



eat *Canadian* 

# CANADIAN Grocery Retail Guide

## SECTION 11 Promotional Programs and Marketing Support



Saskatchewan  
**GROCERY RETAIL & FOODSERVICE**  
**VALUE CHAIN INITIATIVE**

*Adapting to Consumers Demands and  
Capturing New Market Opportunities*

In order to win and hold shelf space against both national brand and house brand competitors, Consumer Packaged Goods (CPG) food companies must focus on the fundamentals of branding, marketing and category management. Equally important is that they must also consistently execute the four P's of the marketing mix – product, price, place and promotion.



Promotional programs are a key part of the marketing mix for any Consumer Packaged Good (CPG) food product. The market share of house brand grocery products (18% market share - 2012) has forced CPG companies to maintain share with increased trade promotions that narrow the price point distance between house brands and national brands. The result is that while established national brands have held their market share in Canada, new or small food companies must develop and implement a strong mix of promotional activities to survive in the marketplace.

New and smaller CPGs must be creative in using their limited resources to promote their brands. The objective of any branded food company is to become a “destination” brand. A destination brand is one that has created such value in the consumer’s mind that they are

willing to switch stores to purchase the product. However, research indicates that less than 1 in 3 brands in a product category are viewed as “must haves” by the consumer who regularly buys the brand. The challenge of small and new food companies is how to become a destination brand with limited resources.

### Creating the Pull at Retail

Promotional programs are usually focused on creating or reinforcing brand awareness, attracting new users and rewarding the frequent user by instigating the “pull” of the product off the shelf. It is important to note that promotional programs do not replace the need for companies to focus their resources on packaging, innovation, uniqueness and quality. These are critical facets of the brand experience, and ones that food manufacturers of all sizes should incorporate in their brand strategy.



Content in the first part of Section 11 will discuss the various promotional programs that can be used by any food company to create a

sustainable pull at retail that will continue after a promotional event is over.

### Promotional Calendars

Both large and small food retailers develop yearly promotional calendars. These promotional calendars set out the target promotions by month (usually for 6 months at a time) and by theme or category. For example, there will be the standard promotions for holiday periods such as Back to School, Mother's Day, Father's Day, Easter, Thanksgiving, Christmas, and Rosh Hashanah. There may be periods set aside such as Health month, Environment month or local or store specific events such as an anniversary sale.



The retailer will usually look for key vendors to advertise or promote products during these periods, provided of course that the product is a good fit with the promotion or store initiative. The retailer will usually not place conflicting or competitive products in the same promotion block (2 - 4 weeks) but will stagger competing brands throughout the calendar. For example, one brand of wieners will be promoted one two-week period and another brand of wieners will be promoted for another period during barbecue season.

It is always a good strategy to have a promotional calendar pre-planned for your product. Many independent retailers will ask for

a calendar or present you with their calendar. Many independents belong to buying groups that develop a schedule based on "opportunity" buys or promotional buys for a period.

The promotional calendar becomes the guide for promotional events, promotional activities, advertising spends and Point of Sale material purchases. Many distributors will develop a promotional calendar with their retailers that combine the promotional calendars of a number of the companies whose products they distribute.



### Flyer Programs

Flyer programs are usually tied directly into a retailer's promotional calendar. Many food stores issue both printed and electronic flyers on a weekly or monthly basis. The flyers can be "long lead" in that they are developed 60 – 90 days in advance of the "drop". The flyers can offer products off-price, or introduce a product at regular price, or feature a product for a specific event in one flyer.

Price reductions in a flyer can be either a percentage off (30% off) or a price point with a save story (regular \$4.99, now \$3.99 save \$1.00), bogo (buy one get one – 30% off etc). All of the variations will be seen in a typical flyer. The price point reduction, percentage off or bogo is usually driven and paid for by the vendor. The retailer may have a price point theme in mind such as all branded soup at half price, but participation in the promotion is up to the vendor. Flyer programs can be very effective in increasing a brand's awareness in the market and introducing new products to first



time users or for rewarding the frequent users of the product. A flyer is also a relatively low cost method of reaching a large number of consumers. However, care should be taken to ensure that the flyer is producing enough “lift” in sales to justify the expenditure.

The size of the ad in the flyer and the positioning all have a price attached. A large ad on the front page of the flyer is more expensive than a small ad on page

3 of the flyer. The important thing to note in a flyer is the production value of the flyer. If the colours are poor or the copy is not crisp then the attractiveness to a consumer is limited.

