

PLAYBOOK

The Retail Sales Planning Playbook for CPG Leaders

Contents

3

Overview

6

ROI and Sales Planning

9

What If & What Else

4

Define Objectives

7

Breaking Habits

11

Optimize and Compare

5

The ROI Debate

8

Monitor Your Base

13

Be a Collaborative Leader

Overview

Annual trade and sales planning is the critical conduit between a CPG manufacturer and its retail partners.

While this relationship has always been fragile, the revenue and margin pressures on both parties emphasizes the need for a more **strategic approach** to trade promotion planning. An approach **driven by data** intelligence and **predictable profitability**.

As a result, today's sales planning leaders cannot rely on best guess processes or the reactive "make my number" practices of the past.

Instead, CPG sales leaders should focus on

- ✔ improving trade spend efficiency
- ✔ customer collaboration
- ✔ revenue growth management
- ✔ event, calendar and portfolio optimization



Define Objectives:

Why are you planning?

So many teams claim, “we want to cut our trade spend.” We always ask, “why?”. Historically, trade spend is an acceptable loss that drains the bottom line. So it makes sense that to improve the bottom line you would spend less. But if we dig a little deeper, what we learn is that these companies really want to **improve their topline revenue**.

Would you rather spend less and sell less or spend the same and sell more? You won't sell more by cutting spend... **You need to invest smarter.**

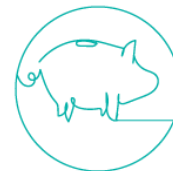
Align Sales Plans with Your Objectives:



Improve Net Revenue



Increase Investment ROI



Incremental Profit



Incremental Volume

The ROI Debate

Define objectives so that you can provide a framework for tactical decision making that guides your sales team toward success.

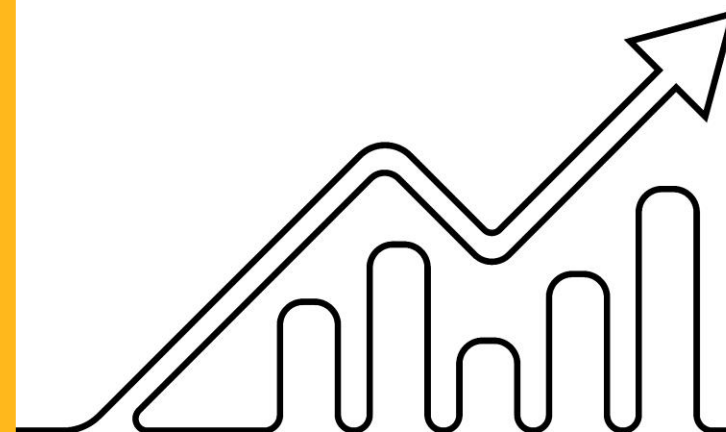
We've seen many corporate sales team try to set strict ROI guidelines for promotional events, only to see them quickly abandon these rules when volume, profit or revenue numbers come up short.

**ROI SHOULD BE USED AS A BAROMETER OF PROMOTIONAL EFFECTIVENESS,
NOT AS THE SOLE MEASURE OF PROMOTIONAL SUCCESS.**

EXAMPLE:

A promotion with a negative ROI may drive more volume than a promotion with positive ROI.

Therefore, if the corporate objective was to increase volume, this event is successful.



How to Use ROI in Sales Planning



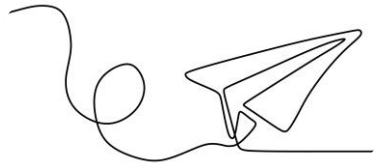
- ✔ **Consider the relationship** of the scenario ROI to the overall plan objective.
- ✔ Identify ways to **improve ROI without compromising** other spending or performance objectives.

Moving from a -20% ROI to a -10% ROI may drive significant incremental profit without sacrificing forecasted volume.
- ✔ Evaluate the promotional mix of your customer plan to **balance the combined outcome** with the impact of individual event ROIs.
- ✔ You may have to **run that one negative ROI event to negotiate** other events with a more significant ROI.

Breaking Habits

Due to limited visibility and questionable reliability, sales planning can be punctuated by ineffective reactive processes.

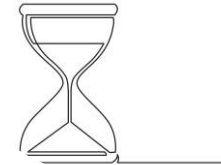
To make a difference, break these habits during the sales process:



STOP running the same plans as last year



STOP using manual spreadsheets for planning and analysis



STOP chasing after a number by repeating ineffective plans

While these tactical practices have sustained sales teams for many years, staying competitive in today's **data-rich ecosystem** requires a strategy that defines new avenues for growth, a repeatable and accurate process, and the agility to create opportunity instead of fill gaps.

