



# Retail Promotions Performance Analytics: The Cure for “Last Year-itis”

A Retail Pricer’s Guide to Developing  
More Effective Promotions

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an aptos company



Ever since 1897, when Coca Cola founder Asa Candler began offering hand-written vouchers entitling customers to a free glass of Coca Cola (then retailing for 5 cents), designing effective promotions has been one of retail pricing's most stubborn challenges.

Despite the world-changing advances in data capture and analytics of the past two decades, pricing teams continue to struggle to design promotions that effectively balance corporate objectives for market share, profit margins and price perception. Perhaps that's why - despite **as many as 65% of retail promotions today being ineffective** - the vast majority of retailers tend to repeat the same promotions, season after season, year after year.



**Fortunately, however, with an assist from artificial intelligence (AI), we now have a prescription for “Last Year-itis.”**

In this guide we will lay out five steps pricing teams can take to cure what ails their promotion strategies – and improve the results their promotions produce.



# Step 1: Open your mind to new possibilities

Breaking last year's promotion patterns will definitely bring change. And with change, comes risk. To minimize those risks, promotion designers tend to be laser-focused on the accuracy of their forecasts.

And since last year's promotions serve as a very reliable data set for forecasting tools, pricing teams often begin (and end) this year's promotion planning process with last year's offers.


And so the cycle continues, year after year.



But the technology and analysis tools available today make it possible to open our minds to new promotion possibilities. We can now shift our focus from the right forecast to the right *offer*. Because while it is true that accurate forecasts lead to more predictable outcomes, they don't often lead to optimized outcomes.

So, the question then becomes, if we now have the analytics available to us to open our minds to changing our approach to promotion design, how do we maximize the potential for more successful outcomes?

Read on to discover the next four steps to developing more effective promotions...



## Step 2: Balance conflicting objectives by adopting a holistic view of every offer

Conflicting strategic objectives have long been a staple of promotion planning. Offers designed to grow market share typically don't help increase margins, and price perception priorities often compete with both margin and market share goals. Compounding the challenge, different stakeholders also have different priorities for their promotion investments.

The only way to balance all these conflicts is to evaluate a truly holistic view of your business and to use those insights to design promotions that align to that view.



From a pricing team’s perspective, a holistic view of the business begins with a holistic view of all promotions and offers. Because promotions are not run in a vacuum, the outcome of every offer impacts - and is impacted by - every other offer. However, most promotion analysis today tends to highlight only the direct impact of each individual promotion and the specific items included in the offer.

To really know how a promotion affected the bottom line, we need to be able to assess the impact of each offer across the entire store. Doing so requires AI-based analytics that provide a comprehensive view of all promotions together, not each promotion just piece-by-piece. Otherwise, at first glance we may deem an offer successful because we don’t fully understand (or have visibility into) how the offer impacted the sales of another item just down the aisle.

### Revenue Metrics



Actual | Baseline | Lift | Affinity | Cannibalization | Net | Impact

### Profit Metrics

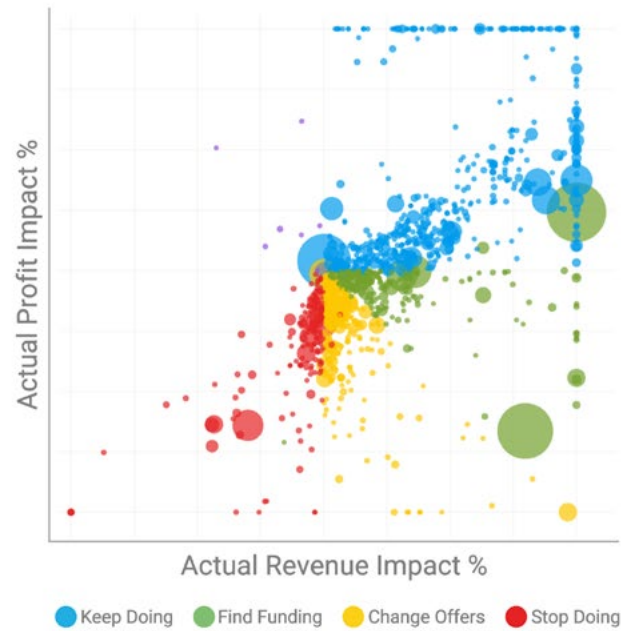


Actual | Baseline | Lift | Affinity | Cannibalization | Net | Impact | Est Vendor \$

### Quantity Metrics



Actual | Baseline | Lift | Affinity | Cannibalization | Net | Impact



Modern analytics dashboards can give pricing teams a holistic look at how promotions performed across all the key metrics that determined the overall success of each promotion. On the right, AI-based recommendations suggest ways to revise/cancel offers for better outcomes.





