NIQ

The Ultimate Guide to

Pricing & Promotion

+36%

A welcome *from Dafna Gabel*

Thank you for your interest in The Ultimate Guide to Pricing & Promotion. Our guide addresses these strategies at a time when the retail landscape is challenged by an array of macroeconomic issues, consumer wariness, emerging trends, and more.

The nascent effects of new tariffs and trade policies in particular are hard to discern, adding an element of uncertainty to CPG and T&D manufacturers' and retailers' long-term planning. Some manufacturers have adopted a "wait and see" attitude, echoing the reaction of cautious consumers who are becoming increasingly worried about inflation and a possible recession. Manufacturers and consumers delaying decisions on spending will have adverse effects in the near term as well.

During the recent period of high inflation, brands relied on promotions to attract customers seeking more value from their shrinking wallets. This strategy yielded mixed results. Consumer participation (i.e., taking advantage of promotions) may have increased due to market conditions, but promotions haven't necessarily returned to their historical effectiveness.

The answer is the *right pricing and promotion strategies at the right time*. How do you know which strategies to use and when? Only an approach using the best tools and solutions—and latest data—can chart the best path forward.

This starts with an understanding of the most common pricing and promotion strategies. A good strategy is then informed by solid, accurate data that paints a clear picture of what's happening on the shelf, preferably with "always-on" data tools.

We know that growing margins can be challenging, even in the best of times. This guide explains how to evolve your pricing and promotion strategies to deliver better outcomes today, tomorrow, and beyond.

Feel free to contact us with questions. Our team looks forward to working with you.

Dafna Gabel
Global Analytics & Activation
Commercial Strategy Practice Leader

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Introduction

CPG and T&D companies and retailers are navigating uncharted waters.

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

Consumers today are best described as guardedly optimistic, yet cautious too—and for good reason. While relieved to be past the worst days of inflation, consumers are mindful of the cumulative effects of recent inflation and sensitive to price increases of any kind, for any reason (from international turmoil to tariffs). This makes pricing and promotion challenging. If executed well, however, pricing and promotion strategies can be vital to success.

As it turns out, belt-tightening consumers aren't just looking for the cheapest products. When it's time to save, they seek value—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 can 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 and T&D companies and retailers can't apply yesterday's rules to today's game. 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.

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 the consumer
- Overpromotion
- 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 retail, CPG, and T&D must be brought together more closely than ever before.
2. It's crucial to more deeply understand the five most common types of CPG and T&D 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 an evolving retail market. For a while, price increases drove revenue, but as inflation cooled, retailers and brands have become more focused on building growth differently. An example of this could be attracting new customers, which pricing and promotion strategies can achieve if executed with precision. **Now is a good time to evaluate how promotions fit with the essence of a brand.**

The value of effective promotions

Efficient and effective promotions drive incredible value for CPG and T&D brands and retailers alike. While the economic fundamentals of pricing and promotion don't change, market forces influence how we approach them. 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 investment

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

Protection from overpromotion

An effective promotion balances the frequency and mechanics of the offer. Overpromotion 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 predetermined 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

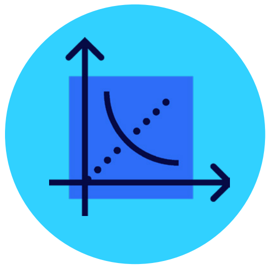
Misalignment of trade spending expectations between retailers and manufacturers is commonplace. The solution is effective planning between the retailer and brands. Understanding the goals of your retail partners, and likewise their understanding of what you're trying to achieve, can go a long way toward 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%	

Price elasticity in the private label era



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's sustainable based on the trade budget is step one.

You also need to understand your brand and its item price elasticities as it relates to total elasticity, which is composed of own-price and cross-price.

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 and T&D space identifies degrees of elasticity—and the ideal time to promote (or not promote)**.

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

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 with 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 CPG and T&D manufacturers 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 CPG and T&D companies 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, tariffs, 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.

