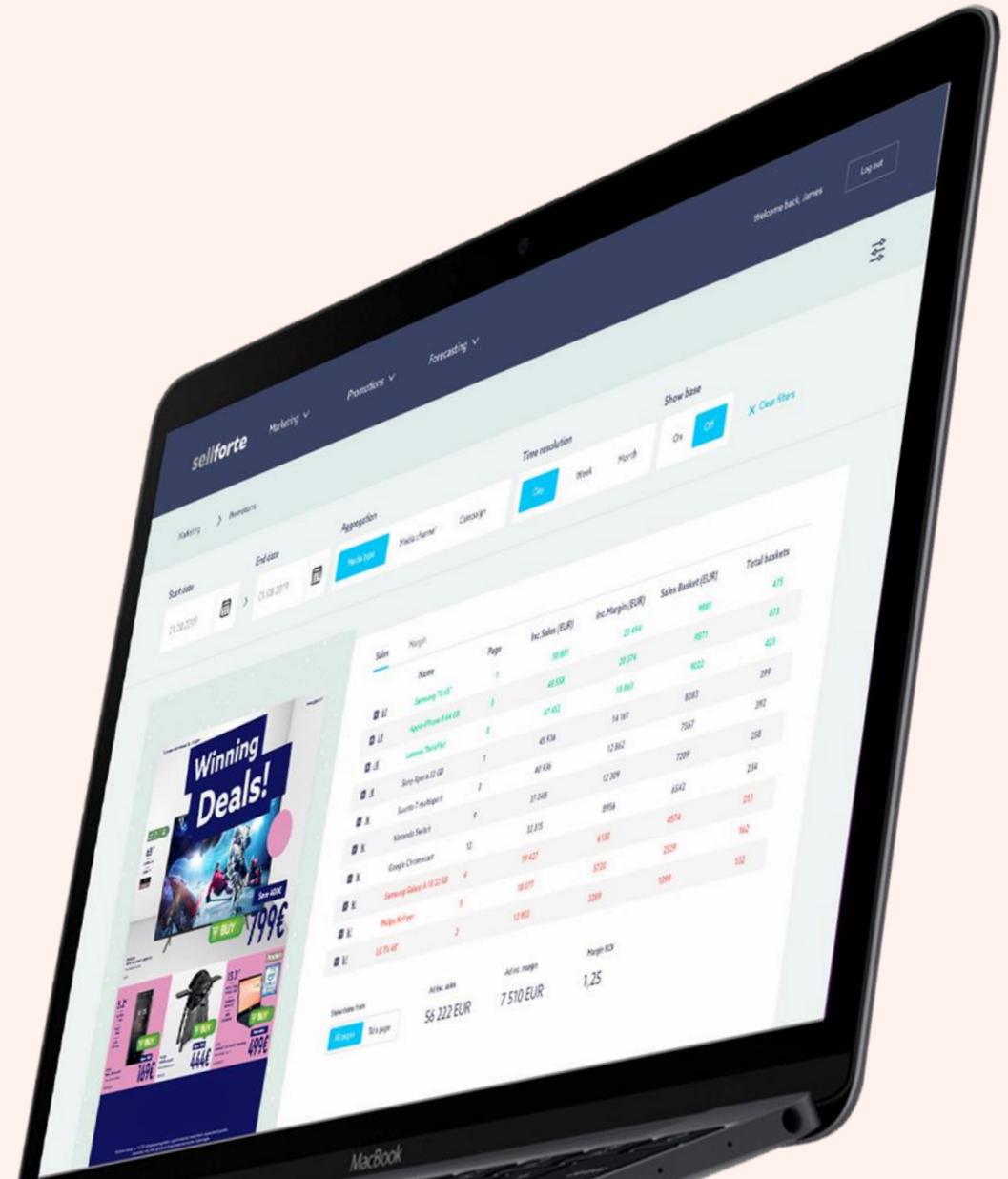


sellforte

Promotion Effectiveness Analysis



How do you know when you're on to a winner when it comes to profitable promotions?

