



From tactical discounts To an effective price promotion strategy

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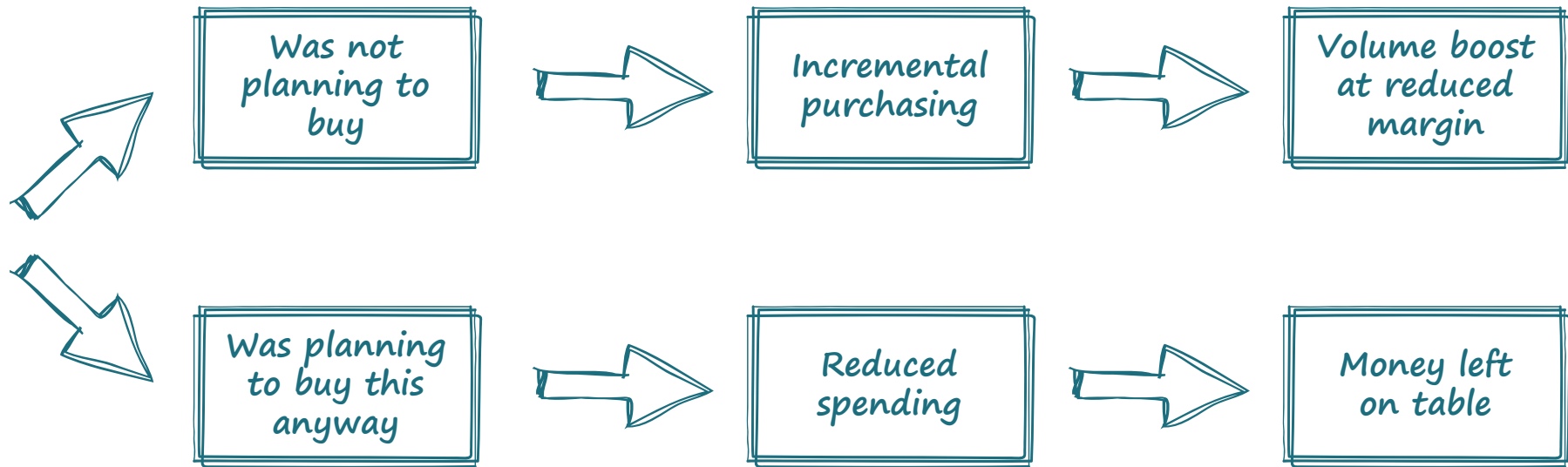
| Discussion topics

- *Why use price promotions?*
- *What are the risks?*
- *What type of promotion?*
- *How deep to discount?*
- *How to minimise cannibalising full-price sales?*

