

Four Critical Steps on the Road to Successful Retail Promotions

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Overview

In a highly competitive market where three percent operating margins are considered a great success, retailers are constantly on the lookout for ways to improve their financial results, whether through increased sales levels, enhanced productivity, or reduced costs. They have tried to achieve these goals in numerous ways – diligently working to fully automate their supply chains, rapidly moving from mass marketing strategies to those based on segmentation and customization, and making significant strides towards an integrated multi-channel future.

Amid all these improvement efforts, there is one operational area that retailers have usually overlooked until now – the processes surrounding retail promotions, which can account for as much as 30% of sales, have remained essentially unchanged for years. As stated in Gartner's "Benchmark Your Retail Promotion Practices" report, "Promotional capabilities and tools must be improved and aligned with the importance they hold in retailers' competitive strategies... promotions still lack the process and technology sophistication found in the rest of the business."

Promotions-related procedures have become deeply entrenched in most retail organizations, while technology has not made significant strides in automating this part of the demand generation chain. Whether retailers advertise their products via newspaper inserts, online ads, catalogs, in-store signage, digital ads, or all of these combined, this stagnation can finally be put behind them now that the two main problems surrounding promotional advertising can be solved:

- The processes involved in generating promotional materials are typically time- and resource-intensive, creating high levels of inefficiencies that have not been addressed until now. Operational practices still create bottlenecks that significantly impede the retailer's ability to get promotions in front of customers in a timely manner. This situation forces retailers to expend more efforts that take longer and require higher financial resources in order to produce the same promotional vehicles with no major improvements in their success rates.
- The IT systems used by most retail design and creative groups have thus far remained isolated islands, at least as far as corporate IT is concerned. Additionally, most retailers have yet to utilize the latest technology as it relates to creating promotional vehicles. As a result, they have not been able to fully take advantage of recent marketing trends, such as versioned advertising, real time promotions, and synchronized multi-channel marketing, leaving them with promotional vehicles which are not nearly as effective as they could be.

This paper will review the critical steps retailers need to implement in order to remedy these two issues and achieve a cohesive and consistent promotional workflow, without sacrificing the creativity and flexibility necessary to build their unique brand. These new processes will improve their promotional advertising strategy and execution, quickly leading to improved sales levels, a clear edge over the competition and, at the same time, reduced operational costs.

The Roadmap to Successful Promotions

The four essential steps to creating successful promotions are outlined below, alongside an explanation of **why it is important** and **how to implement it**. While putting these steps into practice simultaneously will bring the most immediate benefit to the retailer, there is no wrong or right order according to which they should be performed. Each step can be applied independently of the others as instituting even one of them will produce measurable results in the short term.

Although there are external tools and applications which can streamline and significantly shorten the implementation process, many of these steps are within the capabilities of any retail organization. They require a coordinated effort between marketing, merchandising and IT but can be accomplished with a healthy dose of teamwork and collaboration, as well as a basic dedication to improving both the bottom-line and the top-line.

1. Integrate Disparate Processes into a Single Electronic Workflow

The creation of promotional advertising materials involves a wide range of processes, each handled by one or more departments across the retail organization, from the headquarters down to the store-level. This complex chain of events involves time-consuming and resource-intensive procedures which often require many people working long nights in multiple shifts in order to reach the ultimate goal: an effective promotion that persuades a customer to purchase an item.

Typically, C-level executives first plan the promotional campaigns at a high level (zones, media, categories, drop dates, etc.) and hand it off to the merchandisers who produce a brief outlining specific promotions and media requirements. This information is then passed on to the marketing department where marketers and advertisers determine copy and general layout, while the creative staff designs and builds the actual ads. These are then returned to the marketing and merchandising teams for several rounds of proofreading and updates before the ads are finally produced separately for each media and distributed to the various marketing channels.

The first step on the road to opening these bottlenecks by enabling a fully efficient workflow requires that the executive staff understands all promotions-related processes, as well as their relative importance and specific time requirements. Only after acquiring this knowledge can they achieve enterprise-wide collaboration by electronically integrating all the disparate processes and making them accessible to all relevant members of the organization.

