

POI European Promotion Optimization Summit

Collaborate Globally and Execute Locally



Big Data
Pricing TPO
Retail Execution
Mobility TPM

strategy&

TPM in Europe

Building winning TPM capabilities

Franc Verhage



With you today....



Franc Verhage
Retail & Consumer
Strategy& Amsterdam

Executive summary

Franc is a Director within Strategy& aligned to the Retail & Consumer practice in the Amsterdam Office. He supports consumer clients build and improve their revenue management capabilities, with a specialization in trade promotion excellence and go-to-market strategies.

His background in econometrics, experience in a wide range of (Trade) Marketing & Sales related topics and understanding of the (FM)CG industry make him a credible advisor and thought leader.

Clients that Franc has worked for include HEINEKEN, Philips, JDE, PepsiCo and Ahold



Introduction to Strategy & TME Practice

Our perspectives on Trade Management in Europe

Key take aways

Our experience in the industry has shaped our perspective on trade management...

Client involvement



Types of projects

1

Assess commercial capabilities across organization based on internal and external best practices and implement a **capability building roadmap**

2

Develop **framework for fund allocation** and closed-loop **planning process** to accelerate growth, enable channel pricing alignment and support customer planning effort

3

Optimize **trade spend analytics** in modern and/or traditional trade while building both pre- and post-event analysis capability in the organization

4

Support Trade Management **system selection and implementation**, focusing on usability, performance and business alignment and support with pilot/implementation

Source: Previous Strategy& project experience, Strategy& analysis

...Combined with our bi-annual Planning & Trade Marketing Benchmarking study we are a thought leader in the industry

Strategy&'s customer planning & trade management benchmarking



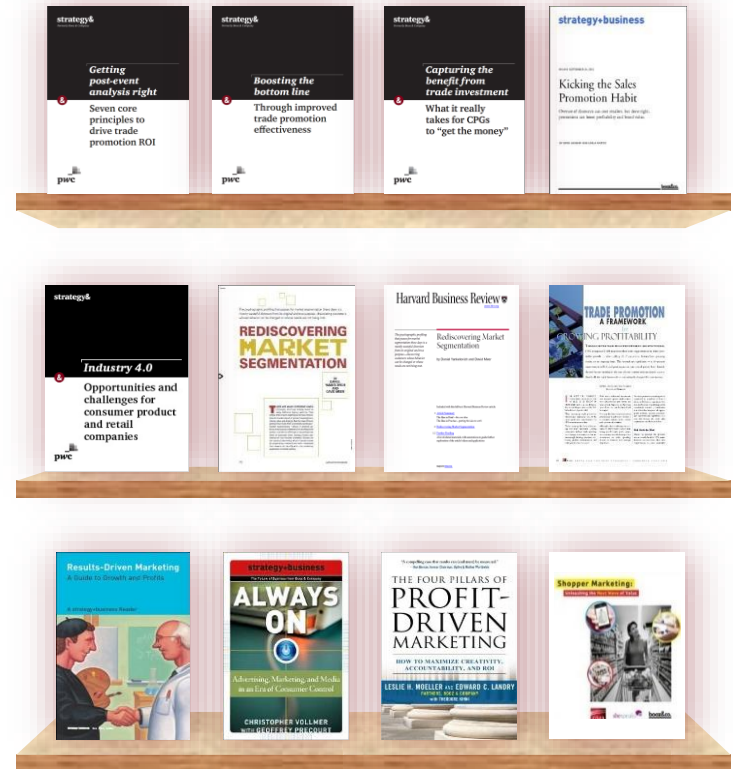
Companies large and small participated



Good mix of F&B and P&HC companies



Sample of thought leadership



Download: https://www.strategyand.pwc.com/media/file/Strategyand_Customer-planning-and-trade-management.pdf

Source: Strategy& Trade Management and Customer Planning Survey 2015, Strategy& analysis



Introduction to Strategy& TME Practice

Our perspectives on Trade Management in Europe

Key take aways

TPM programs are difficult to get right, especially in Europe

Examples of challenging TPM Implementations

Company	Situation
Leading Diversified FMCG Mfg.	<ul style="list-style-type: none">Global TPM program costing > €50M halted by business leader due to very poor user reception
Multinational Medical Products Mfg.	<ul style="list-style-type: none">Poor implementation leading to a €5M write-off; Strategy& replaced the SI;
Leading Beverage Company	<ul style="list-style-type: none">€7M overrun resulted in the selection of Strategy& to replace the original system integrator
Leading Household Good Mfg.	<ul style="list-style-type: none">€105M+ TPM implementation that delivered only very basic capabilities; roughly 4x the original budget

