

By  Instill

Operators are Maximizing the Performance of Their Promotions and Limited Time Offers

How Does Your Promotion Effort Measure Up?

Promotions and limited time offers are key components of many restaurant chains' strategies to drive sales and capture consumer mindshare. Promotions drive traffic to restaurants and can provide better profitability than regular menu items. However, as most restaurant operators know, these programs come with significant risk and many challenges.

Promotional product stockouts can translate to lost revenue and a negative customer experience. Overstocks lead to increased costs due to last minute product repositioning and potentially hundreds of thousands of dollars of wasted product sitting in distribution centers. To make matters worse, as a precaution against stockouts, restaurant managers will often hoard promotional items resulting in inadequate supply during the promotion and oversupply at the end of the promotion. Preventing stockouts and overstocks is vital to keeping customers returning and avoiding large write-offs.

Unfortunately, even with a talented staff dedicated to matching supply and consumer demand, preventing stockouts and overstocks is not easy. The creation of accurate forecasts based on restaurant commitments is critical. Collecting and rationalizing this information, however, is error prone and time consuming, adversely impacting the forecast on which you base your promotion.

Once the promotion is live, both operators and manufacturers must have timely visibility into distribution channel inventory levels in order to effectively manage promotion fulfillment. In practice, even when distributors attempt to provide this data, they report using their own product numbers and descriptions, in different time periods, and in different formats forcing operators to spend countless hours chasing down missing reports and mapping distributors' nomenclature to their own before they can begin to analyze the information. By the time an inventory related problem

has been identified, it may be too late to do anything about it.

There is a light at the end of the tunnel. By getting the right information, at the right time, to the right people — you can make the right decisions to maximize the profitability of your promotions and limited time offers. Operators such as International Dairy Queen, SUBWAY®'s Independent Purchasing Cooperative and Unified Purchasing Group of Canada (YUM! Brands' Canadian purchasing cooperative) are leading the way to effective promotion management by leveraging technology solutions to monitor inventory levels, perform accurate promotion planning and post-promotion analysis. Within six months of using the Instill Promotion Management solution, International Dairy Queen significantly decreased stockouts of promotional products and dramatically reduced the time spent on administrative processes tied to promotions.

So, how effective are your promotions and limited time offer programs? To begin benchmarking your own effort and identifying potential areas for improvement, complete the Promotion Management Self Assessment Guide below.

Promotion Management Self-Assessment Guide

1. Overall how difficult is it to manage your promotions and limited time offers?	SCORE
0 = Very Difficult 1 = Somewhat Difficult 2 = Somewhat Easy 3 = Very Easy	_____
2. As a percentage of overall corporate sales and profitability, how important are promotions and limited time offers to your company?	_____
0 = Not a Current Priority 1 = Somewhat Important 2 = Very Important 3 = Top Priority	_____
3. What % of Marketing and Purchasing time (approx.) is spent on program planning (i.e., commitments, forecast)?	_____
0 = More than 40% 1 = 20%-40% 2 = 10%-20% 3 = 0%-10%	_____
4. What % of Purchasing time (approx.) is spent on program execution and inventory management?	_____
0 = More than 40% 1 = 20%-40% 2 = 10%-20% 3 = 0%-10%	_____
5. What is the combined annual cost of both lost sales due to product stockouts and write-offs due to product obsolescence?	_____
0 = More than \$1Million 1 = \$500K-\$1M 2 = \$100K-\$500K 3 = Less than \$100K	_____
6. How accurate are your forecasts going into a promotion?	_____
0 = Little Confidence in the Numbers 1 = Somewhat Accurate 2 = Very Accurate	_____
7. How easy is it to get an accurate view of actionable, system-wide, daily inventory data?	_____
0 = Impossible 1 = Very Difficult 2 = Somewhat Easy 3 = Very Easy	_____
8. How "fresh" is your current inventory data?	_____
0 = Older than 1 Week 1 = 3-7 Days Old 2 = 2 Days Old 3 = Daily	_____
9. Do you share inventory information with select manufacturers to improve product replenishment cycles and reduce freight costs?	_____
0 = Never 1 = Rarely 2 = Sometimes 3 = Always	_____
10. How well are you able to measure program success or failure and determine accountability?	_____
0 = Unable to Measure 1 = Not Very Well 2 = Fairly Well 3 = Very Well	_____
TOTAL:	_____

Scoring

0-10

A low score indicates that your promotions and limited time offers can be improved. Improvements in infrastructure and processes to support planning, execution and measurement can improve profitability and help you migrate from ad-hoc fire drills to proactive fact-based promotion management.

11-20

A medium score indicates that your company is generating some success in its promotion and limited time offer efforts. Further improvement in process automation, information management and collaboration with restaurants and partners will greatly improve the effectiveness of your programs.

21-29

A high score indicates that your company is managing promotions and limited offers effectively. Improved process automation will enable better scalability of future program efforts and drive maximum profitability for each limited time offer and promotion.

Since 1993, Instill has been helping customers build enterprise value by applying innovative technology and industry expertise to address the unique challenges facing foodservice companies. Instill works closely with the foodservice operator market to define best practices around and develop technology solutions that support promotion management, food spend management, quality and compliance management and procurement. For more information visit <http://www.instill.com/operators.shtml>.

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