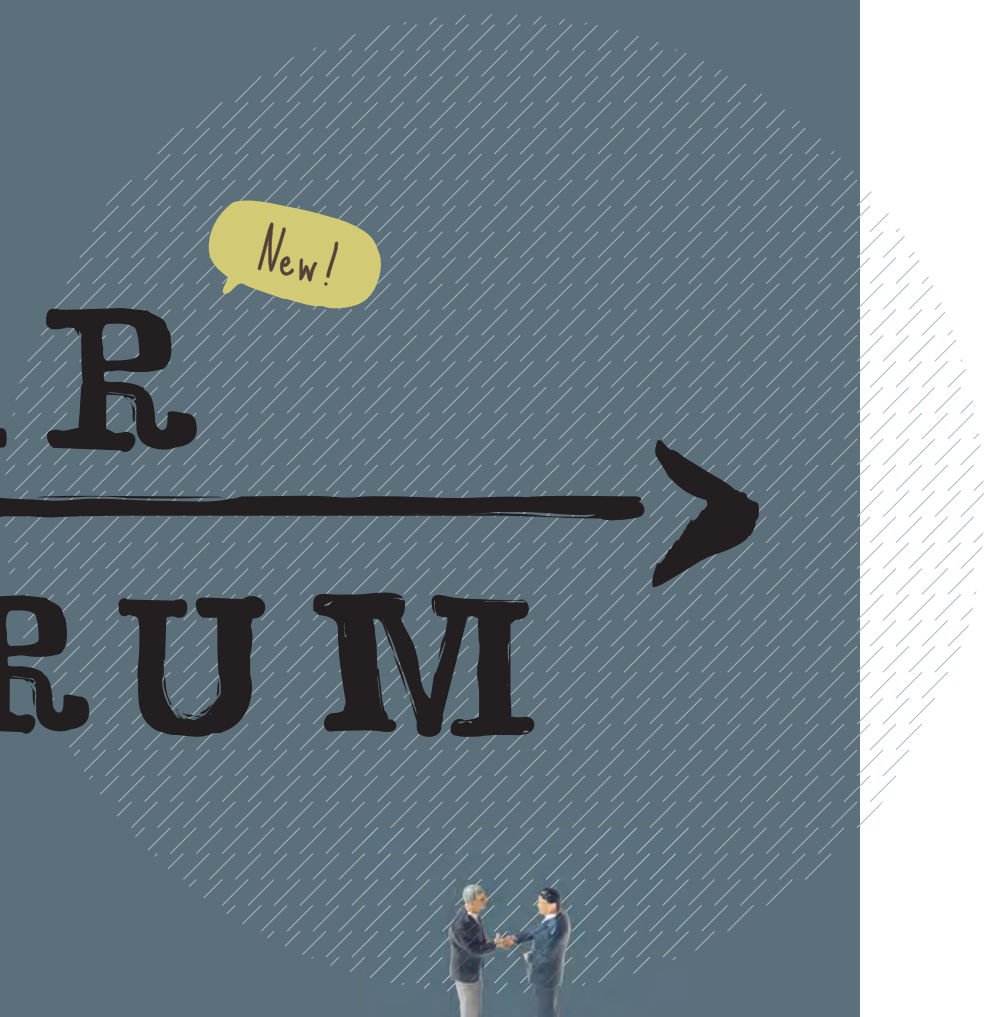
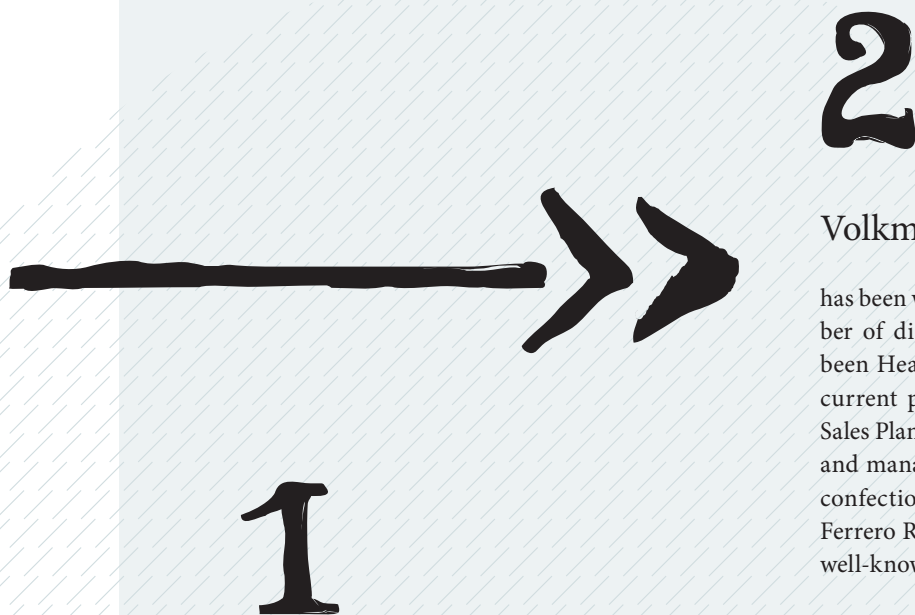




