

# Food Promotions – Guidance for Retailers

How to develop food promotions that will not contribute to increased food waste

## Purpose of Guidance

### Why this guidance is required

- Over one-third of food sold in the UK is on promotion: promotional sales in grocery are worth over £28bn.
- The proportion of products on promotion varies by category, with some dairy products reaching around 60%.
- Improved promotion design can help ensure that consumers make the most of the food they buy thereby helping to reduce household food waste, so a whole-chain approach is required to promotion planning and evaluation.
- IGD report that 58% of shoppers claim to be buying more on promotion since the start of 2012.

### What this guidance provides

- Practical steps for preventing waste for each of the main stages in the promotion planning process.
- Identification of potential savings, including the cost of waste disposal and the lost resources that have been used, valued at £1,200 per tonne of waste prevented at the retailer stage.
- New knowledge, based on best practice across the grocery sector.
- Potential for better service levels, including on-shelf availability, and lower residual stocks.
- Potential for more effective collaboration with suppliers.

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## How to use this guidance

Promotions are run for a variety of reasons generally concerned with market share or generating footfall. Some retail promotions address production surpluses, but typically waste prevention is not an objective for promotions.

These notes are aimed at retail teams responsible for developing and executing promotion programmes. They have been derived from research undertaken primarily in the produce and dairy categories, based on 37 interviews with retailers and manufacturers across six supply chains, but have wider applicability.

Below are our guiding principles on waste prevention for promotions. In the guidance that follows, we have focused on the main causes of waste during each stage of a promotion: process; forecasts; choice of mechanic; supply chain; and in-store. For each, there are some practical suggestions to prevent waste arising. Finally there are some next steps for retailers.

We recognise that the suggestions will not be practical in all cases, and may be 'business as usual' for others, but we hope this guidance provides, in a convenient form, some practical actions from the evidence gathered that retailers will find helpful in preventing waste.

### Guiding Principles

1. Build waste prevention into promotion-planning and introduce waste arising as an evaluation metric for all promotions
2. Develop and adopt standard operating practices that include actions to reduce waste for all promotions
3. Collaborate and communicate on waste prevention with supply chain partners at all stages in promotion management
4. Review your promotions mechanics as a 'BOGOF' type promotion could potentially cause more waste in the supply chain than other promotion mechanics
5. Avoid promotion specific material, for example packaging, as this limits the potential for re-work



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## Process

### Issues

While the majority of promotions are planned in advance with suppliers, our research indicated:

- Some promotions and/or price changes are made 'last minute' because retailers are pressing for market share or suppliers have an excess of production they want to market. Inevitably this means rushed decisions and potentially increased waste;
- Many promotions do not have documented 'standard operating practices' defined at a sufficient level of detail to avoid waste and other difficulties during the execution of the promotion;
- High-level ownership and strong communications, essential for effective promotion execution, can sometimes be lacking;
- Certain stages in promotion planning will drive more waste than others and these drivers were not being identified or well understood;
- The true cost of a promotion (see Notes for an explanation) is not always identified or used to evaluate the outcome of a promotion; and
- Rigid structures and a lack of flexibility to promotions-planning can result in missed opportunities and generate waste.

### Potential Solutions

- Produce Standard Operating Practices (SOPs) for all promotions which identify waste prevention as a requirement for the promotion. Share SOPs with all parties to the promotion which include: agreed protocols on waste prevention and on the handling of late changes and delays; and contingencies to deal with residual stocks;
- Value stream map the promotions process to identify the main drivers of waste and use the results to change the SOPs;
- Agree 'lock down' dates at the outset after which no changes will be made to the promotion process by either party;
- Start promotion planning at least 12 months out, depending on product category and product cycle times;
- Promotional efficiency cannot be measured solely by the ratio of trade funds to revenue. Factor in the true cost of a promotion, which includes the value of waste arising, at the end of promotions; and
- Evaluate the effectiveness and impact of a promotion against planned objectives and forecasts (for both retailer and supplier) - including waste prevention – as part of the post promotions-planning process.

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## Forecasts

### Issues

Our research indicated that forecasting can be far more difficult for promotions, because of the increased uncertainty over how consumers respond, particularly for new product launches on promotion.

Our research indicated:

- Best practice in forecast methodology was not always being deployed;
- There can be multiple forecasts, sometimes within the same organisation, but also between retailers and suppliers;
- Suppliers are packing to forecast, which may then have to be re-worked - when small adjustments to the timing of orders could enable them to plan better;
- Promotions can go wrong and create waste, because weather events can significantly impact on the outcomes; and
- 'Off-system' manual adjustments to orders are being made which can amplify demand signals such that deliveries to stores do not reflect genuine consumer demand - resulting in waste.

