

EFFECTIVE TPM

Trade Promotion Management for Consumer Product Companies has historically been a major challenge. One of the key reasons for this was confirmed in a September 2005 survey from Clarkston Consulting and CGT. Their findings indicate 63% of companies do not have a computerized system in place for trade promotion planning and evaluation. Only 6% of the companies reporting used sophisticated practices for their TPM.

In 1978, 5% of sales were spent on trade promotion. By 1995, spending had increased to 13% of sales. Today, annual trade spending is approaching 20% of sales for many consumer product companies. From a P&L perspective, TPM now ranks second only to COGS as the second largest expense or most companies.

A.C.Nielsen reported recently that manufacturer's estimate that 30% of TPM dollars go straight to a retailer's bottom line. This is "real money" that is not working to drive your business objectives.

When developing an Annual Operating Plan, many companies effectively replicate 70% or more of the trade promotions from the previous year. Without a trade promotion system to evaluate promotional effectiveness, you risk repeating failed programs. Post promotion analysis is best described as a manual process typically limited to your top customers and key product lines. In reality you only review a small percentage of your overall spending and have no ability to benchmark all of metrics involved that may include off-invoice, check payments and deductions. This information is typically found in

optimizing their TPM? If you are one of the 63% of companies without a TPM solution, there may never be a better time than now to get started!

SAP utilizes an integrated approach to Customer Relationship Management that foundationally links TPM to all other Sales and Marketing functions. Functional areas such as Brand Management, Category Management and Retail Execution all interact with TPM. Other CRM functional areas such as New Product Development and Introduction and a Demand Driven Supply Network all benefit when application functionality is inherently integrated.

To gain a competitive advantage, you must do things better than your competition. Focus on optimizing areas offering the greatest potential impact to your bottom line. Effective TPM can both grow your revenues AND reduce your expenses!

Trade Promotion Management

Step 1

Headquarter Planning

Program Performance Analytics
Top-down/Bottom-up Planning
Common Baseline Data
Consensus Planning
Multiple Versions

Step 2

Field Account Planning

Customer Performance Analytics
Total Volume & Spending Plan
"What-if?" Planning Capabilities
Visibility to Marketing Plan
Baseline Collaboration

Step 3

Sell-In & Negotiation

Promotion Contract Generation
Plan Modification
Share Complete Brand Program
Incremental Volumes Delivered to Supply Chain

Step 4

Retail Execution, Validation & Settlement

Activities Automatically Generated for Field Sales
In-Store Observations Captured & Reported
Automatic Settlement

Step 5

Program Analysis

Monitoring Actual vs. Plan
Closed-Loop Financials
Analytics
Accurate ROI Calculations
Alerts



THE BEST-RUN BUSINESSES RUN SAP



Collectively the entire business suite of CRM functionality seamlessly interacts with your back office ERP systems. This ability to automatically update data across your organization in real time will reduce your employee's administrative time and increase their available time to utilize current data to make business decisions that will grow your business!

ConAgra has recently implemented TPM from SAP and seen significant benefits. These benefits include the installation of a disciplined process and controls that have led to record levels of invoice pricing and promotional pricing accuracy. Deduction balances have been reduced by 55%. They now have visibility and profitability to the customer level. TPM analytics can be done at any level of customer or product. Wrigley, Colgate-Palmolive and other companies are also utilizing TPM in new ways that help them improve their business processes and gain a competitive advantage in the market place.

Effective TPM: When evaluating existing TPM installations, the most effective and successful ones involve high levels of integration vs. siloed point solutions. Large Enterprise and Mid-Market companies can each benefit from an integrated TPM solution. If your company is seeking to implement a TPM solution, engage vendors and consulting partners that have a deep knowledge of TPM and a solid track record of accomplishment. SAP and our partners such as Clarkston Consulting have that level of knowledge and demonstrated accomplishment. ■

How much of an opportunity would this represent to your company? What if you had the visibility to identify and redirect these funds? What if you had the ability to identify inefficient trade promotions and stop repeating them or identify your most efficient trade promotions and clone them?

multiple places and systems within an organization without a "closed loop" view of the data or process. The common spreadsheet approach to Trade Promotion Management offers only a one point in time static view of a very dynamic process.

Therefore, with so much at stake, why then do so many companies seem to neglect aggressively managing and



By Chris Wiesen,
CRM Solution Principal,
Consumer Products



SAP America
www.sap.com/usa/industries/consumer/index.epx