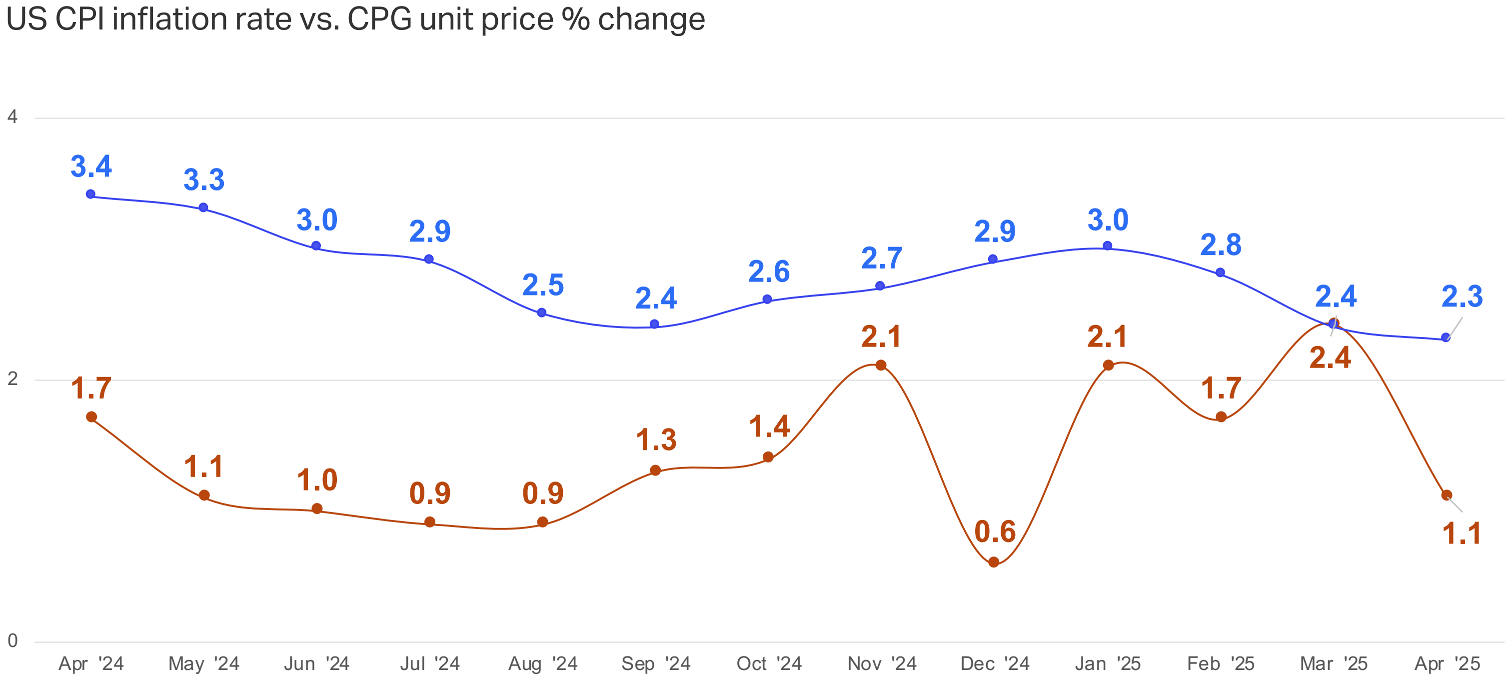
Operating with a full toolbox: *Pricing and promotion strategies*

When identifying the most effective and profitable path forward, CPG and T&D manufacturers and retailers need access to a full toolbox of pricing and promotion strategies.

Timing is especially important in an evolving economy, as inflation can impact CPG and T&D more than most other categories. In the charts on the next two pages, we see that for most of the last year, CPG inflation in the US was modest, consistently maintaining a level below overall US Consumer Price Index (CPI) inflation. However, in the last six months (through April 2025), CPG inflation exhibited increased volatility, with a generally increasing trend, until CPG inflation drew even with a modestly decreasing CPI. When determining the right timing and strategy, macroeconomic factors must be considered in light of their effect on consumer attitudes. When consumers face rising prices, they may increasingly rely on promotions. Brands and retailers that overpromote, however, can undermine margins and velocity over time.

Marketing teams need to refine their pricing and promotion strategy to preserve margins and unit growth.

CPG inflation once again has dropped below the overall CPI.

