

The ultimate guide to trade spend optimization on the digital shelf

Stop wasting budgets and start driving
ecommerce profitability

CommerceIQ

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1. Introduction

It's one of the industry's worst-kept secrets: Brands waste a staggering amount of money on ineffective trade promotions every year.

Forrester estimated a jaw-dropping \$1 trillion is spent on CPG trade promotions globally and a big chunk of this delivers virtually no results. Received industry wisdom suggests 35 - 40% of trade promotion spend is simply wasted.

The level of waste is problematic at the best of times, but completely unsustainable in the current climate. As retailers are maximizing margins while asking for increased retail media spend, consumer brands are urgently looking for ways to improve the unit economics of their business whilst continuing to drive value for shoppers.

But trade promotions and retail media spend are rich hunting grounds for inefficiencies, so simply pulling spend is rarely an option.

As cash-strapped consumers become more deal-conscious and trade down to private labels, brands need to maintain a healthy level of awareness to communicate their value. But they also need to be smart about how and where they spend their cash. And they need to have the right tools in place to monitor and optimize their global activations across multiple channels and retailers.

So, how can consumer brands become strategic about trade spend optimization while driving category value profitably? And how can digital shelf optimization help?

This guide will give you the answers you need to 'do more with less', spend smarter and win online at scale.

2. Are you getting what you're paying for?

The first question any consumer brand should ask when assessing how to optimize their trade spend is simple: **Are you getting what you're paying for?**

Unless they have a centralized way of tracking promotions and e-retail media, it's hard for brands to verify conclusively if retailers have executed the campaigns they've paid for as part of the Joint Business Plans (JBP).



We regularly uncover huge inefficiencies when analyzing the performance of trade promotions and online media spend for brands. Often this is because decisions are made in silos or without connected data.

Being able to see the impact of promotions, retailer media, paid search, availability and assortment in one single place gives you the holistic picture to unlock trade spend efficiencies and improve profitability without impacting sales; a view our platform enables.

Jo Campbell
Senior VP Digital Shelf
Solutions, CommerceIQ



2. Are you getting what you're paying for?

There's a whole cottage industry around manually tracking of performance.

Whether online promotions are actually happening, which other brands are sharing the media space or which retailer pages are shown against a search term. But a manual system is prone to errors and simply can't provide the relevant insights and actions at speed and scale.

That's why future-focused consumer brands are starting to use digital shelf optimization (DSO). Routed in digital shelf analytics, DSO empowers brands to be agile with market changes while driving higher profitability. How?

With unparalleled coverage and advanced actionability. Gathering full-category data daily from 700+ retailers and quick commerce channels, CommerceIQ's digital shelf optimization (DSO) visualizes this data into a simple events calendar that makes it quick to see whether retailers are delivering what they are supposed to.

AI automations further help preempt availability gaps so you can promote effectively and retain search visibility. It's rare to get money back if there's a problem. But brands can potentially negotiate free support for future campaigns as compensation.

Let's turn to some use cases to bring this to life.

2.1. Use case: JBP compliance

Tracking compliance against your JBP agreements is critical.

You want to avoid wasted spend. At a glance, here’s what clients monitor and take action on using our DSO platform:

- 1

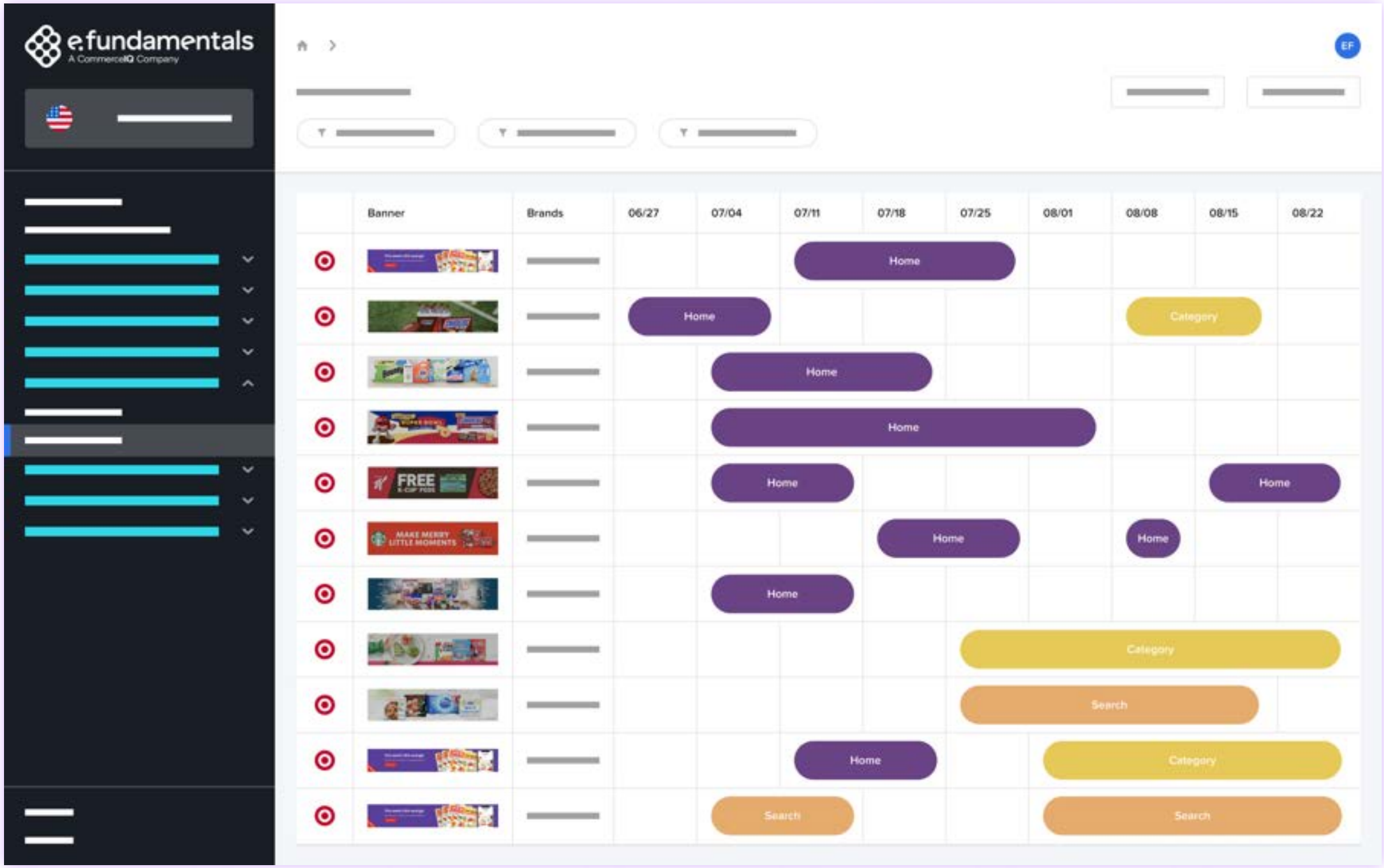
General visibility of banners against search terms and retailer pages
- 2

