PROMOTION OPTIMIZATION INSTITUTE

The POI 2016-2017 TPx and Retail Execution Report

The State of TPx and Retail Execution for Global Consumer Goods and Retail

Introduction

As with our previous survey(s), the 2017 Promotion Optimization Institute (POI) TPx and Retail Execution Benchmarking Survey continued to focus on the intersection of the people, processes, and technologies required to be a suitable collaboration partner in the promotion and distribution of consumer products. This report utilizes the data and insights from the 2017 survey to discuss where consumer goods manufacturers are succeeding and struggling. We also incorporate longitudinal data, which looks at how the benchmarking changes over time. To take a deeper look into capabilities and vendor offerings, see the POI vendor panoramas for both TPx and Retail Execution at poinstitute.com/about/poi-publications/.

Summary

The POI's survey probes various dimensions within two separate but related capabilities: trade promotion management (particularly, how manufacturers sell at the headquarters level of retailers) and Retail Execution (which focuses on selling and executing programs at the individual store level). At a high level, the survey found that:

- Satisfaction around the ability to manage trade promotions and to execute at retail has declined and now stands at 14% and 19%, respectively.
- Retailers, as evaluated by manufacturers, have declined in key collaborative measures: data quality, data access, and store access.
- Retail execution capabilities show the most dramatic improvement of any areas we survey as CG companies put more emphasis on the "sell-more" functionalities and being able to do more off-line.
- Change management is still a huge challenge, both for existing users and when bringing new ones on board. As many as 91% of users point to struggles in this area.
- There is solid progress in becoming more analytical and having the tools to do so, despite change management headwinds.

We fully acknowledge that CG companies typically keep their technologies for many years, so it is difficult to capture much year-over-year improvement. Nevertheless, we do see some very telling shifts as well as real challenges that persist and will continue to point to results and trends, both favorable and unfavorable.

Rationale Behind the Survey

POI seeks to serve its members by identifying both the successes and challenges in the promotion and distribution of consumer products, and then analyzing them at global events and through written research, share groups, webinars, and advisory services. The focus areas of this survey were selected based on the summation of our beliefs about where the challenges exist today and a desire to get them out in the open so we can address them.

Section 1: Looking Back

In the 2015-2016 POI State of TPx and Retail Execution Survey Analysis we highlighted 8 key implications based on the findings. We explored several recommendations based on these implications. It would be useful for you to familiarize yourself with those findings, as we will now take a look at how they have changed during the last year, but will not evaluate the underlying implications in detail.

The results show a mix of both improvements in certain areas as well as declines in others. The following chart shows the Key Implication from last year and then how it has changed for better (favorably to collaboration and improved results) or for worse. We also provide some rationale in the form of a preliminary "upshot" with the understanding that trends often take multiple years to uncover, and due to a changing environment, we face challenges getting all the same people in all the same companies to respond year over year.

Implication 1 from the 2016-2017 Survey and Analysis: Manufacturer/retailer collaboration is strained.

Measures	Change from prior year	Upshot
Data quality issues from external sources (POS, syndicated, etc.).	9 PP worse	Only 14% claim they don't have data issues. Clean data is the basis for being able to do the important things like post event analytics, RAO, and TPO.
Retailers freely sharing data.	3 PP better	Not a significant change. 81% still have this issue.
Retailers giving sufficient access to their stores.	15 PP worse	Alarming that 73% of respondents now state that this is an issue, but given lack of productivity tools and ability to make decisions at store level, it is the natural outcome.
Compliance issues – promotions do not get executed as per plan.	5 PP worse	A key sign of how collaboration is still strained. 90% still report issues here.

Recommendations related to retailer data, store access, and compliance:

- Have a candid conversation with existing data suppliers, whether it is the retailer or a third party, about data quality.
- Document instances where you are not given adequate access to stores. Open a dialog on why this is happening. Ask what it would take to get better access. Better retail coverage? More sharing of insights?
- Build a joint business case around data sharing. But you have to ask for data. Many European retailers did not provide data until they were specifically asked and engaged through a business case.
- Tie promotional non-compliance into post-event analysis to demonstrate how compliance drives mutually beneficial ROI. Use simulation tools to show how various compliance scenarios will drive levels of ROI.

- Segment customers based on compliance and profitability, not the traditional ACV, where the biggest retailers get the most attention.
- Establish accuracy thresholds. Do some root cause analysis on what is driving inaccuracies.
- Do a pilot with a retailer that currently does not provide data. Set expectations about the value of collaboration and insight sharing.
- Be prepared to change suppliers if necessary. There are multiple options and multiple methodologies for harmonizing, scrubbing, and making data available.
- Continue to press forward with the "sell more" capabilities that enable field sales personnel to better serve the retailer and to improve decisions at the store level.
- There is no simple solution to data quality, but it starts with the recognition that there is a problem and focusing on mutually solving it.

Implication 2 from the 2016-2017 Survey and Analysis: Too much focus on software and solutions, not enough on best practices.

Measures	Change from prior year	Upshot
Vendor/service provider provided them during TPx implementation.	16 PP better	Could be very situational but shows that there could be more focus on "doing it better" and less on other factors such as how a solution is delivered. Nevertheless, 67% say they still didn't get best practices.
Vendor provided best practices during Retail Execution deployment.	9 pp better	Still only happening in 62% of cases and 36% only "somewhat."

Vendor provided best practices during Retail Execution deployment.

Many tools in the marketplace today are very powerful, but they must also capture best practices to provide differentiation and move beyond merely being transactional.

It is a bold statement to say that best practices are more important than software and solutions, but we believe change management issues (as we will look at later on) combined with continued issues with user experience mean that tools are either not used at all or are not used to their maximum benefit. Many tools in the marketplace today are very powerful, but they must also capture best practices to provide differentiation and move beyond merely being transactional. We saw really positive progress from the last survey and offer the following to help continue the trend.

Recommendations related to too much focus on software/solutions, and not enough on best practices:

- Don't be reticent to ask if there is a better way to do something. You need to use some restraint here, but you can generally tell of you have a clunky process because your people will have told you that they had a better way at a previous company or it is perhaps a point of ongoing struggle for you. Budget sufficient time during implementation for a possible discussion about "have you thought about doing it this way?" as this is often when and how a best practice can be brought to the surface. However, if your timeline is overly aggressive or your project calls for merely getting the solution live based on an initial set of scoping requirements, you may lose this opportunity.
- Check the credentials of the person(s) who are tasked with delivering the best practices. Make sure they have the industry experience and that they will be full-time on the project, not just checking in from time to time.
- Specifically request examples of some best practices that your short list of vendors has been able to provide during other implementations.
- Check references carefully to understand the "additional value add" areas that were brought to bear in past deployments.
- Always recognize that software is not the automatic answer to a problem. Instead, it is the enablement of an underlying business process with appropriate technology that can deliver results. Merely buying some software package and installing it is not the answer, despite all the marketing hype to the contrary.
- Similarly, remember that it takes people to operate software and they have to be engaged and trained over time – as we will see in subsequent sections.

Implication 3 from the 2016-2017 Survey and Analysis: User organizations selecting wrong tool for the job.

Measures	Change from prior year	Upshot
Lack of off-line capabilities in Retail Execution solution.	22 pp better	Many vendors have stepped up in this area. Still, 51% say that off-line capabilities are insufficient.
BYOD option in Retail Execution.	6 pp worse	63% still don't have it. Vendors often said they could do it but actually for a named set of devices.
Challenges finding tools that enhance worker productivity.	11 pp better	Correlates to improvements in Advanced Retail Execution capabilities below. Still has room for improvement as 75% say they still have challenges.