Monitor Your Base

before, during and after the sales planning process



The most effective promotions lead to an increase in base volume.

Deep discounts and ineffective promotions can erode base volume.

Future baselines used for planning and forecasting start with a historical replication of the baseline and apply change drivers to simulate a future state.

What If & What Else

One of the first steps to breaking the habit of simply repeating the last year's plans is to consider other options.

It should be noted that the process of considering alternatives is not to discount the success of previous plans.

In fact, even when using predictive planning to test and discover alternatives, the industry expertise of the salesperson is critical in differentiating between a good promotion on paper and a good promotion in store.



“The **RGM planning** diligence and profit focus has transformed episodic, once a year planning, into an **ongoing and dynamic planning practice** deeply rooted in advanced analytics.”

-POI 2019 State of the Industry Report

What If

Many CPG companies have ways to **test promotional scenarios** as part of the planning process. The advantage of using “what if” scenarios to test future events is **the visibility to planned KPIs** with different tactics and price points without the investment risk.

Unfortunately, this practice is often manual and non-repeatable. However, a TPO solution allows your sales team to **build a library of scenarios to test**, to compare, and to choose the event that fits the desired outcome.

What Else

What-if event planning is a good practice but is **limited to the knowledge and creativity** of the sale person. What if there is a difference between the best we can think of and the best scenario to **drive the results that you need** within the constraints that you have.

Using **constraint-based modeling** you can set the budgetary, frequency, and retailer constraints while defining the desired revenue, profit or volume objectives and let the TPO solution **calculate the optimal promotion**.

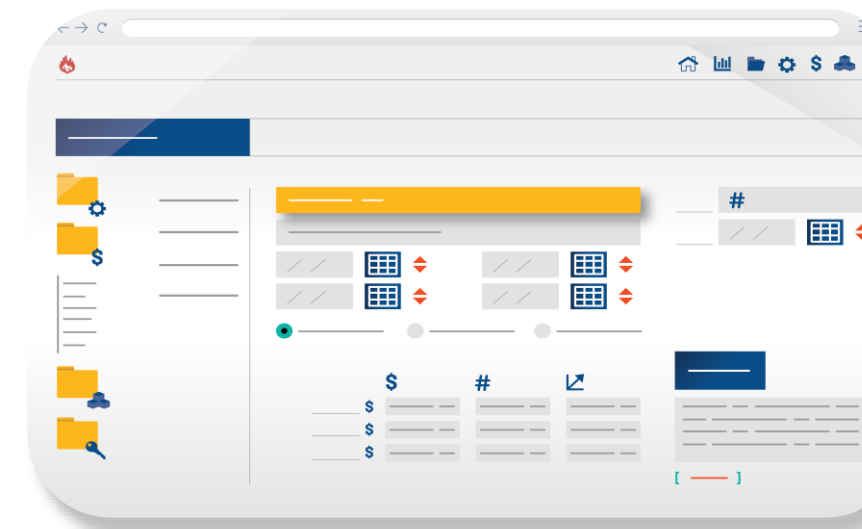
Optimize and Compare



Sales planning optimization is the ability to apply predictive modeling with user-specified constraints to identify the optimal promotional event or promotional mix.

In other words, what is the best price, best tactic, best plan to achieve the best results?

With the support of a TPO solution, the optimization of events or customer plans can be easily incorporated in your normal planning process. It's important that the sales team gets in the habit of comparing scenario and customer plans to understand and share the improved investment efficiency and profitability. This is where you'll see the real shift in how trade spending is perceived. The sales team can begin to show and quantify the investment potential for both their organization and their retail partners.



BEFORE OPTIMIZATION

	Manufacturer	Retailer
Sales:		
Revenue	\$35,164	\$43,131
Volume (Cases)	1,391	1,391
Incr Volume (Cases)	710	710
Incr Revenue	\$17,949	\$15,837
Net Revenue	\$26,985	n/a
Trade Spending:		
Total Spend	\$8,179	\$8,179
Spend per Case	\$5.88	\$5.88
Spend per Incr Case	\$11.52	\$11.52
Spend % Revenue	23.26%	18.96%
Profit & ROI:		
Total Profit	\$9,904	16,146
Profit per Case	\$7.12	\$11.61
Profit Margin %	28.16%	35.33%
Profit Margin with FB %	n/a	37.43%
Incremental Profit	\$1,051	\$8,124
Profit per Incr Case	\$1.48	\$11.44
ROI %	12.85%	30.11%

