



composition of incremental lift

This is a precis of a research paper entitled 'The Decomposition of Promotional Response: An Empirical Generalisation' by David R. Bell, Jeongwen Chiang and V. Padmanabhan, to be published by Marketing Science.

This very interesting paper based on research conducted in 1999, studies 173 brands in 13 categories in the USA over a 52 week period, based on the household expenditure of 250 families and 3 stores. The overall conclusion is that the percentage of promotional lift attributable to brand switching is an average of 75%, which is somewhat below previous studies. In 1988 Gupta measured this at 84%, and A.C.Nielsen more recently (precise date unknown, but published in 1996) at 80%.

Of even more interest is the category by category variance. Categories were selected to encompass both those that are known to expand consumption, as well as those that are 'storable' or 'necessities'. The balance of the lift not attributable to brand switching was also analysed into the two components of category expansion (genuine additional incremental volume) and accelerated purchase (reduction in expected inter-purchase interval). A determination was also made of the relative impact of brand factors, category factors and consumer factors to identify which is the most significant. All in all, they are able to explain 70% of the actual promotional response. One of the significant findings is that category effects are more significant than brand effects, and consumer effects (i.e. demographics) are quite minimal.

The detailed results are as follows (I have altered the description of the titles from those used in the paper, which referred to primary and secondary demand):

Category	Brand Switching	Accelerated Purchase	Additional Consumption
Average	75.2%	10.6%	14.3%
Storable	75.2%	3.4%	21.4%
Non-storable	75.2%	16.7%	8.1%
Necessities	75.3%	11.7%	13.0%
Non-Necessary (impulse)	75.1%	9.9%	15.0%
Margarine	93.9%	5.7%	0.4%
Softdrinks	85.6%	5.8%	8.5%
Sugar	84.1%	13.3%	2.5%
Paper towels	83.2%	6.0%	10.8%
Toilet Rolls	81.2%	3.6%	15.2%
Softeners	78.9%	1.4%	19.7%
Yogurt	78.4%	12.2%	9.4%
Ice Cream	77.4%	18.9%	3.7%
Potato Chips	72.0%	4.5%	23.5%
Bacon	71.6%	20.3%	8.2%
Liquid Detergents	69.6%	0.7%	29.7%
Coffee	52.6%	2.8%	44.6%
Butter	48.8%	42.3%	8.9%

What this clearly shows is that the vast majority of the promotional lift for most categories is caused simply by consumers decreasing purchases of one brand to buy another. In this respect Butter proved to be the best category, in that only 48.8% is due to brand switching. However in this category 42.3% is accelerated demand, meaning that consumers brought forward their replenishments and only 8.9% is in fact additional demand for the product – additional consumption brought about by the promotion. Conversely coffee shows 44.6% additional consumption – good reason to promote. One should bear in mind that these are averages, that figures do vary by brand, although the category effects are larger than the individual brand effects.