TRADE PROMOTION MANAGEMENT REPORT 2017

Seeking Shelf Preservation

Future success at retail will require brands to "unlearn" some traditional TPM practices

SPONSORED BY

afs technologies

UpClear

PRODUCED BY

CGT
CONSUMER GOODS TECHNOLOGY

CONTENT PARTNER

Supply Chain Insights™

Trading Places

PETER BREEN,
EDITOR-IN-CHIEF

Back in 2008, when the idea that "shopper marketing" had become critical to success at retail for consumer goods manufacturers, *Advertising Age* infamously defined the evolving practice as "formerly known as trade promotion."

This, folks, was not meant as a compliment. Rather, it reiterated a long-held belief among consumer goods marketers and their Madison Avenue ad agencies that "trade promotion" — which, to them, basically referred to any sales-driving activity undertaken at retail — was counter-productive to their own brand-building efforts. Its focus on price discounts and other deals, you see, eroded brand equity. And shopper marketing was just a glorified version of the same told trade plan.

Never mind that those "detrimental" trade deals often got more product onto store shelves and consumer tables, thereby driving incremental volume and keeping the company's bottom-line strong enough to keep the funding going for all those loftier brand-building campaigns. Above-the-line thinkers never concern themselves with such below-the-line realities.

If advertising has always considered itself to be the "Great and Powerful Oz" of the marketing world, then trade promotion most certainly has been "that man behind the curtain" keeping the organization running.

Not that trade promotion has been totally undeserving of criticism over the years. In too many instances, the practice became the cost of doing business with retailers, a pay-for-play tactic for gaining feature and display space that would usually drive volume but often didn't deliver sustainable sales and too often hurt profits. (The more strategically minded shopper marketing, with its efforts to infuse branding and loyalty building into the equation, was an attempt in part to address these drawbacks.)

The internal processes of trade promotion management and, more recently, trade promotion optimization, have sought to alleviate these issues by allowing consumer goods companies to track their spending and ROI, compare activity across accounts and share best practices, and plan more effective programs.

Unfortunately, improving the practice of trade promotion as it currently exists is no longer enough — not in a marketplace swinging toward e-commerce, where consumers find products on Google rather than in weekly circulars and then order them for home delivery instead of grabbing them off store shelves.

What's needed is not just optimized trade promotion, but reimagined trade promotion. Lora Cecere of Supply Chain Insights, *CGT*'s content partner for this, our first annual *Trade Promotion Management Report*, describes the needed change as a move to "outside-in" planning, where trade promotion stops being a transaction between brand and retailer and evolves into a collaborative response to true consumer demand.

Another necessary step is for trade promotion to be taken out of its internal silo and aligned much more closely with the rest of the marketing plan — not just shopper programs, but all digital activity and even mass media (if your company is still doing any of that — snicker, snicker.) Account-focused programming that remains in historical vacuums truly will be detrimental to the brand's overall efforts.

Cecere warns consumer goods companies ready to make these changes that they'll have to "unlearn" a lot of the traditional practices they've used all along. It will be impossible to move effectively into the future if you're still stuck on "anniversarying" your past.

Welcome to the new world of "outside-in collaborative planning" — formerly known as trade promotion.

CGT
CONSUMER GOODS TECHNOLOGY

MANAGING DIRECTOR AND PUBLISHER
Albert Guffanti
aguffanti@ensembleiq.com

EDITORIAL
Editor-in-Chief: Peter Breen
pbreen@ensembleiq.com

Editor: Alarice Rajagopal
arajagopal@ensembleiq.com

Contributing Editors:
Tim Binder, Jamie Grill-Goodman, Nidhi Madhavan, Patrycja Malinowska, Charlie Menchaca, Samantha Nelson

SALES
Associate Brand Director: Bill Little
blittle@ensembleiq.com

Sr Account Executive: Jolly Patel
jpatel@ensembleiq.com

Assistant to Brand Director: Jen Johnson
jjohnson@ensembleiq.com

EVENTS
SVP, Events & Conferences: Maureen Macke
mmacke@ensembleiq.com

Director, Event Planning: Patricia Benkner
pbenkner@ensembleiq.com

Director, Event Content: John Hall
jhall@ensembleiq.com

MARKETING
MARKETING DIRECTOR: Kim Sterling
ksterling@ensembleiq.com

CIRCULATION
Director of Audience Development: Gail Reboletti
greboletti@ensembleiq.com

Audience Development Manager: Jeffrey Zabe
jzabe@ensembleiq.com

ONLINE MEDIA
Director Product Development: Jason Ward
jward@ensembleiq.com

Web Development Manager: Scott Ernst
sernst@ensembleiq.com

Online Project Manager: Whitney Gregson
wgregson@ensembleiq.com

ART AND PRODUCTION
Corporate Director of Production: Kathryn Homenick
khomenick@ensembleiq.com

Creative Director: Colette Magliaro
cmagliaro@ensembleiq.com

Production Manager: Pat Wisser
pwisser@ensembleiq.com

Subscriptions: 978-671-0449

CORPORATE OFFICERS

Alan Glass	Executive Chairman
Rich Rivera	Chief Operating Officer/ Chief Brand Officer
Len Farrell	Chief Financial Officer
Korry Stagnito	Chief Business Development Officer & President, EnsembleIQ, Canada
Ned Bardic	President of Enterprise Solutions/Chief Customer Officer
Joel Hughes	Chief Digital Officer
Greg Flores	Chief Human Resources Officer

EnsembleIQ
SMARTER TO MARKET

CORPORATE OFFICE
1 GATEWAY CENTER
11-43 RAYMOND PLAZA, FL 16
NEWARK, NJ 07102
973.607.1300 • Fax 973.607.1395
www.consumergoods.com

PRINTED IN THE U.S.A.

STATE OF THE INDUSTRY

Building Outside-in Processes

BY LORA CECERE, SUPPLY CHAIN INSIGHTS LLC

In the boardroom, the pressure is on. The consumer goods industry is battling multiple forces. The internal dialogue focuses on the impact of the "Amazon Effect," cost pressures from the "3G Effect" (shareholder activism), and the potential challenges and benefits of disruptive digital innovation.

