



Promotion Optimization

Retail Food & Grocery Segment

Market Snapshot 2024

IN PARTNERSHIP WITH

demandtec
by **acoustic**





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A woman with blonde hair in a bun, wearing glasses and a white jacket, is smiling and talking to a man in a blue sweater. They are in a store, with shelves of products visible in the background. The woman is holding a small object in her hands. The man is pointing towards something off-camera. The scene is overlaid with a blue and teal gradient.

Industry Overview

Promotion trends in Food and Grocery and their impact on retailers

Rising Consumer Expectations from Personalization

Consumers now expect personalized offers, with **74%** indicating they are more likely to shop with retailers that provide tailored promotions. This growing demand for personalization is transforming how retailers approach marketing strategies.

Omnichannel Consistency

With **80%** of consumers shopping across multiple channels, ensuring consistent promotions across online, mobile, and in-store platforms is essential. Customers expect a unified experience, regardless of where they engage with the brand.

Retailers must adapt to evolving consumer expectations by embracing data-driven, personalized, and omnichannel promotions. Real-time flexibility and strategic use of trade funds are critical to driving growth while reducing reliance on margin-eroding discounts.

Reducing Discount Dependency

Over-reliance on frequent or deep promotions can erode margins. Retailers must focus on balancing targeted, value-driven offers and maintaining profitability, particularly as consumers are becoming increasingly price-sensitive.

Trade Fund Utilization

Only **20%** of retailers effectively optimize trade funds. This underutilization leads to missed opportunities in maximizing promotional performance and vendor collaboration.



Implications for Food and Grocery retailers



Profitability and Value Perception

Retailers must adopt promotional strategies that focus on maximizing effectiveness, ensuring that promotions drive meaningful consumer responses. By shifting from broad discounting to more strategic, targeted promotions, retailers can enhance value perception while safeguarding profitability.



Agility in Promotional Planning

Flexibility in promotional planning is essential. Retailers must be able to swiftly adjust campaigns based on live market insights, consumer behavior, and competitor activity. Investing in tools that allow real-time modifications will enable retailers to stay competitive and responsive.



Digital-First Strategies

Retailers should prioritize digital channels for promotional outreach. As consumer expectations shift toward personalized, digital-first experiences, integrating data analytics with mobile apps, websites, and digital coupon platforms will significantly enhance engagement and customer satisfaction.



Expansion of Omnichannel Strategies

Ensuring a seamless customer experience across all channels is crucial. Retailers must align promotional messaging and offers across digital and physical touchpoints, creating a unified customer journey. This omnichannel consistency will drive customer loyalty and repeat business.



Data Analytics Capabilities

Advanced analytics are key to understanding promotional performance. Retailers need to leverage these tools to gather insights on customer preferences, campaign effectiveness, and overall engagement, allowing for continuous optimization of their promotional strategies.



Diversified Promotional Mix

Retailers should aim for a balanced approach between traditional and digital promotional methods. By diversifying their promotional tactics, retailers can appeal to a wider range of customers and better utilize trade funds to maximize promotional impact.

Promotion optimization in grocery retail amidst changing consumer behavior and market trends

Current Landscape

Promotion planning solutions are pivotal for optimizing retail strategies. They enhance forecasting accuracy by predicting the impact of promotions on sales, ensure effective budget allocation by analyzing ROI, and enable real-time performance tracking for agile adjustments.

They also play a crucial role in managing inventory effectively. By strategically deploying promotions, retailers can reduce dead inventory and clear out slow-moving stock, thus freeing up valuable shelf space and reducing holding costs.

54%

of grocery retailers strongly agree that they use an optimization platform to maximize the effectiveness of their promotions.

Source: RSR Survey 2024

Role of Promotion Optimization

Promotion optimization is vital for grocery retailers aiming to thrive in a competitive market. By leveraging AI and data analytics, retailers can personalize and adjust promotions dynamically, aligning them with consumer behavior and market trends.

This approach not only boosts ROI but also reduces the risk of over-discounting. Additionally, optimizing promotions helps retailers navigate economic pressures, manage inventory effectively, and maintain a competitive edge in a dynamic retail environment.



