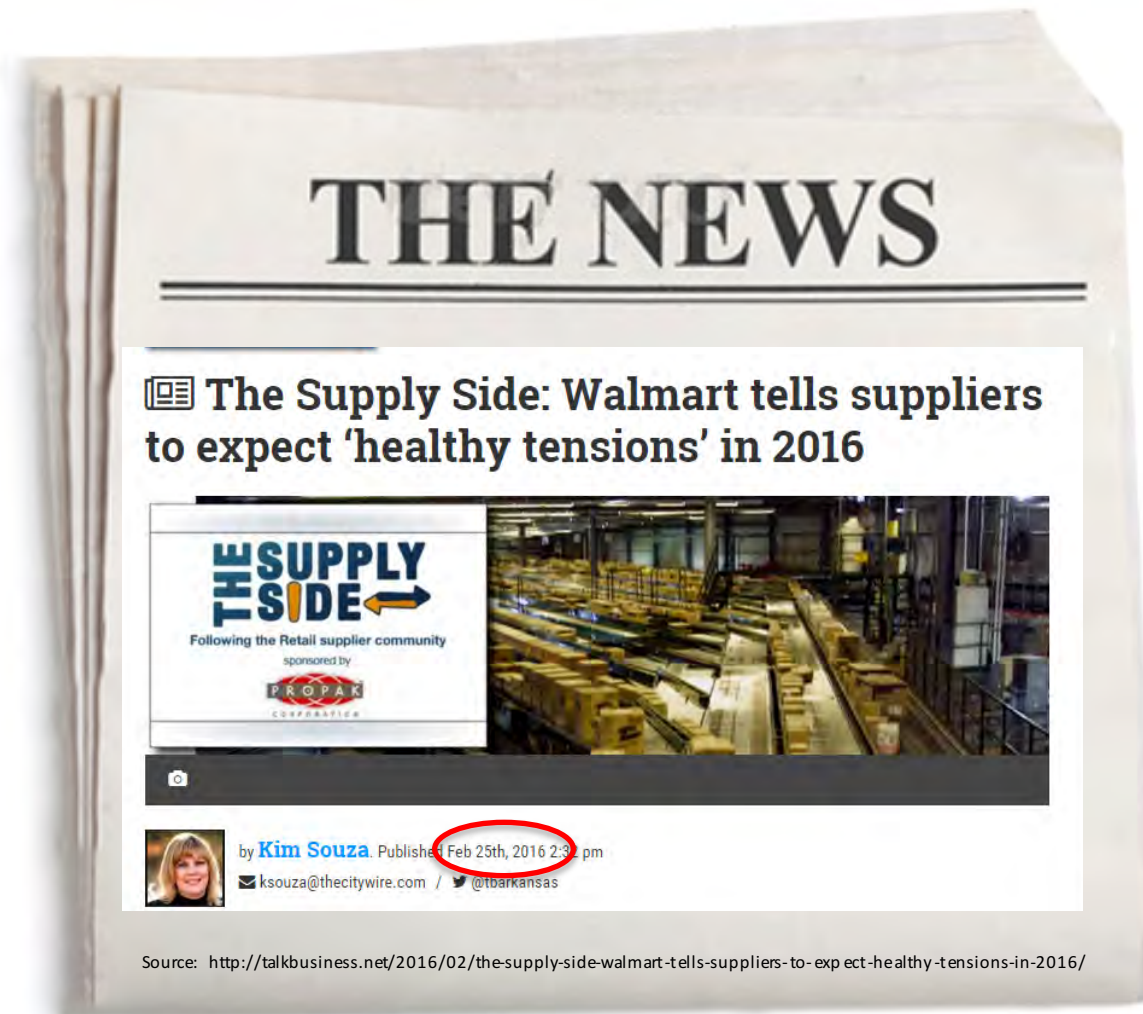
Just as they underestimated Wal-Mart

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...



- ✓ “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.”

Working with Wal-Mart will always be the “horns of a dilemma”.



- ✓ Just too big.
- ✓ Too many people are accustomed to “number 49 on a list of 50” service levels.
- ✓ Even store closures in small towns doesn’t open up much opportunity.
- ✓ Key is merchandising and shopper experience.

...unless you can walk on water...

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

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 brokers.

