

---

# *Breaking Out of Your Trade Inertia*

**&**

## Getting to a World Class Trade Capability

## Trey Alexander – PwC | Strategy& Partner, TPE Senior Lead



- Over 18 years of Strategy& consulting experience, primarily with CPG manufacturers
- Specializes in helping companies develop strategies and capabilities that improve trade promotion, marketing and sales efficiency
- Has led programs across beverage, food, consumer healthcare and consumer household goods industry segments
- Experienced with multiple commercial solutions for TPM, PEA and TPO

*Do you have Trade Inertia?*

*The Path to Overcoming Inertia*

# ***Do you have Trade Inertia?***

## **inertia**

*Noun: a tendency to do nothing or to remain unchanged*

## **trade inertia**

*Noun: a continued state of “doing nothing” in building or improving your trade capabilities*

### ***You know you need to break out of your trade inertia when:***



You know you need to do something about your trade spend, but you're not sure what...



You're spending a ton on trade, but you don't know what you're getting for it



...Or, you're doing *something*, but you're not moving the needle



You want to embark on a transformational trade program, but...

... you don't have a business case to take to senior leadership

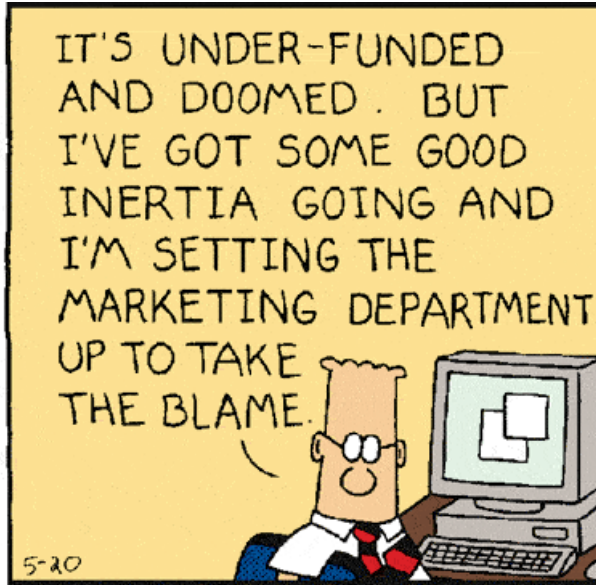
... you don't have an understanding of the scope of the program

