

# Price & Promotion

Gain insights into improving your trade strategy

A brand's success ultimately depends on its trade strategy. The stakes are high and not all pricing and promotion strategies are equal. Making a mistake can result in declining market share, lost revenue, and damaged retailer relationships. Setting the right price and implementing the optimal in-store promotions are fundamental to achieving your volume, profit, and strategic goals.

To meet the needs of today's marketplace, manufacturers need to:

- Enable brand growth by establishing prices and promotions that maximize profit
- Eliminate costly risks, by utilizing time-tested and industry accepted models

Nielsen Analytic Consulting Price & Promotion solutions help manufacturers determine the best pricing strategy and trade promotion tactics by examining the effects of price and in-store promotions on sales and profits. Using a proprietary, store-level modeling approach (superior to "aggregate" methods), our models have access to a robust database of stores—allowing us to separate the impact of price and promotion from outside interferences such as distribution, seasonality and store differences. Our consultants use a customized approach to each project; working with you to design a solution unique to your objectives and needs.

## Features:

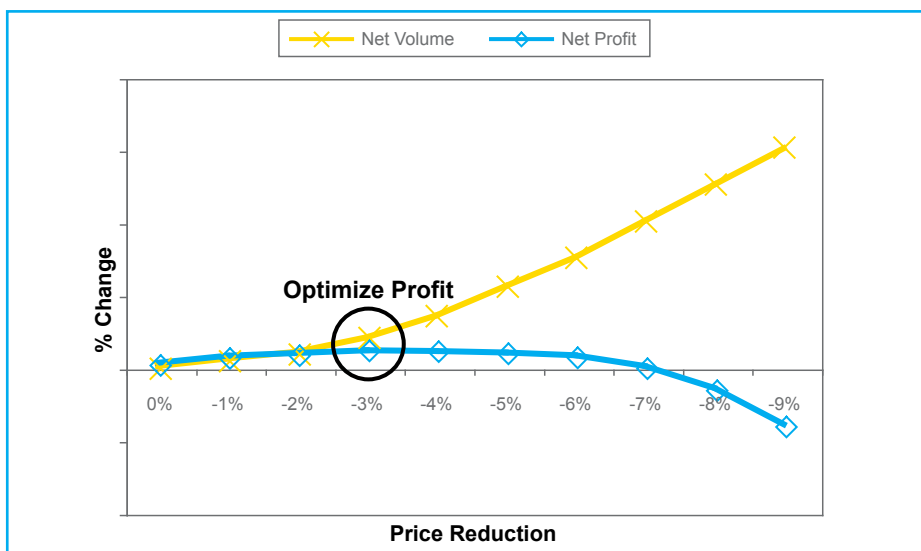
- Precise cause and effect measurement using data at the store-by-store, week-by-week level.
- Advanced analyses and recommendations including: Trade Execution Facts such as feature and display, Price Sensitivity/Elasticity, Price Threshold, Price Relationships

with Competitive Price Gap Analysis, Trade Promotion Sales Lifts including Category and Competitive Impacts

- Ability to evaluate specialized promotions such as Multiple Purchases (BOGOFs or n-fors), Co-promotions/Linksaves, Multi vs. Single Pack, Extra Free, Loyalty and other 3rd Party Promos
- Geographic flexibility to analyze at a region, retailer, account, or custom geography where appropriate
- Simulation software for "what-if?" scenario recommendations
- Compatibility with decisionSMART™ Business Assessor online monitoring and analysis tool

## Benefits

- Grow your brand by accurately planning volume, profit and strategic events
- Improve your pricing strategy by consistently evaluating and verifying your plans and tracking store level execution
- Gain retailer acceptance and internal buy-in with better analysis and measurement based on real market effects.
- Develop optimal trade plans by using the simulation software to create predictive scenario analyses.



# Case Study: Forecasting the impact of a price increase

## Situation:

BranCo needs to increase the price of their leading cereal brand Crispy Os to keep pace with rising production costs. Their goal is to accurately predict the amount of volume and profit at risk of increasing the regular, everyday shelf price by 5%.

