NIQ

The Ultimate Guide to

Pricing & Promotion

A welcome *from Marsha McGraw.*

Thank you for this opportunity to share our Ultimate Guide to Pricing and Promotion — especially now, as brand manufacturers and retailers alike are dealing with the challenges presented by the lack of recent baseline data in our post-pandemic world.

I believe it's evident that the pricing and promotion landscape requires leveraging best-in-class data to establish a new baseline. You will need it to determine ideal pricing and promotion across categories and aisles.

It could mean the difference between improved margins, breaking even, or a negative ROI.

What's more, having an in-depth understanding of the five pricing and promotion models allows your organization to align around the best pricing and promotion strategy to return the highest ROI.

The guide also outlines the nuances between the five pricing and promotion strategies and how the best-available data can drive strategic decision-making across your organizations.

While distinct, the goals of both retailers and manufacturers overlap in significant ways. This guide showcases how to maximize synergy between both key players in order to, determine ideal pricing strategies, improve their margins, and maximize the effect of their promotions.

Please don't hesitate to get in touch. My team and I are available to discuss any questions you have.

Thank you again.

Marsha McGraw,
Managing Director NA

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CPG companies and retailers are navigating uncharted waters.

Here's how they can use pricing and promotion strategies to plot a new course.

Inflation is high and consumer spending power is weak, which has typically meant that CPG companies and retailers need to lean on promotions to maintain sales. However, the data tells a far more complex story about how the pricing and promotion game has changed.

As it turns out, belt-tightening consumers aren't just looking for the cheapest products. When it's time to save, **they seek value** — and value is a complex concept that blends brand, quality, price, and promotion. Furthermore, consumers don't always make major shifts in their purchasing behavior when their net income changes. But when there's ongoing economic uncertainty — like the kind that inflation has historically produced — consumers react strongly.

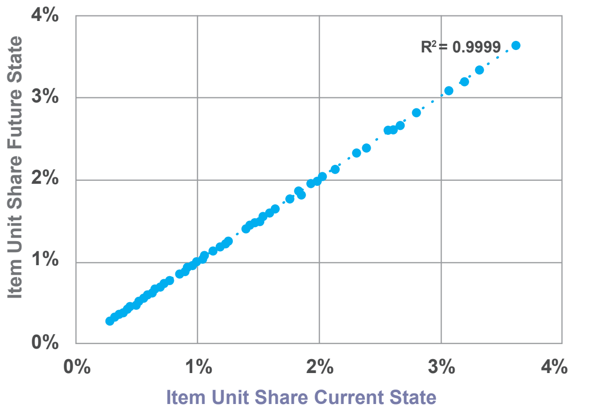
Data is the key to mastering the art and science of optimizing the right price, pack, and portfolio mix in an ever-changing landscape. But CPG companies and retailers can't apply yesterday's rules to today's game. COVID-related disruption means historical benchmarks are irrelevant or nearly so. New rules and new players can only be understood and mastered with the help of nuanced, detailed, category- and product-specific data — the kind of data that unlocks more nimble and more profitable strategic decisions.

Net income loss (future-state sample) creates only marginal changes to item preference

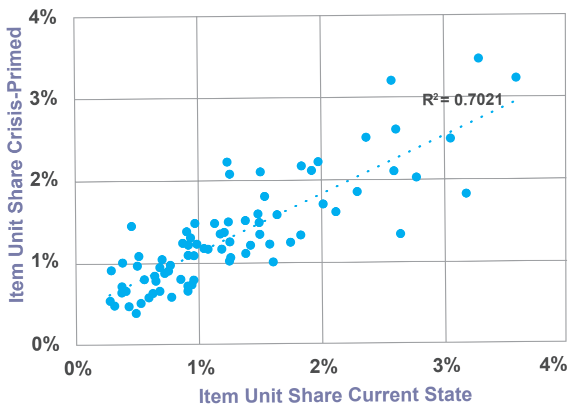
However, there are big shifts in shopper choice when inflation is top of mind (crisis-primed shoppers)

Source: NIQ BASES Line and Price R&D (2023)

Current vs. Future-State Sample



Current vs. Crisis-Primed Shoppers



New Game. *New Rules.*

Without data, ongoing dynamic economic forces and their effects on consumer buying behavior will make pricing and promotion challenging, if not impossible, to get right.

Pricing and promotion challenges

- Inflationary pressure
- Competitive pricing
- Misunderstanding of the consumer
- Over-promotion
- Decisions made with poor data

In this new game, two clear rules have emerged anew:

1. ***Pricing must be linked to promotion more closely,*** and the key decision-makers in both retail and CPG must be brought together more closely than ever before.
2. ***It is crucial to more deeply understand the five most common types of CPG pricing strategies*** — what they are and how to identify which one to use at any given time.

> ***Read on for an in-depth examination of pricing and promotion strategies that are effective today, as well as how these strategies have yielded successful outcomes.***

NIQ

Linking *pricing to promotion*

We're operating in a post-pandemic marketplace where shoppers have seen scant promotional activity. Now is a critical opportunity to reimagine how promotions fit with the essence of a brand, and also to link retailers and CPG brands in decisions around pricing and promotion.

The value of effective promotions

Efficient and effective promotions drive incredible value for CPG brands and retailers alike. While the economic fundamentals of pricing and promotion do not change, inflationary forces mean how we approach them must. Amid changes to consumer behavior, the retail environment, and other factors, an accurate, up-to-date data view of the world is key to making those changes quickly and intentionally.

The overall value of this visibility and the ability to accurately see consumer behavior at this detailed level is nearly limitless. In our practice, we see that better promotion:

- Drives value to the shopper
- Creates brand loyalty and equity
- Delivers incremental volume
- Increases market share
- Lifts returns on the investment

Furthermore, pricing consistency across channels and clear MAP policies ensure that promo price thresholds are maintained so brands can control depth and frequency of discount more effectively.