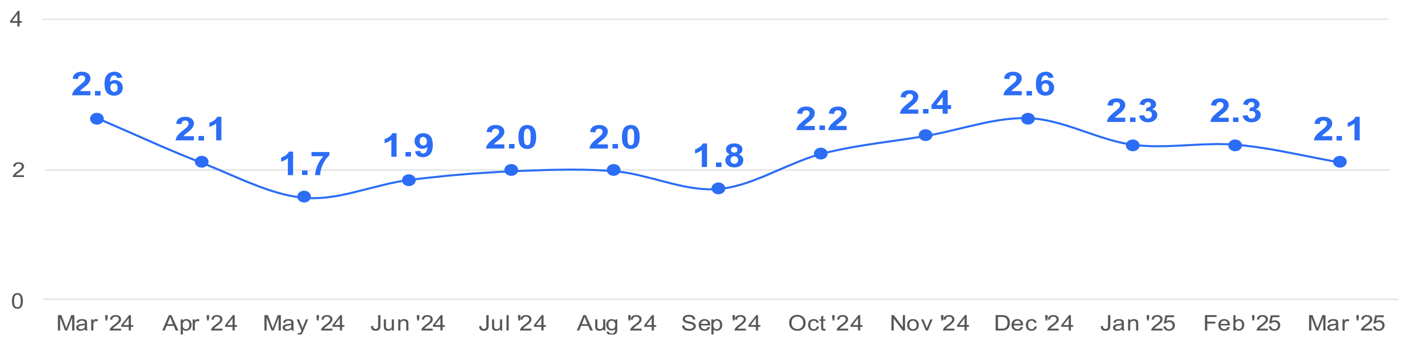


Sources: U.S. Bureau of Labor Statistics – Consumer Price Index, Source: NielsenIQ, Total US XAOC through April 26, 2025

The rate of global CPG inflation fell to 2.1% during March 2025.

CPG inflation in LATAM, the highest-inflation region, continued its decline.

Global CPG eq. vol. price % change vs. one year ago



	Mar '24	Apr '24	May '24	Jun '24	Jul '24	Aug '24	Sep '24	Oct '24	Nov '24	Dec '24	Jan '25	Feb '25	Mar '25
Sales % Change vs. YAGO:	+3	+3	+4	+3	+3	+3	+3	+3	+3	+2	+6	+2.2	+2.3
US Dollars EQ Vol.	0	+1	+2	+2	+1	+1	+1	+1	0	-1	+2	-0.7	+0.3

Region	Mar '25	Versus Feb '25
Latin America	+6.5	↓
Africa	+3.1	↓
Europe	+2.8	↑
Asia	+1.9	↑
North America	+1.7	↓

Department	Mar '25
Non-Alcohol Beverages	+4.3
Confectionery & Snacks	+3.6
Healthcare Products	+3.1
Food-Perishable	+2.8
Health & Beauty Aids	+2.7
Food-Frozen	+2.1
Alcohol Beverages	+1.8
Food-Ambient	+1.6
Home Care Products	+0.3
Pet Food	+0.0
Paper Products	-0.1

*Source: NIQ Global Inflation Tracker, Based on a closed group of 225 consistent categories across 58 countries, Eq. vol. % price change vs. one year ago for March 2025

Most common *strategies*

Here's a rundown of the five most widely used pricing and promotion strategies. **Consider these pros and cons when deciding which options could be most advantageous for your company.**

Cost-based pricing

PROS

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 and T&D companies to recoup costs and ensure a profit for each product sold.

CONS

This pricing strategy doesn't take into account market shifts or changes related to the competition, such as a spike in demand or a competitor launching a similar product at a lower price point.

Cost-based pricing 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

PROS

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.

CONS

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

PROS

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.

CONS

Penetration pricing 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 increase.

Value-based pricing

PROS

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.

CONS

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

PROS

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.

CONS

Price skimming 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 defined on the previous page, 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's **an everyday price that's occasionally discounted through promotions.**

What kinds of products are ideal targets for EDLP?

While there can be a great deal 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's either no or little growth. Increasing penetration isn't 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?

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 will buy more due to "low price" deals—and thus consume more.
- The products experience seasonal spikes (e.g., back to school, Lunar New Year, Ramadan, 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 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 and T&D 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 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.

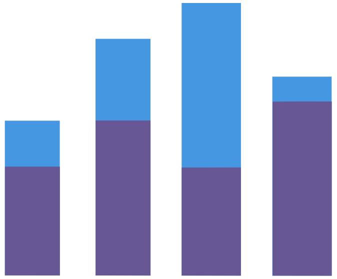
When working with EDLP retailers, you should **be prepared to forfeit your trade promotions in favor of a better costing model**. Even more importantly, you need to **understand that you are accountable for ensuring pricing consistency across your retailer portfolio**. This equates to stepping back to 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**.

