COLLABORATIVE MARKETING SUCCESS VIA NEXT GENERATION TRADE AND REVENUE OPTIMIZATION!

SPRING SUMMIT 2018

"Winning with TPx, Retail Execution, and Advanced Analytics Capabilities Across Channels"

POI
PROMOTION OPTIMIZATION INSTITUTE

Trade Promotion
Management & Optimization at Barilla

**Delivering value to our Brands
and Customers**

Tim Kohlstedt

The Barilla Brand

Vision & History

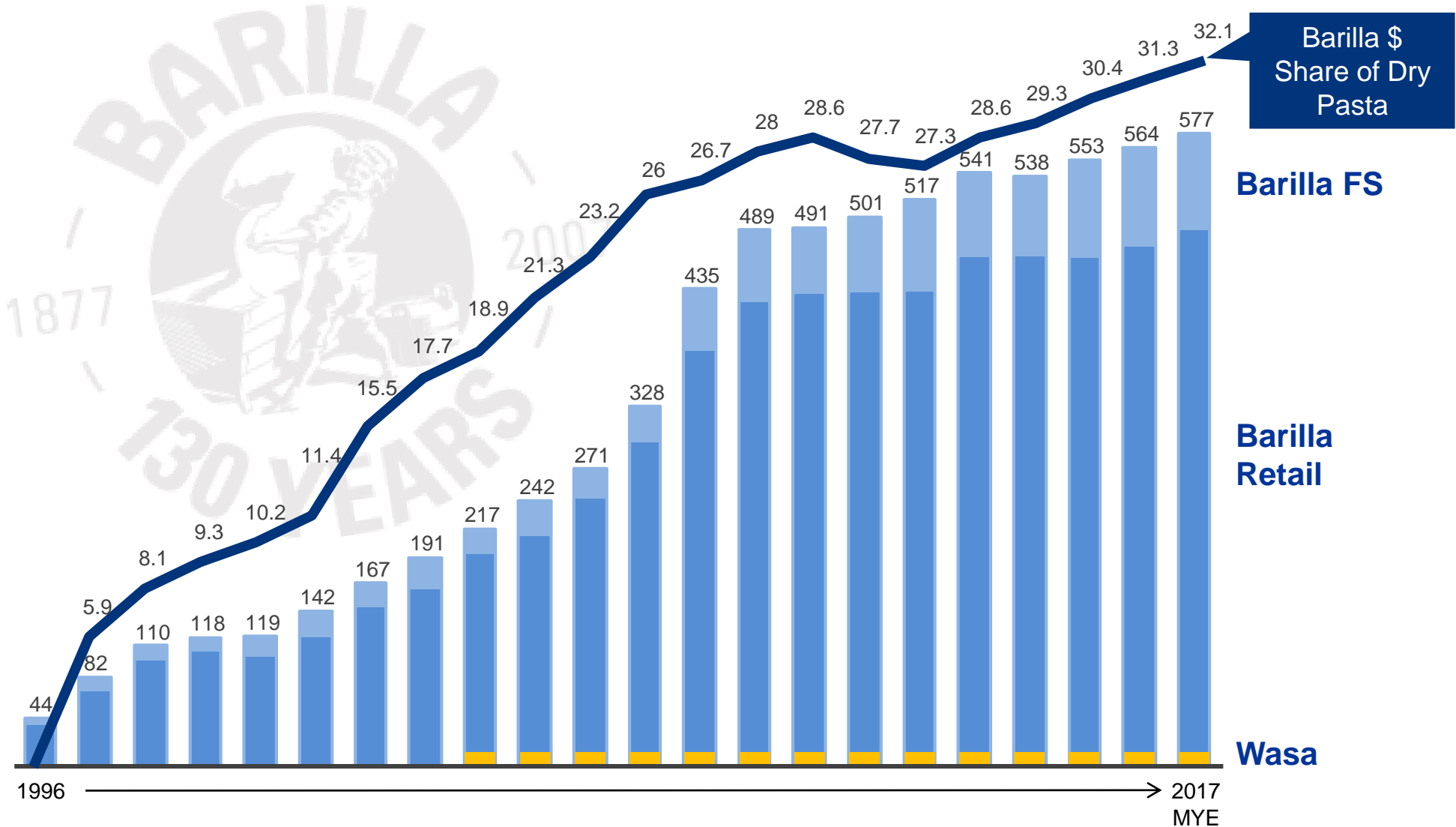# Barilla Vision and Guiding Principle

Give people food you would give to your own children

Barilla Vision and Guiding Principle

We help people live better, by bringing wellbeing and the joy of eating into their everyday lives.

