

POI European Promotion Optimization Summit

Collaborate Globally and Execute Locally



Big Data
Pricing TPO
Retail Execution
Mobility TPM

The Collaboration Imperative for Digital *and* Traditional Promotion

Steve Le Rhun, Kantar Retail

Stefan Binkowski, SAP

Eric Nordquist, Sequoya

Phillip Crippen, Wipro Promax

Premise...

The promotion cycle is largely broken today. We cannot move toward mutually beneficial *digital* promotions if manufacturers and retailers still aren't collaborating effectively.

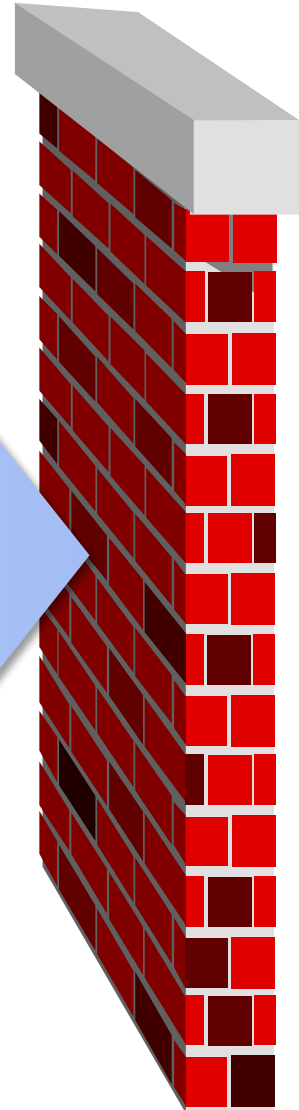
Discussion Point

Do you segment your channel partners?

If so, how?

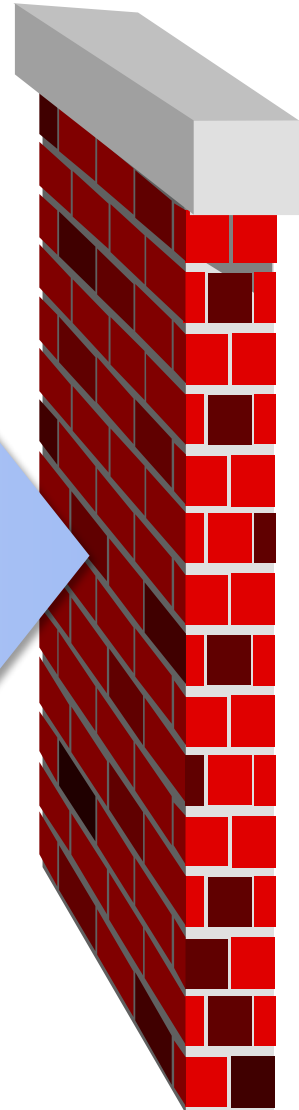
Anti-collaborative Manufacturer Behaviors

- Selling direct
- Product availability / allocation issues
- Category growth concepts
- Lack of real insight

