

Pricing & Promotion Tools & Best Practices



NIQ

Table of Contents

Introduction **3**

The State of the Market **5**

Pricing & Promotion Challenges **8**

Pricing & Promotion Best Practices **12**

Pricing & Promotion Tools **15**

The Future of Pricing & Promotion **18**

Conclusion **20**

With inflation high and consumer spending power weak, pricing & promotion is in the spotlight

Introduction

In February 2023, the inflation rate of CPG unit prices dropped to **10.2%**, a decrease of **0.8** points from January. This makes February's rate of CPG inflation the lowest since April 2022. But CPG increases are still trending well above the US Consumer Price Index, weakening consumer spending power and CPG unit sales growth.

As shoppers buy less and split those purchases into wants versus needs, marketers will need to work harder to engage them. Traditional marketing tactics may return to win back consumers who have shifted their purchases to value brands and retailers.

A notable reason for the unit sales drop is consumers buying larger package sizes or buying only products on sale. A quarter of Americans are buying larger sizes of products with long shelf lives as a savings strategy to get a lower cost per use. Value for money is one of the top factors shoppers consider when choosing stores and products.

So, CPG brands need to consider their pricing and promotion practices more than ever to avoid falling off due to belt-tightening. This means understanding consumer mindsets, behavioral shifts, and the data behind it all.

Some of the key pricing & promotion topics we'll cover in this eBook are:

- The state of the market
- Pricing & promotion challenges
- Pricing & promotion tools
- Pricing & promotion best practices
- The future of pricing & promotions



29%

Of shoppers say they are only willing to buy what's on sale during inflationary times.

Source: <https://nielseniq.com/global/en/insights/analysis/2023/cpg-inflation-is-still-trending-well-above-the-us-cpi-weakening-consumer-spending-power/>

Rising prices are impacting all areas of the home

Top 5 fastest rising unit prices by category*

Fridge

- +75% Chicken eggs
- +25% Butter
- +25% Cream
- +24% Refrigerated dough
- +23% Half & half cream

Pantry

- +37% Canned Mushrooms
- +36% Evaporated milk
- +36% Lunch combos
- +35% Shortening
- +32% Ramen

Fresh

- +34% Plums
- +23% Kiwi
- +19% Turkey
- +19% Celery
- +17% Potatoes

Frozen

- +38% Potatoes
- +35% Onions
- +25% Pie crust
- +20% Salmon
- +20% Meat alternatives

Bathroom

- +34% Sore throat remedies
- +21% Rubbing alcohol
- +20% Soap
- +18% Epsom salts
- +18% Laxatives

General Household

- +25% Dog food
- +21% Cat food
- +21% Scented gels/solids
- +21% Disposable dishware
- +21% Bleach

Source: NielsenIQ, Total US xAOC, 4 weeks ending February 25, 2023 – Unit price % change. * Annual sales >\$100 million

The State of the Market



The State of the Market

One thing is clear, this is an unsettling time for many consumers. NIQ research confirms that consumers intend to change their spending habits to combat growing economic insecurity. Nearly two in five global consumers (**39%**) feel they are in a worse financial position this year. And of those consumers, **74%** say that increased costs of living are to blame for their recent financial struggles.

Unsure about the future and bracing for extremes, consumers are in a constant state of skepticism. And with the looming prospect of further disruption down the road, consumers remain cautious with all forms of spending.

In fact, consumers plan to spend less on most discretionary spending categories, where out-of-home dining (**44%**), out-of-home entertainment (41%) and clothing (**40%**) are leading the list of where consumers plan to trim their wallet allocation.

But, unless you have the fullest view of shopping and buying behavior, it's hard to truly grasp how changing spending intentions will manifest across retail channels in this environment. Each channel, industry, category, and even product are impacted differently by the shift in consumer behaviors. Knowing the impact on your category and markets are vital to knowing how to react.

This requires looking at retail sales data, consumer behavior, competitor pricing and promotion tactics, outside factors and more. The more comprehensive your understanding of the factors impacting your sales, the more intelligent your pricing and promotion decisions will be.



