

How RGM Choreographs the "Response" to Channel and Customer Dynamics

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Promotion Optimization Institute • Spring Summit 2019 • Chicago, IL



It kind of feels a little like this!!!



Low growth rates in mature categories / markets

Smaller, agile players taking market share from bigger players Hyper competitive retail landscape Economic Dichotomy



Perfect Promotion Perfect Store Perfect CX

> With-flat-unit/volume growth, category dollar sales and retailer margin dollars are driven by price/mix improvements







Revenue Growth Management | Principles



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"The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn" *Alvin Toffler* Foundation of RGM Response Data and Predictive Analytics

Perfect Promotion Perfect Store

An example of a "good" model fit



TPR Disc %



Approach to TPO | Build Knowledge Base



Approach to TPO

e Pricing Behavior

Perfect Promotion The Pricing Storeatmap

| Parameters | | | | | | | Total Busine | SS | | | Total Promo | o Weeks | | | Total Base We | eks | |
|--------------|--------------|-------------------|--------------------------|--------|---------|------------|--------------|-----------------|--------|------------|-------------|-----------------|--------|------------|---------------|----------------|--------|
| | | | | Raco | Dromo | Total Nat | Total | Total Volume | Λνσ | Total Net | Total | Total Volume | Promo | Raco Not | | Base Volume | Raco |
| alue Total V | (CM-AVD, \$K | T | Promo Strategy | Retail | Retail | Sales, \$K | , \$K | 000's | Rizn | Sales, \$K | , \$K | 000's | Rizn | Sales, \$K | , \$K | 000's | Rizn |
| ode Totals | | T | Total VCM-AVD | \$4.49 | \$2.99 | \$273.5 | \$150.6 | 83.5 | \$3.27 | \$26.5 | \$11.3 | 11.1 | \$2.39 | \$247.0 | \$139.3 | 72.4 | \$3.41 |
| Realization | \$ | <mark>2.83</mark> | Total Net Sales | \$2.49 | \$1.29 | \$328.3 | \$94.3 | 191.2 | \$1.72 | \$39.9 | -\$4.2 | 38.6 | \$1.03 | \$288.5 | \$98.5 | 152.5 | \$1.89 |
| tail Margin | 2 | <mark>0.0%</mark> | ROI | \$5.79 | \$4.29 | \$233.4 | \$143.9 | 54.4 | \$4.29 | \$20.0 | \$10.9 | 5.8 | \$3.43 | \$213.4 | \$133.0 | 48.5 | \$4.40 |
| il Margin | 2 | <mark>4.1%</mark> | Current | \$3.79 | \$2.99 | \$289.7 | \$146.7 | 102.4 | \$2.83 | \$24.6 | \$10.4 | 10.3 | \$2.39 | \$265.2 | \$136.2 | 92.2 | \$2.88 |
| | | | Selected What-If | \$4.49 | \$2.99 | \$273.5 | \$150.6 | 83.5 | \$3.27 | \$26.5 | \$11.3 | 11.1 | \$2.39 | \$247.0 | \$139.3 | 72.4 | \$3.41 |
| ecommendatio | on | | Variance(What-If - Curr) | \$0.70 | -\$0.00 | -\$16.2 | \$4.0 | -18.9 | \$0.45 | \$1.9 | \$0.9 | 0.8 | \$0.00 | -\$18.2 | \$3.1 | -19.7 | \$0.53 |
| Tota | al Total M | | | | | | | | | | | | | | | | |



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Output

Output Minimu

Promo Base Re

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Base Retai

Promo Retail

VCM-AVD Sales, \$K

total promotional behavior by looking at the relationship between base and promo pricing.

evaluates

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Can optimize results on:

Margin, Revenue, Units, or ROI.

Analyzing Trade Investment S-Curve



Perfect Promotion Perfect Store e f@atilitates past promotion evaluation_and enables_what-if() analyses

> Identifies potential opportunities and optimal scenarios for future promotions

Analyzing Trade Investment S-Curve



Analyzing Trade Investment S-Curve



Analyzing Promotions

VCM Optimization \$2.0 \$1.0 -\$1.0 (ŚK) -\$2.0 -\$3.0 -\$4.0 -\$5.0 \$1.00 \$3.00 \$5.00 \$7.00 \$2.00 \$4.00 \$6.00 Promo Retail Inc. VCM ← Rec, \$4.39, -\$0.1K ← Curr, \$3.29, -\$0.2K ← Curr, \$3.29, \$0.7K ← Rec, \$1.49, \$1.5K Inc. Net Sales

Perfect Promotion Perfect Store Perfect CX Understand the range of profitability-across-a variety-of-price-points

But, DON' T stop there

Analyzing Trade Investment Profit Pool

Perfect Promotion Perfect Store Perfect CX



BBU / Retail Profit Distribution



Analyzing Trade Investment Profit Pool

Customer Margin Dollar Curve



Perfect Promotion Perfect Store Perfect CX We seek to find an equitable sharing of the profit pool with the retailer when designing promotions

> Depending on lift and elasticity, deeper price promotions are likely to yield diminishing incremental profit pool

Integrating Prescriptive Analytics

Perfect Promotion

gan between the top-down dels will suggest a promotional plan. Perfect CX



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trategy that will get as

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CS MILL

PROMOTION OPTIMIZATION INSTITUTE

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Execution of intermediate model should be relatively straightforward with some flexibility

| Promo Ty | pe Price | # Wks | |
|------------|-----------|----------|--|
| Full Reven | ue \$4.99 | 32 | |
| BOGO | \$2.49 | 4 | |
| Promo | \$2.99 | 12 | |
| 30% off | \$3.49 | 4 | |

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Approximation of promotional schedule allows for tractable optimization and strategic interpretation



What's AOP geared towards? Value, volume or VCM\$, VCM%?

RGM | Take ACTion

ZAI

Evaluate pricing landscape across channels - develop an Omni-Channel price plan



Sharpen promotional execution to increase value for manufacturers and retailers



Perfect Promotion

RGM can be complicated. Create a transparency based approach - internally & externally

- 1. Develop and deploy consumer driven pricepack-channel architecture
- 2. Analyze shopper price sensitivity and price perception
- 3. New playbooks for new channels (e.g. E-comm)

- Align activity with critical weeks for the category and retailers as well as priority customer events
- Understand category capacity to absorb promotions and impact of number of promotions on overall lift
- 1. Focus on creating transparency around financial impact of each RGM lever
- Don't be too focused on deal by deal vs. creating mutually beneficial annual plan

Summary | How to put itall together

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3

4

5

Perfect Promotion

Data and Tools managed. Data of RGM

Focus on creating an RGM culture for everyone, everywhere a culture of datadriven decision making

Take the long view - ROI of a single promotion can be negative IF it leads to a more positive ROI in the medium term – i.e. penetration

Be customer focused – Don't put too much emphasis on just tool and analytics but rather execution and retailer engagement

Data is important. So is Human Judgement. Let pragmatism prevail.

PRCQUESTIONS?

FOR MORE INFORMATION

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