7 Drivers of Value Perception

4

Assortment Price Perception

3

Personalized Offers

5

Private Brands

2

Promotions

6

Communication

1

Base Prices

My Value Perception is driven by…

7

Store format, layout, service levels, returns policies

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Promotions That Work

Category   **Sku**   **Mechanic**   **Customer**

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Switch to Value and 'Discounter' products

Own Label Grocery Sales

Value products

'Discounter brand'

— Standard   — Discounter   — Finest   — Organic   — Value

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Different customer – different impact

Lifestyle Profile of Customers Most impacted by inflation

Category	Index
Price Sensitive	114
Traditional	110
Healthy	101
Convenience	99
Mainstream	96
Finer Foods	86

Index

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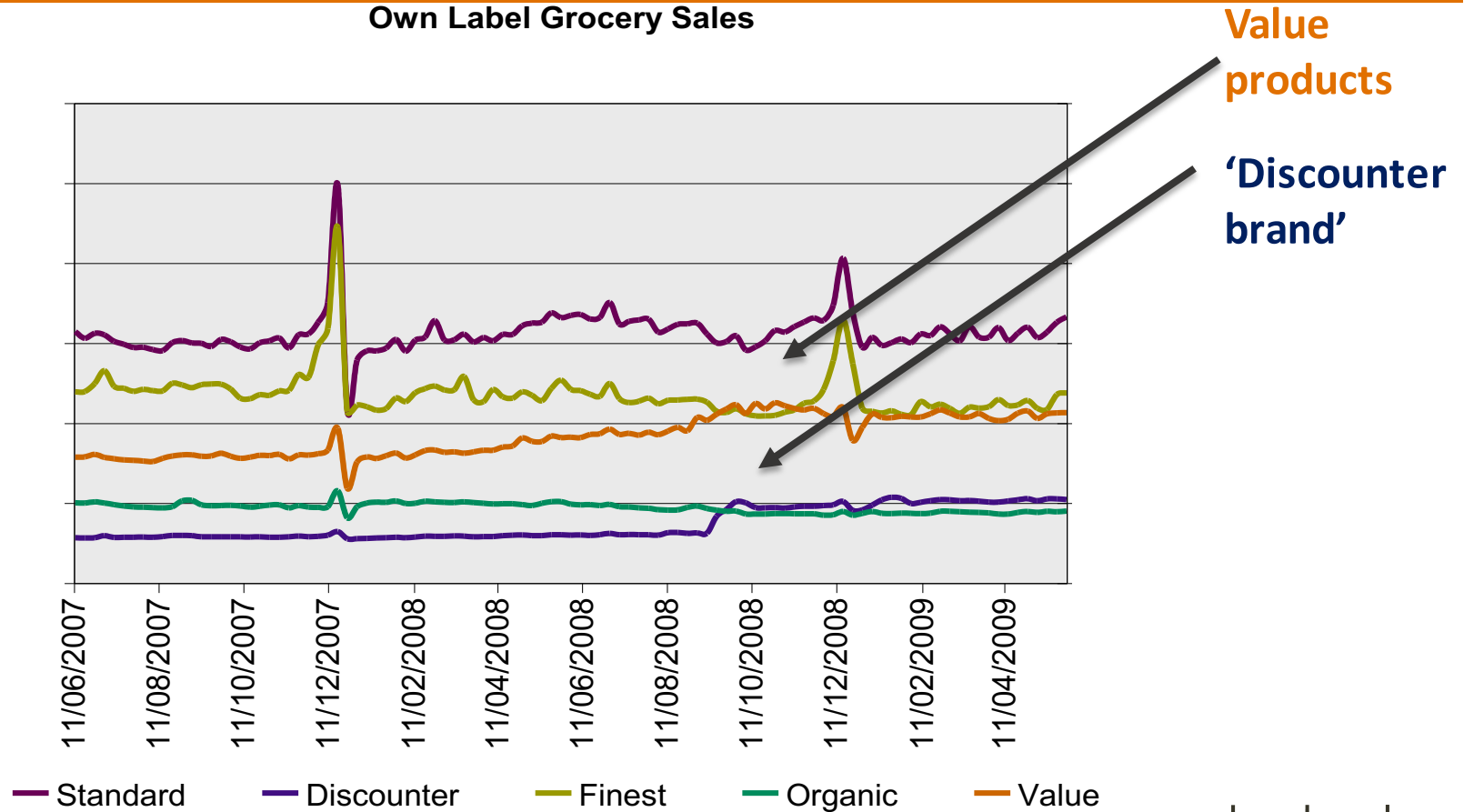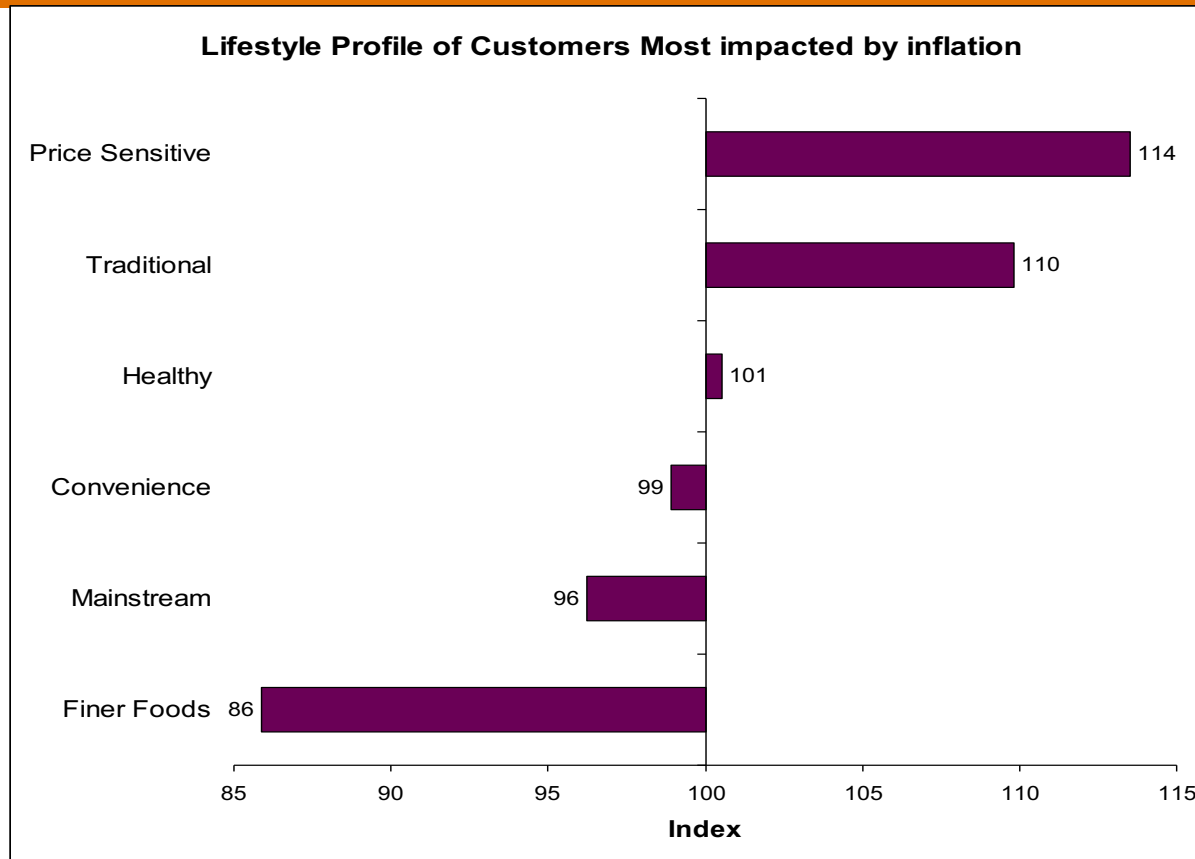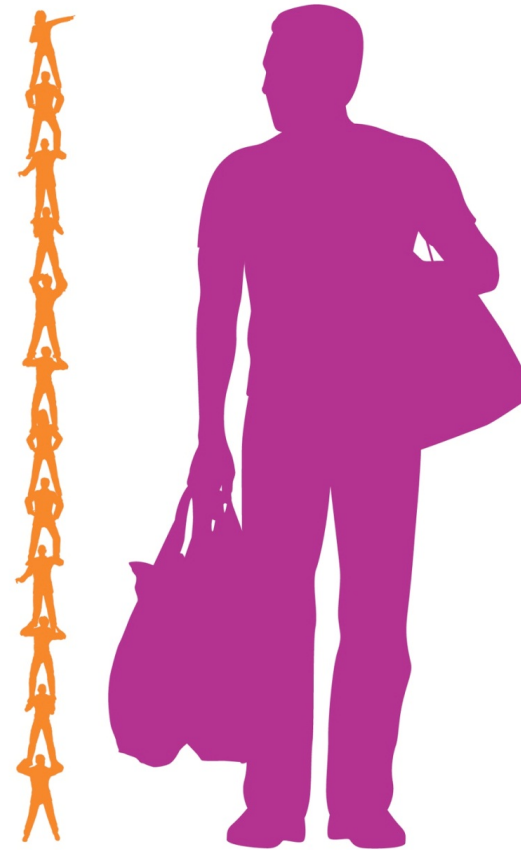
Different customer – different impact