Placement of banners
- 3

Competitor insights on shared media space
- 4

Retailer support for executed campaigns
- 5

Retailer distribution of must-stock SKUs or new products



2.2. Use case: Banner analysis I

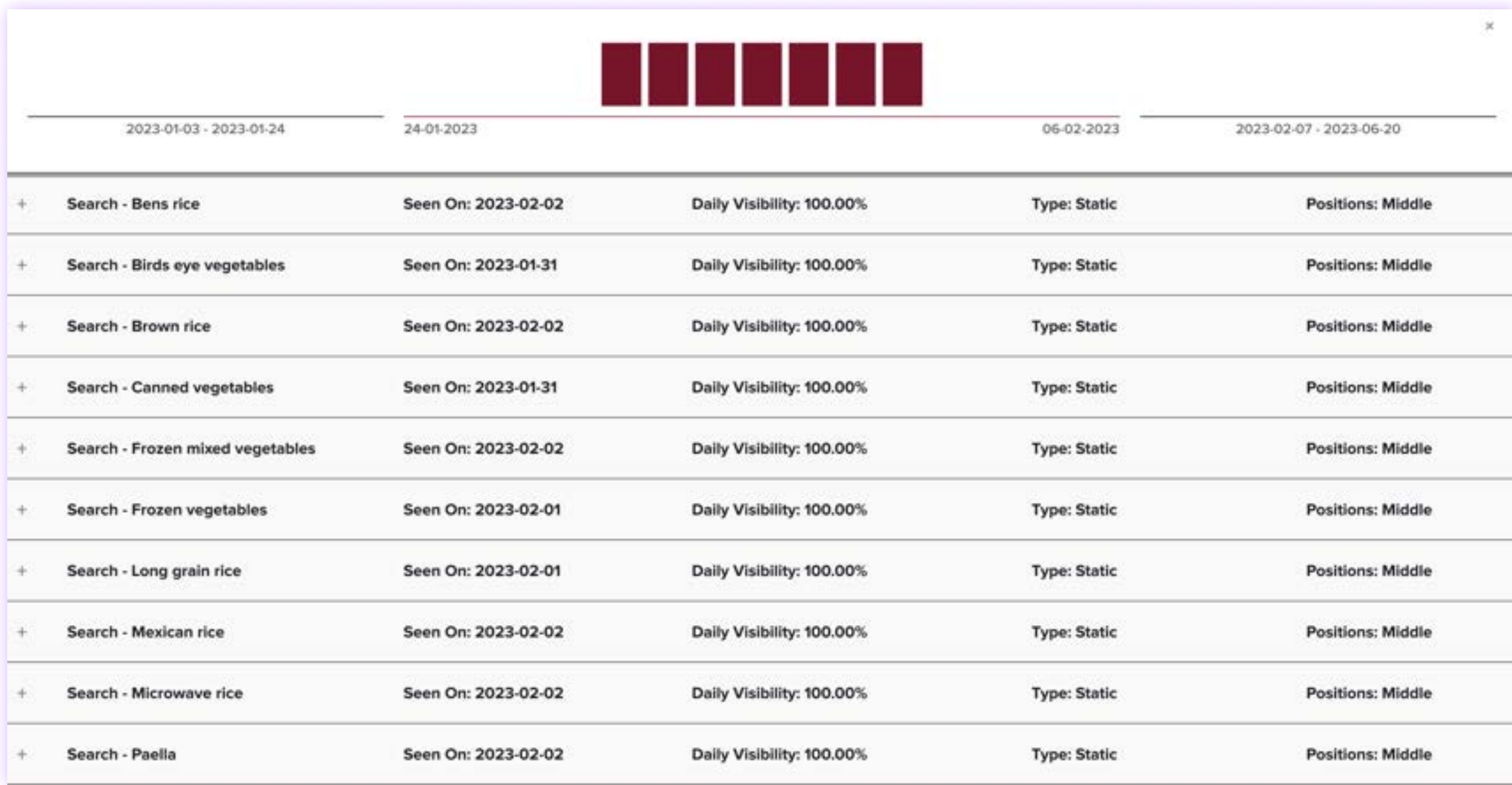
Our client launched 115 more banners than their nearest category competitor. While both used static banners, our client’s banners were in the middle of the page while the competitor’s were at the top.

The client’s banners showed up against range of search terms unrelated to the main category ‘rice’. The list shows 94 category and branded search terms. Yet, the competitor’s banners came up against 11 search terms, all related to the main category including variants of the main competitor brand name.

Using the our platform, the client was able to show the retailer:

- 1. **Category cannibalization:** 11 search terms related to ‘rice’ suggests the competitor may not be supporting the retailer in growing the category.
- 2. **Placement issues:** Instead of banners being at the top, the client’s banners were located in the middle of search results pages. A place that’s far less likely to grab shoppers’ attention.

These insights can help brands build trusted relationships with retailers, avoid wasted trade spend and support negotiations for reallocation of banner placements.



The screenshot shows a dashboard with a table of banner data. At the top, there are four date ranges: 2023-01-03 - 2023-01-24, 24-01-2023, 06-02-2023, and 2023-02-07 - 2023-06-20. Below these is a table with 11 rows of search terms. Each row includes a plus icon, the search term, the date it was seen on, the daily visibility percentage, the banner type, and the position. All banners are static and in the middle position.

+	Search - Bens rice	Seen On: 2023-02-02	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Birds eye vegetables	Seen On: 2023-01-31	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Brown rice	Seen On: 2023-02-02	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Canned vegetables	Seen On: 2023-01-31	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Frozen mixed vegetables	Seen On: 2023-02-02	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Frozen vegetables	Seen On: 2023-02-01	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Long grain rice	Seen On: 2023-02-01	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Mexican rice	Seen On: 2023-02-02	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Microwave rice	Seen On: 2023-02-02	Daily Visibility: 100.00%	Type: Static	Positions: Middle
+	Search - Paella	Seen On: 2023-02-02	Daily Visibility: 100.00%	Type: Static	Positions: Middle

