

# DEMANDTEC

**Kevin Sternecker**, vice president and general manager for retail for DemandTec, based in San Carlos, Calif., tells grocers that customer demand management will maximize the effectiveness of merchandising strategies.

## **What challenges do supermarkets face today?**

**Kevin Sternecker:** Wal-Mart has a huge impact wherever it opens stores, especially since it prices between 20% and 30% below most high-low grocers. This has a tremendous effect on any supermarket's existing customer base and its ability to drive bottom-line profits. The supermarket industry also struggles with change. Supermarkets are comfortable conducting operations a certain way. Yet, the methods of the past will not be successful in the future. An approach to solve these issues has been customer relationship management programs. Typically, chains focus on special customer classes, and this segmented information is delivered to the marketing department. Then, they create promotions that attempt to raise customers to new spending thresholds. However, they are neglecting customers during these targeted promotions. Chains use CRM to gain more intimacy with customers, but they do not address the bigger opportunity. Instead, efforts are falling short and are not as successful as you would expect.

## **How does your company solve these issues?**

We started out as a price or revenue optimization solution. That is really a small part of what do today. Rather, we infuse consumer demand management (CDM) into the entire product lifecycle. For example, when a new item is introduced, grocers focus on where to place it on the shelf, then determine the best price and when to promote it. We facilitate combining the art of merchandising with the science of consumer demand. We deliver distinct actionable customer purchase preferences that can be combined with merchandising activities. By presenting the entire picture, DemandTec helps grocers set up the right merchandising strategies for all customers who shop in their stores. Customers' shopping patterns tell retailers their preferences. Now there is exciting technology available to help retailers understand what customers' purchases have been communicating.

## **How do your solutions fit into the grocer's IT toolbox?**

DemandTec helps grocers improve revenues, profits and volume across every merchandise category. This is a difficult balance to maintain without knowing how customers will respond. Yet, retailers who use our software do this every day. DemandTec

augments the entire merchandising process by supporting and validating the merchant's intuition and revealing new ways to motivate consumers.

## **What has changed in the retailer's business strategy that is driving this new paradigm?**

Retailers understand that it's absolutely necessary to deliver better answers to their customers. This is a busy world with many moving parts. It is increasingly difficult to make the right business decisions. There are a variety of competitive pressures on store-level and supply chain costs. And there are just not as many bodies to do the best job. To be better at merchandising and pricing, retailers need solutions that will reveal and include consumer behavior when making these business decisions.

## **What does full lifecycle pricing mean? How does DemandTec help chains achieve this?**

This helps retailers with every aspect of a retail item's life in the store—from its first appearance to its clearance. It is difficult for grocers to know which are the right items to compete with. But, if chains know what items matter most to their customers, what prices will attract them to their stores and retain them, and which prices will encourage new customers to shop, then they can compete with the likes of Wal-Mart. By applying customer demand and best practices, grocers can determine the best merchandise strategies. In some cases, less obvious items are more important to customers. DemandTec helps retailers learn what these items are and how to motivate new shopping trends. This generates new revenue and profit. Retailers can also use DemandTec to understand the cadence of promotions and their relationship to markdowns, loyalty and base prices. Manufacturers contribute promotional dollars to retailers. However, some chains can over-promote merchandise, causing shoppers to visit only when their favorite items are on sale. CDM helps grocers know the right items to promote and offer through loyalty programs and what prices will be meaningful. Ultimately, supermarkets will maximize the effectiveness of their marketing dollars with CDM. The competition is fierce. DemandTec helps retailers win this unfair game. ❖