Customers affected by inflation	Inflation rate	Increase in average weekly spend
20% least affected	-5.4%	-£1.56
60% ave. affected	4.6%	£1.39
20% most affected	14.5%	£3.15

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We are NOT all the same

1 loyal customer is worth
12 uncommitted customers

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Price Elasticity varies by Customer Group

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Change focus

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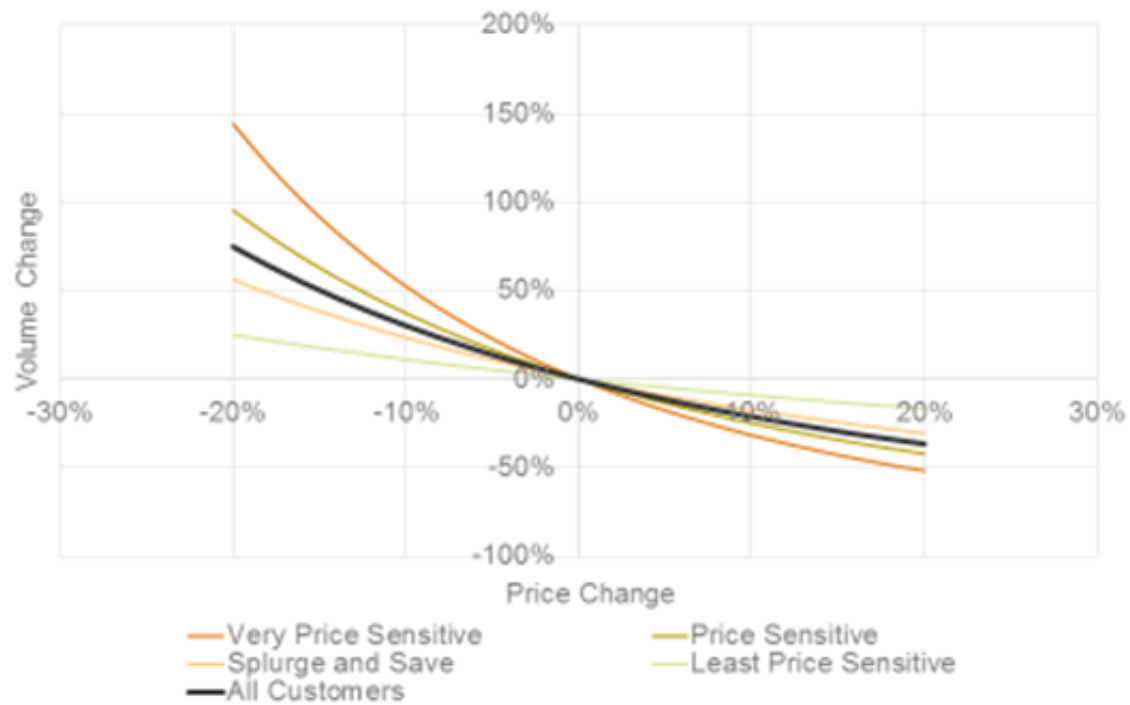
Meet Miss Parker