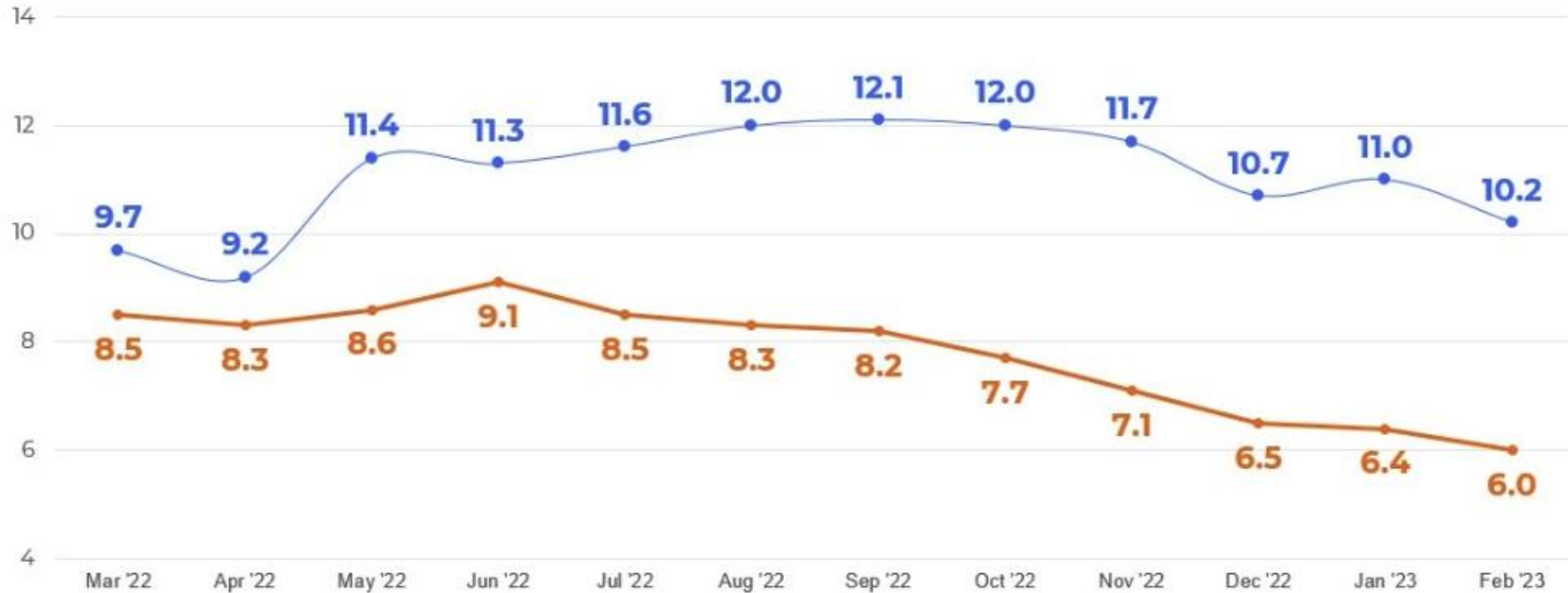
41.7%

Of all CPG sales in February occurred in value retailers, an 11% jump.

Source: <https://nielseniq.com/global/en/insights/analysis/2023/cpg-inflation-is-still-trending-well-above-the-us-cpi-weakening-consumer-spending-power/>; <https://nielseniq.com/global/en/insights/analysis/2023/consumer-outlook-2023-the-unsettled-state-of-global-consumers/>

CPG price increases are substantially higher than the CPI rate

U.S. CPI Inflation Rate vs. CPG Unit Price Change



Sources: U.S. Bureau of Labor Statistics – Consumer Price Index; NielsenIQ, Total US xAOC, 4 weekly periods ending February 25, 2023



Pricing & Promotion Challenges

Pricing & Promotion Challenges

As we've discussed, inflation is a major source of pressure for CPG brands when it comes to their pricing and promotion practices. Avoiding margin losses while still staying on shelf and in homes requires a delicate balance.

