



Benchmarking Initiative: *Trade Promotion Management*

Preliminary Results

May 1, 2007

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<https://www.benchmarking.sap.com/cgi-bin/qwebcorporate.dll?idx=PHGV7Z>

Agenda

Executive Summary

Participant Profile

Comparison with Summary Metrics

Results by Function

Contact Information

Benchmarking Data Captured

Dimensions of Analysis



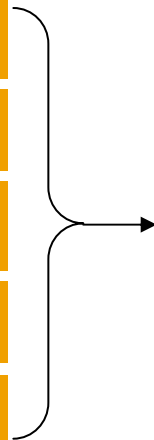
Staffing

Cost

Process performance

IT

Best Practices



Over 25 Key Performance Indicators:

Function independent KPIs

- Promotion spend as a % of revenue
- # of Trade promotions per year

Function specific KPIs

- ROI / Profitability of promotions
- ACV performance
- % Legitimate deduction balance

Service Level KPIs

- Invoice accuracy rate
- % Out Of stock during promotions
- Call handling times

Technology usage and adoption

- Application usage
- Degree of implementation
- Usability/ adoption

Over 20 Best Practices

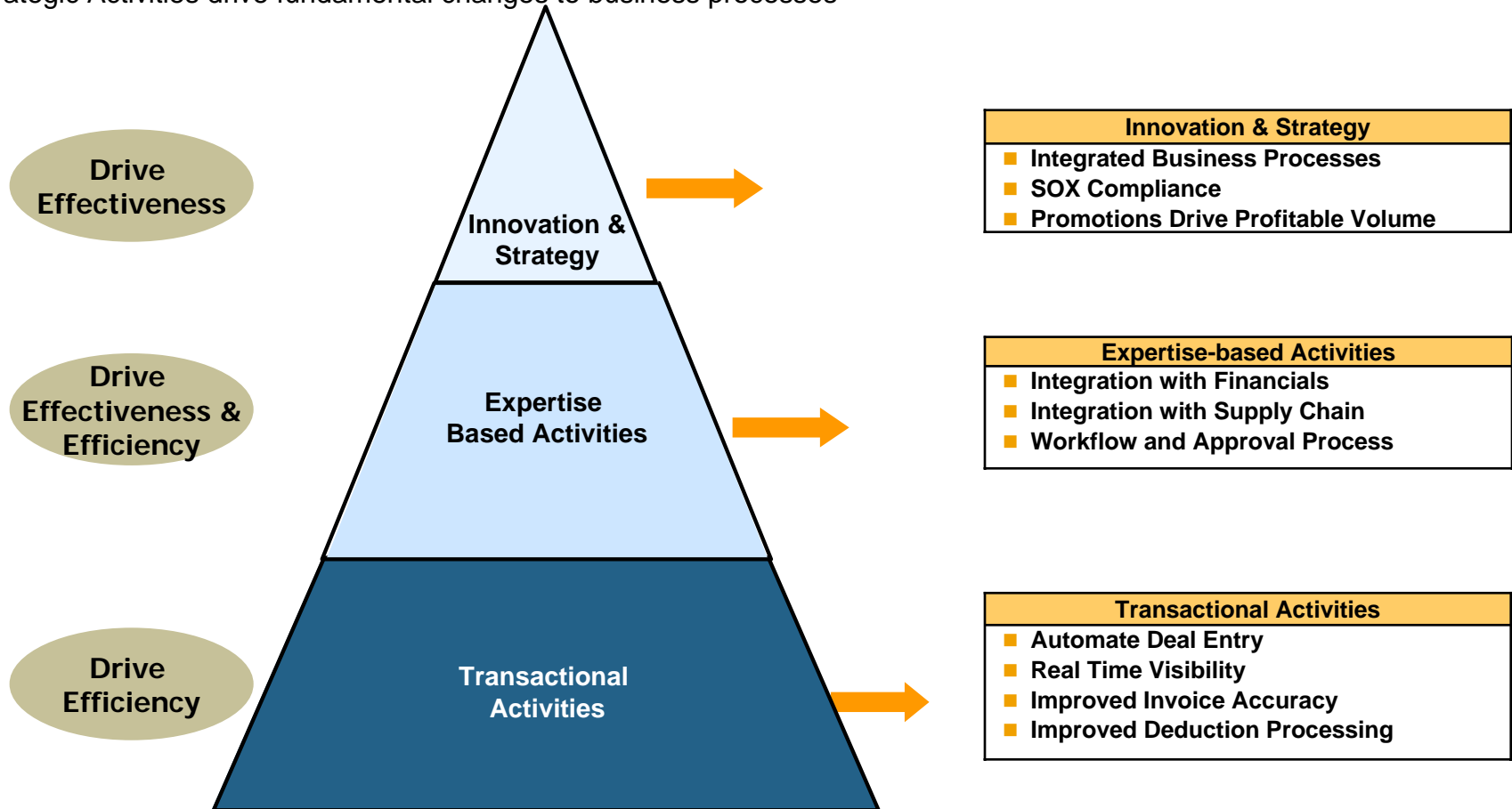
- Measuring impact on Volumes
- Measuring impact on profitability
- Managing promotion spend
- Identifying & replicating success

Trade Promotion Management (TPM) Study Key Questions

- How do **Best In Class companies** measure up on Trade Promotion metrics?
- Which **Best Practices** are considered most important by your peers?
- How does the **adoption of Best Practices** impact Trade Promotion Management efficiency and effectiveness?
- How much do Trade Promotions **impact Top line and bottom line**?
- **How is information leveraged** to drive improved efficiency and effectiveness?

Study Scope

The benchmarking study included analysis of **key Trade Promotion Management business processes**. These processes were classified under three categories. Transactional functions are mainly driven by cost and efficiency. Expertise-based Activities drive organizational effectiveness and efficiency through process improvement. Innovation and Strategic Activities drive fundamental changes to business processes



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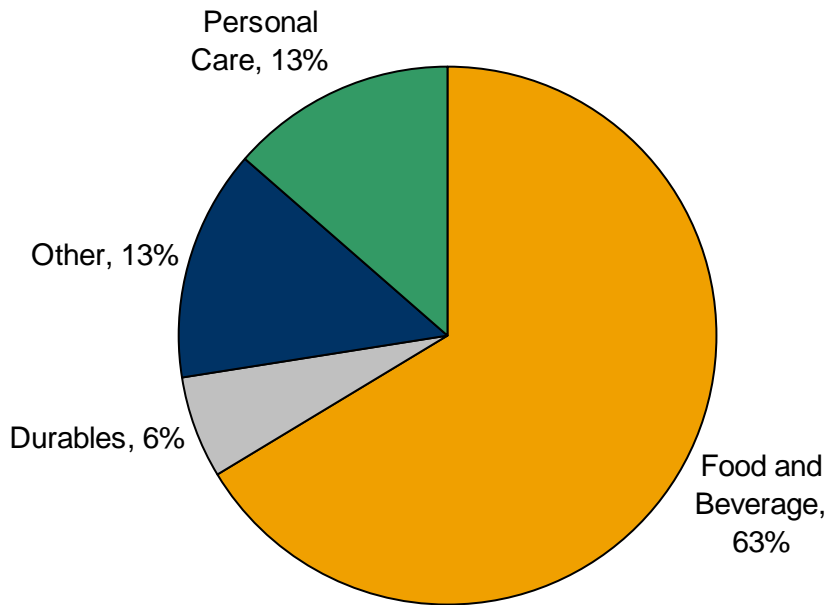
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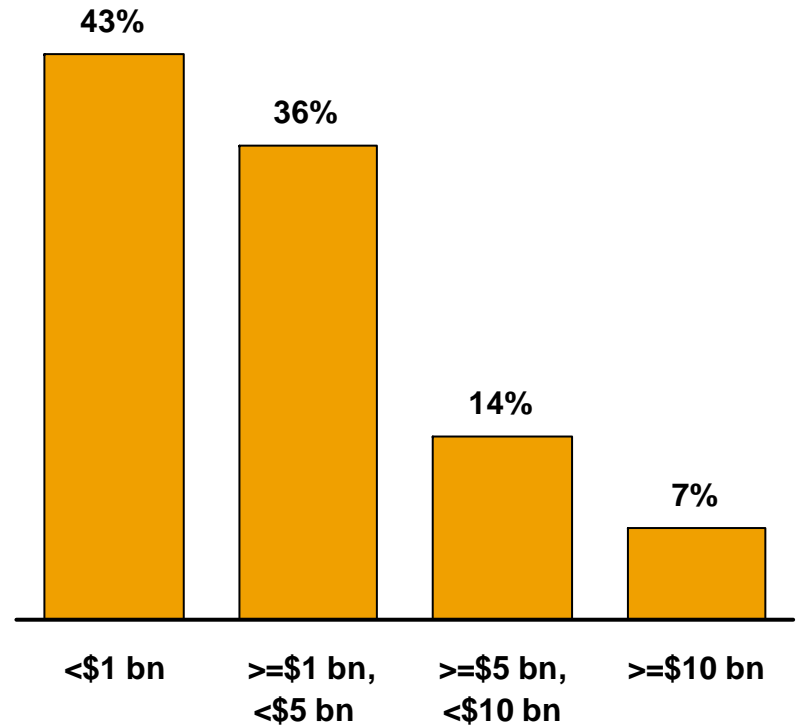
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Industries and Sizes

