**IMPROVE YOUR TRADE SPENDING PRODUCTIVITY  
THROUGH PROMOTION OPTIMIZATION**

**By**

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**ABSTRACT**

Trade spending is a business requirement for Consumer Packaged Goods (CPG) companies. The average CPG Company spends 14% of revenues on trade, largely to reduce retail pricing or fund trade promotions. Yet, most managers view this spending as a cost-of-doing-business with few sustainable benefits. This article focuses on a technology called Promotion Optimization developed to improve the productivity and cost-efficiency of promotion spending. Promotion Optimization takes market analytics beyond simple response modeling as it integrates modeled outputs with internal and syndicated data, mathematical optimization procedures, and IT. I start by reviewing how trade spending relates to business growth and how promotion productivity contributes to this. I then build a framework for improving promotion productivity and connect this to the analytical logic behind Promotion Optimization. I discuss the analytical flow including data components, response modeling, and optimization procedures. Finally, I provide a real-world example to illustrate the power of Promotion Optimization.