Business Services - Making It Work for Trade Promotion Management (TPM) & Optimization (TPO)

Alex Kushnir, Gary Adams
Executive Summary

• Increasing price pressures and trade spend, relative to sales, have forced manufacturers to focus on trade productivity

• Our experience suggests that on-premise and SaaS implementations lag changes in business … and there is always costly ‘next release’

• There is a growing interest in challenging today’s delivery models

• Business impact (top-line and bottom-line) is significant

• Business objectives should determine feasibility of a business service model

• Getting started takes a little bit of time, but it may be easier than you think
Setting The Context

- Trade promotion spend is nearly $500B per annum globally
- Many manufacturers have experienced increased trade spend since 2008
- Promotions not driving incremental category volume or brand profit
- Renewed focus on analytics driven decision making
- Today’s economics constricting resources

### Self-Reported TPM/ TPO Maturity Levels

<table>
<thead>
<tr>
<th>Category</th>
<th>Below Average Capabilities</th>
<th>Average Capabilities</th>
<th>Above Average / Industry Leading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Management</td>
<td>15%</td>
<td>19%</td>
<td>65%</td>
</tr>
<tr>
<td>Funds Allocation</td>
<td>4%</td>
<td>38%</td>
<td>58%</td>
</tr>
<tr>
<td>Post-Event Evaluation</td>
<td>15%</td>
<td>58%</td>
<td>27%</td>
</tr>
<tr>
<td>Collaborative Planning</td>
<td>15%</td>
<td>67%</td>
<td>17%</td>
</tr>
<tr>
<td>Pre-Event Simulation, Predictive and Optim. Analytics</td>
<td>25%</td>
<td>62%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: 2011 POI/ Accenture “Charting Your Course to TPO” Survey
TPM/ TPO Complexity

Traditional Approach:

- All or Nothing Commitment
- Long Deployment Lead Time
- Fixed CAPEX
- Project Driven
- IT-Focused, but Business-Led
- Limited Reporting & Analytics

Sample of Industry Post-Mortem Perspectives We Have Heard:

- “We want to design for the future … which will change in 12-18 months”
- “We developed a thousand dollar solution … which ended up being a million dollar problem”
- “We built it … but they did not come”
- “There is always a new shiny technology object … IT version of ‘line extension’?”
- “It always costs more to support than we budget … even with contingency”
Critical Barriers

- Flexibility & Trade-Offs
- Capability Sophistication & Maturity
- Total Cost of Ownership (TCO)
- Risk Mitigation

1st mover advantage for solving the above is worth a lot of $
Challenging ‘Status Quo’

- **Value**
  - Outcome Based (Units of Value)
  - Output Based (Units of Work)
  - Existing Process Support (Shared Services)

- **Delivery Platform**
  - Consulting & On-Premise Solution
  - Consulting & SaaS Solution
  - Managed Service

- **Legend**
  - Software & IP
  - Traditional BPO
  - Too Risky

BPO: Business Process Outsourcing
AO: Application Outsourcing

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AO: Application Outsourcing
Delivery Platforms Considerations

On-Premise Solution

- Complete control over functional capabilities
- High level of customizations required
- Available staffing not an issue, especially for analytics
- Complex integration to back end

SaaS Solution

- Simpler processes
- Simpler functionality and integration
- Quick solution updates (with limited resources)
- Modern enterprise platform

Business Services

- Teams spend a lot of time on non-value added activities
- Takes too long to develop/deploy enhancements
- Cost of entry prohibits capability development
- Lacking skill sets to support additional functionality
- Have to have flexible support model (ramp-up/ramp-down)
### Feasibility of Business Services

**Positively, yes!!! … let’s look at Sales & Marketing ‘operational stack’ dimensions.**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Value in 3rd Party Doing It?</th>
<th>What’s It Worth?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Strategy</td>
<td>• Only provide support with top-down allocations</td>
<td>1. Increased Revenue</td>
</tr>
<tr>
<td>Capabilities, Processes,</td>
<td>• Own operational activities, develop reports and analytics</td>
<td>2. Reduced Costs</td>
</tr>
<tr>
<td>Reporting</td>
<td></td>
<td>3. Improved Working Capital</td>
</tr>
<tr>
<td>Tools, Integration, Data</td>
<td>• Operate and maintain tools, own integration, data cleansing &amp; harmonization</td>
<td></td>
</tr>
<tr>
<td>Organizational Support</td>
<td>• Specialized skills, ramp-up/ramp-down</td>
<td></td>
</tr>
<tr>
<td>Model</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Business Objectives

<table>
<thead>
<tr>
<th>Value Areas</th>
<th>Cost Control?</th>
<th>Effectiveness &amp; Collaborative Innovation?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcomes-based</td>
<td>• Reduction in planning cycle</td>
<td>• Consumption driven planning</td>
</tr>
<tr>
<td>(Units of Value)</td>
<td>• Fewer salesperson hours spent</td>
<td>• Increased insights development</td>
</tr>
<tr>
<td></td>
<td>• Fewer admin hours spent</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Fewer write-off dollars</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• DBO cycle time reduction</td>
<td></td>
</tr>
<tr>
<td>Output-based</td>
<td>• # of basic reports</td>
<td>• # of reports and ad-hoc functionality</td>
</tr>
<tr>
<td>(Units of Work)</td>
<td>• # of promotions created</td>
<td>• # of scoreboards/dashboards</td>
</tr>
<tr>
<td></td>
<td>• # of deductions and check requests/voids processed</td>
<td>• # of scenarios for event planning</td>
</tr>
</tbody>
</table>

**DBO**: Deductions Balance Outstanding  
**POS**: Point of Sale
Commercial Models

- **Client Specific Capability**: Specific requirements
- **Optional Business Services**: Utilization based and/or Value based
- **Core Business Services**
- **Set Up Costs**: One-time costs

**Business Service Commercial Construct Model**
Case Study – Manufacturer

Our Solution

• **Define KPIs**: Accenture partnered with the client to redesign their strategy and performance reporting framework (KPI’s) across the entire business and subsequently won a five-year managed service contract to provide this capability.