In this environment, traditional marketing programs don't work nearly as well as they did in the past. Traditional supply chain programs don't work as well either. They're too insular. The traditional approach is inside-out, focusing on enterprise processes and transactional efficiency to improve order-to-cash and procure-to-pay.

To compete in today's market, companies need to sense and respond from the channel back. The focus needs to move beyond the four walls of the enterprise.

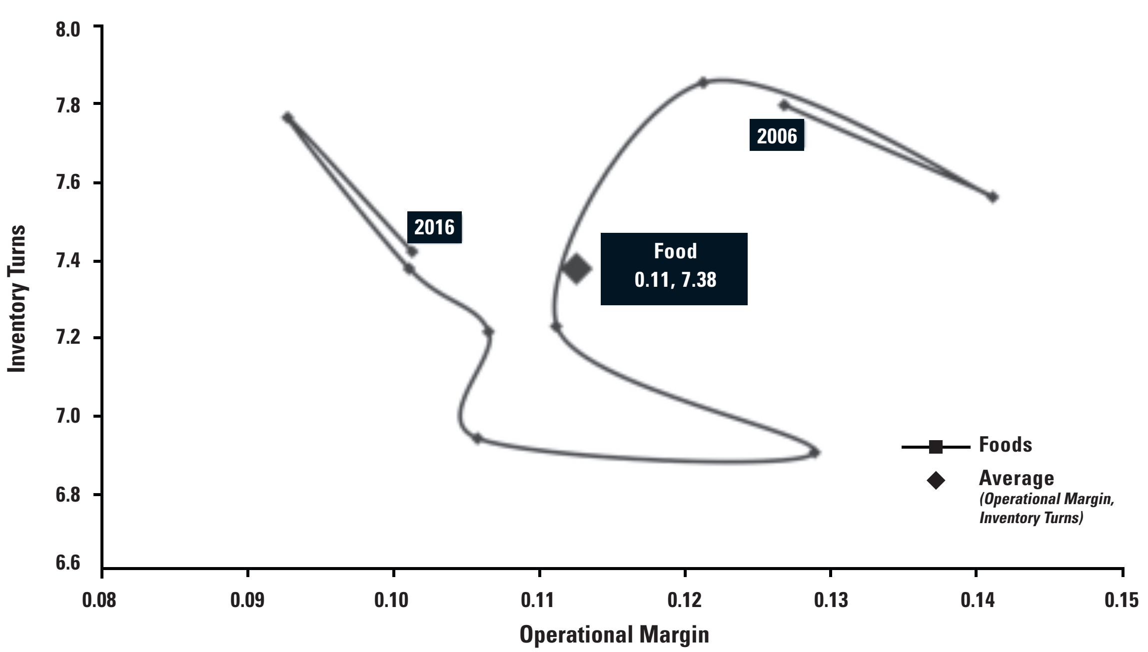
Why Is Outside-in Important?

To understand the criticality of process redesign, let's take a close look at one specific industry segment. As shown in Figure 1, the food segment has experienced a steady decline in operating margin (despite the benefit of declining oil prices). The main issue has been an increase in item complexity and its impact on costs. Mistakenly, consumer products companies have attempted to grow through acquisition over the last few years.

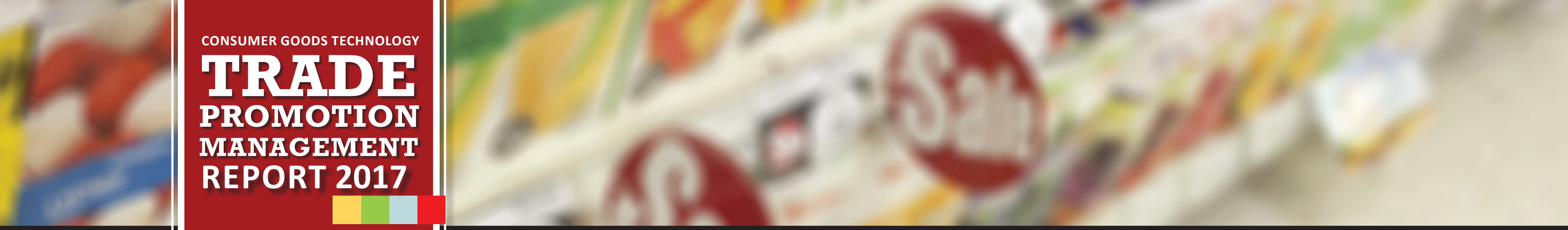
Aligning with the Shopper

Consumer goods companies are still trying to survive on large, standardized systems that produce massive volumes of the exact same product. Those days are gone. What's needed are outside-in processes that focus on the shelf and, most importantly, the shopper.

FIGURE 1: Annual Food Industry Shifts in Operating Margin vs. Inventory Turn



Source: Supply Chain Insights LLC, based on corporate annual reports from 2006-2016 via YCharts



State of the Industry

Today's shoppers want locally sourced goods. They seek fresh, personalized products. They want wellness. They want convenience and product quality.

There are many market factors to consider. Among them:

New retail formats simplify shopping: Extreme discounters Aldi and Lidl are emerging in the U.S. as masters of store efficiency. While the traditional grocery store has more than 40,000 items in 250-plus categories, these Germany-based retailers have 80% to 90% fewer items in half the categories. The result is simpler shopping, as well as far fewer line extensions — and less brand variety — on the shelves.

This creates tension: Traditional consumer goods companies have added 38% more SKUs to their item master over the last five years. These line extensions drive cost and complexity.

Trust is eroding in big brands: The introduction of such successful start-ups as product manufacturer Honest Company and online retailer Brandless is a megaphone for consumer sentiment. Even their names defy big brand power.

At the same time, private label is growing. The penetration rate is 18% in the U.S.; it's 45% in Switzerland. Big consumer brands are losing share. The center store is moving online. Yet many traditional brands have been slow to build a strong online presence.

