Stopping the Bleed:

How Retailers Can Reduce Promotions Margin Leakage

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Executive Summary

Promotions are essential to retail growth, but many retailers still manage them as disconnected events—relying on historical calendars, fragmented information and processes that make it difficult to determine whether an offer is creating value. This e-book presents a practical, end-to-end approach to reducing promotional margin leakage by connecting planning, execution, supplier collaboration and post-promotion recovery. It shows retailers how to replace habitual decisions with evidence-based choices, improve the return on trade spend and build a more disciplined promotional operation.

Read on to learn how retailers are recovering lost promotions margin by:

Diagnosing where leakage occurs. Assess promotional offers, category dynamics, data quality, vendor-fund controls, brand mix and cross-functional workflows to identify where value is being lost.

Evaluating promotions as connected business decisions. Bring promotion, pricing, cost and vendor-funding considerations together before committing to an offer.

Measuring performance across the promotion lifecycle. Compare expected and actual results before, during and after execution so teams can adjust weak promotions and improve future planning.

Connecting supplier commitments to realized funding. Link contracts, funding allocations, accruals, sales transactions and reconciliation activity so retailers can collect the funding they earn and use evidence to resolve disputes.

Building a repeatable optimization cycle. Use scenario modeling, AI-powered analysis, business rules, data governance and vendor-specific intelligence to improve offers, strengthen supplier collaboration and scale better practices.

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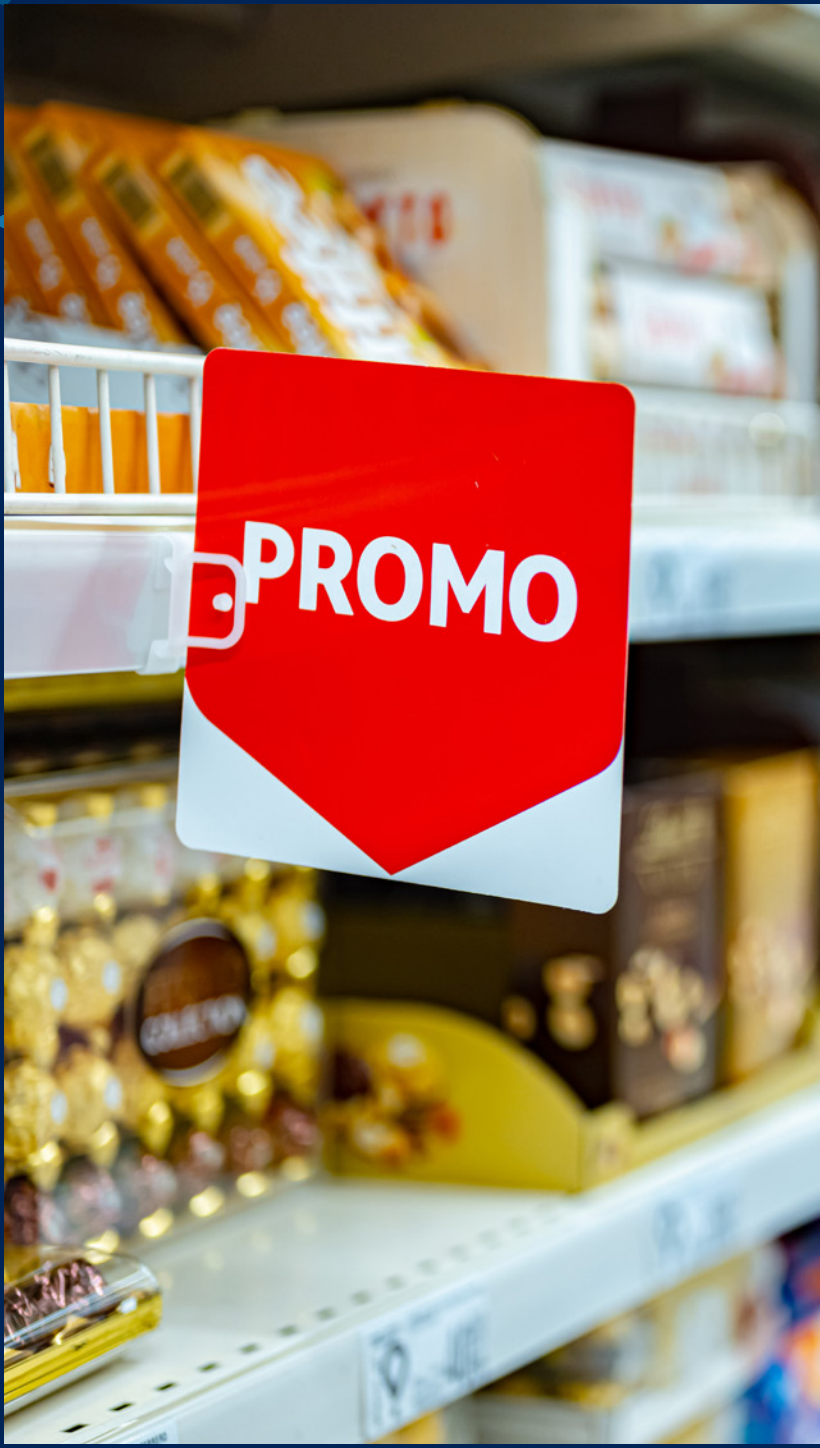
PART ONE