Barilla US: A Phenomenal Success Story

Barilla $ Share of Dry Pasta

Barilla FS

Barilla Retail

Wasa

1996 — 2017 MYE

Barilla $ Share of Dry Pasta – Nielsen Scan Data: YTD ending 7/1/17

Bar values: 44, 82, 110, 118, 119, 142, 167, 191, 217, 242, 271, 328, 435, 489, 491, 501, 517, 541, 538, 553, 564, 577

Line values: 5.9, 8.1, 9.3, 10.2, 11.4, 15.5, 17.7, 18.9, 21.3, 23.2, 26, 26.7, 28, 28.6, 27.7, 27.3, 28.6, 29.3, 30.4, 31.3, 32.1

About Our Factories

- **30 Plants Globally**

- **2 Plants in the US**
  - AMES (central Iowa)
    - 4 semolina lines
    - 2 gluten free
  - AVON (upstate New York)
    - 4 semolina lines

- **Dedicated operators for each line**

- **Internal Laboratory**

- **Externally/Internally audited**

2020 Goals

Barilla
The Italian Food Company. Since 1877.

GOOD FOR YOU GOOD FOR THE PLANET.ORG

GOOD FOR YOU

IMPROVING PEOPLE'S LIVES

By 2020 Barilla will improve people's lives by promoting consumer choices in line with the food pyramid.

GOOD FOR THE PLANET

REDUCING THE IMPACT ON THE PLANET

By 2020 Barilla will offer people only products at the bottom of the environmental pyramid.

GOOD FOR THE COMMUNITIES

ENCOURAGING THE INCLUSION OF ALL

By 2020 Barilla will promote the inclusion of people through programs for access to food, educational projects and the promotion of diversity.

Business Challenges

The Thought Process

Ultimate Goal - Trade Promotion Optimization (TPO)

- Roadblocks
  - Legacy TPM systems were not effective
    - No live accruals
    - Poor linkage between costs and promotions
    - Insufficient detail on spend types and effective dates
    - No visibility of promotion performance
  - Planning done offline in Excel
    - Extremely difficult to get a consolidated view of the business plan
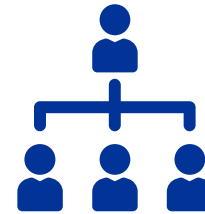 - Implement workflow and business rules

Phased Approach to Value

Trade Promotion Management
(Planning and Execution)

⬇

Trade Promotion Intelligence
Visualization and Analytics in
Dashboards

⬇

Introduction of Predictive
Consumption based planning

⬇

Trade Promotion Optimization
using scenario modeling

End-to-end
Ease-of-use

Visibility
Collaboration

Intelligence
Insights

TPM Replacement

- Barilla utilized 2 TPM Systems for Sales Planning

    - Adesso (On-Premise in US) and Promo Assist (Cloud)

    - Heavy reliance on Excel

    - Two unique TPM systems – No synergies and best practices

    - Ineffective translation of Sales Plans into respective Sales deals

    - Lack of audit control

    - Lack of proper approvals at various levels

    - Complex deal creations with inefficient reporting and spend analysis

    - Labor intensive/time consuming Deduction process

    - Required manual accruals

Solution Determination

- Single system capable of supporting Retail and Foodservice lines of business

- Integrated Planning process – Volume & Trade Spend

- Solution embedded in SAP

- Streamlining Accruals and Approvals

- Better Deduction Management

- Easy access for external users (brokers) through web-portal views

- Potential for a good TPO platform

TPM Implementation

- Vistex chosen initially for TPM Only

- Implementation started in 2015 and go-live with Planning, Promotion management, and Deduction management in February 2016

