

**POI FOCAL POINT. THE FIRST IN A SIX PART SERIES:**

# Time to get in the hunt.

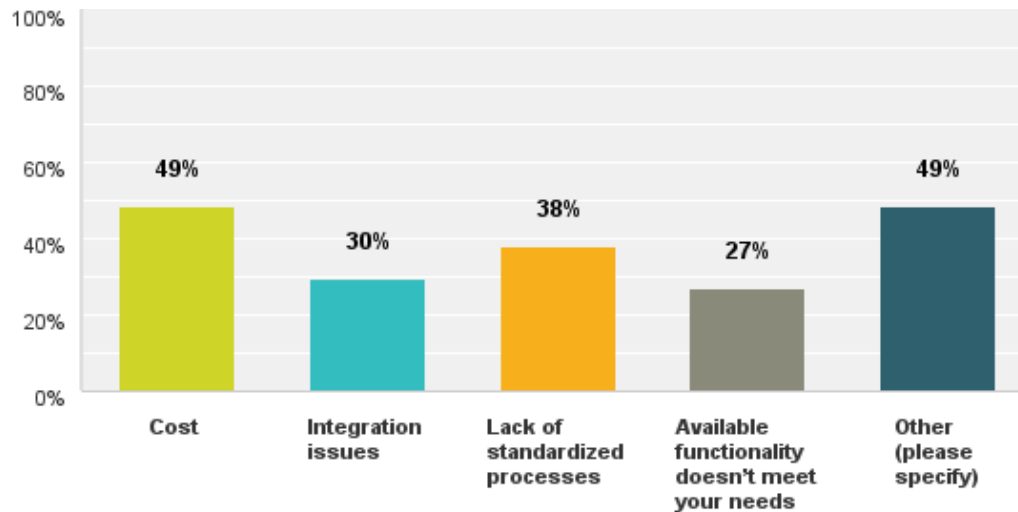
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TPM myths and reasons for not automating these key processes explored... and “busted.” Don’t get left behind!

## Introduction

In our 2017 TPx and Retail Execution Survey we sought to understand the perceived impediments for consumer goods companies automating their TPM processes with some form of server-based technology. We found it quite telling that 37 of the 77 of respondents (48%) to this version of the survey do not have a TPM solution. The responses look like this:

**Chart 1. Responses to the question: “If you do not have a server-based TPM solution (for example, if you use Excel to manage promotions), what impedes you from investing in one? (choose all that apply).”**



Source: POI Research. The 2017 TPx and Retail Execution Report

**Now let's address and attempt to “bust” some of the myths.**

### Myth 1. Too Expensive

We are surprised that cost is still perceived to be an issue when such solutions can be “rented” for as little as a couple hundred dollars per user per month. Similarly, we see implementation costs for Tier 3 (under \$250 M in revenue) at less than \$100,000. There is no question that deploying trade promotion optimization (TPO) capabilities can be a bit costly. This is because of the data management and predictive modeling tuning requirements. However, deploying transactional TPM (plan, execute, settle, and evaluate) is just not very expensive. We know of at least four solutions that are available for under \$300 per user per month. We are also seeing deployments in the range of \$30,000 to \$60,000 becoming more common. We believe this myth is BUSTED! The benefits of having a single system of record, offering oversight and transparency, helping to automate the clearing of deductions, facilitating continuous improvement across the promotions process and creating the basis for post event analytics outweigh the nominal cost by vast margin.

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## **Myth 2. Integration Issues**

This is harder to bust because we do not have any visibility into the systems that need to be integrated. The natural reaction to “integration” is to think about doing so with an ERP system. However, there are also possible integration requirements with a free-standing TPO solution, some data warehouse where analytics are facilitated, and with syndicated data sources. There is also the possibility that the ERP has had a lot of tinkering done to its data tables, which can be problematic.

However, we believe that the fact that the majority (52% if you extrapolate our survey data) of consumer goods companies do have a TPM solution is evidence of its potential. Then there is no valid reason not to be in the hunt. The majority have it, it is working for them, and we simply are not hearing of integration issues like were more prevalent 10-15 years ago. Most vendors that we follow have a demonstrated ability to integrate with common ERP systems and data sources.

We also offer the rationale that even in the case of an extreme “one off” ERP solution, there are still significant benefits to be achieved from a server-based TPM solution, including: better collaboration, retention of promotional plans in the event of turnover, management oversight and transparency, better analytics/financial discipline, information capture to refute post audit claims, and ease of use for account managers.

While we can't totally bust this myth because there may be some extreme integration bug bears out there, we are pretty confident that it is “mostly BUSTED”.

## **Myth 3. Lack of Standardized Processes**

We do see these in the marketplace, both with large consumer goods organizations as well as small. We were also not surprised by the 38% that lack “standardized processes.” However, help is available. We were encouraged that our 2017 survey data showed a 16 percentage point improvement in TPx deployments receiving best practices from their software and/or services provider. That means there is an effort prior to deployment to unite the various users under the banner of consistent and improved processes. But in cases where more work is required to arrive at a set of standard processes, there are scores of consulting firms of all sizes and geographic presences that can help. Also, the POI itself is chartered on the idea of facilitating dialog and best practices. There is help available. It is just a matter of getting it, whether internally or with the help of a third party. Therefore, we feel that this myth is BUSTED.

