



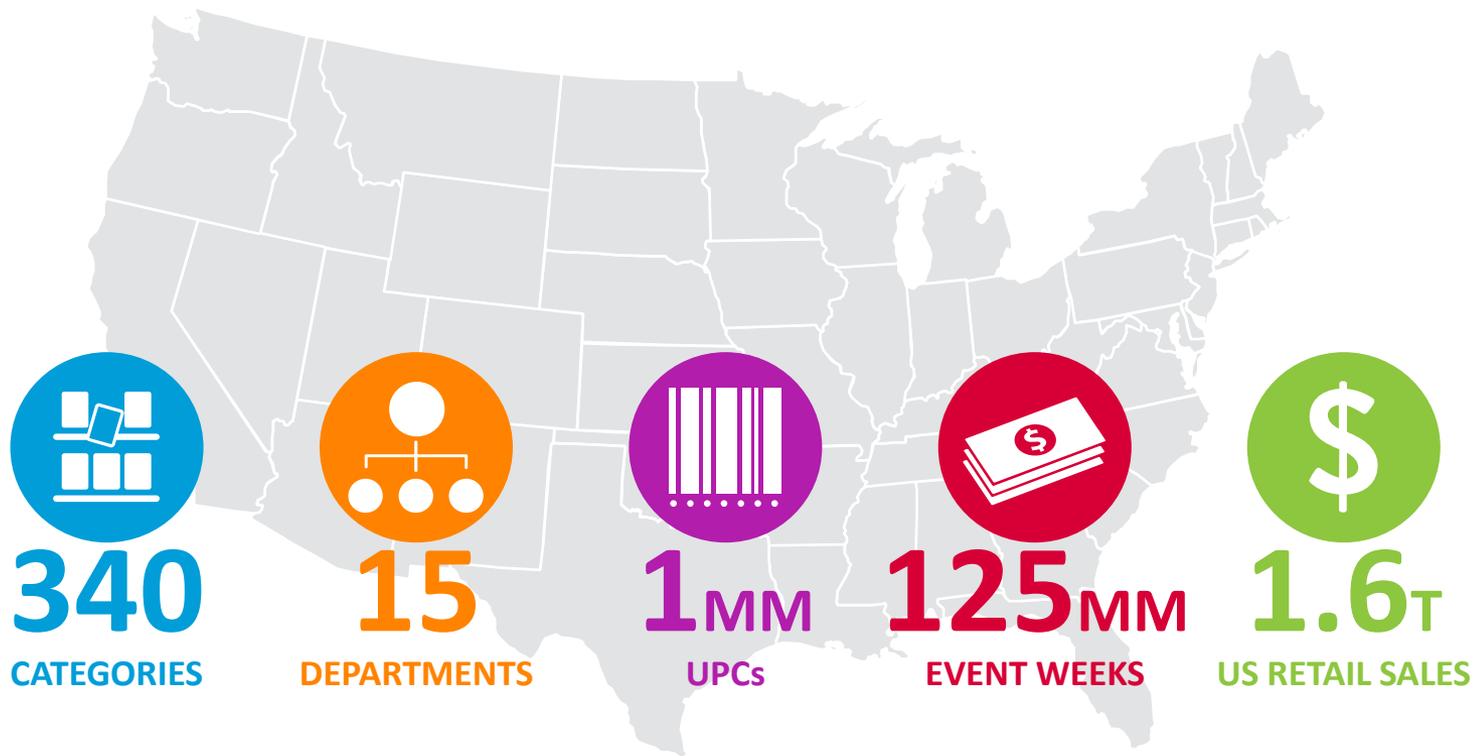
NIELSEN TRADE PROMOTION LANDSCAPE ANALYSIS

HOW DO YOUR PROMOTIONS COMPARE
WITH BEST-IN-CLASS?

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NIELSEN IS CONDUCTING THE LARGEST PROMOTION BENCHMARK PROGRAM EVER



Across 150 banners in Food, Drug, Mass (excluding Walmart), Pet, Dollar and Convenience

NORMATIVE FRAMEWORK TO MEASURE RETURN

Robust approach provides rich promotion benchmarks

1) Isolate Events

- Identify promotion weeks based depth of discount vs. everyday price

2) Build a Volume Calculation Framework

- Incremental Sales = Total Sales – Baseline
- Incremental Cost = Direct Trade Expense + Incremental COGs
- Trade Return = Incremental Sales – Incremental Cost

3) Derive Promotion Costs by Applying Industry Standards

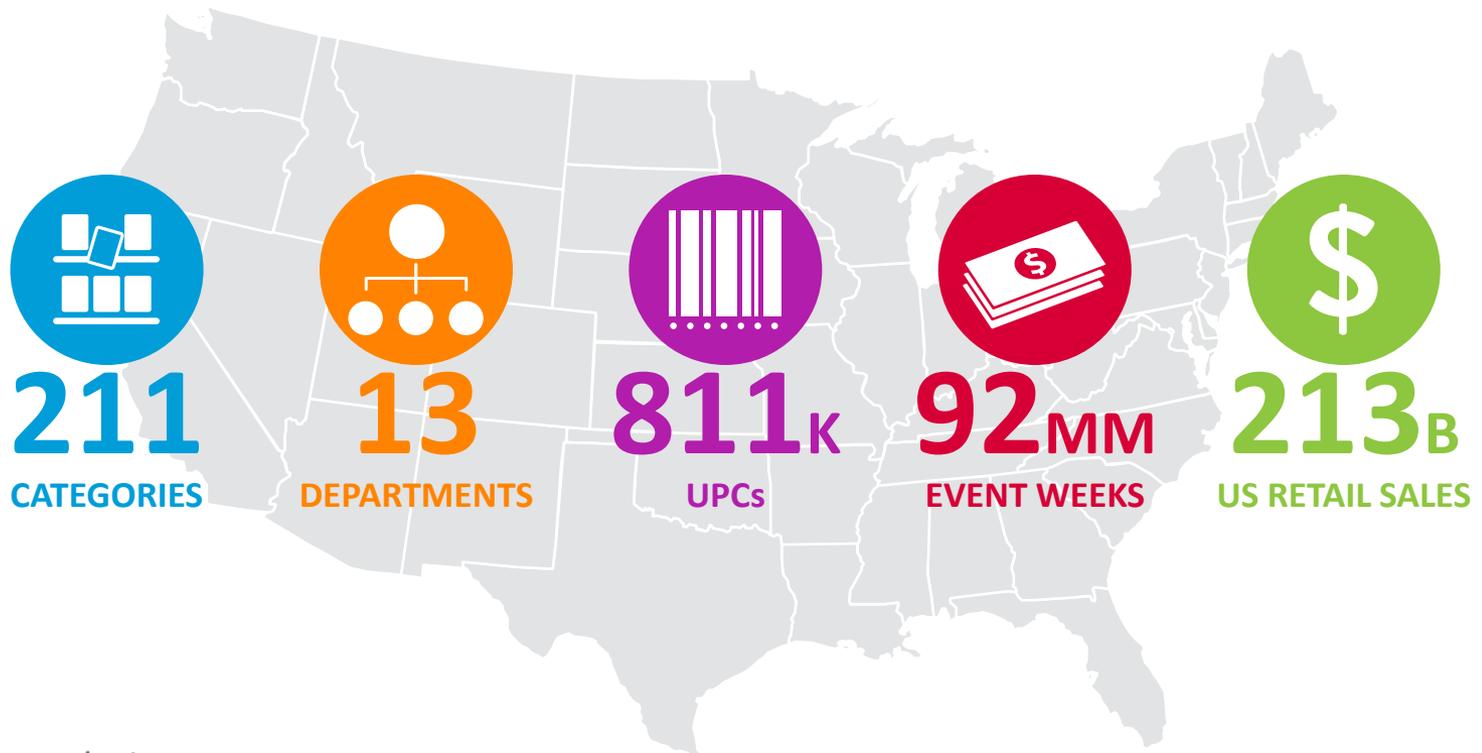
- Manufacturers pay 80% of Discount
- Standard Cost for COGs, Feature & Display

4) Calculate Key Efficiency Metrics for Analysis

- Trade Efficiency = Trade Return / Dollar Invested
- Trade Responsiveness = Lift / Point of Discount
- % Sales on Trade

