

COMPETITIVE EDGE

By Craig Rosenblum

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Ad Balancing

*Overcoming the barriers
to promotion optimization*



WILLARD BISHOP
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The battle for capturing more share of wallet continues to intensify as the percent of promoted items reaches new heights. For many retailers, more than 50% of their total sales are promotion related. Not wanting to jeopardize their competitive stance, they continue down the promotional path using circulars and TPRs as a means to differentiate their banners in a crowded marketplace.

This escalating promotional activity is now requiring retailers to maximize productivity from every promotional dollar. Promotional funds, whether from vendors or provided internally, must move the sales needle while simultaneously maintaining margin integrity – all while satisfying the banner’s strategic objectives.



Retailers, seeking to optimize their promotions, began searching for ways to gain insight into their promotion's true impact. Many turned to syndicated data for answers, only to find it too cumbersome and latent for effective decision support. Business intelligence (BI) and revenue optimization companies attempted to fill this optimization void; however, these installations faced five critical barriers to adoption:

1. Lacked ability to increase margins and traffic using total ad balancing for circulars (front page/inside pages) and TPRs
2. Failed to fit within the retailers' existing resource constraints (merchandising and IT)
3. Required merchants to master highly complex applications
4. Resulted in extended time-to-value paths
5. Provided minimal service levels and limited support

Galileo, the famed Italian physicist, mathematician, and astronomer said, "Measure what is measurable, and make measurable what is not so." This succinct, yet profound statement served as the impetus for the development of ad balancing - *the practice of aligning ad circulars (front page and inside pages) and TPRs with shopper behaviors, in order to maximize productivity as defined by the retailers' strategic objectives.*

Ad balancing, created by Willard Bishop and Prognos, uses sophisticated, pooled demand forecasting to determine the optimal mix of products and price points to be included in each circular. The solution, marketed under the name AD-IN™, determines demand sensitivities and price elasticities in order to generate recommendations for the circular's front page and inside pages, as well as for TPRs.



The industry's first promotion productivity tool that optimizes the collective performance of ad circulars and TPRs.

- Maximize total ad return on investment
- Heat up your front page to drive traffic while maintaining margin
- Use Customer Relevancy Scores™ to maximize ad appeal and shopper impact
- Optimize TPRs by knowing which levers generate the most traffic and/or margin
- Benefit from ASP (Application Service Provider) model to minimize demands on IT
- Improve decision making and visibility by getting answers-on-demand, every week
- Integrates easily with retailers' current promotion process and delivers value in as little as 100 days

AD-IN™ Eliminates the Five Key Barriers to Promotion Optimization

Retailers must continually search for solutions, technologies, and processes that enable them to offset the continual eroding of margins. AD-IN™ helps combat margin erosion through its advanced analytics and predictive modeling of ad circulars and TPRs. More specifically, AD-IN™ eliminates the five key barriers to promotion optimization, as outlined below.

1. Balances ad circulars and TPRs with shopper behaviors

The financial performance of every ad item is evaluated according to revenue, margin, and spend. Once defined, users can begin assigning alternate prices to maximize margins while increasing visits. Users further improve performance by modeling vendor offers and identifying changes in order to achieve their banner's strategic objectives.

Additionally, Customer Relevancy Scores™ rank the appeal of each ad item, and its ability to drive sales and increase basket size based on shopper behavior (based on transaction or loyalty card data).

2. Fits within the retailers' existing resource constraints

AD-IN™ provides account-specific ad balancing, which eliminates the need to add merchandising resources. The solution also minimizes time requirements by accelerating the entire decision making process. Further efficiencies are gained through its weekly "answers-on-demand" capability.

Additionally, AD-IN™ is delivered using an ASP (Application Service Provider) model. This approach, similar to Software-as-a-Service (SaaS), minimizes IT resources and does not require the purchase of additional software or hardware.

3. Ease of Use

To ensure broad acceptance and rapid adoption, AD-IN™ generates Excel-based reports and recommendations for category managers. Custom reports are also generated for category managers and senior management in order to highlight current key performance indicators and trend reporting.

The intuitive user interface helps category managers easily optimize prices for increasing sales, profits, trips, and basket size. Solution outputs include a weekly scorecard for measurement and continual improvement.

4. Delivering an accelerated time-to-value path

AD-IN™ uses a modular approach to deployment in order to deliver a rapid time-to-value. While total store optimization may require 200 days, AD-IN's proven modular approach begins delivering ROI in as little as 100 days. Full deployment is divided into the following three modules:

- I. Solution Preparation and Data Readiness
- II. Strategic Alignment and Process Mapping
- III. Implementation and Training

5. Provide implementation and ongoing support for continual improvement

To maximize AD-IN's impact, Willard Bishop provides extensive support services across all phases of the on-boarding process, as well as post-implementation services. This ongoing, hands-on approach minimizes disruption by ensuring the AD-IN™ service fits within the retailers' current promotional process. Willard Bishop also provides comprehensive user training and compliance monitoring to maximize functionality and understanding across the organization.

