3 Shifts to Consumer Goods Trade Promotions That Will Persist Postpandemic

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Initiatives: Manufacturing IT Optimization and Modernization

Three substantive movements affecting trade promotions for consumer goods manufacturers remain persistent: the usability of AI and advanced analytics, loyalty shock, and revenue growth management. Their intersection offers a new opportunity for CIO involvement in TP strategy and deployment.

Overview

Impacts

- The availability of sales-related data has significantly increased, enabling advanced analytics and artificial intelligence (AI) to realize actionable insights. Moreover, the sophistication of capturing and leveraging that information remains in progress.

- The pandemic has fueled changes in behavior, and consumers are now more likely to continue buying brands and products from new entities previously not considered. This new manufacturing consideration is known as loyalty shock.

- With changing consumer buying patterns, manufacturers must consider the multiple levers of effective trade spend more than ever before. Pricing, category, brand, cost to serve and advertising are all inputs to revenue growth management (RGM). Achieving a careful balance of these interconnected levers will have large profit implications.

Recommendations

CIOs responsible for consumer goods manufacturing IT optimization and modernization:

- Drive your business goals by taking inventory of the data and assessing what is there, its business value and what else is needed.
Introduction

The landscape of trade promotion is changing. Ideas have become practice, and the previously used assumptions for planning and execution have been placed aside (see Manufacturing IT Optimization and Modernization Primer for 2021).

Seventy-five percent of consumers have tried a new shopping behavior,¹ and 79% of consumer goods manufacturers have increased their digital capability budget² (see Figure 1).

Figure 1: The Changing Landscape of Trade Promotion

- Provide pertinent information on the products, brands and demographic groups that have created significant change to business demand by using technology tools such as social listening to find product appeal triggers.
- Demonstrate the value of multilever RGM by creating configurable models that illustrate outcomes based on varied inputs, such as same price, reduced category presence, or in-store vs. online consumer promotion.

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² Source: 2021 Gartner CEO and Senior Business Executive Survey
There has been a shift in channels and consumer expectations. The impact of the pandemic on consumer behavior is more than a blip. It took something of this magnitude to change the rules. Consumers are up for grabs, both in retention and acquisition.

**Impacts and Recommendations**

**The Sophistication of Capturing and Leveraging Information From AI and Analytics Remains in Progress**

Even with the amount of data that’s available now, getting data from multiple sources is elusive. While nearly everything is scanned, point-of-sale data isn’t always available to the manufacturer and doesn’t provide the demographic information of a loyalty program.

A significant increase in the availability of data is creating the potential for advanced analytics and AI to realize actionable insights. But the sophistication of capturing and leveraging that information arguably has not kept up. Manufacturers have an enormous amount of data, but is it the data needed for analytics? Are there pieces missing? Is there a system of record? Bad data with fast analytics ensures an uninformed recommendation in record time.

There are now businesses that exist solely to provide data. Companies tell them what data they are looking for, and they find it. It is an interesting idea and one that may move consumer goods manufacturers into the next lane of analytics.

**Recommendations:**

- Identify your data assets by inventorying your data and assessing what you have for both accuracy and definition. Ensure data integrity and the definition of what the data points actually measure.

- Ensure quality across your “gold standard” data store by committing to a long-term data stewardship process (see Data Quality Fundamentals for Data and Analytics Technical Professionals).

- Engage an external provider to get your organization started with advanced analytics. As you do so, upskill your resources to bring the talent in-house.
Loyalty Shock Is Real and Here to Stay

Loyalty shock is the effect of a tremendous disruption (in this case, the pandemic) on consumer willingness to abandon old alliances. Loyalty shock moves consumers to try new brands and flavors, new methods of shopping, and new stores. The impact of this is a shock to long-term loyalty.

At the beginning of the pandemic, if consumers found toilet paper, they bought it — regardless of the brand or even the price. They may never buy some of those brands again because of preference, but when in need, the product was good enough.