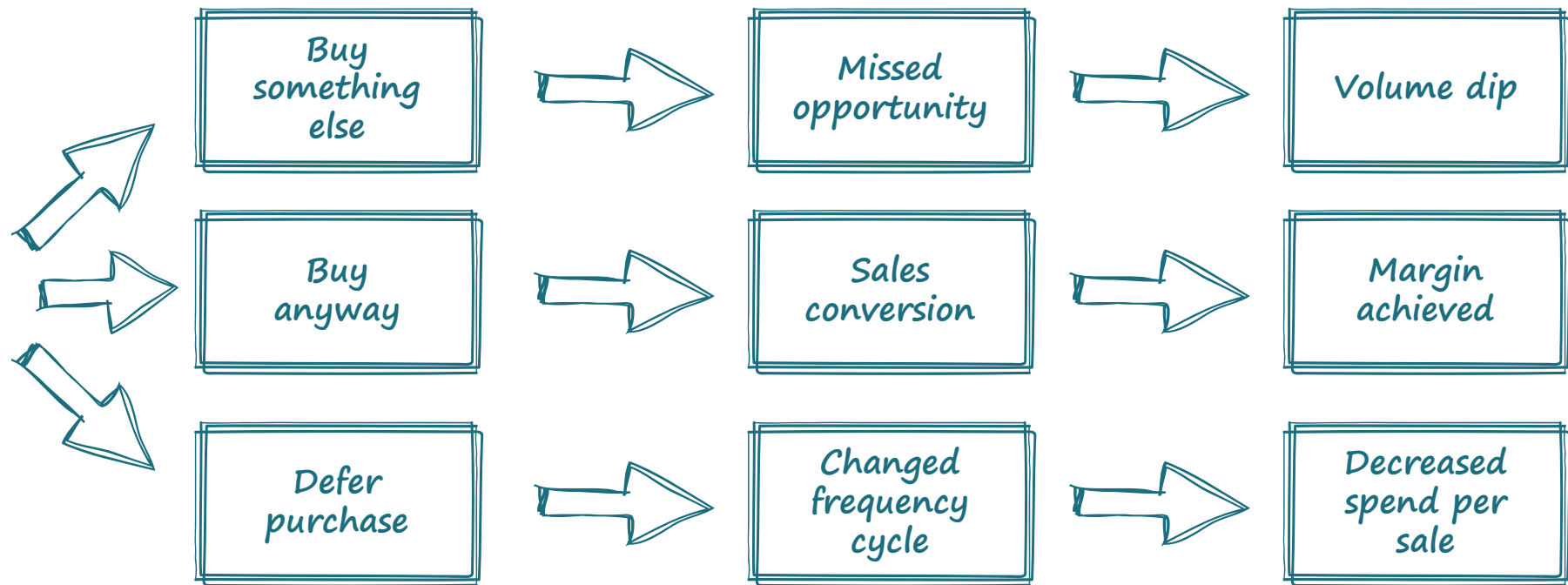


How do promotions
impact shopper behavior?

| Shopper behavior when faced with a promotion...



| ... and when preferred product is **not** on promotion...

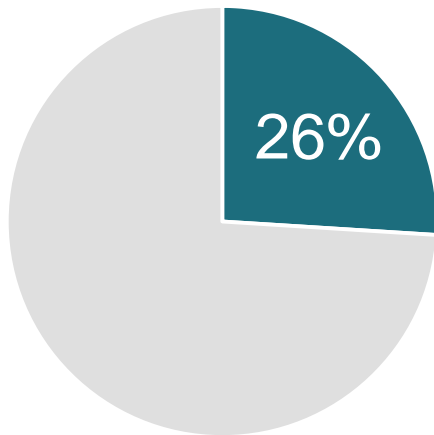




How much grocery volume is sold on promotion?

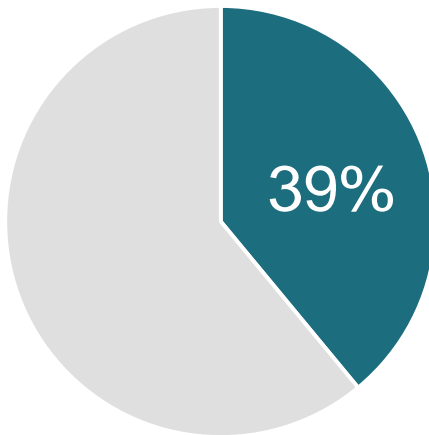
| How much grocery volume is sold on promotion in the UK?

nielsen



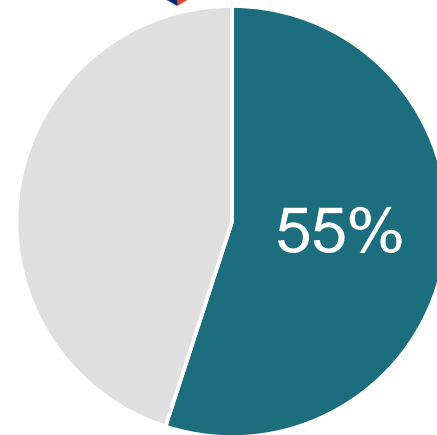
www.nielsen.com/uk/en/press-room/2017/supermarket-promotions-at-lowest-level-for-11-years.html

KANTAR
WORLD PANEL



<http://uk.kantar.com/consumer/shoppers/2016/understanding-supermarket-promotions/>

