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## Category Management Guide:

**Are You Concerned That You Are Using the Same Promotional Mechanics That You Did Last Year and You Still Have No Idea if They Make Money?**

Discover how to design more effective promotional plans that are profitable with a known ROI

[www.makingbusinessmatter.co.uk](http://www.makingbusinessmatter.co.uk)





# Are You Concerned That You Are Using the Same Promotional Mechanics That You Did Last Year and You Still Have No Idea if They Make Money?



## Introduction

Hi, my name is Andy Palmer, Director at Making Business Matter – A training provider to suppliers of the UK Supermarkets.

If you are like most Sales Directors, Marketing Directors and Category Managers, you'll be charged with sales growth for your business & frustrated by many of your interactions with the big 4 UK Supermarkets.

This guide looks at how more effective promotional planning can be applied in today's UK Supermarkets. It will provide you with new approaches, fresh thinking and thought provocation to ensure you keep ahead of your competitors.

The 3 main challenges it addresses are how to:

- Better plan and execute your promotional plans.
- Better understand your return on investment.
- Keep ahead of your competition.

We are the soft skills training provider to the UK Grocery Industry, helping Suppliers to win more business. They choose us because of our money back guarantee, our relevant experience, and because we make their learning stick.

The problem suppliers face is that they are investing money in training but are not seeing a measurable return on investment. Our 5 level evaluation provides a 'Chain of Evidence' for each training course.

Our trainers have worked on both sides of the fence and know the challenges of working with the UK supermarkets and being a supplier in a very demanding environment.

Our unique training method, Sticky Learning®, ensures that your Learners are still using their new skill 5 months later and this is supported by a money back guarantee.

This Guide has been written based on having been a Supplier Category Manager and a Category Management trainer for over 15 years helping many, many suppliers.

I hope you find this guide solves your promotional planning challenges.

Andy Palmer  
Director  
Making Business Matter





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From the Home of  
Sticky Learning





## 1. Create Better Promotional Plan Objectives

### The Challenge

1. Do you have **SMART** objectives for your promotional plan?

In my experience **SMART** is known by most people and used by few. **S.M.A.R.T.** objectives are the difference between a desired specific outcome and a hope. Without Specific objectives, you cannot communicate the aims of your promotional plan to your Supermarket Buyer. And you'll not be able to measure the plan's performance because it does not what it is trying to achieve. The results is what many suppliers do now – Throw money at promotions and convince themselves that because the volume is increasing then it must be a good thing.



### The Actions

1. Analyse your category to identify opportunities or poor performance. For example, penetration is decreasing significantly. In other words, less shoppers are buying products from your category. This will help you to create a broad objective, such as 'To increase the number of shoppers per month, that buy from Supermarket Y's category, by 20,000 by August 2018'.
2. You can then define the measure that will be used to assess against. In this scenario, penetration and the source is Kantar'.
3. Then set your targets, either based on what has been achieved in the past, what a similar category has achieved, or a stretching target to aim for higher levels.
4. Lastly set the windows (time periods) when you will assess performance versus the targets to ensure you are on track. Milestones and review dates.

Examples:

- A. Have you lost 5% of shoppers in the last six months? If yes, then develop a traffic building strategy that looks to attract new and lapsed shoppers.
  - i.e., This plan aims to achieve a 15% increase in new shoppers attracted, whilst frequency of purchase is maintained with Retailer 'A' by December 2017.
- B. Do you have declining spend per trip versus other shoulder categories? If yes, create a transaction building plan that aims to trade shoppers up through lower priced tiers.
  - i.e., This plan aims to achieve a 78p increase in spend per trip with Retailer 'A' by September 2017.

A further build, and the next level of SMART objective setting, is to ensure your objectives cover the following three areas:

- Shopper - The shopper requirements - i.e., promotional participation.
- Supplier - The expectations of your business - i.e., positive ROI for the overall annual plan.
- Supermarket - The expectations of the buyer - i.e., incremental sales driven by promotions.

