

By  Instill

Manufacturers Are Charting a Path to Higher Impact Trade Spend Programs

How Does Your Trade Spend Effort Measure Up?

In an environment where trade spend costs are rising faster than sales, foodservice manufacturers are effectively spending more for less. While increased spend against trade programs is a result of both a competitive market and historical precedent, there is growing consensus among manufacturers, as well as their distribution partners and operator customers, that significant inefficiencies exist in the way trade spend programs are managed and settled. Of particular concern for manufacturers is the uncomfortable realization that it is seldom clear which programs are driving profitable product sales.

As the range, complexity and sheer number of active trade spend programs have increased over time, manufacturers find themselves buried in claims processing. Claims stack up faster than they can reasonably and comprehensively be reviewed. Furthermore, claims are submitted in a variety of formats and time intervals which make it difficult to automate the settlement process or perform analysis on trade spend data. In this context, manufacturers are buckling under the administrative burden of their trade programs, and are challenged to unlock the value of trade spend data to better understand program effectiveness or chain business buying trends.

The tide is turning. Increasing numbers of leading foodservice manufacturers are breaking away from the status quo, striving for ways to decrease the costs typically associated with trade spend settlement and charting a path to higher impact programs. These foodservice companies have undertaken initiatives to assess and put in place the processes, technology and staffing required to drive an effective end-to-end trade spend effort.

So, how effective are your trade spend programs? To begin benchmarking your own trade spend effort and identifying potential areas for improvement, complete the *Trade Spend Management Self-Assessment Guide* provided below. This Guide has been designed to help you begin identifying the relative strengths and weaknesses of your current approach to trade spend management.

Trade Spend Management Self-Assessment Guide

- | 1. Overall, how would you rate the effectiveness of your trade spend programs? | SCORE |
|--|-------|
| 0 = Ineffective 1 = Somewhat Ineffective 2 = Somewhat Effective 3 = Very Effective | _____ |
| 2. To what degree has your company prioritized improving the effectiveness of its trade spend efforts? | _____ |
| 0 = Not a Current Priority 1 = Somewhat Important 2 = Very Important 3 = Top Priority | _____ |
| 3. How automated are your trade spend processes (e.g., contracting, approvals, claim settlement)? | _____ |
| 0 = Not Automated 1 = Not Very Automated 2 = Fairly Automated 3 = Very Automated | _____ |
| 4. Is it always clear which programs and terms have been committed to each of your trading partners? | _____ |
| 0 = Clear as mud 1 = Not Very Clear 2 = Fairly Clear 3 = Very Clear | _____ |
| 5. What % of sales and broker time (approx) is spent on program administration? | _____ |
| 0 = More than 40% 1 = 20%-40% 2 = 10%-20% 3 = 0-10% | _____ |
| 6. How much do you suspect you may be overpaying on your trade programs | _____ |
| 0 = More than 15% 1 = 10%-15% 2 = 5%-10% 3 = 0-5% 4 = No Overpayments | _____ |
| 7. To what degree are customers satisfied with timeliness of payment against their trade program claims? | _____ |
| 0 = Very Dissatisfied 1 = Somewhat Dissatisfied 2 = Somewhat Satisfied 3 = Very Satisfied | _____ |
| 8. How well are you able to measure program success or failure? | _____ |
| 0 = Unable to Measure 1 = Not Very Well 2 = Fairly Well 3 = Very Well | _____ |
| 9. To what degree does past program performance drive future trade spend allocation? | _____ |
| 0 = Never 1 = Sometimes 2 = In Most Cases 3 = Always | _____ |
| 10. How well are you able to analyze your trade spend data to gain insights into your business? | _____ |
| 0 = Never 1 = Sometimes 2 = In Most Cases 3 = Always | _____ |

TOTAL: _____

Scoring

0-10

A low score indicates that your trade spend programs are not working for you. Most trade spend efforts fall short of expectations due to the lack of infrastructure and processes required to support program planning, contracting, settlement, and measurement.

11-20

A medium score indicates that your company is generating some success in its trade spend efforts. Further improvement in methodology, supporting infrastructure and process could greatly accelerate program return.

21-31

A high score indicates that your company is creating significant value from its trade spend activity. Improved automation of current processes will likely allow even better scalability of program efforts and return on investment.

Since 1993, Instill has been helping customers build enterprise value by applying innovative technology and industry expertise to address the unique challenges facing foodservice companies. Instill works closely with the foodservice manufacturer community to define best practices around and develop technology solutions that support trade spend management, including data services, contract management and business intelligence applications. For more information, visit www.tradespendmanagement.com or call 1-888-INSTILL.