



Consumer Products: Become a Trade Promotion Learning Organization

by Don Lanham, Director - Consumer Products

Complex. Enormous. Repetitive. These are adjectives used to describe trade promotion. And while it accounts for 67% of marketing spend, just 61% of promotions result in incremental volume.¹ How do you turn your trade promotion initiatives into an even more valuable tool for boosting performance? Industry leaders have found that one way is to become a Trade Promotion Learning Organization.

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Peter M. Senge, PhD

But what actually is a Learning Organization? Peter M. Senge, PhD, named Strategist of the Century and one of 24 people who have “had the greatest impact on the way we conduct business today” by the *Journal of Business Strategy*, defines learning organizations to be “...organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together.”²

Transferring that broad definition to trade promotion management (TPM), Trade Promotion Learning Organizations are those that are more flexible and able to act faster than their competitors. They use ideas and information to continuously improve and make better decisions to profitably drive volume and share, while developing, testing and implementing very unique programs for their customers. They have a willingness to try new ideas—a willingness that runs throughout the organization—top to bottom and across the enterprise. The key traits of an organization that is constantly learning are speed and flexibility, but Trade Promotion Learning Organizations also possess a desire to change and improve. President Teddy Roosevelt once said, “The best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing.”

It takes a willingness to try new ideas. The best examples are **inventors**. Imagine a world without Henry Ford; Thomas Edison; Bill Gates; Steve Jobs and Steven Wozniak—founders of Apple Computer and creators of the first personal computer; or Martin Cooper, who, while working at Motorola 35 years ago, made the first call by a portable cellular phone. These professionals had many things in common, but the most obvious was desire to embrace and pursue new ideas.³

Clearly, not all ideas work out. Consider Sun Capital Partners, Inc. (SunCap), the premier turnaround firm in the U.S. The companies owned by SunCap are better known than the firm itself—Friendly’s, Bruegger’s, Lillian Vernon, Boston Market, ShopKo, Wickes Furniture, Sharper Image, and The Limited, to name a few. Comprised of 75 companies and 165,000 employees, they manage approximately \$10 billion in assets and have garnered 40% in annual returns since 1995. SunCap loved to try new things as evidenced by the fact that they purchased, on average, one business every 11 days for the past three years!! But not everything SunCap touched turned to gold. Three of its portfolio companies – Lillian Vernon, Wickes, and Sharper Image – filed for Chapter 11 bankruptcy protection in February 2008.⁴ To learn means you have to be willing to try new things. To succeed means you can’t be afraid to fail. As American philosopher John Dewey once said, “Failure is instructive. A person who really thinks learns as much from his failures as he does from his successes.”

Industry breakthroughs and shortcomings occur daily. Many try new ideas. Some succeed. Some do not. Some Consumer Products (CP) companies, for example, are adept at trying new ideas, learning from them, refining them and rolling out improved designs. Generally, however, you see this in areas other than Sales and Trade Promotions. Sales, Account Management, and Trade Marketing professionals can gain perspectives from their counterparts. On the Supply side, for example, Manufacturing and Operations try new methods of forecasting,

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production scheduling, and promotion pack / special pack handling. The Warehousing teams find new and efficient ways of improving receiving, put-a-way, order picking, loading, SKU rationalization, returns, and damage handling functions. Distribution continually improves delivery schedules, pre-sales methods, and route development. Purchasing / Procurement may implement shared services, PO management, and co-op buying groups to enhance their piece of the business. On the Demand side, Marketing professionals introduce products and packaging innovations and consumer marketing and sponsorship programs to drive loyalty among the consumer base.

So why not try new ideas in the area of Trade Promotions?

A New Approach: The first step in becoming a Trade Promotion Learning Organization is to adjust your approach to creating, developing and scheduling trade promotions. Albert Einstein defined INSANITY as “doing the same thing over and over again and expecting different results.” Many CP companies fall into the trap of running the same trade promotions year after year hoping that a new business benefit will result. In fact, the recent TPMA Benchmarking Study conducted by SAP found that 93% of CP manufacturers repeat their promotions every year. Some repetition is necessary, but not every promotion, down to the package, price and period. The approach should be a highly organized, well thought-out plan of attack filled with new ideas and promotional events.