Contact Us to help you with setting SMART targets for your promotional programme.

**Version 1.6**

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## 2. Stop Rinse and Repeat

### The Challenge

Do you know which promotional mechanics to best use and when?

### The Benefits

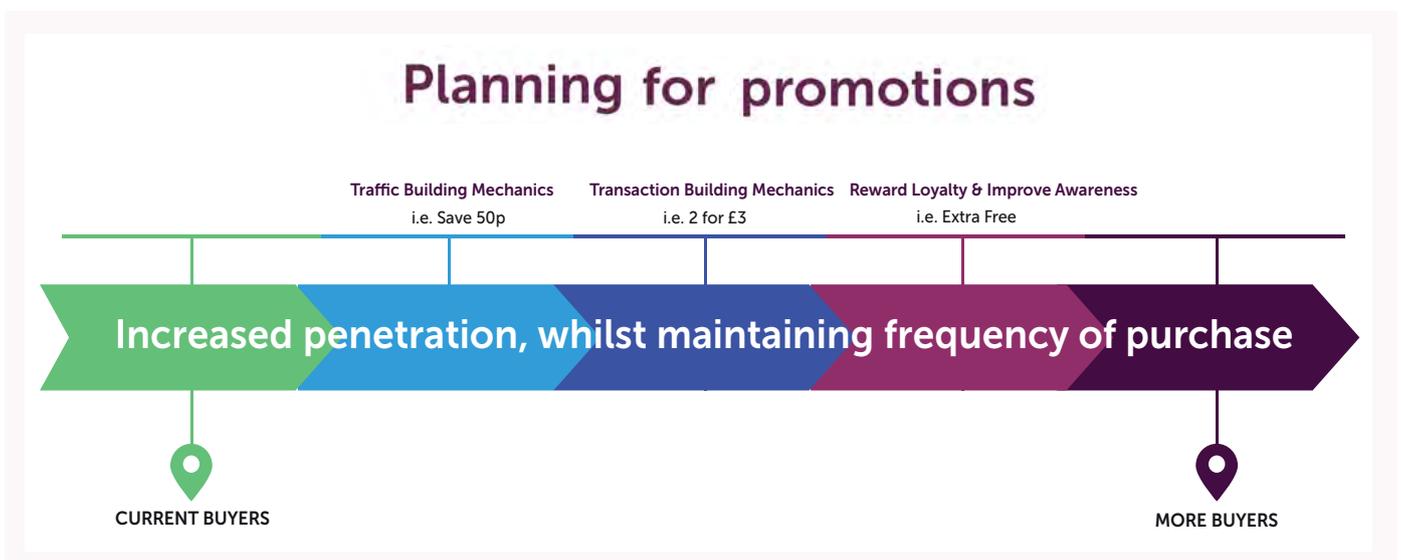
Your promotional plans are pretty much a carbon copy of last year because you don't have time. If someone does not have the time it is usually because they don't see the value. In my experience, a promotional plan can deliver a third of the value of a category's opportunity.

Knowing which mechanics to use, when and in what order is the key to a successful promotional plan. A simple rule of thumb is to 'begin' your plan with traffic building mechanics to attract new shoppers. Then, after the appropriate period of time (see chapter three [+link]), follow on with transaction building mechanics to encourage expansion of consumption, or to trade up within the tiers. And finally, follow on with loyalty rewarding mechanics. Then repeat.

### The Actions

Commence building your 'ideal' promotional plan based on the already defined objectives. Do this without considering any of the limitations that might be imposed. The second step is then to adjust this and balance it off with any commercial limiting factors that might prevent certain mechanics from being viable (change that save £2, to save 20p for example). The next step maybe to ensure product availability so not to set a fire under the procurement team. Lastly will be the proposal to the buyer, where further adjustments may be made to bring in more close inline corporate restrictions.

Although your plan may not look exactly as it did and as it should, what you now have is a plan that is actually planned and not just one that duplicated the best and worst of last year.





