

A large, powerful ocean wave with a surfer riding the base of the wave. The wave is dark blue and has a white, foamy crest. The surfer is a small figure in the distance, wearing a red wetsuit. The sky is a pale, overcast blue.

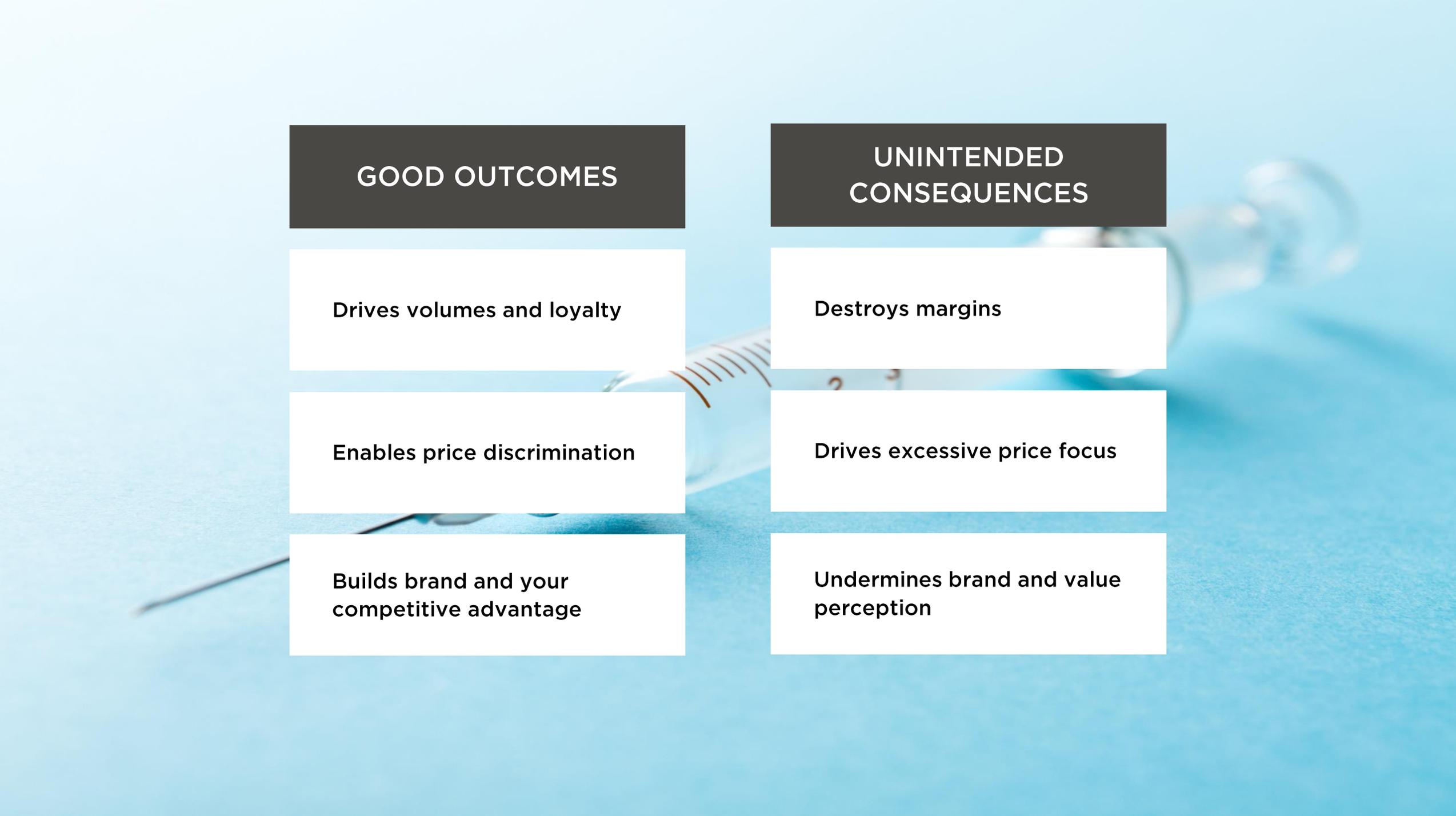
# PROMOTIONAL MASTERY

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## **GOOD OUTCOMES**

**Drives volumes and loyalty**

**Enables price discrimination**

**Builds brand and your competitive advantage**

## **UNINTENDED CONSEQUENCES**

**Destroys margins**

**Drives excessive price focus**

**Undermines brand and value perception**

## 1. PRINCIPLES



## 2. PITFALLS



## 3. SOLUTIONS



1. PRINCIPLES



2. PITFALLS



3. SOLUTIONS



# 1. PRINCIPLES

Observations on good and bad promotional practices



# ATTENTION

Draws attention to the competitive strengths of a company rather than being over-reliant on price

IN STOCK



ROLEX  
Sky-Dweller  
326935

Retail Price: ~~£35,850.00~~  
Our Sale Price: **£26,500.00**  
(Save 26%)



GUCCI  
Denim Single Breasted Blazer  
£256.00  
~~£1,280.00~~



MICHAEL KORS COLLECTION  
Summerset leather and wood tote  
**£498**  
Was £1130 56% off



Dolce&Gabbana  
Square Sunglasses  
Be the first to write a review  
**Now £250.40** Was £313.00



AVG. SAVING £6,935

Mercedes  
**AMG C63 Coupe**  
RRP £63,475 - £72,980



THE RITZ LONDON  
10% SAVING ON SUITES



30% Off + Extra 10% Off

Stocking up on gourmet chocolates for gifts to your





# STRUCTURE

Enables price discrimination and does not unduly undermine the integrity of the price structure



