The POI 2019 State of the Industry Report

The State of TPx and Retail Execution for Global Consumer Goods and Retail
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Introduction

As with our previous surveys, the 2019 Promotion Optimization Institute (POI) TPx and Retail Execution Benchmarking Survey focused on the intersection of the people, processes, and technologies required to be a suitable collaboration partner in the promotion and distribution of consumer products. Yet, over the last 5+ years, the CPG industry has been experiencing an extraordinary shift that changes the way consumers shop and how business is executed. As a result, POI has added new questions and data points into the survey.

In previous years, we would denote where consumer goods manufacturers were succeeding and struggling and offer tips on how to be successful. In many of the foundational areas this information didn’t change much over time. As a result, the content and format of the POI State of the Industry Report is changing.

POI is shifting the report from relaying tactical implementation tips to strategic leadership focal points. This report will streamline critical leadership headlines on hot issues and emerging trends, while incorporating the 2019 benchmarking survey results. We continue to incorporate longitudinal data, which looks at how the benchmarking changes over time.

The foundational tips on how to implement best in class business process and solutions can be found in a new set of “Best Practice Tips” documents located at poinstitute.com/about/.

When I was in manufacturing leadership, I didn’t have time for long reads, and when I needed help, I needed it at my fingertips quickly. The new state of the industry report is sectioned into focal points that are simple to read, relevant, and actionable.

If you are investigating new solutions and want to know what’s possible in the TPx and RetX space, you can review capabilities and vendor offerings in the POI TPx and Retail Execution Vendor Panoramas at poinstitute.com/about/POI-Publications/.

Also, please don’t hesitate to reach out and connect on strategic or tactical aspects for which you need support. Having led sales teams, sales operations and strategy, BI Analytics, and IT projects across the global enterprise, I have a unique background and can help guide you in the right direction. At POI, we have a network of partners and can connect you with additional expertise as needed.

Sincerely,

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Rationale behind the Survey

POI seeks to serve its members by identifying strategic leadership focal points and streamlining critical leadership headlines on critical issues and emerging trends, while incorporating the 2019 benchmarking survey results. We look at both the successes and challenges in the promotion and distribution of consumer products, and then analyze them at global events and through written research, share groups, webinars, and advisory services. The focus areas of this survey were selected based on the summation of our beliefs about where the challenges exist today and a desire to socialize the topics and recommendations with industry leadership.

*Note that while most companies in the survey are constant year-over-year, the responders can change/increase from one year to the next, influencing the research data.

Strategic Leadership Focal Points:

1. Manufacturer and Retailer Collaboration
2. Holistic Enterprise – Breaking Down the Silos
3. Strategic Revenue Growth Management (SRM)
4. Trade Promotion Planning and Optimization Capabilities
5. Retail Execution
6. Digital & eCommerce Strategy & Capabilities
7. Artificial Intelligence (AI)
8. Cloud Perception versus Cloud Reality
9. Change Transformation
10. Best Practices

Thought Provoking Game Changers:

(We go deeper on the game changers in each respective section)

- With the shifting CPG landscape there will be no new normal. The good news is that our world is innovating fast. We use new technological advances every day to make life easier. This leads us to have to take a continuous improvement approach to practices, technology, and skills at work and in our personal lives. Innovation means constant activation.

- Many retailers and manufacturers are continuing to organizationally structure themselves based on old paradigms. Our number one focus is the consumer, yet roles, processes, and systems are still internally focused, not optimal, and in many cases broken. Organizations need to step back and create a “Holistic Enterprise,” de-siloed approach.

- Data is foundational. Yet, companies are struggling to receive, cleanse, harmonize, and hub the data. Purchase power of the Millennials is surpassing that of the Boomers and they are digitally engaged. To offer our consumer personalized offers in the new paradigm, data is critical. Clean data enables revenue growth management practices, customer level P&L’s, post event analytics, TPO, AI, holistic enterprise reporting, and executive dashboards for better decisions.
• **Build a joint business case around data sharing. You have to ask for data.** Partnering and innovating together will be how we continue to keep brick and mortar retailers strong through the change. There is a fragmentation of basket and trips due to new purchase behavior, and our retailers and manufacturers need to partner to creatively re-build lost revenue. “Intelligence” and “whys” come from analytics, and analytics from data. Again, **data is foundational to this partnership and realizing mutual profitable growth.**

• The lack of **linkage between digital and traditional promotion is substantial.** Integration of consumer and loyalty shopper data is helping to see who our target consumer is and cater store layouts, offers, pricing, promotions, etc. based on these preferences. Ensure your company is on a journey to ‘full integration,’ which will benefit you as the manufacturer and what you can share with your retail partners.

• The **lack of connectivity between Trade Promotion Systems and Retail Execution Systems is severely impacting execution and revenue gains.** Execution is everything, and the inability to pass promotion tactic changes to the field and monitor in-flight activity is costing manufacturers and retailers millions of dollars.

• Manufacturer concerns about the ability to drive profitable business with Amazon continues to increase dramatically year-over-year. The eCommerce journey is best not done alone. Our recommendation is that you **network to understand and replicate what is working and also how to overcome obstacles with your peer-set.**

• Interested in emerging markets and/or user adoption of retail execution solutions? If so, then **investigate Bring Your Own Device (BYOD) seriously,** not just as user preference, but as a standard.

• **Artificial Intelligence (AI) is all around us. AI is here today, and it’s not bleeding edge. AI can analyze large amounts of data quickly. AI analysis detects patterns, opportunities, and issues, evaluates options, and generates recommendations. How are you building AI into your strategy?** This is a strategic question that every retailer, manufacturer, technology vendor, and consultant partner should be asking.

### Section 1: Manufacturer and Retailer Collaboration

The time is now. POI is a firm believer that with the CPG paradigm shift taking place, the strengths, analytical expertise, and partnerships between retailers and manufacturers need to be fully maximized to stem the negative impact of the industry change. There will always be winners and losers as paradigms shift. What is known is that winners will be the ones who lay new strategy, partner, and think differently. They will be the ones who have the courage to try something different. Reaction is not a strategy. As leaders, we need to proactively lean into the change required.

The industry is experiencing and anticipating a growing shift of sales to online purchases. Many Retailers are now offering click and collect curbside pick-up to try to capture sales. Yet, there are ramifications to incremental sales, increased labor costs, etc. when the consumer doesn’t enter the store. Retailers and manufacturers need to partner on assortment, placement, pricing, promotion and formats for both online and in-store options. Data is the foundation to understanding what the consumer is looking for and how the new formats will be delivered. In-store services are key to drawing the consumer within the traditional four walls. Yet, **the experience needs to be inspirational** for the consumer to take the time to enter the store. It’s a value/time decision for the consumer (see eCommerce Strategy & Capabilities).
For years, POI has reflected on research noting that retailers have an opportunity to freely share data with manufacturers. When asked if a manufacturer has challenges with retailers freely sharing foundational data (POS, Daily, Shopper etc.) with them, 75.7% agree that they have challenges obtaining key data (down from 90% of companies having issues last year) and 24.3% noted they do not have challenges receiving data (challenges lessened by 10%). While trends are improving, 75.7% of the companies continue to have data challenges with foundational data, and the need is to advance the types and breadth of data shared to includes services. Retailers and manufacturers must make data acquisition and sharing a top priority in 2019 and beyond. Many European retailers did not provide data until they were specifically asked and engaged through a business case. As a whole, they are now more willing to provide data than retailers in North America. Retailers and manufacturers alike need to share data and partner on the derived “intelligence” gleaned from the information.

Both manufacturers and retailers spend an exorbitant amount of time planning and negotiating through the deals process. Yet, at the end of the day, execution is everything. When retailer aligned promotions are not executed as planned at store level, both teams fail to gain the expected results. POI research illustrates that companies continue to struggle with compliance and in-store execution. 69.9% of respondents are in agreement that their companies are struggling to have retailer aligned promotions executed at store level (vs. 91% YAGO). 30.1% disagree and note they are able to execute well (up 20.1% vs. YAGO).