2.3. Use case: Banner analysis II

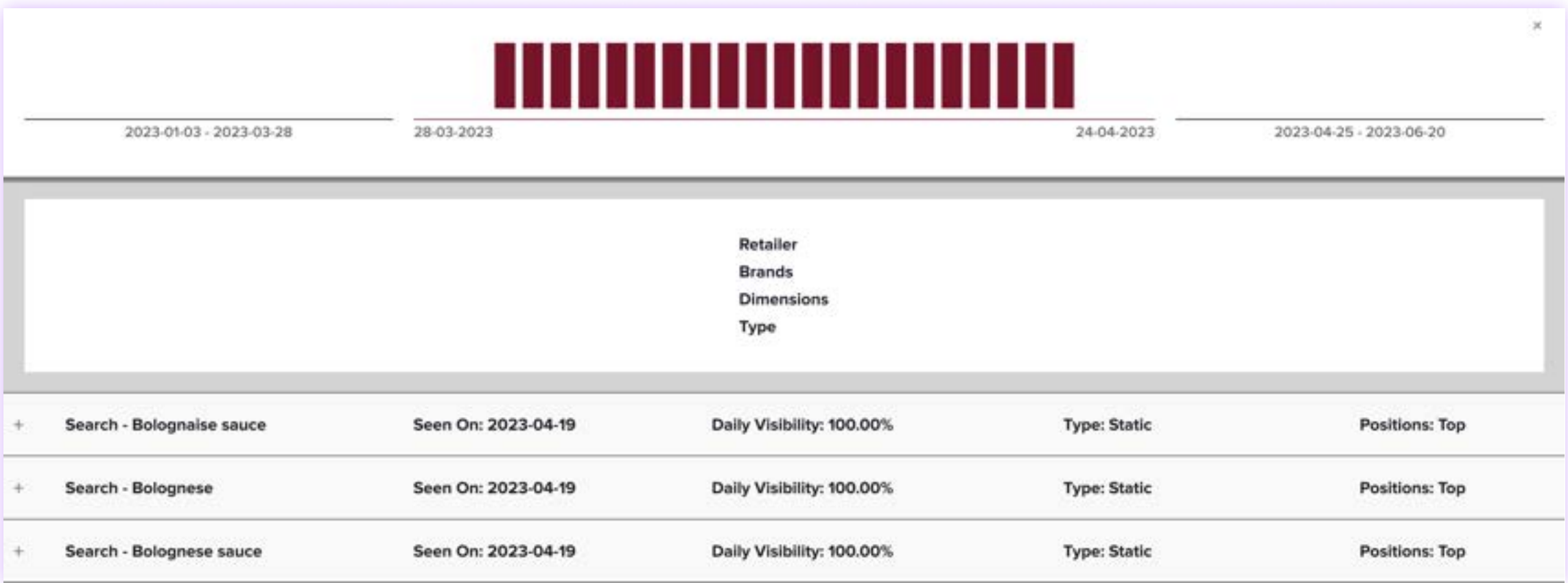
Over one quarter, our client had 539 more banner placements than their nearest competitor (both using static banners). Our client had 298 banners located at the top and 246 in the middle of the page. All of the competitor’s banners were located at the top.

Our client banners showed up against 44 search terms ranging from canned veg to sweets, 4 brand and 40 category search terms while competitor banners only showed against the search term ‘pasta sauce’.

What else did our data reveal?

- 1. **Unfair banner placement:** Competitor banners were only placed at the top while our client’s banners appeared both at the top or in the middle. The middle banners could only be seen if shoppers scrolled the page.
- 2. **Competitor’s promotional strategy:** It showed less banner ads and support for the overall category growth and more beneficial banner placement for the competition.

Spotting banner placement issues early can save brands precious ad dollars. And being able to glean the competition’s promo strategy can uncover huge potential for how to optimize one’s own campaigns (e.g. push when others are likely to pull back).



3. How do you stay competitive profitably?

Leveraging the actionable insights to assess the performance of their activations, consumer brands can get ahead of the competition.

Using CommerceIQ's digital shelf optimization platform brands can easily identify significant opportunities to drive a more profitable promotional mix. For example, there could be —

- 1** **Scope to reduce the depth of deal**
- 2** **Pare back the number of weeks**
- 3** **Promote a more profitable SKU without compromising results**

It's all about finding the pockets of spend that can be optimized without causing consumers to turn away from a particular brand or retailers to stop supporting a particular supplier. All the while building an strong competitive advantage. To do so, smart consumer brands are turning to the technology that helps them go from insights to actions using automations and generative AI such as digital shelf optimization by CommerceIQ.

Check the following use cases for how brands stay competitive at scale with DSO.

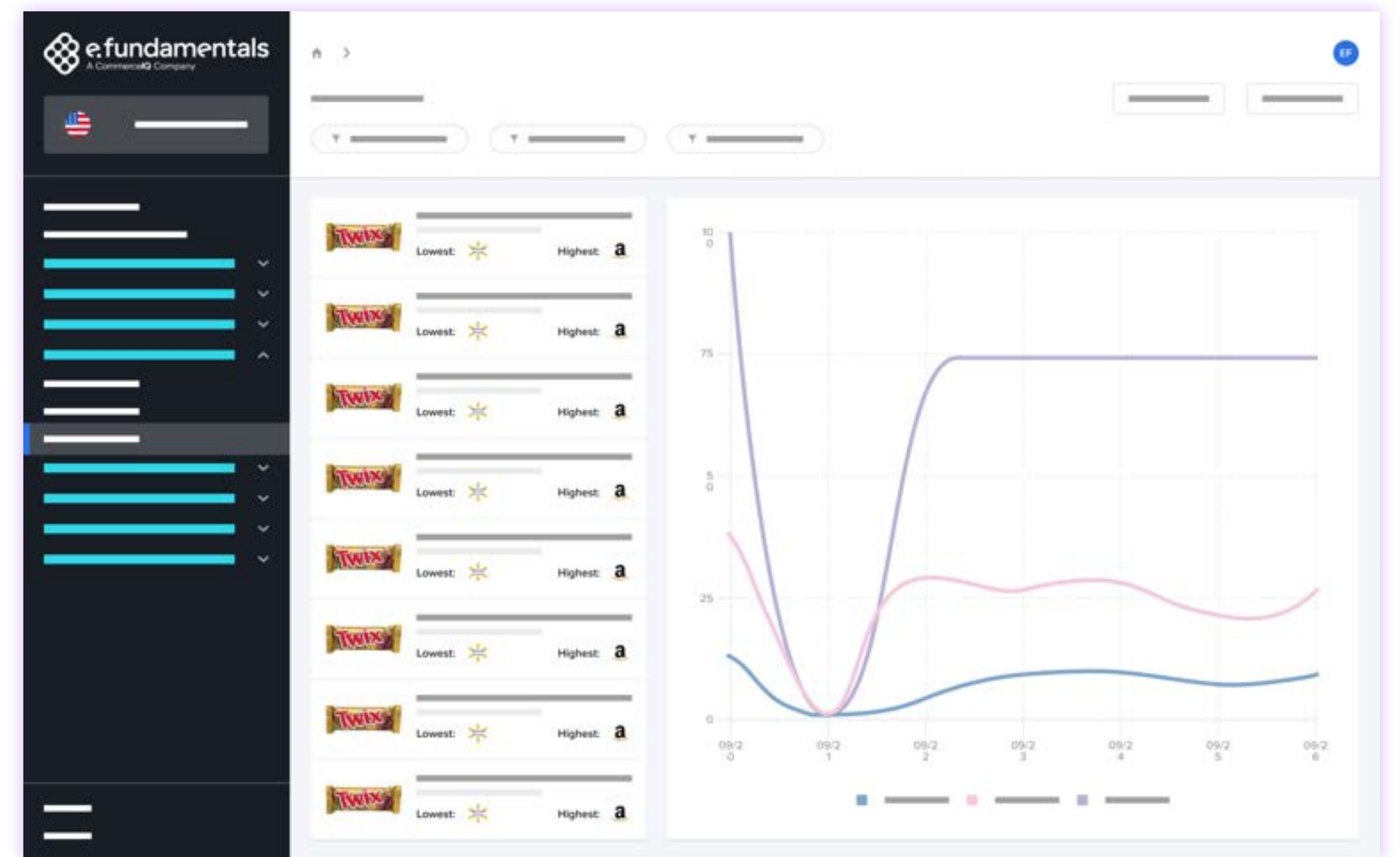
3.1. Use case: Analyzing ecommerce pricing & promo strategies