**LUVIANS**  
— EST. 1991 —  
ST ANDREWS & COPAR

BERNARD  
REMY  
WAS £23.99  
Now £20

BRUT  
Bernard Remy  
à ALLEMAN  
CARTE BLANCHE



**LUVIANS**  
— EST. 1991 —  
ST ANDREWS & COPAR

MOËT  
IMPÉRIAL

MOËT NV  
WAS £37.99  
Now £28

MOËT IMPÉRIAL  
BRUT



**LUVIANS**  
— EST. 1991 —  
ST ANDREWS & COPAR

VEUVE NV  
WAS £41.99  
Now £35

Veuve Clicquot  
MAISON FONDÉE EN 1772  
BRUT  
A REIMS FRANCE



**LUVIANS**  
— EST. 1991 —  
ST ANDREWS & COPAR

JACQUART  
BLANC DE BLANCS  
WAS £39.99  
Now £35

JACQUART  
BLANC DE BLANCS



**LUVIANS**  
— EST. 1991 —  
ST ANDREWS & COPAR

PAUL BARA  
VINTAGE  
WAS £44.99  
Now £35

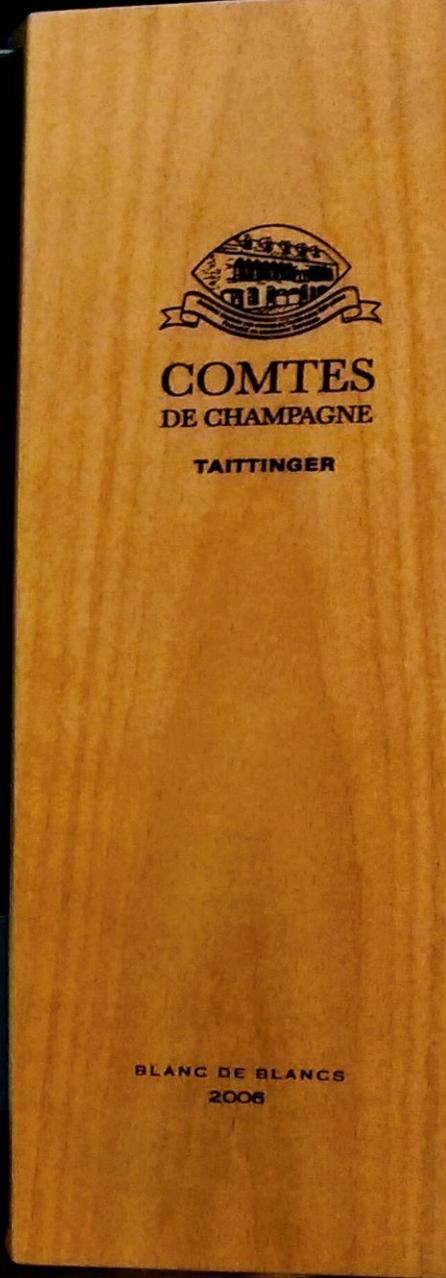
Paul Bara  
BRUT  
MILLÉSIME 2005



**LUVIANS**  
— EST. 1991 —  
ST ANDREWS & COPAR

TAITTINGER  
COMTES DE  
CHAMPAGNE  
WAS £100  
Now £90

COMTES  
DE CHAMPAGNE  
TAITTINGER  
BLANC DE BLANC  
2006

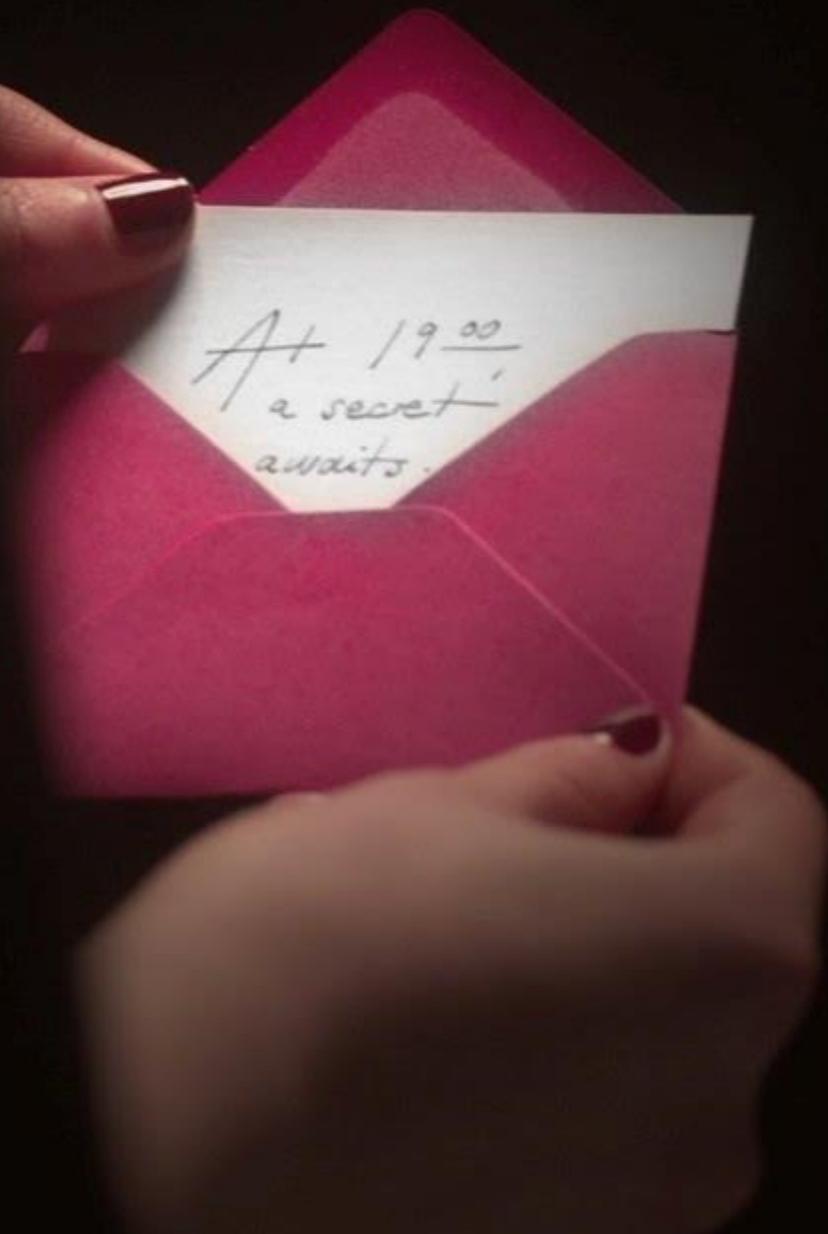


COMTES  
DE CHAMPAGNE  
TAITTINGER

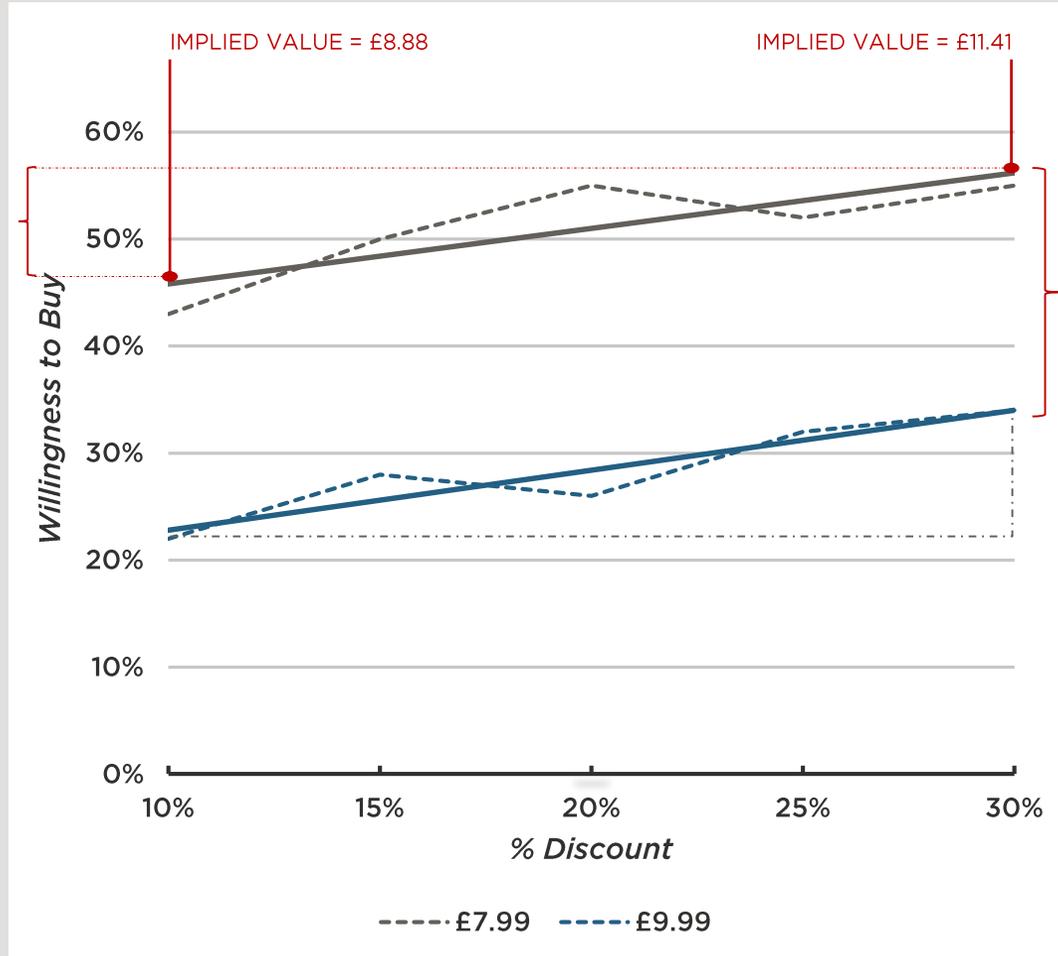
BLANC DE BLANCS  
2006

THE ONLY SECRET  
THAT'S MEANT TO BE SHARED.

	<p><b>Luxury hotel near Tower Bridge with pool and gym</b></p> <p>📍 East London, Tower Bridge</p> <p>★★★★★ </p>	<p>Prefer to phone? 0800 083 9000</p> <p><b>£119.00</b> &gt;</p> <p>Total stay</p>
	<p><b>Exceptional 5-star hotel located by the River Thames</b></p> <p>📍 East London, Tower Bridge</p> <p>★★★★★ </p>	<p>Prefer to phone? 0800 083 9000</p> <p><b>£129.00</b> &gt;</p> <p>Total stay</p>
	<p><b>Amazing City hotel with luxury spa and pool</b></p> <p>📍 City</p> <p>★★★★★ </p>	<p>Prefer to phone? 0800 083 9000</p> <p><b>£129.00</b> &gt;</p> <p>Total stay</p>



# How important is Inferred Value versus Actual Price Paid?



19% VARIANCE

50% VARIANCE

INFERRED VALUE ELASTICITY = 0.66

ACTUAL PRICE ELASTICITY = 2.3

ACTUAL PRICE **NOW** DOMINATES  
OVER INFERRED VALUE

A low-angle shot of a bronze statue of Lady Justice, the personification of the Roman goddess Iustitia. She is depicted holding a pair of scales of justice in her right hand. The scales are tilted, with the right pan (the one closer to the viewer) being lower and heavier than the left pan. The statue's face is partially obscured by a white rectangular text box. The background is a bright, overcast sky with soft, white clouds. The lighting is natural, highlighting the texture and patina of the bronze.

**'FAIR'**

**Creates good will amongst customers  
rewarding them for loyalty**



GYM MEMBERSHIP

MOTOR INSURANCE

TV PACKAGES

MAGAZINES

WINE CLUBS

DIGITAL MUSIC

CLOTHING BOXES



LOYALTY

ADVOCACY



HOARDING

INSATIABILITY

STATUS

PRICE COMPARISON WEBSITES AND CONSUMER PRICE ELASTICITIES



NEW PRICING STRATEGIES



REGULATORY RESPONSE



CONSUMER AWARENESS



# COMPELLING

Genuinely motivates changes in behaviour and avoids customer arbitrage





**PREZZO**

**40% off Mains at Prezzo**

IN-STORE

**PREZZO**

**Exclusive 2 for 1 on Main Courses at Prezzo**

- Only one voucher required per table

IN-STORE

**Zizzi**  
INDIVIDUALLY  
ITALIAN

**Exclusive 30% off Main Courses at Zizzi**

- Only one voucher required per table
- Maximum party size applies

IN-STORE

**ASK  
ITALIAN**

**Exclusive 30% off Mains at ASK Italian**

- Only one voucher required per table
- Maximum party size applies

IN-STORE

JANUARY SALES

H&M

END OF STOCK  
JANUARY SALE

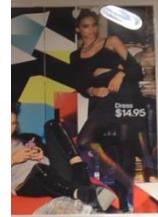
UP TO  
70% OFF

Valid on selected items at hm.com while stock lasts.