By Industry Sector

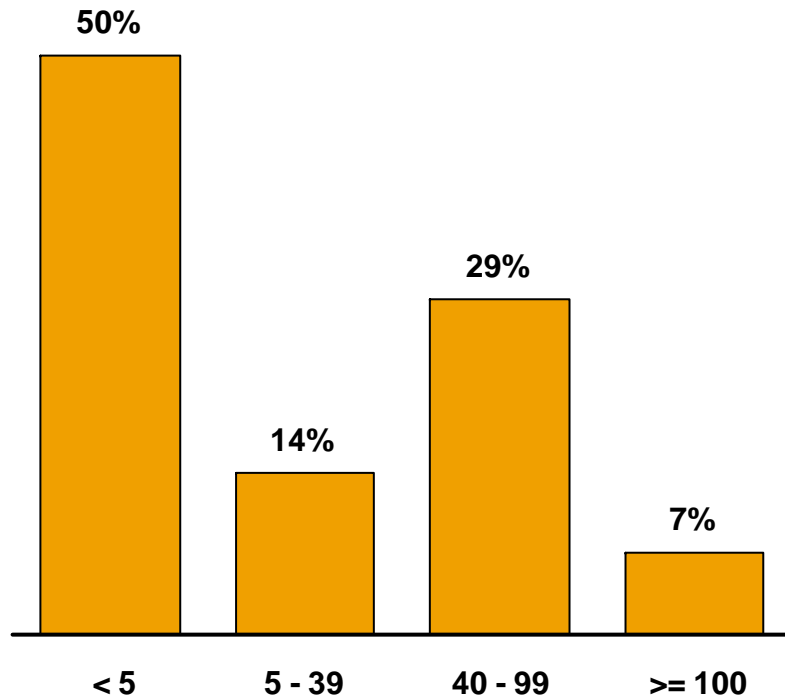


By Revenue

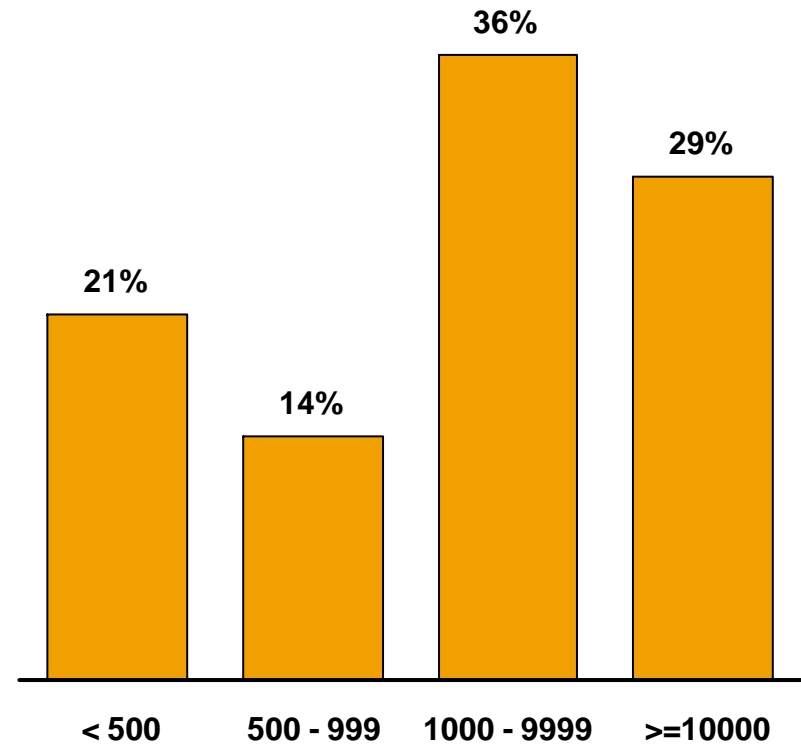


Organizational Scale

Number of countries in which company operates

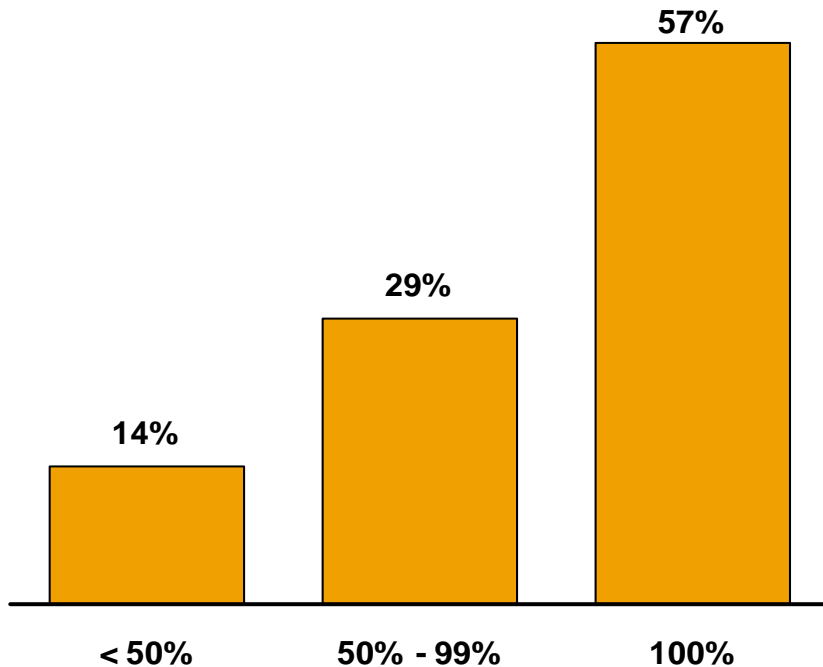


Number of employees

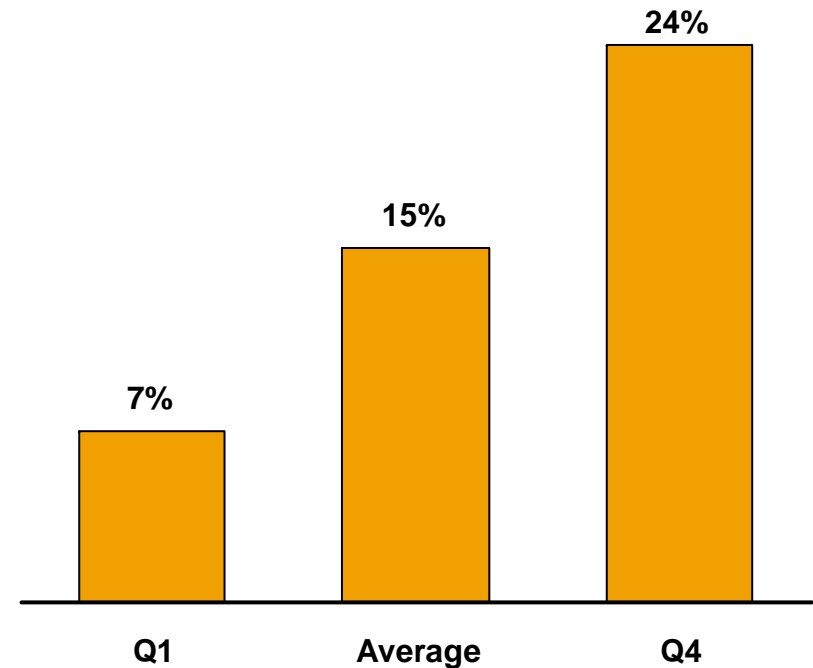


Trade Promotion as a Key Driver of Topline

Revenue Contribution of Products under Trade Promotion Management