DRILLING THE ANALYSIS TO ACTIONABLE INSIGHTS

Narrowed the analysis to eliminate some of the extreme skews

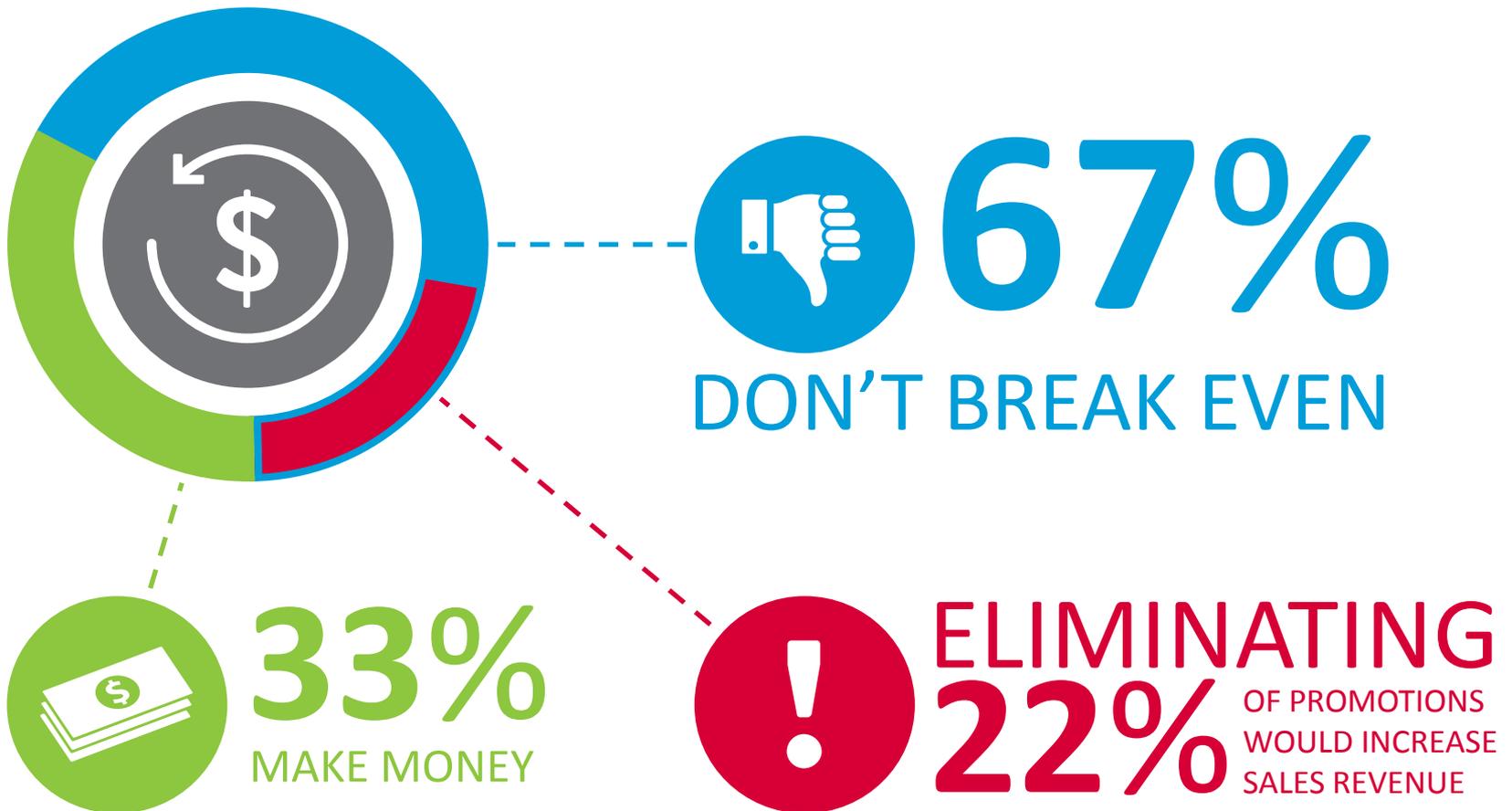


This analysis:

- includes categories with sales over \$100MM and promotional frequency of at least 5%
- excludes tobacco, alcohol, eggs, milk and bread
- examines all promotional events discounted at least 10% across 75 banners from Food, Drug and Mass (excluding Walmart)

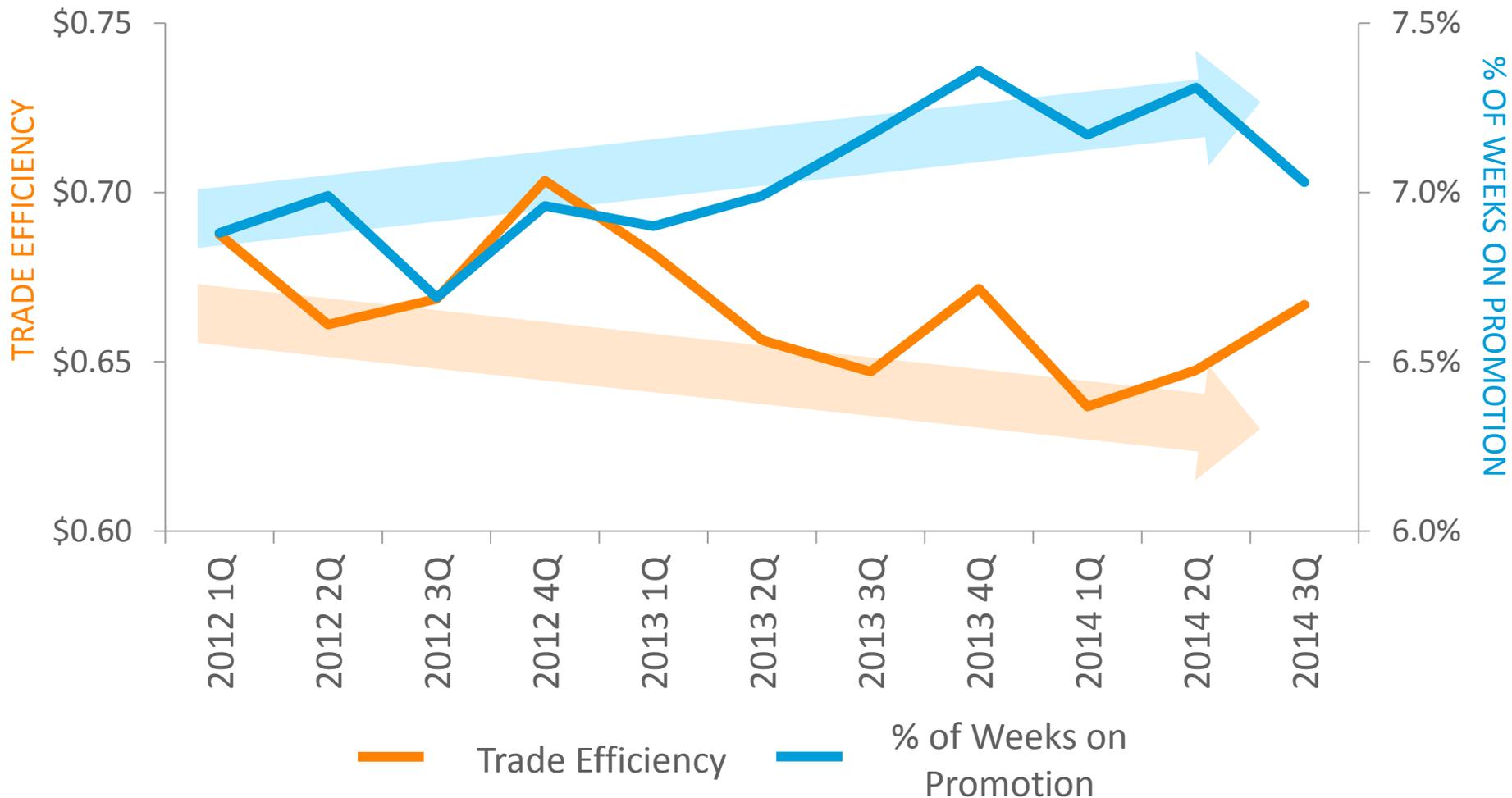
WE ALL KNOW PROMOTIONS CAN BE INEFFICIENT

The majority of trade promotion events don't break even



PROMOTION INEFFICIENCY IS GETTING WORSE

Frequency vs. Return – chicken or the egg?