[LADIES](#) [MEN](#) [KIDS](#) [HOME](#)



Padded parka  
£31.99 ~~£79.99~~



95

SALE



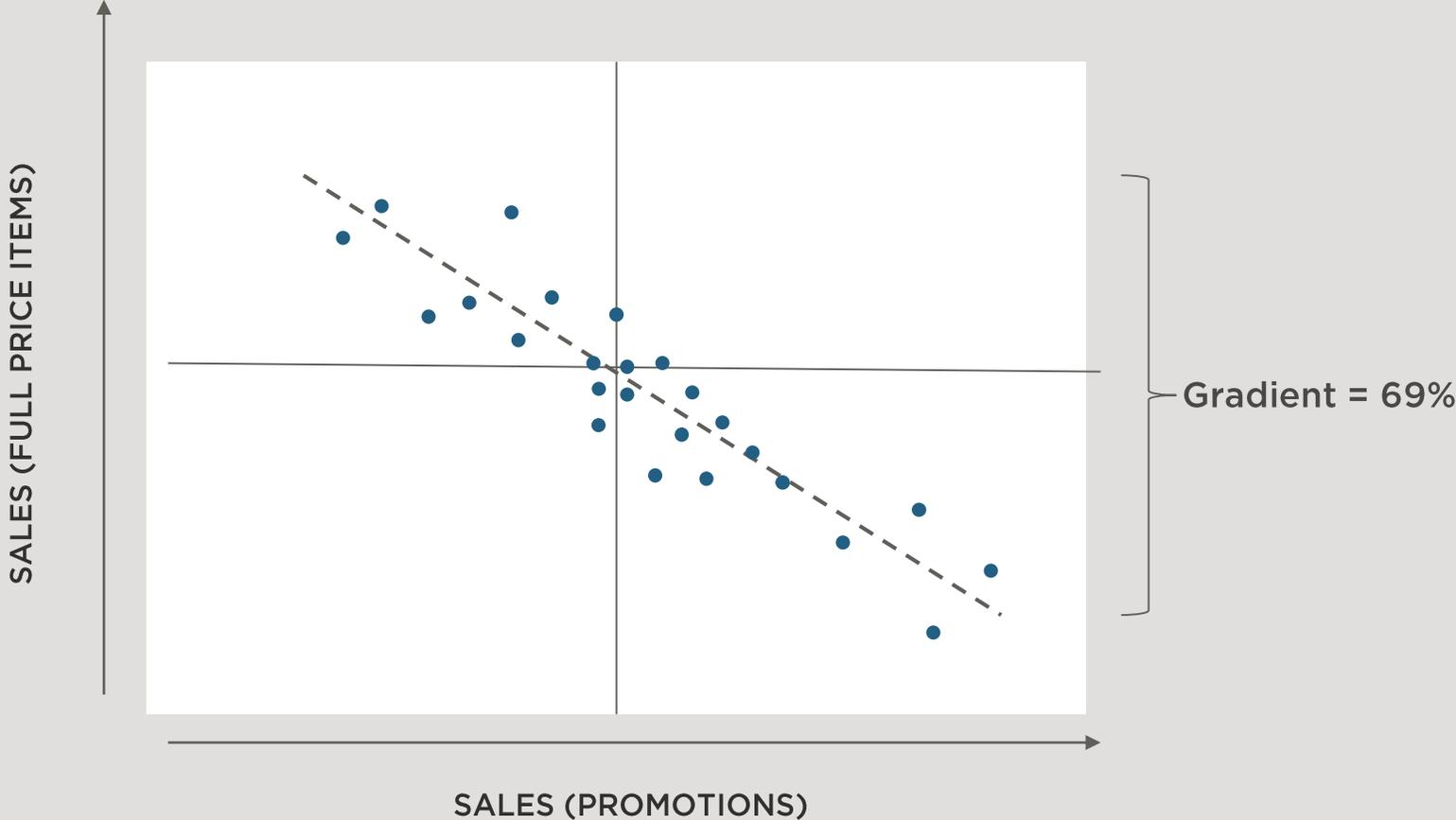
HOLIDAY  
GIFT SHOP

\$5

\$12.99

# To What Extent to Promotions Drive Incremental Sales?

## Cannibalisation of Sales



● Each dot represents one month

# PROFITABLE

Improves economic performance when all volume and margin impacts are considered



## PROMOTION 1



## PROMOTION 2



## DRIVERS

MECHANISM

DEPTH

FREQUENCY

PRODUCT

TIMING

LOCATION

CHANNEL

OTHER

## PROMOTION 1



## PROMOTION 2



VOLUME IMPACT  
2 to 9 times greater

## DRIVERS

MECHANISM

DEPTH

FREQUENCY

PRODUCT

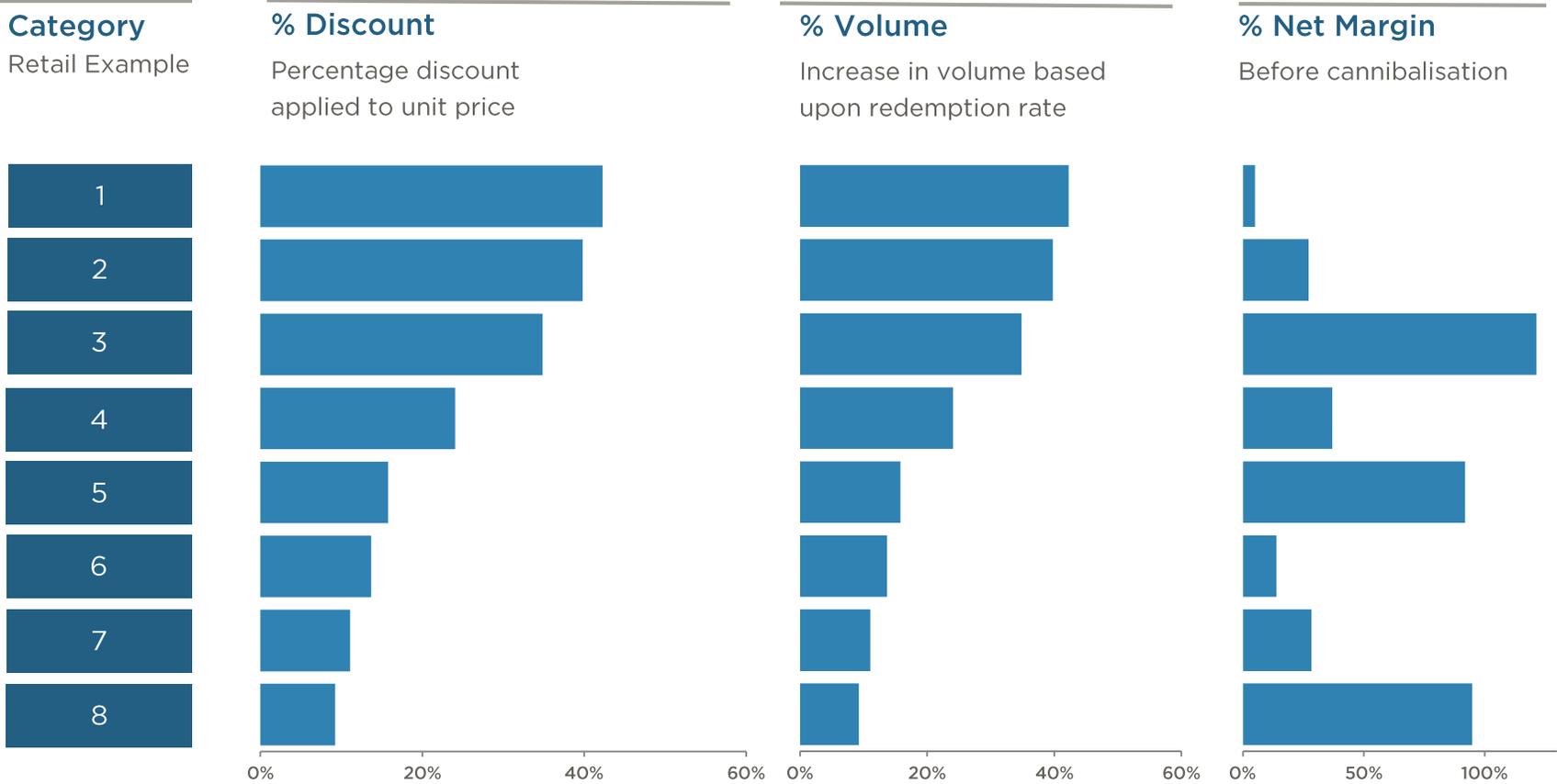
TIMING

LOCATION

CHANNEL

OTHER

# Promotional Performance before Cannibalisation Effects



1. PRINCIPLES



2. PITFALLS



3. SOLUTIONS



# PITFALLS

Why do companies create and deliver sub-optimal promotions?

# FORESIGHT

INTRODUCTION

STRONG PERFORMANCE

EVALUATION

WIDER ROLLOUT AND  
ADOPTION

COMPETITIVE RESPONSE AND  
CONSUMER EDUCATION

POOR PERFORMANCE

REMORSE



# NEGLECT

VOLUMES, GROSS MARGINS  
AND REVENUES



BRAND



PRICE STRUCTURE



CANNIBALISATION & NET  
MARGINS



# PROCESS

## OBSERVATIONS

All elements of process tackled

More rigour and discipline required

## AREAS FOR IMPROVEMENT

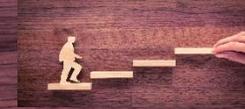
Understanding of current performance

Long term strategic planning

Idea generation and development

Scheduling & testing

Focus on non price elements



# SOLUTION

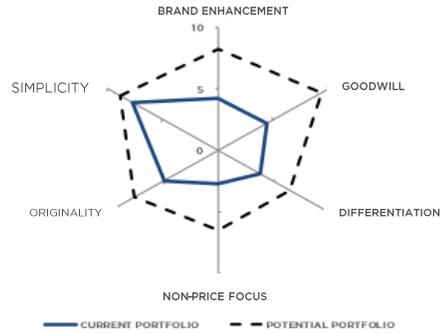
1. Assess your existing promotions and their impacts



BEST PRACTICE

Best Practice Promotions are assessed against best practices that reflect the wider impact and opportunities presented

Critique of Promotions vs Best Practice



**APPROACH**  
Top performing promotions scored against a range of factors to assess whether they conform with best practice. We observe promotions are overly focussed on volumes and miss opportunities regards brand, competition and targeting.

**BENEFITS**  
Areas of improvement are rapidly identified and quantified providing guidance for future promotional design and development.

STRATEGIC ALIGNMENT

Strategic Alignment The focus of promotions are compared to your commercial strategy to check alignment

Mix of Current Promotions



Commercial Strategy Focus



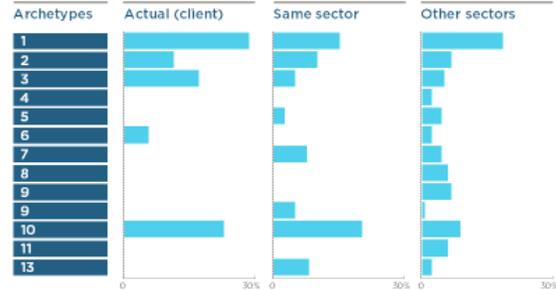
**EXISTING PROMOTIONAL PORTFOLIO**  
The emphasis of promotional impacts is generally strongly biased towards acquisition of new customers.

