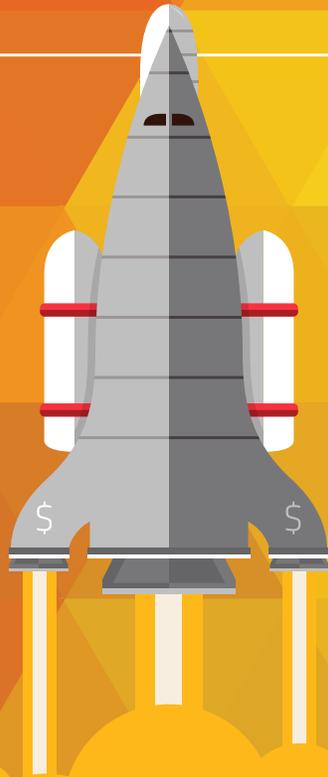


# THE RIGHT STUFF

With the right components, best-in-class **Customer Business Planning** can be a powerful launch pad for improved trade effectiveness capable of lifting profits to new heights.



By Chris Rice  
VP Sales & Marketing  
Exceedra, North America



**EXECUTIVE  
SUMMARY**

An increasing number of Consumer Packaged Goods (CPG) companies worldwide are turning their attention to trade improvements as a way to bolster the bottom line. If improved trade effectiveness and better forecasting are in your sights, then Customer Planning needs to be the launching pad.

Customer Planning is the heart of Integrated Business Planning. It is the best estimate of the business made by those closest to the customer enabling sales, finance, marketing and supply chain executives to see aggregated details regarding trade spend, consumer demand and promotional performance.

The looming question, however, is "Why is efficient and effective Customer Planning so hard?" Why do customer business teams still use Microsoft Excel® to plan their customer's business when their own companies have invested in large TPM systems?

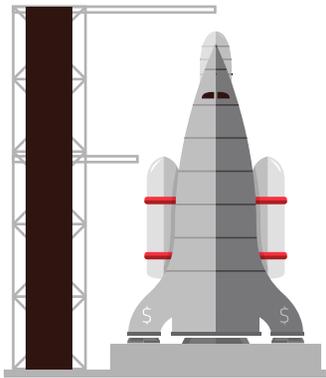
As discussed in an earlier Exceedra white paper *Trends, Myths, and Realities in Integrated Trade Planning*, there are several key challenges that impede companies from evolving towards better trade management practices:

- **TPM systems were designed as financial management tools to control trade, not as customer planning systems. As a result, a significant portion of Customer Planning must be done outside of TPM and then manually rekeyed.**
- **Trade Planning and Reporting is challenging when internal TPM plans are focused on shipments while consumption-oriented Customer Planning is created in spreadsheets.**
- **Measuring performance through post-event analysis is inefficient and inaccurate when systems and planning use different data sources and approaches.**
- **The collective result of these obstacles make Trade Promotion Optimization a near impossibility.**

While these realities continue to hinder the Customer Planning process, with the right data sets, the right level of detail and sophistication, the right relationship and the right roadmap and mindset, Customer Planning can launch your company to a new level of trade effectiveness and a better bottom line.

This paper is designed to provide a high-level overview of the necessary components of a best-in-class Customer Planning capability. It is not meant to explain the Customer Planning process, but rather inform readers on ways to better organize and improve the process using technology.





It should be simple. Make Customer Planning easier to use, and it will get used. Better plans... better results. It just makes sense.

The problem is that in today's CPG trade management and customer planning world, this process is anything but easy and straight forward—particularly for the large retailers who represent the majority of a typical CPG company's retail business. Industry surveys consistently demonstrate that the majority of CPG companies are dissatisfied with their current level of trade spend, analytics, and Customer Planning. In fact, a recent study by Strategy& revealed that dissatisfaction with trade management has made Customer Planning a top priority for many CPG companies and remains high on the executive agenda for improvement.<sup>1</sup> Transforming your Customer Planning into a powerful Integrated Business Planning launch pad is a smart move, but it is an initiative that will require the right stuff.

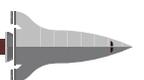
### The Right Data

The first element in any Customer Planning process is comprehensive, aligned data. The data is the fuel for the planning engine and, of course, better data drives better plans. An effective planning process should include the following data sets. The top of the list represents basic data requirements to perform small retail Customer Planning and moves to more detailed data sets required for advanced strategic Customer Planning.