... you don't have the tools, resources or the skills to build the capability

... you don't know how to make that capability last



S. Adams E-Mail: SCOTTADAMS@AOL.COM



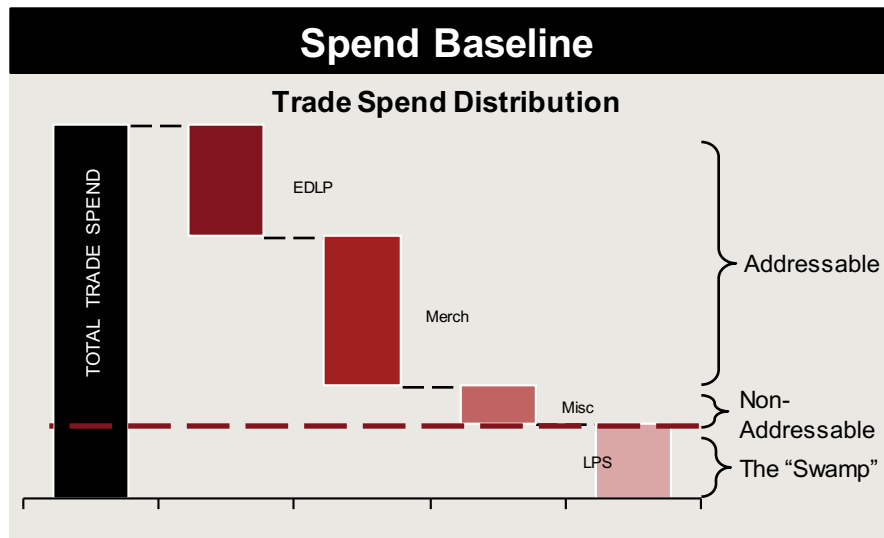
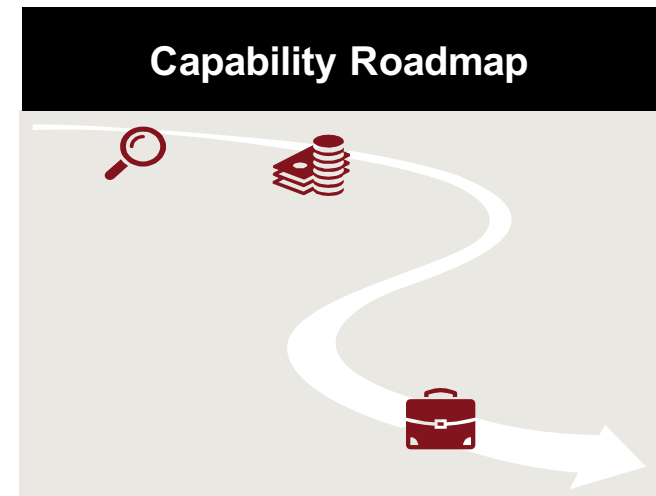
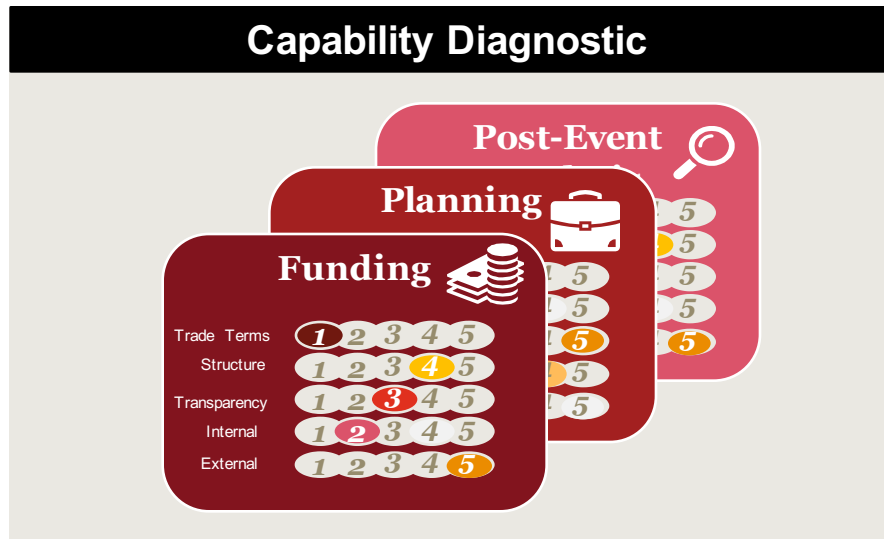
© 1994 United Feature Syndicate, Inc.



*Do you have Trade Inertia?*

*The Path to Overcoming Inertia*

*The first step is often a diagnostic to gain insight into where you are and the benefits you can achieve*





# Trade capabilities span a wide continuum – it is critical to be aligned on which ones should be enabled and in what order