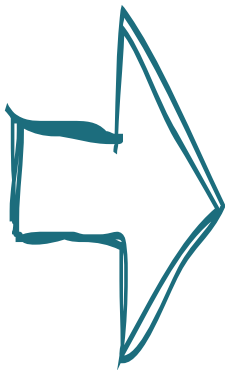
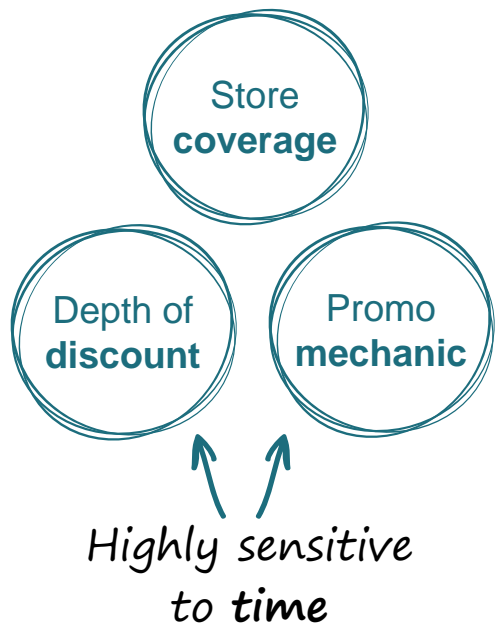
IRi



<https://www.iriworldwide.com/en-GB/insights/Publications/Price-and-Promotion-in-Western-Europe-Encouraging>

| How can big data help?

Sources vary by...



Providing long-term summary of channel **dynamics & trends**



Making decisions about **where**, **when**, by **how much** to discount different products



How deep do you need to discount?

Understanding the impact of promotions at point of sale



Primary data capture of what consumers would choose in alternative shopping scenarios varying in which products are on deal, **not limited to historical combinations** of products, prices, and promotions

Advanced assessment of product preferences and sensitivities to price and promotion, building a **predictive choice model** of the market

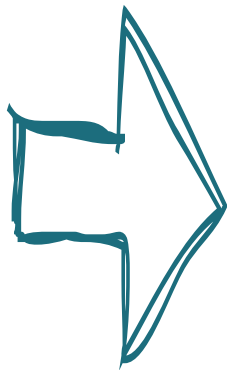
Interrogation of the model to **anticipate the impact** of alternative pricing and promotion strategies through comparison of limitless alternative future in-store scenarios

| How can primary consumer insights help?

Simulate choice varying...



*In a stable
environment*



Understanding **point-of-sale**
impact of unprecedented changes
to price, promotion, and assortment



Appreciating the **longer-term** effect
of bursts of promotional activity
including the impact on consumer
purchase cycles and frequency



Using big and primary data: Case study

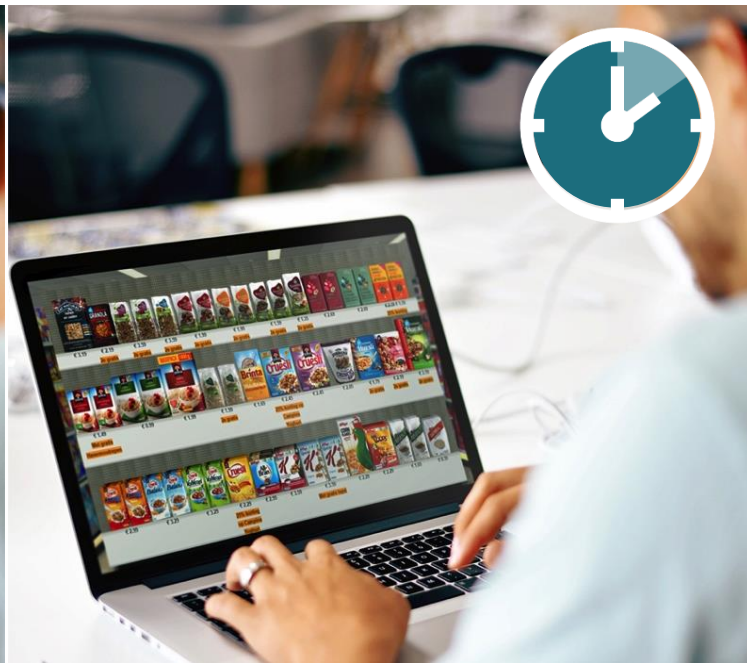
| Case study: SKIM and PepsiCo



With so much volume in high frequency categories being sold on deal, PepsiCo sought guidance on optimizing promotion strategies which work for short-term cash-flow and have a sustainable impact on the brand's financial health



| Solution: Looking backwards and forwards at the same time



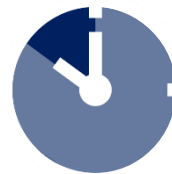
Solution: Looking backwards...



