Sales are up. Should you renew the promotion?

A promotion can lift revenue while reducing gross margin. A method to weigh price, volume, margin and target before renewing, changing or stopping the offer. Fictional example.

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The ASK / VERIFY / ACT sequence, followed by review

01 ASK	02 VERIFY	03 ACT	04 REVIEW
Which promotions should we renew, change or stop?	Check the definitions, the scope and the elements used for comparison.	Prepare an approved decision: reduce a discount, narrow the scope or set up a test.	Observe the commercial result separately from confirmation of the action.

Fictional scenario. Not a customer result, not a demand forecast and not proof that DUKE executed a campaign.

Hey cats,

A promotion lifts revenue by 40%. Units sold have doubled. The picture looks favourable, until the team compares gross margin: it has been cut in half. So the question is not only whether the offer sold more. The team needs to understand what it produced and decide what it expects from the next one.

The example below is fictional. Prices and product cost are stated on a comparable basis, excluding taxes. Gross margin here means revenue minus the cost of goods sold only. Campaign, delivery, payment, service and other costs are excluded. This is neither a customer result nor a demand forecast.

Rebuild the result before commenting on growth

Before the promotion, 100 units are sold at $100 each. Product cost is $60 per unit. Revenue reaches $10,000 and gross margin $4,000.

During the promotion, the price drops to $70 and sales rise to 200 units. Revenue reaches $14,000, but gross margin is now only $2,000.

Measure	Baseline	Promotion
Price per unit	$100	$70
Units sold	100	200
Revenue	$10,000	$14,000
Total product cost	$6,000	$12,000
Gross margin per unit	$40	$10
Total gross margin	$4,000	$2,000

The price cut removes $30 of margin from every unit. Doubling the volume does not make up for that gap. At the new price, 400 units would have to be sold to recover the baseline gross margin of $4,000: 4,000 ÷ (70 − 60). That volume is a calculated threshold, not proof that 400 buyers exist.

Choose the result you are looking for

A lower gross margin is not enough to condemn the offer. It may have been designed to clear stock, recruit customers or respond to a specific commercial constraint. Each of these intentions, however, calls for a different measure.

To clear stock, the team needs to look at the quantities remaining, the items concerned and the avoided costs it is able to document. To recruit customers, it needs to separate new buyers from regulars, then observe their later purchases over an explicit period. An order won during a discount does not, on its own, prove loyalty.

The choice must be made before the next promotion. Otherwise, a favourable measure easily ends up replacing the original objective.

Compare options rather than repeat a mechanism

Let us keep only the assumptions of our example, with product cost held at $60. At $80 per unit, gross margin per unit would be $20: 200 units would be enough to reach $4,000. At $90, it would be $30: at least 134 units would be needed to reach that amount.

Price considered	Gross margin per unit	Minimum volume to reach $4,000
$70	$10	400
$80	$20	200
$90	$30	134

These calculations do not say how customers will react to each price. They give the team a framework to discuss the discount, the duration, the scope and the risk it accepts. An offer limited to certain items can also be compared with a general discount, provided that populations and costs are not mixed.

Check that the figures describe the same thing

Before deciding, the team needs to know whether it is counting orders, shipments or invoices. Are cancellations and returns treated the same way in both periods? Do discounts stack? Has product cost changed? Do the identifiers make it possible to tell a new customer from a known customer using another account?

These choices are not presentation details. They determine the result being compared. A total can be calculated correctly and still answer a different question from the one the sales director is asking.

From finding to approved decision

In DUKE Analytics' ASK / VERIFY / ACT approach, the starting question can be: "Which promotions should we renew, change or stop?" Verification then covers the definitions, the scope and the elements used to compare the options.

The decision may be to reduce a discount, narrow the scope or prepare a test. Any action in a business tool must remain subject to the scope, permissions and integration actually available. This article illustrates a decision method; it does not prove that DUKE executed a campaign.

The accompanying decision brief helps document the objective, the baseline, the option chosen, the person who approves and the review date. The commercial result will need to be observed separately from confirmation that the action was carried out. A before/after comparison, on its own, does not demonstrate a causal effect.

Evaluate a promotion with DUKE Analytics

duke-analytics.com/book-demo

Bring one promotion, the data used to judge it and the decision to be made. The team can examine the definitions, the useful comparisons and the implementation scope.

Fillable brief (PDF) · Open the promotion decision brief

Sources and scope

[1] DUKE Analytics — official published product positioning — Describes the ASK / VERIFY / ACT approach. No measured result, causal effect or specific connector is claimed.
https://duke-analytics.com/

All amounts come from the fictional scenario and the calculations set out in this article. Accompanying resource: the promotion decision brief, a practical worksheet with no automatic calculation.

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