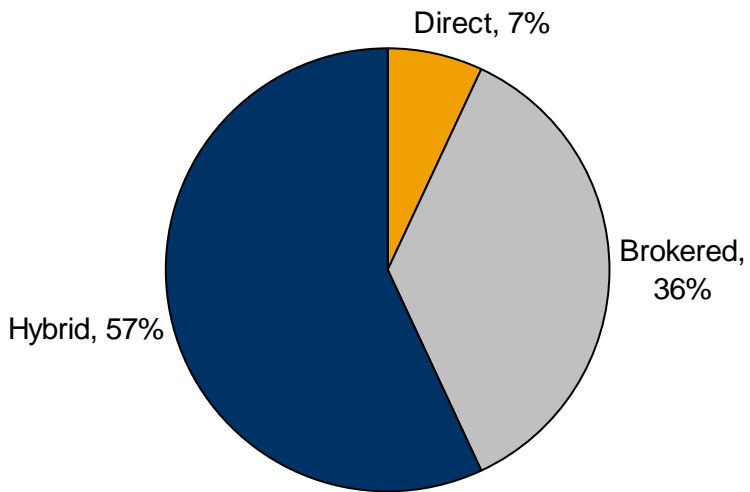
Trade Promotion spend as a % of Revenue



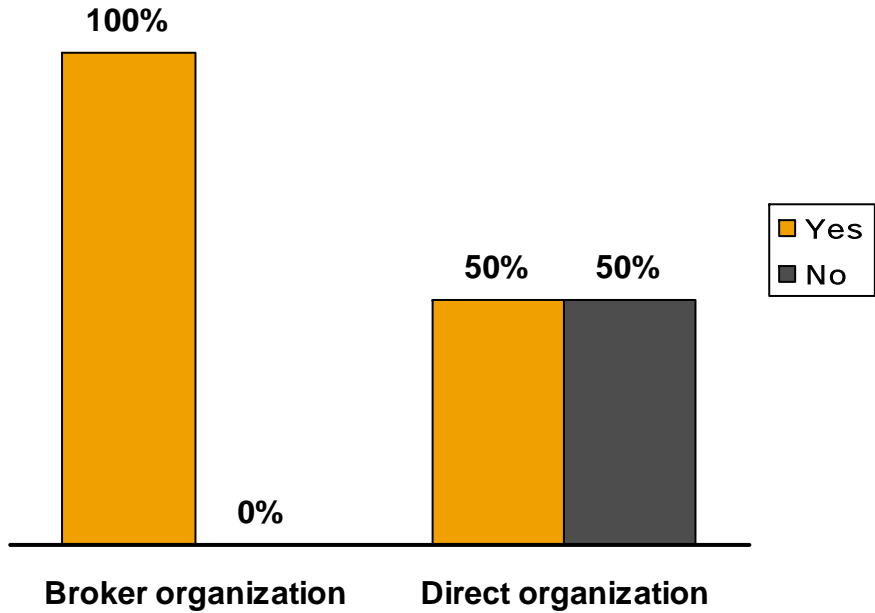
Source: Participant Responses, SAP Analysis

Sales Force

Model of Sales force



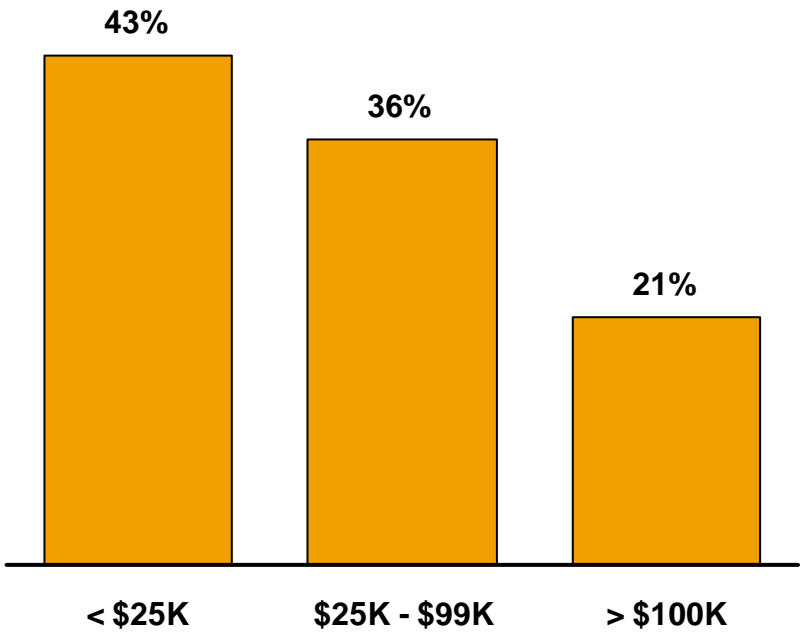
Sales Force for Store Execution



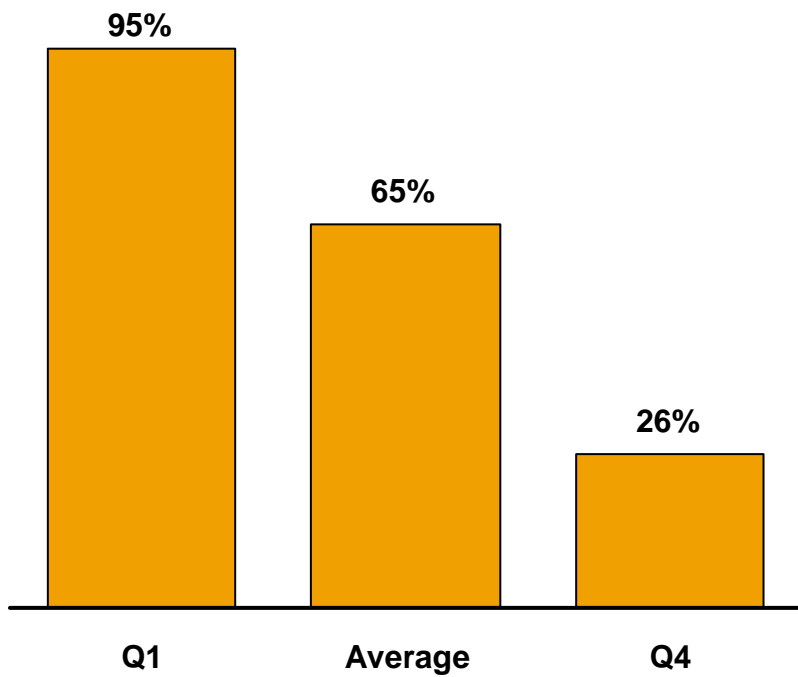
Source: Participant Responses, SAP Analysis