## **Myth 4. Available Functionality Does Not Meet Our Needs**

Finally, we were taken aback by the perception that available functionality does not meet the needs of a whopping 10 survey respondents (27%) that have some requirement that does not covered by one of the many TPM solutions. As we interact with both CG companies and vendors we simply have not come across requests for specific functionality that are not available out-of-the-box. This is based on 17 year of experience matching those seeking solutions with those offering them. What we find is that requirements are quite homogeneous because CG companies tend to sell to largely the same retailers. This requires many of the same capabilities in order to meet the planning, joint business planning, or deal setup needs. The outliers just aren't there. There may be some tiny requirement that requires some configuration, but we don't believe that on balance there is a compelling reason for avoiding a TPM system altogether. With a deeper look at the various vendors (as opposed to the one

that your IT organization always buys from), we believe that you can find an appropriate match for your requirements. The POI publishes a Panorama of 20+ TPx vendors from around the world. They are as deep in functionality as they are diverse in the types of consumer goods companies they have worked with. Therefore, this myth is BUSTED.

### Other Myths

Additionally, we captured the free text reasons from survey respondents as part of the “Other” reason category. There are some myths in there that we need to bust as well.

**Need for Change Management** — this is a direct extension of the need for standardized processes. First you need to define the process and then get people to adhere to it, and do so consistently. Here we apply the same rationale to bust this argument. There are resources available to ensure that the solution deployed is configured to be a “win” for the users, conduct effective training, use multimedia to allow project sponsors to communicate how important the TPM solution is to the company, advise on the proper use of incentives to aid in user adoption, and advise on how to manage out those who simply refuse to change. We acknowledge that change management issues do exist. The same POI survey points this out. However, with proper steps taken and obtaining assistance where necessary, they can be overcome. Therefore, this myth is BUSTED.

**Lack of Time** — There is a great analogy of a person running along with a bicycle slung over one shoulder who has not bothered to set the bike down and get on it. We believe this to be apropos to this situation. The ability to push promotion funding schemes to the field, roll up plans, approve them, capture accrual requirements, view commitments at any point in time, automate deduction clearing, and perform post event analysis are all greatly enhanced through a server-based solution. Performing any of these functional on spreadsheets is akin to carrying the proverbial bicycle instead of riding it. In this case, the bike may be in a box and require some assembly, but it does ensure greater speed for the overall journey. Even if external resources are required to stand up a TPM solution, the benefits outweigh the costs. Lack of time is simply not a viable obstacle. This is BUSTED.

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**Inability to Find the Right People to Use the System** — This one is BUSTED right out of the gate. It wasn’t as common as the other reasons but we did see it. The reality is that given how user friendly many TPM solutions are, any person who can make a purchase off the internet can work through the promotion cycle in a TPM system. The majority of CG companies are effectively training their people, finding new ones when necessary, and working through change management. There are issues without a doubt, but it can be done. This argument is BUSTED.

**Inability to Manage Complexity** — this reason fits in well with many others related to change management, and staffing. It doesn’t hold water for the same reason that all of those challenges can be overcome. The only exception might be where complexity includes elements like SKU-level forecasting as part of managing promotions. In other words, where it isn’t a function of task being too hard to perform because it is mentally difficult, but because it is huge and daunting. In this case, huge and daunting need to be simplified whether they are part of a spreadsheet, or an automated TPM solution. Hence, this reason is BUSTED.

## Summary

In summary, there are few-if-any significant reasons over the course of an annual technology investment planning cycle for not automating the TPM processes. Even if it is a phased deployment that provides elements of functionality over time, the “real” obstacles are minimal and the benefits are considerable. There are just too many compelling success stories that cannot be discounted. Ergo, it is time to get automated and into the hunt.

POI has more details on trends in the TPM space as well as the many offerings that enable it. There are also best practice papers on topics such as change management. You can find these materials at [poiinstitute.com](http://poiinstitute.com) -> Resources -> POI Publications.

## About the Author

Dale Hagemeyer leads the research, best practices, and advisory function at POI and has been active on the POI Board since its inception. Previously, he was a research vice president and managing vice president at Gartner for 15 years. There, he did research in the application of technology to the business processes of trade promotion and field sales automation for consumer goods manufacturers. Prior to Gartner he spent 14 years in management positions related to the promotion and distribution of products at Sunbeam Corporation, The Quaker Oats Company, PepsiCo, Kraft Foods, and Kroger. He also fulfilled an international assignment in Mexico from 1995 to 1996. He has served on various industry advisory boards for trade associations and industry periodicals. He holds an undergraduate degree in finance from the University of Utah and an MBA from the University of Chicago.

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## About the Promotion Optimization Institute

POI brings together manufacturers, retailers, solution providers, analysts, academics, and other industry leaders with the specific objective of collaboratively improving the promotion and distribution of consumer goods. Members of POI share cross-functional best practices in both structured and informal settings. Additionally, members benefit through our industry alliances, the Certified Collaborative Marketer (CCM)<sup>™</sup> program, and industry-leading summits around the globe. 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.

**For more information:** Visit [poinstitute.com](http://poinstitute.com) or contact  
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