Multiple years' worth of **detailed in-market data** comprising the price, promotion, and sales volume **over time** used to create an econometric **regression model** capable of simulating **time-based scenarios** to understand:

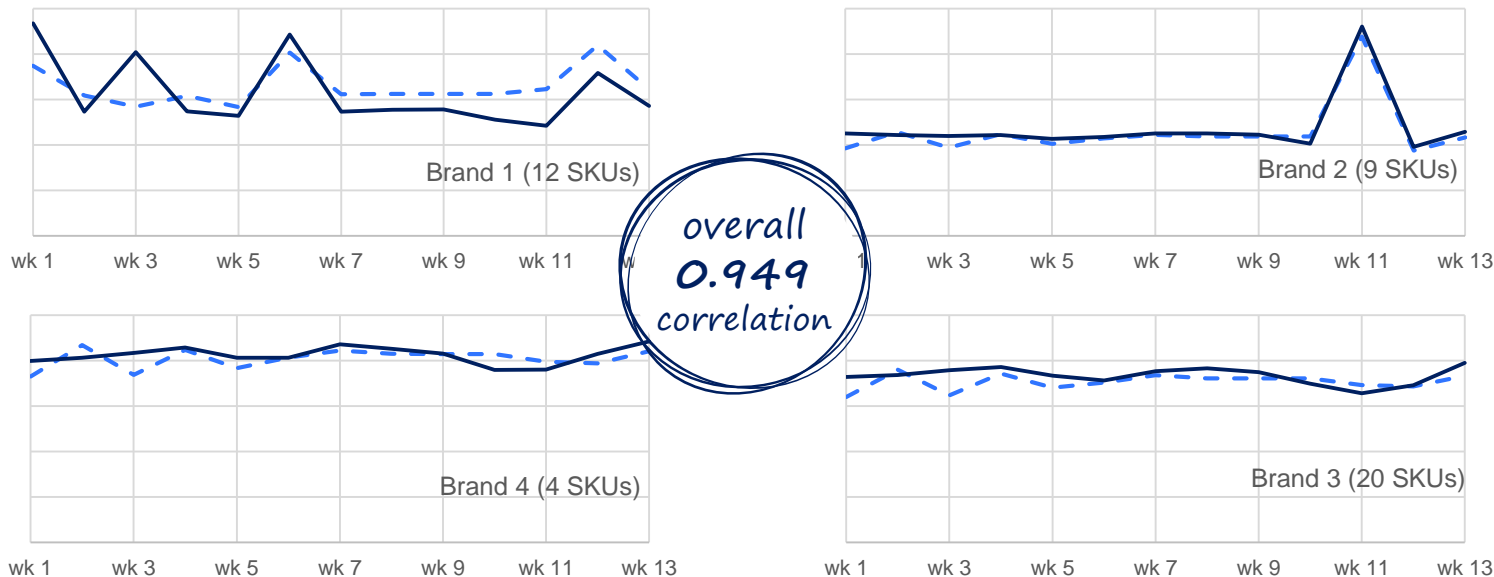
- 1 The **spike** in sales when a promotion is available
- 2 The **dip** in sales which immediately follows a promotion
- 3 How **long** it takes sales volumes to return to pre-promotion levels

Validating the time-based econometric model



Some period were excluded in building the model,
so they could be used instead to validate it