## 3. Use the Right Promotional Mechanics

Are your promotional mechanics selected or just a carbon copy of last year?

### The Challenge

Do you know which promotional mechanics to use and when to achieve the best results?

### The Benefits

Are all promotional mechanics born equal? No. All too often it is the case that mechanics are plucked at random, or just the ones you have used before. Picking the right mechanic, based on the needs of the category, will pay huge dividends in the long term, because you will be able to address poor performance.

Knowing that different types of mechanics achieve different things, and then selecting the appropriate mechanic in your plan, is a great step forward to achieving your promotional plan's objectives.

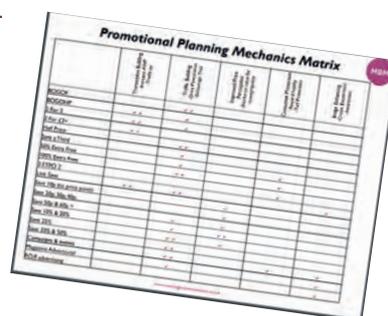
Promotional mechanics can broadly be placed into five distinctive groups. Each aiming to achieve something different and each allowing you to select the right tool for the job.

- A. Traffic Building - These mechanics aim to encourage trial of new products, or to drive penetration into products, that are either low or declining. Example: 'Save 50p'.
- B. Transaction Building Mechanics - These aim to increase average weight of purchase, or to trade shoppers up, through the tiers. Example: 'Multi-Buys' and 'Link Saves'.
- C. Improved Price - This group is about improving price perception of a product, or range, and allows the reinforcement of quality for money. Example: 'Saves' to a price point.
- D. Consumer Protection - Allows you to reward gains in loyalty and turf protect when your products start to plateau. Example: 'Extra Frees'.
- E. Image Enhancing - Build additional awareness and create excitement within your products. This works especially well when you have a new range or product. Example: 'Social media campaigns and point of purchase media', like recipes.

The benefit of approaching your promotional planning using this thinking is that you significantly increase your chances of achieving your category objectives.

### The Actions

1. Download our [1-page matrix](#) for a list of further mechanics.
2. Understand the different types of mechanics in the 5 groups.
3. Assess your current plan to more better understand what you are typically using.
4. Keeping your promotional plan objectives in mind, change your promotional mechanics to achieve the category objectives and ultimately achieve your ROI.





## 4. Know How Often To Run Promotions

### The Challenge

Do you know the optimal frequency of your promotions?

