Driving Trade Promotion Effectiveness

Anne Teague

Carst Vaartjes

Agenda for today

- Introduction
- The Food & Beverages Industry
- Lessons learned
- The commitment necessary for success
- The ingredients for a successful project
- How does this translate to a SaaS solution for TPM?
- The difficulty of implementing a TPM solution
- Going from global to local
- The benefits of implementing TPM
- Questions

Introduction

Anne Teague

- Former CIO of HEINEKEN and Sara Lee
- Global owner of data management, information technology & services:
  - Global Business change processes
  - Acquisitions & integrations and divestments
  - Global outsourcing projects
  - Business, technology related, innovation
  - IT strategy
  - Organisation optimisation
  - Global application consolidation and infrastructure optimization
  - Security & compliance

Carst Vaartjes

- Carst co-founded visualfabriq in 2013, where he serves as the Chief Product Strategy and is responsible for the functionality, architecture and direction of its revenue management platform
- Before that he worked for 15 years as an award winning consultant for FMCG organizations, designing and implementing analytics and TPM solutions. Before starting visualfabriq he worked as a senior manager at Deloitte Consulting
- Carst has worked for FMCG companies such as Unilever, Canon, Heinz, Heineken, BAT, FrieslandCampina, Yamaha, Leaf, CSM and Perfetti van Melle

The Food & Beverage Industry
Our Perspective (1/2)

- Very passionate about and proud of their products
- Often operate on a successful, federated business model
- Focused inward (we are different anyhow)
- Center of gravitas in autonomous operating companies
- Many acquisitions and divestments lead to diversity in processes and heterogeneous systems landscape
- Top-down strategy for and ownership of processes and data often absent
- Business environment rapidly changing

The Food & Beverage Industry
Our Perspective (2/2)

- Data & process diversity lead to great variety of applications and multiple instances of systems of record, which in turn become an inhibitor for business growth

- Due to prioritisation within operating companies, processes have not always been reviewed and systems not always regularly upgraded
  - 'often the local functional manager is stuck between a rock and a hard place'

Which leads to:
  - High process cost, reinvention instead of sharing best practice
  - High technology cost
  - Large local IT organisations (duplications across countries)
  - Cost allocated to 'keeping the lights on' instead of development

Common lessons learned
Completed journeys led to lessons learned and pitfalls that were stepped into

Projects

- in all sizes,

- starting at small local initiatives,

- moving to global and sometimes

- ending up in multi million company changes

Showed similar learnings

- Processes and data are NOT standardised within companies
  - ("should they be standard?")

- A project needs a clear, articulated, _shared_ business scope

- Rigorous and strict project management has to be embraced

- Make sure what is promised, gets delivered

- Stick to 'vanilla' functionality

The necessary commitment
to ensure a successful Business Transformation journey

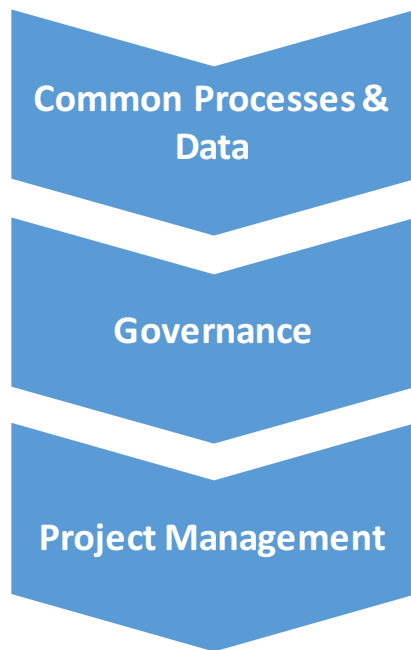Executive & senior management fully endorse and support harmonised processes across operating companies

Categorisation is necessary,
- Define what is standard and mandatory for all
- Define what is at discretion of an operating company

Commitment necessary for Business Transformation

Process definitions based on proven best practices to be implemented

Apply the model to metadata (data definitions) as well

Not all processes can evolve to global standards

Strict business governance on defined processes

So...what are the ingredients needed for a successful project?

Common Processes & Data

Governance

Project Management

- Definition of common processes & data
  - What will be global and what will be local?
  - What will never be global?