## Continuum of Trade Promotion Excellence (TPE) Capabilities

### Foundational Capabilities

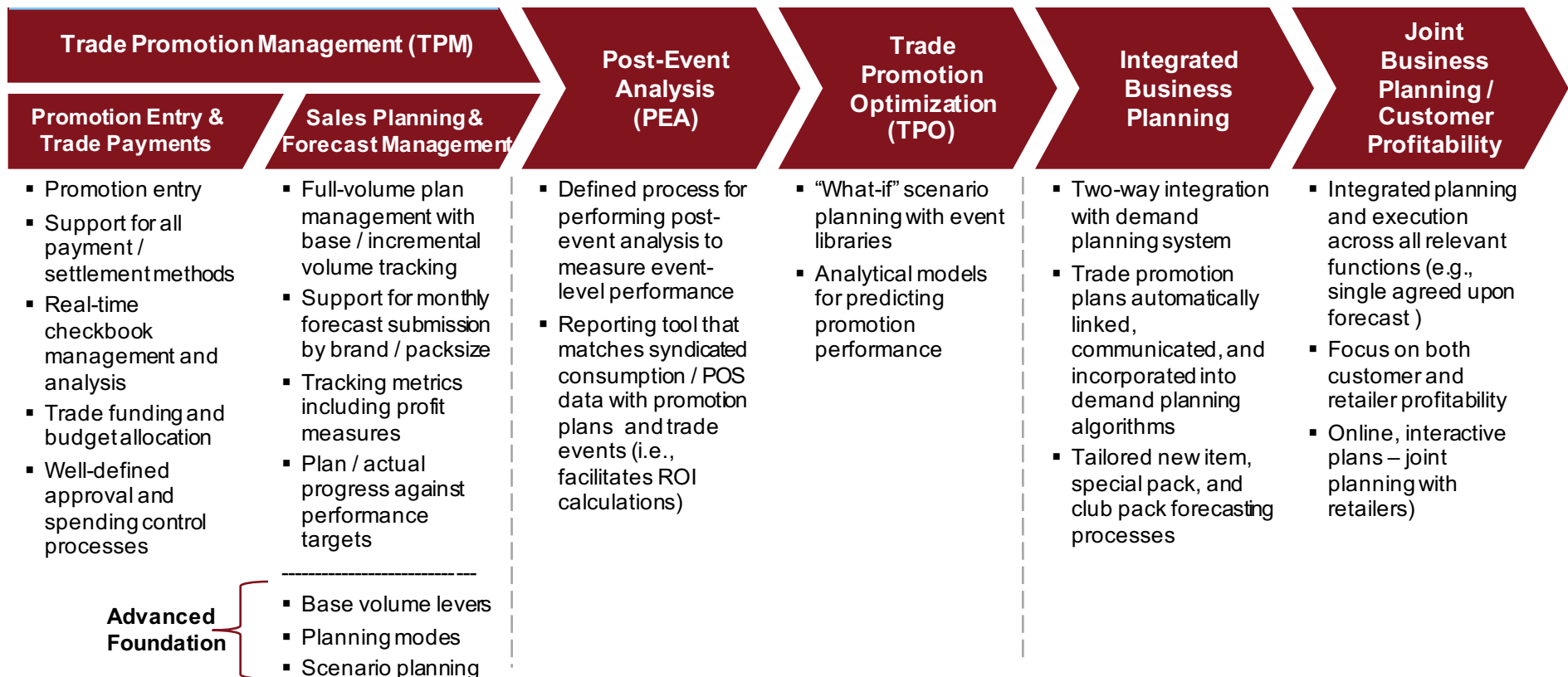
*“Basic functions that drive operational efficiency”*

### Advanced Capabilities

*“Sophisticated capabilities that drive trade spend efficiency”*

### Aspirational Capabilities

*“Emerging capabilities that drive superior cross-functional performance”*







# Capturing near-term benefits requires effort across the entire planning process

## Trade Improvement – Strategic Planning Process Objectives

Continuous feedback during execution and for following year's plan



- Understand performance of trade spend in prior year and YTD
- Identify key themes that underlie superior and poor performance
- Identify major changes in retailer priorities and strategies



- Develop improvement hypotheses unconstrained by spend and execution challenges
- Leverage a broad fact base to ground improvement ideas
- Leverage collaborators across organization
- Objectively evaluate individual ideas (i.e., metrics like ROI)



- Construct a plan by selecting the best individual events
- Balance for trade-offs and constraints
- Test multiple scenarios and build an improvement and stretch plans



- Build compelling sell-in stories focused on “win-win” opportunities
- Ensure that the full plan improves customer economics with an emphasis on key metrics that the customer is focused on

