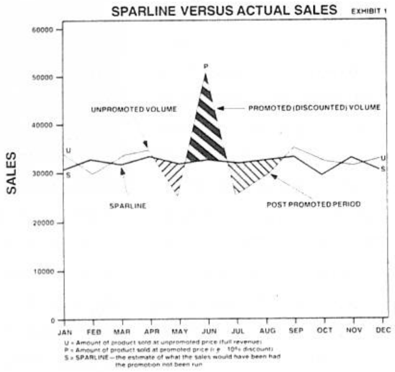
To assist manufacturers in determining the effectiveness of a variety of trade promotions, SPAR, an Elmsford, NY, trade promotion consulting firm, developed what's known as SPARLINE. Briefly, SPARLINE (See Exhibit 1) is defined as the estimate of what the sales would have been had the promotion not been run. It allows the manufacturer to measure accurately the incremental sales and profits from a trade promotion, thereby helping to develop a clear picture of what a trade promotion can, and

SPARLINE VERSUS ACTUAL SALES EXHIBIT 1



cannot, do. Although important for any manufacturer, this measurement of a trade promotion's effectiveness is crucial for any brand that:

- spends heavily on both consumer advertising and promotion;
- has a loyal buyer base that's decreased in the past 10 years;
- has doubled promotion spending in the past 10 years;
- makes 70% of sales through special deals to the trade;
- is losing long-term brand franchises due to underspending on the consumer and overspending on the trade.

In all these cases, a SPARLINE helps marketers get the most from their marketing dollars by helping them select activities that help build a long-term consumer franchise. Without SPARLINE, many manufacturers elect to spend more on trade promotion, in hopes of bolstering short-term factory sales, at the expense of building consumer demand through advertising and consumer promotion. Conversely, finding it hard to differentiate increases generated by trade promotion from those generated by advertising, there's also a danger of increasing advertising budgets at the expense of that part of the trade promotion program that generates true incremental sales and profits. This "see-saw" approach to marketing can eventually hurt a brand, as advertising and trade promotion remain constantly out of "sync" and, in fact, become counter-productive. For instance, where heavy trade activity will prompt a step-up in factory sales, an emphasis on advertising could result in a short-run slackening in factory shipments. Either way, the manufacturer is at an impasse — the trade is well stocked, but consumer demand isn't there; or consumer demand is strong, but the trade support necessary to take advantage of this consumer demand is weak. Clearly, this all-too-common predicament indicates a need for a clear-cut method of determining the most beneficial mix of trade promotion and advertising expenditures.

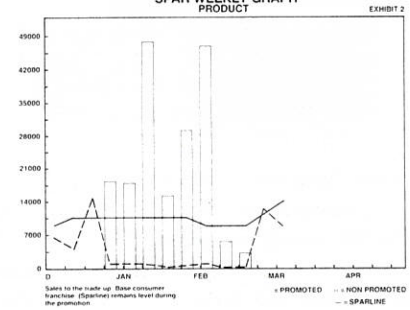
Enter SPARLINE.

To establish a brand's SPARLINE, numerous variables such as trend, seasonality, and marketplace situations such as price, competitive activity, etc., must first be identified and calculated by SPAR. Using a complex, accurate formula, the SPARLINE (i.e., estimate of unit volume if the promotion was not run) is determined for the promoted product. Incremental sales and profits are determined by subtracting the SPARLINE unit volume from the actual unit volume achieved during the promotion period.

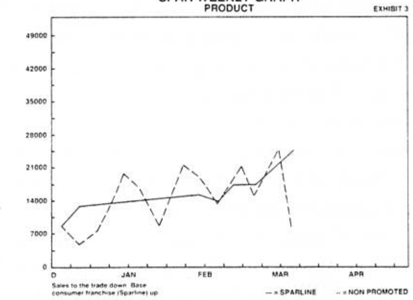
Actual experience shows that manufacturers using the SPARLINE approach can reasonably expect to increase their bottom-line profits by at least 15% of their trade promotion expenditures. This increase results from reductions in trade-deal expenditures without any corresponding loss of sales or from more efficient reallocation of deal expenditures which build sales, market share and profits. These SPARLINE "results" then contribute to the long-term viability of the brand by allowing manufacturers to spend saved, additional dollars in advertising and/or consumer promotion.

Here's an example of the need to calculate the impact of advertising and trade promotion on incremental sales and profits. Exhibit 2 shows sales in a three-month period, in year one, without advertising but with a trade promotion. Exhibit 3 shows the same period the following year, this time with advertising but without trade promotion. Note that in year two, the SPARLINE or base consumer franchise increased, even though short-term factory shipments decreased because the trade promotion was eliminated. Without SPARLINE, it would be very easy for the manufacturer to draw the wrong conclusion that advertising was ineffective and that it was a big mistake to switch money from trade promotion to advertising. In reality, factory shipments did decline significantly, due to the elimination of the trade promotion, *but* advertising did what it was supposed to do . . . increased base consumer demand (SPARLINE) in year two over year one. The conclusion? Advertising was effective in building base consumer demand, but total short factory shipments were down, due to the elimination of trade promotion . . . not the switch in emphasis.

TRADE PROMOTION (NO ADVERTISING)
SPAR WEEKLY GRAPH
PRODUCT EXHIBIT 2



ADVERTISING (NO TRADE PROMOTION)
SPAR WEEKLY GRAPH
PRODUCT EXHIBIT 3



Pioneered at Hershey Foods in 1967, the SPARLINE approach is now typically used by manufacturers to measure incremental sales and profits from each trade promotion, for each brand, size, geographical area and key account. More and more manufacturers are realizing the effectiveness of this highly accurate marketing "measuring stick," and a recent *Fortune Magazine* article illustrated the progress that's been made in this area by Hershey, R.T. French, Pepsi, Kraft and Procter and Gamble . . . a lineup of packaged-goods marketers that speaks for itself and for the SPARLINE approach.

Robert G. Brown, President
SPAR, Inc., (Sales, Promotion Analysis Reporting)