gfknewron Predict Mitigates Risks With Technology That Forecasts Market Changes And Scenario Plans And Validates Tactics And Strategies

gfknewron Predict is one of the three core propositions within the gfknewron platform that uses an AI-led and data-driven approach to forecasting market changes and scenario modelling and validating tactics and strategies to make faster and more informed decisions.

Prior to gfknewron Predict, customers talked about not having enough insights or granularity in their market intelligence to be able to make sound pricing and promotion-related decisions. This often led to suboptimal pricing strategies and costly promotional events that did not bring expected results. They also lacked a comprehensive view across all their channels, making it harder to track performance and adjust their channel assortments and pricing and stock allocations in response to rapidly changing customer needs and buying behavior.

As a result, the interviewees that Forrester spoke with sought a solution that gave them a single connected and granular view across all their channels of what their customers were buying to be able to rapidly adjust their pricing and promotion strategy across all marketing touchpoints to achieve higher conversion efficiency and optimal stock allocations.

To better understand the benefits, costs, and risks associated with gfknewron Predict, GfK commissioned Forrester Consulting to interview five representatives and conduct a Total Economic Impact™ (TEI) study.

This abstract will focus on the use of gfknewron Predict and its value to organizations. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results

ROI
345%

NPV
$3.76M

into a single composite organization that is a regional setup of a big global, multibillion-dollar B2C brand with 2 million customers and revenue of $500 million per year.

INVESTMENT DRIVERS

The interviewees' organizations adopted gfknewron Predict to optimize pricing and stock allocation to achieve sales uplift through data-driven price simulations. These organizations struggled with several challenges in their legacy environments, including:

- **Insufficient frequency and granularity of data across channels.** Organizations did not have the depth and granularity of market data and were unable to monitor performance across all categories or channels.

- **No forecasting data was available to enable informed decision-making.** In the absence of any data-driven predictive modeling analysis, the interviewees found it challenging to align their

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pricing and promotion campaigns to customers' buying trends. Instead, they often had to rely on guesswork, resulting in failed promotions and high percentage of unsold stock/inventory.

- **No ability to perform price sensitivity analysis.** The interviewees highlighted how their legacy solutions did not allow them to perform price sensitivity analysis in a simulated environment. This led to ad hoc and often costly pricing adjustments and lost revenue especially during critical sales and promotion events.

GFKNEWRON PREDICT FEATURES

The interviewees' organizations chose to invest in gfknewron Predict for the following reasons:

- **Pricing and portfolio management.** gfknewron Predict provides up-to-date sales insights and data-driven market intelligence in a single connected view across all of their product categories and channels. This allows organizations to rapidly view and adjust pricing, channel mixes, and promotion strategy across all marketing touchpoints. As the group manager for market and shopper insights at a domestic appliances firm said, "gfknewron provides a single connected view across all our channels, allowing us to very quickly assess performance and fine-tune our pricing strategy."

- **Intelligent market simulation analysis.** gfknewron Predict allows organizations to simulate promotions even before they happen, thereby helping them plan and optimize promotions across segments and brands. Organizations are able to see the impact of the proposed price change on the sales and what it means from a brand perspective and make necessary amendments and fine-tune their price and promotion strategy in advance

- **Advanced segment level forecasting.** gfknewron Predict enables additional benefits through technology that forecasts market

changes and scenario plans and validates strategies before bringing them to market.

> **"gfknewron Predict has been instrumental in achieving a 20% sales uplift and 10% reduction in unsold stock, thereby improving operational performance at a store level"**
>
> *Marketing specialist, consumer electronics*

KEY RESULTS

Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

Improved profitability through avoided promotions. gfknewron Predict allows the composite organization to perform a simulated price elasticity analysis across its product categories and get a temporary price reduction (TPR) score; this helps decision-makers understand the impact of changing the price especially during promotional events. Both the analysis and use of TPR scores helps the composite organization model and validate their pricing strategy without any risk and avoid revenue erosion through unnecessary promotions.

With an average of four promotional events spread across the year, the composite organization realizes savings of at least $425,000 over a three-year period.

Interviewees shared the following:

- "In the small refrigeration category, we have a 60% market share. So, using the price sensitivity analysis of gfknewron Predict, we were able to avoid a 6%-8% price promotion on a base price of R$1,250 [Brazilian Real], which would have hurt our top-line revenue target for the year."

- "In the cooking product range, we achieved a 21% increase in sales — 1 [stock keeping unit]

equates to an average price of R$2,750 [Brazilian Real], which was close to the forecasted sales volumes from gfknewron Predict based on early detection of market trends and customer buying behavior. This is something we wouldn't have been able to forecast and would have lost the opportunity to uplift market share and brand equity."

- "Since we are primarily a volume business in a highly competitive market which is extremely price sensitive, gfknewron Predict helps predict sales volumes based on actual buying trends and demographics, which is a lifeline for us especially during critical sales periods. In the last Black Friday event, we achieved a sales uplift of nearly 20%, [which was an] uplift of around 2.5K units by volume and helped reduce unsold stock by at least 10% through smart allocation of SKUs across all our stores. This was very close to the predicted volumes from the tool."

Incremental profit from using gfknewron Predict for pricing and portfolio management. gfknewron Predict allows the composite organization to monitor the performance of its products at a granular level across all categories and channels, so they can rapidly adapt their tactics (e.g., pricing strategy, channel mixes, and store allocations) in response to competition moves and changing consumer behaviors.

The ability to create tailored marketing campaigns and promotions based on customer profiles and demographics, results in an incremental benefit of over $1.1 million over a three-year period.

Interviewees shared the following:

- "With gfknewron Predict, we now have the ability to track and measure revenue premium per category on a granular level, something that was impossible previously. We rely extensively on gfknewron Predict to track promotion success, check competitor performance, and test our price

and promotion strategy before implementing live in the market."

- "We never had this level of visibility of performance across all our brands and channels in one place. We have now come to trust the recommendations coming straight out of the tool enough to plan our pricing and promotion strategy based on these recommendations and refine our portfolio assortments and marketing communications. And it doesn't feel like guesswork anymore."

TOTAL ECONOMIC IMPACT ANALYSIS

For more information, download the full study: "The Total Economic Impact™ Of gfknewron," a commissioned study conducted by Forrester Consulting on behalf of GfK, October 2022.

STUDY FINDINGS

Forrester interviewed five representatives at organizations with experience using gfknewron and combined the results into a three-year composite organization financial analysis. Risk-adjusted present value (PV) quantified benefits for the composite organization include:

- Over $829,000 in operational savings through reduction in manual data collection, assimilation, and interpretation.

- Improved profitability through avoided promotions worth $425,000.

- Incremental benefit of over $1.1 million achieved through tailored marketing campaigns and optimizing pricing strategy.

Return on investment (ROI)

345%

Net present value (NPV)

$3.76M

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