But, there's a lot more that goes into optimizing your pricing and promotion than just inflationary impact. From competitor pressure to an over-reliance on promotions to just not getting your customers, there's a lot to balance.

With that in mind, here are **five pricing & promotion challenges** you may face:

1. Inflationary Pressure

We'll start with the obvious one, hitting the right numbers to avoid inflationary losses while keeping consumers happy. This is difficult when supply costs are also rising. Unfortunately, many brands are increasing prices beyond the limit of toleration for many consumers.

Additionally, inflation doesn't impact all categories equally, so there are still areas of opportunity. Companies that identify these emerging demand spaces, both within and outside of the categories where they compete, can understand precisely where they have opportunities to effectively re-position pricing.

2. Competitive Pricing

Many brands are too focused on where their competitors are priced and the promotions they're running. This model works well for industries with less variation between product cost and quality. But, if your overhead costs are higher than the competition, you'll quickly eat into your profits and risk defeating yourself with this model.

Pricing is the most critical lever impacting the commercial results, above fixed, variable costs, or even volume sales. Indeed a **1%** improvement in price equals an **11%** improvement in margins.

Pricing & Promotion Challenges

3. Misunderstanding the Consumer

When times get tough, consumers act in ways that many brands don't understand. Reasonably, you would assume that they would lower their spending on non-essentials, so you'll drop your prices as well. While this is generally true, consumers still want to find joy in shopping when they can.

For example, consumers are tightening their belts and avoiding unnecessary purchases, but also buying products considered an "affordable luxury". By the end of 2022, Premium+ brands were up to a **69.1%** dollar share of Spirits vs. three years ago. Knowing what they are willing to spend on is key to success.

4. Over-Promoting

A common tactic brands use to compete during tough times is relying on promotional sales. Unfortunately, **over half** of all trade promotions result in little to no sales lift, meaning manufacturers are ultimately wasting time and money.

Measuring trade promotion effectiveness can be tricky. Particularly if you're not using the right tools, or you operate in a category at risk of being delisted. Everything from shelf placement to weather patterns can impact your marketing potential. So, you need to dive deep into your data to anticipate potential problems and solve them beforehand.