With as much as one third of the store on promotion at any given time, it's critical to make decisions on offers based on a holistic view of the entire store. We need to account for how each promotion impacts every other offer and we need to fully anticipate and account for the “downstream” impacts of every potential promotion.

A few of the most important downstream effects to consider when evaluating every offer include **cannibalization**, **the halo effect**, and **pantry loading**.

We will discuss each of these in some detail in the next few pages.



## Cannibalization

A recent benchmark study in the UK indicated that cannibalization wipes out approximately 17% of the additional sales volume created by promotions. Further, the monetary value of the products that were cannibalized consumed 22% of the uplift generated by the promos, as the volumes sold at discount replaced those that would have normally sold at full price.

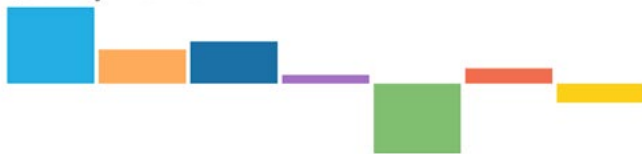
To evaluate the financial impact of supermarket sales promotions, pricing teams must have the data and AI tools they need in order to estimate how much new demand comes from cannibalizing existing demand for other products on the shelf.

### Profit Metrics

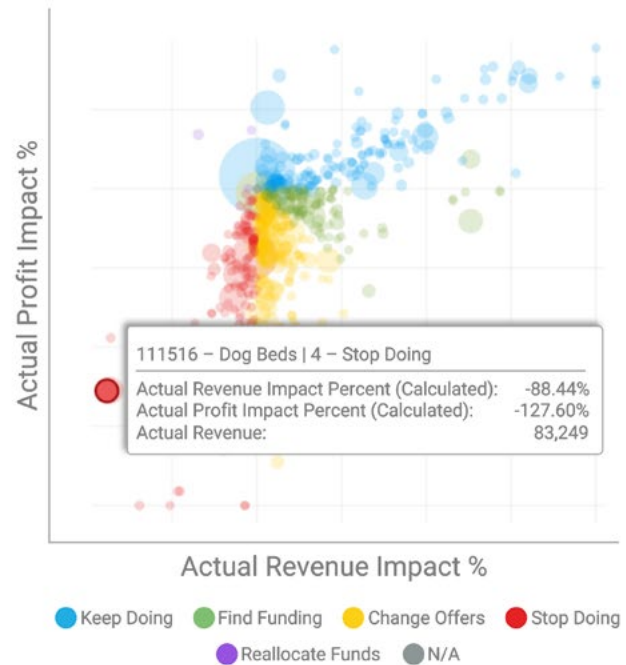


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Actual | Baseline | Lift | Affinity | Cannibalization | Net | Impact



Visibility into the overall impacts of cannibalization (like the dramatic results shown here) can help pricing teams design promotions that maximize the overall impacts of each promotion, rather than continuing to create promotions that negatively impact overall results.



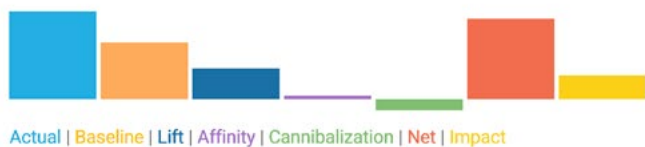
## Pantry Loading (Stockpiling)

Pantry loading is a time-honored tradition for many consumers. People love to strategically buy large amounts at low prices now and store them so they avoid paying regular prices later, when they would normally need to replenish the pantry.