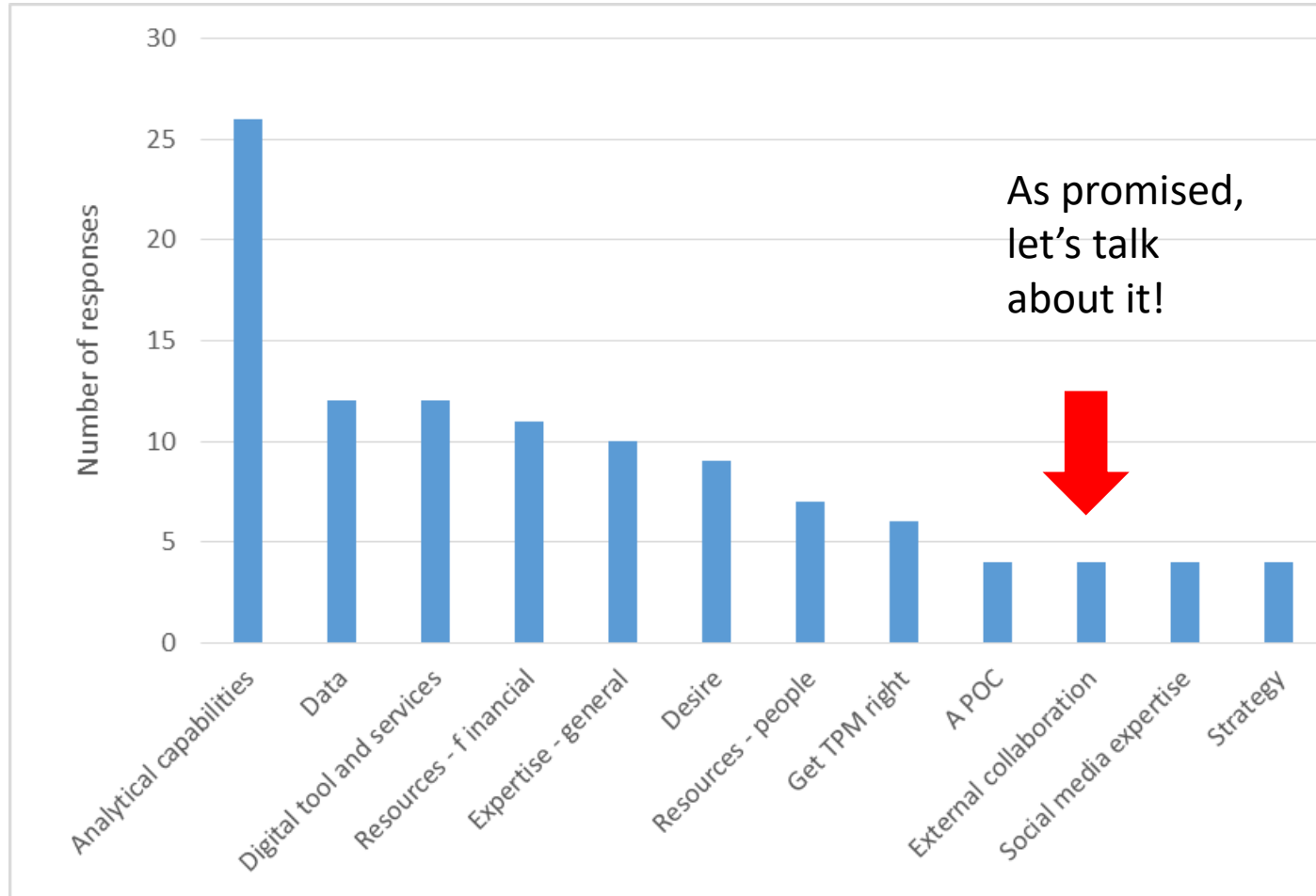


Anti-collaborative Retailer Behaviors

- Diverting / forward buy
- Lack of data sharing
- “Scam down” programs
- Cash tolerance / bogus deductions
- Post audit claims
- Compliance issues



What are the top two things necessary to take your organization to the next level with respect to digital promotion capabilities?



