

CATEGORY COURSE CORRECTION

ELIMINATION OF DEEP DISCOUNTING SAVES \$.6 BILLION IN CATEGORY PROFITS*

A Case in Point by Willard Bishop



Category: Bottled Water



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To learn more about improving
category performance through
strategic promotional and
pricing practices,
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Challenges

At the expense of category profits, retailers have been deep discounting 24-pack bottled water to drive store traffic and increase trips.

Inside the Insights

Willard Bishop, using advanced analytics and its Shopper Behavior Database, along with its Total Store SuperStudy™, helped retailers understand the true impact of deep discounting. Key insights included:

- Realization that deep discounting of economy case pack water at \$1.99 had no effect on store traffic
- “Hot” pricing for case pack economy water reduced basket size and ring
- Discounting attracted “cherry-pickers” and encouraged shoppers to trade down
- Category margins were down 6% despite year-over-year volume growth
- Regardless of handling method (warehouse, direct, cross-dock) selling case packs at \$1.99 resulted in a loss

Trend Reversal

Willard Bishop provided the necessary data and insights to help the branded manufacturer convince their retail trading partners that offering case pack economy water at \$1.99 was a race to the bottom - A race that could cost retailers \$.6B in profit over the next 2 years.

* Source: Nielsen Total US Food, 5% Category volume growth expected. Assumes stable private label cost. Breakout of projected profit savings is \$190MM in 2014 and \$425MM in 2015.

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