POLESTAR

Food and Beverage

Trade Promotion for a Global Beverage Leader

Problem Statement

The world's second-largest wine & spirits company, faced the challenge of maximizing return on investment (ROI) from their promotion spend. With a vast array of promotional strategies, it was difficult to determine the optimal allocation of resources and identify the most effective combinations for different SKUs and target audiences.

They wanted a granular TPO optimizer that could recommend promotions on a store and a SKU level, with over 10,264 stores and more that 175 SKUs.

The previous system lacked the flexibility required for optimal TPO, as it failed to consider factors such as seasonality, store inventory levels, company margins, and secondary sales figures.

Solution Overview

- We focused on geographic targeting and SKU-level optimization. By analyzing **sales data** and **consumer preferences** across different geographies, we identified **high-potential markets** for our core products.
- Additionally, we conducted **SKU-level analysis** to determine which products were **most responsive to trade promotions.**
- This enabled us to allocate trade promotion funds more efficiently and push our products effectively through various channels, **including retail stores, online marketplaces, and their own DTC platform.**

Data Collection and Preparation
Consolidated historical data on promotional activities, sales performance, market trends, and customer demographics.

Feature Engineering
Relevant features were extracted from the data, including ad spend, promotional channels, product categories, target demographics, and external factors like economic indicators.

Model Development and Training
An Elastic Net Regression model was developed and trained on the prepared dataset. This model could identify complex relationships between promotional activities & their impact on sales.

Model Evaluation and Refinement
The model's performance was evaluated using appropriate metrics, such as mean squared error (MSE) or R-squared. The model was iteratively refined based on the evaluation results.

Model Deployment and Integration
The trained model was deployed into their existing systems, allowing for real-time predictions and recommendations.

Business Impact

Improved Business Outcomes:

Sales Uplift	→	3% Increase
Improved Trade Promo ROI	→	Increased by 8.4%
Promotional Effectiveness	→	Increased by 25%
Expanded Shelf Space	→	2-5% increase

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