Source: POI Research. 2016-2017 TPx and Retail Execution Survey

Definition of Collaboration in Promotion

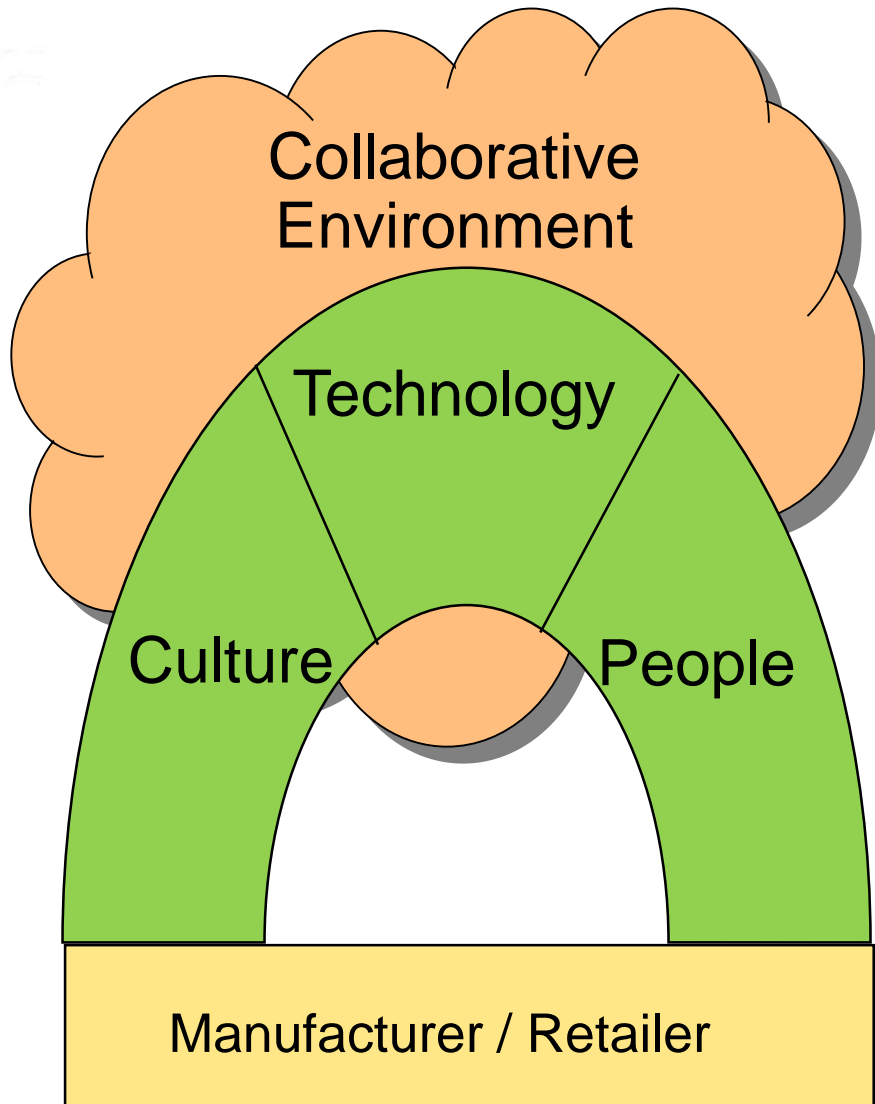
Jointly planning and executing promotional activities that are mutually beneficial because:

- Information sharing beforehand has allowed both parties to better understand how success can best be achieved
- Ability to monitor and react during the promotion is high
- It is seen as a cycle for continuous improvement
- Both parties have the culture, people and technology to make it happen

Perspective on Collaboration

- Most collaboration is more aspiration than execution
- Most supplier/retailer relationships are more about “getting the upper hand” than about being mutually beneficial
- Collaboration will at best be strained and episodic unless supported by culture, personnel and enabling technology
- Technology is only an enabler

Role of Culture, People & Technology



Culture

- Foundation of behaviors
- Includes metrics and shared goals
- “Standing for something and knowing what we stand for across the entire organization”

People

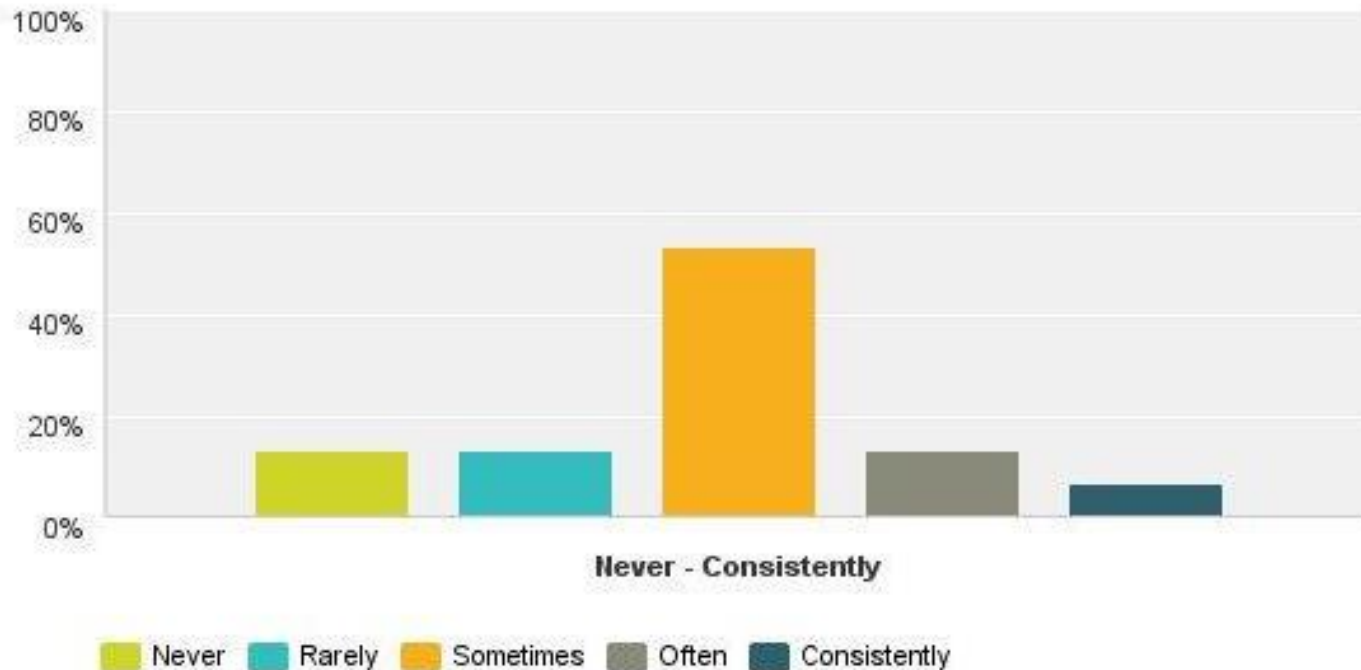
- Foundation of execution
- Includes training and support
- “The right people in the right quantities working together”

