

CHECKLIST 13 (2 Pages)

- 1-5. Your retailers may not be as aggressive as their grocery industry counterparts in demanding promotional support from suppliers. However, this may well be the future direction of your industry, so we need to be ready. In the table below, column 4 ("CO-OP \$") is a fixed cost paid to the retailer for a particular type of promotional activity, such as catalogue support. Column 5 ("DEAL") means a volume related case deal expressed as % of the sell price in column 6. Column 7 is the actual volume (units) sold during the promotional period, and column 8 is the total cost (col 4 + 5).

Please complete column 9, which is the total cost of each promotion divided by the value of the incremental sales (after allowance for normal selling level), and compare these results with the % cost to promotional sales you calculated in the previous checklist.

QUESTION	NORM SELL	NORM WK SALES	BUY PERIOD	CO-OP \$	DEAL \$	DEAL %	ACT VOL BUY WKS	TOTAL COST	% TOT COST\$ ÷ INCR SALES\$
	23.00	188	3	5000	1.50	6.5%	900	6350	82.2%
	24.00	388	4	12000	2.80	11.7%	2500	19000	83.5%
	20.00	469	4	10000	1.00	5.0%	3200	13200	49.8%
1	25.00	450	4	2000	3.00	12.0%	2300	8900	
	22.00	500	4	7500	2.40	10.9%	3000	14700	66.8%
	27.00	400	2	4000	3.40	12.6%	1400	8760	54.1%
2	29.00	200	2	6000	3.80	13.1%	600	8280	
3	21.00	150	4	9000	2.20	10.5%	1250	11750	
4	26.00	450	4	5000	3.20	12.3%	2000	11400	
5	28.00	350	4	7000	3.60	12.9%	2500	16000	

HINT:

Start with: Actual sales during promotion
Less: Normal sales over 3 week period
Gives: Incremental sales x Sell Price = Value of incremental sales \$
Calculate: Total Cost \$ / Incremental sales value \$

6. In other industries such as grocery and "FMCG" (Fast-Moving Consumer Goods), there are many more creative ways for retailers to extract funds from suppliers. Can you name five?

CHECKLIST 13 (CONTD)

7. What are the four key aspects that a retailer must manage closely to be successful?

8. What does “In-stock service level” represent?

9. A retailer has indicated that a promotion coming up on a competitor’s product is going to special at a very aggressive promotional price, as she wishes to increase customer count, and turn around the current negative trend. She wants you to support her to do something similar on a product we currently supply. On this product, her retail price is \$48.95, with a margin of 35%.

She asks for a promotional discount per unit of \$8.00, and proposes to set a promotional margin of 15%. What will be the promotional retail price be?

10. Typically, what % of sales (as a range) would a retailer expect to have to provide for expenses?