- Promotions are a key part of any commerce or e-commerce business. What can we say? Shoppers love a bargain, and if you're not giving them one... Well, someone else will. They're exciting for the customer, introduce an element of scarcity into your product promotion and, if done right, could improve your bottom line.
- Except that's not always the case. In fact, some promotions do more harm than good in the long run —**with research showing that 20 to 50% of promotions to generate no real uplift in sales and another 20 to 30% not driving enough sales to offset all of the costs of the promotion.**
- When you want to know what is truly working and what is not, the first step is to do a throughout **Promotion Effectiveness Analysis**



What is a good promotion?

It's not only important to know which promotions are working, but also *why* they're performing so well

The specifications of good promotion vary from industry to industry and from vendor to vendor, but here's a crude breakdown of what makes promotion truly *good*:

High Volume Uplift

- **Look for complimentary items that are often bought together.** *Sandals on sale? Remind me to get those with a couple pairs of socks.*
- **Try to reach the most profitable customer segments.** For example, putting great salmon promotions before weekend attracts customers who seek to “buy something better for the weekend”.
- **Get new customers to try out the concept.** Review from time to time is your base sales (sales that would have happened without any marketing or promotions) growing between campaigns

Low cannibalization & stock-up

- **Avoid discounting long-lasting everyday goods,** unless you can compensate the lost future sales by increasing the shopping basket value with other normal-priced products.
- **Analyze how Stock Keep Units' sales have been cannibalized within the same category,** when there has been a discount of any sort. Categories with high brand loyalty seem like a safe bet.
- **There can be “good” kind of cannibalization** – try to cannibalize sales from low-margin brands (e.g. global brands) to high-margin ones (e.g. private label brands). Part of these consumers will stick to the new brand and provide higher margin in the future purchases.

Promotion Effectiveness Analysis

1) The factors really driving your results

It's not only important to know which promotions are working, but also *why* they're performing so well.

Was this promotion less prone to profit cannibalization? Was there a lower stock-up effect? Was it positively benefited by the halo effect?

Breaking down all of these possible impacts gives you a truer overall sales performance and provides valuable insights on why specific promotions perform so well compared to others.



Then add in external factors, the knowledge of which you are already privy to, such as supplier funding and supply chain costs (for example, increased warehouse costs or unsold products).

Finally, (we know, there's a lot to take in) look at factors outside of your own store or organization that could also be having a say on whether your promotion was a success or not.

This could be, for example, the action of competitors, weather or a celebrity endorsement.

Promotion Effectiveness Analysis

2) Secondary-effects

We just talked about factors within you offering that might affect your promotion, but it can work the other way as well -- with your promotion going on to affect the sale of other items in your store.

If this does happen you want to take it into account in the ROMI calculations of this particular campaign.



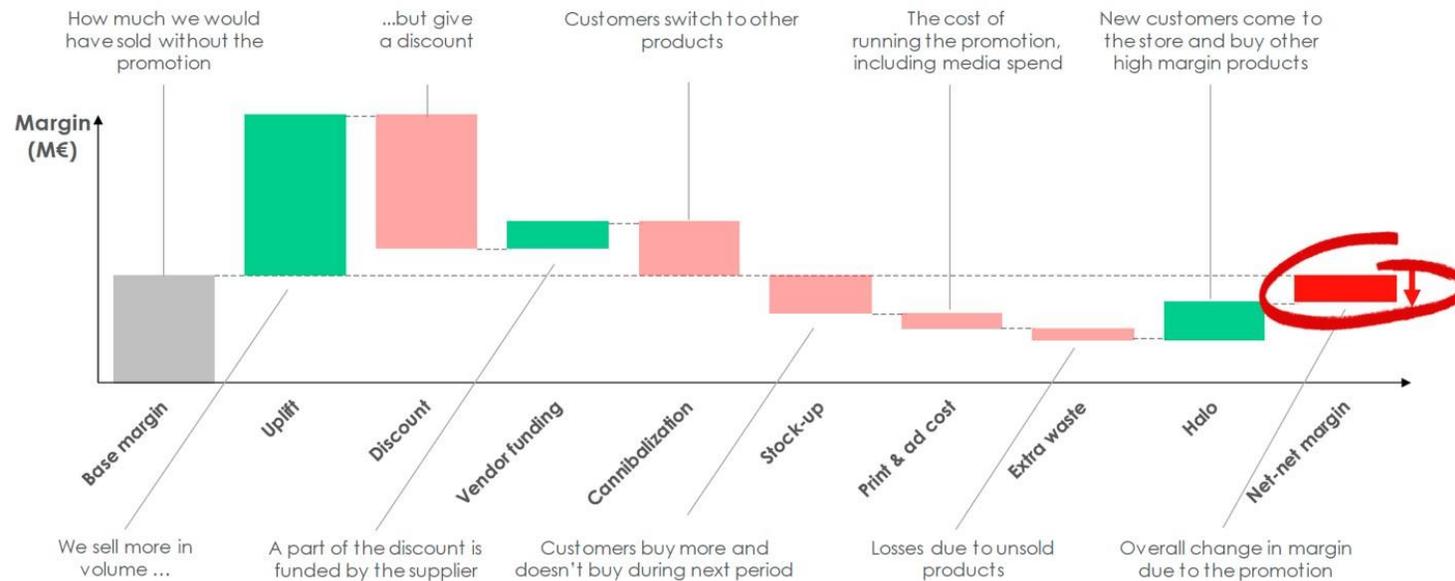
For example, when they came to check out that item did end up purchasing others as well? If so, that profit can be traced back and added to the success of the original campaign.