FIGURE 2:
Driving Digital Outside-in Transformation

Traditional Thinking	Transformative Shifts
Inside-out Processes	Outside-in Processes
Focus on Efficient Organizational Silos	Design of Value Networks
Use of Transactional Data with a Focus on History · Batch Processes · ERP Architectures · Linear Optimization	Use of Multiple Data Forms: · Design of Processes to Enable Data to Move at Multiple Speeds · Use of Unstructured and Structured Data · Open Source
Focus on Response	Shifts to Sensing to Drive an Intelligent Response
Process Standardization	Autonomous and Localized Processes

Source: Supply Chain Insights LLC

E-commerce is changing everything: As Amazon extends its tentacles, stretching into supply chain crevices and redefining capabilities, many corporate boards are realizing that the future may be in doubt if they don't act now. Meanwhile, shareholder activism is increasing, with industry giants like Procter & Gamble, Mondelēz and Nestlé being threatened. (It's why Kraft and Heinz are now a single entity.)

How to Improve Margin and Share

Match Physical to Digital. Most companies are presenting a gap between the physical world and the digital online experience to the marketplace. E-commerce today is only 4.0% of total sales (although it varies widely by product category). But it's expected to be 8.0% in 2021 and will continue to climb. Consumers want the package they view on their laptop or phone to match the physical reality. For manufacturers, this is a major issue that requires them to rethink both digital asset management and product delivery.

Aggressively Implement Smart Label. Consumers want to scan the shelf and view the life of the product. To gain market share, manufacturers should aggressively develop smart labeling to provide greater shelf visibility. This will require reworking data capture and other elements of the business process, but it is becoming a necessity with consumers.

Redefine Trade Promotion Spending. Start with a key one and make the transition category by category. Overhaul price/pack architectures, then take the 20% of revenue normally spent on trade promotion and reinvest it in building the omnichannel experience. Recognize that trade spending shifts demand rather than shaping and increasing baseline lift. As a result, it increases the cost of the product through marketing spend and related supply chain costs. Help wean the company off this bad drug called traditional trade promotion management.

Reduce Complexity. The consumer packaged goods industry has excelled at line extensions. But they've provided little value for consumers and added complexity to their decision-making — as well as to the manufacturer's supply chain. They are a fundamental driver of higher costs. Although their launches allowed marketing to check the box on new product introductions, most were not successful. The solution? Simplify. Streamline the consumer experience by rationalizing line extensions.

Invest in Fresh and Wellness. Cookies, snacks and the like are declining in a market seeking fewer packaged foods and more wellness options. Redesign the supply chain to deliver localized assortments of fresh products to deliver on these wellness trends. Rethink categories to align with consumer needs and deliver on new value propositions.

The Mirage of Outside-In Processes

To remain in step with market trends, consumer goods companies need to build outside-in processes. That includes learning to use channel data and sensing demand. They need to test and learn from cross-channel consumer patterns, and mine unstructured data to understand consumer sentiment.

The winner will not be the one who "yells" the loudest through marketing, but the one who listens the best through outside-in processes. The challenge in doing so, however, is to break down functional silos. Companies need to be market-driven, not marketing-driven.

An inside-out process can't be modified to become outside in. The outside-in process must be defined as such from the beginning.

The reason? An inside-out process is insular, all about the company. An outside-in process starts with the channel; data is synchronized to flow across markets rather than simply being integrated. The architectures are also very different. Some of these are defined in Figure 2.

Companies can start by drawing the outside-in flows on a whiteboard. Think of the data and signals in the channel that can inform systems and drive a better response. Then list the data and flows in the supplier base needed to succeed against the business goals. As a next step, list the goals and new requirements from the customer. Build the flows by listing all the data forms — from structured, unstructured, streaming, and federated sources — that can inform the decisions. Then identify the potential of outside-in processes.

Building outside-in processes literally requires thinking outside the box — the box in which most companies currently find themselves: saying they need to innovate but then limiting their thinking to traditional enterprise-based processes.

The four walls of the enterprise are the box. But the future of digital innovation is not enterprise thinking. Consumer goods companies must leave the past behind, to unlearn before they can relearn. ●

TRADE PROMOTION EFFECTIVENESS

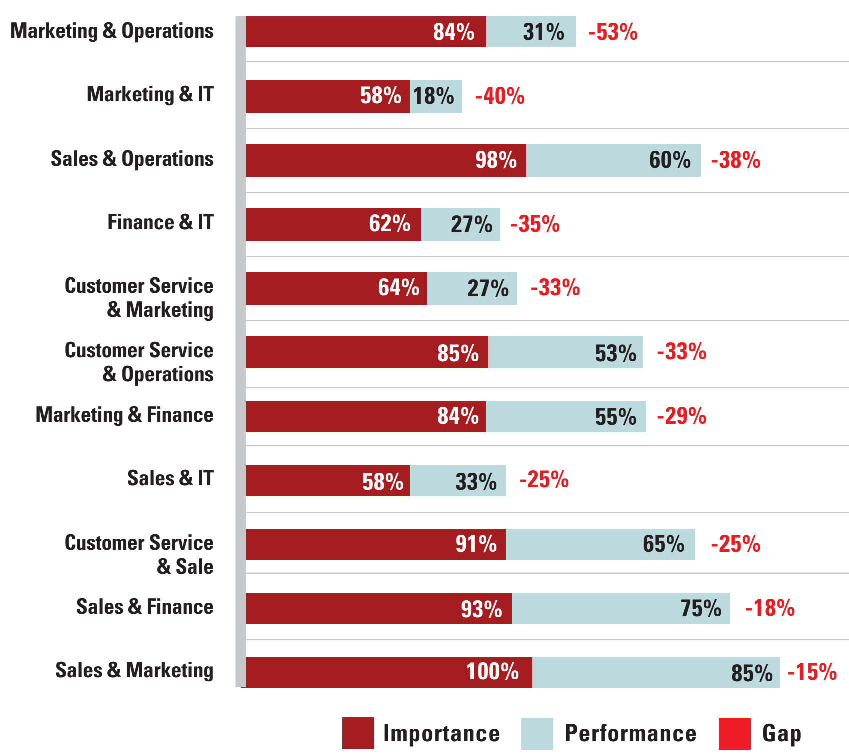
Break Down the Silos

Organizations cannot be effective operating in strong functional silos.

Strong silos that are not aligned prohibit companies from developing an effective market response. And alignment has never been more critical in an age when sales channels and marketing tactics are more numerous and complex than ever before. What's more, aligned organizations deliver better customer service at a lower cost — yet alignment is still elusive for most companies.

