

Trade Promotion | Methodology: Marketing Mix Modeling

Volume decomposition helped a leading CPG brand identify inefficiencies in Trade spending causing a decrease in trade effectiveness

SUMMARY

Client

A leading company in FMCG sector*

Challenge

Client wanted to identify inefficiencies in trade spending and optimally allocate marketing spend across trade activities to maximize returns

Solution

Fractal's advanced marketing mix modeling techniques

Result

The client realized an improvement of 25% on ROI on the brand and an incremental profit of \$1.2 Million per trade promotion.

* This case study is based on a Fractal client that has requested anonymity

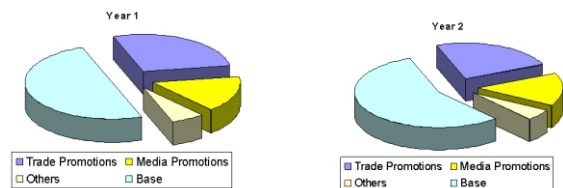


Entire category was highly driven by promotional activities. There were frequent sales promotional events in terms of heavy discounts along with off-shelf displays and catalogue features, by all brands, and the frequency was on the rise. The increasing reliance on trade promotions coupled with the decrease in the efficiency was severely affecting the trade ROI

In the light of decreasing efficacy of trade activities it became imperative to allocate the marketing spend on trade activities optimally across trade partner and activities to get maximum return.

The Solution

The marketing mix models decomposed the sales volume into buckets, each resulting from specific support activities, and measured ROI from each. This helped identifying as to what activities have worked in the past and to what extent.



The Business challenge

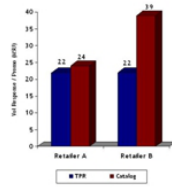
The market leader in a growing FMCG sector was experiencing a unique problem. The category was growing as well as the brand. However it was being noticed that the incremental sales from trade promotion activities were coming down.

Across years the market spend has increased along with the topline sales. Almost 60% of this money was spent on trade promotions. This money was spent on supporting the trade partners for various discount promotions and in-store activities.

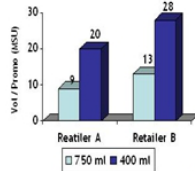
We quantified the impact of new product launches on overall brand portfolio, while identifying the cannibalized and additional volume.

The three main decisions that needed to be taken to optimize trade spends were the following.

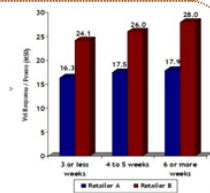
Where? – Among the two major retailers who were modeled, it was to be decided who is most effective at delivering trade performance



What? – Among the various product sizes, which is the one that provides highest return on investment?



When? – The frequency and the timing of the promotions affect the efficiency. These have to be optimized to deliver highest return on investment



Result

For developing the overall marketing plans we simulated the market response to the trade activities and recommended a reallocation of a part of the media spend into trade activities. Further the new trade budget was optimally allocated to generate the highest ROI. The Return on investment on the brand can be improved to up to 25%

Optimizing the trade promotions for location, type and frequency improve the efficiency of the trade spend. The implementation of these recommendations resulted in an incremental profit of \$1.2 million per trade promotion.

About Fractal

Fractal is a leading provider of customer analytics to consumer banks, credit card issuers, CPG companies and telecom companies. Fractal's analytical solutions have helped companies across the globe enhance profitability by powering their customer management efforts with scientific decision making.



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