



# OPTIMIZING TRADE PROMOTION STRATEGIES: LESSONS LEARNED FROM TOP CONSUMER-PACKAGED GOODS (CPG) ORGANIZATIONS

## Abstract

Trade promotion management (TPM) is a critical aspect of marketing and sales for many CPG businesses. It involves designing, executing, and evaluating trade promotions, such as discounts, rebates, and product launches, to drive sales and increase market share. Despite its importance CPG organizations are finding it challenging to run promotions efficiently, effectively and in getting maximum returns from the trade investments. This paper summarizes a few best practices that are being adopted by CPG organizations which will allow them to run promotions effectively and efficiently by transforming the end-to-end TPM business processes.



## Problem Statements

**1. Time spent by Customer Account Managers (CAMs) in non-value adding TPM related activities:** CAMs play a crucial role in executing trade promotions in Consumer-Packaged Goods (CPG) organizations. However, a significant portion of their time is spent on administrative tasks related to trade promotion management, such as manual data entry, reconciling promotions with financial reports, and dealing with errors

and discrepancies. This administrative burden takes away from the time that CAMs could be spending on more strategic activities, such as building relationships with customers and developing new sales opportunities. The reliance on manual processes and lack of automation in trade promotion management can lead to inefficiencies and errors, which further increase the administrative burden on CAMs. As a result, CAMs are often left

feeling frustrated and overwhelmed, and their time and attention are diverted away from more valuable tasks. To overcome these challenges, it is important for CPG organizations to adopt modern systems and processes that streamline trade promotion management, separate administrative activities and centralizing such activities in Shared Services Centers (SSC) and thereby reduce administrative burdens on CAMs.

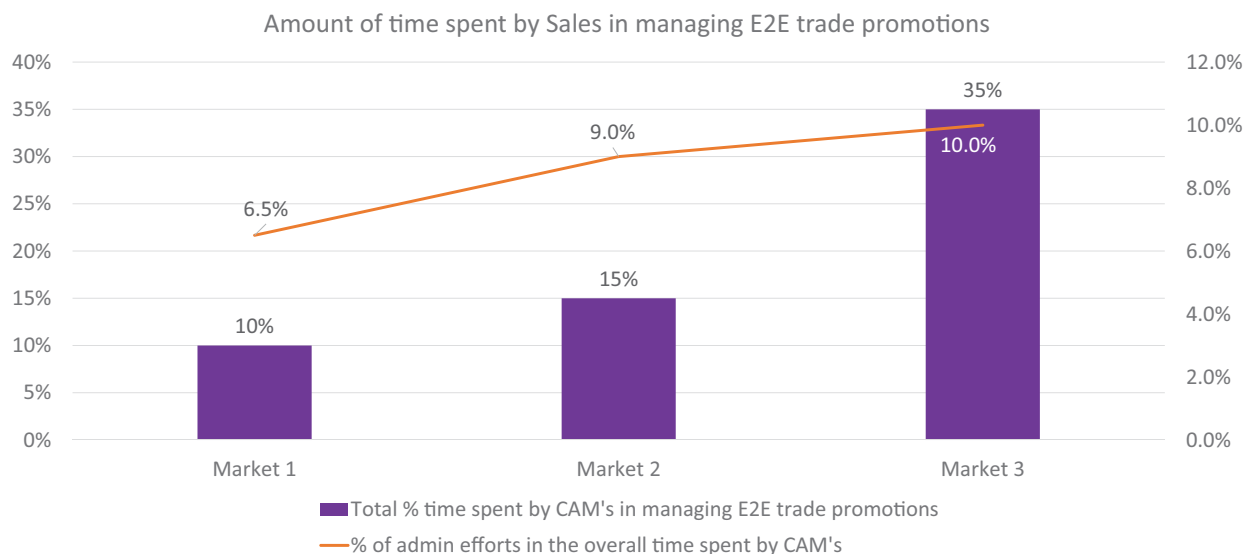


Fig 1: Case for an American multinational manufacturer of confectionery, pet food, and other food products.

**2. One-size-fits-all does not work:** The trade promotion management landscape is complex and constantly evolving, with new technologies and solutions emerging regularly. However, despite the abundance of options available, there is no single platform, technology, or solution that can address all of the challenges faced by Consumer-Packaged Goods (CPG) organizations in managing trade

promotions. Each organization has its own unique set of requirements and constraints, and there is no one-size-fits-all solution that can effectively address all of these needs. Furthermore, the trade promotion management process often involves multiple departments, such as sales, finance, and marketing, each with their own perspectives and priorities. As a result, finding a trade promotion management

solution that can meet the needs of all stakeholders can be a daunting task. It is important for CPG organizations to carefully evaluate their specific needs and constraints, and choose a solution that best fits their requirements, rather than trying to find a single solution that addresses all of their challenges.