Competitor’s flyers are often collected and reviewed by a retailer’s competitors. Retailers are quick to note if a particular product is being aggressively priced or is being promoted by a rival.

### Flyers Can Drive Distribution

Flyers can be a very useful means of driving distribution of a product to a number of stores in a chain or buying group. Placing an ad for a product in a flyer may not guarantee full store distribution in an area as the flyer may state that the product is not available in all stores or that quantities are limited; however most stores do not want to be embarrassed by upset customers for not stocking a flyer item.

As a cautionary note, always ensure that there is sufficient inventory in the store for sale coverage. Discuss the inventory levels with the store managers or the buyer. The law varies by

province, but most laws require coverage for a set period of time (hours or days coverage) or a set number of purchases.



### In-Store Specials/Save Story

In-store specials are non-advertised price reductions in a store. The price reductions are usually highlighted in the store by brightly coloured “save story” price tags. Products are reduced in price at the

store level to generate interest in the product by new users and to reward the frequent user. The reduction in price is usually featured as a “save story” as in so much off the regular price. The price tag will normally show the amount saved.

In-store specials are normally put into the planning calendar and it is up to the vendor to ensure there is enough inventory in the store to maximize sales. Unlike a flyer, if a product is sold out the in-store sales “tags” are simply removed from the shelf.

In-store specials can be a very cost effective means of promoting a product as there is no cost of advertising. However, the in-store specials rely on consumers who are destination shoppers for that product or who happen to wander by and notice the sale tags. Note the average consumer only sees 25% of the products in a store during any one trip to that store.

It is also useful to bear in mind that in a large product category such as salad dressing for example with a large number of in-store specials, it is very easy for one product to

get lost in the mix as the consumer becomes bombarded with small signs broadcasting the save story message.

### Temporary Price Reduction

The continued expansion of retail food programs by general merchandise stores, drug stores and other non-traditional food retailers has created an extremely competitive retail food market in Canada. Many traditional food retailers have responded by closely monitoring prices on a wide range of products and “flagging” either the price reductions or advising the consumer that the prices on these products are monitored weekly.

Price reductions at retail to match the competition are often, but not always, followed by a request by the retailer, to either the vendor or the distributor, for a cost reduction. In many cases, the price reduction is temporary and the retail price reverts back to the normal price after several weeks.

National brands are also using temporary price reductions to compete with store or house brands. The objective of these price reductions is to hold or increase market share. The net effect on a small brand is to create an even more competitive market and one in which targeted promotions and promotional activities are increasingly necessary to hold market share and shelf space.

### End Cap Promotions

The end caps at either end of each aisle are some of the most valuable real estate in a store. Normally there is a price charged to vendors for an end cap display, particularly if the end cap faces the checkout lines. The end caps can significantly increase the “impulse” sales of a product in a very short period of time. Over 70% of an average consumers purchase decisions are made in the store standing in front of a shelf.





End cap displays can be tied into a flyer, an in-store special, or an introductory offer (new product on sale for a limited period of time). End caps can be very effective vehicles for joint or cross promotions where compatible products from different companies are jointly displayed on an end cap with a save story for each product. For example, pasta and pasta sauce, ice cream cones and ice cream toppings or soup and crackers will be displayed together on an end cap.



End caps are often used to display a family or assortment of products from one vendor. They can be very effective in presenting a product story to a consumer while driving sales through a price reduction. For example, a soup company may use an end cap to display a number of different SKUs and use a save story to create interest.

### Coupons

Coupons are often used to induce consumers to try a product for the first time, to reward the frequent users of the product, to maintain market share or to induce consumers to switch brands from either a competing national brand or a store brand. In order to be effective, the “save story” on a coupon must be sufficient to capture the consumers attention. The story is usually expressed in dollar terms so the consumer can easily understand the savings.

Many food companies attach coupons directly to the product in order to give an instant reward or gratification to the consumer. Ironically, in many cases, the consumer does not realize

that they are receiving a discount until the product is scanned at retail.

Unless attached to the product, coupons normally have a 1 - 3% redemption rate at retail. The low redemption rate and the cost of couponing (through a clearing house) have reduced the number and frequency of coupon usage at retail. However, the coupon still has a place in the marketing mix but it must be tempered with the return on investment versus an in-store promotion.