Overall, we see progress and some big remaining opportunities. As a result, we offer these recommendations to avoid user organizations selecting the wrong tool for the job:

- Adopt "no customization" as the rule, rather than assuming a need to customize. There are many solutions available that will map directly to your requirements, either out of the box or with a modicum of configuration through embedded system administration tools.
- Do scripted demos with vendors to see the ease of taking what they are showing you on screen and altering it to be what you believe you need. Either have them make changes on the fly or give them 24 hours to come back with such adaptations. They are not likely to write code in 24 hours so this will show how flexible the existing tool is to meet your needs.
- Broaden your search for trade promotion and Retail Execution tools beyond the tools you are currently using. The large number of companies that are doing customization, have unsuitable offline capabilities, cannot do BYOD, and lack in productivity tools, flies in the face of what we have seen in the market place. There are good tools out there that don't require customization.
- Make your detailed requirements document and RFP response part of the scope of work. When you do so, the solution vendor becomes obligated contractually to deliver on what has been said to be out of the box. This will make them less willing to make verbal promises about functionality that doesn't exist.
- Understand specifically what the capabilities of a Retail Execution tool are relative to offline and complex pricing. Don't get sucked into a joint development or custom build situation. There are solutions out there that can do this and have done so for years.
- Listen to users more than you listen to IT. Given the number of hosted solutions (they go by names such as "managed services," "cloud," "software as a service," and so forth) we do not believe that IT should have as much of a say as the business. This will keep them from selecting a tool based on existing relationships and vendors that they have simply become comfortable with. At the end of the day, a hosted tool with a service level agreement (SLA) that can provide a stream of data back into existing systems will give users what they need while posing limited IT risk. Hence, user productivity trumps architectural considerations.
- Take BYOD seriously, not just for user delight, but also as a standard if you intend to be active in emerging markets.
- Favor user productivity over command and control. A little of the latter goes a long way. Assume that with proper incentives and productivity tools, your users will want to do their job and do it well without constant monitoring. Otherwise, consider rethinking your approach to hiring.

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Implication 4 from the 2016 Survey and analysis: Change management issues for solution users.

Measures	Change from prior year	Upshot
Challenges finding qualified personnel to use TPx solutions.	7 PP worse	More complexity in solutions and accumulation of change management issues.
Change management issues among existing TPx users.	No change	We aren't seeing any changes in approach or utilization of solutions to manage this, so it is no surprise. There seems to be same lack of training capabilities or some difficult systems to operate.
Challenges training and supporting new TPx users as they come on board.	3 PP worse	More significant is that 91% of respondents have issues here.
Challenges getting TPx users to trust what they see in the system.	2 PP better	78% have this challenge, which is disconcerting because Retail Execution solutions are not that complex.
Challenges finding qualified personnel to use Retail Execution solutions.	No change	Only 13% say they have no issues.
Change management issues among Retail Execution users.	7 pp worse	Far worse than TPx. Points to some training issues. We aren't aware that remote technology is widely used to address this.
Challenges training and supporting new Retail Execution users as they come on board.	12 pp worse	Same issues as change management.

As we previously stated, we see change management as absolutely critical in improving both HQ and store level execution. There has been less improvement, if not downright backsliding, in this area. In order to get the most value from technology investments, reduce user angst, and thereby improve employee retention, we recommend the following related to reducing change management issues for solution users:

- Have a look at the POI publication titled "POI Change Management Best Practices" (poinstitute.com/about/resources) for a more detailed discussion of the "how to" of managing and avoiding issues around change management.
- Take a before/during/after approach with specific steps for each phase.
- Have a visibly supportive, executive level sponsor. A sales application without such a sponsor is like a ship without a rudder, with users left to wonder whether the new solution is really important.
- Keep in mind that the use of incentives to motivate change is only viable in the short term. Lasting change can only take place when people understand the need to change and see the intrinsic value of doing so.

- Don't skimp on training. Nearing the completion of a sales application project, project managers have a tendency to cut back on training, because it is the last place they can cut in order to bring the project in on time and on budget. However, this is exactly what they shouldn't do. An experienced change management leader can effectively temper the urge to cut training.
- Even though change has many behavioral aspects, it is still possible and desirable to measure the impact of change through the use of appropriate KPIs.

Implication 5 from the 2016 Survey and Analysis: Shortfall in analytical capabilities (both on the people and tool aspects).

Measures	Change from prior year	Upshot
Challenges moving capabilities from transactional to analytical.	4 pp better	Still, 92% have this challenge.
Post-event analytics are not automated.	6 PP better	Many companies have done system upgrades. Also, the availability of specialty post-event analytics offerings. 60% still don't have it.
Retail Execution solution does not enable field-based users to make appropriate decisions at store level.	9 pp better	Good improvement but only 56% say they can and of those 41% only "somewhat."
Retail execution solution does not enable analytical requirements of office-based users.	8 pp better	Similar to field-based users, only 59% have the capabilities and 37% only "somewhat."

Key to moving beyond transactional is having better analytical capabilities. We saw solid improvement across the board in this area. Nevertheless, there are still sizeable opportunities. Follow these recommendations related to shortfalls in analytical capabilities (both on the people and tool aspects) to get more actionable insights:

- If you feel your analytics are not up to par, you may want to consider new tools. This may seem drastic, but if it is the only way to improve your ability to execute at the headquarters and store levels, you will likely recuperate the cost of a new deployment through better trade spend, supply chain planning, and winning at the shelf. Furthermore, trying to add a generic BI tool onto your TPM or Retail Execution tool has been done many times, but it is rarely successful, as such tools are not configured for this industry and because users have to toggle back and forth between systems to "understand" in one and "execute" in another. Instead, consider bolt-on, purpose-built analytical capabilities that can be fed directly into the TPx or Retail Execution tools.
- Always get users involved in any technology selection process and specifically task them with continuing to ask "does this tool make me smarter and able to sell more?"
- Recognize that insight is the currency of collaboration. If retailers are executing around you, instead of with you, then you need to up your game.

- Think in continuous loops: plan - execute - analyze. Dumping data into spreadsheets (much more about that later on when we present our new findings) is not an option because it breaks the loop and adds latency into the process. The same is true for toggling back and forth with a BI tool. Trade promotion management and post-event analysis should be a single set of capabilities. It is just too cumbersome otherwise.
- Make post-event analysis a prerequisite for next year's funding/ continued accrual spending. First, put the appropriate tools in place with automation to remove the angst. Then, work to change the culture from "evaluate events if you can" to "evaluate events because you must."

Implication 6 from the 2016 Survey and Analysis: User experience (UX) not meeting expectations.

Measures	Change from prior year	Upshot
Entire TPx process takes a burdensome amount of time.	No change	Perhaps the most sobering result: 93% report this issue and it isn't getting better.

This is quite sobering in the age of smart phones that people work/play with them continually and seem to actually enjoy it. Perhaps it is due to lack of best practices or ergonomics, but there are some clunky solutions out there still that were purchased previously. There are also some that are highly complex. Consider these recommendations related to having a UX that better meets expectations:

- Get users involved in tool selection as well as configuration decisions. It shouldn't be left to IT alone, or office-based support people to make these choices and hope the users will like it.
- Don't separate UX from data visualization that is part of analytics of dashboards. It is all part and parcel of the same experience. Ugly is ugly, whether it is a screen layout or how a chart actually renders on the screen.
- Don't forget that being ergonomic and making it easy to do input or get information from the system is also part of the UX.
- Don't forget about features that improve UX such as:
    - Single sign-on.
    - Ability to personalize at the individual user level.
    - System administration tools to aid in continuously improving the UX without involving the vendor or IT.
    - Tile based architecture.
    - Big buttons to facilitate data entry on mobile devices.
    - Navigational aids such as corridor search for finding adjacent and logical stores to visit.

Get users involved in tool selection as well as configuration decisions. It shouldn't be left to IT alone, or office-based support people to make these choices and hope the users will like it.

Implication 7 from the 2016-2017 Survey and Analysis: Integration issues.

Measures	Change from prior year	Upshot
Challenges integrating existing TPx solutions to create a cohesive whole.	5 PP better	Still, 90% of respondents say they have issues here.
TPx not integrated to Retail Execution (question posed to those who are involved with TPx systems).	3 PP worse	Best-of-breed RE solutions are most popular and have to be integrated manually.
TPx not integrated to Retail Execution (question posed to those who are involved with Retail Execution systems).	6 PP better	Difference group of respondents because we don't believe that many respondents launched new TPx solutions. Still, 86% have this issue.
Challenges having quality execution and visibility when working through third-parties like brokers.	No change	Since brokers have proprietary systems that they offer as part of their service, there is a data integration issue required to get a holistic view of the market. 85% still have this problem. And, in many cases, they use multiple brokers across various markets, channels, or product categories.