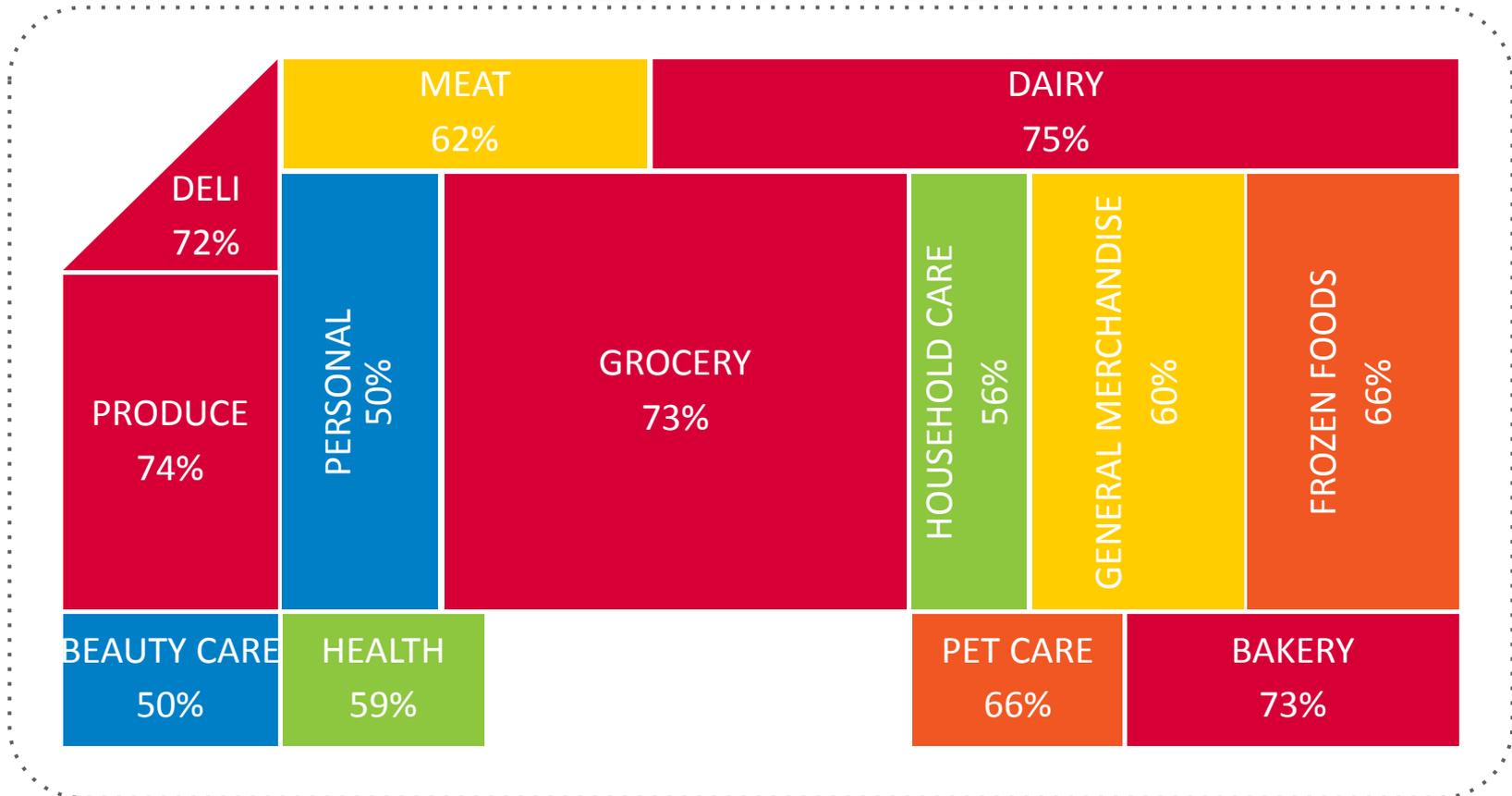


OPPORTUNITIES EXIST ACROSS THE ENTIRE STORE

Trade promotion effectiveness varies from 50% to 75% across departments



% OF WEEKS THAT DON'T BREAK EVEN



CATEGORY VARIANCE IS SIGNIFICANT

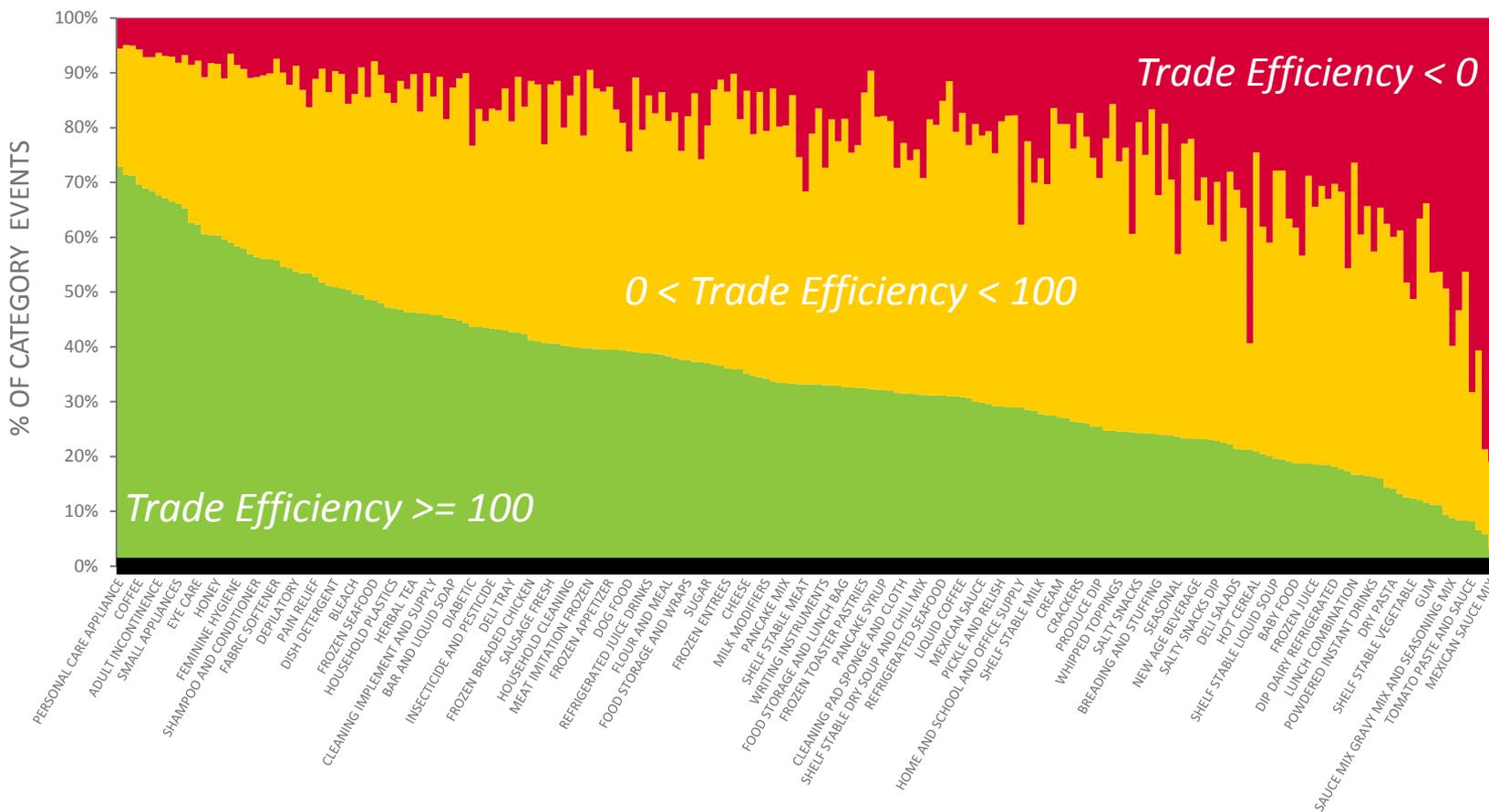
Understanding where your business falls is valuable context



