

SAP Solution Brief

Applied Analytics
SAP Trade Promotion Effectiveness
Analysis

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Quick Facts

**Gain the Insight You Need
to Make the Most of Every
Promotion**



The Best-Run Businesses Run SAP™

Maximize return on your trade promotion spend

Maximize return on your trade promotion spend

What if you could accurately assess the trade-off between spend and ROI? Or align trade spend to an account to increase revenue or margin for a competitive promotion plan? Now you can – with the SAP® Trade Promotion Effectiveness Analysis analytic application. Track budgets and **understand promotion effectiveness for each of your retailers** so you can better tailor promotions.

For consumer products manufacturers, the cost of trade promotion is second only to the cost of goods sold. To maximize return on trade promotion spend, you need a data-driven spend strategy based on the analysis of promotional effectiveness by category, brand, product, channel, organization, and customer. As you execute strategy, you need to monitor sales and spend performance, identify patterns, and rely on insights to improve the promotion.

Achieving this goal isn't easy without insight into trade promotion effectiveness. Historical models don't help you analyze promotional spending beyond recording expense input to sales organizations and rating representatives by revenue output. Rarely do companies have detailed tracking of promotional spend per product or per customer to achieve that revenue; if the data exists, it is often scattered across systems, making a comprehensive trade promotion picture hard to see. Hit-or-miss strategies won't deliver consistent performance results.



Get the most from your trade spend

Learn what works and replicate it to maximize profitability

Assess the trade-offs between spend and return on investment

Get the most from your trade spend

SAP Trade Promotion Effectiveness Analysis helps you identify your best retail customers, manage trade spend directed toward developing those relationships, and continually monitor and improve promotion performance over time. The software connects to diverse data sources (including the SAP ERP application), creating a single trade promotion view that you can then use to:

- Perform account and promotion planning – including targets and budget requirements – based on actionable, data-driven insights
- Allocate available funds to your plan, track budgets, and adjust your promotion plan based on available budgets
- Monitor trade promotions to assess performance against planned objectives and time parameters

- Analyze performance data and calibrate the effectiveness of individual programs for different retailers and in different market segments
- Import insights into promotions planning processes so you can optimize plans and improve results

The analytic application can be deployed in conjunction with the SAP Customer Relationship Management (SAP CRM) application, the SAP Trade Promotion Management application, and the SAP Trade Promotion Optimization application. Together, these applications support funds management and boost your analytics capabilities. They represent a complete trade promotion solution for your business.



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Assess the trade-offs between spend and return on investment

The big question for both consumer goods manufacturers and retailers is this: how do I use my trade promotion budget to drive maximum profitability? With SAP Trade Promotion Effectiveness Analysis, you can answer that question.

Using promotion analysis, you can assess the effectiveness of different promotions with multiple retailers **relative to your baseline** (in other words, which sales would typically occur without a promotion). Armed with this insight, you can see what's working and how well – and then develop plans that build on successes. You can also:

- View trade spend efficiency and effectiveness by promotion, retailer, region, and product, complete with detailed graphs and an insight summary for each dimension
- Produce a summary of promotional details that lists the methodology, trade spend, and actual performance against what was planned
- Model scenarios that leverage effective trade promotions to improve the success of the remaining promotions for a retailer or category

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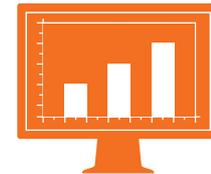
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With SAP Trade Promotion Effectiveness Analysis, you can also perform promotion volume decomposition to assess how promotions are cannibalizing sales of other products within similar categories, as well as determine the effects of seasonality. The software tracks the “reason code” for purchases down to a granular level of detail so you can better understand why something sold – and use this insight to make better plans in the future. (For a grocer, for example, reason codes may

include things like seasonality, holiday, and tactics.) This allows you, for instance, to account for seasonality as the reason for increased sales rather than incorrectly attribute the increase to the effectiveness of a certain promotion.



Promotion volume decomposition lets you determine if promotions are undermining sales of products within similar categories.



