CHARTING YOUR COURSE TO

TRADE PROMOTION

OPTIMIZATION

AMID ECONOMIC STORM, OPPORTUNITY

This new POI and Accenture study shows how TPO helps leading companies weather the winds of change by moving from trade spend management to promotion effectiveness.

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ACKNOWLEDGEMENTS

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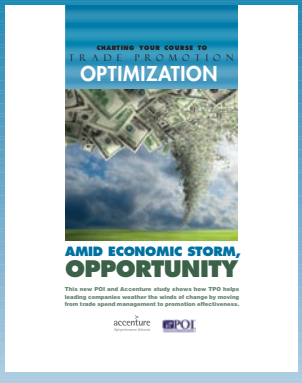
Charting Your Course to TRADE PROMOTION OPTIMIZATION



EXECUTIVE SUMMARY

Changing shoppers/consumers, combined with a sustained recession, private label growth, and technology advancements, have all heightened the need for brand manufacturers and retailers to deliver greater insight and value to the trading partner relationship.

Beyond managing trade marketing budgets, volume planning, settlement, and payments, manufacturers and retailers must plan together for volume from production to shelf, including inventories. They must support integrated promotion plans that meet all stakeholders' needs. With this state of affairs in mind, POI is pleased to present its conclusive study, "Charting Your Course to Trade Promotion Optimization."

A COLLABORATIVE EFFORT

This study is a result of a collaborative effort between the Promotion Optimization Institute (POI) and Accenture. POI's survey included over 60 leading North American and Global Consumer Packaged Goods (CPG) manufacturer, wholesaler, and retailer companies (with multiple respondents per company). The joint team analyzed and interpreted survey results to identify steps companies need to take to go from operational trade promotion management (TPM) capabilities to optimizing their trade promotion investments through implementing new analytic capabilities, decision frameworks, and approaches that drive insight to action.

This report sets out where the industry stands on TPM and Trade Promotion Optimization (TPO), and presents insights on how companies are moving from control and accountability of funds/payments (TPM) to optimizing trade promotion. TPO involves:

- **Volume/business planning** (improved forecasts)
- **Metrics and measurement** (pre- and post-event analysis)
- **Optimization and predictive analytics**
- **Integrated trade promotion/volume planning**
- **Redefinition of promotional plans to optimize sales, profits, and inventory positions**

TPO YIELDS IMPORTANT BENEFITS

Survey findings show that companies that have taken measurable steps in piloting/implementing TPO are:

- **Up to four times more likely to achieve and benefit from better promotional forecast accuracy**
- **Up to seven times more likely to increase profitability**

Although TPO is not widespread, the benefits that support implementing TPO are becoming clear. Companies willing to integrate their decision-making process completely (including culture, people, and technology) are beginning to improve their forecast accuracy and decrease trade spending as a percent of revenue. As a result of more effective promotions, over 60 percent of the surveyed companies that are implementing TPO have increased their profitability.

Data, models and knowledge are available to optimize trade promotion, but TPO also requires an understanding, a plan, and a willingness to execute across Marketing, Sales, Finance, and Supply Chain operations.

JUSTIFYING THE INVESTMENT

How does one justify the nearly $200-billion* expense? Leading CPG manufacturers strive to be a partner, or resource, to the retailer, and not just a group of SKUs. They take it upon themselves to understand their internal measures and share knowledge as to which promotions drive the greatest value, thereby increasing the value for partners and shoppers/consumers.

* *POI estimation based on industry discussions and experience.*

EXECUTIVE SUMMARY

The greatest barriers to trade promotion success can be overcome with planning and preparation. Successful companies break down internal functional silos and empower customer teams for joint business planning with trade partners.

SUCCESSFULLY IMPLEMENTING TPO

While companies have made progress with TPO efforts, they often do not realize anticipated benefits. Obstacles include: systems unable to integrate required data sources, lack of trading partner collaboration, and limited availability of personnel with the right analytical skills and expertise.

Companies started to improve their trade promotion capabilities by implementing trade promotion management systems. These helped to manage funds more efficiently but did little to increase trade productivity. To do so, management teams need to develop better plans and course correct during execution. Capabilities needed to improve trade promotion results are: aggregate volume pricing, predictive promotion analytics, trade promotion optimization and post-event causal decomposition.

TPO tools alone will not suffice. To achieve significant benefits, companies must change their decision frameworks, business processes, roles and responsibilities, and sometimes their organizational structure. Improvement programs need to focus on transforming the business along with developing and implementing tools.

Successful programs develop TPO capabilities in five phases:

1. Selection/planning/piloting — Cross-functional participation helps identify issues and address critical gaps in trade promotion planning and execution capabilities from the perspectives of people, process and technology.

2. Business transformation — Using TPO tools effectively requires changing the way companies plan and execute decisions and actions on trade promotion. This includes developing insights, using new decision frameworks, and measuring progress.

3. Solution delivery — TPO tools are decision science solutions, with core technology grounded in econometric statistical models. Successful delivery requires not only the core components of solution delivery but also a focus on data and model preparation.

4. Support and measurement — With a capability to measure implementation and compliance, management can identify and address hurdles to capability adoption. Once the program is completed, this capability can continue to measure the performance of trade promotion operations and finance.

5. Program management — During capability development programs, a full-time program management team is required to own and improve trade promotion capabilities. After capability implementation, continuous improvement activities are institutionalized and embedded within closed-loop trade promotion processes.

RECENT INNOVATIONS

Companies are implementing cross-functional, closed-loop trade promotion planning and execution processes that are supported by advanced analytic TPO pilots and implementations. These changes enable trading partners to select promotion events and tactics in a more disciplined way, thereby increasing ROI. To improve speed to value, we also recommend changing from a sequential approach to parallel development of TPO and TPM systems.

SUMMING UP

Companies that successfully implemented TPO spend less time and fewer resources gathering data and make better use of trade funds due to greater visibility to ROI. These manufacturers and retailers share data and apply greater consistency in using tools. TPO enables them to identify the impact of promotion factors, like price points and display types.

While we are only scratching the surface of what makes for an effective TPO implementation, the greatest barriers to success can be overcome with planning and preparation. Successful companies are breaking down silos and empowering customer teams for joint business planning. They are committing their organization to consistently contribute to the mutual profitability of the trading partner relationship and success in serving their shared shopper/consumer.

Today, questions are still being answered. However, more than ever, leaders are involved in making changes, to instigate, motivate, and provide incentives to accelerate the development of optimal pricing and promotion solutions to serve today's shopper/consumer. This study is part of that effort. ■

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INTRODUCTION

Discriminating shoppers/consumers, a sustained recession, private label growth: These are enough to give Consumer Packaged Goods (CPG) manufacturers and retailers a headache. Help is on the way, though. Technological advancements can help brand manufacturers and retailers deliver greater insight and value to the trading partner relationship. The Promotion Optimization Institute (POI) in collaboration with Accenture conducted this study to help companies chart a course to survive in today's climate.

POI's survey included over 60 leading North American and global Consumer Packaged Goods manufacturer, wholesaler and retailer companies (with multiple respondents per company). The joint team analyzed and interpreted survey results to identify steps companies need to take to go from merely *managing* trade promotion to *optimizing* it through analytics and more effective decision-to-action approaches.

This report presents our findings on where the industry stands on Trade Promotion Management (TPM) and Trade Promotion Optimization (TPO). It discusses how companies are moving from control and accountability of funds/payments (that is TPM) to optimizing trade promotions. It closes with what companies need to do to successfully adopt TPO.

STATE OF THE INDUSTRY

Trade spending averages between 15 and 20 percent of sales for CPG companies, and is fast approaching a $200 billion conundrum. In the past 20 years spending on promotions (as a percentage of revenue) has doubled as manufacturers have thrown more and more money into the marketplace to improve promotional outcomes. POI and Gartner predict this trend will continue until trading partners come to a better understanding of what it takes to truly collaborate.*

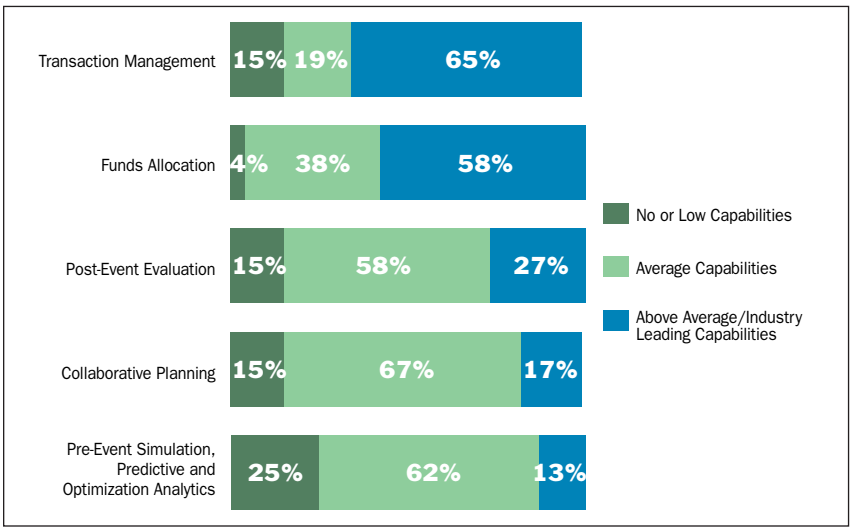
LIMITED SUCCESS WITH TPM

Manufacturers and retailers have made little progress in improving the effectiveness of their promotions. Often they overlook the cultural and personnel ramifications and expect to solve the problem with technology. Some engage in fundamentally the same behaviors while expecting different results. In their defense, however, aside from tactical scorecards, manufacturers and retailers lack, for example, meaningful tools to assess which trading partners are most capable of partnering.

Nonetheless, study results prove that while a lack of tools/systems hinders companies from achieving advanced levels of success (*e.g.,* category profitability, shopper impact), data is not a constraint to achieving results. Over 90 percent of survey participants were achieving success with shipment and syndicated data alone (see *Benefits section*).