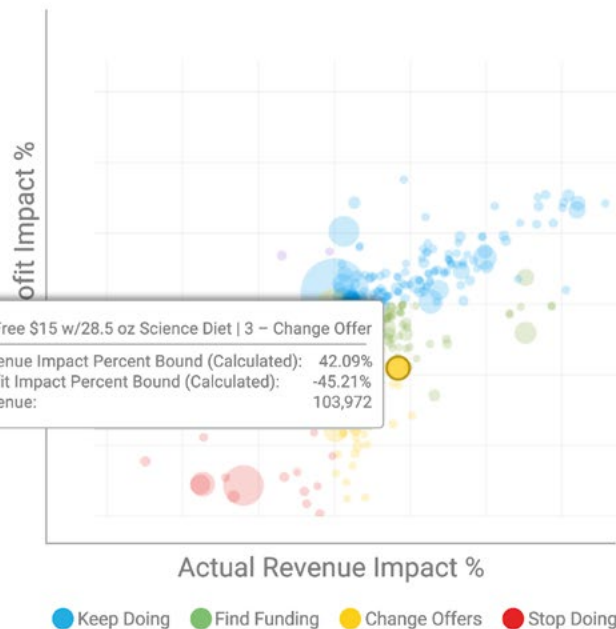
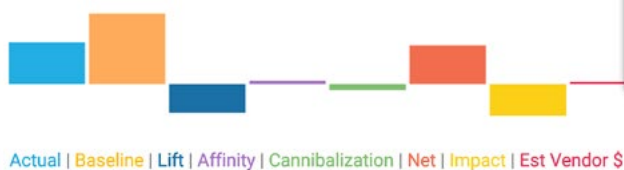
Unfortunately, succumbing to the effects of pantry loading is also a time-honored challenge for retail pricers. Since the days of Asa Candler, retailers have struggled to design promotions that both anticipate and mitigate the margin impacts of stockpiling. But those days are numbered.

Analytics technology has now reached the point where we have tools available to help us evaluate, design and improve promotions while anticipating and minimizing the negative effects of stockpiling.

### Revenue Metrics



### Profit Metrics



Here we can see what we might call a “mixed bag” of outcomes. If we look only at revenue, we can see meaningful positive impacts and cannibalization is minimal.

But given the category and the very negative impact to profits, there could be some stockpiling happening. Shoppers may in fact be loading up on lower margin items. And without much vendor funding to support this promo, it may be time to rethink.

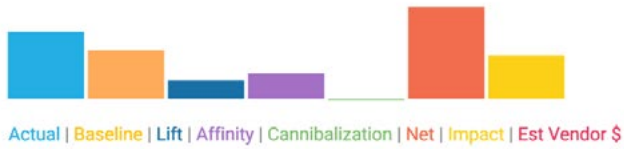


## Halo Effect

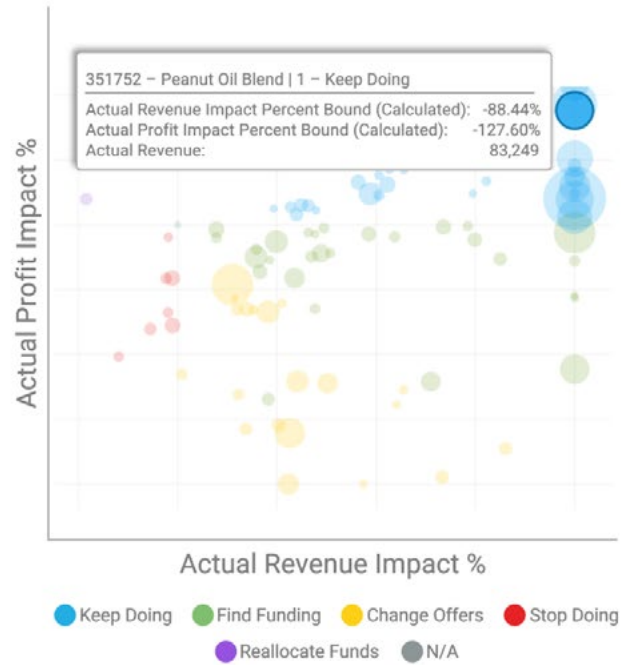
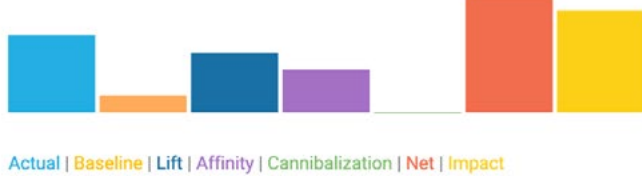
Sometimes, instead of cannibalizing current higher-margin sales or suppressing future sales opportunities via pantry loading, promotions can actually drag sales of other items with them. Seeing regular-price jelly sales spike while a popular peanut butter brand is on promotion is a very simple example of affinity, also known as the halo effect. Of course, the true halo effect of most promotions is far more complex than simple complementary product pairings like PB&J.