Technology

- Not foundational because of reliance on culture in order to have a purpose and people in order to get executed.
- Reinforces culture and people dimensions by facilitating metrics and communication, improving training, and institutionalizing behaviors
- “Automating and institutionalizing cultures, processes and behaviors”

Incentives for Collaboration

Q18 We have implemented appropriate incentives, and they are used to support desired behaviors.



Source: POI / Gartner Survey November 2013

Methodology

- Users of the assessment can rate their own organizations, their partners, or both
- Self assessment tool is a simple spreadsheet, which goes more deeply into the culture, people and technology aspects in order to compare the fit between a manufacturer and retailer
- The tool then generates a spider diagram in order to see the gaps that should be addressed in order for the two parties to be better positioned to collaborate
- The spider diagram has additional granularity dimensions

Evaluation Criteria for Partner Assessment

1. Culture

← "take unfair advantage wherever possible-----"be fair and focus on relationship" →

- a. Relationships cut across the entire enterprise (merchandising, supply chain, finance, etc)
- b. Strategy is focused on long-term, shared objectives
- c. Not predisposed to throw weight around
- d. Appropriate incentives to support desired behaviors
- e. KPIs are shared and focused on mutual wins
- f. Willingness to share best practices and to continuously improve
- g. Collaborative culture extends to multiple partners, not just select few

2. People

← "bare bones and traditional-----"analytical, team-centric and progressive" →

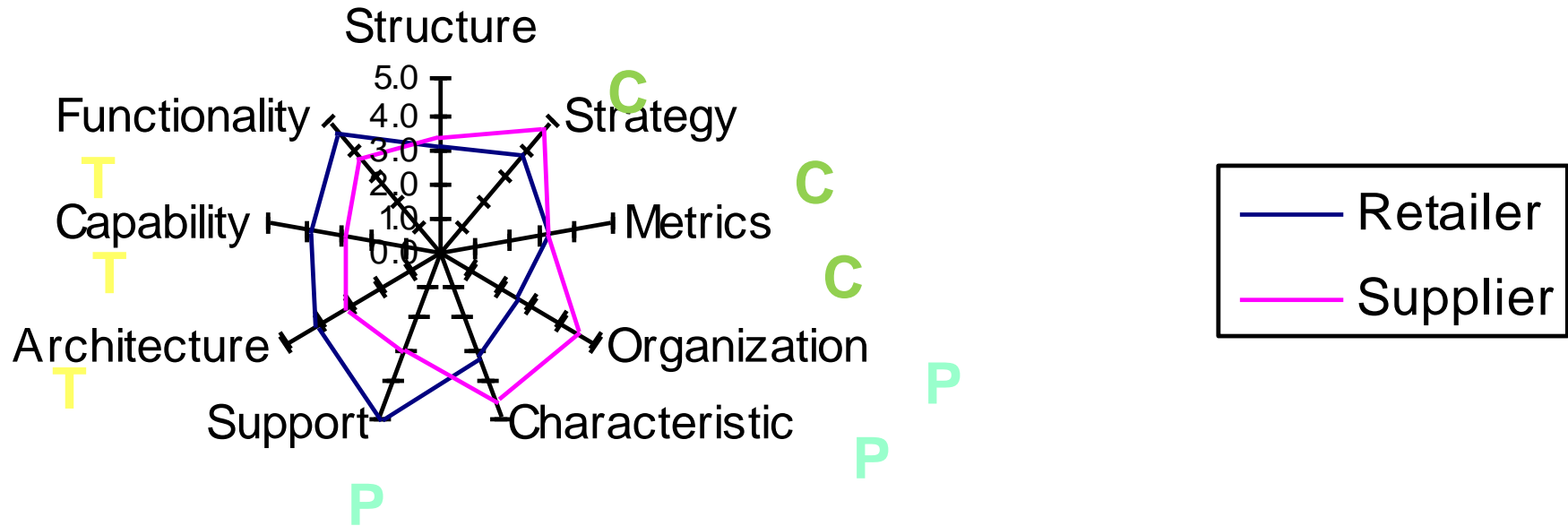
- a. Sufficient personnel to be more than just transactional
- b. Team orientation
- c. Appropriate levels of training in the relevant aspects of the business
- d. Able to adapt to macroeconomic or other variables
- e. Able to trust and to be trusted
- f. Rewards are perceived as real and appropriate
- g. Have an understanding of their partners' business models