A photograph of a woman with blonde hair in a bun, wearing glasses and a white jacket, smiling and talking to a man in a blue sweater. They are in a grocery store, with a shopping basket visible. The image is overlaid with a blue gradient.

Challenges

Adapting to consumer trends, effective offer selection, and personalization

Adapting to Evolving Consumer Behavior

Challenge: Consumer expectations for personalized promotions are rapidly growing. Retailers need to understand and respond to this demand while keeping up with shifting behaviors and preferences.

Implication: Retailers must continuously leverage data to craft relevant, timely promotions that meet the personalized needs of consumers across channels, ensuring offers align with local market conditions and individual shopping habits.

Effective Offer Selection

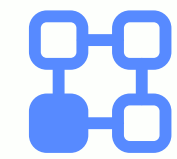
Challenge: Selecting the right products to promote remains difficult as retailers balance profitability, stock levels, and customer preferences.

Implication: Retailers need predictive tools to better anticipate demand and optimize promotional offers, ensuring that each promotion is strategically aligned to consumer needs while maximizing return on investment.

Personalizing Promotions

Challenge: Retailers struggle to scale personalized promotions across their customer base while managing logistics and costs.

Implication: By refining their approach to personalized promotions, retailers can deliver offers that resonate with individual shoppers, leading to higher engagement and increased loyalty.



31%

of grocery retailers acknowledge having limited or no ability to effectively optimize their promotions.



42%

of grocery retailers say that optimization will help them deliver localized and personalized promotions.

Overcoming Promotion Challenges: Tracking effectiveness, reducing discount dependency, and collaboration

Tracking Promotion Effectiveness

Challenge: Measuring promotional success remains a challenge, with retailers often unsure which campaigns drive real results.

Implication: Accurate, real-time tracking of key metrics like sales uplift and campaign performance is crucial. Retailers need to implement systems that provide transparency into the impact of each promotion, helping optimize future strategies.

Reducing Discount Dependency

Challenge: Heavy reliance on blanket discounts can erode profit margins and harm brand value over time.

Implication: Retailers should aim for value-based offers, focusing on customer-driven promotions that provide perceived value without the need for excessive discounting, helping maintain long-term profitability.

Enhancing Collaboration with Vendors

Challenge: Inefficient collaboration with vendors and fragmented deal management processes often lead to missed opportunities and misaligned promotions.

Implication: Improved vendor collaboration is essential. Retailers need integrated tools that streamline communication, align promotional strategies with suppliers, and ensure trade funds are effectively utilized to maximize promotional impact.



60%

of grocery retailers feel that they rely too heavily on discounts; thereby encouraging bargain hunters instead of offering the right prices to loyal customers.



35%

of grocery retailers strongly agree that they regularly identify and eliminate "bad" or "ineffective promotions".

A photograph of a woman with blonde hair in a bun, wearing glasses and a white jacket, smiling and talking to a man in a blue sweater. They are in a market setting with various items on display. The image is overlaid with a blue gradient.

Opportunities

Leveraging advanced promotion strategies to stay competitive and maximize revenue

Integrated Multi-Channel Strategies

Consumers now interact with brands across various platforms, and they expect a consistent experience. Delivering unified promotions across online, mobile, and physical stores is critical to maintaining customer loyalty.

Opportunity: By integrating promotional efforts across all touchpoints, retailers can ensure a seamless customer experience and drive stronger engagement and conversion rates.

Dynamic Promotion Management

The ability to adapt to market shifts and evolving customer preferences in real-time gives retailers an edge. Static promotions can lose relevance, while flexible, responsive strategies stay effective longer.

Opportunity: Retailers should focus on tools and strategies that allow for agile adjustments to promotional campaigns, ensuring relevance throughout the promotion cycle.

Enhanced Vendor Collaboration

Strengthening partnerships between retailers and vendors can lead to more successful promotions. Improved coordination helps both parties align on promotion timing, product availability, and trade fund utilization.

Opportunity: Retailers can work closely with vendors to design promotions that maximize effectiveness and ensure timely execution, leading to better overall results.

Insight-Driven Promotional Strategy

Data is key to understanding what promotions work and how to target the right customer segments. Retailers who leverage insights can design more targeted, profitable campaigns.