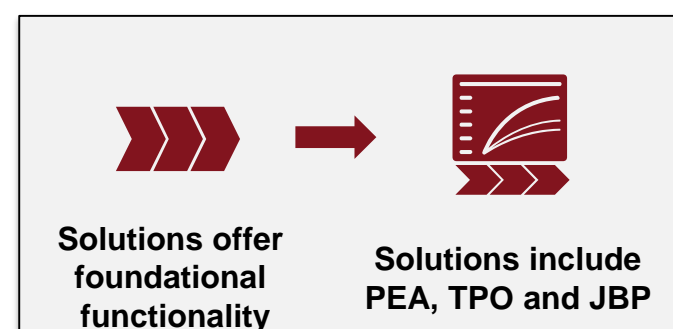
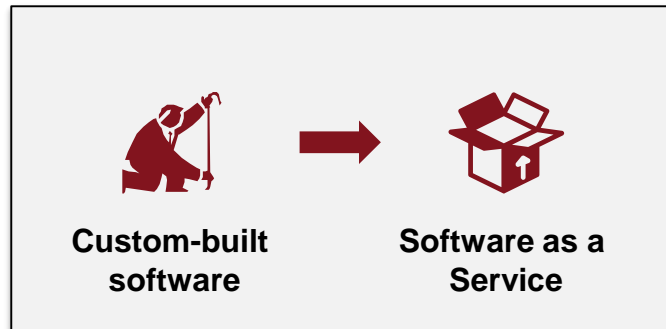
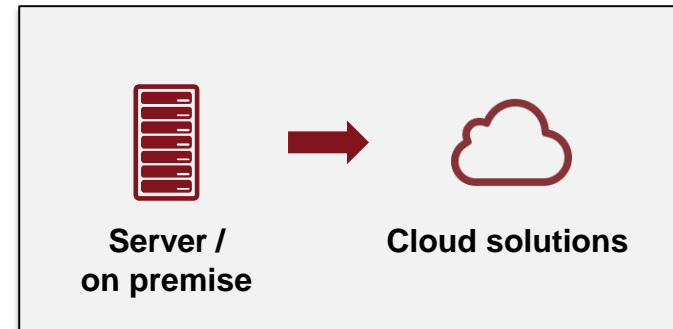
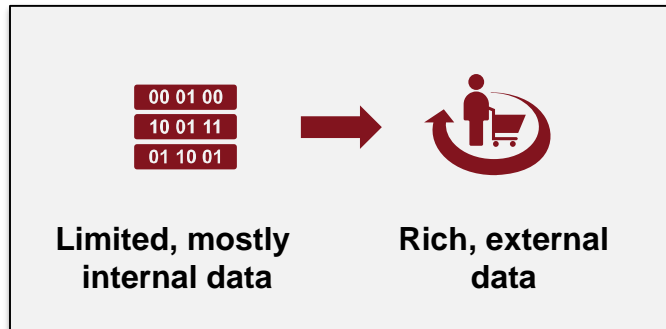
Reasons for failures in EU

- **Force-fitting one solution** and template across markets; one size does not fit all
- **Not investing enough time upfront** to understand the local business models and functionality needed
- **Not having the right business and / or systems partners**

Source: Interview of senior company executives, Previous Strategy& project experience

With new technological trends, there's never been a better time to consider building TPM solutions in European markets

Technological trends impacting TPM offer



Determining the aspiration level for a market requires a thorough assessments along three dimensions
















Selection criteria for building TPM capabilities in Europe

- 1**  **Market maturity**
- 2**  **Local presence**
- 3**  **Organizational structure**

**Criteria discussed
on next pages**

European markets are very different from each other in retailer maturity, data availability and regulations

ILLUSTRATIVE

Key Differences	Markets		
	 Russia	 Germany	 UK
Retail format maturity			
Data availability / accessibility			
Trade terms complexity			
Regulatory restrictions			
Capability aspirations	Foundational capabilities: Funding & payments, planning & forecasting	Leading: PEA, TPO	Advanced: IBP, JBP

