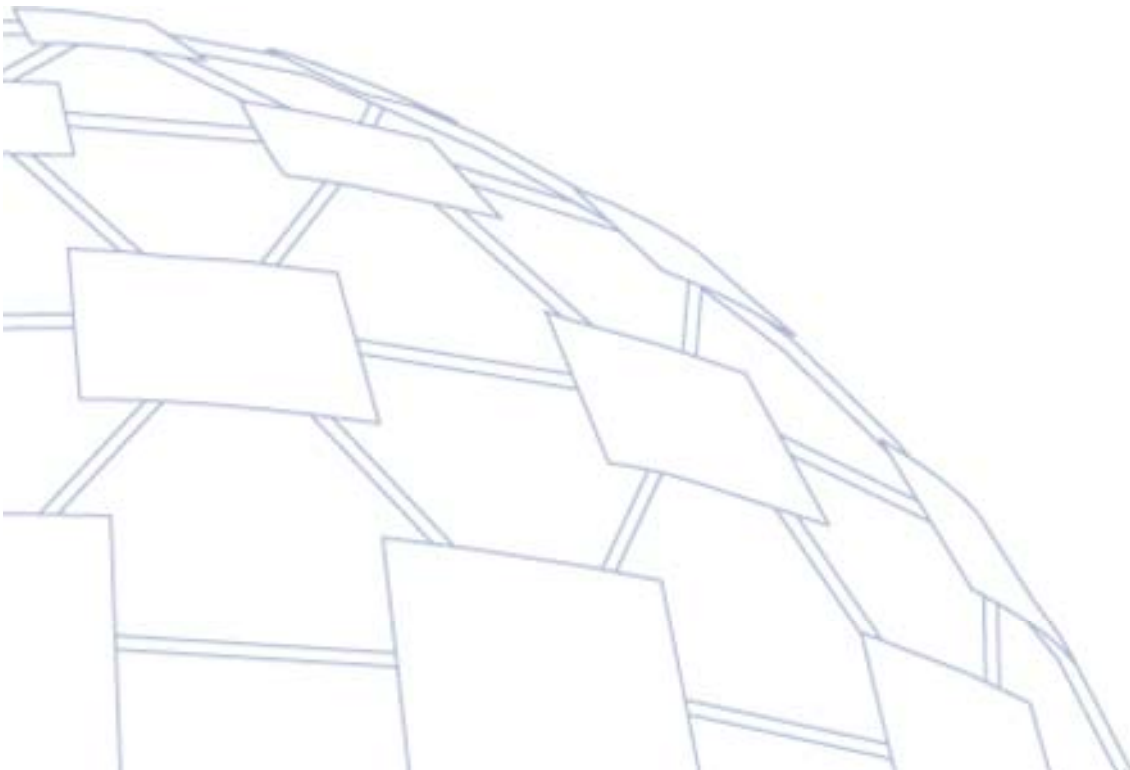


DemandTec White Paper

Where Does DemandTec Fit?
A Trade Planning Systems and Process Brief

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Introduction

Developing the right trade planning and optimization strategy can be confounding for today's manufacturers. Systems don't talk to one another, internal teams prefer doing things the same old way, and plans don't necessarily reflect what the consumer wants. As retail customer and consumer demands increase, manufacturers have started to rethink their approach to trade planning altogether. With the introduction of trade promotion optimization (TPO) in recent years, best practices have evolved with how these services interact with established processes and legacy systems.

The typical trade planning process includes four basic phases:

Plan → Collaborate → Execute → Reconcile & Measure



This brief paper will focus on the Plan and Collaborate phases, and outline how DemandTec fills two significant holes in the end-to-end promotion management cycle: Predictive analytics and a direct connection to the retail customer.

Generally speaking, every large consumer products manufacturer manages trade promotions using some version of the four phased process outlined above. In the Plan phase, funds are typically assigned annually or quarterly at an aggregate level and then filter into an allocation sequence, where budgets are divided by geography, retail customer or brand. This “Top Down” allocation process typically takes place in an Excel spreadsheet, and in some cases directly in the trade promotion management (TPM) tool.

The primary function of the TPM tool from this point forward is to track the budget against every planned promotion, essentially serving as a checkbook for monitoring available funds. It is important to note that without the integration of actual promotion results in the TPM system, checkbook balances are limited to what was planned vs. what was ultimately executed. In most cases the TPM tool interfaces directly with financial planning, legacy ERP and supply chain planning systems to provide an update for reporting and control purposes.