- Supporting Retail and Foodservice lines of business in the US and Canada

Trade Promotion Intelligence

- Initiated in late 2016
- Key goals
  - Analyze promotion effectiveness
  - Comparison of promotion performance
  - Integration of syndicated data
- First step in choosing a partner for TPO

Facts and figures

Models

Projections

Objective

Values and priorities

Beliefs

Options

Decision analysis

Decision
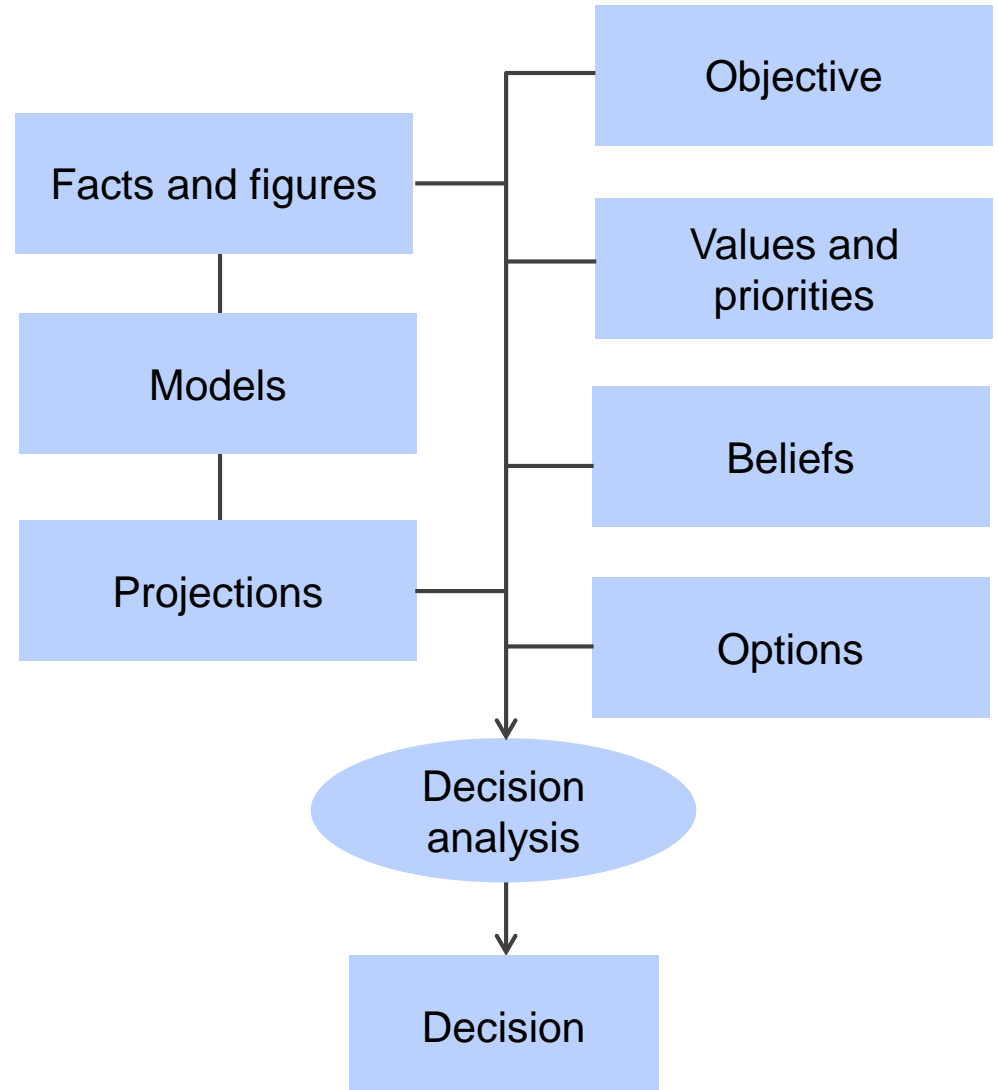
Meaningful Visibility for our Users

