



# CRACKING THE CODE ON BEST-IN-CLASS TRADE PROMOTION

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## SIGNIFICANT INVESTMENTS ARE MADE

Globally, over half a trillion \$ is invested annually in trade promotion



**\$500,000,000,000**

# NIELSEN DATA SCIENCE LEADS THE INDUSTRY



## TOP TALENT

- **Largest Global Data Science Organization** with more than **900 associates**
  - **Embedded in every Solution**
  - Present in **100 countries**
- More than **50 PhDs** rivals top university mathematics departments
  - **Greatest Available Industry Data**
  - **Leading experts in** statistics, neuroscience and behavioral studies
- **Leaders in Research: (2015 Activity)**
  - 12 science publications,
  - 43 patent submissions &
  - 50 professional conference presentations
- Nielsen Innovation is accelerating



## NETWORKING

- Taps into new expertise/research to ensure we are on the cutting edge of key areas; **research collaborations**, industry task force involvement and sponsorship of **science symposia**
- Partners with industry organizations such as the **Council for Research Excellence** to exchange latest ideas and to solve mutual problems
- Works with research universities around the globe such as **University of Chicago, Oxford University, National University of Singapore** and **University of Mumbai**
- Provides statistics for **White House** and **U.S. Consumer Confidence Index**



# MEASURE & MODEL GLOBAL CONSUMER BEHAVIOR

Analytics Platform – Big Data, Models, Access



## Building a Common Data Environment – *Granular Data*

Over 100 countries sales data loaded into the environment  
Standardized data model for all countries and outlets  
Common services for access and processing



## Applying Data Sciences on Global Scale

Promotional Benchmarks { US, CA, GB, FR, ES, IT, DE }  
Core Price & Promotion Models { US, CA, GB, FR, ES, IT, DE }  
Assortment models to derive incrementality \*  
On-Shelf Availability \*

# CONTINUOUS PRICE AND PROMOTION MODELING

- Program started in 2012 – 30 countries by mid 2017
- Today data set: US, Canada, France, Germany, UK, Italy and Spain
- Core Price and Promotion Model added to benchmark



**331**

CPG CATEGORIES



**4.9**MM

GTINs



**93**MM

2015  
EVENT WEEKS



**\$810**B

2015  
TOTAL RETAIL SALES



**1.6**B

COEFFICIENTS  
ESTIMATED

# CORE PRICE AND PROMOTION MODELS ENABLE

Scenario planning, optimization and sales decompositions.

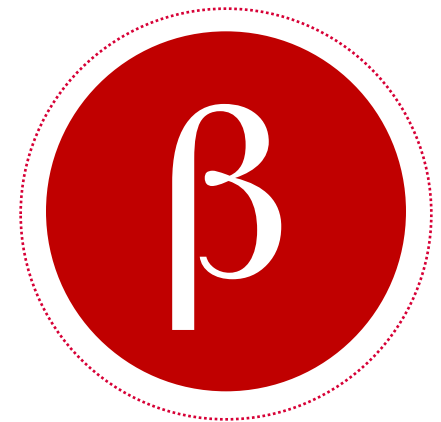
Components addressed by these models:

## Acting on Self (Non-competitive):

- Regular price elasticity (and thresholds)
- Promoted price elasticity (and thresholds)
- Promotion mechanic lift – Feature, Display, Special Pack
- Promotion offer types – e.g. Multi-buys

## Acting on Others (Competitive):

- Regular price cross-elasticity
- Promoted price cross-elasticity
- Promotion cross-impacts
- Distribution cross-impacts





WHAT HAVE WE LEARNED?

# WE ALL KNOW PROMOTIONS CAN BE INEFFICIENT

The majority of trade promotion events don't break even

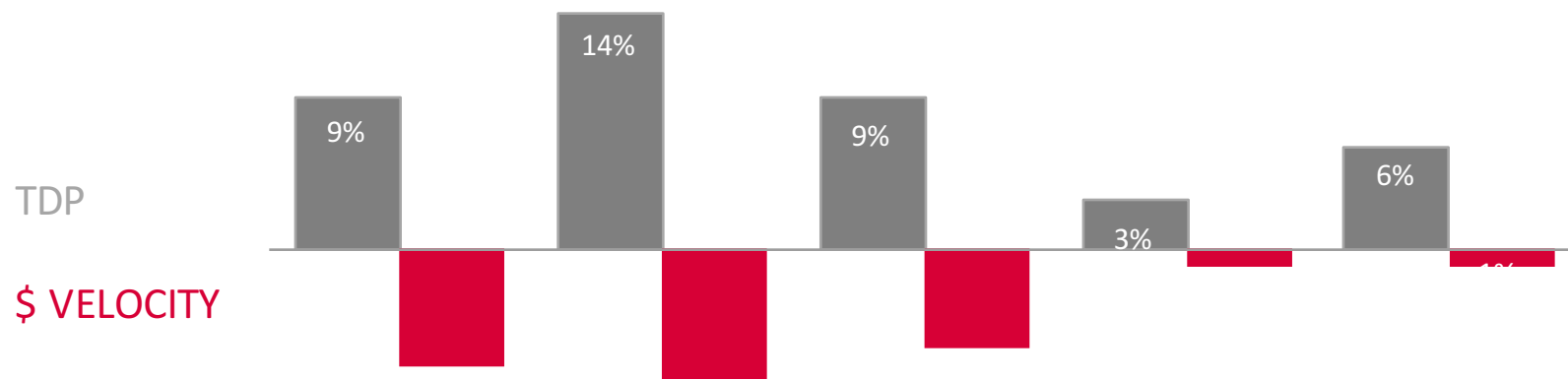


of promotions globally  
**DON'T BREAK EVEN**



# CURRENT SALES PRACTICES LEAVE OPPORTUNITY

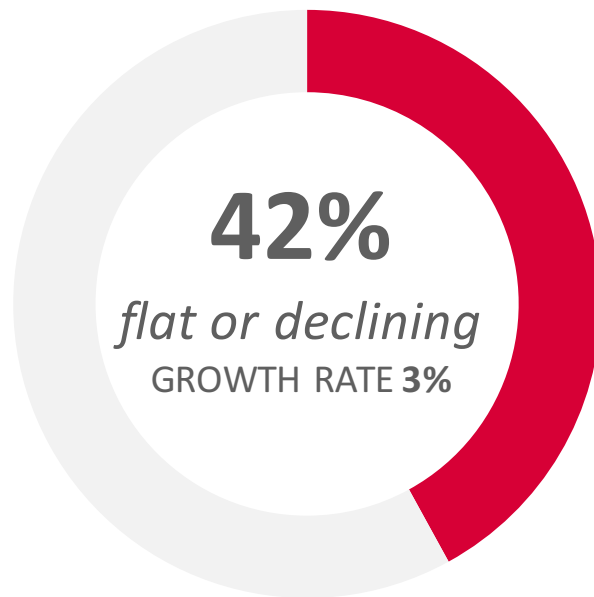
*sales velocity is declining*



*~8% (in)efficiency*

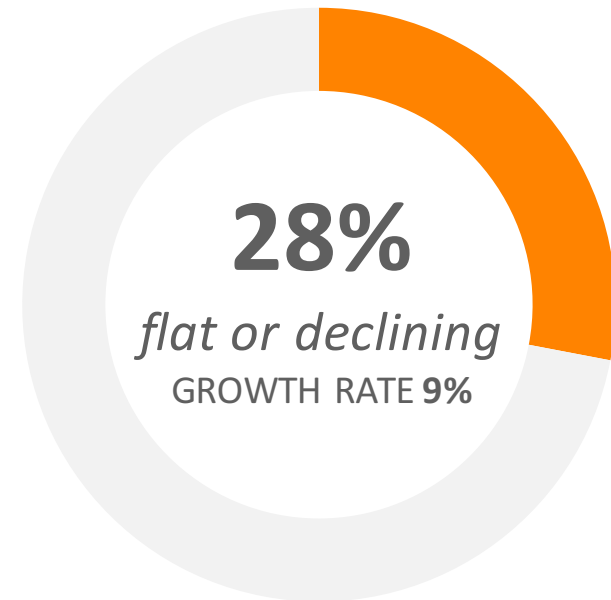
# LARGE MANUFACTURERS AREN'T KEEPING UP

LARGE  
MANUFACTURERS



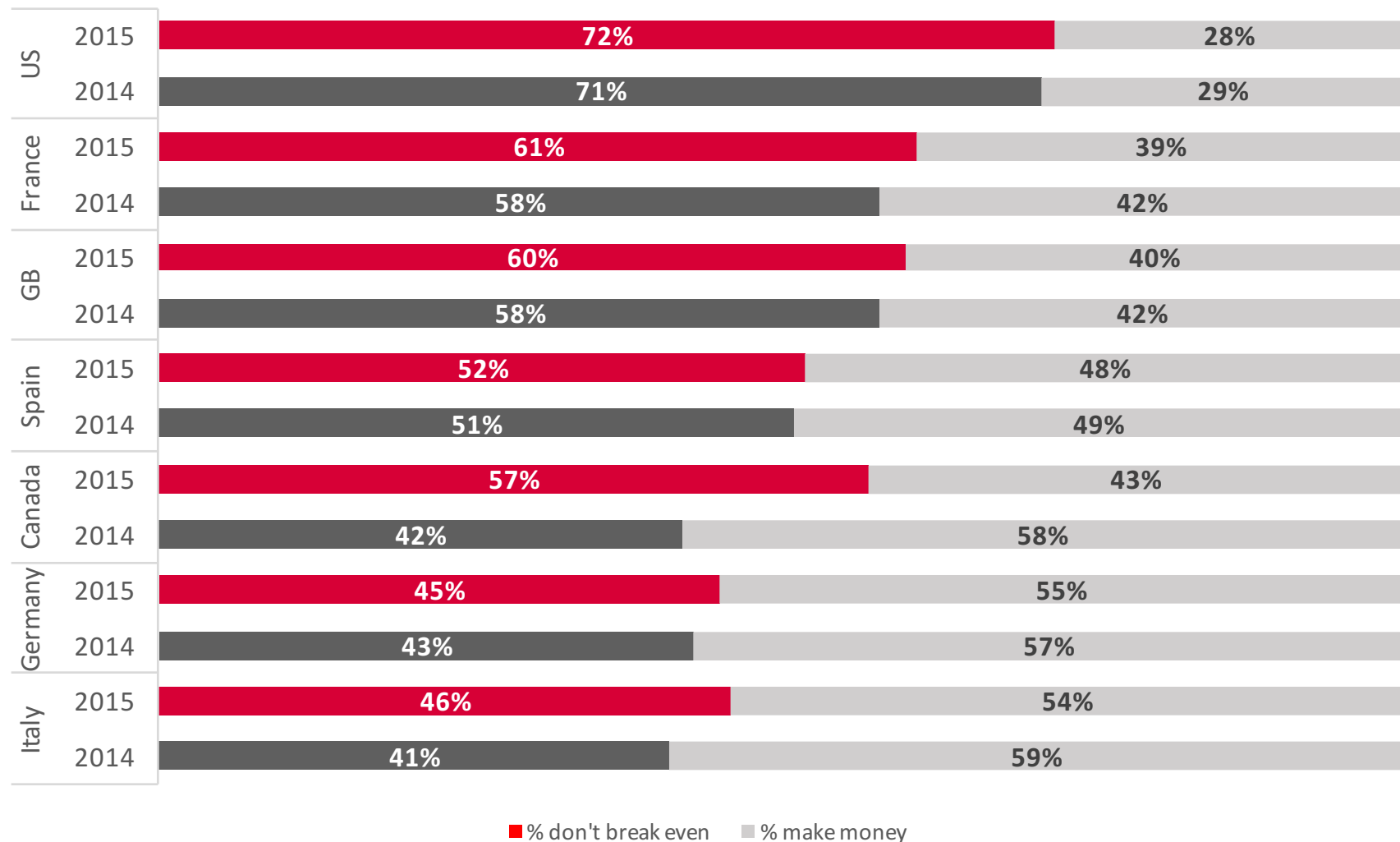
VS

MIDDLE-MARKET  
MANUFACTURERS



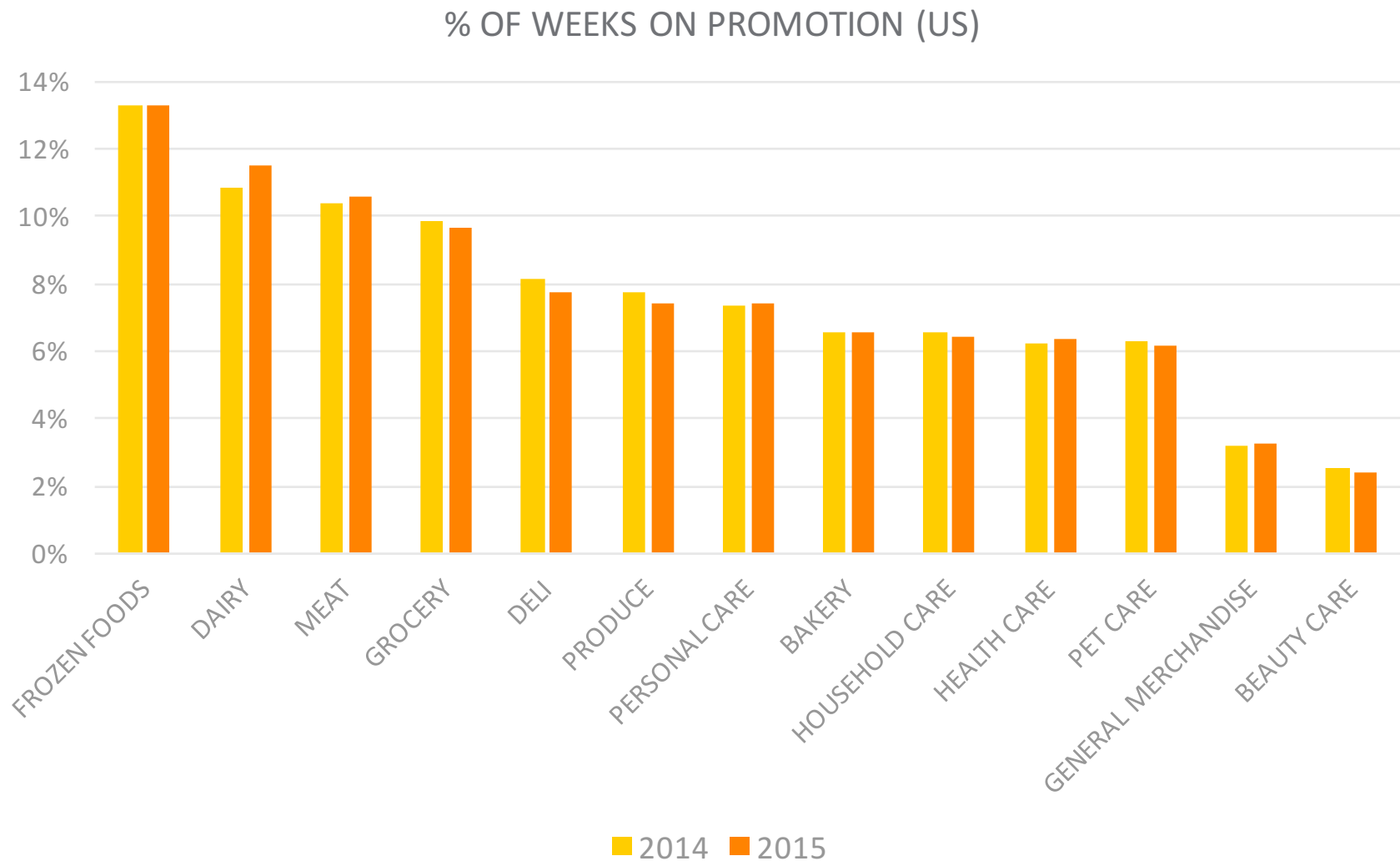
# EVERY COUNTRY HAS ITS WINNERS AND LOSERS

No Country is showing year over year improvements.