Source: Strategy& analysis

A company's local footprint, GtM model and planning processes should be considered in setting aspiration levels

Local presence considerations for TPM capability aspiration level

Market significance

- Company market share / financial contribution
- Growth potential

Go-to-market model

- Route-to-market
- Breadth of product portfolio
- Ability to work with retailer and influence pricing

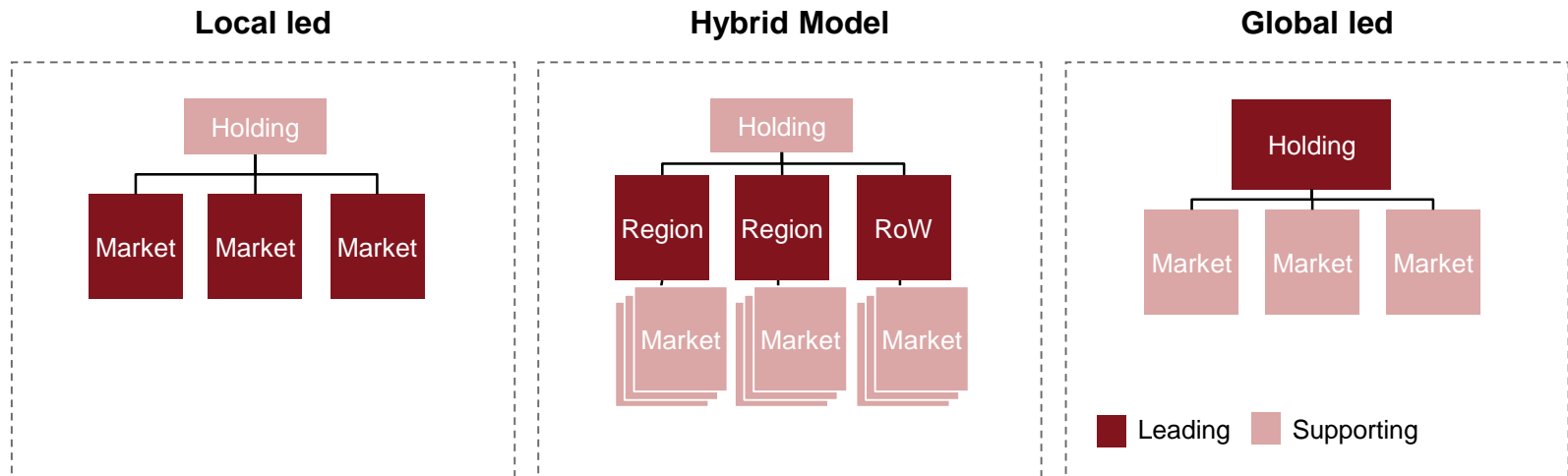
Planning process

- Level of expertise in local organization, and at clients
- Company and customer approaches to planning and funding

Also, the way the company is organized drives the choice for central-led versus local programs

ILLUSTRATIVE

Operating model structures



TPM capabilities

- Local buy-in and investments required
- Projects led by local hero's with limited guidance from central team

- Decision making and investments at region
- Region provides standards developed with major markets
- Projects led by regional teams with local support

- Decision making and investments at central
- Projects coordinated by central teams with limited local support
- Central team provides standards forced upon markets

Source: Strategy& Analysis

To provide more flavor, we show a case example of a food industry client we recently supported

