

MEASURING & IMPROVING YOUR BUSINESS WITH PROMOTION DATA

OVERVIEW

This job aid provides an overview of the business questions, metrics or facts, and calculations that can be used to drive business performance with effective promotional strategies.

Promotion can vary by country and retailer with regards to promotional types, how promotion is defined and collected. Please contact your Nielsen Client Services Representative for country-specific information.

BUSINESS QUESTIONS

When considering the business questions, you should evaluate your business against **your own business**, **your competitors' businesses** and the **overall category or market**. The questions below offer some insight into the types of business questions that RMS promotional data can help you resolve.

PROMOTION

- How effective are my promotions?
- How do my promotions compare across retailers?
- How much do my promotions impact my sales?
- How well do my competitors' promotions perform compared to my own?
- Which promotion type is most effective for a specific product?
- What portion of my sales are on promotion? And what portion of my competitors sales are on promotion?
- Do my sales increase with a sales-driven promotion?

BEST PRACTICES WHEN ANALYZING PROMOTION

Consider the following recommendations when conducting an analysis:



1. Evaluate sales, price, promotion and other marketing activity together for a more complete overview of factors that can impact sales.
2. Make sure you are choosing the correct price fact for your promotional analysis.
3. Take into account external factors that can contribute to incremental volume that aren't attributed to promotion, like seasonality and holiday.
4. Whenever possible, analyze your brand or category at the item level.
5. Adapt your promotional tactics to new opportunities or threats.
6. Pay attention to your competition—what promotional tactics are being used? How does that impact you?

MEASURING & IMPROVING THE BUSINESS WITH PROMOTIONAL DATA

TERMS & DEFINITIONS

Below are a list of key terms and calculations used when analyzing promotional data.

| Term | | Origin or Calculation |
|--|--|--|
| Promoted Sales | The sales that are sold through stores with promotional activity. | |
| Non-Promoted Sales | The sales that are sold through stores without promotional activity. | |
| Base Sales (Baseline) | A statistically calculated Nielsen-derived measure to determine the expected sales for a product in the absence of in-store promotional activity. | |
| Incremental Sales | The sales above your expected volume, due to in-store promotions. In some cases, incremental sales can be attributed to external factors such as holidays or weather. | Total Sales – Base Sales |
| Subsidized Sales (Promoted Base) | The promoted sales that would have occurred even if a promotion was not present. | Promoted Sales – Incremental Sales |
| Promotional Price | The average price of items that are on promotion. This includes: price discount (prices are at least 5-10% less than the regular price—depending on local market) or another type of promotion (display, feature, bonus pack, free quantity— depending on local market). | Total Sales/Total Units in stores that ran a promotion |
| Sales Uplift | This measures the promotional effectiveness (quality of a promotion) and represents the amount of sales earned above expected volume. <i>Reported as a percentage or an index.</i> | Total Promoted Volume/Baseline Volume × 100 |
| Promotional Efficiency | This measures the proportion of promoted volume, converted to incremental sales. | Incremental Volume/Total Promoted Volume × 100 |
| Promotion Effectiveness Index (PEI) | This measures the increase in sales (within stores that are running a promotion) as a result of promotional activity. <i>This fact is not available in all countries.</i> | Promoted Sales/Promoted Base Sales × 100 |

PROMOTIONAL TRIGGERS

Nielsen will identify whether an item is considered on promotion based on the store the item is sold in. A store is considered *on-promotion* if there is an observed presence of these main in-store promotional activities:

| Promotional Activity | Definition |
|---|--|
| Temporary Price Reductions (TPR) | TPR's are calculated and reported when electronic point-of-sale data show a significant reduction in price, based on previous data. This discount will vary by country. |
| Display | Temporary selling locations, for example at the front of the store or at the end of an aisle, where retailers make a concerted effort to call attention to a specific product in order to drive sales. |
| Feature | Retailer-specific communications that highlight or advertise specific products with the intent to drive sales. |
| Promoted Barcodes | In some countries, specially promoted barcodes are used to determine promotional items. |