A hand holding a bow, aiming an arrow at a target in the background. The target has concentric rings of blue, yellow, and red. The hand is wearing a dark, ribbed sleeve.

Net Promotion Impact (NPI)

How strong are effects of switching
and category effects of promotions
in CSD?

Results for CCEP
Consumer Panel Services |
26 June 2024



Consumer Centric – Net Promotion Impact (NPI)



Client Needs

The complexity of promotion management challenges manufacturers and retailers. Not the short term but the mid-term effects have to be considered to assess if promotions lead to consumer's change in purchase behaviour.

Benefits

The Net Promotion Impact Analysis supports the Promotion Management. It detects factual profitability by showing sustainable promotion effects. It quantifies effects considering the manufacturer and retailer perspective. NPI supports promotion evaluation and planning and works as a base for retailer negotiations.

For Coca-Cola the efficiency of specific price points is an additional focus – do aggressive promo prices lead to higher store/ brand switching? Which retailers are cannibalizing each other during promotions?

How does the analysis work? – Overview

Approach of Net Promotion Impact Analysis



All consumer panel households are analyzed on **individual base** whether they change their purchase behavior when buying in price promotion (volume expansion, brand or shop switching). This enables a **sales decomposition** of promotion volume.



Category Expansion

The **rate of consumption** per period **increased** due to promotion.



Brand Switching

The consumer **switched brands** and bought a different brand than usual.



Shop Switching

The consumer **switched the retailer**.



„Subsidized“ (lost value)

None of the above: the promotion had no effect on consumer's normal purchase behavior.

The effects are calculated per household and per promotion purchase act and are aggregated after over all purchases.

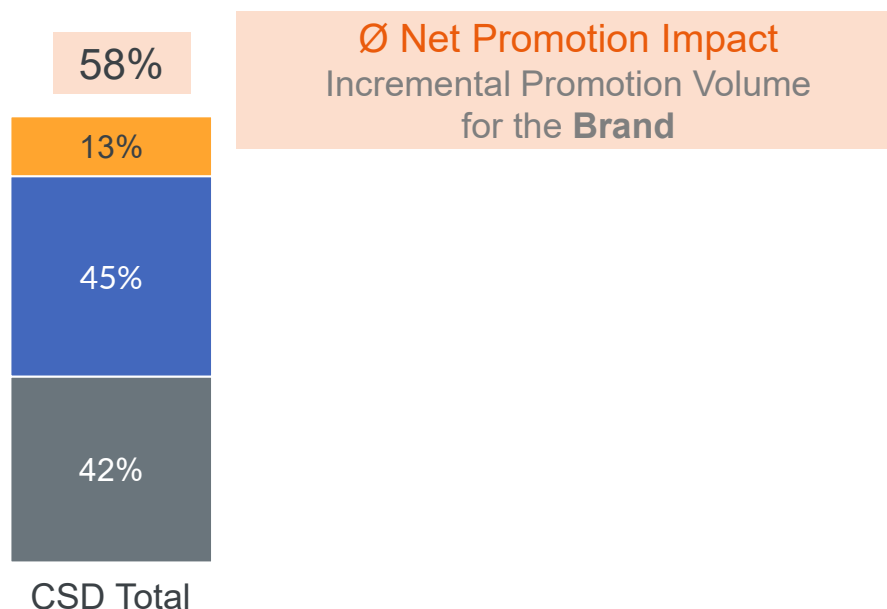
Exemplary results

The average CSD campaign is more efficient from a retailer perspective than from a manufacturer perspective - 13% is win/win for the category