Trade Promotion Execution

Dollar Spend per Trade Promotion



Proportion of Promotions resulting in Incremental Volume



Source: Participant Responses, SAP Analysis

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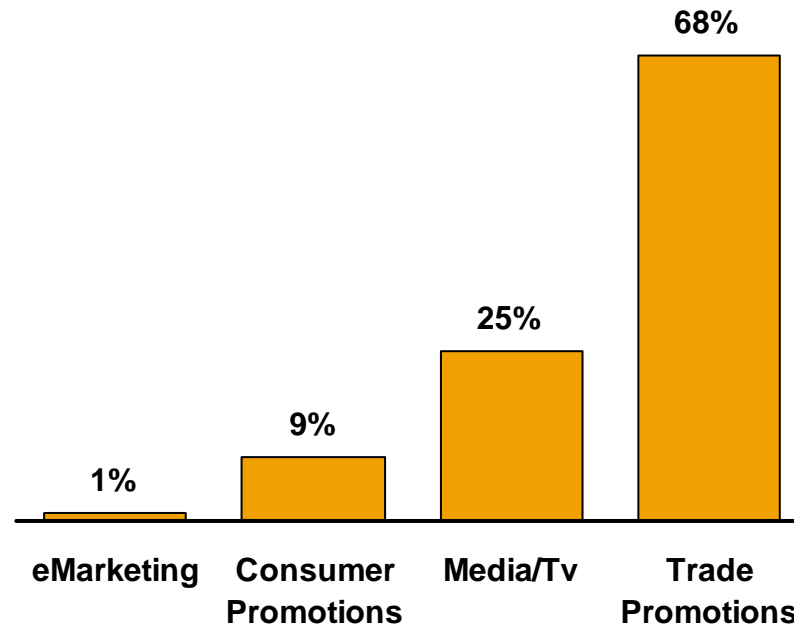
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Breakup of Promotion Spend

Average Breakup of Promotion Spend

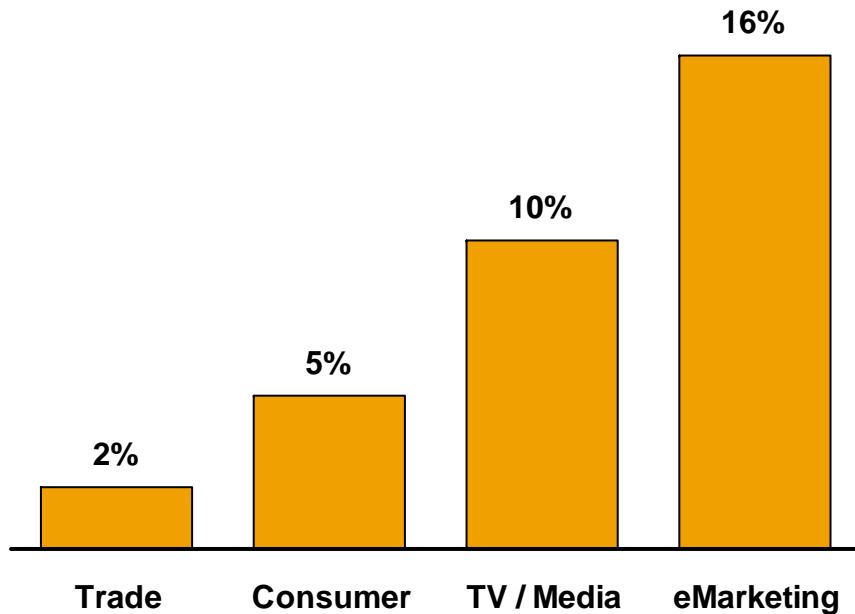


The breakup might not add up to 100% due unavailability of data across 4 areas for all respondents.

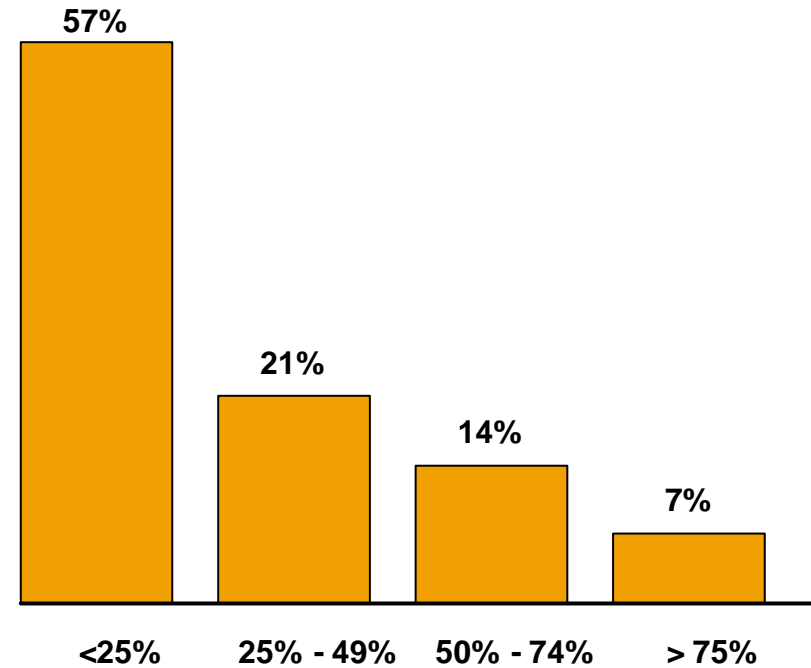
Source: Participant Responses, SAP Analysis

Trends in the Composition of Promotional Spend

Promotion Spend Trends (YoY)