Integration is still a big opportunity because of piecemeal purchasing decisions and difficulty in assessing beforehand what will be required to do integration. Follow these recommendations to continue to build upon successes related to integration issues:

- Before purchasing a TPx or Retail Execution solution, look for a "proven" ability to integrate. This means asking for reference customers with the same brands and release versions as the solutions you will want to integrate into.
- Specifically outline your data sources, including any that you might add in the near future, and request reference situations of other instances where CG companies have integrated these sources.
- Look for companies similar to yours in terms of number of products, categories, geographic dispersion, and customer hierarchies (distributors, direct/indirect customers) and other channels such as food service.
- Map out your various solutions and where interfacing will have to be done. Allocate sufficient time and resources to do so while recognizing that much of your future analytical abilities will depend on your ability to combine data where users are making decisions.
- Always keep in mind that there is a huge difference between "we can integrate…" and "we have done it multiple times with environments similar to yours."

Implication 8 from the 2016-2017 Survey and Analysis: Lack of future focus among CG companies.

Measures	Change from prior year	Upshot
Challenges selling profitably to Walmart.	9 PP better	Still 61% say there have issues here.
Concerns about doing business with Amazon.	6 PP worse	68% have issues here. Feels frighteningly similar to Walmart.
Having TPO to determine promotional outcomes.	1 PP better	67% still have no ability to get retailer buy-in by predicting future outcomes.
Advanced Retail Execution capabilities: • Image recognition	No change	Cost and speed said to be key issue.
• Gamification	12 pp better	Consistent with momentum we are seeing.
• Retail activity optimization	19 pp better	We're not seeing actual cases that are true to our definition.
• Social selling capabilities	13 pp better	Relatively easy to add to existing solution.
• Guided selling	12 pp better	Also consistent with responses about the ability to make decisions at the store level.
Challenges building a business case to deepen TPx investment.	5 PP worse	Perhaps the summation of many other negative trends above, plus the reliance on spreadsheets.

Despite mostly improvement, it doesn't always translate into building a business case or really figuring out how to work with new channel partners such as Amazon. Avoid getting complacent by considering these future-focused recommendations:

- Take a realistic view of Walmart. In some cases that means working with more collaborative retailers that offer promotions and a shopping experience. It also means finding ways to improve product availability. If you can't really promote at the shelf as a result of declines in product availability at Walmart, you must focus on at least being present at the shelf. But you have to reduce reliance on Walmart to cover your fixed operations at the plant and work with other players that will share data, have growth potential, and will perform for their dollars.
- Amazon is still unveiling itself. Keep in mind that as it increases home delivery of more grocery categories, it will put immense pressure on traditional retailers, who will increase their reliance on trade spending and allowances to survive. As Amazon invests in more brick and mortar to do home delivery, there are more opportunities to collaborate with retailers to leverage existing brick and mortar to provide both convenience and shopping experience, depending on the context. Collaboration is key.

- Have a plan for TPO. Don't rush it if you aren't ready, but take steps to get ready by improving the quality of the data that will be used to fuel the predictive models, experimenting with modeling, achieving greater mastery of the more basic parts of the promotion cycle like post-event analysis, and increasing user adoption by improving the user experience.
- Continue to push Retail Execution capabilities beyond transactional. Consider how image recognition, gamification, retail activity optimization, embedded social capabilities, and guided selling can be added to your arsenal to improve outcomes at the store level. This may include having frank talks with your vendor to get it on the road map, but that is a big component of the software development process.

In Summary: Overall level of satisfaction with TPx and Retail Execution.

Measures	Change from prior year	Upshot
Satisfied with ability to manage promotions.	5 PP worse	Continues to decline. Still, 48% say they are dissatisfied and 38% say they are only somewhat satisfied, so there is much opportunity.
Satisfied with ability to execute at the store level.	4 PP worse	Also, of the 64% that expressed some satisfaction, 45% were only "somewhat satisfied."

Despite some pockets of improvement, the harshest critics, the consumer goods companies themselves, aren't meeting their own expectations. But rather than pile on any criticism, we offer these words of encouragement by way of recommendations:

- You are in good company (as the saying goes). Many other companies are wrestling with some of these weighty issues. Any improvements you make will bring substantial returns. And, you don't need to fear that some competitor is going to figure it out overnight and get the jump on you because it just doesn't work that way in this industry.
- Situations like ineffective promotions didn't just creep up overnight. Similarly, the remedy is complex and takes time. The key is to measure, set goals, and make steady improvement.
- The market place is strong today. Share prices are up and we are seeing more investment in the current quarter than any previous one in the last 5 years.
- There are some really smart and talented people out there who can help you, both from solutions and services providers. You simply have to work with them in the right context based on some of the recommendations above. And, you need to reject the notion that technology is going to be a quick fix, because in our experience it rarely is.

Continue to push Retail Execution capabilities beyond transactional. Consider how image recognition, gamification, retail activity optimization, embedded social capabilities, and guided selling can be added to your arsenal to improve outcomes at the store level.

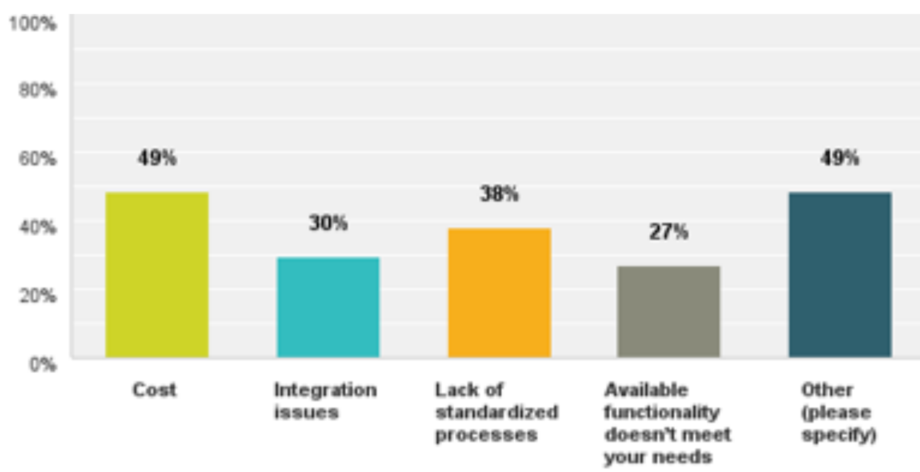
Section 2: New Findings

As part of the research process, POI is constantly testing hypotheses and looking for new data points that may indicate trends or provide deeper insights. In the 2016/2017 survey we asked some additional questions in order to do just that. We now present the results in three categories based on the topic areas that will be of most interest to our readers. They are: TPx, Retail Execution, and Digital.

New Findings: TPx

We first wanted to understand why some companies may still be using something other than a server-based technology for TPM. We find it quite telling that 37 of the 77 (48%) of respondents do not have a TPM solution. The responses look like this:

Chart 1. Responses to the question: "If you do not have a server-based TPM solution (for example, if you use Excel to manage promotions), what impedes you from investing in one? [choose all that apply]."



We are surprised that cost is still perceived to be an issue when such solutions can be "rented" for as little as a couple hundred dollars per user per month. Similarly, we see implementation costs for Tier 3 (under $250 M in revenue) at less than $100,000. Although we left a space for the respondents to fill in the "other" reasons, they did not choose to do so. This is unfortunate because it would have been highly illustrative.

The fact that 30% cited "integration issues" is not surprising. We saw this to be the case in Implication 7, where 90% still cite "integration issues" as a factor in establishing a cohesive TPx whole. We actually find it somewhat encouraging that companies foresee integration issues before they happen. However, we believe that there is still substantial value to be had from investing in even basic TPM.

We were also not surprised by the 38% that lack "standardized processes." We find this to be the case with many Tier 3 CG companies (those with annual revenues below $250M). It would seem that having a small field force would lend itself to having more consistency in how they manage promotions, but often the contrary is the case.