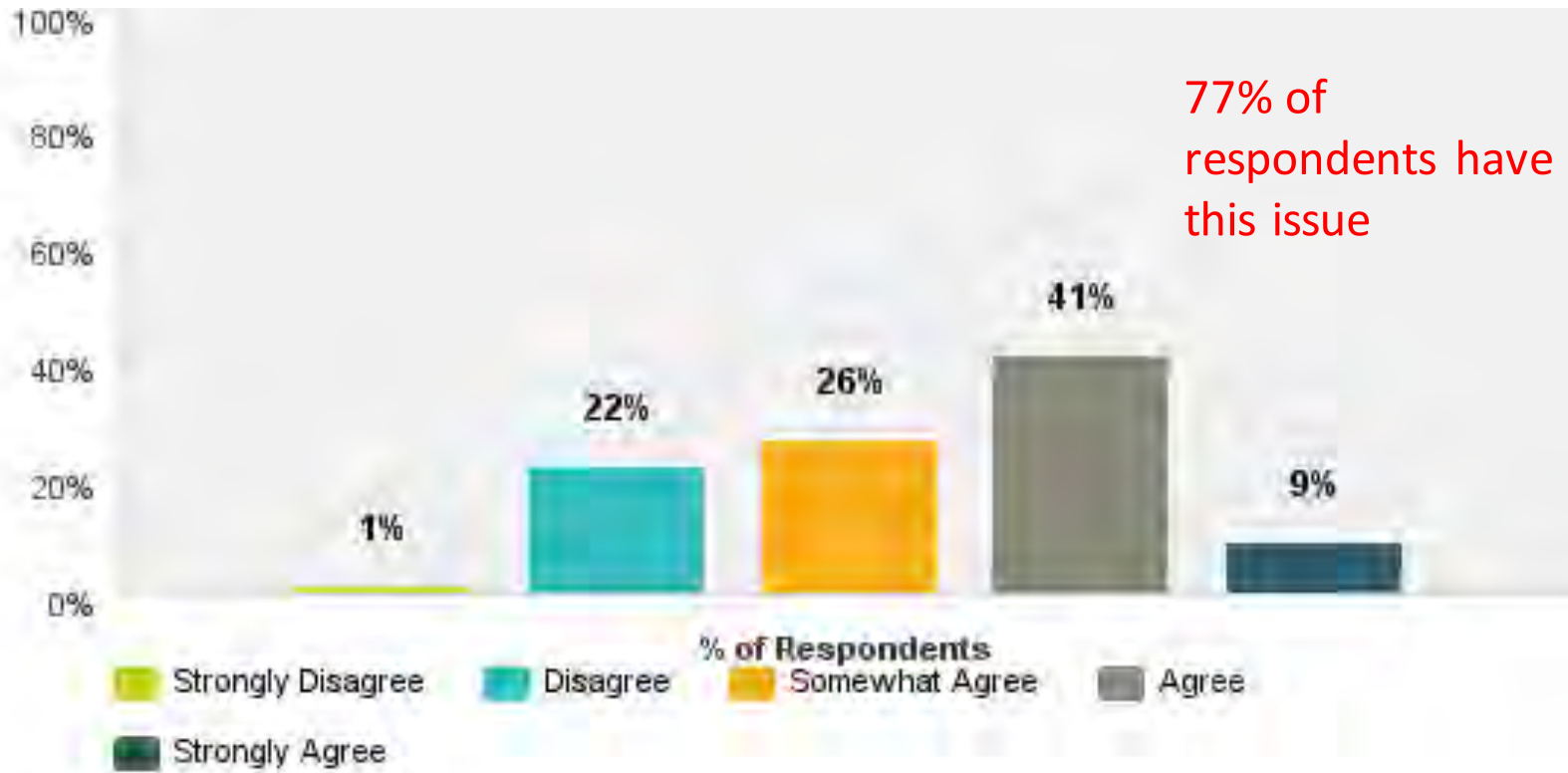


Retailer

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

Lack of qualified personnel

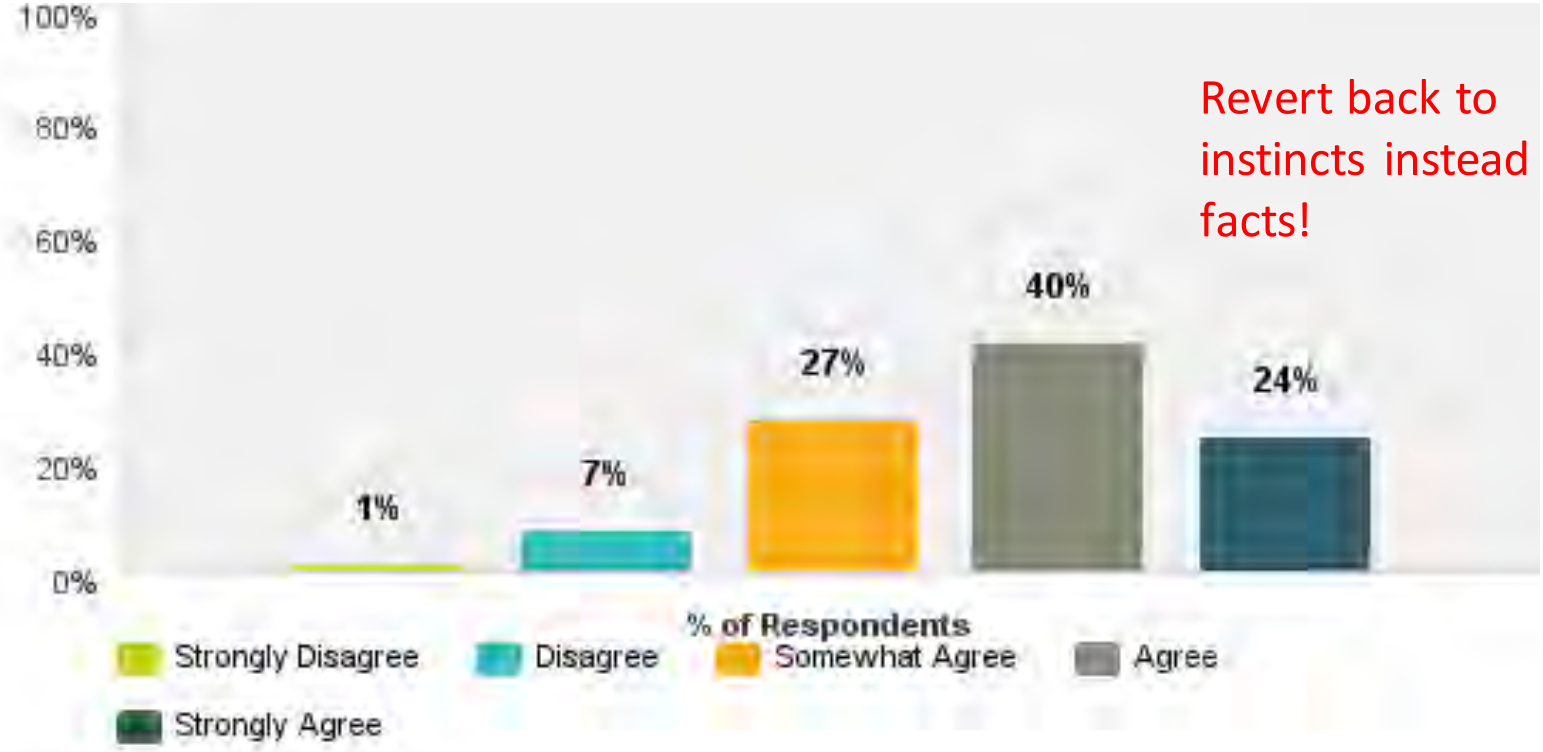
Q8: [You have] Challenges finding qualified personnel who can use and understand existing solutions.



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

Lack of trust in systems

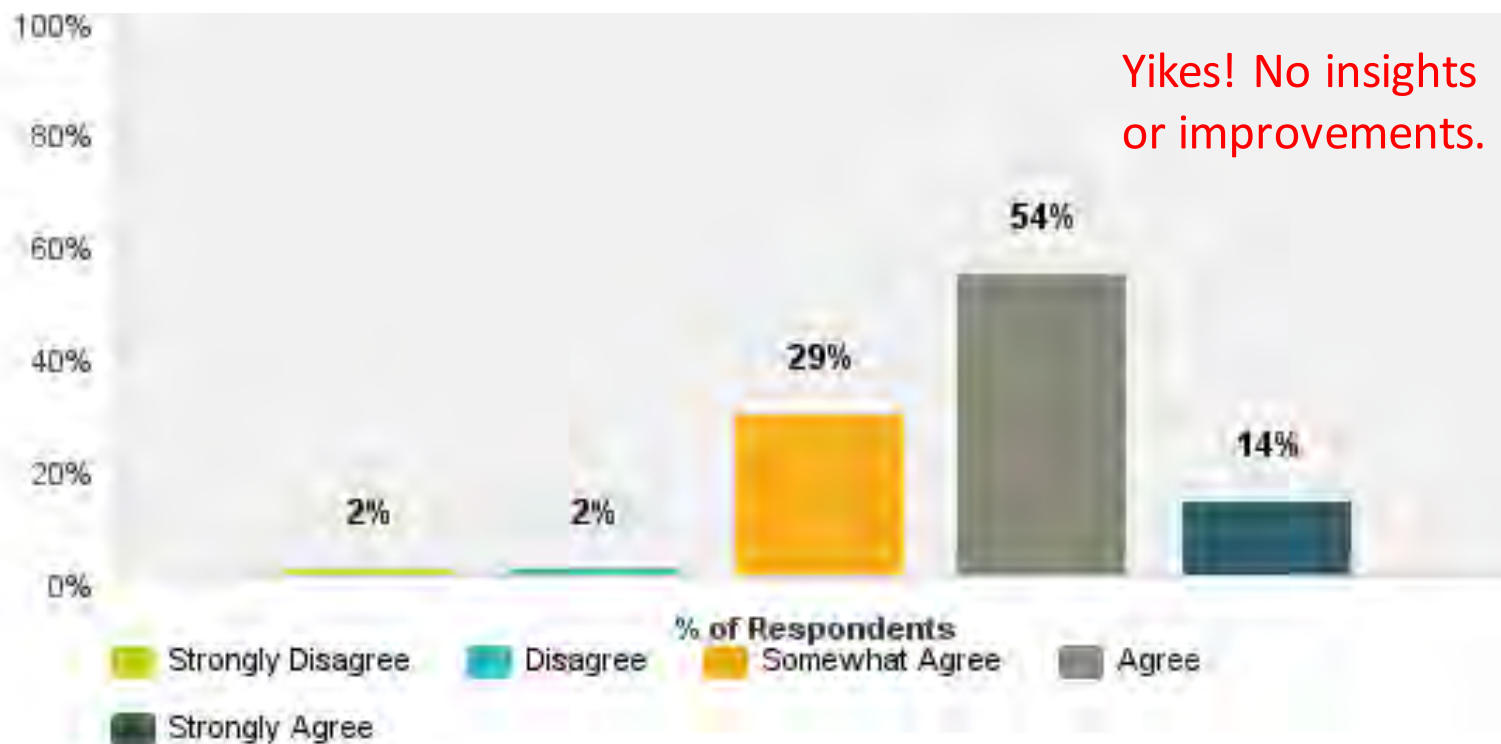
Q11: [You have] Challenges getting users to trust what they see in the TPx solution, whether it is the calculated profit from a past promotion, a prediction of a future outcome, or something else.



