

Consumer Packaged Goods Company Improves Coupon Effectiveness by Using Flexible Simulation Tool to Design Coupons



SITUATION

The need for businesses to understand the true impact of coupon promotions in line with marketing objectives and costs involved was imperative to get ahead of competition.

IMPACT

With a key focus on achieving targeted results at optimal costs, companies took their decisions on Coupon Promotions in a scientific manner based on analyses of their historical data.

RESOLUTION

We correlated consumption data from key accounts with coupon redemptions apart from data on a few more internal & external parameters. Our solution evaluated effectiveness of Coupons at the brand, sub-brand and PPG level. We developed a user friendly Simulator tool to help design Coupon Promotions for generating targeted sales lift, in both absolute and percentage terms at optimal costs.

The Customer

One of the fastest growing Consumer Packaged Goods (CPG) companies, the client is a leader in the household consumer products and personal care industry. The consumer domestic and international business includes a variety of power brands investing significant budget in consumer promotions in the form of various consumer Coupons.



The Need

A major challenge for the company was the need for pull and push based promotions that satisfied the stakeholder's goals at each level of the value chain. A variety of coupon methods including FSIs in newspapers, online coupons, coupon vending machines at stores and handouts were adopted. Since different cost elements were associated with each type of coupon, whether in executing, distributing or redeeming, this led to a difference in the Return on Investment (RoI). Hence, it was imperative for the business to analyze effective coupons in terms of redemption and RoI, the ideal time required for a coupon to run, effective brand-wise coupons in terms of incremental sales and appraise the need for coupons despite high costs and negative RoI.

Business Benefits

- Coupon promotions became effective in terms of better marketing RoI and improved sales lift resulting into optimizing the Coupon spend quite significantly
- Savings in the Coupon Promotion Budget could be reallocated to fund other futuristic initiatives
- Improved fill rates owing to enhanced prediction accuracy and better supply chain planning
- Better engagement & planning with trade partners resulting into win-win situation for both
- The time required for coupon planning reduced significantly with the use of Simulator resulting into substantial saving in managerial time

The Solution

The solution encompassed coupons at various levels including brand, sub-brand and the PPG level for a region or a key account or even nationwide in a defined time window. Certain factors that influenced the planning process included seasonality, competition and maturity in product life cycle along with other promotions and investments in media. The solutions team correlated the consumption data provided by large key accounts with the coupon calendar, coupon redemption data and other data from both internal and external sources. Not just limited to this, the solution entailed the Simulator – a flexible tool that helped design the most effective coupons.

Highlights

- Sophisticated statistical models were used to assess the true incremental sales lift due to particular coupons
- The specific coupon types and face values that worked best were determined for each of the brands and markets reflecting certain market realities and hence gaining valuable insights
- The 'Simulator' tool allowed the user to work out the impact of different scenarios, which eliminated guess work from the coupon designing process
- The 'Simulator' tool helped design the most effective Coupons in order to achieve the targeted sales lift, in both absolute and percentage values, at optimal cost

About ITC Infotech Business Consulting Group

The Business Consulting Group (BCG) at ITC Infotech is a converging point for business & IT solutions. We aim to transform business performance, bringing a strategic perspective on process improvement and IT enablement. Our team blends domain experts and consultants, bringing unique capabilities to discover and resolve business concerns of the day.

Our expertise spans Consumer Goods, Retail, Process Industry, Logistics & Transportation, across key business functions such as product development, production, supply chain management, sales and marketing management, field force management, and customer relationship management.

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