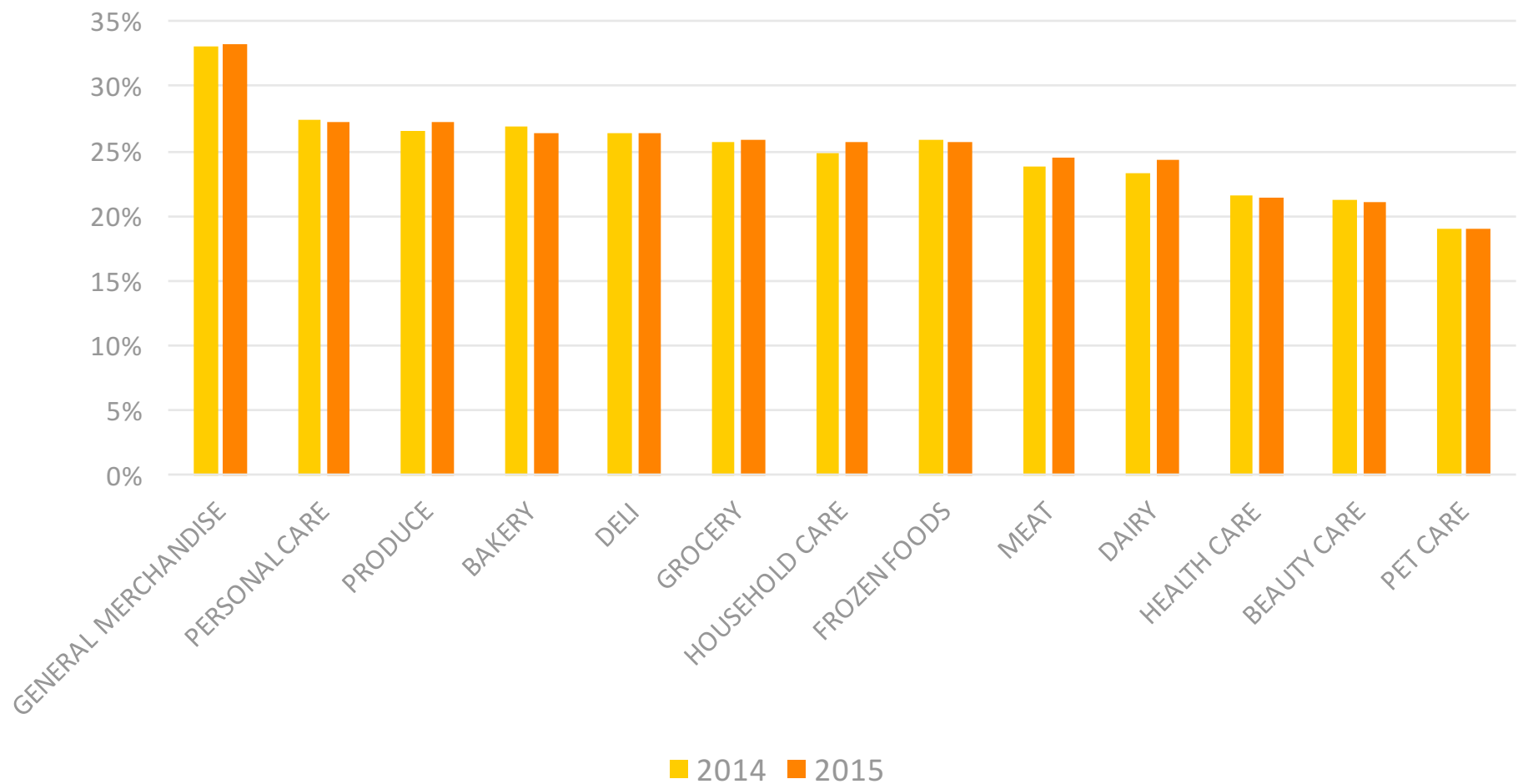
# PROMOTIONAL FREQUENCY REMAINS STABLE OVER TIME

Number of event weeks vary by department but have not changed since last year.



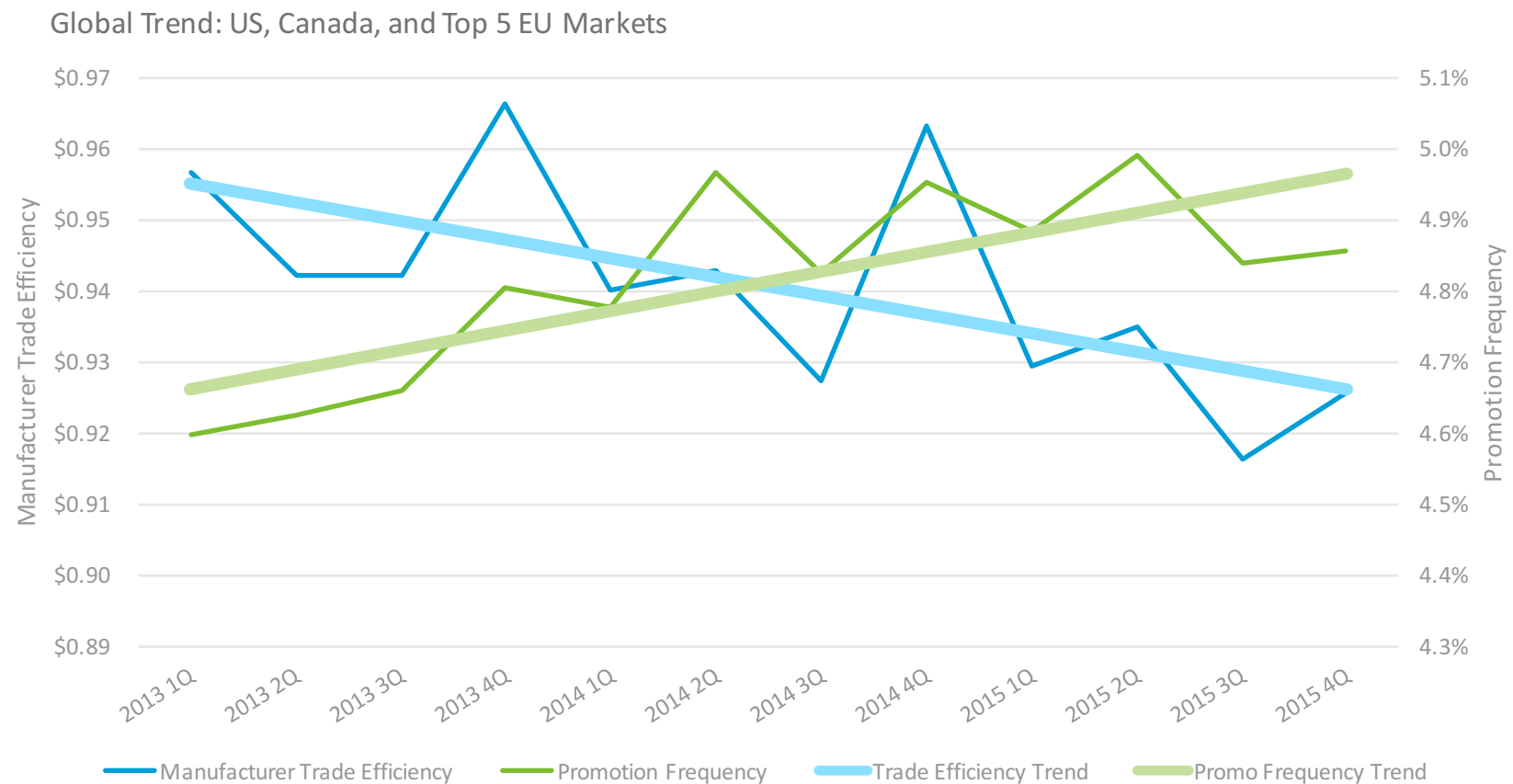
# DEPTH OF DISCOUNT HAS INCREASED SLIGHTLY

AVERAGE DISCOUNT % (US)



# TRADE PROMOTIONS INCREASE WHILE ROI DECLINES

## Promotion Frequency and Trade ROI Trend – 2012-2015



# CATEGORY SUCCESS VARIES SIGNIFICANTLY

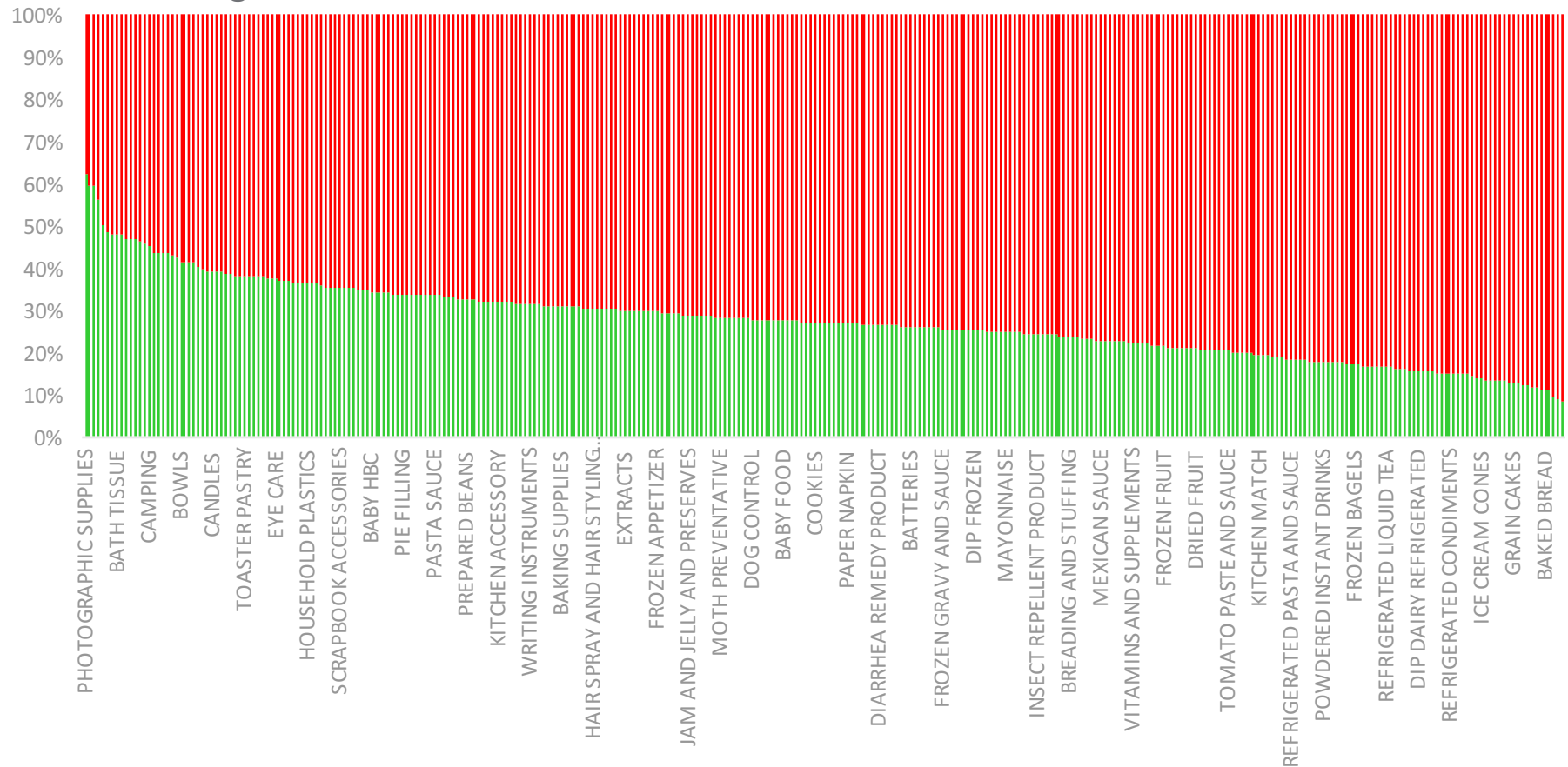
Understanding where your business falls is valuable context