The Hidden Cost of Promotions Gone Wrong

Understanding Where Margin Leakage Comes From



CHAPTER 1

The Promotions Paradox

Promotions are the most powerful tool in a retailer's arsenal. They can also be the most dangerous. When they work, they drive traffic, build loyalty and move inventory. When they fail, they quietly destroy margin, train customers to wait for discounts and create operational chaos from the category team to the store floor. But what is it about promotions that so often sets retailers up to fail?

The Legacy Problem

In many retail planning cycles, a category manager opens last year's promotional calendar and a spreadsheet with dozens of tabs. But when promotions are planned around historical habit, outdated information or vendor pressure rather than what the data supports, the result is a calendar full of offers that are simply burning margin. Without the right technology, the cognitive load of evaluating each promotion on its merits is too high.

The Measurement Problem

True promotional impact goes far beyond units sold. Cannibalization, pantry loading, labor cost of execution, halo and drag effects on adjacent categories: Without accounting for all of these, retailers are making decisions with an incomplete picture. And by the time postmortem data is available, the next promotional cycle has already begun.

The Scale of the Problem

Margin leakage from promotions is not a rounding error. Total promotion margin leakage is typically 2%–6% of total trade spend. For a retailer with $1 billion annual revenue and a conservative 15% of annual revenue in trade spend, that translates to anywhere from $3 million to $9 million in margin leakage. But this leakage does not show up as a line item on a P&L. It hides in the gap between what promotions could have delivered and what they actually did.

> "Same as last year" can become a costly default, masking millions in avoidable margin erosion.

CHAPTER 2

The Six Most Common Sources of Promotion Margin Leakage

The losses usually arrive as a steady drip rather than a single catastrophic failure. Each issue may look manageable in isolation, but together they can become material. When it comes to promotions, these are the six places your leaks are likely hiding.

1

Ineffective Offers

Up to two-thirds of promotions are simply ineffective. These are the promotions that discount loyal customers who would have bought anyway, sacrifice revenue for the sake of units sold or inefficiently use vendor funds. Whatever form they take, ineffective offers erode margin without driving lasting value.

Up to two-thirds of promotions are ineffective.

2

Cannibalization and Pantry Loading

Cannibalization happens when a promoted item steals sales from higher-margin items in the category rather than growing the overall basket. Pantry loading is when customers stock up during a promotion, suppressing sales velocity for weeks afterward. A retailer promotes a national brand pasta sauce at a deep discount; shoppers buy three jars instead of one; category sales are depressed for six weeks. The headline number looked fine, but the net impact is negative.

3

Inaccurate Data

Bad data is the silent killer of promotional effectiveness. Inaccurate cost data and stale competitive data don't just affect one decision. They corrupt the entire planning process. When retailers are tracking data from different sources across multiple vendors, it's easy for errors to creep in.

Promotions planners spend a minimum of 30% of their work hours on data entry if they have better-integrated digital deal management systems, or 70%–85% if they rely solely on spreadsheets.

4

Poor Vendor Fund Control

Vendor funds are a significant source of promotional financing and one of the most consistently mismanaged resources in retail. Funds get left unclaimed, applied to the wrong products or accepted without evaluating whether the proposed promotion serves the retailer's objectives.

During reconciliation and collection, incomplete documentation and unclear data ownership can prolong disputes, delay cash flow and leave earned funds unclaimed. Poor allocation hurts twice: Retailers fund weak promotions and lose the opportunity to redirect those funds to stronger ones.