Finally, we were taken aback by the perception that available functionality does not meet the needs of a whopping 10 respondents (27%) that have a requirement that does not exist in one of the many TPM solutions. As we interact with both CG companies and vendors we simply have not come across requests for specific functionality that are not available out-of-the-box. What we find is that requirements are quite homogeneous because CG companies tend to sell to largely the same retailers. This requires many of the same capabilities in order to meet the planning, joint business planning, or deal setup needs. Nevertheless, when we asked how many companies augment TPM with spreadsheets we found the following:

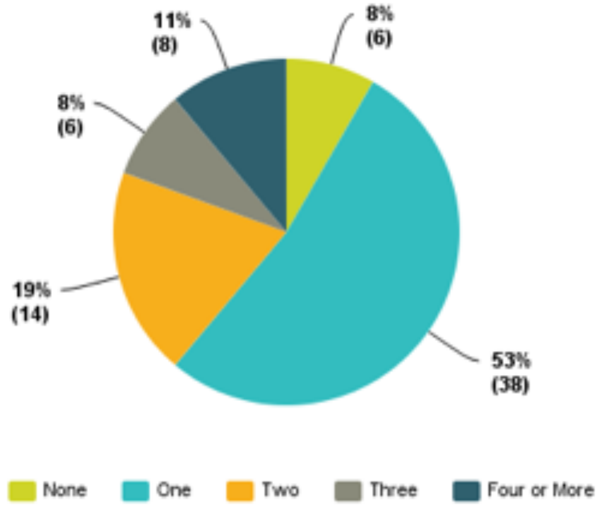
Chart 2. Responses to the question: "Do you augment TPx functionality with spreadsheets to meet your needs?"

What we find is that requirements are quite homogeneous because CG companies tend to sell to largely the same retailers.

It is quite amazing that 10 survey respondents said they do not invest in TPM due to some lack of functionality (as well as possibly other things), but 63 respondents admitted that they use spreadsheets to "augment functionality." We will address some specific recommendations to this point at the end of this section.

We next probed into situations where companies have multiple TPx solutions. We did this because we continue to see that TPx solution standardization is more aspirational than most people realize:

Chart 3. Answers to the question: "How many TPx solutions (not versions or instances of a solution) from specific vendors do you use at your company?"

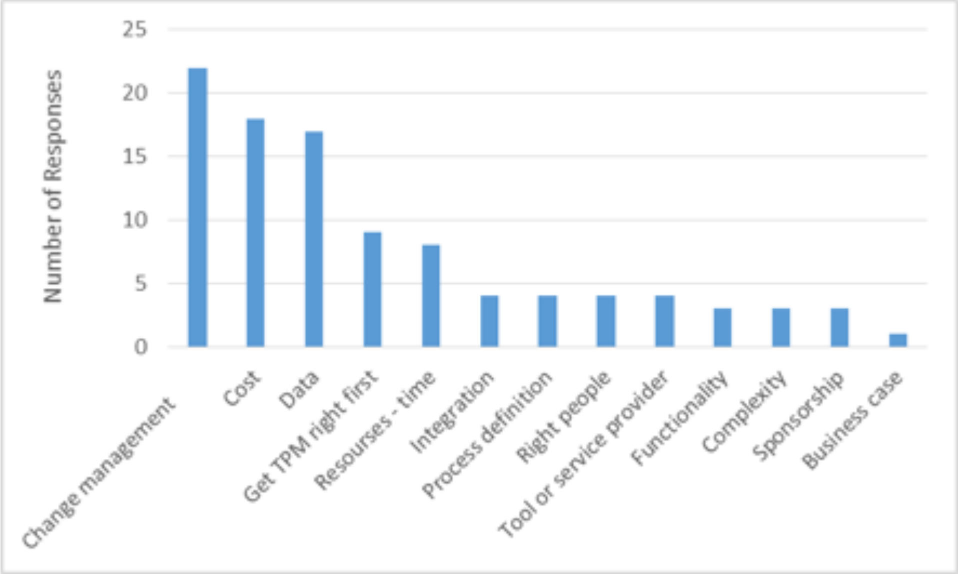


... differences in business practices (like modern versus traditional trade) and relative cost of an implementation (in a small versus large country) have necessitated having multiple TPM solutions based on what best fits the local environment.

On the surface it might seem that 53% having only one solution means there is a fair amount of standardization. However, when we corrected for the number of companies that only operate in one geography, we found that 88% of the multi-geography companies have at least 2 TPx solutions (47% have 3 and 34% have 4 or more). This is consistent with what we have observed globally: that differences in business practices (like modern versus traditional trade) and relative cost of an implementation (in a small versus large country) have necessitated having multiple TPM solutions based on what best fits the local environment. The other reason we find to be valid is where, as a result of mergers and acquisitions, it may be cost prohibitive to move the acquired entity onto the existing TPM solutions for a period of time, or indefinitely.

Once we turned our attention from TPM to TPO, which includes optimizing promotions through the use of predictive models, we wanted to see if the reasons for not moving from TPM to TPO were the same as for not moving from spreadsheets/paper to TPM. Hence, we asked the question as follows:

Chart 4. Responses to the question: "In your own words, what are the top two things keeping you from moving from TPM to TPO (the optimization capability that uses predictive modeling)?"

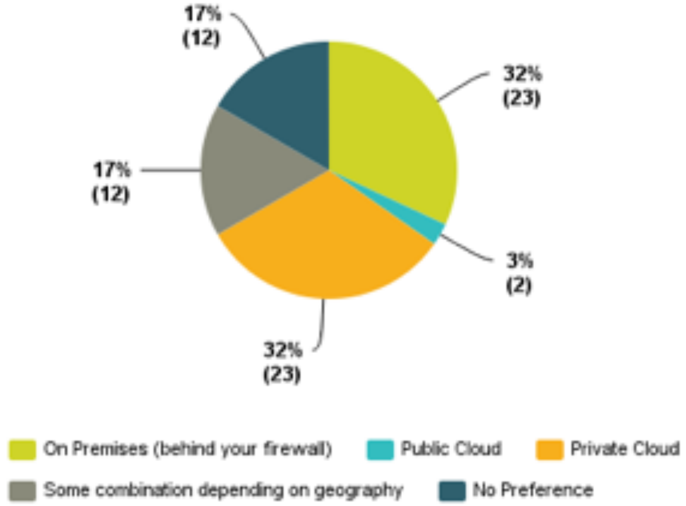


Because TPO is a relatively new capability compared to TPM, we did not attempt to force responses into a predetermined set of categories. Instead, we let people use their own words and we created semantic groupings for the responses. This made the analysis more difficult, but we found it to be more interesting because of the reasons people cited, as well as those that they did not, specifically:

- Previously, in Implication 8, respondents said that they "have difficulty building a business case to deepen TPx investment." However, the same people had much bigger issues with change management, cost, and data than anything else. There is obviously an interrelationship between cost and business case, but the former indicates that there is no indication to build a business case because it is just too expensive.
- Data is a really big deal. The responses indicate that they perceive it to not be available, or at least not in sufficient quantities.
- Integration. We saw in Implication 7 that data issues are an issue, but compared to other obstacles it does not even make the top 5. This is interesting because a significant amount of vendor messaging is focused on ease of integration. At the same time, the best-of-breed vendors talk about using capabilities like a web services call to make integration a non-issue. It appears they are pretty widely believed.
- People seem to believe that TPO can do what it promises to. Very few responses seem to question whether it actually works, but instead focus on whether they can get people to adopt it and how they can afford it, and get data to fuel it. Ergo, it isn't about the technology!

Next, we looked at the tradeoff between cost and functionality. We did so with an eye to how technology is delivered. In this case, we made a simplifying assumption that Cloud and SaaS are the lower cost options and on-premises and customizable are higher cost. However, when we asked specifically how the respondents would like have TPM technology delivered, they indicated a strong preference for functionality over delivery mechanism, as follows:

Chart 5. Answers to the question: "What is your preferred means of providing TPx technology?"



Clearly, on-premises is still big for TPx. It is tied with private cloud at 32%. "No Preference" and "Some Combination..." combine for 34%. This further underscores what we found in the 2015/2016 survey: that 52% of respondents ascribe importance to "...a vendor's ability/ willingness to do customization (write code) that would make your solution very tailored but turn it into a unique instance that would be out of the upgrade path." The fact that customization is still desired and that on-premises is still the preferred delivery method for TPx indicate that there is more hype about the cloud than is warranted. The cloud has a place in an overall TPx strategy, but is still not dominant. The previous finding about augmenting TPx with spreadsheets further underscores this situation.

Consistent with the "depends on location" response above, we found that only 53% of respondents have a single TPx solution (brands, not instances). Respondents average 1.6 TPx solutions per company. Nevertheless, 88% of those that have a TPx solution choose to "augment TPx functionality with spreadsheets to meet [their] needs."

Based on these new findings in the TPx area, we summarize with the following recommendations:

1. We don't believe that cost is a significant issue in TPM. We see solutions that "rent" for as little as a couple hundred US dollars per user per month. Certainly there are some that are relatively expensive because of features or services that they offer. Also, because they have a brand name that stands for something. But if you believe that cost is an inhibitor, then you may not be fully taking into account the cost of not adequately controlling or downright wasting promotional dollars. The Promotion Optimization Institute can help. Reach out to us. This is what we are here for.