Protection from over-promotion

An effective promotion balances the frequency and mechanics of the offer. Over-promotion will erode your base volume (i.e., volume received in the absence of a promotion) and train shoppers to bridge their purchasing from deal to deal. Analyzing your promotions against pre-determined KPIs will help you determine the ideal combinations of offer and price and the optimal promotional calendar cadence to drive lift.

Shared expectations between retailers and manufacturers

Misalignment of trade spending expectations between retailers and manufacturers is commonplace. The solution is effective planning between the retailer and brands. Understanding the goals of your retail partners and likewise their understanding of what you're trying to achieve can go a long way toward building healthy trade plans that perform at or above mutually agreed-upon KPIs.

Courage informed by data

All in all, strong promotion practices can be summed up in one phrase: courage informed by data. "Courage informed by data" means not reacting to the competition's discounting practices, but rather analyzing a promotion's significance with shoppers, its ability to drive sales, and its sustainability as a business practice.

MANUFACTURERS' SPENDING		VS.	RETAILERS' EXPECTATIONS	
25%	6%	Increase 21% - 50%	3%	47%
	9%	Increase 11% - 20%	28%	
	10%	Increase 1% - 10%	16%	
	30%	Same amount	28%	
41%	23%	Decrease 1% - 10%	25%	25%
	14%	Decrease 11% - 20%	0%	
	4%	Decrease 21% - 50%	0%	

"Courage informed by data" *in action*

Let's explore the concept of "courage informed by data" in the context of one of our NIQ clients.

The example we're about to look at shows how deceiving appearances can be. A promotion may look like a success based on the percentage lift, but if it doesn't drive incremental volume and subsidize the volume you would have gotten in the absence of a promotion, then it should be re-evaluated.

This example also offers insight into the importance of working from a new source of data — ideally nuanced, detailed, category- and product-specific data. The pandemic wiped out or severely threw off-course most benchmark data. Shoppers are unclear about what constitutes a good promotion versus a bad one, so the advantage goes to the manufacturers that move with courage, caution, and good data to create more effective promotions than the ones that were commonplace pre-pandemic.

Global pharmaceutical manufacturer *compares promotion strategies*

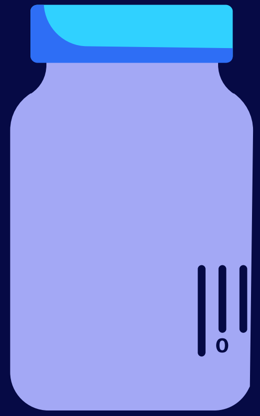
Our client is a global manufacturer of over-the-counter pharmaceuticals. Prior to the pandemic, it had three variants of its internal analgesic pain relievers with three sizes in each variant. Its promotion strategy pre-pandemic was to feature its 100-count items 18 times per year at a feature price of $9.99.

During the pandemic, it didn't promote and established a strong baseline sales rate at the everyday price of $13.99. But after sales began to soften in 2022 it wanted to begin promoting. However, since the last time it had run promotions was almost three years prior, it was unclear what the promoted price should be. Furthermore, the U.S. was in the worst inflationary period in 40 years, which resulted in taking everyday prices up twice. It was clear the manufacturer needed more sophisticated help, so they turned to NIQ's Revenue Optimizer solution.

The feature this manufacturer most liked about NIQ Revenue Optimizer was that the always-on modeling capability allowed it to understand the price elasticities by customers of all item sizes, particularly the 100-count variant. It was determined that the promoted price elasticity was inelastic — meaning the promoted price could be increased with little to minimal risk to unit movement.

Originally, the customer sales manager planned to return to the pre-pandemic promoted pricing of $9.99. However, NIQ Revenue Optimizer was able to run a variety of scenarios, which gave the sales manager the ability to model different promotions and pricing. This client also deployed the NRO tool to its top 10 customer teams so that they could not only evaluate price and promotion scenarios but also have the capability to evaluate every promotion it ran against its promotion KPIs. This allowed for much tighter control over trade plans and dollars, providing its retail partners with hard data to make future promotion decisions.

Here's how it *turned out:*



NIQ *Revenue Optimizer* simulated pricing scenario results:

NRO *Simulated Pricing Projection*	$9.99	300% Lift	-81% ROI

*A **$9.99** promo price point projected to generate a lift of almost **300%,** but it had a **negative 81% return** on invested trade dollars.*

NRO *Recommended Pricing*	$11.49	159% Lift	+2% ROI

*On the other hand, an **$11.49** promo price came with a far more sustainable forecast of **+2% ROI.** Ultimately, NIQ Revenue Optimizer suggested the higher price of **$11.49**, which came with a projected lift of **159%.***

One of the biggest returns for the client? Getting highly valuable time back.

Manual simulations used to take hours, and the company was having a large issue with sales teams being compliant in evaluating promotion ROI.

With NIQ Revenue Optimizer in place, simulations take minutes and compliance-to-promotion return on investment tracking is no longer an issue.

A note about price elasticity

Data is critical to understanding promotion price elasticity — it tells you how much room you have to price your promotions to optimize performance.

Knowing what is sustainable based on the trade budget is step one.

Establishing a baseline without a comparison means that next you need to understand your brand and its item price elasticities (as it relates to total elasticity — which is comprised of own- and cross-price). As a quick refresher: Cross-price elasticity defines whether two products are substitutes. If cross-price elasticity is positive, then the products can be defined as substitutes. The higher that cross-price elasticity, the more the products are substitutes. Phrased differently: When cross-price elasticity is high, it's time to promote. "Good" data in the CPG space, therefore, identifies degrees of elasticity, and the ideal time to promote (or not to promote) as a result.

Once cross-price elasticity is dominant, or when shoppers begin switching to perceived substitutable items, the thing brands need to understand is how their prices compare to either private label or value brands.