**COMMERCIAL STRATEGY**  
However, we typically observe that the commercial strategy is more balanced in its focus. Comparing the two helps to gain consensus on how the balance should change.

ARCHETYPES

Archetypes Assessment Promotions are categorised into archetypes and compared to competitors and other sectors

Promotional Mix % of activity falling into each promotional archetype



**APPROACH**  
Promotions are classified into distinct archetypes reflecting the mechanism of the promotions and compared to other companies and sectors using Pearson Ham's promotional library.

**BENEFITS**  
The bias within the a portfolio is understood. A diverse set of archetypes helps to create a resilient and versatile portfolio that captures more opportunity.

ECONOMICS

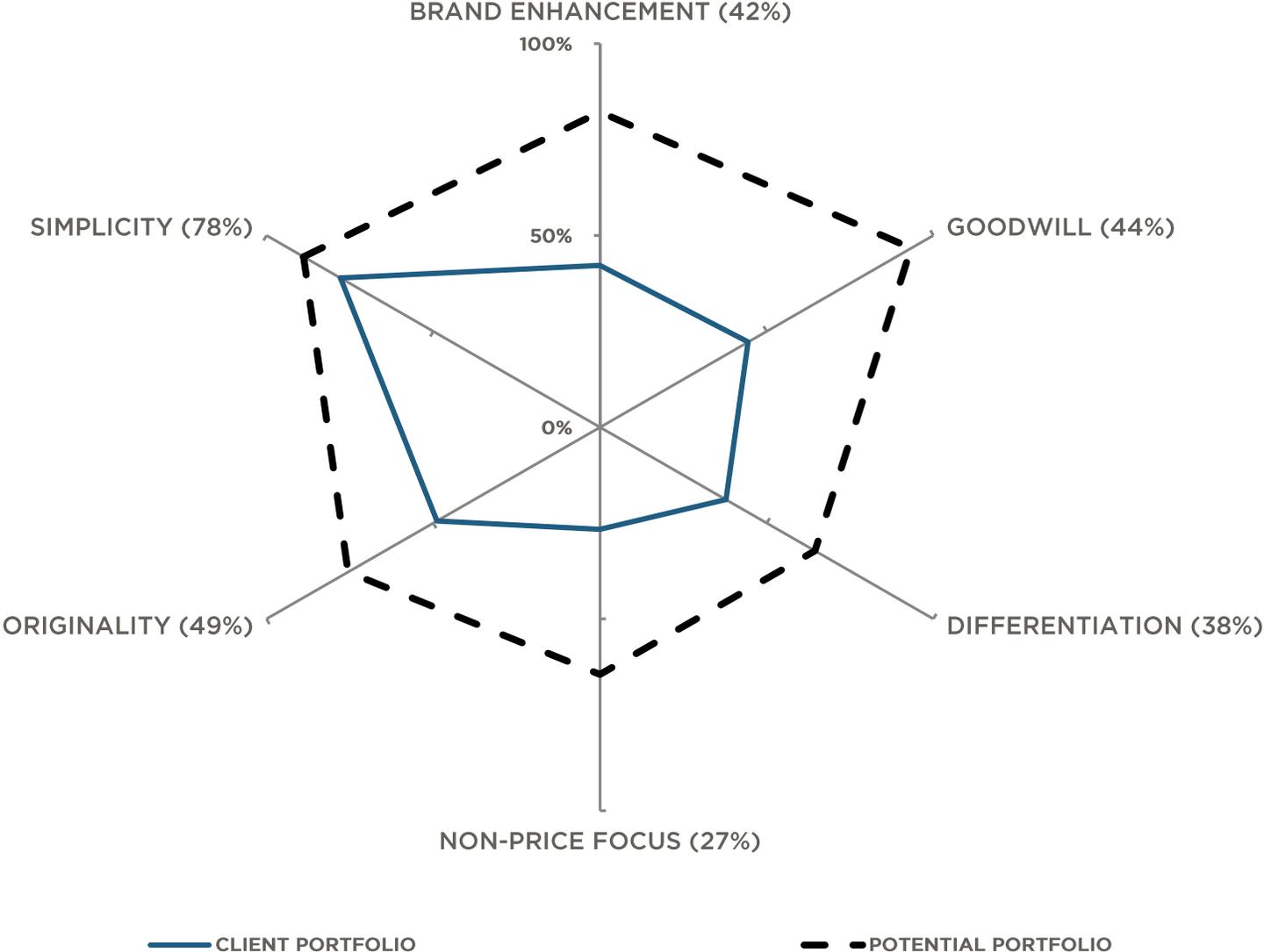
Economics Analysis of actual promotions delivered provides invaluable insights on their true and mixed economic impact

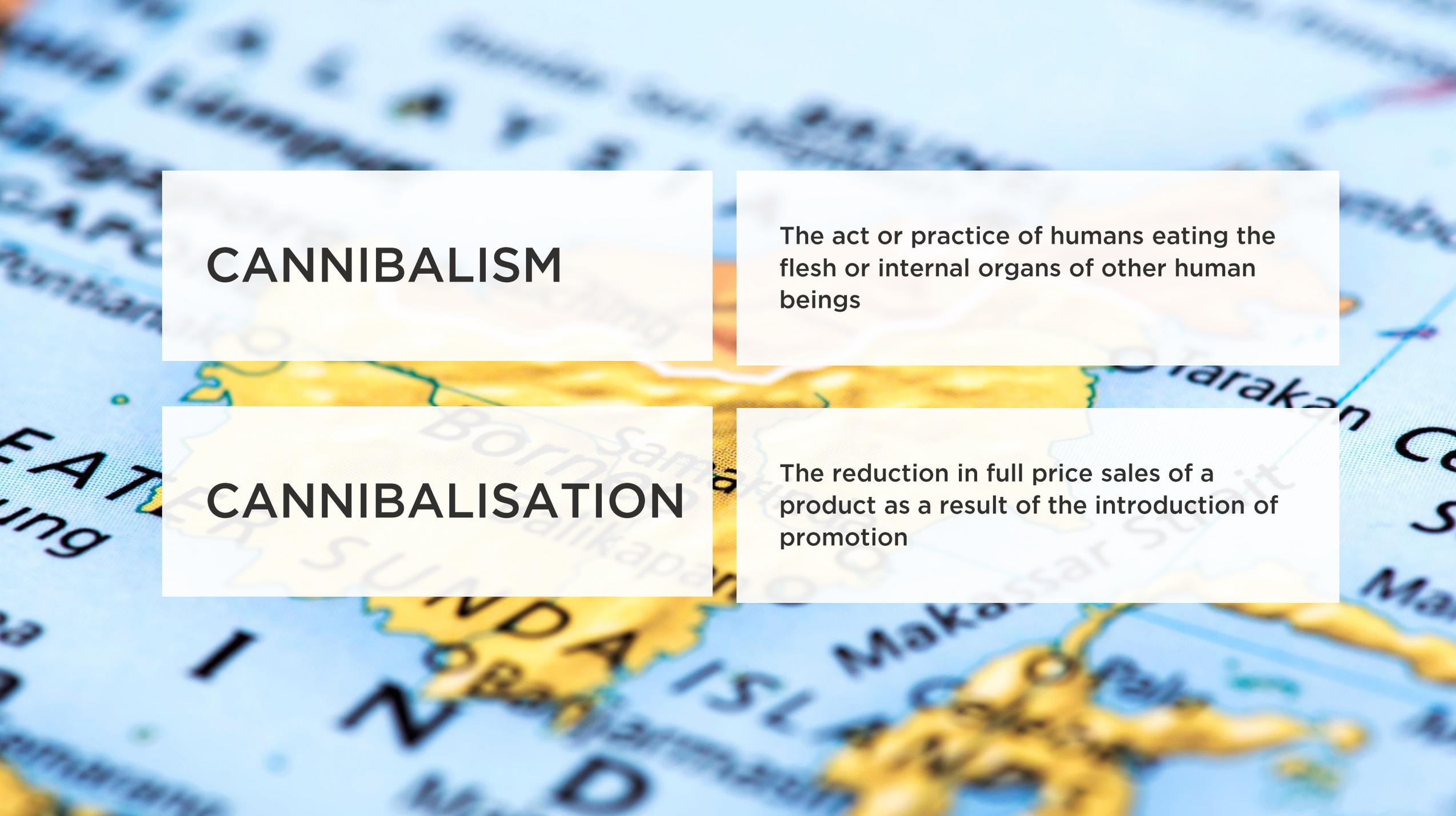


**OBSERVATIONS**  
Analysis of past promotions or the results of promotional tests enables promotional economics to be understood. Volumes and direct revenues are generally well understood and positive. Assessment of margin impacts after cannibalisation yields a more mixed view of performance.

**BENEFITS**  
A thorough understanding of promotional economics typically identifies heterogeneity of performance. Overall promotional performance can be improved through rebalancing the mix of promotions away from loss making ones and towards the more profitable ones.

# Promotional Attributes



A background map of Indonesia, showing the islands of Sumatra, Java, and parts of Kalimantan and Sulawesi. The map is in shades of blue and yellow, with city names like Tarakan, Makassar, and others visible. The text is overlaid on white rectangular boxes.