Which is why it's so important to anticipate, evaluate (before you launch the promo) and measure (during and after the promo) the halo effect of each promotion across the store. And with recent advances in AI-based analytics combined with access to more transaction data, we can now leverage modern tools to evaluate the basket-building impacts of past promotions and to anticipate the impact on future promotions.

### Profit Metrics



### Quantity Metrics



In this example, we can again see very minimal cannibalization impact from the peanut oil promotion, and we also see fairly significant affinity for other products down the aisle. This holistic visibility into the overall impacts of the offer helps us see that this is an offer that should be continued and/or repeated.



## Step 3: Be ruthless with underperformers

Another negative outcome of Last Year-itis: Running the same promotions year after year means repeating the same underperforming offers. Without effective analytics, identifying the causes for their poor performance is often difficult, because higher performing items in the offers can mask the underperformers.

But no matter how deeply prices may be discounted, under-performing promotions are *expensive*.





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**Underperformers have several negative financial impacts:**

- First and foremost, underperformers drain maintained margins. When we need to boost revenues or when sales of some products soften, how do we typically respond? By lowering prices in much the same way we have always done. Which is to bundle items that respond well to offers with those that underperform. And of course, doing so lowers – or eliminates – the profitability of every item sold during the promotion.
- Underperformers also run the risk of exacerbating cannibalization and stockpiling effects, thereby multiplying the financial impact of those effects, particularly if the products included in the offer are deeply discounted.
- Underperformers also impact operating profits by requiring store resources to setup, sign, and maintain the promotional displays of these offers... in every store where the promotion is destined to run.



Modern technology is now available to give pricing teams the insights they need to anticipate under-performing offers long before promotions are designed and approved. The challenge we face now, however, is having the courage to break from tradition and drop the underperformers from our promotions - regardless of how many years they have been included in the mix.

Fortunately, we now have the tools we need to break those old habits and to allow us to become ruthless about eliminating offers and items that don't serve our overall objectives.

A close-up photograph of a person in a dark blue business suit sitting at a desk. They are holding a black pen and pointing at a pie chart on a document. The pie chart has three segments: a large blue segment labeled '64%', a smaller blue segment labeled '25%', and a very small white segment labeled '11%'. The document also features a bar chart with four blue bars of varying heights. The image is framed by a large, stylized purple and blue geometric shape on the left side.

## Step 4: Reevaluate how you use vendor funds

For decades, vendors have had the upper hand at the vendor funding negotiating table. They have come to every negotiation armed with data from multiple retailers selling their products, thereby putting each individual retailer at a negotiating disadvantage. Advances in data collection, data science and analytics, however, have helped level the playing field for retailers.



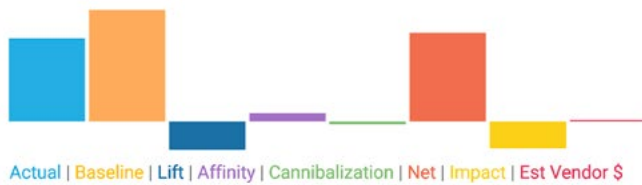
More information - and the increased leverage that comes with more information - brings opportunities for more strategic decisions about when and where to best use vendor funds. That increased leverage also improves your ability to use vendor funds to subsidize promotion strategies that make the most sense for the holistic needs of your business, not the needs of your vendors' businesses.