There are a number of reasons. And it starts with conflicting performance incentives. The sales department is focused on volume and effectiveness, while marketing is incentivized on market share. Meanwhile, the supply chain organization is focused on cost mitigation. Only 50% of trade activities are evaluated, and most organizations that do so lack a consistent set of metrics for judging effectiveness.

FIGURE 3:
Team Alignment on Go-To-Market Tactics



Source: Supply Chain Insights LLC

Q1: How important it is for the following teams to be aligned around your go-to-market tactics? Scale: 1=Not at all important, 5=Very important.
Q2: How aligned are these teams? Scale: 1=Not at all aligned, 5=Very aligned.
(Graph only shows responses with ratings of 4 or 5.)

Effectiveness

As a result, the functions are not able to effectively execute on go-to-market tactics like price, "buy one, get one free" or new product launches. The traditional focus on improving functional excellence creates tension at a time when the increased complexity of marketing tactics demands alignment. With a shift toward greater personalization and item configuration, it's tougher for functions to work together.

Issue 1: Conflicting Roles for Trade

Another reason is the way trade tactics are managed. As shown in Figure 3, many companies exhibit an alignment gap between the commercial teams of sales and marketing, sales and operations, and also between the information technology team and the marketing and finance teams.

The first generation of trade promotion management addressed control: checkbook functionality to track expenditures. Emerging functionality enables the translation of demand insights into prescriptive analytics to sense and respond market demand. Although companies want to grow, they can't maximize the effectiveness of such newer technologies without aligning their metrics.

The role of trade promotion is different for each function. The goal for sales is growing volume. For finance, it's spend effectiveness. For marketing, it's growing market share, and for the supply chain it's customer service. Given all that, it's hard for an organization to agree on a definition for "trade promotion effectiveness."

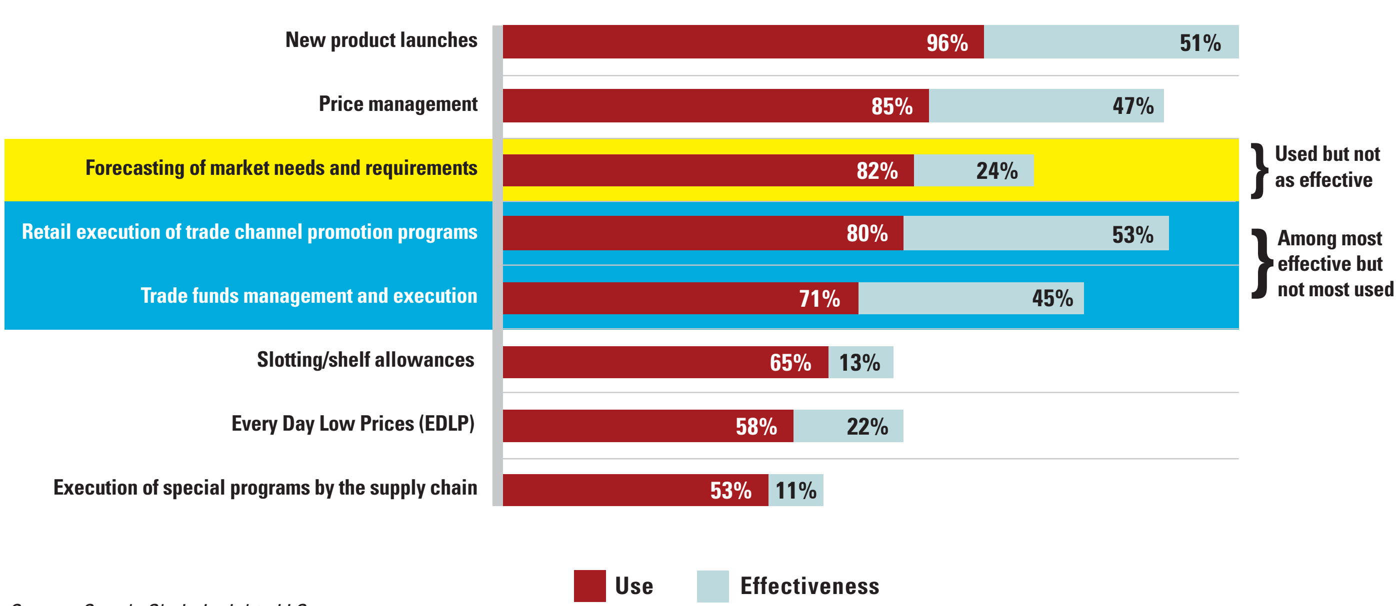
The first step is closing the gaps between the functions, and defining over-arching metrics on trade effectiveness across functions. The change management issues are greater than those associated with technology implementation.

Issue 2: Outdated Forecasting Practices

The tactics used to stimulate volume and improve spend effectiveness are varied: new product launch, price management, slotting/shelf allowances and special programs, to name a few. They are growing more complex. And each tactic increases forecast error and bias.

As noted in Figure 4, the most common go-to-market tactics are often the least effective. Forecasting trade lift is becoming increasingly complex and requires greater focus and skill levels. The forecasting techniques of the 1990s aren't adequate. But the responsibility for improving forecasting is a hot potato

FIGURE 4: Tactic Analysis: Usage vs. Effectiveness



Source: Supply Chain Insights LLC

Q1: What go-to-market tactics does your company use? (Please select all that apply.)
Q2: Which are the three most effective go-to-market tactics?

Bringing Clarity Back into The Picture

DATA, INTEGRATION, AND COLLABORATION ARE THE KEYS TO THE FUTURE OF TPM

EDWARD BISHOP
Business Development Manager

UPCLEAR
151 W 19th St, 12th Floor
New York, NY 10011
info@upclear.com
212.989.5000

UpClear's BluePlanner is a best-in-class platform for revenue management covering customer business planning, TPM, analytics and TPO. UpClear serves clients in over 20 countries across the Americas, Europe, Asia, and Africa. Brands and companies we work with include Danone, Equal, Evian, Ferrero, Hovis, Jelly Belly, LALA U.S., Reckitt Benckiser, Splenda and Zest.