* *POI and Gartner joint research.*

SELF-REPORTED MATURITY LEVEL FOR TPO CAPABILITIES

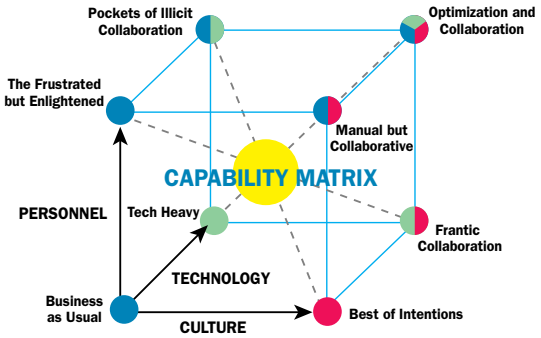


Source: 2011 POI and Accenture "Charting Your Course to TPO" Survey

Today, as seen in the chart above (*"Self-Reported Maturity Level for TPO Capabilities"*), control and accountability of funds has become table stakes for most manufacturers, with 65 percent of respondents rating themselves as above average in capabilities.

TPO initiatives succeed when they are properly aligned with each company's culture, core strategy, people, and technology. TPO requires collaboration across departments, and a consistent commitment from top management. The *"Promotional Collaboration Capability Matrix"* (below) offers a framework for gaining commitment, advancing skill sets, and fostering an environment that promotes alignment. Although companies can manage transactions with spreadsheets, study results show that the lack of TPO integrated solutions limits what can be achieved when compared with those companies doing pre- and post-event optimization, and measuring category effects.

PROMOTIONAL COLLABORATION CAPABILITY MATRIX



Source: POI and Gartner joint research

At present, industry leaders are beginning to implement, and see good results (*e.g.*, increased profitability, effective trade spend, and improved forecast accuracy) from advanced capabilities, as they move through the *"Five Levels of TPO Maturity,"* from transactional to trade promotion optimization (*table, next page*).

Study results show that lack of TPO integrated solutions limits what can be achieved when compared with those companies doing pre- and post-event optimization, and measuring category effects.

'Think of TPM as table stakes for controlling and understanding trade spend. It is still highly relevant. The TPO journey, however, means steadily improving the ability to model and understand promotional outcomes. It is not only relevant but also critical as suppliers seek to become more relevant with retailers.'

— Dale Hagemeyer
Managing Vice President
Gartner, Inc.

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FIVE LEVELS TO TPO MATURITY

Maturity Level	Culture	Personnel	Technology
1 Transactional Limited capabilities, business-as-usual approach.	Views promotion and associated cost as a "cost of doing business" or as a "pricing/placement lever."	Focused on buyer/ seller relationship, strictly transactional. Maintaining status quo (distribution, budget, and assortment) is paramount.	Focused on control and accountability of funds or dollars that may fall to the bottom line. Using spreadsheets to track/manage funds/payments.
2 Analytical/Tech-Heavy Rear-view approach, but has recognized the need to avoid wasting money, and that organizational changes are necessary to leverage technology. Performance gaps help identify goals and team needs, and establish better communications.	Looks at performance on a post-event brand-specific basis (spend/ incremental volume). Traditional roles still exist — Merchandising, Marketing, Sales, Advertising, Finance, Operations.	Internal Sales and Marketing are discussing brand plans, communicating internally and starting to refine budgets based on aggregated sales. Beginning to use syndicated data with some post-event analysis. Beginning to understand cause and effect of poor communication.	Internal systems largely focused on managing/ reducing deductions balance and dollars spent per promotion. Investing in systems to gain accountability, managing spend to budget. Beginning to understand event-specific results.
3 Manual But Collaborative Beginning to understand components of optimization and key metrics across relationships. Integrating data points, shipment, syndicated, some POS, and limited category effects.	Approach has changed from hindsight to foresight. Beginning to sense and shape demand, and people are aware of the effect of promotions on their supply chain.	Can plan/execute promotions with moderate success; are focused on a broader team approach (integrating supply chain initiatives); are measuring and analyzing performance through a metrics-based approach. Team goals are aligned and connected from the field to the executive offices.	Internal systems are integrated; communications are facilitated between Sales, Marketing, Operations and Finance. Improved reporting, yet largely transactional. Integrating and interpreting multiple data points.
4 TPO — Trade Promotion Optimization Have created trading partner teams (*e.g.*, Planning, Category Management, Sales, Shopper Marketing, Merchandising, and Market Research).	People understand that TPO can improve sales, reduce costs and out-of-stocks (OOS), improve margin, and identify base-price and promoted-price volume and profits.	Team members are trained, and understand their specialized and cross-functional roles and responsibilities. Team goals are aligned and connected from field to executive offices. Partners meet on strategy, and are beginning to share data, insights and achieve some wins across mutual KPIs.	Able to integrate and interpret multiple data points, order, ship, POS, loyalty, and some category effects. Have largely worked out systems, communications, data quality, and process for sharing data and information.
5 Optimization & Collaboration Have committed their organization to consistently contribute to the mutual profitability of the trading partner relationship and success in serving their shared shopper/ consumer.	People can plan and implement to support a shared promotional strategy. Trading partners exhibit transparency of data, planning, deals, retail execution, and analysis. Partners understand cause and effect of promotions on sales and profitability. Training and incentives are aligned on customers, and customer insights are driving success in each role.	Training is continuous. Team members well understand their specialized and cross-functional roles and responsibilities. Team goals are aligned and connected from field to executive offices. Trading partner strategies are aligned and flexible. Sharing of data and insights is established practice. Wins across mutual KPIs occur on a regular basis.	Scientific approach to customer/shopper definition and acquisition. Partners understand mix modeling. Able to share "what if" scenarios, incorporate new media, and execute on a shared strategy — targeted, timely, and effective promotions. Data is approaching real-time, and is down to the store level.

Source: Joint POI and Gartner research

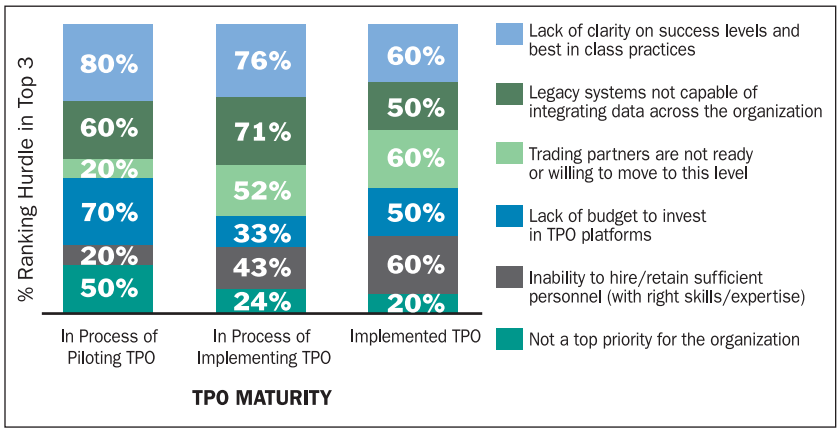
STATE OF THE INDUSTRY

POI and Gartner define Trade Promotion Optimization as 'Jointly planning and executing promotional activities that are mutually beneficial to manufacturer and retailer organizations because:

- Information-sharing allows the parties to better understand how success can best be achieved.
- Their ability to monitor and react during the promotion is high.
- The process is seen as a cycle for continuous improvement.

Manufacturers and retailers alike have the culture, people and technology to make it happen.'

HURDLES TO ACHIEVING NEXT LEVEL OF SUCCESS



Source: 2011 POI and Accenture "Charting Your Course to TPO" Survey

No doubt planning, building, and executing a TPO project makes for a stressful endeavor. Budgets are stretched to their limits, resources are never enough, legacy systems create tremendous integration hurdles, and unreasonable deadlines put forth by project partners go by. Despite these hurdles, once a company can execute and optimize promotions, the benefits are well worth it.

BIGGEST FEAR: WHERE TO START?

In this tight economy, companies realize they need to spend their promotional dollars carefully. Doing so requires cultivating the right culture, personnel and technology. Among organizations surveyed, the biggest fear is not knowing where to start with TPO. If companies ignore TPO, they will be left behind by their competitors and out of the collaborative equation all together.

Trading partners are developing their capabilities and broadening their expertise with varying degrees of success. Capability proficiency levels range from ineffective promotional practices to optimization and collaboration.

A TPO implementation is a multi-million-dollar investment and should be approached with a solid strategy, coupled with the desire and ability to create effective partnerships.

The question facing CPG manufacturers is how prepared they are to take on a TPO implementation. The results are appealing: an integrated suite of analysis-driven capabilities designed to provide better insights, increase profitability, and manage day-to-day operations and communications. This undertaking, however, impacts the entire organization.

A TPO implementation is not just an IT project. Sales, Marketing, Finance, Supply Chain and IT leadership all need to play major roles. All the key stakeholders in the organization need to be identified through cultural and personnel assessments so they can take up their parts in the process. Educating participants is crucial to success.

An underestimated and oftentimes forgotten piece of the puzzle is cultural change transformation. Along with education, companies must market the new capabilities and tools to the user base and trading partners. A strong leadership team and a TPO champion must evangelize TPO to steering committees, user groups, and stakeholders.

