

Product Range Analysis: Promotional performance

When reviewing how a promotion has performed, all the different dynamics at play need to be assessed:

Promotional net profit = Incremental uplift + Halo - Pull forward - Cannibalisation

Incremental uplift from promotion

Hat 2 is on offer from £15 to £5, driving 67% more sales and 400% more units. Margin is down 20ppts due to price reduction, although the increased sales are driving a 30% incremental profit uplift. Hat 1 is not seeing an uplift, is the promotion (buy 1 get 1 free) not enticing?

Halo Effect

A good experience when buying a product can entice customers to buy other products. E.g. Customers had a good experience with Hat 2 thus bought another product from the Retailer – a “cap” a similar product not on offer.

Pull forward

The promotion has bought in more customers, although customers have purchased some items earlier than they would have e.g. “cough sweets”, meaning they wont buy it later. Hence the uplift will reverse.

Cannibalisation

In many cases if a product like “Hat 2” is on offer, more people (that would alternatively have purchased Hat 3) buy into the offer. Therefore the uplift in profit of “Hat 2”, which is 30%, is offset with the shortfall in Hat 3 profits of 50%.

Table 8: Promotional Analysis

| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R |
|--------------|------------------------------------|-------------------|------------------------|-------------------|-------------|------------------|--------------------|-------------|------------------|--------------------|----------------|---------------------|-------------------------|----------------------|---------------------------|-------------------------------|---------------|--------------------|
| | Department - Winter products | Sales £ ex VAT TY | Sales £ ex VAT Control | Sales vs. Control | Profit £ TY | Profit £ Control | Profit vs. Control | Margin TY % | Margin Control % | Margin vs. Control | Sales Units TY | Sales Units Control | Sales Units vs. Control | Avg Selling Price TY | Avg Selling Price Control | Avg Selling Price vs. Control | Cost Price TY | Cost Price Control |
| On Promotion | Hat 1 (buy one get one free) | £1,250,000 | £2,000,000 | -38% | £-250,000 | £800,000 | -131% | -20.0% | 40.0% | -60.0% | 250,000 | 200,000 | 25% | £5.00 | £10.00 | -50% | £6.00 | £6.00 |
| | Hat 2 (lower price from £15 to £5) | £5,000,000 | £3,000,000 | 67% | £3,500,000 | £2,700,000 | 30% | 70.0% | 90.0% | -20.0% | 1,000,000 | 200,000 | 400% | £5.00 | £15.00 | -67% | £1.50 | £1.50 |
| | Cough Sweets | £1,050,000 | £735,000 | 43% | £350,000 | £245,000 | 43% | 33.3% | 33.3% | 0.0% | 350,000 | 245,000 | 43% | £3.00 | £3.00 | 0% | £2.00 | £2.00 |
| | Cap | £340,000 | £100,000 | 240% | £170,000 | £50,000 | 240% | 50.0% | 50.0% | 0.0% | 85,000 | 25,000 | 240% | £4.00 | £4.00 | 0% | £2.00 | £2.00 |
| | Hat 3 | £675,000 | £1,350,000 | -50% | £375,000 | £750,000 | -50% | 55.6% | 55.6% | 0.0% | 150,000 | 300,000 | -50% | £4.50 | £4.50 | 0% | £2.00 | £2.00 |
| | | £8,315,000 | £7,185,000 | 16% | £4,145,000 | £4,545,000 | -9% | 49.8% | 63.3% | -13.4% | 1,835,000 | 970,000 | 89% | £4.53 | £7.41 | -39% | | |

Incremental sales/profit

Pull forward

Halo

Cannibalisation

Promotions are often assessed vs. a “Control”. A “Control” can be period of time/a set of stores/products etc... which are considered to be representative of “normal” performance and hence used to measure any changes in performance against.