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Identifying The Six Most Common Sources of Promotion Margin Leakage

The value of a good promotion in **driving traffic, loyalty and inventory movement** should not be underestimated. Yet poorly executed promotions erode margin, encourage discount dependence and create operational problems across the organization.

The impact of losses from poor promotions tends to build gradually, not stem from one major failure. Individual issues may seem minor, but their cumulative effect can become significant.

When it comes to promotions, these are the six places your leaks are likely hiding.

1

Ineffective Offers



Up to two-thirds of promotions are simply ineffective. These are the promotions that discount loyal customers who would have bought anyway, sacrifice revenue for the sake of units sold or inefficiently use vendor funds. Whatever form they take, ineffective offers erode margin without driving lasting value. Up to two-thirds of promotions are ineffective.

2

Cannibalization and Pantry Loading



Cannibalization happens when a promoted item steals sales from higher margin items in the category rather than growing the overall basket. Pantry loading is when customers stock up during a promotion, suppressing sales velocity for weeks afterward. A retailer promotes a national brand pasta sauce at a deep discount; shoppers buy three jars instead of one; category sales are depressed for six weeks. The headline number looked fine, but the net impact is negative.

3

Inaccurate Data



Bad data is the silent killer of promotional effectiveness. Inaccurate cost data and stale competitive data don't just affect one decision. They corrupt the entire planning process. When retailers are tracking data from different sources across multiple vendors, it's easy for errors to creep in.

4

Poor Vendor Fund Control



Vendor funds are a significant source of promotional financing and one of the most consistently mismanaged resources in retail. Funds get left unclaimed, applied to the wrong products or accepted without evaluating whether the proposed promotion serves the retailer's objectives. During reconciliation and collection, incomplete documentation and unclear data ownership can prolong disputes, delay cash flow and leave earned funds unclaimed. Poor allocation hurts twice: Retailers fund weak promotions and lose the opportunity to redirect those funds to stronger ones.

5

National Brand Overdependence



Many retailers over-rely on national brand promotions, driven by vendor pressure and historical habits. These promotions are typically the most expensive to run and the least differentiated. Meanwhile, private labels, which typically carry meaningfully higher margins, are chronically underpromoted.

6

Siloed, Decentralized Operations



Different departments often evaluate vendor-funded promotions in parallel rather than in sync. When promotion, pricing, cost and vendor funding are evaluated individually without proper context, the result is operational inefficiency, slow time-to-market and little capability for adjustment during the negotiation process.

If any of these challenges resonate, **get in touch with Revionics** to discuss how to fix the leaks in your promotional strategy. We offer guidance to help you stop running promotions that don't work and optimize your strategy to drive incremental value for customers, while delivering tangible margin and volume outcomes.

[Talk to a pricing expert](#)

Stopping the Bleed:
How Retailers Can
Reduce Promotions
Margin Leakage

To find out more, download our ebook **Stopping the Bleed: How Retailers Can Reduce Promotions Margin Leakage**, developed in partnership with Simplain, to identify where promotional value is lost and how to recover it.

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