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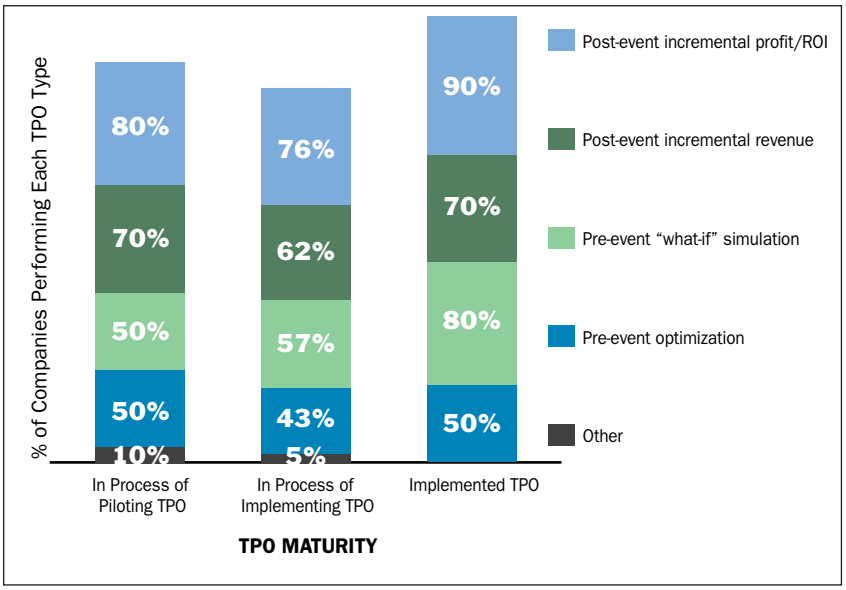
TPO ANALYSES CURRENTLY PERFORMED BY COMPANIES



Source: 2011 POI and Accenture "Charting Your Course to TPO" Survey

Today, up to 80 percent of CPG trading partners perform some type of post-event analysis and, to a lesser extent, pre-event analysis (up to 65 percent) of their trade promotion spending activities. In doing so, the primary objective is to achieve a better understanding of ROI/profitability and lift.

According to our research, 82 percent of companies on average rank "understanding promotion ROI" as the most important factor in performing TPO (with 75 percent of companies ranking "understanding promotion lift" as the second most important factor).

While CPG companies have made progress with their TPO activities/efforts, they often do not realize the benefits they are seeking. Accenture research shows that only about one-third of trade promotion events generate incremental profit. According to survey respondents, among the top hurdles impeding successful realization and sustainability of benefits are inability of existing systems to integrate required data sources, lack of trading partner collaboration, and limited availability of resources with the analytical skills/expertise.

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SUBSTANTIAL BENEFITS

HOW COMPANIES DELIVER RESULTS

How have companies overcome some of the barriers and been able to deliver results?

First, many — about 75 percent of our survey respondents — are piloting or are in the process of implementing new trade analytical approaches.

The pilots range from pre-event *"what-if"* simulation to advanced analytical modeling including optimization. These companies are learning, developing skills and expertise, and proactively building capabilities.

TPO PILOT INITIATIVES

Company	Type of Pilot	Description
Multi-Division Food Company	Advanced TPO (Forward Buy, Cannibalization, etc.)	• Post-event "scorecard" includes forward buy and pantry loading, cannibalization/halo effects, category and competitor analysis, retailer KPIs/metrics, etc.
Global Food and Beverage Company	Pre-Event "What-If" Simulation Analysis	• Predictive modeling tool provides custom lift coefficients by customer/ product/tactic to allow for "what-if" scenario planning of promotion activities
U.S. Food Company	Promotion Optimization (e.g., Fund Allocation)	• Promotion optimization models and tool used to identify the most profitable allocation of trade funds across customers and products
Consumer Products Company	Integrated Demand-Supply Forecasting	• Promotion lift coefficients shared with Supply Chain for a more integrated forecast that incorporates the impact of trade promotion events
Global Food and Beverage Company	TPO "Localization" (e.g., Shopper Analytics)	• Pre- and post-event analysis performed by shopper segment to identify most impactful promotion tactics to target for each type of shopper
Leading CPG Manufacturer & Retailer	Manufacturer-Retailer Collaboration	• Pre- and post-event promotion analysis performed jointly using shared data, models, tools, KPIs, etc. – learnings discussed and applied together
U.S. Food Company	Marketing Mix Modeling	• Pre- and post-event modeling and tools incorporates all elements of the marketing mix – not just promotion (i.e., advertising and consumer spending)

Source: Joint POI and Accenture industry experience

While the results of companies piloting TPO are not as great as those that have fully implemented it, they are significantly greater than those not doing anything.

Second, large companies — those with over $2 billion in annual revenues — appear to have made more progress in implementing TPO capabilities.

What are these large companies doing differently? Those in the survey differentiate themselves by:

- Analyzing incremental profit/ROI post-event more frequently (*85% vs. 78%*)
- Performing more pre-event "what-if" simulation (*67% vs. 44%*)
- Focusing more on category volume and profit impact (*44% vs. 33%*)
- Studying competitor promotion impacts more (*19% vs. 11%*)
- Trying to be a more valued trading partner (*63% vs. 56%*)
- Implementing an integrated TPM/TPO solution (*30% vs. 11%*)
- Using retailer POS data in implementing TPO (*70% vs. 33%*)

The benefits follow ...

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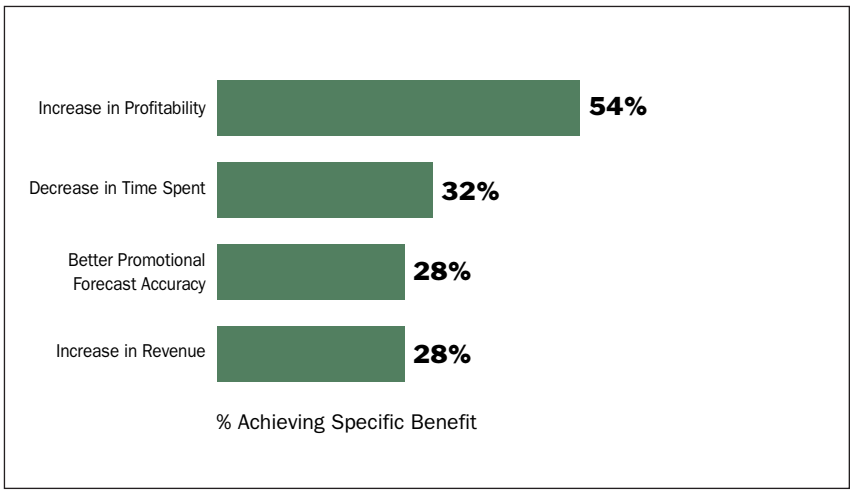
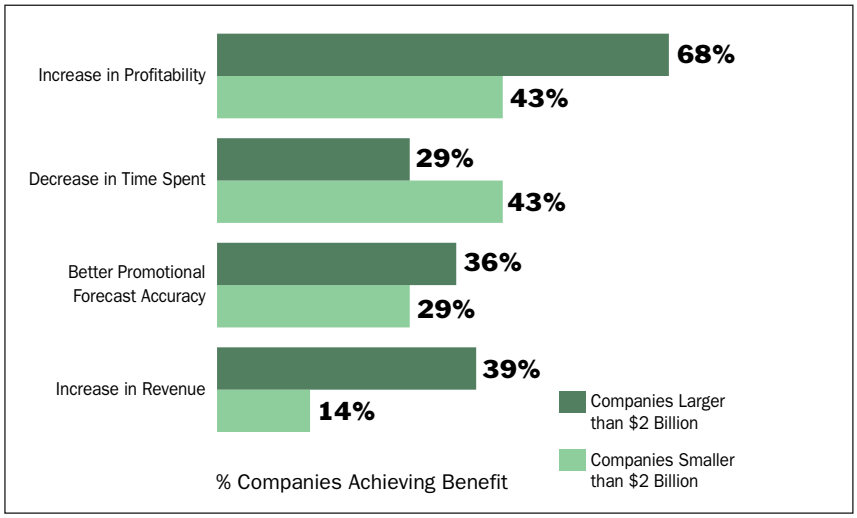
TRADE PROMOTION EFFECTIVENESS PROGRAMS DRIVE INCREASED PROFITS

BENEFITS SEEN FROM TPO IMPLEMENTATION



Source: 2011 POI and Accenture "Charting Your Course to TPO" Survey

TPO IMPLEMENTATION BENEFITS BY COMPANY SIZE



Source: 2011 POI and Accenture "Charting Your Course to TPO" Survey

ACCENTURE experience in analyzing thousands of trade promotion events across numerous product categories indicates that companies can realize anywhere from 2-4% improvement in Return on Sales (ROS) by using TPO.

From a quantitative standpoint, Accenture experience in analyzing thousands of trade promotion events across numerous product categories indicates that companies can realize anywhere from a two- to four-percent improvement in Return on Sales* by using TPO. They do so by identifying the relative impacts of promotion factors such as price points, display types, and feature advertising placement. Ultimately, companies use this information (supported by analytical tools) to identify actions that reallocate trade spending more profitably for both manufacturers and retailers *(see charts above)*.

* *Source: Accenture industry experience.*

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CASE STUDY:
RETAIL GROCER WINS BACK SALES

A major US grocer was losing market share. It could not justify spending more on promotion than its competitors did. Somehow the company had to improve performance within the constraints of its promotion budget.

The grocer was determined to improve its trade spending ROI. Using TPO, the company re-engineered its processes and developed new metric and decision frameworks. It was able to work with earned space analytics for its circular and ad item promotion optimization analytics to improve performance significantly.

Retail grocer's results:

- Categories achieved up to 30 percent more incremental sales and 20 percent more margin
- Incremental ad sales increased up to 100 percent for selected items
- Incremental ad margin increased up to 900 percent for selected items
- Average GMROI equaled 190 percent

Source: Accenture industry experience.

Our research shows that of those companies surveyed, over half have experienced increases in profitability.

TRADE PROMOTION EFFECTIVENESS PROGRAMS DRIVE INCREASED PROFITS

Our research indicates that those companies successfully implementing TPO achieve significant benefits in quality as well. They:

- Spend less time and fewer resources gathering data (thus, more time for value-added planning and analysis)
- Make better use of trade funds due to greater visibility to ROI
- Focus spend more against promotion-sensitive products/categories
- Share data and analysis better across manufacturer/retailer trading partners
- Use less-complex promotion programs
- Apply greater consistency in using data/tools

MEASURING ONGOING SUCCESS

In this tight economy, companies realize they need to spend their promotional dollars carefully. Doing so requires cultivating the right culture, personnel and technology. Among organizations surveyed, the biggest fear is not knowing where to start with TPO. But start they must; if they ignore TPO, they will be left behind by their competitors and find themselves out of the collaborative equation altogether.