← Efficiency →



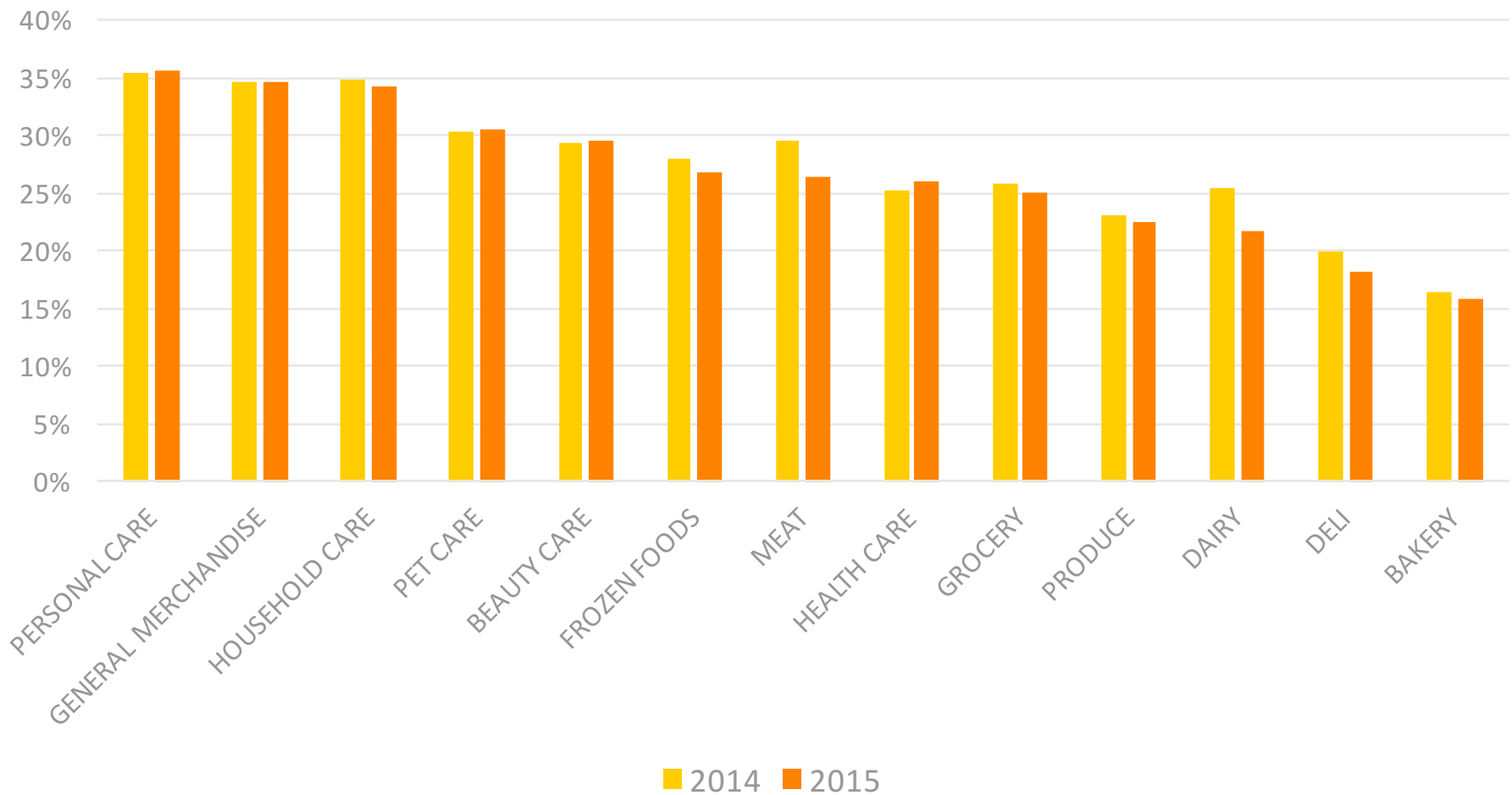
US Categories' % of Event Weeks Break Even



# SUCCESSFUL EVENTS ARE SPREAD ACROSS THE STORE

Promotion effectiveness by department has remained stable over the past few years.

% OF WEEKS THAT MAKE MONEY (US)





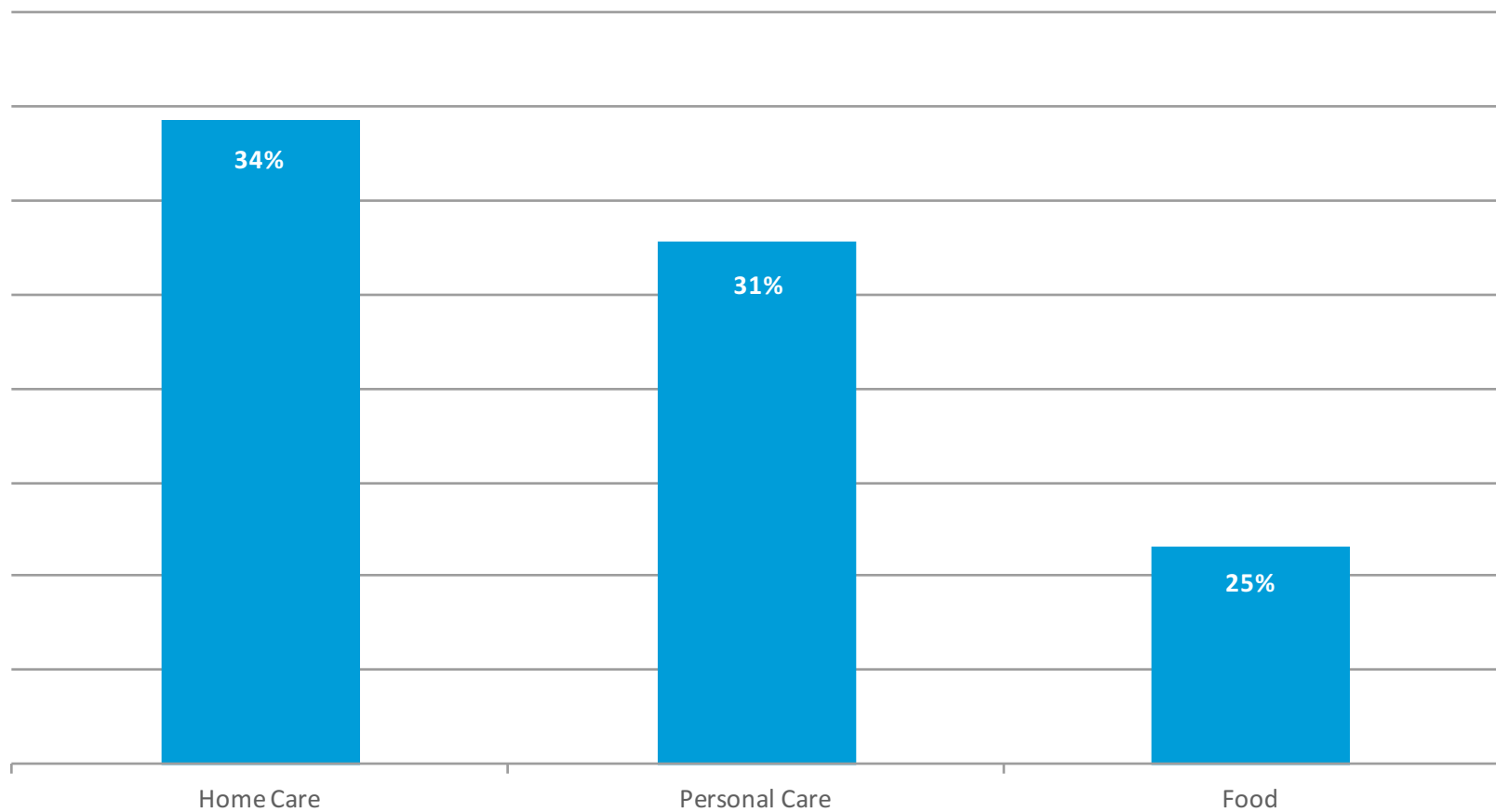


## SO WHAT MAKES AN EFFECTIVE EVENT?

# NON-FOOD CATEGORIES TEND TO BE MORE SUCCESSFUL

Food product categories trail the rest of the store by 9 points or more.

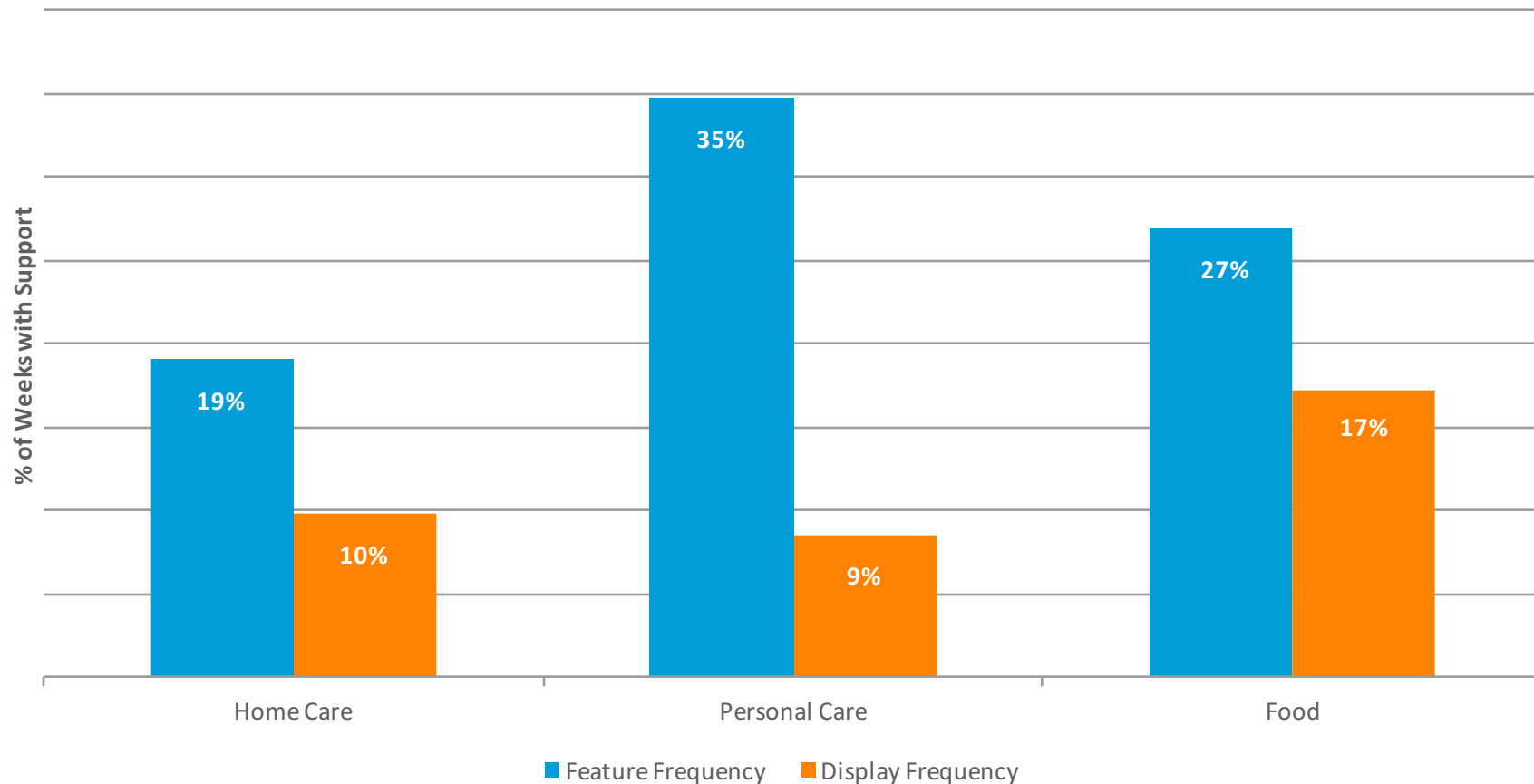
**% of Weeks Making Money by Product Category**



# PROMOTIONAL SUPPORT SPANS PRODUCTS

Both Food and Non-Food products receive similar promotional support, despite the difference in promotional success

## Promotional Support by Product Type



## PRODUCT GROUP TELLS US A BIT, BUT NOT ENOUGH

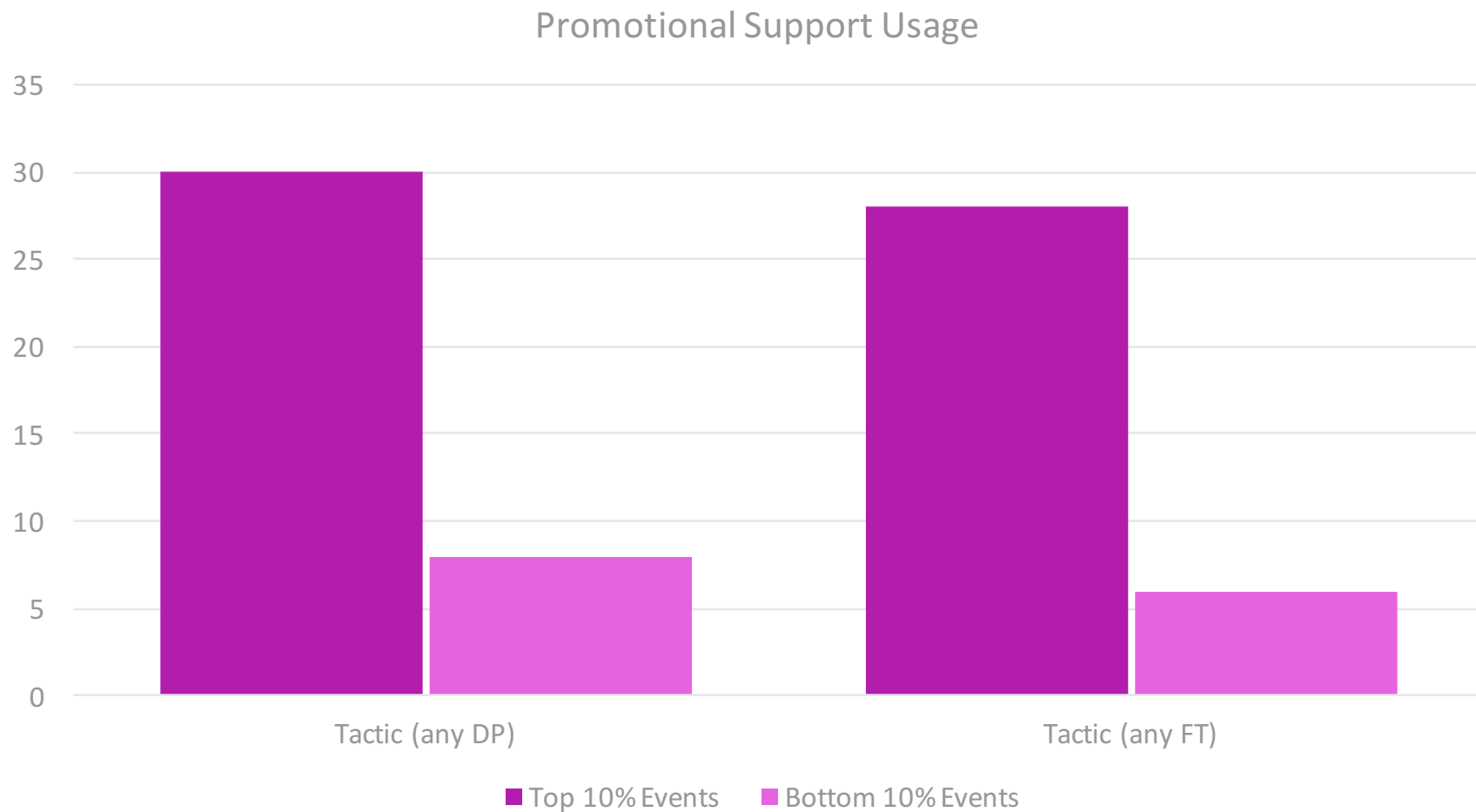
Within each group of categories there is still a wide variety of responses.