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

Inability to move from transactional to analytical

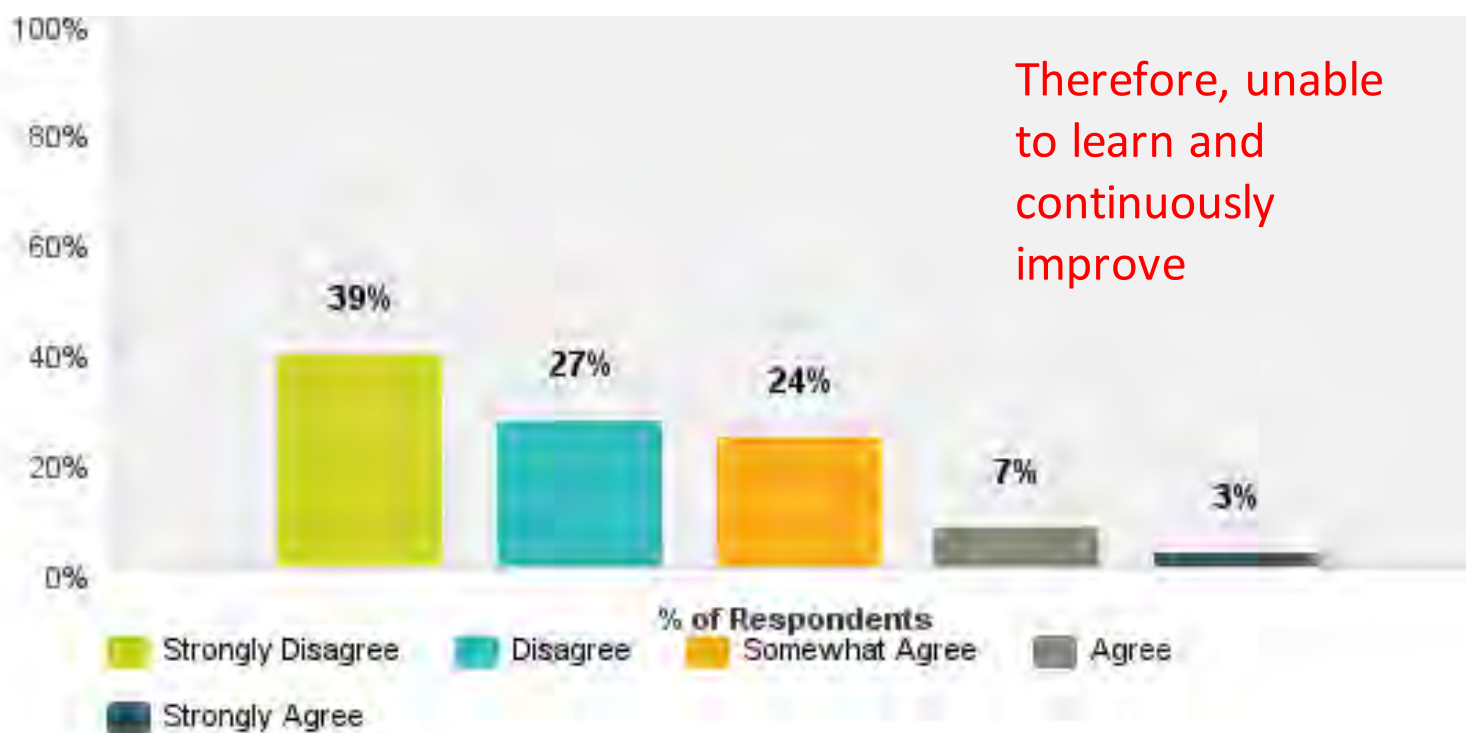
Q44: [You have] Challenges moving capabilities from being transactional to more analytical.



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

Inability to evaluate past promotions

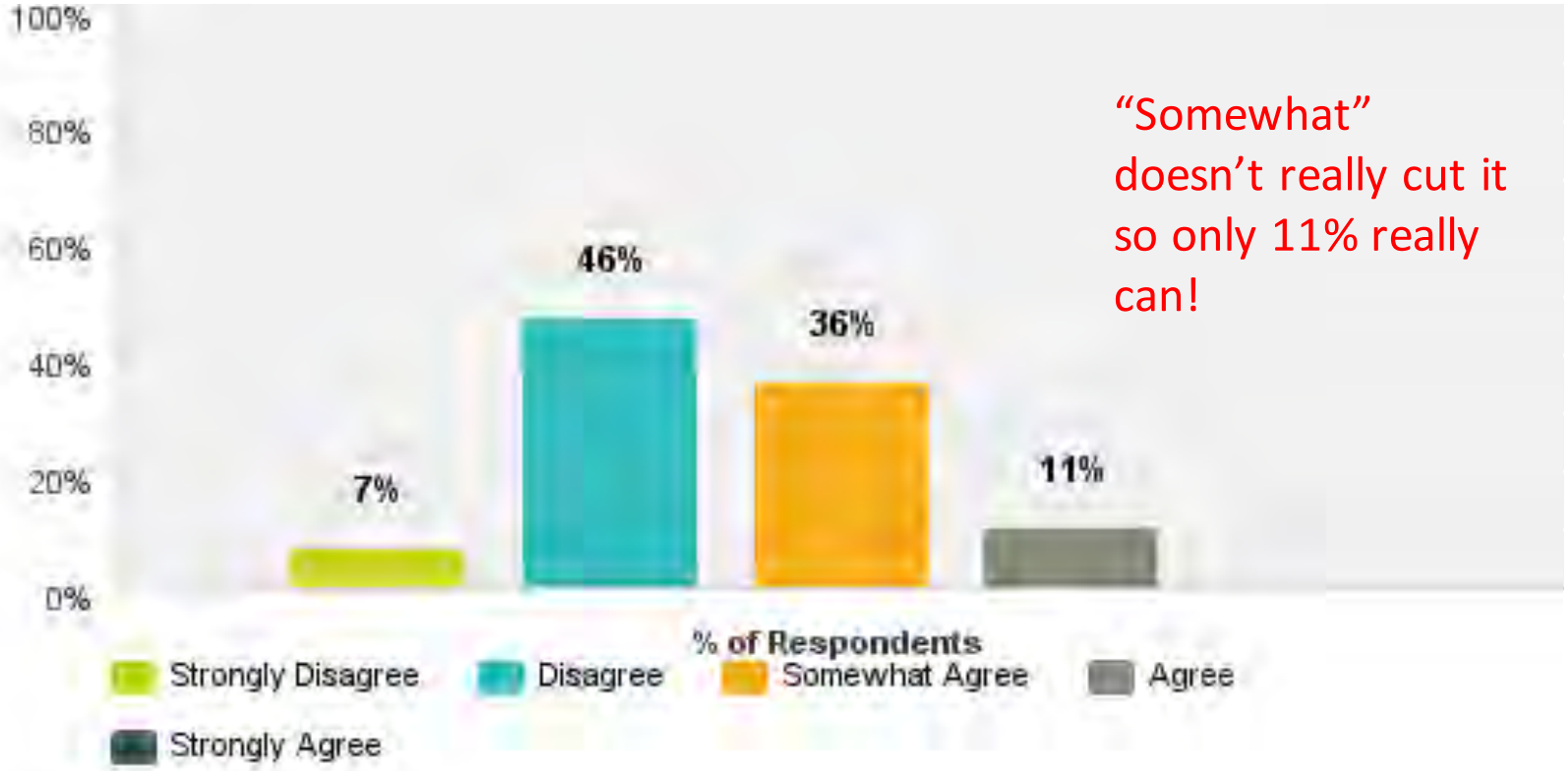
Q16: Your post event analysis process is automated so that reports are automatically populated and you can view as many promotions as you want as often as you want.