She…

🕐 is very busy

🍆 looks after her health and loves fresh produce

🚗 drives to the supermarket on Saturday mornings

🐱 has a cat

$ doesn't pay attention to the price of products

PROMO looks out for promotions

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Segment customers, target investments

Price Sensitive   Kids' Choice   Traditional   Convenience   Finer Foods   Mainstream

Very Price Sensitive   Mid Market   Least Price Sensitive

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Loyalty is more than spend

SPEND
In our shops/on our brands

TALK
About us

ENGAGE
In our marketing/me dia

PREFER
Us over others

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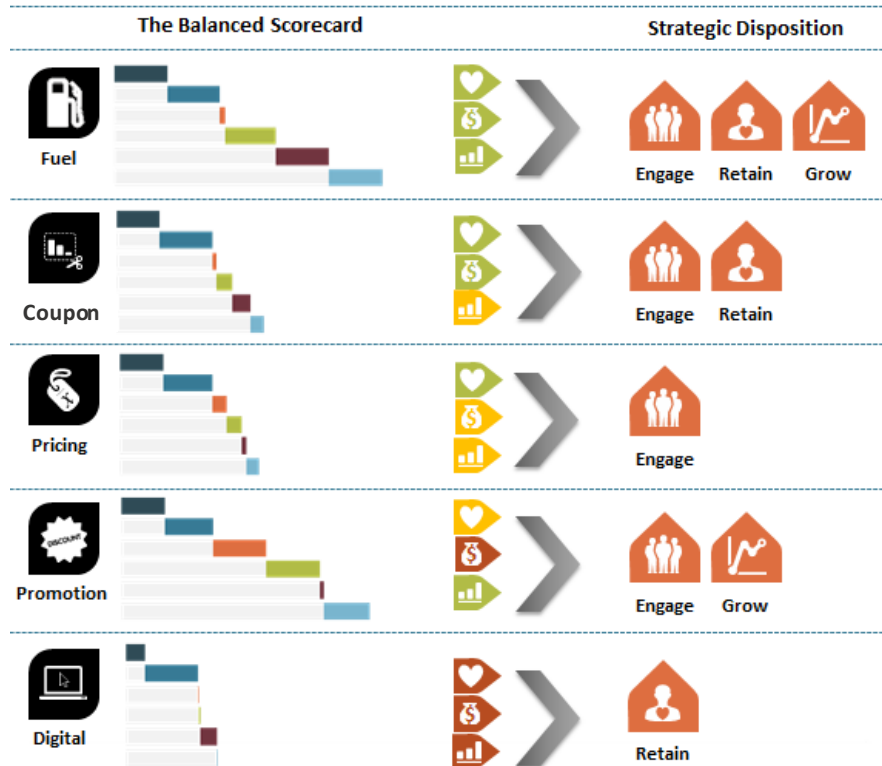
But Something's wrong

59%

OF PROMOTIONS GLOBALLY
DON'T BREAK EVEN

Source: The Nielsen Company 2015

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When it works

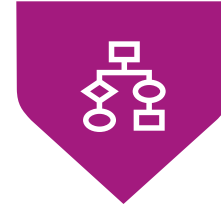| Joint Objectives | Nominations | Validation | Review + Learning |

Trade Terms
- Quality vs Quantity

Precision
- Category
- Sku
- Mechanic
- Customer

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Customer Centric Category Roles