### Cross or Joint Promotions (Tie In Sales)



Cross or joint promotions are promotions when two companies, with complimentary products, decide to combine resources in a joint promotion. The decision to develop a joint promotion is often instigated by a distributor or a retailer. The criterion normally used is that the products from each company are highly

complementary and the sales of one product can lead to the “tie in” sales of another product. An example would be a pasta company developing a joint promotion with a pasta sauce company that does not make pasta.

The advantage of a cross promotion is that there is usually an effective use of promotional dollars as often the ad spend is cut in half as one ad can tie in two products. Care must be taken to ensure that the brand image and brand value of the cross promotion partner is of a nature to enhance both brands.



### Temporary Price Reductions

A temporary price reduction (60-90 days) is a tactic that is used by the national brands to combat house or store brands. A product is reduced in price at the store level for 60 days or more in order to maintain brand share and real estate. This practice can also be used as a pricing strategy to introduce new products or to capture market share.

This tactic should be approached with caution as a temporary price reduction, if left in place too long, becomes the new set price for the product. The price value equation in the consumer's mind shifts and it becomes difficult to raise the price back up to the previous level without adversely impacting sales.

### In-Store Taste Testing – Product Demo's

This practice can be one of the most effective at getting consumers to try a new product, an improved product or a new brand extension. The costs can be high, up to \$200 per hour per store for chains, or low if you do it yourself.

If the taste testing is tied in to an end cap, in-store special or flyer and there is adequate inventory on the shelf then, the event can be very effective for both introducing a product and obtaining

consumer feed back. It is important to make sure the taste testing staff has good product knowledge and knows where in the store the product is displayed. It is also effective to have inventory right at the testing area.



### Gift with Purchase (G with P)

A G with P program can be quite effective in developing a consumer database and contact list for distributing product information and advising consumers of new products. The "gift" has to have a good perceived value or the redemption rate for mail-ins will be low. Many companies attach new product samples to existing products or attach coupons with tear off labels to entice the consumer to respond to the offer.

Examples of a G with P are an ice cream scoop with ice cream or a pasta spoon or sizing device with a box of pasta.

Content in the second part of this section will focus on the "how-to" of in-store marketing and the "do-it-yourself" alternatives that have been proven effective with companies with limited budgets.

### Determining the Lift

A flyer or other sales event can have many objectives that range from introducing a new product, inducing new users to try the product, gaining or holding market share for the store or rewarding frequent users. However, the primary objective is to move product off the shelf. If a product is not moving or “turning” at an acceptable rate, then the product will most likely be discontinued or delisted.

It is important to determine the “lift” in a product’s retail sales that are a result of a promotional event. The lift is a very useful gauge of the effectiveness of a promotion or event and the information obtained can be used to fine tune future events. The hard part is figuring out how much the sales have increased due to the flyer or event.

A reasonably good gauge is the number of products shipped to the store or stores both before and after the event. The number of cases or products shipped can be compared to the same period as last year or the normal order for the store in the weeks leading up to the event. Be careful when comparing year over year sales to take into consideration either promo events during the same period, weather or other factors.

Most retailers can either tell by their sales systems or by visual observation (actual physical count) if an event has been successful. It is always useful to talk to the store staff and look at the “back stock” after the event. A lift of 20 - 35% in retail sales is not uncommon for a well planned event and in some cases retail sales have been known to increase by 150% and higher.

In order to gauge the full impact of a promotion it is necessary to measure sales the two

weeks prior to the promotion; the sales during the promotion and then the sales two weeks after the promotion. The after promotion measurement will give an indication of whether or not the event attracted new product users.

Retailers will also measure the success of a promotion by the liquidation rate of the inventory purchased specifically for the promotion. If 100 cases are purchased for the promotion and 60 cases are sold during the promotion, then the liquidation rate is 60%. Retailers often look to liquidation rates of 70% and higher for a promotion.



In many cases, an event is not as successful as it should have been due to “empty shelf syndrome.” Food consumers are often reluctant to purchase the last items on a shelf for fear of it being picked over. It is important that the shelf be kept stocked in order to maximize the sale opportunity generated by an event. Remember the retail adage “you cannot sell from an empty shelf”.

