

Ever Feel Like You Are Flying Blind?

Stop relying on guesswork and intuition



Vistex for Consumer Products: Trade Promotion Management

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Trade efficiency requires insight, automation, agility and most importantly, visibility. Delivering more profitable trade spend decisions and achieving S&OP with greater consistency is possible with the right technology and tools. It's time to stop relying on guesswork and intuition to deliver RGM (Revenue Growth Management).



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Ever feel like you're flying blind?

You wouldn't drive a car or fly a plane if you couldn't see where you were headed. Navigation systems, side mirrors, and air traffic control give drivers and pilots visibility into blind spots and help them reach their destinations. Achieving company-wide objectives and trade spend efficiency with TPM (Trade Promotion Management), planning, and TPO (Trade Promotion Optimization) requires visibility too.

We understand that the true performance of merchandising conditions is often a blind spot for you. Are you guessing at the volume that a promotion will deliver when in reality, it may not? Are you trying to stretch that same dollar to reach a higher volume? Data science and analytics can give you the visibility you need and optimize your dollar to reach trade efficiency. So, why continue to conduct top-down and bottom-up planning in the dark?

Let's shed some light on the subject

Understanding and forecasting bricks to clicks in our omnichannel world is complex. In other words, consumers take many paths to purchase and this continues to evolve very quickly. Regardless of the ability to create incremental volume, a SALY (Same As Last Year) approach doesn't work anymore.

Controlling costs by being efficient with trade spend and eliminating waste is vital to success. The frequency and depth of your promotions, features and displays could mean the difference between running a 2 for 5 deal 2x or 4x/month. With data science and analytics the choice is clear. The best way to get there is by reducing guesswork and intuition and replacing it with visibility, analytics, and the ability for consumer goods manufacturers like you to manage both retail and foodservice distribution go-to-market channels, all in one place, with an automated end-to-end solution.

Common blind spots that impact RGM

1

Shopper behavior
understanding
base volume

2

Volume forecast
accuracy

3

Event analysis
incremental lift
and ROI

4

Indirect customer
spend to direct
customer accrual

Critical, strategic decision-making with spreadsheets is not only an arduous task, it is often impossible. CPGs like you spend more than 20% of net revenue on trade promotions often without realizing the expected return. The breakdown occurs at any one of these points in the process: planning, execution and settlement, and/or analysis. What if you had a single application, with an intuitive UX built in for simple workflows at each step of the process?

According to CGT (Consumer Goods Technology), more than 50% CPG manufacturing companies are using and advancing RGM practices and tools, requiring cross-functional teams to work together between departments. You can achieve RGM with a comprehensive understanding of promotional activity, the impact to supply chain, and the ability to look ahead. You need a clear view to better manage your trade spend. There are four key areas that will enhance your visibility.

Avoid being blind-sided | Shopper behavior is in constant flux

At the end of the day, demand is consumer based. Remaining one step ahead of shopper behavior by understanding what is driving preference is critical to both retail and foodservice channels. The only thing that is constant is a state of evolution. According to Forbes, “The consumer that you must market your business to in 2021 is not the same consumer you targeted a decade ago—they’re not even the same consumer you appealed to just a year ago.” Today, you most likely have a lot of tough questions to answer before you can even begin to understand shopper behavior.

What is your everyday price elasticity?

What percentage of shopper shift will be from bricks to clicks?

Is curbside pick-up the new normal? If yes, what happens to impulse buying?

Will the desire to specialty shop impact your business?

Have you fully embraced ecommerce?

Which trends are you prepared or unprepared for from shopper frequency to meal kits?

If you can't answer all of these, or at least a couple of these, your organizational readiness may not be where it should be.

Organizational maturity falls into one of these 3 areas:



1. Entry market

Limited TPM strategy (using Excel spreadsheets)



2. Replace market

Loosely defined strategy (some tools but limited capability)



3. Fully integrated solution

Well defined strategy with full embracement



Blinding light or insight?