So, these findings are general trends not hard and fast rules.

Rank	Personal Care	Home Care	Food
1	Personal Care Appliance (47%)	Photographic Supplies (62%)	Canned Hams (60%)
2	Hair Coloring (46%)	Major Appliances (60%)	Coffee (48%)
...			
n-1	Motion Sickness (17%)	Allergy Cold and Respiratory Product (13%)	Refrigerated Doughs and Wraps (9%)
n	First Aid Cottons and Swabs (15%)	Gum with Premium (12%)	Ice (9%)
<b>All</b>	<b>(59%)</b>	<b>(55%)</b>	<b>(48%)</b>

# PROMOTIONAL SUPPORT BRINGS MORE EFFICIENCY

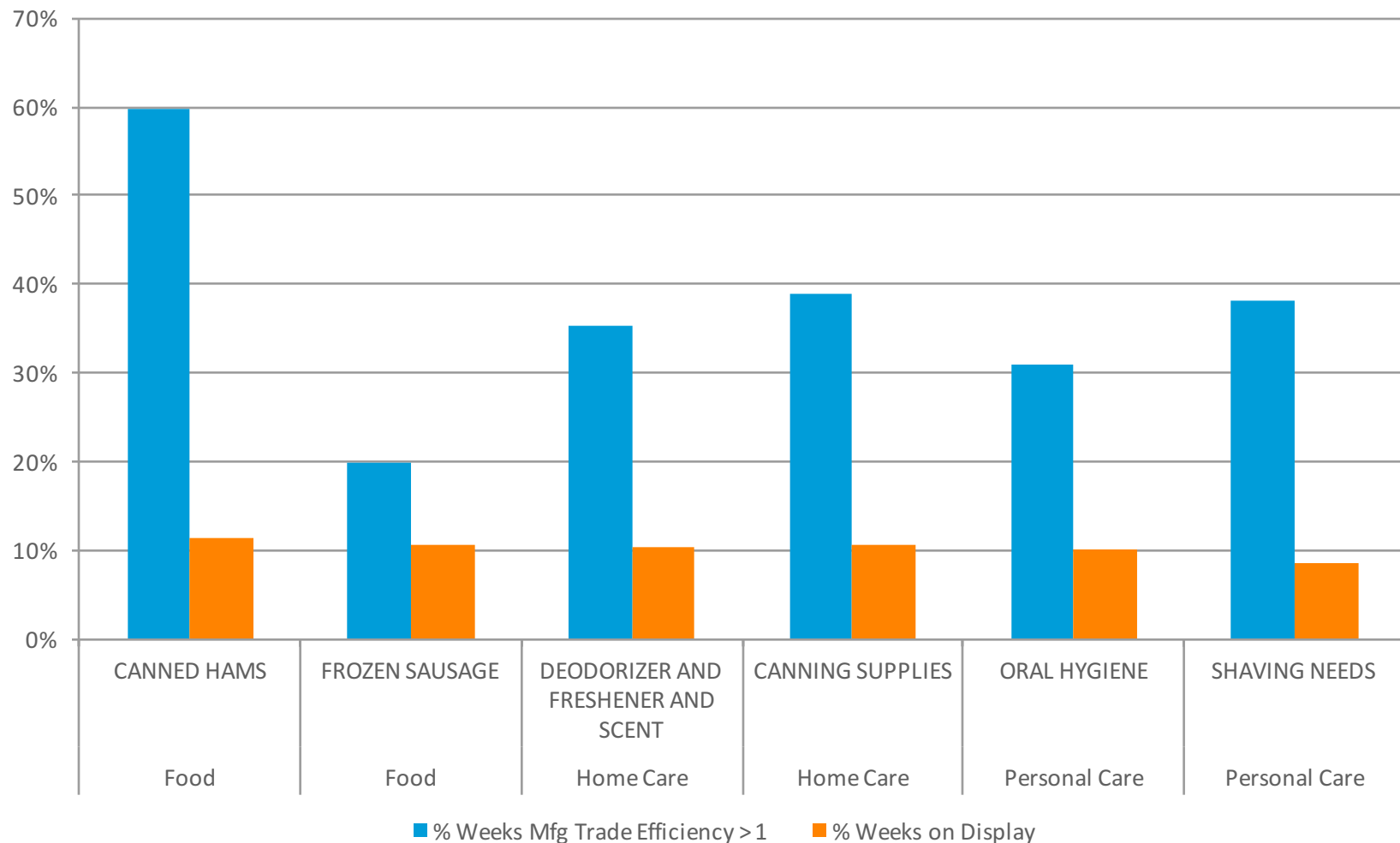
Best-in-class events used 22% more promotional support than the least efficient



# BUT DISPLAY SUPPORT DOESN'T GUARANTEE SUCCESS

Support helps success, but other factors need to be taken into consideration

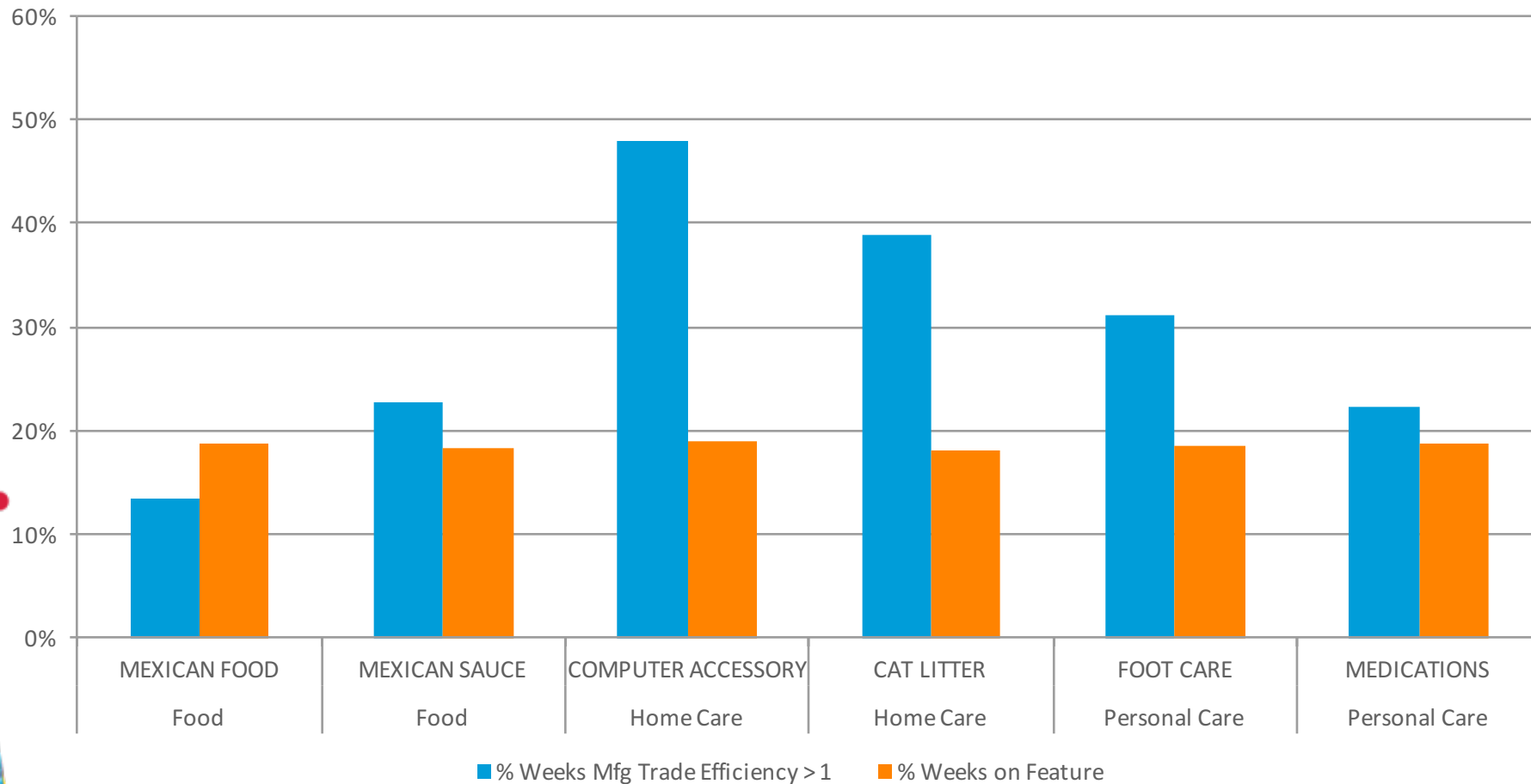
## Event Success vs. Display Support



# FEATURE SUPPORT DOESN'T GUARANTEE SUCCESS

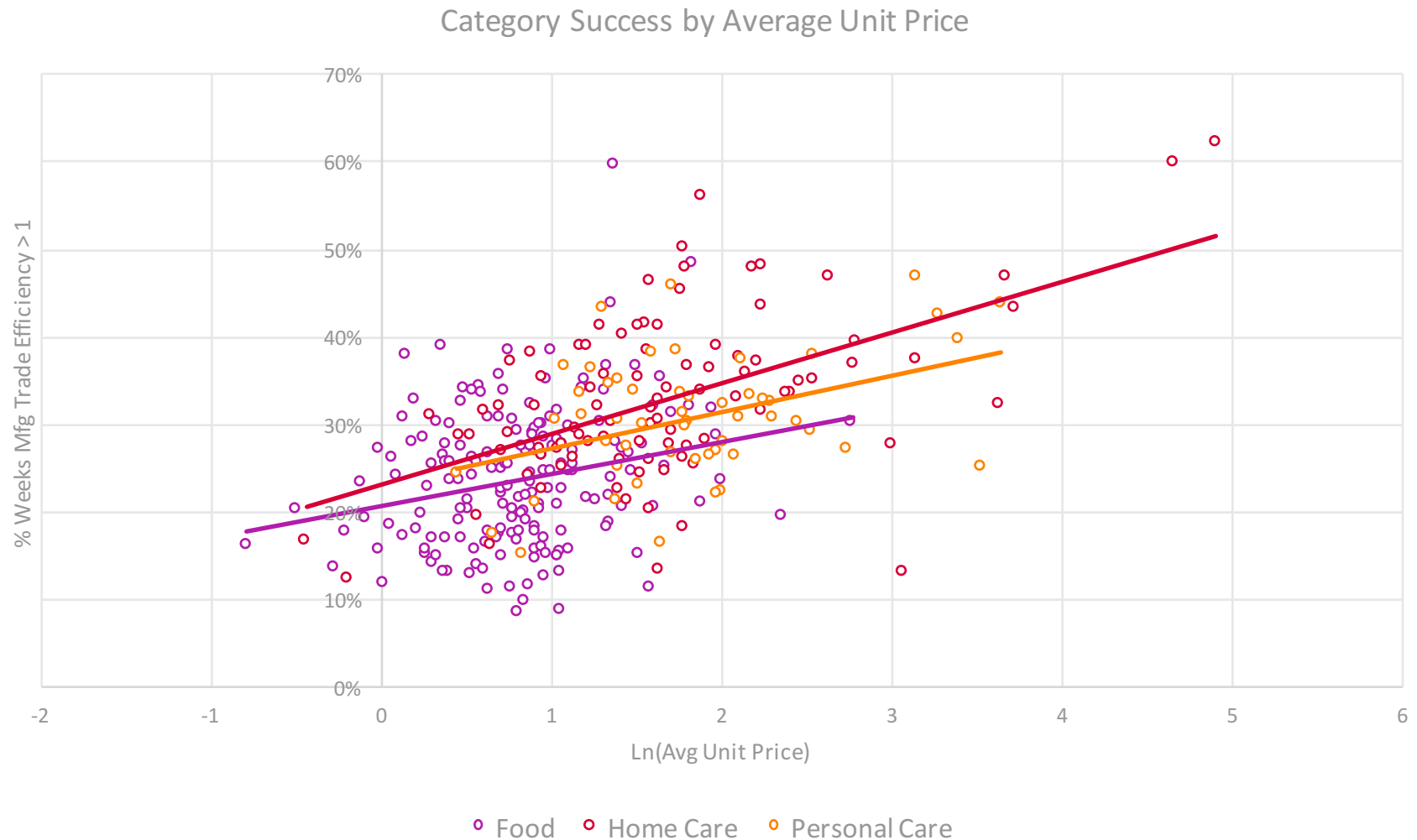
Mexican Food and Mexican Sauce receive similar feature support but Mexican Sauce is more likely to have a successful promotion

## Event Success vs. Feature Support



# CATEGORIES WITH HIGHER AVERAGE PRICES TEND TO HAVE MORE SUCCESSFUL EVENTS

This pattern is consistent across product types





# FURTHER INVESTIGATIONS USING PRICE ELASTICITY

*We've seen evidence that ROI and Elasticity are linked.*

## **What are these elastic products?**

*This relationship proves some common intuitions*

**but also uncovers complex underlying relationships.**

*Scope/Definitions:*

**“Most Sensitive” = 10 most elastic product categories**

**“Least Sensitive” = 10 least elastic product categories**

# MOST ELASTIC CATEGORIES

80% of the “Most Sensitive” categories are Food

Although these categories are all price sensitive, there is still great variation in success rates for promotional events

Product Category	Type of Product	Price Sensitivity Rank	% Successful Events Rank
FROZEN PIZZA CRUST	Food	1 / 325	23 / 325
WATER CONDITIONERS	Home Care	2 / 325	175 / 325
GUM	Food	3 / 325	35 / 325
BUTTER	Food	4 / 325	183 / 325
DRIED FRUIT	Food	5 / 325	82 / 325
OVEN COOKING BAG	Home Care	6 / 325	193 / 325
MEAT FROZEN	Food	7 / 325	189 / 325
PREPARED STUFFING FRZ	Food	8 / 325	161 / 325
BREAKFAST MEAT	Food	9 / 325	252 / 325
ISOTONIC BEVERAGE	Food	10 / 325	133 / 325

