

Daily Coverage Update**28.11.2013****INDEX**

Headline	Publication	Page No.
Mindtree News		
Case Study: Analysis: Gear Up For Change	Business World	2

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[View Online](#)

Analysis: Gear Up For Change

Adopting new processes and systems will now be the norm and not the exception says Srinath Srinivasan of Mindtree



What Krishna faces at Teffer is rather common in the consumer goods space. In a market segment like aata, which is characterised by high brand loyalty, trade promotions is a highly effective method to push the product. While Krishna is right in trying to reduce costs, in an industry that spends close to 20 per cent of its revenue on trade promotions, the market demands this necessary evil. Depending on the promotion tactic, it can induce users to switch brands, offset competition, reward the trade or increase the market visibility. While there are a lot of issues that exist within Teffer, there are fundamentally three things that they need to focus on to manage their trade promotions effectively.

Method to madness: Trade promotions as a process involves multiple functions of the organisation at different stages of planning and execution.

While marketing and sales are busy developing the promotion plans, finance has to be cognizant of it to settle the claims after the event. In Teffer's case, finance is blind-sighted when it comes to settlement, and field sales are not aligned with the brand that marketing created. The current process is essentially bottom-up, with each organisation running as a silo. There needs to be a balance of top-down and bottom-up processes to arrive at a common strategy for planning and executing trade promotions.

Investment In Technology: Five months of unreconciled claims does not bode well for both Teffer and its distributors. It impedes the working capital for the distributors which, in turn, reduces their ability to buy from Teffer and, consequently, leaves Teffer with empty retail shelves. Whereas, if the claims are settled without the necessary audit trail, it could encourage fraudulent claims and affect profitability. This could soon spiral out of control, especially for firms relying on spreadsheets to manage their promotions. Teffer should invest in a robust system that helps manage its end-to-end trade promotions process. This includes budgeting, planning, execution and analysis of promotions. This system has to be tightly integrated with downstream enterprise resource planning (ERPs) and distributor management systems to provide real-time visibility on promotion execution. With the penetration of mobile devices and the ability to reach far-flung areas, Teffer will also have to look at mobile enablement of the sales team, providing them with information to negotiate deals on-field, capturing proof of performance and noting competitor activity.

Analysing data: Shivam and Basu have taken a rather myopic view on controlling expense by cutting the quality, while Krishna's point was to do more with less. The need for Teffer is to be able to analyse each promotion with respect to the set targets. The first step in the journey would be to establish the baseline volume for the different categories, that is, sales in the absence of any promotions. Once established, Teffer can start by evaluating the incremental sales and return on investment on the promotions being executed. At a later stage, it can start looking at other metrics such as Fair Share Index (FSI), which essentially gives a comparison of the effectiveness of different tactics. By monitoring these metrics, Teffer could effectively cut the habitual expenditure and divert funds to more profitable promotion vehicles instead.

Currently at 4 per cent of the Indian market, organised retail is poised for growth with FDI in retail. As this segment grows and we have more multinational retailers entering the market, bringing in best-in-class

processes and systems to manage their operations. It's but natural for them to demand the same service levels from suppliers and other business partners. Consumer goods firms, both large and small, will have to invest in the right systems and processes as a matter of hygiene rather than sophistication. While Teffer's way of working was acceptable in the kirana stores era, they better gear up if they want to find a place on the Indian platter.

Read [Case Study: Home Again, Home Again, Market Is Done](#)

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