2. Take inventory of where you use spreadsheets to bolster TPM functionality. Then ask yourself:

    a) Is there functionality there that you just aren't using? Similar to all those tools and shortcuts in Microsoft Outlook that we don't use because we don't even know about them.

    b) Start a dialog with your vendor. This democratization process is designed to make upgrades over time based on what users want.

    c) If you are a small fish in the pond of your TPM vendor then reach out to other user organizations. Spend some time caucusing. If they are on some sort of steering committee, then get them to represent your view with the broader group that drives the product roadmap.

    d) Have a new look at some other solutions as an alternative. Once you find one that can address the needs you currently cover using spreadsheets, you can either switch or use the possibility of switching as leverage.

No technology will compensate for inadequacies in data or change management.

3. Come to grips with the fact that multiple solutions are almost a necessity if you are active in multiple geographies. Think globally as a principle and objective, but allow for some regional flexibility. Otherwise, you risk alienating users in many geographies by forcing a square cost of business process peg into a round hole.

4. Recognize that when it comes to optimization/TPO, that change management, cost, and data are real bugbears. Cost is a perceptive thing that we addressed in number 1 above. TPO is not likely to be on par with TPM in the foreseeable future because there is more to it and it requires services to keep it tuned up. However, change management and data should be addressed at all phases of a TPO project. No technology will compensate for inadequacies in data or change management.

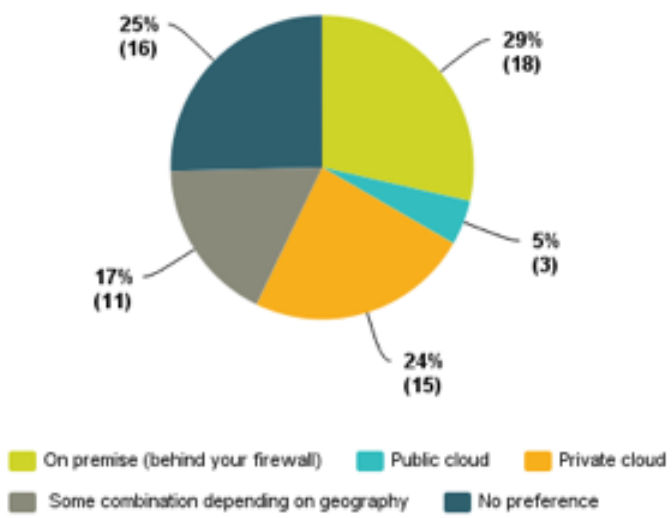
5. Focus more on functionality than how the technology is delivered. Don't get sucked in by "cloud hype" at the expense of the functionality you need. Otherwise, you are back to spreadsheets. We recognize that the cloud will play a huge role in the future of technology, but buying an immature TPM solution primarily because it is cloud-based is a really bad idea.

Some of the new findings from TPx also have corollaries in Retail Execution and exhibit the same thinking or issues to their widespread utilization. Hence, we now transition to Retail Execution to contrast the new key findings.

New Findings: Retail Execution

As with TPx, we found that for Retail Execution there is actually less ability for one technology delivery method to meet all geographic and functional needs.

Chart 6. Responses to the question: "What is your preferred method for providing Retail Execution technology?"

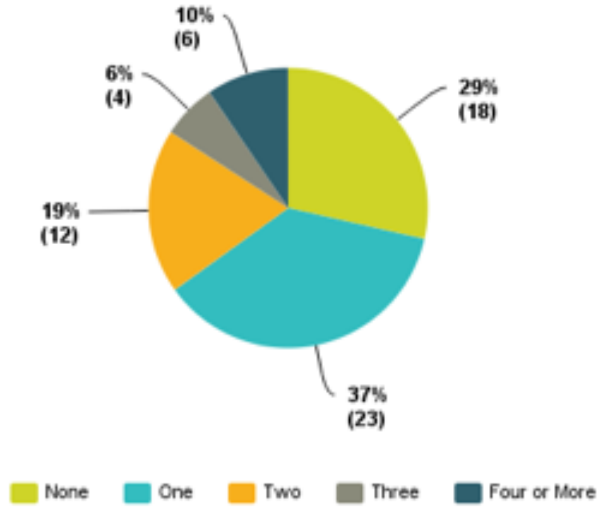


We found that for Retail Execution there is actually less ability for one technology delivery method to meet all geographic and functional needs.

Once again, we find that on-premises is the most preferred. When we asked the question, we were careful to ask how they prefer to receive Retail Execution technology, not how the currently do receive it. This again underscores that there is a market for customization and that on-premises is the best way to do so. It also underscores that the answers are highly contextual. Companies either do not have a preference (25%) or else it depends on the geography (17%). The combination of these two would make for the largest segment at 42%. Once again, the data indicates that what we hear about the cloud in consumer goods is in excess of the actual demand for it at the present time. In other words, there is quite a bit of hype.

We looked further into the preference for multiple solutions based on local requirements with the following question:

Chart 7. Responses to the question: "How many Retail Execution solutions (not versions or instances of a solution) from specific vendors do you use at your company?"

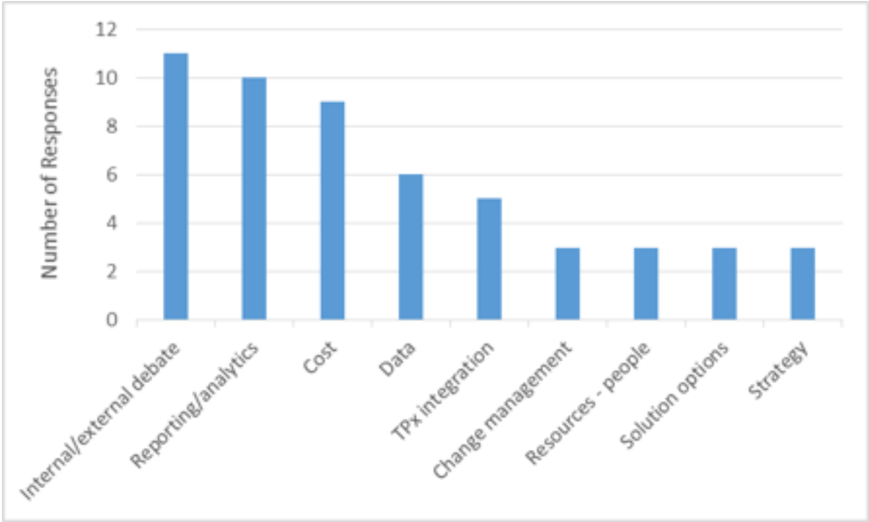


Only 37% of respondents have a single brand of Retail Execution solution, while 29% do not have one at all (ostensibly because they use brokers exclusively, as we rarely come across companies using paper-based methods). A total of 35% have multiple solutions to meet their needs, with 10% saying they have more than four brands of Retail Execution solution. Keep in mind that 31% of 2016/2017 respondents only do business in North America, so the impact of multiple solutions may be understated due to a lesser tendency to have multiple solutions in a single geography. What we know is that, by adding up the companies with multiple solutions, we find that 35% have more than one solution. More importantly, when we factored out the companies that only do business in one country (of which the U.S.-only companies play a big part), we found that 77% of these "global" companies have two or more solutions and 69% have three or more. Thus, the quest for a global approach rarely survives the realities of cost, local market expertise, local support, and relevant functionality for the market. Hence, we are comfortable stating that having a global Retail Execution solution is far more myth than reality.

This is consistent with what we see in the marketplace: specific tools for specific tasks. We also see that they vary widely across geographies. We even see some instances of multiple tools in a single geography. Examples include distributor management plus a separate merchandising at a beer company; a DSD tool and a merchandising tool at a baked goods company; and multiple tools for a diversified company that has a product line ranging from specialty foods to water to pet foods to confectionary.

Setting aside the topic of technology delivery/multiple tools and looking at how to improve Retail Execution capabilities, we asked this open-ended question:

Chart 8. Responses to the question: "What are the top two things keeping you from having really excellent Retail Execution capabilities?"



The most common response has to do with what we call the "internal/external" debate. Some companies go back and forth on whether to outsource retail coverage to brokers/sales agents. Others simply do not have the scale to have their own field force. Some responded that they feel "stuck" with the level of service they get from brokers, while others said that they would like to expand broker coverage to fewer, or a single broker.