MOST EFFICIENT

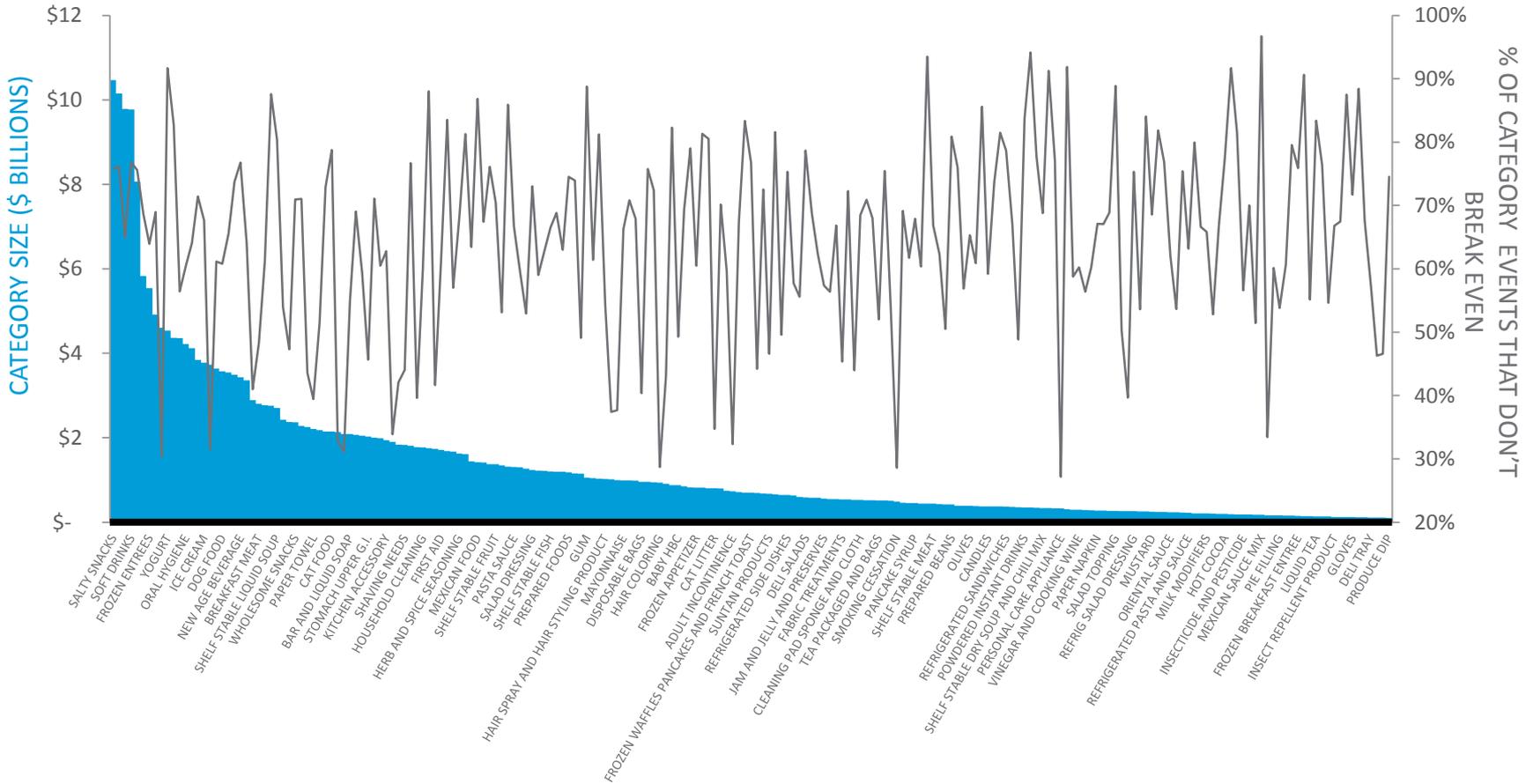


LEAST EFFICIENT



CATEGORY SIZE DOESN'T DICTATE PERFORMANCE

There is no relationship between category size and promotion efficiency

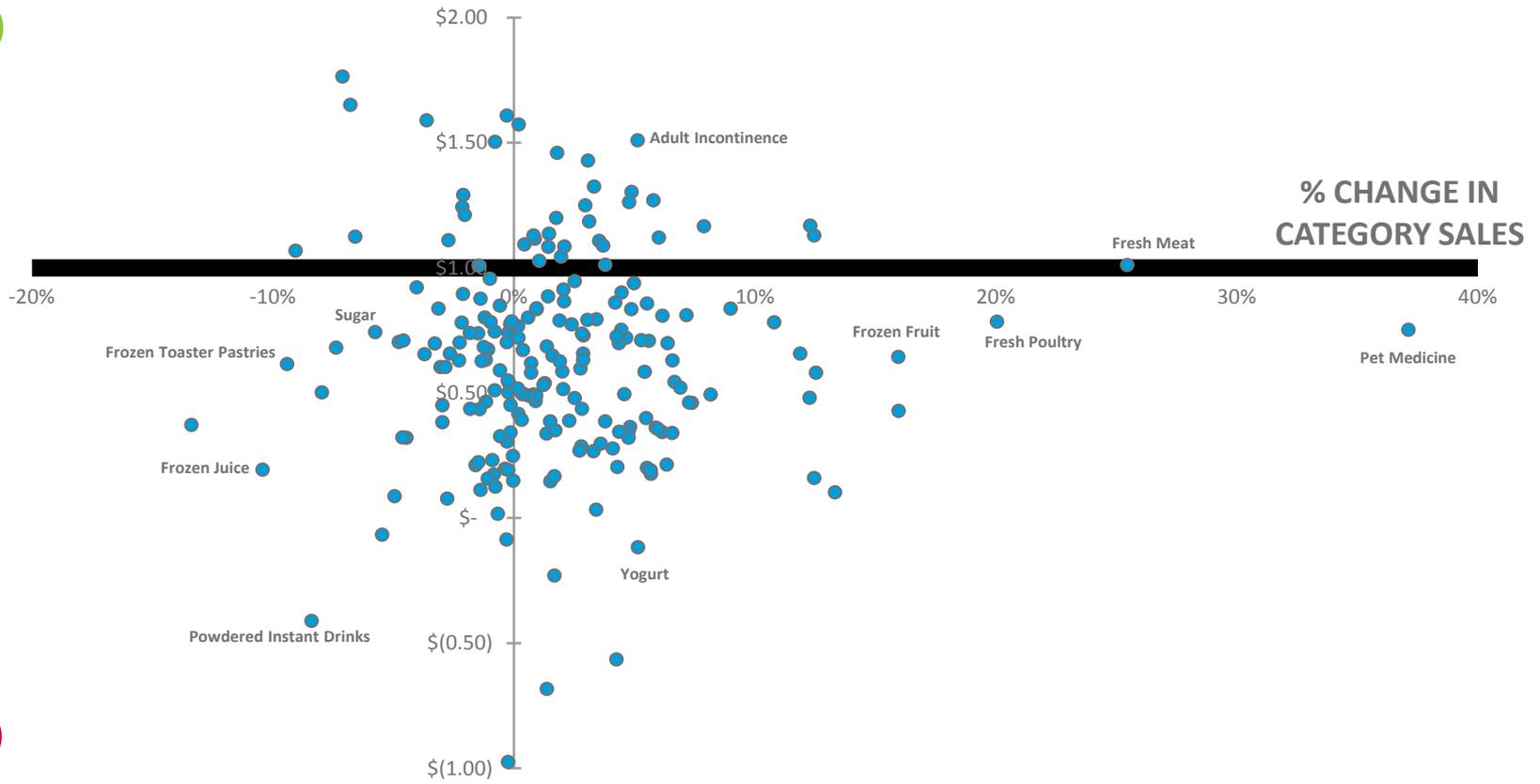


CATEGORY HEALTH IS NOT DISCRIMINATING

Growing and declining categories alike have tremendous variance in efficiency

Category Trade Efficiency

MOST EFFICIENT



% CHANGE IN
CATEGORY SALES

LEAST EFFICIENT



DECREASING SALES

INCREASING SALES



OVER-PROMOTING DILUTES EFFICIENCY

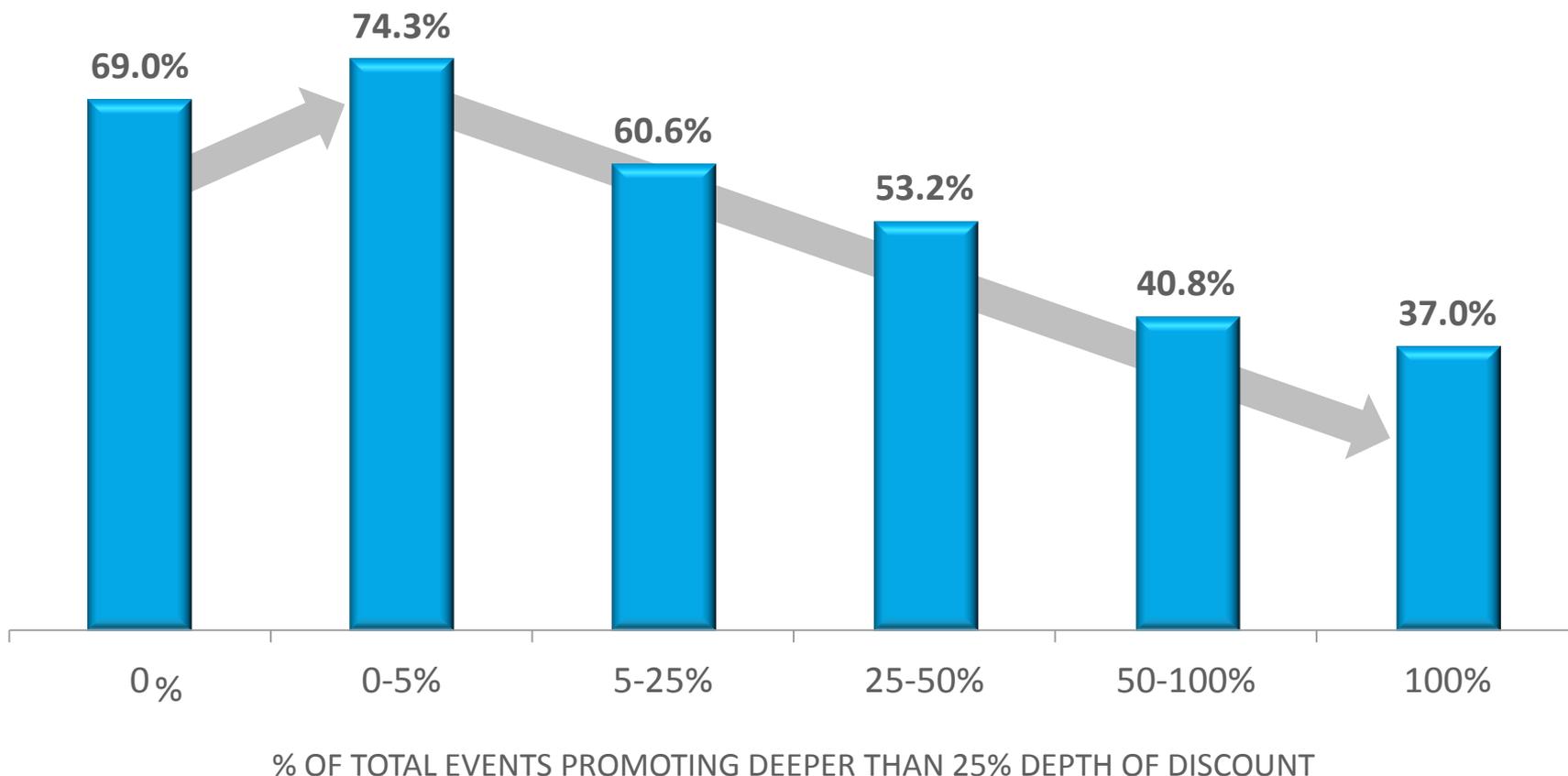
Scrutinize purchase frequency, expandable consumption, and storability