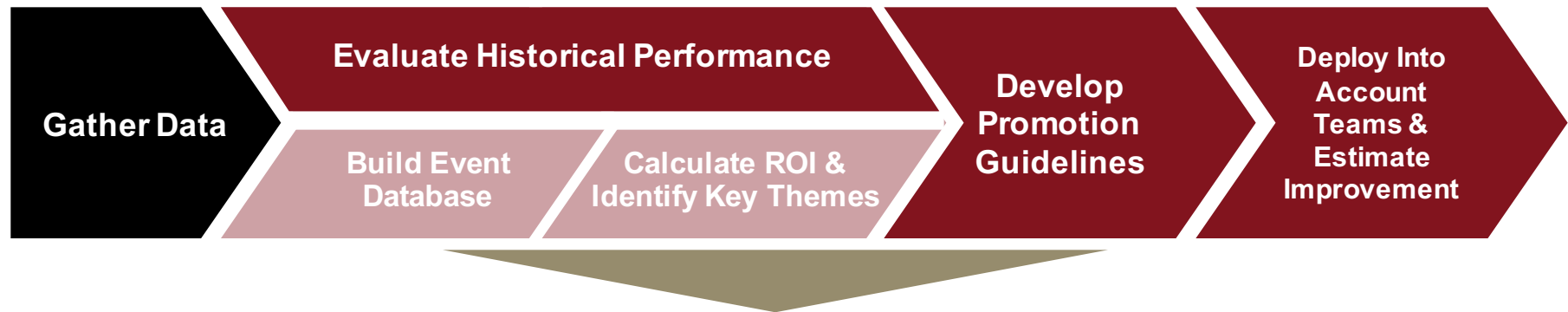


- Track execution vs. original and sold-in plans
- Evaluate when plan is off-track and launch re-planning/corrective actions
- Hold teams accountable for capturing value

