



Rick Stanits is senior director, Vista Client Services for Activant Solutions Inc.

Raising The Bar On Panel Data

Manufacturers have long understood the value of good marketplace intelligence to help them in conducting informed sales reviews and in making confident marketing decisions. But, "good" marketplace intelligence is scarce, especially in an environment of restrictions on availability of point-of-sale data by retailers. This, in turn, has led to alternative methods of measuring the home improvement industry, including consumer panel data. Caution is required in using panel information, however, as not all panel data is equal.

On the surface, consumer panel information offers a wealth of possibilities to the marketer. It provides sales performance insights such as market shares, pricing and, sometimes, sales volumes. This information can usually be filtered down to the home improvement channel (independent hardware, chain home center, lumber, mass merchandiser, etc.) and individual retailer. In addition to delivering knowledge on what was bought and where, panel reports have the unique feature of detailing who purchased the products, by key customer demographics.

So what could be better than that? Well, as we mentioned earlier, there are differences in how consumer panel services are built and these differences can have a very

significant impact on data accuracy. To illustrate, let us review a case study that measured market shares in 27 home improvement product categories, using two distinct methodologies. One method simply was based on raw consumer responses. The other was drawn from available scanned sales data or point-of-sale (POS). The categories cut across all hardware departments, from power tools and electrical to lawn and garden.

Chart A depicts the actual share point difference between the two methodologies

for the leading brand, while Chart B depicts private label (POS share minus Raw Panel share). If POS market share was 20 and raw panel share was 5, the figure posted was -15. It can be readily seen that there were major variations in share, usually with the raw panel data consistently understating brand shares.

As you would expect, POS-based share data is generally regarded as the more accurate information. Yet a wise marketer should place a wide band around shares derived solely from consumer response input.

There are market research services that take the raw panel data and strengthen it with additional marketplace input. My company is one. Even though POS data is not available for all retail channels, it does exist for certain segments and channels of home improvement. A process of carefully incorporating this scanning data with other known market factors (such as new home construction input, retailer growth trends and others) works to create an improved information base—one that approximates the "gold standard" of point-of-sale reports. So, the bar is raised and the advantage goes to the manufacturer who is armed with the best and most accurate information.

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