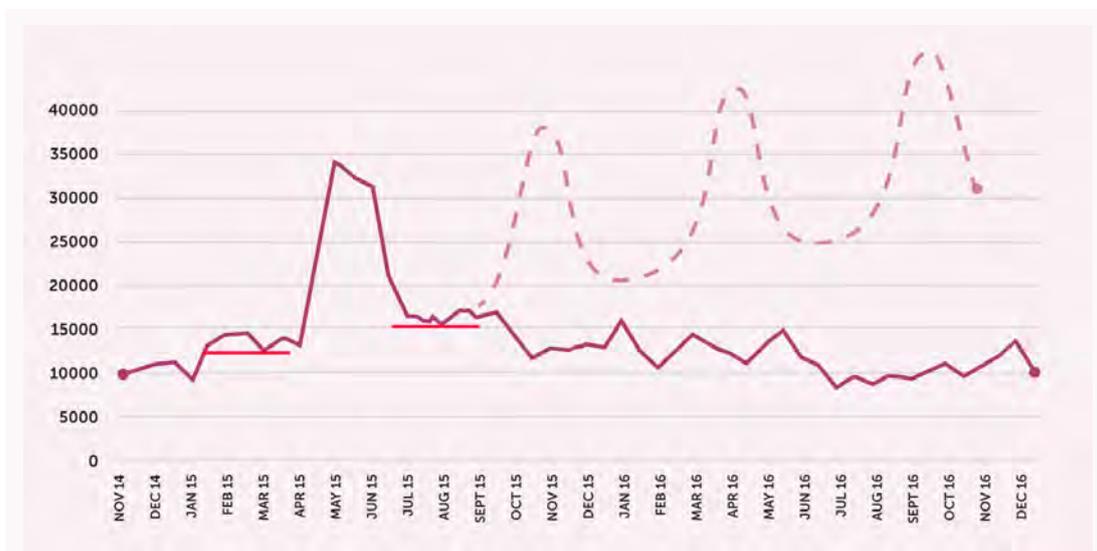
### The Benefits

By understanding how often you should run any type of promotional mechanic is important because it allows you to steadily build the base sales and not to simply 'move shoppers around the category'. This understanding also prevents over, or under promoting of the category, and degrading your promotional plans investment.

The key is to look at the product and identify how long after the initial event was ran did sales start to decline, as shoppers dropped it from their repertoire. Once you have an idea of the time frame, you can consider when and what is the next best event to run. Obviously the supermarket's corporate guidelines will come into play. My advice is to start with the ideal and work backwards slowly.

### The Actions

- Analyse the product's sales over a suitable period of time i.e.. 6-12 months.
- Assess how the base sales of the overall category change pre and post the event. Was the overall net effect on the category positive? Or was it being negatively effected by another promotion that started directly after? Which effectively just moved sales around the category.
- Identify the point at which the base sales increased or started to decrease. This point is where to consider another event, providing it's beyond 4 weeks. Any sooner can potentially create a promotional lead category where shoppers will only buy the product when its on offer.
- Consider: Are they higher afterwards because you ran a traffic building mechanic and attracted new or lapsed shoppers?
- Consider: Did they decline afterwards because you ran a transaction building mechanic and shoppers now have 'cupboard stock'?
- Now you more better understand the best frequency of promotions, update your current promotional plan.





## 5. Know How Long An Event Should Last

### The Challenge

Do you know the optimal duration of your promotions?

### The Benefits

Promotional duration can often be governed by corporate guidelines. However, more often than not it is just a rinse and repeat of what was used in the past. To question the duration is the right thing to do, because it can prevent diminishing returns once your promotion is underway and reduce the amount of time you are just promoting for the sake of promoting.

Understanding exactly how many weeks a promotion should run for, is of course not an exact science due to the amount of outside factors that contribute to the success, or failure, of any given promotion e.g. weather, seasonal, other events. That said, a basic rule set can be applied if the correct analysis and understanding is gained prior to making a decision.

Products will vary in terms of their optimal duration depending on whether they are fresh or ambient. You may not necessarily want to buy, on multi buy a fresh product with a short shelf life versus for example shower gel that you may happily build up some 'cupboard stock'.

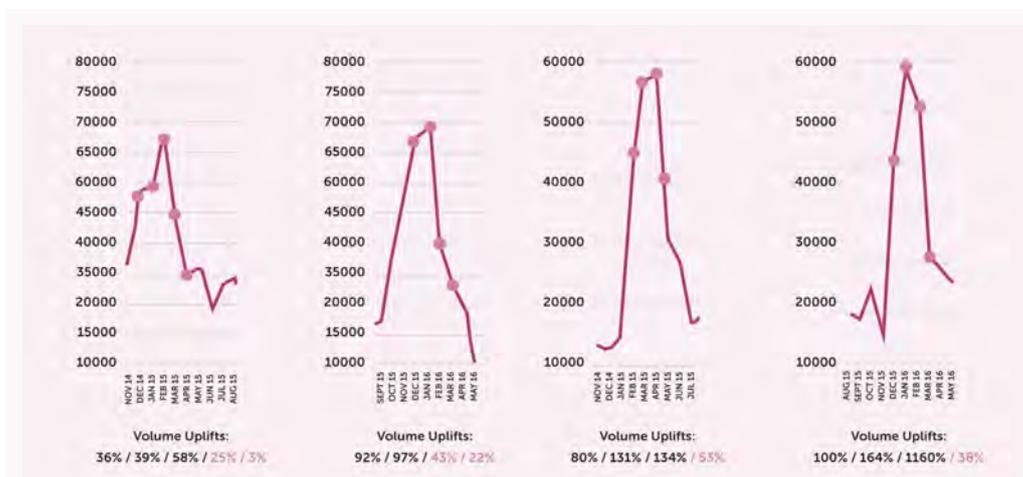
There is little point in promoting and only attracting existing shoppers, effectively just driving the value of a category without any incremental benefit.