- Best & Worst Promos

- ROI & Lift Analysis

- Shipment vs Consumption

- Trade Spend Tracking
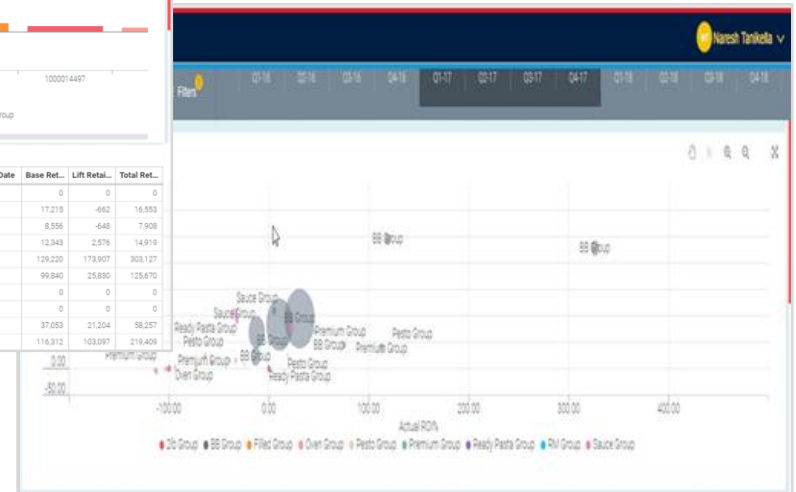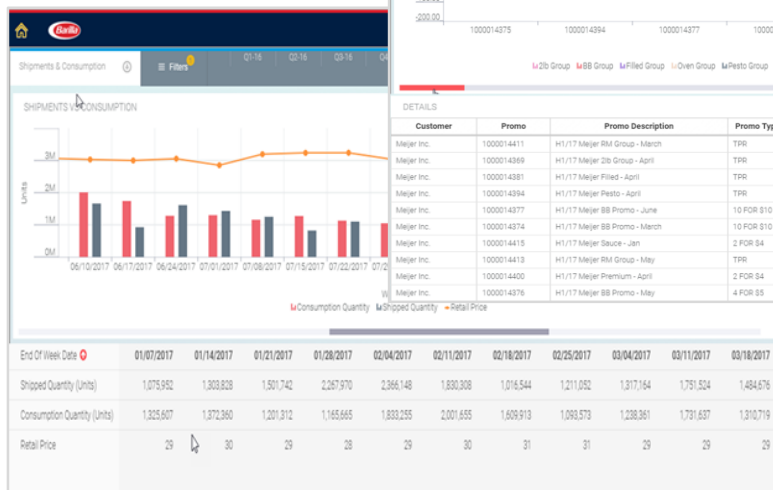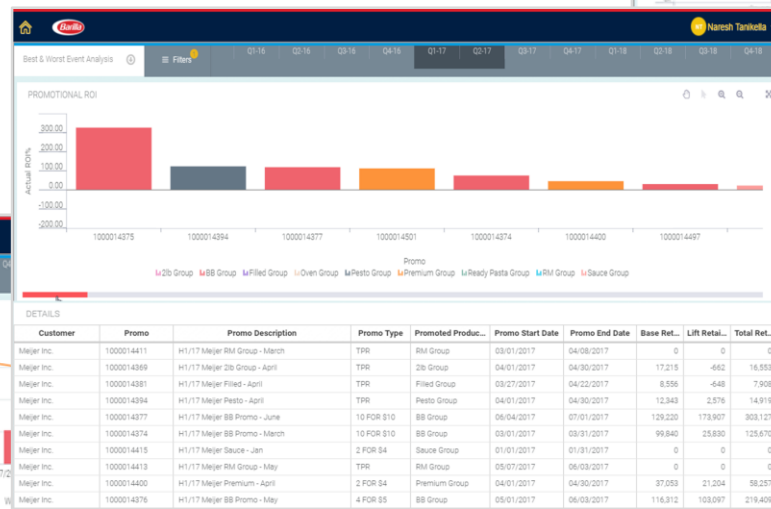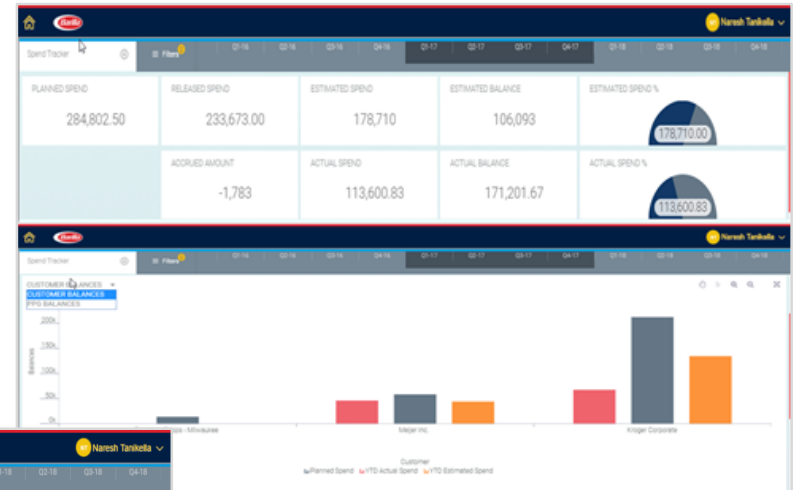
Trade Promotion Optimization (TPO)