Collaborate on New Ideas: Ideas can come from many different sources. Collaborate with customers to experience more effective and efficient account planning, to generate better promotions with improved ROI, and drive revenue growth, consumer spending, shopping frequency, and retention. Collaborate with employees and share learnings from your own organization. For example, leading account management methods already exist within your retail account management teams. Leverage these across all of your accounts and divisions by sharing what you learn and implementing new practices throughout your organization. This can also be a huge motivator to the employees within your company. Collaborate with suppliers to drive strategic relationships, partnerships, and improved efficiencies in the Supply side of your organization. For example, in the market today, aluminum can suppliers have partnered with beverage companies to introduce improved container and secondary packaging solutions. Not only has this delivered true consumer benefits, but it has also led to new trade promotion marketing efforts. Always watch, look and listen to what is happening in the marketplace, in stores, with your competitors, in your categories, and in other product categories—you can always learn from the actions of others.

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Gain Support: Support in this effort can come from your peers—you can't impact the big picture at your company alone. Often in my sales management experience, my account managers were typically testing and implementing their own new ideas to improve their businesses. Support in this effort can come from your managers—they must be open to new suggestions and interested in exploring new ways of working, and they must have some level of risk tolerance. Support in this effort can come from willing retail / food service partners. You can also gain support by getting some “wins.” Start small and work with strategic retailers to test many different types of events in a small setting. This will minimize risk while giving you the opportunity to gain real data and insights into different types of promotional events. But understand that gaining real data insights requires the use of solid analytics.

Use Analytics to Hypothesize, Project, and Analyze Actual Results: After determining which ideas / tests to execute, it's critical to project (pre-event) and conduct several “what-if” scenarios to be properly prepared for the analysis of the actual results (post-event) following execution. Hypothesize—that is, have a theory of—what you think will happen based on what you currently know from past experiences. Use historical data from a variety of sources such as shipments, syndicated data, POS data, retailers' consumer loyalty data, and results from previous promotions to create your projections. Use standardized analytic tools, whether homegrown or provided through a technological system, to learn swiftly and act quickly. Most importantly, your tools must be fast, efficient, and common across all divisions—geographic and category. Remember that learning is the key here, so using analytics, understanding / projecting what will happen at execution, and being in a position to review actual real-time results is extremely important.

Test, Monitor and Control: Test your hypothesis against a control. For example, partner with one chain in a small geographic area with a test program, using a different area within the chain as a control. Change the promotional approach in one market and evaluate results versus the base group. Gather results and measure to continually improve your testing. Remember to keep the post-program analysis concise. Too much information bogs down your ability to deliver needed change and to improve on the idea for the next test. Use proven data from small test events, alter / fine-tune the events, and test

them again. After experiencing success, run the promotions in larger and larger areas, first moving to larger geographical regions, then to a regional chain, to a full national chain, then to multiple chains, then across all accounts and channels nationwide. Testing, monitoring, refining and gradually expanding to larger bases of stores assures solid control, provides for constant learning from the tests, and ensures a successful rollout of trade promotions that drive revenue and increase share.

Closed Loop Planning: Create a closed loop planning process where post-event analytics feed the refinement of planned / upcoming test events and lend data to the practice of pre-event analysis. You may have your own steps or model of continuous TPM lifecycles, but if you don't, then you should put them in place, not only for testing new ideas and events, but for ongoing TPM activities. Good TPM practices include standardization, process-orientation, and discipline. Having a closed loop planning process in place enhances these practices.

Hopefully these steps will help you to work to become a Trade Promotion Learning Organization that drives revenue, share growth, spending efficiencies, and enhanced customer relations. Try new ideas. Start small to reduce risk and work your way up to larger regional and national programs. Measure and fine-tune your ideas based on the analysis of results versus your projections. Drive and create new successful trade marketing events. Use these steps to further leverage your industry reputation and category leadership to drive change at accounts and create new, successful events. Base it all on continuous TPM learning you gain from your projections, actual results, and analysis. Learn from your tests and failures and celebrate your wins. Continually improve visibility and increase profitability, applying NEW adjectives to trade promotion in your organization. **Collaborative. Innovative. Impactful.**

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