

Orchestrating Promotional Campaigns

Flyers leave little room for improvisations

By editorial staff

Some months ago I was an unwilling eyewitness to a hideous corporate scene. I was visiting a friend of mine, who was recently appointed Vice President of Marketing of a mid-size retail organization. In his office, behind closed doors my friend was musing about introducing new marketing practices to his department. The CEO was on board, and my friend had carte blanche from "the Man himself" to push ahead with the planned innovations. "Everyone here knows 50% of Marketing dollars are wasted," the newly hatched VP of Marketing lowered his voice. "It is just nobody knows which 50%." I am not divulging the names of my confrere and his company, as what transpired next was not meant for my ears. Yet, I feel there are many other retailers, with whom this story will resonate.

There was a knock on the door, and before my friend could stop himself in mid-sentence for a simple "Yes!" two men entered the office.

The unannounced visitors looked both entitled and aggressive. They crossed the room, and without as much as glancing at me, stood right in front of the office desk. From my vantage point I could see their backs only, and since my friend remained seated, the two now were hovering over him.

As I found out later, the two were Vice President of Supply Chain and Chief Financial Officer. The VP of Supply Chain was eager to find out why widgets were not included in the upcoming flyer promotion, as well as why gadgets were relegated to page three. The VP of Marketing launched into a lengthy explanation about the process that had taken place. A number of meetings were held, where buyers contributed their ideas and objectives. Everyone's input was gathered. By the way of a meticulous analysis Marketing department had prepared the final layout of the flyer, balancing the objectives of the buyers against the corporate goals and marketing strategies. The VP of Supply Chain was unmoved. He has extra quantities of widgets and expects them to be in the flyer. It has been always done this way. He is not about to take a hit just because the new VP of Marketing is experimenting with dubious marketing initiatives. The VP of Supply Chain

HALF THE MONEY I SPEND ON ADVERTISING IS WASTED; THE TROUBLE IS I DON'T KNOW WHICH HALF.

J. Wanamaker, department store pioneer

paused, and the CFO took over. "Turnovers!" he noted, "Have a direct effect on our GMROI. I can't allow for any unsubstantiated inventory overruns in our warehouse." He waited for a few seconds as to allow for the significance of his declaration to sink in. Then he continued: "Gadgets happen to be a leader in profit margin for us. Why aren't we putting this product on the first page of the flyer?" Not surprisingly, the Marketing head had had a tenable justification for the decision he took. "Having gadgets in the flyer does not create much of a sales uplift, widgets on the other hand, do nothing to increase the traffic. I have my own marching orders to follow. We must improve positions in other categories over time." "So you are advancing your career at my expense!" cried the VP of Supply Chain and turned to the CFO. "The quarter end is around the corner. We need sales now!" The CFO turned to the VP of Marketing. "He is right. Let's use the same content as before. We'll arrange for new category tryouts in the next quarter."

The pair promptly left, and it was just two of us.



My friend looked deflated. "Do you know how many hours were spent putting this issue of the flyer together? Now it's all wasted. That's the culture here. And as much as it burns me up, there is no way to determine who's right. One thing I know for sure, I am not looking forward to my performance review."

I left my friend to fight his battles, but the incident stuck with me. I could not understand how a mature retail organization was flying by the seats of their pants in the flyers' department. Does everyone work this way? I have carefully checked with other retailers. My not-so-scientific research revealed that the majority has no way of knowing whether their flyers deliver the best bang for the buck. "No way to determine who's right" did not sit well with me. With all the information systems at retailers' disposal, wasn't there a way to unearth the required facts? I did some digging on my own and found just one company that specializes in helping retailers determine the economic impact of a flyer before a promotion takes place. In other words, a retailer can determine the best selection of products for a flyer along with an optimal promotional price strategy for these products. This well thought-out analytical solution takes into account a myriad of factors to calculate correct sales uplifts. A marketing manager does not speculate about the potential impact of a promotion, it is calculated for him. It completely eliminates time-consuming and baseless discussions around the product selection for an upcoming flyer campaign. The economic benefit is known in advance. All potential disagreements among executives are presided over by an emotionless arbitrator. You want to substitute this product with another? Here's the result. Lower the price? You'll sell so many more. Move this product from page one to page two? This is what you lose. New product introduction?

Expect to sell this much. Can you imagine a VP of Marketing having clearly spelled out economic benefits before a promotion is launched? And precise, expressed in dollars and units benefit a newly planned marketing initiative? The company behind this product is Retalon Inc. A Toronto-based company, Retalon boasts the most advanced analytics in the industry. It is generally very difficult to compare one set of analytics to another. If, however, Retalon FLYER FORETUNE is any indication, then the company is onto something extraordinary here. Just consider the level of details in FLYER FORETUNE: Flyer content can be organized at any geo-demographic level. The system finds an optimal compromise between a store-specific campaign and a more cost-effective campaign at a region, district or nation level.

Promotional campaign checklist:

- **WHAT PRODUCTS CAUSE THE BEST RESPONSE?**
- **WHAT DISCOUNTS GENERATE MAXIMUM RETURNS?**
- **IS IT FEASIBLE TO CUSTOMIZE FLYERS FOR DIFFERENT AREAS?**

Retalon FLYER FORETUNE recognizes user-defined business policies. Users specify products to be included in a flyer and pages designated for specific categories, as well as preferences for cover pages, maximum discounts allowed, baskets and other business-specific rules. This ensures the economic benefits of a promotional campaign are in strict compliance with constraints of the corporate objectives, marketing priorities and retail essentials. Once the system is configured, it automatically generates reports with ultimate flyer content. The reports are based on retailer's own objectives and determine the most beneficial distribution areas, product selection for each flyer as well as the optimal discount for each product.

My friend is no longer with that retail organization. Still my hope is others in his position might benefit from his experience. 2,500 years ago Aesop shrewdly stated: "It is better being wise by the misfortunes of others than by your own." ■

SUPPLY CHAIN PROCESS	REPLENISHMENT	ASSORTMENT	PLANNING	EVENTS	CPFR
	Forecast Re-Buying Inventory Mngt	New products Color/size Trends in fashion	Replacement SKUs Short life cycle Cannibalization	One-time buys Promotions Sell through	Manufacturers Distributors Sales channels
RETALON FORETUNE IS A COMMON ANALYTIC PLATFORM FOR SUPPLY CHAIN					
For more information:	visit www.retalon.com call us 1.905.482.9605	toll free in North America 1.888.837.0268 e-mail info@retalon.com		retalon <i>Optimizing supply chain</i>	