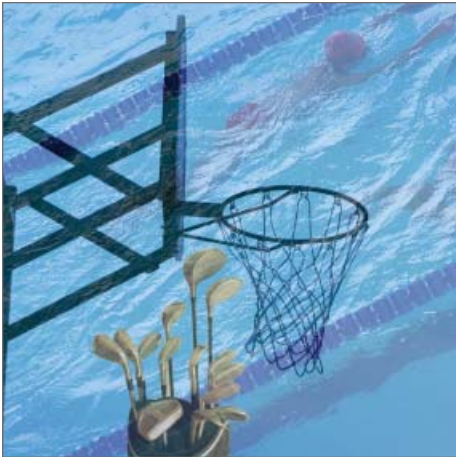


PLAN4DEMAND

SUCCESS!



After merging with two others, this sporting goods company's executives needed help integrating three radically different go-to-market strategies, trade promotion approaches, systems, and pricing structures into one set of programs. A P4D team went to work and was able to identify more than *\$2.2 million* in savings!

SS074:

Trade Pricing and Promotion Optimization Assessment

PRICING AND PROMOTION OPTIMIZATION PLAN SAVES SPORTING GOODS COMPANY MORE THAN \$2.2 MILLION

At consumer product companies, trade spend is often a major component of the company's sales strategy, with average spending rates typically accounting for two-thirds of all money spent to market and promote products in a year.

In 2008, this sporting goods company's trade spend concerns became even more complicated when its parent company decided to merge with two other sporting goods companies to form a "new" company. The three companies had previously operated as completely separate entities with independent sales teams, marketing groups, and logistics operations. Each company had radically different go-to-market strategies, trade promotion approaches, systems, and pricing structures.

Keenly aware that they needed expert help, company executives hired Plan4Demand to evaluate the three different sales programs and provide a detailed plan to integrate them into a streamlined, single set of programs. The plan included an analysis of discounts, terms and conditions, and a comprehensive review of current trade promotion management against consumer goods best practices.

The P4D team went to work and first segmented the sales information into six consolidated classes of accounts. Then, pricing structures and terms were simplified into class-based structures, which eliminated a complex matrix of pricing structures unique to season, brands, and accounts. With an objective review complete, Plan4Demand consultants set out to create a detailed road map to help the new company more easily manage trade promotion activities.

FINDING THE BEST STRATEGY

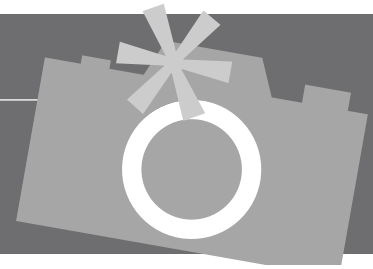
The P4D team's next objective was to simplify discounts by class that minimized price impact to existing customers, setting a new base for programs going forward. The team analyzed sales programs to measure base current term costs, offered discount values against listed price value, and developed models for each of the six trade promotion classes. We then evaluated four likely term cost scenarios and found optimized discount values for each account grouping. Adjusted new discount structures were built by customer, blended by trade promotion class, and then optimized for the group.

Plan4Demand is a client advocate and is in no way sponsored by any software vendor.

Solution Snapshot

Problem: After merging with two others, this sporting goods company needed help integrating three different strategies, trade promotion approaches, systems, and pricing structures.

Solution: Plan4Demand's trade promotion consultants modeled an optimization plan that simplified 70 different sales programs to six and identified more than \$2.2 million in savings.



For the trade promotion review, the P4D team conducted process interviews across multiple disciplines throughout all three companies to assess current sales programs used in each of the organizations. These interviews, coupled with the data gathered, provided a foundation for a current state assessment. This assessment was then compared to 60+ fast-moving consumer goods trade promotion best practices to determine the company's current state maturity.

The P4D team determined that the sporting goods company utilized basic trade promotion processes, but recommended that the company work to improve its capabilities and measurable process tracking coordination in order to successfully optimize trade promotion spend.

Once the process survey was complete, a P4D/sporting goods company team discussed the findings, prioritized areas for improvement, and created a future state for each evaluation, building a series of process solutions that addressed the needs of the new organization. Tasks and resources needed to complete the future state implementation for each of these process solutions were included and the consolidated improvement tasks were re-prioritized.

PAVING THE ROAD TO MARKET

Through working with Plan4Demand's team, company executives gained a better understanding of the strengths and weaknesses of the new organization, with a detailed road map to capitalize and reinforce their trade promotion processes over the next two years. More than \$2.2 million in savings was identified and 70 different sales programs were simplified to six basic terms with a negligible difference in pricing to the customer.

Another recommendation, the new P4D-developed discount structure, simplified the hundreds of individual discounts into six trade promotion class values. Finally, a detailed account-by-account impact analysis was developed, based on individual 2007 program values.

Company executives were thrilled with the results. "Plan4Demand has exceeded our expectations for this project, bringing a detailed and objective eye to our specific business challenges and trade promotion needs," one manager said. "We now have an executable plan for our trade promotion program, even amidst all of the changes we have going on at our company."



Plan4Demand consultants used the TPO lifecycle and seven process areas (above) to evaluate the sporting goods company's trade promotion processes.

ABOUT PLAN4DEMAND:

Plan4Demand Solutions Inc. is a supply chain consulting firm specializing in sales and operations planning, demand and supply planning, pricing and promotion optimization, and network optimization.

Plan4Demand focuses on the consumer product goods and health science industries and provides services such as strategy execution, process improvements, change management, learning services, and technology enablement.

For more information,
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