

# Retailer Trade Collaboration

## A New Way of Working Together to “Win at the Shelf”

Retailer Trade Collaboration from Capgemini is a set of capabilities that enable a consumer products (CP) company to improve the complete cycle of trade promotion management beyond traditional in-house processes.

### The Facts Tell the Story

Consumer products companies have always collaborated with retailers — leveraging phone, fax and more recently, some web-based technologies. But in today’s competitive environment, consumer products companies are going to have to step up their game if they hope to “win at the shelf” and prove their value to their customers and consumers.

Over the past 20 years, spending on promotions has doubled, a trend that is likely to continue (Gartner Research, January 2010). While 30 percent of the budget for a typical consumer products (CP) company goes to trade promotion, our experience suggests that an average return for these dollars is

actually *negative*, ranging from -12% to -19%. Among several industry trends (Figure 1), retailers are reducing product assortments to make way for more private-label products while CPG manufacturers are rapidly developing product line extensions.

No wonder boosting the return on trade investments is the number one priority among consumer products companies (AMR and Consumer Goods Technology Survey, 2009). The time is now to look at Retailer Trade Collaboration as a competitive advantage to drive connectivity to the shelf.



People matter, results count.

## Imagine a Better Way of Collaborating

Here's what CP companies working together with retailers should look like:

- In the CP company, marketing strategists use CPG analytics — especially real-time, retailer POS data and financial metrics — to plan retailer-specific trade promotions. With integrated systems, they share their plans with supply chain stakeholders such as demand planning, inventory management, production planning, S&OP and distribution.
- Sales teams work with retailer merchandising teams and store managers to execute the promotions. Connected to the CP company's ERP system through mobile RF devices, account managers perform store audits to make sure the right product is in right place, in the right amounts, at the right price.
- Through a better understanding of the consumer, a collaborative relationship with the retailer, and rapid-response execution, the CP company increases incremental sales significantly, thereby providing a value-added service to its customers.

Retailer Trade Collaboration from Capgemini is part of Demand Driven Enterprise Management in which consumer purchasing behavior touches every part of the business (Figure 2).

In the future state, the contributions of every function (Corporate Strategy, Marketing, Sales, Supply Chain Planning, Production, Distribution, Finance, Customer Relationship Management) are aligned, integrated and shaped by a real-time understanding of what shoppers want.

Until now, the coordination, communication, and cooperation required for Retailer Trade Collaboration have been difficult to achieve. But advances in two areas — CP analytics and mobile technology — are finally

putting true collaboration within reach by 1) enabling the CP company to get closer to both consumers and customers and 2) empowering everyone in the go-to-market process with an instant, effective connection for information sharing.

## Retailer Trade Collaboration Is an End-to-end Solution for Better ROI

Let's take a closer look at the four components of Retailer Trade Collaboration.

### Trade Promotion Optimization: Improve Sales Planning Accuracy

While the overall objective of trade promotion management is to maximize revenue and improve spending efficiency, trade promotion optimization is focused specifically on improving lift by using real-time data — including consumer demographics, purchasing behaviors, point-of-sale transactions, and syndicated research — to improve forecasting. Better forecasting means more accurate sales planning which leads to a measurable increase in incremental sales. A lift in sales means a greater return on

trade promotion investments specifically and a better return on assets generally.

The majority of CP manufacturers and retailers include forecast accuracy and demand variability at the top of their lists of obstacles preventing their achievement of supply chain management goals. Retailer Trade Collaboration knocks down these obstacles in two ways:

First, Retailer Trade Collaboration includes statistical modeling that provides the insights needed to do a better job balancing the trade-offs in trade promotions, including discount, price, time frame, product mix, and in-store placement. The analysis is performed at the right level — that is, by customer and deal, by store and week — and in this way, the analysis enables appropriate tactical actions, such as the elimination or curtailing of unsuccessful events or the improvement of future events. At the same time, a greater understanding of how and why consumers respond to different

**Figure 1: A Sampling of Industry Dynamics that Make the Case for Retailer Trade Collaboration.**



attributes within a promotion allows for improved event design in the future.

Second, Retailer Trade Collaboration integrates core trade promotion management activities (planning, execution, and tracking) with retail execution through a merchandizing audit, a retail audit, and a retail assessment. Today’s typical ROI analyses skew both the cost and revenue variables. With Retailer Trade Collaboration, hidden costs are exposed, and the CP company sees the total event cost and true event lift.

**Demand Synchronization: Leverage Business Intelligence for Timely Decisions to Increase Profitability and Optimize the Use of Working Capital**

Demand synchronization includes two components: the cross-functional alignment of sales, marketing, finance, and supply chain; and the implementation of flexible processes and a sustainable operating platform to enable the use of near real-time customer data.

How does this work? The CP company taps into retailer POS data, gaining an accurate and near real-time view of trends at the store and on the shelf. POS data enables more informed and accurate analytics throughout the organization:

- Account teams use POS data to analyze past promotions, determine the lift in sales from features such as discounting or advertising, and develop the most effective promotional plans for the future.
- Marketing uses POS data to see sales growth or decline, the impact of trade promotions, category performance, market share, and product competition.
- Forecasters use POS data to understand trends, identify true outliers, gain access to more real-time information, and reduce bias.