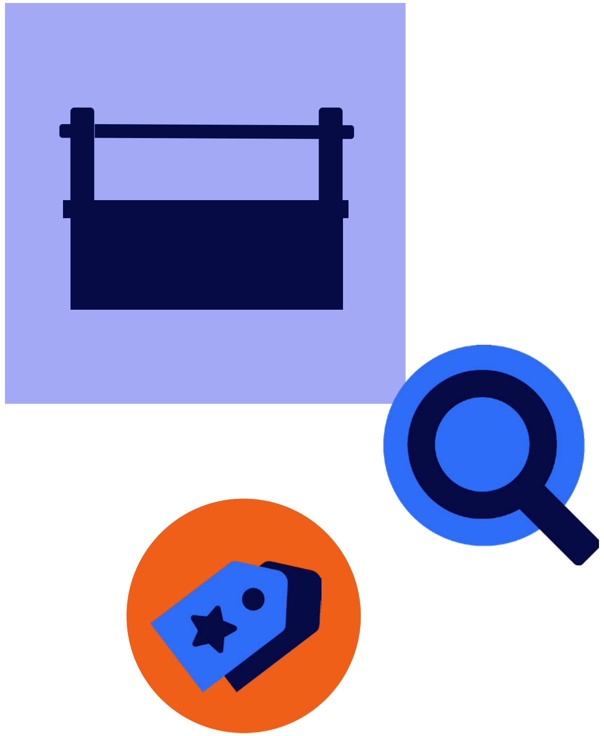
Another new-era "shift" worth noting: Private label consumption is nowhere near as dependent on price in today's landscape, with retailers having invested significantly in both the quality and the marketing of their own labels. As such, today's landscape (dependent on category) demands an earlier analysis of how your prices compare to private label products as many products that fall into the "private-label" category are now viewed as highly substitutable.

And while economic theory is critical to understand, we get asked by our clients continually, "But how do we implement these pricing strategies?"

In practice, we recommend CPGs use bump charts that plot promo and non-promo volume by promotion condition for at least a 52-week period — even better if they look at promo price by event — to show how one promotion performs versus another. But CPGs also need to understand what the market is doing for each promo week, which gives a better understanding of share shift by week based on competition or lack of competitive activity. Macroeconomic trends that can drive a change include inflation, rising unemployment, geopolitical events that affect commodities, weather events, and so on.

Every promotion should be evaluated for ROI, and the only way to do that is to give sales teams tools to do this quickly and to drive compliance. NIQ Revenue Optimizer provides those tools.

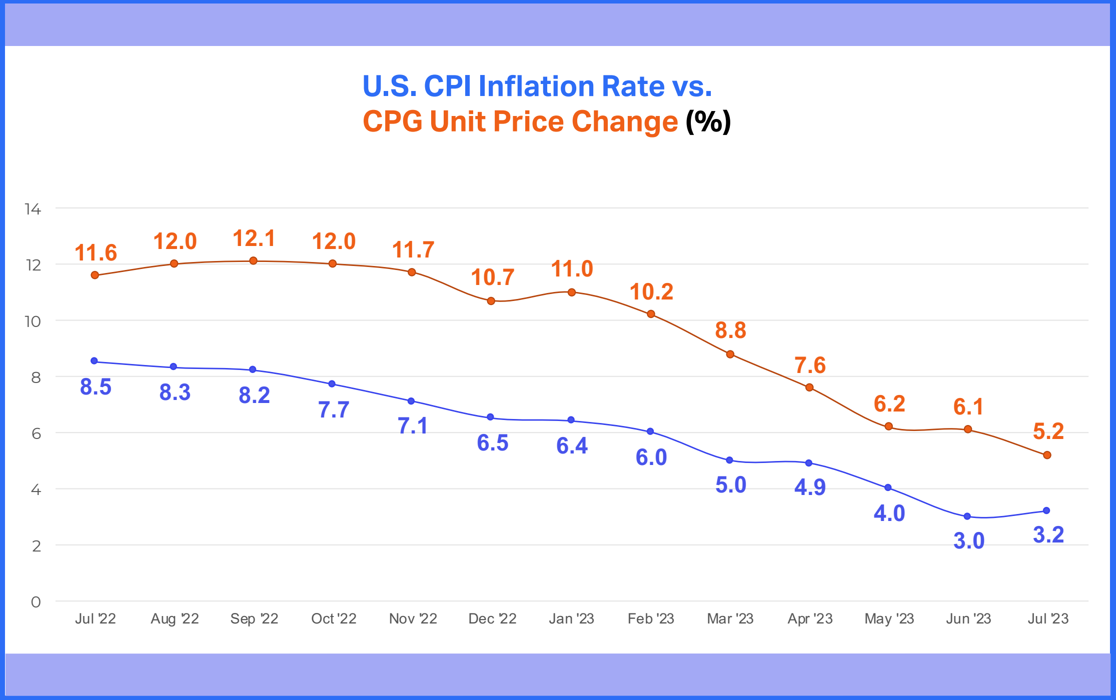
Operating with *a full toolbox*



When identifying the most effective and profitable path forward, CPG brands and retailers need access to a full toolbox of pricing and promotion strategies. This applies to executing the five common strategies themselves as well as the data you have on hand to determine which strategy to use and when.

Timing is especially important in a volatile economy, as inflation impacts CPG more than most other categories. When consumer face rising prices, they may start to rely on promotions. Over time, this can undermine margins and velocity. Marketing teams need to refine their pricing and promotion strategy to battle the inflationary forces working against them.

CPG price increases are substantially higher than the CPI rate



Sources: U.S. Bureau of Labor Statistics – Consumer Price Index, NielsenIQ, Total US xAOC, monthly periods ending July 29, 2023

Pricing & Promotion *Strategies*

Here are our explanations of the five pricing and promotion strategies (with pros and cons of each) as your organization considers which would be most advantageous.

Cost-based pricing

Cost-based pricing is the most common pricing strategy used today. It takes into account the whole pricing package, calculating production costs for a product and then adding a predetermined markup for the sales prices.

This can be an effective pricing strategy because it allows CPG companies to recoup costs and ensure a profit for each product sold.

