



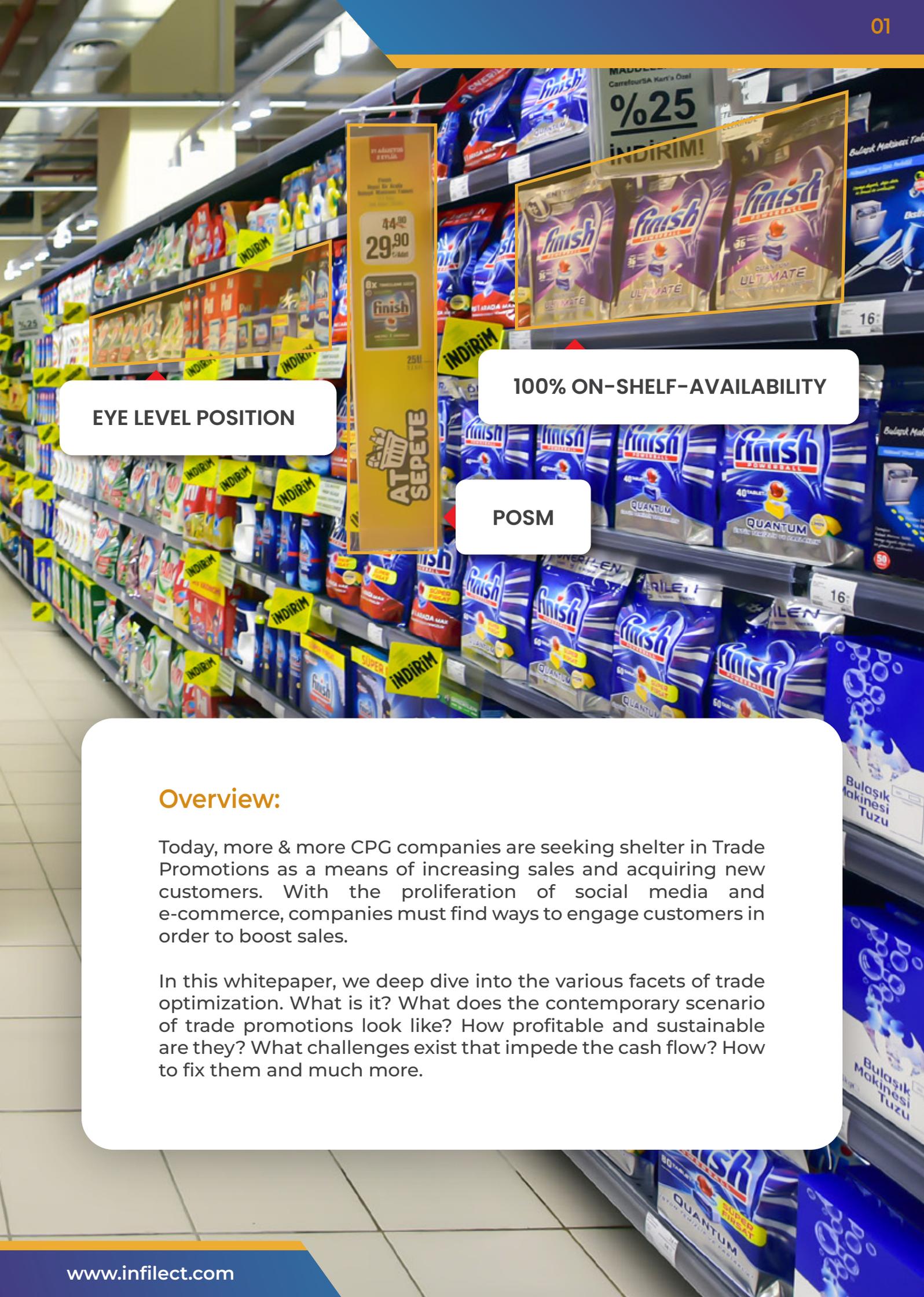
Retail Innovation Whitepaper Series

TRADE PROMOTION OPTIMIZATION FOR FMCG BRANDS

Learn How Optimizing Trade Promotions
Can Help Increase FMCG Sales and Bring Better ROI.

Table of Contents:

Overview	01
What is Trade Promotion?	02
Trade Promotion: The Contemporary Scenario	02
Why Aren't Trade Promotions Successful: The Roadblocks in Trade Promotion.	04
Trade Promotion Effectiveness: Fixing The Backend	06
The Way Out: Trade Promotion Optimization	07
The Missing Piece of the Puzzle: Real-Time Data	10
Image Recognition: The Silver Lining	11
Infilect's Flagship Product, InfiViz: Bringing The Missing Pieces Together.	12
InfiViz: The Solution Architecture	13
The Input Vs The Output to measure Trade Promotions with InfiViz	14
InfiViz: Capabilities	15
A Step Ahead Of The Competition With Infilect	16
Why Infilect?	17



EYE LEVEL POSITION

100% ON-SHELF-AVAILABILITY

POSM

Overview:

Today, more & more CPG companies are seeking shelter in Trade Promotions as a means of increasing sales and acquiring new customers. With the proliferation of social media and e-commerce, companies must find ways to engage customers in order to boost sales.