IMPORTANCE TO CUSTOMER

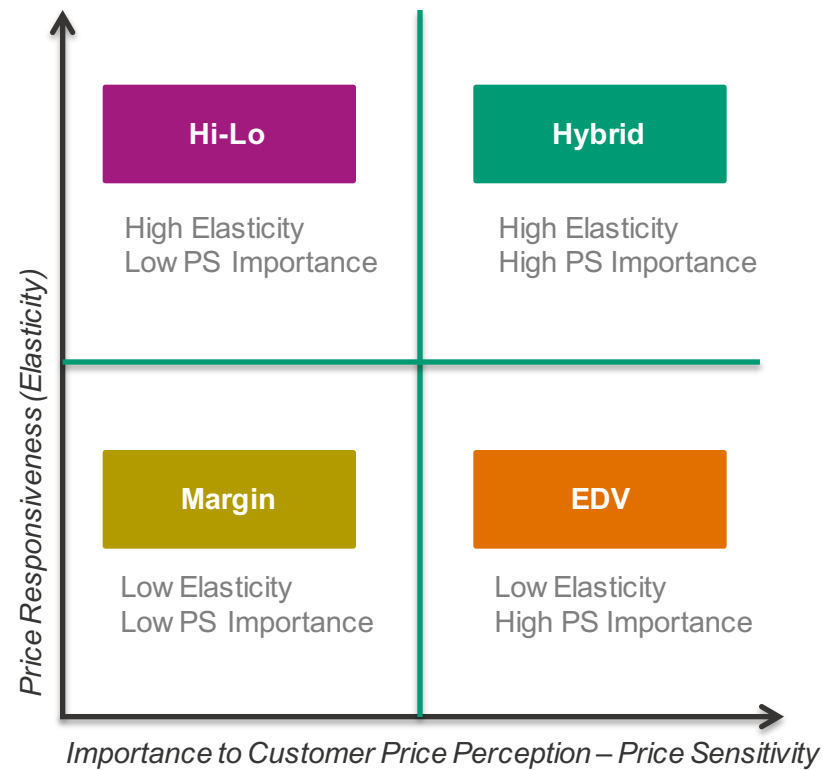**IMPORTANCE TO RETAILER**

DEVELOP

WIN

CONTROL

PROTECT

Importance to Customer

- Category frequency & penetration
- Category importance to customers' choice of retailer
- Emotional and cognitive engagement

Importance to Retailer
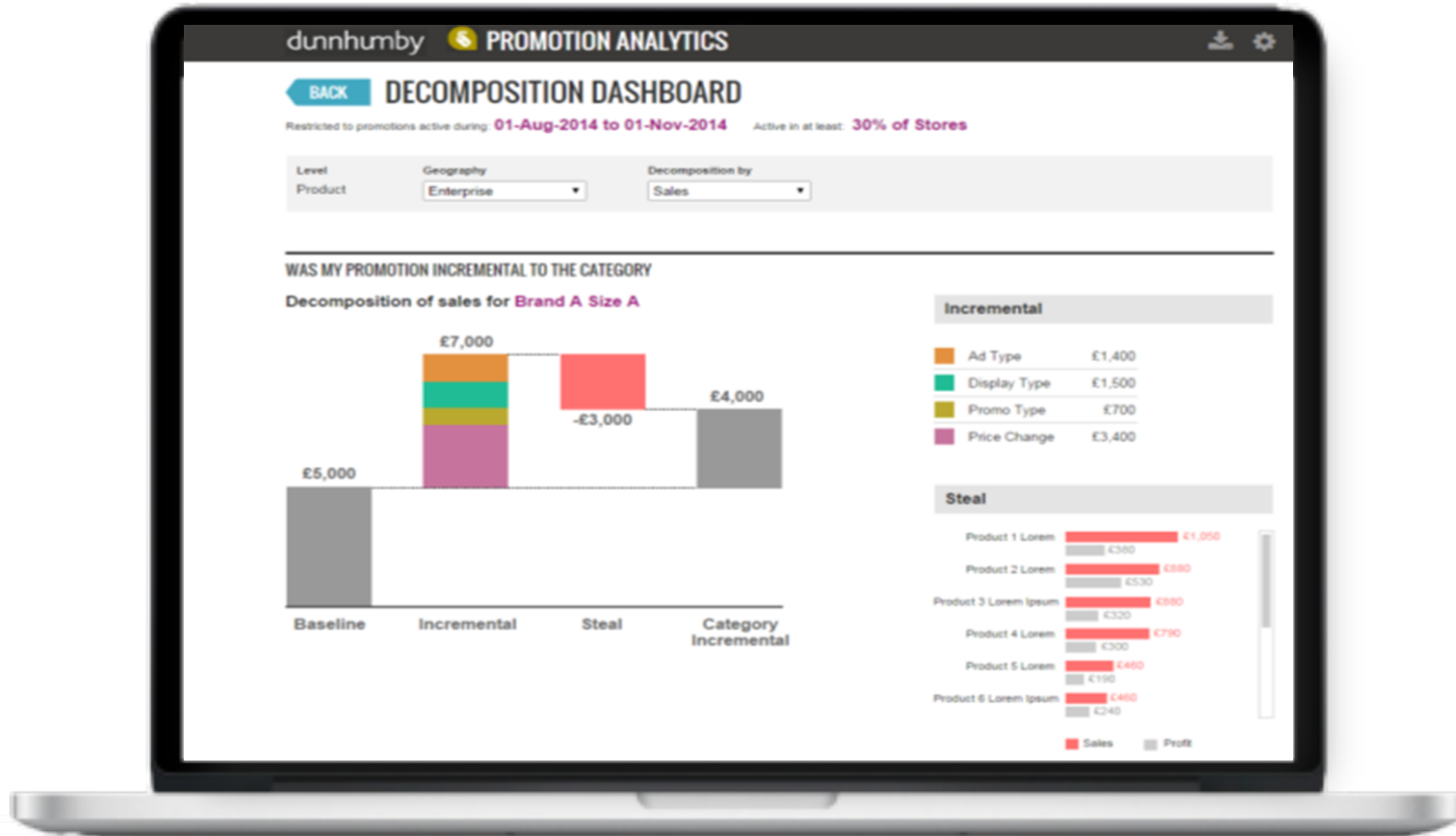
- Sales & margin
- Market growth
- Share performance