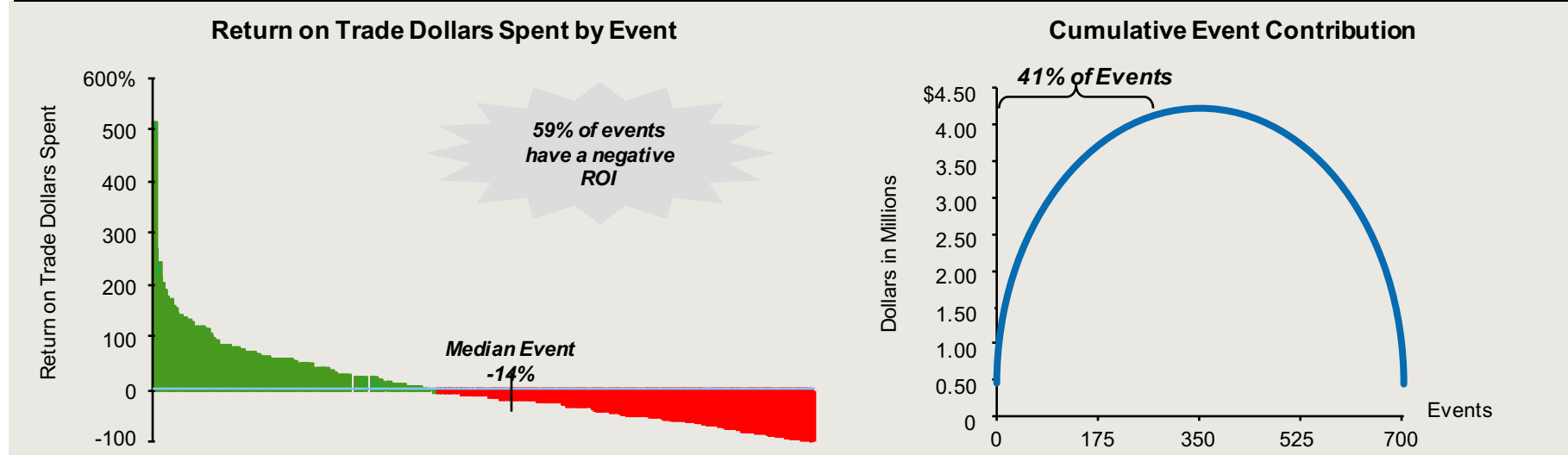


# Arriving at an event-by-event understanding of ROI can help you target problem areas

## Conducting Post Event Analysis



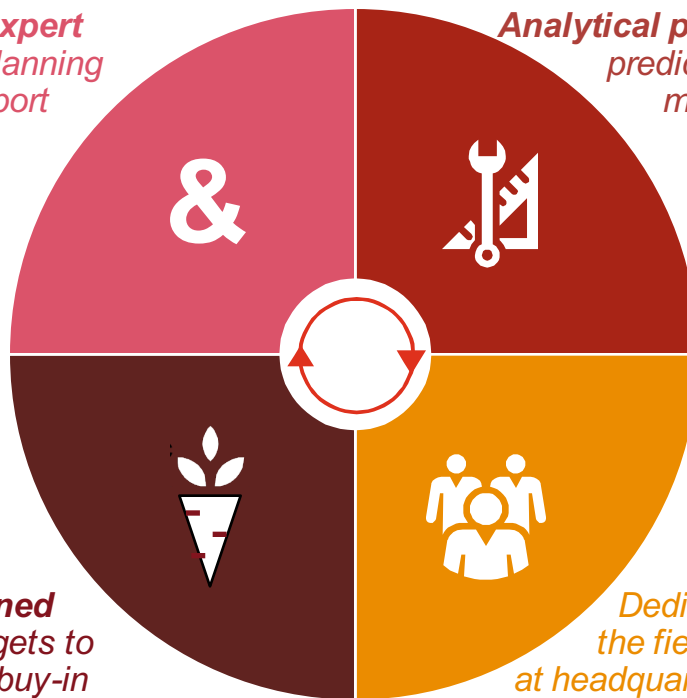
## Typical Findings



# Resolve problem areas by using a SWAT effort to go from copy-and-paste to an analytically rigorous approach

## SWAT Planning Key Enablers of Success

*On-the-ground expert team provides planning and training support*



*Analytical planning model with predictive models to drive more accurate results*

*Incentives aligned to agreed-to targets to drive focus and buy-in*

*Dedicated client team in the field and pricing teams at headquarters to drive change*



### Typical Outcomes

- Creation of more profitable customer plans without simply cutting spend
- Improvement in event-level ROI based on more informed decisions
- More rigorous base and incremental consumption-based planning
- New process embedded in the organization
- Greater collaboration across sales teams



***Investing in an upfront program structuring effort pays strong dividends in building and sustaining a capability***

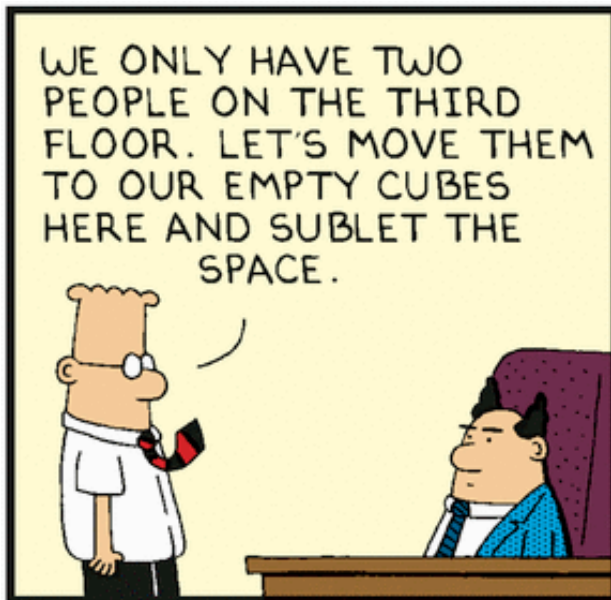
### **Major Effort Areas During Program Structuring**

