Approaches to Modelling the Relationship between Total Distribution and Market Share for Consumer Packaged Goods

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Abstract

Measuring the retail distribution velocity is important for retailers and suppliers to evaluate the performance of their products in a market. This research explores modelling approaches that combine measures of distribution breadth and depth by using Product Category Volume (PCV) weighted total distribution. Multiple model types are evaluated and compared. The results challenge previous hypothesized relationship patterns and show that a careful model selection process is required. Quadratic-, rational function- and multiplicative models achieve comparable good fits to the underlying data, outperforming the linear and exponential models. The study uses scanner data of more than 12,000 stores in the US covering sales revenues of ten product categories with 1,682 brands containing 9,624 Stock Keeping Units (SKUs) sold in 2019. The proposed velocity models can be used for benchmarking competing Consumer Packaged Goods (CPG) brands to support portfolio and category management decisions.

Keywords: *Consumer Packaged Goods; Total Distribution; Market Share*

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