3. Technology

← "same old same old-----"invest, automate and experiment" →

- a. Ability to share data
- b. Have invested in collaborative platforms
- c. Optimization and predictive capabilities to focus on outcomes
- d. Traditional ECR capabilities to handle day-to-day burden
- e. Analytical capabilities on par with partners
- f. Able to continuously reduce latency
- g. Data is available at and enterprise level and at all levels of aggregation (geography, line of business, etc.)

Comparative Capabilities Chart



C = Culture
P = Personnel
T = Technology

Collaborative Promotion Capability Matrix

R	Culture	People	Technology
1	Looks at Promotion and associated costs, as a “cost of doing business” or as a “pricing/placement lever”.	Are focused on buyer/seller relationship, and 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	Is beginning to look 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.	Internal systems largely focused on managing/ reducing deductions balance, and dollars spent per promotion. Investing in systems to gain accountability, managing spend to budget.
3	Understand change management and internal team approach is necessary to achieve performance goals.	Investing in cross-functional training (business and financial acumen). Beginning to understand cause and effect of poor communications. A team orientation is taking hold, yet metrics have not been fully agreed upon.	Systems (with the proper data input) are providing post event information on an event, a SKU, a brand. Inventory management is across disparate systems.
4	Have changed their approach from hindsight to foresight. Beginning to sense and shape demand, & 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.	Internal systems are integrated; communications are facilitated between sales, marketing, operations and finance. Improved reporting, yet largely transactional.
5	Beginning to understand that promotion collaboration can help improve sales, reduce costs, reduce OOS, improve margin, and identified base price and promoted price - volume and profits.	Team members are trained, understand their specialized and cross-functional roles and responsibilities. Team goals are aligned and connected from the field to the executive offices.	Able to integrate and interpret multiple data points, order, ship, POS, loyalty, and some category effects.
6	Has committed their organization to consistently contribute to the mutual profitability of the relationship and shared success in serving their shopper/consumer	Have met on strategy, are flexible, and are beginning to share data, insights and achieving some wins across identified mutual KPI's. Have created trading partner teams, (e.g. Planning, Cat Man, Sales, Shopper, Research)	Have largely worked out systems, communications, data quality, and process for sharing data, and information. Data is approaching real-time, and down to the store level.
7	Best case scenario thinking, sharing culture attributes, and KPI's. Partners understand price/promotion and it's affect on the basket (volume/profitability) by store. Partners are willing to invest in blended learning and continuous improvement.	People can plan and implement to support a shared promotional strategy. Research – planning, Deal, retail execution, and analysis, and understand cause and effect promotions on sales and profitability. Training and incentives are aligned – customers and insights are driving success in each role.	Scientific approach to customer/shopper definition and acquisition. Integrating price, promotion, and supply chain. Partners understand market mix modeling. Able to share “what if” scenarios, incorporate new media, and can execute on a shared strategy - targeted and timely promotions.