You may also want to look at complementary items that are frequently found in the same shopping basket as the promoted product and see if there was an uprise there as well.

Promotion Effectiveness Analysis output

What the Promotion Effectiveness Analysis should produce: 1. Waterfall Graph

You've now built pretty decent picture of how *this* specific product has performed as a promotion. The output should look something like this. This is called a waterfall graph.

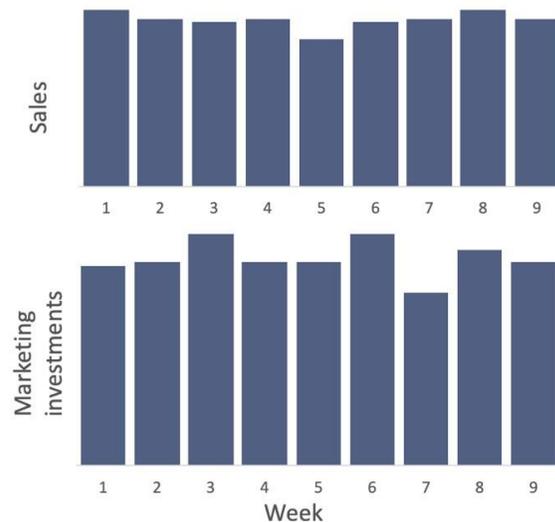


Promotion Effectiveness Analysis output

3) Media's uplift

After modeling the sales and margin waterfalls for your campaign items, it's time to attribute **media's uplift** – the uplift in sales/margin caused by advertising the item in a specific media.

Attributing media uplift as a whole might be a bit tricky at first. What's even more difficult is to isolate each media channel's own impact, if the products have been promoted in one or more media. Usually the raw data looks something like this:



Note! A promotions' success is determined by a mixture of content and context.

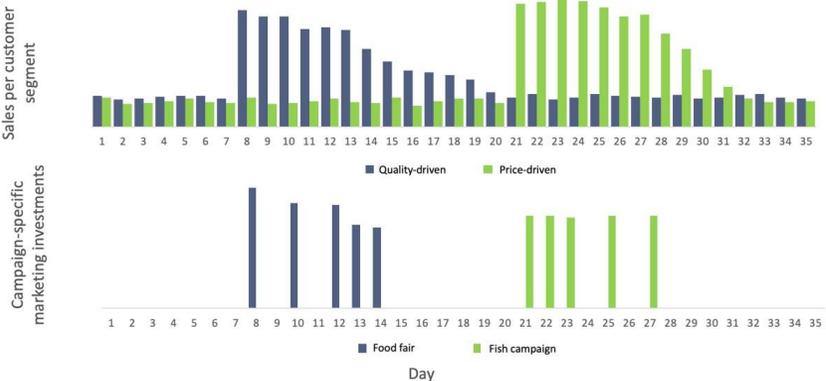
Don't make the mistake of only concentrating on one of these aspects. In this case, you need to not only look at what deals your putting out into the world but also **where they are performing best.**

Keep in mind that the interplay between these factors is particularly telling and rewarding if done right, so make sure to find the best media items for each channel to deliver major impact.