TPO BENCHMARK PERFORMANCE METRICS

Metric	Average	Best in Class
% Incremental Profit	–30%	0 – 30%
% Incremental Revenue	30 – 40%	50 – 60%
% of Events that Break-even	10 – 20%	33 – 50%
% Sold on Promotion	49%	20%
% Pass Thru	75%	100%+
% Lift	40 – 50%	75 – 100%
Trade ROI	–50%	0%
Trade Rate*	17%	9%

Source: Accenture TPM benchmarks

** Trade Rate = Trade spend as a percent of revenue*

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TRADE PROMOTION EFFECTIVENESS PROGRAMS DRIVE INCREASED PROFITS

As trade spending continues to rise, the pressure has increased to capture greater efficiency and effectiveness. By implementing TPO approaches, CPG manufacturers and retailers can reduce inefficient spending and increase top- and bottom-line results.

While these benefits can be realized, TPO implementation alone is no guarantee of success. To deliver and sustain results, companies need to track/measure their ongoing progress continuously. To get started and stay on track on the journey to improvement, companies need to:

- Agree on the key metrics
- Benchmark current state
- Develop tracking and measurement capabilities
- Begin tracking/capturing results

By tracking — and improving — such metrics, companies can significantly increase revenue, return on sales, and profitability

CASE STUDY: GLOBAL CPG MANUFACTURER GROWS SALES AND PROFITS

To improve profitability, a global CPG food manufacturer analyzed its trade promotion across three brands covering over 100 promoted product groups. The manufacturer wanted to find ways to improve trade spending ROI while delivering new analytical capabilities to its Sales organization to help enable this objective.

After analyzing its trade spending ROI and building a promotion planning/forecasting tool, the manufacturer was able to identify ways to improve market share and profitability. The company:

- Built econometric models to predict the volume and profit lifts associated with promotion events, tactics, and timing across promoted product groups, channels and accounts
- Developed proxy/surrogate lift coefficients for new products/tactics
- Developed new end-to-end trade promotion planning and execution processes
- Supported group training, and one-on-one on-the-job coaching, for US Sales personnel achieving high adoption rates

Manufacturer's results:

- Improved Return on Sales by 0.5 to 4 percent across primary promoted product groups
- Reduced promotion forecasting error by over 50 percent and found ways to reduce inventory by about 30 percent ($10s of millions in annual inventory savings)

HOW TO DEVELOP CAPABILITIES AND DRIVE VALUE

APPROACH AND INDUSTRY NORMS

Historically, companies started to improve their trade promotion capabilities by implementing trade promotion management systems so that they could manage shipment data, promotion information, claims, payments, and disputes better and more efficiently.

Many companies that took on these initiatives also hoped to significantly increase the productivity of their trade spending. They believed that, by improving their ability to create plans and manage funds, they could improve trade productivity (that is, ROI). Unfortunately, the results were limited to managing trade funds more efficiently and accurately. There was little or no commensurate increase in trade *productivity.*

The result was a large bill for implementing a transactional TPM system, which provided:

- More efficient trade fund processing operations (with cost savings)
- More visibility to trade spend (where and how funds were being spent)
- Little to no improvement in trade spending ROI

Consequently, many trade promotion improvement programs were slowed, and ongoing post-TPM implementation improvement initiatives were cancelled and/or postponed due to poor initial returns. This included trade promotion optimization projects.

What management teams and program sponsors failed to understand or recognize was that the majority of trade promotion benefits are achieved by developing better plans and proactively course-correcting during execution — enabled by TPO and the associated analytics to improve ROI.

To achieve benefits, companies need the capabilities to *optimize* trade promotion, as seen in the chart at lower right, "*Results Achieved by TPO Maturity Level.*" The more mature the trade promotion optimization capabilities, the greater the number of respondents reporting benefits.

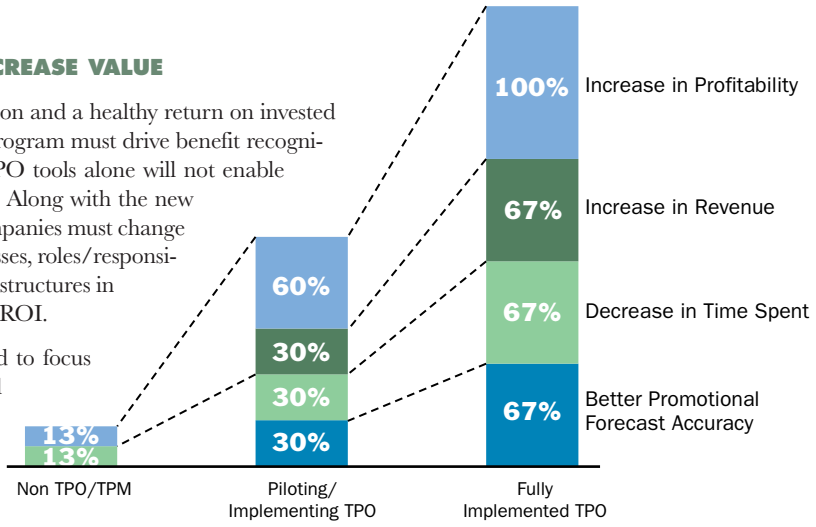
In this tight economy, companies realize they need to spend their promotional dollars carefully. Doing so requires cultivating the right culture, personnel and technology.

ALTERNATIVE APPROACH TO INCREASE VALUE

To ensure quarter-by-quarter value creation and a healthy return on invested capital, a TPO capability development program must drive benefit recognition to counter implementation costs. TPO tools alone will not enable companies to achieve significant benefits. Along with the new insights from TPO analytic solutions, companies must change their decision frameworks, business processes, roles/responsibilities, and sometimes their organization structures in order to significantly improve their trade ROI.

This is why improvement programs need to focus on business transformation in parallel with tool development.

RESULTS ACHIEVED BY TPO MATURITY LEVEL



Source: 2011 POI/Accenture "Charting Your Course to TPO" Survey

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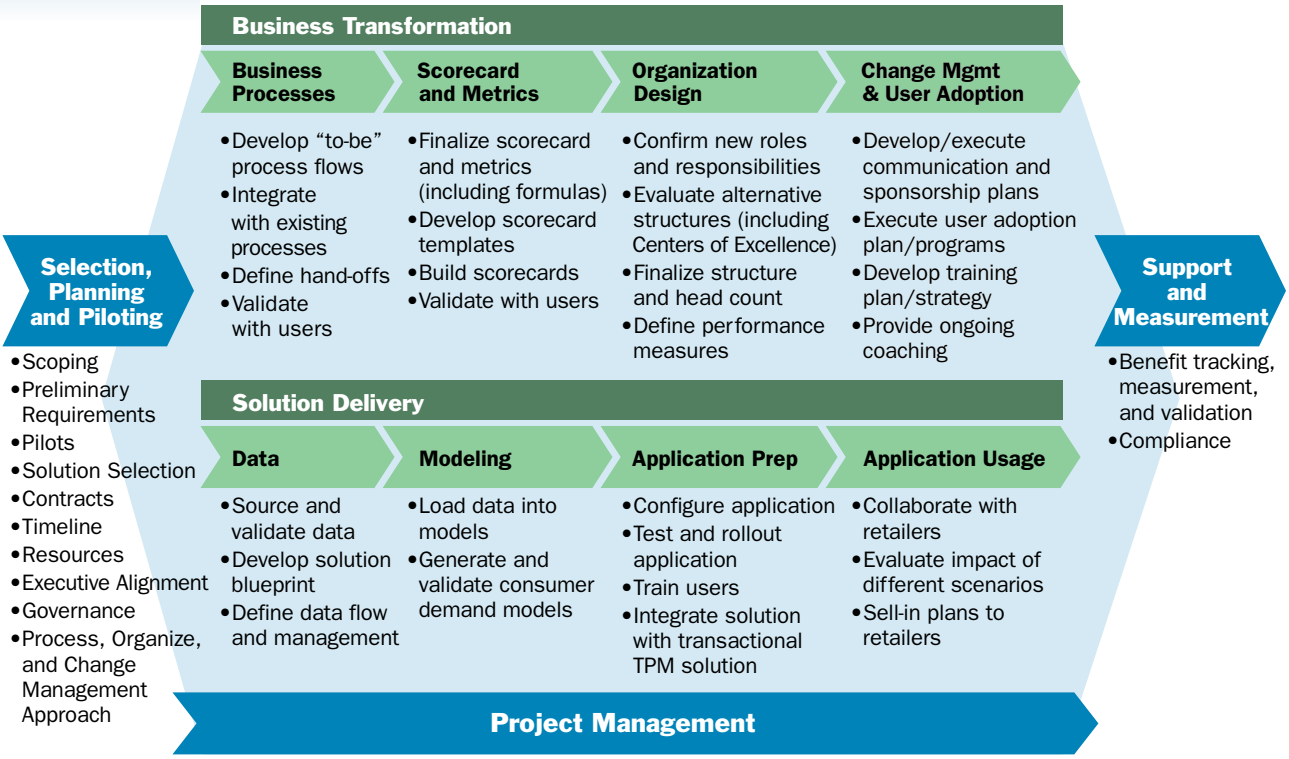
HOW TO DEVELOP CAPABILITIES AND DRIVE VALUE

TPO CAPABILITY DEVELOPMENT APPROACH



Source: Accenture industry experience

Companies need to determine what gaps are most important to close. They should prioritize these relative to strategic and operational need, value potential, and ease of implementation.