To assess and further develop your competitive advantage clients take a combined view on their own and competitors' campaigns, using the DSO platform's pricing and promotion calendar.

This shows current as well as historic data which in turn allows you to analyze how effective and competitive your strategies are within the category and per retailer. From here you can then work out patterns of your competitors' activities. Any opportunities that can be used to your advantage?

Use these questions as a guide and our DSO platform to find the answers:

1. Are competitors promoting more or less frequently than you?
2. Are competitors promoting more or less products than you?
3. How does your absolute promo depth and average selling price compare to competition / the category average?
4. Can you shift your product mix on promotions to drive more profitable SKUS?



3.2. Use case: Prevent loss of sales and search rankings

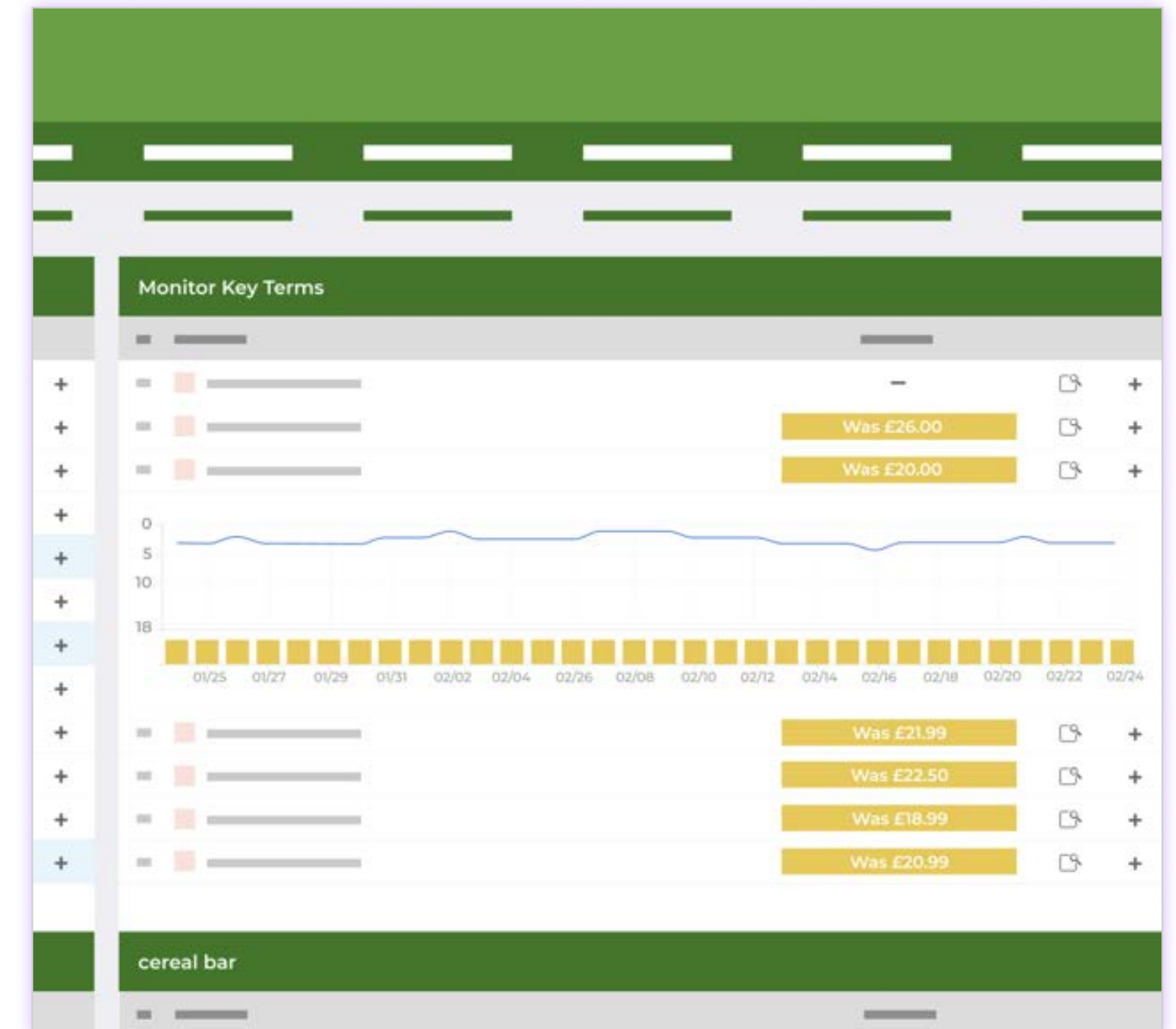
Ever seen the rankings of your ‘best sellers’ decline? The reason might be an unintended change in category display or taxonomy. Being able to influence your retailer’s strategy, however, requires strong evidence. It’s exactly what CommerceIQ’s DSO platform helps you with!

Following a change in taxonomy within one retailer, our client noticed that sales and search rankings for previous ‘best sellers’ were declining. Using the DSO insights, our client was able to demonstrate to the retailer that since it had made the changes, the SKUs delivering better RSV were falling behind in search results

Influencing retailer decisions with actionable insights:

1. Prioritize chilled shelves in search results to reflect new chilled mix
2. Apply chilled icons to product titles to instantly clarify which products are chilled
3. Boost ‘best sellers’ in search results (fix algorithm)

Using the DSO data the client could easily show the negative impact the taxonomy change had on the shopper experience and retailer category profitability. This way, the client convinced the retailer to change the taxonomy.



3.3. Use case: Managing pack size changes

As the need to maximize profitability has increased, and brands have had to respond to an ever-evolving consumer and regulatory landscape, many packs have come under review. But too much focus goes on getting in-store execution right for launching pack changes (and new products!).