Assess the trade-offs between spend and return on investment

Get the most from your trade spend

Learn what works and replicate it to maximize profitability

Assess the trade-offs between spend and return on investment

To help you assess the trade-off between spend and ROI, SAP Trade Promotion Effectiveness Analysis provides an upper-level view that tracks all key performance indicators (KPIs) related to promotional spend. You can also perform trade-off analysis to see how increasing or reducing trade spend from one period to another can change promotion performance.

The software also provides a trade promotion ladder to help you identify the outliers that are impacting the performance of your business. At any time, you can view the top 10 and bottom 10 promotions in terms of promotional

sales revenue achieved, trade spend used, and incremental return on spend investment.

You can also perform what-if analysis using a consumption sales and volume decomposition process. For example, you can answer questions such as, "If we increase spending by adding additional promotions, what would happen to sales?" Armed with this insight, you can develop highly strategic promotions plans that will have a greater likelihood of delivering expected results.

Identify your best retail customers, manage trade spend for those relationships, and continually monitor and improve promotion performance over time.



Manage and track budgets

Empower brand and account managers

Influence consumer behavior and improve your bottom line

Manage and track budgets

SAP Trade Promotion Effectiveness Analysis now offers enhanced funds analytics. The software integrates with funds management and trade promotion management functionality in SAP CRM, so you can instantly see the size of trade promotion budgets available, what funds have been used for which promotions, and more.

You can also perform gap analysis on the spend budget and maintain scorecards on brand managers to graph their KPI trends. Brand managers have visibility, via a role-based dashboard, into their budgets and can see their best and worst promotions compared to plan. When you can predict the course of trends and discover potential problems before they cause trouble, you can make more effective decisions about proactive corrective measures to minimize your risk.



Integration with SAP CRM provides insight into budgets, funding, and other trade promotion and funds management indicators.



Empower brand and account managers

Manage and track budgets

Empower brand and account managers

Influence consumer behavior and improve your bottom line

Using analytics solutions from SAP, brand and account managers can examine their current promotion mix and compare the uplift in sales and ROI from each type of promotion spend for a given brand. By combining this intelligence with a performance-to-forecast evaluation, your teams can determine where to invest in the product line to have the greatest chance of boosting revenue.

SAP Trade Promotion Effectiveness Analysis lets your account managers evaluate completed promotions to ascertain their effectiveness in terms of ROI, gross profit, sales uplift, and trade spend ratio. You can determine which brands had the largest net uplifts in your accounts. Results from an analysis of promotional share can help you judge the value of a promotion. Preevent and postevent analysis helps you compare results and learn what works best with your customers.



Brand and account managers can evaluate the effectiveness of each type of promotion spend by looking at the current promotion mix, sales performance, and ROI.



Influence consumer behavior and improve your bottom line

Manage and track budgets

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As the demands of today's global, networked economy intensify, trade promotion as a driver of consumer behavior will only grow in importance. With SAP Trade Promotion Effectiveness Analysis, you can integrate trade spend effectiveness into the rest of your business intelligence and gain a single, integrated view of the interaction of pricing, promotion, and preference. Armed with the right insights and what-if analytics, you can develop data-driven strategies and promotions for different retailers that will maximize return on promotion spend – and boost your bottom line.





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Summary

To execute effective trade promotions, you need a holistic view of budgets and promotion results. Using the SAP® Trade Promotion Effectiveness Analysis analytic application, you gain insight into trade spend performance and the ability to track it by retail account, event, and category. You can also calculate trade spend as a percentage of (and monetary contribution to) a product category; closely track retailers' accrual, reserved, and settled balances; and maintain a single view of promotion effectiveness for each retailer.

Objectives

- Assess trade-offs between spend and return on investment
- Track budgets, funds, and promotion performance at the account level
- Make informed ad hoc decisions and plans

Solution

- Promotion analysis and management to know what works and receive indicators for budget overruns and performance lags
- Consumption sales and volume decomposition to see how promotion changes impact performance
- What-if analytics for testing promotion plans

Benefits

- Reduce cost of sales by maximizing returns on total spend for trade promotion
- Improve brand management and promotion planning with insight into brand marketing mix, promotions, and performance-to-forecast detail
- Enhance visibility and control via deeper analysis of funds, customers, and promotions

Learn more

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The Best-Run Businesses Run SAP™