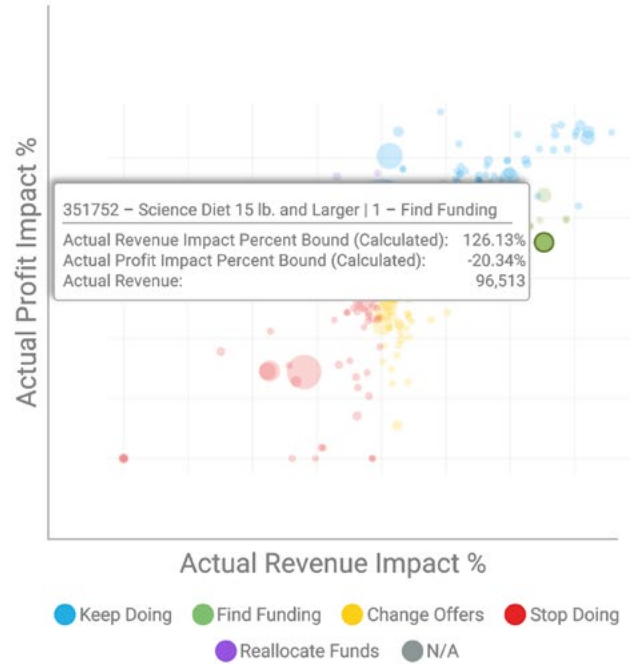
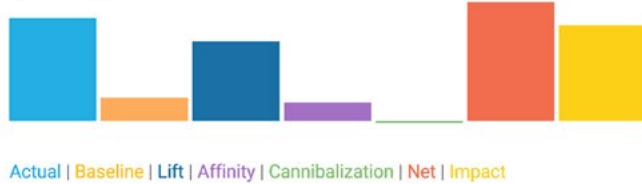
To make the most of every dollar, it's important to be willing to challenge traditional promotion strategies and ask new questions of your strategy and of your vendors. If a 10%-off promotion was effective last year, for example, might 15%-off this year offer even more value to my business?

Taking advantage of new data presented through modern, science-driven analytics will make it possible to evaluate the holistic impact of each offer in order to maximize the value of every vendor fund. And in the long run, more win-win outcomes from vendor funds will lead to better long-term relationships, better partnership and, ultimately, better outcomes for both parties.

### Profit Metrics



### Quantity Metrics



In this final dashboard, we can see the promotion had numerous positive impacts on units sold, but profits were hit pretty hard. This data suggests there may be an opportunity to improve the outcomes through increased vendor funding. Pricing teams armed with this data are in a very strong position to negotiate better terms from their vendors to ensure the next offer not only sells more, but also generates more profits.