Dislocations between what is planned and executed has been a long-term issue in the CPG industry. The time is now to close the execution gap. Retailers, manufacturers, and vendors need to incorporate retail execution improvements into future strategy.

As retail execution technology vendors offer more in-flight monitoring capabilities to manage the deal negotiations process, in-store execution, and KPI’s, we will have increased visibility to promotions in-motion and the ability to course correct prior to the promotion ending (see Retail Execution). When respondents were asked how their company monitors in-flight execution, enabling planners to stay on top of performance and make mid-cycle adjustments, only 9.5% of responding companies had automated in-flight capabilities. This is a critical execution gap for both the manufacturers and retailers. 45.9% of companies use a manual communication process to try to close the in-flight monitoring process, but this takes a lot of time away from more strategic work and selling time. Managing changes to the promotions through manual email and verbal communication is tedious and time consuming.
Anything manual also has the potential to fall through the cracks, as teams are busy and have moved on to the next priority selling opportunity. Until your organization has in-flight monitoring, it will take elevated communication between the retail sales team, key account lead, and the retailer to monitor execution and ensure plan compliance. Most concerning is that 39.2% of respondent teams note that they do not execute any in-flight monitoring.

Many manufacturers have provided retailers with execution incentives to drive compliance, but today’s industry challenges are enough to focus teams on this critical low hanging fruit. Both the retailers and manufacturers have a lot to gain when they maximize the execution results from their best laid plans.

Recognize that insights and intelligence are the currency of collaboration. If retailers are not including you in their execution plans, then your organization needs a new retailer strategy that adds value, helps the retailer differentiate, and grows mutual business. If a retailer does not provide your organization access to their stores, they may not see the retail execution value your teams are bringing. In both cases, it is critical that you build a plan to add value and have top to top Joint Customer Business Planning discussions with retailer leadership to communicate and align on a plan of action.

**Section 2: Holistic Enterprise – Breaking Down the Silos**

Many retailers and manufacturers are continuing to organizationally structure themselves based on old paradigms. Our number one focus is the consumer; yet roles, processes, and systems are still internally focused, not optimal, and in many cases broken.

Organizations need to step back and create a “Holistic Enterprise” de-siloed approach.
Note the numerous common denominators across an organization’s work load: Pricing and lift coefficients, baselines, incremental, depth of discount, mix, etc. Now take a moment and think about your teams, consultants, and tools that enable the analysis and work in each of the silos.

There is duplicative effort and cost associated with the siloed approach. It is not unusual for organizations to have consultants developing pricing coefficients and elasticities in marketing, while sales teams are utilizing a promotion optimization tool that utilizes different factors, and RGM and Demand Planning who may also have their own analysts, systems, co-efficients, baselines, and lifts.

We discussed the robust data requirements earlier in the report. As companies have greater amounts of data, it is critical that an organization prioritize data management and assign an owner/team for this critical management component. (For more information on data management and analytics - bit.ly/POISpringSummit2019). POI’s recommendation is to establish an Enterprise Data and Analytics COE that is responsible for: Data management, enterprise analytics and reporting, executive dashboards, and generating the critical “Enterprise” outputs for the common denominators noted above. This Holistic Enterprise approach will drive transparency, consistent process, and accuracy across the organization, while enabling the functional business unit work below. With the Holistic Enterprise approach, cross-organizational work will be done utilizing consistent foundational data.

When duplicative work effort is exerted across the organization it hinders obtaining the “one version of the truth” companies desire.

Can you imagine the positive impact to your company’s Integrated Business Planning monthly consensus meeting if all teams involved were using “one version of the truth” and the same underlying “common denominator data” as they built their forecast? Not to mention the downstream benefits and cost savings of having an accurate forecast.

Join us in April for the POI Summit, Transformational Leadership Council, as POI goes deeper with industry leadership on the call to action above. bit.ly/POISpringSummit2019.

In addition, POI research consistently reflects that there are challenges moving capabilities from transactional to analytical. The Enterprise Data and Analytics COE will centralize analytics and naturally move the organization away from transactional, repetitive analysis. The goal is for the organization to have data-driven “intelligence” and insights based on the “one version of the truth.”
While transforming and de-siloing your organization takes strategy, leadership, and courage, it is critical to compete in our consumer-focused world where consumers expect personalized promotional offers and companies need end-to-end coordination, data, planning, operations, reporting, and visibility.

**Section 3: Strategic Revenue Growth Management (SRM)**

Wikipedia defines Revenue Management as “the application of disciplined analytics that predict consumer behavior at the micro-market levels and optimize product availability and price to maximize revenue growth.” Revenue Management is the application of disciplined analytics that predict consumer behavior at the micro market levels and optimize product availability and price to maximize revenue growth. The practice of Revenue Growth Management has been used for decades in the hotel and airline industry and has historically utilized statistical models and price elasticities based on supply and demand to maximize revenues. It also supports consumer analysis and fare structures based on the concept that not all consumers are created equal.

Revenue management focus in the CPG industry is gaining ground and can be categorized per the benefits below and ability to answer critical business questions:

![Graphics courtesy of Revenue Management Labs (RML). Used with permission.](image)

It is well known that the consumer goods industry is struggling for growth and many retailers and brands have lost market share in the last few years. The digital and omni-channel shift is impacting retailer sales and how manufacturers go-to-market and communicate with digitally savvy consumers, opening the door for smaller players to contend with the mega-brands and digitization of promotions is driving price transparency. Companies can’t continue to manage pricing and trade promotions like they have historically. Certainly, the traditional copy and paste of last year’s plan is not a future forward option.

- **Price**
  - What prices changes should we be taking?
  - What effect will price changes have on my sales? How will it impact my product mix?
  - How do I successfully pass price increases to my customers? What if they push back?

- **Product**
  - What value do my products have versus our competition? How much can I charge for that value?
  - How should we price our new innovations and products?
  - How does my portfolio interact when we adjust prices? How can we use this as leverage?

- **Discount**
  - Should we be offering price concessions? How much is enough?
  - At what price should I bid my product/service?
  - Where can I decrease spending on discounts and programs while minimizing impact to sales?

- **Channel**
  - How do we properly motivate our channel partners to drive sales?
  - How do we minimize channel conflict?
  - What level of investment should we be devoting to each of our channels?
CPG Revenue-Growth Management (RGM) teams lead work at an enterprise level to generate the company’s annual operating plan and deploy targets based on pricing, discounts, product assortment/mix, channels, trade promotion, and other drivers at consumer and enterprise levels to drive profitable revenue growth (see RGM internal enterprise business questions- right panel).

RGM teams help to drive a holistic enterprise approach. This team has to balance the total enterprise and the short-term and long-term needs of the company. As a result, RGM teams are highly cross-functional in their approach and drive collaboration, cross-BU alignments, and governance for the organization. CPG RGM team’s own enterprise short-term and long-term pricing roadmaps, architecture, and compliance via KPI’s. RGM teams also own retailer trade allocation and balancing the trade funding needs across channels and accounts. Proper allocation, planning, and monitoring of trade spend is critical. CPG companies spend between 11% and 27+% of revenues on Trade Promotions, which is one of the company’s largest expenses on the P&L. Trade spend does not include traditional marketing, shopper marketing, direct-to-consumer promotion, and digital advertising. When POI survey respondents were asked what percentage of their company’s annual revenue they spend on trade promotions, 89.5% spend over 11% and 60.6% spend less than 20%. In the POI 2017 report, the average spend was 20%. In 2018, 39.14% of respondent companies are spending upwards of 20% with 14.1% spending over 27% in trade. RGM teams work with Sales teams to optimize pricing and promotions at an account level to maximize ROI. 30.1% of respondents noted that RGM teams are owners of the post event ROI analysis. 21.9% of respondents note “other” and are generally customer finance.

The RGM planning diligence and profit focus has transformed episodic, once a year planning, into an ongoing and dynamic planning practice deeply rooted in advanced analytics.
Respondents noted the most common KPI’s to measure promotion success are: ROI incremental profit, incremental volume, incremental revenue, incremental gross dollar sales, and dollar profit per incremental case.

With the criticality of trade effectiveness, one can understand why more companies are investing in Revenue Management Organizations.