### The Actions

Start by analysing the promotional mechanic, or product, that you either believe has the incorrect historical duration. Or start with those promotions that have the biggest impact to your category (either sales, lost profit or percentage of time promoted).

Analyse a number of promotions for it to be statistically reliable, and note when you see the increases in sales start to taper off. If this is repeated again and again, you have an indicator to reduce the overall duration.

Conversely if you don't see a reduction in uplift, the mechanic is profitable and there is no negative net effect on the overall category - can it be extended?





## 6. Effectively Evaluate Promotions

### The Challenge

Does your promotional evaluation let you down?

### The Benefits

More often than not good promotional evaluation is rarely done and great evaluation never. The barriers are often the sheer amount of data and noise within any category to allow for useful observations and insight to be generated. The path of least resistance is to simply look at the %uplift vs the base sales, see a 200% uplift and think job done. This is lazy Category Management and a little like hearing a car engine running to know if it will get you to Scotland.

### The Actions

The simplest and often most effective way to evaluate is to not jump into data. Creating the excel equivalent of the Forth Bridge and losing 30+ hours in the vain hope the answers will present themselves is not the way forward.

Instead, I suggest evaluating only against pre-defined objectives (both at a total category level and product(s) level).

Start by answering the following questions:

1. What is the objective/s of my category?
2. What is the objective/s of my category within Supermarket Y?
3. What is the objective/s of my promotional plan in the next 12 months?
4. What is the objective of the promotion? And did the promotion achieve that objective?
5. What alterations need to be made?
6. Where the overall category sales positive as a result of the promotion (net effect)?
7. What was cannibalisation like on shoulder products?

Start simple with small confident steps, building your evaluation into a manageable and insightful process.





## 7. Better Understand Your R.O.I.

### The Challenge

Do you know the R.O.I. for your promotional plan?

### The Benefits

The holy grail of any promotional plan is to understand the true return on investment. More often than not tens, if not hundreds of thousands of pounds, are thrown into an array of mechanics because 'that's just what has always been done', or what is expected. Calculating the R.O.I. can be a truly eye-opening experience because it is only when you see what is possible that you see the promotional plan as a profit generating tool.



### The Actions

Calculate the R.O.I. of your promotions using one of the following four options:

#### A. Simple:

1. Look at the volume of products sold on promotion vs off promotion, calculating the difference in RSP per pack or case.

#### B. Extensive - Supplier Perspective:

1. Get the manufactured costs, the MSP, and the RSP for both on promotion and off promotion.
2. Get the average sales volumes pre-promotion (base sales) and volume sold on promotion per week.
3. Subtract the MSP from the Manufactured cost off promotion, multiplied by the base sales average. To give you the 'what we would have made' value.
4. Subtract the MSP on promotional from MSP off promotion, multiplied by the pre promotional volumes and amount of weeks on promotion to understand 'what we invested'.
5. Subtract the MSP on promotion from the Manufactured costs on promotion, multiplied by the promotional volume and amount of weeks. To give you the 'what was made' value.
6. Subtract 'what was made' from the 'what we would have made' to understand the +/- value vs what you would have made normally.
7. Subtract the 'what was made' from the 'what we invested' to +/- value vs. your investment.