Volume forecast accuracy is in reach

Accurate volume forecast through insight and an understanding of promotional activity will lead to RGM. Sounds so simple but the challenge can be blinding. Forecast management enables accuracy, optimization, and allows you to communicate the information down through the supply chain with alerts. With forecast accuracy, you can improve spend accountability, production planning, support the demand engine, and incorporate demand planning into your TPM process.

BRAND

SUPPLY CHAIN

FINANCE

OPERATIONS

SALES

MANAGEMENT

Your teams need visibility into the day-to-day progression of the performance of the annual plan—throughout all phases of the plan.

Ongoing monitoring and tracking transparency are crucial to making intelligent and timely decisions so that you can take advantage of activities that are positively impacting the goals of the enterprise. And at the same time, you need to be able to limit the exposure of activities that are not delivering as expected.

Agility and speed to decision-making with intelligence are over-arching goals that manufacturers like you strive to achieve. This will provide all of your teams with a competitive advantage in an increasingly competitive environment.

What can you do to improve forecast accuracy?

Begin by identifying the following:

- Current accuracy % shipment (actual vs. plan tracking) – look at a rolling/last 12 weeks at a ship to/selling SKU level.
- A range for the forecast points in the hierarchy, to identify trends. Low hanging fruit: the forecast is only as good as the hand inputting it.
- The inaccuracy issue: is it training, level of detail, or expectation?
- A target accuracy percentage, frequency of measurement, and a timeline to achieve target.
- Also, with an all-in-one-place trade process, volume forecast accuracy is within reach.



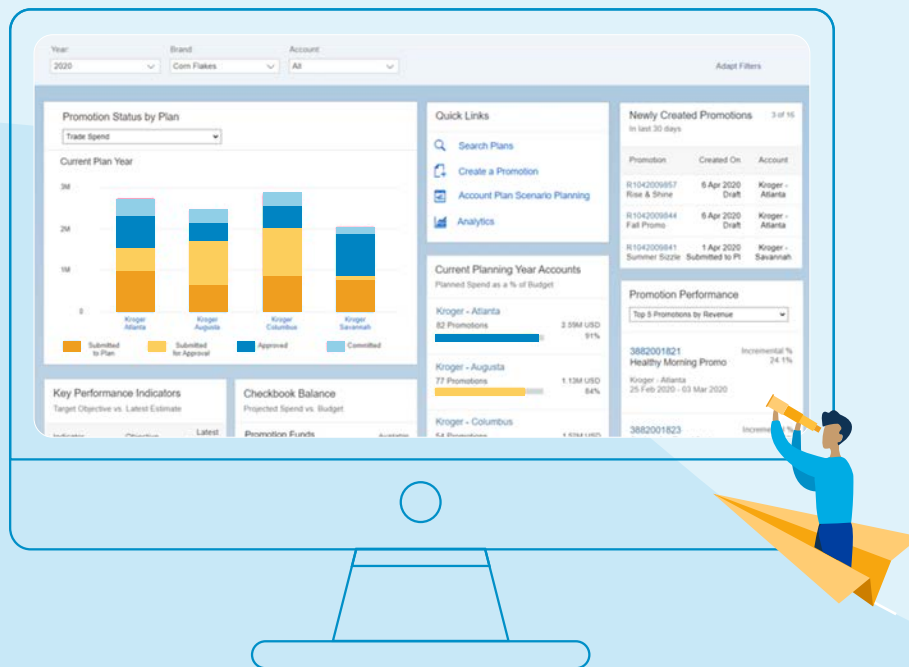
How can you measure forecast accuracy?

Use this FAC (Forecast Accuracy Calculation) to define your current condition and then set a goal to reach above this.

$$\text{Forecast Sales} - \text{Actual Sales} \div \text{by Actual Sales} = \text{FAC}$$

Visible answers are possible | Event analysis

Understanding your ROI (a negative or positive percentage) requires knowing your base and incremental customers in addition to the total cost of a promotion. Manufacturers who have no visibility by promotion or who have data that is not updated fast enough results in a quick loss of visibility to millions of dollars. Yes, millions of dollars!