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Trust / Excitement Matrix – Price/Promo role by sku

Price Responsiveness (Elasticity)

Hi-Lo
High Elasticity
Low PS Importance

Hybrid
High Elasticity
High PS Importance

Margin
Low Elasticity
Low PS Importance

EDV
Low Elasticity
High PS Importance

Importance to Customer Price Perception – Price Sensitivity

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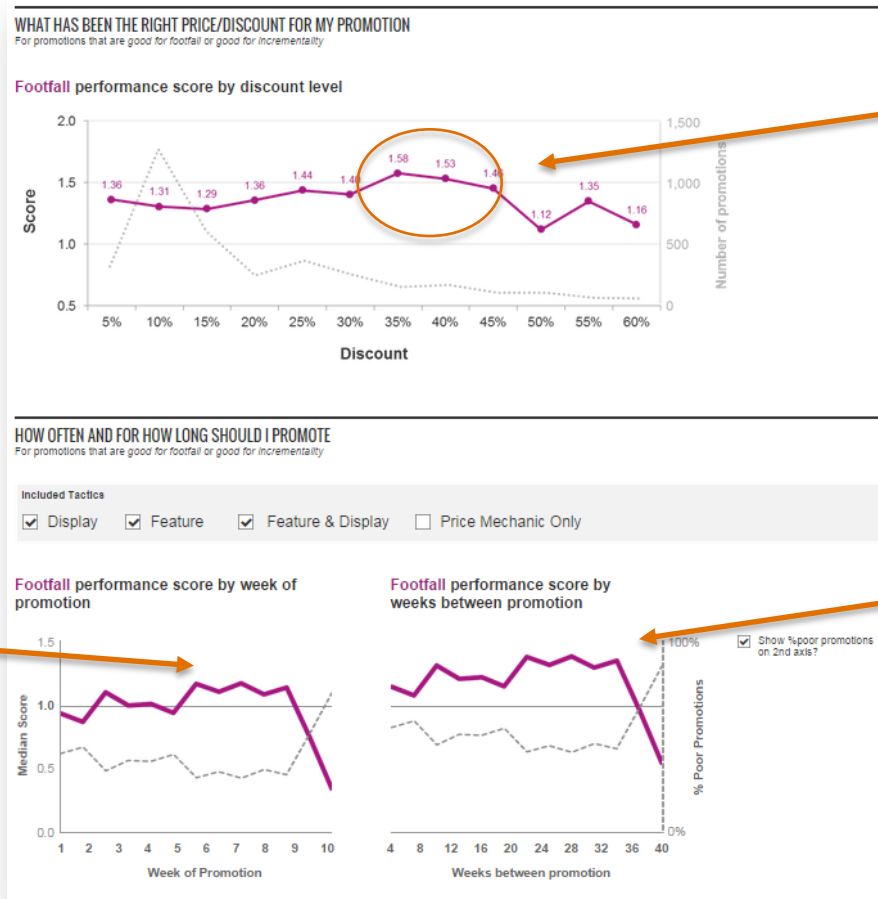
True Impact