For CPG and T&D 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**. Value retailers within this burgeoning sector (think Aldi, Lidl, or Trader Joe's) differentiate themselves by providing unique private label options that are hard to compare across the market. Instead of putting all 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 and promotion *data tools*



Initial pricing and promotion strategies only get you halfway to an efficient, profitable way forward. It's just as critical 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 to benefit the CPG or T&D manufacturer *and* the retailer.

What do effective measurement tools look like?

To establish the most comprehensive view of pricing and promotions—and unearth the most insightful opportunities—we recommend NIQ's comprehensive suite of Analytics & Activation solutions.

Our solutions make it simple to diagnose what happened, why it happened, and what to do next in your e-commerce, digital shelf, pricing strategy, supply chain, and assortment activities.

NIQ Analytics & Activation *solutions*

Performance Pricing

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

Everyday Analytics

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

Custom Price Promotion/ Revenue Optimizer

Optimize brand price pack architecture, portfolio pricing strategy, and customer-specific promotional plans by leveraging high-end analytics applied to disaggregated data sets and state-of-the art simulation tools

Line & Price Optimizer, powered by BASES

Enhances portfolio profitability by identifying the ideal mix of new and existing products, along with their optimal prices and pack sizes

BASES Price Advisor

Identifies the optimal price by evaluating the volumetric opportunity across a wide range of price points

If your current data provider isn't giving you the breadth and depth of data outlined here (including a full view into the omnichannel marketplace and leveraging machine learning technology), contact us.

You may be asking yourself, "Do we really need all 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.**

Case studies: *Navigating market uncertainty in real time*

In an ever-evolving marketplace, dynamic pricing and portfolio strategies provide the forward-looking simulations needed to navigate unforeseen challenges effectively. Our research and real-world applications have demonstrated that during economic uncertainty, consumer behavior shifts significantly, altering price elasticity and impacting unit sales.

How sweet it is:
A leading chocolate brand found its path forward

9%
revenue performance Improvement

Consider a recent example of market shifts—namely, the sharp rise in cocoa prices, which significantly affects manufacturers reliant on this key ingredient. When faced with such a scenario, companies typically explore a range of strategies:

- Short-term solutions, such as downsizing pack sizes or raising prices to manage cost pressures
- Long-term innovations, like reformulating products to reduce cocoa dependency or launching new alternatives to maintain profitability

Each of these strategies comes with tradeoffs. Some may sustain margins but risk volume loss, while others drive growth but require significant investment.

The key question for manufacturers is: Which strategy provides the safest and most profitable path forward?

A **global chocolate manufacturer client** faced precisely this dilemma. With rising cocoa costs threatening their margins, they turned to our powerful Line & Price Optimizer, powered by BASES (LPO) simulation tool. With it, they explored multiple pricing and portfolio scenarios to determine the best path forward.

The simulation provided actionable insights that helped the manufacturer answer these critical questions:

- How would consumers react to future pricing strategies never before tested in the category?
- Which new SKUs and pack sizes offered the greatest incremental potential?
- What would be the combined impact of multiple portfolio adjustments at once?

Armed with these insights, the manufacturer implemented a three-pronged strategy:

1. Downsize pack sizes to maintain accessible price points
2. Adjust pricing on the most popular pack to maximize margin
3. Introduce two high-potential innovations to drive incremental revenue

The result

A **9% improvement in revenue performance**, proving that a data-driven, holistic approach to line and price optimization can unlock significant growth—even in challenging market conditions

Quenching a multinational beverage supplier's search *for a solution to market-driven price increases*

In another example, **a client that owns several soft drinks brands and distributes on behalf of another multinational group** experienced several pricing challenges due to rising exchange rates and raw materials costs. During this period, the manufacturer held off on raising prices on its products, but many retailers decided to raise shelf prices anyway.

Their challenge was this: Where could they strategically raise prices, while minimizing the risk of volume impact if further price changes were passed on to consumers?