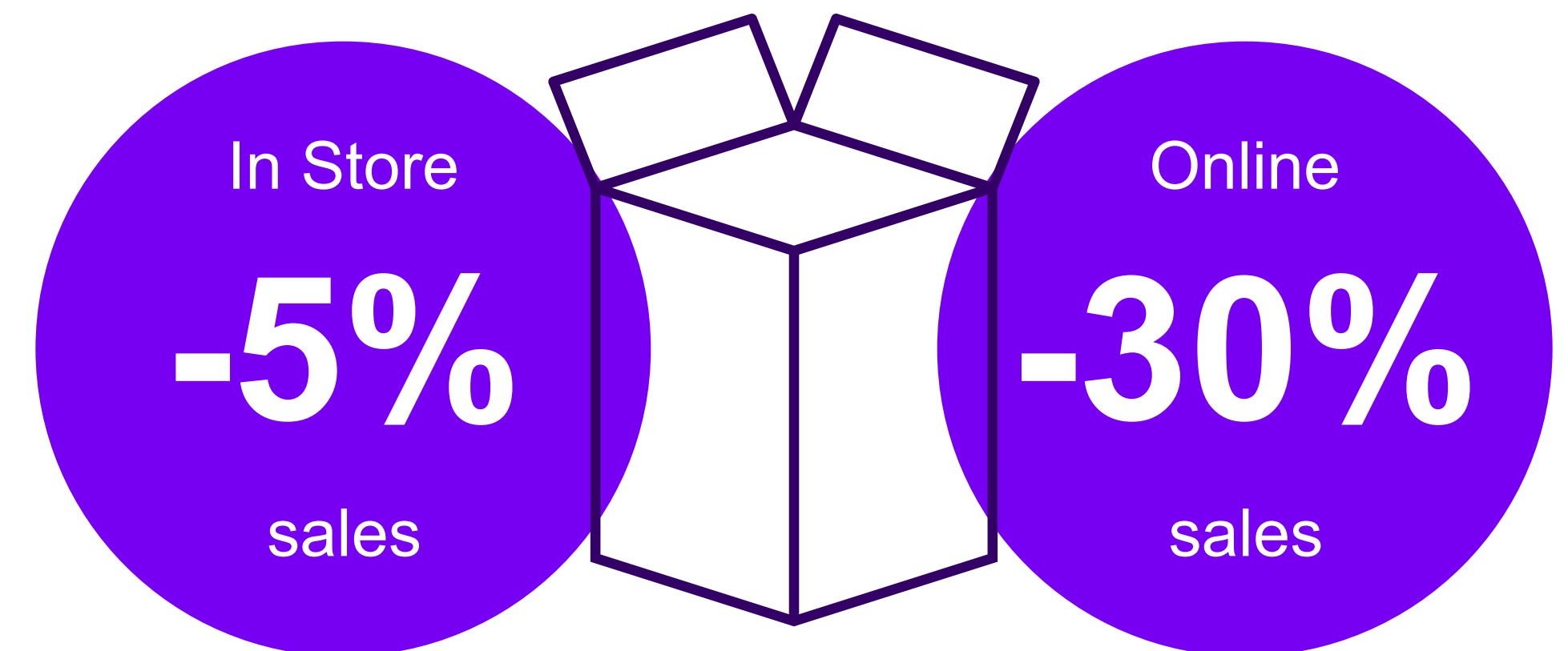
However, with no **‘natural’ discovery online**, there’s a greater risk to online sales. Why? Products need to be seen to be bought. So, the single most important factor is visibility.

Managing a pack review can seem daunting, but digital shelf analytics can lend a helping hand. Are banners or sponsored products part of the launch plan?

With DSO brands plan their launch campaigns to get search right, allocate spend accordingly and stay on top of activations before-, during and post launch so no trade spend gets wasted.

With no **‘natural’ discovery online** brands risk
up to **30% loss** in e-sales

compared to
5% in-store.



4. The impact of activations on availability and search visibility

The next area to focus on is the inter-relationships between different key performance indicators (KPIs).

Brands will often run sponsored search placement in addition to a retailer advert and a promotion. But, they have little visibility on how these impact their performance. Do you really need all three for optimum results? Or could you achieve similar results by running just one or two of the three? There are big potential cost savings to be had here.

One of the biggest mistakes we see consumer brands make is putting an item on promotion, boosting it with a paid search placement (and potentially some retail media as well) to then drive an out-of-stock that puts a competitor product in the shopper's basket and in their favorites.

Trade spend that not only fails to generate sales but also drives business toward rivals is a waste of time and money.

It's where an accurate and full-category data set is invaluable for spotting this interplay.

Many consumer brands will also be looking for opportunities around strategic pricing as part of their revenue management efforts. By combining digital shelf analytics with EPOS data, they can work out the price elasticity of different items and track market reactions to any changes in pricing strategy. Plus, they can see to what extent price changes affect retailers' algorithms and impact on their search performance.

So, understanding how ecommerce fundamentals are connected means you'll be able to avoid collateral damage on the digital shelf.

4.1. Use case: Availability

Understanding the impact of activations on availability, there are two key questions:

1. Are my promotions driving OOS?
2. Where are the challenges across my retailer estate?

Having oversight of these areas daily across the entire category can be a game changer to your performance.

Robust availability monitoring is critical because brand owners can pay a high price for stockouts, especially on the digital shelf.

When you go out of stock online, you're not just losing out on a potential sale. You're not just wasting money you've already invested into getting your listing and getting your product on shelf and into the warehouse.

And you're not just frustrating the shopper, undermining brand loyalty and potentially gifting a sale to a competitor by virtually paying to put your competitor's product into your shoppers favorites from a substitution. You could lose your listing altogether.

Some retailers will simply pull the plug on your online listing if you're out of stock for a certain amount of time.

This means all the digital assets you've built up for that listing are lost as well and need to be rebuilt. You're back to square one.

4.1. Use case: Availability

Let's a look at the type of data you can review daily to stay on top and ahead of what's happening to your supply in your category on a global as well as local, by-store level.

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The platform's availability tracker was extremely useful during a period of availability shortages. A great win for us. It helped us in conversations with retailer partners today and planning for the future.