# CANNIBALISM

The act or practice of humans eating the flesh or internal organs of other human beings

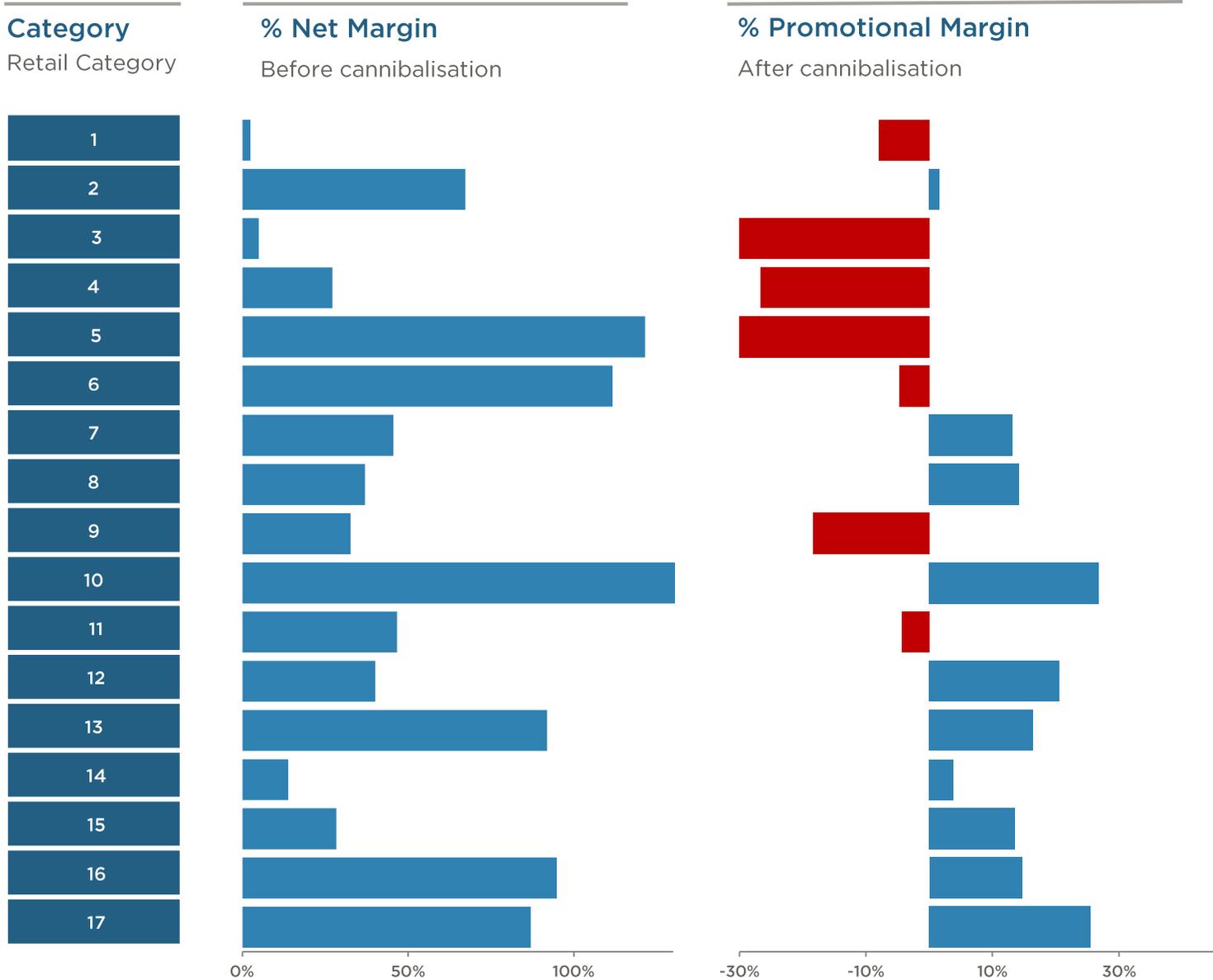
# CANNIBALISATION

The reduction in full price sales of a product as a result of the introduction of promotion

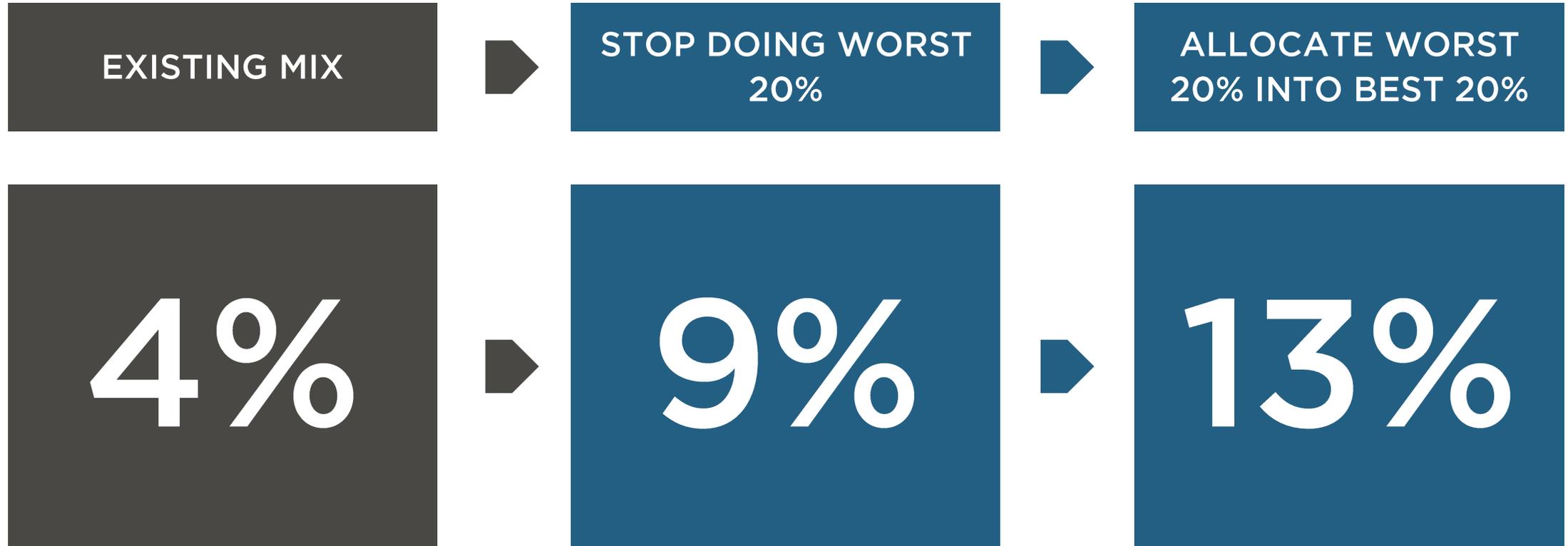
# CANNIBALISATION

TIMING	Later	Varied importance, later	Difficult, less important
	Now	Easy, well understood	Important, doable, neglected
		Same	Other
PRODUCT			

# Promotional Performance before Cannibalisation Effects



## Impacts of Rebalancing Promotions



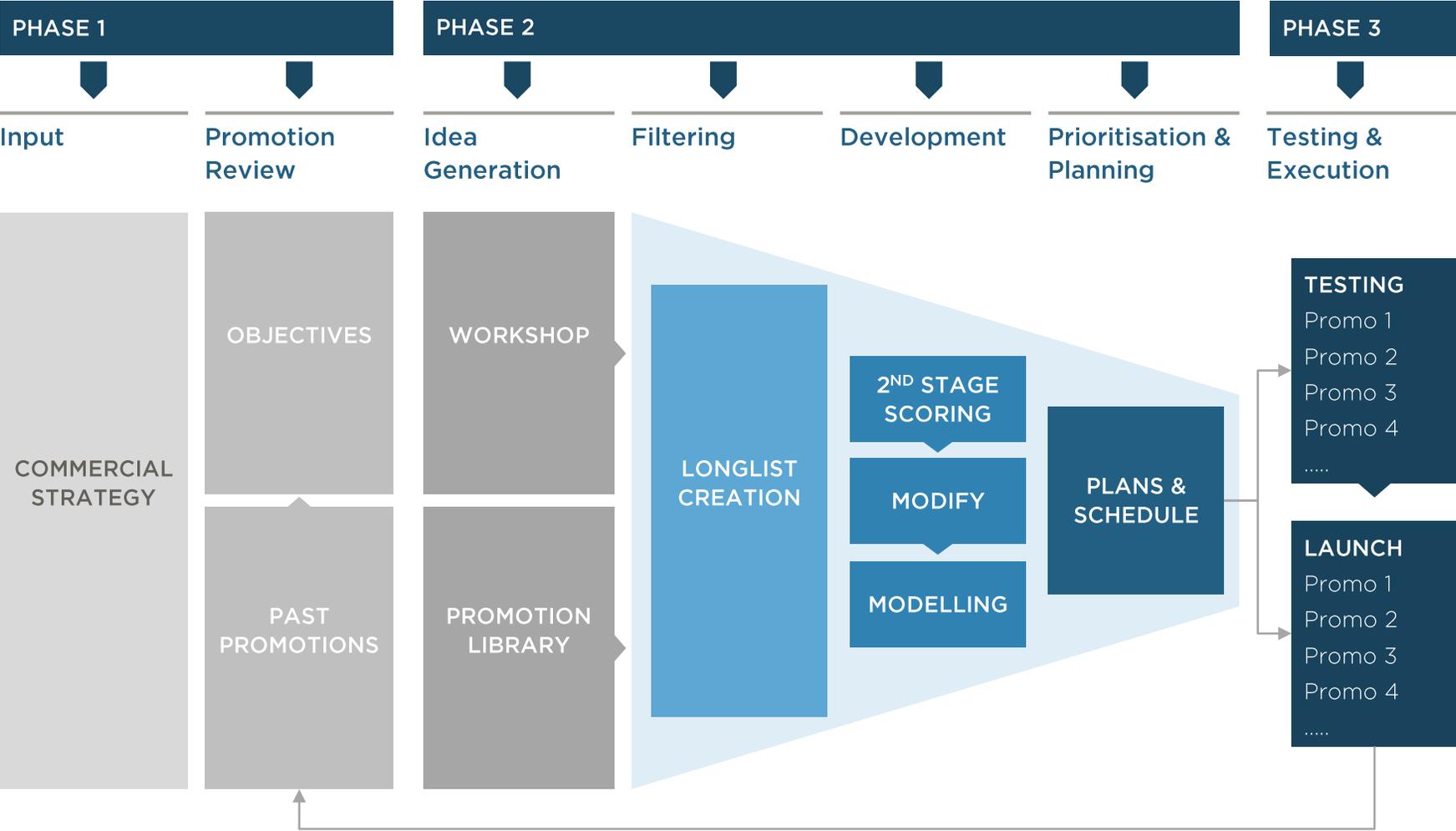
Numbers refer to the proportion of net margins that promotions contribute