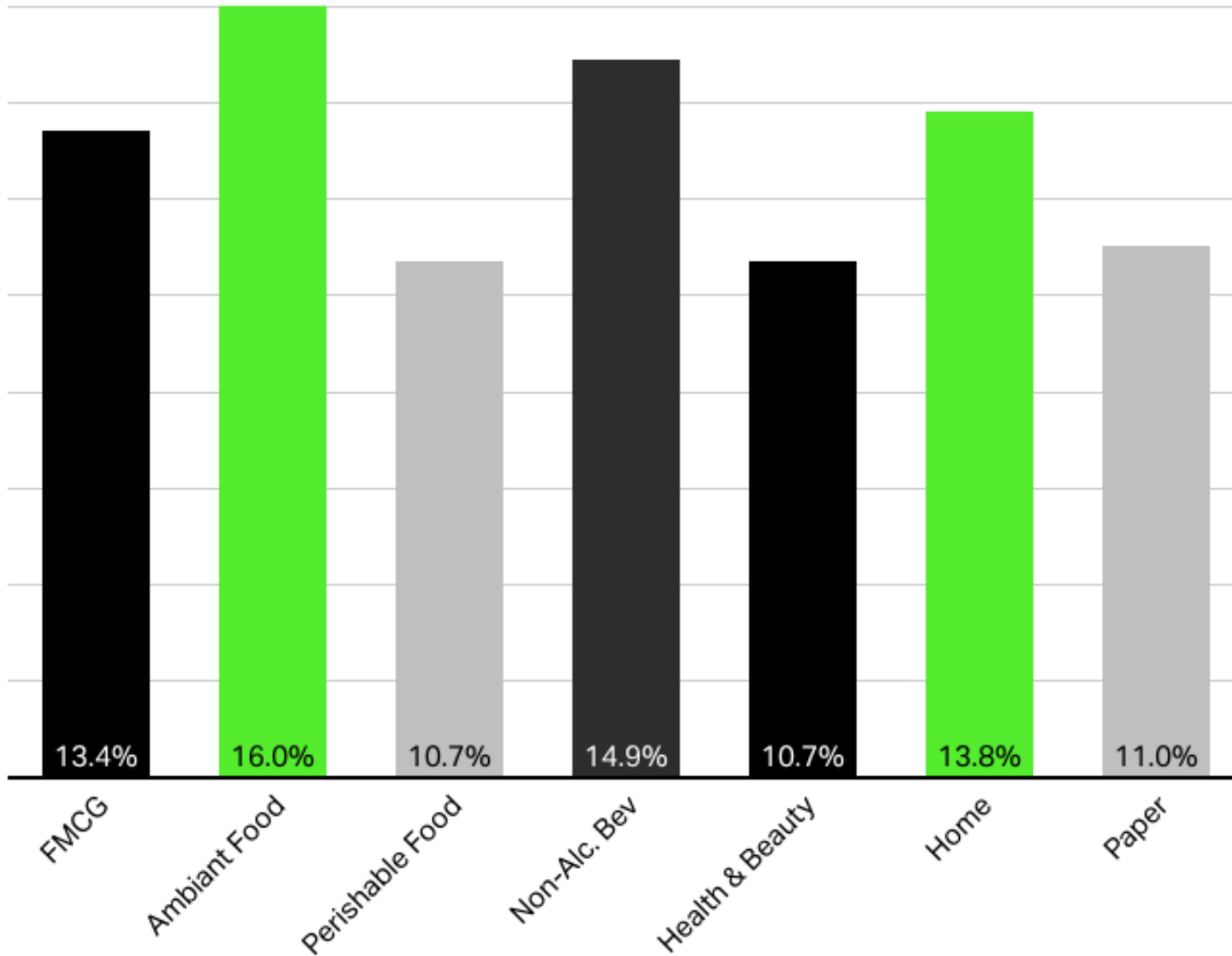
5. Deciding with Poor Data

If your data is inaccurate or out-of-date, it won't help you position your products correctly. Many emerging brands in particular are still making decisions based solely on sales data provided to them by the retailers. This is a good start, but simply can't help you make the best decisions for pricing and promotions.

Instead, investing in third-party POS and panel data can help you act quickly on accurate and current data and trends. With more than **60%** of Americans believing we're in a recession, you'll need all the tools in your belt to succeed.

Sources: <https://nielseniq.com/global/en/insights/education/2023/key-growth-strategies-for-emerging-beverage-alcohol-brands/>; <https://nielseniq.com/global/en/insights/analysis/2022/how-to-measure-trade-promotion-effectiveness/>; <https://nielseniq.com/global/en/insights/analysis/2022/the-value-of-data-infographic/>

Change in average equivalized price for grocery departments



Grocery Departments highlight the impact of inflation

At the grocery store, food inflation (**11%**) is still outpacing non-food inflation at (**9%**). The consumer response to rising prices was more pronounced in non-food: food unit sales dropped **2%** while non-food unit sales fell **4%**.

Unsurprisingly, **36%** of consumers expect to spend more on groceries and home goods this year. This impacts not only those categories, but all CPG categories. When consumers are forced to spend more on the necessities, they taper their spending elsewhere. Knowing how to position your products properly and stay top of mind will be vital to success in 2023 as inflation continues.

Source: NielsenIQ Global Price Tracker -4 weeks ending Dec. 4, 2022 vs. year ago equivalized price change

Pricing & Promotion Best Practices



Pricing & Promotions Best Practices

Though there are certainly many issues impacting CPG growth, by relying on a few best practices, you can help mitigate the damage and build a stronger foundation for growth in 2023 and beyond. Whether your sales are up or down, adhering to these practices can help you to avoid sudden losses when outside factors change demand.

Remember, your pricing and promotion practices are essential to your ability to get on shelf, gain market share, and defend against the competition.