Back in the "good old days," it was the job of the Marketing team to create demand through advertising and brand building. The Sales team was then tasked with ensuring that the retailer's shelves were well stocked and, on occasion, a promotion was run. Both teams were separate, eyeing each other with mild suspicion and talking just once a year at the holiday party.

Today, in successful CPG companies, collaboration between Sales and Marketing is essential to ensure aligned promotional plans –both horizontally and vertically – and achieve shared organizational KPIs. Increasingly too, there is a third element in the form of a "Revenue Growth Management" (RGM) team, described either as the "oil" or the "honest brokers" between Sales and Marketing.

To drive this internal collaboration, ensuring that each team is working toward "one number" and information flows across the organization rather than getting stuck in departmental silos, companies need solutions that deliver data integration from disparate sources. Marketing teams need to communicate their broad brand plans, RGM interprets these and translates them into commercial plans, and Sales is responsible for the detailed pre-event planning and actual execution.

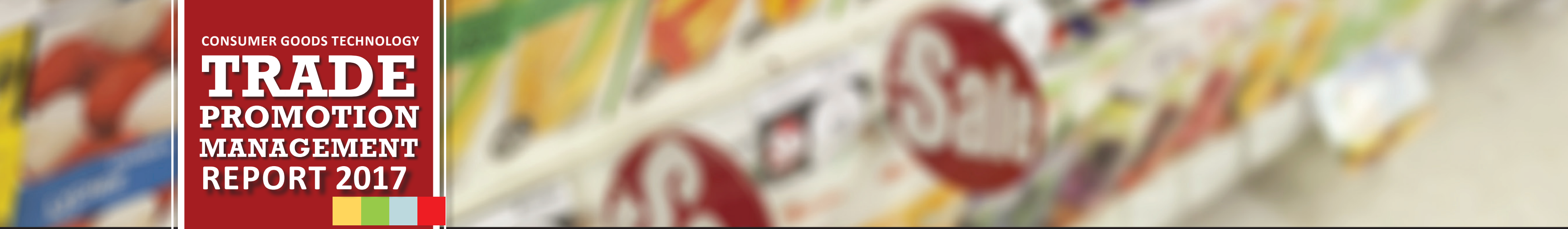
Now, there are also "post-event" needs: Purely relying on "shipment" numbers is not enough anymore. CPG companies need to integrate third-party and sales-out data to truly understand the ROI of their activities. This again requires collaboration, both with retailers and the providers of "actual" sales numbers.

Data needs to flow in near-real time across departments and between the various elements of a company's IT landscape. Speed is increasingly of the essence to deliver insight-driven decision-making and enable "course correction" if necessary.

These demands will only increase in the future as more data becomes available and is used to inform commercial decisions. The number of data points will multiply as businesses look to create a truly holistic revenue management landscape that incorporates both internal metrics and external consumer-centric information from, for example, social media sources. Marketing, RGM, and Sales collaboration will be even deeper as promotions become more targeted and each individual consumer becomes a "segment of one." CPG companies then need to work with their solution providers, collaboratively discussing these evolving business challenges and together building the solution roadmap to meet these changing needs. Vendors need to be agile, responsive, and creative in their thinking and approach, with a vision for how the market will evolve.

Increasingly, too, vendors need to accept that their "niche" specialization brings benefits to CPG clients only if they can integrate easily across a wider IT landscape and with other providers similarly focused on developing best-in-class tools. This will provide end users from Marketing, Sales, and RGM with a one-stop, single-sign-on tool that seamlessly integrates data from multiple sources through a state of the art and simple user experience. Swan-like calm should be all that users see, while integration and data agglomeration go on seamlessly below the surface – or, in this case, up in the cloud!

Only then will true collaboration – between manufacturers and retailers, clients and vendors, and with shoppers – be possible.



Effectiveness

between functions and, although it's commonly cited as an issue at organizations, the leadership needed to improve forecasting is a scarce commodity because too few understand the issues that are involved.

Issue 3. Demand Management Conflicts

Another issue is the isolation of processes within sales account teams. Within an organization, there are many forms of demand management, and most are not connected.

The average company has more than 50% of its volume moving through vendor managed inventory (VMI), and the account teams typically employ forecasting technologies and processes that aren't coupled to enterprise systems. Most teams are self-serving, operating in isolation.

And given that the average company has more than 25 account teams, there are many disconnected and often ineffective forecasting processes. This is one of the key issues driving misalignment between sales teams and back-office operations.

Among the effectiveness gaps shown in Figure 4, forecasting stands out like a sore thumb. It's used often, but it's not effective. The complexity of sales tactics ups the ante. And while technologies have matured and evolved, few are actively fixing these issues.

And the most critical issue of them all is alignment. ●

INDUSTRY RELATIONS

Bridging the Divide Between Vendor-User Perspectives

When it comes to managing channel performance, consumer goods manufacturers lag behind high-tech industries, where there is greater discipline and alignment between business users and their technologist partners. In that field, both sides are clear on "what good looks like."

This is not the case in consumer goods. Despite a slide in margins over the last decade and an increase in channel complexity, 62% of business users in this industry believe that their processes for revenue management are effective. But only 23% of technologists and consultants agree that processes at a typical consumer goods company are effective (see Figure 5). And that sizeable gap in perception is a critical barrier to driving greater value for trade tactics going forward.

To foster process improvement, technologists and business users must be better aligned.

The differences are many. The first is analytics and the time required to sense trade promotion effectiveness. As seen in Figure 6, technologists/consultants believe that trade spend can be evaluated in two weeks on average while line-of-business users report four weeks. This time gap is an opportunity. Companies need to mine demand insights and evaluate trade effectiveness faster.

A second difference involves the use of trade analysis to identify effectiveness. Only 17% of technologists/consultants believe that most sales teams take appropriate action after noting changes in revenue and trade spending impact; 40% of the line-of-business users believe this happens (see Figure 7).

The third difference involves measurement. While technologists/consultants are more focused on the use of trade management tools to improve volume, business users zero in on spend effectiveness. That's a disconnect because those are different goals.