SELECTIVELY UTILIZE OF DEEP DISCOUNTS

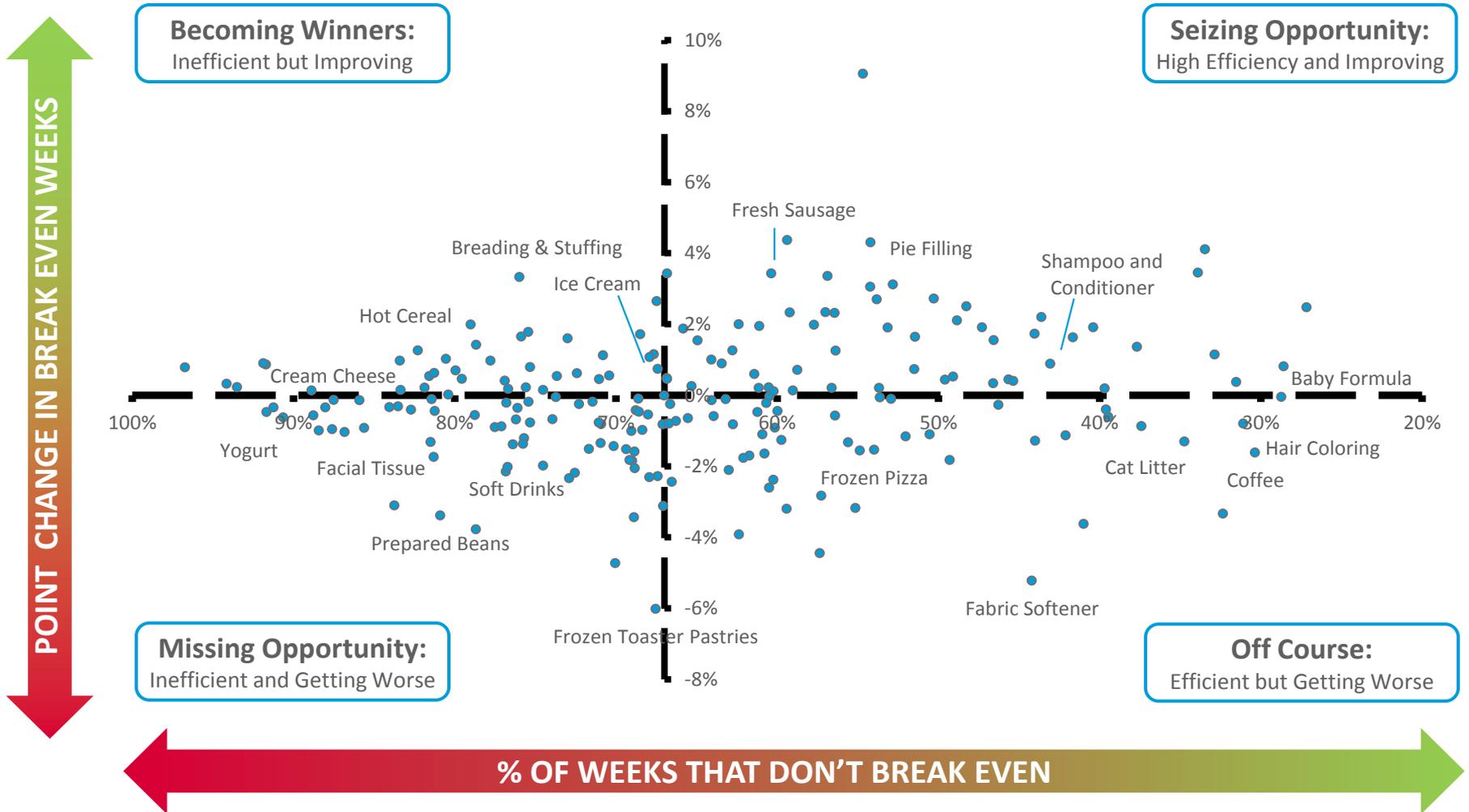
Greater than 50% of promotions on deep discount significantly degrades ROI

Average Category Trade Efficiency



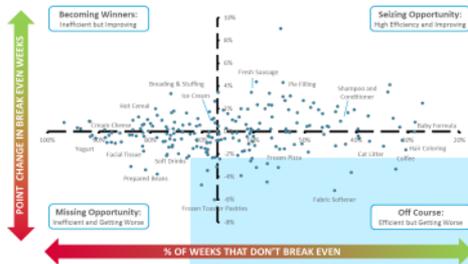
YOUR FATE IS NOT SEALED

Categories improved their performance by applying optimal strategies



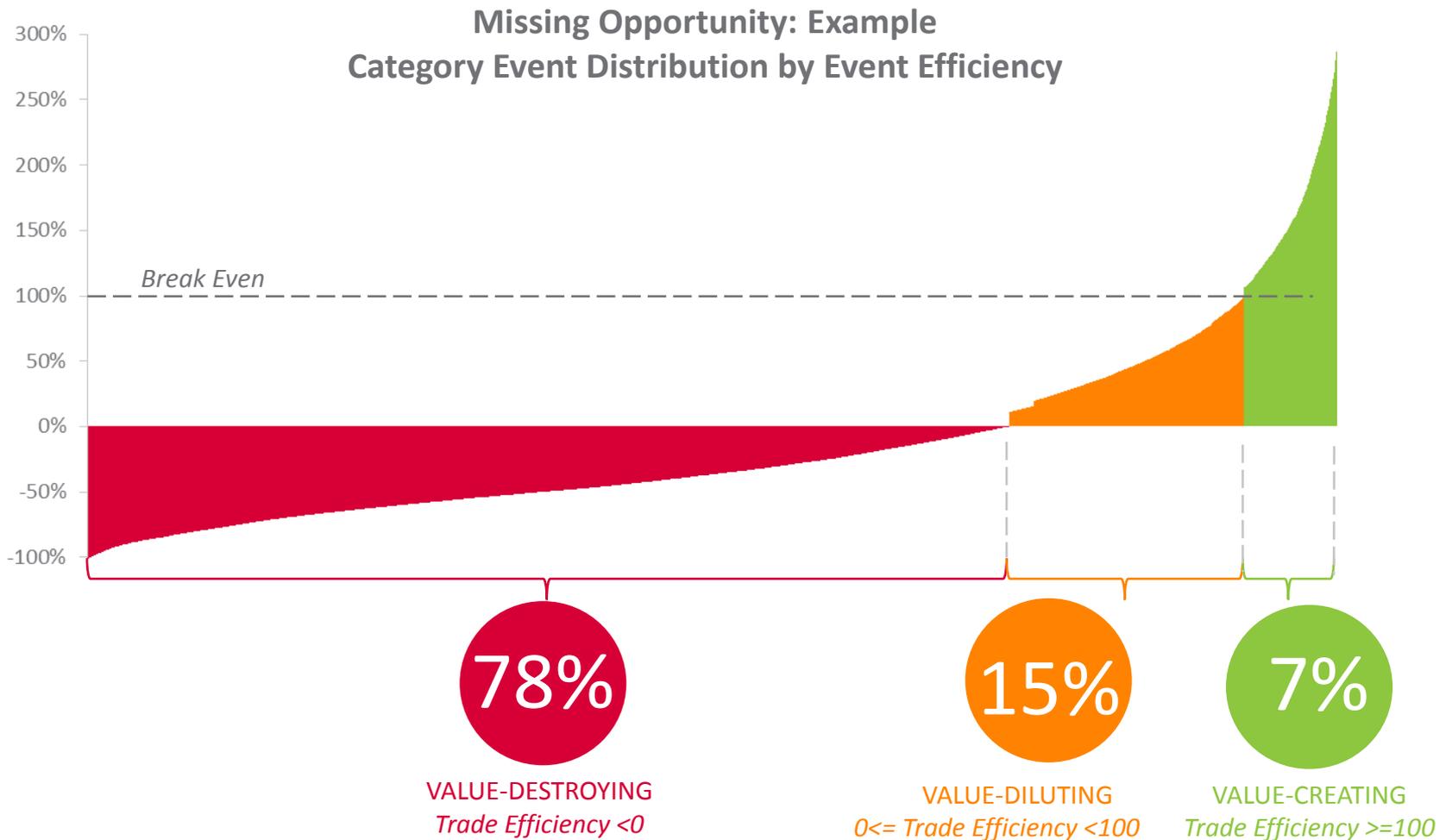
HOW ARE CATEGORIES GETTING OFF TRACK?

Trying to drive significant volume from promotions if you current events are efficient is not a great way to drive sales