Client situation

1



There was no common understanding of what a TPM system does

2



An overview of current level of trade capabilities in OpCos did not exist

3

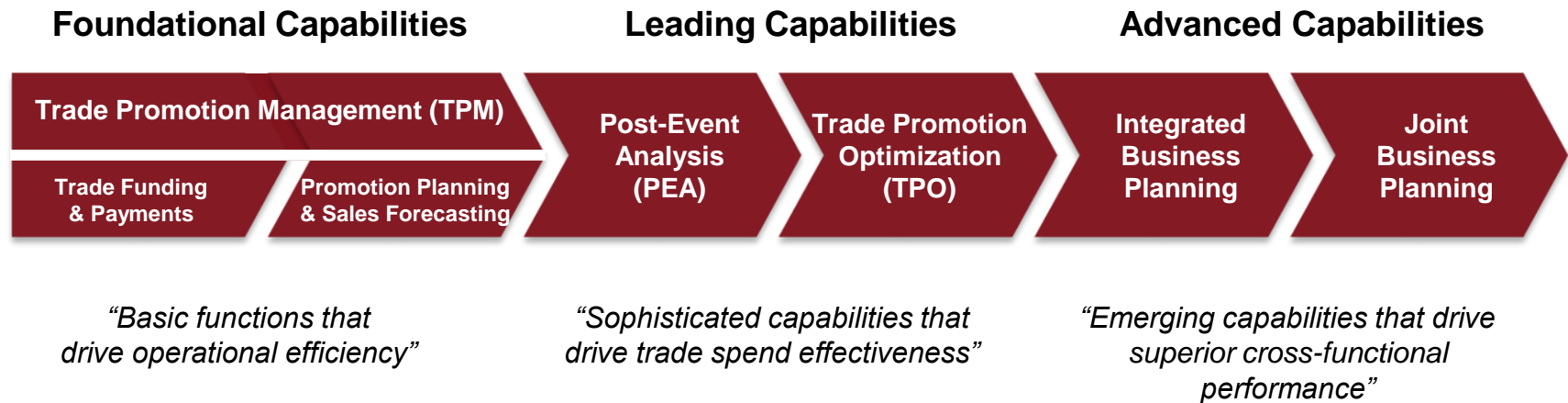


Initial system requirements were heavily biased by the dominant local function

Strategy& was requested to support in selecting a TPM solution and structure a program for roll-out

We started with introducing the TPE capability continuum to all the key OpCos in the company...

Continuum of Trade Promotion Excellence (TPE) Capabilities

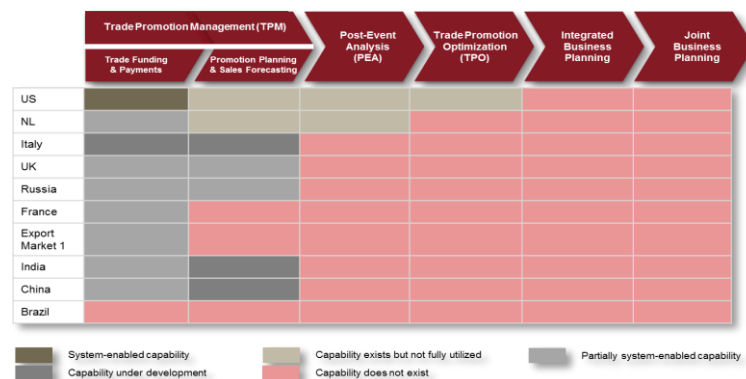


...followed by a capability assessment using deep-dives into key areas to create a baseline and future vision