5

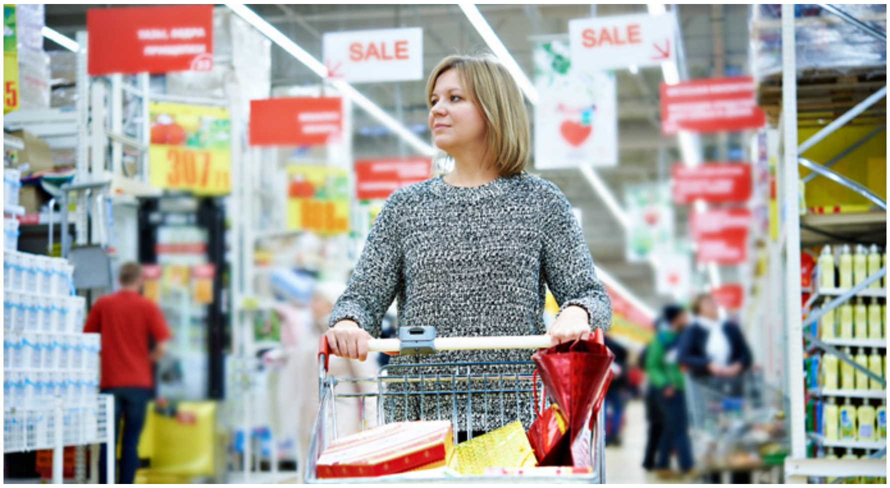
National Brand Overdependence

Many retailers over-rely on national brand promotions, driven by vendor pressure and historical habits. These promotions are typically the most expensive to run and the least differentiated. Meanwhile, private labels, which typically carry meaningfully higher margins, are chronically underpromoted.

6

Siloed, Decentralized Operations

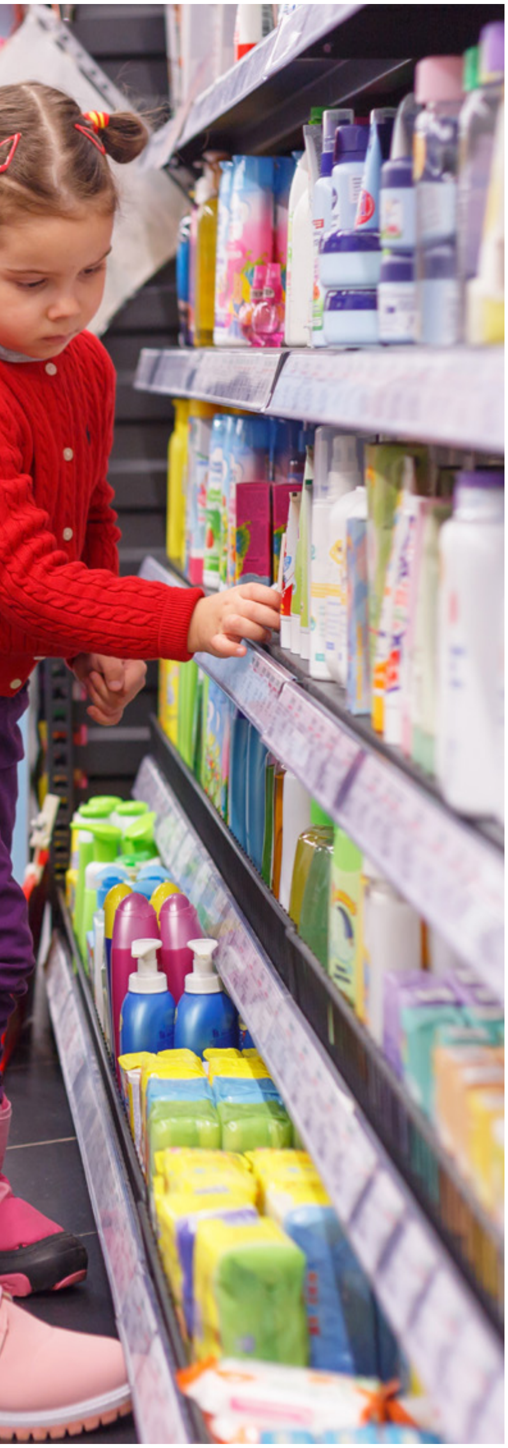
Different departments often evaluate vendor-funded promotions in parallel rather than in sync. When promotion, pricing, cost and vendor funding are evaluated individually without proper context, the result is operational inefficiency, slow time-to-market and little capability for adjustment during the negotiation process.



PART TWO

Turning the Tide: Strategies to Recover Margin While Delivering Better Value

From Leakage to Leverage



CHAPTER 3

Eliminate the Drain: Cutting Ineffective Promotions and Operational Blind Spots

The fastest way to stop margin leakage is to stop running promotions that are not working. This sounds obvious, but it requires something most retailers do not yet have: the ability to measure the full impact of a promotion.