#### C. Advanced - Retailer Perspective:

1. Get the manufactured costs, the MSP and the RSP for both on promotion and off promotion.
2. Get the average sales volumes pre-promotion (base sales) and volume sold on promotion per week.
3. Subtract the RSP from the MSP off promotion cost, multiplied by the base sales average. To give you the 'what we would have made' value.
4. Subtract the RSP on promotional from RSP off promotion, multiplied by the pre promotional volumes and amount of weeks on promotion to understand 'what we invested'.
5. Subtract the RSP on promotion from the MSP costs on promotion, multiplied by the promotional volume and amount of weeks. To give you the 'what was made' value.
6. Subtract 'what was made' from the 'what we would have made' to understand the +/- value vs what you would have made normally.
7. Subtract the 'what was made' from the 'what we invested' to +/- value vs. your investment.

#### D. Or simply download this Excel based evaluation tool!



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## What Next?

I hope that you have found this Guide useful and that you use some, or all of the guidance to help you more better improve your promotional planning approach.

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Our free supermarket relationship assessment has been designed to help you identify how well your business is performing on training in 3 areas:

- Your team's skills of Category Management, Negotiation Skills, and Time Management.
- How much the supermarket buyer trusts you and your team.
- Your approach to Promotional Planning.

In a 30 minute phone call, using our scorecards and tools, we will help you identify where your supermarket relationship is and where you would like it to be.

Please email me at [ap@makingbusinessmatter.co.uk](mailto:ap@makingbusinessmatter.co.uk) or call me on 0333 247 2012 to discuss solutions in this report, or to arrange your **free Supermarket Relationship Assessment**.

I hope you found this Guide useful and I wish you every success.

Andy Palmer  
Making Business Matter



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## About Andy Palmer

Andy started at the retail coalface with eight years at Safeway food stores. During this time he spent many years in retail management understanding the key points of UK grocery retailing.

Prior to joining MBM he spent five years at a fresh produce supplier in positions of category analysis, category management and account management.

He now works as part of the team to enable suppliers to UK supermarkets to secure more profitable wins.

## About Making Business Matter

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## Links



Our Youtube channel has over 200 one minute videos on personal development.

[A list of our products »](#)



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# Our List of Training Courses

**MBM** Trainers to the UK Grocery Industry

**BOTTLES:**

- e learning TIME MANAGEMENT
- e learning GSCOP
- e learning CATEGORY MANAGEMENT
- e learning LEARNING TO LEARN
- e learning PRESENTATION SKILLS
- e learning EMAIL MANAGEMENT
- e learning OFFICE

**CANS:**

- LEARNING TO LEARN
- TIME MANAGEMENT
- PRESENTATION SKILLS
- PEOPLE MANAGEMENT
- INFLUENCING SKILLS
- COMMUNICATION SKILLS
- CONFLICT MANAGEMENT
- HBDI TRAINING

**BAGS:**

- CATEGORY MANAGEMENT
- NEGOTIATION SKILLS
- LEADERSHIP TRAINING
- TEAM BUILDING
- EXECUTIVE COACHING
- MUST WIN MEETINGS
- TRAINING NEEDS ANALYSIS

