



# Trade Promotion Management and Optimisation

## For Margin, Volume, and Category Growth

### Background

**Do you know which of your promotions are making money and which are losing it?**

For many consumer goods companies, trade promotions are the second-largest item on the P&L behind cost of goods sold. Trade spending has tripled globally during the past two decades, and some experts predict it will soon reach 40% of annual sales and exceed the cost of goods sold for many companies.

In this high-stakes environment, few companies understand what they get in return for their promotional spend and how to optimise the outcome. Many businesses recognise the need to improve their trade management and increase ROI on promotional activities to stay competitive.

Adding to the complexity is the widespread use of home-grown spreadsheets and manual manipulation of data, making it difficult (if not impossible) to optimise promotional plans in a way that maximises category growth and product profitability.

Understandably, the common practice is to take last year's plan and tweak it without identifying ways to improve or optimise, and at times trying to force last year's plan to solve new problems.



**In the highly competitive CPG/FMCG space, there is an urgent need to grow revenue by improving trade promotion management and increasing trade spend ROI.**

### Solution

To address the inefficiencies, many companies turn to software to digitalise their workflows and optimise their promotions. There are two main components to that process, and (despite many vendor's claims) they are not the same, and are rarely provided by the same software:

- **Trade Promotion Management (TPM) systems**
- **Trade Promotion Optimisation (TPO) systems**

For companies wanting to replace the home-grown spreadsheets and automate the labour-intensive processes for data loading and handling, customer planning and budgeting, TPM is usually the starting point.

TPM systems are used by a broad range of users for the transactional workflows associated with planning, managing (funding, budgeting, and reconciling promotions), monitoring, and reporting on the performance of promotional activities in a more streamlined manner.

### Use Case

Complexica's TPM/TPO system enables scenario planning and promotional plan execution that unlock commercial growth.



### End-to-end TPM/TPO functionality

Complexica's TPO can be deployed alongside our TPM or as a "bolt-on" to third-party TPM systems.

Our system enables real-time analytics and management of all trade spend investments, including contracts across all channels.

The end-to-end functionality addresses the increasing market demand for a robust TPM solution with a sophisticated TPO functionality.



## Why invest in trade optimisation?

- Improved returns from optimised promotional plans
- Increased profit margins and sales contribution
- Stronger supplier-retailer relationship

Trade promotions have the best potential to increase sales when supported by **data-driven strategies**. An IDG survey showed some large global manufacturers making a move beyond the basic trade promotion management tools towards achieving trade promotion optimisation (TPO), defined as the ability to run what-if scenarios when planning promotional campaigns was “now one of the strongest desires among larger companies.”

Complexica’s Trade Promotion Optimisation (TPO) system is a sophisticated application leveraging AI to provide advanced analytics (e.g. advanced price elasticity and cannibalisation modelling capabilities). Our AI-augmented TPO enables users to automate the exploration of a large number of what-if scenarios, and run optimisation algorithms across those promotional programs, whilst considering various constraints and objectives (e.g. trading terms constraints, market share objectives, promotional guardrails, supplier constraints, category growth objectives, etc.)

To perform its optimisation workflow, Complexica’s TPO system extracts data (both transactional and promotional data such as slotting boards and promotion attributes and mechanics) from TPM applications and then pushes back optimised promotion plans that deliver enhanced business results in keeping with the defined guidelines.

## Benefits

Each business function involved in revenue growth will enjoy the benefits of optimised promotion programs:

Key Account Manager	Foster stronger partnerships with retailers through sophisticated joint business planning and improved financial results for both supplier and retailer
Category Manager	Leverage actionable insights and real-time reporting to accelerate category growth and new product development
Demand Planner	Optimise supply chain processes due to more accurate promotional forecasts
Sales Director	Achieve sales targets by executing optimal promotional programs
Revenue Growth Manager	Define growth drivers, create optimised promotional guardrails and accurately create trade spend projections
CFO	Better assess, control and determine ROI on trade investment

## Use Case

Complexica’s TPM/TPO system helps businesses increase sales with data-driven strategies.



## Optimise trade spend by leveraging AI to improve:

- volume forecast
- trade spend projection
- SKU profitability
- category growth

# Results



## Efficient supply chain

Automated and modelled baselines can increase the accuracy of sales, volume and inventory demand.



## Faster decision making

The system enables users to manage overlapping promotional components resulting in a faster decision-making process.



## Stronger partnerships

Optimised retailer-specific promotional plans and predictive analytics will provide improved financial results for both supplier and retailer.



## Data-driven planning

The system enables the business to determine lift factor and price elasticities for optimised promotions.



## Cost savings

Effort and time required to build promotional plans are significantly reduced by replacing home-grown spreadsheets with a centralised multi-user system.

## How AI can add value to trade promotions:

- Identify best promotions with the highest ROI
- Determine accurate promotional lift and price elasticities
- Track the impact of each change on the outcome of promotions
- Provides what-if simulation for scenario automation to improve decision making
- Produce predictive analytics to demonstrate the financial impact and to inform decisions