Variables such as demographics, competition, and store execution or ACV (All Commodity Volume) must be understood to determine if a promotion was good or bad. For example, if your ACV is 70% this means only 70% of the stores are displaying the discount or entering it into the register.

A dashboard can provide a user-friendly, quick understanding of your promotion performance. View ROI, lift, ACV percentage, incremental contribution, category share and more in real time to determine promotion success. Identify risks and gaps to plan to make agile course corrections.



Eyes in the back of your head | Direct and indirect customers

The ability for CPG manufacturers to identify a customer as a direct ship vs. an indirect ship means the difference between alignment of direct ship case accrual with indirect spend or a misalignment that could result in an overspend of the accrual. And many times you may feel like you need eyes in the back of your head to see all of this and to keep track of it.

A direct ship customer purchases directly from the manufacturer, traditionally wholesale distributors, whereas an indirect ship customer purchases their product through a direct ship wholesale distributor, traditionally retailers. Identifying both

types of customers has a tremendous impact on order volumes which in turn affects available trade spending to run TPRs (Temporary Price Reductions), F&D (Feature & Display), scans, and advertisements at indirect customers.

Vision alignment of spending to accrual is critical when 80-90% of your promotional programs are at indirect customers. In addition, visibility to the indirect volume forecast provides updates to the direct ship volume forecast, in order to ensure product availability.

One plan in one place

With a clear view, trade spending and TPM will no longer feel like you are flying blind. In a single application, you will have planning, deployment, execution and settlement at your fingertips with simple workflows at each step and an intuitive UX for complete TPx. Updated data in real time, the ability to identify risks, gaps to plan, and the insight you need to meet volume targets is possible.



How technology can make a difference

Now you can deliver a sales plan with combined promotional strategies from bricks to clicks by utilizing the insights derived from analyzing individual promotional effectiveness from each selling platform and rolling them up into an overall plan to deliver. Implementing business rules for promotional frequency and depth, for each platform is possible. This ultimately creates trade efficiency—a key component of Revenue Growth Management that can be both quantitative and qualitative. Trade efficiency allows you to leverage key insights and redeploy ineffective trade spend to the appropriate selling platform, driving net revenue growth, year over year.

How Vistex adds value in Consumer Products

Consumer product manufacturers rely upon promotional events with multiple overlapping merchandising conditions to gain category share and partner with retailers and distributors to achieve volume or growth objectives. Vistex provides an integrated, end-to-end trade promotion management solution optimized for account planning, settlements, scanbacks, rebates, contracts, pricing strategies, co-op, budgeting, customer loyalty rewards programs, commissions, and brokerage fees. Vistex centralizes these business processes to enable CPG manufacturers to make more profitable trade spend decisions and deliver their S&OP. With the ability to evaluate performance and ROI, consumer products manufacturers are able to take analysis to the next level with KPIs and even integrate POS data to effectively evaluate promotional efficiency and enhance revenue growth management.

About the author | Joel Cartwright, Industry Principal, Consumer Products at Vistex

Joel Cartwright specializes in Trade Promotion efficiency for CPG (Consumer Packaged Goods) manufacturers. With more than 20 years of experience in Finance, Accounting and Sales Operations, Joel has worked for Sara Lee Foods US, Sunny Delight Beverage and Kimberly Clark. Joel has also spent the last 14 years focused on retail trade promotion software—including implementations, product management and support. He graduated with an MA in Business from Northern Kentucky University and a BA in Applied Science from the University of Cincinnati.

About Vistex

Vistex solutions help businesses take control of their mission-critical processes. With a multitude of programs covering pricing, trade, royalties and incentives, it can be complicated to see where all the money is flowing, let alone how much difference it makes to the topline and the bottomline. With Vistex, business stakeholders can see the numbers, see what really works, and see what to do next—so they can make sure every dollar spent or earned is really driving growth, and not just additional costs. The world's leading enterprises across a spectrum of industries rely on Vistex every day to propel their businesses.

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