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.

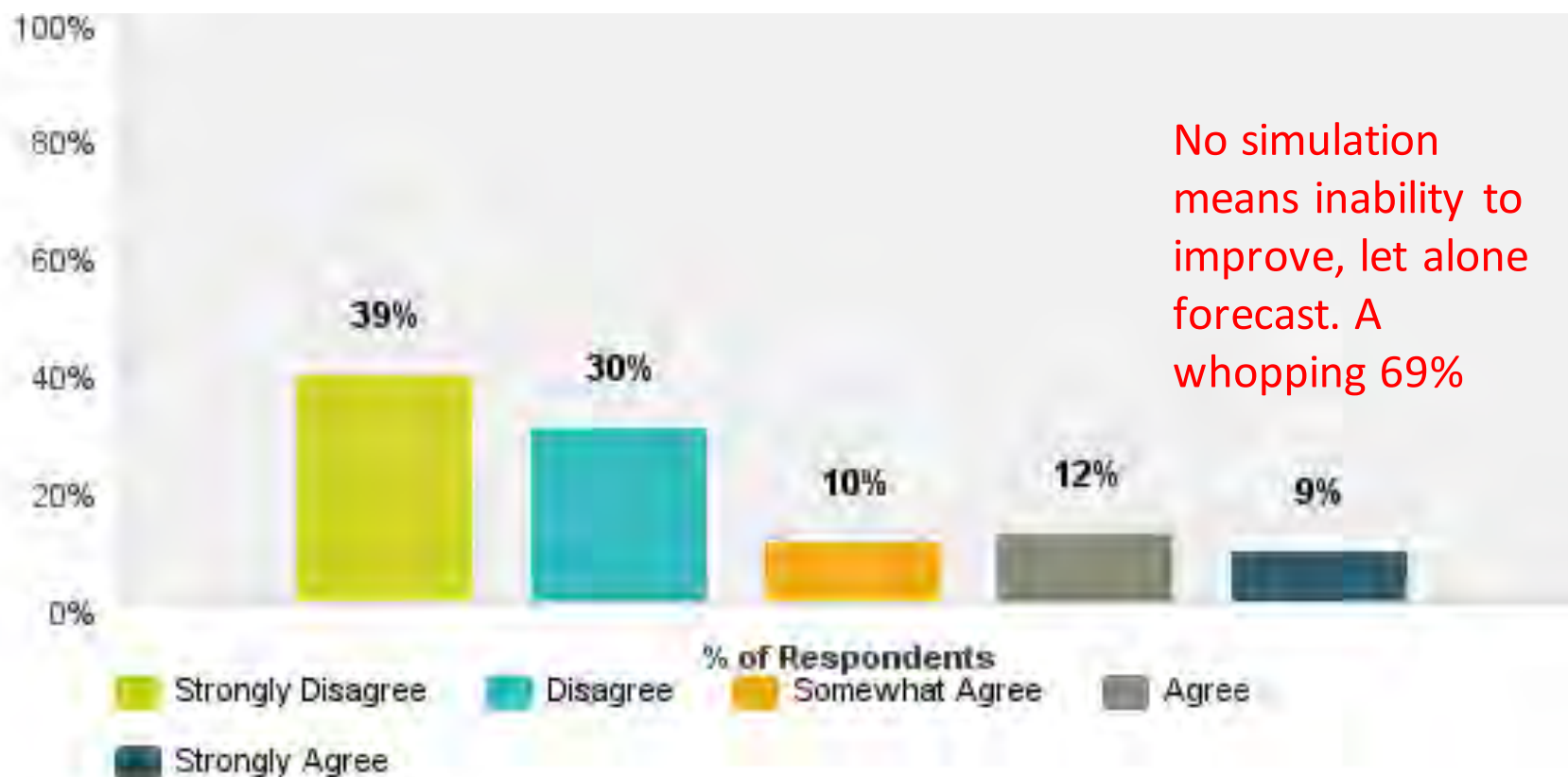


“Somewhat” doesn’t really cut it so only 11% really can!

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

No predictive capabilities

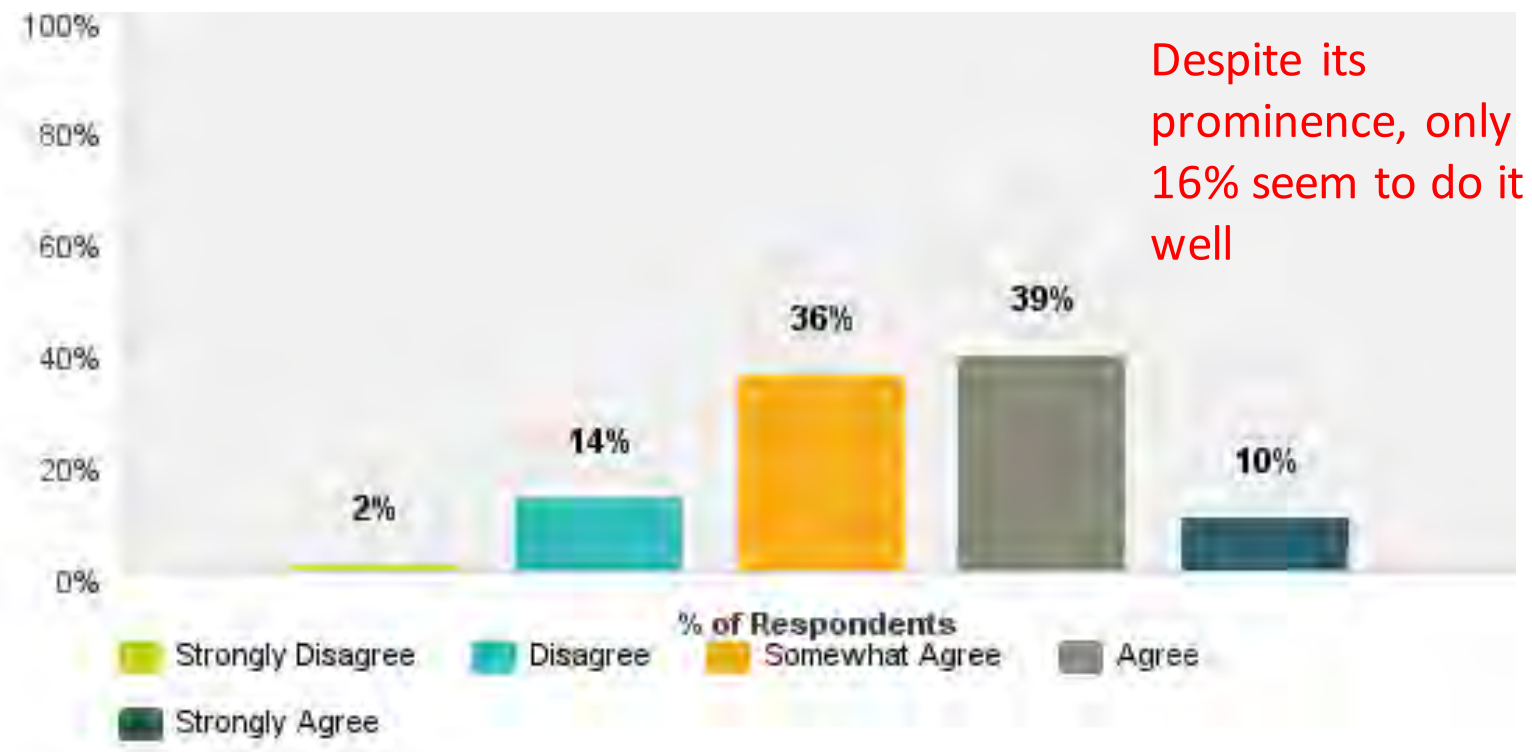
Q18: You have trade promotion optimization (TPO), which is to say, the use of predictive models to determine promotional outcomes, in the hands of your field users today.