### Potential Solutions

- Agree a single forecast, established at the beginning of the promotions plan, which is communicated and signed up to by all elements of the supply chain – the 'collaboration, planning, forecasting, replenishment' (CPFR) method represents good practice (see Notes);
- Use historic, actual and forecast weather data that can be obtained from the Met Office and others for a range of sites in the UK combined with their weather forecasting expertise, to help forecast sales;
- Align and agree forecasts with suppliers ensuring that both parties are agreed regarding the promotion mechanic, marketing campaigns and likely volumes; and
- Apply best technical practice: for example, store-based forecasting could be more likely to deliver accurate data because it allows for demographic factors to influence outcomes. Advice can also be obtained from expert bodies (see Notes).

### Tesco – integrating promotions into forecasts

*'Tesco added a shelf promotion /feature space field to their promotion forecasts. This enabled the Promotion & Events Manager to check that the type of space allocated to the promotion was loaded into the forecast. For example shelf promotions deliver a particular uplift to sales and adding this to the promotion forecast enables the correct stock to be ordered.'*

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## Promotion mechanic

### Issues

We found that waste levels from promotions maybe influenced, to a limited extent, by the choice of promotion mechanic.

- Our research showed that over half of all promotional sales were temporary price reductions (TPR) while just over 30% were 'x' for 'y'. Confidential data shows these types of promotion can generate a lower proportion of waste for retailers (compared with their respective proportion of sales) compared with 'BOGOF' type promotions; and
- Clear and well-defined promotion mechanics are essential in order that the consumer understands the promotion. While guidance from the Office of Fair Trading (OFT) has established a set of principles in respect to pricing, some promotions and their messaging confuse the consumer and can result in waste.

### Potential solutions

- Promotional sales increases (elasticity) will vary depending on product, as will the impact on waste. Reviewing data gained post promotion will help retailers navigate away from using promotion mechanics on likely victim lines and ensure that promotions are conducted on favourable lines using an effective promotion mechanic;
- Providing 'money-off' vouchers targeted using loyalty card data can help avoid demand spikes associated with category-specific promotions thereby reducing variability; and
- Consider TPR and 'x' for 'y' type promotions with a view to switching in favour of these promotion mechanics.

*'Many shoppers expect certain promotions to either return regularly, rotate with other similar promotions, evolve as a variation on a theme, or remain as permanent fixtures..... these expectations could increasingly undermine the effectiveness of promotions.'*

IGD Shopper Insight

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## In-store

### Issues

We found that the location and positioning of a promotion 'in-store' has a significant impact on its take-up and hence level of waste generated. Our research also showed:

- Late or unplanned promotions can impact across the category - reducing sales of non-promoted items, such that the value of the category does not grow;
- Waste can be created for the supplier if the retailer decides to change the gondola end on which the promotion will sit or alters (at a store level) where a product is placed on promotion, as it can affect how much is sold;
- Produce items can be moved in store from chilling to ambient displays when on promotion, causing greater likelihood of deterioration and waste;
- When stock is 'run down' at the end of a promotion, good stock management will help avoid mixing non-promoted and promoted product and enable further mark downs of promoted product to minimise any residual stocks; and
- Mark-down policies are not being fully adhered to in-store, thereby potentially leading to increased waste.

### Potential Solutions

- Early discussions between suppliers and the retailer should include where and how the product should be positioned in store. This should be agreed at the outset and reviewed as part of the promotional planning meetings;
- From a waste prevention viewpoint, considerations such as location in-store, rotation of stock and the amount of space in store should be addressed along with refrigeration, to ensure the optimum results from a promotion;
- Using 'daily data of real-time sales' against promotion targets can minimise the potential for waste;
- Storage of products on promotion should be considered – especially when products require refrigeration; and
- Staff training and empowerment through 'code checking and markdown policy' management can have a significant impact on reducing waste.

### Sainsbury's

*Sainsbury's encouraged colleagues to be aware of food that was being disposed of, by regular reviews and by nominating an individual within the estate to provide weekly reports on how much food had been disposed to bins. This 'sin to bin' initiative refocused effort on date codes and price reduction strategies.*

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## Supply Chain

### Issues

The supply chain is critical to minimising waste from promotions because our research indicated:

- Examples of poor communication with suppliers, which led to the wrong products being promoted and underperformance of another product not on promotion causing waste;
- Unplanned transport of goods and poor storage including chilling - resulting in damage and waste;
- Unplanned or short notice changes to promotions which have a considerable impact on production scheduling, labour, costs, and waste;
- Time of year and season of product (particularly when supply is switching hemispheres or countries), can have a considerable impact on product quality and waste;
- A tendency to use promotion-specific packaging and labels, which, if incorrectly forecast, will be wasted on completion of the promotion; and
- Examples where 'use by' dates were on pack when 'best before' dates were more appropriate - potentially leading to unnecessary household waste. 'Display until' dates are also still being used. In both cases there are own label and brand examples (see Notes).