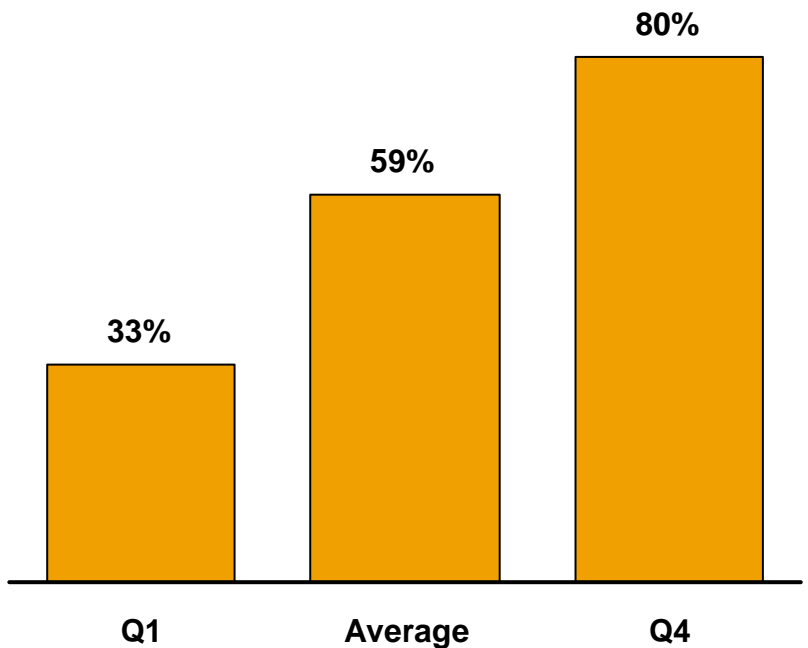


Desired % of Annual Trade spend to be redirected to Consumer / Media

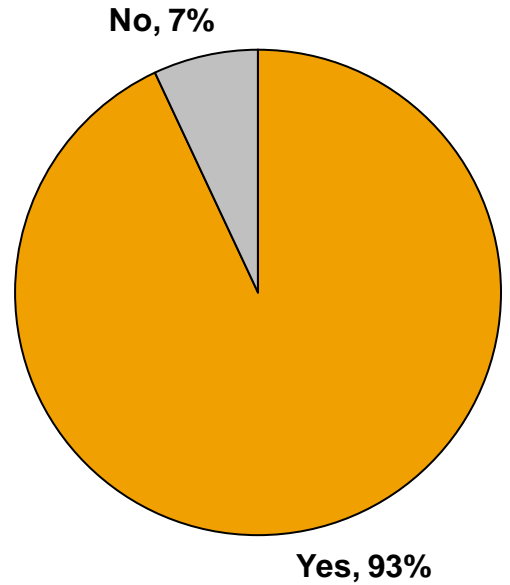


Promotion Led Sales

Proportion of Sales coming through Promotion Cycles

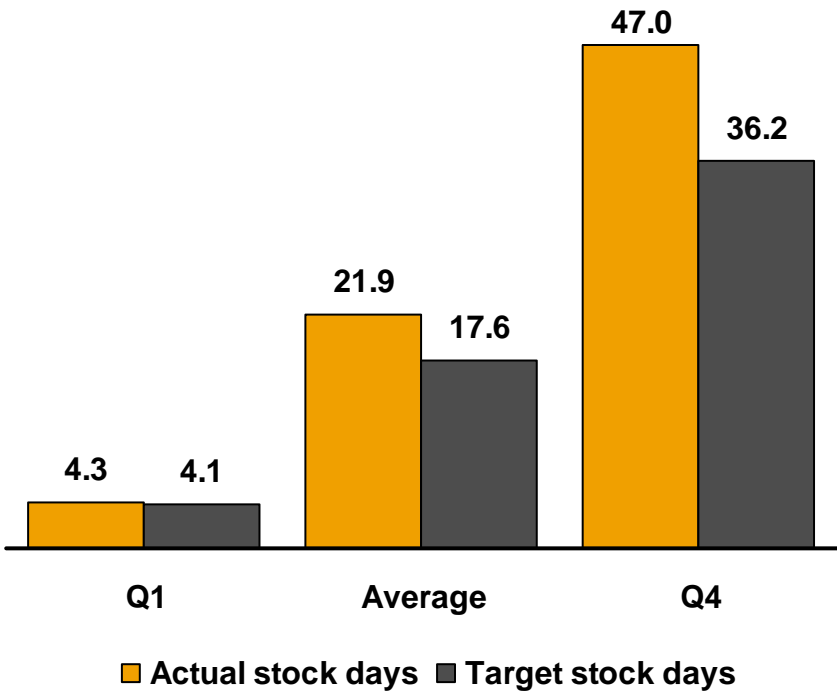


Seasonal Promotions Repeated Every Year

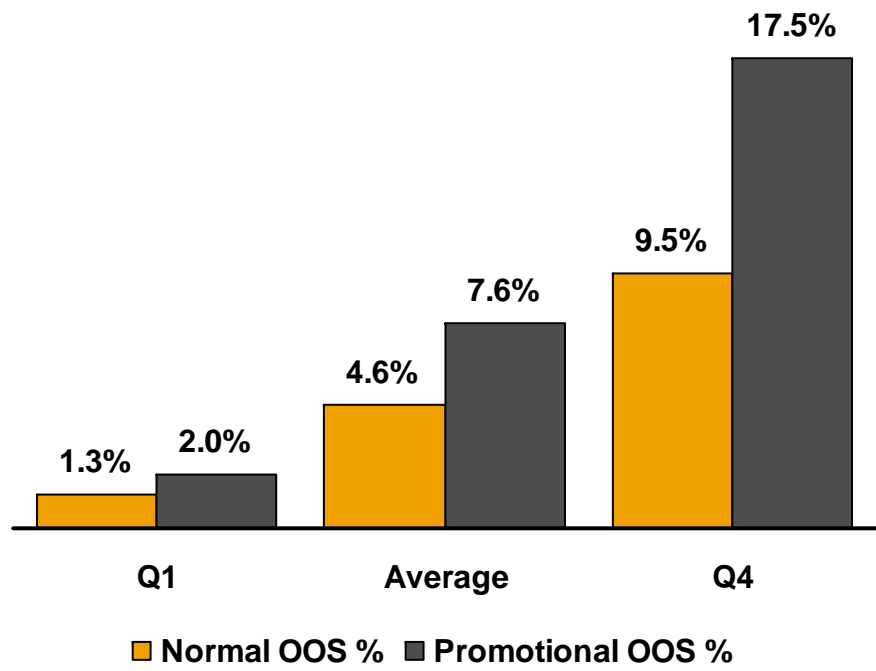


Efficiency of Stock Planning

Target Stock (days)



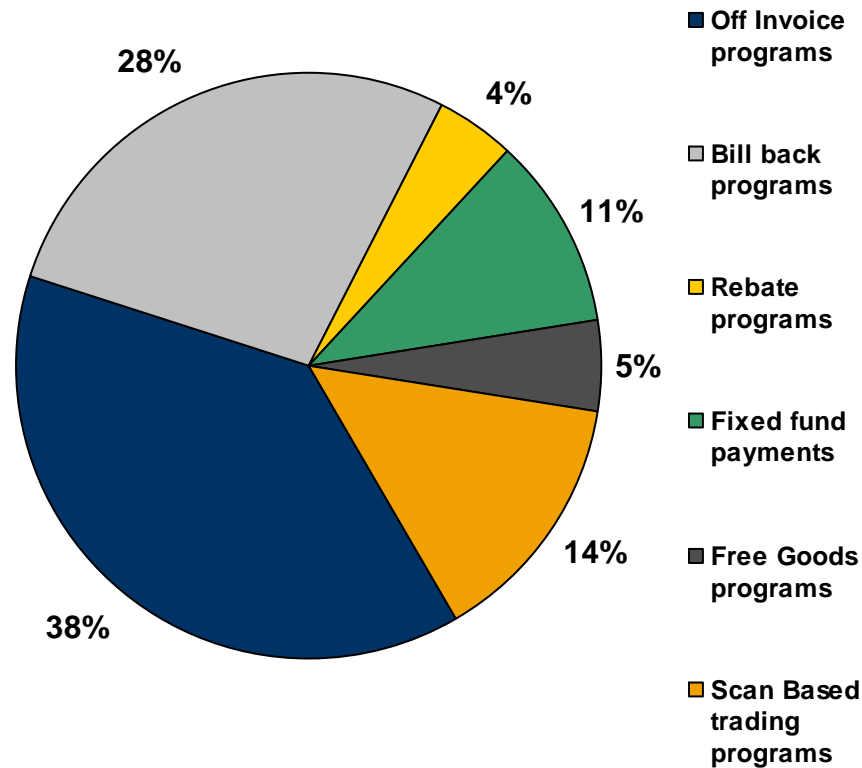
% Out Of Stock (OOS) Incidence



Source: Participant Responses, SAP Analysis

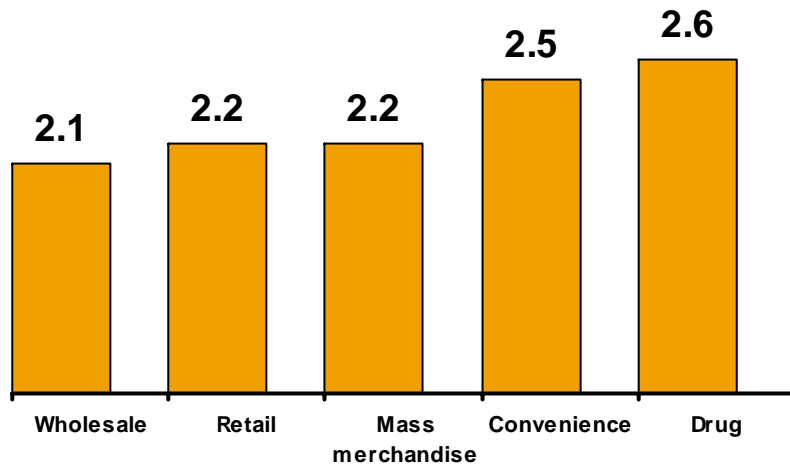
Spend Types of Trade Promotional Spending