When companies were asked how they are approaching Revenue Management practices, 25.3% of companies have not established an RGM team. 18.7% of the companies are taking a non-RGM approach to pricing and promotion and will continue down this path through 2019. 8% of these non-RGM approach teams will be changing titles to reflect a revenue focus, but practices and breadth of analysis will remain the same. 45.3% of companies will be advancing their RGM practices. 28% of these companies will be adding personnel and 34.7% will be advancing technical resources with tools and advanced capabilities.

If your company is looking to build or advance RGM capabilities, join us at POI Summits poinstitute.com/events/ to connect and dive deeper on the topic.

Section 4: Trade Promotion Planning & Optimization Capabilities

Multiple automated capabilities are available to improve efficiency and effectiveness of trade: Trade Promotion Management (TPM=transactional), Trade Optimization (TPO=forward looking what-if scenarios), and post event analytics (TPE/ROI). Together these capabilities deliver total TPx functionality. These capabilities have been independently available for over 15 years (TPM 25+), yet only recently have vendors been deploying these capabilities in one seamless holistic planning platform.

If you are investigating new solutions and want to know what’s possible in the TPx and RetX space, you can review capabilities and vendor offerings in the POI TPx and Retail Execution Vendor Panoramas at poinstitute.com/about/poi-publications/.

For many years POI recommended manufacturers begin the planning journey with TPM, and once stabilized, continue the planning evolution with TPO or ROI capabilities to maximize promotion efficiency and effectiveness. Trade Promotion Optimization vendors have dramatically advanced modeling and constraint-based capabilities, have incorporated ROI, and vastly improved the user experience in the last 3 years. As a result, POI’s current recommendation is to implement a seamless holistic planning platform, or first implement TPO and optimize planning to drive increased revenue and profits. Manufacturer leadership can then use the efficiency savings to fund TPM and transactional elements.

The RGM planning diligence and profit focus has transformed episodic, once a year planning, into an ongoing and dynamic planning practice deeply rooted in advanced analytics.

TPM TPO TPE/ROI

Holistic Promotion Planning & Revenue Management
The 2019 survey included questions for each independent capability and also incorporated new data for holistic promotion planning capabilities.

When the over 100 Consumer Goods respondents were asked which of the following TPx technologies their company currently uses to manage and drive efficiency of trade, 87.3% of companies already utilize TPM systems, while 28.2% use post event ROI capabilities, and 21.1% have deployed trade promotion optimization. The “all other” 15.5% mainly comprise excel based planners, which do not fall into TPx automated technologies.

When respondents were asked if they were satisfied with their ability to manage trade promotions, 40.6% were dissatisfied (+6% improvement, 2018 46%), while 59.4% were at least somewhat satisfied. Only 2.7% were extremely satisfied. We all want to know what these companies are doing...

Companies continue to respond that the entire promotional planning process is burdensome. 67.1% of respondents felt the process is burdensome, 26% acceptable, and 6.8% state less than anticipated. Yet, we have experienced a 25.9% increase in satisfaction as 93% of respondents in 2018 noted that the process was burdensome. The outcomes may be a result of companies moving to new technologies, but we don’t have data this year to derive the connection.

Yet, we did ask a new survey question this year to understand which TPx technologies the companies will be looking to deploy in 2019, which will give us additional data points to correlate next year.

36.6% will be deploying new TPM systems. Note that 87.3% of companies already have TPM systems, and survey data doesn’t denote if these are excel based teams moving to TPM for the first time, or if this is a TPM to TPM redeployment. ROI capabilities continue to grow, 33.8% movement, as a singular platform and also incorporated with TPO capabilities. 29.6% of companies will be implementing a seamless holistic planning tool that
incorporates TPM, ROI, and TPO. 43.7% of respondents note that they are looking to deploy standalone TPO capabilities, and the majority of the 18.3% “all other” responses were also TPO capabilities, when the data was analyzed. Net, there is a lot of movement on the capabilities enablement front. Our vendor base has confirmed the robust deployment expectations and have been called to participate in accelerated RFP processes beginning in the early months of 2019.

Participants responded as followed when asked, “to move the needle on trade promotion efficiency and effectiveness our company needs to improve:”

<table>
<thead>
<tr>
<th>Improvement Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume planning accuracy</td>
<td>6.75</td>
</tr>
<tr>
<td>Promotion planning/optimization (what-if)</td>
<td>7.19</td>
</tr>
<tr>
<td>Pricing Optimization</td>
<td>6.10</td>
</tr>
<tr>
<td>Promotion and pricing execution at retail</td>
<td>5.52</td>
</tr>
<tr>
<td>Settlements</td>
<td>4.69</td>
</tr>
<tr>
<td>Post Event Analytics</td>
<td>6.97</td>
</tr>
<tr>
<td>Data cleanliness and management</td>
<td>5.16</td>
</tr>
<tr>
<td>Analytics</td>
<td>5.72</td>
</tr>
<tr>
<td>Automated systems and capabilities</td>
<td>5.47</td>
</tr>
<tr>
<td>Other</td>
<td>1.13</td>
</tr>
</tbody>
</table>

It isn’t surprising to see the correlation between the greatest company needs and the planned TPx capability deployments. With the paradigm shifts in the industry, companies know that they can not be sedentary. There is too much at risk. Inaction isn’t an option. Even though 66.7% of respondents note that there are challenges justifying and building a business case for TPx, the struggle doesn’t seem to be holding back the drive for new capabilities.

**Trade Promotion Optimization (TPO) Details:**

Based on respondent feedback to the provided categories, the ability to use what-if scenarios to find the best-fit promotion, being able to build and visualize promotions through a calendar, and creating a library/list of effective promotions are top priorities. These aspects are table stakes with TPO vendors. Some vendors have more robust calendaring capabilities. Cannibalization, halo effect, EDLP optimization, and the ability for the model to utilize daily data or account for week-shift are critical to accurate analysis outcomes. As stated earlier, many vendors have invested in their capabilities both in UI and models. A handful of vendors are utilizing constraint-based modeling, and a few have taken it to the next level with Artificial Intelligence (AI – See AI section 7). Artificial
Intelligence functionality is not 2-3 years out. AI prescriptive planning is here today, and results are being realized. TPO advanced analytics has a spectrum of possible functionality, and it will be important that manufacturers ask vendors about these capabilities in their RFP processes based on their business requirements. The POI TPx 2018 Vendor Panorama details vendor capabilities, opportunities, services, and notes Best in Class technology, poinstitute.com/about/poi-publications/.

When respondents were asked: “What are the two things that keep you from moving from TPM to TPO?” They responded (not ranked in any priority order):

<table>
<thead>
<tr>
<th>Stated Obstacle</th>
<th>Real/Perception</th>
<th>POI’s Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need to have TPM first</td>
<td>Change of perception</td>
<td>Review section 4 - Capabilities have improved dramatically. Implement a seamless holistic planning platform or first implement TPO and optimize planning to drive increased revenue and profits &amp; make better decisions.</td>
</tr>
<tr>
<td>Cost/Investment</td>
<td>Real, these systems are an investment</td>
<td>Advances in optimization technologies will return substantial ROI and SaaS platforms are faster to implement, which make it easier to justify the investment spend. Increased vendor competition and SaaS have also lowered platform costs substantially in the last 5 years.</td>
</tr>
<tr>
<td>Tools are deficient and have heavy customization needs</td>
<td>Real and Perception (Vendors Vary)</td>
<td>As stated earlier in the report, the vendors have invested and capabilities have improved dramatically. Most out of the box solutions are solid and require only configuration. Please reference the 2018 POI TPx Vendor Panorama, poinstitute.com/about/poi-publications/.</td>
</tr>
<tr>
<td>Proper Data, Cleansing &amp; Harmonization is needed for optimization and AI</td>
<td>Real</td>
<td>As companies move into advanced analytics like optimization and AI, data quality is important. Yet, good quality data is important to accuracy of simple reporting as much as it is for TPO and AI. Many of the vendors support data management support &amp; or services.</td>
</tr>
<tr>
<td>People/Change Transformation/ Skillsets Leadership buy-in</td>
<td>Real</td>
<td>Review section 9 - Many folks underestimate the “people” and change transformation elements as they deploy new processes, systems and reporting. There are POI resources to help engage your organization and help teams through the transformation.</td>
</tr>
<tr>
<td>Time - Teams don’t have time for more administrative burden. No time to investigate TPM</td>
<td>Real and Perception</td>
<td>Again, review section 9 - change transformation. Gain leadership sponsorship for the project, which will enable your team to focus time against the endeavor. The ROI and risk is too substantial to delay. Leaders need efficiency and visibility; your time is a good investment.</td>
</tr>
<tr>
<td>Lack of trust in TPO accuracy &amp; outcomes</td>
<td>Real and Perception</td>
<td>See proper data comments above. Data quality is important to accurate outcomes. As above TPO vendors have vastly advanced capabilities and quality of accuracy. See 2018 POI TPx Vendor Panorama, by vendor analytics detail.</td>
</tr>
</tbody>
</table>