Successful programs to develop TPO capabilities require five parts. These are:

1. Selection/Planning/Piloting.

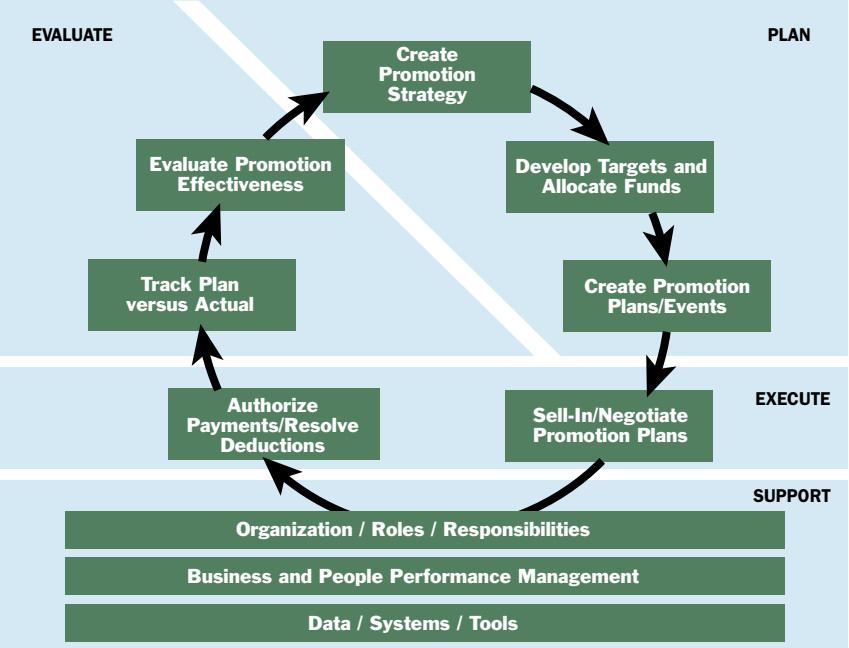
To improve trade productivity performance, it is vital to have cross-functional participation in identifying the issues that need to be addressed. We recommend conducting an assessment of key trade promotion planning and execution capabilities relative to industry practices, strategic and operational requirements, and value creation potential.

The assessment is needed to identify the primary and critical gaps in trade promotion planning and execution capabilities from people, process, and technology perspectives. Companies need to determine what gaps are most important to close, and should prioritize those relative to strategic and operational need, value potential, and ease of implementation. Once the requirements are identified and prioritized, a TPO solution can be selected and a preliminary plan created to develop the desired capabilities and an implementation schedule.

Some companies will conduct a preliminary process to select a TPO solution and identify one or two solution providers for pilots. Typically, pilots include one or two account teams and a sub-segment of brands or product categories.

The selection, planning and piloting phase is an important one — it helps to attain consensus and alignment across the executive team on the focus and priority that should be put on developing and institutionalizing TPO capabilities. Results coming out of pilots

TRADE PLANNING & EXECUTION: A TRUE CLOSED-LOOP PROCESS



Source: Accenture Closed-Loop Trade Promotion Planning and Execution Approach and Methodology

provide positive proof that TPO programs should be a top business priority. Without such support, a TPO program will not succeed.

2. Business Transformation

Companies embarking on TPO capability improvement programs often put little to no focus on the business transformation aspects of the program. Many concentrate on implementing TPO tools. They believe that the organization will readily pick up and use such tools, and change the way it plans and executes decisions and actions on trade promotion. This includes developing new insights, using new decision frameworks, and tracking and measuring progress relative to pre-determined performance levels that are properly vetted and formalized.

As a result, many TPO pilots and programs have delivered benefits that fall far short of expectations. Neglect and lack of focus in defining new business behaviors and working aggressively to establish these behaviors within the organization come at a steep price. Given the importance of business transformation to the success of TPO programs, this component is covered in greater detail, as follows.

To be successful, business transformation project work should include four primary components:

- Process design and implementation

- Scorecard and metrics
- Organization design and implementation
- Change management and user adoption planning

Process design and implementation: Most CPG companies have some form of closed-loop trade promotion planning and execution process, as seen in *Trade Planning & Execution: A True Closed Loop Process* (page 17). However, individuals involved in trade promotion planning and execution processes/activities across the organization are unaware of the end-to-end processes and there is little coordination/collaboration across Brand Marketing, HQ Sales Planning, Field Sales, and Supply Chain. Also, there are no standard processes across brands, channels and accounts. Each group handles trade promotion planning and execution differently with a proliferation of activities and tools and varied results.

Almost every CPG company can show evidence of closed-loop processes at the highest levels for trade planning and execution activities. When implementing TPO capabilities, however, these activities need to be thought through again at the more tactical process levels.

Almost every CPG company can show evidence of closed-loop processes at the highest levels for trade planning and execution activities. When implementing TPO capabilities, however, these activities need to be thought through again at the more tactical process levels.

Companies that are driving successful trade promotion optimization programs have taken the opportunity to improve the primary activities within each of the core components of their closed-loop trade planning and execution processes. This helps to ensure that there is a clear understanding of the end-to-end processes and associated roles, responsibilities, and accountabilities across the organization. Often improvements are made, such as:

- Developing trade promotion plans in collaboration with brand, sales planning, and customer teams
- Using pay-for-performance trade promotion methodology to incent retailers to execute agreed-upon plans and ensure fair and equitable positions
- Optimizing trade fund allocations and event planning by using econometric modeling and a focus on targeted ROIs that vary by promoted product group (require approval for deviations)
- Developing promotion plans via a formal process, standard fact base, and standard analytic methods leveraging a common planning platform
- Using fact-based analytics during sell-in to ensure growth of both the retailer's category and the manufacturer's products
- Deploying cascading trade promotion metrics and dashboards to measure and improve trade productivity
- Conducting post-event analyses and formal promotion effectiveness evaluation sessions that are action-/outcome-oriented and include brand, sales planning, and account team participation to make course corrections throughout the year, and as input into the annual operating plan process
- Employing analytic centers of excellence to drive consistency in analysis and use of data
- Integrating TPM and ERP systems to ensure accurate administration of trade funds including settlement

Scorecard and metrics: The most frequently ignored activity within TPO business transformation is developing appropriate and cascading trade promotion performance metrics. To gauge progress and proactively manage trade promotion, both operational and

financial metrics need to be developed and viewed at all levels of the organization.

■ *Operational* metrics tend to measure whether or not an organization is executing targeted behaviors and activities in an effective and efficient manner. They tend to include measures, like planning cycle time, number of account plans agreed to and confirmed by retailers, number of course corrections addressed and successfully implemented within target time line.

■ *Financial* metrics measure the financial returns that are the outcomes of efficient and effective trade promotion operations, including trade ROI trends relative to pre-established targets, incremental volume, incremental margin contribution, and trade as a percent of sales as seen earlier in the Measuring On-Going Success section.

When trade spend occupies 15 to 20 percent of sales, every level from account teams to the executive suite should see and understand progress against trade promotion metrics. Companies must institutionalize visibility and accountability to these metrics across the organization as well — starting with sales on the front line and ending with the sales and operations planning and supply chain on the back end.

Most importantly, cascading metrics/dashboards should be developed so that each level/role within the company can easily view metrics that are relevant to their set of responsibilities associated with trade promotion within the organization. *Cascading* means the ability to aggregate up to the highest meaningful summary level for executives and drill down to the lowest level of details (*e.g.,* individual event and account/product level performance) for account teams. When needed, these metrics should be viewed at an aggregate level or any level across brand, product, channel, and account or any combination thereof. These metrics must be used during pre- and post-event evaluation and pro-active course correction processes/activities.

Organization design and implementation: This component of business transformation is essential to ensure productive and efficient flow of activities across organizations. Often, companies duplicate responsibilities across their organizations, and many participants in trade promotion planning and execution activities are not clear on end-to-end roles, responsibilities, and accountabilities.

Everyone involved in the closed-loop trade promotion processes needs to have a clear understanding of who is responsible, accountable, consulted, and informed relative to each step in the closed-loop processes. After designing new and improved processes, shifts often occur in these roles across brand, sales planning, and account teams.

In many instances, a common change is the creation of a Trade Promotion Analytics Center of Excellence (CoE). Sometimes it is centrally located; other times it is centrally managed and locally dispersed. A Trade Promotion Analytics CoE typically maintains the predictive and optimization models that are a part of the TPO solution. The CoE tends to drive the analytic components of trade planning and post-event evaluation. It provides headquarters and field sales decision-makers with the information they need to develop, finalize, execute, and course-correct promotion plans.

Depending upon the organization, the CoE can be structured by brand, channel, account or any combination depending upon the organization's needs and what enables the most effective organizational alignment. The groups need to be sized based on workload, and new job descriptions need to be created for the key positions within the CoE.

Change management and user adoption planning: Traditionally, companies implementing TPO capabilities have focused on the tool training and associated communications as the major change in their TPO program. Such an approach will not help companies to suc-

When trade spend occupies 15 to 20 percent of sales, every level from account teams to the executive suite should see and understand progress against trade promotion metrics.

Everyone involved in the closed-loop trade promotion process needs to have a clear understanding of who is responsible, accountable, consulted, and informed relative to each step.

cessfully establish new trade fund strategies/tactics, processes, decision frameworks, roles/responsibilities/accountabilities, performance metrics, targeted behaviors, and associated business outcomes.

We recommend conducting a change readiness and change impact assessment to identify the extent of change required across different functions within the company and each function's ability to absorb the identified level of change. Based on the outcomes of this assessment, the company can develop change and capability adoption plans for each existing and new function.

Successful TPO implementations typically incorporate three change adoption tactics:

■ *Program- and function-specific communications:* Keeping the organization informed about expectations, progress, and intended and achieved outcomes is vital. Program executive steering committee and implementation leaders explain the purpose of the program, intended outcomes, progress, and step-by-step requirements as the program progresses. Typical media includes emails, conference calls, webcasts, and podcasts.

■ *Classroom and web-based training:* These venues are used to train large groups, like headquarters and field sales, on improving participants' abilities to develop trade promotion strategies, tactics, and plans that deliver increased profit contribution and ROI.

■ *On-the-job, one-on-one, and small-group coaching:* This change-adoption tactic can be most valuable. For example, during certain periods in annual planning and in-year post-event evaluation and course correction, SWAT teams of TPO champions and experts can sit with headquarters, account team planners and leadership, and coach them in developing improved promotion plans. They can also facilitate performance evaluation meetings to drive course correction, actions, and in-market execution.