**Robust Business Case**

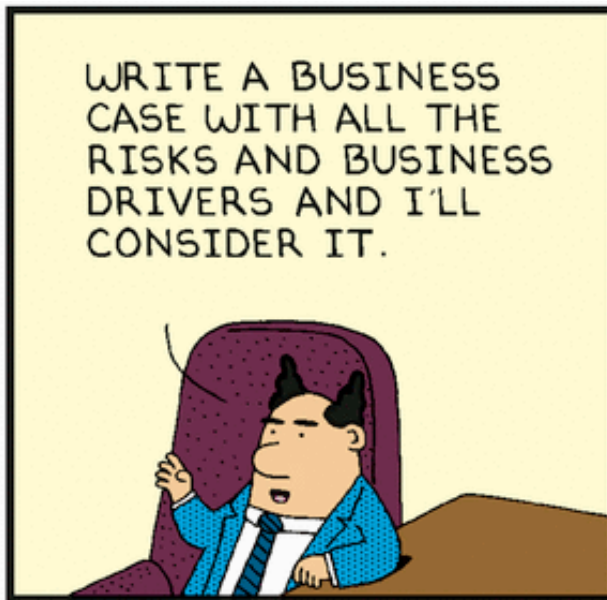
**Well Defined Scope**

**The Right Partners**

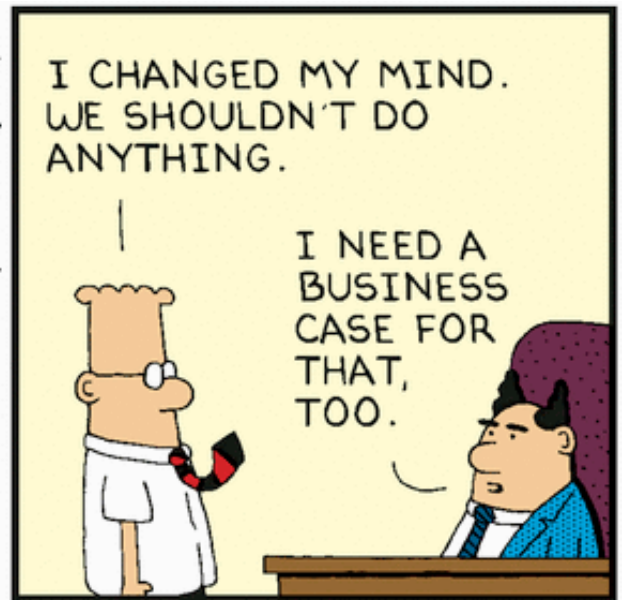
**Strong Change Management**



www.dilbert.com  
scottadams@aol.com



7-3-04 ©2004 Scott Adams, Inc./Dist. by UFS, Inc.





*Trade programs are typically justified on one of three dimensions*

- 1. Burning Platform**
- 2. Operational Efficiency**
- 3. Trade Effectiveness**



# *Operational challenges often arise from process and/or capability gaps*

## Operational Efficiencies

Transparency into  
Trade Spending

Control over  
Trade Spending

Accurate  
Sales Forecasts

Minimal  
Administration

## Examples of What Can Go Wrong

- The company does not have a good understanding of how trade funds are actually being spent by customer teams
- Trade funds are held back by customer teams and either not spent or spent at undesirable times of the year
- Annual trade budgets are overspent (or under spent) by tens of millions of dollars
- Revenues and/or earnings are unexpectedly and adversely impacted
- Extraordinary measures need to be taken to avoid surprises
- Near-term sales forecasts are missed by a wide margin
- Customer orders cannot be filled
- Out-of-stock levels increase
- Customer teams have to spend large portions of their time on low-value activities
- Small departments of support staff are required to offload administration from the field
- Other activities (e.g., analytical planning, optimization) get crowded out or become impractical



## *Create a realistic business case before starting the program*

### Make your Business Case..

### Don't....

### Do....

#### ROI-Based

- Focus purely on costs
- Have only a qualitative estimate of benefits

- Create a clear articulation of the ...
  - Quantitative and qualitative
  - Costs and benefits
  - Associated ROI

#### Cross-Functional

- Focus on a single function within the organization (e.g., IT, a specific business unit, etc.)

- Create a clear articulation of the implications (positive and negative) across all relevant functions within the organization

#### Grounded in Reality

- Be overly optimistic
- Treat vendor quotes in RFP responses as guaranteed fixed bids when in reality they are “lowball” estimates to get a “foot in the door”

- Base your estimates based on historical benchmarks for benefits and costs
- Be conservative: costs on the high side, benefits on the low side

#### In Line with Accounting Policies

- Focus on cash outlays ...
- ... without a clear understanding of how they will impact that P&L

- Gain a clear understanding of the organization's accounting policies ...
- ... including what can be capitalized vs. expensed





## *Explore Key Design Concepts to define scope boundaries before progressing into detailed system evaluation and design*

- It is not uncommon for companies to struggle with vision-setting for large trade capability programs
- A focus on alignment around foundational program elements up-front may pay dividends later, in the form of less rework and design quality and coherency
- Key Design Concepts (KDC's) efforts helps define and align on these foundational elements up-front before progressing into detailed system evaluation and design

### Key Design Concepts Overview

#### Benefits

- **Early alignment** on program vision & solution scope
- **Ability to proceed into vendor selection and functional design** with key decisions and potential points of contention resolved
- **Higher quality** in both design and end solution with focus on holistic capability, not siloed functionality
- **Faster design timeline** by enabling individual components to be designed in parallel