# SOLUTION

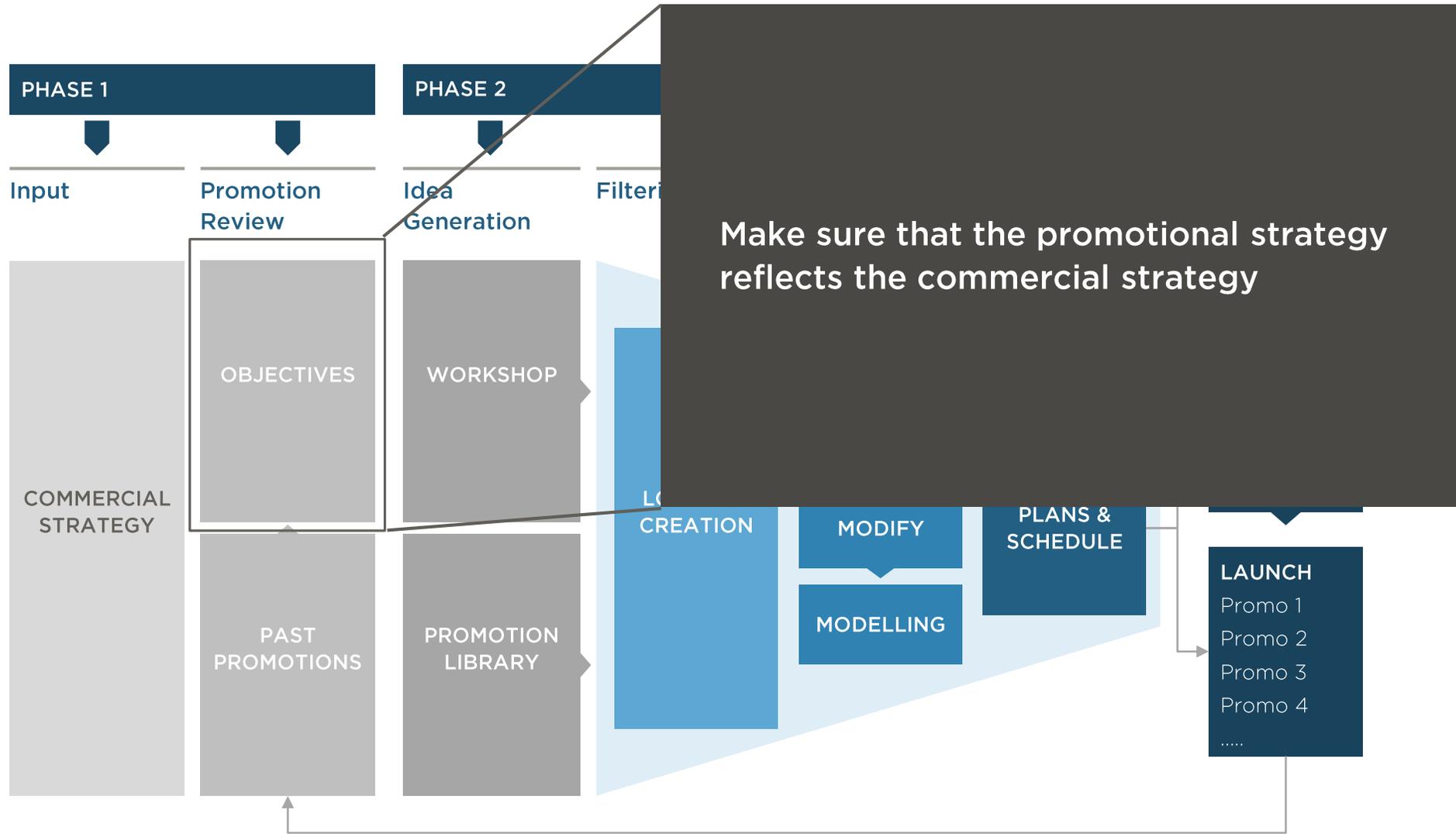
2. Put in place a robust end to end process to develop new promotions