CSD – Manufacturer

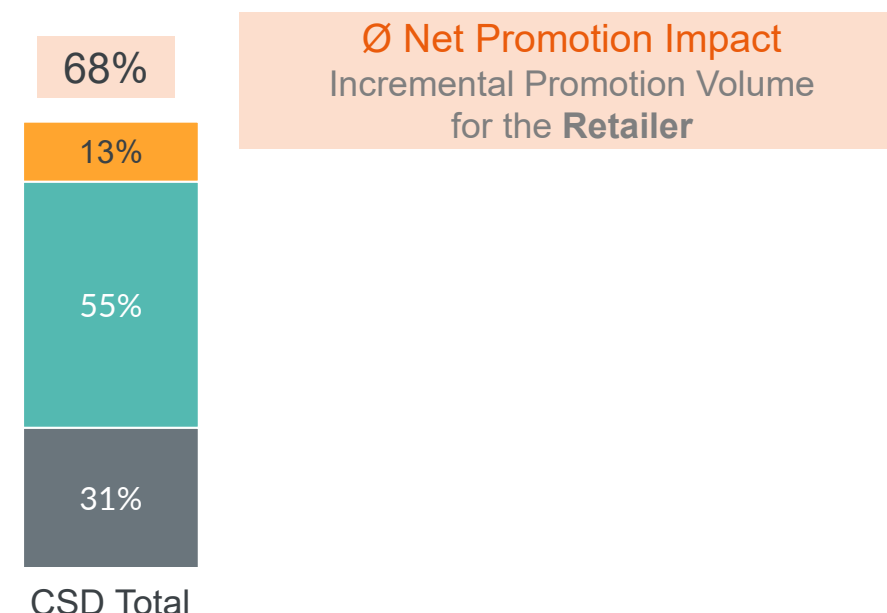
Manufacturer Perspective

Category Expansion Brand switch Subsidized



Retailer Perspective

Category Expansion Shop switch Subsidized

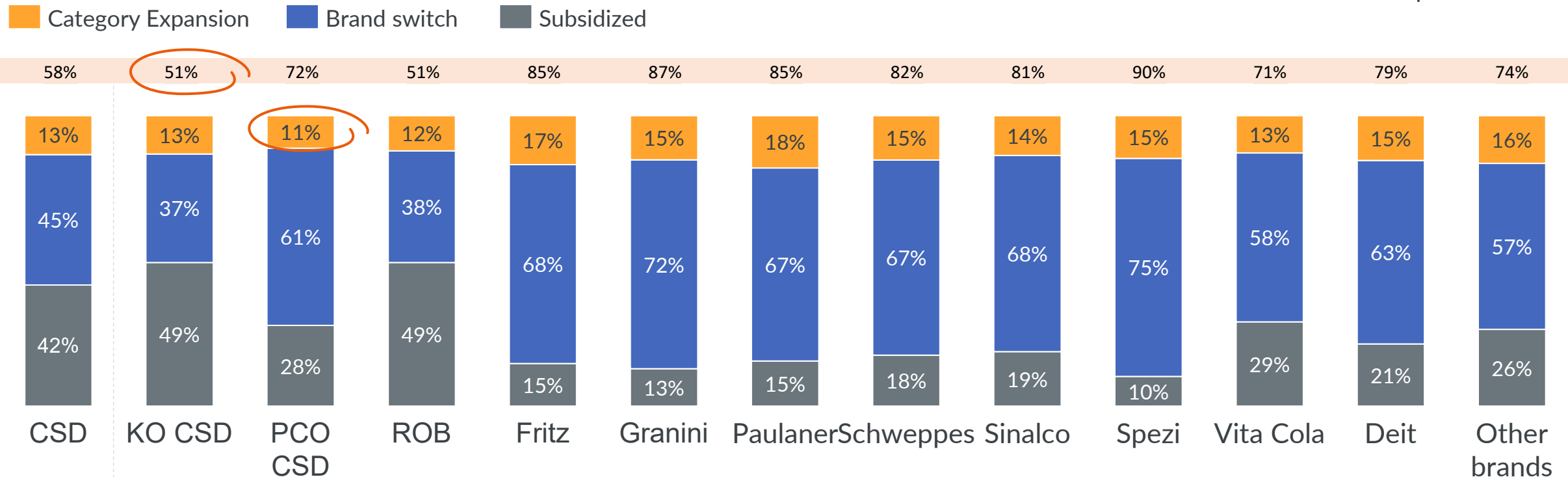


KO CSD as expected with higher cannibalization in promotion due to higher loyalty - lower category effect e.g. for Pepsi