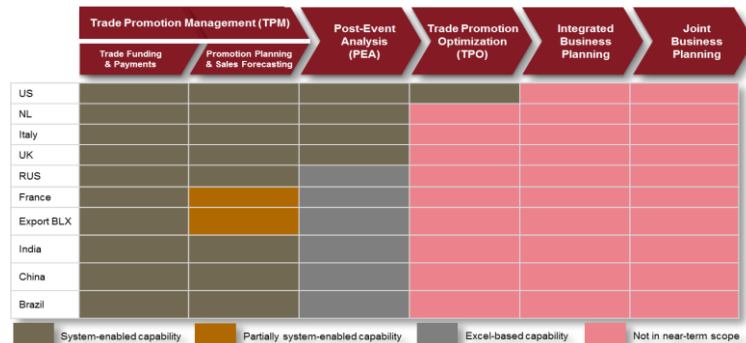
Deep-dive Areas

- 1
Market maturity
- 2
Local presence
- 3
Organizational structure

Current State of TPE Capabilities

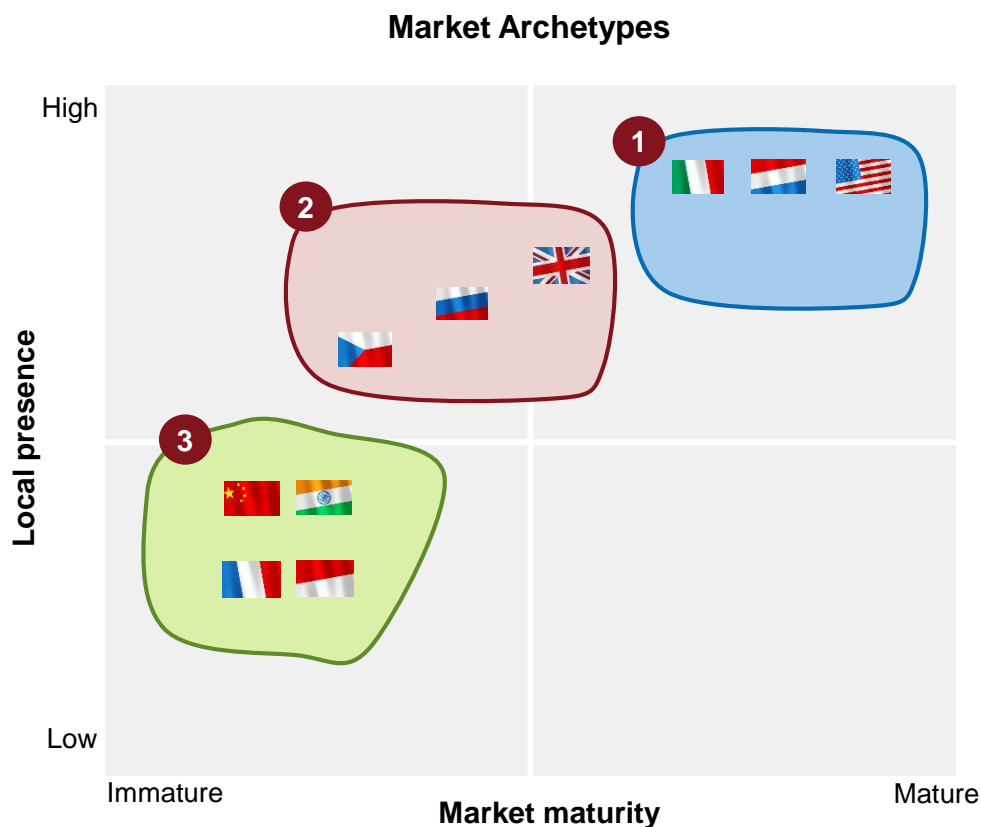


Future Vision of TPE Capabilities



Source: Strategy& project experience

Based on market similarities, we crafted three archetypes that required different solutions

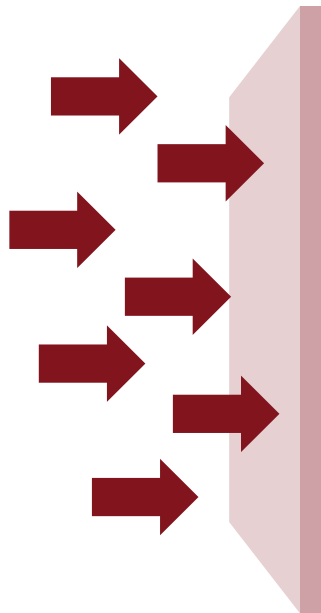


Key Implications

- 1** Implement a proven systems that can handle complex business scenarios and provide leading TPE capability (e.g., PEA)
- 2** Need for relatively cheaper, but complete foundational TPM processes / systems (Potentially SaaS)
- 3** Need to ensure compliance and build planning and evaluation capability using Excel

We detailed requirements by archetype and used business scenarios to select the most appropriate TPM solution