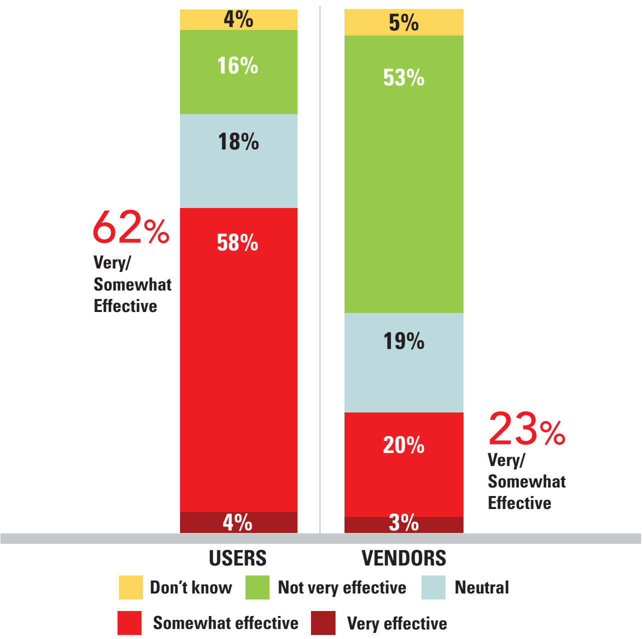
All trade promotion techniques increase demand error and accelerate the velocity of items on the shelf. As this happens, there's a higher probability of out-of-stocks. These gaps cannot be measured unless processes start at the shelf and transmit shortages along with the lift from deployed tactics. Shelf performance needs to be taken into account in trade evaluation.

This isn't happening today, when (as noted earlier) finance is motivated by spend effectiveness, sales by volume, marketing by share and, therefore, no one is aligned on goals. This internal focus on siloed goals prevents a more holistic outside-in, customer-centric view.

To foster process improvement, technologists and business users need to be more aligned. The over-arching problem is that the technologist view tends to be more academic and theoretical. Many technologists espouse solutions without having the experience-influenced perspective of their clients' companies, and they overlook the organizational complexity across account teams, sales operations, marketing and finance.

With the evolution of advanced analytics and outside-in processes, the opportunity

FIGURE 5: Revenue Management Effectiveness: User vs. Vendor Perceptions



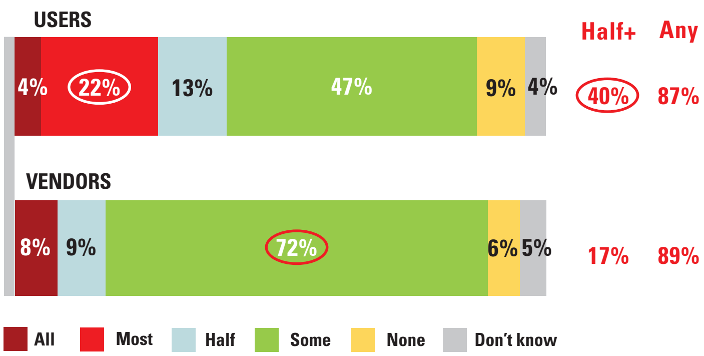
Source: Supply Chain Insights LLC

(Vendors = software providers, consultants & analysts)
Q: How effective is your company at revenue management? Scale: 1=Not at all effective, 5=Very effective, 0=Don't know
(Vendors asked to give their opinion of a typical consumer products company.)

to close these gaps is here. It will require open dialogue, with the technologists taking a "walk in the shoes" of the business user.

The gaps between functions must be closed through the design and implementation of technologies delivering outside-in digital transformation. Companies need to understand the power of real-time demand insights and the value of sense and respond capabilities to the shelf. ●

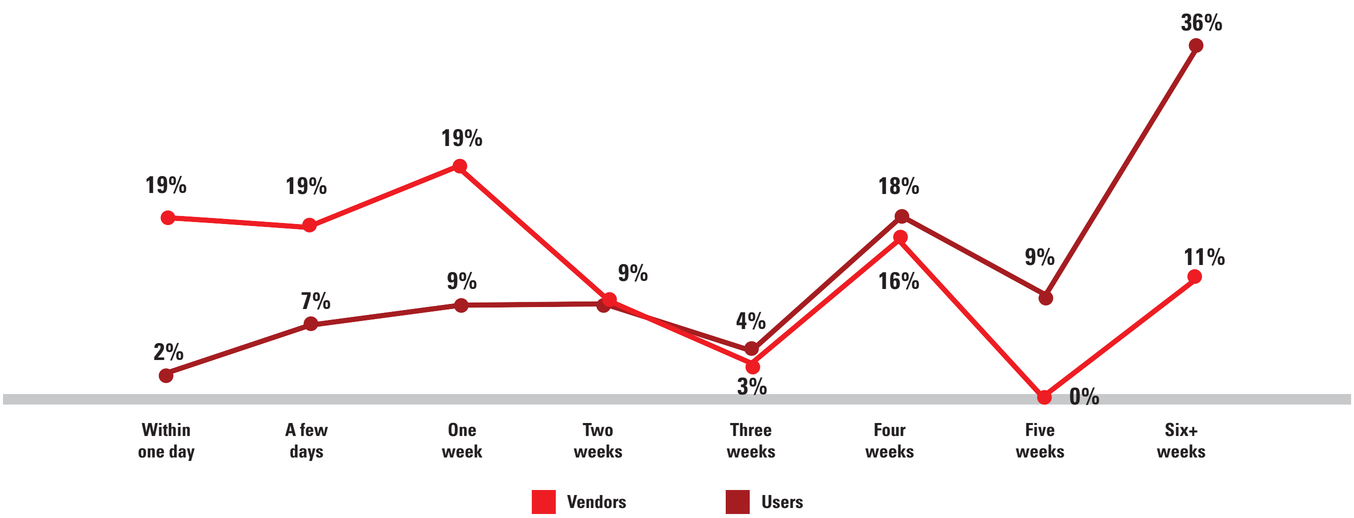
FIGURE 7: Use of Current Trade Management Analysis by Sales



