

RELIANCE BAKING SODA- OPTIMIZING PROMOTIONAL SPENDING

Group 14

Rupa Murudkar

Stuti Anand

Suraj Dash

Shwetank Dixit

Sophie Bendetowicz

STRENGTHS & WEAKNESSES OF RBS



Market Leader

A cash cow in Stewart's household division

Targeted a wide audience due to its multi-functional utility

High brand recall in product category

High distribution penetration



Increasing threat of private label brands - had lost a market share of 5% in the last decade

Relatively low advertising recall of the brand

Needed a lot of push marketing to stimulate trade interest

EFFECTIVENESS OF CONSUMER PROMOTION

Month, 2006	Budget Allocated to RBS	Net Incremental Contribution	Return on Investment in Consumer Promotion activities
January	398,580	63,852	16.02%
April	174,643	22,785	13.05%
June	253,390	50,615	19.98%
September	253,390	60,820	24.00%
Total	1,080,003	198,072	18.34%

- Consumer promotion in September were more effective than any other consumer promotion done by RBS as ROI is 24% which is highest
- June and September months had same budget for promotion, but September consumer promotion provided better net incremental contribution for RBS
- September consumer promotion: \$1.5 refund offer for a proof of purchase from advertisement featuring RBS and two other household division brands
- Thus, refund offers are more effective for RBS as compared to twin pack refund offer in June. So, the proportions can be adjusted accordingly.

EFFECTIVENESS OF TRADE PROMOTION

Case Size	2007 Manufacture selling price (\$ per case)	2007 Suggested retail price (\$ per box)	2007 Actual retail price (\$ per box)	2007 Retailer revenue (\$ per case)*	2007 Retailer profit (\$ per case)	2007 Sales (in cases)	2007 Retailer overall profit (\$)
8 oz.	7.2	1	0.9	10.8	3.6	714,000	2,570,400
1 lb.	12.02	1.67	1.503	18.036	6.016	1,226,000	7,375,616
5 lb.	54.28	7.54	6.786	81.432	27.152	648,000	17,594,496

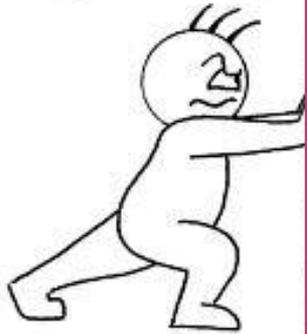
Case Size	2007 Manufacture selling price(\$ per case)	2007 Manufacture variable manufacturing cost(\$ per case)	2007 Manufacture profit(\$ per case)	2007 Sales (in cases)	2007 Manufacturere overall profit (\$)
8 oz.	7.2	3.05	4.15	714,000	2,963,100
1 lb.	12.02	5.03	6.99	1,226,000	8,569,740
5 lb.	54.28	22.34	31.94	648,000	20,697,120

* 1 case =12 boxes

EFFECTIVENESS OF TRADE PROMOTION

- ◉ As per exhibit 9, Trade promotion during May-June resulted in \$215,729 incremental contribution. on other hand, consumer promotion during same time yielded incremental contribution of only \$ 50,615.
- ◉ Consumer promotion was given on 1lb. case which is a higher selling product and gave higher margin(\$6.99 per case) to manufacturer, but lesser contribution indicated lower sales volume. Hence, consumer promotion are lesser effective.
- ◉ During same time trade promotion on 8 oz. case, provided higher sales volumes even though it did not have higher margins(\$ 4.15 per case)

PUSH VS. PULL



Helps in generating sales and increasing the topline of the company
Stimulates dealer and channel involvement
Main objective is to create an immediate sale and not to create product involvement
Optimal for product categories with low brand loyalty & low differentiation like baking soda

It lures customers from competitor's products' by differentiated positioning & consumer promotions
In a low involvement product category it helps to attract the price sensitive consumer
Builds up consumer demand even though it is a low involvement product



The optimal strategy in a low involvement category would be an optimal mix of both push and pull advertising, which ensures that the retailers push your products over competitor's products and at the same time the customer's prefer your products over that of the competitors'

INCREASING EFFECTIVENESS OF PROMOTIONS (1/2)

- ◉ Trade promotions and consumer promotions should not go together because of the following reasons:
 - Retailer may get the chance to jack up their profits by increasing the price when both trade and consumer promotions are in place. This will have the following repercussions:
 - Possibility of losing on many price-sensitive customers- Volume will take a hit
 - Promotes the retailer to enjoy double benefits which are neither passed on to RBS nor to the consumers
 - Contributes to too much variation in the price of the products which doesn't allow reference prices to be formed in consumer's mind (Refer Point 7 in Exhibit 3)
 - Illustration:
 - During the month of January in 2006, both consumer and trade promotions happened simultaneously
 - Retailers exploited this opportunity and raised the prices of the products

INCREASING EFFECTIVENESS OF PROMOTIONS (2/2)

- Gap between trade promotions should be higher
 - Illustration:
 - During the trade promotion on the 8 oz. box in October, 2006 (after 15 days from the previous promotion), even after offering a better trade discount from the previous offer the incremental contribution declined (negative)
- Successive trade promotions for the same size of the product should not be carried out
 - Illustration:
 - During the trade promotion on the 5lb. box in April, 2006 (after trade promotions offered on all box sizes previously), even after offering a better trade discount from the previous offer the incremental contribution declined to less than half

RECOMMENDATIONS TO ACHIEVE 2008 TARGETS

- Increase the proportion of trade promotions (by 10%) and cut down the consumer promotions (by 25%)
 - Trade promotions found to be more value adding as compared to consumer promotions
- Reduce the cost of TV advertising (35%) and increase the cost of print advertising by 10%
 - RBS is not getting much advertising and merchandising support in exchange for trade promotions anyways
 - Effective consumer promotions involve the use of coupons which can be cut off from the magazines
 - In long run, they may increase the TV ad spending when they sort out the suspect creative issues with the ad agency. This will then increase the already low advertising recall.

THANK YOU