

CATEGORY MANAGEMENT LEARNING FORUM

TOPIC: CATEGORY HEALTH (PART 3): BASELINE VS INCREMENTAL SALES DRIVERS

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Once you understand how baseline and incremental sales are calculated (Part 2 of our category health checkup), you need to understand “Part 3” – the drivers associated with each of incremental and baseline sales. This is where the action comes for the category health assessment, and really gives you the information to make action-based recommendations in the category. based on baseline vs incremental sales results.

Let’s revisit the definitions: baseline sales would have sold without any type of promotional activity; and incremental sales represent the additional volume sold, based on promotional activity. Baseline sales plus incremental sales equal total sales. At this point in your category health assessment, you should have calculated the % change growth for total sales, baseline sales and incremental sales, at a total category level, and across key segments and brands.

Now that you have established if baseline or incremental sales are driving your total sales results, you need to consider your overall strategies – are you trying to build baseline or incremental sales? If your overall objective is to build sales through new product launches, shelving initiatives, outside marketing programs and regular price, then you should be setting objectives to build your baseline sales. If your overall objective it to build sales through price reductions, increased tradespend / promotional activity, in-store displays or in-store & flyer coupons, then you should be setting objectives to build your incremental sales. Identifying strategies and targets at this level are important, because your action plan looks very different if you are trying to build baseline sales vs if you are trying to build incremental sales.

With your strategies and targets defined, you can start to analyze the baseline and incremental drivers separately, to determine what drivers influenced growth for each of baseline and incremental sales. The data variables that you have access to vary significantly, based on whether you are a retailer or supplier, the sophistication of your systems, the data that you have access to (including Retailer POS, retailer measurement data, in-store observation data).

The diagram to the right shows some of the data variables associated with baseline and incremental sales drivers. *Baseline sales drivers* can include things like regular price changes, regular price volume changes, new item changes, distribution changes, and shelving changes. By looking at the changes in baseline sales driver results, you can determine how these changes influenced sales. *Incremental sales drivers* include changes in TPR price (temporary price reduction), TPR sales volume changes, promotional support changes (changes in flyer activity or promotional support), promotion sales volume changes, and changes in display activity.

The next step is for you to determine what data measures are available for baseline and incremental drivers within your dataset. Once you have established this, you need to put it all together, so that you can look across total sales, baseline sales and incremental sales results across brands and segments, and then look at the baseline and incremental drivers, across the same brands and segments.

If you have never done this type of analysis before, the insights will be huge, and you will see your business in a different way. Because the sales drivers create the action in the category, you should be able to develop an action plan based on the information that you learn from your category health assessment. A final suggested step is to develop automated reports that capture this information for you on an going basis, so that it becomes part of the day-to-day business approach for your organization.

In net, if you purchase baseline and incremental sales data, but haven’t gone to this level of depth in your analysis, you’ve got some GREAT opportunities just sitting in your data, waiting to be found.

Baseline

- Regular Price:
 - % chg vs year ago
- Product Assortment:
 - # of Items +/- Chg
 - Distribution Pts Chg
- Shelving Changes

Incremental

- TPR Price % Chg
- Promotion % Chg
- Display % Chg

If you like this tip, you may be interested in one of CMKG’s accredited \$99 eLearning courses: “[Measuring Category Health](#)”, “[Advanced Analytics](#)”, “[Promotional Analysis Techniques](#)” and “[Pricing Strategies and Analysis Techniques](#)”. Each course relates to advanced analytics with baseline & incremental sales drivers, and includes eLearning in CMKG’s eLearning center, workshops, downloadable study notes. These courses will benefit Category Managers, Category Management Analysts, Account Managers, Trade Marketing and anyone else who should understand baseline and incremental sales-related topics. [Click here](#) for a list of all of CMKG’s courses.