

## 5a. Product Range Analysis

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### The topics covered in this section include:

- Product Range Analysis: an introduction
- Understanding the performance of products:
  - Fundamental product range analysis tools
  - Product line analysis
  - Pricing architecture review
  - Promotional performance
  - New lines and discontinued lines
  - Using external market data

Promotional analysis techniques help a business to ensure it's promotions are delivering what is expected. There are some key questions that are relevant to any promotion, these are:



- Why the offer:** *to sell more? Introduce a new product? etc...*
- Offer depth:** *Which products should be in the promotion?*
- Length of offer:** *How long should the offer last for?*
- Frequency of offer:** *How often should we run promotions?*

Table 7: Simple promotional analysis

Department	Sales £ ex VAT TY	Sales vs. LY	Promotional Sales £	Promotional sales as % of total sales
sub-depart 1	£1,126,228	472%	£56,666	5.0%
sub-depart 2	£10,172,999	18%	£534,342	5.3%
sub-depart 3	£31,400,014	31%	£296,943	0.9%
sub-depart 4	£5,189,060	28%	£300,444	5.8%
sub-depart 5	£52,225	107%	£1,023	2.0%
sub-depart 6	£4,715,098	21%	£1,000,000	21.2%
sub-depart 7	£275,916	2%	£12,300	4.5%
sub-depart 8	£22,709,537	30%	£1,030,400	4.5%
sub-depart 9	£8,958,384	31%	£2,344,455	26.2%
	<b>£84,599,461</b>	<b>30%</b>	<b>£5,576,573</b>	<b>7%</b>

Reviewing promotions as a % of sales (as in table 7) is a simple way of seeing how much of the total sales are being driven by promotions.

The next few pages focus on a range of detailed promotional analysis techniques that can be employed.

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 partially 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
	<b>£8,315,000</b>	<b>£7,185,000</b>	<b>16%</b>	<b>£4,145,000</b>	<b>£4,545,000</b>	<b>-9%</b>	<b>49.8%</b>	<b>63.3%</b>	<b>-13.4%</b>	<b>1,835,000</b>	<b>970,000</b>	<b>89%</b>	<b>£4.53</b>	<b>£7.41</b>	<b>-39%</b>			

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.