In this whitepaper, we deep dive into the various facets of trade optimization. What is it? What does the contemporary scenario of trade promotions look like? How profitable and sustainable are they? What challenges exist that impede the cash flow? How to fix them and much more.

What is Trade Promotion?

In the CPG industry, “trade” refers to the transaction between manufacturers and retailers. And trade promotion is a part of the revenue generation strategy that involves marketing campaigns targeted toward the retailers that concentrically increase in-store sales. It takes into consideration multiple factors that have the potential to influence customers like pricing, display fixtures, value-added bonuses, and more. Hence, to encapsulate trade promotion, **it is the cumulative marketing, pre-sales & management efforts that are executed in stores to increase the demand for the products.**

Below are some of the most common ways CPG manufacturers approach Trade Promotion:

- Special Price Discounts
- Subsidized or free display racks
- Gift hampers and/or other incentives

Trade promotion has tangible objectives and requires monitoring at different touchpoints to ensure smooth execution. Trade Promotion Management is the process of planning, accounting, and funding various activities & events like budget account management, demand planning, integrated sales & marketing, retail execution, back-end processes, and data analytics.

Trade Promotion: The Contemporary Scenario



40%

of trade promotion spending does not drive the desired results.

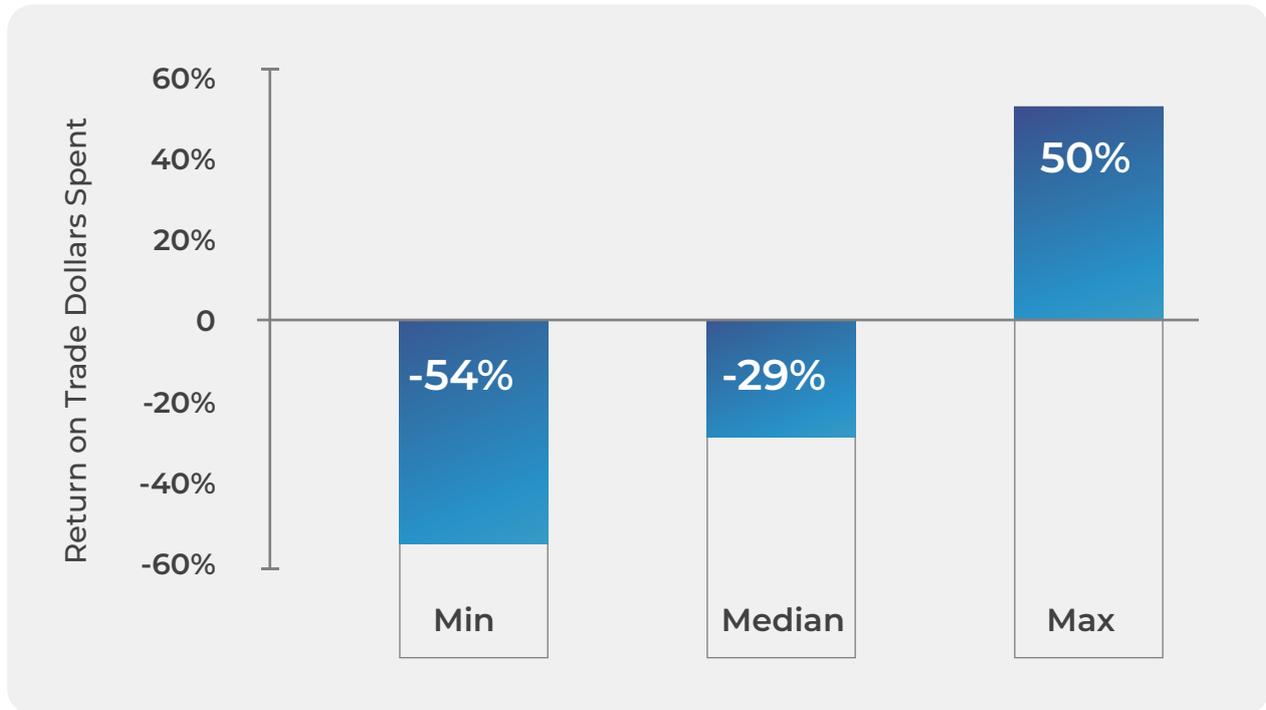


1/3rd

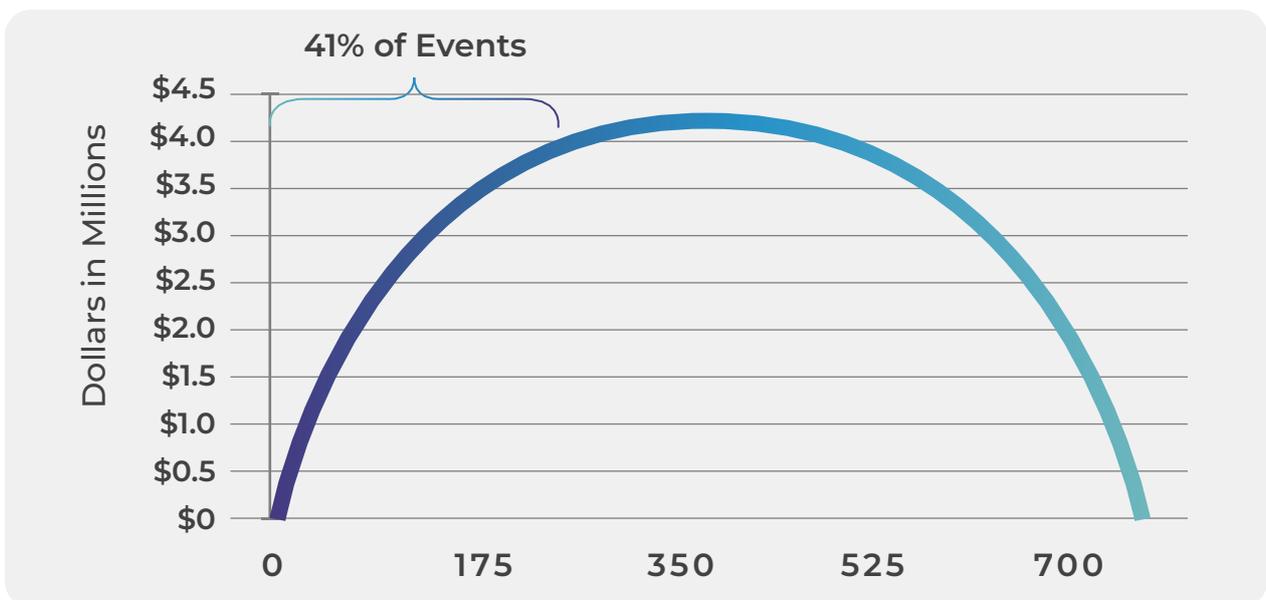
of the money was lost by most of the manufacturers who invest in trade promotions.

CPG'S Low Trade Promotion Returns

Manufacturer's Return on Trade Spend



Cumulative Event Contribution



Note: (a) Most manufacturers lose nearly one-third of the money they put into trade promotions. (b) Trade promotion effectiveness varies widely by event. Often sales teams "buy" volume at any cost-driving down profitability.

*Source: Booz & Company

Why Aren't Trade Promotions Successful: The Roadblocks in Trade Promotion

Despite spending a lion's share of their revenue, two-third of all trade promotions are considered to be ineffective. Here's a quick rundown of the perennial roadblocks that clog the pipeline and hinder profitability:

- **Inability to manage trade budgets:**

Many CPG companies have zero to negligible visibility into how their trade promotion budgets are spent. This gap in financial understanding leads to a myriad of functional as well as operational problems. From being unable to comprehend how much budget is to be allocated, to being unable to accurately account for the liabilities and spending, organizations struggle to make sense of their trade promotions transactions.

- **Siloed data systems:**

The cost of a siloed data system is a company's pace and competency. It slows down the decision-making process, which in the CPG industry is lethal. Furthermore, it escalates the operational costs due to redundant IT and application infrastructure. As the budget of one department swells, the numbers are balanced by cutting it short from other areas, thus, nipping the currency irrigation for trade promotions.

- **A lack of robust analytical planning:**

The Customer Relationship Management (CRM) & the Enterprise Resource Planning (ERP) systems that most of the CPG companies use hold no account, nor do they have the analytical capabilities necessary for the planning of trade promotions and their optimization. Most of the existing systems serve as good control mechanisms, but they need to be configured to handle effective and efficient analysis and planning.

- **Myopic focus on outdated metrics:**

Many companies still focus on the volume of promotions rather than their profitability, especially when it comes to diluting the competitor's brand presence. But there's a significant difference between volume and profitable growth. Making decisions by evaluating the ROI is the most efficient way to reverse engineer the pattern and achieve growth.

- **Lack of accurate, real-time in-store insights:**

CPG manufacturers sit on one side of the spectrum while retailers on the other. This makes real-time in-store data availability a tedious and highly vulnerable process. Often the data source is human calculation & observation based on physical store audits or data capturing tools. But both routes do not fulfill the need for “real-time” data. The gestation period for manual audits to report formulation takes days to months while the existing tools in the market take 3-5 business days to generate actionable statements.