Once the allocation task is complete, the real work of defining “Bottom Up” promotion scenarios and building category plans takes place. A recent Booz Allen / DemandTec / Trade Promotion Management Associates survey suggests that 72% of manufacturers plan promotions in an Excel spreadsheet – not in a TPM tool. In short, this is due to TPM tools lacking deep analytical and predictive capabilities to effectively plan promotions and build category plans. It is important to note here that a TPM tool alone provides visibility into plans, but those plans don’t necessarily work, and the tool doesn’t prescribe how to build better plans.

Trade Promotion Optimization systems directly address the need for predictive modeling and category plan development. From a process perspective, the TPO system can work along side a TPM tool, or be used as a standalone service. If integrated to a TPM tool, data should flow two ways from the TPO system to the TPM tool, and vice versa. Plans can originate in the optimization tool, be predicted and added to a category plan and then can update the TPM tool. Conversely, historical trade promotions can originate in the TPM tool and can populate the TPO system to serve as a baseline from which to optimize next year’s plan.



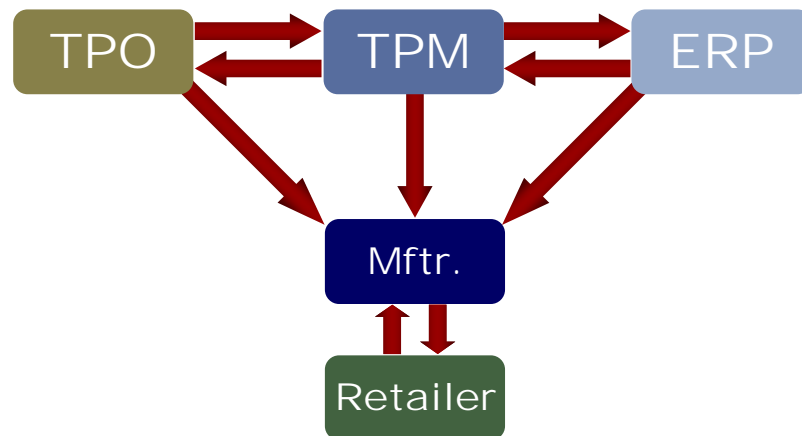
The Collaborate phase supports the tasks of negotiating, selling-in and processing defined deals with the retail customer. Traditionally, these tasks are accomplished through in-person meetings augmented by phone / fax / email delivery of deal sheets. Online deal management (generally a retailer-driven initiative) provides a web-based deal entry, submission and negotiation interface for all manufacturers. More advanced retail initiatives take online deal management to the next logical level by introducing category and retailer profitability metrics, so that all submitted deals can be created and compared on a consistent basis. From a systems perspective, this physical connection from manufacturer to retailer leveraging a common set of demand data provides the only viable means for true data-driven collaboration.



The enabler in an efficient TPO / TPM data integration are systems built on a service-oriented architecture (SOA), which allows different applications to exchange data and participate in business processes. Parsing an application into component services also allows the TPO system to co-exist with other externally-facing work flows, including deal management, retail execution, price optimization and other customer-facing collaborative processes. For these reasons, it is critical to identify a trade optimization service built on an SOA platform that provides efficient data sharing capability with a variety of internal and customer-facing processes.

In Summary

Trade optimization and online deal management are becoming standard services that are embedded into the end-to-end trade planning process. The key benefits of these services are better predictive modeling and a direct link to the retail customer. From an integration perspective TPO can exist independently, serving as an analytical tool with which to build customer-facing category plans, or can sit side-by-side with TPM and other legacy systems where data is exchanged bilaterally. Choosing a TPO service that is built on a service-oriented architecture allows for two-way data sharing with complementary applications. Online deal management functionality provides the necessary “last mile” connection to the customer, so deals can be negotiated and processed efficiently. Advanced deal management offers the added benefit of a single analytic platform where manufacturers can leverage retailer data to support true “apples to apples” deal development.



Systems & Processes to Support End-to-End Promotion Management

- Funds allocation process aligned with downstream activities
- Trade planning (TPM) and checkbook functionality
- Trade promotion optimization (TPO)
- Collaborative deal management, negotiation and archiving

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