The common themes from our other "take it to the next level" questions are pretty consistent: analytics, data, cost, and the human element. These are quite consistent with some of the challenges we identified in the "Implication" sections above. It is encouraging that no really new elements were exposed as keeping CG companies from stepping up their game. If there were additional aspects it would only draw attention away from focus on data, analytics, investment, integration, and change management. Keep in mind that we employed free text so that respondents could respond in their own words and then grouped their responses semantically.

The only response that we found somewhat surprising is in the area of what we term "strategy." This includes having the will to take things to the next level, being able to accommodate similarities and differences of the various geographies, and having executive support to drive it.

Some of the challenges are similar to those for TPx, such as cost, data, and integration. Some are unique, such as the using internal versus external personnel for Retail Execution. It was clear from the comments that organizations do not get the broker coverage they desire (see Implication x) and that they go back and forth between broker and direct, or they simply don't have the scale to have their own salesforce. We also see that:

- There is a relationship between reporting/analytics and data as many of the comments pointed out the need for real time analytics.
- TPx integration is key to being able to work in continuous loops set up in-store activities while getting feedback on how promotions are doing.
- Change management is considerably lower for Retail Execution versus TPO because of the significantly reduced complexity.

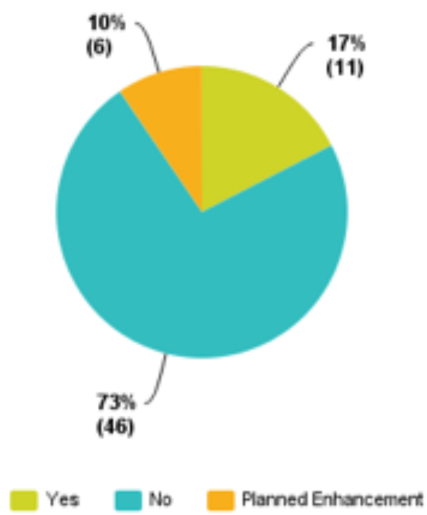
Consistent with the theme of asking what is required to go to the next level, we asked about some complementary Retail Execution capabilities. We have already established that Retail Execution is excessively transactional, perceived as a cost of doing business instead of a strategic weapon, and typically doesn't enable users to "sell more" by empowering them. As we pointed out in Implication 8, there are very positive trends in the utilization of some advanced Retail Execution capabilities such as gamification, social selling, image recognition, and so forth. We have now added two more onto this list that we see as very promising:

Augmented Reality – The ability to superimpose an image, such as a cooler, into an actual store location so the store manager or other decision maker can see exactly how it will look in that location.

Crowdsourcing – This is not Retail Execution as we have defined it, but an adjunct capability that can capture data about store conditions in addition to what is done by broker or direct field forces, who can then spend more time fixing the problems or pursuing the opportunities and leave the data collection to a more nimble and cost effective group. What is key is the data that comes from the crowdsourced function. Thus, we see it as an enabler. It is also roughly as common as some of the other enablers. We have recently worked with Quri, a crowdsourcing solution provider, on a thought leadership paper entitled The Evolution of Crowdsourcing: Rise of Performance-Driven Merchandising. You can read more about it here: poinstitute.com/about/poi-publications/.

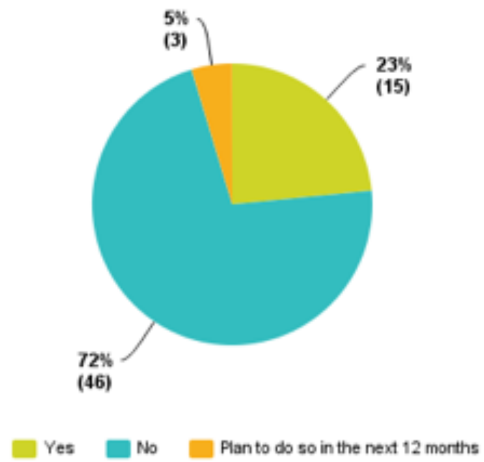
The uptake in augmented reality is quite interesting because it is right about where somewhat simpler technologies like image recognition were when we first tracking them. Thus, this level of uptake is neither good nor bad. What we are interested in is how it moves over time. We live in a very visually oriented world and the ability to show a store manager exactly what a display module or refrigeration asset will look like in the context of her store is very powerful. Here are the specific responses to the question regarding augmented reality:

Chart 9. Responses to the question: "Do you have augmented reality (the ability to take a photo of the store environment and insert an image of a display module, cooler, or other merchandising item, so the person you are talking to can see what it will look like)?"



In the same vein, here are the results regarding crowdsourcing:

Chart 10. Answers to the question: "Do you use crowdsourcing for performing store checks or other merchandising activities?"



It is very interesting that the adoption percentage is half, or 5 percentage points lower, for this technology. We ascribe this to the fact that it isn't the sort of thing that can just be embedded into an existing Retail Execution solution. In fact, it is a complementary in nature because crowdsourcing can be used to find opportunities that need to be addressed by the traditional field force. We also believe that the intent around adopting this technology is somewhat lower because of the ebb and flow of attitudes around who is best to perform retail coverage, a direct force or a sales agency/broker.

We will be interested to see next year the degree to which the adoption of these technologies increases to incorporate those planned enhancements. In the meantime, we find it to be quite promising, both based on what they do as well as the fact that the vast majority of consumer goods companies do not currently have them.

This leads us to the following recommendations for Retail Execution:

1. As with TPx, we recommend focusing on functionality and suitability. Adding spreadsheets to a Retail Execution solution, at least the mobile portion, is not really an option. Therefore, prioritize functionality over delivery method. In particular, focus on the effectiveness (sell more) and efficiency (do more) aspects. If you can get this and do so in the cloud-based solution that you seek, that is great. But don't get sucked in by cloud hype or co-development projects because there are many mature options available.

2. Recognize the need for multiple solutions across multiple countries/regions. Approach the problem with an eye to being global, but recognize that cost and functional nuances will require flexibility. We believe that to cover the globe you will need 3-4 different solutions, so avoid IT-driven global mandates.

3. Moving to the next level with your Retail Execution is not really about technology except as it relates to analytics. Instead it is about:

    a) Determining who (internal or external personnel) is going to do the work and enabling them with the tools that improve their sales productivity as we saw in Implication 3. Changing back and forth between internal and external causes change management issues and uncertainty. It also causes interruptions in how the tools are road mapped for the future.

b) Having a business case that shows how improved Retail Execution will improve financial results. This means investing in change management through eLearning and training. It means focusing on effectiveness and efficiency. Promotional execution and product availability are perennial bugbears in the industry. Building a business case may need to include a proof of concept with paired markets where one receives the new approach or capability while the other does not. This helps to identify and quantify the potential benefits of so doing.

c) Data, data, data. Moving from TPM to TPO requires data. It was identified as the 3rd largest obstacle. The same for Retail Execution, where it was the 4th largest. We believe that the data sets are largely common to both functional areas so there are synergies. For more on this see [insert reference for Retail Velocity paper].

4. Continue to give priority to sales productivity technologies: image recognition, gamification, retail activity optimization, social selling, and guided selling in light of how they are gaining momentum and yet still offer a competitive advantage due to relatively low penetration.

5. Consider augmented reality as an additional sales productivity add-on to your existing or soon-to-be acquired Retail Execution tool.

6. Consider how you can avoid blind spots in the market place while using your existing Retail Execution force more efficiently by leveraging crowd sourcing as a means to identify the opportunities that need to be addressed, and in more real-time.