However, there are downsides to consider.
This pricing strategy doesn't take into account market shifts or changes on behalf of the competition, such as a spike in demand or a competitor launching a similar product at a lower price point. This strategy also relies on stable production costs — any increased costs in ingredients cuts into sales or forces one to increase prices erratically, potentially upsetting customers or triggering them to switch brands if they aren't loyal to the product.

Competitive pricing

Competitive pricing is another popular pricing strategy that informs the price point by matching or undercutting competitor products.

This can be a strong pricing strategy within industries with less variation between product cost and quality, like grocery staples.

However, if overhead costs are higher than the competition, or if the competition decides to compete on price, attempts to keep up with them can eat into profits and cause serious problems.

Penetration pricing

Penetration pricing is a dynamic pricing strategy that involves launching products at a low price to spark interest and then raising prices once demand is built.

This is a very promising model for highly competitive markets, and one that large companies like Walmart have used to quickly take over a market and limit competition.

However, this model requires a company to have the capital to sustain smaller margins while building up interest, as well as the ability to build enough interest that consumers will stay loyal after prices rise.

Value-based pricing

Value-based pricing, also known as demand-based pricing, involves researching demand to set pricing that matches consumer needs.

In this model, the value comes from knowing what consumers are willing to pay and meeting them there.

While this model can be highly lucrative for products with a high perceived value, it requires a strong retail data analytics tool to surface demand trends, consumer behaviors, and shifts in the market.

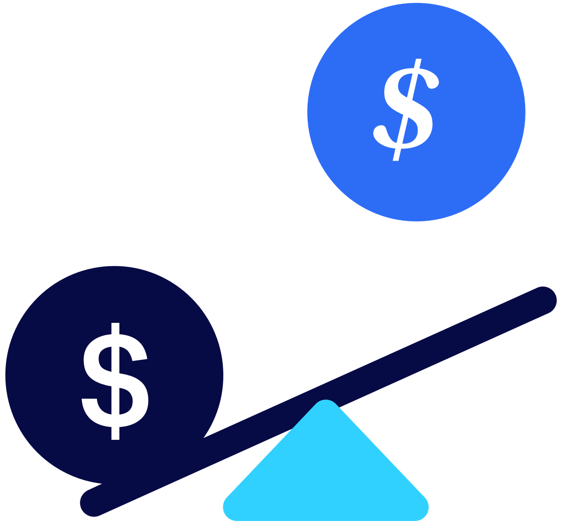
Price skimming

The opposite of penetration pricing, price skimming involves launching products at a high price and then lowering it once competition enters the market.

This is generally reserved for products that establish a new market or where the current competition is too weak in quality or demand to be a threat.

However, it can be a risky model if consumers see your products as overpriced or if competitors can undercut you and gain market share.

Everyday low pricing (EDLP) *vs. high-low pricing*



Beyond the five pricing strategies listed above, we'd be remiss to not mention everyday low pricing (EDLP) and high-low pricing — notably through the lens of how manufacturers can win with retailers who utilize each.

EDLP aims to maintain one lower price for products over a sustained period of time. Contrast this with high-low pricing where there is an everyday price that is occasionally discounted through promotions.

What kinds of products are ideal targets for EDLP?

While there can be a great bit of nuance to this topic, ideal EDLP products have most of the following characteristics:

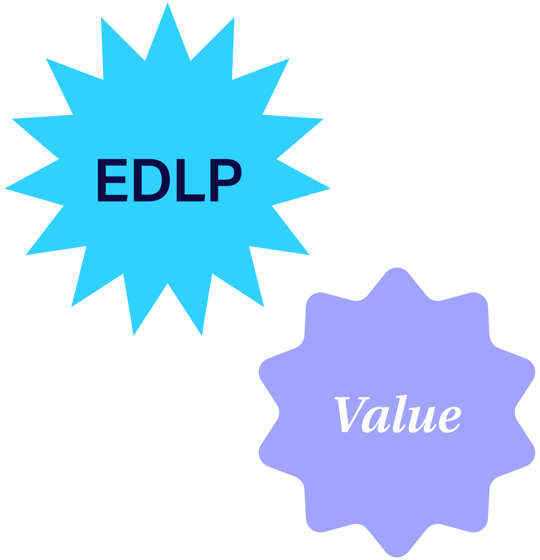
- The brand is mature and in a mature category; thus, there is either no or little growth. Increasing penetration is not a primary objective. Expandability is relatively low. And efficiency is very important, particularly with regard to minimizing both artificial operations spikes and resource-intensive promotion planning.
- Lowering the product's everyday price would offer a better ROI than using the same amount of money for trade promotion budget.
- The brand is strong enough to influence category dynamics.
- The brand thrives in EDLP "country" (geography, retailers, etc.).

What kinds of products are ideal targets for high-low pricing?

Again, this could be extrapolated upon, but products most likely to benefit from high-low pricing tend to have one of the following traits:

- The products have high expandable consumption because consumers stock up, given the low deal price, and consume more as a result.
- The products experience seasonal spikes (e.g., back-to-school, July 4th grilling, Thanksgiving, Easter, etc.) and are thus more likely to leverage high-low pricing because retailers want to take advantage of seasonal urgency (and, indeed, to create it where they can). Trade promotion, particularly deep discounting, helps drive urgency.

How manufacturers can win *with both everyday low price (EDLP) and high-low retailers*



Both EDLP and high-low retailers are trying to communicate value, but they employ very different pricing strategies. This means that CPG brands must be equipped with a separate strategy for each retailer type if they want to be well-positioned to win across the retailer landscape.

EDLP retailers (think Walmart) pose unique challenges for brands when it comes to price and promotion. These retailers are focused primarily on getting the most competitive shelf prices. As a result, CPG brands that want to resonate with them need to prioritize getting to the absolute **lowest cost per unit**. To land at a cost per unit compatible with these retailers' bargain prices, brands can strive to optimize their supply chain, inventory management, and stock levels.

By driving down cost as much as possible and **focusing on turnover**, you have a better chance to be a cornerstone of entrenching EDLP prices with these retailers.