MIR FORUM



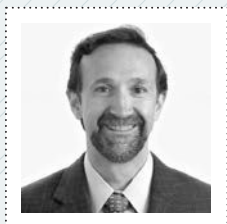
In our new section, “*MIR Forum*”,
we build a bridge between our research
articles and marketing practice.
Managers from successful companies discuss
the relevance of the research findings
and report on their own activities in specific
branches of marketing.



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José Alvarez

is currently a Senior Lecturer at the Harvard Business School, and provides us with an insight into sales promotion initiatives at the U.S. based “*Stop and Shop*” chain. He was both President and CEO of the Supermarket Company, a subsidiary of Royal Ahold NV, from 2006 to 2008, and was responsible for over 550 stores in 11 North-eastern states and the District of Columbia. The subsidiary achieved a total of over US\$ 16 billion in sales and had around 80,000 employees. Stop and Shop’s loyalty program had approximately 15 million members.



2

Volkmar Schwenk

has been working for *Ferrero Germany* in a number of different positions since 1982, and has been Head of Trade Marketing since 1999. His current position is Head of Trade Marketing, Sales Planning & Sales Controlling. Ferrero owns and manages a broad portfolio of brands in the confectionary business. Nutella, Mon Chéri, Ferrero Rocher and Kinder are among the most well-known of their 28 brands in Germany.

Ferrero has around 3,600 employees in Germany alone. The entire Ferrero Group records annual sales of around €6.2 billion.





How Sales Promotions Change Over Time

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In this issue we take a closer look at Sales Promotions, and we have invited *José Alvarez* and *Volkmar Schwenk* to share their thoughts and experiences with us.



MIR: Have your sales promotion activities changed over the last few years?

JOSÉ ALVAREZ: The considerable amount of detailed customer data that was captured at the point of sale as part of the corporate loyalty program has generated significant insights into consumer behavior. “Stop and Shop” also had a web-based home delivery service. This data complemented the customer’s overall buying history and could be used to further augment the insights gathered. This gave supermarket retailers a substantial advantage in terms of data and ability to execute promotions.

MIR: How did the data help to plan promotions?

JOSÉ ALVAREZ: We were able to understand longitudinal effects of promotions because we had item level detail for each transaction, including promotional information for each item and basket. This data was linked to a customer identifier. It allowed the company to categorize baskets by motivation and to understand the overall impact of a promotion.

The data was also helpful in understanding non-item based promotions, such as “Spend \$100, get \$10 off on your next trip”. We were also able to gain a valuable insight into the effects of gasoline promotions, which we found to be of great value to consumers.



MIR: Do you use different sales promotion approaches for different target groups, sales channels or any other categories?

JOSÉ ALVAREZ: “Stop and Shop” used different promotional approaches for different target groups. For example, the company’s best customers were given better and different offers in situations where a new competitor was opening nearby. These targeted offers were significantly better at reducing attrition of customers to competitive intrusion.