# LEAST ELASTIC CATEGORIES

70% of the “Least Sensitive” categories are Home Care

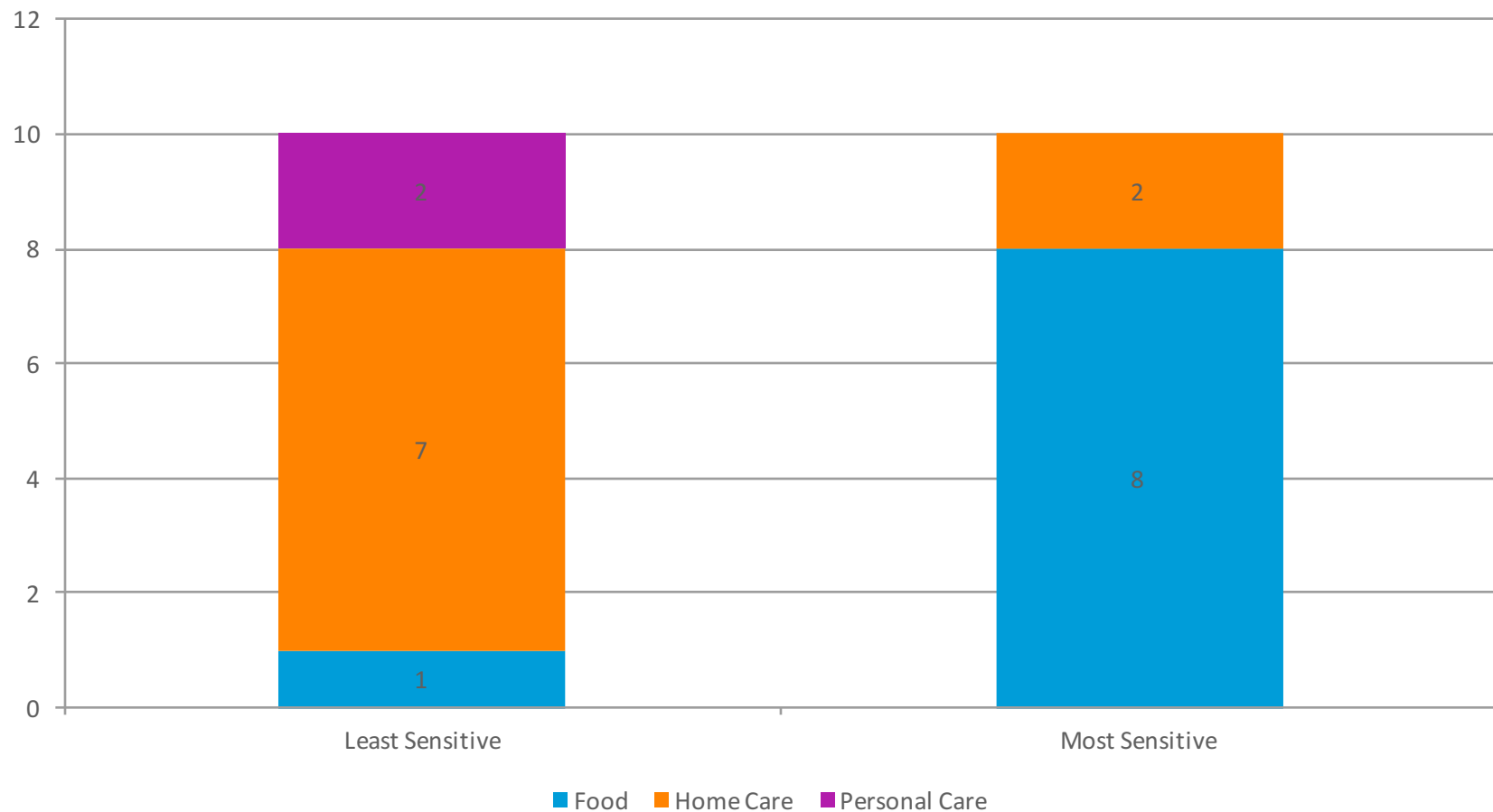
Although these categories are relatively inelastic, a few have higher than average rates of promotional success

Product Category	Type of Product	Price Sensitivity Rank	% Successful Events Rank
AQUATIC SUPPLIES	Home Care	325 / 325	17 / 325
PET TREATMENTS EXTERNAL OTHER	Home Care	324 / 325	271 / 325
PAIN RELIEVING DEVICE	Personal Care	323 / 325	299 / 325
FISH FOOD	Home Care	322 / 325	99 / 325
PET REPELLENT	Home Care	321 / 325	322 / 325
PET GROOMING	Home Care	320 / 325	214 / 325
COFFEE MUGS AND FILTERS	Home Care	319 / 325	244 / 325
FIRST AID OTHER	Personal Care	318 / 325	105 / 325
HOUSE AND CARRIERS	Home Care	317 / 325	280 / 325
EGG SUBSTITUTE	Food	316 / 325	225 / 325

# 8 OF TOP 10 MOST ELASTIC CATEGORIES ARE FOOD

Home care categories dominate the least sensitive group.

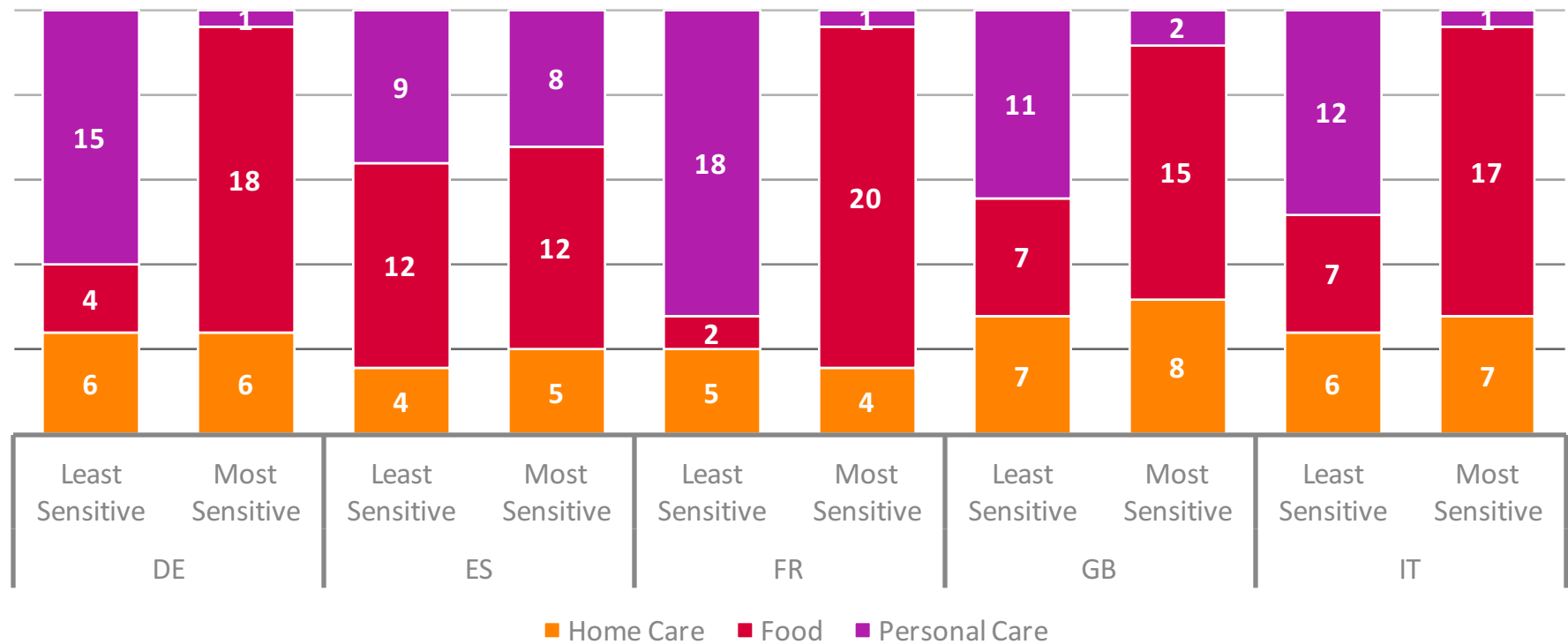
Number of Categories by Product Type



# THE RESULTS VARY WIDELY ACROSS COUNTRIES

Pricing dynamics within product type changes by country

Category Counts By Product Type



# WHICH FACTORS POINT TO MORE EFFECTIVE EVENTS?

To review what we have seen, here's an Indicator Scorecard.....

Potential Indicator	Relationship Strength	Relationship Direction
Product Class	Strong	Non-food is better.
Category Size	Weak	Positive
Average Price	Strong	Positive
Average Discount	Weak	Positive
Promotion Frequency	Weak	Positive
Quality Support?	Strong	With support is better.
Category Display Weeks	Moderate	Positive
Category Feature Weeks	Moderate	Positive
Promoted Price Elasticity	Moderate	Positive (magnitude)

# THIS IS A BIG CHALLENGE, WHERE DO I START?

Understand context and focus on biggest problems in overall process



## DON'T KNOW

### Benchmark your performance to the industry and your key competitors

**TREND:**

*How has the return on my promotions changed over time?*

Over the last 3 years the return on Client A promotional performance has declined 44% vs. a 7.9% decrease for promotions across the total store



**CATEGORY POSITIONING:**

*How do my category promotions compare across categories?*

Category B promotions perform over 2.5X better than the total store average effectiveness



**KEY ACCOUNTS:**

*How are promotions performing in my priority accounts?*

Client A promotions at your top 5 accounts have an average return of 17% more compared to your promotions across all accounts



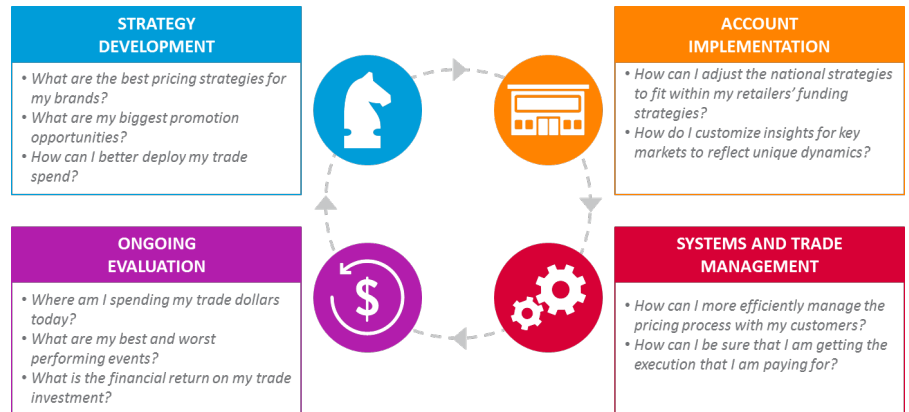
**VERSUS COMPETITION:**

*How do my promotions compare to my competitors?*

Promotional performance for Client A is 200% below best-in-class Category A brands



### Identify the largest pain points in your overall planning process and align solutions



# TAKE THESE STEPS TO IMPROVED PROFIT



Get **Everyday Price Right**: Price is the foundation of all promotional spend, and EDLP is the biggest category of promotional spending.



Understand the **drivers of Promotional Profit** – Discount, and Support activity vary in impact and cost. The right mix will drive major changes in profit.

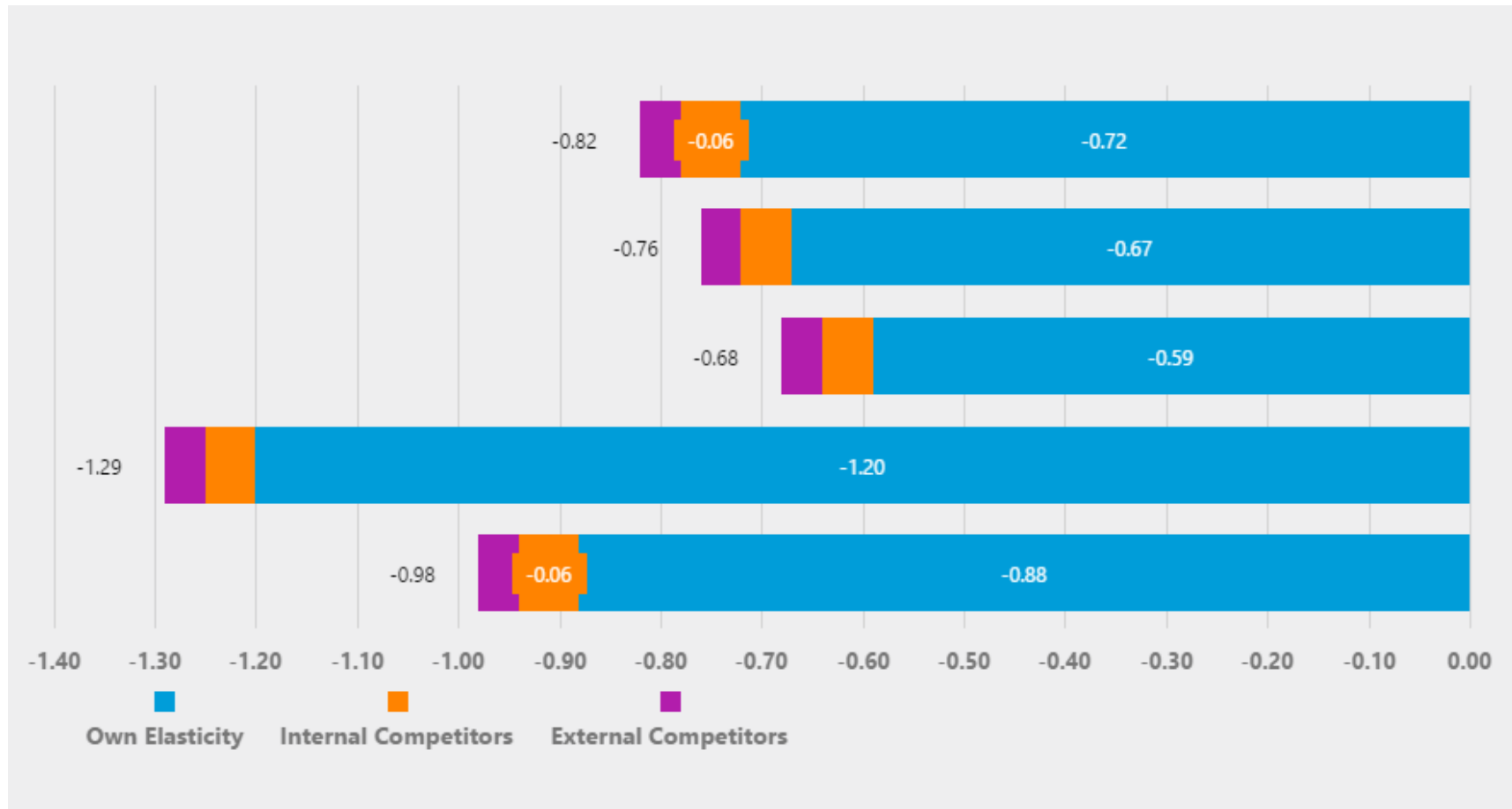


**Drive this into account planning** and negotiation. Guidelines by category or channel miss the tremendous variation at the retail account.