TPx Vendor Call to Action:

Support manufacturer business case development, which will expedite decision making and deployment timelines. In addition, 24.1% of respondents note that they have not moved to a server-based TPM solution (they are in excel to manage promotions) due to a lack of standardized process, 20.7% due to cost, 17.2% due to integration issues, and 17.2% because the project hasn’t been internally prioritized. 3.4% state that platform capabilities don’t meet their expectations. Understanding the TPO obstacles grid and these needs will enable your teams to better serve these companies and support their journey to automated capabilities. In addition, 64.2% of respondents noted that when they implemented their TPx solution, their vendor and/or services team provided best practices (down 6.8% from YAGO). Understanding
vendor supplied best practices is important to a project team as it helps to ensure company process; “the way we have always done the work” doesn’t stand in the way of progress and capabilities enablement. It is a lot of work to manage the system, process, and change transformation needed to deploy well - not to mention courage to stand up to challenge the status quo. Enable your project team with best practices. Our bet is the 35.8% of companies that didn't receive best practices struggled with user adoption, process, and tool effectiveness, which affects user experience and project ROI. This is low hanging fruit for the vendor and service partners.

Another opportunity is to help organizations understand how your current capabilities can help the internal headquarter planning teams. When respondents were asked if HQ planning teams have the ability to monitor and manage go-to-market strategy compliance, only 18.9% stated they had automated top down and bottom up planning execution visibility. Having executed the 2018 POI TPx Vendor Panorama, we are aware of the robust functionality in the market, and based on this data and manufacturer conversations, the HQ planning teams have not been addressed. As per Section 2, Holistic Enterprise, the internal teams have work that is dependent on system outputs and visibility. As we de-silo the organizations and improve data and process, HQ planning team involvement and training on system capabilities is required.

Omni-channel shopping is becoming prevalent and increased funding is spent against digital and shopper marketing, personal consumer offers, and eCommerce. The vendor capabilities must advance to manage “modern trade.” In the 2019 survey, 81.1% of respondents noted that their company is struggling with how to manage modern trade. As this is a new question in 2019, we don’t have comparison data this year. Based on the high level of struggle in this area, please ensure that if your systems don’t have this capability, that you add this to your short-term roadmap. Manufacturer and Retailer leadership need visibility and total company roll-ups of their business.

Developing capabilities to automatically flow trade promotion system changes to retail execution systems should also be on a vendor’s roadmap if they don’t currently enable this functionality.

65.2% of respondents communicated that their TPx systems are not automatically integrated with their retail execution solutions, and if a change is made to a promotion in TPM, the change will not flow automatically to the execution team in the field. As stated in section 1, both manufacturers and retailers spend an exorbitant amount of time planning and negotiating through the deals process. Yet, at the end of the day, execution is everything. When retailer aligned promotions are not executed as planned at store level, both teams fail to gain the expected results.

This is an area that the Retail Execution and TPx vendors need to close immediately. Manufacturer I.T. departments need to close the loop with brokers, as they “own” the handheld solutions and technology choices for the companies they represent. It will take manufacturer resolve to close this important gap, but the improvement in execution and relationship with the retailer will be worth it.
Section 5: Retail Execution

Overall satisfaction with the ability to execute at store level increased 21.1% from the prior year. The “somewhat agree” respondents were fairly flat year-over-year, but the largest gain is seen in the “agree” category. The group leapt from 15.2% agreeing in 2018 to 38.4% in 2019.

91.2% of respondents (1.2% increase vs. 2018) say they have challenges moving capabilities from transactional to analytical.

Many Retail Execution solutions being used today do not enable field-based users to make required decisions at the store level. Only 28.5% (up 12%) agree/strongly agree that they have the tools they need to make appropriate decisions.

While the number grew in 2019 and turned around a negative two-year trend, this is a critical gap for retail execution teams.

Some of this is due to a lack of off-line capabilities. Only 39.7% of respondents (up 4.7% from 2018) say that their off-line needs are being met, which leaves 60.2% of execution teams struggling. This too is an important functionality gap to close.

Among office-based users, only 32.9% agree/strongly agree (up 10.9%) that their analytical needs are being met. Retail analytics is foundational to providing insights around the execution reality in the field. HQ personnel need analytical insights to compete with pricing, go to market strategies, shopper marketing intel, etc. A lack of analytics also impedes retail team leaders from generating region insights and managing field-based personnel.
### RetX Survey Question

<table>
<thead>
<tr>
<th>Question</th>
<th>Change vs. YAGO</th>
<th>POI Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which routes to market does your company or division/geo utilize?</td>
<td>11.68% decrease in Direct store delivery (DSD). 5.27% decrease in selling</td>
<td>With the exception of DSD, the change year-over-year is minimal. As companies</td>
</tr>
<tr>
<td></td>
<td>through distributors. 1.94% decrease in delivering to a warehouse with you or</td>
<td>look for cost savings, many organizations are evaluating the cost/benefit of</td>
</tr>
<tr>
<td></td>
<td>broker managing in-store execution. -1.82 decrease in selling directly from</td>
<td>DSD. With omni-channel pressure this is an added concern for brick and mortar</td>
</tr>
<tr>
<td></td>
<td>the truck (can sales).</td>
<td>retailers who need to maintain in-stock and service offerings to delight the</td>
</tr>
<tr>
<td>Challenges having quality execution and visibility when working through</td>
<td>In 2018 respondents noted a 7pt. decline in the challenges associated with</td>
<td>Since brokers have proprietary systems that they offer as part of their service,</td>
</tr>
<tr>
<td>third-parties like brokers.</td>
<td>3rd party brokers, and there was no multi-year trend. In 2019 the challenges</td>
<td>there is a data integration issue required to get a holistic view of the</td>
</tr>
<tr>
<td></td>
<td>have lessened by another 6.5%.</td>
<td>market. 85.5% still have this problem. And, in many cases, they use multiple</td>
</tr>
<tr>
<td></td>
<td></td>
<td>brokers across various markets, channels, or product categories.</td>
</tr>
</tbody>
</table>

### Advanced Retail Execution capabilities:

<table>
<thead>
<tr>
<th>Capability</th>
<th>2018 Change</th>
<th>2019 Change</th>
<th>POI Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image recognition</td>
<td>9% increase</td>
<td>4pt. decline</td>
<td>Cost and speed said to be key issue, which accounts for the 69.4% don't have this capability.</td>
</tr>
<tr>
<td>Gamification</td>
<td>14pts. better</td>
<td>-13% decline</td>
<td>75% (14.1% increase) still don't have the capability and don't have it as a planned enhancement. We still see it as a benefit to getting users involved and motivated.</td>
</tr>
<tr>
<td>Retail activity optimization (what stores to visit, what sequence, and what to do when there)</td>
<td>4pt. decline</td>
<td>1.7% decline</td>
<td>As a tighter definition for what this actually entails has become more prevalent, some organizations have recognized that they don't actually have the capabilities.</td>
</tr>
<tr>
<td>Social selling capabilities</td>
<td>10% decline</td>
<td>8.3% increase</td>
<td>POI sees retail activity optimization as functionality that can have immediate ROI and drives efficiency and effectiveness in the field, increasing productivity.</td>
</tr>
<tr>
<td>Guided selling</td>
<td></td>
<td>68% increase</td>
<td>68% (+5.2%) don't have or plan to enhance.</td>
</tr>
<tr>
<td>Augmented reality</td>
<td></td>
<td></td>
<td>While augmented reality feels futuristic, ordering household goods, clothes, and food felt futuristic a few short years ago. POI will keep the pulse on this technology and CPG engagement.</td>
</tr>
<tr>
<td>Crowd sourcing</td>
<td>21.1%</td>
<td>5.6% decline</td>
<td>71.8% don't have it or plans to enhance.</td>
</tr>
</tbody>
</table>
Retail Execution Recommendations:

Prioritize functionality above delivery method. In the realm of retail execution, the lines between SaaS, managed services, hosted private cloud, and public cloud are blurry and highly dependent on where the deployment(s) will take place. On premise is still as popular as cloud for retail execution capabilities. Don’t be led to believe that you have to take less functionality or flexibility because there is a perception that RetX capabilities are all moving to the cloud. This is simply not the case.