- **Market cannibalization:**

Market cannibalization is a decline in sales volume, sales revenue, or market share of one product due to the introduction of a new product under the same brand umbrella. The new product displaces one of its older products. The cannibalization of the existing products leads to stagnant profit growth and sales and hence impacts all the metrics including the trade promotion efforts.

- **Lack of a comprehensive structure:**

Many times organizations do a phenomenal job building the parts of a pipeline, for example, the analytics part of the process may be highly developed to yield results but due to its integration into a comprehensive structure, it falls prey to the organizational inertia.

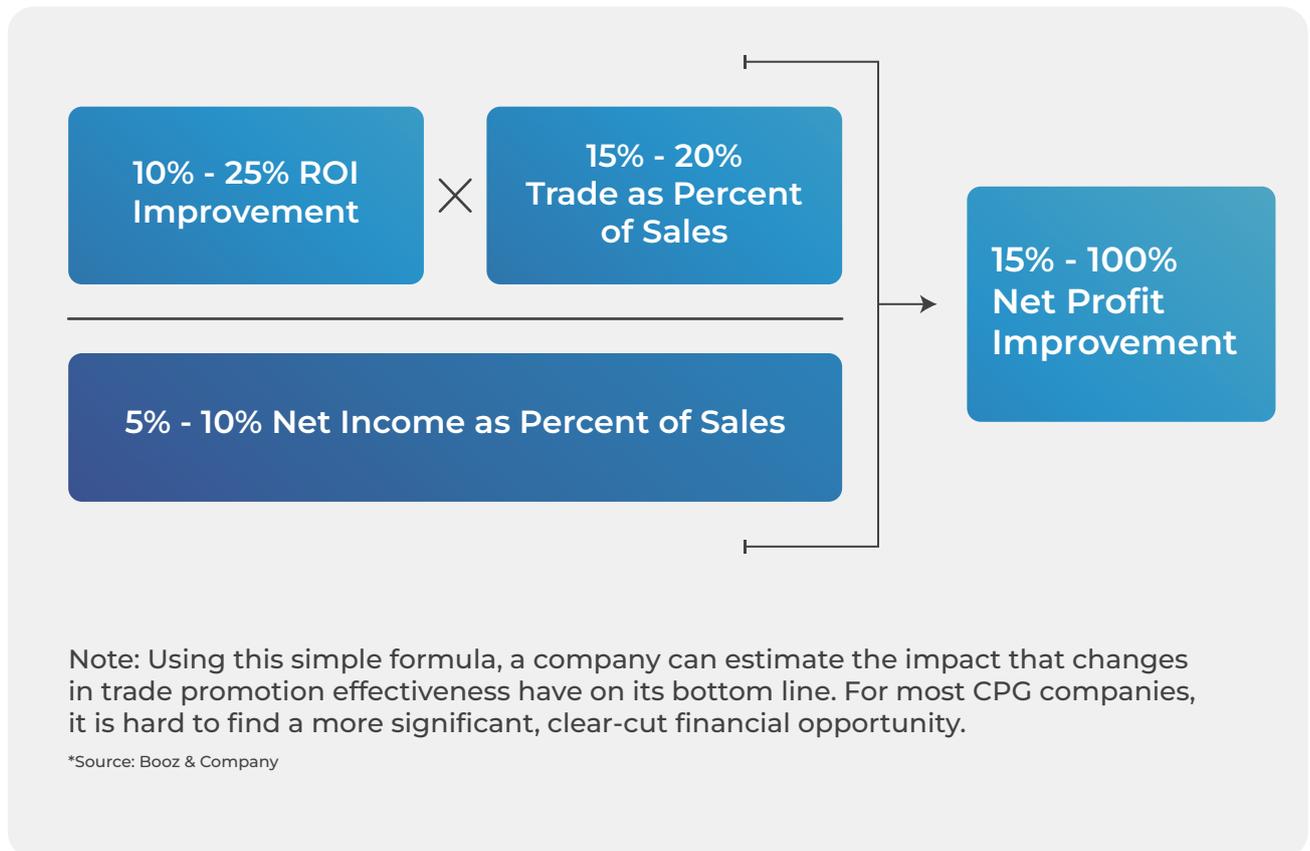
According to a poll conducted by Blacksmith Applications, 89% of CPG companies are not using a software solution for trade promotion optimization. While only 11% are using a software solution to conduct trade promotion optimization.



Trade Promotion Effectiveness: Fixing The Backend

For a large fraction of the CPG industry, Trade Promotions can account for a whopping 25% of gross sales. This makes it the second largest factor in the Profit & Loss behind the cost of goods. Thus, if the gap is bridged between the investments made on trade promotions & the results extricated through them, it can prove to be one of the most significant opportunities for exponential growth.

The Importance Of Trade Promotion Effectiveness



With a focus on the efficacy of a Trade Promotion, CPG manufacturers can transform their sales structure to drive profitable growth, often adding a 10 to 15% surplus to the bottom line.