Model prediction
Historical reality



| Solution: ... and looking forwards

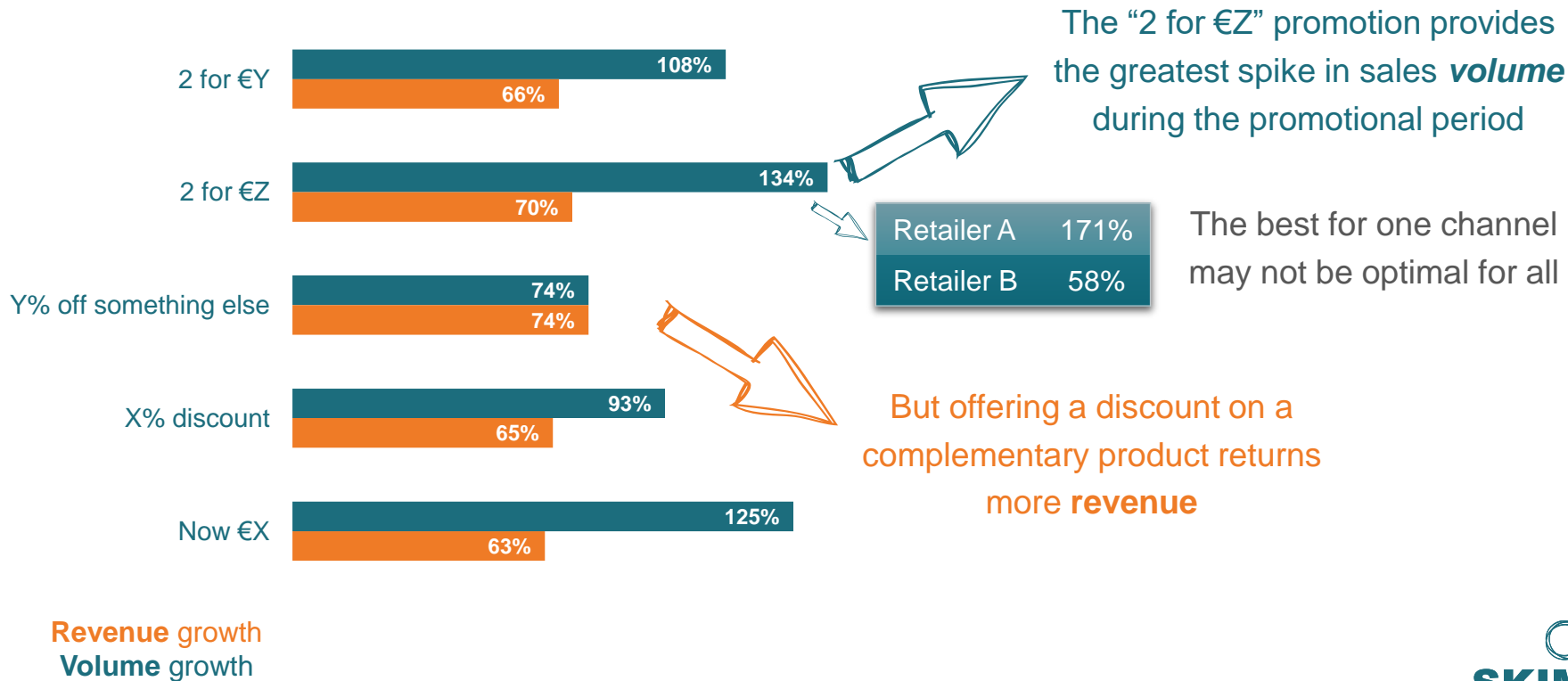


Predictive choice model designed to provide good representation of products in the market today and also from the past 3 years, exploring promotions including those not used before in this market, to provide:

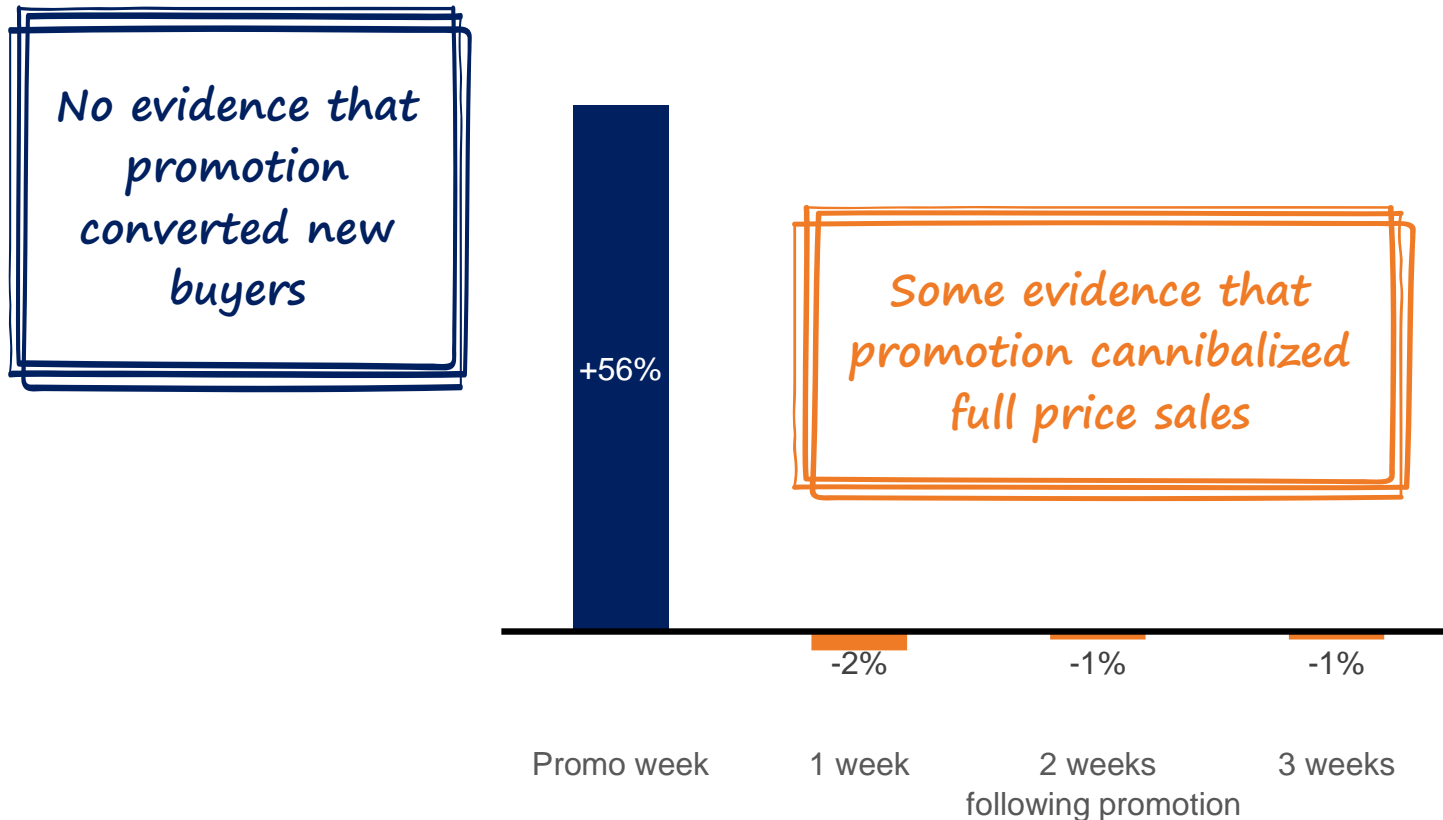
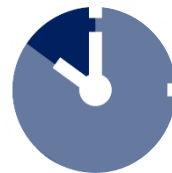
- 1 Base for comparison with regression model
- 2 Consumer sensitivity to different types of promotion
- 3 The ability to simulate shares in new 'what-if?' scenarios including potential competitor activity