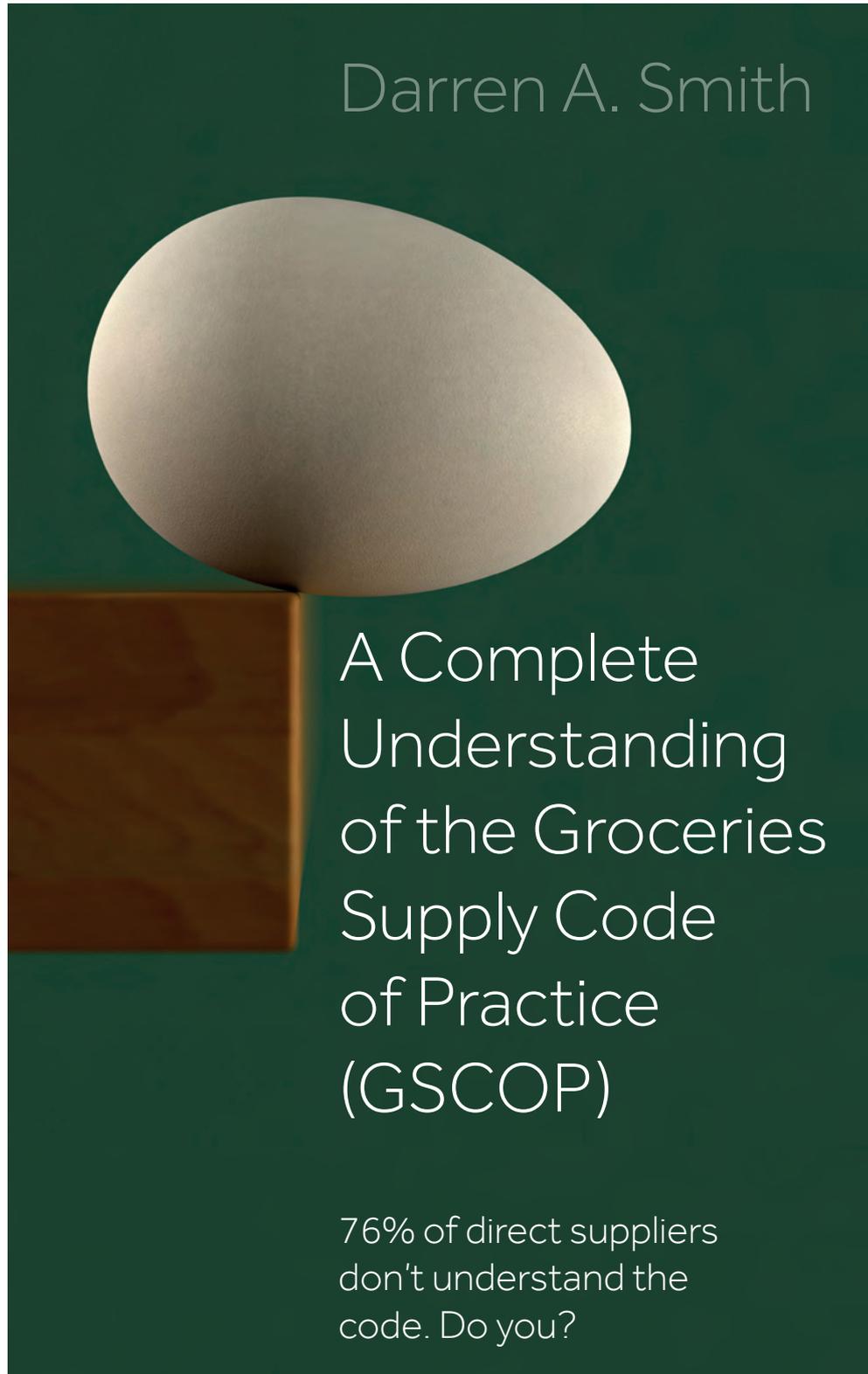
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Buy Your Copy of the **GSCOP Book!**





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-  Licensed HBDI practitioner
-  BA Hons French language & literature
-  Diploma in Business Coaching
-  Certificate in Workplace Counselling
-  Licensed Firo-B practitioner
-  Vocational Qualifications & Training
-  CPCAB Level 2 Certificate in Counselling Skills
-  CPCAB Level 3 Certificate in Counselling Studies
-  CPCAB Level 4 Diploma in Psychotherapeutic Counselling
-  Introduction to Counselling (D171)
-  Associate Member to the Institute of T & D

-  Understanding Fear & Sadness (D240)
-  Exploring Psychology (DSE212)
-  IPD Certificate in Training & Development
-  FIRO-B Measures License
-  MBTI License (Steps 1 & 2)
-  Saville & Holdsworth OPQ Occupational Testing Licens
-  Member of CIPD
-  Licensed Myers Briggs (MBTI) practitioner



Herrmann Certified Practitioner  
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