TRADE PROMOTION MANAGEMENT

How digital can unlock the power of emerging markets

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CPG businesses understand the potential of emerging markets: the APAC region alone will account for more than 30 percent of the global industry by 2022[1], adding 400 million new middle-class consumers spending an extra $1 trillion each year.

And yet, if the opportunities in emerging markets are enormous, so too are the challenges standing in the way of CPG businesses seeking to exploit them. So how do CPG companies target their trade promotion activity for these markets more successfully to get closer to their customers and consumers?

Above all, this is a fragmented marketplace where one-size-fits-all trade promotions are insufficient. Across APAC, for example, consumers buy from 30 million stores – compared to 1 million in the US – but for CPG companies, it is not viable to reach more than three-quarters of these outlets.

Retailers, moreover, are diverse. Traditional "mom and pop" stores proliferate in emerging markets, particularly in markets such as India, but there are many modern retailers too, while ecommerce continues to grow in popularity. There is also a multitude of distribution models, ranging from direct selling to deals with exclusive and non-exclusive distributors.

As a result, however, some CPG companies find it difficult to implement effective distributor management systems and other platforms needed to produce the performance- enhancing insight. Some revert to manual processes and Excel-based spreadsheets, which require difficult workarounds.

Faced with these challenges, CPG businesses are struggling to plan, control and optimize trade promotional spend for maximum efficiency and effectiveness. The result is a missed opportunity to turn trade promotion activity into increased sales – wasted spend, in other words. After all, the most successful brands will be those that can move from outdated price and promotion processes to arming account teams with the tools to organize products around how consumers are behaving and responding to promotions – in real time. And, as the size of emerging markets opportunity continues to grow, so too will the value missed by ad hoc trade promotions that don't hit their targets.

Seizing the opportunity

In our view, the solution lies in the greater use of digital tools to optimize trade promotion activity right through the cycle, from planning through execution and on to payment of claims.

The data captured during this cycle can be analyzed to gauge the success of the past promotion and compare results to previous initiatives. Over time, this allows to generate predictive insights about where and how to prioritize future trade promotion spend in order to secure the greatest return on investment. Moreover, if the data can be combined with other data sets – from internal operations data to external sources such as population metrics for each store location – then a new level of sophistication can be reached. In effect, brands can use this insight to operate as a "living business" which is more fluid, responsive and predictive to ever-changing consumer behavior to enable relevance at scale.

This is not to suggest CPG companies will simply be able to install digital tools that deliver these benefits in an instant. In a complex sector spanning different types of retailers, a range of distribution models and an omnichannel connection with the consumer, CPG companies need to think carefully about how they move to digital solutions and work effectively with baseline, historic and secondary sales data. As well as ensuring that the team has the requisite skills, it may be necessary to update and harmonize processes.

Equally, however, it would be a mistake to think traditional retailers are not ready to embrace technology-powered solutions. Quite the opposite is true: in China, for example, 84% of mom and pop retailers, even in the smaller towns and villages, already offer customers digital payments through channels such as Alipay and WeChat; in India, 64% of traditional retailers are prepared to use mobile as a channel through which to conduct business with both their own customers and their CPG companies.[2]

The key for CPG companies will be to define the processes through which they interact with their distributors and retail clients – and to focus on the granularity of trade promotion activity they hope to achieve in each case, for planning, accrual and actualization. They will also need a change management strategy in place, to ensure seamless user adoption.

Data will be a crucial part of the equation. First, without accurate and standardized point of sale data, CPG businesses will not be able to execute their trade promotion activity as planned. Second, the insight generated from such activity will be based on false premises – and therefore of less value for optimizing future promotional activity.

Conclusion: Double dividend

What's the right play for established consumer goods companies branching into emerging markets? The answer is relevance. It all comes down to ensuring they stay on the pulse of tech-savvy consumers, craft hyper-personalized user experiences, capture the value in the ongoing explosion of digital technologies, and acquire the agility to flex the business quickly and responsively to shifting consumer behaviors – especially, in this context, when it comes to advanced trade promotion.

With this in mind, if you can get the switch to digital right, the potential gains are enormous. First, the benefits of automating and streamlining trade promotion accrue very rapidly. Second, the opportunity to leverage predictive insights is even more valuable. Armed with tools that identify which promotions work best for any given SKU, store cluster or market, CPG companies are in a position to significantly improve trade spend ROI.

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[1] Euromonitor International 2018, Accenture Research Analysis
[2] https://www.accenture.com/_acnmedia/PDF-73/Accenture-new-era-of-trade-for-consumer-goods-industry.pdf

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