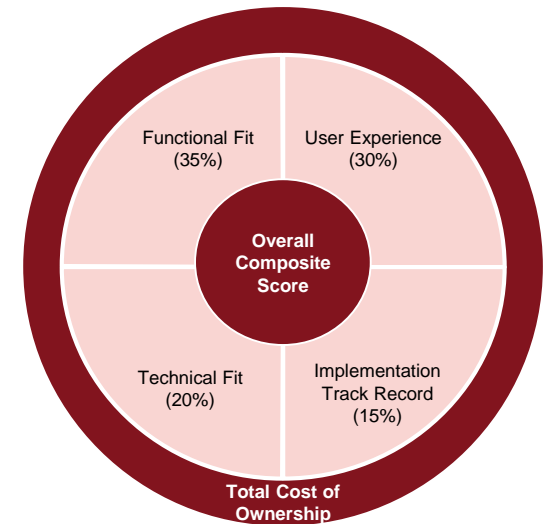
Requirements



Business Scenarios

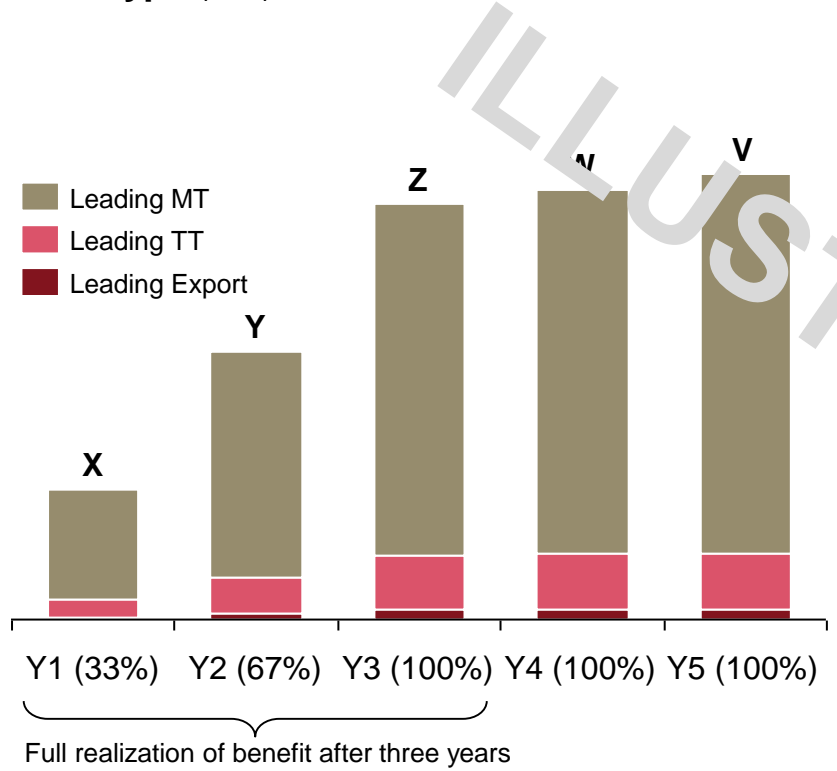


Evaluation Framework

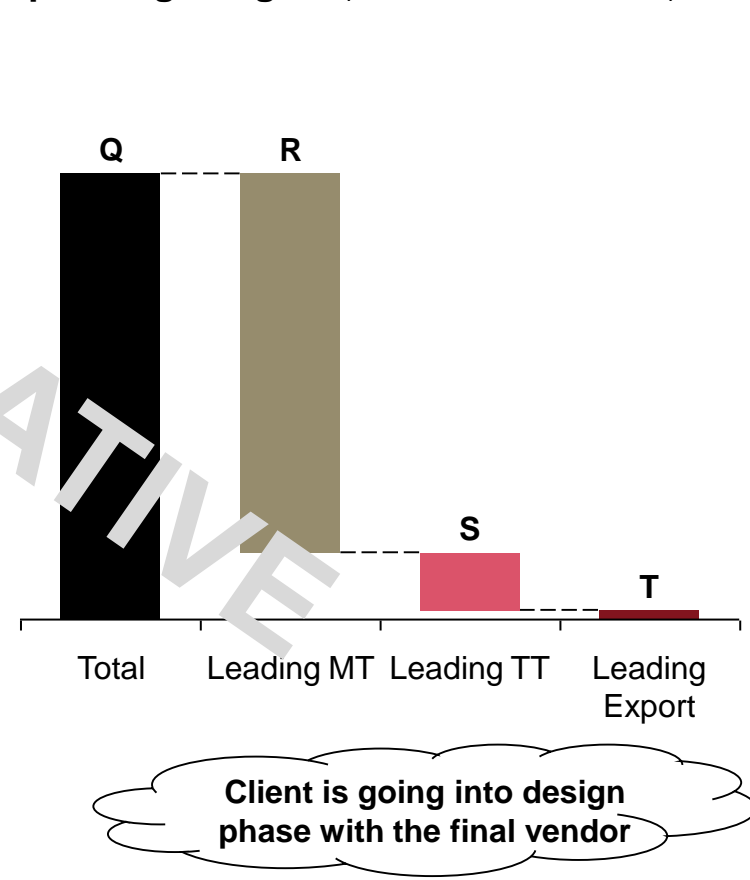


High-level business cases for each OpCo were designed to understand the investment required and ROI

Incremental Net Sales estimates per market archetype (€ M)



