

# Getting the balance right with PROMOTIONS

cash&carry  
retailer  
tracking programme



In our workshops with suppliers and wholesalers, the one topic which generates the most (and often, the most heated!) conversation surrounds promotions. As ever, price and promotion is an emotive subject – it's often hard to be objective about it. But that's what we try to be, having the benefit of 15,000 retailer interviews, and 600,000 shopper opinions, to fall back on. HIM does believe that price and promotions are important – but keen prices and excessive promotional activity do not make up for poor standards, service, range, offer and convenience.

Only 31% of all independent retailers say promotions are one of their three key drivers when shopping in C&Cs and nearly half of all retailers shopping in a C&C at any particular time will buy items which are on promotion. So promotion penetration is reasonably high.

And suppliers will be relieved to hear that 50% more retailers are passing on savings made from promotions to their customers, shoppers, today compared to a few years back.

Now let's dig under the surface a bit more. Most retailers say they receive promotional leaflets or brochures from their C&C operator. And nearly three quarters of these say the brochures or leaflets encourage them to use the C&C more. Many (surprisingly many, in fact) – say they visit a C&C simply and only because of offers they've seen in leaflets. So leaflets are a powerful footfall driver. Simple money-off promotions are the preferred mechanic. This is interesting because, until recently, money-off deals were the preferred mechanic for end-customers, shoppers shopping in c-stores. In

the last 12 months, our Convenience Tracking Programme has found that shoppers' preferred promotions are now BOGOFs. Why has this switch occurred? Are consumers seeing more BOGOF deals in grocery retail generally, which is driving their attitude shift? Is it actually more harmful than good, reducing brand equity?

Many retailers do not notice promotions in C&C depots, even in categories they have bought. For example, about two thirds of retailers who bought beer didn't notice any beer promotions in the aisle. Could this be caused by too many promotions being available – too much promotion pos which increasingly becomes wall-paper with little or no impact on retailers? How many promotions could be going on in a C&C at any particular point in time – 1,500+? Firstly, that sounds like a logistical, operational and "time-to-manage-all" nightmare. Also, remember, too many promotions means you attract too many deal-hunters. Attracting deal hunters can be detrimental to trip spend and cash profit.

Would fewer, more impactful promotions be more (or equally) effective, producing the same (or better) return? But wholesalers will be nervous of going down this route as fewer promotions mean less promotional income...unless a trade off between wholesalers and suppliers could be sought on the basis that a slight increase in promotion spend by suppliers would be off set against higher returns (sales) caused by more impactful displays as a result of less promotion POS wall-paper... The majority of retailers say aisle end promotional displays usually results in them buying the product...which may lead some suppliers and

operators to consider whether aisle end promotional displays need to have discounted lines. Just stack a key product at a competitive price and create some theatre around it.....

If we sat here 5 years ago and asked retailers what they thought about price marked packs, they'd have thrown them out...claiming suppliers were dictating prices to them. Today, however, we have a slightly different story – retailers actually quite like them, to the point that 40% of retailers say cigarette price marked packs actually benefit their business. Only 4% say they have a negative effect. How times have changed....

Some final things to consider for wholesalers and suppliers: retailers really want profit-on-return information...but it's actually often hard to find.

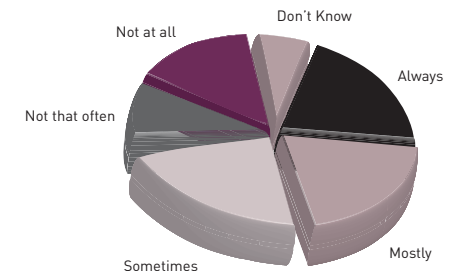
Only 13% of retailers say they hear about promotions via leaflets inside branches. C&C branches really could and should become "information hubs" for anything and everything.

And finally, let's all really step back and reconsider everything we do through fresh eyes. If we always do what we've always done, we'll always get what we've always got. Why are we promoting? Could more be done to maintain and build demand without the need to promote all the time? Why should retailers stock your lines – is there a compelling argument? Operators need to create points of difference outside of price and promotions. This is a better way of tackling the supermarkets.

At the moment, – but I don't see much about consumer trends, seasonality, health, services, service, local sourcing, top selling products, category adjacencies, layouts, fixturing, events, gifting, local initiatives.

How frequently do you pass on promotions to your customers?

Base: All respondents - Exit C&C Retailer Average



Source: HIM's Cash & Carry Retailer Tracking Programme

For more information on HIM's Cash & Carry Retailer Tracking Programme contact Georgina Wild on [georgina.wild@him.uk.com](mailto:georgina.wild@him.uk.com) or 07920 566 723