These goals can best be accomplished by adding the following tools to the workflow:

- Implementing **campaign and publication planning tools** allows merchandisers to create **comprehensive planning briefs** that set up promotional vehicles versioned across all media types, display locations, and market segments.

- By using **publishing workflow tools** such as routing slips, task lists, timeline, and email notification all the management processes involved in creating and authorizing promotional campaigns can be tracked per promotion and per employee.
- To solve the issues involved with late pricing and other last minute changes, **update and synchronization tools** need to be added to ensure that any parameter changes made in the proofing process or through external systems (ERP, CRM, etc.) are immediately reflected in all ad versions across all media channels.
- **Space allocation tools** enable automatic allocation of promotions to real estate in upcoming ad vehicles (for example, assigning products to pages) based on data supplied by external analytics and POS systems, specific revenue targets, and other internal criteria.
- A web-based retail-oriented **image and copy repository** makes it easy to find and retrieve all ad elements, thus reducing the time and resources required for managing the process, eliminating possible errors, and guaranteeing data consistency between channels.
- With **online proofing and editing tools**, the feedback loop can be automated so that all parties can review, comment and make changes to ad content and layout, on a 24x7 basis.
- Headquarters and store personnel can make use of **store-oriented tools** to create, select, customize and publish store-specific materials such as flyers, inserts, coupons, shelf ads, and even screen display digital ads.
- Working with **reporting tools** makes it convenient for everyone involved in the workflow to create reports based on specific needs, during the process or after it has been completed.

Results will accrue quickly following these initial steps as the precision and consistency of the streamlined workflow maximizes internal efficiency and rapidly improves enterprise-wide collaboration between everyone involved in the promotional planning and production process. The time it takes retailers to execute their promotional plans will be significantly reduced, as will the time it takes to get the actual promotions in front of their customers.

An added benefit is that employees will spend considerably less time on promotions-related administrative tasks and will have considerably more time to work on efficient revenue-generating efforts. Finally, the unified control that these tools provide over the promotional process will ensure errors are eliminated and that the risk of last minute delays and changes is minimized.

2. Link and Synchronize Creative Systems with IT Data

Retailers are currently faced with a serious problem – consumers not paying as much attention to their marketing efforts as they used to in the past. To remedy the situation, they are moving away from mass marketing techniques and towards segmented and customized marketing approaches that target customers with messages focused on their specific needs and tastes. Consequently, proportional spending on traditional broadcast and print ads is being replaced by direct methods that aim to reach the right buyers via the right channels at the right time.

In regards to the IT aspects of this shift, the data side of customer demand has by now been thoroughly automated. Retail marketers have most of the information they need to craft clear and compelling messages based on what their customers are most interested in. One of the few remaining obstacles is how to optimize promotional performance by efficiently and accurately transferring this knowledge over to the creative teams, without requiring them to sacrifice the flexibility they need to design effective and enduring advertising campaigns.

Until now, from an IT perspective, creative systems have typically been left alone as isolated islands, unconnected to most other enterprise systems. Only by properly integrating the two can retailers close the loop and create fully targeted promotions that bring in better results through relevant messaging. Retailers can achieve this goal by integrating the hard customer data that the merchandising and marketing staff utilize with the design systems used by the advertising and production teams.

First, retailers must allow complete enterprise-wide transparency into these procedures. Then the relevant systems, such as ERP, CRM, BI, POS, and any other retail applications and databases, need to be connected to the promotional processes so that users can fully leverage the external business data to create more effective advertising. Finally, the data merging processes must be automated so that changes to promotional variables such as price, content, allocation, and special offers are immediately reflected in promotions across all marketing channels.

Additionally, retailers must be able to quickly and easily create as many versions of a specific promotional vehicle as they need in the same cycle using existing staff. Production capacity can be expanded in one of two ways. First, when costs and time requirements are considerably reduced, as discussed in the previous step, existing resources can be put to use to create more output in the same cycle. Second, by automating the data merging processes the creative staff can focus on the design side of their craft, rather than on error-prone administrative tasks such as proofing, recreating ads, last-minute changes, and verifying consistency.