At EDLP retailers, the value proposition to the shopper is knowing they can consistently purchase the goods they want at predictably low prices. So, how do promotions, which are inherently not everyday affairs, fit in? In short, they don't. When working with EDLP retailers, you should be prepared to forfeit your trade promotions in favor of a better costing model. Even more importantly, you need to understand that you are accountable for ensuring pricing consistency across your retailer portfolio. This equates to stepping back to carefully plan pricing and promotion with the rest of your partners to make sure that prices at non-EDLP retailers aren't lower than those at the EDLP retailer. If you offer lower prices at another retailer, even on promotion, you risk damaging your relationship with the EDLP retailer.

High-low retailers (think Target) are different in that they focus more on optimizing the balance between pricing and promotion. They may use either price changes or promotional strategies to recoup margin and gain market share by incentivizing changes in consumer behavior. Contrary to an EDLP strategy, the high-low model relies on promotions to drive foot traffic and build market basket value for the trip occasion.

BOGO

For CPG brands, the most important thing is to align with the retailer and their positioning. Typically, this means setting your sights on the **most elastic** products, that is, those where a change in price will disproportionately benefit unit movement. You also want to look at your **cost-per-sales ratio**, focusing on products where sales are high and costs are low.

It's also important to note that a third, competing alternative to these models is on the rise: using private label to convey value. This burgeoning sector of value retailers (think Aldi, Lidl, or Trader Joe's) differentiates themselves by providing unique private label options that are hard to compare across the market. Instead of putting all of their effort into lowering prices, they maximize their margins by keeping manufacturing costs low. This makes it hard for other retailers to benchmark their prices against and gives them a distinct appeal to customers.

Pricing & promotion *data tools*

Initial pricing and promotion strategies only get you halfway to an efficient, profitable way forward. It's just as critical to success that you review your pricing regularly and identify what works best with your brand and consumers.

Ideally, you'll have access to data that can trace how decisions lead to specific results so that you can regularly evaluate your choices and optimize your results — so that they benefit both the CPG and the retailer.

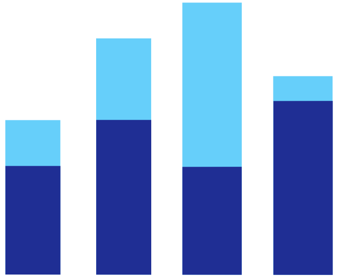
So what do effective measurement tools look like?

NIQ Data Solutions

To establish the most comprehensive view of pricing and promotions, and unearth the most insightful opportunities, we recommend NIQ's Revenue Growth Management Solution with its suite of pricing and promotion tools.

NIQ Revenue Growth Management *(Pricing & Promotion Solution)*

Maximize profitability, eliminate wasteful trade spend, and ensure the right **pricing and promotion** strategy with more granular data and precise recommendations.



Key Use Cases:

- Optimize pricing strategy and execution
- Improve promotion performance
- Simulate the impact of price changes and planned promotions

If your current data provider is not providing you with the depth and breadth of data outlined here (including a full view into the omni marketplace and leveraging machine-learning technology), give us a call.

Revenue Optimizer

Optimize brand portfolio pricing, pack/price architecture, and promotions

Performance Pricing

Analysis of price point dispersion and the potential impact on sales and profitability

Enriched Events

Analytical models that offer in-depth understanding of a promotion’s event performance

Custom Price & Promotion

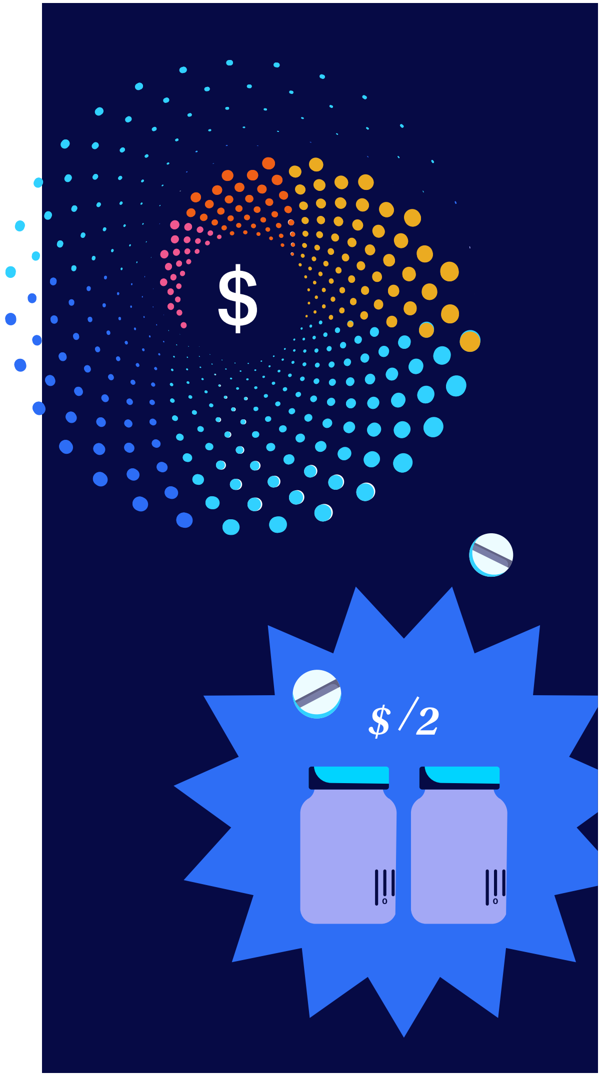
High-end trade and price analytics based on disaggregated datasets at the store-week level

Everyday Analytics

Accessible in-flight pricing & promotion analyses to support pricing and promotion decisions

Opportunities

Automated, pre-simulated pricing and promotion recommendations



Don't get locked in a downward spiral

You may be asking yourself, "But do we really need all of this data?" The short answer is "yes." The kind and quality of data available deeply impacts your ability to be successful across the pricing and promotion landscape.