#### Customer Planning Data Sources

- Master Data: customer, product, sales org, pricing, COGS/margin
- Shipment Data
- Syndicated Consumption Data: retailer banner level, full category
- POS Consumption Data: retailer direct POS data, category level, if available
- Vendor Managed Inventory (VMI)/Continuous Replenishment Program (CRP), where applicable and available
- Competitive Tracking Data: ad tracking data or competitive pricing data
- Joint Business Planning Data: retailer-specific strategy, information & metrics
- Store Level Retail Execution Data: audit and pricing data, competitive data

<sup>1</sup>Strategy& 2014 benchmark study: "Customer Planning and Trade Management"

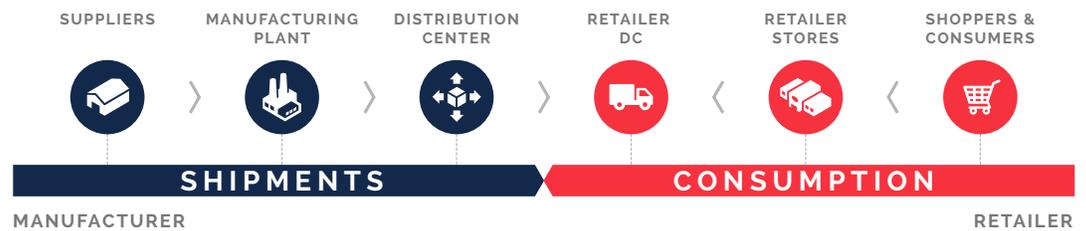


**In truth, most companies have the data needed to fuel effective Customer Planning. But often it resides in disparate locations...**

In today's landscape, however, accessing and organizing the required data sets can be difficult. In truth, most companies have the data needed to fuel effective Customer Planning. But often it resides in disparate locations—data warehouses, a Demand Signal Repository (DSR), syndicated provider systems or, in many cases, spreadsheets, with no central repository to coalesce it.

Adding to the problem, manufacturers and retailers tend to speak different data languages. Most CPG internal volume planning processes focus on the shipment of cases from plants and distribution centers, as they should. After all, revenue from shipped cases is the first line in every P&L. The problem is that for the large retail customers, it's all about consumption or units scanned and taken home by shoppers. The challenges in the planning process continue as manufacturers focus on their own products while retailers focus on categories for the tens of thousands of products sold in their stores. The end result is a fragmented planning process in standalone systems.

**DIFFERENT DATA LANGUAGES:**



Aligning the data can be challenging, but with the right partner and process this essential task can certainly be manageable. Some companies have invested in a Demand Signal Repository (DSR) to handle the data management and alignment necessary to organize this information so it can effectively support Customer Planning and many other processes. Keep in mind, this is an on-going process that needs to be solved in a systematic way or it will introduce data management issues that can bring down even the best solutions.

It is important to note, there are other data sets and processes controlled or dictated by the retailer that can inform customer planning and trade strategy development. These include retailer-specific systems and processes such as shopper insights, store-level POS and assortment optimization, to name a few. Integrating every possible source of customer data is neither realistic nor economical, especially when your company may already be paying for access to the retailer's systems. Instead, these retailer-driven processes become resources that inform the volume, distribution, promotion and pricing plans for these strategic customers.



### The Right Planning Level

The traditional approach to TPM deployments is to expect the same level of detail and sophistication to be effective for every planned customer, which often skews towards the lowest common denominator. In this scenario, account managers for multiple smaller retailers are overburdened, spending too much time in planning and administration, while large strategic account managers lack data and insights necessary for more complex planning processes.

In order to ensure that large strategic customers, regional accounts and smaller customers have the right data and appropriate level of detail for their planning needs, it is essential that the planning system be configurable by customer segmentation. Many companies have segmented customers for other objectives,

such as a trade funding strategy, which can also be leveraged to align the planning level. The table below outlines an example of segmenting customers into planning groups.

**CUSTOMER PLANNING SEGMENTATION:**

CUSTOMER SEGMENTATION	PERCENTAGE OF BUSINESS/ NUMBER OF RETAILERS	PLANNING ORIENTATION	LEVEL OF DETAIL
Strategic Accounts	60-80%/ Top 10-20	Consumption • With ability to convert to shipments	<ul style="list-style-type: none"> <li>• Total Business Plan by category</li> <li>• Volume Build process with Base and Incremental drivers considered</li> <li>• TPO Predictive Planning</li> <li>• Joint Customer Business Planning with retailer-specific metrics and calendars, where applicable</li> <li>• All customer spend captured for true customer P&amp;L</li> </ul>
Growth Accounts	10-20%/ 20-30	Shipments • Informed by consumption data, where available	<ul style="list-style-type: none"> <li>• Total Business Plan with details at promotion Level</li> <li>• Volume Build Process with Base/ Incremental</li> <li>• Common "average" retailer metrics for profitability/margins</li> </ul>
Small Accounts	5-10%/ 100-200	Shipments	<ul style="list-style-type: none"> <li>• Total shipment volume call</li> <li>• At Territory level for managers with multiple accounts</li> <li>• Limited-to-no promotional details</li> </ul>



