

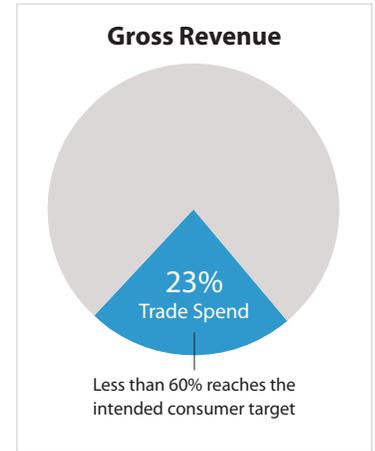
Gaining the Information/ Intelligence Advantage via Trade Promotion Optimization

T-Pro **Solutions**
Optimizing Promotion Return

Overview

In this article we discuss the root causes of the CPG industry's lack of progress on meaningful collaboration between retailers and manufacturers. Although collaboration is a stated goal, the implementation of this objective has been difficult to execute.

Trade spending, the "Silent Killer of CPG Profit Margins," has placed the CPG sector at a crossroads. Mature CPG sector profit margins have eroded significantly for both the retailer and manufacturer. Trade spend in the past two decades, as a percentage of CPG manufacturer revenue, has **doubled**. The average trade spend in the sector has reached 23% of gross revenue with less than 60% reaching the intended consumer target.



The food industry is caught up in a promotional trap, says Kraft CEO: 'All of us have to realize it's not the long-term way to run a business'

By Elaine Watson, July 31, 2014

Trade spending is not delivering in the way that it used to, and if the food industry wants to deliver profitable growth, it needs to reallocate resources into bigger and better innovations and brand-building - which "requires discipline," says Kraft Foods Group boss Tony Vernon.

<http://bit.ly/1nGpcFj>

The Challenge

Between escalating expenditures and diminishing return on investment, both retailers and manufacturers have employed the "Insanity Strategy" — do the same thing over and over and expecting a different result. Unfortunately, the "insanity strategy" has resulted in significant margin erosion within the CPG sector, as evidenced in the number of manufacturers and retailers that have merged or been acquired.

Over the past 20 years, as profits have eroded, the retailer and manufacturer have become "trading adversaries." This in turn, has compounded the growing mistrust of each other as collaborative "trading partners." The time is now for a paradigm shift regarding the significant trade spend deployment in the sector.

Average CPG Trade spending has reached an average of 23% of gross revenue. It represents the largest opportunity for increasing profits or wasting money. The challenge is that the connections between cause and effect are not clear. The collaborative tools are not being implemented and therefore, CPG companies are not able to control their spending and forecasting with confidence.



Change Your Questions to Guide Measurement Insights

Here are some questions that need to be answered:

1. What would happen to my profits if I gave a 10% budget increase to Marketing? Decrease?
2. How can I measure my various customer marketing programs' impact on revenue and profit?
3. How can I best communicate customer marketing results with my executive team and board?
4. Which personnel, procedural, and cultural changes need to occur within my organization in order to implement a TPO solution?
5. What are the relevant benchmarks for historical, competitive and CPG marketplace ROI on TPM?
6. What can be gained through collaboration? Why has it not happened yet?
7. How can I give sales the tools they need to be able to collaborate?
8. What do we need to do to execute this mutually advantageous paradigm shift?
9. Is the TPO solution easy to implement and field sales friendly?
10. Is there a TPO/TPM solution that *doesn't cost a fortune and take years to implement*?

Unmet Goals vs. Execution

Why are the talking points about collaboration, and trade promotion optimization so universally received with few tangible examples of execution and positive results? In our opinion one simple but powerful and negative word — **MISTRUST**. We can talk until we are "blue in the face," but until trust is built between the two trading partners the definition of insanity will persist.

Historical reflection reveals the inevitable results of pontification about potential solutions that never execute on their promise. Historians will also confirm that it is human nature not to utilize history to avoid eminent demise, but to simply repeat it on the way to demise.

How can we break down the wall of mistrust that exists today?

We believe it begins by believing in and executing another "M" word — **MUTUAL**. True and effective collaboration must be entered into and exited with a mutual benefit as its goal. All too often we get so wrapped up in our own objectives that we do not truly consider the objectives of the trading partner on the other side of the desk. This is a recipe for a *lose-lose* relationship that has been the catalyst for the significant mistrust we are dealing with today.

True and effective collaboration was difficult to accomplish in the past due the disparate sources of data that needed to be manually compiled in error prone spread sheets, with limited time or confidence in the data. Analyzing the mutual promotional opportunities was built on opinions, gut feelings, and relationships.