Retailers who successfully implement these changes – combining the accuracy of an organized IT process with the creative abilities of a strong design team – can be sure of two things. Externally, campaign quality will improve as promotions finally come to represent the messages that can bring in the best financial results and as customers finally get the type of targeted and timely ads that they have been waiting for.

Internally, processes will become much more efficient and controlled – from merchandising to marketing, from corporate to store, from national to local – while employees will be able to spend their time on the tasks that matter most, such as measuring promotional efficiency and creating profitable ads, rather than on redundant clerical work that does not put their skills to good use.

3. Create Targeted Promotional Advertising On Demand

Currently it can take weeks or even months to create a single piece of promotional advertising, whether an insert, catalog or web ad, due to the manual resource-intensive processes involved in this process. These bottlenecks mean that retailers cannot respond in real time to changing market conditions or create fully personalized ads, making the final promotions considerably less effective and profitable for them.

Take a retailer that has to create promotions in real time because they only have two days to respond to:

- **Inventory liquidation:** sell a perishable item before it must be thrown out
- **External variables:** promote storm-related merchandise before bad weather hits the area
- **Competitive pressures:** respond to a competitor's successful promotion before it expires

Currently, there is nothing much the retailer can do to benefit from these situations due to the time delay inherent in the planning and production processes. Additionally, they lack the ability and capacity to create new types of promotional vehicles in response to existing market conditions. For example, a retailer with an inventory that needs to be liquidated will find it difficult to create a catalog specifically targeted for this purpose in real time. Another case in point is a retailer who would like to create an insert that addresses time-sensitive promotions on-the-fly or add a personalized package insert that counters new promotions advertised by a competitor.

In order to gain these new capabilities the retailer must automate every step of their production procedures, except for the initial task of creating the overall design schemes and patterns which, most likely, has already been performed. Both the building process (per ad unit or per page) and the repurposing process (for other channels, brands or languages) can be automated using existing technological developments. Although this may come as a surprise to many retail marketers, this can be done while leaving full creative freedom in the hands of the advertising department, as well as the option of manual or partially-automatic ad creation and repurposing.

By adding a versioning management system, retailers can create a virtually unlimited number of logically segmented ads in real time. The creation of highly targeted ad versions – from direct mail based on geography, language, or ethnicity to fully personalized package inserts based on real time inventory or shopping characteristics – will noticeably increase the overall effectiveness of their promotional campaigns. This process will also enable staff members to eliminate errors and redundant time-consuming manual tasks by automatically updating components such as content, prices, and images based on changes in external systems such as DAM, ERP and CRM.

Results will be seen almost immediately. First, retailers profit from increased sales brought in by employing much more effective and profitable real time promotions. Second, they will find that their operational costs have been reduced as the cost per page and per ad is significantly lowered due to the decreased time and resources required to produce promotional materials.

4. Extend Promotional Reach Across All Marketing Channels

It has been proven that properly synchronized multi-channel campaigns generate the most dramatic results. According to the Internet Advertising Bureau, well-executed campaigns across multiple channels generate a sales lift ranging from 7% to 34%. Additionally, according to the Direct Marketing Association, multi-channel consumers are the most profitable – the shopper who makes purchases via store, telephone, and the Internet spends 30% (or \$438) more per year in stores alone than the average single-channel shopper.

While an estimated 40% of US retailers now sell through three or more channels and another 42% sell through two channels, those who want to leverage this trend are finding it difficult to coordinate and execute promotions simultaneously across all channels. Retailers who do not work on synchronizing their campaigns across their channels are leaving significant potential sales increases on the table.

The road to successful multi-channel promotions starts with automating the repurposing process so that the creative team can quickly and easily reuse any existing ad with the click of a button. Using existing software tools, an ad can be immediately converted into any channel format (print, web, signage, digital, etc.), brand identity design, or language. The creative efforts that have been put into its design do not have to be sacrificed, even when layout and content changes such as restructuring, resizing or reformatting are required. All that is left to do following the repurposing process is to produce the ad based on its target channel (distribute it as an insert, print it for in-store signage, upload it to the web site, etc.)