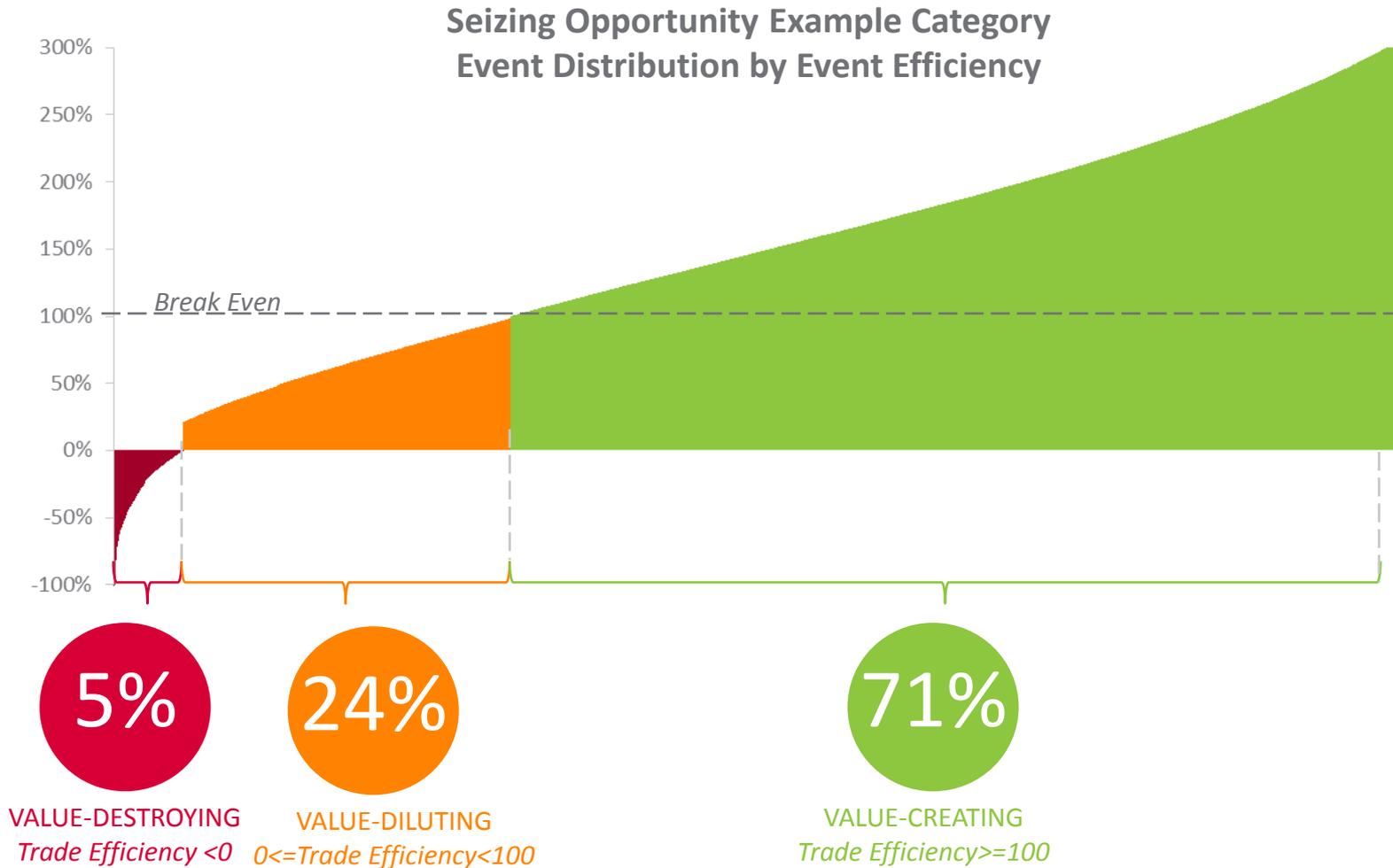
<p>CHANGE IN TRADE EFFICIENCY</p>  <p>-8.5 pts.</p>	<p>+2.5 pts.</p>  <p>CHANGE IN # OF EVENTS</p>	<p>+21.4%</p>  <p>CHANGE IN % OF DEEP DISCOUNT EVENTS</p>	<p>+1.1%</p>  <p>CHANGE IN SALES</p>
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THERE ARE WINNING AND LOSING EVENTS IN THE LEAST EFFICIENT CATEGORIES...



...AND THE MOST EFFICIENT CATEGORIES

All Manufacturers have opportunity to optimize their events



BEST-IN-CLASS

Driving winning promotions delivers significant returns for manufacturers

Best-in-Class



*Hundreds of millions of dollars for
the average manufacturer*

Bottom 20%



BEST-IN-CLASS

MANUFACTURERS RECEIVE

5X

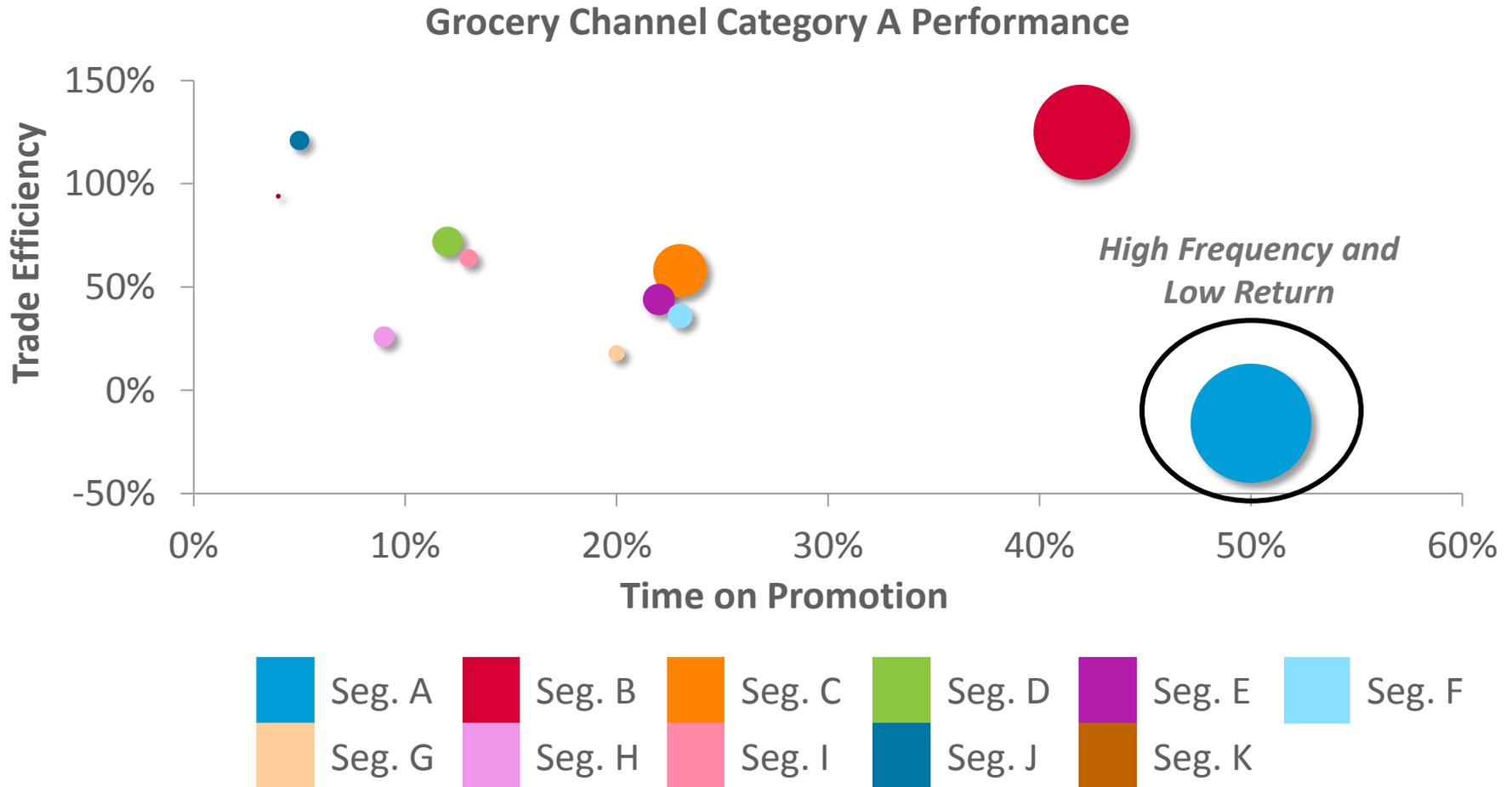
THE RETURN

VS.

**THE LEAST
EFFICIENT**

BECOMING WINNERS:

Historical execution need not dictate current or future plans



REALLOCATE TRADE ACROSS SEGMENTS

Manufacturer A and the Category Advisor have an opportunity to improve category

Segment	Category Trade Efficiency	Mfr. A % of Promotions	Mfr. B % of Promotions	Best-in-Class % of Promotions	Category % of Promotions
A	 -16%	52.2%	30.7%	0.5%	33.6%
B	 125%	31.5%	29.9%	50.2%	28.2%
C	 58%	12.2%	19.1%	25.9%	15.5%
D	 44%	4.2%	16.4%	18.2%	14.7%
E	 72%	0.0%	3.8%	5.2%	8.0%