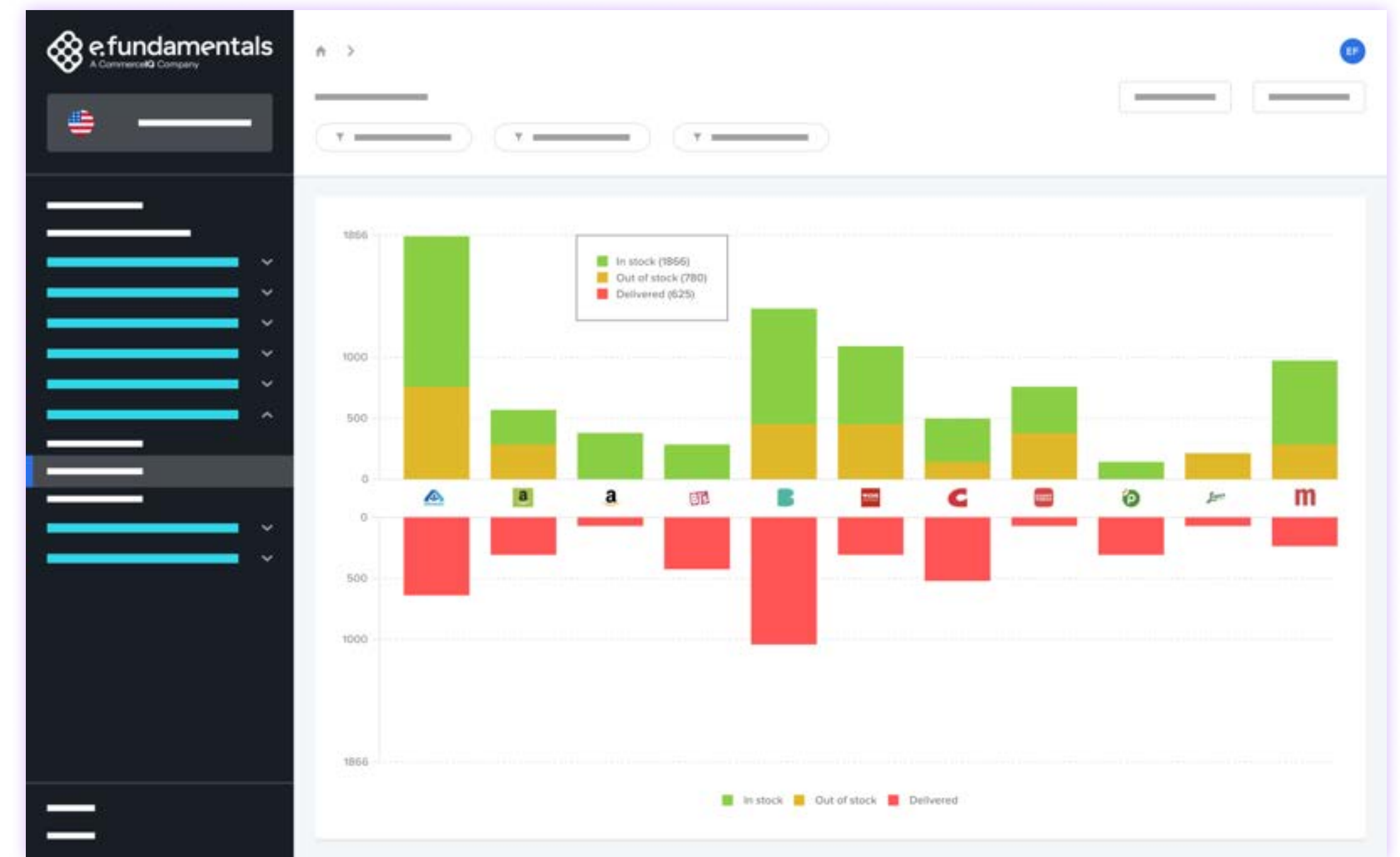
Senior Ecommerce National Account Manager

4.1. Use case: Availability

Having a deeper understanding of where availability issues might occur can help you identify:

1. Patterns of poor availability
2. Regions / stores affected
3. Root cause, i.e. whether the problem lies with your supply to distribution centres or RDC to store

Consumers' path to purchase is no longer linear. So brands need access to granular, digital commerce performance data to be able to drive category growth at scale.



4.2. Use case: Search visibility

When you analyze the impact of activations on your search visibility you want to answer these three questions:

1. How are promotions impacting my search results?
2. How is search affected when SKUs go out of stock?
3. What action can I take and / or investment needs to be applied to retain those search positions?

Even if you don't lose your listing, as previously mentioned, being out of stock can seriously hurt your retail SEO. Some retailers will relegate you to the bottom of the search page if you're out of stock, which means you lose all visibility.

What's more, your rate of sale will decline if you're out of stock for an extended period of time. This in turn will further hurt your search performance.

The final penalty comes from favorites and past purchases. If a shopper has substituted your product that competitor product will now be in their favorites or 'last bought'.

