

## LEVERAGING TECHNOLOGY FOR TRADE FUNDS MANAGEMENT & PROMOTIONAL PLANNING

If your company uses trade funds/promotions to increase product turnover and overall sales, you may be finding it difficult to track where the funds are allocated, how they are spent and how effective they are in successfully promoting your products and sales.

At a high level, trade funds management can be called promotional planning or may be referred to by the specific type of planned spend, such as accruals, co-op advertising or discounts. Typical trade funds management activities include planning trade promotions; allocating funds to regions, customers, products, etc. for various promotional programs; spending against the various promotional programs; tracking actual spends against the plan; and analyzing the impact of trade funds on actual sales.

### Business Issues

To be most effective, your trade funds should be planned, monitored and tracked to prevent overspending, better understand spending trends that boost sales, and to determine if your trade funds attain your desired results or could be put to better use elsewhere.

Because trade funds are designed to increase sales or margin, management needs the ability to evaluate growth and profit related to any fund. But often the success or failure of a particular fund or promotion is nebulous: the information exists in many different places and therefore is hard to obtain, is time consuming to gather, and is out of date or useless by the time the information is summarized.

Often companies will devote one or more persons specifically to track and summarize information on trade funds activities. This is generally accomplished within manually maintained documents such as Excel. Even if the document is readily available to the appropriate people in the organization, the information is typically not summarized and does not provide information in a meaningful way for each person or department.

In addition, many companies are not able to easily re-allocate fund commitments because it is too time-consuming and difficult to gather the information required for determining where available funds may exist. They need the ability to track the spending against the funds.

Business performance management applications with specific functionality for managing trade funds and promotions can be extremely effective solutions for helping businesses both plan and manage their promotional programs much more wisely.

### Requirements

Any Trade Funds Management application must have timely information that is easy to obtain and manage. It must also provide enough flexibility to cover the different aspects of trade spending and promotional planning.

In Trade Funds Management, funds must be easily broken down into different types of promotions, which can be tracked and compared against spends. They must be able to be analyzed at any level of analysis deemed important by management (i.e., territory, broker, product group, product, market segment, etc.). And, they need to be compared against spends and sales information so that the status and effectiveness of a fund can be determined.

Often, monies allocated within these funds are moved between funds to promote turnover where sales are not occurring or are low. Management must be able to easily determine how much of a fund has been spent, or which funds have uncommitted monies remaining.

Though funds information must be easily accessible by those who need to see and manage it, it must also be secure from those individuals who should not view and/or change it.

Where possible, management of trade funds should also occur within one application to minimize redundancy, data entry errors, and any other errors resulting from a time lag in updating information.

### Information Categories

Within a Trade Funds Management application, the following categories of information should be available: Funds, Commitments, Spends and Sales/Shipments, Market Consumption/Point of Sale.

- Funds are used to define a pool of planned spending, typically existing at a high level (i.e., defined at a region or customer level by a national sales manager)
- Commitments are used to more specifically allocate funds (i.e., defined for bill backs/accruals for a particular customer/product combination by a territory sales rep)
- Spends are actual spending that has occurred against a Fund or Commitment (see next section for breakdown of spend types)
- Sales/Shipments includes various amounts, units, costs (and Gross margin) and returns information
- Market Consumption/Point of Sale volumes and amounts provide insight into consumer buying and should be used in conjunction with evaluation of sales/shipments to evaluate sell through

### Spend Types

Typically, there are two types of spending that occur: trade (field) spending and market (consumer) spending. It's ideal if your Trade Funds Management solution handles both of these.

Trade Spends occur when a manufacturer or a distributor allocates monies to their customer to incent them to sell or to reward sales results. Some examples of Trade Spends are:

- Invoice-related discounting (off invoice, bill back, free goods)
- After-invoice rebates
- Lump sum payments to customers (check written by salesperson directly to customer for shelf space allotment)
- Allowances (incentives to buy often taken in the form of deductions, credits to account, or payments)
- Co-operative advertising campaigns

Market Spends occur when a manufacturer or distributor allocates monies for use in marketing and promoting their product. Some examples of Market Spends are:

- Consumer coupons or consumer promotions such as buy one get one free
- Purchase of a service such as advertising, outside processing, research and development
- Purchase of marketing collateral such as brochures, special packaging, inserts

### Trade Funds Activities

Generally, there are three activities specific to trade funds management: Fund Creation, Commitment Creation and Spending:

- Fund Creation: Establishment of a pool of money
- Commitment Creation: Allocation of the pool of money to various spend types (off-invoice discounts, allowances, etc.). This is also known as Plan Creation or Promotion Planning.
- Spending: Realization of the expense (customer credit, customer payment, settlement of a claim/short pay etc.)