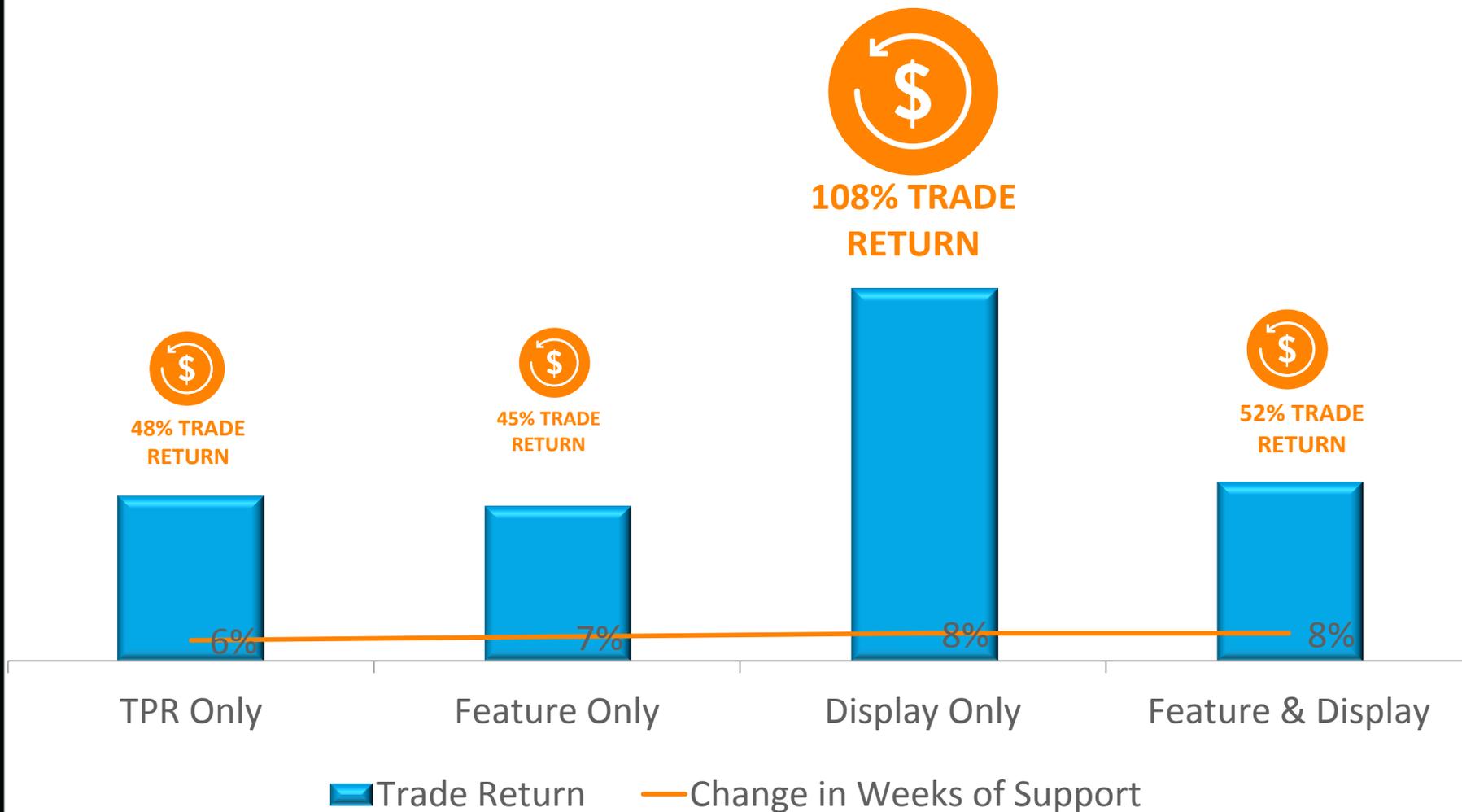
 OVER-PERFORMING

 ON-PAR

 UNDER-PERFORMING

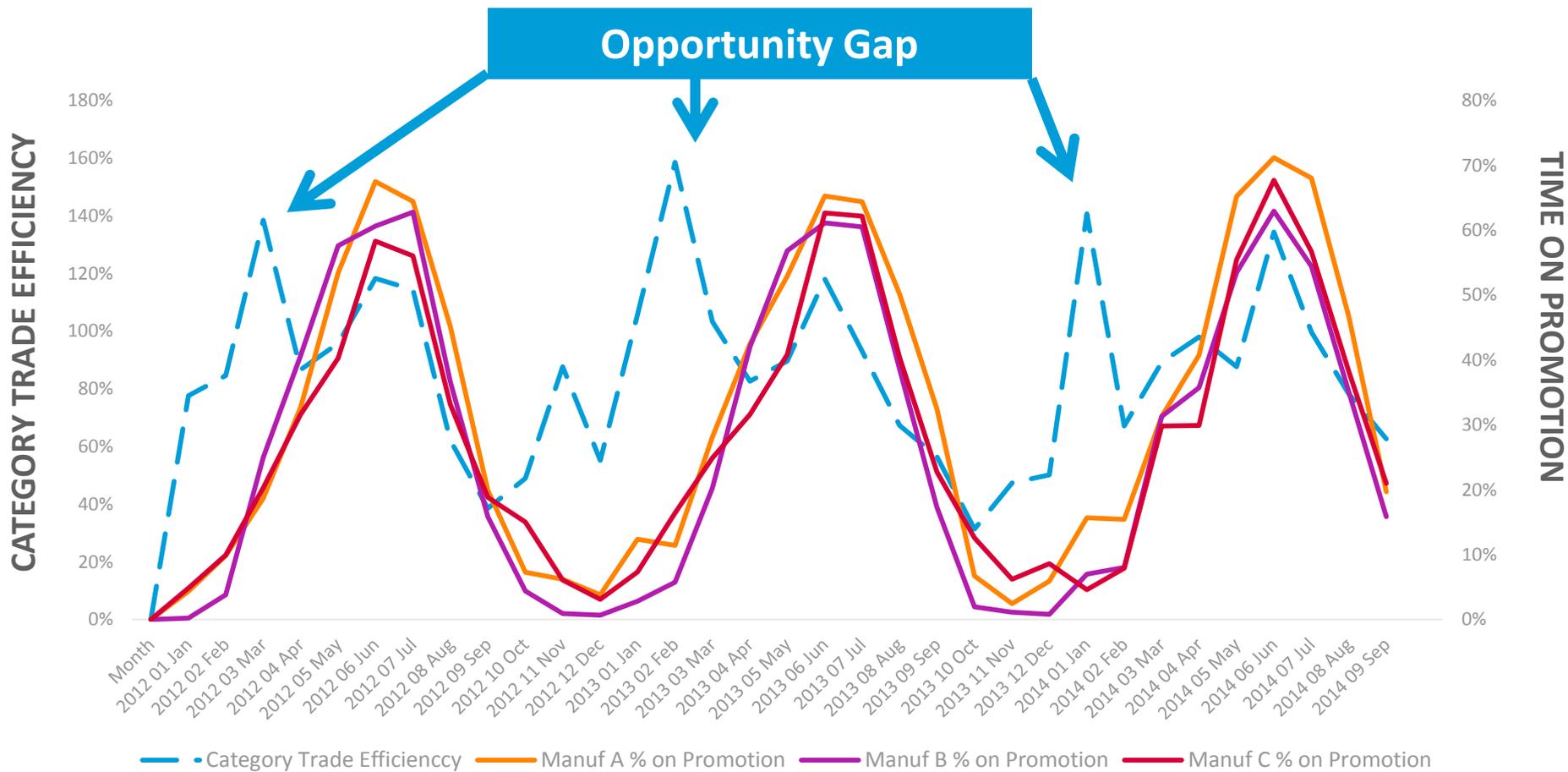
MISSED OPPORTUNITY:

Are you using the right tactic to communicate your offer to the consumer?



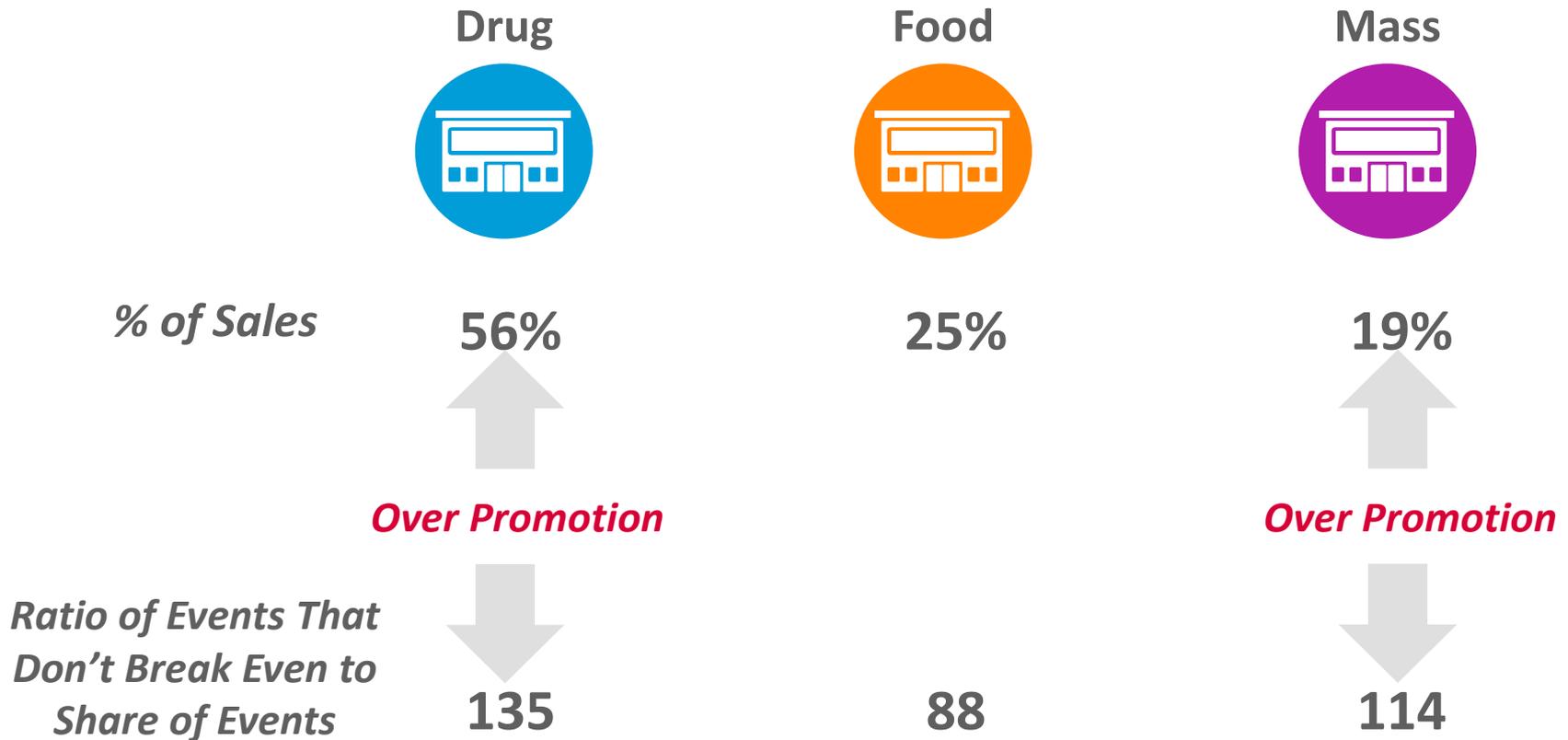
SEIZING OPPORTUNITY:

Is your plan aligning promotions to the right weeks to maximize effectiveness?