### How to Pick the Season, Right Product and Right Price for an Event

Timing, product and price are three critical elements in any promotional event. The timing can be critical as there are many product categories that have a seasonal lift due to the time of year, and holiday and other periods. For example, butter, eggs, flour and sugar sales increase at Easter, Thanksgiving and Christmas due to the amount of home



baking that goes on in these periods. Candy sales increase at Easter and Christmas, and soup sales increase in the fall. In picking the promotional timing, make sure that your product is not “off season”. Promoting a hot cereal in July will not be as effective as promoting that same product in November.

Picking the right product is equally important as picking the timing of the event. If a company has a limited selection of SKUs and they are all in the same category then the selection can be based on a feel for which product would work best in a particular month. The company may decide to promote different products in different months in order to give a more focused exposure to the whole line of products.

The price story is the key to the promotion. The decision has to be made on the “save story” and that decision is usually based on the retail price. For example, if the regular retail price is \$4.99, then a promotion of 10% off regular may not have the same impact as a save story of \$.50. If the retail is \$1.99 then a 10% off regular price may have more of an impact than a saving of \$0.10. Experience in each product category will provide the information for either a save story or a percentage off story.

If the objective is to introduce a new product or capture market share, then a strong save

story is often necessary to induce consumers to switch brands. A save store of 30% off may be a powerful inducement to try a new product or switch brands. A 10% saving, depending on the price point, may not be that effective in creating a value proposition in the consumer’s mind which would result in the consumer trying the product for the first time.

“Line pricing” where all the prices for a similar product (for example, same size but different flavours) are the norm for flyers and events. It is always best to have the assortment on sale rather than cherry pick the products. For example, a brand of ice cream will usually have all the flavours in a specific size format on sale rather than just the chocolate or vanilla unless the objective is to sell off surplus or dated inventory.

### **What to Avoid in Setting-Up a Promotional Plan or Calendar**

Do not pick promotion dates at random. When setting up a promotional plan or calendar, it is important to clearly write out the objectives of the promotional events. The next step is to then select the products, promotion dates and retail price points that will accomplish those objectives.



Do not confuse the consumer – consumers will not respond to an event that is confusing. Confusion is created when there are too many products in various sizes in the same ad or event. Keep the event focused on a limited line of products or one or two products.

Do not put all your eggs in one basket – Distribute your promotional budget to those retailers that support the product line and distribute “the spend” over several months in a period. Avoid promoting all your products in one month and having nothing left for other “opportunity” events or promotions.

Promotional frequency will help keep a brand at top of mind. It is advisable not to spread out a budget so thinly that it ceases to be important to any one retailer. It is usually more effective to pick the target retailers who support the line and spend the budget with those retailers.

### **The Brokers and Distributors Role in the Promotional “Pull” at Retail**

Brokers and distributors have vital roles to play in retail promotions and events. Often, they and their staff are the brand’s eyes and ears at retail and should be involved in the following areas:

**Planning** – review all the promotional plans with the brokers and distributors. They are often in a position to know what products are being promoted at retail and often they can tie products together for cross promotions. The distributor will usually purchase additional inventory in preparation for the promotion provided there is a manufactures charge back to cover the carrying cost of any surplus inventory purchased for the event.

**Store Preparation** – The broker and distributor have the human resources to advise stores that an event is planned and the necessity of stocking inventory to meet anticipated sales. Brokers and distributors personnel will often work with store staff to set up a promotion at various locations in an area.

**Lift Information** – the broker and distributor can assist in determining the lift from the event. The broker and distributor can often access product sales data directly from the retailer. The distributor has access to the number of cases, to products sold to each retailer and has access to information on the store inventory remaining at the end of the event. As stores phone to reorder, the distributor can request information on the inventory levels that remain in-store.



### **Consistent Message and Theme – Ad Mats and Style Guide**

The development of a brand requires the use of a consistent message and image in all materials that are presented to customers and consumers. A brands image can be adversely affected by an ad in a flyer that is poorly done due to poor graphics. The brand image needs to be developed and supported by use of prepared ad mats and a good style guide.



The ad mat lays out the company's products in a preset ad, with camera ready high resolution art work, that can be inserted into a flyer or promotion. Ad mat eliminates the need for the retailer to develop an ad for the product and gives the company control over how the product is presented to consumers.

The style guide lays out the colours of the product logos, the font type and size to be used in the logo, brand name and tag line. The style guide also identifies the pantone colours to be used in printing, the product process and other print criteria. The style guide is a good investment as it helps ensure that the brand and products are presented in a manner that supports the brand image.



