

The FOOD INDUSTRY Newsletter

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...the management report for companies selling thru supermarkets

Critique of promotion--

SPAR's advice: define aims, explore options, analyze results by accounts

SPAR--a leading firm in promotion analysis--is highly critical of how some \$s are spent by food mfrs. Its credentials to support judgments on trade promotion: SPAR's sole operation over 15-yr's has been promotion tracking & evaluation; its staff grows to 30 full-timers; its computers handle big total of variables involved in promotions. Its studies ultimately match an item's actual sales vs "SPARLINE" that weighs many factors to come up with volume level if promotion hadn't run; this can determine incremental profit or loss from promotion. Data is on week-to-week basis rather than aggregate so results can be pinpointed...Some views on industry practices from pres Robert Brown & vp William Bartels in FINewsletter interview--

*Many companies haven't thought thru their real objectives for promotions. They should weigh if promotions are for mkt share, profit, defensive vs other brands, franchise-building etc. And they should question if they're willing to pay customers who don't perform fully & thus don't move extra volume to consumers--"how much are mfrs willing to pay for good trade relations rather than results?"

*"Mfrs often know which are their best & worst promotions but they're uncertain about those in the middle." These can be majority of promotions & crucial to profit.

*Among reasons why results should be analyzed: What looks like healthy overall volume trend can be deceptive; decline in base business can be masked by incremental gains from promotions.

*Companies should develop history of promotion results; uses include bridging personnel changes that are frequent in promotion depts.

*Same promotion can be big winner in some mkts, big loser in others.

*Study of customer buying can spot those who load from deal to deal. This practice may mean mfr is losing what otherwise would be full-profit sales...Key approach is to determine reasonable thru-put for an acct. If end-aisle displays will sell 6x normal, mfr can limit buyers to 6-wks' buy-in. Mfrs' costs are same if deal mdse goes to performing customer as to non-performer...One way mfrs can improve results: check how accts perform for competitors.

*Mfrs can make promotions more effective if they look at all options. Example: can company achieve same goals for less money? Sometimes a promotion can do better if it's on a single size than several. Analysis may show that shift from 7-wk promotion to 2 promotions of 3 & 4 wks can improve results & profit.

*Excessive amts being spent by some companies open way for competitors to gain by cutting list prices. But action usually must come from price leader in category. Sales-force may resist since "salesman used to offering \$2 can't be enthusiastic about offering \$1.50."

SPAR notes that big \$s of promotion now involve top mgt & financial execs more than in past. Why isn't more done to analyze promotion results? One reason: "It's not surprising that many marketers would rather go to a beach in Spain to watch the filming of their new commercial than go to Boston to see how Star Markets performs on a promotion."