By sharing POS data, CP companies can develop trade promotions that truly respond to retailers’ merchandising strategies and actual consumer behavior. By tracking projected versus actual

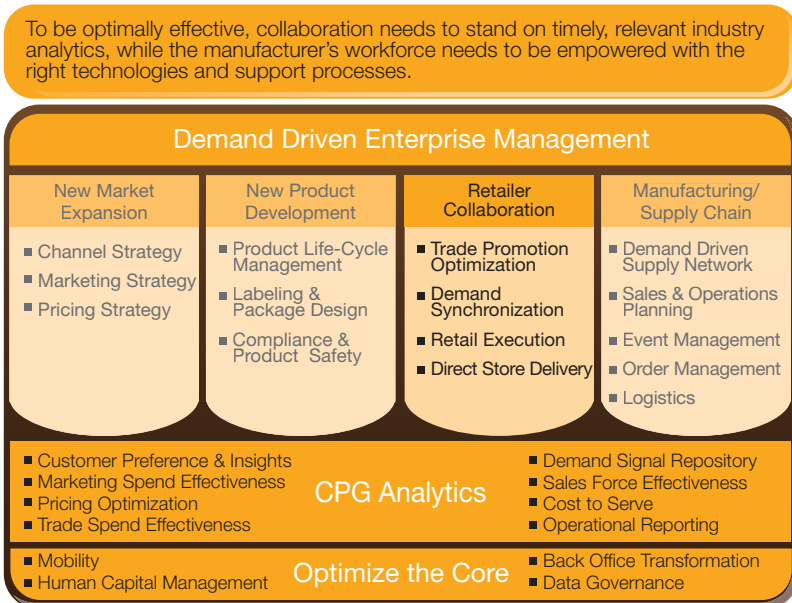
volumes and revenues, the CP company can react quickly and appropriately to deviations from the plan.

**Retail Execution: Communicate and Validate Promotional Activities**

Retailer Trade Collaboration enables CP companies to create cost-efficient trade promotion programs and track execution and performance to the store levels for two reasons: 1) to see that all the elements within the promotion add value and 2) to adjust the promotion quickly in response to variability in demand. Finally, a “pull” supply chain can be realized retailer-by-retailer, store-by-store, and promotion-by-promotion.

CP companies and retailers can also share data on overall product inventory levels at the store, desired customer service levels, and supporting safety stock inventory policies. Better supply chain visibility — all the time, not just during special promotions — enables the CP company to act in concert with the retailer to identify and prioritize the different types of demand signals and deploy assets efficiently and effectively.

**Figure 2: Retailer Collaboration is Part of a Larger “Ideal State”: the Demand-Driven Enterprise.**



**Direct Store Delivery: React Real-time to Increase Incremental Sales**

Retailer Trade Collaboration includes real-time in-store audits to make sure the products are in the right place, in the right amounts, at the right prices. If product replenishment is necessary, it can happen right then-and-there, since the account team is connected to distribution and direct store delivery via mobile devices.

By enabling a mobile environment, Retailer Trade Collaboration empowers the account teams to improve promotion performance, speed up response time, increase productivity, improve asset utilization, and reduce costs.

### Capgemini is Delivering Retailer Trade Collaboration

With decades of service within the industry, we have the people, processes, and technology to build Retailer Trade Collaboration in CP companies, large or small.

#### People: Industry-Leading Experience

Our global network of CP practitioners includes industry veterans and leaders with a solid and broad success track record of transformation innovation in the areas of trade strategy, sales operations, and retail execution. Deep technical expertise in Retailer Trade Collaboration, coupled with actively developing leading practices in the area of trade promotion optimization, make us particularly relevant to the industry's top-of-mind issues.

#### Processes: Better, Faster, Cheaper

We've developed best-practices frameworks and specific process templates that cover capabilities development, organizational integration, process transformation, and user adoption. Our implementation models — both functional straw models and capability maturity models — reduce overall development time, effort, and cost.

### Technology: Proven Results in the Real World

Capgemini is respected around the world for IT leadership and for our practical application of advanced technologies to solve complex business problems. Capgemini is a major force in systems integration and is a thought leader in architectural issues, such as SOA. Capgemini can design, build, integrate and run and is widely known for its transformational capabilities.

Consider these Capgemini advantages:

- Proven accelerators that reduce process model development effort, introduce industry leading practices, make the future-state vision more effective, and facilitate decision making on difficult strategic issues.
- A global delivery model, CRESCENT (Consumer Products & Retail Solutions Center, an offshore-based centre of excellence), that leverages template-driven solutions and best practices developed from working in the industry. CRESCENT means faster project startup and quicker return on investment.
- Experience designing, developing, and deploying mobile and automated data collection solutions for clients around the world. We're partnering with manufacturers of mobile devices, bar code printers, and wireless networks to deliver to our clients a single source for hardware, software, and services.



### About Capgemini

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience.™ The Group relies on its global delivery model called Rightshore,® which aims to get the right balance of the best talent from multiple locations,

working as one team to create and deliver the optimum solution for clients. Present in 40 countries, Capgemini reported 2010 global revenues of EUR 8.7 billion (approximately USD \$11.5 billion) and employs over 110,000 people worldwide.

More information is available at

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