

MKTG 435/535

Consumer Products Marketing: Retail Food, Beverage, and CPG



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2 November 2004

PROGRESSIVE GROCER

JUNE 1999

77 YEARS of LEADERSHIP

\$10

The state of trade relations

Two steps forward, one step back.

www.progressivegrocer.com

Brokers: The Big Get Bigger P. 45

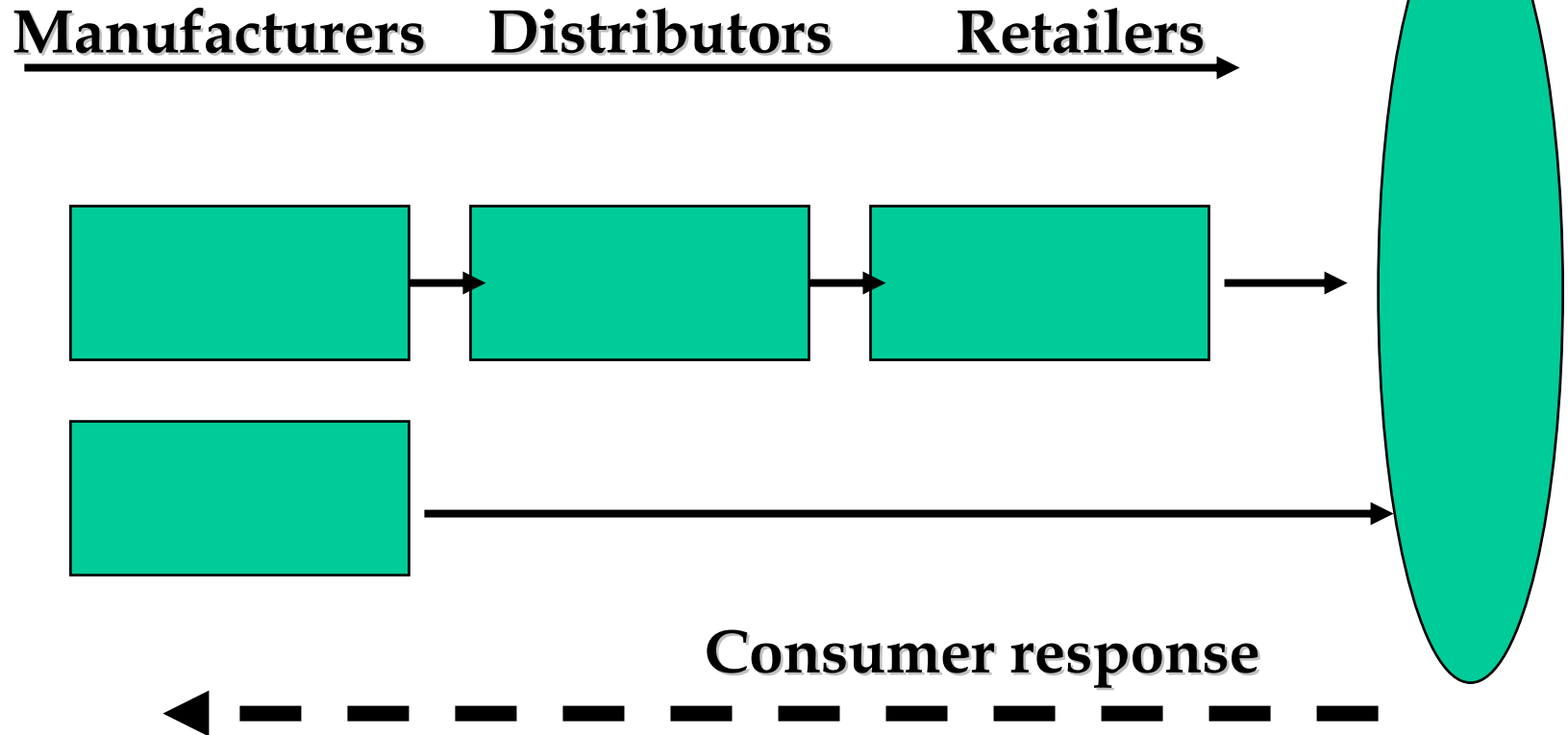
1999 Meat Shopper Report P. 66

GM/HBC: No Kidding Around P. 83

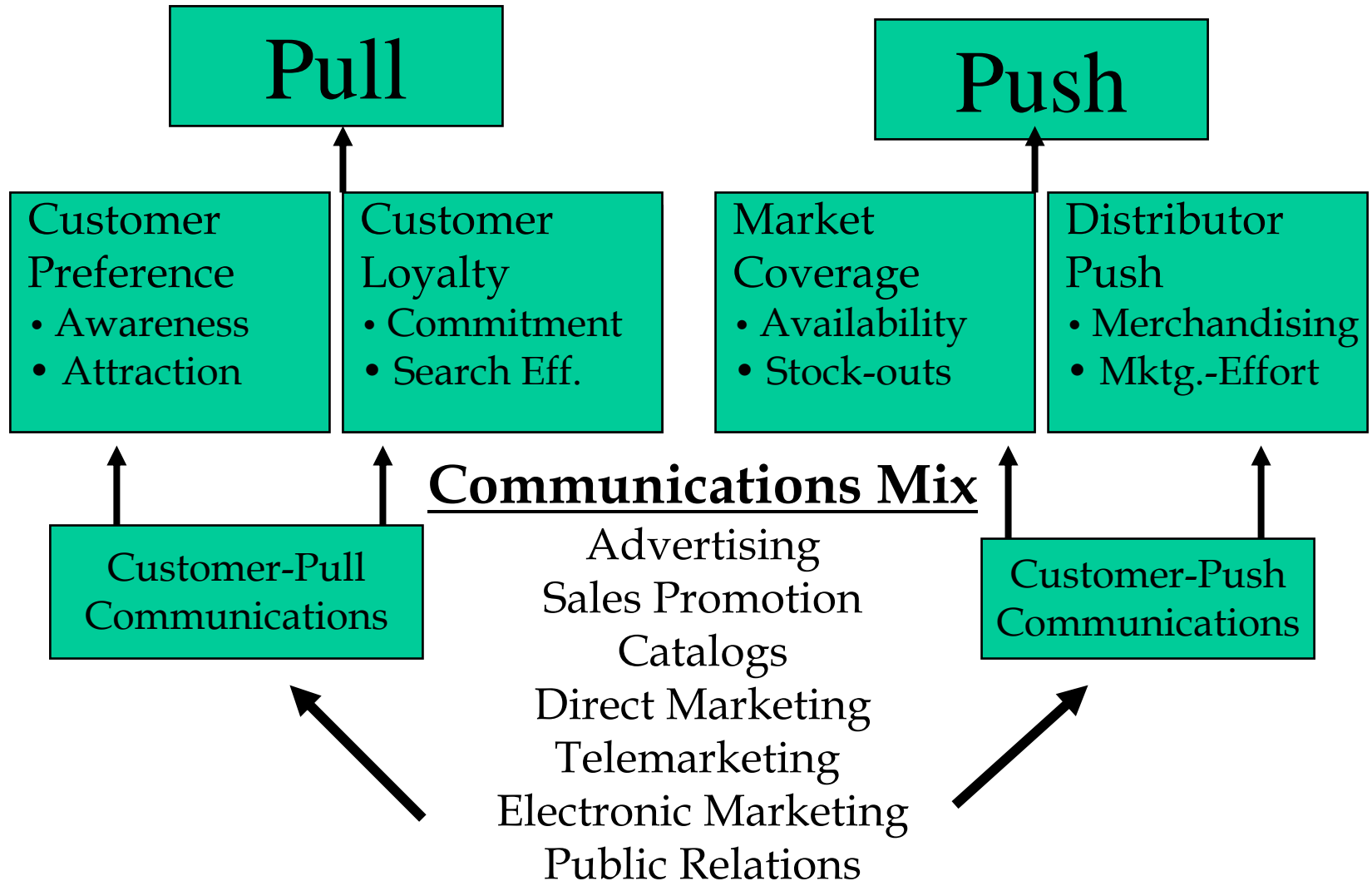
Market Based: Promotion Strategies

- Promotion Objectives
 - Awareness, Reinforcement, Action
- Increasing Customer response