3. Solution Delivery

Core components of TPO solution delivery include data preparation, analytic model development and tuning, application preparation, and application deployment/use. Every company has its methodology for application design, build, test, and deployment. Two of the key differences that help enable a leading-class TPO solution deployment are:

■ Model preparation

■ Data preparation

In this paper, the details of tool design and implementation are not covered. Solution providers will provide services to successfully deploy these tools with their clients. It is important to note, however, that TPO solutions/technologies are not traditional transactional systems. TPO tools are decision science solutions, with the core of their technology grounded in econometric statistical models. The bulk of the solution design and preparation is based on the scope of analytics required and the development of models across products, channels, and customers, as opposed to the code and programming associated with traditional transactional software.

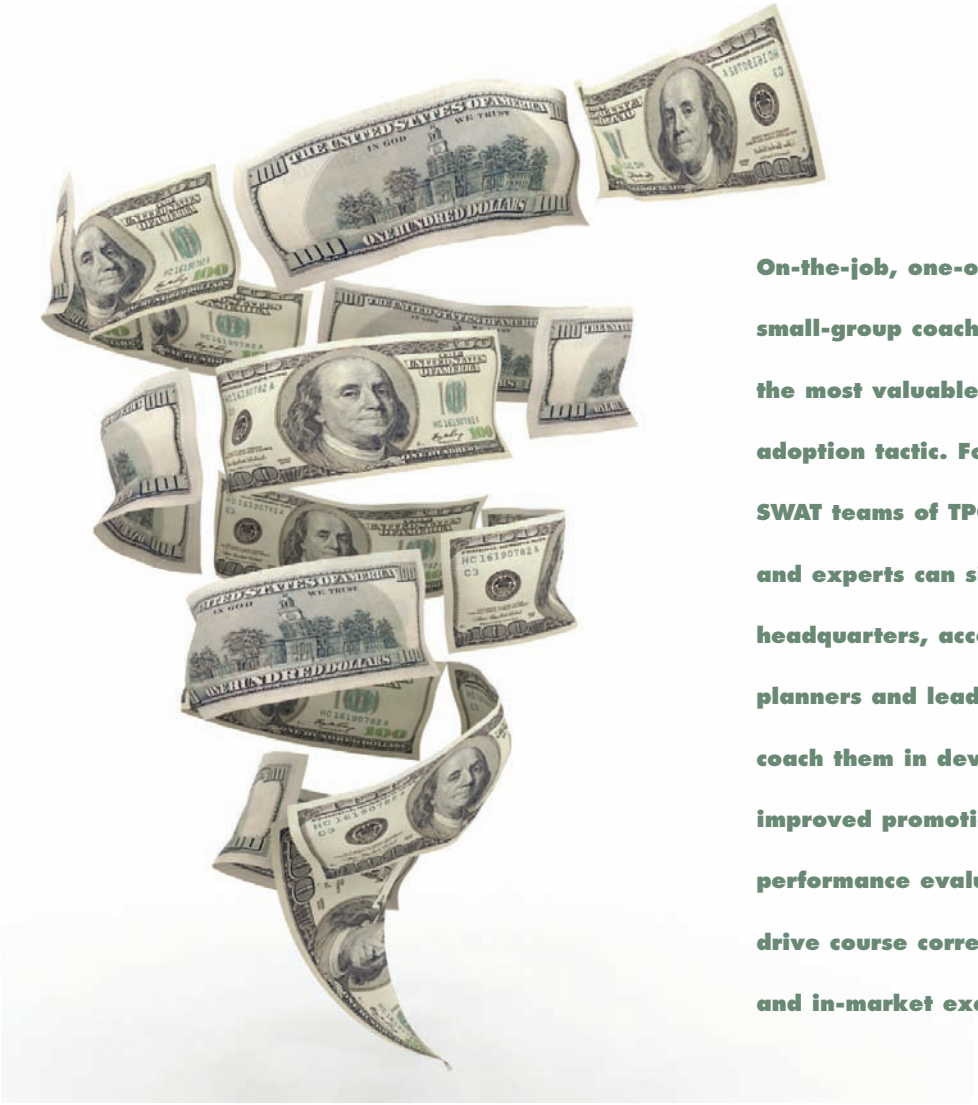
To optimize trade promotion investments and plan events that drive significant manufacturer and retailer category results, advanced statistical modeling is needed. With the models, however, data must be prepared. This takes time and focus to ensure that shipment, syndicated consumption data, and retailer POS consumption data are cleansed, meta-tagged, and ready for modeling usage. Leading-class companies are developing and deploying demand signal repository (DSR) technology to ensure a common and single set of consumption and shipment data can be used not only for TPO purposes, but for other analytic purposes across the enterprise.

4. Support and Measurement

To gauge the effectiveness of the TPO implementation, companies need to develop capability implementation metrics and a compliance measurement function as part of the program. This capability enables companies to proactively identify and address capability adoption hurdles during implementation. We recommend creating a role or program function that has sole responsibility for identifying implementation/adoption problems, recommending solutions for resolving them, and monitoring corrective actions.

Typical change adoption metrics include short, medium, and longer-term measures.

When the TPO implementation program is completed, the change adoption measurement function transitions into a formal performance measurement function for trade promotion operational and financial performance. It enables continuous performance monitoring and course correction.



On-the-job, one-on-one, and small-group coaching can be the most valuable change-adoption tactic. For example, SWAT teams of TPO champions and experts can sit with headquarters, account team planners and leadership, and coach them in developing improved promotion plans and performance evaluations to drive course correction, actions, and in-market execution.

5. Program Management

During formal implementation, a dedicated program management team should be deployed with full-time personnel who will own and help drive trade promotion capabilities. Most companies deploy formal program managers with no stake in or skills associated with trade promotion capabilities; these tend to be professional program managers. Leading-class TPO implementations include this role — but are primarily staffed and led by individuals who are trade promotion owners, stakeholders, and/or practitioners. Effective program management capabilities are depicted in the *Program Management Operating Model* chart on this page.

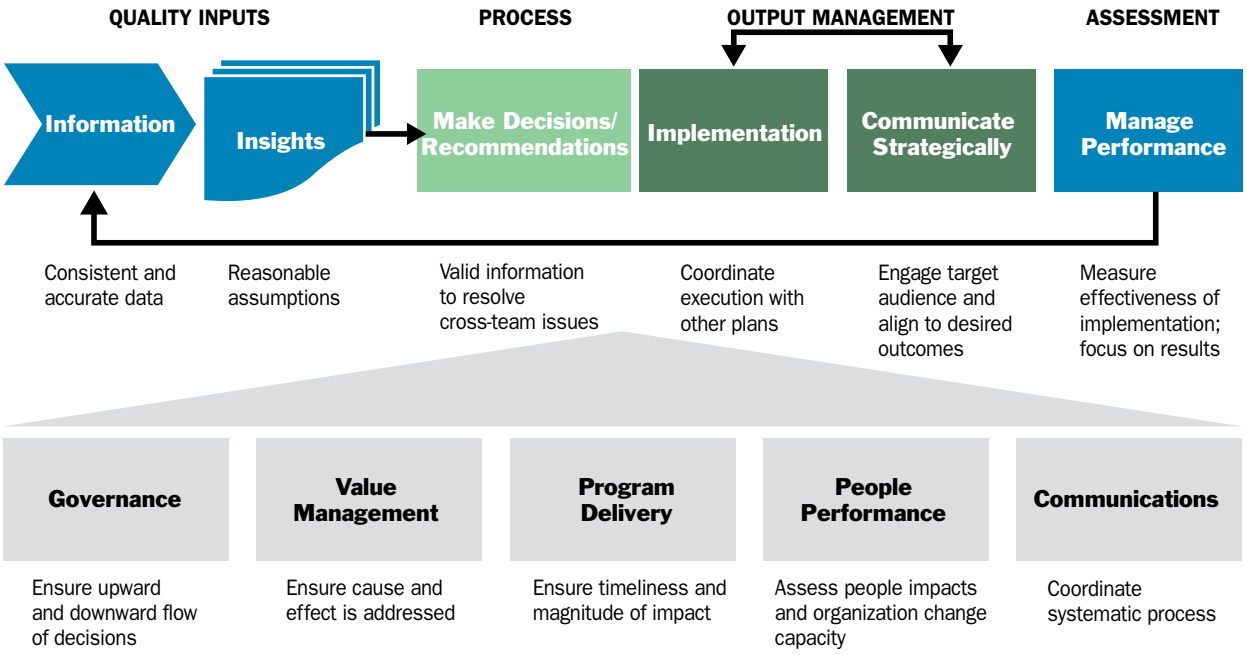
Companies that have successfully implemented TPO capabilities have been willing to take some of their best people offline to help drive these programs. Those companies that have not enabled their people to participate in a focused and dedicated way during implementation often are not able to achieve the anticipated program uptake and performance.

CHANGING THE WAY TPO IS IMPLEMENTED

In recent years, companies that have achieved greater trade promotion productivity have shifted the way they finance their trade programs from "Fund the Plan" trade investment allocation to "Pay for Performance" accrual-based investment.

These companies have also implemented cross-functional, closed-loop trade promotion planning and execution processes supported by advanced analytic TPO pilots and imple-

ILLUSTRATIVE PROGRAM MANAGEMENT OPERATING MODEL



Source: Accenture Program Management Operating Model

TPO solutions are not traditional transactional systems. TPO tools are decision science solutions, with the core of their technology grounded in econometric statistical models.

mentations. These changes have enabled staff to select promotion events and tactics in a more disciplined way, thereby increasing ROI and incurring less category cannibalization.

These companies have been able to drive trade promotion programs with much stronger returns/results. Note that many of these companies did not wait until their TPM system implementations were complete to begin TPO pilots and implementations. Rather, they took a parallel approach to improve their speed to value.

It is also important to note that more-recent trade promotion capability programs have been improved in conjunction with demand signal repository (DSR) development programs to capture, prepare, and integrate multiple demand data sources: shipments, syndicated data, retailer POS data, and sometimes retailer loyalty data.

Industry-leading TPO solutions are running off of consumption-based models, not shipment models. Algorithms are created to link consumption to shipments for more accurate demand forecasting.

For efficiency and data integrity purposes, leading-class implementations are integrating DSR, TPO, TPM, and aggregate demand forecasting systems.