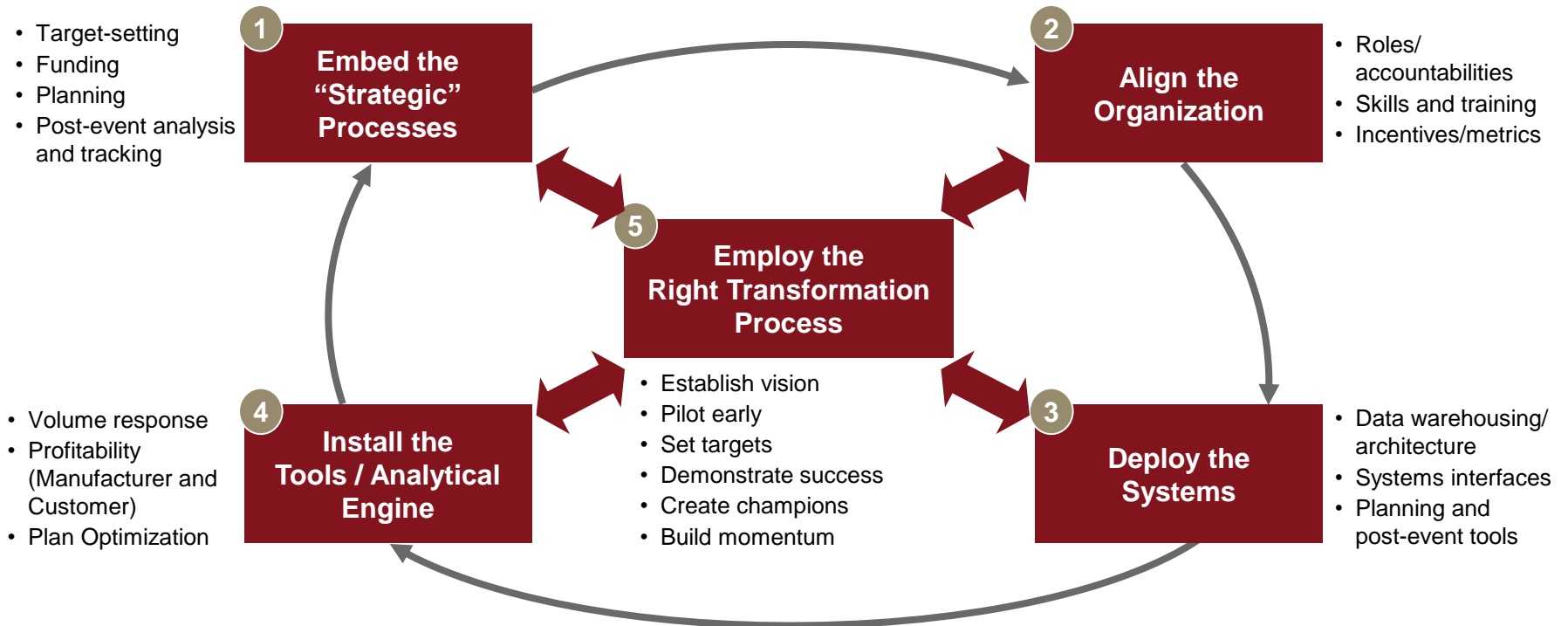
Forecasted 5-year NPV of corresponding Operating margins (€ M, discounted at 5%)



Note: All numbers are masked to protect confidentiality of information

Off course, building the TPM capability requires coordination across multiple enablers

Strategy & Trade Promotion Effectiveness Framework





Introduction to Strategy& TME Practice

Our perspectives on Trade Management in Europe

Key take aways

Building successful TPM capabilities in EU markets requires thorough upfront assessments

- **One TPM solution does not fit all EU markets**
- Selecting appropriate system should include assessment of
 1. **Market maturity**
 2. **Local presence**
 3. **Organizational structure**
- Markets can often be **clustered in archetypes** that require different solutions
- Use **detailed business scenarios**, an objective evaluation framework to select the appropriate solution(s) combined with a detailed **business case** to choose to appropriate solution
- Finally, building TPM capabilities requires **coordination across processes, data, systems & tools and organization**

Thank you for your time today – please feel free to reach out to discuss this topic in more detail

strategy&



Franc Verhage

Director

Retail & Consumer Practice

Amsterdam

Mobile: +31 612 124 108

Franc.verhage@strategyand.nl.pwc.com



Strategy & Impact

www.strategyand.com

© 2017 PwC. All rights reserved.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This content is general information purposes only, and should not be used as a substitute for consultation with professional advisors.