OFF COURSE:

Are you deploying your promotions to the right channels with the greatest effectiveness?



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

STRATEGY DEVELOPMENT

- What are the best pricing strategies for my brands?
- What are my biggest promotion opportunities?
- How can I better deploy my trade spend?



ACCOUNT IMPLEMENTATION

- How can I adjust the national strategies to fit within my retailers' funding strategies?
- How do I customize insights for key markets to reflect unique dynamics?



ONGOING EVALUATION

- Where am I spending my trade dollars today?
- What are my best and worst performing events?
- What is the financial return on my trade investment?



SYSTEMS AND TRADE MANAGEMENT

- How can I more efficiently manage the pricing process with my customers?
- How can I be sure that I am getting the execution that I am paying for?



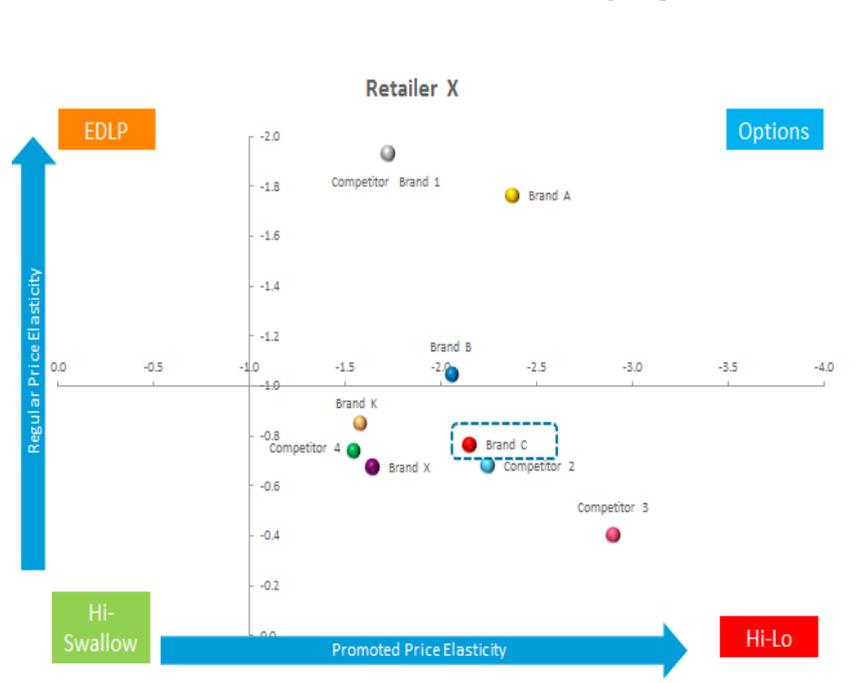
LAGGING: USE PRINCIPLES AT ACCOUNT LEVEL

Predictive analytics identify pricing and promotion variance at your customers

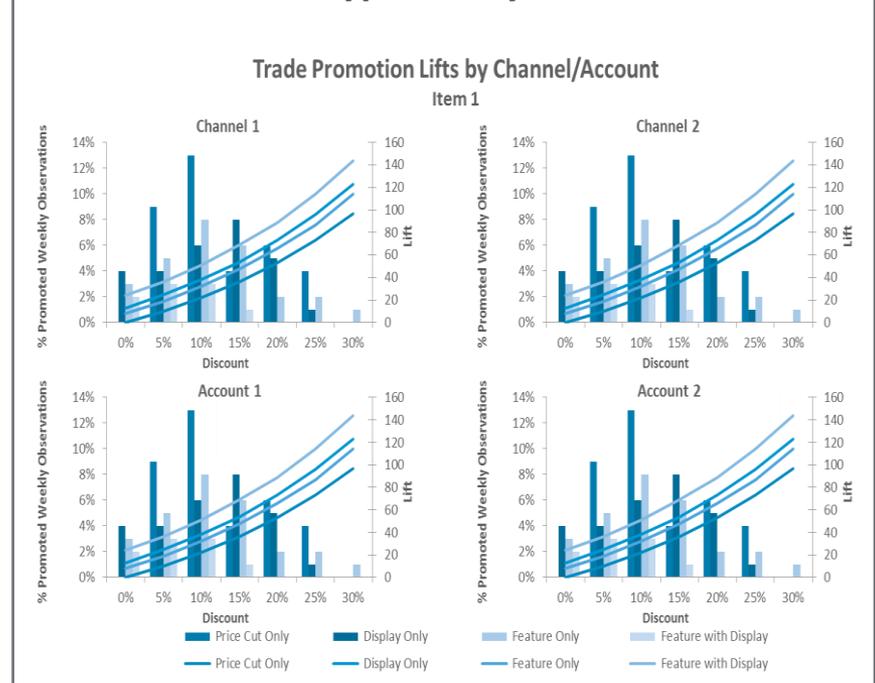


Lagging

Base and Promoted Price Elasticity by Account



Event Type Lift by Account



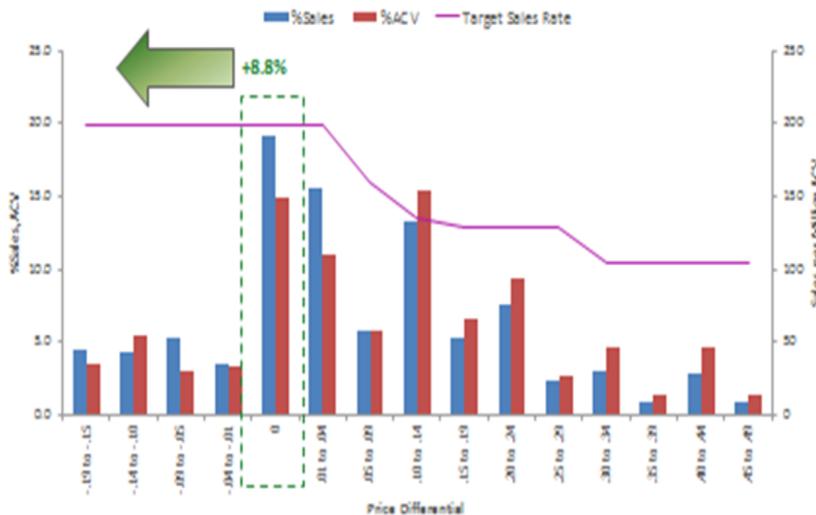
MIDDLE: EVALUATE COMPETITIVE EFFECTS

Managing gaps and thresholds in joint business plans drives win/win outcomes



MIDDLE

Localize price via market specific price thresholds and competitive gaps



Simulate and define customer business plans for mutual wins

Inputs: Promoted Price, Retailer Margin, Weeks of Promotion

Item	Account	Other Inputs	List Price	Cost to Produce	Other Inputs
Brand Eight Large	ACME	Brand Four Large	\$4.82	\$3.50	120k
Brand Five Small	ACME	Brand Four Small	\$4.82	\$3.50	120k
Brand Four Large	ACME	Brand One Small	\$4.82	\$3.50	120k
Brand Four Small	ACME	Brand Six Small	\$4.82	\$3.50	120k
Brand One Small	ACME	Brand Three Large	\$4.82	\$3.50	120k
Brand Six Small	ACME	Brand Two Small	\$4.82	\$3.50	120k
Brand Three Large	ACME		\$4.82	\$3.50	120k
Brand Two Small	ACME		\$4.82	\$3.50	120k

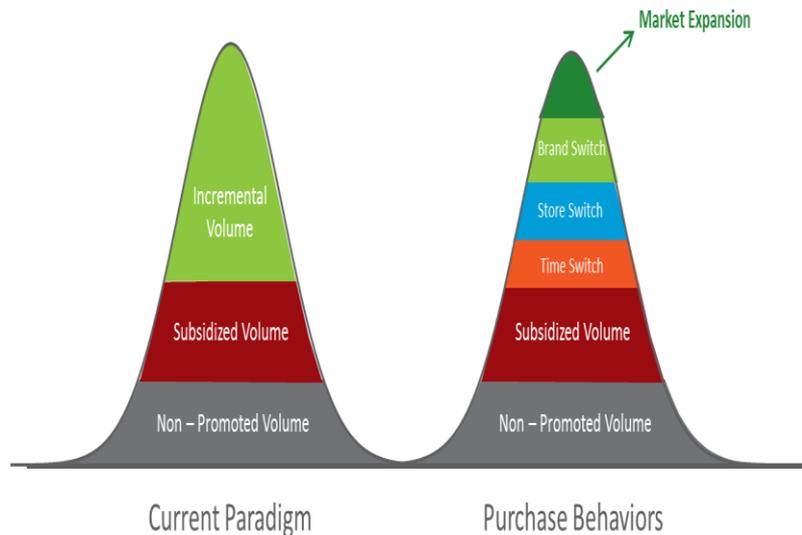
WINNING: CONTINUOUS IMPROVEMENT

Isolate consumer response to drive greater insight to your overall promotion process



HIGH END

Net Promotion Source of Volume Across Accounts and Products



Robust Post Promotion Analysis Linked to TPM

