Simple steps to improving returns on trade investment

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Over the years the money spent on trade investment by many consumer goods companies has ballooned, putting enormous pressure on marketing budgets.

Few Sales Directors, Marketing Directors or CEOs deny this: but many struggle to make changes to their trade investment approach.

Why is this the case, and what can be done?

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Changing trade investment is scary

The bad news is there is no gain without some risk. But the good news is that, for the vast majority of companies we interact with, massive improvement can be made without reducing spend at all.

We just need to spend it differently.

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Here are *four steps* which can be taken to *improve returns on trade investment.*

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Identify productive and un-productive spend

1

We're happy to invest in activities that drive growth or reduce costs in a way that delivers a meaningful return. However for ***every client we've worked with***, there has been a significant amount of spend that is non-productive**.**

What would be the impact on the profit of ***moving expenditure from non-productive areas to growth or efficiency-driving activities?***

The customer gets the same investment funds, but the likelihood of the brand owner getting a better return is significantly better.

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Identify key growth driving activities

2

Once non-productive trade investment funds are identified, the next step is to **identify which activities we are most interested in.**

Typically these will be those that will drive sales growth for our brands. First, use an understanding of shoppers to identify a range of activities that will drive growth: then look to move trade investment from non-productive spend areas to productive ones. **Shopper understanding is key to improving trade investment returns**

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Emphasize the value of trade investment

3

If we want the retailer to accept changes to our spend, we have to demonstrate that this could yield higher value (for the retailer) than the current way of spending money.

A well-structured sales proposition that explains why this activity is valuable to retailers and will help them hit their KPIs is key. If this is backed up with coherent math based on solid shopper data, then so much better. Always a good start to any negotiation!

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Make trade investment conditional

4

How much of what you pay for actually happens? In some markets in-store activity compliance is LESS THAN 50%!

Everything should be conditional. Payments are made when, and only when, activity happens. Conditionality is a highly legitimate position too, which makes holding firm a lot easier. And it's a lot easier than telling a retailer you are cutting spend!

Additionally, if the activity is the right activity, it's a win-win for both sides. And lastly, it's hard for a retailer to deny this clause without getting into a discussion about their terrible compliance!

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With spend being focused on valuable activities, and only being paid when value is delivered, most manufacturers see significant improvements in the returns they make on trade investment.

Too good to be true? Not at all! We've made this happen with clients countless times. We work with many clients in this area, with the goal of creating simple and transparent rules around trade investment. We call the model GEMs.

If you want to learn more contact me here.
It's simpler than you think!

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