Case Study

Improving Gross Profit with a Promotions Strategy

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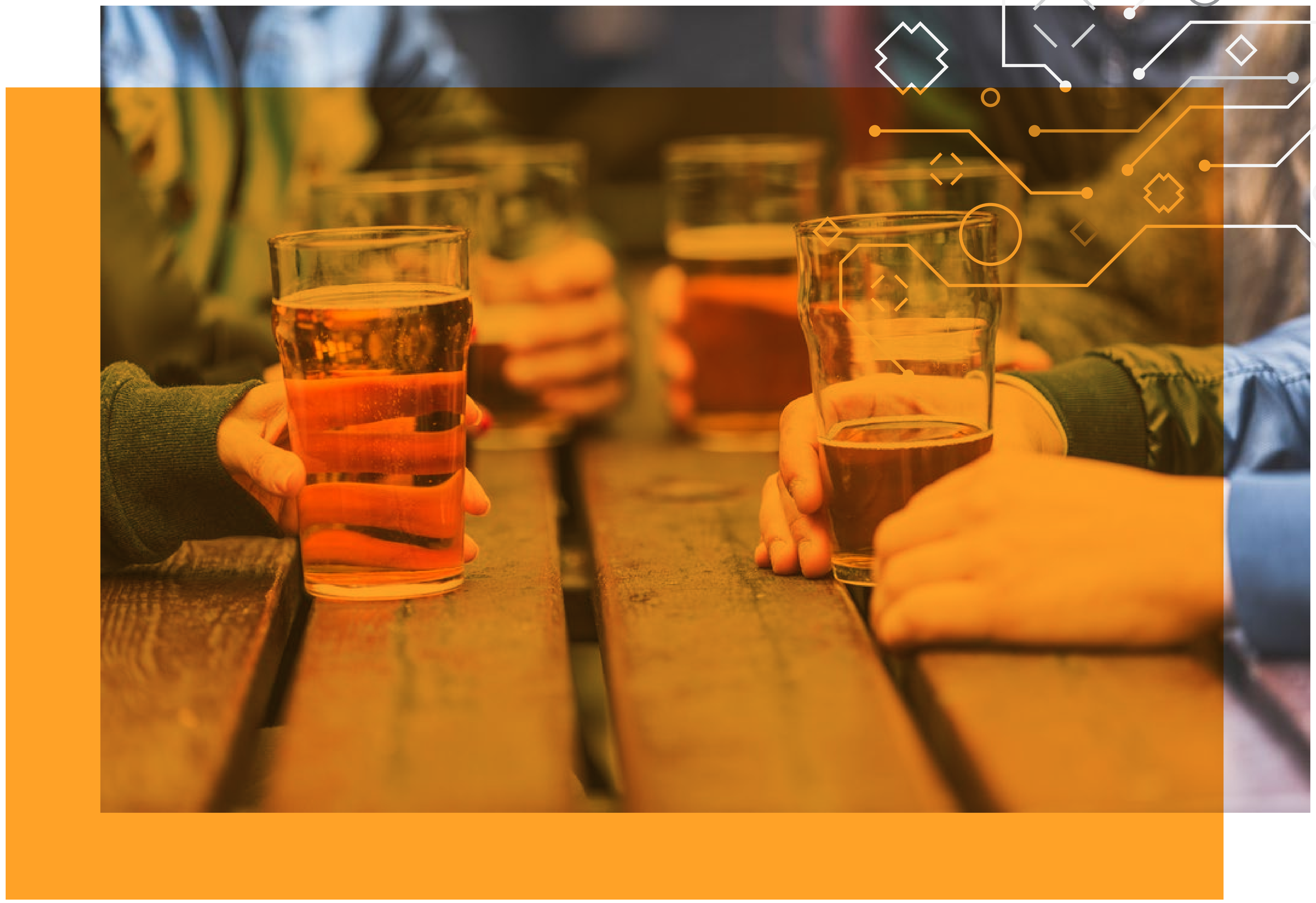

A major beverage company came to Antuit with a broad range of challenges involving their brand promotion performance. These challenges included a lack of visibility of overall performance, a desire to improve sales and margins, and a better understanding of how to improve ROI. By leveraging data analytics to better understand promotional investments across the brand portfolio, Antuit helped them achieve which actions where best in each sales channel, holiday and consumer preferences. As a result, the client improved sales, margins, and overall gross profits.