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Discount Levels –Frequency/Duration

30% best discount level

6 week promo drives best footfall

Break of >12 weeks

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Tesco UK: promotional planning

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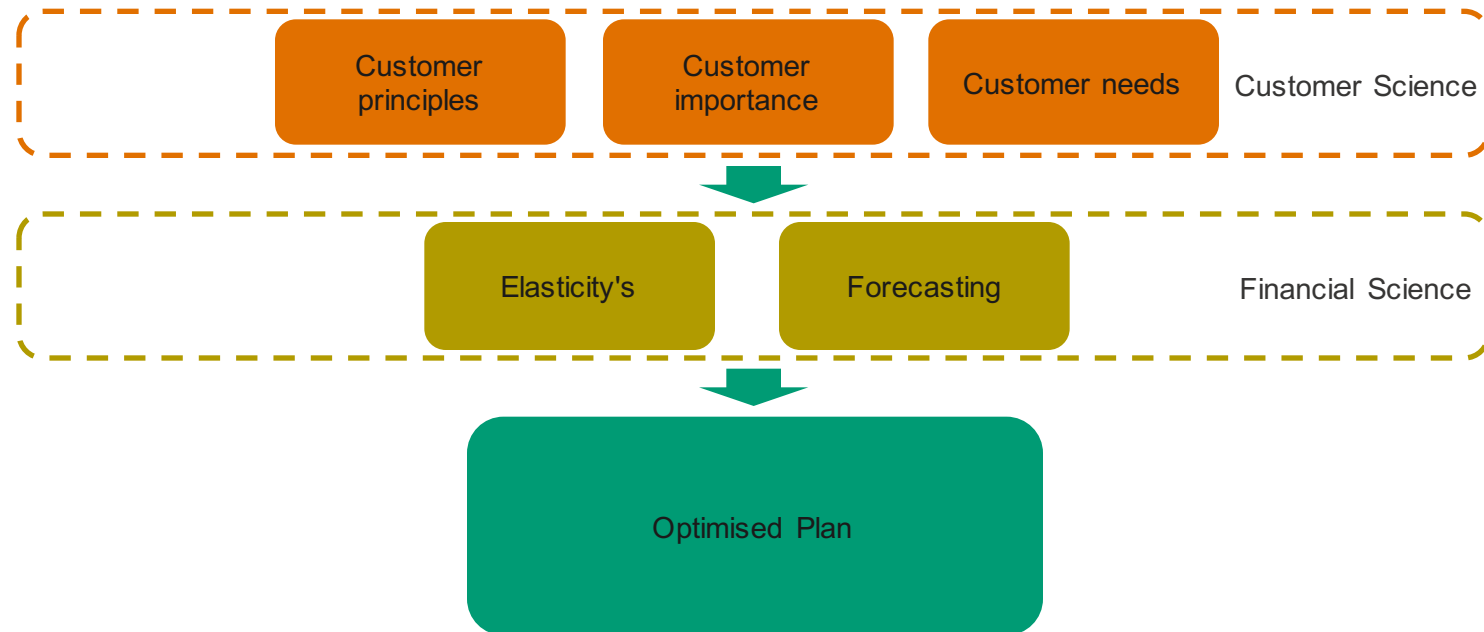
Case Study – Drugstore

PROBLEM

- Significant cannibalisation
- Lack of cross selling opportunity

SOLUTION

- Bonus (Stretch Spend)
- Relationship Offers
- Marginal Offers (People Like Me)