- Definition of governance to support local executions whilst not missing out on global expertise and process & system

- Simplicity and rigour in project management

A *clear defined scope* resulting in *clear defined functionality*

How does this translate to a SaaS solution for TPM?

Definition of SaaS (Software as a Service):

> Software that is **owned, delivered and managed remotely** by one or more providers. The provider delivers software based on **one set of common code and data definitions** that is consumed in **a one-to-many model** by all contracted customers at anytime on a pay-for-use basis or as a subscription based on use metrics
>
> (source: Gartner)

It helps to overcome pitfalls from the past

> ('baklava' processes & data, over-complication of solutions)

Provides a platform to TPM-in-a-Box

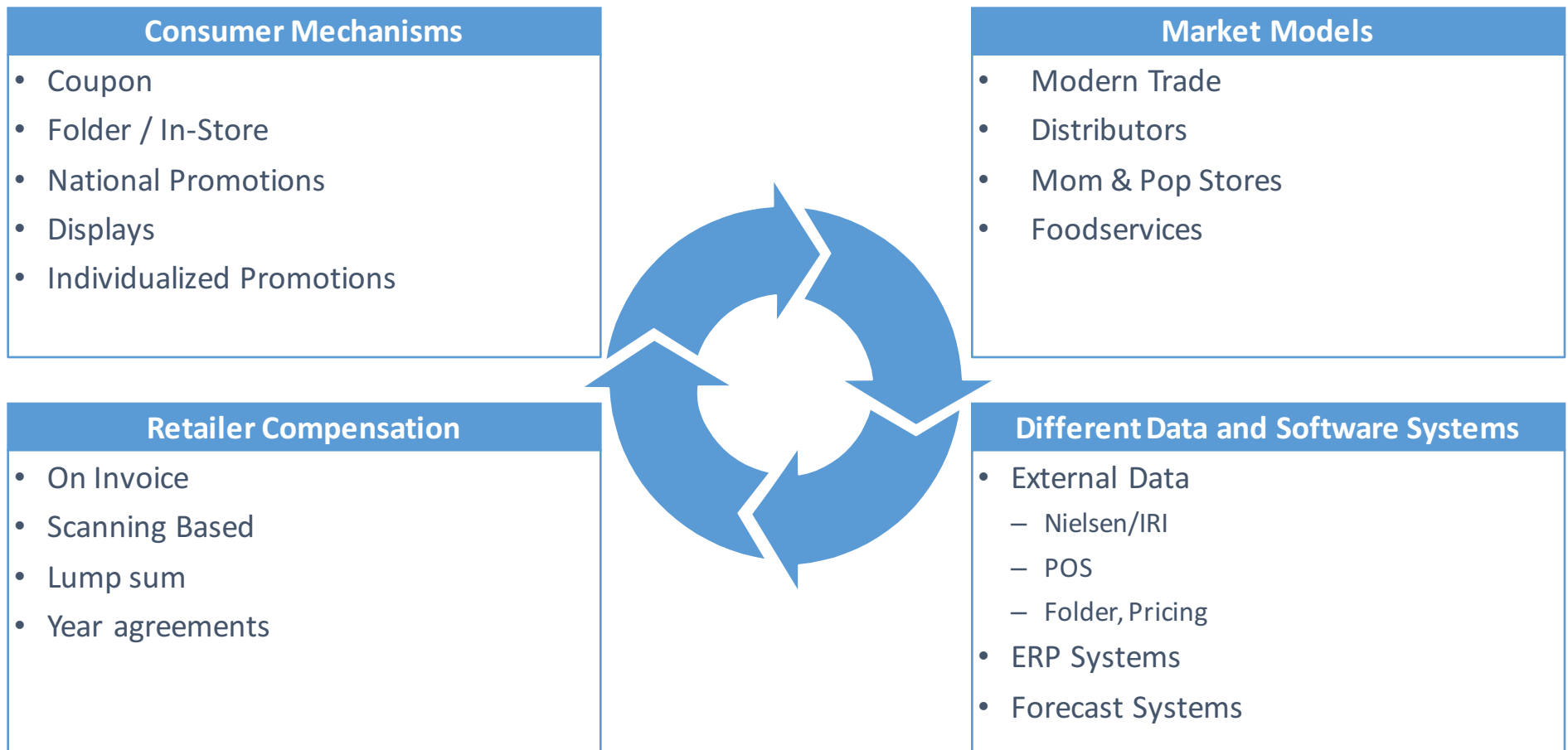**visualfabriq**
Let's unleash your excellence

