

COGNOS TRADE PROMOTION MANAGEMENT PERFORMANCE BLUEPRINT



HOW EFFECTIVE
ARE YOUR
PROMOTIONS?

COGNOS[®]

THE NEXT LEVEL OF PERFORMANCE[™]

Trade promotion spending—monies paid by a manufacturer to a retailer in return for product promotion and merchandising—has become an enormous expense category for manufacturers. For many, it is the second largest expense behind cost of goods sold (COGS) and often equals as much as 10–20 percent of revenue. And what do manufacturers get in return for this investment? In many cases, they don't know!

Manufacturers struggle to understand the effectiveness of their trade promotions for a variety of reasons, including limited access to the right information, functional and informational silos that make collaboration difficult, poor processes for monitoring sales lift driven by trade promotions, and an inability to compare the sales and financial implications of multiple promotions.

The *Cognos Trade Promotion Management (TPM) Performance Blueprint* provides a performance management framework—including planning, metrics, and reporting—that enables manufacturers to optimize trade promotion effectiveness and ROI. The *Blueprint* lets brand managers and sales executives evaluate multiple scenarios and plan the mix of promotional activity that will yield the greatest return on their investment. They can monitor how a given promotion is performing and course mid-stream if necessary. And they can analyze and evaluate trade promotions effectiveness, then apply lessons learned from one cycle to future planning.

A COMPLICATED, UNCOORDINATED PROCESS

The TPM process has become ever more complex as manufacturing companies grow, customers become more demanding, and competitive pressures increase. Once fairly

straightforward, TPM now includes multiple pools of money—some funds allocated to corporate brand promotion and other funds allocated to specific retailers, with the complication of category- and product-specific funds. These funds are split between numerous promotions such as product slotting fees, circulars, rebates, market development funds, and performance allowances, among others. Add payment and invoice complications, third-party benchmarks, and retailer point-of-sale data, and—over time—a manufacturer must juggle an enormous amount of information and manage an incredibly complex process.

Promotion results reflect the difficulty of managing the TPM process. By many estimates, only 30 percent of promotions are profitable. This modest success rate, of course, assumes that manufacturers actually know how profitable their promotions are. Many do not. Spending a large percentage of revenue on promotions, manufacturers must find a way to improve the process and return on their TPM investment.

SPREADSHEETS MAKE THINGS WORSE

With the growing complexity of TPM, many manufacturers have turned to a tool they know and trust—the spreadsheet. While spreadsheets may have served as a passable short-term fix at the departmental level, the widespread use of spreadsheets has effectively sabotaged successful implementation of a consolidated, coordinated planning process. Spreadsheets exist as pockets of information, typically using local assumptions and leveraging data that is not only isolated in a silo, but which may not even be up to date. Spreadsheets are almost always disconnected from one another, and cannot scale to meet the needs of a large (or even mid-sized) organization.

Many organizations treat promotional planning as a mere budgeting exercise, making sure that sufficient funds are allocated for promotional spend. Though ensuring an investment in market development, it does not guarantee effective promotional investment.

Management at most companies cannot hope to drive optimal performance or to assess trade-offs vital to ensuring the right mix of promotions without a more sophisticated, coordinated approach to trade promotion management.

THE COGNOS PERFORMANCE MANAGEMENT SOLUTION

The *Cognos Trade Promotion Management Performance Blueprint* is comprised of Cognos planning and business intelligence products.

Cognos 8 Planning is a Web-based, high-participation solution for modeling, planning, budgeting, and forecasting in manufacturing companies. It lets management define the process, models, and content required, and then distribute pre-populated, Web-based templates to data contributors across all departments in the company. Contributors supply required information, leveraging views that are specific to their job area. Cognos 8 Planning helps companies achieve consistent operating performance through highly collaborative, real-time planning.

By integrating with Cognos 8 Business Intelligence capabilities, the *Blueprint* gives users the power to publish reports and conduct analysis based on critical information such as product sales, past promotion effectiveness, promotion costs, projected revenue lift, new product introduction, and promotion ROI, among others.

Using the Web, Cognos 8 Planning collects more information from more people more often. As a result, up-to-date intelligence is available when needed, allowing more time for analysis and better-informed, more effective decision-making.