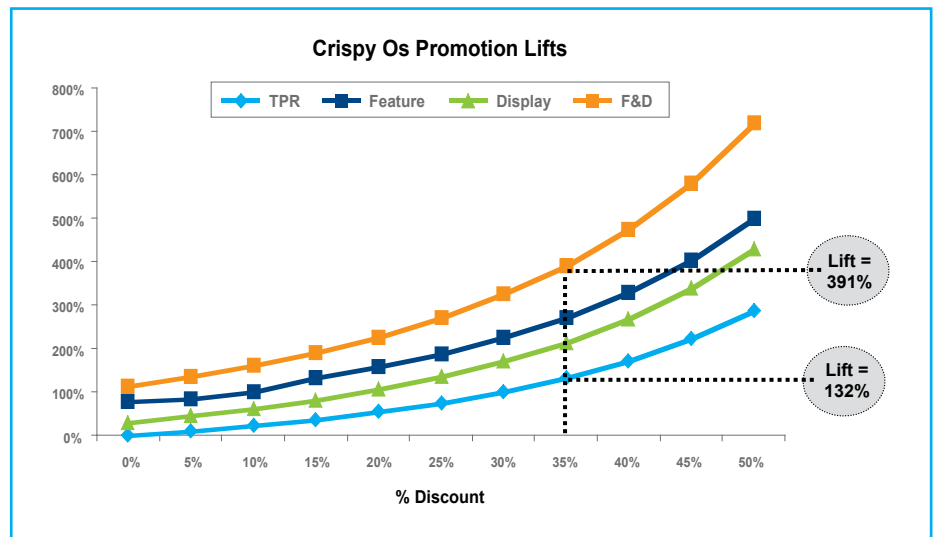
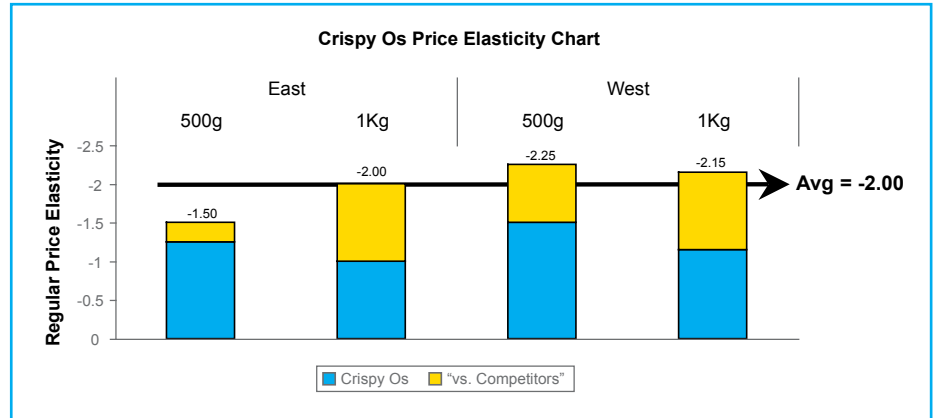
## Solution:

The Price Elasticity chart helps BranCo understand how sales are impacted by the price increase (Figure 1). The average elasticity of Crispy Os (-2.00) shows that this brand is very sensitive to price changes. BranCo can forecast that their 5% price increase will result in an overall regular volume loss of about -10%.

Upon further investigation of this price elasticity, we found that a significant price relationship exists between their 500g and 1Kg packages. We can use this knowledge to determine the optimal price gap between the two sizes and maximize total brand sales. Finally, we found that regional differences in price sensitivity have implications for forecasting after-the-price increase.

## Optimizing Trade Promotions

BranCo has forecasted a -10% decrease on regular volume due to their price increase. To alleviate some of the volume impact, Crispy Os trade promotions need to drive more volume.



The Trade Promotion Sales Lift chart shows that Feature or Display promotions can nearly double the sales achieved with just a Temporary Price Reduction (Figure 2). In addition, separating the impact of the price discount from the impact of the feature ad and the display, allows BranCo to make better decisions when determining the need for “quality” trade support.

With the sales lifts of their in-store promotions quantified, BranCo can now incorporate costs to calculate ROI and make better tactical trade decisions so that they can grow their brand and offset the lost volume as a result of the price increase.

For more information, contact your Nielsen Analytic Consulting representative or visit our website at [www.nielsen.com](http://www.nielsen.com)