High Performance Trade Promotions

Adaptive Strategies to Drive Improved ROI

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Across industries, from manufacturing to consumer packaged goods (CPG), brands lack confidence regarding the return on their trade promotions. There's potential for better outcomes, yet many elements of trade promotion like marketing development funds, coupons, advertising, and custom retail displays remain costly without guaranteed payoff.

Additionally, on top of the investment of financial resources into trade promotion, companies are spending a lot of time on strategy, implementation, and analysis of these particular marketing campaigns. For many brands, trade promotion warrants a substantial segment of resources. To put it in perspective, Procter & Gamble managers estimate that designing, implementing, and overseeing promotions eats up about 25% of salesperson time and about 30% of brand management time. Despite the amount of resources, there's been little in the way of driving efficiency around these initiatives.

Trade Promotions: Bang or Bust?

Traditionally, brands across a number of industries, including manufacturing, CPG, and retail, devote large budgets for trade execution to drive revenue and profitability. As the market has shifted throughout the years, the ROI of trade promotions has decreased. An analysis by Neilsen reported that 67 percent of trade executions don't break even, primarily due to the deep discounting prevalent in trade efforts.

5%	60%	67%
CPG companies that believe their trade promotions always meet objectives.	Amount of marketing budget spent on trade promotions by manufacturers.	Companies that don't break even on trade promotions.
Source: Consumer Goods Technology	*Source: Nielsen*	*Source: Nielsen*

Forward-thinking companies are forming adaptive planning strategies that are far more responsive to shifting markets than traditional planning processes. By doing this, they aim to improve ROI and make trade planning more efficient. In general, brands break the trade promotion process into three major stages:

1. **Conceptualization**: The initial phase of trade promotions is centered around conceptualizing the strategy of promotional activities around certain products lines. This typically entails researching what combination of products have the highest appeal to consumers, outlining how the promotional activities will increase sales, describing new market entry, and ultimately driving the bottom line. Once these are defined, the trade promotion plan will encounter different levels of approvals within an organization. Trade promotion plans warranting more significant decisions often require higher levels of approval and more thorough analysis beforehand.

2. **Management**: This phase features the implementation and management of trade promotion efforts such as monitoring campaign performance and using real-time data analysis to make adjustments. Using an adaptive planning process enables brands to leverage information coming in and optimize revenue growth as the promotion is going on.

3. **Monitoring and Reporting**: The final stage of trade planning involves thoroughly analyzing critical data around each promotion and using comparative analysis. This stage is vital in that it offers predictive analysis for different markets or product sets. In turn, this allows brands to plan and optimize future promotions using past performance metrics. For example, they might focus on the performance of Super Bowl commercials in terms of visibility, or performance metrics of seasonal products.

How to Achieve Tangible Returns

Driving revenue through effective trade promotion management is achievable with specific business intelligence tools that make the entire process more adaptive and efficient. In recent years, companies have emerged touting solutions, yet many only address one part of the equation. What brands need is a streamlined way of managing the end-to-end process: from approvals and workflow layers, to distribution of promotional balances, to understanding return on investment.

With the right processes and technology in place, brands can look to:

Streamline Approvals to Hit the Ground Running

Trade promotions come in a variety of different forms. Put simply, brands establish marketing development funds for their distributors or retailers. They can accrue balances to use in a variety of ways such as coupons, promotional products or product bundles, or specialized in-store displays. Promotions can be used as a way to incentivize sales in new categories, or bundling products. Regardless of the type of promotion, they require a significant amount of planning, and part of that process is navigating through numerous layers of approval before the promotion can begin. All of that effort and time that goes into planning starts adding up, driving up costs and chipping away at already weak returns. Implementing the right system can not only help manage approvals, but also make sure things are in place to comply with federal regulations.

Simplifying Administrative Management

Relying on comprehensive business intelligence tools to manage trade promotions is critical. The Sarbanes-Oxley Act of 2002 requires companies in the retail and CPG sectors to meticulously administer trade promotion plans. This includes being able to properly account for promotion expenses by product, the ability to gauge the effectiveness of trade promotion, ensuring no price discrimination has taken place, and more. In order to simplify, technology needs to power the controls and processes that support compliance.

In addition to handling various layers of approval and managing compliance, there are also the complexities of submitting and managing promotional balances with various distributors. Distributors and retailers need an effective way to manage their participation and submit requests for balances. The process of submitting claims needs to be simplified in order to make it easier to be reimbursed. Similarly, brands need a way to accurately track promotional balances with their distributors, often with several trade promotions running simultaneously. A great example would be product categories accruing promotional values at different rates. Traditionally, this process was managed with a stack of spreadsheets that left too much room for error. Companies that have moved past spreadsheets are using custom databases that are siloed from other CRM-type systems. Imagine if all of these data points were connected: brands could have a 360-degree view of their retailers and distributors to show all available promotions, activity, and fund balances.

Take Action Now, Think Smarter Later

It's an agile world, and trade promotions are no different. With the amount of resources dedicated to these promotions, it makes sense that brands not only need a way of tracking performance, but also the ability to track it in a way that allows them to take action while they can still make an impact. Tools that aggregate information from the retailers, distributors, and other partners and offer a real-time, on-demand assessment can achieve just that sort of actionable insight. In a competitive market where you're forced to be adaptable, this data allows critical decisions to be made regarding the promotion as it's happening.

To take it to the next level, brands can use information and insights from trade promotions to drive optimizations for future initiatives. Outside of direct revenue growth, predictive analytics are the most critical element of trade promotion planning for large-scale manufacturing, CPG, and retail brands. With all of the data points connected, brands can start thinking smarter. Campaigns can be optimized over time, as well as assessed based on if a promotion might work in a different market or with different product set.

The Right Partner with The Right Experience

Brands running trade promotions need to be able to leverage those campaigns and create a competitive edge. From the nascent stages of planning promotions, all the way to improving promotional strategies for the future, there's a tremendous opportunity to create real returns. The key to this is working smarter and tapping into a solution that can help trade promotions to achieve tangible business outcomes. Acumen Solutions has helped Fortune 500 brands do just this: solve problems that can't be addressed by technology alone. Our soup to nuts solutions tackle the underlying inefficiencies around trade promotions. To learn more or schedule a demo, contact us today at contact@acumensolutions.com.

Contact Us To Learn More

Clients choose Acumen Solutions for one simple reason: our experience delivers success. Joining forces with our clients, our teams of strategists, subject matter experts, and engineers solve problems that can't be fixed by technology alone. As a Salesforce Global Strategic Alliance Partner, the Fortune 500 trust us to build solutions that grow revenue and strengthen customer relationships.

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