CSD – Competitors

Manufacturer Perspective

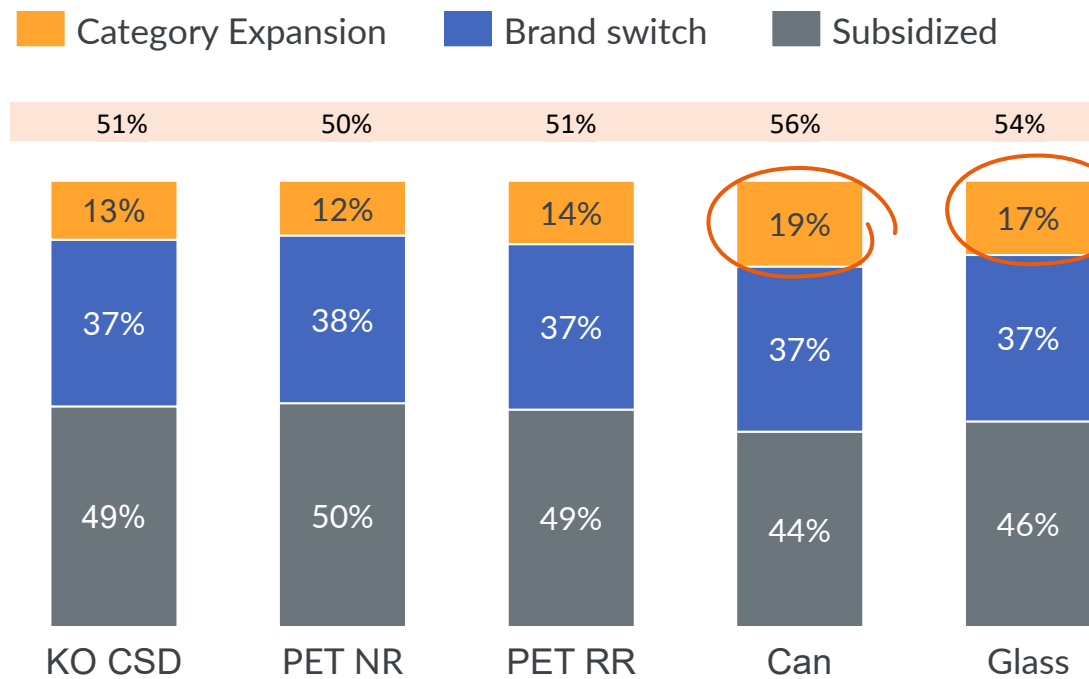
Ø Net Promotion
Impact



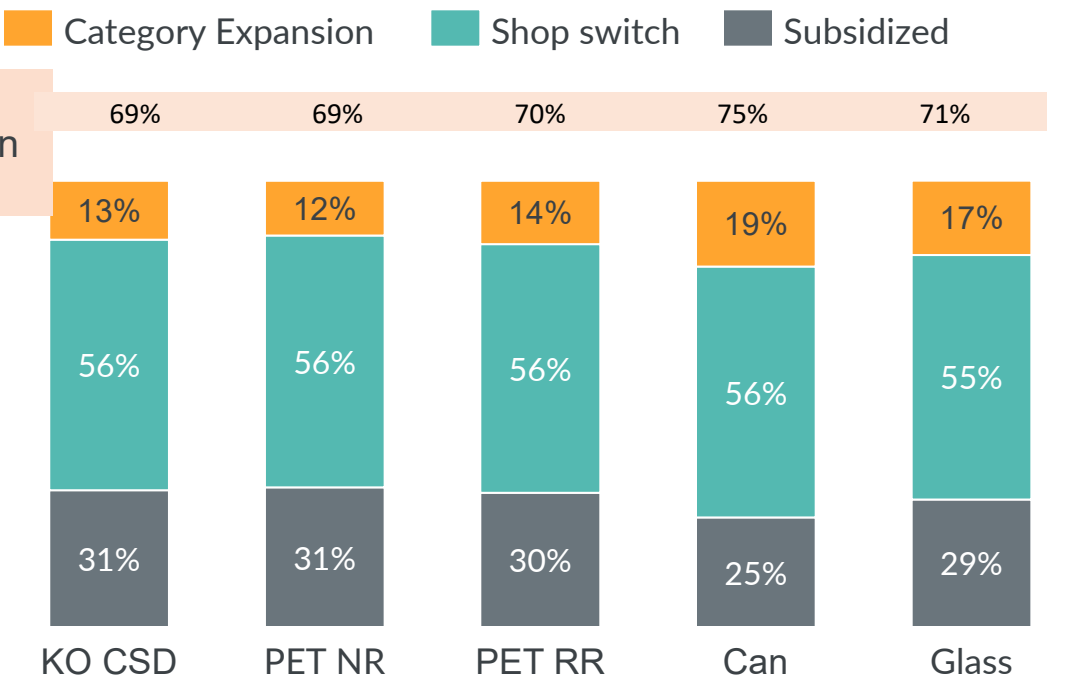
Glass and can with slightly higher promo efficiency, due to category expansion (less among light buyers)