Continue to prioritize capabilities that will help users be more effective, i.e. to “sell more.” Otherwise, why spend the money? These capabilities include retail activity optimization (RAO), image recognition, guided selling, social selling, gamification, voice recognition, and in-flight analytics.

Take Bring Your Own Device (BYOD) in Retail Execution seriously, not just as user preference, but also as a standard if you intend to be active in emerging markets.

Test, script, and test some more to ensure that prospective solutions can meet your off-line requirements for in-flight analytics and complex pricing/promoting. The only way to know is to test pilot the functionality yourself.

Recognize that a single solution is not likely going to meet your global needs. There is just too much disparity in price, suitability to local requirements, and availability of support. It is typical to have 3-5 solutions for truly global companies.

Ask for best practices from your vendor or implementation partner. The POI 2019 Survey found that only 21.9% (8.9% increase) felt strongly that they received best practices in combination with their solution. You often have to ask for them. You should find out the background(s) of those who are expected to deliver best practices. Many vendors have a separate team that can support this effort. It is important to document upfront the sort of best practices you are looking for and incorporate this need into the scope of work.

Understand specifically what the capabilities each Retail Execution solution offers relative to off-line and complex pricing. There isn’t a need to jointly develop or custom build the vendors solution. There are numerous solutions in market today that have these capabilities and have so for years.

Consider how advanced retail execution capabilities like image recognition, gamification, retail activity optimization, embedded social capabilities, and guided selling can be added to your sales tool-kit to provide line of sight to in-store opportunities and execution at the store level.
Retail Execution Vendor Call to Action:

(Also see TPx Vendor Call to Action – Most aspects are also relevant to RetX)

• Support manufacturer business case development
• Support manufacturer project team with best practices
• HQ, internal team, involvement, analytics/reporting and training
• Vendor capabilities must advance to:
  ○ Enable field-based users to make required decisions
  ○ TPM and RetX system connectivity
  ○ Enhance 3rd party broker connectivity (Ties in with TPM – RetX system connectivity)
  ○ Provide off-line capabilities
  ○ Retail activity optimization

While the data represents some improvement in specific categories, the overall retail execution landscape is a “perfect storm” given how aggressive eCommerce players like Amazon and Alibaba have become. The ability to execute at retail has never been more critical, regardless of your route to market. The rewards are huge for those companies who get it right.

Section 6: Digital and eCommerce Strategy & Capabilities

Digital:

In previous years we noted that most companies believe that they are behind their peers “at the intersection of digital promotion.” This is still the case with 56.8% (+5.8%) of the companies noting a “lagging” response. The perception and other three response categories are virtually flat the last three years.

When respondents were asked: “How would you characterize your current linkage between digital promotions and traditional trade promotions?” They responded:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No linkage, they are separate efforts</td>
<td>27.8%</td>
</tr>
<tr>
<td>There is some limited visibility between th...</td>
<td>31.9%</td>
</tr>
<tr>
<td>There is some coordination taking pla...</td>
<td>29.2%</td>
</tr>
<tr>
<td>They are two prongs of a single effort</td>
<td>5.6%</td>
</tr>
<tr>
<td>Don’t know or not sure</td>
<td>5.6%</td>
</tr>
</tbody>
</table>
27.8% (+2%) of company respondents stated they had no linkage. Other teams also have some limited visibility and coordination, but what is striking is that only 5.6% are two prongs of a single effort. This is a direct outcome of our traditional siloed organizations.

In most organizations there is very little linkage between traditional trade promotion and digital promotion teams. Each group is analyzing, creating, and executing programs they deem are the best fit for the brands. Both teams have full time jobs executing their respective promotional plans. Organizations need to bridge visibility and connectedness across the two teams. The teams need help to see how the “total company promotional plan” fits together and unite the best practices applied.

The recommended Holistic Enterprise and Strategic Revenue Management developments (Section 2 and 3) will have a positive impact on the 94.4% of organizations who are struggling to coordinate work, analysis, and systems across functions. Through the survey our respondents shared two aspects they need to overcome to take their organization to the next level with digital capabilities. The following table is a master list of their responses and are not in any priority order:

<table>
<thead>
<tr>
<th>What’s needed to take organizations to the next level with digital capabilities</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team Resources</td>
<td>Obtain funding and build Direct to Consumer Team, Qualified Employees</td>
</tr>
<tr>
<td>Direct to Consumer Capabilities</td>
<td>General Knowledge, What types of digital promotions are available</td>
</tr>
<tr>
<td>Analytics</td>
<td>ROI Analysis of digital programs; interaction with traditional trade activity; understanding program impact with overlapping promotions, measuring consumer brand switching, impact by data component</td>
</tr>
<tr>
<td>Technology</td>
<td>Integration with TPx technologies; real time decision making; full omni-channel plan visibility</td>
</tr>
<tr>
<td>Digital KPI’s</td>
<td>General knowledge and cross-functionality aligned</td>
</tr>
<tr>
<td>Digital Management</td>
<td>Clean, usable data</td>
</tr>
<tr>
<td>Budget for Digital Programs</td>
<td>To test and learn together</td>
</tr>
<tr>
<td>Retail Partnerships</td>
<td>Understanding what vendors are available and what aspect of the digital business they manage</td>
</tr>
<tr>
<td>Vendor Partners</td>
<td>Knowledgeable team to help us get started with digital and build our future roadmap</td>
</tr>
</tbody>
</table>

As companies focus on digital offers and the consumer begins creating digital history, the impressions made and favorite list creation are changing how brands compete. Category dynamics will be impacted. Smaller or newer nimble brands are connecting with the consumer and gaining loyalty. Companies that enter the digital game early will reap the benefit of ongoing sales.

We will continue to monitor developments and facilitate learning and networking at our POI Summit events in the future to help organizations understand best practices in this area (poinstitute.com/events/). This is critical, because we believe that personalized promotions will increase in numbers and reveal consumer insights. It will also result in increased manufacturer and retailer collaboration in the effort to reach consumers, reduce the number of unprofitable promotions, and create an offensive approach to stem the impact of ecommerce sales.
eCommerce:

Section 1 Flashback: The industry is experiencing and anticipating a growing shift of sales to online purchases. Many Retailers are now offering click and collect curb-side pick-up to try to capture sales. Yet, there are the ramifications to incremental sales, increased labor costs, etc. when the consumer doesn’t enter the store. Retailers and manufacturers will need to partner on assortment, placement, pricing, promotion, and formats for both online and in-store options. Data will be the foundation to understanding what the consumer is looking for and how the new formats will be delivered. In-store services will be key to drawing the consumer within the traditional four walls. Yet, the “experience” needs to be inspirational for the consumer to take the time to enter the door. It’s a value/time decision for the consumer.