- **Goals**
  - Predictive Planning
  - Scenario Modeling (What If?)

- **Challenges**
  - Even greater detail needed from planning (Weekly vs Monthly Plans)
  - Changes to promoted product groupings
  - Changes to accrual process to relate spending with promotional activity

TPO System Selection

- Selection considerations
  - Solution flexibility
    - Pre-built functionality
    - Customization for Barilla processes
  - Process support
    - Ongoing analytical support
    - Do it ourselves
  - Easy to integrate
  - Cost of implementation and ongoing expense
  - Compatibility with existing technology platforms
  - Relationship with vendor

Achieving Predictive Planning

- Plan promotions based on Consumption data and not Shipment data

- Used 3 years of historical syndicated data for Forecasting Model

- Forecasting model provided coefficients for the key factors in Promo Planning
  - Promo price points
  - Display and Feature ACVs
  - Seasonality

- Predict Base Volume and Incremental Volume per week

- Enter Promo details, price points and ACVs to get key metrics such as Margin, ROI, Trade Spend per unit

Predictive Planning

- Rolled out to subset of customers
  - Representative samples of customer promotional strategies
  - Skills of customer sales managers
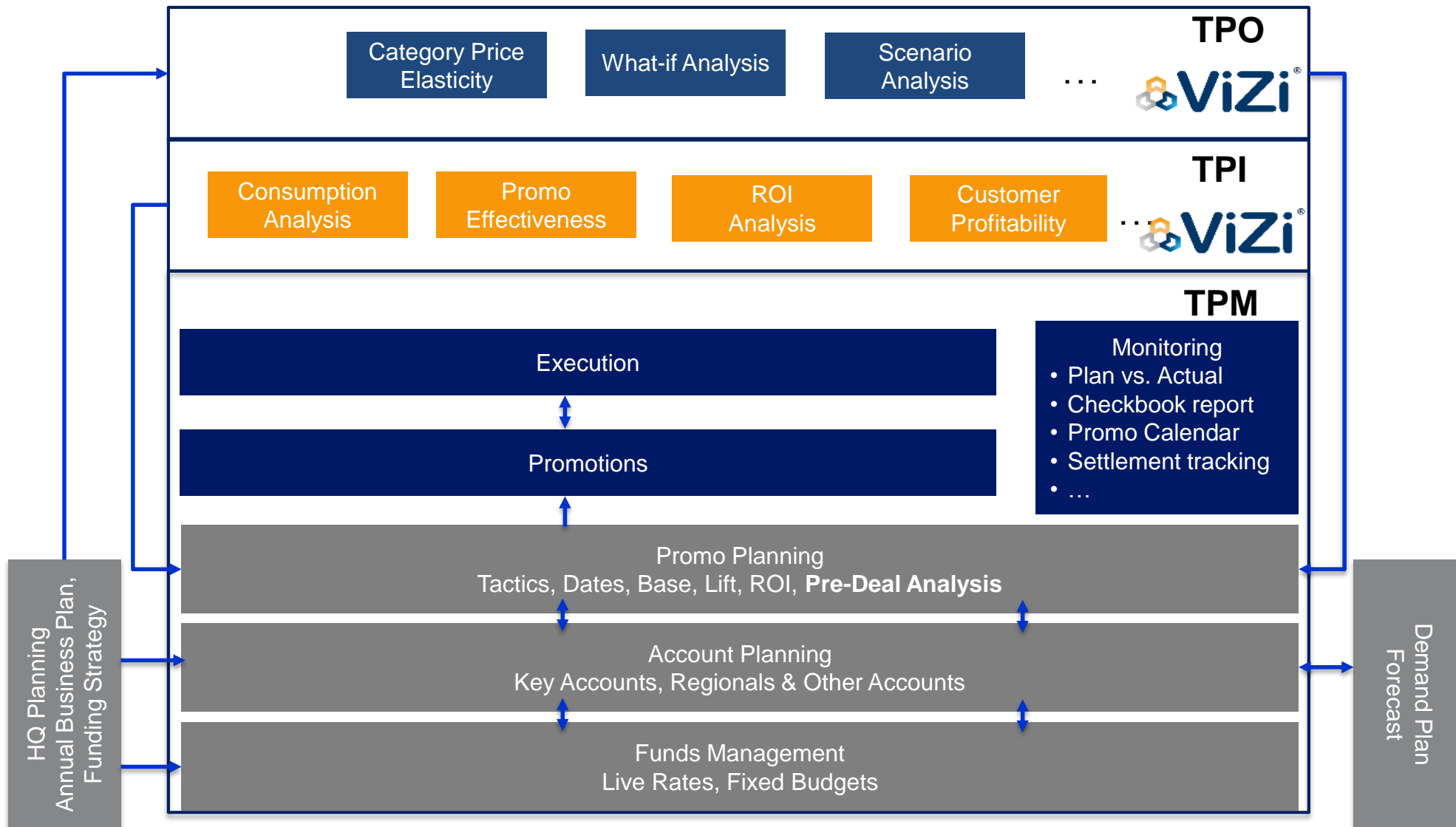- Rollout to all major customers for planning 2019

