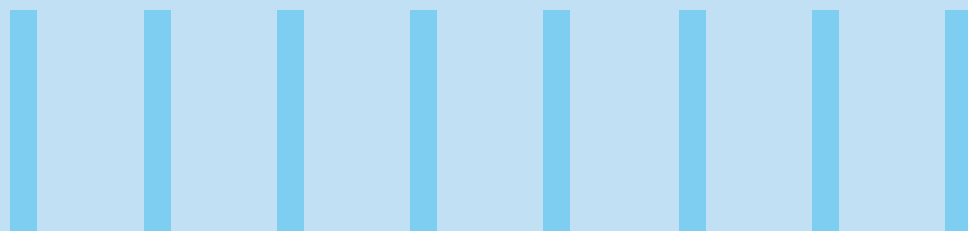




GAINING MOMENTUM IN TRADE PROMOTION MANAGEMENT WITH ADVANCED ANALYTICS

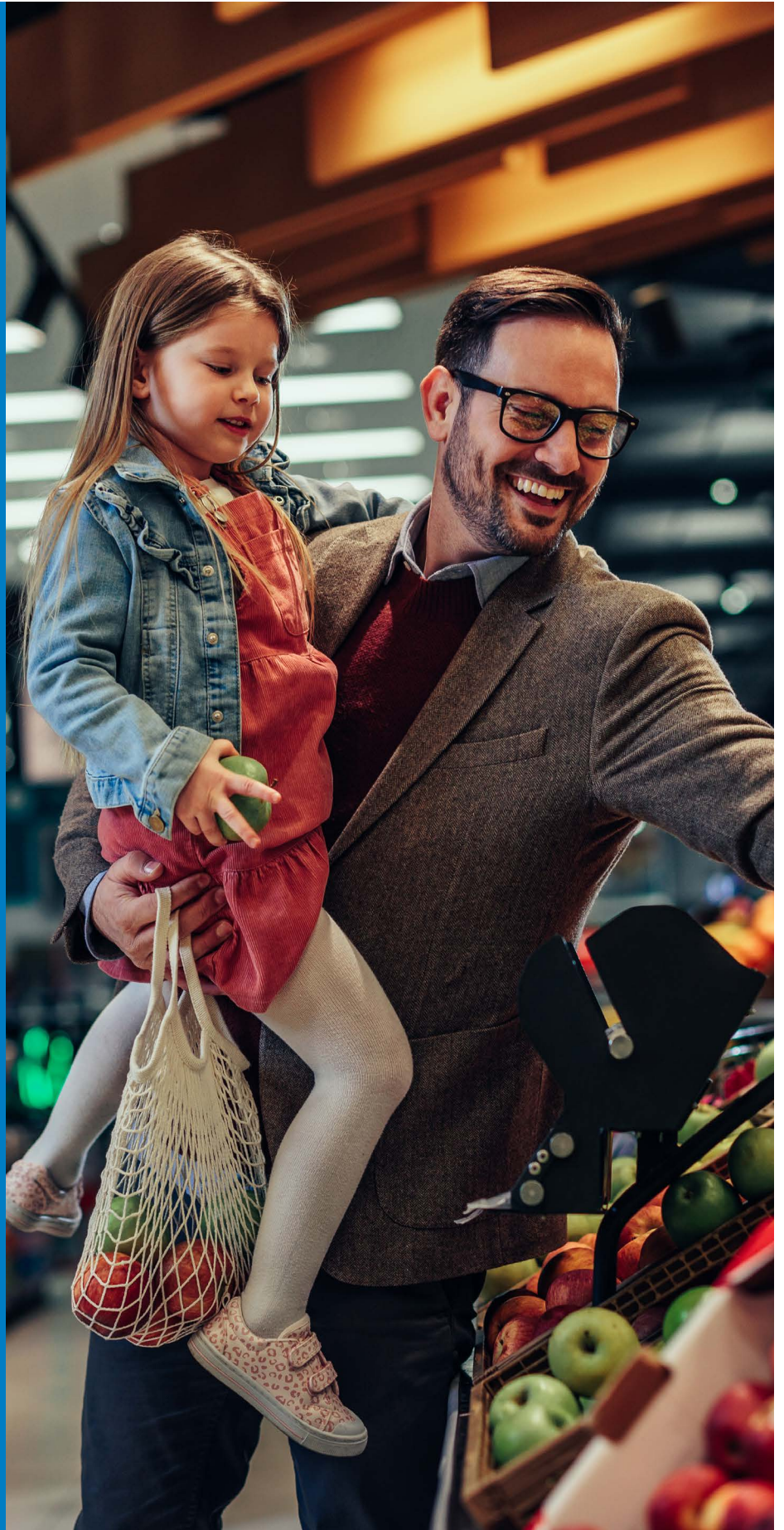


Abstract

In a dynamic market and digital world, consumer goods companies need to seek better strategies for effective trade promotions. By deploying Trade Promotion Management (TPM) solutions with advanced analytics, Consumer Goods (CG) companies can fuel growth, drive promotional effectiveness, and stay ahead in an intensely competitive space.