KO CSD – pack formats

Manufacturer Perspective



Retailer Perspective



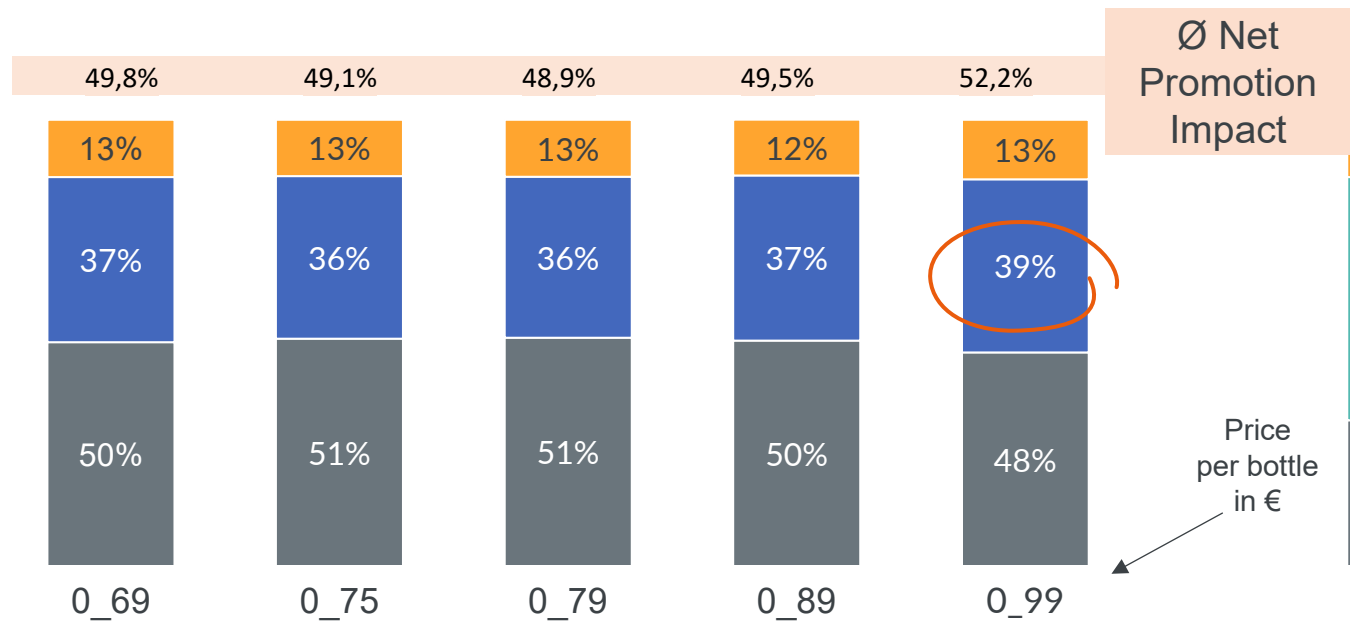
Ø Net Promotion Impact

Price points: No increased promo efficiency with aggressive pricing – with these discounts the volumes are generated at high cost!