Challenge

This beverage company's promotional efforts were falling flat for three key brands. Their strategy was to heavily promote their flagship product during major sporting events to drive top line revenues and earn greater market share. With some success, this strategy became costly and did not generate the return on investment the company was looking for. In addition, other promotions were not sufficient to drive brand profitability as well.

The company was lacking insights into the ways that their key three brands should be positioned in three major sales channels — the huge mass retailers, supermarkets, and convenience stores. What was the best way to invest promotional spend to drive revenue, be competitive, and return a greater profitability by brand by channel?

Promotions were an important part of this beverage company's strategy, but company executives realized that they needed better analysis and a simulation tool to understand how to carry out that strategy. They turned to Antuit and asked for a set of "golden rules" that could guide them in terms of what to do — and what not to do — for future promotions.

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Solution

Antuit addressed the problem with a trade promotion analytics approach that addressed the issues of volume uplift, gross profit, promotional frequency, timing and their impact on ROI.

Looking at data from the previous 12 months, Antuit reviewed 75 different promotions across the three brands and three sales channels. Antuit used a machine learning approach to analyze promotions that generated greater than 60 percent volume share to understand the significant factors that contributed to promotional success.

Leveraging this deep analytical approach, Antuit produced a scorecard that demonstrated that the company's past promotions were misallocating the wrong brand in the wrong channel and often against the wrong competitor. It showed that mass retailers and convenience stores were prime opportunities for one of their secondary brands to replace their flagship brand due to a high cost to distribute with little ROI. This brand switching was also critical to be competitive within the hypermarket and convenience store channels by blocking competitive distribution during key occasions. This same analysis was done for supermarkets, and it was clear that another brand was the best choice for supermarkets as well.

The flagship brand, despite its limited success with sporting event ties, was one that the data showed should be downplayed. This was a direct result of a lack of local popularity of this brand within the geographical area.

With a deep analytical approach, Antuit found that with minor investment in one of the brands, the company could expect an impressive 300 percent uplift through brand switching. The data also revealed, to the company's surprise, that price was not the most significant factor in predicting promotional effectiveness. More surprisingly, price wasn't even in the top five most significant factors for driving promotional success.

It turned out that the size of the package (how many bottles or cans were in a pack) was the key to improving margin, while the brand itself was the most important factor in driving sales volume.

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Results

Antuit created and delivered a set of Golden Rules:

- **Golden Rule One:** "Don't promote unless the volume uplift is greater than 200 percent." This was discovered to be an ROI tipping point. Exceptions could be made for instances where there are competitive brand issues and the beverage company might try to block other brands' advances, but from a financial standpoint, the 200 percent was key.

- **Golden Rule Two:** "Promote only for certain special occasions and holidays." Rather than 75 promotions in one year across brands, the company should limit its key promotions to specific holidays such as Easter, Halloween and Christmas, among others.

- **Golden Rule Three:** "Forget about promoting the flagship brand." Even though from an overall company strategy that was the brand executives wanted to highlight, it simply was not as profitable as elevating the other two brands.

With these and other guidance, the company followed through by rebalancing its distribution of promotions across the brands and the channels. It has achieved a significant percentage increase in promotional volumes in subsequent promotions, gaining millions in additional sales and savings across its three channels.

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About Antuit

Antuit provides a fully customized real-time solution built around leading algorithms for predictive promotion and marketing, combining data science and data engineering to scale these algorithms across millions of decisions.

We can apply one analytic approach across all of a company's commercial investment touch points to enable that company to capitalize on the best investment strategies while factoring in competitive, seasonal, and economic variables.

To efficiently boost sales, profits, and market share, we develop a roadmap and measure, simulate, and optimize trade promotion, shopper marketing, and brand marketing investments. This drives more incremental sales per dollar investment in each activation stream.

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