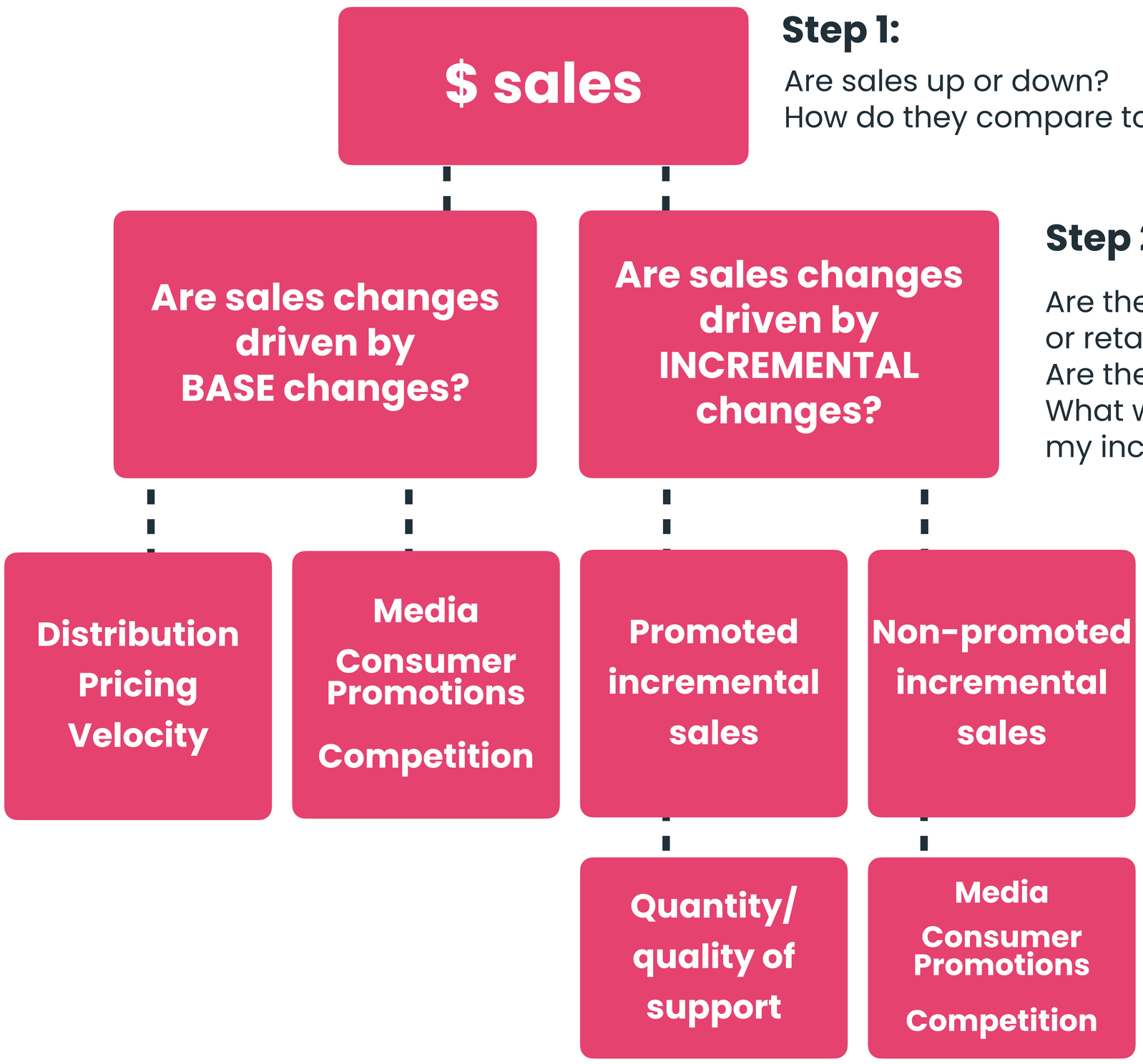
POS data decision tree: The questions you should be asking

In Understanding the key differences POS and panel data, we discuss the Promo versus Non-Promo Decomposition Tree. Now that you've understood that overview, let's take a closer look at the questions you should be asking yourself at each level of the tree to glean the information you need to make a targeted decision on sales strategy.



Step 1:

Are sales up or down?
How do they compare to category performance?

Step 2:

Are these changes limited to one class of trade or retailer?
Are these changes limited to one brand or SKU?
What was the percent AND absolute change in my incremental sales?

Step 3:

Consider all potential drivers. Could a robust affiliate marketing program support my base sales? Or a consumer promotion such as in-store sampling? Could a new display in Retailer A have led to increased sales?

Step 4:

How much did the retailer support my promotion? Did my email campaign offering a promo code drive sales?

Incremental vs. base

In the above chart, we "decompose" total volume sold by "incremental" versus "base". Base volume is an average of historic sales volume sold during non-promoted weeks, i.e., those weeks with zero trade promotions. Incremental volume is then calculated based on base volume. Your base volume + the actual volume = your incremental volume. The reason we separate "promoted incremental sales" and "non-promoted incremental sales" in the third level down is because you could achieve positive incremental volume even when you're not running any trade promotion, perhaps from one of the three reasons listed there - media like social media or television advertising, a consumer promotion like samples or a promo code, something your competition has done (or not done), or even a stroke of luck as UrbanRX experienced thanks to a viral TikTok video.

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