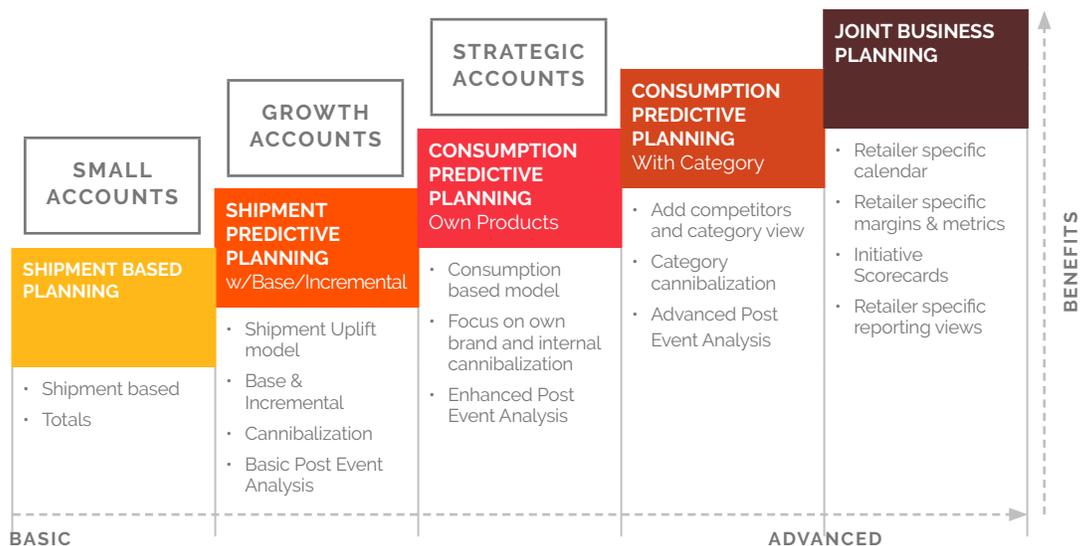
**The right level of sophistication is all about getting the appropriate insights injected into a streamlined planning process.**

### The Right Level of Sophistication

Determining the appropriate level of sophistication for each planning segment is a critical step that can make the difference between success and failure. To get this right, it is important to understand your company's current Customer Planning process and the proficiency or aptitude of those doing the planning. Since strategic customers drive the lion's share of the volume and trade spend, that is an effective starting point. The processes and approaches will likely differ between strategic customer teams—in many cases, driven by their retail customer's process.

The right level of sophistication is all about getting the appropriate insights injected into a streamlined planning process. This allows account managers to use their knowledge along with system-generated insights to develop better promotional and pricing options that can affect change with retailers. Pushing too much sophistication too quickly in any process change is a significant roadblock to project success.

As an example, many early adopters of TPO spent significant time and money on a variety of decision-support solutions. Unfortunately, many were too complex, had no executive support or were non-integrated tools requiring information to be rekeyed into multiple systems. In order for this type of advanced planning capability to succeed, a clear understanding of staff competency as well as a solid training program is paramount. For instance, if the sales teams are not familiar with planning base and incremental volume/ROI-based analysis, then deploying a complex TPO solution should happen with a phased approach after they gain knowledge of these concepts from basic training. The table below highlights a introductory approach to segment planning levels along the planning process maturity path.



Before embarking on customer planning improvements, it is critical to invest the necessary time and effort to truly understand the requirements across each planning segment. A planning process assessment can be accomplished with the right internal team or with the help of consulting partners.

---

**The right mindset focuses on ROI and margin improvement supported by sales incentives and the alignment of KPIs (Key Performance Indicators).**

---

### **The Right Relationship**

Improving retailer collaboration and Joint Business Planning (JBP) requires a more advanced approach to customer planning combined with the appropriate level of detail for each key strategic partner. JBP is based on shared strategies and goals between strategic trading partners to drive a set of common objectives and initiatives. Managing this process requires the ability to configure, manage and track retailer-specific metrics and scorecards to ensure both parties remain aligned on performance. This provides the basis to share your company's internal views with key team members as well as the ability to report plans and scorecards in customer-specific views. Reaching this point on the maturity curve requires the internal alignment and backing of senior management, the interest and support of key strategic retailer partners, as well as a flexible solution that can be configured at the retailer level to support JBP.

