How a major consumer goods company identified 4-5% additional profit potential with Buynomics

Buynomics®

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Initial Situation

The major consumer goods company is one of the largest companies in its category. Its core is the selling of dairy product to consumers, inclusive a significant B2B business of selling milk powder to other CPG companies who use it in chocolate production, for instance. Company executives now were seeking to optimize their promotion strategy as they saw a lot of improvement potential in this field.

Challenges

The company faced 2 major challenges in portfolio- and price optimization

Promotions are a necessary evil: Promotions are important to remain competitive. The company's customers are spoiled for choice and increasingly use new channels to purchase goods. On average, two thirds of all trade promotions in the consumer goods industry do not break even. In the competitive CPG industry trade promotions are carried out very frequently. In many categories shoppers become accustomed to lower prices and expect them permanently. It is a vicious cycle where lack of shopper loyalty leads to more promotions which then undercut loyalty and so forth. The company was confident they could tackle these challenges more effectively.
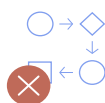
Current solutions come with distinct disadvantages: The company recognized that existing tools such as Excel did not deliver the full potential of technology which was needed to develop sustainably successful promotion strategies. They are often unable to incorporate all relevant data and market dynamics. In addition, it is complex to detect changes in the market. But time is a significant factor for success in the CPG industry. As a result, forecasts based on traditional market research are often not reliable and decisions are made following non-transparent measures. To overcome these challenges of trade promotions, executives thought about hiring consultants, but their work is project-based and once the project is finished, the company faces the same challenges again.

"Two thirds of CPG promotions do not break even. They often result in a vicious cycle of deteriorating margins and shopper loyalty."

Solution

The company's global request for proposal was answered by all major strategy consultancies as well as large pricing software companies. Having considered all pitches, however, it decided to partner with an emerging software provider: Buynomics. Buynomics is a SaaS-based solution that leverages behavioral models and machine-learning algorithms. It uses readily available market information and creates a sample of Virtual Shoppers who behave exactly like their real counterparts. Pricing, channel, and portfolio strategies can be tested on the Virtual Shoppers easily and without any risk.

Buynomics provided a sustainable solution for its client's challenges

"Our client was able to identify 5-10% additional profit potential across the organization, delivering an immense return on investment."
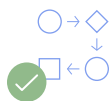
Promotions are now profitable opportunities: Thanks to its machine learning algorithm, Buynomics turns readily available data into actionable shopper insights. Promotion strategies can be tested on the Virtual Shoppers easily and without any risk. This enables the company's decision makers to carry out promotions that maximize and sustainably improve their results. Simulating a new scenario takes five minutes, and detailed impacts on revenue and profit are instantly visible. Buynomics is designed to deliver straightforward, actionable insights that truly make an impact.

A holistic solution: Buynomics can incorporate all available data soures into its simulations. This includes sales data, the competitors' offerings, and interdependencies between products. Common Excel tools or manual analyses cannot match this level of comprehensiveness. There is no need to record changes manually – Buynomics' simulations always reflect the current dynamics of the market. While consultants leave after a project is finished, Buynomics is a self-service solution which generates perpetual insight. Data updates can be integrated easily, and analyses can be repeated at any time. Therefore, the firm could always keep its insights up-to-date with no additional effort.

Result

Using buynomics, the client achieved immense ROS and operational improvement

Financial value

Investing in Buynomics has paid off financially for the company. Thanks to the software help, it was able to generate extra revenue with their promotions. Moreover, our client was able to identify 5-10% in additional profit potential across the organization, delivering an immense return on investment.

Operational improvement

With the transparency that Buynomics has created, pricing executives are now enabled to make sustainable and effective promotion decisions. They no longer need to worry about lengthy market studies possibly not reflecting a realistic picture of reality. Employees can devote the time saved to more strategic insights.

Given the success the company achieved in their consumer business, it now seeks to strengthen the pricing operations of its B2B business unit with Buynomics.

Buynomics is the only solution which forecasts shopper behavior with >95% accuracy. Buynomics can simulate an unlimited number of price-product-promo combinations. It empowers companies to find the right prices, portfolio, promotions and product design.

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If you want to know more - get a demo today!

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