Despite the significant reward of an elevation of 15% in the ROI, which further impacts the overall profit of the company (refer to above Fig), the movement towards optimizing trade investments is obtuse. Many companies cannot accurately and consistently distinguish between poorly performing promotions and profitable ones. According to a survey, only **22%** of companies can measure their trade spending at the individual event level.

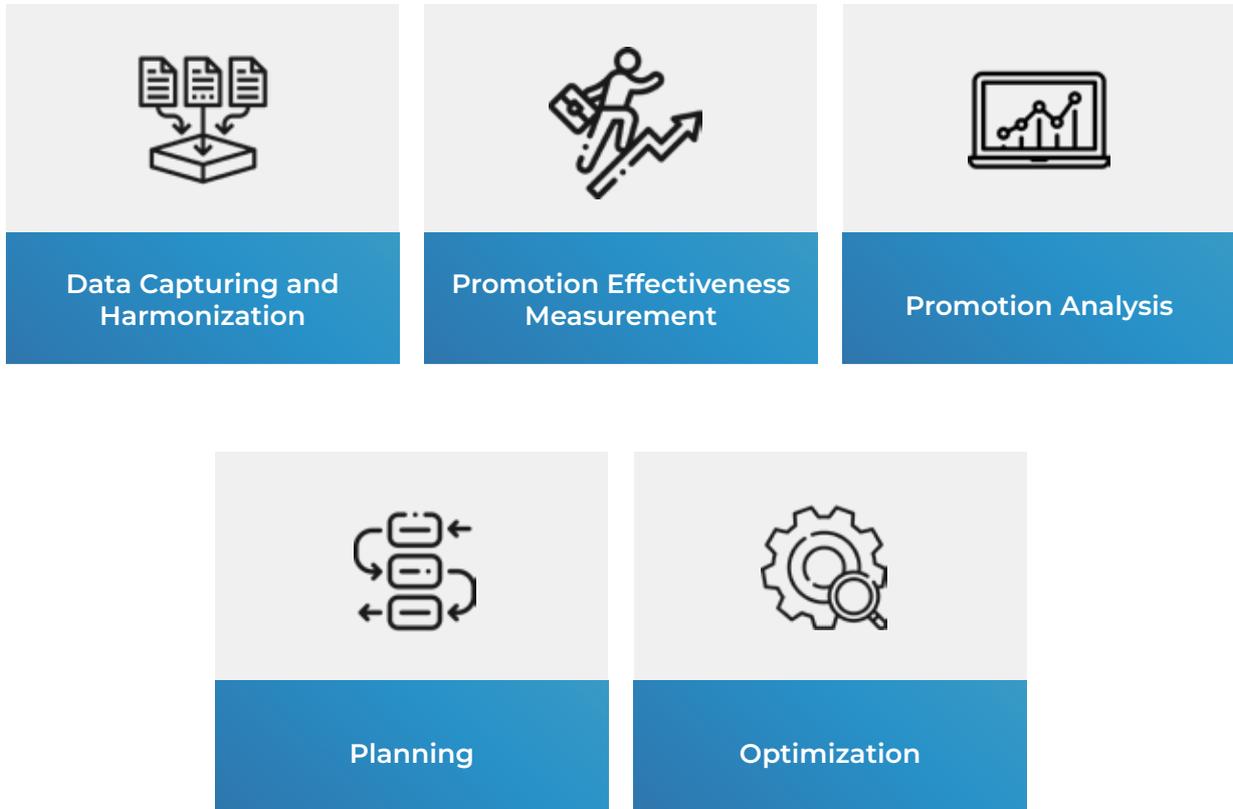
The Way Out: Trade Promotion Optimization

Trade Promotion Optimization (TPO) is analyzing past performance to create models as a predictor of future performance. TPO is about choosing the best combination for every product, area, and SKU in order to create promotions that are maximized for volume, sales, profit, and a plethora of other important parameters within a given budget constraint.

The Building Blocks Of Trade Promotion Effectiveness



The key components of Trade Promotion Optimization include:



In a nutshell, Trade Promotion Optimization comprises a range of practices, processes, and insights that work together to maximize the ROI on trade spending. It goes above and beyond the mere input of data into a trade promotion management product to monitor the output.

- ✓ It ensures that the approach to trade spending is aligned with the marketing best practices.
- ✓ Analyzes trade spending, both shipment, and syndicated data to determine whether or not the return on investment is reasonable.
- ✓ Develops trade marketing plans from a macroeconomic perspective and then measure the repercussions on an account-to-account basis. This adds to the overall business value and brand objective.
- ✓ Ensures that a Trade Promotion Management product is used properly to magnify the ripples of effectiveness of TPO across all business areas.