AFTER OPTIMIZATION

	Manufacturer	Retailer
Sales:		
Revenue	\$80,694	\$102,078
Volume (Cases)	3,192	3,192
Incr Volume (Cases)	1,789	1,789
Incr Revenue	\$45,226	\$45,846
Net Revenue	\$64,485	n/a
Trade Spending:		
Total Spend	\$16,209	\$16,209
Spend per Case	\$5.08	\$5.08
Spend per Incr Case	\$9.06	\$9.06
Spend % Revenue	20.09%	15.88%
Profit & ROI:		
Total Profit	\$25,287	\$37,594
Profit per Case	\$7.92	\$11.78
Profit Margin %	31.34%	35.00%
Profit Margin with FB %	n/a	36.83%
Incremental Profit	\$7,048	\$21,550
Profit per Incr Case	\$3.94	\$12.05
ROI %	43.48%	33.42%

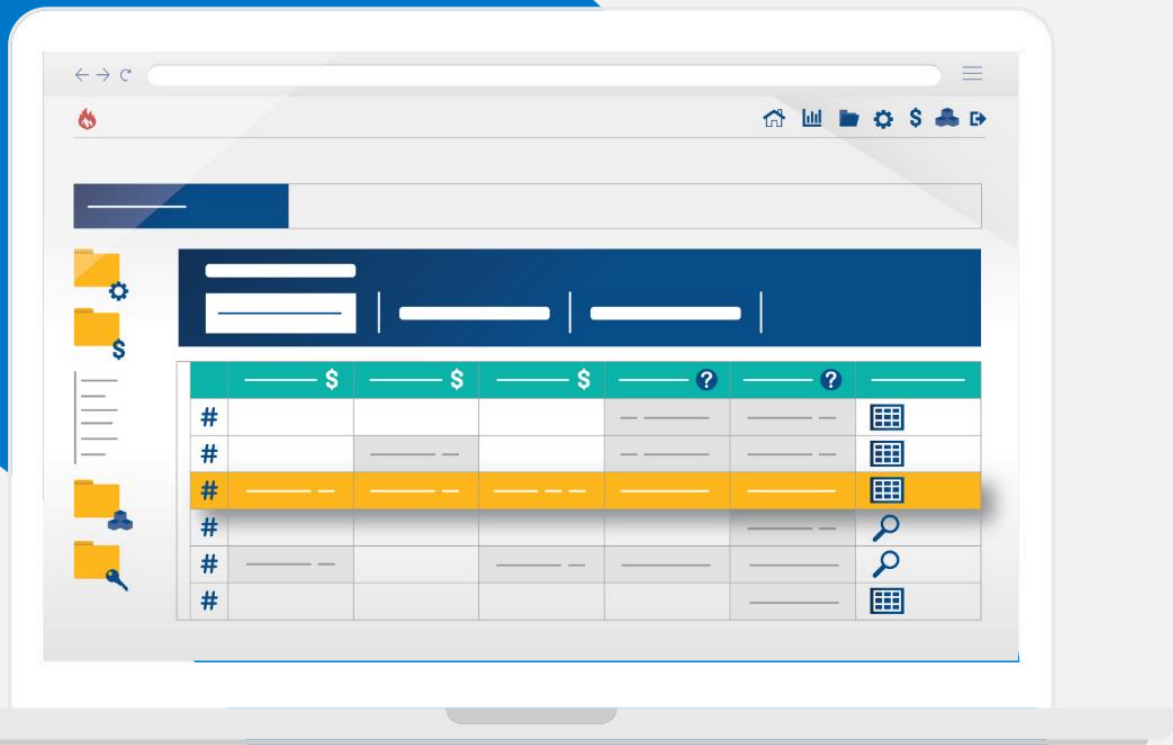
Be a Collaborative Leader

How to collaborate better within your organization:

- Meet regularly with your finance team to review event and plan performance.
- Provide your leadership team with alternative customer strategies.
- Share best practices within your sales team and spread learning between team members.
- Develop a process for incremental funding requests that opens a dialog with all stakeholders.
- Lead by example: Change is difficult.

How to collaborate better with your retail partners:

- Share one version of the truth when it comes to promotional performance.
- Use data and have a real conversation about promotional execution.
- Share the predictive retailer KPIs that are calculated during the planning process (using TPO software).
- Discuss mutual objectives to align planning activity with desired outcome.
- Schedule regular meetings to review plan performance and make necessary adjustments.



Blacksmith Applications has solutions for enterprises of all sizes. **We'll help to identify the solution that is right for you.**

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