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

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.

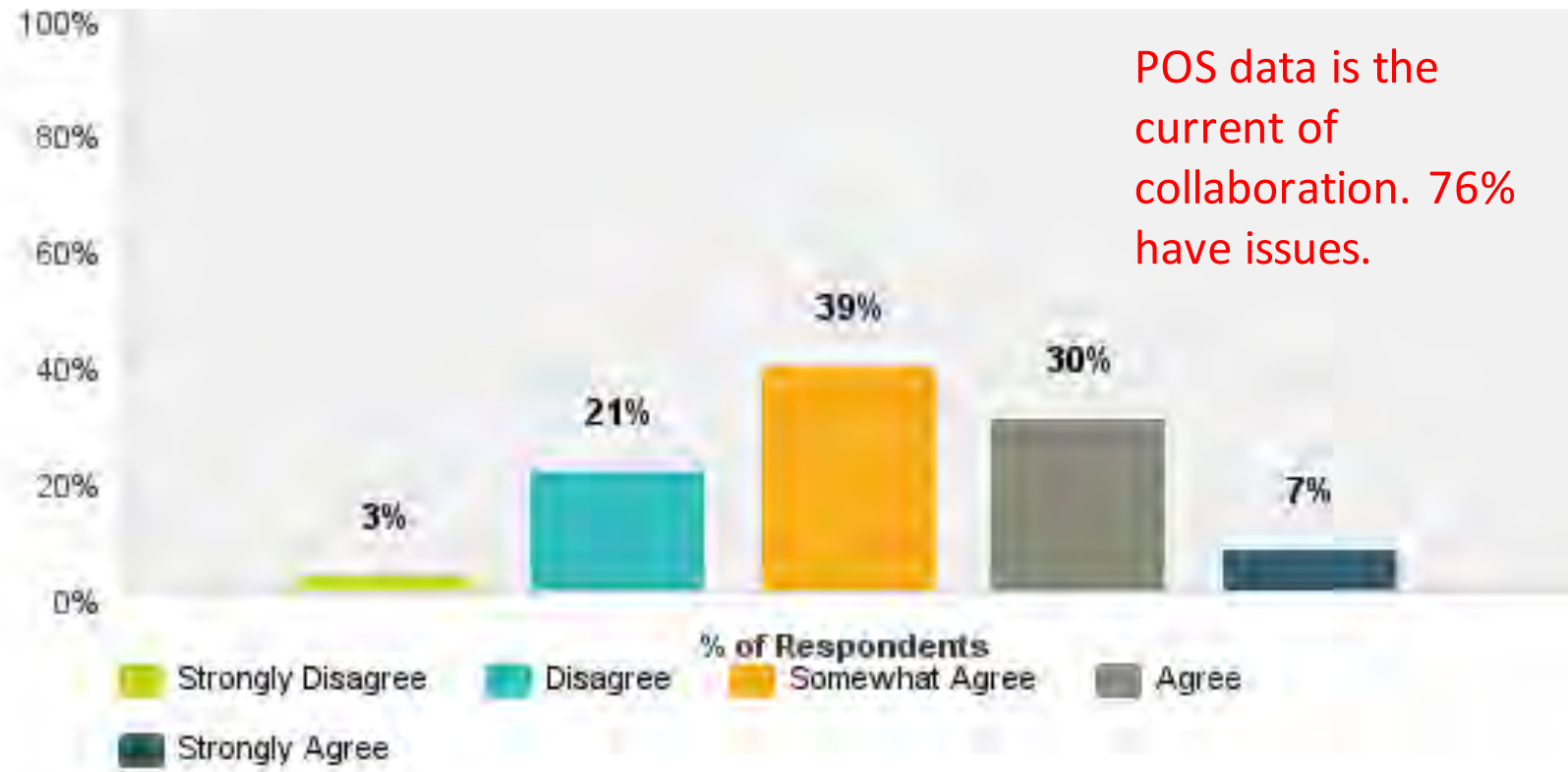


Source: POI Research. "The POI 2015 TPx and Retail Execution Survey".

Switching over to retailer Issues...

Data quality issues

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

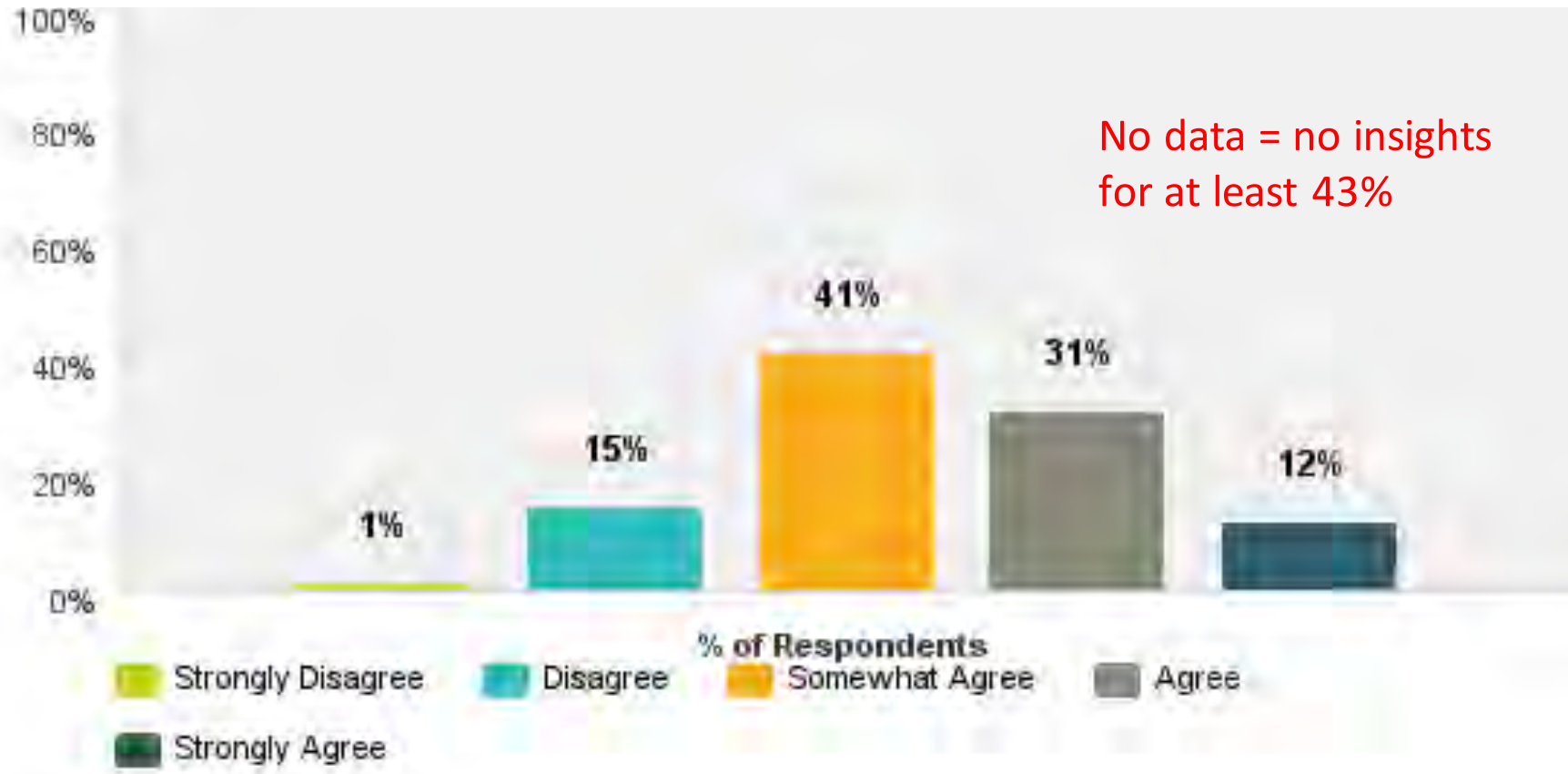


POS data is the current of collaboration. 76% have issues.