Average breakup of trade promotion spend

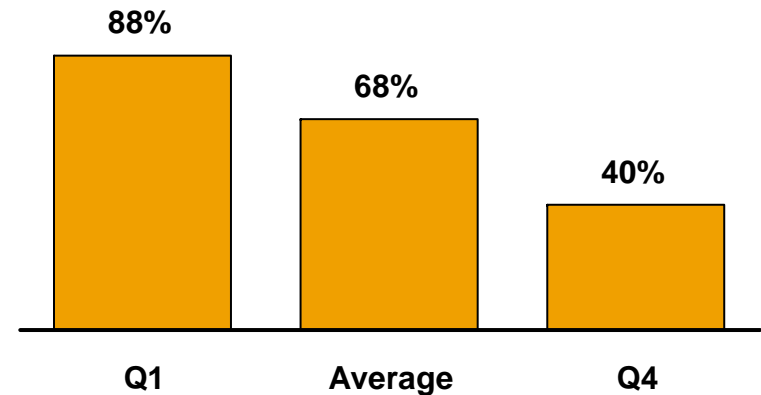


Trade Promotion Event Execution

Degree by which Trade promotion programs differ by distribution channel

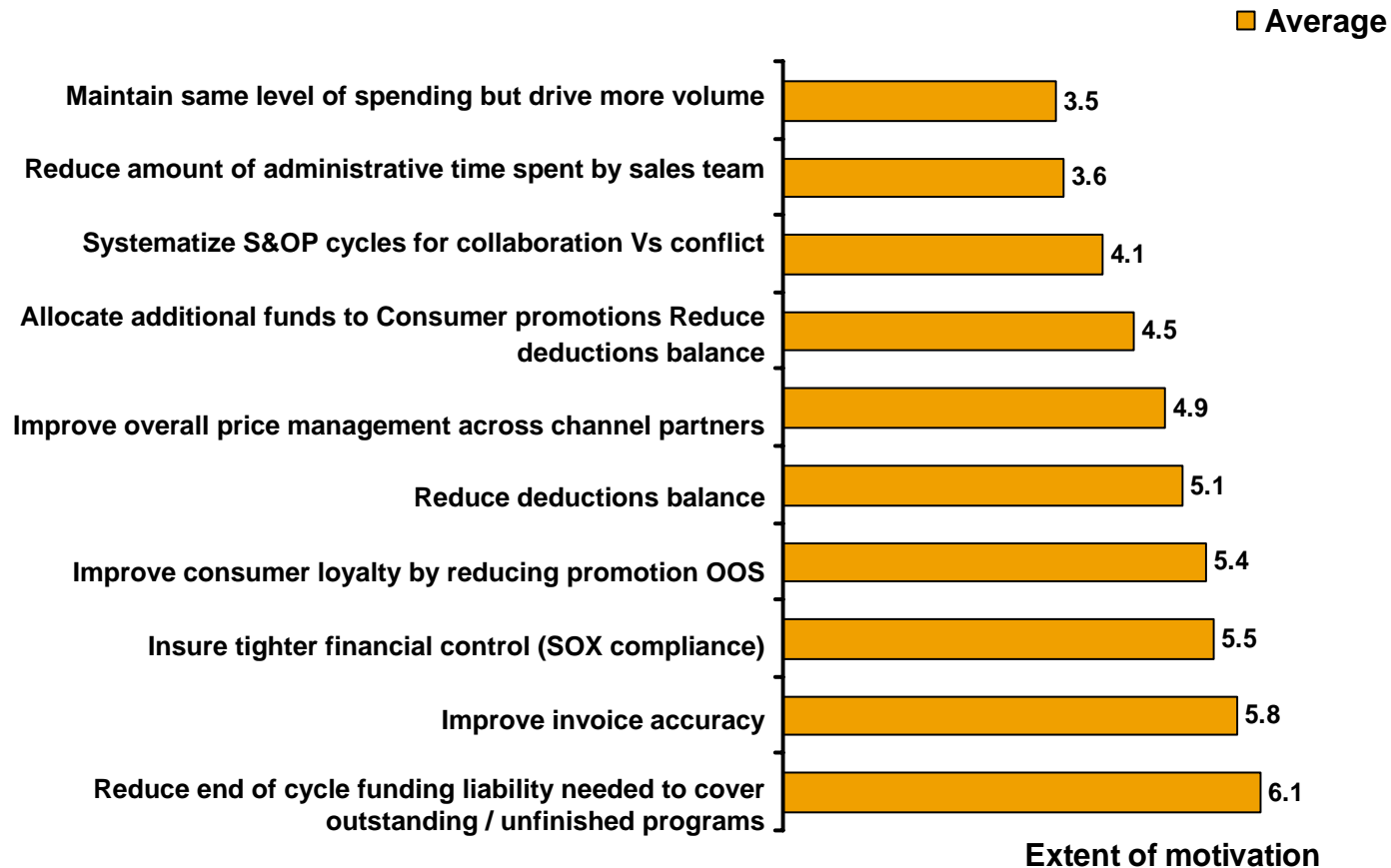


Average ACV – All Commodity Volume performance on Trade promotion execution



1=No Difference; 5=Completely Different

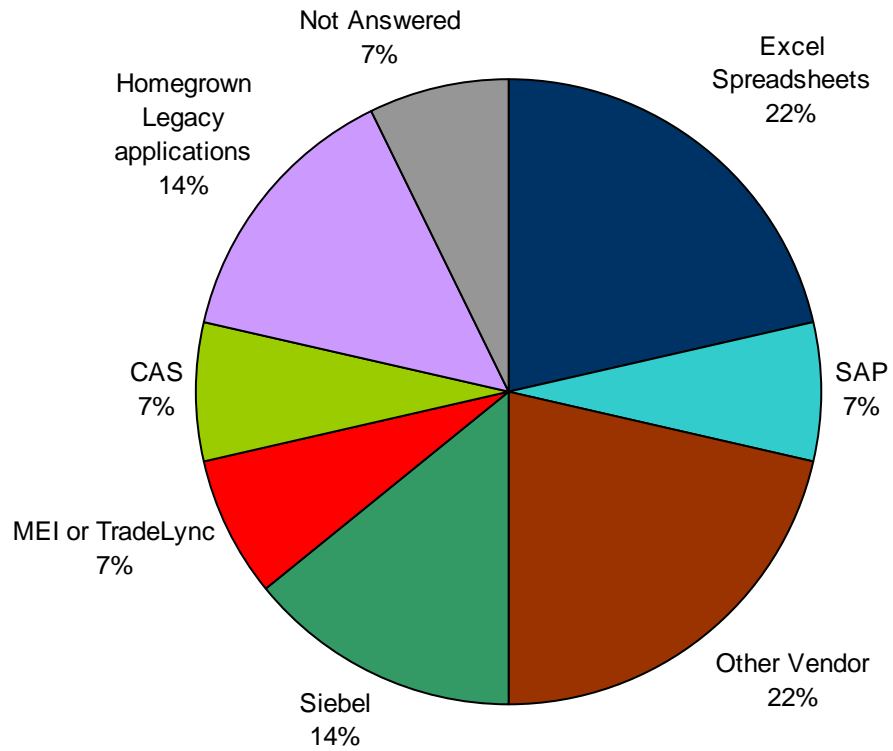
Ranking of Improvement Areas in TPM Processes