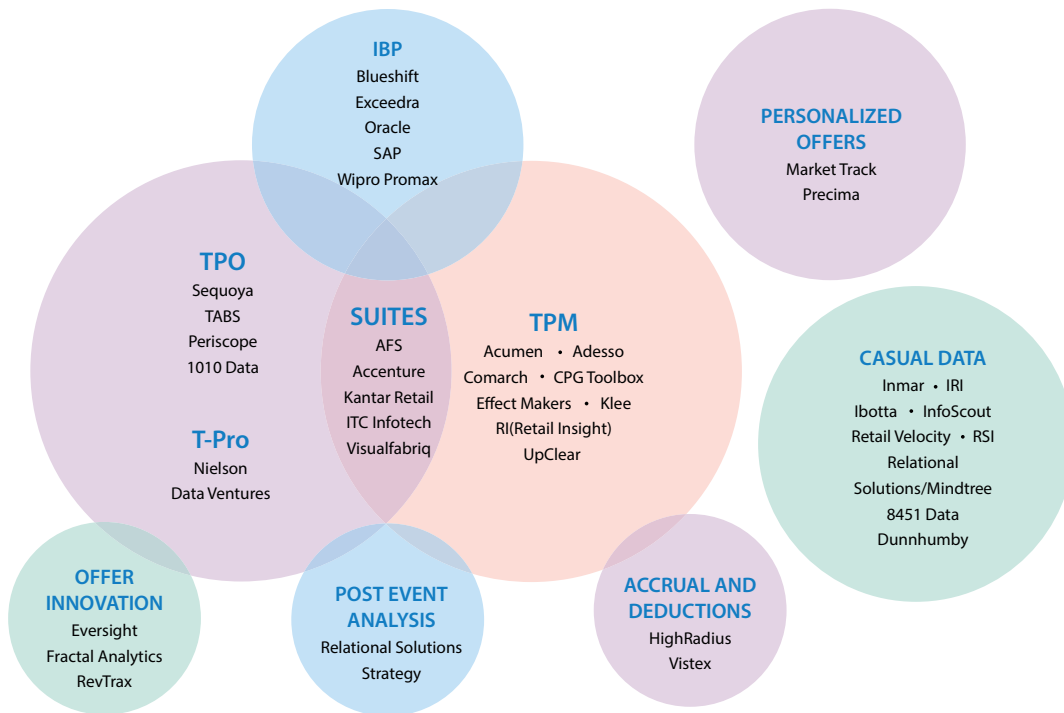


Fig 2: Source: Promotion Optimization Institute (POI). The picture showcasing different solutions that are available for varying organizations requirements to manage TPM.

**3. CPG organizations continue to measure promotion effectiveness with ROPI as a key metric:** Return on Promotional Investment (ROI) is a commonly used metric for measuring the effectiveness of trade promotions in Consumer-Packaged Goods (CPG) organizations. However, focusing solely on ROI may not provide a complete picture of the impact of trade promotions. Some organizations don't even measure ROPI while the others are fixated only with ROPI as the metric to measure the success of promotions. There is a larger need for the metrics to be governed by a comprehensive set of

metrics resulting in the right metrics to be measured, measurement mechanisms defined and the success criteria's identified. The right metrics for measuring the effectiveness of trade promotions depend on a variety of factors, including the goals of the promotion, the target audience, and the nature of the product. For example, metrics such as market share, customer loyalty, and sales lift may provide a more comprehensive view of the impact of a promotion compared to solely measuring ROI. Additionally, metrics such as time to execute promotions from the time promotions are planned till they are

operationalized, execution efficiency, administrative burden, and customer satisfaction can provide important insights into the effectiveness of the trade promotion management process itself. Choosing the right metrics to measure the impact of trade promotions is crucial for making informed decisions and optimizing trade promotion strategies. It is important for CPG organizations to take a holistic view of trade promotion metrics and consider a range of metrics that provide a comprehensive picture of the impact of trade promotions.

Some of the best practices in measuring different metrics to calculate the effectiveness, efficiency and the experience of managing trade promotions are mentioned below:

- Trends in trade spend amongst the CPG organizations (pre and post Covid) to get to understand the average CPG spend part of it's revenues on TPM projects
- Percentage (%) of total annual marketing budgets allocated to physical events (e.g., trade shows)

#### 4. Process variation with local nuances in treating TPM activities leading to non-standard TPM processes:

The management of trade promotions activities can vary greatly between Consumer-Packaged Goods (CPG) organizations, and even within different geographies within a single organization. Trade promotion is as much process as maintaining relationships with retailers. The relationships differ between customers in markets and between markets owing to local nuances arising from legal requirements and customer

- Percentage (%) of promotions delivering a positive or projected Return on Promotional Investment (ROPI)
- Cost of TPM function by \$ billion revenue
- Percentage (%) of administrative related time spent by Sales in the TPM planning and other downstream processes
- Automation levels in the TPM processes (High, Medium, Low)

contract negotiations. In some cases, there may be no clear defined process taxonomy, leading to inconsistent and fragmented approaches to trade promotion management. This can result in inefficiencies, miscommunication, and a lack of standardization in the trade promotion process. The lack of a clear, centralized approach to trade promotion management can also make it difficult for organizations to track and measure the impact of their trade promotions, making it challenging to optimize their strategies and improve their results. Furthermore,