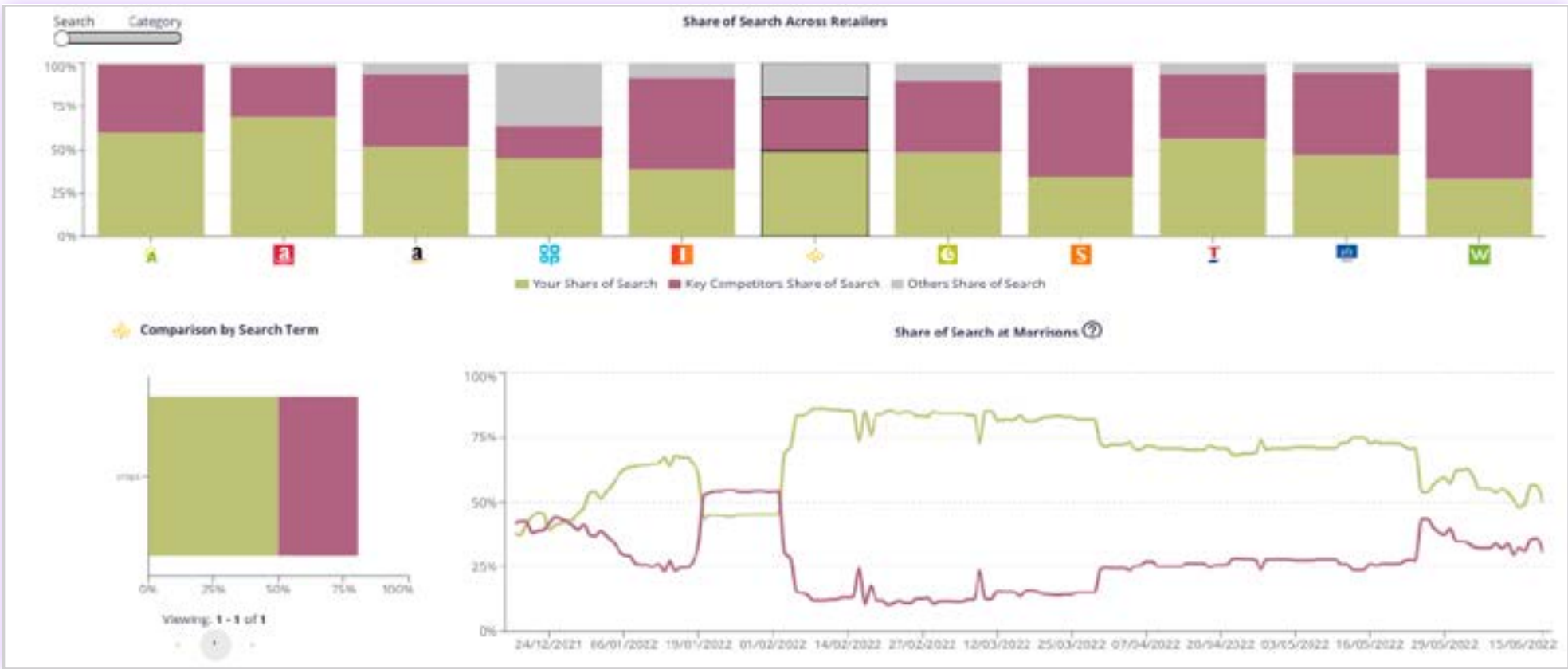
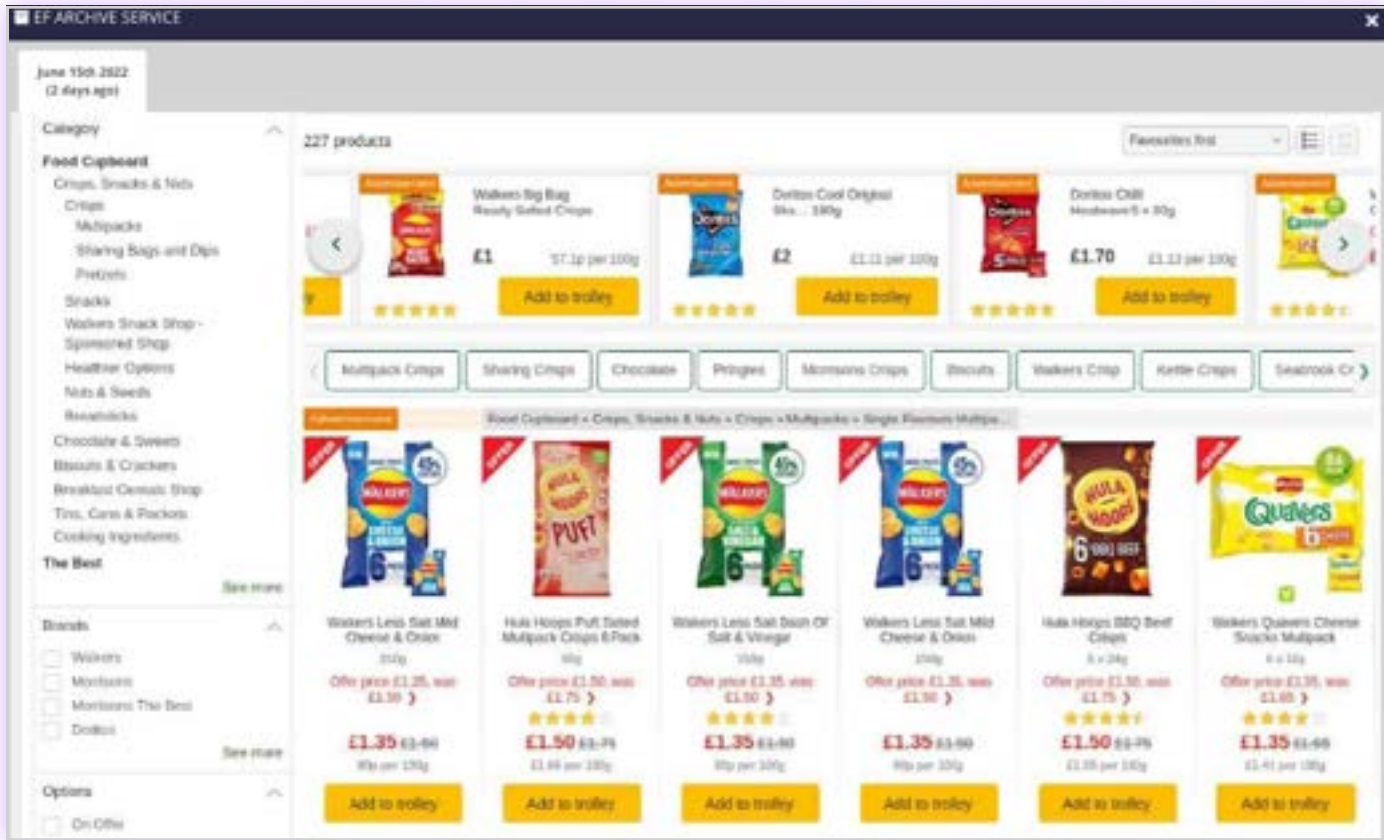
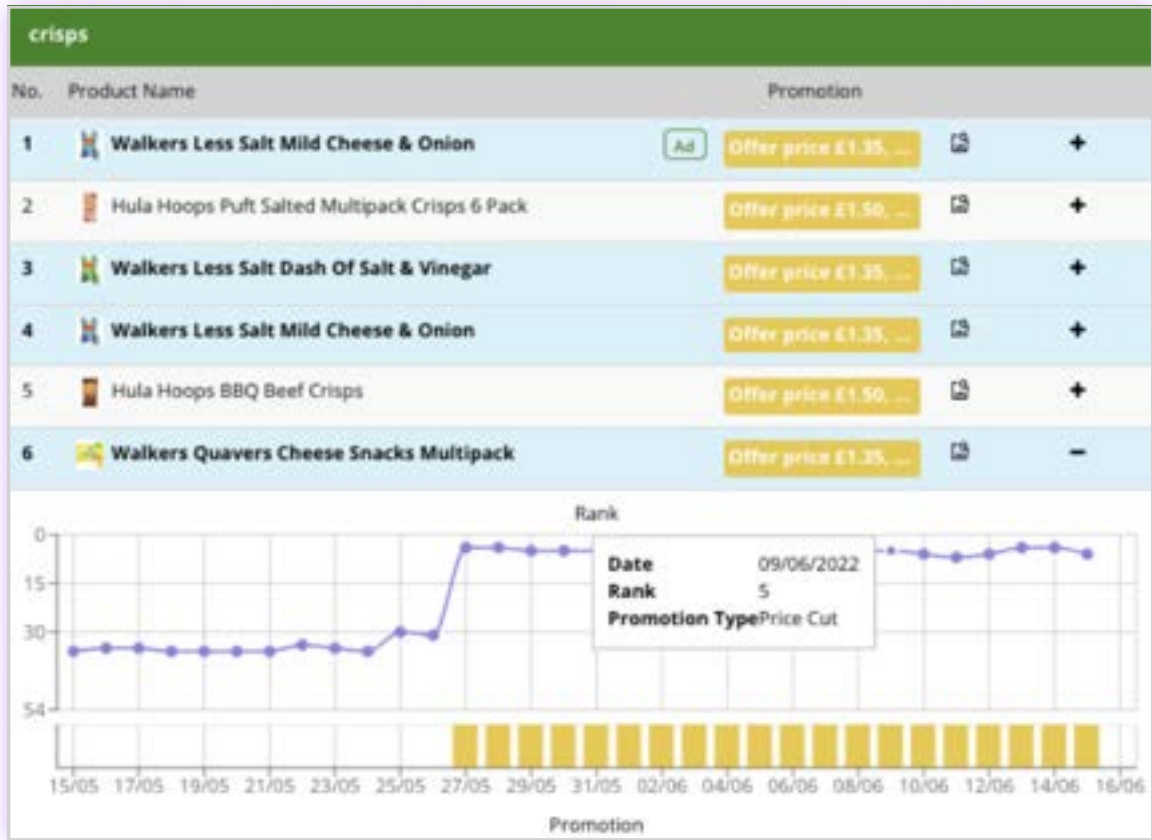
According to Statista, nearly 90% of US online grocery shoppers say they use their order history to reorder items they've bought in the past. This means you've not only lost sales at that one particular point in time – you'll be losing future sales as well.

