

How To Optimize Promotions in an Evolving Retail Climate



NEW REVIONICS PROMOTION SOLUTION HELPS GROCERS SOLVE THEIR MOST COMPLEX PROMOTIONAL CHALLENGES

MATTHEW PAVICH, Sr. Director, Retail Innovation at Revionics

It is estimated that at least two-thirds of retail promotions miss the bullseye. That can be costly, since inefficient promotions pinch profits, waste labor and result in missed sales opportunities.

The situation in today's economic climate is exacerbated by escalating costs of goods, shrinking margins and fickle shoppers who jump from store to store or buy online in search of the best deals.

Moving forward in 2023, investing in artificial intelligence to manage not only pricing but also promotions is mission critical to gain a competitive edge in the ever-shifting retail landscape. No wonder **Gartner** pinpointed price, promotion and markdown optimization as a top AI use case in retail.

Fittingly, Revionics, an Aptos Company, revealed its new **Promotions Planning and Optimization** solution. A trusted partner to many of the world's leading retailers, including five of the top 10 global supermarket chains, Revionics leverages the power of artificial intelligence to help its customers optimize pricing decisions across the product lifecycle — spanning base price, promotions and markdowns. Progressive Grocer spoke with Matt Pavich, senior director of retail innovation for Revionics, about the importance of effective promotions and Revionics' latest advancements in data science to enable inventory-aware, personalized promotions that meet the needs of omnichannel shoppers.

Can you explain why grocery promotions have become more complicated in recent years?

Matt Pavich: Promotions have always been complex to manage, define and measure because of all the

different forms of promotions. One reason they have become infinitely more complex is that before the pandemic, most grocers were not thinking omnichannel. Now grocers are pressed to offer shoppers a true omnichannel experience.

It is critical to have a digital infrastructure because customers are shopping in different ways, including online. They can easily compare prices and competitively shop. Then throw in the fact that margins are getting thinner, the price of labor has gone up and there is the labor shortage itself — demand patterns are less predictable, and ultimately retailers have a lot more complexity to manage. There are so many facets that make promotions important, and with the large percentage that are ineffective, it is imperative to have the best solutions, strategies and processes in place.

Despite retailers putting a lot of emphasis on and investment into their promotion strategies, why do studies find that the majority are ineffective?

MP: Based on our market assessments, the main reason that promotions are ineffective is because retailers are not looking at the right metrics. Maybe they hit a stated revenue objective but didn't have a great lift. Maybe cannibalization wasn't considered and the category actually was negatively impacted as a whole during the promotion. Maybe they wonder whether they used vendor funds properly or made the right decisions. If a 10%-off promotion was effective, could 15% have offered even more value? You can have a really quick win, but a large percentage of those promotions are not profitable or you don't have a lift. With our science and consulting efforts, we work with retailers to ensure their promotions are delivering optimal value to their business and to their customers.

Retailers spend a lot of time and resources on promotions, and it's our job to help make sure they get it right.

Revionics just launched a new promotion solution to address some of the issues retailers face when it comes to promotions. What distinguishes this application?

MP: I'm going to focus on three things we are really excited about with our new solution. First, the science has been elevated to the next level — our AI platform is more scalable, faster and flexible — for every item, every store, every channel and every customer.

Next, the solution is designed for omnichannel. We enhanced our digital promotional capabilities to address the complex processes and speed required by grocers to support consumers' dynamic, omnichannel shopping behaviors.

The third factor is personalization — some grocers aren't there yet with promotions, but consumers will soon expect it. With our solution, retailers can take that next step when it comes to offering personalized, omnichannel promotions.

How do consumers' omnichannel shopping journeys impact what grocers need from a modern promo solution?

MP: Retailers have to transition from a brick-and-mortar mindset to an omnichannel approach. In a circular, you could determine what is on the front page or what is on the second page. In digital, there is not a front page. A lot of other promotion solutions are still centered on how you build a circular. You have to take it to the next level because people shop differently online. Online is different and must be treated that way.

You mention science and how it applies to promotions. How comfortable are retailers today with AI? How is grocery's adoption of AI evolving?

MP: According to research conducted by IDC, global spending on AI will surpass \$300 billion in 2026. Retail is one of the sectors that IDC finds will drive the largest investments in AI technologies over the next few years.

This notable uptick in and comfort level with AI among retailers, including grocers, is something we've been experiencing firsthand at Revionics. The inflationary market, in particular, has been a catalyst for grocers that might have been slower to adopt AI to take a hard look at their business and realize that pricing responses to inflation need to be analytically informed and customer-focused in a way that protects

margin, share and price perception — no easy feat without the benefits of AI and automation.

Our motto when it comes to AI pricing is clarity and confidence. We provide retailers with the clarity to know how consumers would react to pricing changes and the confidence to take pricing actions that maximize impact. We find that if pricing teams are equipped with clarity and confidence in terms of the solution's recommendations, the willingness to adopt AI pricing is extremely high.

Any other trends or topics related to grocer promo strategies that you think are worth mentioning?

MP: As grocers grappled with inflationary conditions, the majority of them were laser focused on how much to raise regular prices. But far fewer retailers were thinking through the other half of pricing, which is promotions. According to a survey we conducted in 2022, across retailers who were not confident in their promotional strategies, 62% said their holiday promotions were basically the same as the year before. In this extremely disruptive retail climate, the "same old" approach to promotions no longer suffices.

For retailers that want to reinvent their approach to promotions, we're giving them the analytics to make the right decisions to solve their most complex promotional challenges. With Revionics' Promotions Planning and Optimization solution, grocers can precisely match the right promotional vehicles and the right timing to optimize offers and achieve the best results.

ABOUT REVIONICS, AN APTOS COMPANY

Revionics LLC, an Aptos Company, provides enterprise retailers around the world with leading science-based solutions for pricing, promotions and markdowns to illuminate their way on the lifecycle pricing optimization journey. As a trusted partner for top retailers across a variety of industries and markets, Revionics delivers unparalleled results in ROI, profit lift, process efficiencies and more.

Powered by robust analytics and advanced AI models, Revionics equips retailers with clarity and confidence to make optimal pricing decisions. With science at the center, Revionics' machine learning capabilities translate consumer, competitor and market data into actionable insights and transparent pricing recommendations for high-impact results.