

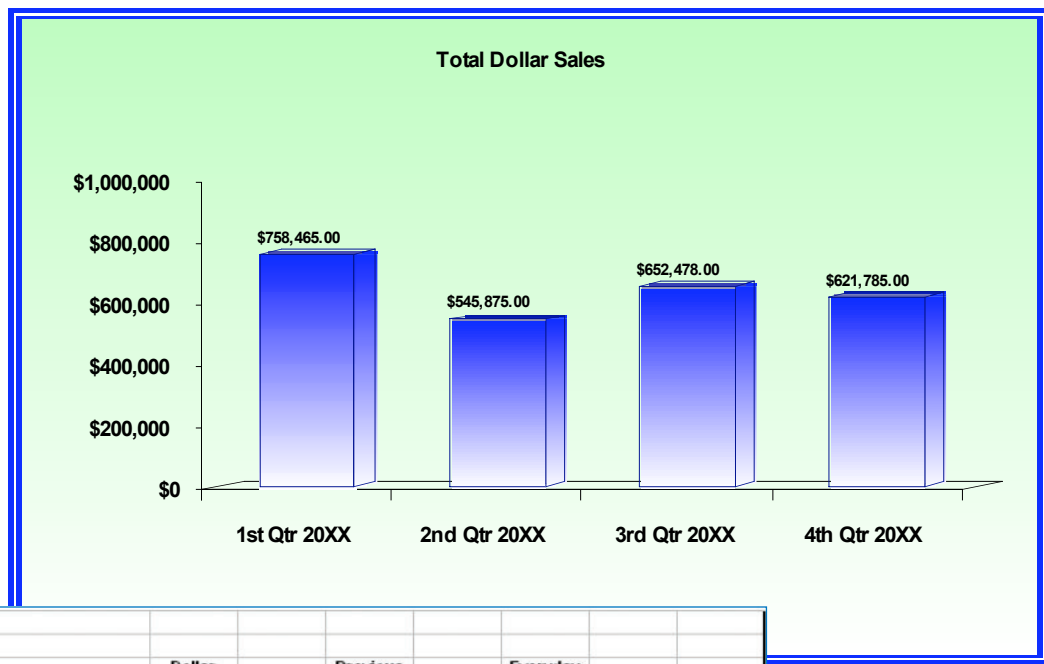


Consulting Services



Case Study: Creating analytical solutions that drive business results

A major CPG manufacturer was facing escalating margin expansion on their best selling brands with a handful of its top-tier trading partners. These price increases were occurring on their brands while competitive SKUs maintained their current margin levels. The manufacturer was well aware that sales were softening but didn't know how to address the issue.



RETAILER A 4 WE 06/21/XX							
	Dollar Sales Rank	Retailer Cost	Everyday Price	Previous Margin	Everyday Price Increase	New Margin	Margin Gained
BITS CHICKEN 4 OZ - 12345199931	1	\$1.29	\$1.49	49%	\$1.69	69%	20%
BITS LIVER 4 OZ - 12345199930	2	\$1.49	\$1.69	69%	\$1.89	89%	20%
BITS SEAFOOD 4 OZ - 12345199932	3	\$1.22	\$1.45	45%	\$1.55	55%	10%
NIP SALMON 5 OZ - 12345106107	4	\$1.15	\$1.22	22%	\$1.48	48%	26%
CHEEDAR CHEESE 2.25 OZ - 12345106114	5	\$1.12	\$1.49	49%	\$1.68	68%	19%
CHICKEN 3 OZ - 12345106112	6	\$0.95	\$1.00	0%	\$1.25	25%	25%
SALMON 2.25 OZ - 12345106113	7	\$1.12	\$1.15	15%	\$1.28	28%	13%
CHICKEN 5 OZ - 12345110700	8	\$1.29	\$1.39	39%	\$1.47	47%	8%
CHICKEN NIPS 3 OZ - 54321044454	9	\$1.49	\$1.59	59%	\$1.59	59%	0%
SALMON NIPS 3 OZ - 54321044455	10	\$1.22	\$1.40	40%	\$1.40	40%	0%
SHRIMP& SALMON 3 OZ - 54321044400	11	\$1.15	\$1.22	22%	\$1.22	22%	0%

