



Marketing Science

Publication details, including instructions for authors and subscription information:
<http://pubsonline.informs.org>

Commentary—Approaches to Promotion Evaluation: A Practitioner's Viewpoint

Rudolph W. Struse, III,

To cite this article:

Rudolph W. Struse, III, (1987) Commentary—Approaches to Promotion Evaluation: A Practitioner's Viewpoint. Marketing Science 6(2):150-151. <https://doi.org/10.1287/mksc.6.2.150>

Full terms and conditions of use: <https://pubsonline.informs.org/Publications/Librarians-Portal/PubsOnLine-Terms-and-Conditions>

This article may be used only for the purposes of research, teaching, and/or private study. Commercial use or systematic downloading (by robots or other automatic processes) is prohibited without explicit Publisher approval, unless otherwise noted. For more information, contact permissions@informs.org.

The Publisher does not warrant or guarantee the article's accuracy, completeness, merchantability, fitness for a particular purpose, or non-infringement. Descriptions of, or references to, products or publications, or inclusion of an advertisement in this article, neither constitutes nor implies a guarantee, endorsement, or support of claims made of that product, publication, or service.

© 1987 INFORMS

Please scroll down for article—it is on subsequent pages



With 12,500 members from nearly 90 countries, INFORMS is the largest international association of operations research (O.R.) and analytics professionals and students. INFORMS provides unique networking and learning opportunities for individual professionals, and organizations of all types and sizes, to better understand and use O.R. and analytics tools and methods to transform strategic visions and achieve better outcomes. For more information on INFORMS, its publications, membership, or meetings visit <http://www.informs.org>

APPROACHES TO PROMOTION EVALUATION:
A PRACTITIONER'S VIEWPOINTRUDOLPH W. STRUSE III
General Mills, Inc.

As a marketing practitioner, I applaud Messrs. Abraham and Lodish and Messrs. Blattberg and Levin for attempting to unravel the effects of promotional actions, especially those directed at the retail trade. Both papers demonstrate a keen awareness of the "messy" problems confronting practitioners, such as gaps in companies' internal records, numerous deviations from nominal promotional plans, inadequacies in the common sources of competitive sales data, and the confounding of various merchandising actions.

Both approaches are designed to use the store audit and warehouse withdrawal data typically purchased by packaged goods manufacturers, and both appear suited to capitalize on the emerging UPC scanner-based data services. Both are improvements on the more or less typical practice, wherein promotions are evaluated by comparing the average weekly shipments during the promotional period with the average weekly sales computed over a two- or three-year base.

However, neither approach is a complete or realistic answer to managers' needs. I'll briefly list several areas which should be incorporated in future models of promotion effectiveness.

A. Contrary to the authors of both papers, promotional actions do not have the singular objective of increasing consumer sales. Promotion is subject to multiple objectives within an organization. Alternative or additional objectives might be:

- shifting inventory from the company to the retailer and/or consumer;
- shifting sales in time—between quarters or fiscal years—to "smooth" financial or operating performance;
- lowering retail price without reducing list price;
- motivating the company's salesforce;
- maintaining distribution;
- maintaining shelf space; and
- counteracting competitive actions.

B. Omitting competitive actions is a major limitation of the models and decreases their ability to accurately forecast the effectiveness of future promotional actions. Most sales and line managers know that the nature and timing of competitors' deals influence retailers' and consumers' response to their own actions. To ignore this, in the interest of simplifying the problem, is inappropriate.

C. Retailers need to be represented as active participants. Retailers interact with manufacturers and consumers to trigger action by both. Work by McAlister (1985) has indicated that smaller brands may have an inherent advantage in gaining volume through retailers' merchandising support. Larger brands need to respond to avoid losing share. Retailers may carry and merchandise smaller brands to prompt larger brands into offering promotional deals more often, thereby giving retailers a better chance to lower their cost of goods.

In a related vein, retailers consider some brands more significant than others in serving their merchandising purposes. Major brands with strong consumer franchises

and major brands in categories where incremental consumption may occur (e.g., soft drinks, cookies, potato chips) are merchandised more frequently and aggressively than others.

None of the models put forth to date seems to capture these types of interactions very well.

D. Both papers recognize the forward buying behavior of accounts and one treats it explicitly. However, neither deals with the diversion of goods, a phenomenon which can distort the results. Diversion may take three forms: (1) a retailer buying goods on promotion in one market and transshipping these goods to another market served by that retailer; (2) a retailer buying goods on promotion and then reselling these goods to other retailers or other distribution channels; and (3) a retailer buying goods on promotion and exporting these goods.

E. No role is given to promotion for affecting the long term secular trend for a brand. If a company has a superior product, promotion may trigger retail merchandising of the brand which causes some consumers unfamiliar with the brand to try it. Over time, one might expect the brand's superiority to convert some of these "new" triers to more regular users.

To make a significant contribution to management practice, these models and those forthcoming need to focus on the forecasting of future promotions' effectiveness. While analysis of past events may be necessary and useful, the line manager's real need is to better predict the future—especially under "interesting" circumstances. That is, the manager needs a forecasting method which will be robust and discriminating over a wider range of conditions than actually seen in the market since he or she needs to explore alternatives which go beyond past practice and incorporate many possible competitive responses. This may argue for a deductive approach as opposed to primarily inductive modeling.

As a final thought, why is so much money being spent on promotions and why is this spending increasing with so little pressure from executive managements to control it? Might it be that promotional spending is simply a symptom of a deeper malaise (i.e., a proliferation of relatively undifferentiated brands) affecting packaged goods manufacturers? I suspect that this is an area worth studying and one which would complement the work being done in analyzing promotion effectiveness.

Reference

- McAlister, Leigh (1985), "The Impact of Price Promotions on a Brand's Market Share, Sales Pattern and Profitability," Working Paper (February).