



CG TPM

The Journey to Trade Promotion Excellence



White Paper

Trade Management Processes are Key to Excellence

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Summary

Spending on Trade Promotions has been a significant expense for CG companies for many years. This expense does not appear to be going down any time soon, in fact it appears, if anything, to be increasing.

New market conditions require real-time response to Trade activities, creating the need for shorter and more concise planning cycles.

The universe of Trade Promotions is changing for manufacturers, retailers and consumers alike. For companies that are caught up in low-impact activities at the expense of strategic planning, TPM excellence will be extremely hard to achieve.

Designing and implementing the right organizational processes is a key element in ensuring manufacturers can meet today's challenges and plan for the future.

INTRODUCTION

The need to have systems to manage Trade Promotions Spending is continuing to increase in importance. However, a TPM system, by itself, will not provide the solution you are looking for.

In addressing any business discipline, there are three elements that need to be considered:

- ▶ Processes
- ▶ Systems
- ▶ People

People are necessary to drive organizational effectiveness and systems drive organizational efficiencies.

Of the three elements, **process** is, without exception, the key to being effective.

This white paper will outline key Trade processes for consideration to maximize the effectiveness of a system utilization and ultimately your Trade Spend.

“Software is an enabler...but it always starts with process!”

TRADE MANAGEMENT PROCESSES

Trade Management processes require collaboration across a few organizational departments in order to be effective. Planning and execution cannot be done in isolation.

To maximize the effectiveness of Trade Spend, Trade Management processes need to cover **four main elements** with underlying tasks and procedures. (Refer to Graph 1)

Harmonized across the entire organization, this process approach will ensure seamless and transparent Trade Promotion Management.

The main elements include:

- ▶ Budgeting
- ▶ Sales Execution
- ▶ Finance Execution
- ▶ Management Controls



Graph 1: Trade Promotion of Tomorrow - Process

Budgeting

- ✓ Initial Trade Budget
- ✓ Establish Sales Targets
- ✓ Initial Sales Forecast
- ✓ Customer Planning
- ✓ Validate Plan vs Budget
- ✓ Finalize Operating Budget

An effective Trade Process will always start with Budgeting as part of an Annual Planning exercise. Start by reviewing prior results, what promotional campaigns worked and didn't work.

Establish annual company trade spend budgets and establish corporate sales targets. This followed by the initial customer planning and verification that the customer plans are in line with the budgets that have been established.

Sales Execution

Executing on the company plans requires a discipline to follow a specific process, consistently throughout the entire organization.

Ensure the timely sell in of promotions and manage all documentation centrally. Approval and execution process will provide visibility and transparency.

Evaluate the success of the plan and adjust as necessary.

- ✓ Sell in Promotions
- ✓ Monitor Approved Plan
- ✓ Track Execution
- ✓ Evaluate Results
- ✓ Adjust Future Plans

“**If you don't know where you are going, you'll end up someplace.**”
 (Yogi Berra)

Finance Execution

- ✓ Accrue Active Promotions
- ✓ Reconcile Promotions
- ✓ Reconcile GL
- ✓ Monitor Spend LE

Accurate and timely management of trade spend expenses is the key to accurate promotional evaluation.

Accrue for active promotions so there is understanding of the financial impact prior to deductions hitting.

Processes for reconciling promotions across the internal and external organization will greatly improve accuracy.

Be vigilant of reconciling the GL and always monitor spend with a “LE” (Latest Estimate) view to ensure full year visibility.

“**Setting a goal is not the main thing. It is deciding how you will go about achieving it and staying with that plan.**”
 (Tom Landry)

Management Controls

Establish controls and levels of authorization.
Promote a culture of accountability.

Create processes around approvals for trade promotions and trade spend activities.

Closely monitor results and LE with monthly sales and operations planning

- ✓ Process Controls
- ✓ Promotion Approvals
- ✓ Trade Spend Approvals
- ✓ Monitor and Adjust Plans

“What is measured improves”

(P.F. Drucker)

SUMMARY

The ultimate objective of Trade Promotion Management is to take trade spend from a cost of doing business expense to an investment that generates measurable incremental **profitability**.

However, the best systems and the best people will not get there without **well thought out processes** that are ingrained throughout the organization.

Create a good plan and execute flawlessly, with the processes for guidance and **Trade Effectiveness** will dramatically improve.



ABOUT SBX SOLUTIONS

SBX Solutions is a **world-class launch partner of Salesforce Customer 360 for Consumer Goods industry.**

With its head office in Montreal, Canada, SBX Solutions provides a team of highly competent industry specialists with over 25 years of experience implementing CG solutions for some of the biggest players across the United States, Canada, Europe and Asia.

SBX understands and addresses the issues and the impact of a new technology may have on the organization with a solid change management and continuous transformation practice required to make room for a new technological tool within an organization.

To learn more about how SBX Solutions can help your business, contact our team in our various locations in Canada, United States and Europe.