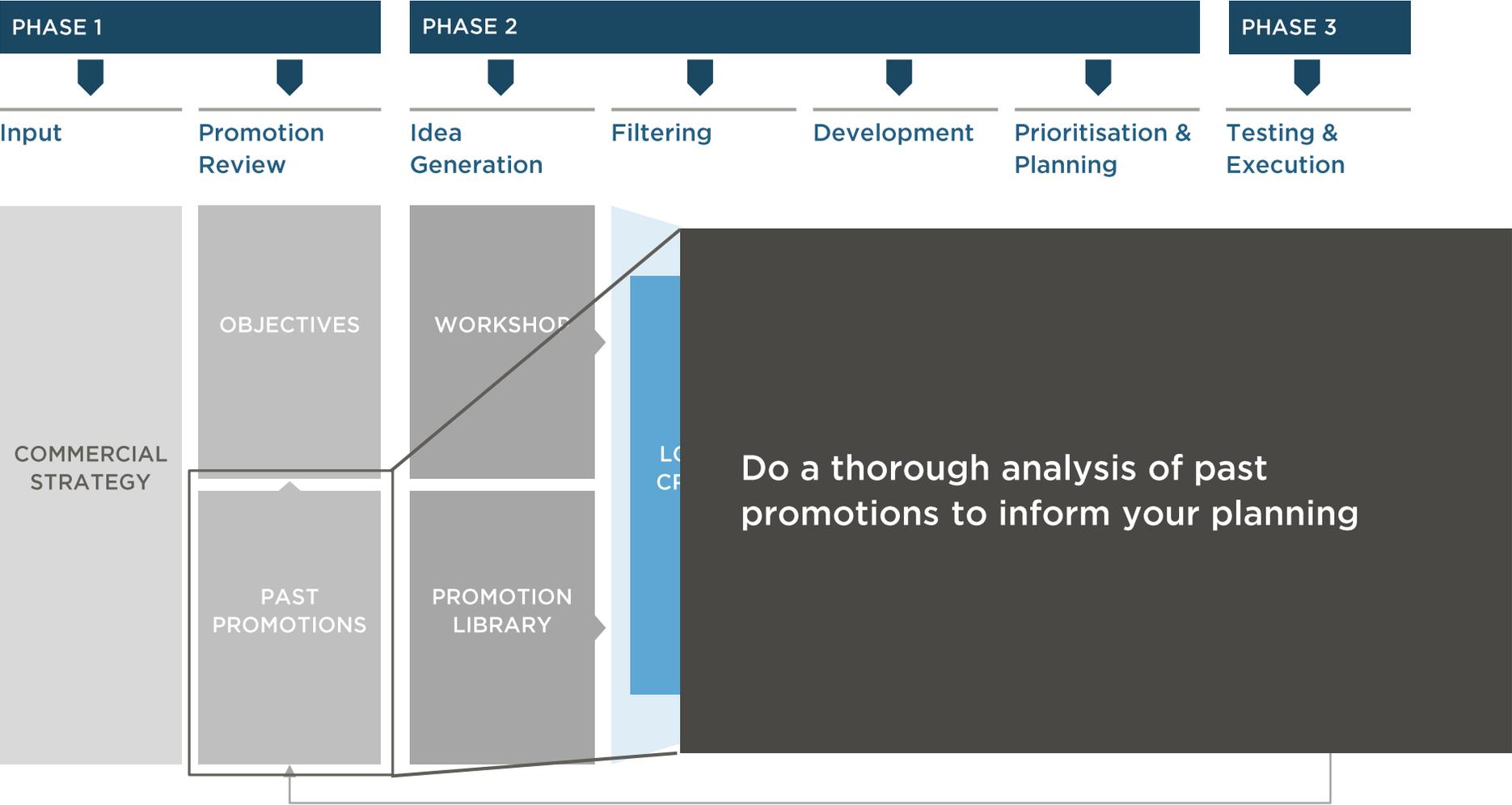
# A Comprehensive Promotion Process



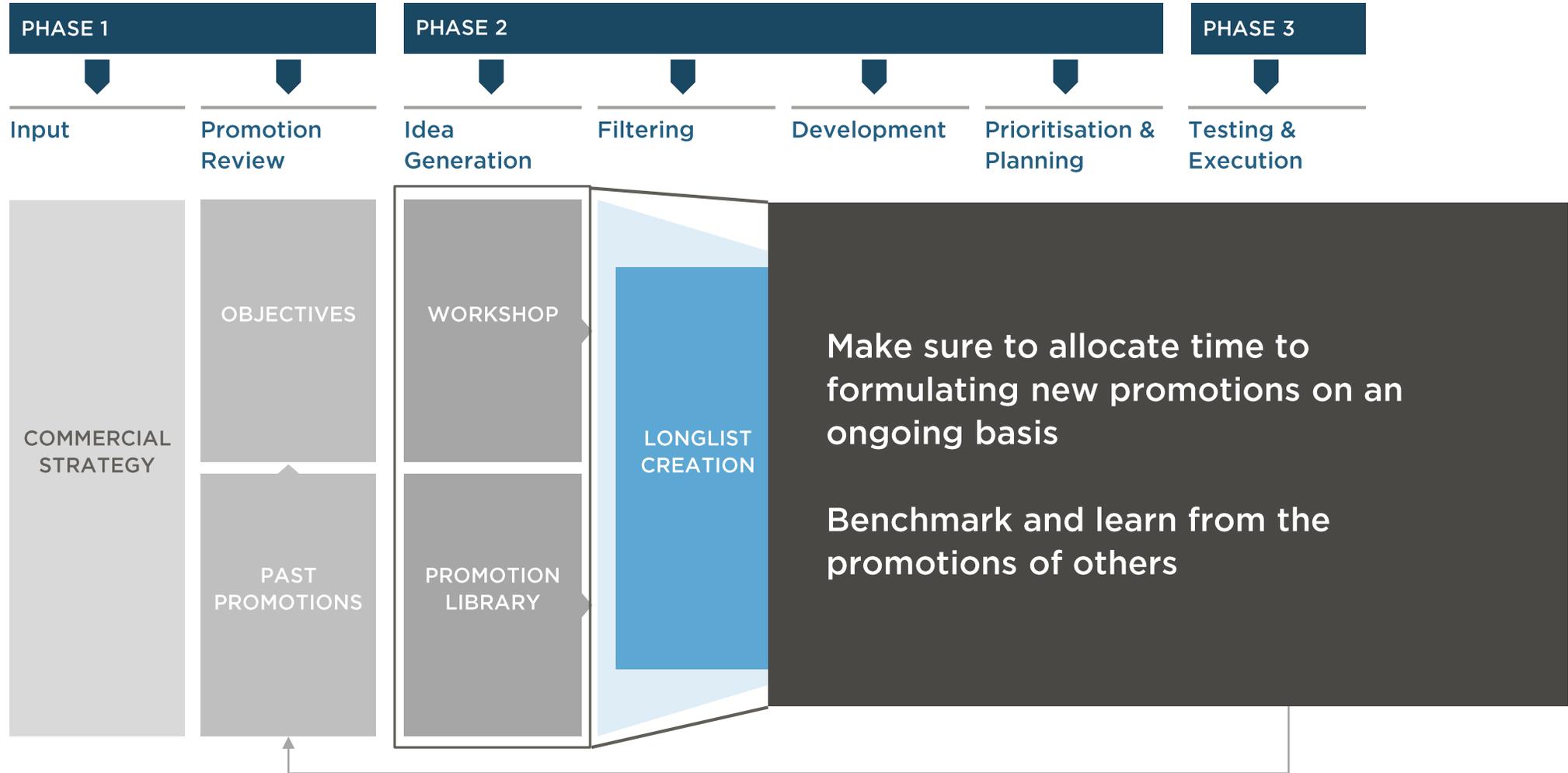
# Tip 1



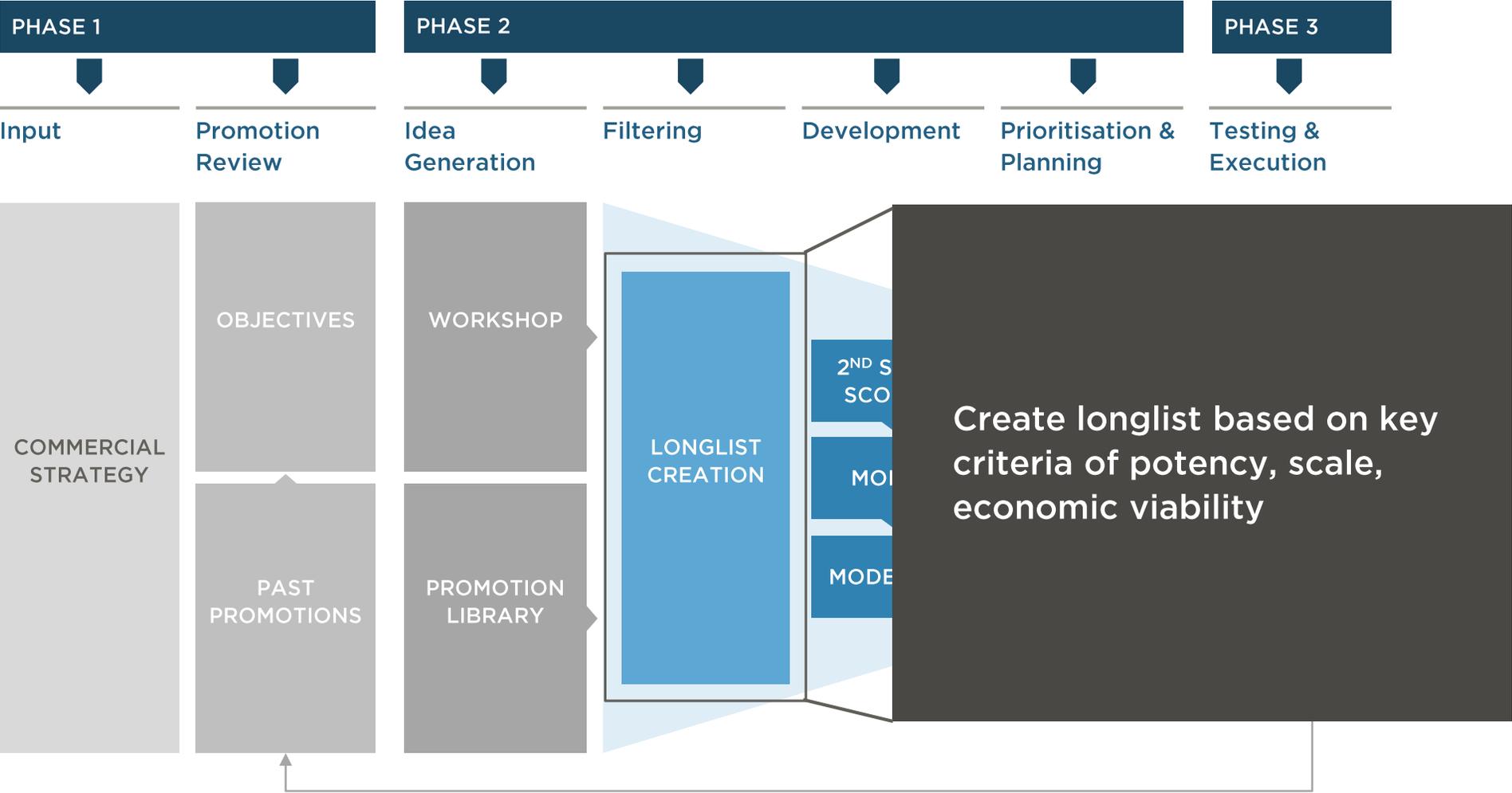
# Tip 2



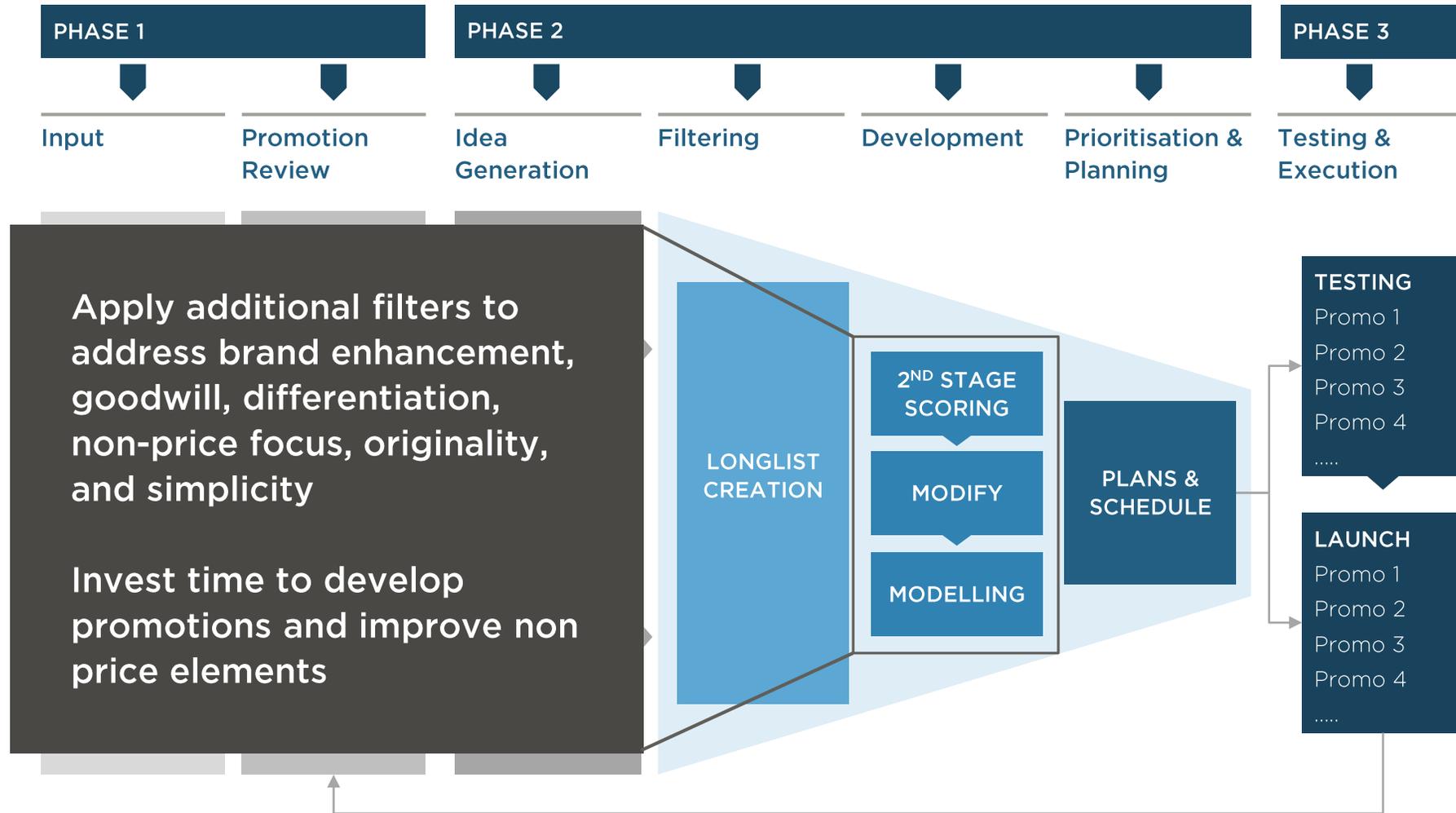
# Tip 3



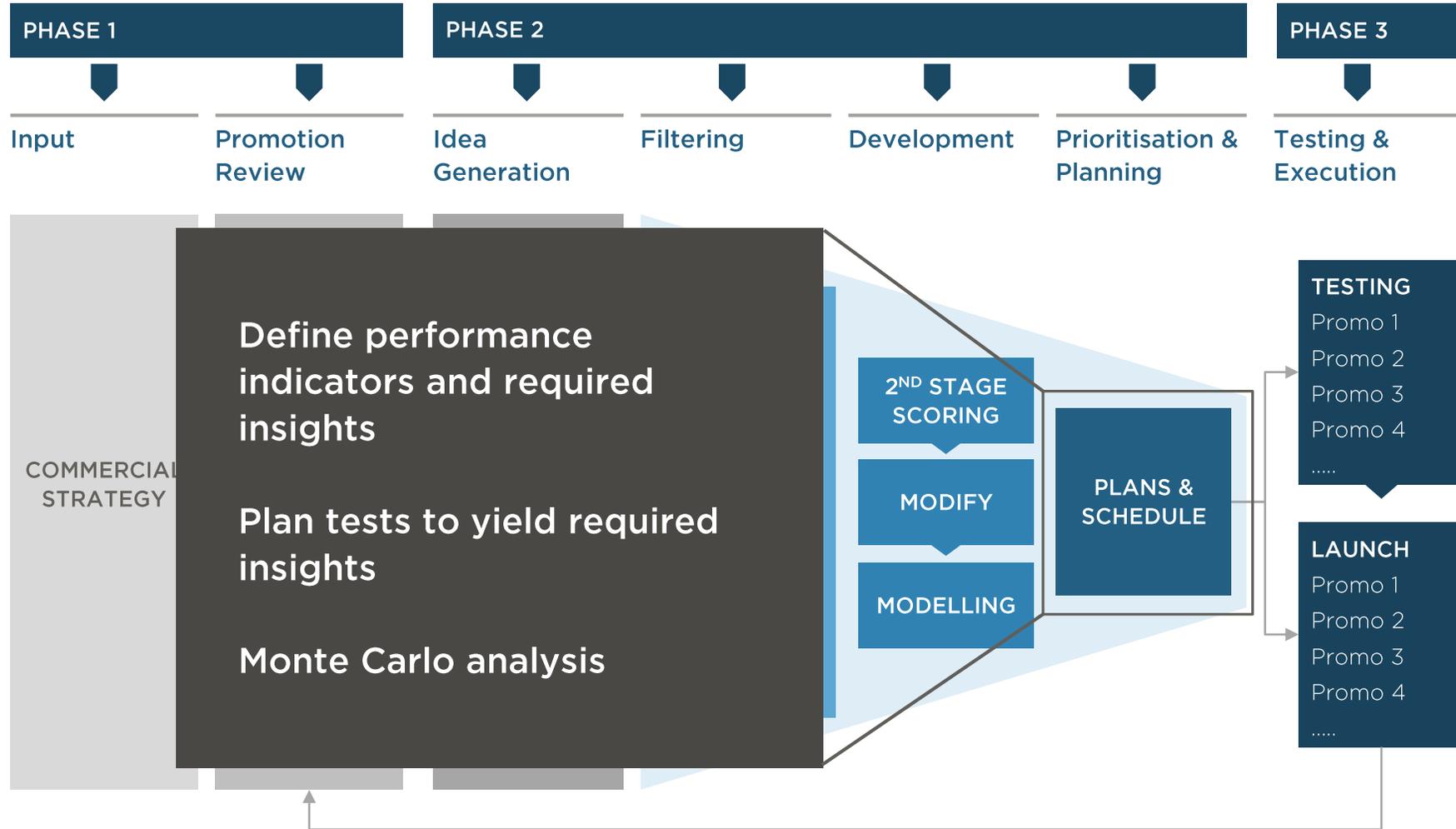
# Tip 4



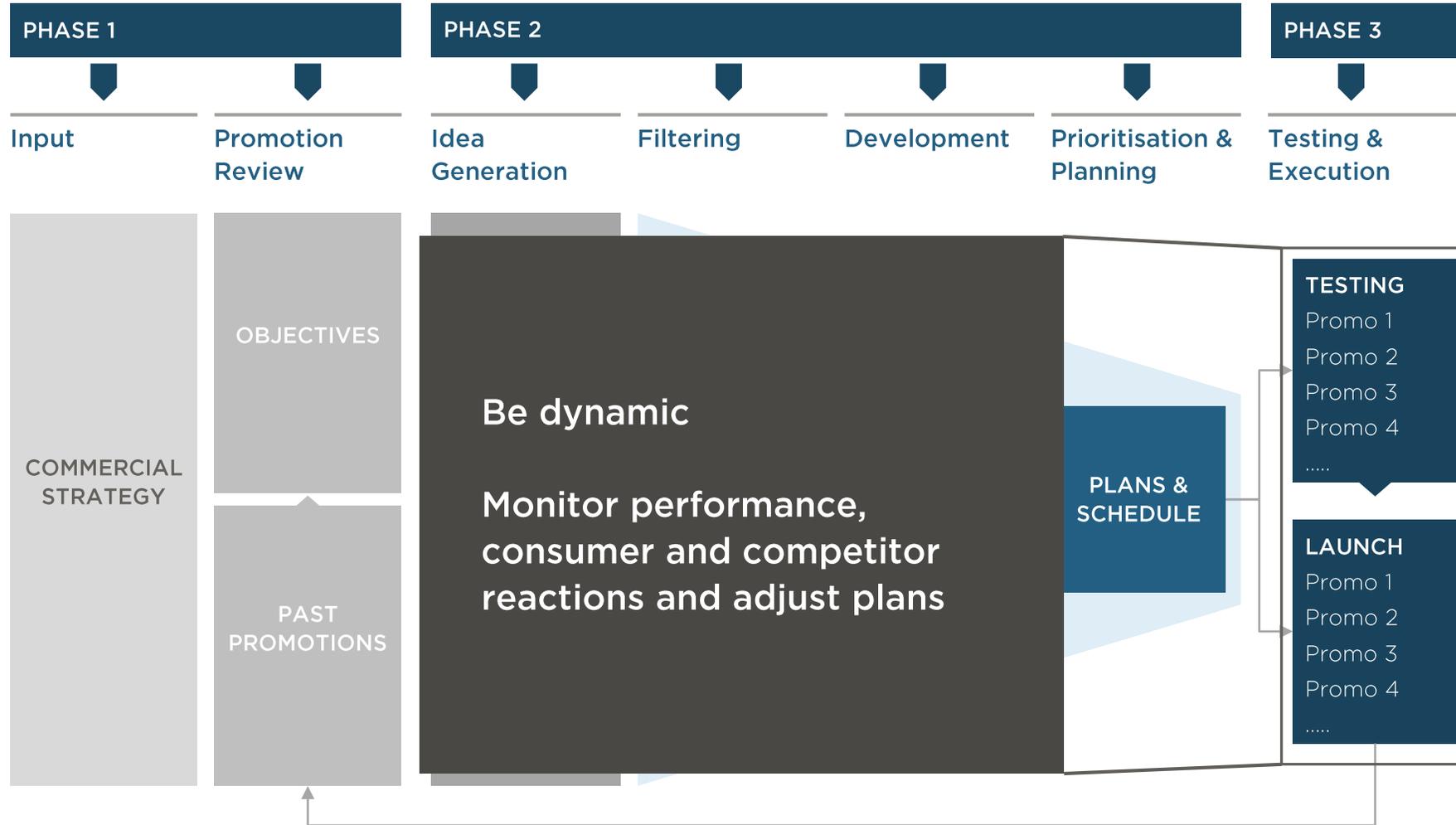
# Tip 5



# Tip 6



# Tip 7

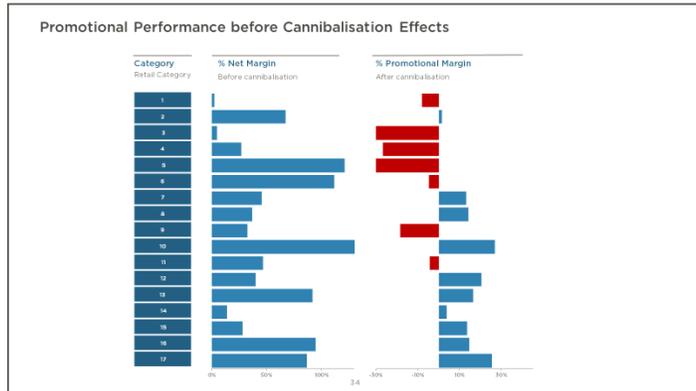




# SUMMARY

# Key Points

## ASSESS YOUR CURRENT PROMOTIONS



What margin impacts do they have once cannibalisation is fully understood?