Here are **five best practices** in pricing & promotion optimization:

1. Define Your Audience

No brand can succeed without a base of supportive consumers. Unfortunately, if you don't have a firm understanding of who they are and what they care about, you'll always miss the mark. Identifying your audience requires looking at both your sales data and panel data.

Start looking at not only the consumers that buy your products, but those that shop the whole category, your competition, and in similar markets. Once you have a better grasp on your targets, you can set prices that match their needs, time promotions properly, craft effective marketing efforts, and more.

2. Factor In Everything

Everything may be a bit of a stretch, but you need a broad data set to get the best returns on your pricing and promotions. On top of sales and panel data, look to outside factors like supply chain issues, inflation, consumer sentiment, government issues, and more. These will help you better understand the state of the market and the future.

For example, **41% of consumers** say that sustainable products are too expensive. Even if you're properly aligned with consumer sustainability goals, you may be missing their other needs or concerns.

Pricing & Promotions Best Practices

3. Link Pricing and Promotion

There's a reason we keep speaking about pricing and promotion as a single idea. Though they operate independently, they rely heavily on one another. When prices are too high for consumers, they become more reliant on promotions. But, this can harm margins and velocity.

For example, rising food prices continue to plague consumers which will impact holiday spending power. We may see a shift to cheaper alternatives like less expensive cuts of meat, vegetables, or store brands. Retailers and brands may need to strategically align promotions around key meals and seasonal items to win over cost-conscious consumers.

4. Pick the Right Strategy

When it comes to pricing, there are 5 common strategies CPG brands use. Unfortunately, many brands may be using a less optimal strategy that is keeping their margins low or preventing stronger market penetration.

If you're using a cost-based pricing model, you may find it difficult to keep pace with market shifts. If you use a competitive-pricing model, you can hurt your margins trying to fight. Reviewing your pricing regularly and identifying what works best with your brand and consumers is key. As little as a **2%** increase in on-shelf availability can translate to a **1%** sales lift. But poor pricing rarely leads to additional shelf space.

5. Work with Your Retailers

We say this a lot, but as a CPG brand, you're part of a larger ecosystem that helps keep the world running. Without suppliers, you couldn't make your products and without retailers you couldn't sell them. Trying to operate independently can leave you blind.

Retailers often have insights on the ground that you may be missing, particularly when they see shoppers flocking to or ignoring products. Take the time to build your relationships with the retailers and get their insights into a better pricing and promotion strategy. When you sell more products, everyone wins.

Sources: <https://nielseniq.com/global/en/insights/analysis/2023/holidays-by-the-numbers-us-easter-sales-trends-for-2023/>; <https://nielseniq.com/global/en/insights/analysis/2022/cpg-pricing-strategies-how-do-you-price-a-cpg-product/>;



Pricing & Promotion Tools

Pricing & Promotion Tools

NIQ Analytics Solutions

Understanding consumer behavior and future demand are essential elements of an effective pricing and promotion strategy. But, this requires you to look at precise, granular data to get better understand your products impact on revenue and craft more accurate demand forecasts to grow your brand.

NIQ's Analytics solutions can help you grow revenue and market share without wasting excess time or money. By better understanding volume drivers and timing, you can leverage machine-learning technology to successfully beat the competition. And by better understanding internal and external effects on your business, you can prepare for the future.

NIQ Omni Solutions

With only **14%** of consumers still solely shopping for FMCG products in brick-and-mortar stores, brands need to have a handle on their omnichannel sales to effectively price and promote their products. Setting your pricing to get the most out of every channel can help you build a stronger foundation for the future.

Only NIQ can combine the precision of retailer POS data with online coverage granular enough to create a unique, non-duplicative view of total market sales giving you the Full View of your sales and market penetration. Our database of **100,000+** actively engaged monthly panelists can help you stay ahead of shifting demand and align your pricing and promotion with the new normal.

Byzzer for Emerging Brands

For emerging brands, there's no better solution than Byzzer. NIQ's self-service platform levels the playing field by making reliable data and insights accessible to emerging brands that don't have the personnel or resources to match larger competitors. With ad hoc data on demand, **40+ CPG reports**, and data experts on call, building a strong plan has never been easier.