#### What qualifies as a Key Design Concept?

- It is a **foundational element of the design** that is critical to full realization of program value
- It is an **organizational capability gap** that must be in place to realize the full program value
- It may be a **dependency area** that needs resolution before downstream decisions are made
- It may **drive significant complexity**, and hence effort, in the functional and technical designs
- It is a **potential point of contention** between stakeholders



# Carefully evaluate your solution tool and your implementation partner

## Choosing your Solution Tool and Implementation Partner

### Potential Solution Vendors



### Capability Fit-Gap Analysis

Key Future-State Planning System Capabilities	Fit Gap Rating	Current State Functionality
Captures full business plan (i.e., total volume done with customer)	●	• No ability to capture non-promoted volume
Clean separation of consumption and shipment plans	●	• Ability to enter planned shipments but not consumption estimates • No concept of forward buy
Clean separation of planned budget vs. actual budget	○	• Works only with actual funding budget amounts • No ability to enter plan funding amounts
Accurate funding / spending balances	●	• Has fund positions, but process, interface, and system errors make it impossible to understand true fund and spending balances
Latest estimates	○	• No ability to automatically update projections based on actual consumption and shipments
Explicit support for SKU distribution	○	• No ability to define product distribution at the account level
Explicit support for seasonality and trends	○	• No seasonality characteristics incorporated into data model
User friendly planning calendar	●	• Has calendar, but no ability to interactively manipulate events within the calendar
Ability to efficiently add, edit, delete and copy events and plans	●	• Creating and editing events is unnecessarily tedious in many cases • Ability to copy events across years, brands, or customers is limited • No ability to copy entire plans
Efficient support for EDLP, Hi-Lo, Mixed Retailers and Wholesalers	●	• Handles events generically – no tailored functionality • Does not properly handle common case of a Hi-Lo event running over an EDLP event
Specific support for pre-pay, pay as you go, and contract pricing customers	●	• Supports basic contract prices • Minimal support for pre-pay
Explicit support for National/Mega events	●	• Supports creation of national event and propagation to accounts and products • Does not allow performance at a National level
Integration with order management system for off-invoice processing	○	• No automated interface for off-invoice tactics, synchronization and reconciliation done via manual intervention
Combined bag support	○	• No specific support, currently managed by a workaround that requires cumbersome log in/log out
Ability to handle re-alignments	●	• Customer realignment is possible, however, the associated history is not realigned

### Refined Vendor List w/ Considerations for RFP

Process Step	Ability to Handle Out-of-Box		Other Key Considerations
	Vendor 1	Vendor 2	
TPM	Funds Management	●	<b>Ease of Integration:</b> <ul style="list-style-type: none"> <li>The standard process integration of TPM can be configured within the existing middleware</li> <li>TPM will need custom interfaces to be built with external systems</li> <li>However, any changes to TPM will necessitate re-building interfaces</li> </ul>
	Detailed Promo Planning	●	
	Promo Execution and Steering	●	
JBP	Claims and Payments	●	<b>Investment in Future Functionality:</b> <ul style="list-style-type: none"> <li>TPM has made significant investments into building a JBP functionality that is differentiating for Unilever</li> <li>Likelihood of significant improvements to TPM is unknown</li> </ul>
	JBP / CBP	●	
PEA	Post-Event Evaluation	○	<b>Design and Implementation Momentum:</b> <ul style="list-style-type: none"> <li>Design and implementation work-to-date has been solution specific</li> <li>Client currently possesses licenses for TPM software</li> <li>Switching will require re-work of technical design and additional license expenditure</li> </ul>
	TPO	●	
Foundational	Reporting	●	
	Master Data & Maintenance	●	

Legend: ○ Requires complete customization ● Can be handled w/ minimal configuration

- Start with a list of potential solution vendors that are strong candidates based on the formalization of the program end-state vision

- Conduct a fit-gap analysis against your business requirements and objectives, leveraging:
  - Market experience
  - Interviews with customers
  - Q&A with actual vendors (if necessary)

- Create a revised short-list of potential solution vendors, along with a set of considerations and questions to be addressed as part of the formal RFP process



# *Maintain momentum during and after the program through solid Change Management*

## Organizational change management for a trade transformation program

### Primary Objectives of Trade Transformation Change Management