### Potential Solutions

- Promotion-specific labels / packs should be avoided;
- Market-standard packaging (for example 500g punnets) should be used to ensure consistency across the market and provide flexibility within the supply chain, should products need to be redirected to alternative markets;
- Plan promotions with the supply chain to consider the chill chain, to reduce further deterioration of products (particularly Fresh Produce) which are repeatedly on promotion (e.g. grapes);
- Allowing suppliers to book time at retail depots will improve delivery schedules and communication. Distribution plans can be jointly reviewed between suppliers and retailers ensuring that stock is managed;
- Locking down orders will help alleviate pressures within the supply chain particularly for days 1 and 2 of a promotion;
- Conduct market analysis to understand the impact on product sales from individual promotions, for example which products are elastic and inelastic. Focus on those products which respond to price reductions and that bring new customers and drive volume; and
- Minimum Life on Receipt (MLOR) flexing should be practised (subject to safety and quality considerations) during the execution of the promotion.

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## Next steps for retailers

Consider the following opportunities:

- Use a waste prevention KPI in all promotions. The cost of waste is not just the disposal cost but the cost of the ingredients and resources, such as labour, that have been used.
- Agree and adopt a single promotion forecast between all parts of the supply chain and commit to this at the outset.
- Challenge the use of promotion-specific packaging.
- Use the Collaborative Planning Forecasting Replenishment (CPFR) methodology developed by the Voluntary Inter-industry Commerce Standards (VICS) association or its equivalent.
- Our weather is becoming increasingly volatile, it can also be critical to the success or otherwise of the promotion, so use the best available real-time weather data for promotion forecasting.
- For special promotions, target products where waste does not increase during the promotion and where impacts on victim lines are minimised.
- Engage shoppers at point of sale to encourage them to store the food they buy on promotion properly at home. This is particularly important for volume promotions. Highlighting what can be frozen on-pack and providing freezing tips at the shelf edge will help ensure that consumers get real value from promotions.

*"Despite the apparent fertile conditions for promotions and offers, our ShopperVista research suggests that many are finding it difficult to cut through levels of in-store promotional noise, with many promotions proving to be a distraction."*

IGD (2013) Price, Promotions and Value: 5 Winning Strategies

### Asda

*Through our Faster Fresh project, we've cut the time food spends in storage and transport. This gives fresh food products longer shelf and fridge life. Across chilled products the project has resulted in 14,148 days of additional shelf-life for customers.*

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## Notes

### Background

The research that underpins these guidance notes was conducted during 2012/13. The research was focussed on the produce and dairy categories but we believe the results have more general applicability. A full report of this research is available [ ] Preventing waste through good promotions management, WRAP (2014). This Guidance Note is based on that research together with a review of relevant trade and other literature.

The data for this analysis are sourced from Kantar Worldpanel.

### Process

Evidence can also be found in: 'What's a good promotion' by the Promax Applications Group (Kamcity)

The true cost of waste in a promotion includes the actual costs of the marketing, the loss of sales on victim lines, the cost of residual stock disposal and the cost of waste (not just its disposal cost but the cost of all the ingredients, energy, water and labour).

### Forecasting

IGD report on demand planning and forecasting methodologies from time to time.

Professor Robert Fildes, Lancaster University Management School is developing sophisticated forecasting methods for food products.

### Supply Chain

WRAP's retail survey <http://www.wrap.org.uk/content/helping-consumers-reduce-food-waste-retail-survey-2011> published in 2012 demonstrated that the use of 'display until' dates has fallen dramatically with less than a third of surveyed products carrying this, and no 'sell by' dates were found on any of the products.

### Generic Issues

Professor Andrew Fearne at Kent Business School has used Tesco club-card data for analysing the impact of promotions on households. Several studies are available from the Business School: <http://kar.kent.ac.uk/28623/>

### Next steps

Information on the CPFR model can be found at: <https://www.bisg.org/docs/VICS-CPFR.pdf>

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For more information, visit [www.wrap.org.uk/waste-prevention](http://www.wrap.org.uk/waste-prevention)

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