The industry has experienced a large reduction in the amount of promotions that manufacturers have felt compelled to offer, because consumers are staying home, and price has become less important than product experience. Thirty-six percent of manufacturers say they are decreasing trade promotion spending, according to the SAP-Deloitte Consumer Products Industry Pulse Check. ³

That’s a huge shift right there. Consumers signaled they would try different things during pandemic shortages. Now, they are continuing that behavior even though almost all products are available again. They realize the value, and they like the variety. Only a pandemic could have thrown us into that loyalty shock of, “Oh, this is the mayonnaise they have, and I guess I won’t get that other brand.” Availability, price and convenience have introduced new brands to consumers with a potential impact of 60% of consumers retaining their new choices postpandemic. ⁴

This is a big opportunity, but also a real threat. Some manufacturers see their glass as half full (“I have a lot of new eligible consumers to buy my product, because they’re willing to try different things”). Others see it as half empty (“How do I retain my customers?”).

Recommendations:

- Determine which products, brands and demographic groups have created significant change to your demand. Use technology tools to find out which products might appeal to customers who were previously committed.
A Multilever Approach Is Needed to Optimize Trade Spend

Ineffective trade promotion spend is a huge blow to manufacturers, as they want the money that they spend to work for them. There are a multitude of implementation partners and solutions promising a more efficient process and effective spend recommendations. But it's elusive. And the burden is certainly not all on the solution provider's shoulders. Manufacturers must address change management, data quality and expectations.

It is not enough to measure only trade spend; consumer packaged goods manufacturers don't grow based just on higher volume due to trade. Growth comes from increased profitable sales. Manufacturers will spend money to make money. But they want to spend it efficiently. The levers must also include pricing, category, brand, cost to serve and advertising (marketing). This is the practice of RGM.

Evaluating the money spent with retailers to promote products is one (very important) lever. Another lever involves the cost to serve, including a thorough assessment of the supply chain. It’s not free to get the product from Montana to Pennsylvania. Yes, you made the sale. But you may actually lose money.

Instead of focusing on the best trade promotion management program, manufacturers need to look at the entire value chain to optimize costs and grow revenue.

**Recommendations:**

- Drive increased margin by putting all the different elements attached to revenue growth under one umbrella.

- Align measures of success across all parties of the project, especially sponsors and stakeholders.
Identify success criteria that measure improved trade efficiency. Determine the impact to existing key performance indicators (KPIs), and establish new measurements that support the organizational goals.

The practices of advanced data and analytics, changing consumer behaviors, and RGM have caused more than a small ripple in the traditional approach to trade promotions. Any one of these alone could cause disruption. When more than one are in play, both manufacturers and solution providers should be proactive to avoid falling victim to complacency.

**Evidence**

1. [Survey: U.S. Consumer Sentiment During the Coronavirus Crisis](#), McKinsey & Co.

2. 2021 Gartner CEO and Senior Business Executive Survey. Gartner conducted this research from July 2020 through December 2020 with questions about the period 2020 to 2023. In total, 465 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 390 online surveys and 75 telephone interviews. All consumer manufacturing and retail respondents were screened for active employment in organizations greater than $50 million in annual revenue.

By geographic region, the sample mix was:

- 183 North America
- 109 Europe
- 97 China, Japan, Australia and other APAC
- 56 Brazil, Mexico and other Latin America
- 13 Middle East
- 7 South Africa

The survey was developed collaboratively by a team of Gartner analysts that examines technology-related strategic business change, and was reviewed, tested and administered by Gartner's Research Data and Analytics team. The results of this study are representative of the respondent base and not necessarily business as a whole.

Brand Loyalty Is Changing Due to the Pandemic, Fortune.

Recommended by the Author

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Future State of Consumer Goods: Trends Overview
CEO Survey 2021: Consumer Goods and Retail Perspective
2021 Top Trends in Manufacturing Industries
Infographic: 18 Ways to Better Understand Your Customers
Infographic: IT Score for D&A Benchmarks for Manufacturing