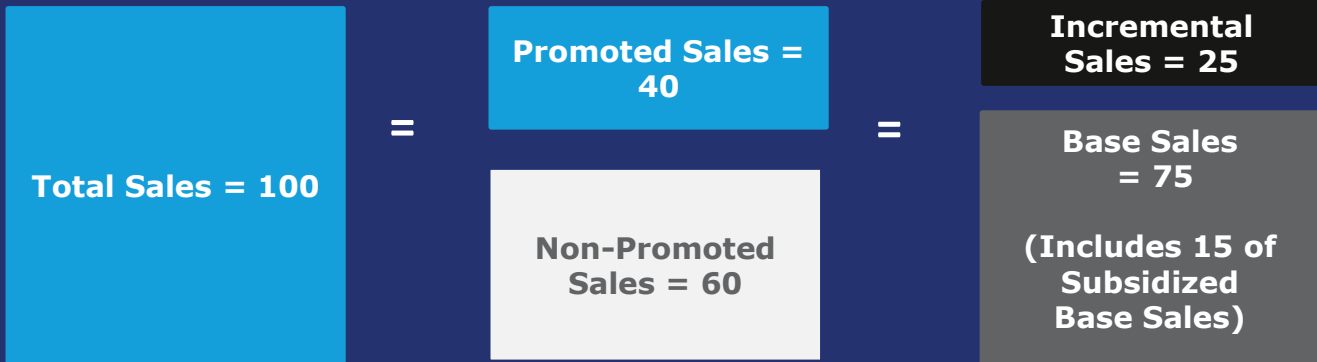




Promotional Understanding

This month's IRI Skill Builder newsletter focuses on promotional evaluation. First, let's focus on the terms promoted & non-promoted and base & incremental to provide a foundation for promotional understanding.



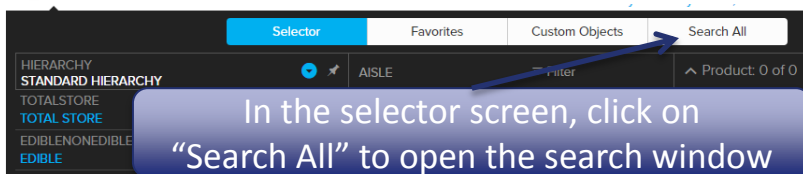
Promoted sales are sales made in stores during weeks with features, displays, temporary price reductions which are known as TPRs, and Special Packs. However, not all Promoted Sales are Incremental Sales. Some sales would have been made even if the promotion hadn't been present. These are considered subsidized Base Sales.

PROMOTED SALES THAT ARE NOT INCREMENTAL: Think about a product you really like. You go to the store with that brand on your list, and you're going to buy that brand no matter what. You get to the store, and – what luck! – it's on special. That's a subsidized base sale – bought on promotion at a discounted price, but not incremental.

PROMOTED SALES THAT ARE INCREMENTAL: On the other hand, maybe you went to the store planning to buy a certain brand, but at the shelf you saw a competing brand on special. You decided to buy the competitor instead. That's a promoted sale and an incremental sale.



Unify Tip: Are you searching for a product, but don't know where to find it in the product list? Save time by using "Search All".



You can use "Search All" for products, geographies... any dimension.

Enter search term(s). Terms should be separated by an enter/return; up to 1,000 search terms can be entered at one time. Select the level(s) to search. Click Search and add the needed members to your report.



% Increase by Merch

% Increase by Merch is also known as % Lift, Sales Lift, or Promotional Lift. It is the average percentage by which sales increased in stores during weeks with the selected merchandising condition. That is, incremental sales as a percent of baseline (not the reported base) sales.

Calculation:

This measure expresses the percentage by which sales increase in a week during which a specified merchandising condition occurs.

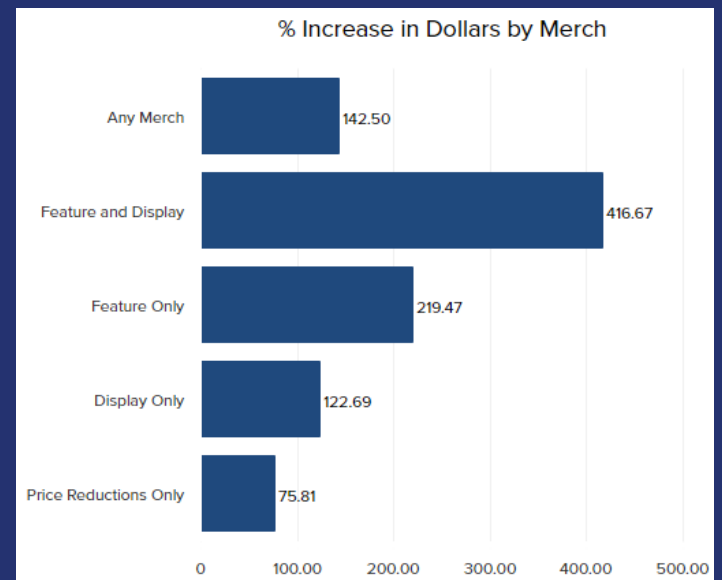
$$\frac{(\text{Sales with Merchandising Condition}) - (\text{Baseline Sales with Merchandising Condition})}{\text{Baseline Sales with Merchandising Condition}} \times 100$$

