DRIVING HIGHER ROI WITH YOUR TRADE INVESTMENT DOLLARS

All CPG company's use investment money to leverage a retailer for some form of return, typically sales. Although the investments (i.e. money, data, resources, etc.) might vary, the goal is the same – maximized ROI.

To optimize returns, brands constantly review where and how investment money should be spent. Interestingly, when money is invested externally (i.e. advertising, public relations, etc.) it is looked upon opportunistically. The brand is the buyer determining its best ROI options. However, inside a retailer, many operate from a position of necessity and fear – "what if we don't give it to them?" Many wrongfully assume whatever the retailer received last year, they get this year. Retailers have done a wonderful job of instilling this philosophy.

It is time for a mindset change. We must then act on this change with different approaches.

IT'S YOUR MONEY

First, we must understand investment money is the brands money. It is <u>not</u> the retailers – although they imply otherwise. They are no more entitled to it, than you are to a free lunch. Trade money is something your company uses to drive business in line with your priorities and objectives. The mindset it is retailer money must be dropped. We must also stop thinking whatever was invested last year, carry's over to this year.

THREE ROI CHALLENGES

1. Low ROI Programs: A dollar invested in one retailer returns significantly less than in another. Either the ROI needs to increase or needs to shift. This means a few things.
   a. Less money must do more.
   b. Poor performing programs must be fully removed or rescoped to other types of investments.
   c. Low performing investments might need to move from one retailer to another.

2. Non-Working Trade: Over time investments have been provided to achieve certain results. However, those investment are now just assumed by the retailer. In other words, these investments although well intended initially, carry little or no value today. Further to that, when the brand threatens to remove this investment, the retailer declares armageddon.

3. Soft value investments like data, insights, category management, shopper marketing need to be reviewed and legitimately costed. Brands must fully understand the cost of these gives and the actual return. Once assessed, a restructure might be necessary.

DIFFERENT APPROACHES

Efficient & Changeable Programs

Those firms which strive to minimize non-working trade investments will drive better ROI's.

Companies which can easily, effectively and quickly move investment dollars from one retailer to another will be more successful. Being tied to rigid trade investment programs is unacceptable. Account manager bonus compensation needs to be tied to ROI, but also flexible enough to allow for investment money to be removed without detriment to the employee.

Retailer Zero-Based Budgeting

What about moving to a zero-based budgeting approach? Simply stated, every year, the retailer and brand start from zero on investment dollars and rebuild a plan to drive ROI. Everything is looked at anew and must be re-justified, including soft value investments. Painstaking, but wildly effective for both sides.

During this process, let them know where they are succeeding with your dollars versus the market and where they are falling behind and at threat of losing investment dollars – use it more effectively, or lose it to your competitors. This is not a threat, just a true business reality. Having a flexible trade program brings this reality to life.

Auctioning Investment Dollars

Every year, CPG firms set aside retail investment dollars to be used across a market. Many hold money in reserve to drive sales later in the year, should it be needed. Many savvy account managers do the same.

So, when it comes time to put these extra dollars to work, what about putting them up for public auction? Firms which commit to the highest ROI, get the money for the programs they propose. Why not flip the table and make the retailers sell to you – what can you do for us? Not, what we can do for you. In essence, CPG account managers are buyers with their investment money, not sellers. Afterall, aren't CPG firms buying what a retailer has to offer?

Imagine, setting up an internet auction for retailers to participate for investment dollars. Just imagine being able to choose those which provide the highest guaranteed ROI?

Flip the script. Drive more value with your money!