

How Are Your Trade Promotions Performing?

If you're like many CPG manufacturers, you probably have an uneasy feeling about your trade promotions' performance. What is certain is that trade promotion spending has grown more complex, more expensive, and less manageable every year. When this amount is often more than 20% of sales and 2/3 of overall marketing spend, a plan that is far from optimal just isn't acceptable.

Price-Promotion Studies Are Less Effective

"Wait," you say. "Why can't I just order up a Price-Promo study' to figure out what to do?" Because the world has changed and the insights provided are limited in many ways, dramatically reducing their value to your organization. Results are:

- Out-of-date, based on data that is many months old when presented, and that only grows older each month without a new study.
- Incomplete, lacking a comprehensive view across all important products and channels. This means that potentially dangerous assumptions must be made in an attempt to extrapolate results that can't possibly account for situations such as simultaneous shifts in trade spend across accounts.
- Overly-simplistic, unable to incorporate the complex, non-linear interactions of consumer demand between competitive and complementary products, through various seasons, and in consideration of multiple pricing scenarios, competitive actions, cannibalization effects, and environmental factors.

Because they do not provide a holistic assessment of simultaneous changes in trade activity across the portfolio, these *studies are just not the best basis for making immediate, real-world decisions.*



Trade Spending Effectiveness

- Identify drivers of own brands and competitors' volumes
- Create reliable monthly forecasts automatically
- Reallocate trade spend to meet financial goals

How much has your TPM System improved your overall Trade Performance?

"But we've invested so heavily in our Trade Promotion Management (TPM) system over the years...won't that help?" While these systems are very good at tracking spend, they are typically not designed to support real time planning and allocation. This is the area that can really drive improved trade performance.

TPM systems are designed to administer the promotion cycle. They allow sales and marketing executives to:

- allocate and track trade promotional dollars for specific products, brands, and accounts
- define sales targets and create account plans
- schedule promotions at the retail store level
- track all claims and deductions and ensures retailer receives proper payment

However, TPM systems are fundamentally not designed to:

- Support strategic, financially-focused planning using predictive-based analytics
- Proactively inform the user if their choices are good or bad
- Identify which trade plan will help grow the business or minimize cost-per-incremental-case

That leaves too much guesswork on how to spend the largest discretionary item in your operating plan.

Understand

Predict

Optimize

T4 Provides You with a Complete Trade Effectiveness Solution

M-Factor's T4 solution makes trade promotion decisions easy, allowing you to optimize profit and revenue across your entire portfolio.

Delivering sophisticated functionality through an intuitive user interface, T4 offers:

- **Accurate demand models** that reflect the complex interactions inherent in real world trade spend decisions. Our models are estimated at the level appropriate for planning - for the whole business, using the best available data.
- **Category perspective** is provided by fully modeled competitor brands alongside "all-other-in-category" models for the big picture view of trade programs that's required to influence retailers
- **Unlimited, real-time "what-if" simulations and optimizations** for each key account that allow you to effectively evaluate differentiated strategies and target account planning.
- **Comprehensive financial model** that enables the full range of financial impact analysis, P&Ls, and key performance metrics needed to make well-informed trade spend decisions. Plan, track and optimize cost-per-incremental-case across the whole portfolio
- **Continuously up-to-date information** that accurately reflects the current marketing environment and enables demand models to be kept current.

Trade Funds Effectiveness Solutions Offer Dramatic Benefits

M-Factor's experience shows that the application of a best-in-class trade promotion funds effectiveness solution can have dramatic benefits. **Operating margin improvements range from 5% to 10% and revenue improvements of 1%-3% are typical.**

The T4 solution will make more effective use of your trade funds – achieving top-line sales growth while reducing and controlling trade spend on a sustained basis. Relative to a non-optimized plan, **an optimized trade plan can deliver a 3-5% reduction in cost per incremental case.**



About M-Factor

M-Factor provides dynamic profit and revenue optimization software services for leading consumer brands. M-Factor's Marketing Investment Management, Trade Spending Effectiveness, and Portfolio Pricing Optimization solutions empower users to continuously analyze and optimize pricing, marketing investments, and trade spend. For more information on M-Factor's solutions, please visit www.m-factor.com.

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