The measure is available for Dollars, Units and Volume.

When to Use:

This is IRI's standard, recommended measure for evaluating promotional effectiveness. It is used to determine what types of merchandising are most effective and to measure the response to the same types of merchandising across different products and time periods.

IRI recommends using % Increase for promotion evaluation and comparison because % Increase can be used for ROI and planning purposes. For example, you can take your forecasted base sales for next year, overlay your promotion levels (and spending) by week, and then apply the % Increase to estimate what incremental sales you'll get from each promotion (and thus your ROI), as long as there are no other marketing variables to account for.



Watch-outs:

- For units and volume, if the calculation result is negative, a zero is reported.
- For dollars, if the calculation result is negative, the % Increase in Dollars will show the actual negative value.
- % Increase measures are not reported for the causal conditions 'Total' and 'No Merchandising'.
- % Increase measures cannot be summed across causal conditions.

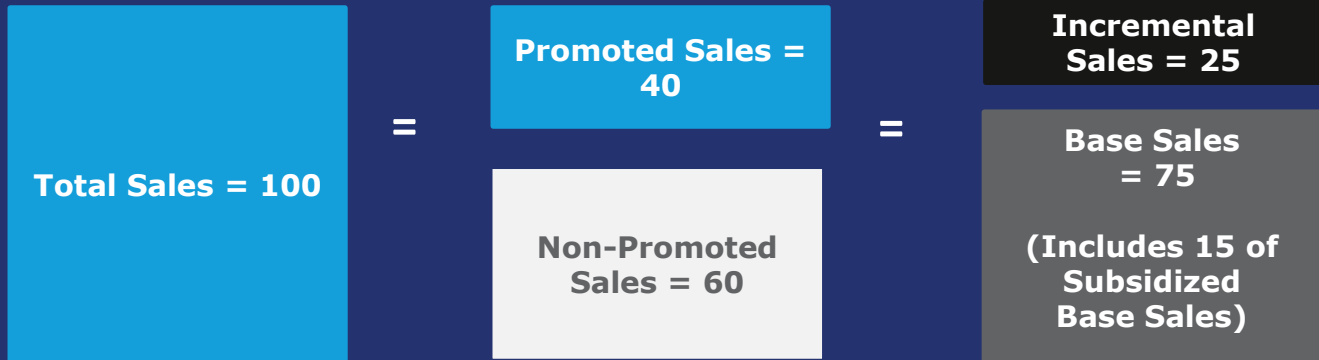


IRI SKILL BUILDER



Trade Efficiency

Trade Efficiency is a measure that is useful for comparing the extent to which different brands' promotions generate incremental volume. This measure is used to evaluate the effectiveness of merchandising by determining what amount of sales that sold on promotion are incremental.



Calculation:

This measure reports incremental sales with a particular promotion as a percentage of sales with that promotion. The calculation is:

$$\frac{\text{Incremental Sales in stores with Merchandising Condition}}{\text{Total Sales in stores with Merchandising Condition}} \times 100$$

In the example above, Trade Efficiency is 62.5%, which is calculated as (25 divided by 40)*100.

When to Use:

This measure helps you identify which promotions are more productive (for both the brand and the retailer). You're looking for Trade Efficiency to be as high as possible. However, Trade Efficiency will never be 100%, because that would imply the product had no base sales which obviously is not possible. Trade Efficiency improves the closer you get to 100%.

Benchmarks will vary by category, users should compare competitive promotional products/periods to see what is "typical" for their category. In categories that are heavily promotion driven, the efficiency may be low but it could be a "pay to play" strategy. The user can also benchmark against a competitive product to see if their product's trade efficiency is better or worse than the competition.

Watch-outs:

- These measures are not reported for the causal condition 'No Merchandising.'
- These measures cannot be summed across causal conditions.