The fierce competition in the Fast Moving Consumer Goods (FMCG) sector requires companies to create effective promotional strategies to stay ahead of the curve. Trade Promotion Management (TPM) solutions allow companies to plan winning promotions, and manage and execute them with retail partners. Consumer Goods (CG) companies need effective trade promotions to drive growth and increase revenue and coverage while keeping their slice of the market. TPM spend includes preferred shelf displays, advertisements, discount coupons, rebates, offers, and any other promotional strategy. Worldwide, companies spend as much as 20 per cent of annual revenue on trade promotions. However, this does not necessarily deliver the expected results. It's noteworthy that as many as 59 per cent of companies lose their investment in TPM. The traditional shopping experience has changed for most people, especially with the abundance of online retail stores offering a gamut of products and services, along with attractive discounts. In a post-pandemic world, health-conscious consumers avoid shopping for previously popular products such as colas, or processed foods. Consumers like to experiment with new products and brands and visit new stores too. Promotions can create the initial buzz but often fail to create sustained interest in the product and boost revenue.

The digital world has created vast amounts of data. The availability of advanced tools and evolving technologies such as Machine Learning (ML) and Artificial Intelligence (AI) has led to the emergence of sophisticated solutions for the CG industry. Companies can leverage big data to relook at TPM approaches by deploying advanced analytics solutions.



The benefits of advanced analytics in TPM

Advanced analytics solutions help CG companies obtain a better return on investment from their TPM strategies. With analytics, organisations can derive

insights into supply chain health, sales, and marketing operations, and finances and budgets. With AI and ML-based TPM solutions, companies can use predictive

analytics to determine trade promotion strategies that would work. Companies can also gain an understanding of the impact of seasons and distribution on sales.



How companies can leverage advanced analytics for TPM

Analytics can be used to optimise promotional spends, and address business questions across markets. CPG companies track trade promotion data via a multitude of systems and platforms, and consequently, there is no single, consolidated view. By leveraging and constantly updating relevant data science techniques, companies can track promotions in real-time, and make accurate predictions. Account managers can make corrections in real time, and choose the most effective promotions. Trade Promotion Analytics (TPA) tools powered by AI and ML provide visual Business Intelligence (BI) into trade promotions, intuitive interfaces, and natural language interaction. Business users can easily derive insights about which promotions are the most effective. Let's take a look at how this may be accomplished.

Consolidate data: To measure the effectiveness of trade promotions, CG companies need data from a multitude of

sources. These include data from multiple retailers, including that from customer loyalty programs, third-party data that captures consumer demographics, internal financial and pricing data as well as data from data syndicates such as Nielsen. All of this data from structured and unstructured sources needs to be consolidated in a data lake on the cloud, wherein advanced analytics can be used to derive insights into promotion effectiveness. Of course, the right measures and metrics need to be identified.

Identify the right measures and metrics:

Most organisations rely on measuring ROI for promotions of a single product or a set of stores to determine the effectiveness of trade promotions. However, reality bites very differently. Trade promotions are impacted by factors as varied as the weather, consumer stockpiling, or retailer compliance, and companies need to include these to understand why specific

promotions were not effective. Companies need to move beyond just ROI and include other metrics. Additionally, by focusing on both market share growth and category growth, companies can boost their sales, especially so if they have the first-mover advantage. For instance, a line of cosmetic products exclusively designed for men may help the company create a new consumer segment.

Some of the most useful metrics to measure trade promotion success are consumer units and revenue. Consumer units are the same as the units of the product purchased by the consumer. Let us see an example of egg sales. For instance, a box of six eggs may be one consumer unit. Revenue is determined by multiplying the Net Wholesale price by the number of consumer units sold at the retail level. In essence, it is the product of the Net Wholesale price and the total number of consumer units sold. Unsold eggs get sent

back to the store, however, the inventory that is sent to the store is not taken into account here.

The other two important metrics are the Incremental Ratio and Spend Ratio. The Incremental Ratio helps determine the percentage of the business that disappears if you completely stop trade promotion. It is calculated as Incremental Revenue divided by the Total Revenue or Incremental Units divided by the Total Units. This factor single-handedly determines the dependency of the business or product on the promotion. The Spend Ratio helps determine profitability. Spend Ratio is calculated as the Incremental Revenue divided by the Total Spend. It can also be shared with retailers.

Run customised analytics: Once the data is consolidated and the required metrics identified, running analytics that is tailored to the company requirements helps derive specific insights. For instance, CG companies can determine if certain trade promotions impacted specific shopper segments – such as regular shoppers vs. walk-ins. With promotion effectiveness measured using multiple parameters, companies can make data-driven decisions regarding promotions. For example, a Buy One Get One (BOGO) offer may not be that effective, whereas a 20 per cent discount on the product might be preferred. With customised insights, companies can look at driving retailer-specific promotions or promotions based on geographical location, seasonality, etc. Over time,

CG companies can arrive at effective promotional strategies that could be rolled out across retailers and geographies.

With predictive analytics, CG companies can account for a number of factors in trade promotions, such as an increase in price, upcoming regulatory changes and supply chain problems, reduced customer loyalty, seasonal influences and so on. Leveraging advanced analytics* for TPM results in accurate data-driven insights, that in turn help to identify the right promotional activities and realise an effective return on TPM spend. With granular insights into consumer behaviour and market segmentation, companies can align TPM with business strategy, and retain an edge over competitors.

* For organizations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed on organizational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive, yet modular suite of services is doing exactly that. Equipping **organizations with intuitive decision-making** automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, [Live Enterprise](#) is building connected organizations that are innovating collaboratively for the future.

For more information, contact infosysbpm@infosys.com



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