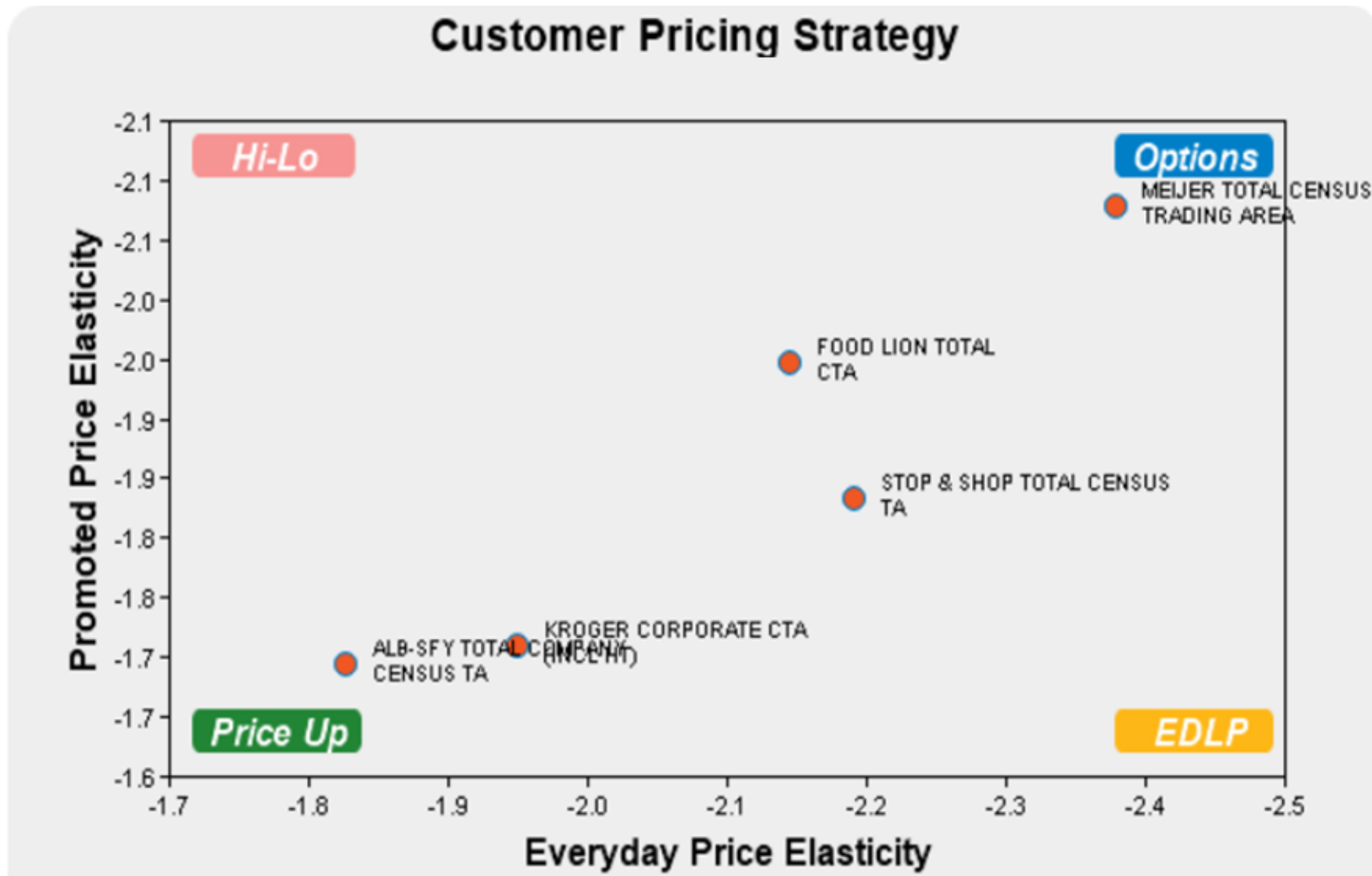
# UNDERSTAND CORE PRICE IMPACT

Where will pricing changes have the greatest and least impact across my portfolio?



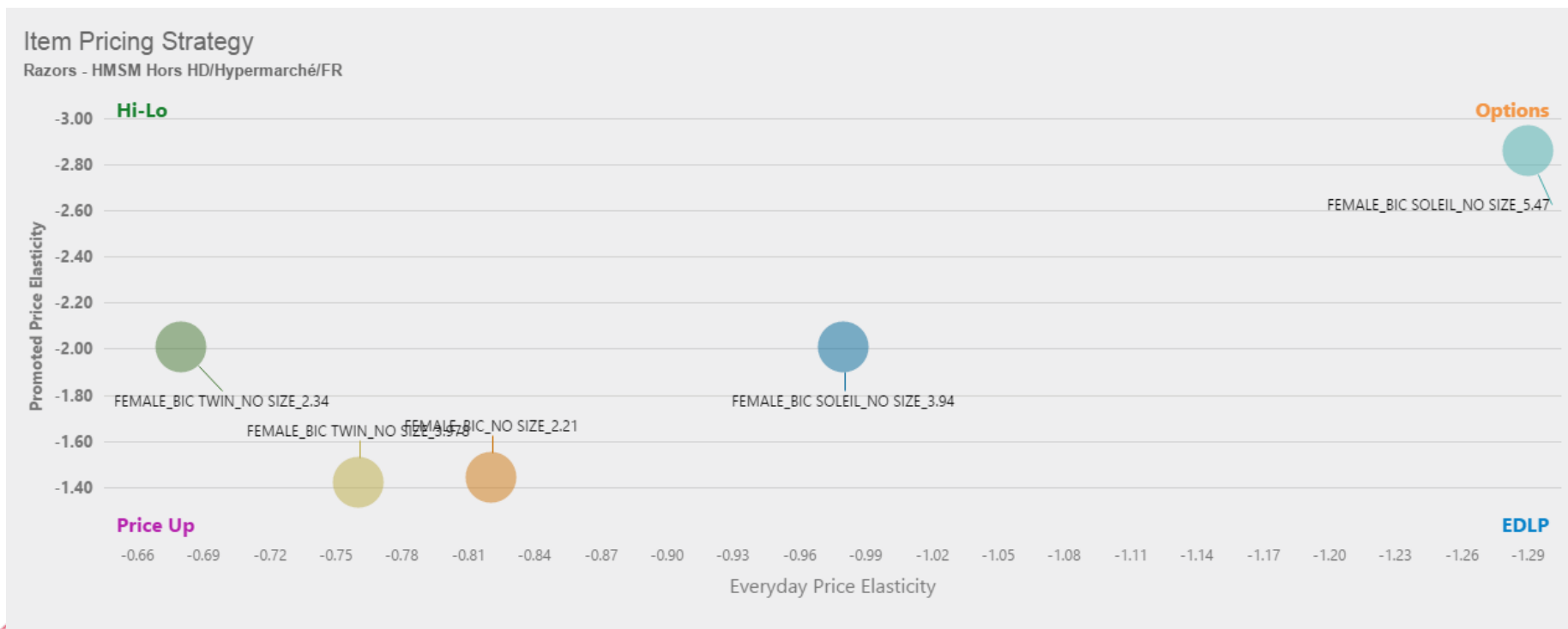
# PRICE IT RIGHT ACROSS ACCOUNTS

Understand price behavior at the customer account.



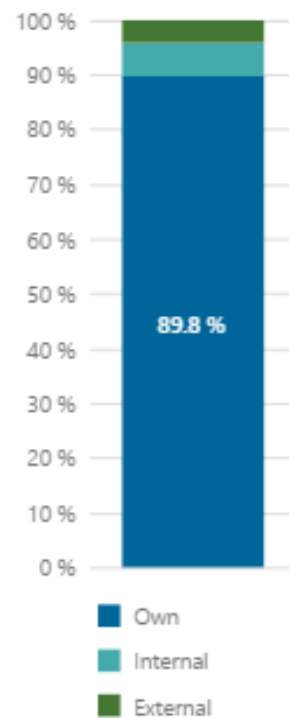
# UNDERSTAND REGULAR AND PROMO BEHAVIOR

Set Product and Price Strategy Based on Behavior



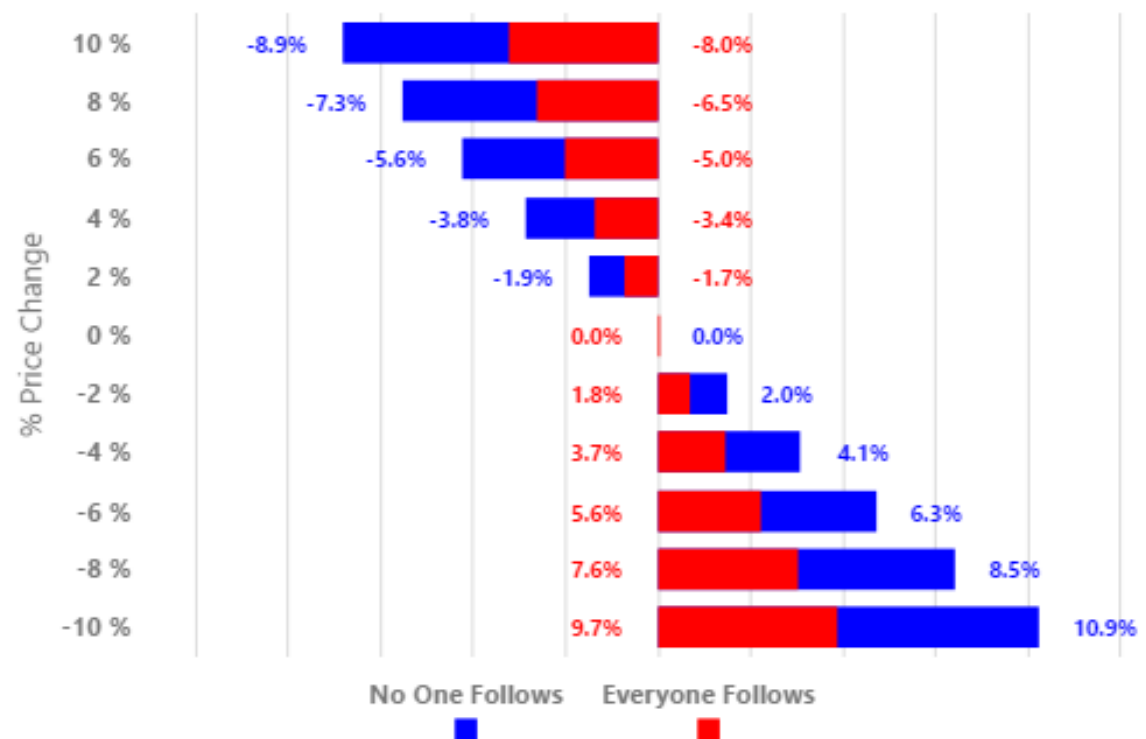
# HOW WILL DIFFERENT DISCOUNTS IMPACT SALES?

Drivers Of Elasticity



Sales Impact by Price Change

HMSM Hors HD/Hypermarché/FR - FEMALE\_BIC SOLEIL\_NO SIZE\_3.94

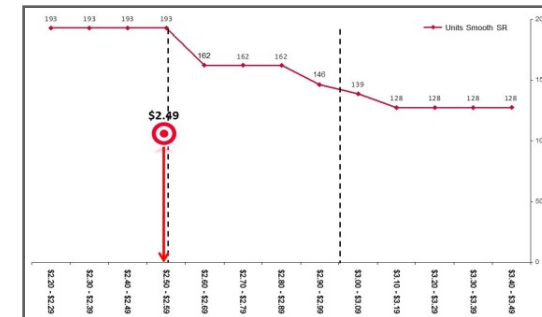


# UNDERSTAND THRESHOLDS AND GAPS

- Pricing thresholds represent psychological unwillingness to pay beyond certain price points
- Proper management of base price threshold can add 2-10% additional sales on the shelf
- Optimize gap vs competition and develop guidelines to stay competitive

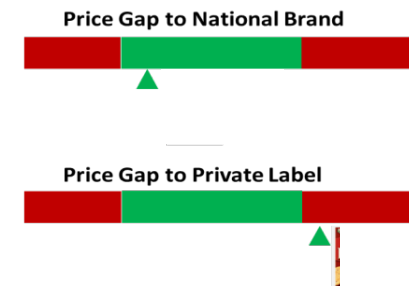
## Thresholds

### Stay Within Major Price Thresholds



## Price Gaps

### Stay Competitive vs. Competition



# ANTICIPATE COMPETITIVE RESPONSE

No price action is taken in isolation.

