From Promotion Spending to Customer Investment

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birdzi

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A phased path to better CPG funding, personalized promotions and measurable growth.

THE CENTRAL ARGUEMENT	Retailers do not have a promotion-funding problem. They have an investment-allocation problem. The opportunity is to redirect existing trade, shopper marketing, retail media and retailer dollars toward measurable changes in customer behavior.

Retailers and consumer packaged goods companies have spent decades building a promotional system capable of moving enormous amounts of product. Yet that system was designed around products, categories, merchandising calendars and vendor agreements—not around individual customers. Personalization has been layered on top, but the underlying economics have changed very little.

At Birdzi, we see the resulting conflict every day. Retailers want trips, baskets, retention and a stronger customer relationship. CPG brands want incremental sales, penetration, frequency and share. Both objectives are legitimate, but they should not be funded or measured as though they are the same. The next stage of personalization requires a more disciplined model: define the customer behavior first, identify who benefits when that behavior changes, and align the funding and measurement accordingly.

The Money Exists. The Model Is the Problem.

20% of CPG revenue invested in trade promotion	**72%** of U.S. promotions lose money	**~5%** of trade and shopper marketing supports personalized offers

The amount of money already moving through the retailer-CPG relationship is substantial. McKinsey has estimated that CPG companies invest approximately 20% of revenue in trade promotion, while also finding that 59% of promotions globally and 72% in the United States lose money. The exact percentages vary by company and category, but the larger conclusion is difficult to dispute: trade promotion is one of the largest commercial investments on the CPG income statement, and much of it fails to create an acceptable return. (McKinsey, 2019)

Retail media adds another fast-growing pool of capital. IAB forecast commerce media spending to grow 12.1% in 2026, while TransUnion and the Path to Purchase Institute found that 70% of retail media spending was incremental to established annual trade budgets. Yet 88% of marketers wanted proof of sales lift and ROI, and inconsistent measurement remained one of the industry's largest barriers. The money is expanding faster than the discipline needed to allocate it. (IAB, 2026; TransUnion/P2PI, 2025)

Personalized promotions remain underfunded despite evidence of stronger performance. BCG estimated that U.S. retailers and vendors spend $140 billion to $200 billion annually on trade and shopper marketing, excluding advertising, but only about 5% supports personalized offers. Its later research found many large retailers still investing 1% or less of promotional spending in personalization, even though personalized offers can generate as much as three times the return of mass promotions. (BCG, 2021; BCG, 2024)

BIRDZI PERSPECTIVE	The opportunity is not to create another promotional budget. It is to redirect a portion of the money already being spent toward customer behaviors that can be targeted, measured and improved.

A New Funding Logic

The first discipline is to separate relevance from incrementality. An offer can be highly relevant and still subsidize a purchase that was going to occur. It can also create value for the retailer without creating value for the brand. Funding should therefore follow the party receiving the primary incremental benefit.

DESIRED CUSTOMER BEHAVIOR	PRIMARY FUNDER	EVIDENCE REQUIRED
Brand trial, conquest or lapsed-buyer reactivation	CPG BRAND	Incremental buyers, units and repeat versus control
Higher brand frequency or trade-up	CPG BRAND	Incremental units after forward-buy and cannibalization effects
Next trip, household retention or private-label growth	RETAILER	Incremental trips, margin and total household contribution
Category growth or seasonal occasion	CO-FUNDED	Incremental brand, category and basket contribution for both parties

Birdzi's Role: From Campaign Execution to Customer Investment

Birdzi gives retailers the practical operating capability to make this funding model real. By bringing together transaction data, customer profiles, segmentation, personalization, campaign activation and measurement, the retailer can organize programs around specific customer opportunities rather than simply distributing offers. The question changes from "Who should receive this coupon?" to "What behavior are we trying to change, which customers are persuadable, and what action is most likely to create incremental value?"

This distinction is central to stronger retailer-CPG collaboration. CPG-funded programs can focus on trial, reactivation, frequency, trade-up and sustained repeat. Retailer-funded programs can focus on trips, retention, basket growth, private label and the broader relationship. Joint opportunities can be co-funded and evaluated through separate retailer and manufacturer scorecards. Birdzi becomes the customer intelligence, activation and learning capability connecting those objectives to individual shoppers.