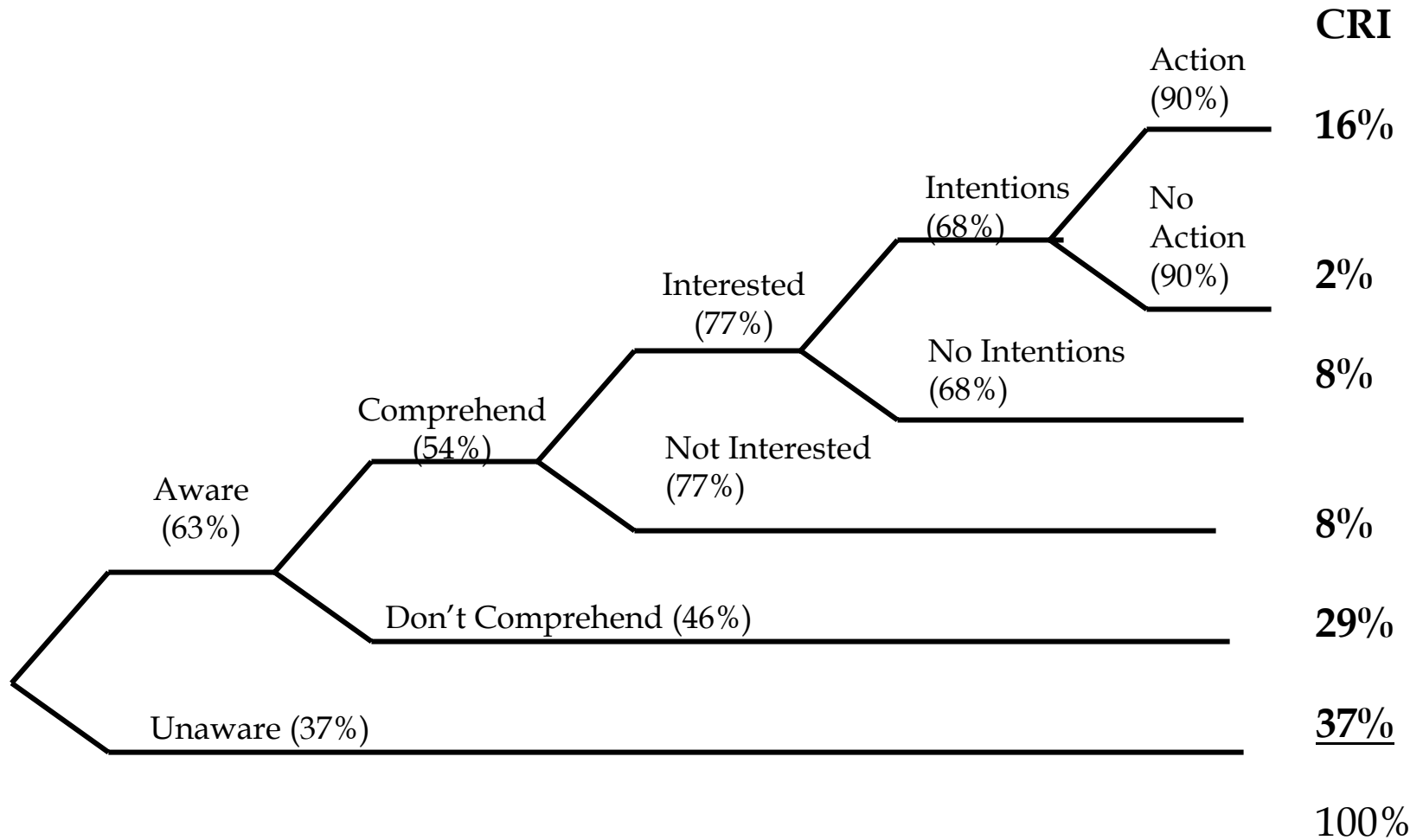
Promotion Flows



Customer Response Strategies



Customer Response Index



Marketing Causes of Low Response

Poor Response

Problem

Cause

Low awareness:

Marketing
Communication

Poor Media Choice
Insufficient Frequency
Poor Ad Copy

**Poor
Comprehension:**

Marketing
Communications

Insufficient Frequency
Poor Ad Copy

Low Interest:

Product
Positioning

Insufficient Benefits
High Price
Poor Ad Copy

Marketing Causes of Low Response

Poor Response

Low Intentions

Low Purchase Level

Problem

Product

Positioning

Distribution
& In-Store

Cause

Weak Positioning

Low-Cost Trial

Not Easily Available

Not available

Hard to Find

Insufficient

In-Store Services

ALLOCATION OF PROMOTIONAL DOLLARS BY MANUFACTURERS

Media Advertising	25
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Trade Promotions	51
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Consumer Promotions	24
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PREDICTIONS FOR PROMOTIONAL ALLOCATIONS

Increase Decrease Same

Media Advertising	60	18	20
Trade Promotion	24	50	26
Consumer Promotion	30	32	38

TYPE OF CONSUMER PROMOTIONS USED BY MANUFACTURERS

Coupons Consumer Direct	97
Coupons in Retailers' Ads	84
Cents-off Promotions	84
Money Back Offers/ Other Refunds	66
Sampling Established Products	72
Sampling New Products	72
Sweepstakes	63
Premium Offers	56
Pre-Pricing	44
Contests	44

What is a Food Broker?

