

NIQ

**Need
to
Know**

*Pricing &
Promotion*

FAQs

*You have
questions?*
**We have
answers.**

Leading CPG
Brands like you
told us what you
need to know
about Pricing &
Promotion right
now — our NIQ
experts respond.

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“How are pricing elasticities trending now?”

During covid and up until this year, they were trending down. Last couple of quarters, elasticities are trending back up though not to the levels of pre-covid. It helps to break down elasticities into three components: how tied are you to your brand's pricing, how tied are you to your internal portfolio pricing and external or competitive pricing. Over the last couple of quarters, we are seeing competitive pricing matter more and we think this trend will continue.

“What do we do if it is no longer financially possible to promote at a previous price point due to retailer led pricing increases?”

You’ll have to look at other levers within your promotional strategy to offset — because you won’t be able to go back to pre-covid and pre-inflation promotional pricing. Other features to activate include display support, favorable placement in the feature, exceptional execution, an understanding of what your competitors are doing during your promotions. The most critical thing that drives lift is the quality of support and execution at retail. Promotions that are well supported generally perform better due to the increased communication points to the shopper making them aware of the deal. Our experience with clients has shown that support and a modest discount drives more lift than continuing to discount deeper and deeper over time, which only erodes your margin.

“What do you do when a retailer insists on more promotions or get discontinued?”

You must lean on the numbers and you have to find the win-win. Retailers want to grow and, in most cases, they want you to grow too, so your first step will be to come up with a common set of objectives and KPIs that are going to get you there. We like to look at Promotional Source of Volume to help identify the promotions you are running, which are beneficial to the retailer and beneficial to your brand. Analytics combined with scan data too can help you tell the story you need to challenge some of your retailer's demands.

“In some cases retailers will not allow trade spend to be reduced as a % of sales, but we need to grow units otherwise competitors steal share — how do you structure promotions to overcome these factors?”

Consider that unit share impacts margins, and that probably means you'll want to increase the frequency of your promotions. Finding your optimal promotion frequency is critical and this should satisfy retailer expectations since they are looking for trade dollars. Where you invest your trade can change; however, and ranking promotion performance can help you eliminate areas of weakness so that you can grow the category, brand and margin.

“How do we test new scenarios when it comes to promotions?”

There are ways to test before you go to market and after — both are important. Before you go to market you can leverage basic scan data to compare promotions across retailers looking at lifts of PPGs or UPCs. Advanced Analytics like Pricing & Promotion models can be an even better way to test for variable switching and effectiveness. Measuring what you have done and the strength of your hypothesis is also important post-promotion and this also provides an opportunity to pull in competitive information.

“Is the increase in promotions in the last year largely driven by big brands in the category?”

This will vary by category. It is helpful to look at RMS data to see if frequency and depth have changed and if more manufacturers are promoting within the category. You should look for volume growth or loss due to promotion — getting subsidized volume as low as possible is key to driving incrementality. This means adding in promotions that encourage buying multiple units. Subsidized volume will never be zero, but it should be minimized within reason.

“How do promotions affect brand building”

Promotions drive trial because they lower the barrier to entry. They give you more real estate so you can tell more of your story to new viewers (think secondary placement like endcaps and displays).

Need to know more?

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