MIR: How do online and social media marketing transform your promotion strategy?

JOSÉ ALVAREZ: Online and social media are just beginning to have a larger share in the promotional budget. They offer opportunities that were unthinkable just a few years ago. “Stop and Shop”, for example, has a smartphone based application that can be used instore to scan groceries for purchase. This application has the ability to direct targeted offers to consumers as they walk through the store based on their shopping history. The offers are generated using the location of the device in the store: for instance, as you walk near the salsa section you will receive a salsa offer.

MIR: What kind of price/rebate framing do you use?

JOSÉ ALVAREZ: The offers always have expiration date restrictions as well as item and category restrictions. The latter are necessary because some offers cannot legally be allowed, for instance on tobacco, pharmacy and alcohol.

MIR: Have you ever used an approach similar to the one described in the article on the research by Ramathan & Dhar (a promotion strategy based on different shopping motivations)?

JOSÉ ALVAREZ: Yes, we have. However, in our case it was based more on the shopping occasion. We compared fresh fill-in trips to stock up trips. Based on our data, we monitored direct promotional effects, demand pull forward effects, cannibalization and cross category effects. We also observed “halo” effects by analyzing how specific promotions affected the entire store’s performance. This allowed for a clearer understanding of the financial benefit or loss for each item or category promoted.

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Online and social media are just beginning to have a larger share in the promotional budget. They offer opportunities that were unthinkable just a few years ago.

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MIR: Have your sales promotion activities changed over the last few years?

VOLKMAR SCHWENK: Promotion activities have increased considerably for FMCG. As the market leader in the confectionary business, we naturally cannot evade this trend. We have been working intensively on our promotional campaigns and on uncovering latent consumer needs. Our objective is to constantly improve how we satisfy consumer needs in order to expand our market and increase sales volume. In doing this, we are supporting our retailers to generate additional sales and profit.

MIR: Can you give us some examples of recent successes?

VOLKMAR SCHWENK: We develop special editions of some brands ("Ferrero Küsschen", which have white instead of milk chocolate, or "Giotto Mandel", the almond version of the Giotto hazelnut chocolate).

Our "Fan Connection" promotion in Germany during the European Football Championship was a very successful reward program. Participants earned points with each purchase of specific Ferrero products and traded them for fan items (e.g. a cap) depending on how many points they collected.

We used seasonal instore advertising for some of our products around Christmas and Easter. They create an emotional atmosphere which increases turnover and profits.

MIR: Do you use different sales promotion approaches for different target groups, sales channels or any other categories?

VOLKMAR SCHWENK: Our portfolio of brands is large, and each brand has very clear target groups. Therefore our promotions have always been very well tailored to specific segments, occasions or seasons. We also provide special solutions for individual retail channels. According to our philosophy, we offer the same amount of opportunities, promotions and placing equipment to all our retailers and customers, even if their fit varies.

MIR: How do online and social media marketing transform your promotion strategy?

VOLKMAR SCHWENK: For years, online and social media have been an integral part of all our branding activities. For instance, we provide special apps for some of our brands. Our most famous brands, such as Nutella or Kinder Riegel, have close to 1.5 million fans on Facebook, numbers that we take pleasure in sharing.



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We now combine certain themes with emotional and motivational content as well as specific promotional packaging to increase category value, turnover and profit.

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MIR: What kind of price/rebate framing do you use?

VOLKMAR SCHWENK: We do NOT offer quantity or retailer specific discounts. Instead, we are known for our temporary added value promotions. For instance, over a limited time period we offer a 10 + 1 Duplo value pack.

MIR: Have you ever used an approach similar to the one described in the article on the research by Ramathan&Dhar (a promotion strategy based on different shopping motivations)?

VOLKMAR SCHWENK: For the last three years we have been investigating how shoppers can be stimulated most effectively. We tested a combination of motivational images and promotional content displayed on instore screens in German supermarkets. Based on the results, we now combine certain themes with emotional and motivational content as well as specific promotional packaging to increase category value, turnover and profit for our Ferrero brands. We target all relevant segments and several possible shopping motivations.