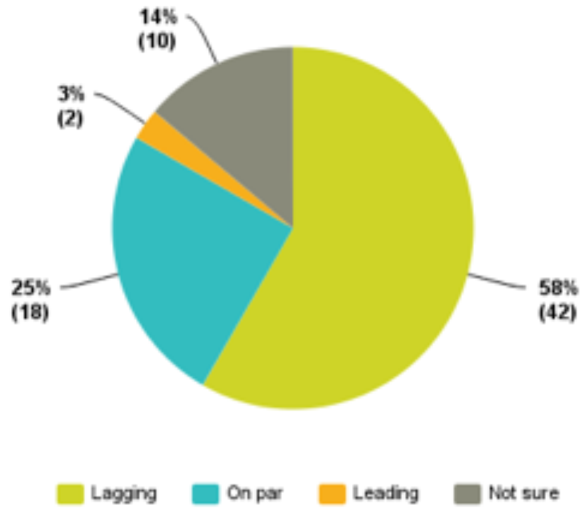
New Findings: Digital Promotion

Another area that we explored in the 2016-2017 POI Survey is with respect to digital promotion capabilities. There is significant uncertainty as it relates to what digital actually is in the promotion space. This was borne out last fall when we convened the POI Share Group to discuss this topic. What we have since learned about attitudes toward digital promotion as it intersects with traditional trade promotion is that:

- Only about 5% of companies we surveyed informally take digital promotion into account when building traditional trade promotion plans.
- The vast majority of 2016-2017 survey respondents believe that they are either behind their peers or are not certain where they stand. Only 3% believe that they are leading, which would make the "winner's circle" very small indeed.
- It is more about a set of capabilities and a journey than something you just switch on at some point.
- There isn't anything close to a definition of digital promotion at this point, so that may add to the sense of uneasiness because people don't really know what it is.

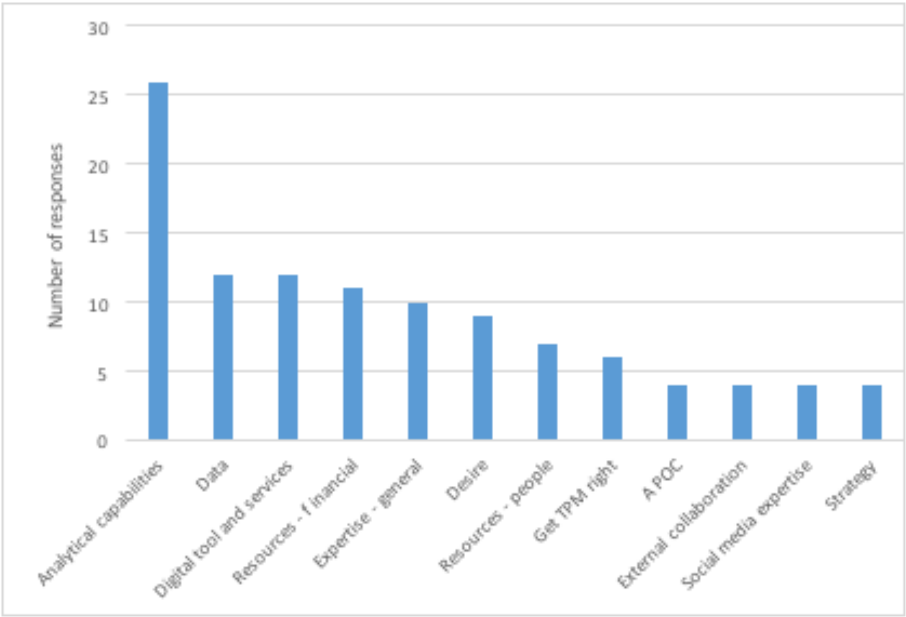
What we found interesting in our survey is that respondents are more sour on their own capabilities than is warranted. We say this because the numbers just do not stack up. This is because having nearly 60% lagging means that we would expect to see more companies on par. A more natural result would be 20% leading, 50% on par, and perhaps 20% lagging, which would allow for 10% percent not being sure. However, the results we as follow:

Chart 11. Responses to the question: "Based on your definition of digital marketing and how you perceive the market, how would you rate your capabilities at the intersection of digital and trade promotion?"



Perhaps it is somewhat natural to believe that your company is lagging with respect to emerging technologies, just as it is normal to believe that you are leading when it comes to those that are more mature. Akin to why people say they are younger than they actually are (fudge downward on the undesirable thing), while overstating their annual income (fudge upward on the desirable thing). It is not our intent to establish a definition for digital promotion in this report. However, regardless of the definition that survey respondents had in mind, we asked them what it would take to take digital to the next level. Here is what we found:

Chart 12. Responses to the question: "In your words, what are the top two things necessary to take your organization to the next level with respect to digital promotion capabilities?"



As with previous free-text questions, we did not want to bias the responses by forcing them into a set of choices. Instead, we allowed them to express their own thoughts and then we grouped them based on semantical themes. What we see by way of responses is important in what was common as well as what was not. Most frequent was "analytical capabilities." This takes the form of understanding consumers, being able to test and learn, better reporting and analytics in general, understanding of ROI in digital vs. traditional trade spend, and better post-event analysis. "Data" wasn't a big surprise as this is common to almost everything in our survey. "Digital tools and services" was also an interesting area. This took the form of dashboards, software, holistic digital platforms, product information system/digital content management capabilities, and ability to easily plan at different product and customer hierarchies.

Looking at the graphic from the other end, we were amazed that "having a strategy" was somewhat uncommon as a response. We should think that going to the next level would build upon an existing strategy. What the responses indicate is that they are engaged in some digital activities but don't have a digital strategy. We also found "external collaboration" to be interesting. This takes the form of collaborating with retailers, agencies, and other third parties. This would seem to be a prerequisite, far more so than social media expertise, which comprises only a portion of a digital strategy. Nevertheless, we believe from the verbal responses that CG companies may be moving into digital promotion as a way to maneuver around collaboration instead of as a collaborative effort. Implication 1 is replete with examples of how manufacturer/retailer collaboration is both strained and not improving since last year. We see this as a high risk area. Data largely depends on collaboration and data is critical to doing many forms of analysis and deriving insights.

Thus we offer the following recommendations for the area of digital promotion:

1. Don't be so hard on yourself! The competition isn't eating your lunch like you think.
2. Have a plan for digital promotion. Don't just seek to acquire some capabilities, but have an overall plan. The number of respondents that said they need a tool or service may be an indicator that they are looking for a point solution. We suspect that the number of companies that have a true digital strategy is much lower than we would be lead to believe based on the less than 5 that actually said they lack a strategy.
3. Get some external help. We believe there is so little linkage between traditional trade promotion and digital promotion because the people doing both types of promotions have full time jobs doing their respective type of promoting. They need help to see how it fits together and what the best practices are.
4. Create a "test and learn" environment so you can experiment and gather the pieces for a business case that will allow you to expand over time instead of having an orphan project.

Final Comments:

We see many opportunities to improve the promotion and distribution of consumer products, both on a relative basis as well as by looking at changes year over year. We hope that consumer goods companies will take stock in the fact that many of their struggles are shared by both peers and competitors. But ultimately, we sincerely hope that identifying these opportunities and steadily working against them as part of strategic and tactical planning will yield ever-improving benefits.

We thank the many people who have taken the time to complete our survey for these past two years. If you would like to participate in the next survey, including the ability to discuss the results, please reach out to dhagemeyer@p-o-i.org.

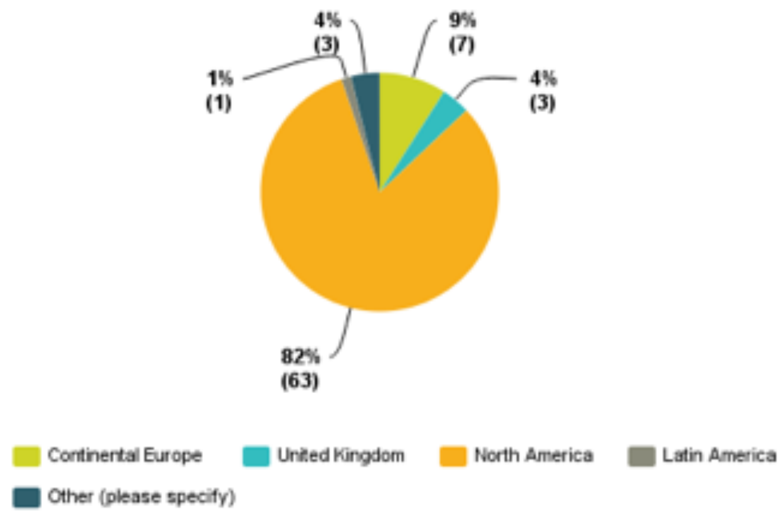
Appendix: Survey Methodology

Section 1 represents a multi-year look at the data, which is known as a longitudinal study. It isn't perfect because respondents move around or sometimes aren't able to take the survey in subsequent periods. Nevertheless, this actually provides a richer look at the market because in the 2016/2017 survey we were able to:

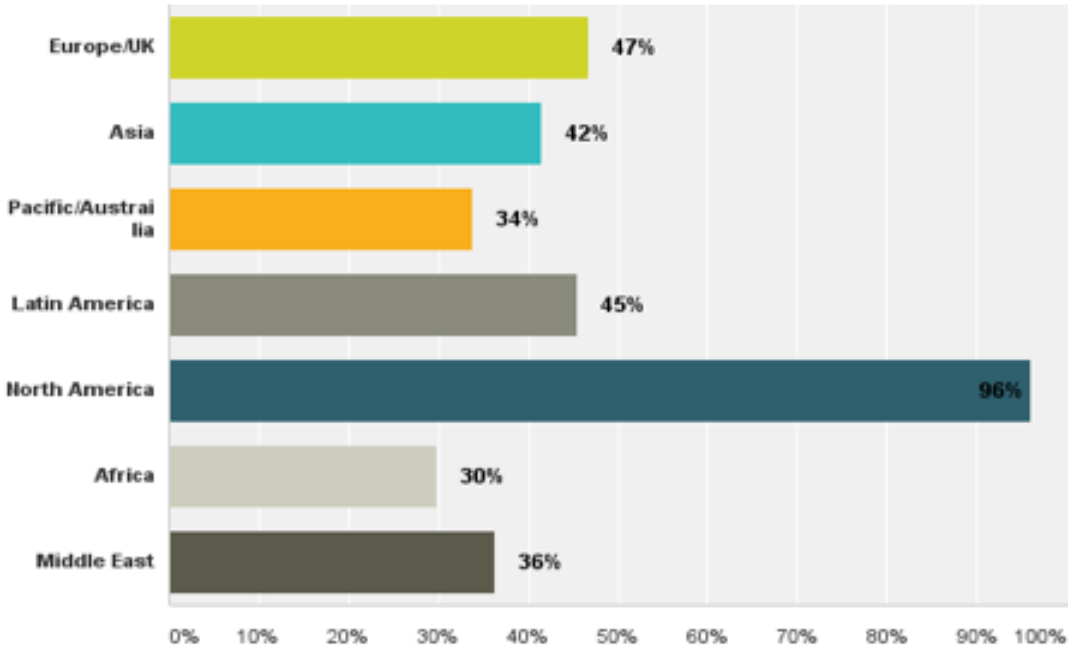
- Engage with 22 of the same people who are at the same companies as when they took the 2015/2016 survey. This is one element of the longitudinal analysis.
- Continue to track progress at 42 of the same companies that took the 2015/2016 survey. This gives us company continuity over time.
- Bring in 35 new companies this year to lend a perspective to what we found last year. In some cases the results are quite similar, and in others there were the beginnings of a trend. But the fact that a total of 110 unique consumer goods companies took the survey in one year or the other brings more validity to the results.

Finally, here are some of the descriptive statistics about the study and participants:

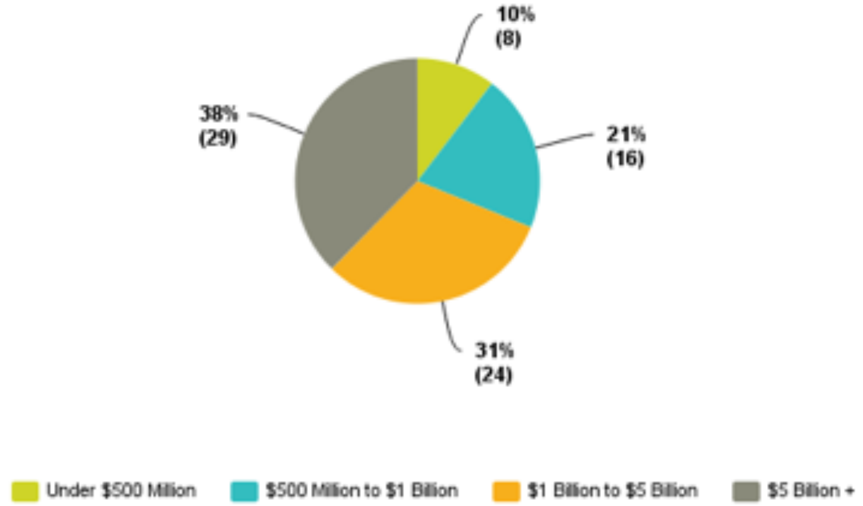
- Location of Corporate HQ.



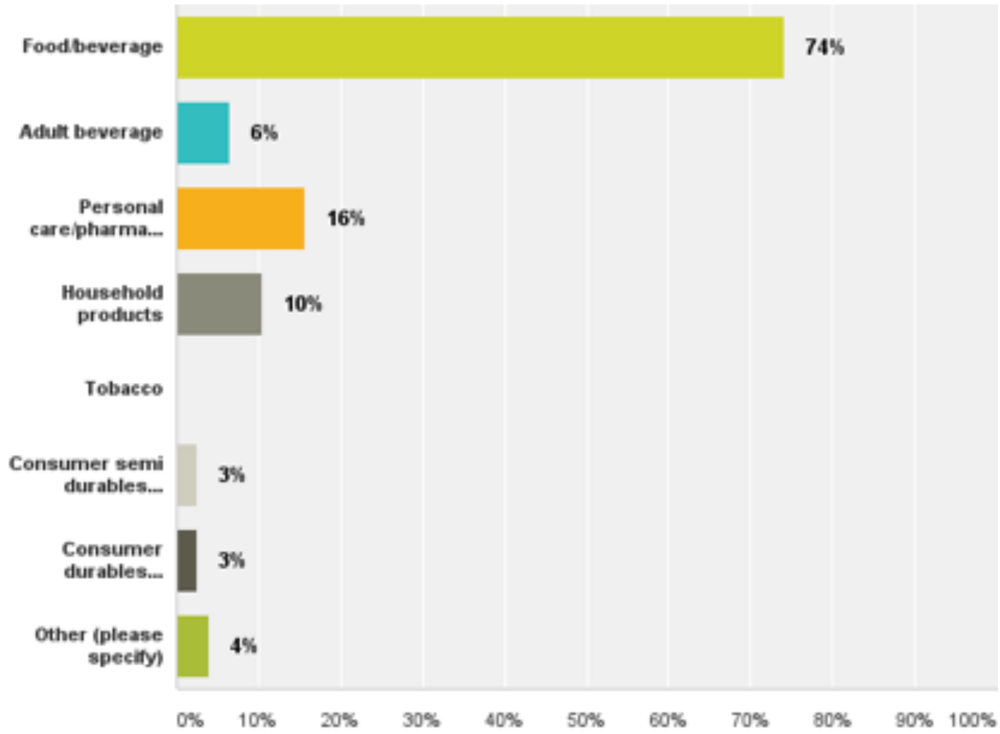
- Regions where respondent companies operate (choose all that apply).



- Annual revenue.



- Categories of product offerings.



About the Author

Dale Hagemeyer leads the research, best practices, and advisory function at POI and has been active on the POI Board since its inception. Previously, he was a research vice president and managing vice president at Gartner for 15 years. There, he did research in the application of technology to the business processes of trade promotion and field sales automation for consumer goods manufacturers. Prior to Gartner he spent 14 years in management positions related to the promotion and distribution of products at Sunbeam Corporation, The Quaker Oats Company, PepsiCo, Kraft Foods, and Kroger. He also fulfilled an international assignment in Mexico from 1995 to 1996. He has served on various industry advisory boards for trade associations and industry periodicals. He holds an undergraduate degree in finance from the University of Utah and an MBA from the University of Chicago.

Dale can be reached at dhagemeyer@p-o-i.org

About the Promotion Optimization Institute

POI brings together manufacturers, retailers, solution providers, analysts, academics, and other industry leaders with the specific objective of collaboratively improving the promotion and distribution of consumer goods. Members of POI share cross-functional best practices in both structured and informal settings. Additionally, members benefit through our industry alliances, the Certified Collaborative Marketer (CCM)™ program, and industry-leading summits around the globe. POI aims to instill a financial and metrics-based discipline not typically found with other trade groups. The goal of our innovative approach is collaborative promotion optimization. The focus is on the customer/shopper through sales, marketing, and merchandising strategies. Executive advisory boards keep us apprised of industry needs and help us provide desired outcomes for members, sponsors, and academia.

For more information:

Visit www.poinstitute.com or contact

Michael Kantor
Founder & CEO Promotion Optimization Institute (POI)
914-319-7309
mkantor@p-o-i.org