A Sales & Marketing Agency that is hired by Food Manufacturers to sell and/or service the Manufacturers goods and is paid commission for that service. Brokers only handle paper transactions and do not take possession of goods.

Low cost provider of Sales and Marketing services

Trade Marketing Promotion

- Trade = Retailer Marketing & Promotion of Products Mainly Focussed on Sales, *Volume*, Profit
- Brand Marketing = Build Brand Awareness, Strength, Image, Sales & Ultimately Profit

Types of Trade Marketing & Promotion

○ 3 Basic

- Display
- Ads
- TPRs (Temporary Price Reductions)

○ Additional

- Demo
- Consumer
- In-Ad Coupons
- Loyalty Cards
- Manufacturer Coupons

Methods of Funding Trade Marketing Promotion

- Off - Invoice
- Bill - Back
- Scan
- Lump Sum/MDF (Market Development Funds)
- Manufacturers Coupon

Definitions of Funding Methods

- **Off - Invoice**: Per Case Allowance given to a customer by a Manufacturer that reduces the cost of each case when it is ordered & invoiced. Only performance required is to order the product. Manufacturer wants this reflected to consumer. Normal length of promotion is 4 weeks.

Off Invoice Example

\$1.20 Off Invoice (11/5 - 11/30/01 ship dates)

\$12.00 Case Cost

- \$1.20 Off Invoice

\$10.80 Net Invoice Case Cost

Regular Retail: \$1.49 = 33%

TPR Retail: \$1.39 = 35%

(\$1.34 = 33%)

Definitions of Funding Methods

- **BillBack**: Allowance given to the retailer that requires them to submit a Bill and Proof that the customer performed extra steps to promote the Manufacturers Product. Some typical performances: Lower Promoted Price Point, Display, AD

BillBack Example

\$1.20 BillBack

\$12.00 Case Cost
- \$1.20 Off Invoice
- \$1.20 BillBack

\$9.60 Net Invoice Case Cost

Regular Retail: \$1.49 = 33%

TPR Retail: \$1.39 = 35%

TPR Retail: $5/\$6 = 33\%$

W/ O.I.

W/ B.B

Definitions of Funding Methods

- **Scans:** Allowance given to the retailer only on the “scanned” or transactioned units sold on the promotion. Paid on either scanned product through the register during the event, or on coupons redeemed. Typically scan period is only for one week.

SCAN Example

\$.09 Per Unit SCAN

\$12.00 Case Cost

- \$1.20 Off Invoice

- \$1.20 BillBack

\$9.60 Net Invoice Case Cost

\$.80 Net Unit Cost

- \$.09 Per Unit Scan

\$.71 Net Scan Cost

Regular Retail: \$1.49 = 33%

TPR Retail: \$1.39 = 35%

TPR Retail: 5/\$6 = 33%

W/ O.I.

Feature Ad/Display Price: \$.99 = 28%

W/ B.B

W/ Scan

Definitions of Funding Methods

○ MDF/Marketing Development Funds:

Typically Lump - Sum funding manufacturers pay to retailers for additional promotional activity to promote the sale of their product. Lump - Sum can be negotiated into the best cost-of-goods, or combination cost/Lump - Sum. Typically Lump - Sums pay for ads, coupon books, and displays.

Example

\$.99 Ad w/ O.I., B.B., & Scan PLUS \$00,000 For Ad/Display

Anatomy of An Ad: Fred Meyer

- What's the purpose of the ad?
- What are the feature/sub-feature items?
- Why these items?
- What's on display?
- What's on TPR?
- In - Ad Coupons?
- Manufacturer Coupons?
- Loyalty Programs/Cards?

At the Store

- Signage: Windows, Display, Shelf
- Display (Ad & Non-Ad Items, seasonal)
- Demos
- Loyalty Cards
- TPRs
- IRCs (Instant Redeemable Coupons)
- VIP Coupons

RELATIVE IMPORTANCE OF TRADE PROMOTIONS*

Sales Promotion					
Off-invoice Allowance	88	91	89	87	86
Marketing Funds	85	86	87	86	85
Slotting Allowance	69	66	66	73	66
Co-op Advertising	70	66	68	71	63
Extended Payment Terms	65	65	58	64	55
Vendor Damage Policy	71	67	60	64	58
Bill Backs	61	62	57	62	54

RELATIVE IMPORTANCE OF TRADE PROMOTIONS*

Extended Payment Terms	65	65	58	64	55
Vendor Damage Policy	71	67	60	64	58
Bill Backs	61	62	57	62	54
Retail Display Allowance	61	61	62	62	58
Forward Buy Availability	62	59	48	57	50
Roto Participation	59	54	54	54	48