A few key reports that can help:

- Smart Pricing Action Report
- Category and Brand Trend Report
- Competitor Comparison Report
- Omnisales Performance Report

Don't Scrimp on Your Data

Insight 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. Wayne Gretzky famously said, "You miss **100%** of the shots you don't take."

At NIQ, we're committed to helping brands of all sizes get the Full View at a price that fits their budget. More than a quarter of the global CPG market is owned by small and mid-sized CPG brands and we believe they deserve the same world-class support and expert guidance as the big names. There's never been a better time to invest in data and start building better pricing and promotion strategies.

3 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 data to forecast more accurately, as little as a **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 manpower and hours to act on trends. Data helps cut these costs and increase margins.

The Future of Pricing & Promotion

NIQ



The Future of Pricing & Promotion

Though Q1 was a rocky road, the rest of 2023 remains clouded in mystery. Unfortunately, the impact of inflation looks to continue for some time with consumer sentiment remaining negative. However, there are also opportunities lying in wait for brands that can connect with consumers.

With that in mind, here are three more trends that look to impact CPG brands' pricing and promotion strategies for the foreseeable future:

1. Other Expenses Impact CPG Sales

NIQ research shows that consumers plan to shift that spending towards maintaining contributions to future-focused mainstays like financial services (**47%**) and paying off debt (**41%**), while also increasing their spending on grocery and household items (**36%**) and contributing more to education for themselves or their families (**29%**). Spending outside of your category limits the available resources for you. This means you'll need strong pricing and promotion to capture the remaining dollars.

2. Sustainability Is Important

NIQ research shows that the next 5 years will promise dramatic change as businesses transform to meet new demands and realities. Extreme weather events, consumer demand, and government regulations are all pushing for a revised focus on sustainability. This will impact pricing and promotion practices as well because brands are having to invest more to keep pace. But, with **69%** of consumers saying sustainability has become more important to them over the last two years, it's necessary.

3. Geopolitical Problems Continue

CPG sales are effected by many outside factors, and geopolitical issues are a big one. As war abroad continues, and governmental regulations shift, consumers have a lot on their plate. Unfortunately, these concerns will impact both your pricing and promotion strategies and consumers desire to spend. By understanding the pressure they're under, you can better align with their needs and avoid wasting time and money on efforts that simply won't resonate with the markets.

Sources: <https://nielseniq.com/global/en/insights/analysis/2023/consumer-outlook-2023-the-unsettled-state-of-global-consumers/>; <https://nielseniq.com/global/en/insights/report/2023/the-cpg-sustainability-report/>

What You Can Do In 2023

NIQ can help you get a Full View in 2023

When the market is shifting, you need to be on top of your game if you're going to come out on top.

NielsenIQ offers emerging and growth brands access to the same best-in-class, accurate data and high-quality insights that Fortune 500 brands leverage—at a price customized for their budgets.

We also know that businesses at different stages have diverse needs. Whether you're looking to nail your next retailer pitch, are expanding distribution, or need to defend your turf, we have the data and tools you need to succeed.

Some of the solutions we can provide include:

- POS & Shopper Data
- Product Attribute Trends
- Omnichannel Sales Data
- Demand Forecasting
- Pricing & Promotion Optimization
- Assortment Optimization
- Expert Insights into Market Trends
- And More

[Learn More About NIQ](#)

[See Our Emerging Brand Solutions](#)



For more insights:

niq.com/global/en/insights/



About NIQ

Arthur C. Nielsen, who founded Nielsen in 1923, is the original name in consumer intelligence. After decades of helping companies look to the future, we are setting the foundation for our future by becoming NIQ. We continue to be the undisputed industry leaders as evidenced by our experience and unmatched integrity. As we move forward, we are focused on providing the best retail and consumer data platform, enabling better innovation, faster delivery, and bolder decision-making. We are unwavering in our commitment to the ideals and passionate about helping clients achieve success.

NIQ