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

Unwillingness to share data

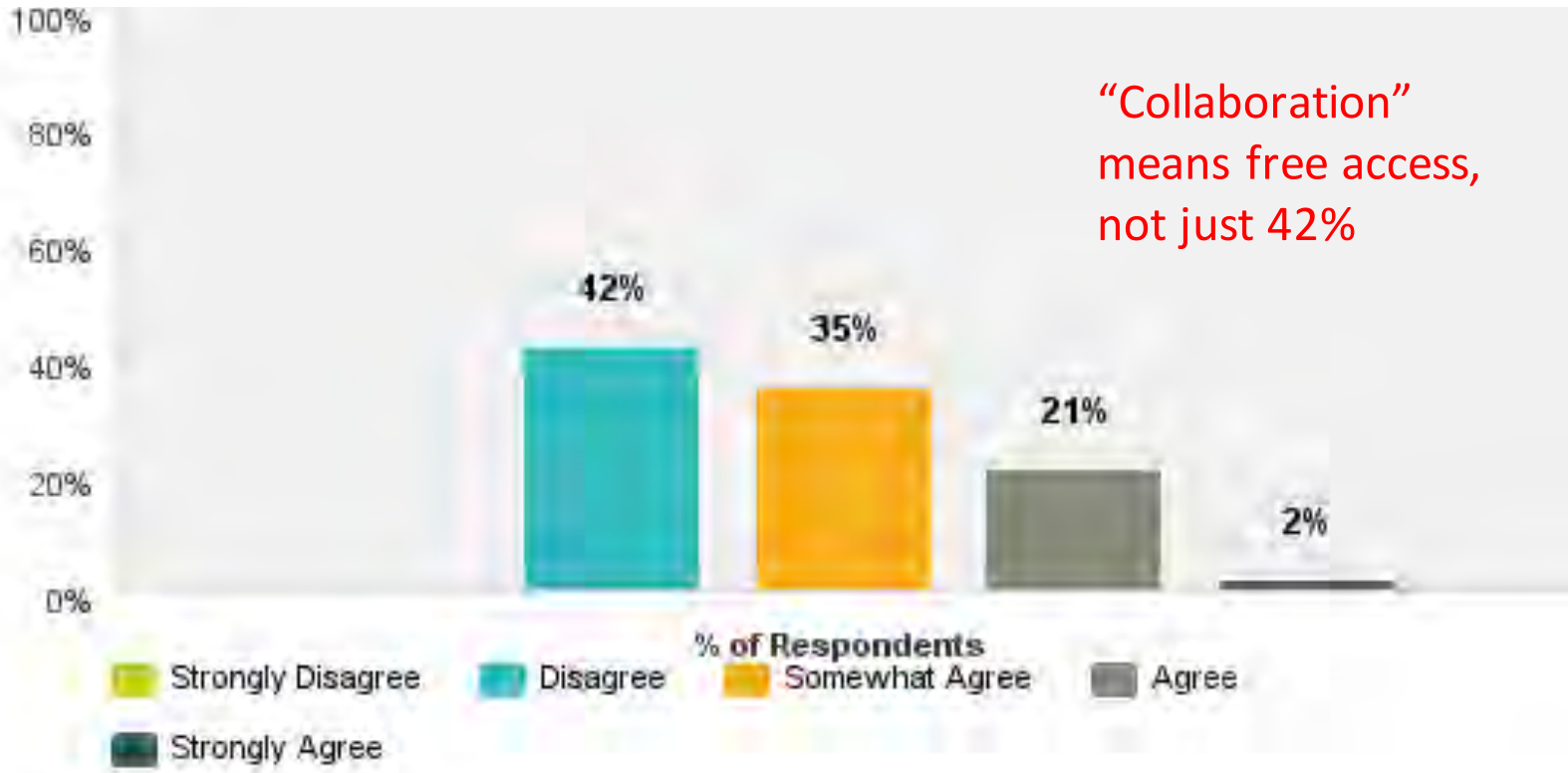
Q15: [You have] Challenges with retailers freely sharing key data such as POS with you.



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

Denying store access

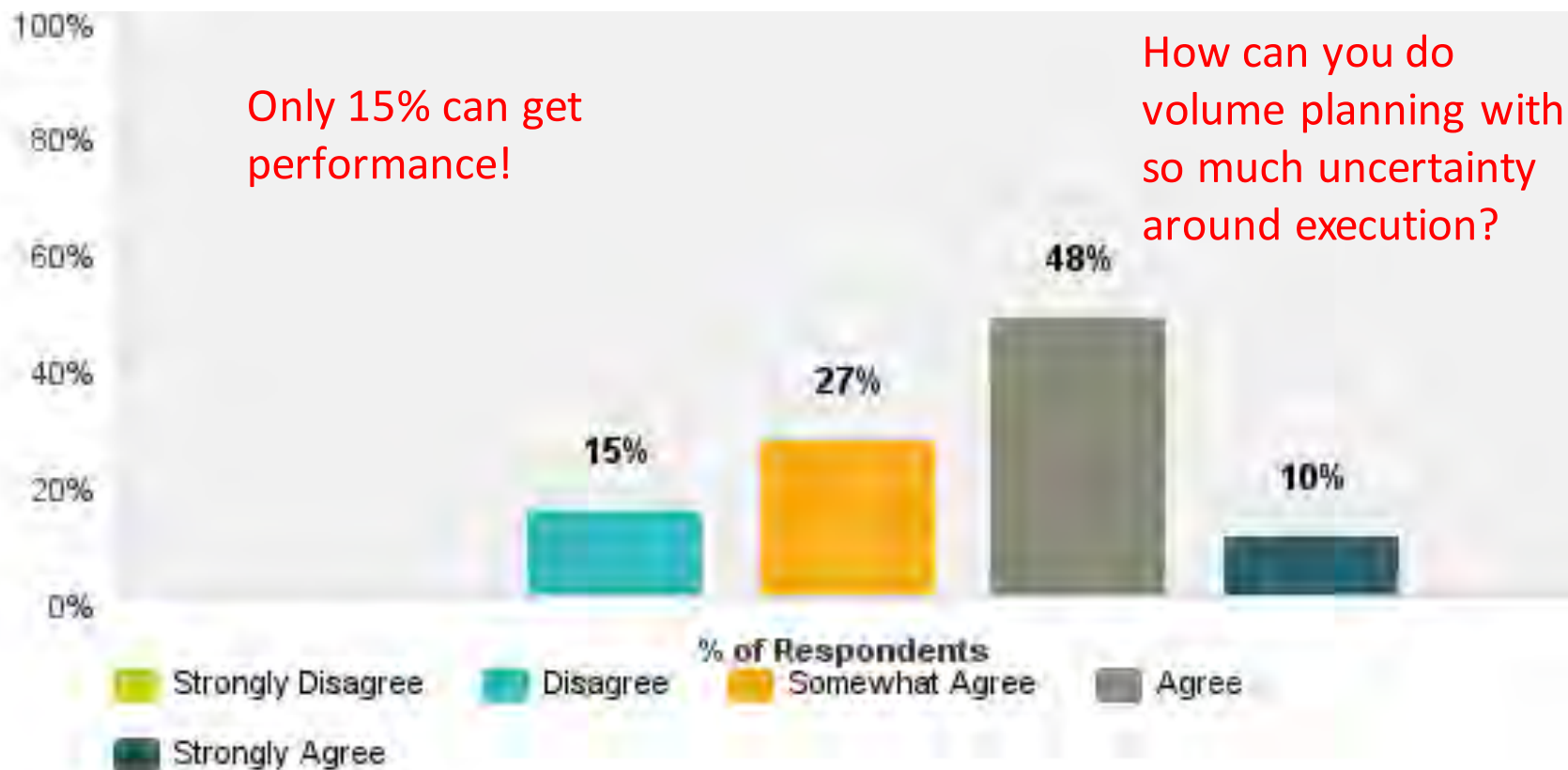
Q51: [You have] Challenges regarding retailers giving you sufficient access to their stores.