KO CSD – Price points for KO 1,25L NR

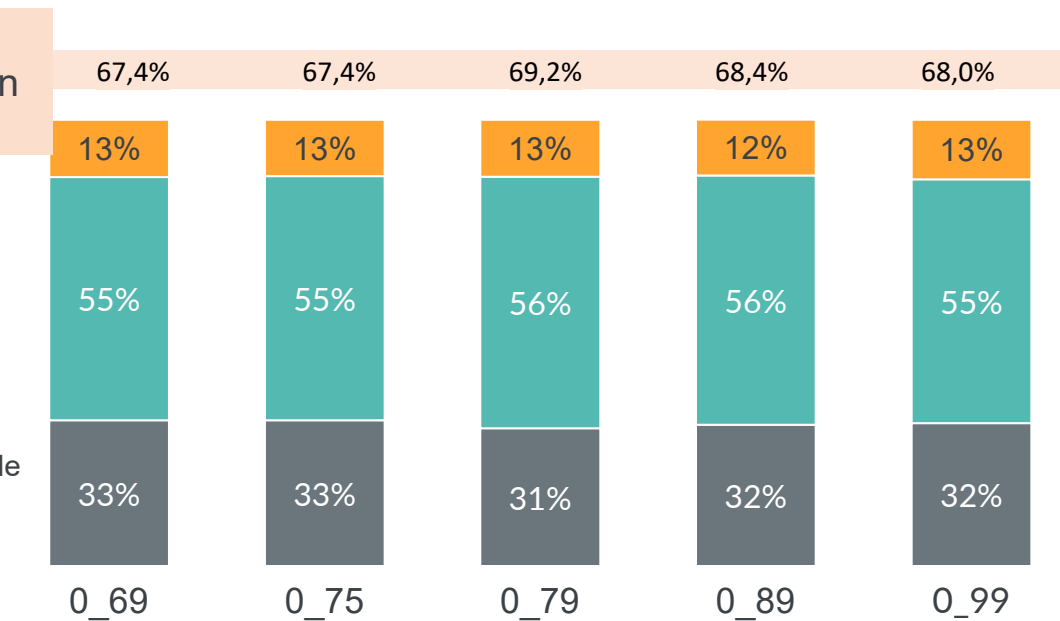
Manufacturer Perspective

Category Expansion Brand switch Subsidized



Retailer Perspective

Category Expansion Shop switch Subsidized



With the 1.0L RR at Edeka, 75 cents is very efficient in terms of absolute trips – and even with a high rest cash bill

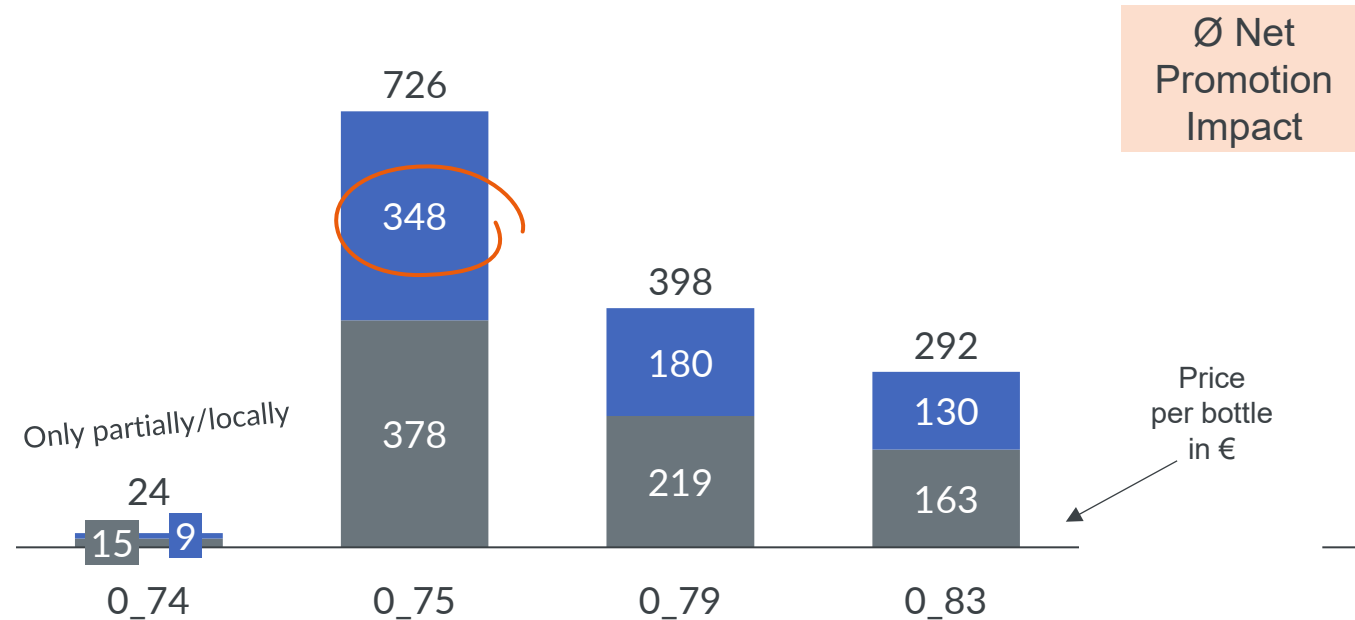
KO CSD – Price points for KO 1,0L MW at Edeka