• **Interactive Portal**: The scope includes building a new interactive portal with over 120 management reports for 2,400 users across its European business, running a report service bureau and hosting client data. Accenture also helped to develop the training, as well as design and deliver the business transformation plan to embed the new ways of working into the organisation.

• **Functional experts** were engaged to define 3 levels of measures, from enterprise wide KPIs to manage against the business plan, to key operational measures for local managers, and detailed reports through which it is possible for functional specialists to drill down into the lowest level of detail.

• Accenture designed and implemented a **user-friendly reporting capability** that incorporated external data from multiple sources.

• **A subscription based analytics service** has been established with best of breed technologies and shares the infrastructure across clients to provide a lower cost to serve.

• This global infrastructure network leverages Accenture facilities and external partners with a total initial capacity of 10 Terabyte and dedicated client connectivity with a bandwidth up to 700MB/sec.

• The service model is centred from Accenture’s Milan Consumer Delivery Centre which delivers a comprehensive service catalogue using ITIL standards.
Case Study – Retailer

Client Profile
- 1200 hypermarkets and supermarkets (France)
- All product categories (food and non food) on promotion: 6 billion€ of turnover (20% of sales)
- 136,000 promotion articles & new items per year (3 million units per week)

Approach
- Team mobilization
- Offering an analytical service calculating each promotional item volume delivered to all stores (main factors being: discount level, in-store layout, leaflet communication level...)
- Leveraging Accenture Interactive Marketing analytics to develop efficient modeling
- Securing the solution with over 1,300 pre-defined curves to match with the real samples and reliability check for every batch
- Identifying the best practices and opportunities for sales forecasting: model selecting, POS data sourcing, library of promotional effects creating, product hierarchy level optimizing

Delivering High Performance from Issue to Outcome

Client belongs to the group of pioneering retailers in terms of forecasting: process oriented organization, advanced POS data analysis, forecast capability fit with business needs

Diagnosis: 400m€ of over-inventory mainly due to end of promotion products

Implementation took was settled in a short timeframe as Accenture delivered an analytics service instead of implementing a tool. Moreover, the project started with a small solution that can grow to handle higher volumes for a larger scope

A balanced team of client was part of the journey: close cooperation was key to ensure buy in and handover of forecast modeling and promotion scenario definition

Innovation has been infused by Accenture experts to define the Forecasting algorithm. Workshops helped understand lifecycle, seasonality and specificities of the product categories

A 3-9 months forecast has been delivered. First assessment of benefits is about 20% forecast accuracy improvement. This solution has been adopted by our client (versus its own former application) to forecast its future sales
Case Study – Retailer

Retailer use analytics all along the promotion value chain…

Example of a large retailer advanced analytics capabilities

1. Exhaustive database including events, POS discount mechanic, weather impact …
2. Statistical forecasting and sophisticated algorithms
3. Centralization and professionalization of a dedicated team
4. New process mixing category / store expertise & statistics

Zoom on Capabilities

- Strategy for promotions
- Selection of articles in promotion
- Definition national quantity
- Definition quantity per article, per store
- Replenishment, Delivery

Retailers are already committed into improving the promotional forecasting of your brands and implementing promo intelligence database.
## Costs and Benefits (over 5 years)

<table>
<thead>
<tr>
<th>5-year Cost</th>
<th>On Premise</th>
<th>Business Services</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standing It Up</td>
<td>$15M-$20M</td>
<td>$13M-$16M</td>
<td>15-20% +</td>
</tr>
<tr>
<td>Maintenance &amp; FTE Support</td>
<td>$10M-$15M</td>
<td>$9M-$12M</td>
<td>15-20% +</td>
</tr>
<tr>
<td>5-year Total</td>
<td>$20M-$30M</td>
<td>$16M-$25M</td>
<td>15-20% +</td>
</tr>
</tbody>
</table>

### Annual Revenue

- **Impact on Business**
  - +1-2% Top-line
  - +25 – 500 bps on Margin
Getting Started

Due Diligence

- Understand commercials & business case
- Degree of business that can be covered
- Set initial scope of service
- Establish SLA's

4-6 week duration

Initial Implementation & Ramp up

- Integrate with legacy systems and processes
- Baseline performance
- Develop a solution design
- Ramp up resources
- Assess data management support requirement
- Develop deliverable framework/ template: outcome or output

Expansion of Service Categories and Customers

- Expand scope to additional categories and customers
Key Takeaways

• Today’s TPM/ TPO issues are not being solved as quickly as desired

• Costs of maintaining “own” toolkit and analytics insights continue to grow

• Long implementations drive budget overruns – consistently

• Pressure on resources – cause ‘churn ‘n burn’ situation

... it’s worth thinking about:

• The move to the “cloud” is happening – no process is off limits

• Assess potential for moving components of TPM/ TPO processes onto Business Service platform
This new business service from Accenture helps consumer goods companies increase trade promotion volume and profit - increasing sales by 1-2% percent and improving margins from 25 to 500 bps on margin.

It bundles trade promotion management, optimization and pricing capabilities with hosted, industry-leading technology, analytic insights and skilled knowledge workers who manage the process as a service.

Register for the live webinar to learn more. Join us on November 28 at 9:00 a.m. New York/12:00 p.m. Sao Paulo/3:00 p.m. Frankfurt/10:00 p.m. Beijing.