Scenario Modeling – Coming up!

- Provides an optimum starting point for next year planning

- Allows Regional Managers to:
  - Set a Business Objective for the Optimizing Model
    - Example – Minimize Trade Spend per unit
  - Specify Business Requirements and Constraints
    - There must be at least 10 promotions in a year
    - The same promotion cannot be run consecutively
    - Holiday weeks must have a promotion
    - And so on …
  - Run the Optimizing Model to get results for key metrics for all different specified scenarios
    - Net Sales, Total Quantity, Barilla and Retailer Margin, Trade Spend
  - Pick the scenario that shows best results as a basis for planning

Holistic View of Vistex Trade Spend

TPO

| Category Price Elasticity | What-if Analysis | Scenario Analysis | ... | ViZi® |

TPI

| Consumption Analysis | Promo Effectiveness | ROI Analysis | Customer Profitability | ... | ViZi® |

TPM

Execution

Monitoring
- Plan vs. Actual
- Checkbook report
- Promo Calendar
- Settlement tracking
- …

Promotions

Promo Planning
Tactics, Dates, Base, Lift, ROI, **Pre-Deal Analysis**

Account Planning
Key Accounts, Regionals & Other Accounts

Funds Management
Live Rates, Fixed Budgets

HQ Planning
Annual Business Plan, Funding Strategy

Demand Plan Forecast

Change is Good

BEFORE TPO	AFTER TPO
Promos were week based. Planning was **Monthly**	Switched to **Weekly** Planning
Planning was **not** at a Promoted Product Group level	Planning executed at **Promoted Product Group** level
Shipment Data Based Planning	**Consumption** Data Based Planning
Manual Volume estimates	**Predictive Modeling** used for Base and Lift Volume using HANA PAL
TPR, Display and Feature ACVs **not** used	**TPR, Seasonality, Display and Feature ACVs** built into model
Agreements in the system **did not reflect** true promos	Agreements in the system now **match in-store promo period**
No Visibility to Promo ROI and Lift	**Complete Visibility** to Promo **ROI** and **Lift**
No insights into Retailer's potential margin	**Retailer's margin** calculated

Business Benefits!