Absolute effect in trips per action (brand / store switching)

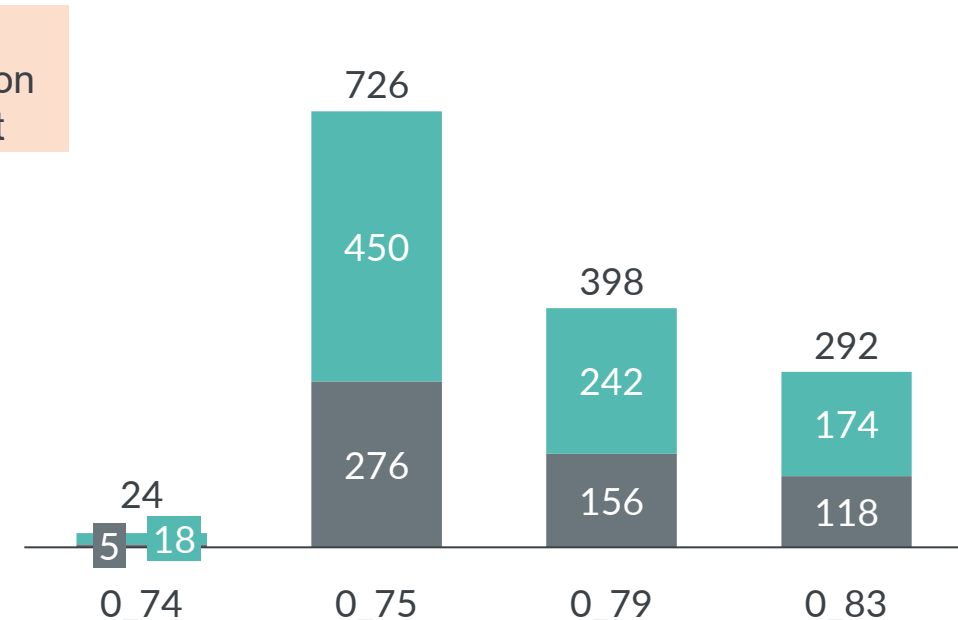
Manufacturer Perspective

Brand Switch Brand Subsidized



Retailer Perspective

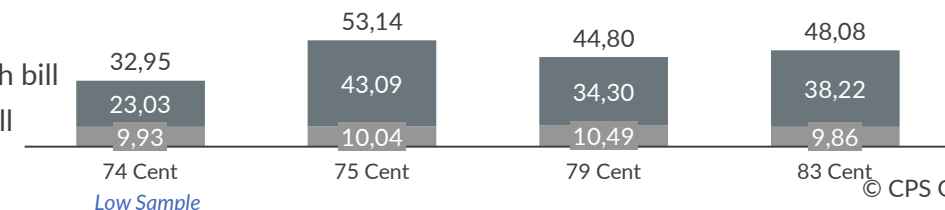
Shop switch Shop subsidized



Rest cash bill view



Product cash bill
Rest cash bill



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