- TPM operational metrics:
  - ◇ Average end to end promotions handle time (managing promotions and contracts in the systems)
  - ◇ Percentage (%) of amount disputed for trade related transactions (value and volume)
  - ◇ Percentage (%) of trade deductions (value and volume)
  - ◇ Average number of days to resolve an outstanding deduction

the lack of standardization can also create challenges for collaboration between departments, such as sales, marketing, and finance, leading to a lack of coordination and alignment in trade promotion efforts. To overcome these challenges, it is important for CPG organizations to develop a clear and centralized approach to trade promotion management, including a well-defined process taxonomy that provides a common framework for trade promotion activities across the organization.



## Best Practices to manage Trade Promotions

In a Consumer-Packaged Goods (CPG) organization, there are several best practices for effective trade promotion management:

- **Centralized management:** Implement a centralized team for managing admin activities in planning, executing, and measuring trade promotions to ensure consistency and accuracy.
- **Collaboration:** Encourage cross-functional collaboration between sales, finance, and marketing teams to align goals and avoid conflicts.
- **Data-driven decision making:** Utilize data analytics and insights to inform

trade promotion strategy and measure the impact of promotions.

- **Chose the right technology solution:** Carry out technology maturity assessment and identify the right solution / platform that addresses the specific needs and problem statements of an organization in managing promotions
- **Real-time monitoring:** Monitor trade promotions in real-time to quickly adjust strategies and maximize results.
- **Automation:** Automate manual processes to reduce errors and increase efficiency.

• **Customer-focused approach:** Design trade promotions that are aligned with customer needs and preferences to increase their impact.

• **Flexibility:** Be flexible and able to quickly adjust promotions to meet changing market conditions and customer needs.

By implementing these best practices, CPG organizations can improve the effectiveness and efficiency of their trade promotion management processes and drive better results.



## Value delivery

By leveraging and following the best practices highlighted above, CPG organizations can identify areas for improvement and implement strategies to drive better business outcomes. For example, there was an increase of 3.5x

in the promotions handled / day with 95% reduction in turn-around-time with transformed trade promotions management processes in a leading American multinational consumer goods corporation. Similarly, opportunities were

identified to improve the customer facing time (CFT) by 15%-20% of a Sales team of a large American multinational who is a manufacturer of confectionery, pet food, and other products

## Conclusion

Trade Promotion Management is a critical aspect of the CPG industry that requires a strategic approach to achieve optimal results. From data analysis to process optimization to the right TPM technology, companies must consider all aspects of TPM to remain competitive and meet the

evolving demands of their customers. The benefits of effective TPM are significant and include increased profitability, improved promotion effectiveness, and enhanced operational efficiency. As the industry continues to evolve and change, it is important for companies to stay ahead of

the curve by continuously reviewing and improving their TPM processes. Infosys BPM is committed to helping organizations achieve their TPM goals through tailored solutions and expert guidance, and we look forward to continuing to play a vital role in the success of the CPG industry.

## Authors



### **Mehul Goyal**

*Industry Principal, Retail, Consumer Industries & Logistics*

Mehul is an experienced business transformation specialist, and carries 20+ years of experience of driving digital transformation for his clients in US, India and Middle East regions.

He has played multiple roles in this space – technology consulting, business consulting, IT strategy and digital-powered innovation, and has built strong credentials through successfully delivered projects.

Mehul has also authored thought leadership articles about the role of emerging technologies for Retail and CPG industries.



### **Gururaj Sagar**

*Principal, Business Consulting, Digital Transformation Services, Retail, Consumer Industries & Logistics*

Gururaj is a seasoned Digital Transformation Consultant with proven ability to translate transformation objectives into measurable outcomes. With around 22+ years of rich experience in helping customers to continuously achieve Strategic goals, business growth, profitability and competitive edge through Digital Transformation, Process/Operational Excellence, Cost Reengineering etc.

Gururaj has contributed to the thought leadership articles about the role of emerging technologies in Trade Promotions Management (TPM) processes of CPG industry. Customer-focused pro with a rich Program Management skill, who can solve business problems in the BPM industry resulting in high impact customer / organization value generation, with solid experience in Digital Transformation, Shared Service Advisory, Optimizing and Automating business processes, Benchmarking Business Metrics, Defining Target Operating Model, Process Management, to name few.

\*For organisations 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 organisational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like living organisms will be imperative for business excellence. A comprehensive yet modular suite of services is doing precisely that. Equipping organisations 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 organisations that are innovating collaboratively for the future.

For more information, contact [infosysbpm@infosys.com](mailto:infosysbpm@infosys.com)



© 2023 Infosys Limited, Bengaluru, India. All Rights Reserved. Infosys believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Infosys Limited and/ or any named intellectual property rights holders under this document.