Using several of the dashboards available in NielsenIQ Revenue Optimizer (NRO), we were able to identify key seasonal products with low elasticities that can deliver revenue and profit *with minimal volume losses:*

- **Bandwidth** quickly identifies pricing architecture, opportunities to grow price, and white space for new propositions
- **Fishpond** helps isolate poor-performing and unprofitable products and promotions and identifies which activities drive revenue and profit
- **Category Optimizer** can be used to predict various potential scenarios (with the ability to also predict impact of competitor movements and activity)
- **Scenario Comparison** isolates different metrics such as revenue and profit to understand the best way forward for a given objective

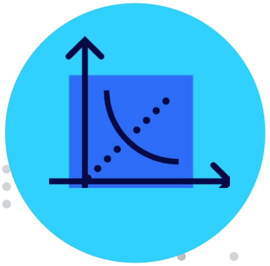
We also identified those products with headroom to grow price versus the relative competitor positions.

Taking these learnings, and working closely with the client, we simulated three potential strategies across more than 40 different products.

The result

A projected 8.8% increase in net revenue growth and 3.8% increase in net profit growth, proving that always-on analytics can facilitate strategy reviews and adjustments in real time

Beyond price elasticity: ***Understanding pricing power***



In volatile times, success isn't just about understanding price elasticity—it's about knowing your brand's true pricing power. A well-structured portfolio strategy considers both direct pricing changes and indirect shifts, ensuring businesses can outmaneuver market constraints and drive sustainable growth.

With Revenue Optimizer and Line & Price Optimizer, powered by BASES, manufacturers gain the clarity and confidence to make bold, profitable decisions, securing their position in a rapidly changing market landscape.

Pulling it all *together*

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 here) 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 are engaging with brands across seven omnichannel touchpoints. 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:

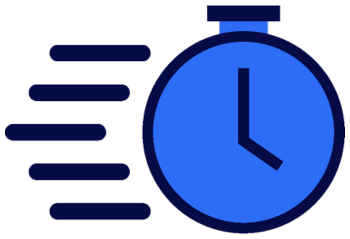
Capture dynamic updates

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

It's important to have always-on modeling in place to scrape the marketplace for promotion data so 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 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 makes 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

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 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, CPG and T&D companies need visibility into a product's non-promoted (base) volume, incremental volume for the promotions (lift), and the trade spend allocated to the promotion.

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: **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, whereas retailers are focused on category margin.

Assuming industry averages:

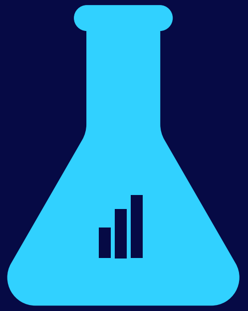
For every

10%

improvement in trade ROI, we realize

~5%

operating profit



So what?
Now what?

The solution to these challenges is threefold: 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, running a business while also reviewing sales, an investment in data can have a major impact.

Three reasons investing in data makes financial sense

Keep products on shelf

Out-of-stock rates historically average 8%, according to FMI, falling or rising due to supply chain events, costing tens of billions in lost sales. Improved data tracking can enhance on-shelf availability, which translates to increased 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 manpower 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 retailers so you can incorporate their insights into a better pricing and promotion strategy.**

When you sell more products, everyone wins.

Market ecosystem

Your next steps

Being able to set accurate prices is the difference between making margin, breaking even, or even losing money for a promoted price group.

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 doesn't.

NIQ makes promotion evaluation easier so you can gain greater control of your promotion performance and be able to course correct more quickly. We are uniquely positioned to provide CPG and T&D 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.

Learn more about how our Analytics & Activation solutions empower your business with actionable insights and seamless integration, allowing you to make informed decisions that enhance performance across all channels. **Contact us today**.

NIQ's Global Thought Leadership & Content team values your feedback. Complete this brief survey to let us know what you think of this content.

Contact our experts to learn how you can reset your pricing and promotion game plan to *deliver consumer value while maximizing your ROI.*

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About NIQ
NielsenIQ (NIQ) is a leading consumer intelligence company, delivering the most complete understanding of consumer buying behavior and revealing new pathways to growth. NIQ combined with GfK in 2023, bringing together two industry leaders with unparalleled global reach. Our global reach spans over 90 countries covering approximately 85% of the world's population and more than $7.2 trillion in global consumer spend. With a holistic retail read and the most comprehensive consumer insights—delivered with advanced analytics through state-of-the-art platforms—NIQ delivers the Full View™.

For more information, visit **NIQ.com**