### **The Right Mind Set**

Organizational change is hard and most people have an inherent resistance to it. When the transition requires cross-departmental change the challenge becomes even greater. Companies that incorporate a solid communication and change-management strategy in addition to executive management endorsement dramatically improve the likelihood of success. The right mindset focuses on ROI and margin improvement supported by sales incentives and the alignment of KPIs (Key Performance Indicators). Better plans deliver better results only if communication and selling practices between sales teams and customers change. For this to be successful, it is important to involve customer planners in the development, redesign and change process. In this way, critical input and insight from those doing the work will be taken into account throughout the process.

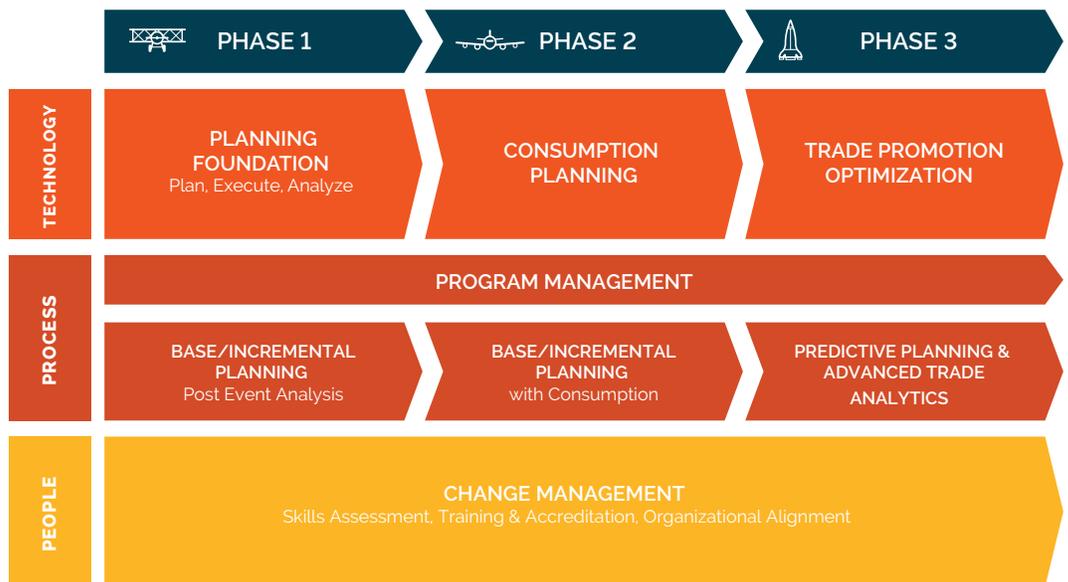
Incorporating these changes into the trade journey can be difficult. But organizations that take the time and effort to do it correctly will be better equipped to successfully implement significant Customer Planning improvements.



### The Right Roadmap for the Journey

Once a company's current position on the trade improvement journey is established, plotting the course up the maturity curve towards higher value and benefit becomes easier. The included example demonstrates a pragmatic approach to transitioning from basic non-integrated systems to more advanced methods that consider the people, processes and technology. Every roadmap will vary by company. But no matter what the path looks like, it should consider competency levels and adjust roll-out plans so the right level of sophistication is delivered in each phase. This approach will allow for the appropriate education and training needed to move the organization up the maturity curve and prepare for the next phase of the journey.

#### THREE PHASE ROADMAP:



### Launching Additional Improvements

Getting Customer Planning right sets the stage for improved Integrated Business Planning as well as more effective Sales and Operations planning. When integrated with TPM, accurate Customer Planning will minimize inherent process challenges such as outdated promotional information and mis-keyed data, thus improving post-event analytics. Additionally, plans that are updated as changes occur provide better visibility to HQ, finance, marketing and demand planning, laying the stage for a stronger, healthier organization as a whole.



### Conclusion

As companies begin to dissect their own trade planning practices in an attempt to streamline operations and bolster the bottom line, Customer Planning is going to come under more and more scrutiny. By turning their attention to the right data, planning, detail, relationships, roadmaps and mind sets, organizations can utilize an Integrated Customer Planning solution as the launch pad for improved integrated business planning and improved profits.

### About Exceedra

At Exceedra, our mission is to provide Integrated Business Planning Solutions for Consumer Goods companies across the globe to help our clients be more agile in planning and make better business decisions managing their trade budget. Our market leading solutions enable greater control and return on investment for our clients and our service has been recognized as a distinct advantage.

Our solutions support business in the area of Trade Promotions Management and Optimization, Customer Planning, Sales and Operational Planning, Demand Planning, and can be deployed in the Cloud or on premise. We are a global company, based in the UK, with offices in the US and in Australia. For more information, please visit us at [www.exceedra.com](http://www.exceedra.com).

