

# CATEGORY MANAGEMENT LEARNING FORUM (LINKED IN.COM)

**AUGUST 2011: TRANSLATING DATA INTO INSIGHTS, AND THEN INTO ACTION**

By Sue Nicholls, President,  
Category Management  
Knowledge Group  
[www.cmkg.org](http://www.cmkg.org)  
[sue@cmkg.org](mailto:sue@cmkg.org)



Most companies struggle to translate data – whether it’s retail POS, retail measurement or consumer panel – into insights, and even further, into actionable business results. Many organizations invest millions of dollars into data and tools, with the expectation that the insights derived from the data will lead to volume and profit improvements. But insights need to be taken a step further, by tying in with an action plan.

A common practice in many organizations is for senior management to hand share, volume and/or profit results from standards reports as feedback to managers, with instructions to “fix the business.” The consequence? Quite often, no insights are drawn, and no action is taken. Or perhaps an extra ad, or hot pricing and/or tradespend dollars are the actions thrown against some particular products, to “fix” the issue. But is that strategically the right thing to do? What’s the right solution?

The solution starts with the reports that organizations use to measure their business – usually focused on volume, share and profit data – which answer the question “how is my business performing”? Many topline reports don’t tie in with the “why”- or the tactical insights – that are changing at the same time, and are often the drivers of the volume, share and profit results.

Let’s go through an example of how data can lead to insights, which can then tie in with a specific action. In a “perfect data world”, first, it’s important to understand if it is baseline or incremental volume that is driving results. Baseline sales would have sold without any type of promotional activity; and incremental sales represent the additional volume sold, based on promotional activity.

Once you have established if baseline or incremental sales are driving your total sales results, you can start to analyze the baseline and incremental drivers, to determine what drove volume results for each. **Baseline sales drivers** includes things like regular price changes, regular price volume changes, new item changes, distribution changes, and shelving changes. **Incremental sales drivers** include changes in TPR price (temporary price reduction), TPR sales volume changes, promotional support changes, promotion sales volume changes, and changes in display activity. The data variables that you have access to will vary significantly, based on whether you are a retailer or supplier, the sophistication of your systems, and the data that you have access to.

Where available, your standard reports should tie some key baseline and incremental sales drivers with volume, share and profit results, so you can quickly identify the “what” through the standard metrics, and the “why” through the baseline and incremental sales drivers. Once you know the “why”, the next step is to drill deeper into the data to get the insights on what drove the business results. If baseline sales and volume sold on regular price has declined, there may have been a price change that affected baseline sales. The price increase may not have been accepted by the consumer. Or maybe the gap between regular price and TPR (promoted) price is too high. You might also want to look at regular price vs other retailers in the market – are prices too high vs competition?

If incremental sales have declined, and if the volume sold on TPR price has declined, then you will want to dig deeper into understanding TPR (feature) price changes. If your tonnage incremental sales is outpacing your dollar incremental sales, you are deflating the category with these low prices. Not to mention the impact on profit dollars! You might also want to look at TPR price vs competition.

The final step is to create action based on whatever you have learned from your “why’s” – or insights. What needs to be changed in pricing to drive baseline or incremental sales, based on the in-depth pricing analysis that you have completed? For example, “change the price on Product X” to better reflect market conditions”; or “Reduce the price on Product X to better meet consumer expectations”.

In my example, I’ve only referenced baseline and incremental volume, and pricing issues. But this is only an example - you don’t even have to use baseline and incremental sales – the same logic can be applied to drill through any data sources, and tying in available tactical data. You should also use this approach to understand what is **positively** (not just negatively) driving business results, so that you can learn what actions create positive business results. In conclusion, driving actionable results from insights starts with an organization’s topline results, tying in sales volume results with the tactics that drive the business results, and making appropriate changes to tactics to create action. This methodology will not only help to strategically understand the business at a deeper level, it will also allow you to quickly define the tactics that are driving the results, so that you can drill in and determine what actions need to be taken to “fix” the business.

Whether you are in sales, marketing or category management, you need to learn how to turn the “what’s” into “why’s”, and then into “now what”. That is how you turn data into action.



*Category Management Knowledge Group develops and sells certified eLearning courses and programs for both suppliers and retailers. If you are interested in a course that relates to this topic, “[Measuring Category Health: Baseline and Incremental Drivers](#)” would be a great place to start (for only \$99)!*