Wahaca

Read the Wahaca case and consider the small size salsa data.

You are taking on the role of Mike Gonzales. Analyze the Wahaca pricing test data to develop a financial analysis of the proposed price promotion plan, and to make a recommendation for price promotions in Q3 and Q4 of 2017. Of course, both Wahaca and Tesco must agree on the price promotion recommendations for them to be implemented.

Create a report with your analysis, evaluation of the current plan, and recommendations for the next two quarters, including any limitations. In addition, your report should specifically address these questions:

1. Build a regression model of sales for small salsa. State your chosen model, briefly explain why you chose that form for a model and interpret the coefficients. Note that `pop` is in units of 10,000 people.
2. In Excel, build a financial model to evaluate the profitability of Wahaca promotions. Your model should calculate both Tesco and Wahaca profits. **Please focus on average per-zone, per-week profits** separately in both Promoted vs. Non-Promoted weeks (see McCafe Case).
    a. When you consider profit at the regular price, use the actual numbers in the dataset. Assume the regular prices are fixed at the levels in the case: £1.59 in Zone 1 stores and £1.79 in Zone 2 stores. You do not need to consider adjustments to the regular price.
    b. When you consider profit at the Promoted Price, please forecast the promoted volume for Wahaca in two scenarios:

    Scenario 1: Promoted price is £1.19.
    Scenario 2: Promoted price is £1.09.
3. For the two scenarios, compare average Tesco profit on Non-Promoted and Promoted Weeks. Do the same comparison for Wahaca profit.
4. Wahaca has agreed to offer Tesco a scanback of £0.21 per unit sold on promotion. Define Wahaca's **Trade Budget** as the amount the company *expects* to "pay" to Tesco based on the Scenario 1 promoted price of £1.19,

    Trade Budget = (Total units sold on promotion) * £0.21

    Your financial model will generate a prediction of the Trade Budget (using its prediction of the total units sold on promotion). After the promotion, Wahaca will have to "pay" Tesco £0.21 per unit sold on promotion, whatever the promoted price.

    Tesco is considering the Scenario 2 promoted price. If Tesco lowers the promoted price to £1.09, (a) what is the expected difference in the per-zone, per-week trade budget that Wahaca will face and (b) what is the total expected difference in trade budgets aggregating over weeks?
5. After finalizing your promotion strategy, compute what volume Tesco can expect in the 10 new stores for Zone 1 in Q3 and Q4. Assume 26 weeks (total) with 12 promotions and a population of 75,000 per store.

Note: To help predict quantity sold at promoted prices, it is helpful to recall the formula for predicting volumes discussed in class, which has the form:

New Volume = (New Price/Current Price)^(Elasticity) * Current Volume