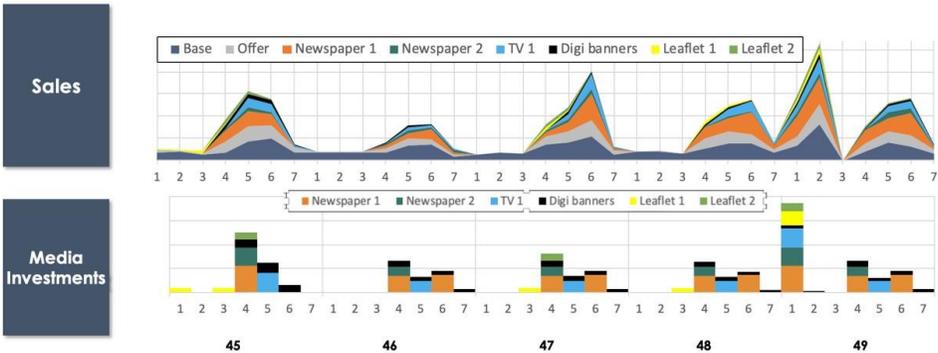
Promotion Effectiveness Analysis output

3.1) Media's uplift improved

You can improve the signal-noise ratio with more granular modeling levels. Pay attention to the content in each media channel, and what kind of customer segments they attract.

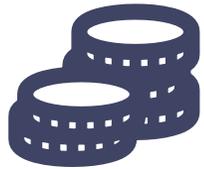


If the media uplift attribution is done correctly, the output should look something like this:



Promotion Effectiveness Analysis output

4) Your Star Promotions



One of the biggest questions going in the commerce world -- which of your products is shining brighter than the rest and genuinely increasing your bottom line?

To find that out you want to answer all the questions above and *then* you can find a winner (or multiples thereof).

Do note, however, that if you want this information (and you should) then you will need to have done modelling for each product in your store.

Star promotions in a nutshell drive a lot of sales and margin. This is often an outcome of high sales uplift, small cannibalization & stock-up, and/or high shopping basket halo, as mentioned before.

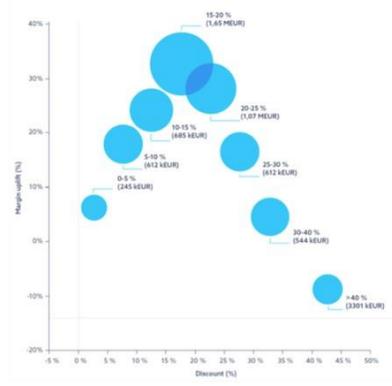
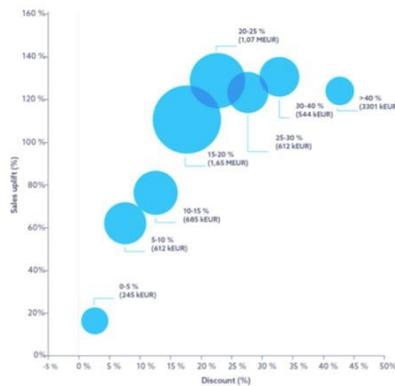


Promotion Effectiveness Analysis output

5) Your optimal discount amount & mechanism

If you're going to avoid pitfalls we outlined above (promotions that don't help your bottom line) one of the best things you can do is find out how much you should be discounting by, because, as with most things, there is a tipping point.

Pass this point and you are cutting prices but no longer seeing a substantial positive financial effect. The same goes for discount mechanism.



So, how do you find out what's best for you?

By comparing the true incremental sales and margin uplift of past campaigns with their different discount amounts and mechanisms.

As an outcome, you can build promotion guidelines for each product group and campaign type.

That's it. Hopefully you are now on your way to more profitable promotions. Know, that if you are interested on taking your promotions to the next level, we are here for you.



Paul Aprikari
CCO

sellforte

Curious to learn more?

Sellforte brings clarity and transparency to opaque business decisions

- > [Free Trial](#)
- > [Case studies](#)
- > [Solutions by Industry](#)