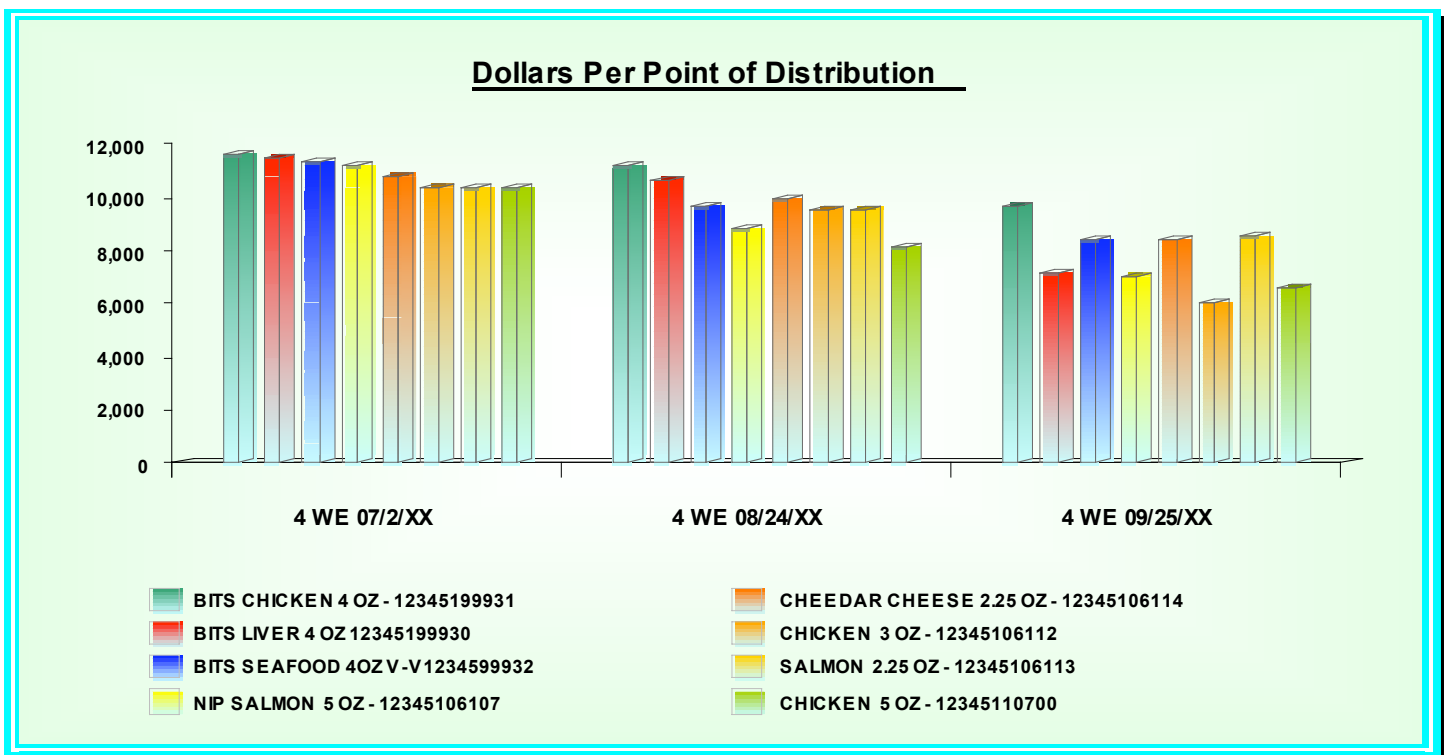
This table shows the actual margin increases on the manufacturer's top selling SKUs (vendor code 12345). As you can see, competitive SKUs were left unchanged.

As the actual margin increased on the manufacturer's top selling SKUs, competitive SKUs were left unchanged. The Kenosia Consulting team suggested the creation of an analysis which would demonstrate to the retailer that, while they increased margin on top selling SKUs (short term gain), turn rates were being affected negatively (long term loss).

The solution incorporated a monthly scorecard that monitored the ‘turn rate’ (rate at which the product is selling based upon the level of ACV Weighted Distribution the SKU has). As you can see from the table below, turn rates were dropping on the retailers top selling SKUs!

RETAILER A	4 WE 07/24/XX			4 WE 08/24/XX			4 WE 09/24/XX		
	Dollars	ACV	Dollars/Pt. Distr.	Dollars	ACV	Dollars/Pt. Distr.	Dollars	ACV	Dollars/Pt. Distr.
BITS CHICKEN 4 OZ - 12345199931	1,155,787	100	\$11,558	1,002,548	90	\$11,139	758,465	78	\$9,724
BITS LIVER 4 OZ - 12345199930	1,148,785	100	\$11,488	875,812	82	\$10,681	545,875	77	\$7,089
BITS SEAFOOD 4 OZ - 12345199932	1,127,464	100	\$11,275	825,945	86	\$9,604	652,478	78	\$8,365
NIP SALMON 5 OZ - 12345106107	1,114,787	100	\$11,148	774,652	88	\$8,803	526,874	75	\$7,025
CHEEDAR CHEESE 2.25 OZ - 12345106114	1,025,782	95	\$10,798	812,458	82	\$9,908	621,785	74	\$8,403
CHICKEN 3 OZ - 12345106112	985,145	95	\$10,370	775,139	81	\$9,570	445,874	74	\$6,025
SALMON 2.25 OZ - 12345106113	875,142	85	\$10,296	746,859	78	\$9,575	554,125	65	\$8,525
CHICKEN 5 OZ - 12345110700	775,125	75	\$10,335	523,987	65	\$8,061	345,120	52	\$6,637

The Kenosia Consulting team then charted these diminishing values and created compelling stories that supported margin compression for the manufacturer’s brand.



The retailer hadn’t taken into account that these were extremely high loyalty brands. Changing the selling price on the top selling brands forced the consumer to purchase the product elsewhere. So, for the long-term, the retailer was actually eroding bottom line sales. By combining disparate data sources, the manufacturer did not have to rely upon syndicated sales data alone. The net result was a margin compression on the manufacturer’s key brands and margin expansion on slower-moving competitive SKUs.

To find out how we can help your organization expand its ability to leverage its data investment, contact Kenosia Consulting Services at 203.730.8800 or email services@kenosia.com.