On the one hand, we like the ease of our own personal online purchases, but we know there is a direct impact to brick and mortar establishments. Many of us in the CPG industry have a love hate relationship with omni-channel purchase behavior. Online will continue to grow. Yet, at the same time, in-store will remain critically important to most shoppers, and consumers will continue to shop brick and mortar stores. Both retailers and manufacturers need an eCommerce strategy. What we find is that a balanced approach is best, but the specific approach depends on the product category. Nevertheless, what is concerning is that the majority of CPG companies don’t have a strategy based on year-over-year survey data. Most companies establish ecommerce initiatives, but not necessarily an eCommerce strategy. If 20% of your volume shifted online, what would be the impact and what would you need to do to stay relevant with the consumer and close the revenue gap. Set a strategy and plan today, so that your organization has a bright future when predictions become reality.

When our survey respondents were asked the question how they would describe their organization’s current ecommerce capabilities, 8.3% of companies don’t have capabilities yet. The good news is that 90.3% of organizations are taking some action, 43.1% of the companies are working on it. Only 1.4% of teams don’t know (decrease of 3.9%).

The 22.2% (Flat vs. YAGO) that are “opportunistically supporting purchases” often lack a strategy or a dedicated eCommerce team to manage the workload. We still see marketers creating websites for products to pursue consumer engagement, but this approach is tactical vs. strategic. The eCommerce teams have the challenge of generating consumer impressions and programs with their products, while trying to reduce confusion with consumers who receive offers, pricing, and product positioning that are different from what they see at a retailer.

As you enter business with Amazon it is critical that you understand Amazon-specific requirements, such as product labeling and electronic data interchange (EDI) to avoid fines. Many organizations are leaking profit with associated non-compliance fines, as Amazon’s requirements are very different than historical CPG practices.
We recognize that evaluating eCommerce potential, engaging the right vendors, and establishing a strategy with current resources is a real challenge. The good news is that there is an eCommerce network ready to help. They have experience in this space, and they can accelerate your organization learning curve and strategic plan. In 2018 POI launched the *eCommerce Business Leadership Council* whose purpose is to:

Collaborate as Retailers and Manufacturers to jointly design and execute eCommerce strategy that is focused on building shopper loyalty and drives ROI for both organizations.

Evaluate and define eCommerce and omni-channel strategy to address eCommerce challenges in the Consumer Products Industry and develop standards of success. Through our engagement we will develop and share best practices, develop and test standards, and generate KPI’s for the industry.

Please reach out to POI if you would like to join this leadership council, and we will plug you into a team of passionate people working to figure out the new landscape together. At POI we can also recommend additional support options based on your specific company needs.

**The EBLC initiative will address these key ecommerce areas:**

1. Understanding capabilities to focus on when in dialogue with eCommerce and omni channel Retailers.
2. Identifying then leveraging insights and analytics to succeed with eCommerce Retailers.
3. Optimizing the digital shelf through eCommerce insights for improved ROI.
4. Understanding the shopper behavior and conversion strategies/tactics unique to ecommerce sales.
5. Learning how to continuously improve offers will optimize basket, margin, and profit.
6. Discover how best to mine, harness, and connect data from the limited sources.
7. Learn how to best improve collaboration with your intra-organizational and inter-organizational teams through advanced eCommerce analytics.
8. Planning and Forecasting – Determine best practices for ecommerce planning, content strategy, and developing the most effective forecasting processes and teams.
9. Supply Chain – Review and expound on current best practices for improving product availability (including buy online; pick up in-store) while minimizing total costs in the value chain for pure play (online only).
10. Investigate Direct to Consumer Consortium/Partnerships.
The State of TPx and Retail Execution for Global Consumer Goods and Retail

The POI Spring Summit (April 3-5, Chicago) is offering multiple opportunities to grow your organization's eCommerce knowledge:

**Day 1 Keynote:** The role of retail in your eCommerce/digital strategy across omnichannel, direct to consumer, and considering customer experience. 7 concepts will be shared for both thought and action in the New CPG and Retail World for 2019 and beyond.

**Deep Dive Workshop:** Advancing eCommerce and Digital Commerce with Amazon and Other Omnichannel Retailers. Workshop participants will learn how to better serve consumers who demand a seamless, personalized experience, no matter if they’re shopping online or in a physical store. Participants will better understand how an organization needs to integrate the online, off-line, and supply chain data necessary to succeed in the retail.

**Ecommerce panel presentation**

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**Section 7: Artificial Intelligence (AI) is Here...Gaining “Intelligence”**

Have you ever visited one of your favorite websites and the site provides a recommendation for an item it thinks you might like? Even though you weren’t looking for that item, it sparks a desire and a purchase. You are not alone, we have too.

First, let’s provide a definition of Artificial Intelligence (AI), which in the simplest way, is a set of capabilities that helps a person understand best options and provides a recommendation for quicker decision making.

AI is the ability of machines to emulate human intelligence in ways that can augment productivity and optimize business performance. AI solutions sift through large amounts of data, discern patterns, find problems and opportunities, and consider complex trade-offs. Ultimately, providing recommendations for the user.

Below are a few scenarios where AI can be applied in our CPG industry (not an exhaustive list, but helps us to wrap our minds around the opportunity):

- Looking at data, spotting patterns or relationships, and answering questions that you haven’t thought to ask. Example: “Did you know that 5 days before the local sports team has a game there is a spike in the purchase of these products? It only happens in these two metro areas, but there is a significant correlation.” A retail lead can then adjust DSD delivery trucks to maximize sales based on the optimized system route recommendation.

- Learning about the kind of questions you ask and anticipating them with answers. Example: “You always start your Thursday morning by querying uncleared trade deductions. Would you like me to have those already rounded-up and waiting for you? I have auto matched 85% of the deductions; the remaining need your review.”
• Being more predictive about anything you currently search for, for which you have historical data. Example: “How much more could I earn in sales commissions next week if I were to spend one more hour each day visiting stores in my territory?”

• Evaluating how you are navigating a system and recommending ways to configure it for you on the fly to make it more ergonomic for how you work. Example: “You consistently do X followed by Y. Would you like me to change the flow of the system and its chevron navigation to accommodate a smoother click-through?”

• Advanced logic tied to voice recognition to literally make queries instead if drilling into a system. Example: “How do sales revenues for December 2017 compare to prior year for X, Y, and Z brands in my detergent category?”

For CPG, AI has the ability to impact promotion optimization, retail optimization routing, deduction clearing, organization effectiveness, and much more...

When we asked our CPG respondents for their perspective as it relates to TPx and Retail Execution, here is what we found:

“When do you see the role of artificial intelligence (AI) starting in the promotion cycle? By this, we mean the ability of a tool to learn over time, recognize patterns that humans cannot, and predict outcomes based on direction that you give to it.”

In 2019, 16.7% (increase of 3.7%) of the respondents are already working to incorporate AI capabilities. In the last year, we have had new vendors with AI technology attend our POI summits. Europe was an early adopter of AI planning and optimization capabilities, and as a result, we are seeing AI solutions come to America that have been executing these capabilities for many years. In addition, most of our TPO and holistic planning vendors have AI in progress or at least on their roadmaps. As this paper is written, there are companies already implementing new AI planning capabilities. AI capabilities are real and relevant for the CPG industry.

AI allows CPGs and retailers to gather customer insights in an automated fashion and predict next actions based on previous patterns or images. AI uses predictive patterns to help understand desires, motivations, and actions across both physical and digital channels. This lets retailers and suppliers enhance many functions, such as executing more targeted and personalized marketing campaigns and improving trade promotion efforts. AI can also automate forecasting of inventory needs, more accurately predict out-of-stock incidences, and ultimately help optimize supply chains.
Less than five years ago the technology was not reasonable due to the high computing costs. All this has changed, **AI is here today, and delivering results.** In 2019, users are embracing AI and it is becoming a part of our everyday lives. **Early adopters will have the opportunity of outpacing the competition and partnering with retailers to optimize an entire category quickly: pricing, category management, promotion planning, etc.** AI is a great example of how technology can improve our lives, drive effectiveness, and grow revenue and profits.

Those respondents who see AI happening 2-3 and 3-5 years out may be speaking of their own organizations, not the broader market or AI availability. With that lens, this is also a viable answer, because we can see many categories and tiers of CPG companies waiting and watching, much like they did with TPO capabilities.

By sharing POI’s perspective on artificial intelligence our goal is to provide facts that AI is here today, it’s a perfect fit for the complexities of our CPG industry, and it’s already making an impact to how we make decisions.