Arrival of “Big Data”

The reason everyone talks about big data, is because it represents an incredible game changing strategic advantage to those CPG companies that understand how to use it. Technological advancements today have enabled the integration, normalization, scoring and handling of “big data” from multiple disparate data sources. The effect is that silo driven spreadsheets, (with errors, changes, manual updates and disconnected users), have become obsolete. Today’s big data exchange can be integrated, automated and analyzed in real-time. This allows for analysis of historical results and the applications of relevant statistical models to create predictive analytics.

Predicting spending results with the accurate modeling tools and reviewing those results in real-time represents a clear strategic advantage for collaboration between all parties

One of the major obstacles to breaking down the mistrust in the CPG sector is the ability to provide trading partners with indisputable evidence, as a basis for the truth. Providing this information opens the door to developing a promotional spending roadmap. This attains both trading partner’s objectives by category. Predicting spending results with accurate modeling tools and reviewing those results in real-time represents a clear strategic advantage for collaboration between all parties.

A Future Reimagined

Imagine the scenario to build trust and truly collaborate if your sales team could show up with a report detailing the results of the last promotion, by category and brand. By providing an accurate historical result, baseline, and predictive analytics based forecast for the next promotion, the game has been drastically changed. You now can have a meaningful collaborative discussion, built on connected data, indisputable information and numbers that you can control.

Next, CPG and trade can even entertain control tests that explore mutual investment in growth areas, like mobile apps, social media and targeted in store promotion. The ability to balance the investment of simple price promotions versus mutual brand building via targeted digital marketing will result in a substantial quantified ROI to both parties.

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We are at a true crossroads in the large and dynamic CPG sector. Technology has provided us with a vehicle to break down the walls of “**Mistrust**” we have fortified unintentionally over the past 2 decades and move forward into an error of true “**Collaboration.**” Collaboration no longer has to be a myth and will become a reality for those that stop pontificating and begin executing, with the technological tools that are available to us today.

Collaboration Talking Point or Reality?

It seems that CPG marketers have been discussing TPM and TPO for years. Over the past 5-7 years the industry consultants have been beating the “**Collaboration Drum**” in an effort to break the downward profit spiral being realized in the CPG sector. The talking points have been received positively with agreement on both sides.... *bobbing heads if you will*. During the same time tangible collaborative results have remained elusive in all but a few companies.

The challenge is that external collaboration can only be the reflection of internal collaboration. Within the CPG industry, business intelligence silos, withholding of information to attain power, resistance to change, and fear of efficiency have stood in the way of collaboration.

Although these challenges continue to exist, the way forward is clear: Break down the silos, get everyone on the same dashboard, integrate the disparate data sets, utilize the best practice of cloud-based software as a service, and start collaborating in a meaningful way. By implementing a comprehensive data exchange with an analytics platform, you can connect promotions, consumer marketing, pricing, rebates, costs, and results. In return, forecasting and predictive analytics will give you the control of trade spending that you need to improve ROI and attain TPO.

Collaboration is best realized through the meaningful exchange of expert advice. This requires the type of insights and recommendations that today’s CPG analytics platforms can deliver. The toolsets create the quantitative information necessary for success.



The Roadmap to Success

It has never been easier to embark on the collaboration journey. Catching up with a “best in class” solution does not require building an enterprise platform system, developing user requirements, or even mapping an architecture. It simply requires a decision to leave the spreadsheets behind, appoint a lead, and choose an available solution.

The cloud-based, software as a solutions available include:

- Consolidation of disparate business intelligence silos and elimination of faulty spreadsheets
- Integration and normalization of the various datasets, including third party data and trade to retail
- Automation of updates and KPI performance feedback in real-time, including baseline comparisons
- Calendar functionality for historical perspective and future planning to include sales and **consumer events**
- Predictive analytics and modeling tools for **accurate** forecasting and “what if” scenario planning
- Best practices, user experience that requires no technical skills and can be taught to anyone in hours
- Enterprise level hosting with 24/7 support
- Implementation that takes 8 to 10 weeks, not years.

This is an exciting time to be in this industry if you embrace the challenge, equip your organizations with the right collaborative tools and utilize them with a mutual benefit as the primary objective. Shifting the paradigm is difficult but the alternative is to fall behind.

About T-Pro Solutions

T-Pro Solutions provides CPG clients accurate, real-time information by integrating TPM data into a user-friendly dashboard for planning, forecasting and predictive analytics. T-Pro Analytics is a cloud-based SaaS solution. By combining CPG intelligence silos, clients can optimize promotional ROI in real-time. T-Pro Analytics can be implemented in a few months, is easy to use, and is affordable. T-Pro Solutions is based in Columbus, Ohio.

To learn more about T-Pro Solutions and sign up for an in-depth T-Pro Analytics trade management optimization software demonstration, visit www.t-prosolutions.com or [email info@t-prosolutions.com](mailto:info@t-prosolutions.com).