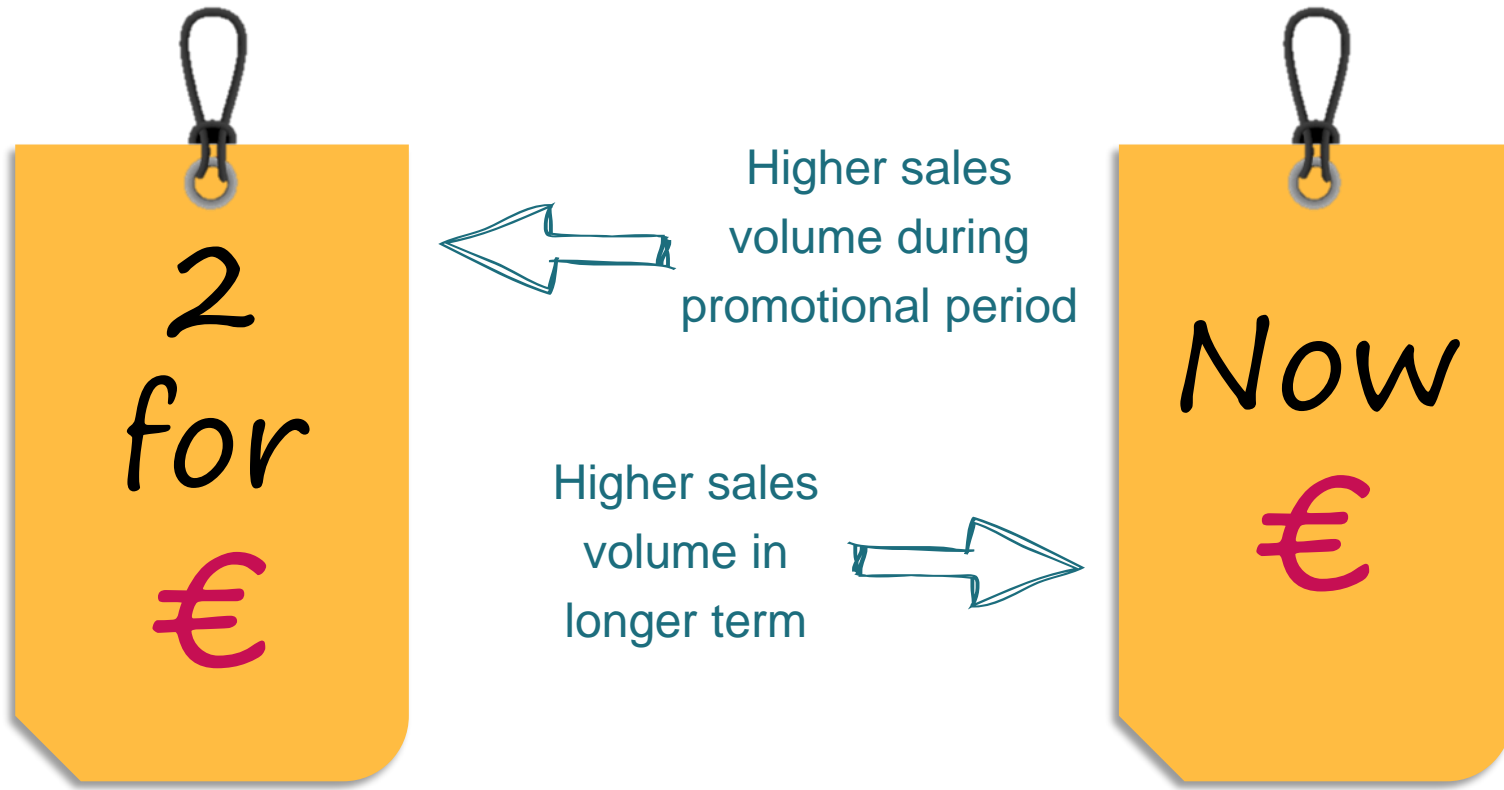
Analysis: Relative impact of different promotions



Actual impact during and following promo in market



| Which promotion is best depends on what the goal is



| Outcomes



*PepsiCo
learned:*

- Which promotions to use to drive **volume**
- Which promotions to use to drive **revenue**
- How this differs by **retailers**
- Not to promote too **often**



And finally...

Some rules of thumb...

1

Promoting is on average
60% more effective
than decreasing prices

2

Money off mechanics
that cross thresholds
encourage trade-up
purchases

3

Frequent promotions can
increase sensitivity to
price changes and reduce
promo effectiveness

4

Establish clear goals
to be achieved by the
promotion



| Thank you!



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