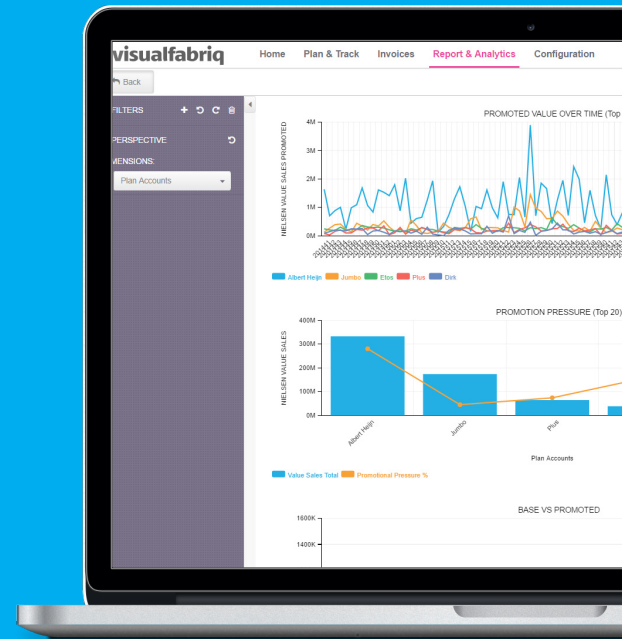


# Winning with Promotions

*How to turn your promotions around into more profit*



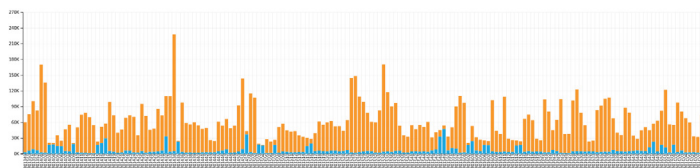
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## A race to a zero-sum bottom

Promotional pressure continues to rise over geographies and categories leading to a higher impact of promotions on the total financial results, and to larger disruptions in the supply chain due to promotion-related demand peaks.

While on average promoted sales are often 20 to 30 percent of the total sales, there are categories and geographies where this is already reaching over 90 percent.

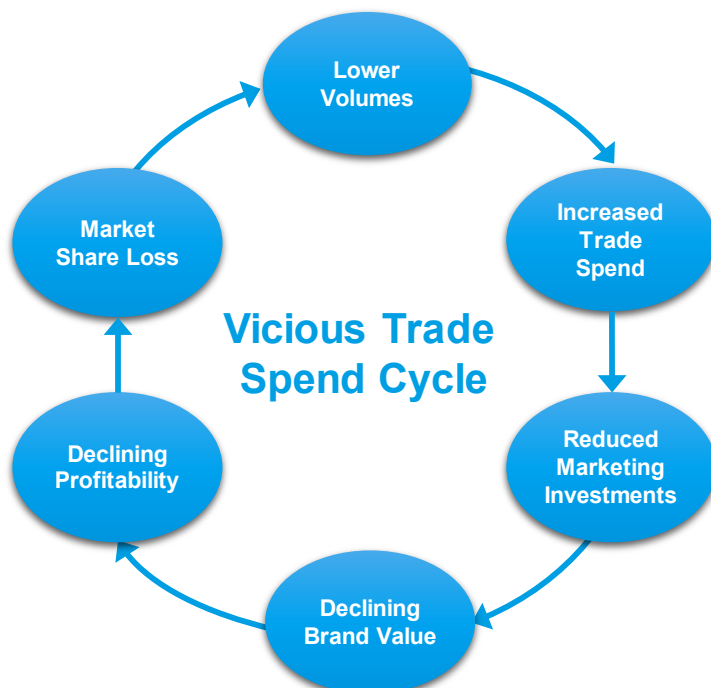


Sales for a highly promoted segment (blue = non-promoted)

At the same time, many manufacturers experience that only 20 percent of their promotions lead to incremental gross profit. All of this leads to a major, structural erosion of baselines and margins.

## Ending up in a vicious cycle

Manufacturers are caught in a loop where pressure on volumes and market share leads to additional promotions:



This leads to less spend being available for innovation and brand building while shoppers become more and more price driven and less loyal, reinforcing the entire cycle.

Visualfabriq's revenue management platform gives organizations the instrument to break out of this and structurally improve ROI and spend.