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CONCLUSION

THE COLLABORATIVE SUM IS GREATER THAN THE PARTS

Planning, building and executing a TPO project is a huge, expensive undertaking that affects the entire organization, but it is well worth it. TPO increases profitability (two to four percent Return on Sales*) by enabling companies to better share information, monitor and react during promotions, and continuously improve.

Our research shows those companies that have successfully implemented TPO spend less time and fewer resources gathering data and make better use of trade funds due to greater visibility to ROI. They share data across manufacturer/retailer trading partners and apply greater consistency in using data and tools. TPO enables companies to identify the impact of promotion factors, such as price points, display types, feature advertising placement, etc.

TPO tools alone will not enable companies to achieve significant benefits. Along with TPO solutions, companies must change their decision frameworks, business processes, roles/responsibilities, and sometimes their organization structure.

Companies are implementing cross-functional, closed–loop trade promotion planning and execution processes that are supported by advanced analytic TPO pilots and implementations. They are also taking a parallel, rather than sequential, approach to implementation to improve speed to value.

WHAT IS NEXT FOR TRADE PROMOTION OPTIMIZATION?

Trade promotion capability programs continue to improve as do implementation techniques. Leading companies are working on:

- Infusing shopper insights into the predictive "what if" and optimization analyses to begin to understand the impact of specific promotional events on shopper segments
- Advancing the features and functions associated with optimization analytics — top-down funds allocation optimization and bottom-up event/calendar optimization versus "what if" predictive analytics
- Implementing fully integrated and modular solutions for business planning, DSR, TPM, TPO, and Aggregate Demand Planning and Forecasting activities
- Developing more collaborative manufacturer and retailer planning/execution capabilities based on advanced analytic insights (some solution vendors are beginning to provide the platforms for integrated and collaborative value chain activities across manufacturer and retailer)

TPO tools alone will not enable companies to achieve significant benefits. Along with TPO solutions, companies must change their decision frameworks, business processes, roles/responsibilities, and sometimes their organizational structure.

* *Accenture industry experience.*

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VENDORS AND THEIR SOLUTIONS

Technology is an enabling platform for TPO, and can include several integrated solutions. To select the appropriate technology solution, a company's trade promotion objectives, goals, priorities, and business requirements must be clearly defined.The table below, *Solution Landscape,* shows the 20 major vendors serving this market and the solutions they offer. (The information in this table focuses on the basic requirements; it is not a qualitative assessment.)

SOLUTION LANDSCAPE

VENDOR	CATEGORY MANAGEMENT	CUSTOMER PLANNING AND TPM	TPO	VOLUME PLANNING	RETAIL EXECUTION & MONITORING	SETTLEMENT
Accenture CAS	Covers many requirements	Complete	Complete	Complete	Complete	Complete
Adesso Solutions		Complete		Covers many requirements		Complete
AFS Technologies		Complete		Covers many requirements		Complete
alqemyIQ	Complete					
Coheris	Covers many requirements	Complete		Covers many requirements	Complete	Complete
Demandtec	Covers some requirements	Covers many requirements	Complete	Complete		Complete
Klee Group	Covers many requirements	Complete			Complete	
Interactive Edge	Complete					
ITC Infotech					Complete	
M-Factor			Complete			
MEI		Complete		Covers many requirements		Complete
Oracle	Covers many requirements	Complete	Complete	Complete	Complete	Complete
Promax		Complete	Complete	Complete		Complete
Quofore					Complete	
RW3 Technologies					Complete	
SAP	Covers many requirements	Complete		Complete	Covers many requirements	Complete
Spring Wireless					Complete	
StayinFront	Covers some requirements				Complete	
Synectics Group		Complete				Complete
Xtel	Covers many requirements	Complete	Complete	Complete	Complete	Complete

Complete · Covers many requirements · Covers some requirements

Source: 2010 Gartner MarketScope for Sales Force Automation In The Consumer Goods Industry

CONCLUSION

HOW TO GET STARTED

Despite tools such as benchmarking and historical measures, many retailer and manufacturer industry leaders have difficulty translating research into practice. The result is underuse, overuse, and misuse of technology solutions, and trading partner concerns related to data sharing. Even with large amounts of customer data (POS, loyalty, etc.) providing evidence for greater profitability, much of it is not used.

The POI *Charting Your Course to Trade Promotion Optimization* study demonstrates that TPO initiatives are beginning to show results and to achieve sustainable change in better planning and executing trade promotions. TPO solutions that facilitate decisions, support best practices, and enable planning and measurement carry a learning curve that may pose a barrier for customer teams on the path to improved results. These must be anticipated and resources planned (including dedicated/skilled personnel, budgets, time, etc.).

This research explored the process of change used to implement processes and solutions. For a program as important and impactful as TPO, most companies need some measure of outside assistance. The research reported here was designed to explain the process of change and clarify what is necessary to develop an actionable plan. This planning is needed to drive more-informed TPO pilots and implementation programs, improved collaboration among trading partners, and improved trade productivity/profit contribution.

The previous two years have made it clear to trading partners that this is not the environment in which to go it alone. Several of the largest companies have shifted their strategies to a more collaborative approach, focused on joint business planning. Expertise is gained by engaging with peers around this type of research, education, and initiatives -- including networking events focused on industry service (*e.g.,* POI, GMA, FMI, NACDS, NGA, CGT, IFMA).

To serve the industry, POI has created an accredited educational program leading to certification as a Certified Collaborative Marketer.™ With Saint Joseph's University, POI is designing the program (which includes TPM/TPO) to recognize industry executives for collaborating with their trading partners.

POI also serves companies and individuals as a source of information important to the industry. POI helps members understand best practices, eliminate wasteful trade spending, share insights for continuous improvement, and optimize promotion through collaboration. ■

For an initiative as important and impactful as TPO, most companies need some measure of outside assistance. More informed implementation and evaluation leads to greater collaboration among trading partners, and more successful TPO pilots and programs.

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TPO initiatives are beginning to show results and to achieve sustainable change in better planning and executing trade promotions.

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Accenture CAS

(Formerly Known as CAS)

THE POWER OF POSITIVE PLANNING

How optimizing trade promotions can fast-track growth

Consumer products companies have long aspired to gain a better understanding of how past promotion performance can facilitate improved future planning. Historically, many companies have developed an internal capability to achieve a level of predictive planning, but in most cases the analyses fall short due to a missing component (such as models) or capability (*e.g.*, data cleansing and management) that is too costly to manually develop.

With the increased availability of scan and electronic point-of-sale data (coupled with syndicated/census data), there is real opportunity to develop a foundation for predictive planning. This can be done by applying advanced statistical methods and analyzing historical promotional behavior.

Recent research highlights three key capabilities consumer products manufacturers require to make better trade promotion planning decisions:

- Decomposition of volume based on tactic and price point
- Development of consistent, accurate consumption baseline forecasts
- Quantification of cannibalization and halo effects

By applying "shopper insights" derived from these three capabilities, it is possible to draw meaningful trade promotion and volume planning conclusions from a fact-based approach. Both the enterprise and the retailer can garner improved results and profitable growth via collaborative planning driven by shopper behavior. In a complex and competitive marketplace, having the ability to fine-tune each promotion within a retailer plan provides the greatest potential for delivering value to all three constituents in the exchange—manufacturer, retailer, consumer/shopper—and can be the forerunner to business growth.

Consumer products manufacturers have an opportunity to make better use of the ever-growing pool of available retail consumer data. And if consumer products companies use this data to drive more impactful promotion planning decisions (*e.g.*, increased incremental volume with minimal to no increase in spending), they can improve their performance in the marketplace.

Accenture Software believes that a base trade promotion management solution and process must be put in place if your account managers are to take full advantage of these new optimization opportunities. Accenture CAS (formerly CAS 8), an integrated customer management and mobility software solution, covers the full scope of demand-side operations, including trade promotion management and trade promotion optimization.

Trade promotion management is vital to enabling your users to build out a complete annual volume plan that includes the effect on volume as well as alignment of all trade funds associated with those promotions.

This value is further enhanced when combined with the powerful analytics of Accenture Software's trade promotion optimization capability. Leveraging these trade promotion

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Using TPO software, CPG companies will find the facts at their fingertips, arming them to differentiate and succeed in a crowded marketplace.

optimization features enables manufacturers to analyze each promotion during the planning stages of the process and determine the optimal combination of price and tactic based on historical results. In using these features, consumer products companies are able to optimize trade spend across the brands and category.

Accenture Software trade promotion optimization helps consumer products manufacturers:

- Improve fund utilization
- Increase volume forecast accuracy
- Reduce promotional out-of-stocks
- Reduce or eliminate non-profitable or under-performing promotions
- Reduce long-term promotion spend liability
- Reduce deductions (in terms of number and balances)
- Reduce administrative planning time

In an economic climate wherein many businesses are still reeling from the impact of financial crisis, consumer products companies are under pressure to make better use of their existing retailer consumption data. Accenture Software believes that manufacturers who use this data effectively will become winners in the marketplace. In using Accenture CAS trade promotion optimization software, consumer products companies will find the facts at their fingertips to differentiate and succeed in a crowded marketplace and achieve high performance. ■

For more information contact:
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About Accenture Software

Accenture Software combines deep technology acumen with industry knowledge to develop differentiated software products. It offers innovative software-based solutions to enable organizations to meet their business goals and achieve high performance. Its home page is ***www.accenture.com/software****. In January 2011, Accenture acquired CAS, the leading provider of Customer Management and Mobility Solutions, to help Consumer Products companies sell more products more profitably. Accenture Software is a dedicated business providing innovative software-based solutions.*

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COLLABORATION

A competitive TPO advantage

The ability to predict Cannibalization (88 percent), Total Category Profitability (80%), and Consumer/Shopper Impact (56 percent) are not only the top advanced views requested in TPO but represent the three core pillars of manufacturer collaboration. These perspectives allow a manufacturer to become a strategic partner, rather than just as a supplier or vendor. How else can one objectively forecast how price or promotion changes may affect the shelf, portfolio, store brand or shopper behavior?