Source: Supply Chain Insights LLC

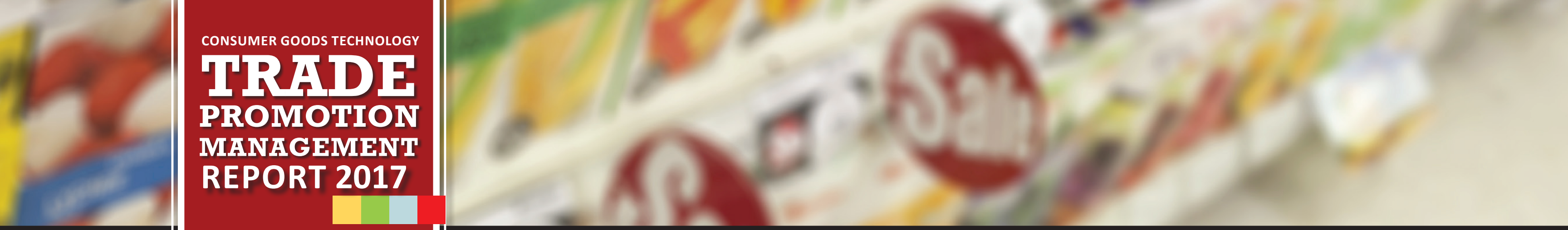
Q1: How much of your sales force pays close attention to these effectiveness analyses and changes future plans based" on this information? (Vendors asked to answer for what they think a typical consumer products company should do.)

FIGURE 6: Time to Determine Trade Promotion Effectiveness: Users vs. Vendors



Source: Supply Chain Insights LLC

Q: How long does it take your team to determine if a trade promotion and/or retail execution is effective at meetings its goals? (Vendors asked to answer for what they think a typical consumer products company should do.)



STATE OF TRANSFORMATION

Making the Pivot to Digital

Since there currently is no single definition of "digital enterprise" accepted throughout the industry, the idea of "digital process innovation" is more a theoretical goal than a realistic one.

Consumer goods companies want to drive digital transformation, but there is still uncertainty about process definition and desired outcomes. Recent research conducted by Supply Chain Insights finds that 49% of companies have undertaken a digital strategy in either revenue management, trade promotion or consumer/customer engagement (see Figure 8).

An organization's digital strategy is often an extension of its digital marketing: use of social media, ratings/review data, digital advertising, micro-media strategies, localized assortment, sentiment analysis and online strategies. These practices represent a fundamental shift by the enterprise to sense and serve consumers from the outside in.

The focus is on both speed and quality of response. This is difficult when processes are anchored on the enterprise — inside-out, centered on data sources with weeks of latency. Few companies have as yet aligned to drive a full cross-functional digital transformation. Here are a few options for achieving this evolution:

Autonomous Process Sensing
Automating business processes through cognitive learning and artificial intelligence reduces labor and the need for people to "touch" data. We are three to five years away from redefining trade promotion through cognitive computing.

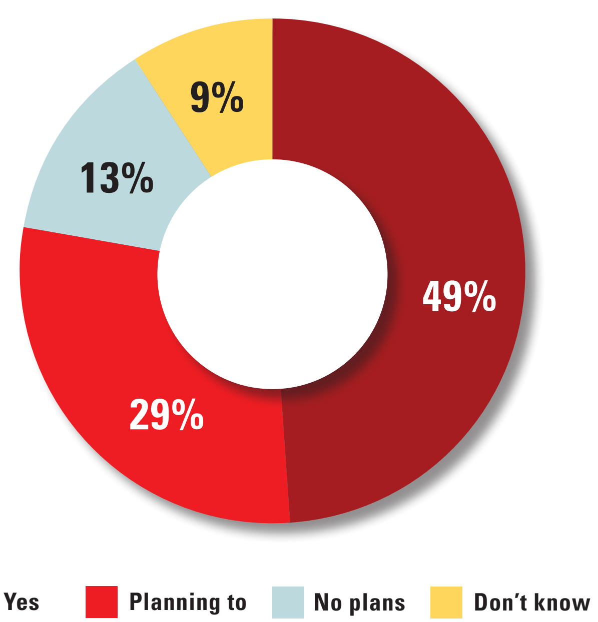
Value Chain "Uberization"
This means building platforms to enable shared resources across a community. This can include a platform for commonly used materials like pallets, display racks and delivery trucks.

E-Commerce and Cross-Channel Response.
Redesigning channel response can maximize the value of e-commerce and shifts in shopping behavior. This includes maximizing test and learn, which lets companies evaluate packaging, product assortment and artwork through e-commerce before deployment. Knowing the e-commerce shopper — age, sex, and other demographics — enables in-vitro testing and learning.

Internet of Things
The use of machine-to-machine streaming data improves outcomes by facilitating real-time response. This can include the quality of cold-chain delivery and sensing replenishment for vending machines, food service dispensers, and the store shelf.

Listening/Cloud-Based Computing
Using unstructured data (social sentiment, warranty, and quality) improves organizational productivity and enables outside-in processes to be market-driven. More mature companies have cross-functional groups organized to respond to a listening post. The demand-driven value network is maturing into a market-driven one.

FIGURE 8: Steps to Digital Transformation



Source: Supply Chain Insights LLC

Q1: Is your company currently undergoing a corporate-wide digital transformation of any major revenue management, trade promotion or consumer/customer engagement area (including marketing, social media, e-commerce, or related service areas)?

Transforming — and Re-transforming — Sales in a Technology-Enabled World

KURT KAISER
Vice President,
Business Development,
AFS TPM Retail

You might not know it, but your company is a technology company. It doesn't matter what you produce – companies in our industry are as dependent on technology as we are on the air that we breathe. We live in the technology age. As context, realize that people entering the workforce who were born in the mid-1990s have never known a world in which the internet did not exist. They are "digital natives."

With that said, technology companies – all companies – occupy their own place on a continuum. Businesses are varied in size, have different priorities, and have various levels of resources. They use technology in diverse ways, for unique needs, and with different levels of detail, scrutiny, expectation, and investment.

No matter where you are on that continuum, digital transformation is the adoption of technology to modernize your enterprise and improve business productivity and performance. The goal isn't the same for everyone, and there isn't a finish line; it's more like completing stages in a video game: you finish one and move on to the next level. The bar will get higher as you evolve, as new capabilities are created, and as underlying technologies are improved.

Trade promotion, in a narrow sense, is the discounting and promotional tactics that attract shoppers to a product. We know, however, that it's so much more. It is the yearlong, cross-functional planning, persuasion and execution process that delivers sales for your company.