We now turn our attention to the same AI question for Retail Execution:

**“When do you see the role of artificial intelligence (AI) starting to impact in-store execution? By this, we mean the ability of a tool to learn over time, recognize patterns that humans cannot, and provide insights or direction to field personnel and those who support them?”**

In 2019, 9.6% (decrease of 1.4%) of the respondents are already working to incorporate AI capabilities to impact retail execution. While AI is growing quickly in the promotion cycle detail above, retail execution is a bit slower to get off the ground. The good news is that there is as much opportunity in retail execution as there is with promotions, deductions, inventory, etc.

Many Retail Execution vendors are working on AI incorporation into their solutions. The need for increased worker productivity and better decision-making at the store level can be greatly enhanced with AI. As CPG companies experience declining satisfaction and ability to execute at the store level, they may be compelled to implement AI and intelligently enable Retail Execution. It will be critical for organizations to realize how important it is to be able to work off-line. Off-line capabilities will bridge where the bandwidth is spotty.
POI is a proponent of AI, and we look forward to sharing future white papers and case studies of how AI can help us to optimize distributing consumer goods. In the meantime, we offer the following recommendations as it relates to AI:

- Don’t take your eye off this set of capabilities. At the same time, if you previously doubted AI would ever happen, you might want to reconsider based on the facts above.
- Help to evangelize AI within your organization. Feel free to use our definition as outlined above to help your teams understand the definition and potential. AI capabilities recommend options to the human specialist, who uses the information to make the ultimate decision. The goal is to have AI advanced analytics take the tactical burden out of our work, so we can make better, faster decisions and have additional time to work the strategic aspects of the business.
- Have a conversation with your TPx, Retail Execution, or analytics vendor to determine their AI capabilities and/or future enhancement roadmap.
- Attend the POI April Summit in Chicago [bit.ly/POISpringSummit2019](bit.ly/POISpringSummit2019) and other POI Summits poinstitute.com/events/ to learn more about optimization and AI. There are multiple presentations and a workshop geared to the topic.

Recognize that AI needs data. It isn’t omniscient. You need to focus on acquiring, cleansing, harmonizing, and staging the data, so that “intelligent” insights can be recommended by the AI solution. The same can be said for TPO, guided selling, retail activity optimization, and certain other capabilities. The capabilities also rely on several years of good quality data. If your data isn’t clean, you should prioritize a data management/clean-up project.

### Section 8: Cloud Perception versus Cloud Reality

We continue to believe that the cloud is the future of computing. Years ago, CPG companies were worried about security in the cloud. For most companies that is no longer a concern, and rightly so. Six years ago, there was an initial rush to do things in the cloud. IT organizations embraced it and wanted to promote it as a strategy. However, in the rush, much of the expected functionality went missing. There were also a few vendors who tried to penetrate the TPx space with planning and optimization, but they didn’t have the experience, resources, or solution to survive. It was even worse in Retail Execution, where the barriers to entry have been relatively low. We have seen an abundance of vendors try to enter this space. Some of these vendors we evaluated for a time, but we realized they didn’t have robust solutions or industry credibility, and as a result, didn’t have staying power.

### Preferred means of providing TPx technology:

![2018 and 2019 Preferred means of providing TPx technology graph]
At the same time, some vendors with all the right experience and credentials launched cloud-based applications, but in many instances did so prematurely, deploying solutions lacking required CPG functionality. The result was that they lost credibility and perhaps confused the market with their ‘could for cloud’s sake’ approach. Some found a bit of success by pitching joint development, but many of those interactions were initiated with IT departments, and as a result, never gained traction with the business.

As you can see from the graphs above, the result has been that we are actually seeing decreased interest in the cloud. In 2018, 36% preferred TPx technology behind the firewall. In 2019, 37.8% prefer this option. Public cloud has grown slightly in 2019 with 12.2% vs 6% and private cloud remained flat. Many who didn’t have a preference in 2018 stated a preference of on premise in the 2019 survey. There is a slight uptick of 2.9% with those companies who work a combination of on premise/cloud technologies. We don’t clearly see the nuances between the preference for public versus private cloud, except for who is managing the solution within a public cloud. It is really a matter of where a vendor chooses to host its solution(s). As more companies outsource I.T., it makes sense that a company would want to host in a public cloud to reduce the administrative burden. Note, Microsoft has both private and public options. Amazon Web Services (AWS) also has the ability to provide a private cloud within its public offering.

POI challenges our vendor community to offer a mix of on premise, hosted/private cloud, and public cloud, providing flexibility to the manufacturer. Out of curiosity, we pulled up the POI 2018 TPx Vendor Panorama ([bit.ly/POITPxVendorPanorama](bit.ly/POITPxVendorPanorama)). The majority of holistic planning tools that offer TPM/TPO/ROI capabilities in one solution offer on premise and cloud options.

**Turning our attention to how respondents prefer to receive Retail Execution solutions we see the following:**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>On premise (behind your firewall)</td>
<td>20%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Public cloud</td>
<td>5%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Private cloud</td>
<td>20%</td>
<td>23.6%</td>
</tr>
<tr>
<td>Some combination depending on geography</td>
<td>16%</td>
<td>11.1%</td>
</tr>
<tr>
<td>No preference</td>
<td>39%</td>
<td>33.3%</td>
</tr>
</tbody>
</table>

There is very little change year-over-year regarding how respondents want to receive Retail Execution solutions. In 2019, 5.7% of respondents now have a preference vs. 2018, and a few more companies prefer to have on premise or cloud vs. a combination of the two (decrease of 4.9% vs YAGO).
Based on these new findings in technology delivery and the cloud, we summarize with the following recommendations:

- Don’t assume that everybody prefers or is purchasing cloud solutions, as the data suggests on premise is relevant. Investigate what delivery option is right for your company and strategy.
- Make sure that functionality trumps delivery method whether for TPM, TPO, or Retail Execution.
- Don’t necessarily believe that cloud is less expensive. The original intention behind hosted solutions was to drive down cost. Yet, we do not see significant differences in overall cost. In fact, it is very hard to compare, because the various offerings have numerous services and variables baked in. If you have existing server capacity and qualified personnel to manage the application, then you might actually be ahead to deploy your new solution on premise.
- If you are a multinational company you will be well served to evaluate vendors that have flexible delivery options around the globe, ensuring capabilities can handle local requirements and preferences.
- Strongly resist the urge to customize any solution that would take your instance out of the upgrade path. POI survey data found that nearly a quarter of respondents actually seek to customize (writing custom code). We advise against customization and recommend your team work with your vendor of choice on configuration options. 7 years ago, customization was required, as out of the box solution capabilities were limited. In the last 2-3 years vendors have delivered solutions that well represent CPG industry needs. The vendors will hear your need and work the request on their enhancement roadmap.
- Internally look at your processes and ensure that you are working effectively. Seek out industry best practices with your vendor and industry peer network and learn from other’s who have already completed the journey at the POI Summits. Share these best practices with your cross-functional project team and challenge your company status quo. Change is hard, but one of the best times to improve internal processes is when new systems are implemented.
Section 9: Change Transformation

As previously stated, we see change transformation as absolutely critical in improving both HQ and store level execution. We have stressed the need for a focus in change transformation in our written research, as well as at industry events. It appears to be paying off across the board, but there is still much to be done in order to get the most value from technology investments, reduce user angst, and improve employee retention.