A Four-Phase Path Forward

Retailers should evolve deliberately. CPG partners need proof before changing annual funding commitments, and retailer finance teams need confidence that new measurement is comparable, auditable and grounded in real economics. The following sequence creates that proof while limiting financial and organizational risk.

PHASE	TIMING	PRIMARY ACTION	EVIDENCE
01 Make investment visible	0–90 days	Map all retailer and vendor customer-investment pools; establish common definitions and governance.	Spend, ownership, objectives and historical returns are documented.
02 Prove joint outcomes	3–6 months	Run CPG-funded, retailer-funded and co-funded pilots with valid controls.	Incremental brand and retailer economics are positive and repeatable.
03 Embed in planning	6–18 months	Build personalized growth commitments into joint business planning and vendor negotiations.	10%–20% of eligible funds shift toward measured customer outcomes.
04 Become always-on	18–36 months	Let brands fund objectives while retailer decisioning selects the next best eligible action.	Funding, activation, verification, settlement and learning from a closed loop.

PHASE ONE Make the Investment Visible

Create a customer-investment ledger spanning retailer-funded discounts, loyalty rewards, mass promotion margin, digital coupons, supplier allowances, shopper marketing, retail media revenue, campaign fees, technology and measurement costs. Tag every program by intended outcome, funding source, target population and measurement method. Programs that cannot identify a desired behavior or estimate incremental value should not automatically be renewed.

P HASE TWO Prove Joint Outcomes

Select three to five categories with sufficient purchase frequency, household scale, engaged suppliers and clear behavioral opportunities. Test distinct missions— nonbuyer trial, lapsed-buyer reactivation, increased frequency, trade-up, basket expansion and retailer win-back—using persistent test and control populations. Budget against expected redeemed cost, not theoretical distributed value, and measure long enough to expose repeat behavior, forward buying and cannibalization.

PHASE THREE Embed Personalization in Vendor Planning

Once pilots demonstrate credible returns, personalized growth should become a formal component of annual joint business planning. A practical first target is to redirect 10% of eligible trade and shopper marketing funds into measured customer outcomes, increasing toward 20% to 25% as results are proven. Brands should be able to combine trade, shopper and media budgets into one customer plan, while the retailer provides one statement of work, one measurement framework and one reconciliation process.

PHASE FOUR Move to an Always-On Growth Market

The end state is not an endless calendar of manually constructed campaigns. It is an always-on funding and decision system. CPG brands establish objectives, eligible products, economic limits, target outcomes and available budgets. Birdzi helps the retailer determine which customers are persuadable, which action is most relevant and which eligible offer creates the greatest expected incremental value—while retailer-controlled relevance rules, contact limits and customer protections preserve the relationship.

Measurement: Two Scorecards, One Economic Truth

CPGs SCORECARD

Incremental buyers, units, revenue, penetration, repeat, share, forward buying, cannibalization and manufacturer contribution.

RETAILERS SCORECARD

Incremental trips, total basket and category sales, gross-margin dollars, retention, cross-category halo, offer cost net of vendor funding and total customer contribution.

A credible model must report brand and retailer value separately. The common metric should be net incremental value: incremental gross profit plus vendor funding and program revenue, less redeemed incentive cost, cannibalization, variable fulfillment costs and platform or measurement costs.

ROI should be calculated against that net investment—not against gross sales attributed to everyone who received or redeemed the offer. Randomized or carefully matched controls, consistent holdouts and an auditable funding-and-settlement ledger are essential.

The Leadership Decision

Retailers should not wait for CPG companies to redesign the system. The retailer owns the customer relationship, the purchase data, the activation environment and the ability to measure the entire basket. Birdzi provides the capability to turn those assets into a more valuable commercial model—one in which vendor dollars fund identifiable growth opportunities and retailer dollars strengthen the customer relationship.

THE FINAL TRUTH

CPG money should fund CPG growth. Retailer money should fund retailer loyalty. Both should co-invest when the same customer behavior creates value for both. Personalization becomes scalable when that behavior can be identified before the offer and its incremental value verified afterward.

NEXT STEP

Start with a customer-investment ledger and three pilot categories.

CONTACT BIRDZI

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About the Author: Gary Hawkins is the founder and CEO of Retail Mindsteps and a trusted advisor on the evolution of retail. A former retail operator, author and longtime industry strategist, he helps retail leaders understand how AI, data and intelligent agents are changing decision-making, customer engagement and organizations. He is a frequent industry speaker and the author of four books, including "Bionic Retail".