How do they perform when non-price elements are considered?

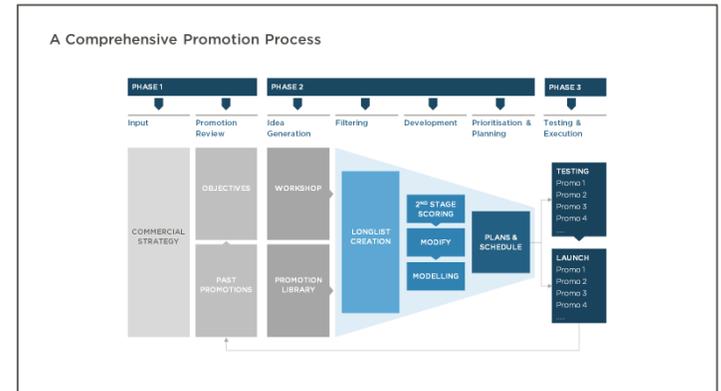
## THINK LONG TERM



How will consumers and competitors behaviours/ responses develop with time?

What impact will that have on your promotions and how should you react?

## REVIEW YOUR PROCESSES



Do they:

- Align promotions to the commercial strategy
- Create innovative ideas
- Develop and filter those ideas
- Provide the necessary insights on performance



Thank you for  
listening

Any questions?