## Back to winning with promotions

CPG companies need to break out of year-on-year repeat of strategy and plans, and start to assess every individual investment reliably.

### Look forward, not backwards

Traditionally organizations evaluate the past in monthly or quarterly cycles, trying to derive rules to apply to promotion plans once per period. But by then, many promotions have already been offered to retailers, making it hard to effectuate change; similarly, ad hoc negotiations often escape these rules.

Instead, users should be supported during the actual promotion proposal and negotiating process.

### An integrated view of the trade channel profitability

To be long-term viable, promotions need to be profitable for both the manufacturer and retailer. Before offering a promotion to a retailer, it needs to be evaluated on volume, revenue and profit impact for all the stakeholders in the trade channel.

### Reliably exploring alternative strategies

A user needs to understand which promotional mechanisms are available and how they compare reliably in terms of volume, revenue and margin. He or she needs reliable predictions which can be used to convince retailers to mutually optimize the promotional plan.

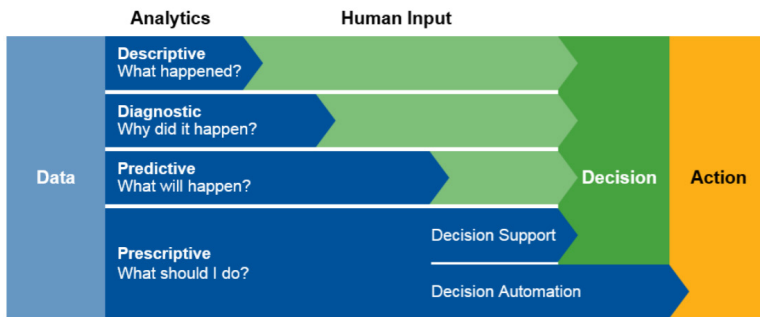
### Trust the machine

People need to have a reliable way of predicting scenarios and understanding ROI for each individual promotion during its planning.

Recent developments in artificial intelligence and machine learning have led to prediction models that outperform human estimations by 20 to 30 percent in forecast accuracy and can directly compare scenarios. This can be precisely translated into better promotions, more reliable expectations

and significantly less work for users.

This shift into prediction and finally prescription by leaving the model to predict the outcome to manage most details of promotion proposals is part of an industry wide phenomenon that is identified by Gartner.



Source: Gartner (February 2017)

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We see this happening and the trade promotion space is extremely well suited for this development. In the near future, organizations will shift more and more to exception management: manually managing just the 10% of outliers instead of micro-managing an entire operational process.

## Focus leads to results

The technology enables a significant opportunity to improve ROI. Proper change management and management focus are essential.

### Are you in control?

At the end of a day, how do you know whether

- your trade spend plans are reliable and accurate?
- your organization chooses the right promotions out of all possibilities?

- you understand the volume and financial impact of each promotion?
- your team is focusing their effort on the exceptions only?

Change management and continuously challenging plans are key to maximizing the ROI of your promotional investments.

## Three key enablers

- Predictive models must be directly integrated into the work process
- Any commercial in-market plan must be translated into a direct logistic effect and a financial budget, for both the retailer and the manufacturer
- Planning, Evaluation and Optimization must form part of a single process and system, putting the responsibility back in the hands of your sales team

## Uniqueness of the visualfabriq platform

The visualfabriq platform is uniquely positioned to improve revenue management in organizations. It excels at integrating internal and external data sources, taking users through best-in-class processes and supporting them with leading machine learning technologies at every step.

We have seen that our platform -coupled with an organizational drive to improve- can lead to improvements of the promotional ROI by 10 percent, while improving volume and spend accuracy by 20 to 30 percent.

**About visualfabriq:** visualfabriq was founded in 2013 by Jaco Brussé and Carst Vaartjes – both experienced FMCG and Retail professionals who embarked on a quest to develop a tool that could truly transform the industry's Big Data into instant meaningful insights. In its start-up years, the company already won engagements at various Tier 1 manufacturing companies. In the 2016 Promotion Optimisation Institute (POI) TPx Vendor Panorama, visualfabriq's Trade Promotion Master™ was awarded with 'Best-in-Class' distinctions for both Financial Orientation/Simulation and Post Event Analytics. For more information visit: [www.visualfabriq.com](http://www.visualfabriq.com)

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