Consider this example: Small and medium-sized manufacturers in most departments provide the variety component to the category. As such, engaging in pricing and promotion actions against larger competitors may drain trade funds and stifle growth, locking you in a downward spiral on price. Knowing your incremental contribution to the category or segment is critical when making decisions about pricing and promotion. That's the power of using best-in-class data.

Case study revisited — back to the global pharmaceutical manufacturer

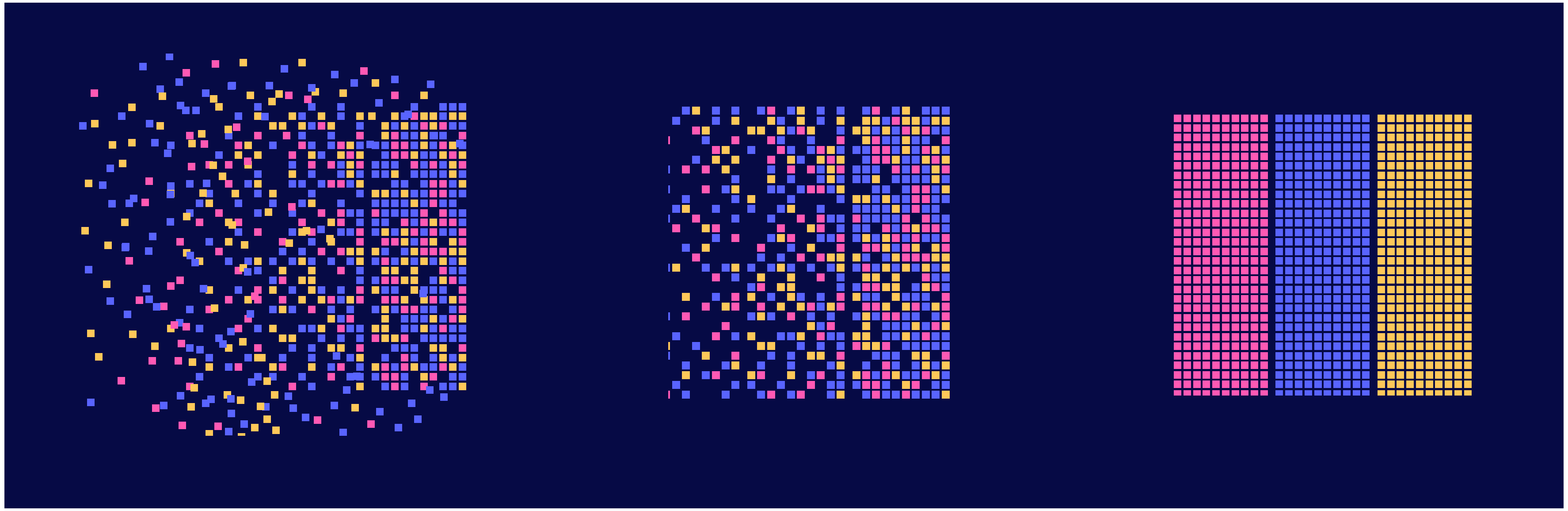
Let's go back to the pain reliever example. This brand had a 6% category share in the Drug channel. However, the brand position was against headache relief with a specific variant focused on migraine headache sufferers. The brand knew that its share of requirements was 74% and its market structure showed product efficacy was first, followed by brand and then price.

Knowing this, the brand understood that the last thing it should do is engage in a competitive or penetration-based pricing model. The shopper wants pain relief and has identified the brand specifically as the most effective at accomplishing this, and they are willing to pay for that benefit!

The next step the brand took was critical. It analyzed how much incremental volume was sold during the promotion to develop a menu of promotional tactics. Promotions that subsidized base volume and didn't produce adequate incremental sales were rationalized. Further analysis revealed that multiple unit price point promotions drove more incremental sales than a deep discount promotion.

So, what did multiple unit price point promotions accomplish? Two things: First, it allowed a chronic pain sufferer who is a heavy user of the brand to buy more, thus advancing a future purchase forward. Second, it potentially brought in an adjacent shopper to the retailer (i.e., a caregiver). Both shoppers bought more because the right promotion was presented to them at the right time.

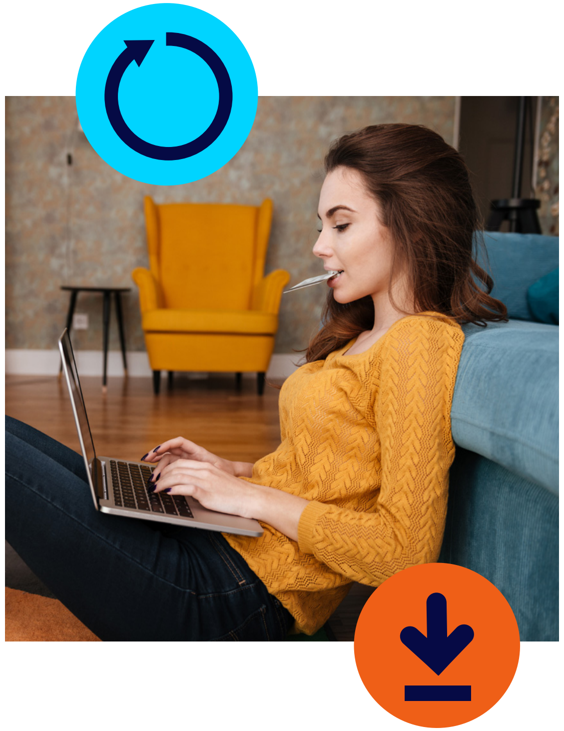
Pulling the big picture *together in real-time*



When you put these pricing and promotion strategies into context with data, you can get the answers you need to help make better decisions about timing and depth of discount. But it's important to use a data tool (like the NIQ ones described above) for reasons that go beyond even detailed category- and product-specific data. This is especially important for data that deploys "always-on" modeling.