Sales Uplift: 3.8% & Units Uplift 4.7%

Sales to Cost Ratio > 15

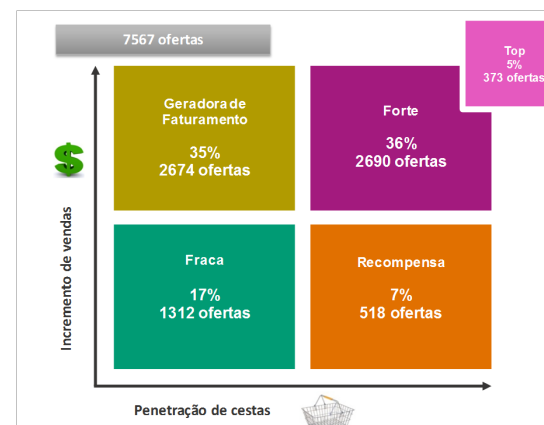*People Like me Association*

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PRICE AND PROMOTION

Case Study – Latam

PROBLEM

- Reduce ineffective promos

SOLUTION

- Customer driven Promotion scoring
- Revisited nomination process

Quarterly Incr. Sales R$ 46m

7567 ofertas

Top 5% 373 ofertas

Geradora de Faturamento
35%
2674 ofertas

Forte
36%
2690 ofertas

Fraca
17%
1312 ofertas

Recompensa
7%
518 ofertas

Incremento de vendas

Penetração de cestas

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PRICE AND PROMOTION
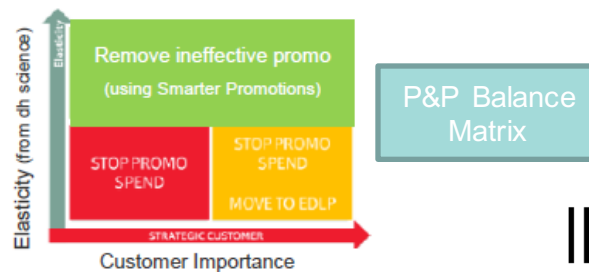
Case Study – Central Europe

PROBLEM

- Growing promotional sales participation
- Too expensive
- Losing customer perception

SOLUTION

- Cut the tail
- Run strong EDLP where relevant
- Neutralise profit impact balancing promotion savings into EDLP investments

20% of ineffective promotions removed

Sales Uplift > 20%

Profit Uplift > 7%

Promo Effectiveness (Incremental Margin vs Incremental Sales)

RECOMMENDED (fine-tune)

RECOMMENDED (continue)

AVOID - Expensive

Low Impact

AVOID - Sales Dilutive

Cut the tail

Remove ineffective promo (using Smarter Promotions)

STOP PROMO SPEND

STOP PROMO SPEND

MOVE TO EDLP

STRATEGIC CUSTOMER

Elasticity (from dh science)

Customer Importance

P&P Balance Matrix

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PRICE AND PROMOTION

Trends

➤ Precision with (Customer) Purpose

- -

➤ Personalised

➤ Programmatic

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Personalisation

**Personalised
Email**

**Personalised
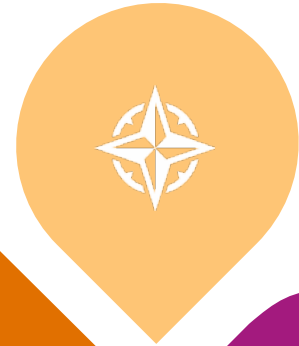E-commerce**

**Personalised
Mobile App**

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Key Messages

➡ Precision with (Customer) Purpose

➡ Personalised

➡ Programmatic

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Display Advertising for Brands

OBJECTIVE	RESULTS

Supporting the re-launch of Robinson's Squash, driving brand penetration

+4% £⬆
Positive uplift in category sales (on & offline)

345k
Households exposed to the campaign

13%
Strong uplift in online brand sales

ACTIONS

3 month campaign with current / lapsed brand customers And 9.4m impressions @ £10 CPM

8%
increase in proportion of customers feeling that Tesco 'treats them as an individual'

32%
High uplift in online category sales from light brand buyers

+0.14%
Click Through Rate

Versus Industry average of +0.06%

5% Positive uplift in brand sales volumes

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Thank You

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