Opportunity: Using data analytics to shape promotional strategies helps retailers make smarter, more informed decisions, boosting both sales and customer satisfaction.



While 42%

of grocery retailers with revenues exceeding \$5 billion strongly agree that they regularly use data modeling to identify the best candidates for promotions,

Only 26%

of grocery retailers with revenues between \$250-\$499 million do the same.



48%

of grocery retailers consider digital channel promotions/offers management tools as an integral component for promotion planning.

A woman with glasses and a child are standing in a grocery store aisle. The woman is smiling and looking at the child. They are both holding shopping baskets. The background shows shelves of products. The entire image has a blue and teal color overlay.

Promotion Solution DemandTec

*demandtec
promotions*

Optimizing grocery promotions & enhancing collaborations

AI-Powered Promotion Optimization

Leverages advanced machine learning algorithms to forecast the performance of individual products and categories before a promotion is executed. Grocers can assess potential lift, incremental sales, and margin impacts at a granular level, ensuring informed decisions on which deals to accept and which to modify.

Campaign Analysis and Transparency

Post-event analysis delivers actionable insights into campaign results, helping retailers refine future strategies. The system also offers full transparency into the rationale behind its proposed actions.

Omni-Channel Promotion Strategy

Supports grocers in planning promotions that align across all shopper touchpoints—digital ads, email, SMS, in-store circulars, and shelf tags. This ensures consistency in pricing and promotional messages, especially for grocery customers shopping across multiple channels like online grocery platforms and physical stores.

Automated Deal Negotiation

The platform simplifies and automates the negotiation process by providing a real-time view of deal submissions, status updates, and required actions. Both grocers and vendors can easily track the progress of trade deals, reducing the time spent chasing information and ensuring deadlines are met.

Seamless Vendor Collaboration

The platform enables collaboration between grocery retailers and vendors, ensuring accurate and up-to-date data on trade deals. Automated communication, deal tracking, and approval workflows prevent bottlenecks and misalignments, leading to better utilization of trade funds and compliance with promotion terms.

39%

of grocery retailers are not too satisfied with their ability to predict the outcome and business impact of promotions.



A woman with blonde hair in a bun, wearing glasses and a white jacket, is smiling and talking to a man in a blue sweater. They are in a store, possibly a clothing boutique, with various items on display. The woman is holding a small object in her hands. The background is slightly blurred, showing shelves and other people in the store.

Solution Benefits

Strategic advantages of promotion optimization in grocery retail

Increased Promotion Profitability

Predictive forecasting ensures grocery retailers can design and execute more profitable promotions by evaluating the impact of trade deals before committing. This reduces the risk of running unprofitable promotions and helps increase both sales and margins on promoted items.

Improved Operational Efficiency

By automating traditionally manual processes such as deal negotiation, approval workflows, and promotion tracking, DemandTec significantly reduces administrative burdens for grocery retailers. It streamlines communication with vendors, eliminates errors, and cuts down on time spent managing promotions across disparate systems.

Real-Time Collaboration with Vendors

The platform fosters seamless, real-time collaboration between grocers and their vendor partners, ensuring alignment on trade deals and promotional execution.

Enhanced Data-Driven Decision Making

With DemandTec, grocery retailers gain deep insights into both historical promotion performance and real-time campaign data. This allows them to continuously refine their promotional strategies based on data, such as consumer behavior, sales trends, and competitor pricing.

Success Story

Client: A Tier 1 grocery retailer with 10's of 1000's of SKUs at each of its locations across North America

Objective

- Effortlessly manage and monitor CPG offers through streamlined execution
- Develop a unified dataset accessible across various departments and functions
- Reduce billing errors and minimize manual efforts in supplier collaboration

Result



98% of trade promotion deals are effortlessly managed and monitored through the DemandTec platform



ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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ABOUT DEMANDTEC

A pioneering leader for decades, DemandTec continues to usher in the new era of retail pricing technology. With its ML-powered pricing, promotions, markdowns, and collaboration solutions, CPG and retail partners can balance real-time shopper demand with business objectives to drive sustainable, profitable revenue growth.

To learn more, visit www.demandtec.com.

RSR Survey :

FMCG Retail Readiness Report 2024 | Optimizing Pricing Strategies