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How to Execute Successful Promotions to Attract and Retain Customers

By Doug Erickson, executive VP of Global Sales and Marketing, Galleria

Shoppers are always looking to save. For decades before the economy took a downturn, customers have relied on clipping coupons, customer loyalty programs and advertised promotions to extend the dollar as far as possible.

Successful promotions allow customers to save and also serve as an effective technique for retailers to attract and retain customers. With the plethora of store options available today, it's vital for retailers to build and maintain a strong base of loyal shoppers in order to grow sales and maintain a competitive edge. If a retailer continuously satisfies its shoppers, it will gain customers for life. On the other hand, if customers are dissatisfied on more than one occasion, it will translate into lost sales and eventually lost customer loyalty for the retailer. In fact, according to the 2008 Store Systems Study produced by *RIS News* and research partner IHL Group, the loss of sales to competitors due to out-of-stocks totaled \$93 billion.

Because customer satisfaction highly impacts a retailer's success, it is critical that retailers not only choose the right products to promote but ensure that optimized inventory is available throughout the life of the promotion. Few things frustrate a shopper more than going to the store for a specific promotion and finding the desired product to be out-of-stock.

Consider the Customer when Planning Promotions

Because many consumers are currently facing hard times, they are looking to save on purchases more than ever before. Now is the time that retailers must ensure that their promotions are targeted to their shoppers' specific needs and wants. Successful promotions will attract new customers, raise customer satisfaction levels and strengthen sales - all which enable retailers to thrive in a difficult economy. Further, promotional display items account for 20 to 40 percent of total sales for a typical fast moving consumer goods retailer. With such a strong percentage of sales riding on promotions, it is advantageous to ensure each one is effective.

To execute successful promotions, the first thing a retailer must do is consider its customers and their buying behaviors. Consumer buying patterns differ substantially from store to store based on variables such as location and shopper demographics. For instance, demand for hot chocolate and snow shovels during winter months tends to be much higher in the North than in the South. Because buying patterns differ greatly by store, retailers need to take a customer-centric approach to create localized promotions and display plans for each store. This will ensure that the displays reflect customer desire while optimizing both inventory levels and availability.

In the 2008 Retail Systems Research Report, "Optimizing Localized Assortments: You Can't Take the Merchant out of Merchandising," research analyst, Paula Rosenblum, states, "We believe the key to success in these times is accurate and precise inventory investments. Hence, we re-emphasize the importance of localized assortments. And while the smallest retailers may be able to accomplish this without benefit of technology, we believe any retailer with more than 50 small stores MUST use technology to support its efforts."

Meeting Shoppers' Unique Needs Across the Chain

Instead of localizing promotions, many retailers often create a generic list of products that will be promoted across the entire chain. It is then typically left to the store teams to determine which items will be placed on end-caps and how they will be merchandised. In our customer-centric focused world, we have learned that averages simply do not work. When using this approach, a promotion's full sales potential can not be reached or realized. Some stores will be out-of-stock creating lost sales, while others will be overstocked creating excess inventory. Either way, both the operation and customer lose.

To many retailers, the thought of localizing promotional display plans sounds like an inconceivable notion because they feel they lack the capacity to do so. This is where technology comes in. Retailers can employ an automated, customer-centric promotional display optimization solution to streamline the process. The ideal solution should enable retailers to automatically generate thousands of store-specific end-cap display plans in order to optimize inventory and space for every promotion. With the ability to rapidly create automated display plans to meet consumer demand on a store-by-store basis, users will experience increased sales, improved in-store execution, reduced labor costs and reduced end-of-promotion inventory. More importantly, customers will be satisfied to find the products they are looking for, which will likely result in increased customer loyalty.

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June 30, 2009 | 2 p.m. ET

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- Steve Kramer, President and CTO, **iCongo**

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Significant Sales Increase and Reduction of Ending Inventory

One retailer that executes weekly, chain-wide promotions discovered that using an averaged, generic plan each week was not yielding the desired and expected results. The main reason was because one plan alone could not meet the localized need for each store in the chain. As a result, store labor was being used inefficiently to set up, replenish display inventory and change over each weekly promotion. To resolve the problem, the retailer began researching ways to quickly generate and communicate high-quality end-cap merchandise plans to each store. Its goal was to find a method to always ensure the right products are displayed in the right stores, in the right quantities, when customers want them.

The retailer decided to implement an automated, customer-centric display optimization solution that could streamline its weekly promotion activities in order to cater to each store's unique demand. With this solution, the retailer was able to apply proven merchandising strategies used to successfully optimize center-store categories to its display planning initiatives. Automation was critical to success as it proved impossible for the retailer to manually generate the required amount of effective display plans each week. Upon implementation, the retailer was able to produce more than 2,000 customer-centric display plans per hour, ensuring the products advertised in its weekly flyers were optimized for every store in the chain. As a result, the retailer experienced a significant increase in sales and reduced ending inventory with each promotion.

Whether the economy is up or down, consumers are always looking to save. However, in challenging times like these, it is even more important to offer and execute successful promotions that will continue to satisfy existing customers and attract new ones - all while enhancing revenue. By localizing promotion plans, retailers will have the ability to truly understand their customers' needs by store and optimize inventory to maximize revenue for each promotion.

Doug Erickson is the executive vice president of global sales and marketing for Galleria. He has more than 15 years of industry experience. For more information, please visit www.galleria-arts.com.

Join this Web seminar to learn how to create a seamless cross-channel environment to realize inventory optimization, achieve more effective assortment planning based on accurate cross-channel demand, create greater inventory turn across the chain, increase sales, improve profitability, and experience higher levels of customer satisfaction.

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Successful Promotion Management Optimization: Retailers Learn from Experience

6/30/2009

Within this context of poor economic conditions and rising year-over-year interest among retailers RSR took a look at two years of benchmark data to see if adopters of promotion optimization solutions had a different perspective from the rest – if there were lessons to be learned from their experience. [Download Now](#)

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6/18/2009

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