Foundational Capabilities "Basic functions that drive operational efficiency"	Advanced Capabilities "Sophisticated capabilities that drive spend effectiveness"	Visionary Capabilities "Emerging capabilities that drive superior cross-functional performance"
Trade Payments	Analytical Planning Optimization Post-Event Analysis Demand Planning Integration	Integrated/ Joint Business Planning
Trade Funding & Financial Control		
Promotion Planning		
Sales Forecast Management		
<ul style="list-style-type: none"> ✓ Support for all payment/settlement methods (01, Check, Deduction) ✓ Real-time checkbook management and analysis (drill to transactions) ✓ Trade funding and budget allocation ✓ Generated/Case-Rate Funding Fixed Funding (e.g., MDF & IMF) 	<ul style="list-style-type: none"> ✓ "What If" scenario planning ✓ Analytical models for predicting promotion performance ✓ Consumption based view of performance, rather than a shipment based view 	<ul style="list-style-type: none"> ✓ Integrated planning and execution across all relevant functions



The Missing Piece of the Puzzle: Real-Time Data

Data collection is the first step of the CPG post-promotions analytics pipeline. This data is then used to identify loopholes, fix the weak links, improvise processes, and influence decision-making in the future. But, in the contemporary structure of the retail supply chain, the two main actors, CPG manufacturers & stores, sit on the opposite ends of the spectrum, and hence, often CPG manufacturers find it challenging to comprehend what's happening inside the stores.

The data source is often synonymous with manual observation & calculation or a tool that takes 3-5 business days to fetch data. Hence, jeopardizing the concept of "real-time" data.

Image Recognition: The Silver Lining

With advancements in Image Recognition powered by Artificial Intelligence, it is now possible to powerfully harness real-time store data, and detect and invest optimal resources in the high-yielding corners of trade promotions.

Traditional Way

The users can choose products, select objectives, and set parameters. The AI then generates a plan optimized to cater to all the requirements.

Modern Way

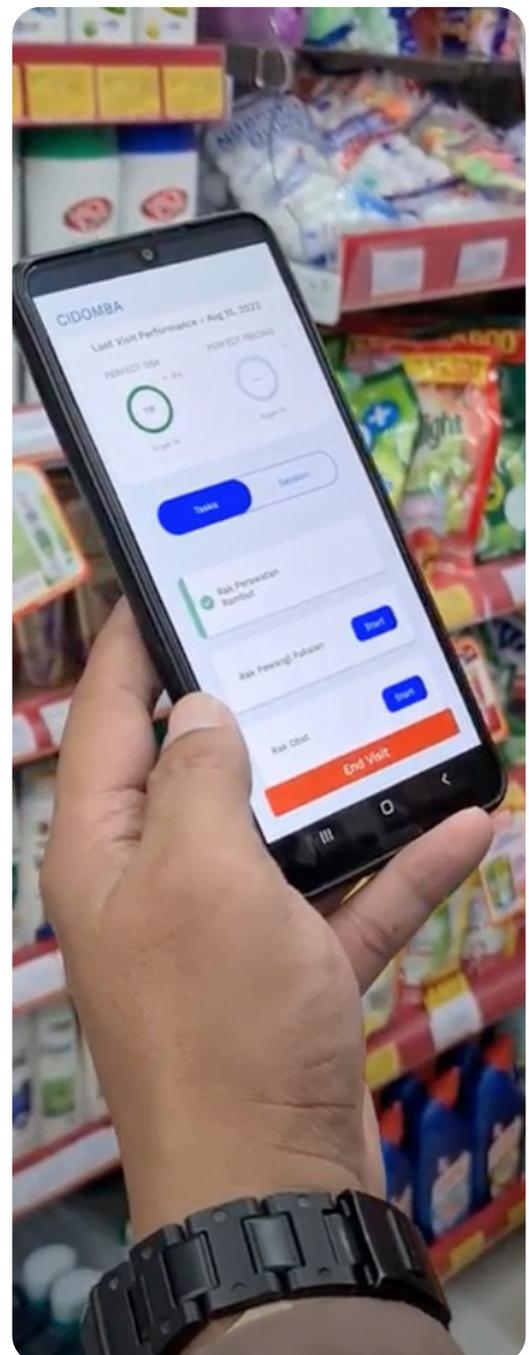
It involves photo collection, understanding the store floor space, store shelf space, SKU placement & assortment, shelf pricing, discounts and then making recommendations based on real ground-level data.



Infilect's Flagship Product, InfiViz: Bringing The Missing Pieces Together.

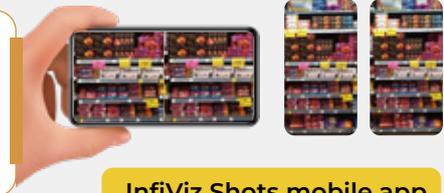
Infilect's flagship product, InfiViz, is an advanced Image Recognition AI tool that helps sales and business leaders of CPG & FMCG brands with real-time and accurate in-store retail execution insights. With its highly trained algorithm, InfiViz can provide predictive and prescriptive analytics to boost trade promotions and add layers of efficiency to the same.

