Case Study

How Buynomics' promotion calendar helped a major CPG company forecast promo & PPA effects with 96% accuracy

Buynomics®

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Initial Situation

The company is one of the largest CPGs in the world with several tens of billions in revenues and hundreds of thousands of employees. It has a strong portfolio of brands, many of them generating over $1B annually. For the project, the company wanted to tackle challenges in one of its categories. Both promo and pack size changes would be analyzed. The aim was to determine whether it could get reliable forecasts leveraging the novel technology. Forecast accuracy would be key to getting a reliable alternative revenue management tool replacing legacy providers' often slow and limited insights.

Challenges

The company faced four major challenges regarding promo and pack size changes

"Buynomics' novel promotion calendar combines the accuracy of the Virtual Shopper technology with the ability to plan promotions, new product launches and more for the entire year."

Promotional pressure: The category in question was one with immense promotional pressure. Such promotions are exceedingly difficult to optimize. With large fluctuations in price and a complex set of behavioral factors at play it is a multi-dimensional challenge which cannot be tackled easily.

Time- and resource intensity of alternative processes: Previous projects had been conducted with consultants or legacy providers which take much longer to deliver results which are quite expensive given their limited scope. But many „machine learning" approaches also do not de- liver accurate forecasts rendering them completely unreliable.

Difficulty to create accurate forecasts: Developing an accurate model to forecast shopper re- action to price and product changes is difficult. Often, such decisions are made retrospectively and looking at single-issue questions in isolation. The company was looking for a solution that promised a forward looking and scalable success across the organization.

Low net margins in the industry: Strong competition, negotiation power of suppliers and ex- pectations of low-cost products from customers are squeezing margins in the CPG sector. Any initiative that favors an increase in margins is therefore crucial for companies in the industry.

Solution

The company was looking for providers helping them optimize their promos, given complex pack size and price changes. Previously working with a legacy provider, the company had not been satisfied with the results. Having considered many alternatives, it decided to partner with a cutting-edge software provider: Buynomics.

With its unique technology, Buynomics' solved the client's major challenges

"Buynomics identified 5% in profit potential in a category with millions in annual sale."

Buynomics leverages a proprietary technology: it uses readily available marekt information to create a sample of Virtual Shoppers, behaving xactly like their real counterparts. Its novel promotion calendar combines the accuracy of the Virtual Shopper technology with the ability to plan promotions, new product launches, and more for the entire year.

Flexible promo optimization: Thanks to Buynomics Virtual Shopper approach which includes an accurate behavioral model, the outcome of simulataneous promo- and pack size changes can be modelled holistically. n contrast to legacy solutions, Buynomics doesn't ignore important factors like competitor moves or pack size changes.

Scalable advantage: While consultants and data providers strictly cover questions within scope, Buynomics' self-service solution empowers executives to create perpetual insight at the click of a button. Data updates can be integrated easily, and analyses can be iterated within minutes - at any time. Answering new questions thus requires no additional effort.

Transparency: Buynomics incorporates all relevant data and creates a set of Virtual Shoppers. Although the category in question can fluctuate by tens of times the volume in promo vs. off-promo, Buynomics was able to forecast the effect of different promos with very high accuracy. This transparency allows for optimal planning and best-in-class ROI.

Measurable topline impact: The Buynomics software is designed to deliver straightforward, actionable insights that truly make an impact on revenue and profit. On average, CPG clients increased their revenues by 3-7% - an immense profit in a low-margin industry.

Result

Buynomics improved financial performance and operational processes

Financial value

Thanks to the accurate forecasts delivered by Buynomics, the company was able to make a confident choice about changes in both pricing and pack size given market demand. Moreover, Buynomics identified 5% in profit potential in a category with millions in annual revenue.

Operational improvement

Each simulation with Buynomics only takes few minutes instead of several weeks of market research and wargaming. This huge time saving empowered company executives to answer novel questions and test hypotheses in an iterative way.

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 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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