Positive Impacts of TPM/TPO solution

- Open deduction balance reduced by 2/3

- Re-allocated 5% of trade spending into other promotional activities while increasing volume

- Greater detail of spending by promotion allows comparison of promotion effectiveness and responsibility by sales manager

- System generated accruals greatly improved the accuracy of our expected liabilities

- Sales plans are now online and require approval based on Delegation of Authority

- Deductions are automatically reconciled against promotions and approved through a multi-level workflow based on amount

- De-commissioned 2 Trade Systems

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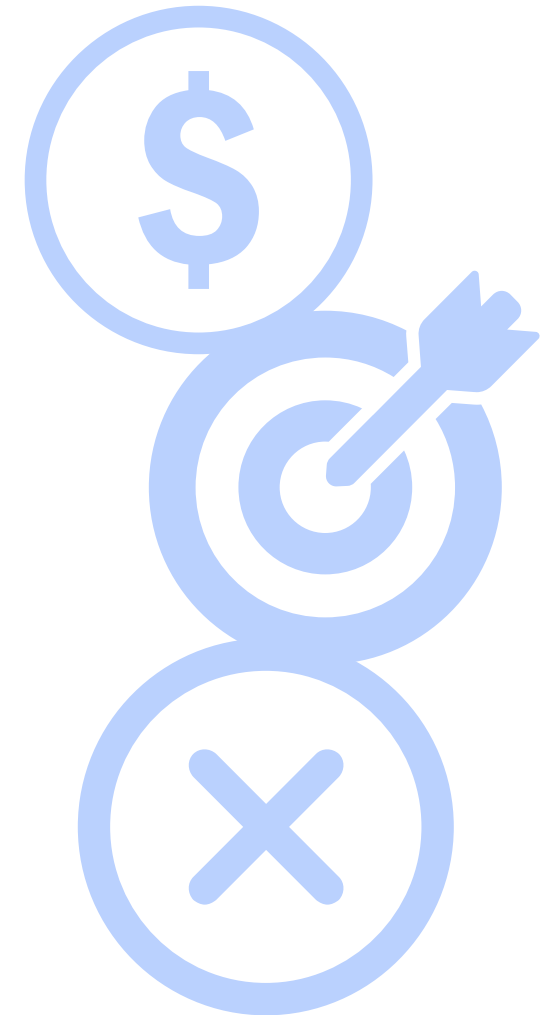
Barilla

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Lessons Learned

Lessons learned

- Accept and plan for a multi-stage journey to your goals

- Involve trainers early – business and professional resources

- Involve Finance as a part of the project

- Acknowledge and plan (early) for change management requirements – behavior is tough to change

- Different FI document types to distinguish GL postings

- Get the data right – internal and external sources
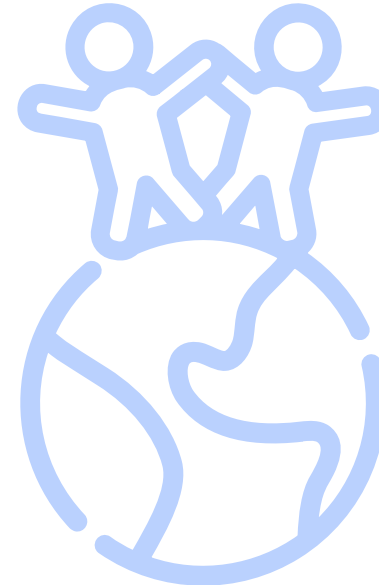
Our Onward Journey with Vistex

Barilla-Vistex Roadmap

Competitor Analysis, Additional Reporting, Scenario Modeling

Pricing Management using DMp

Sales Commissions

Thank you
Questions?

About the Speaker: Tim Kohlstedt

Tim Kohlstedt is a Business Process Support manager for Barilla America. In his role he is responsible for the implementation and support of sales planning and execution systems for the Americas region. Over the last several years Tim has lead the implementations of new trade promotion management and trade promotion optimization systems supporting the US and Canada sales organizations.

Prior to focusing on sales systems, he was one of the leaders for the implementation of SAP for Barilla's US and Canada operations. He also has implemented and supported sales and ERP systems in the automotive and specialty chemicals industries.

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THANK YOU!

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