TPM is more complex than often realized
Because it involves so many areas

- Often the current TPM way of working requires significant work effort and investments
- Implementing TPM creates a significant opportunity but also risk

A global process needs to cover local requirements

Consumer Mechanisms

- Coupon
- Folder / In-Store
- National Promotions
- Displays
- Individualized Promotions

Market Models

- Modern Trade
- Distributors
- Mom & Pop Stores
- Foodservices

Retailer Compensation

- On Invoice
- Scanning Based
- Lump sum
- Year agreements

Different Data and Software Systems

- External Data
  - Nielsen/IRI
  - POS
  - Folder, Pricing
- ERP Systems
- Forecast Systems

Using standard interfaces
Find common denominators and stick to standards

Products → **Customers** →

Pricing → **Pricing Simulation** →

Ex-Factory →

Demand Fcst & Fin Budgets →

Folder Info, External Pricing →

External Market Data → **Standard Adaptors** →

Promotion Planning & Analysis

- Single Point of Entry
- Always with correct products & prices
- Insight in predicted competitor timing
- Machine learning-driven simulation during entry
- Evaluation data retrieval and calculations
- Business Rules for Demand Management, Sales and Finance
- SoX decision logging

→ **ERP**

→ **Demand Forecast**

→ **Budgets**

→ **DWH**

And a standard end-to-end workflow
Below is an example of the classical workflow

Year Plan	Promotion entry	Approval	Planning	Negotiate	Finalised		Settlements	Evaluation

Account manager	Account manager	Responsible	Demand Planning	Customer	Before buy in period	During buy in period	Finance / Sales	Trade Marketing

Promotion Year Plan → Promotion Entry → Proposal finalised → Approve by AM → Approve by DP → Approve by customer → Planned → In progress → Rebates & Payments → Finished

New Version · Reject · Reject · Reject · Cancel · Cancel

Rejected → Adjust proposal

No new proposal

Feedback for improvements of guidelines

Design Global, then translate to Local
The essential guidelines

Maximize Out-Of-The-Box Functionality

- When designing: take the blue print as the goal, not as a starting point
- Understand which local mechanisms and business rules are standard in the solution, so that roll-outs are limited to configuration and not customizations
- Where functionality is not available, challenge its necessity; exceptions can often be left out
- Be frugal: because functionality is available, does not mean you should always use it

No One Size Fits All

- Going local you will see that depending on the size and maturity of the business as well as the availability of external data, the local business will require (and be able) to do less than the most mature markets
- Create a scalable template, building from a basic template with optional building blocks for markets

Be economic

- Focus on quick wins instead of boiling the ocean
- Minimize the IT effort and re-use as much as possible
- Go for pay-per-use licensing

Implementation Pitfalls
From the front lines of projects

- Garbage in, garbage out

- Current problems in the process, often are someone else's problems

- Lack of change management jeopardizes the project

- Change of definitions and scope creep

- Going for a theoretical optimum instead of pragmatic quick wins

Success cannot be achieved without organizational commitment

But there is so much to win
Some examples from projects

Prerequisites

- Automated Master Data
- Accurate Pricing Simulation
- Machine Learning Predictions
- External Data Integration
- End-to-end loop
- Guideline Enforcement
- Scenarios & Simulation
- Tracking & Sox

Handling
- Has led to 50% drop in promotion related work for account assistants at one client; also leads to decreased pressure on other parts of the organization (pricing, master data, order entry)
- Improvements in individual promotions already earned back a year of license fee

Credit Notes
- Automated pricing interfaces and updates have led to 80% reduction in promotion-related credit notes
- Next to a drop in dispute handling, it also improved working capital
- This number excludes the unknown errors where mistakes were in favour of the retailer

Forecast Accuracy
- In practice, we see anything between 20 to 60% of promotional forecast accuracy on a account-week-product level for manufacturers
- With machine learning models this can often be brought up to 70 to 80%
- This does rely on reliable baseline forecasts on account level

Optimization
- Earned back yearly license costs by just discussing one to two retailer-proposed promotions with better alternatives
- Often a 10% efficiency improvement can be realized, but this requires focus and adjustments in negotiations

Questions?

Let's unleash your excellence