Identifying the Drains

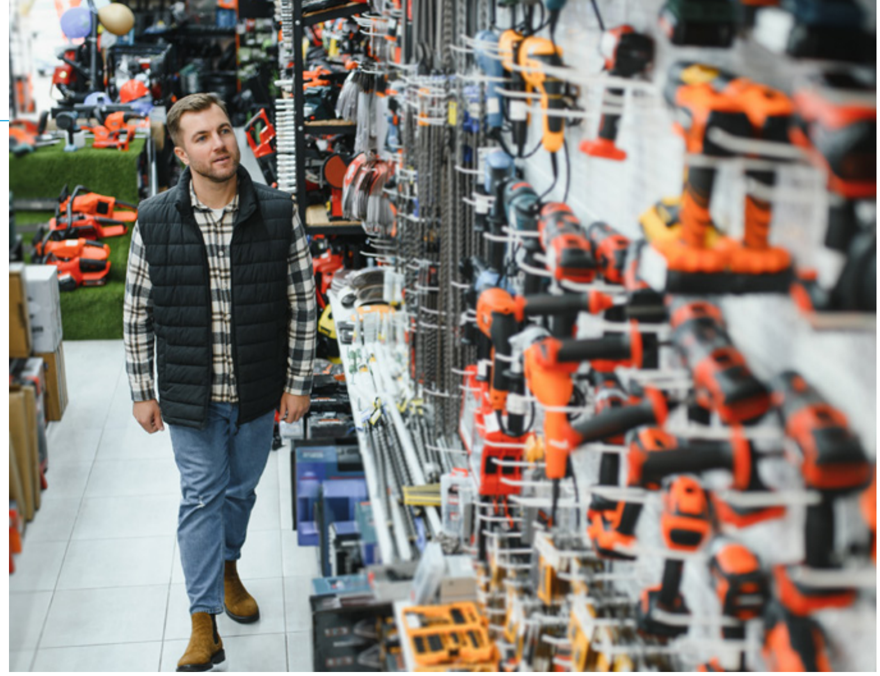
Underperforming promotions are expensive in ways that compound quickly. They erode base margin, amplify cannibalization and pantry-loading effects, waste vendor funds and consume store labor across every participating location. High-performing items in a bundle can mask the damage, making it easy to miss how much value is being destroyed.

The good news is that modern AI-based analytics can identify underperformers before a promotion is ever approved, giving pricing teams both the insight and the confidence to break from tradition, drop the offers that do not serve the business and stop repeating the same costly mistakes out of habit.

Measuring Full Impact

Promotions interact, yet most promotion analysis only captures the direct impact of individual items. With up to one-third of products on promotion at any given time, retailers need a view across the entire promotional calendar, one that accounts for how each offer influences sales up and down the aisle, anticipates downstream effects and surfaces the trade-offs between competing objectives like margin, market share and price perception.

AI-based analytics make this possible, giving pricing teams the comprehensive visibility they need to design promotions that work for the whole business, not just the individual event.



Catching a Failing Promotion Mid-Flight

Even well-planned promotions can underperform. Tracking actual lift against forecast during the event helps retailers identify weak performance early enough to adjust the offer or limit further investment. For vendor-funded promotions, mid-flight visibility also enables a more informed conversation about whether additional funding is warranted or whether the event should be restructured.

Collecting All Your Vendor Funds

The work doesn't end once the promotion is done. After a campaign, accrual calculation and rebate reconciliation determine how much of the agreed funding the retailer actually realizes. Vendor funding can materially affect the bottom line, while performance data helps demonstrate the retailer's value as a distribution partner.

Up to 5% of total vendor funding goes unclaimed. To stop leaving money on the table, retailers need a clear link between contracts, funding allocations and transaction data. Systems should show accruals, planned versus actual sales and planned versus actual funding, so category managers can identify variances and assess campaign performance.

> Every 1% of missed funding equals 10–20 basis points in margin loss. For a retailer with a 3% EBITDA, 20 bps represents a 7% erosion in profit.

CHAPTER 4

Optimize Promotions: Find the Offers That Work for Customers and the Business

Once you've stopped the bleed, it's time to look for missed opportunity. Optimizing the remaining promotional calendar is where retailers can drive genuine incremental value for customers while delivering tangible margin and volume outcomes.

Moving On from Last Year's Plans

Retailers often repeat familiar promotions because the outcomes of new offers feel too uncertain. Accurate planning and reconciliation records give planners the context needed for forecasting and scenario modeling, which makes new promotional scenarios easier to compare and evaluate. Category managers can evaluate multiple promotional scenarios side by side, with confidence intervals that make the trade-offs explicit, allowing for faster decisions, better outcomes and process improvement over time as the models learn.