The quotient of trade promotion and digital transformation is profit. Money can be saved and profit can grow by working more efficiently and deploying the trade spend investment in smarter ways. Technology is the great enabler of both.

If you haven't yet begun the transformation of your sales organization in earnest, here's what will change when you do. It will be easier to get the information you are seeking. Information will be more accurate and will flow faster. Data will have more depth. You will have a better understanding of winning and losing customers, products, and activities. Used correctly, you will be able to improve prioritization and negotiate better deals.

If you've already begun your journey, there are countless ways to increase your ability to persuade customers with even deeper analytical insights and predictions. And new enabling technology, like blockchain, is showing how disputes can be reduced or eliminated and the speed of business can improve (and costs can be reduced) with a definitive record of business transactions (just imagine a world without post-audits). Finally, we all must navigate the new reality of the screen being the point-of-purchase.

To get started or to take the next step, you need dedication to the cause. Commit your organization to a new mission that includes customer and employee experience in the technology-enabled world. Learn what they desire and how they behave. Identify the biggest opportunities and take action; small steps at first, but consistent activities that build momentum. When you decide to do something, set a budget and timeline, and hold the participants in the project accountable. Finally, continue to educate yourself. Much has changed in just 20 years. Chances are, we haven't seen anything yet.

afs technologies

AFS TPM Retail makes consumer goods sales, finance, and operations professionals more efficient and arms them with the insights they need to drive better financial outcomes. More than 20,000 users across 120-plus companies use AFS TPM Retail to manage all aspects of the trade planning process: objective setting, account planning, settlement & analysis.

State of Transformation

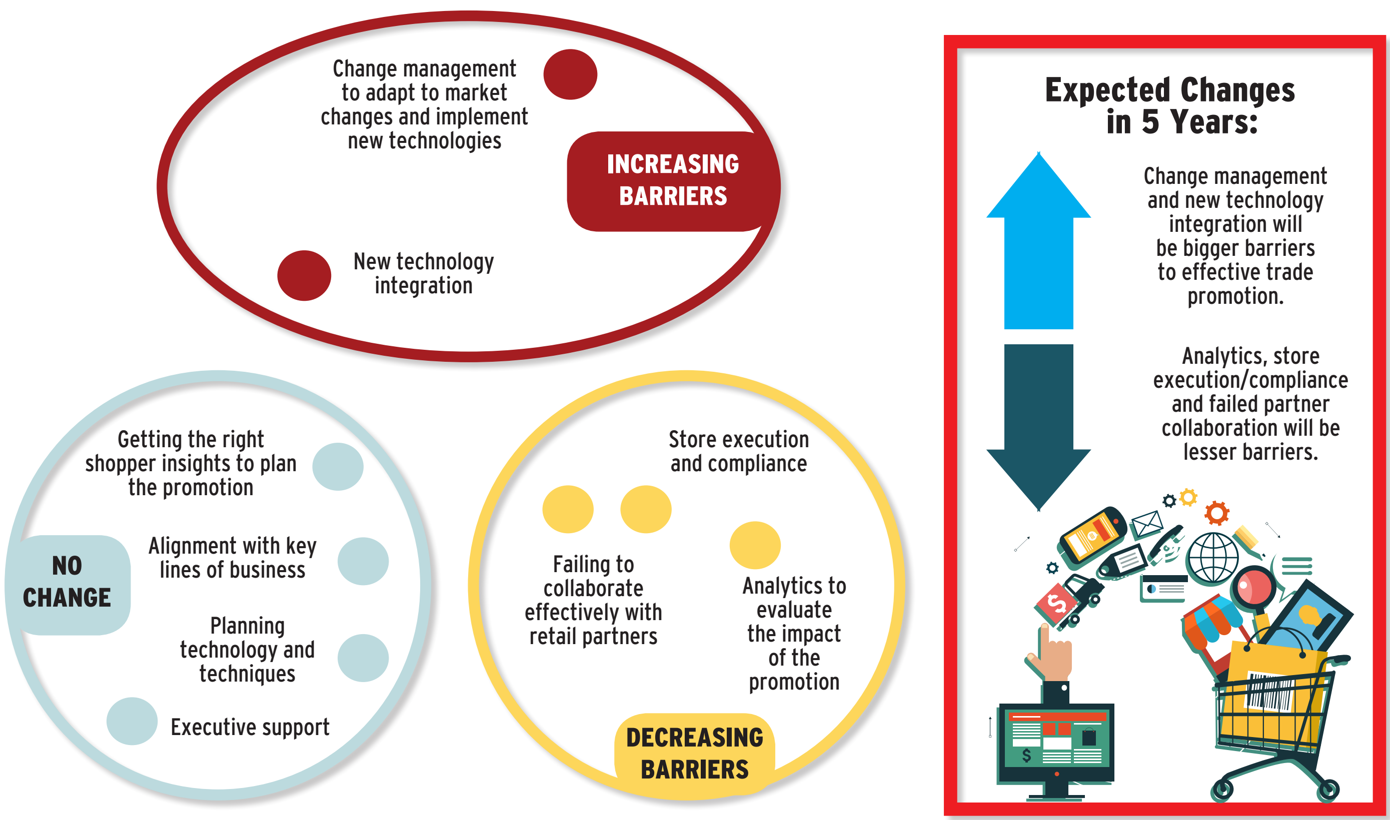
To improve channel response in a digital transformation, companies must be more aggressive about overcoming the barriers noted in Figure 9.

One major opportunity for digital transformation is the integration of new technologies that can improve analytics, mobility, social listening, consumer sensing and in-store sensing. (For example, how can companies use pictures generated by in-aisle robots to identify out-of-stocks? Or how can teams more aggressively test and learn across channels to better tailor trade promotions?)

The possibilities are endless, but only if consumer goods companies can align cross-functionally through a focus on the shopper. For many, this is still a major hurdle. ●

FIGURE 9: Shifts and Barriers in Trade Promotion Management

WHAT ARE THE TOP THREE BARRIERS TO EFFECTIVE TRADE PROMOTION?
2017 VS. 2022



Source: "Revenue Management: Rethinking the Digital Transformation" (Supply Chain Insights LLC, 2017)