1 – Significant motivator 10 – Minimal motivator

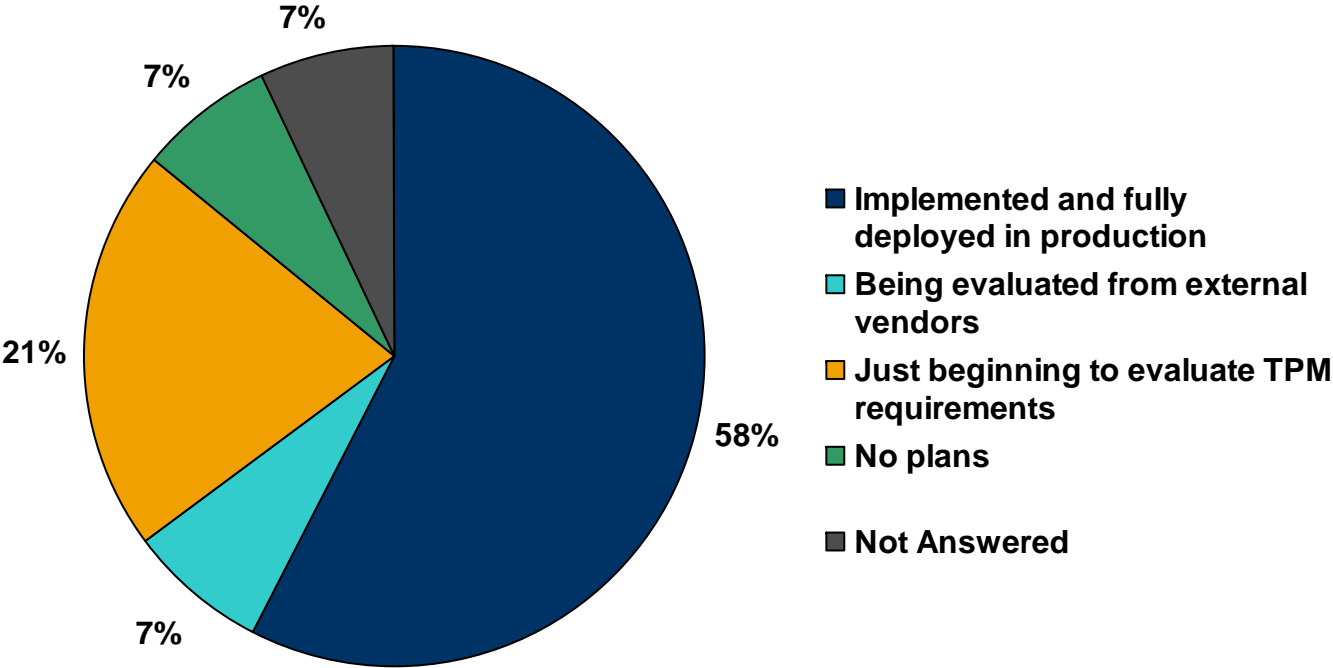
Information Technology

Applications Used To plan and execute Trade Promotion Management



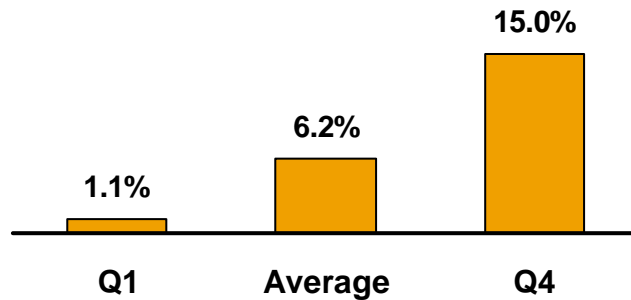
Information Technology

Level of TPM software usage

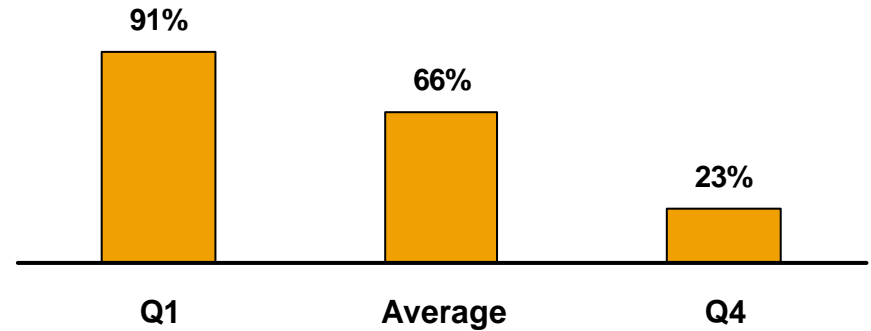


Deduction Balance: A Key Metric for Trade Promotion Management

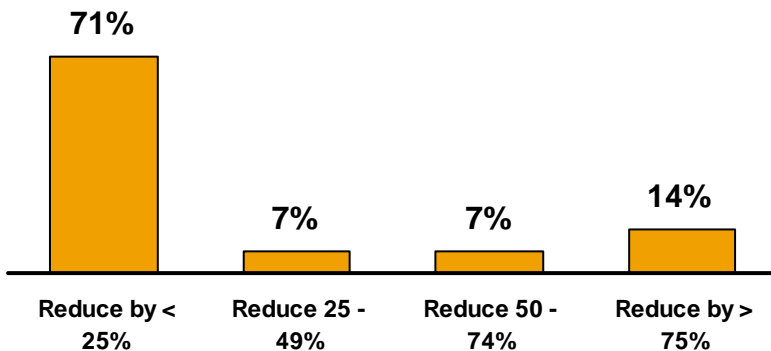
Deduction balance as a percentage of revenue



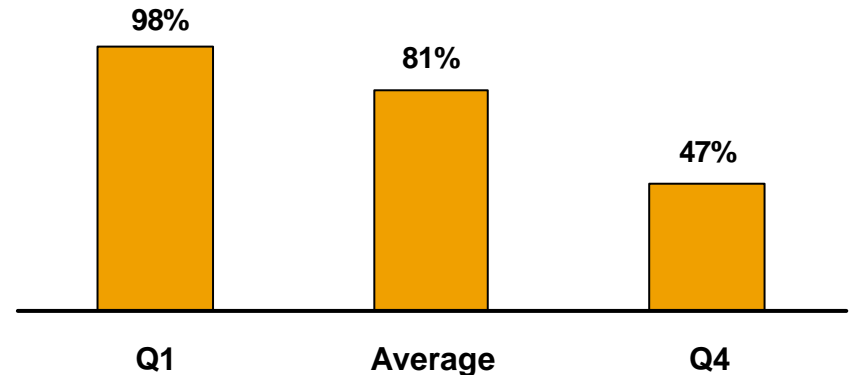
Percentage of Deduction balance caused by sales promotion



Desired reduction in deduction balance



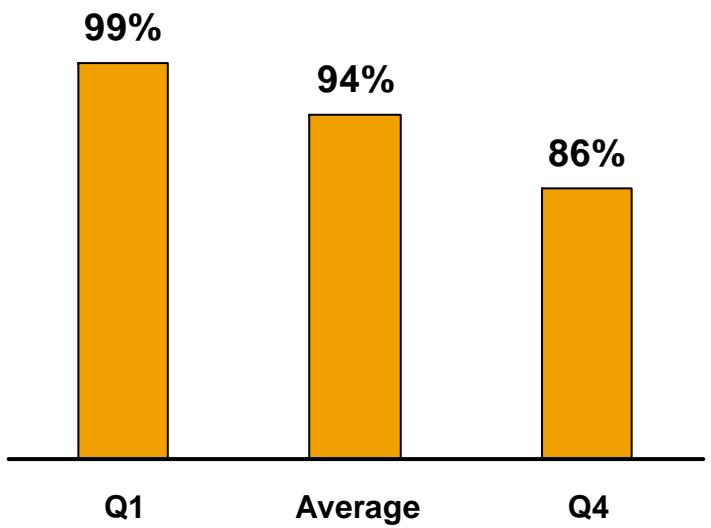
Legitimate Deduction Balance



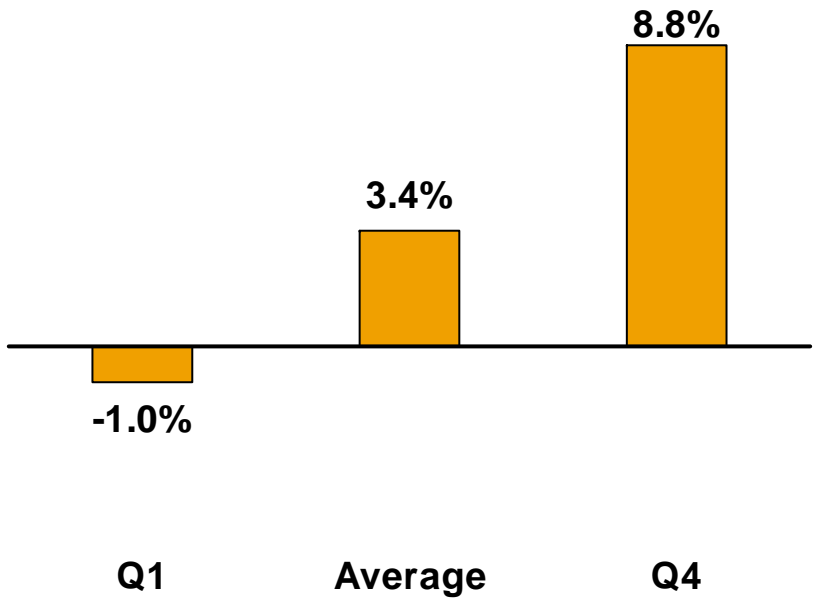
Source: Participant Responses, SAP Analysis