- Actionable In-Store Execution Insights in Real-Time
- Multiobject and Dynamic shelf tracking
- AI-driven Sales Recommendations
- Automated Store Audits
- Real-Time Shelf Metrics with Over 97% Accuracy
- Per-Store Level Retail Insights
- Proven Efficacy Even in Low Light Conditions
- Recommendations For Smarter Assortment Planning
- 100% Compliance Adherence & Monitoring
- Retail Distribution Insights for Both General & Modern Trade
- Comprehensive Competitive Intelligence

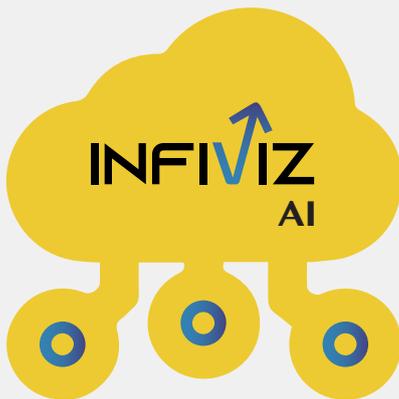


InfiViz: The Solution Architecture

Capturing of high quality in-store images by on -field merchandisers



InfiViz Shots mobile app



Accurately identifies SKUs and display promotions from the images captured from every store



Critical and actionable execution insights are made available on the InfiViz Dashboard and shared using trackers directv into stakeholder inbox.



Execution insights and targeted action plans are available to on-field merchandisers within 60 secs

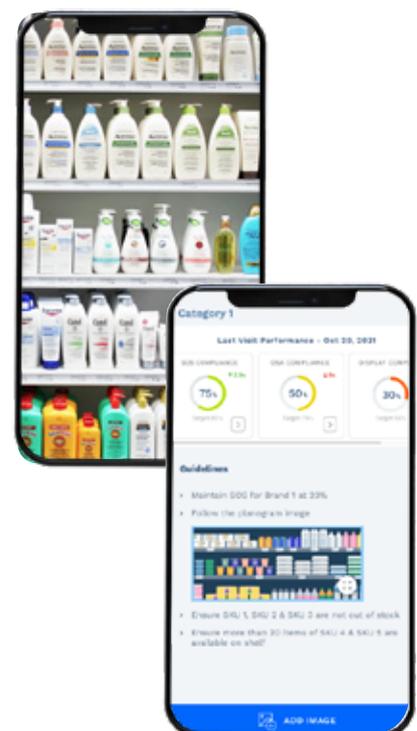
The Input Vs The Output to measure Trade Promotions with InfiViz:

Input:

- Images from the stores
- Trade promotions and the corresponding quantity of sales
- Volume or value of sales, profits targets.

Output:

- Real-time relationship management with retailers.
- Massive savings on settlements and deductions: Visual proof and automation of visuals to pinpoint the retailers & stores, by city, by region that are not compliant for each category, brand, retailer, and region on a daily basis.
- Real-time feedback on modifying trade promotions: If the competition has better trade promotions, the TPO strategy changes dynamically.
- Precise trade promotion recommendations using ground-level data: Understand the store floor space, store shelf space, SKU placement & assortment, and shelf pricing & discounts, Recommendations based on ground-level data to track the trade promotions.
- Causation analysis: Comprehensive analysis of strategies that worked, the ones that did not, and the underlying cause for the same.



InfiViz: Capabilities

Actionable in-store execution insights in real-time

- ✓ Improve on-shelf metrics such as Share of Shelf and On-Shelf Availability with real-time and actionable store insights available on a single dashboard.
- ✓ Identify and flag stores with low Share of Shelf and prevent out-of-stock situations in real-time.

On-the-spot optimization plans

- ✓ Instant recommendations delivered to your field force within 2 mins SLA to improve in-store brand visibility.
- ✓ Insights to salesmen to sell key SKUs at the right stores in the right quantity based on historical sales & demand data.

Competitive intelligence

- ✓ Competitive comparison of your execution metrics vs your competitors. Monitor display, promotional compliance, and pricing metrics of all SKUs.
- ✓ Stay informed on new product launches, promotions & offers with real-time insights into competitor's adjacencies.

Compliance Monitoring

- ✓ Ensure store-level promotional compliance to determine appropriate store payouts.
- ✓ Audit executed planograms, stock availability, display, facings, and brand & SKU level share of shelf.