AD-IN's proven modular approach begins delivering ROI in as little as 100 days



AD-IN™ improves margins by more than 8%, even on TPRs, while increasing traffic by more than 1%.

The AD-IN™ solution increases margin and drives traffic using advanced analytics for balancing circulars and TPRs, and ensuring relevant appealing offers. The service-based delivery model provides even greater efficiencies by minimizing resource requirements and providing rapid time-to-value. This, combined with unprecedented onsite support, positions AD-IN™ as the preferred solution for promotion optimization.

To learn more about increasing margin and driving traffic through ad balancing, contact Craig Rosenblum at 847-756-3726 or at craig.rosenblum@willardbishop.com.

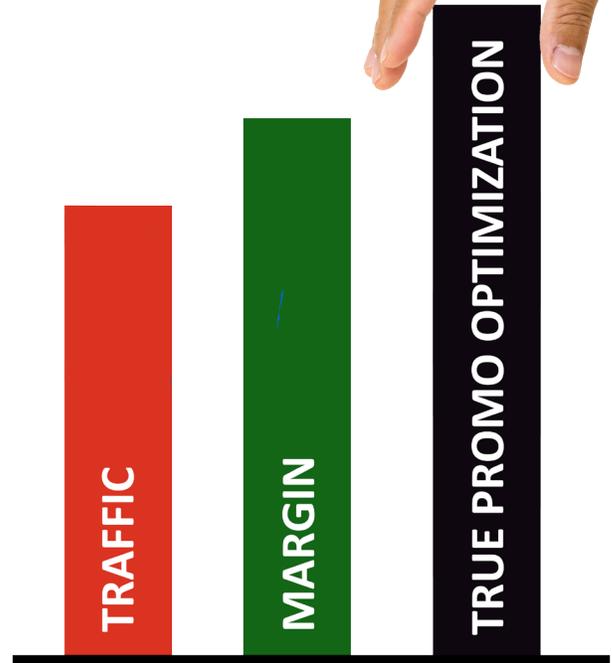


About the Author

Craig Rosenblum | Partner

Mr. Rosenblum leads Willard Bishop's expansion efforts through business development and strategic alliances. Craig's expertise includes supply and demand side technologies, systems and strategies. His rich expertise and leadership can be found in a number of industry initiatives, including Category Management, CPFR, ECR, Activity-Based Costing, and Data Synchronization. Craig has also been keenly instrumental in driving collaboration for companies such as CVS, SuperValu, Cadbury Schweppes, and Masterfoods USA.

Prior to joining Willard Bishop, Craig led the business development efforts for Prescient Applied Intelligence, Milton Merl Associates and Crossmark. He currently sits on the National Steering Planning Committee for UConnect, presents at CGIT and has been published in GMA Forum. Craig earned his B.S. degree in Packaging Science and Technology from Rochester Institute of Technology.



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WILLARD BISHOP

Willard Bishop, with nearly 40 years of experience in consumer packaged goods (CPG) and food retailing, has earned the reputation as the industry's preeminent consulting firm. The company's rich history is steeped in delivering high-impact, high-value solutions across the CPG value chain.

Today, Willard Bishop continues to enhance the performance of its clients by using advanced analytics and superior insights to create game-changing outcomes.

Willard Bishop provides a solution matrix that combines expert knowledge and insight with custom-developed applications and tools, to improve client performance – from concept to consumer.

Willard Bishop practice areas include:

- Activity-Based Costing
- Retail Pricing/Promotion
- Localization Strategies
- Shopper Relevancy
- eCommerce
- Channel Development
- Collaborative Performance
- Product Positioning



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PRODUCTS

AD-IN™, developed by Willard Bishop and Prognos, is the first promotion productivity tool that optimizes the collective performance of a retailer's circulars and TPRs in order to gain margin and increase visits.



The Total Store SuperStudy™ (grocery) is a product performance benchmarking tool, created using 52 weeks of performance data from top retailers in the U.S. *SuperStudy™* subscribers use this proprietary, aggregate data (available at total store, department, category, and brand levels) to make better decisions based on key financial metrics, including cost of goods, trade monies, margins, unit volume, profitability, ROI, and other financial performance measures.

The Convenience Store SuperStudy™ is a benchmarking and basket analysis tool used to improve decision making, and for developing fact-based performance initiatives. The 2014 *SuperStudy™* includes all key packaged goods and food service categories, as well as sub-categories, across three leading c-store chains.

The Localization Study™ is comprised of 60 million shoppers across select retailers in 25 states. The study is used by retailers and manufacturers to extract actionable insights from the study's transactional data, which spans 1,400 stores over a 104-week period. Subscribers use the *Localization Study™* to analyze category performance, customer behavior, and merchandising effectiveness.