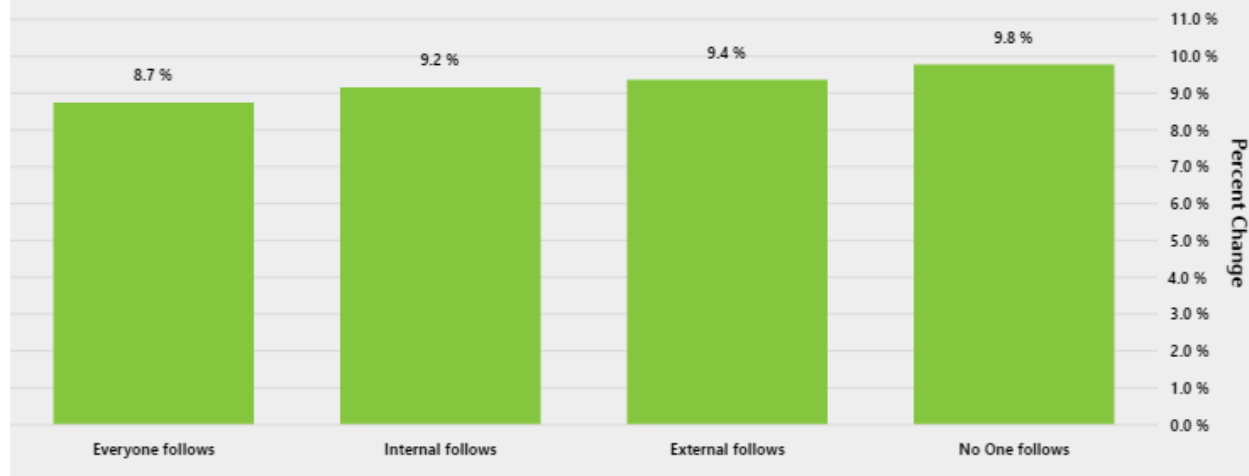
## Regular Price Scenario Change

HMSM Hors HD/Hypermarché/FR - FEMALE\_BIC SOLEIL\_NO SIZE\_3.94

Scenario	Current Price	New Price	Price % Change	Unit % Change	Volume Change	\$ Change
Everyone follows	\$3.74	\$3.40	-9.1 %	8.7 %	54	-\$26
Internal follows	\$3.74	\$3.40	-9.1 %	9.2 %	57	-\$18
External follows	\$3.74	\$3.40	-9.1 %	9.4 %	58	-\$13
No One follows	\$3.74	\$3.40	-9.1 %	9.8 %	61	-\$4

## Unit % Change

HMSM Hors HD/Hypermarché/FR - FEMALE\_BIC SOLEIL\_NO SIZE\_3.94



# UNDERSTAND DRIVERS OF PROFITABLE PROMOTION

- Promoted Elasticity
- Promoted Thresholds
- Frequency vs. Depth
- Real Impact of Bogos and Price Multiples
- Cannibalization of a promotion

# PROMOTION BENCHMARK ANALYSIS

A three-step approach to help you understand how well your promotions perform and differences in strategy vs. your competition

## Benchmark Assessment

Benchmark your trade promotion performance against other categories and competitors within your categories



### **Outcome:**

*Understand how your promotions compare to best-in-class*

## Promotion Diagnostic Check

Measure the effectiveness of different trade controllables such as promotion tactic and discount depth



### **Outcome:**

*Identify the best-in-class trade promotion strategies and tactics*

## Drill Site Scorecard

Benchmark your promotion strategy vs. best-in-class across channels, segments, depth, frequency and timing

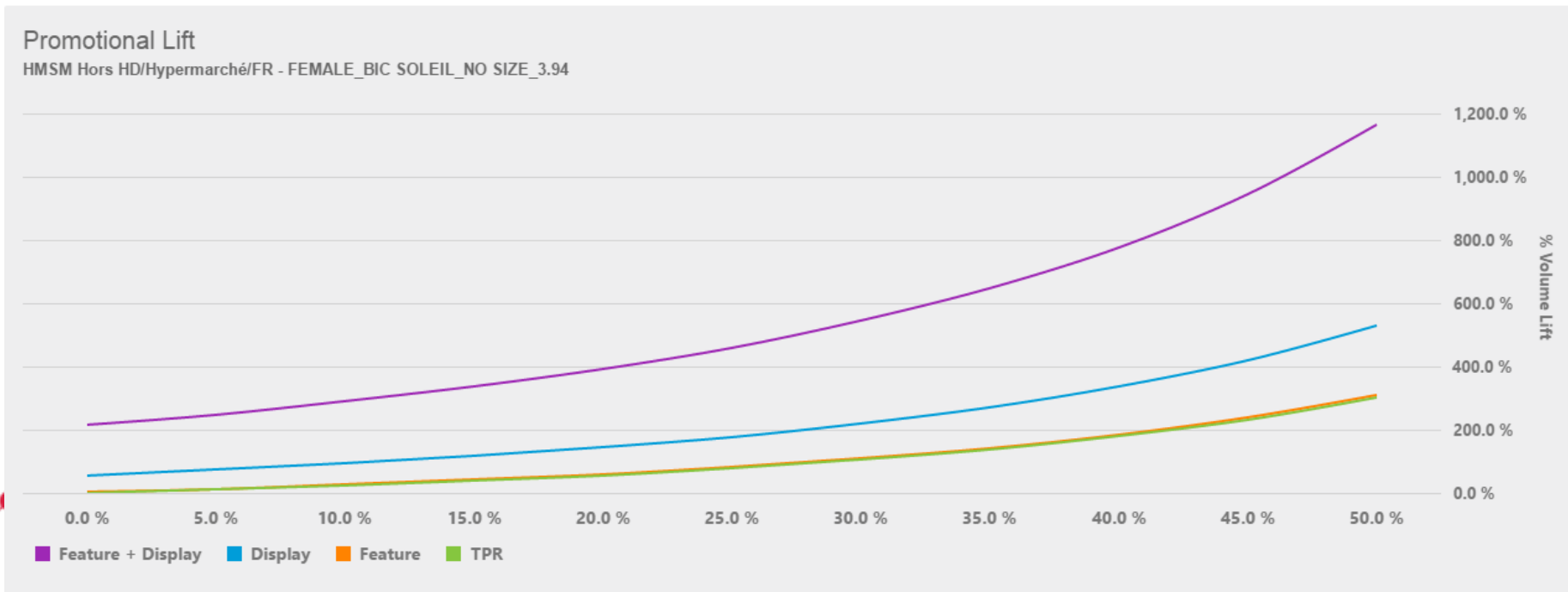


### **Outcome:**

*Prioritize focus areas to bring your promotions to best-in-class levels*

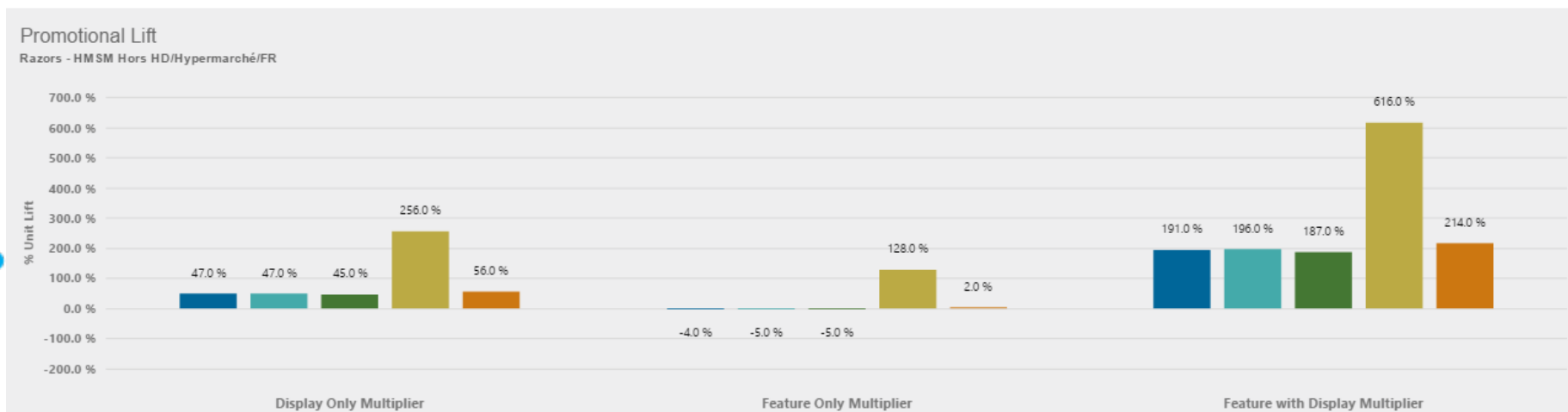


# UNDERSTAND THE IMPACT OF DISCOUNT DEPTH

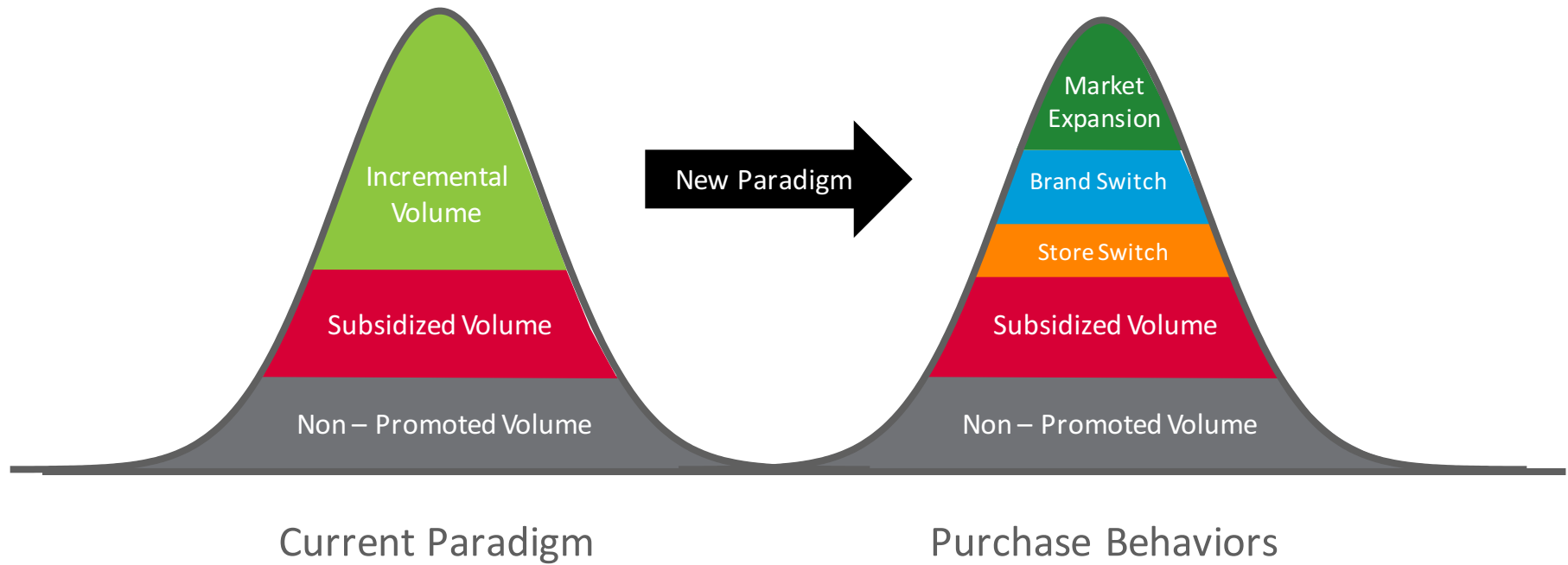


# HOW DO PROMOTIONAL DRIVERS EFFECT KEY ITEMS

Will this change my promotional mix?



# UNDERSTAND DRIVERS OF PROMOTION - CANNIBALIZATION



# UNDERSTAND DRIVERS OF PROMOTION

What is driving the results of my event?

## Event Changes

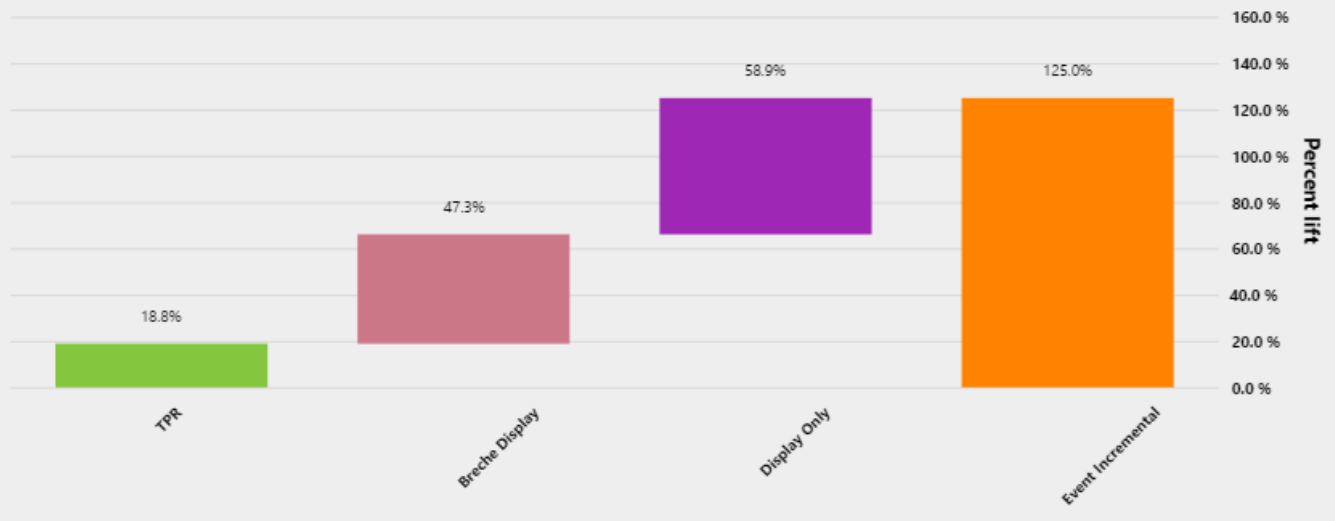
Price Incentive	Price
Regular Price	\$3.74
Promotion Price	\$3.50
% Discount	6.4 %
Base Volume	619

## Scenario Results (HMSM Hors HD/Hypermarché/FR - FEMALE\_BIC SOLEIL\_NO SIZE\_3.94)

Promotion	% ACV	% Lift	Volume	Retail Dollars
TPR	100.0 %	18.8 %	116	\$406
Breche Display	100.0 %	47.3 %	293	\$1,026
Display Only	80.0 %	58.9 %	365	\$1,276
<b>Event Incremental</b>			<b>774</b>	<b>\$2,708</b>
<b>Event Total</b>			<b>1,393</b>	<b>\$4,875</b>