PERFORMANCE BLUEPRINT: TRADE PROMOTION MANAGEMENT

With the *Cognos Trade Promotion Management Performance Blueprint*, manufacturers can evaluate promotion options based on financial impact, monitor promotion results, and analyze across promotions to optimize return on their trade promotion investments. The use of a single, integrated solution ensures that all departments—such as sales, marketing, category management, and production—are aligned with one another. The *Blueprint* extends the planning process beyond finance to sales and marketing management—the people at the corporate, regional, or district level that are accountable for performance.

Cognos Performance Blueprints are pre-configured solution building blocks that allow companies to jump-start performance management implementations. The *Trade Promotion Management Performance Blueprint* helps manufacturers optimize their promotion mix to generate the greatest sales uplift in the context of a coordinated business process that allows performance to be managed at all levels, offering a single view of reality. Going well beyond the capabilities of a spreadsheet-based system, the *Blueprint* provides simplified and streamlined planning, forecasting, analysis, and reporting functionality. The *Trade Promotion Management Performance Blueprint*

- Allows promotion modeling of multiple brands, categories, and products across multiple retail customers.

- Enables planning of corporate, as well as customer-specific promotions.
- Helps plan the mix across all types of promotions, such as slotting, market development, coupons, rebates, or circular placements.
- Considers sales volume, discounts, and promotions to drive revenue and demand volume plans.
- Provides reporting and analysis at enterprise, category, brand, regional, product, customer, and promotion levels.
- Delivers ROI for promotion activities, allowing manufacturers to optimize TPM performance.

The *Trade Promotion Management Performance Blueprint* integrates the planning process between primary areas—finance, sales, and marketing—to ensure all departments are working in concert to optimize promotion profitability. The rapid plan consolidation streamlines planning cycles and allows companies to move to forecasts and promotional plans better suited to the dynamic nature of manufacturing. Timely re-forecasting allows companies to adjust to external factors such as business or supply chain disruption, consumer demand, competition, or economic change.

DRIVE BETTER PERFORMANCE THROUGH PLANNING, ANALYSIS AND REPORTING

The *Cognos Trade Promotion Management Performance Blueprint* uses a sophisticated, bi-directional calculation engine for forecasting demand, planning promotional lift, and evaluating the financial impact of promotional decisions. It uses the Web to enhance data collection and performance

measurement, and makes it easier to do what's most important—plan for higher return on a manufacturer's promotions investment. And the *Blueprint* provides access to powerful reporting and administration tools designed for all levels of users.

High IT Value. At the back end, the Cognos 8 Planning uses common technology standards. At the front end, its network-friendly architecture minimizes network traffic, while its choice of Web or Excel interface means easy deployment and maintenance with minimal end-user training.

PLANNING PREREQUISITES

Scalability. The *Cognos Trade Promotion Management Performance Blueprint* fits manufacturers of any size. Its Web-based design and attention to bandwidth economy make rolling it out to thousands of sales, marketing, and brand management people as easy as rolling it out to a hundred.

Flexibility. A company shouldn't change its structure to fit someone else's off-the-shelf system. The *Cognos Trade Promotion Management Performance Blueprint* is flexible enough to fit any business. Companies of all sizes use Cognos solutions for planning, business intelligence, scorecards, and dashboards.

Compatibility. The *Cognos Trade Promotion Management Performance Blueprint* capitalizes on existing technology investments and extends the value of in-place transactional systems. It also shares information with other solutions and readily accommodates future growth.

Web-based promotions planning. Cognos 8 Planning helps companies plan, manage, and control promotion resources efficiently and cost-effectively.

Easy data access and manipulation. The centralized database and powerful calculation engine in Cognos 8 Planning are designed to support rigorous analysis, consolidating multiple data sources—including point-of-sale and syndicated data—into one TPM environment and providing users with the data that they require.

Powerful reporting and analysis. Cognos 8 Planning offers seamless access to data from multiple sources, facilitating reporting, analysis, and scorecarding to monitor financial and promotion performance and improve decision-making.

ABOUT COGNOS

Cognos is the performance management leader in manufacturing, with thousands of customers including 19 of the top 20 CPG manufactures, nine of the top ten high-tech companies, and all of the top ten automakers. Cognos products are used to address a variety of initiatives, including improving profitability, improving sales and operational performance, marketing effectiveness, and supply chain optimization.

Cognos is the world leader in business intelligence and enterprise planning software. Our solutions for performance management let organizations drive performance with planning, budgeting, and consolidation; monitor performance with scorecarding; and understand performance with business intelligence reporting and analysis. Cognos is the only vendor to support all of these key management activities in a complete, integrated solution. Founded in 1969, Cognos now serves more than 23,000 customers in over 135 countries.



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