



GROCERY RETAIL:

How to Accurately Forecast During Promotions

How Chain Level Promotion Filtering Increases Profit and Customer Experience

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While there are many differences between different grocery chains, they do share some common practices. For instance, almost all grocers run weekly or monthly ads, which are commonly referred to as circulars. Circulars have been around for a very long time. It may seem strange they are still around given how much technology has changed the retail and grocery landscape.

So, are circulars really outdated? Maybe not. Many industry experts believe the weekly circulars are just as strong as they have ever been. While digital ads and circulars are becoming more and more prevalent, a vast majority of consumers still actively use print circulars when planning their trips to the grocery store. This means weekly circulars still have a strong influence on consumers shopping patterns.

Since circulars are doing their job and don't seem to be going away any time soon, wholesalers and grocery

chains should be better equipped to capitalize on the extra sales potential that comes along with the weekly deals. Along with that, wholesalers and chains need to accurately forecast demand for these promotional items and for the regular products that are not on promotion.

With HIMPACT, it is possible to accurately forecast demand for regular items and promotional items simultaneously for the entire retail organization, meaning, from the wholesaler down to hundreds of individual grocery stores. By communicating which items will be in their weekly circulars, wholesale grocers can maintain the demand and forecast for the entire wholesale organization without polluting it with promotional demand.



Herlitz IM calls this feature Store Level Promo Filtering. There are four main steps or parts to this process:

1. **Buy – pre-buy communication between the retail chains and the wholesaler regarding what inventory to purchase and when to purchase in order for the stores to receive it on time.**
2. **Pre-promotion – period of time between when the ordered inventory makes its way to the wholesaler and the chains and when the actual promotion begins.**
3. **Promo Period – promo filtering begins only at entities that are on promotion**
4. **Post Event Performance Report**

Filtering out any promotional demand and excluding that from demand that is being fed into the forecast has some important benefits. For wholesalers, 90% or more of your entire customer base can be on promotion but you can still track the overall trend in the marketplace to see if it is increasing. If so, the forecast will also increase.

When the retail chain shares its promotions with the wholesaler, promo filtering happens much more easily and accurately. The wholesaler also needs a system that will ensure they can and will buy appropriately as a result of the promotion.

The promo filtering takes place during the promotional period. This involves actually buying and holding inventory in reserve leading up to each customer's promotion. Once the sale starts, the promo filtering begins.

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After the promotion has finished, HIMPACT can produce a post-event performance report, which allows the wholesaler to see what they predicted and what they actually purchased. For example, say the retail chain predicts they will need 65 cases of a promotional item, but the wholesaler only ended up buying 35. Thirty-five cases may still be 15 more than normal demand, but it shows that the promotion maybe wasn't as successful as the chain anticipated. This level of insight can help the entire organization come up with better, more accurate promotional uplift forecasts.

Promo filtering also allows wholesalers or grocery chains to run different promotions at different locations simultaneously and only filter promotional demand at these individual locations. With HIMPACT, wholesalers can know which of their customers ordered specific products, and when those

orders took place without checking their ERP system. This level of granularity helps accurately promo filter for individual stores and individual products. Most systems are only able to show what total demand is between two sets of dates and are not able to provide such a deep level of insight.

Grocery chains can get better results from the same types of promotions they've always run. Older chains typically have proven processes for promotions. Using HIMPACT, they can realize more profit without using additional resources.