The Trade Funds Management application should allow for the entry and maintenance of both Funds and Commitments at any dimensional level in your sales and marketing hierarchies. This information can be entered directly into the application or it can be imported from other applications such as Excel spreadsheets or a general ledger.

The spend information can be imported from Excel or more typically, an ERP system using transactions from accounts receivable, accounts payable, general ledger, invoice history, purchasing or customer order entry. Departmental systems such as Deductions Management also provide key spend details.

The analysis provided will allow for fund, commitment, and spend analysis. Sales information is also included in the model, so that the performance of a particular promotion or fund can be assessed. For example, one can see how effective promotions were on sales and perform sales lift analysis.

The following table briefly outlines the high level features and benefits that should be part of any trade funds planning and promotion management software application. At the bottom line, use of these applications will allow you to better plan and fund future programs by accurately reflecting the accrued liability for your planned spending and then the actual expense when the spending is realized.

Feature	Benefit
Create a plan for Trade Spending	Plan is created/stored within a central repository accessible by all authorized users. Plan can be compared to spends and sales.
Create a plan for any type of discount, promotion, or other spending	Can track all funding information, regardless of the purpose of the fund. Don't have to keep separate systems for special or unusual promotions.
Create plans at any dimensional levels (i.e., by Territory, Customer, etc.)	All plans don't have to be defined the same way — plans can be individually defined by your business need, not according to technology constraints.
Create working plan and frozen plan	Provides the flexibility to continue to edit the working plan while any part of it can be resaved as "frozen". The frozen plan allows for a controlled measure of plan against spends and sales, while the working plan is consistently available for updating.
Frozen plan security	Only authorized individuals can update the frozen plan to ensure information integrity.
Multi level allocation planning - ability to roll the plan up/down from current dimensions to any other dimensions. Monitor the plan, spends and sales at any dimensional level (including Broker, Customer, Product Line, etc.)	Plans can be analyzed at very low, very high, or in-between levels without having to actually predefine the plan to those specific dimensions. Using the "breakdown" functionality, one would enter the information at the appropriate dimensional level(s) and then aggregate the plan to selected higher levels, or disaggregate down to more detailed levels. This allows for comparison of plans with sales or spends from any level.
Monitor trade spending quickly and easily	Spend data is loaded and summarized right alongside fund and commitment information for quick and easy comparison.
Monitor the plan for overspending	Overspending can be minimized or even avoided because information is up-to-date and readily available.
Monitor the plan for unused, available promotional monies	Determine where funds have not been fully allocated, so that management can decide if monies would be more effectively utilized elsewhere.
Analyze funds, spends or sales by any dimensional combination/sort/filter	Drill through the data from any starting level through to any other level of the data, in any dimensional order, to provide for different perspectives on trade funds management (i.e., a territory manager might begin analysis at the territory level, where a marketing manager may start at a market segment level).
Compare funds/spends to sales or gross margin	Determine how a fund or promotion affects sales or gross margin lift for any time range. Determine if promotions increase overall sales or simply rearrange demand cycles. Analyze forward buying effect of promotional spending.
Identify success of a promotion or fund	Identify successful promotions so they can become models for other promotions and understand unsuccessful promotions. Understand where promotions succeed and where they fail in order to improve revenue and gross margin while eliminating poorly spent promotional costs.

## About Silvon Software

Silvon Software is a global supply chain-focused business intelligence solutions provider headquartered in Chicago with more than 1,500 customers globally. The company's Stratum™ suite of operational planning, analysis and reporting applications is designed to help companies strategically plan, analyze and manage the performance of their enterprises and supply chains. The product suite features hundreds of pre-built analytical views, KPIs and reports; forecasting and collaborative planning functionality; exception management capabilities; plus, a number of flexible information delivery options for sharing data internally and with external supply chain partners. For more information, visit [www.silvon.com](http://www.silvon.com)



**NORTH AMERICA  
CORPORATE HEADQUARTERS**  
Silvon Software, Inc.  
900 Oakmont Lane, Suite 400,  
Westmont, IL 60559  
Ph: (630) 655-3313  
Fax: (630) 655-3377  
Toll-Free: (800) 874-5866  
E-mail: [info@silvon.com](mailto:info@silvon.com)

**EUROPE/MIDDLE EAST/AFRICA  
EUROPEAN  
HEADQUARTERS**  
Silvon Software, Ltd. (UK)  
Pinewood Studios  
Pinewood Road  
Iver Heath, Bucks SL00NH  
Ph: +44 (0) 1753 631133  
Fax: +44 (0) 1753 635192