

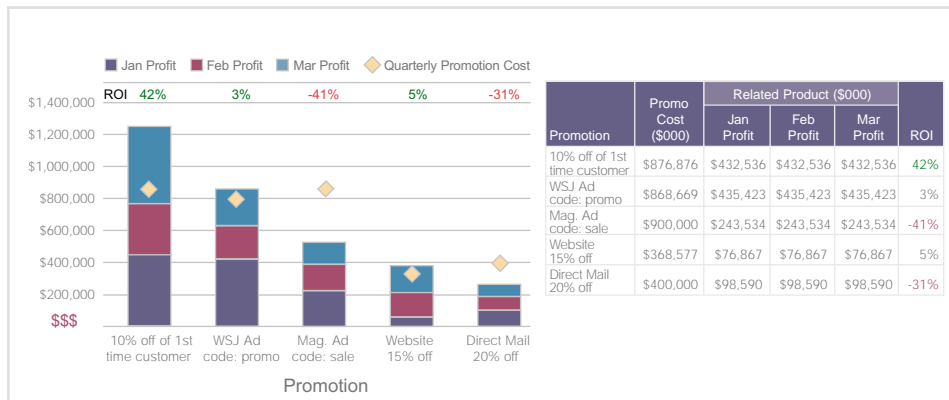
Discounts and Promotions Analysis

Companies often use discounts and promotions to entice customers to buy goods or services or increase the size of a sale by bundling items together. Discounts often drive sales but may have a deleterious effect on profitability if price elasticity models have not been well-formed. Unfortunately, increased sales often don't offset promotion costs. Analyzing discounts and promotions enables sales and marketing managers to identify the most relevant and successful offers for any product or customer segment. Sales discount and promotion analysis starts with trending of campaign success over time by product, channel or offer and then calculates the return on investment for executed campaigns. More advanced analysis uses statistical techniques to identify product affinities (products that sell well together) for promotions, to profile customer segments likely to be attracted by specific discounts, and to predict ROI for future campaigns.

Key Performance Indicators

- % Discount Offered
- Return on Investment
- Campaign
- Coupon Redemption Rate
- Variance from List Price
- Net Cost of Campaign
- Forecast Sales from Promotion
- Bottom 10% of Promotions by Sales

Sample Report: Q1 2003 Promotional Effectiveness



This report analyzes profit attributable to promotions, the cost of the promotion and promotion ROI. Sales and marketing managers use this report to understand sales impact, determine the effectiveness of promotional efforts and make decisions on future campaign design. Further analysis would reveal those products with statistically significant changes in sales as a result of each promotion, sales increase by customer segment by promotion, or profit optimization varying dollar spend by channel.

COMMON BUSINESS QUESTIONS

- What marketing tactics are driving sales?
- How much discounting are we doing relative to last year?
- What discounts are most popular? Least popular?
- What promotions are most popular? Least popular?
- What are the geographic discount/promotional trends?
- What is the cost of the discount/promotion compared to the increase in sales?
- What promotions are resonating with different customer segments?
- Which sales people are more reliant on discounts/promotions?
- Which promotions most significantly impact sales for my most profitable products?