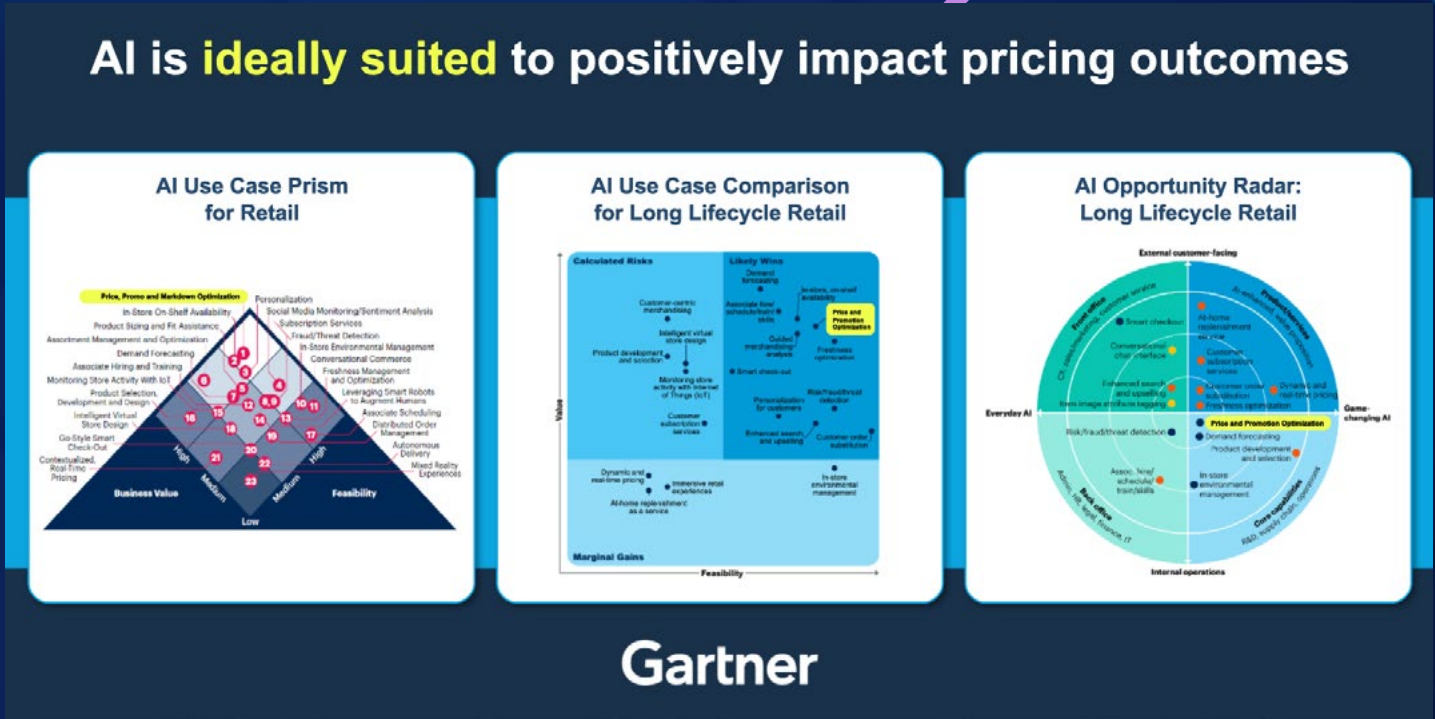


## Step 5: Take full advantage of everything modern science has to offer

Make no mistake, we understand that solving real challenges that retailers have faced for decades is not simple nor easy. Having the confidence to change long-standing traditions will require detailed answers to questions that we have never been able to ask before.

Confidently answering those new questions with accurate, reliable recommendations that effectively balance market share, margins and price perception requires sophisticated science. And optimizing every offer, for every item, in every category, in every location and channel requires the latest in speed, scale and analytics modeling tools.

Figure 7: Gartner has consistently identified pricing among the highest impact use cases for AI in all of retail.



If you have to-date been reluctant to consider – or perhaps more importantly, trust – Artificial Intelligence (AI) in your promotion optimization technology stack, there’s an abundance of data emerging that tells us it may be time to reconsider:

- According to [research conducted by IDC](#), global spending on AI will surpass \$300 billion in 2026. Retail is one of the sectors that IDC finds will drive the largest investments in AI technologies over the next few years.
- Gartner has identified Price and Promotion Optimization as the #1 use case for AI in all of retail, and they name it among the most impactful use cases – and opportunities – for long lifecycle retail.





## How Revionics can help you cure Last Year-itis and develop promotions that deliver better results

Breaking with corporate traditions and culture is hard. No question about it. But designing promotions that achieve the corporate objectives those traditions and cultures were originally put in place to deliver is the task before us.

Revionics leverages modern science, powered by Google Cloud technology to ensure retail pricing teams overcome the side effects caused by Last Year-itis with insights and analytics that are designed to optimize promotion outcomes according to each client's priorities.

As indicated by our Google Cloud Platform Customer of the Year award, Revionics' promotion analytics tools take full advantage of the most experienced AI in the industry to ensure every recommendation helps our clients develop sophisticated pricing strategies that strike that elusive balance between market share, profit, margins and competitive position.



Our **promotions performance analysis tools** are designed to complement our **Promotions Planning and Optimization solution** to help retail pricing teams leverage the latest advancements in data science to deliver inventory-aware, personalized promotions that meet the needs of omnichannel shoppers and corporate financial statements.



Revionics promotions analytics support more effective pricing decisions by delivering a comprehensive visualization of every promotion in one view that delivers:

- Dashboard-based visualization of every promotion's key performance metrics makes it easy to identify which offers worked well and which failed to deliver the desired results.
- Detailed insights into each offer's key metrics informed by experienced, proven data science to reveal holistic performance impacts.
- Insights into the impacts of cannibalization, stockpiling and affinity to ensure each promotion is evaluated based upon its total impact to the business.

Check out our [Promotions Intelligence Suite data sheet](#) to learn more about how Revionics Promotions Analytics tools can help you optimize every offer to ensure better outcomes.

# About Revionics, an Aptos Company

Revionics LLC, an Aptos Company, provides enterprise retailers around the world with **leading science-based solutions** for pricing, promotions and markdowns. As a trusted partner for top retailers across a variety of industries and markets, Revionics delivers unparalleled results in ROI, profit lift, process efficiencies and more.

Powered by robust analytics and advanced AI models, Revionics equips retailers with clarity and confidence to make optimal pricing decisions. With science at the center, Revionics' machine learning capabilities translate consumer, competitor and market data into actionable insights and transparent pricing recommendations for high-impact results.

Learn more at [Revionics.com](https://www.revionics.com)

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