Making the Most of Vendor Fund Promotions

Advanced analytics and AI capabilities enable retailers to quantify the ROI of a proposed vendor promotion before agreeing to it, by modeling expected lift, cannibalization effects, net margin impact and category-level consequences. When retailers can show with data that a proposed promotion is likely to underperform—and can offer an alternative that serves both parties better—the conversation shifts from negotiation to collaboration.

In addition, a trade promotion management system can help retailers build vendor-specific promotion intelligence and tailor each negotiation accordingly. With trusted data and clear decision ownership, retailers can become more strategic partners—ones that major vendors are eager to invest in.

Leveraging the Right Technology

Promotion optimization requires five decisions—choosing the right item, price, timing, channel and customer—repeated thousands of times. No spreadsheet-based process can do that. Retailers need AI-powered optimization and accurate, comprehensive operational data to address and optimize all five dimensions at once, across the entire promotions planning cycle. Not only does AI handle the complexity, speed and scale needed for modern-day promotions, but it also uses business rules and guardrails to keep optimized offers within acceptable parameters, protecting price image and ensuring promotional activity supports the retailer's broader objectives.

CONCLUSION

Streamline Your End-to-End Promotion Operations

Retailers looking to stop promotional margin leakage should evaluate both their data foundation and their promotion optimization capabilities. Connecting promotion planning, price and promotion optimization, supplier collaboration and rebate realization can help retailers improve performance, boost informed decision-making and recover earned funding.

Revionics and Simplain bring complementary capabilities to that process, forming a complete end-to-end promotions solution and helping retailers unlock profit recovery, operational efficiency and long-term financial growth.

NEXT STEPS

Your Action Plan: Where to Start

Once you've stopped the bleed, it's time to look for missed opportunity. Optimizing the remaining promotional calendar is where retailers can drive genuine incremental value for customers while delivering tangible margin and volume outcomes.

Step 1: Conduct a Promotions Audit

Identify your top sources of leakage and pinpoint internal operational blind spots. Which promotions are consistently underperforming on a full-impact basis? Which vendor funds are being applied to low-ROI offers? Do you have visibility into all promotion margin impacts before agreement? Do you have all documentation of negotiation details?

Step 2: Prioritize Quick Wins

Identify the 10% to 20% of your promotional calendar that is delivering the least value and decide whether to adjust or cut altogether. Retailers using AI to eliminate ineffective promotions reduce their promotional frequency by 10%–15% while still maintaining or improving sales performance.

Recover all your outstanding vendor funding. Retailers using a dedicated rebate platform achieve collection rates above 99.5% for eligible vendor funding.

Step 3: Evaluate Your Tech Stack

Can you model the full impact of a promotion before it runs? Can you track vendor fund commitments from negotiation to realization? If your promotions audit uncovers a lot of gaps, or you find you are unable to fully capitalize on the quick wins, it could be time to update your tech stack capabilities.

Step 4: Build the Business Case

Quantify the margin opportunity. Research indicates that **retailers implementing AI promotional optimization typically see 15% to 25% improvement in promotional ROI.** Even by conservative estimates, a 2% to 3% lift in net promotional ROI translates to significant dollar amounts at scale and is essential for securing organizational commitment.

A controlled collaboration platform can recover 70%–90% of leakage within the first year along with improving data quality and operational efficiency.

Step 5: Reach Out

Revionics and Simplain can help you assess your current promotional effectiveness, identify your highest-impact opportunities and build a roadmap for recovery.

Meet with our experts to discuss how to:

- Pinpoint your leakage across promotion planning, execution and vendor fund recovery
- Benchmark your program against industry standards for effectiveness and fund collection
- Build a recovery roadmap of quick wins and long-term fixes specific to your business

Reach out to start the conversation with Revionics and Simplain today.

ABOUT

Revionics, an Aptos Company

Revionics LLC, an Aptos Company, provides enterprise retailers around the world with leading science-based solutions for pricing, promotions and markdowns. As a trusted partner for top retailers across a variety of industries and markets, Revionics delivers unparalleled results in ROI, profit lift, process efficiencies and more.

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Simplain

Simplain Software Solutions is a leading provider of commercial intelligence designed to drive measurable business results for retailers and wholesalers. Simplain's platform streamlines trade promotion processes, vendor onboarding and master data management, delivering greater accuracy and efficiency through seamless ERP integration.

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