4.2. Use case: Search visibility

Monitoring the impact of your activations on visibility

To understand if your promotions are a factor in your availability challenges, our platform lets you track when promotions ran. You can then overlay this with past and current availability data from across all of your retailers.

What’s more: Availability insights are automated allowing your teams to mitigate risks at scale, preventing promotions driving OOS. Waving goodbye to manually tracking these data points means teams can focus on optimizing strategies.



5. An integrated approach to trade spend optimization

The single biggest gap we see is the lack of an integrated approach to strategically optimize trade spend.

Digital shelf optimization can flag up lots of opportunities for optimizing trade spend and improving unit economics but acting on them requires joint-up thinking.

The users of our platform typically sit across ecommerce, category and sales teams. But a few consumer brands are starting to encourage their revenue management teams to make use of the data we provide. While some decisions around activations are made in separate teams, they are based on the same ecosystem. So the challenge is to ensure that teams are not cannibalizing each other and decisions are made in a cohesive and non-siloed way.

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As often in consumer brands, the biggest opportunity is not having more data – it's making sure the right people have access to the right data to help them drive the right strategies and choices.

Jo Campbell
Senior VP Digital Shelf
Solutions, CommerceIQ



6. Summary

With cost pressures only expected to grow, now's the time for brands to empower their teams with actionable insights.

Instead of wasting a staggering 35-40% of trade spend, we explored how smart CPGs use strategic revenue management practices to optimize their trade spend.

To get the most out of their budgets and drive category value profitably, we discussed:

1. Are you getting what you're paying for?
2. How do you stay competitive profitably
3. The impact of activations on availability and search
4. Why CPGs need an integrated approach to strategic trade spend optimization

Equipped with the right tools, world-leading consumer brands create a competitive advantage that enables them to maximize their spend and the impact trade promotions have on their sales and profitability online.

Tasked to manage trade spend smarter and do less with more, those brands that take the leap to invest in leading-edge technology will win.



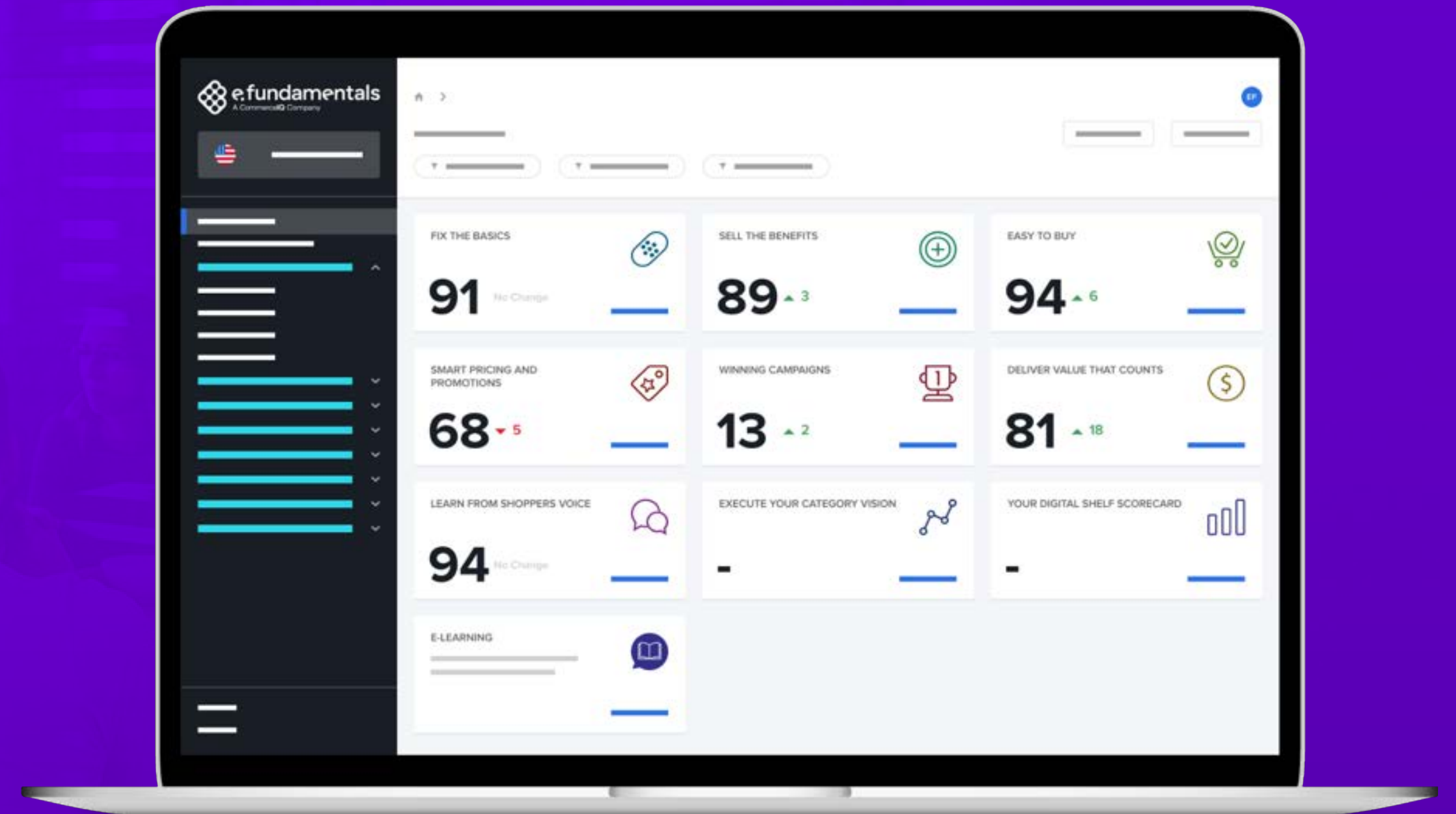
We help you win

It's time consumer brands leverage leading-edge technology to boost online sales and profitability.

Digital Shelf Optimization by CommerceIQ helps brands drive profitability by creating best-in-class content through generative AI, identifying store-level availability gaps, and prioritizing assortment needs across store and ecommerce channels.

With access to full-category insights from over 700+ retailers and quick commerce channels worldwide, unmatched data transparency and advanced actionability savvy-spending brands will be able to build their market share at scale.

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