In the past, pricing coefficients were captured at a "point in time." This more or less worked when there was much less activity in the marketplace. But today, shoppers can participate in every distribution channel from online to brick-and-mortar and all the channels within it. As a result of this behavior, pricing has grown exponentially more complex and algorithmically driven.

"Always-on" models replaced "point-in-time" models because they are constantly updating based on market dynamics. Here's what you can do with dynamic data:



Capture dynamic updates

Amazon is a prime example of "always-on" pricing algorithms – its algorithms scan the marketplace constantly to make sure they are at or near the lowest price.

Manufacturers that don't have the capability to perform dynamic promo pricing based on real performance data are at the mercy of their retail partners dictating the depth of discount and frequency of promotion. These decisions are rarely in the best interest of the manufacturer, but always in favor of the retailer, which is trying to extract as much trade funding as possible from brands.

Establish new baselines

Because there has been little promotional activity in the last several years, baseline volume has been established. But a foundation for promotion strategy has yet to emerge because so few promotions have been run. **Brands are relying on baselines from pre-pandemic promotions, which are no longer relevant.**

Because of this gap in relevant data, it is even more important to have always-on modeling to scrape the marketplace for promotion data so that you don't set promotion depth too deep, which is unsustainable, or too frequent, which subsidizes baseline volume and trains shoppers to wait for deals. In such a scenario, you may wind up in a death spiral to the bottom where trade ROI doesn't even break even.

Blend strategies to capture white space opportunities

A comprehensive view of the pricing and promotions landscape allows you to blend strategies to capture white space opportunities and even drive incrementality in these spaces to pull purchase occasions forward.

The “always-on” nature of the model allows you to test scenarios virtually with timely data. This gives you the advantage when reviewing past, present, and future scenarios, so you can:

- Identify which promotions you were running in 2019 that didn’t produce lift, ROI, or value to the shopper and ensure those don’t return.
- Implement promotions, and re-evaluate each program at three, six, and nine months to determine where performance has settled.
- Create your entire promo plan virtually to determine what combination of offers over the fiscal year gets you to your desired growth number.

In some categories, this is a way to drive expandable consumption as consumers generally consume more of certain items knowing the inventory is in their cupboard. (They get more frugal as supplies in their pantry get lower.)

Act on red flags and key indicators

“Point in time” data made it hard to respond to red flags or key indicators of opportunity quickly. But with the “always-on” model, you can track and be alerted to changes that indicate risk or opportunity. For example, when:

- Promo lift begins to decrease over time for the same offer.
- Trade spend is going up and volume growth is stagnating.
- Volume subsidization is climbing versus benchmarks.
- Total elasticity decomposition for promoted price is favoring competition.

For every

10%

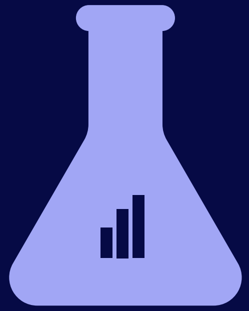
Improvement

In Trade ROI

We Realize

~5%

Operating Profit



The art and science of pricing and promotion

There's an art and a science to optimizing the right price, pack, and portfolio mix – even more so in a volatile economic environment. In this new game of pricing and promotion, the correct pricing and promotion data has a direct impact on your bottom line, and the right data can put pricing and promotion leaders back in the driver's seat to keep products on shelves, maximize promotional margins, and limit overhead costs.

Measuring the ROI of promotions — for manufacturers

Trade promotions obviously aim to drive volume, but how should brands calculate the return on the increased volume? To land at a foundational analysis of promotional ROI, CPGs need visibility into a product's non-promoted (base) volume, incremental volume for the promotions (lift), and the trade spend allocated to the promotion.

If we were to assume industry averages, for every 10% improvement in Trade ROI we realize ~5% in Operating Profit.

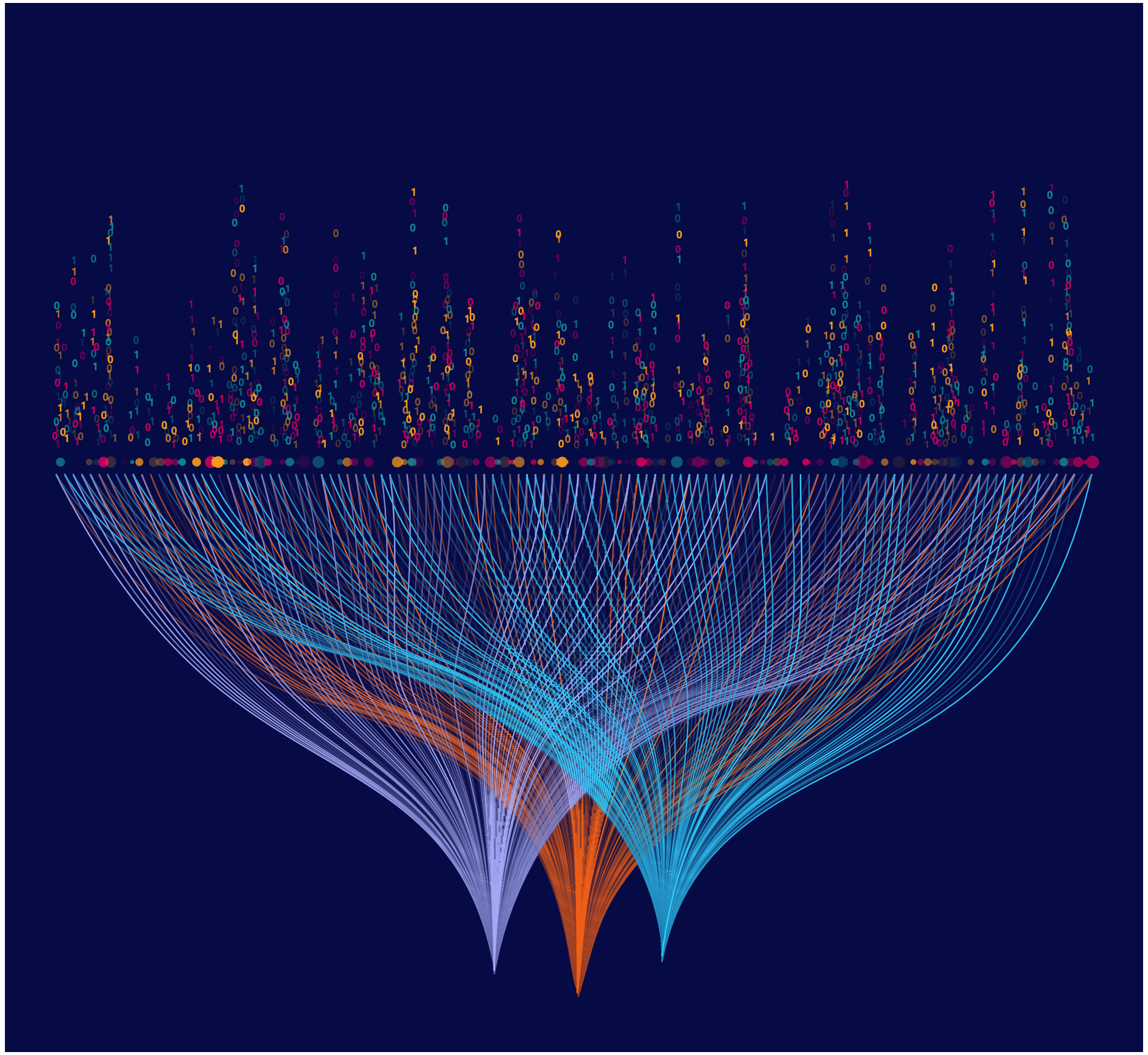
The ROI connection between retailers and manufacturers

