

CONSUMER GOODS TECHNOLOGY

Trade Promotion Management Insight

WITH CLARKSTON CONSULTING

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What is the biggest challenge facing the industry in Trade Promotion?

When it comes to Trade Promotion, the key is in Optimization, not merely Management. It's not about spending less but spending wisely. The biggest challenge facing the industry is getting senior leadership to shift it's thinking in this regard and to view TPO as a cross functional marketing platform not a stand-alone sales tool. Promotional execution should be one of the primary marketing execution tools yet too often it is viewed as a private sales development fund and is given little focus or oversight. Forward-looking analytics and metrics are the key to having more visibility in order to better measure the true profitability of every promotional activity.

The industry is constantly experiencing a pressure to improve their return on investments and this has recently put the spotlight on the marketing budget, one of the biggest expense items for consumer products companies. By optimizing trade promotion efforts, marketing can more easily demonstrate the value of their operations and continue to get the budgetary support from executive management.

How has the business process changed in Trade Promotion to facilitate retailer/supplier collaboration?

Despite the fact that retailers are sharing more data and there has been a dramatic increase in downstream data now available, the processes have not changed at enough consumer products companies. The challenge is to utilize the data in a meaningful way to analyze promotions. As more firms move in this direction, the relationship between suppliers and retailers is evolving into more of a trust-based, win/win relationship. Since more focus is being given to retailer collaboration, new roles are being created such as the VP of pricing and trade, and the trade function is being viewed holistically. This trend will continue throughout the industry and as more manufacturers and retailers collaborate, the category insights from advanced analytics and optimization will help retailers grow the categories unconstrained by lack of true understanding. The retailers and manufacturers who can do this quickly and succinctly will develop an advantage over their peers.

What are some examples of companies implementing best-in-class processes in Trade Promotion?

Barber Foods is one organization that has found better ways to track trade spending and improve

promotional cost efficiency while maintaining sales volume. As part of the overall initiative to create a world-class sales and marketing organization, Barber Foods, with the help of Clarkston Consulting, created strategy and implementation plan that included:

- Trade promotion maturity assessment for three channels
- Process review and improvement plan
- Technology review including gap analysis
- Quantifiable analytics creation based upon event-level metrics
- Dashboard and scorecard template design and creation

Using fact-based trade promotion analytics, Barber Foods is collaborating with its retail customers to jointly restructure their trade programs. With better compliance and knowledge as to which types of merchandising activities produce the highest consumer sales for each specific retailer account, stronger trade partnerships are forming to drive top line growth and bottom-line profits. These changes will reduce promotional spending approximately 10% while increasing consumer sales through improvement in trade performance and better retail execution (features, displays, and temporary price reductions).

Through improved processes and internal change, Barber Foods is able to better invest funds in events that produce a positive Return on Trade

Investment (ROTI). This will create gains in total profit between 1-2% per year.

What trends in Trade Promotion do you foresee in the next 3-5 years?

As manufacturers move from trade promotion management to optimization, they will see a higher yield from Trade Promotion Optimization (TPO) activities. Big ERP providers like SAP will be on the forefront of new integrated solutions. The industry standard will be improved controls and efficiencies throughout the Trade Promotion Optimization lifecycle resulting in clear ROI measurements and a consistency of processes and information across business units. Not far in the future, every trade activity will be tightly aligned with marketing objectives and will have a clearly defined hypothesis in terms of hard numbers established BEFORE and promotions are initiated. Having these expected results defined prior to actually running the campaigns, will further the analytics associated with effective TPO in the future. Through TPO, CP companies will be equipped to deliver vastly improved targeting, which will contribute to stronger retail relationships and ultimately stronger consumer relationships. Metaphorically, they will move from a shotgun to a laser rifle in the realm of consumer targeting.



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Thomas Bornemann is the Managing Partner of the Consumer Products vertical at Clarkston Consulting, a leading management and information technology consulting firm. Mr. Bornemann is responsible for shaping the firm's global consumer products strategy and service offerings which include solutions in the following areas: Operational Excellence, Customer Intimacy, Product Development & Innovation, and Consumer Insights.

Mr. Bornemann has led many large consumer products projects across both the demand (marketing, new product development, sales) and supply chain functions. As the leader of one of two industries which Clarkston chooses to serve, developing and leading thought leading ideas which help clients with unique and customized solutions is the primary focus of his role. Mr. Bornemann has personally led engagements at clients including Kimberly-Clark, Johnson & Johnson, RJ Reynolds, Brown-Forman Beverages and Coty Beauty Products.

Prior to joining Clarkston in 1999, Mr. Bornemann held leadership positions with RJR Nabisco, Bayer AG and Science Applications International Corporation (SAIC). He is actively involved in organizations such as Grocery Manufacturers Association, has authored several industry articles, and regularly speaks to CP executive audiences on a wide range of topics from Trade Promotion Optimization, to mass customization and Direct Store Delivery (DSD)

Mr. Bornemann received his MBA from the Kenan-Flagler Business at the University of North Carolina, Chapel Hill, and his B.S. in Marketing from Virginia Polytechnic Institute and State University.