Collaboration is defined as an intellectual endeavor with aligned interests. Fortunately, tools have evolved to enable companies to find common ground. The top scoring collaboration elements may be addressed individually, but are certainly more effective when leveraged inclusively.

- **Measure cannibalization:** Understanding the impact of a promotion beyond your SKU, Brand, Promoted Product Group, and Portfolio creates a comprehensive perspective but more importantly, is a good faith estimate on a promotion's true impact to the retailer. Cannibalization metrics should include impact to store brand, competitors, and estimated net incremental sales to the category.

- **Estimate total category profitability:** Forecasts should include margin estimates for your brands, but also for the retailer. Utilizing proxy margins allows for a true profit outlook for the manufacturer and retailer alike.

- **Align on the shopper:** What is good for the consumer and shopper is good for the retailer and manufacturer. Understanding shopper behavior results in a mutually beneficial sale though better promotions that better address consumers and shopper needs without relying on price.

Trading partners are already using collaboration as a competitive advantage in the marketplace. We have found successful examples including the work of ConAgra Foods and Unilever. Their approaches contain common themes. They introduce a common goal, which may be the shopper or a mutually beneficial metric; they stressed the importance of collaboration; and they reorganized to ensure the right structure to enable success. The results speak for themselves, with event ROI 30 percent higher and a doubling of their total ROI in just 2.5 years.

Footnotes:

Q: "What other outcomes are you interested in from TPO result point of view?"

Merriam-Webster Dictionary

SymphonyIRI Group(2011). Merchandising Trends: Achieving Differentiation with a Shopper-Centric Approach, 3.

http://www.census.gov/population/www/pop-profile/natproj.html

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Align on the shopper.

What is good for

the consumer and shopper

is good for the retailer

and manufacturer.

Symphony-IRI has recently reported that merchandising lifts are declining and the 2010 US census revealed that population growth is expected to decrease by 50 percent over the next six decades. The marketplace will evolve accordingly, but the manufacturers and retailers who collaborate will have the advantage over versus those who head out on their own. ■

For more information contact:
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About DemandTec

DemandTec (NASDAQ:DMAN) connects more than 340 retailers and consumer products companies, providing common tools to transact, interact, and collaborate on core merchandising and marketing activities. ***www.demandtec.com***

DemandTec®

THE REAL IMPACT OF A PROMOTION

New simulation solutions arm executives with higher-quality information, leading to better insights

SymphonyIRI Group

CPG and retail companies face enormous pressures on pricing and promotions, driven by three trends: an ongoing rise in commodity prices, a tidal change in merchandising strategies, and requirements for greater visibility in expense recognition resulting from the 2002 Sarbanes-Oxley Act. Underlying factors for commodity price increases include higher oil prices, a renewed interest in corn-derived ethanol, drought /flood conditions in many parts of the world, and the rise of China as an economic power and its increasing demand for goods.

In addition, CPG and retail marketers are experiencing a tidal shift in merchandising away from traditional print and television advertising while newer promotional media are taking root. In-store media promotions, and the rise of social networking websites, where consumers can exchange information on products and retailers, represent just two of these new media.

Trade promotion software focused on tracking trade funds, but failed to improve the quality of planning. This type of post-promotion analysis simply reveals the shortcomings of current solutions after they are executed at retail, versus arming executives with the information they need to develop more effective price promotions. Additionally, enterprise trade solutions are frequently complicated and thereby discourage staff in the field from utilizing the information the solution contains.

New solutions enable these executives to answer several important questions. While these questions appear simple, developing information-based, insightful responses has often proven difficult in the past. Basic pricing questions have included: "*What should the everyday price be for this brand?*" "*How should I react if my competitor raises or lowers their prices?*" and "*Oil, commodity and other factors are placing upward pressure on price, what will be the impact?*" On the promotion side, essential questions have included: "*How can I spend my promotion budget more effectively?*" "*What is the real impact of a promotion?*" "*How can I tell if a promotion will be profitable?*" and finally, "*How can I look back and compare how a promotion actually performed versus original expectations?*"

New simulation solutions arm executives with higher-quality information from which they can develop better insights. New pricing solutions help companies to determine the impact of a change in base price as well as allow for "war gaming" by demonstrating competitive price change impacts. Promotion solutions enable executives to simulate and compare different promotions with which they can create the best plan of action. They create an ROI for each promotion and provide post-promotional review after a promotion.

New pricing solutions allow for 'war gaming' by demonstrating price change impacts.

While the new generation of price promotion solutions provides a quantum leap over previous solutions, they are just one component in creating a customer-centric organization. CPG and retail companies must also structure their organizations to take advantage of the information provided and to ensure that strategic thinking is in alignment with the insights these new price promotion solutions provide. ■

About SymphonyIRI Group, Inc.

SymphonyIRI Group, formerly named Information Resources, Inc. ("IRI"), is the global leader in innovative solutions and services for driving revenue and profit growth in CPG, retail and healthcare companies. SymphonyIRI offers two families of solutions: Core IRI solutions for market measurement and Symphony Advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management. SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organization. Please visit ***http://www.SymphonyIRI.com*** *For more information, contact Mike Bruening at* ***Michael.Bruening@SymphonyIRI.com***

SymphonyIRI Group

Insight.
Innovation.
Impact.

Synectics Group

TRADE PROMOTION OPTIMIZATION

It's the key to fostering true trading partner collaboration

Having been in the CPG sector as long as we have, we have witnessed firsthand the repeated emergence of industry acronyms that result in short-term industry buzz, but demonstrate little or no staying power. TPO — trade promotion optimization — is, however, a critical acronym at a critical time — one that must become a vital, lasting element of our business process.

Why? At present, the CPG sector is at a true crossroads, and faces a challenge that all mature sectors eventually encounter — margin erosion. Today, margin erosion is a key concern for both the manufacturer and the retailer. A significant contributor to that erosion is the inefficiencies in trade promotion execution. Optimizing the critical promotion investment should be a top priority to trading partners if margin erosion is to be stabilized and eventually reversed.

There are three key components that comprise industry best practice attainment of trade promotion optimization:

- You must have a solid closed-loop TPM solution that manages the total trade promotion investment;

- You must have access to a sophisticated predictive analytics engine that can provide accurate product baselines and merchandising lift coefficients enabling one-off "what if" analysis capabilities;

- You need to have the strategic capability to feed the rich history and analytics capabilities (housed in the TPM/Predictive Analytics solution) into a corporate trade promotion optimization engine. This delivers a strategic annual plan utilizing configured constraints that can solve optimally for corporate profit, revenue and volume objectives. This solution must be tightly integrated to enable quick and accurate generation of optimization scenarios, thus enabling a quantified return on the trade promotion investment.

Last but not least, this trade promotion optimization system needs to be scalable to eventually optimize the *total category*, not just the individual manufacturer's brands. This capability will provide a true catalyst toward fostering the collaborative environment for the retailer and manufacturer, to maximize the close to $200 billion spent annually on trade promotion. The time has never been more pressing to collaborate, and the technology is available today to accomplish the goal.

Synectics Group and River Logic have partnered to develop the TPO Planner. The TPM

Margin erosion is a key concern for manufacturer and retailer alike, and a significant contributor to this erosion is inefficiency in promotion execution.

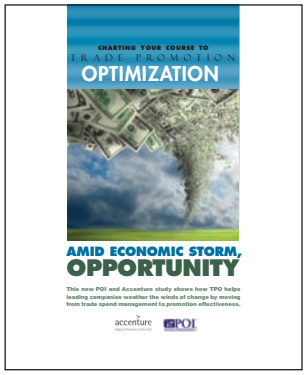
expertise of Synectics Group (26 years) and the Constraint Oriented Reasoning (COR) and Enterprise Optimization (EO) expertise of River Logic (21 years), partnered over two years ago to develop the capability to deliver corporate/account-level annual optimized promotion plans.

Once the plan has been approved, it can be electronically fed to your TPM solution, where, utilizing the power of predictive *"what if"* analysis, it can be adjusted based upon various market conditions. This tightly integrated capability enables the manufacturer to monitor real-time results against an optimal plan that results in a quantified and significant return on the trade promotion investment. ■

About Synectics Group, Inc.

Synectics Group, a leader in Trade Promotion Optimization (TPO), helps CPG companies dramatically improve their strategic trade promotion planning process through powerful optimization and predictive analytics. Our trade promotion optimization solution, the TPO Planner, includes work-flow to create and allocate budgets, optimize corporate calendar templates, easily create "what-if" customer plans with optimized trade promotion calendars, and manage incremental trade funds requests.

For more information, please contact: Wayne Spencer, SVP Business Development, Synectics Group, Inc. email ***wspencer@synecticsgroup.com***



ACCENTURE is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across industries and functions, and extensive research, Accenture collaborates with clients to help them become high-performance businesses. In doing so, we leverage our industry knowledge, service offering expertise, and technology capabilities to identify business and technology trends and develop solutions that help clients create sustainable value for their customers and shareholders.

Accenture's global Consumer Goods and Services practice focuses on helping clients across all segments of the food and beverage, alcoholic beverages, home and personal care, apparel, agribusiness and consumer health industries.

We support consumer goods companies seeking large-scale growth, major operational efficiencies, and workforce transformation in their efforts to become higher performance businesses. **www.accenture.com**

PROMOTION OPTIMIZATION INSTITUTE (POI) brings together manufacturers, retailers, solution providers, analysts, academics and other industry leaders. Members of POI share cross-functional best practices in both structured and informal settings.

Additionally, members benefit through our industry alliances and events, the CCM program, research, and the Promotional Collaboration Capability Matrix (PCCM). POI aims to instill a financial and metrics-based discipline not typically found with other trade groups.

The goal of our innovative approach is collaborative promotion optimization. The focus is on the customer/shopper through sales, marketing, and merchandising strategies.

Executive advisory boards keep us apprised of industry needs and help us provide desired outcomes for members, sponsors, and academia. **www.P-O-I.org**

For more information about the study, please contact Michael Kantor (mkantor@p-o-i.org), Gary Singer, Partner (gary.e.singer@accenture.com), or Kenneth Dickman, Partner (kenneth.dickman@accenture.com).

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