PROMOTION COMPARISON VS COMPETITOR

*This is based on average pricing

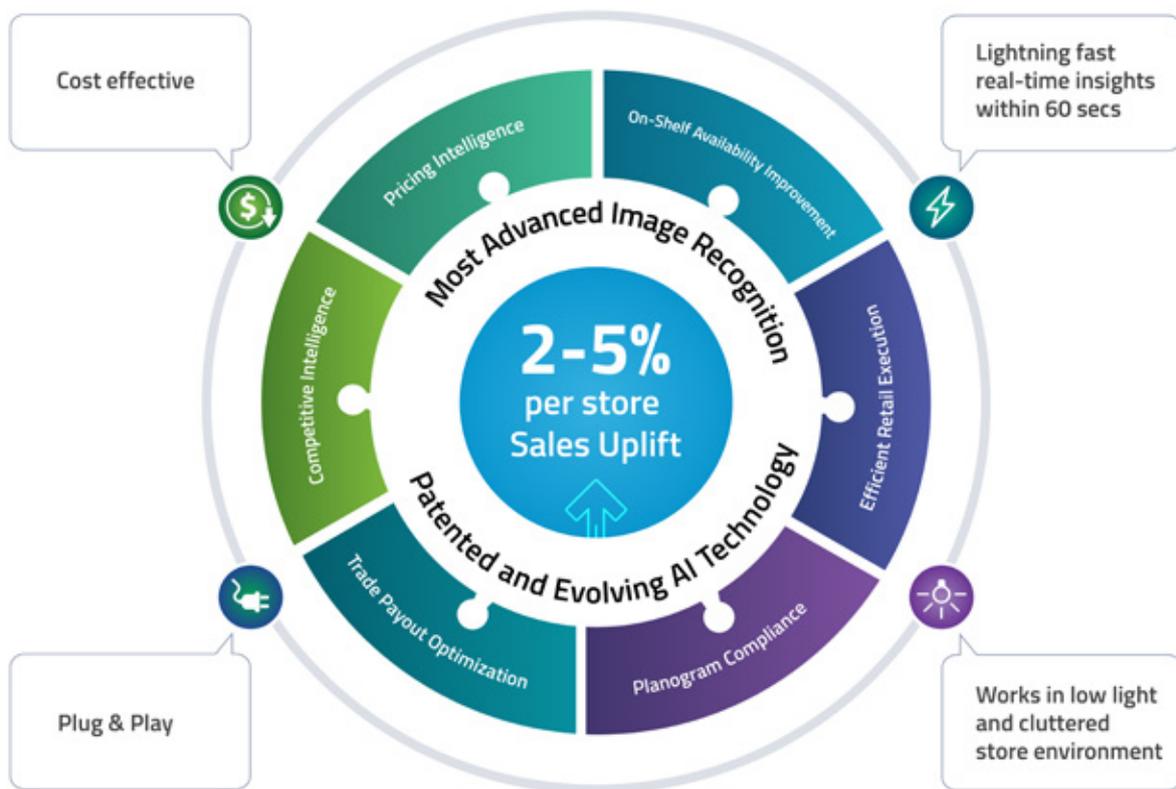
SKUs	You	Competitor 1	Competitor 2	Competitor 3
SKU 1	EDLP	10 % OFF	BOGO	15% OFF
SKU 2	EDLP	10 % OFF	BOGO	15% OFF
SKU 3	EDLP	10 % OFF	BOGO	15% OFF
SKU 4	EDLP	10 % OFF	BOGO	15% OFF
SKU 5	EDLP	10 % OFF	BOGO	15% OFF
SKU 6	EDLP	10 % OFF	BOGO	15% OFF
SKU 7	EDLP	10 % OFF	BOGO	15% OFF
	EDLP	10 % OFF	BOGO	15% OFF

A Step Ahead Of The Competition With Infilect

<p>Patented superior technology</p>	<p>30X ROI</p>
<ul style="list-style-type: none"> ✓ Processes over 25 million in-store images per month. ✓ Lightning fast AI setup within 2 weeks, no new learning curve 	<ul style="list-style-type: none"> ✓ Significant week-on-week improvement in store sales. ✓ Cover 10X more stores with the same set of field force.
<p>Microscopic Analytics</p>	<p>Smart, Comprehensive AI that beats the competition</p>
<ul style="list-style-type: none"> ✓ Data accuracy of > 97% in both Modern and General trade. ✓ Multi-object tracking such as in-store products, displays, SKU pricing and shoppers, and dynamic shelf tracking. 	<ul style="list-style-type: none"> ✓ Continuous learning system with state-of-the-art AI engine. ✓ Superior retail analytics and AI-powered recommendations.

Why Infilect?

Infilect Inc. is a global leader that builds Image Recognition & Artificial Intelligence solutions to obliterate the challenges faced by CPG & FMCG brands. Infilect's solution eliminates the manual, error-prone tasks from the pipeline, making the end-to-end retail execution 100% digitized, precise & efficient. The solution empowers the decision makers with real-time and accurate on-shelf metrics and in-store retail execution insights to simplify retail decision-making, boost per-store sales, and optimize trade promotions, at scale.



For more information, write to us at:
anand@infilect.com | vijay@infilect.com

INFILECT