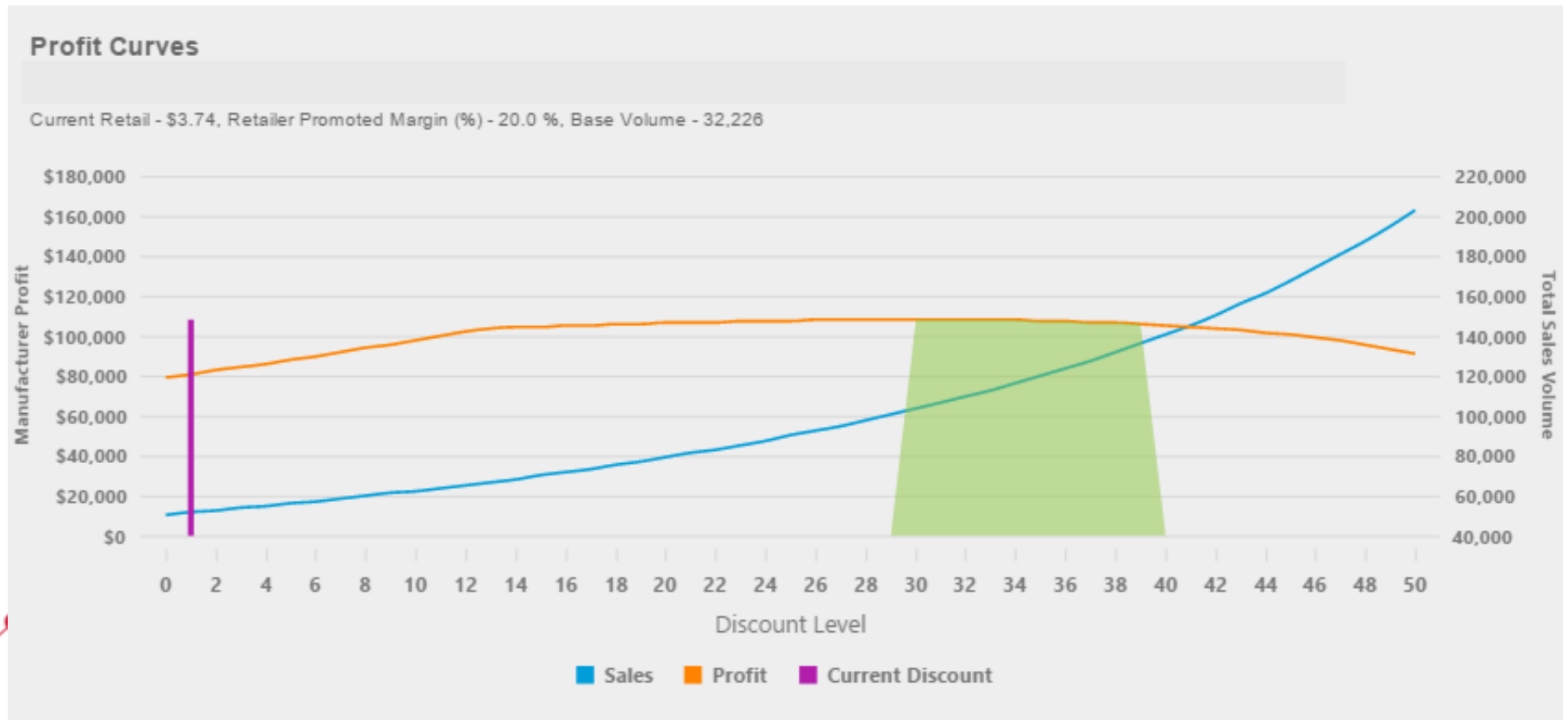
## Event Lift Contribution

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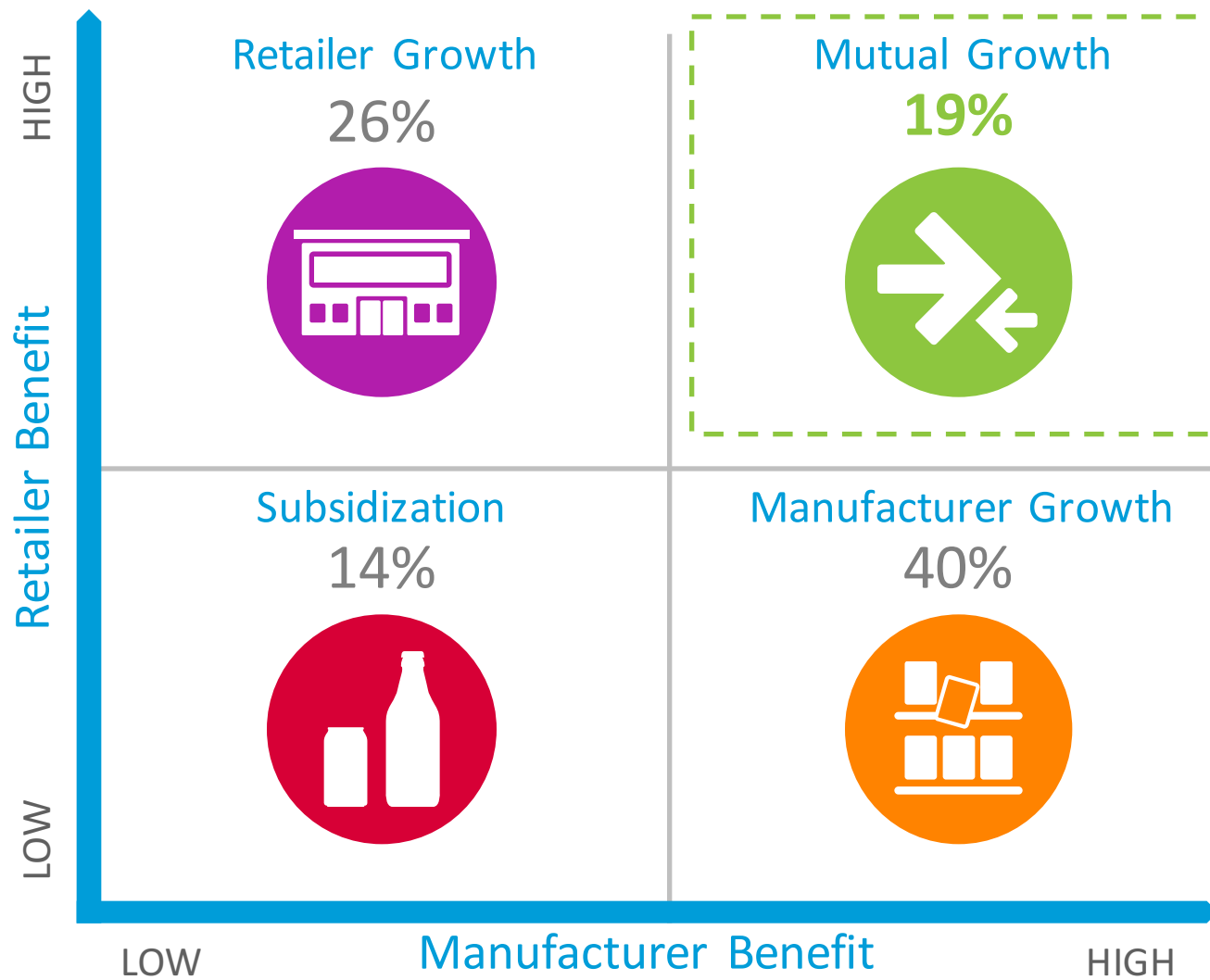


# CREATE WIN-WIN SCENARIOS WITH RETAILERS

Understand margin for both players.



# PROMOTIONAL IMPACT FRAMEWORK



# UNDERSTAND DRIVERS OF PROFITABLE PROMOTIONS



## Financial Analysis



[View Results](#)

List Price

EDLP Per Unit Rate

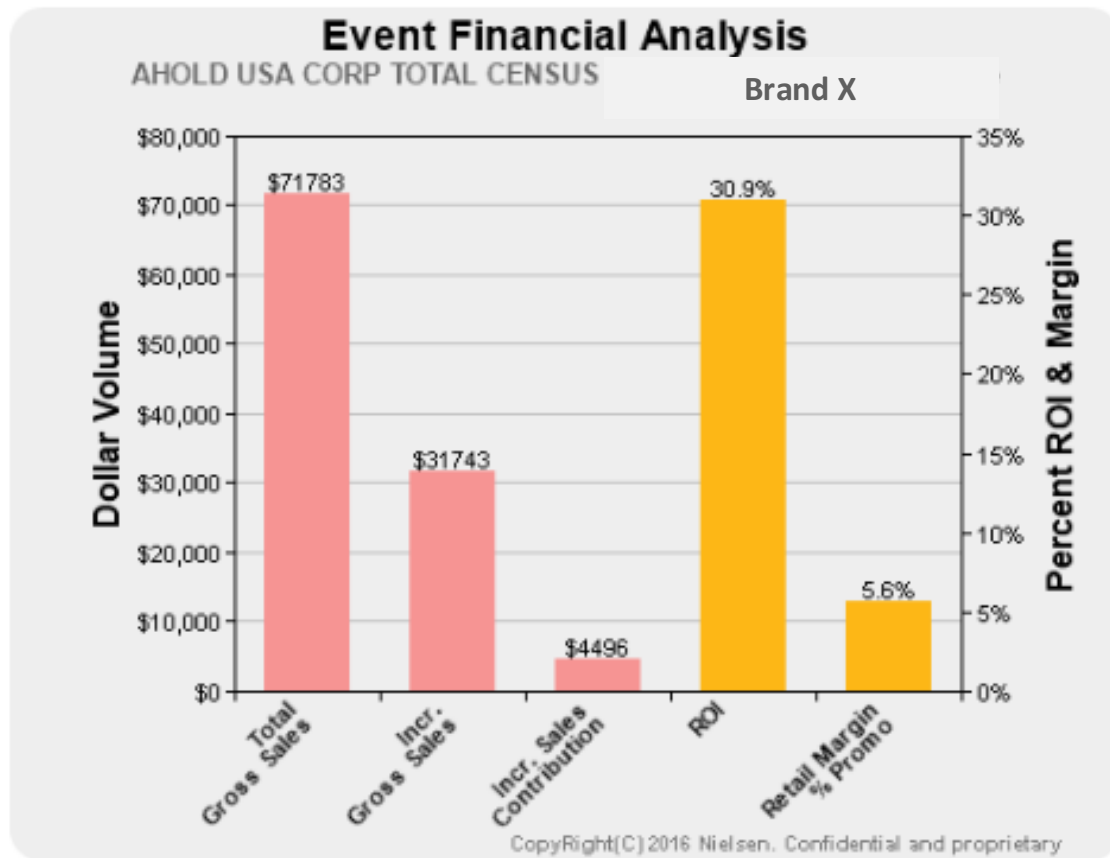
Promo Per Unit Rate

Fixed Fees

PTCM

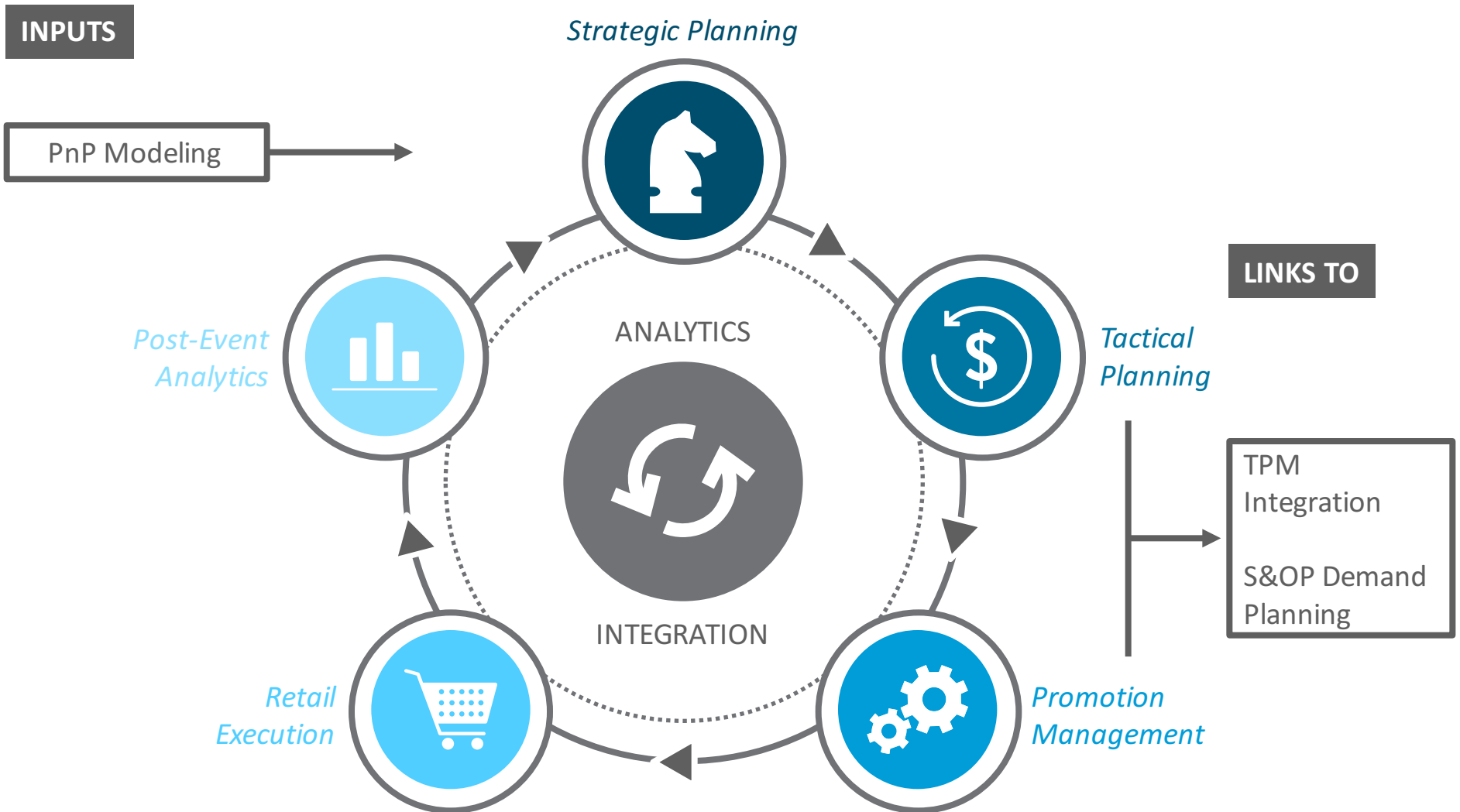
### Event Results

Total Gross Sales	\$71,783
Incr. Net Sales	\$57,234
Total Trade	\$14,549
Incr. Gross Sales	\$31,743
Incremental Net Revenue	\$17,194
Incr. Sales Contribution	\$4,496
ROI	30.9%
Retail Margin % Promo	5.6%
Retail Margin % No Promo	19.9%



# REVENUE MANAGEMENT CYCLE

Dynamic solution with predictive analytics applied to latest sales data to support on-going pricing and promotion decisions, analysis and business planning process



**INPUTS**

PnP Modeling

**LINKS TO**

TPM Integration  
S&OP Demand Planning