<table>
<thead>
<tr>
<th>RetX Survey Question</th>
<th>Change vs. YAGO</th>
<th>POI Perspective</th>
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<tbody>
<tr>
<td>Challenges finding qualified personnel to use TPx solutions.</td>
<td>In 2018, 83% of respondents had challenges finding qualified personnel, and this improved to 69% in 2019.</td>
<td>69% is a 14% improvement, and our estimate is that this continues to improve as technology vendors have been working to simplify the user experience. Yet the transference takes time, as many companies are in older systems. As the user interfaces continue to advance, easy to use dashboards become the norm and AI prescriptive planning is adopted, the personnel will find the systems easier to use. As new sales personnel are hired, they should be evaluated for “total business management” skills including analytical critical thinking capabilities.</td>
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<td>Change management issues among existing TPx users.</td>
<td>In 2018, 89% of respondents had this issue and in 2019 the number grew by 3.9% to 92.9%.</td>
<td>People are a dynamic and critical aspect of any system deployment. A project lead must have a change management plan and top down leadership support of the plan to ensure a successful deployment. Change management is as important as system choice and process enablement. POI has many change transformation papers and best practice guides to help you build this plan (see Section 10-Best Practices).</td>
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<tr>
<td>Challenges training and supporting new TPx users as they come on board.</td>
<td>2018 and 2019 numbers are virtually flat across all response options. 79% of respondents in 2018 had challenges training and in 2019 77.5% had issues.</td>
<td>Users can only utilize a system that they understand. If your organization is struggling with user adoption, evaluate the training program, close gaps, and re-institute training. Ensure that new employees and brokers get trained as part of the new hire onboarding process. For new deployments, ensure that training isn’t an afterthought and it’s incorporated as part of your total deployment resourcing and timeline.</td>
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<tr>
<td>Challenges getting TPx users to trust what they see in the system.</td>
<td>In 2018, 88% had this challenge, with 12% not having underlying trust issues. In 2019, the numbers haven’t shifted.</td>
<td>These numbers are concerning as without user trust in the system user adoption will not root and thrive. It is critical for a project team to demonstrate the features and benefits of the system including the accuracy of the results. Have a plan and KPI’s going into the deployment and work with organization super users to evangelize the positive outcomes and accuracy prior to the full company implementation.</td>
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</table>
Challenges finding qualified personnel to use Retail Execution solutions. | 2018 and 2019 overall numbers were fairly flat at 75.3%, but we do see a slight shift across the spectrum. About 10% of agree moved to somewhat agree. | 75.3% is a disconcerting number, because we believe that Retail Execution systems are less complex than TPx, and the challenges to find qualified personnel is greater. New hires don’t have to be extensively analytical, but they do need to have good critical thinking skills. Training is also critical to ensure employees know how to use the system.

Challenges training and supporting new Retail Execution users as they come on board. | In 2018, 76% of respondents had challenges with training and in 2019 the number improved 5%. | 71% of respondents say they have issues in this area. Largely the same set of issues as TPx training and change management.

Therefore, we recommend implementing the ideas below to help reduce change transformation issues:

- Review the POI publication titled “POI Change Management Best Practices” (poinstitute.com/about/resources) for a more detailed explanation of how to proactively manage and avoid change management issues.
- Utilize the POI Best Practice guide for change transformation (see section 10).
- Have a visibly supportive, executive level sponsor. A sales application without such a sponsor is like a ship without a rudder.
- Establish a steering committee of executive level sponsors with full BU representation. These leaders will help the project team overcome any cross-functional challenges they have during the implementation. Have monthly updates with this team and call them into support when required.
- Take a before/during/after change approach with specific steps for each phase of the project.
- Communicate, communicate, communicate: Project newsletter, write memos for sponsor and steering committee members to send out to their organizations, celebrate AHA’s and wins. Create momentum and socialize early wins often (weekly in the first few weeks of deployment and monthly thereafter).
- The use of incentives to motivate change is only viable in the short term. Lasting change can only take place when people understand the why behind the change and what’s in it for them (WIFM).
- Ensure that new employees and brokers get trained as part of the new hire onboarding process. For new deployments, ensure that training isn’t an afterthought and it’s incorporated as part of your total deployment resourcing and timeline.
- Look into remote learning capabilities to support new hire and continuing education.
- Even though change has many behavioral aspects, it is still possible and desirable to measure the impact of change through the use of appropriate KPIs.
Section 10: Best Practices

Best practices are critical. They are equally as important as the choice of a particular software and/or solution. We believe when change transformation and user experience issues are managed well, process and tool deployments are successful, user adoption is high, and systems are maximized. Many tools in the marketplace today are powerful and require project teams to deploy best practices, which will move the organization from transactional to strategic. We continue to see positive progress with companies deploying best practices with their solutions implementations. POI offers the following best practice guides to support your effort:

poinstitute.com/about/poi-publications/

and

poinstitute.com/about/resources/poi-focal-point-series-articles/

Retailer and Manufacturer Collaboration

Gain Improved Analytical Capabilities

Change Transformation

Avoid Selecting the Wrong Tool for the Job

General Tips When Implementing New Process or Tools

Final Comments:

We see many opportunities to improve the promotion and distribution of consumer products, both on a relative basis as well as by looking at changes year-over-year. We hope that consumer goods companies will take stock in the fact that many of their struggles are shared by both peers and competitors. But ultimately, we sincerely hope that identifying these opportunities and steadily working against them as part of strategic and tactical planning will yield ever-improving benefits.

We thank the many people who have taken the time to complete our survey for these past four years and, in particular, the 111 individuals who participated in the 2019 recent survey. If you would like to participate in the next survey, including the ability to discuss the results, please reach out to pambrown@p-o-i.org.
Appendix: Survey Methodology

Based on multi-year survey results, POI analyzes the data, which is known as a longitudinal study. It isn’t perfect because respondents change, or sometimes they aren’t able to take the survey in subsequent years. Nevertheless, this actually provides a richer look at the market, because across the four years included in this study, we have been able to:

- Maintain consistency in survey respondents over the years. POI is engaged with several dozen people who continue to be at the same company and have provided ongoing survey input from 2015-2019. This is one element of the longitudinal analysis.
- Continually track progress at 42 of the same companies that took the 2015/2016 survey. This provides company continuity over time.
- Bring in 69 new companies this year to lend a perspective to what we found last year. In some cases, the results are quite similar, and in other cases we noted a beginning of a trend. But the fact that a total of 111 unique respondents took the survey in one year, brings increased validity to the results.

Finally, here are some of the descriptive statistics about the study and participants:

- **Location of Corporate HQ**
  - Continental Europe: 17.1%
  - United Kingdom: 2.7%
  - North America: 78.3%
  - Latin America: 0.9%
  - Other (please specify): 0%

- **Regions of Operation**
  - Europe/UK: 47.3%
  - Asia: 33.6%
  - Pacific/Australia: 31.8%
  - Latin America: 36.4%
  - North America: 69.1%
  - Africa: 24.5%
  - Middle East: 29.3%

- **Company Annual Revenue**
  - Under $499 Million: 21.1%
  - $500 Million to $1 Billion: 12.8%
  - $1 Billion to $4.9 Billion: 20.2%
  - $1 Billion+: 48.9%

- **Categories of Product Offerings**
  - Food/beverages: 64.0%
  - Adult beverage: 9.9%
  - Personal care/pharma: 23.4%
  - Household products: 19.8%
  - Consumer semi durables/other: 5.4%
  - Other (please specify): 1.8%
The State of TPx and Retail Execution for Global Consumer Goods and Retail

About the Author

Pam Brown has joined POI as Chief Commercial Officer. In this role, she creates and executes POI strategy, advisory and research. She elevates practices and CPG and Retailer relationships. Pam began her career executing at retail, and through promotions advanced to leading retail execution teams for Unilever. For Kayser-Roth she led all Sales and Broker teams west of the Mississippi. In her 14 years with Del Monte she carried many roles. She was the Director of Sales Strategy and Operations which included: Sales Systems and Reporting, BI Analytics, Sales Training and Sales Policy. Pam’s final role at Del Monte was the Director of IT Governance and PMO, which included planning and leading enterprise wide engagements. Pam has current, extensive knowledge in TPM, TPO, ROI, Revenue Management, Advanced Analytics, Change Management, Sales and Sales Effectiveness, Demand Planning, Supply Chain and other relevant best practices areas. Over the years she has researched, designed, and deployed Enterprise wide solutions to meet business needs. She understands how to execute and gain user adoption of new systems for physical retail and eCommerce. She has advised solutions providers on enhancements to core capabilities and partnered with other CPG manufacturers to share, learn and drive best practices in today’s challenging retail and consumer goods environment for mutual benefit.

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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)™ 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 www.poinstitute.com or contact:

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