The automated repurposing process minimizes the time and effort it takes to publish more targeted promotions across a wide range of channels and ad versions. This increases the retailer's ability to use versioning, localization and personalization across different media channels without requiring additional resources. Because only a single ad has to be created, the integrity and consistency of the corporate identity, marketing messages, branding, and ad data is ensured across all channels. The bottom-line – this process significantly extends the retailer's promotional reach by making ads instantly available to customers across all media channels.

Conclusion

After years of working with the same organizationally-entrenched processes, retailers finally have the opportunity to take a serious look at the promotional advertising aspects of their business. They stand to gain significant benefits by implementing the strategic changes outlined in this document – integrating disparate promotions-related processes, merging existing data stores with the creative systems, creating expedited advertising in real time, and extending the marketing reach of their promotions.

The direct result – more efficient and effective promotions – can have a very powerful effect on the retail organization. Retailers will see a marked increase in their external profitability in terms of sales and customer retention, as well as a strong improvement in their internal efficiency in terms of costs and resources. It is worthwhile to repeat the wide range of advantages that can be achieved in the process:

Increased Promotional Sales

- **More effective promotions** – expedited production means that the right promotions get to the customer at exactly the right time according to market changes and demands.
- **Shorter time-to-market** – retailers can get their promotions to market much more quickly so that they capture a customer's mindshare, and additional revenue, for an extra period of time.
- **More targeted promotions** – improving the ability to target promotions across specific market segments leads to increased foot traffic in stores by relying on the most relevant ads.
- **Larger number of promotions** – streamlining the process enables the production of a much larger number of promotions in the same cycle and getting in front of many more customers.
- **New marketing channels** – utilizing channels which were previously unused due to the costs and efforts involved in repurposing promotions or creating completely new ads.

Reduced Operational Costs

- **More precise promotional pricing** – integrating with other enterprise systems and getting prices updated just-in-time ensures better margins and an edge over the competition.
- **Operational efficiencies** – the streamlined workflow frees up a lot of time that employees previously devoted to promotions-related tasks, allowing them to focus on strategic roles.
- **Increased productivity** – by automating the process and reducing time-to-market, employees can focus on creating a much larger number of highly targeted promotions.
- **Unified management** – the creation of a single source of promotional information and a unified workflow enables creating efficiencies in the use of internal resources.
- **Savings on paper** – significant cost reductions are created by enabling the retailer to immediately change ad sizes according to available paper stocks.

About the Author

Aviel Amit, Universal Ad's founder and CTO, conceived the visionary technology on which the company's products are based on and continues to drive the direction of their development.

Mr. Amit has more than 19 years of extensive managerial experience in the area of computerized publishing and media solutions, working with the largest advertisers and retailers in Israel in a variety of software development and professional services roles. Prior to founding Universal Ad and developing its flagship product, he founded and served as CEO of two companies - Aviel-Amith Ltd. which focused on software development for large organizations and SoftGraph Ltd. which offered professional computerized graphical publishing services.

Aviel holds a MSc and a BSc with Honors in Computer Science from Ben-Gurion University where he focused his studies and thesis on computer graphic and image processing. Aviel also has two registered US patents and one pending patent.

About Universal Ad

A retail software developer since 2003, Universal Ad is a leading provider of software solutions for on demand creation of highly targeted cross-channel retail promotions. Its flagship product, the On Demand Promotions (ODP) Suite, is a fully automated management and execution system which helps retailers dramatically impact sales levels, bring more customers into their stores and gain a lasting advantage over their competitors.

These goals are achieved by making existing promotional processes much more efficient, thus considerably reducing both resource requirements and operational costs, and by providing retailers with entirely new capabilities so that they can immediately respond to changing market and competitive conditions, easily produce a much larger volume of highly targeted promotions, and simultaneously distribute consistent promotions across all their marketing channels.

Founded by a highly experienced advertising and publishing executive, Universal Ad has several systems in production at customer sites including Office Depot Israel, Superpharm (the largest drug store chain in Israel) and Shufersal (the largest supermarket chain in Israel). Universal Ad is privately held and venture-backed by Walden Israel. The company's US headquarters are located in Farmington, CT and its international headquarters and R&D facilities are located in Israel.

For more information, please visit our web site (<http://www.universal-ad.com>), email us (info@universal-ad.com), or call us at (+1) 860-676-0023.