

Retail Simulation Engine | Promotion Engine

f a c t s h e e t

For retailers, promotional offers whether flyers as circulars, price campaigns or approaches targeted directly at well-known customers, are an important medium for customer acquisition and retention. The Promotion Engine, a component of the Retail Simulation Engine from Dacos®, allows retailers to significantly improve the effect of their advertising campaigns.

Promotional offers continue to increase

The number of promotional offers taking place today has increased steadily, not least due to the fall of the discount law and makes up over 20% of the sales in hypermarkets.

While discounters position themselves on the market with permanently low prices for their complete, yet small, assortment, full-line distributors must take a different approach. They must prove that they have the more superior assortment and high competence in their entire spectrum of goods, without on the other hand, losing their image of low prices.

Temporary promotional offers and rebates are only useful in increasing customer frequency and securing sales. By cleverly coordinating advertised articles you can demonstrate competence in your assortment selection and animate your customers to cover all of their needs at one source.

Demonstrate competence
in your assortment

Using Assortment Competence for Promotional Offers

In well-sorted promotional offers there is an advertised article for each potential customer. Thus, each customer feels he is being addressed personally by the retailer and this in turn, leads to a positive price perception. On the other hand, it also shows the customer that the retailer is taking "his or her assortment" into consideration in his campaigns. If many customers feel they are being addressed personally then they not only buy the articles advertised, but also other articles from the assortment when shopping.

Promotion Mix Optimisation

The Promotion Mix Optimisation is the core of the Promotion Engine. It simulates and optimises the assortment coverage by selecting articles for a series of promotional offers.

On the basis of receipt data, in particular data from periods comparable to that of the planned promotion, the Promotion Mix Optimisation creates a mathematical model of the behaviour of those customers who generally buy the articles planned for the promotion:

- ▲ The Promotion Mix Simulation calculates the expected number of item sales, the sales and return in addition to the purchasing of these articles for a given mix of articles. Thus, the user can compare alternative recommendations with one another and by doing so make the best selection.
- ▲ The Promotion Mix Optimisation automates this process and independently calculates such a mix by which, based on the given requirements, the sales quantity, sales or return of the mix, including the articles "pulled along", is optimised.
- ▲ The articles or article groups being considered for the article mix can be defined in order for example, to use advertising subsidies.
- ▲ Are some articles already confirmed for promotions shortly before or after the period to be planned? These can then be excluded from the analysis for a given period of time.
- ▲ This optimisation is especially interesting for eye-catchers that come into question for the front page of a flyer or printed advertisements. The coverage calculated by the mix then applies to the entire range of products. It is also possible to determine a perfect mix with regard to articles in this area and thus, appeal to the customers of a certain select product range.

Optimise selection of articles
for promotional offers

- ▲ The planning takes into account seasonal effects. In addition, the planning of special campaign weeks prior to Christmas or Eastern is possible.
- ▲ The program not only optimises promotions, but also distributes the articles over a series of promotions within the period in question so that their placement achieves the optimum effect and doesn't fizzle out due to frequent repetition.
- ▲ You can access the database for promotional prices of Focus, Preiszeiger or Mapis online in the application itself. The promotional prices can be taken over from there or set manually. They are then exported together with the selected articles for the further execution of the promotion.

Studies made on promotions actually carried out have shown that the coverage of the assortment can be significantly increased by such an optimised promotion.

Further Components from the Promotion Engine

Meaningful analyses on all hierarchical levels in the categories of goods down to bundled and single items, but also based on select suppliers or brands, are also a part of the Promotion Engine.

Complete reporting views are also available. These cover the retail price, sales volume, sales and return histories, as well as histories with listings and delistings, promotional activities and the days on which certain articles were bought.

These analyses can, for example, be used to select the articles suited for the Promotion Mix optimisation.

Requirements for Use

As an application of the Retail Simulation Engine, the Promotion Engine is part of a modern, scalable software architecture. In addition to the installation of the Retail Simulation Engine on an application server and the graphic user interface on the user's workstation, the Promotion Mix Optimisation requires access to a data warehouse with the relevant data. Today, usually all of the information required is available there, for example:

- ▲ Receipt data over a period of at least a year, including the unit sales prices and, when possible, current purchase prices
- ▲ The product group hierarchy for the selection of the articles in question for the creation of the article mix

Further information on the configuration of the Promotion Engine, such as for example, the periodicity of promotions or the seasonal data relevant for the comparability of periods will be collected together with our Dacos-consultants within the course of a consultancy project.

Dacos Software GmbH can be found on the Internet at www.dacos.com.

Meaningful analyses and reporting views

Modern software architecture

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