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).



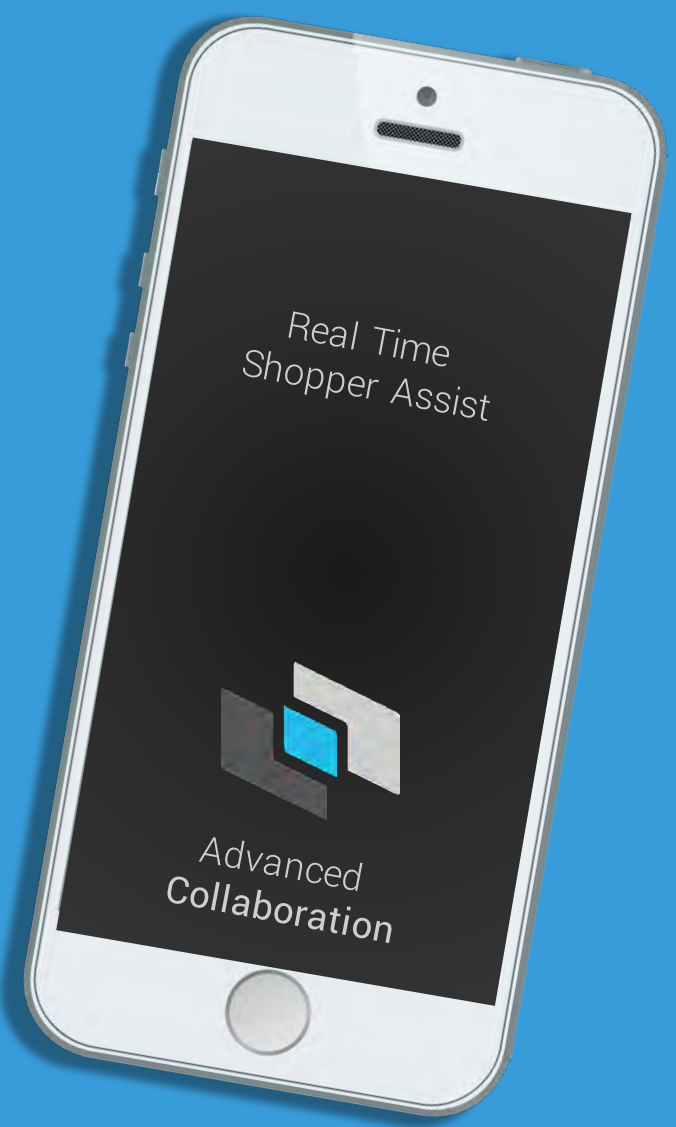
Source: POI Research. "The POI 2015 TPx and Retail Execution Survey".

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

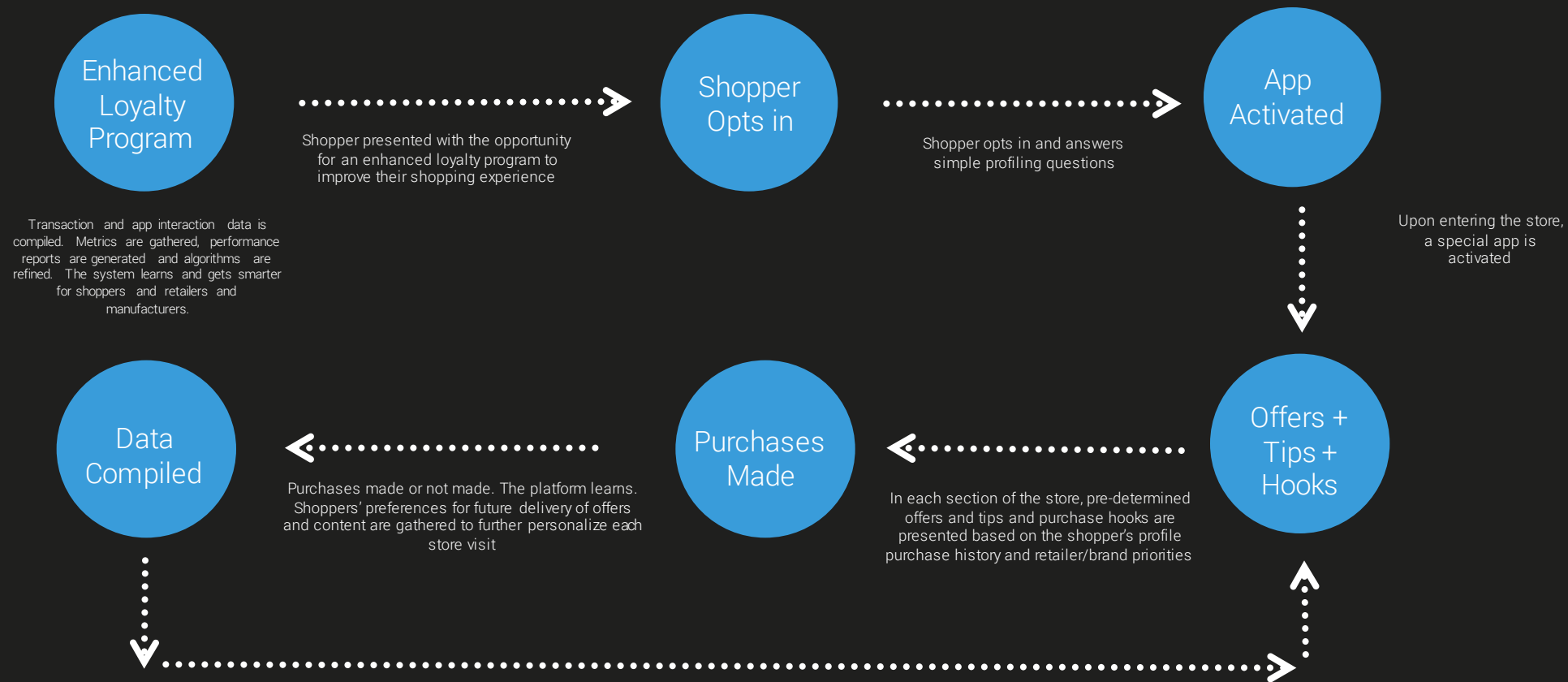
What if shoppers' purchase decision-making needs could be anticipated at every point in the store...and fulfilled **as desired?**