### **Point of Sale (POS) Materials Banners, Dangers, Shelf Talkers and Counter Pieces**

Most independent food retailers will request POS materials that can be used to promote a company's products at retail. However, most large retailers have very strict guidelines as to the type, size and nature of the POS material that is allowed in each store. There is a wide array of POS material available and it is easy for a company to spend thousands of dollars on materials that do not work or are not permitted at retail.

The types of POS materials range from shelf dangers, banners, posters, shelf talkers, counter pieces and stands, to displays stands in the store aisles. The pieces are expensive to develop and make and unless well designed, become dated and "shop worn" very quickly.

The first rule in developing POS material is never spend any money on POS material without a clear plan as to what the piece is expected to do at retail. Visit the stores and ask the retailers what POS material would work best in the product category where the product will be positioned. The size and materials

used are critical to brand image and consumer perceptions of the product. Do the homework first and purchase "limited" amounts of POS materials second.

As a rule of thumb, a good percentage of POS material never gets out of the storage room at the back of the store. Often

the only way to ensure that the POS material is actually put up in the store is for the vendor, the broker or distributor's representatives to put it up themselves.

The POS material should conform to the style guide and have a clear message and theme that is consistent throughout all the POS material. Pick one or two pieces to be developed and have the product made in short runs (limited quantities). A short run is more expensive but it is a lot cheaper than having the material thrown out because it is dated, soiled or is the wrong piece for retail.

### **Website**

A good website is now a minimum requirement for introducing a product into the market and building brand share and creating a brand image. Consumers in Canada use websites as a means of finding out about a product and sharing that information with friends. The website does not



necessarily have to be overly expensive but it should be designed so that company staff can make changes and updates as needed.

A website strategy should be developed to support the company's marketing plan and should include such basic features as store locator (by postal code only, no need to tell your competitors which stores you sell to), features and benefits of the product (remember consumers buy benefits), recipes, high resolution pictures, endorsements, certifications and the company story.

Consumers like to know where their food comes from, who is making it and why the product exists. Create a company story based on fact that emphasizes the people behind the product.

## **Social Media/Word of Mouth**

Social media can create a brand and demand for a product in a very short period of time. They can also damage a brand if the product does not deliver the benefits promised or implied on the website.

Word of mouth has always been a very effective way of building a brand. But traditionally, it took a period of time before the brand would catch on due to how long it would take to spread the message one person at a time. Social media has changed how quickly thousands of potential consumers can hear about a product or a brand.

## **Press Releases**

Press releases to the local media and local press can be a very effective and inexpensive means of advising consumers about a company's products. Local media is always looking for a story with local interest and on many occasions the local story is picked up by national press.

Phone the local media and ask for the editor and the editor will usually advise as to where the releases should be sent. Do not be surprised if they are not printed as newspapers and other media do not give away free advertising. The press release will be printed if it is news worthy - local jobs are created or if it is a new and revolutionary product and if there is a strong local tie in.

## **Consumer Shows**

Consumer shows can be a very good way of getting a food product into the hands of thousands of consumers. The shows are expensive and tie up a lot of staff time and can use up thousands of dollars of product in a short period of time.

Consumer shows attract a wide range of people and the majority of attendees may not be your target group. However, most consumer shows permit vendors to sell products so the show could be a revenue source. Just be aware of the consumers who show up just to get bags of free samples.

## **Trade Shows**

Trades shows can be expensive but are a highly effective way of building a retail distribution base. To be effective at a trade show, it is necessary to be thoroughly prepared and present in a very professional manner. There are not that many good food trade shows in Canada so it is important to present well at the shows that the company attends.

Success at trade shows is based on longevity, showing up each year and following up with leads generated at the show. Brokers and distributors can be very helpful at a show and will often send staff to help with the booth or bring customers to the booth.



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The Agriculture Council of Saskatchewan (ACS) Inc. has developed this electronic guide for the Canadian Grocery Retail Industry as part of its continuing efforts to support the agriculture and agri-food industry and develop the capacity and tools for food growers and processors to enter the Canadian Grocery Retail Industry.

The purpose of the guide is to provide food growers and processors with a better understanding of the Grocery Retail Industry and how to tap into business opportunities within it. ACS has engaged Ackerman & Associates, consultants to the Grocery Retail Industry, to help create this powerful reference tool. Ackerman & Associates is an alliance of senior consultants focusing on business strategy support – research, value chain design and implementation – for the Grocery Retail Industry.

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