Unlike manufacturers, retailers' role in promotions is far from unilateral. Indeed, retailers are often confronted with conflicting interests when examining promotions. A very basic question that illustrates this is:

Should a retailer focus a promotion on a single manufacturer or focus on driving ROI for a category?

Choosing to focus on a single manufacturer will erode the effectiveness of the promotion because brands are looking to move volume where retailers are focused on category margin.[1]

The solution?
Big data



The solution? Big data, a well-executed strategy led by said data, and a closer-than-ever relationship between manufacturers and retailers. As it stands, retailers are still struggling to determine the incremental sales (and margin) garnered from a promotion vs. the absolute sales generated. As such, many retailers are unable to land on a definitive ROI, which causes misfires in future planning and strategy.

As a brand, insights into the market, consumers, the competition, and your brand are worth their weight in gold. Whether you have a team of analysts dissecting your sales figures every day or you wear multiple hats juggling running a business with reviewing sales, an investment in data can have a major impact.

[1]Goad, Nick, Robinson, Jeff, Anta Callersten, Javier, Malby, Andreas, and Opstrup, Jacob, "How Retailers Can Improve Promotion Effectiveness: A Four-Part Approach to Generating Growth," Boston Consulting Group, July 28, 2015, https://www.bcg.com/publications/2015/retail-pricing-how-retailers-can-improve-promotion-effectiveness.

Three Reasons investing in data *makes financial sense*

Keep Products on Shelf

In 2021, the U.S. food industry saw 7.4% of items out-of-shelf, costing at least $88 billion in lost sales. Using the data to forecast more accurately, as little as 2% increase in on-shelf availability translates to a 1% increase in sales.

Maximize Promotional Margins

Nearly 50% of all promotional sales are sales that would have occurred regardless of the promotion. Using data, you can strategically plan your promotions to avoid lost revenue while increasing sales and market penetration.

Limit Overhead Costs

Margins are tight in many CPG industries. Without accurate, up-to- date data, you're likely losing even more money as you need more human effort and hours to act on trends. Data helps cut these costs and increase margins.

As a brand, you're part of a larger ecosystem that helps keep the world of consumerism running. Without suppliers, you couldn't make your products, and without retailers, you couldn't sell them. Attempts to operate independently will often leave you with a major blind spot. Retailers typically have insights on the ground that you may be missing, particularly when they see shoppers flocking to or ignoring certain products. Take the time to build your relationships with the retailers so you can incorporate their insights into a better pricing and promotion strategy. When you sell more products, everyone wins.

Conclusion

The capability to set accurate prices is the difference between making margin, breaking even, or even losing money for a promoted price group. On average, our clients that have implemented the NIQ Revenue Optimizer solution have experienced a 5–7% improvement in trade spend efficiency.

Deploying promotion evaluation tools to sales teams is critical to capturing promotion efficiencies. Did you know that 72% of all trade spending prior to the pandemic did not return on the investment? You need to drive volume and share, but promotions need to be sustainable.

We've learned from our clients that understanding how every promotion performs allows them to have meaningful, data-grounded conversations with their retail partners on what performs and what does not. The NIQ Enriched Events suite of tools creates a powerful dashboard that shows you how your PPG is performing as well as the competitive activity that was in the market at the time. It puts feature images and analytics at your team's fingertips and its intuitive interface drives adoption across your organization to help ensure timely analysis.

NIQ makes promotion evaluation easier so you can gain greater control of your promotion performance and be able to course correct more quickly.

fact:

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NIQ is uniquely positioned to provide CPG executives (and the practitioners who report to them) with the data and visibility they need to make faster, more effective decisions and to better empower their organizations.

NIQ data provides a strong basis for audience-specific insights and analysis so that your team can identify the most effective levers for pricing and promotion to ensure both long- and short-term success.

Contact our experts to learn how you can reset your Pricing & Promotion game plan *to deliver on consumer value while maximizing your ROI.*

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About NIQ

NIQ, the world's leading consumer intelligence company, reveals new pathways to growth for retailers and consumer goods manufacturers. With operations in more than 100 countries, NIQ delivers the most complete and clear understanding of consumer buying behavior through an advanced business intelligence platform with integrated predictive analytics. NIQ delivers the Full View.

NIQ was founded in 1923 and is an Advent International portfolio company. For more information, visit **NIQ.com**