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



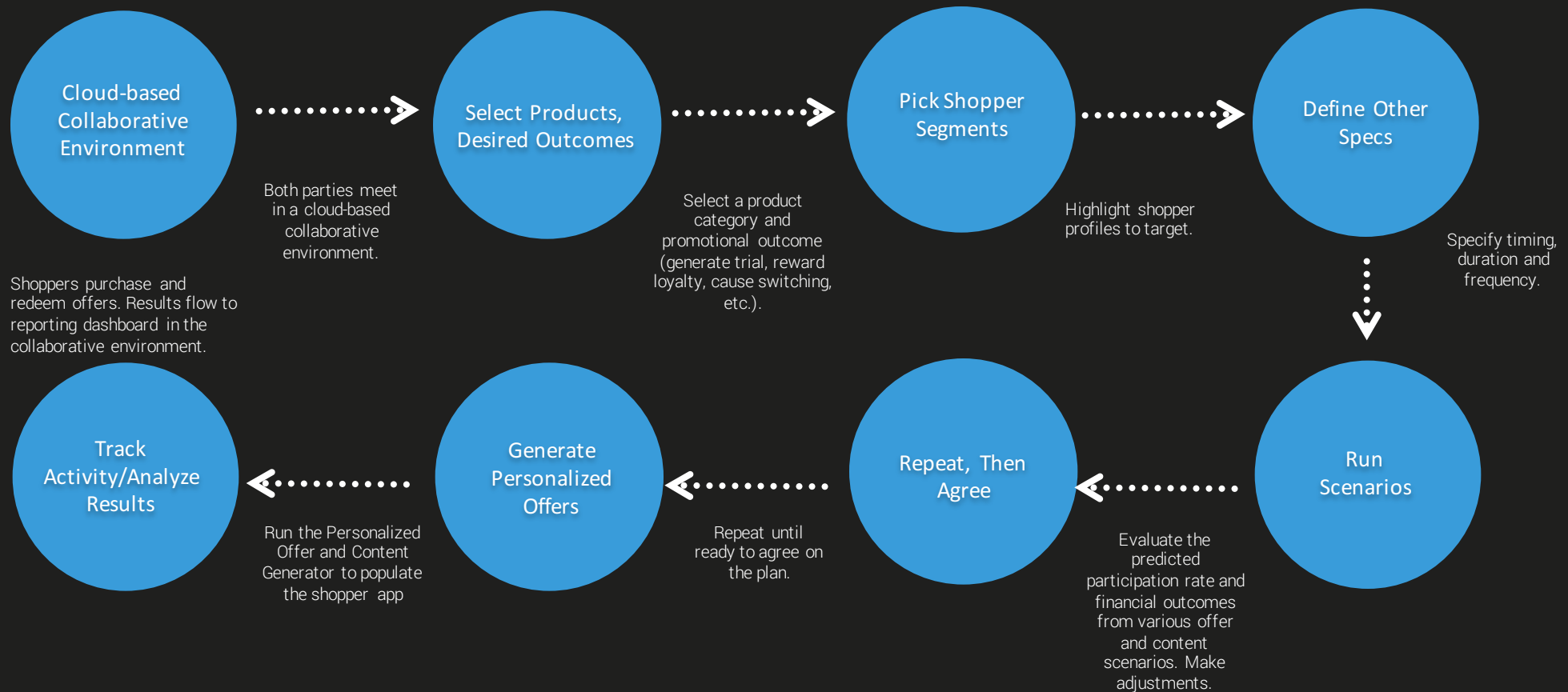
Mechanics

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



Mechanics

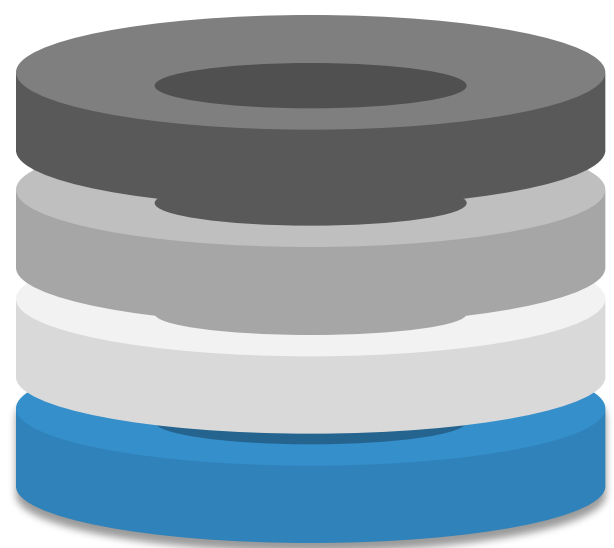
how would this work for the **manufacturer and retailer?**



Components

the component parts overview

what will make this all possible



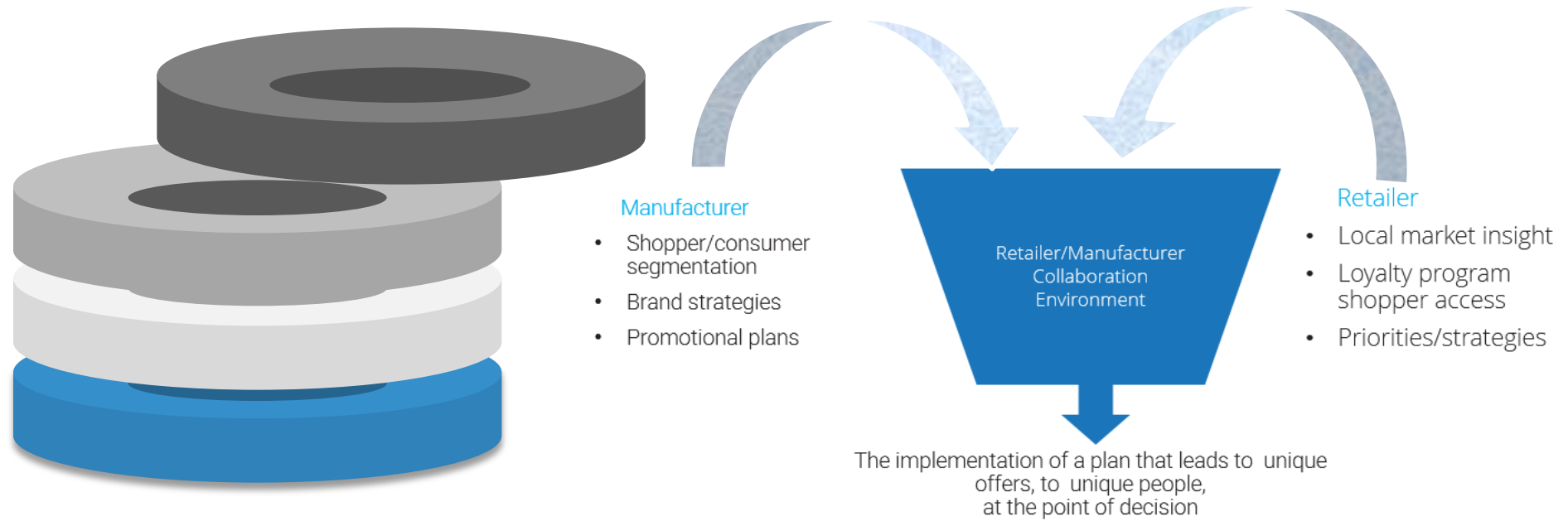
- Retailer/Manufacturer Collaboration Environment**
 Offer planning module and reporting dashboard that ensures retailer and brand goals are met.
- Mobile App**
 The delivery mechanism
- Offer and Content Recommendation Engine**
 The intelligence to make context aware, personalized offers and content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

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



Recommendations

- ✓ Have a new look at Amazon.
- ✓ Wal-Mart EDPL is not an optimized promotion, but an extortion scheme.
- ✓ Focus on being the “right partner”, then go seeking 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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Collaborative Marketing Driven by Advanced Analytics Summit

Ensuring Your Successful TPM-TPO
Retail Execution Journey



Let's keep the dialog going:

- European Summit. Brussels, BE. May 10-11.
- Latin America Summit. Miami Beach. July 19-20
- Retail Execution Summit. St. Louis. September 26-27
- Fall Summit. Dallas. November 2-4.