Trade Promotion Efficiency

Invoice accuracy rate



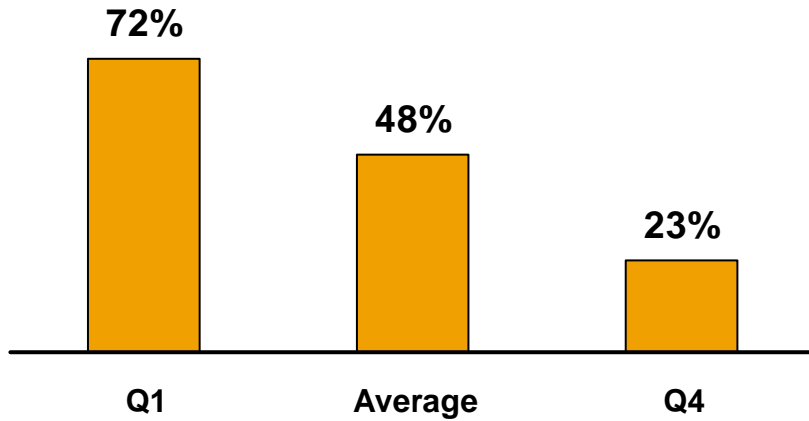
Average Annual fund overspend



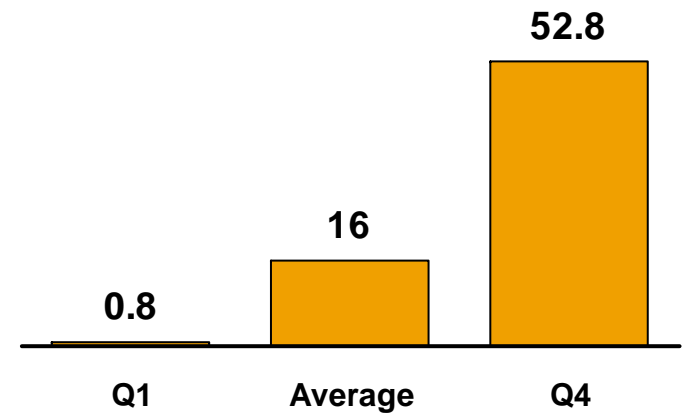
Source: Participant Responses, SAP Analysis

Trade Promotion Metrics

New Product Success Rate

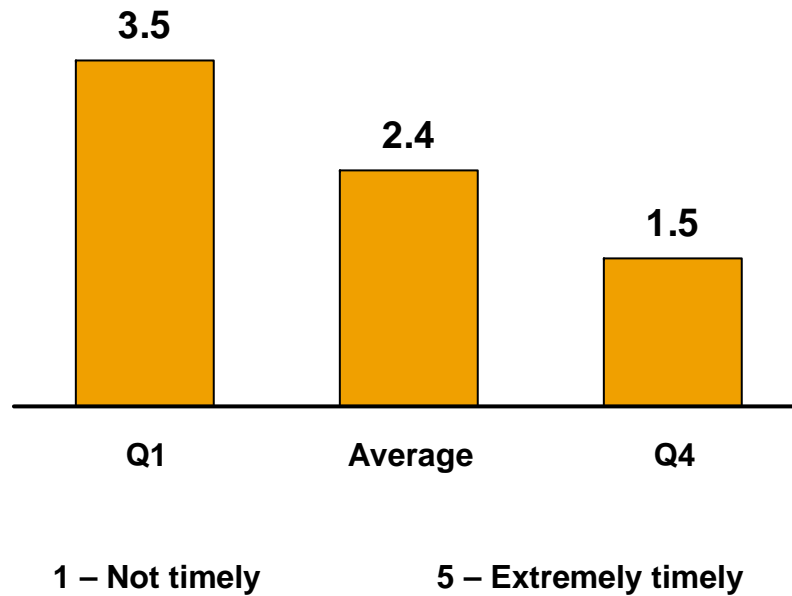


FTEs involved in Trade Promotion Management

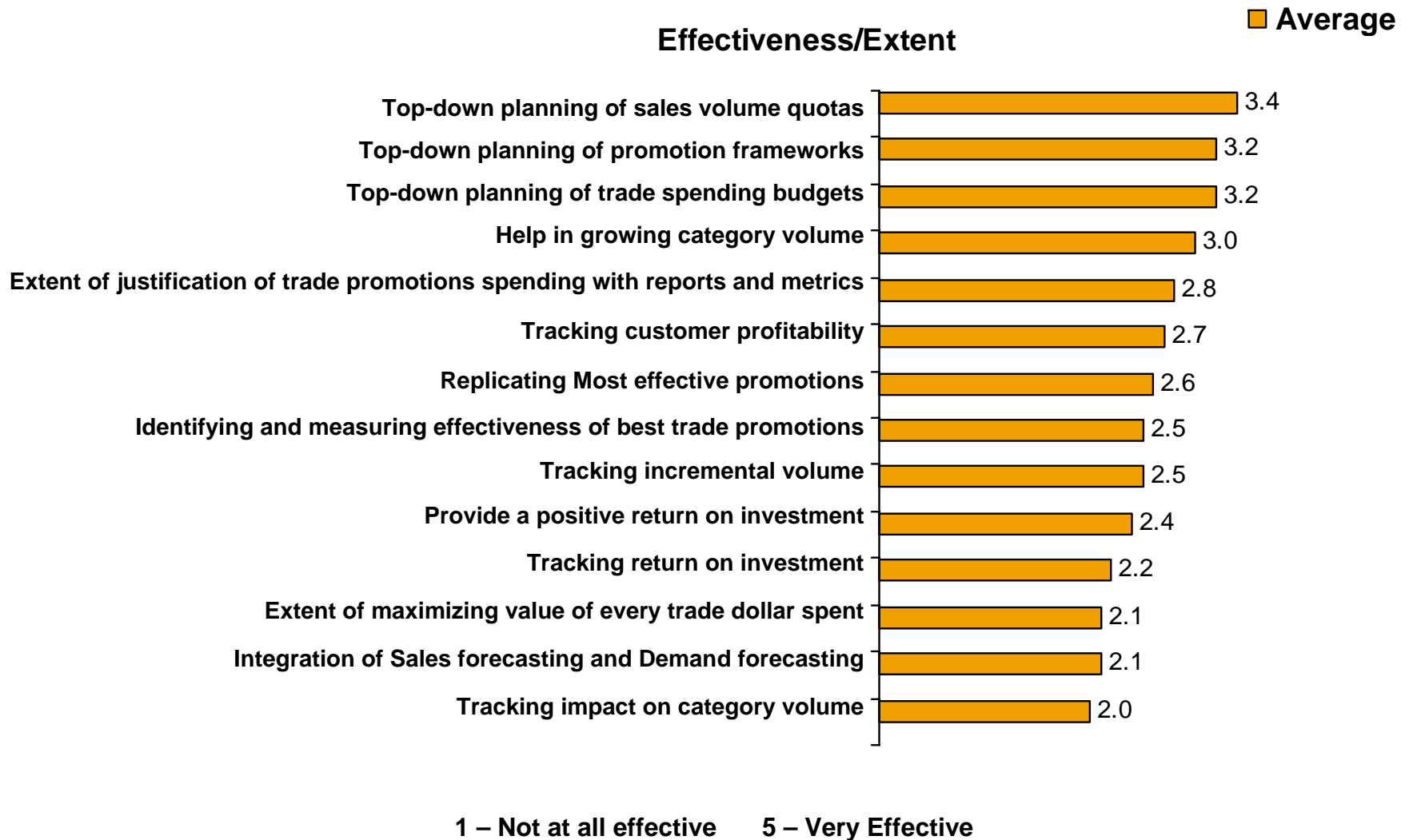


Executing Trade Promotions

Timely insight into trade promotions



Effectiveness of TPM Systems and Processes



Your Balanced Scorecard

■ Worse than Average

■ Between Average and First Quartile

■ First Quartile

Category	Key Performance Indicator	Average	Q1	XYZ
Trade Promotion Effectiveness	% of trade promotions resulting in incremental volumes			
	% of annual trade spend which is productive			
Trade Promotion Efficiency	Gap between days of stock (Target Vs Actual)			
	% OOS Incidence during promotions			
	% overspend / under-spend			
Settlement systems	Invoice accuracy rate			
	% of deduction balance which is legitimate and payable to customer			

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Name	
Position/Title	
Mailing Address	
Phone Number	
E-mail Address	

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